



REPORT TO THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

DATE ISSUED: May 2, 2024

REPORT NO: HAR24-012

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of June 25, 2024

SUBJECT: Authorization to accept \$35,000,000 in State of California (State) Homekey Program Funds, \$17,806,432 in City of San Diego HOME Investment Partnerships American Rescue Plan (HOME-ARP) funds, \$17,806,432 in County of San Diego American Rescue Plan Act (ARPA) funds, and \$1,100,000 in San Diego Regional Task Force on Homelessness funds; authorization to expend \$71,712,864 to support the proposed acquisition and rehabilitation of the Extended Stay America at 2087 Hotel Circle South; and authorization to acquire and rehabilitate the Extended Stay America at 2087 Hotel Circle South, to be known as Presidio Palms, all contingent upon the Housing Authority of the City of San Diego approving these proposed funding sources and uses in the San Diego Housing Commission's proposed Fiscal Year 2025 Budget

COUNCIL DISTRICT: 3

REQUESTED ACTION

Authorize the San Diego Housing Commission to accept \$35,000,000 in State of California (State) Homekey Program Funds, \$17,806,432 in City of San Diego HOME Investment Partnerships American Rescue Plan (HOME-ARP) funds, \$17,806,432 in County of San Diego American Rescue Plan Act (ARPA) funds, and \$1,100,000 in Regional Task Force on Homelessness funds; to expend \$71,712,864 to support the proposed acquisition and rehabilitation of the Extended Stay America property at 2087 Hotel Circle South; and to acquire and rehabilitate the Extended Stay America property at 2087 Hotel Circle South, to be known as Presidio Palms, all contingent upon the Housing Authority of the City of San Diego approving these proposed funding sources and uses in the San Diego Housing Commission's proposed Fiscal Year 2025 Budget.

STAFF RECOMMENDATION

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

- 1) Authorize the San Diego Housing Commission (Housing Commission) to accept and expend \$35,000,000 in State Homekey Program funds, \$17,806,432 in City of San Diego HOME Investment Partnerships American Rescue Plan (HOME-ARP) funds, \$17,806,432 in County of San Diego American Rescue Plan Act (ARPA) funds, and \$1,100,000 in San Diego Regional Task Force on Homelessness funds to support the proposed acquisition and rehabilitation of the Extended Stay America at 2087 Hotel Circle South, San Diego,

CA 92108, which will be known as Presidio Palms and will consist of 161 affordable rental housing units for people experiencing homelessness with income up to 30 percent of San Diego's Area Median Income (AMI) and two manager's units. The proposed action is contingent upon the Housing Authority approving these proposed funding sources and uses in the Housing Commission's proposed Fiscal Year 2025 Budget.

- 2) Authorize the Housing Commission to acquire the Extended Stay America property, pursuant to that certain Purchase and Sale Agreement (PSA) for the Extended Stay America at 2087 Hotel Circle South, San Diego CA, 92108, dated April 20, 2023, with the seller ESA P Portfolio LLC, a Delaware limited liability company. The proposed action is contingent upon the Housing Authority approving the proposed funding sources and uses for this purpose in the Housing Commission's proposed Fiscal Year 2025 Budget.
- 3) Authorize the Housing Commission's President and Chief Executive Officer (President and CEO), or designee, to take such actions and perform such acts as are necessary to acquire the Extended Stay America at 2087 Hotel Circle South, San Diego, CA 92108, a 68,709-square-foot building, for the price of \$57,000,000. ESA P Portfolio LLC shall provide clear fee simple title upon acquisition of the property. The proposed action is contingent upon the Housing Authority approving the proposed funding sources and uses for this purpose in the Housing Commission's proposed Fiscal Year 2025 Budget.
- 4) Authorize the Housing Commission's President and CEO, or designee, to execute and record an affordability covenant against the Extended Stay America property, to be known as Presidio Palms, for 55 years, with 161 units required to remain affordable for households experiencing homelessness with income at or below 30 percent of AMI. Of the 165 total units at acquisition, two units will be converted to use as unrestricted service provider offices, and two units will be utilized as property manager's units, for 163 total studio units.
- 5) Authorize the Housing Commission to purchase of the Extended Stay America property and complete all associated closing activities and pay all closing costs, as well as remediation and upgrades to the property, utilizing \$35,000,000 in State Department of Housing and Community Development Homekey Program Round 3 (Homekey) funds; \$17,806,432 in City of San Diego HOME Investment Partnerships American Rescue Plan (HOME-ARP) funds; \$17,806,432 in County of San Diego American Rescue Plan Act (ARPA) funds; and \$1,100,000 in San Diego Regional Task Force on Homelessness funds. The proposed action is contingent upon the Housing Authority approving the proposed funding sources and uses for this purpose in the Housing Commission's proposed Fiscal Year 2025 Budget.
- 6) Authorize the Housing Commission's President and CEO, or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals upon the advice of General

Counsel, to allow the Housing Commission to acquire the Extended Stay America property on terms and conditions described in this report, as approved by General Counsel of the Housing Commission. Housing Commission staff will notify the Housing Authority and the City Attorney's Office about any subsequent amendments or modifications to the documents, and other required documents, including amendments to any documents.

- 7) Approve all budgets associated with the purchase and rehabilitation of the Extended Stay America property, to be known as Presidio Palms. This includes the transfer and/or reallocation of funds between any and all funding use line items within the total approved development/project budget, provided the total project/development budget amount after any and all transfers/reallocations does not exceed the previously approved budget total, in any instances when the operational need(s) arise and/or when such actions are to the benefit of the Housing Commission and its mission. The proposed action is contingent upon the Housing Authority approving the proposed funding sources and uses for this purpose in the Housing Commission's proposed Fiscal Year 2025 Budget.
- 8) Authorize the Housing Commission's President and CEO, or designee, to take such actions and perform such acts as necessary for the recruitment and hiring of staff for the ongoing operations of Presidio Palms. The proposed action is contingent upon the Housing Authority approving the proposed funding sources and uses for this purpose in the Housing Commission's proposed Fiscal Year 2025 Budget.

SUMMARY

The State Department of Housing and Community Development (Department) issued a Notice of Funding Availability (NOFA), dated March 29, 2023, for the Homekey Program, which continues a statewide effort to sustain and rapidly expand housing for persons experiencing homelessness or at-risk of homelessness, and who are, thereby, disproportionately impacted by and at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases. The Department issued the NOFA for Homekey Program grant funds pursuant to Assembly Bill 140 (2021-2022 Regular Session), which provided the statutory basis for Round 3 of the Homekey Program by adding section 50675.1.3 to the California Health and Safety Code.

Through the Homekey Program, the Department made \$736 million in grant funding available to local public entities, including cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California. Awarded funds may be used for acquisition or rehabilitation of hotels, apartments, or homes, including manufactured housing, to be converted into permanent or interim housing; conversion of nonresidential properties into residential units; new construction; master leasing of properties for non-congregate housing; purchase of affordability covenants and restrictions for units; relocation costs for individuals being displaced as a result of the Homekey Program project; and capitalized operating subsidies for units purchased, converted, constructed, or altered.

Homekey Program funds consist of \$435 million derived from the federal Coronavirus State Fiscal Recovery Fund (CSFRF), established by the federal American Rescue Plan Act of 2021 (ARPA) (Public

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Law 117- 2), and \$301 million from the state's General Fund.

The Department is authorized to administer the Homekey Program pursuant to the Multifamily Housing Program (Chapter 6.7, commencing with Section 50675, of Part 2 of Division 31 of the Health and Safety Code). Homekey Program funding allocations are subject to the terms and conditions of the NOFA, ARPA guidance, the Application, the Department-approved STD 213, Standard Agreement (Standard Agreement), and all other legal requirements of the Homekey Program.

The Housing Commission submitted an application to the Department on July 28, 2023, for \$38,500,000 to support the acquisition and development of the Extended Stay America property, to be known as Presidio Palms. On February 13, 2024, the Department informed the Housing Commission of a conditional award of \$35,000,000 in Homekey funds for the Presidio Palms project. The proposed development would consist of 161 units dedicated to individuals experiencing homelessness, two managers' units and two units to be used as a service provider offices. The Housing Commission has committed 161 federal Project-Based Housing Vouchers to help pay rent for residents experiencing homelessness.

The population intended for this site would consist of people experiencing chronic homelessness; people experiencing literal homelessness; and Transition-Age Youth in need of permanent affordable rental housing with supportive services. Residents would be identified through referrals from the Coordinated Entry System and would include individuals experiencing chronic homelessness with serious mental illness.

In addition to \$17,806,432 in capital funds, the County of San Diego has committed to providing \$8,521,435 over five years toward the necessary behavioral health supportive services for Presidio Palms. Through a Memorandum of Agreement (MOA) with the County of San Diego Health and Human Services Agency, residents will receive supportive services.

All 161 households will receive the following supportive services: outreach and engagement; mental health services; healthcare/physical health services; behavioral health services; substance use services; case management; care coordination; life skills training; education and employment services; assistance obtaining benefits; and essential documentation and transportation services.

The Housing Commission anticipates that its staff will provide property management. Property management positions for the ongoing operations of this site, to be known as Presidio Palms, include, but are not limited to, one on-site Property Manager, one on-site Assistant Property Manager, and two Custodians/Site Cleaners.

Once acquired, the owner will make every effort to deliver the property vacant to the Housing Commission. The property will undergo the following: upgrades to existing building systems to extend useful life and accommodate upgrades to life safety systems; security additions to include the installation of cameras and additional exterior lighting; painting of the interior and exterior of the building; accessibility upgrades, including path of travel to units and common areas; termite fumigation; other items identified in the

Physical Needs Assessment; and other site improvements as able within the approved budget.

The proposed project aligns with the goals of the Community Action Plan on Homelessness for the City of San Diego to increase access to permanent housing solutions for people experiencing homelessness and increase access to services for people with behavioral health needs.

DUE DILIGENCE

In April 2023, the Housing Commission Board authorized the execution of a Purchase and Sales Agreement for the Extended Stay America property, commencing due diligence activities in compliance with the Housing Commission's acquisition policy. Housing Commission staff engaged in extensive due diligence activities as outlined below, and no findings that would prevent the recommendation of acquiring the property were identified.

- Appraisal – Kinetic Valuation Group (KVG) completed an appraisal of the property's fee simple interest. The market value fee simple interest as existing use is \$60,780,000 (\$368,363 per unit) with an effective date of May 3, 2023. This value is higher than the proposed purchase price of \$57,000,000 (\$345,454 per unit). In addition to the appraisal, the Housing Commission enlisted BTI appraisal to complete a peer review of the KVG appraisal, and the County of San Diego Department of General Services Real Estate Valuation completed an appraisal. The BTI peer review found the KVG appraisal acceptable, and the County of San Diego review found that the appraisal complied with the Uniform Standards of Professional Appraisal Practice and the appraiser's analysis of the selected market data were appropriate and produced reasonable results. A copy of the appraisal is attached. Although it is not required by any of the proposed funding sources, due to time elapsed since the original appraisal, the Housing Commission obtained an updated appraisal from KVG. The updated appraised value, received May 30, 2024, with an effective date of May 20, 2024, is \$59,540,000. The updated appraisal is discussed further later in this report under the heading "Appraisal Update."
- Physical Needs Assessment (PNA) – KCM Group assessed the physical condition of the property and its improvements in the summer of 2023. KCM inspected the common areas, units, structural, mechanical, electrical, plumbing, landscaping, accessibility, and life safety areas. Code violations and accessibility compliance issues were also reviewed. A report has been prepared by KCM that summarizes the remaining useful life of the building's components, the existing conditions of the property, the immediate and long-term repairs needed, and estimates for the cost of repairs. The planned rehabilitation of the property will address all items identified in the PNA.
- Hazardous Materials – Advantage Environmental Consultants, LLC (AEC) conducted microbial growth, lead, and asbestos testing at the site.

AEC completed microbial growth testing on all common areas, and all 165 guest rooms. Elevated levels of microbial growth were detected in four of the 165 units inspected. Upon acquisition, the Housing Commission will undertake remediation efforts during rehabilitation

and before habitation of the units with elevated microbial growth levels.

A survey and inspection were conducted by AEC to locate and identify visible and accessible asbestos-containing material on the site. Asbestos-containing materials (ACM) were not identified within the building materials sampled at the site. Additional assessment is not considered to be warranted at this time.

According to the Toxic Substances Control Act (TSCA), the definition of target housing for lead-based paint (LBP) is “any housing constructed before 1978, except housing for the elderly or persons with disabilities or any zero-bedroom dwelling.” Based on this definition, the Extended Stay America Hotel is not considered “Target Housing” by the EPA. The building was constructed between 1999-2000. Testing for lead-based paint was not performed.

- Phase I Environmental Site Assessment – Leighton and Associates, Inc. performed a Phase I Environmental Site Assessment of the property to determine if any recognized environmental conditions (REC) were present because of current or historical land uses. The assessment included public environmental agency and historical record reviews, interviews, site observations, and report preparation. The assessment revealed potential soil vapor intrusion from an adjoining lot, a former gas station.

To further evaluate the potential risk, additional testing was performed by Leighton. The additional testing included a Limited Soil Vapor Study and Vapor Intrusion Risk Evaluation. Based on the information obtained from these tests, current regulatory guidelines, and Leighton’s professional experience, no vapor mitigation is necessary for the intended future use, and no further investigation is recommended.

- Pest Inspection – Bugmizer Termite and Pest Control completed a drywood termite inspection of all units and common areas. Evidence of drywood termites was noted on most of the rafter tails and fascia of the building with varying degrees of severity. The Housing Commission will fumigate the entire structure for the control of drywood termites using industry best practices and will replace damaged rafter tails and damaged fascia areas with new pressure-treated wood.

Bugmizer completed testing for other pests throughout the site and determined that there were 10 rooms with roach activity, one room with carpet beetles, and two rooms with fruit flies. All rooms will be treated with industry best practices and continued pest control will be used during future operation of the property.

- Sewer Line Inspection – Cable, Pipe & Leak (CPL) performed video inspections on the interior and exterior sewer lines and determined the sewer lines were in good condition with minor buildup at the bottom of the pipe. CPL recommended jetting to prevent backups and slowly draining sewer lines.

- Zoning Conformance – Zoning Research Group evaluated the zoning conformance and land use of the property and communicated with the City of San Diego Development Services Department to determine if the proposed use of the property as a Single-Room Occupancy (SRO) property was allowed. The site is zoned Commercial Office CO-2-2, and pursuant to the Land Development Code, allows for the development of SROs by-right. The proposed SRO property is considered a Visitor Accommodation use, and units must meet the definition of an efficiency unit as described in the California Health and Safety Code section 17958.1.

A review of the City of San Diego’s Code Enforcement website did not reveal any open building or zoning code violations.

APPRAISAL UPDATE

Housing Commission Policy PO-RED-374.02 requires the Housing Commission to obtain a certified appraisal of value for each property the Housing Commission seeks to acquire and that the purchase price must be at or below the appraised value. Housing Commission Administrative Regulation AR219.000 further requires the Housing Commission to obtain an independent peer review or desk review of the certified appraisal of value of the property. The policy, the administrative regulation and the funding sources proposed to be used, as described in this report, do not require the Housing Commission to update appraisals.

However, the Housing Commission decided to obtain an updated appraisal for the property at 2087 Hotel Circle South that is proposed for acquisition and rehabilitation. Changes in interest rates, the effects of inflation on construction costs, rising rents in the rental housing market, and potential changes in capitalization rates could affect the appraised value of the property.

The effective date of the previous appraisal the Housing Commission obtained for this property is May 3, 2023. The proposed purchase price of this property is \$3,780,000 dollars less than appraised value as of the effective date of the initial appraisal. On May 30, 2024, the Housing Commission received the updated appraisal, also performed by KVG, with an effective date of May 20, 2024. The appraised value as of the effective date of the updated appraisal is \$59,540,000. The proposed purchase price is \$2,540,000 less than the updated appraised value.

PREVAILING WAGES

Per Section 506 of the NOFA, the use of Homekey funds is subject to California’s prevailing wage law (Lab. Code, § 1720 et seq.). Further, any contract executed requiring payment of prevailing wages for this project shall include applicable clauses and require the general contractor to sign and submit the prevailing wage documents prior to the start of work. The payment of prevailing wages has been included in the project budget. The proposed use of 161 Project-Based Housing Vouchers for permanent supportive housing, administered by the Housing Commission, will require the payment of federal Davis-Bacon prevailing wages. The higher of the federal or state prevailing wages will apply.

AFFORDABLE HOUSING IMPACT

This project would support the development of 161 affordable rental housing units with supportive

services for individuals experiencing homelessness with income up to 30 percent of AMI. The Housing Commission has committed 161 Project-Based Housing Vouchers (PBVs) for the Presidio Palms property, of which 40 PBVs are for transition-age youth experiencing homelessness, 40 PBVs are for people experiencing chronic homelessness, and 81 PBVs are for people experiencing literal homelessness. Residents will be identified through referrals from the Coordinated Entry System. Under the PBV program, the tenant’s rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder being federally subsidized up to a gross rent level approved by the Housing Commission.

FISCAL CONSIDERATIONS

The proposed Fiscal Year (FY) 2025 funding sources and uses are included in the proposed FY 2025 Housing Commission Budget, which is scheduled to be presented to the Housing Authority of the City of San Diego for consideration and action on June 10, 2024. Sources and Uses are as follows:

SOURCES	Cost	Per Unit
Local Match Funding - City of San Diego	\$17,806,432	\$107,917
Local Match Funding - County of San Diego	\$17,806,432	\$107,917
Local Match Funding – RTFH	\$1,100,000	\$6,667
State Homekey Funds	\$35,000,000	\$212,121
Total Project Sources	\$71,712,864	\$434,623

USES	Cost	Per Unit
Land/Acquisition	\$57,402,420	\$347,893
Design & Engineering	\$813,019	\$4,927
Permits & Fees	\$284,151	\$1,722
Third-Party Reports	\$170,074	\$1,031
Hard Costs	\$9,471,693	\$57,404
Reserves	\$1,517,473	\$9,197
Other Soft Costs	\$1,831,533	\$11,100
Developer Fee*	\$222,500	\$1,348
Total Project Uses	\$71,712,864	\$434,623

*Excludes deferred developer fee of \$2,400,000 which will be paid from operating cash flows in future years

BROKER FINDER’S FEE

On April 20, 2023, in connection with the authorization of a Purchase and Sales Agreement for the property, the Housing Commission Board voted 4-0 to also authorize the Housing Commission’s President and CEO to execute a compensation agreement between the Housing Commission and Marcus & Millichap (M&M) regarding the Housing Commission’s payment of a finder’s fee to M&M, payable upon escrow closing.

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On or about January 24, 2022, M&M made the Housing Commission aware of ESA P Portfolio LLC's intention to sell three Extended Stay America properties. At that time, the Housing Commission's contract with M&M (approved by the Housing Commission Board on November 12, 2021) provided for the Housing Commission to pay brokerage commissions to M&M in the event the sellers of properties were unwilling to pay the brokerage commission. At that time, the Housing Commission elected not to proceed with respect to the three properties, as the round of Homekey funding then in effect was well underway, and the Housing Commission was pursuing joint applications on other potential projects. There was no certainty at the time of another round of Homekey funds. The Housing Commission's broker agreement with Marcus & Millichap concluded June 30, 2022.

In late 2022 (October and November), ESA P Portfolio LLC's broker approached the Housing Commission. Given the changed circumstances (primarily a new round of Homekey funds), the Housing Commission engaged in negotiations. Under the terms of the prior contract with M&M, the Housing Commission may have had a continuing legal obligation to pay M&M the brokerage commission set forth in the prior contract because of the work they performed in January 2022 related to the Extended Stay America portfolio. ESA P Portfolio LLC would not agree to pay a commission to M&M. However, ESA P Portfolio LLC agreed to cap the amount payable to its broker to an amount equal to the amount that a seller's broker would be allowed to receive under the Housing Commission's prior contract with M&M.

Housing Commission staff and M&M compromised, and M&M agreed to waive its rights to receive compensation with respect to any other properties that M&M previously presented to Housing Commission staff, provided that, if the Housing Commission closes on one or more of the three properties described in Housing Commission Report HCR23-055, the Housing Commission will pay M&M a finder's fee equal to one half of the amount M&M would be entitled to receive under the Housing Commission's prior contract with M&M. Thus, the combined seller commissions and finder's fees payable to M&M will be less than the amount set forth in the Housing Commission's prior contract with M&M.

Payment of the finder's fee aligns with the Housing Commission's Policies and Administrative Regulations. Section 4 of Administrative Regulation AR.219.000 (Retention of Real Estate Brokers; Operating Procedures for Brokers and Peer or Desk Review of Appraisals) provides that "the Commission may also deal directly with real estate brokers who present listed properties to the Housing Commission and to cooperate with brokers, as set forth within Acquisition Policy Section 4.1.4." Section 4.1.4 of the Acquisition Policy (Policy PO-RED-374.02) provides that the Housing Commission is "authorized to contract directly with brokers and/or to cooperate with brokers to effectuate the acquisitions." Neither the Administrative Regulation nor the Policy set forth a methodology or cap on the amount of commission payable. Since the prior contract with M&M was previously approved by the Housing Commission Board, Housing Commission staff utilized the compensation schedule set forth therein as a point of reference, and M&M agreed to accept one-half of the amount M&M would have been entitled to receive under the prior contract with M&M. Based on this methodology, M&M would receive compensation of \$323,437 from the Housing Commission in connection with the acquisition proposed in this report, pursuant to the Housing Commission Board's April 20, 2023, authorization to execute the compensation agreement.

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The Housing Commission utilized a procedure set forth in Administrative Regulation AR.219.000 (Retention of Real Estate Brokers; Operating Procedures for Brokers and Peer or Desk Review of Appraisals) and the Acquisition Policy (Policy PO-RED-374.02) to enter into an agreement with M&M, with the Housing Commission Board's approval on April 20, 2023. Of note, the prior contract with M&M provided for a continuing brokerage relationship, which the Housing Commission did not desire to continue and has not continued. The new compensation agreement with M&M, executed April 26, 2023, is far simpler and pertains only to the potential acquisition of the property described in this report. However, the new agreement continues to require M&M to provide all of the various conflict disclosures at all of the various times that were required under the prior contract with M&M. The Housing Commission required M&M to submit the required conflict disclosures, including the Statement of Economic Interest (Form 700) in April 2023, at the time of the consideration and approval of the Letter of Intent and Purchase and Sale Agreement for Extended Stay America Properties. In June 2024, Housing Commission staff again confirmed M&M submitted the required Form 700 and complied with the requirement to provide the necessary conflict disclosures.

PREVIOUS HOUSING COMMISSION BOARD OF COMMISSIONERS ACTIONS

On April 20, 2023, the Housing Commission Board voted 4-0 to authorize the Housing Commission to execute a Purchase and Sales Agreement by and between the Housing Commission and ESA P. Portfolio, LLC (Seller), with a purchase price not to exceed \$65,175,000 for the property located at 2087 Hotel Circle South, San Diego, CA 92108. The Housing Commission Board also approved the commencement of Due Diligence activities and a Due Diligence budget not to exceed \$250,000 (Resolution No. HC-1979).

On January 19, 2024, the Housing Commission Board voted 5-0 to authorize the Housing Commission to execute an amendment to increase the compensation of design work on the property at 2087 Hotel Circle South, San Diego, CA 92108, in an amount not to exceed \$890,000 and the associated pre-development budget (Report No. HCR24-014).

On July 25, 2023, the Housing Commission Board voted 5-0 to authorize the Housing Commission to submit an application for State of California Department of Housing and Community Development Homekey Program Grant Funds for the proposed acquisition and rehabilitation of the property at 2087 Hotel Circle South (Resolution HC-1989).

On February 16, 2024, the Housing Commission Board voted 4-0 to approve a revised resolution authorizing the Housing Commission to apply for State of California Department of Housing and Community Development (Department) Homekey Program Grant Funds for the proposed acquisition and rehabilitation of the property at 2087 Hotel Circle South, as required by the Department (Report No. HCR24-031).

On May 10, 2024, the Housing Commission Board voted 6-0 to recommend that the Housing Authority take the staff-recommended actions in this report.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to Strategic Priority Area No. 1 and No. 4 in the Housing Commission Strategic Plan for

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Fiscal Year (FY) 2022-2024. No.1: Increasing and Preserving Housing Solutions. No.4: Advancing Homelessness Solutions – Supporting the City of San Diego Community Action Plan on Homelessness.

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

The Housing Commission developed and incorporated a comprehensive racial and gender equity program in accordance with the Homekey Program application requirements that includes specific actions to be taken to ensure equitable access and community engagement for this project.

KEY STAKEHOLDERS and PROJECTED IMPACTS

The proposed actions would benefit individuals and families experiencing homelessness in the City of San Diego who are disproportionately impacted by and at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases.

ENVIRONMENTAL REVIEW

This activity an authorization to accept funds and to acquire and rehabilitate the Extended Stay America at 2087 Hotel Circle South, to be known as Presidio Palms, is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Sections 15301 (Existing Facilities) and 15304 (Minor Alterations to Land). This activity is exempt pursuant to CEQA, as there are no changes planned to building and unit footprints, or property use, The activity is also exempt pursuant to 15304 (Minor Alterations to Land), as the renovations will be limited to immediate needs such as those identified for fire and life safety, accessibility and path of travel, and remediation for hazardous materials and pests, None of the exceptions to the exemptions as outlined in CEQA Guidelines Section 15300.2 would apply. A Notice of Exemption (NOE) was subsequently filed on May 15, 2023. Federal funds constitute a portion of the project’s funding. The Project is categorically excluded from the National Environmental Policy Act (NEPA)) under Title 24 of the Code of Federal Regulations, section 58.35(a)(3)(ii), regarding rehabilitation of buildings and improvements, and is subject to Title 24 of the Code of Federal Regulations, section 58.5.

Respectfully submitted,



Robert G. Bohrer
Vice President, Real Estate Finance and Acquisitions
Real Estate Division

Approved by,



Lisa Jones
President and Chief Executive Officer
San Diego Housing Commission

Attachments:

1. Pro forma
2. Initial Appraisal
3. Peer Review of Initial Appraisal
4. County of San Diego Review of Initial Appraisal
5. Updated Appraisal
6. Homekey Award Letter
7. Housing Commission Board Resolution HC-1989
8. Purchase and Sale Agreement and Amendments

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Hard copies are available for review during business hours at the information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org.

ESA - Hotel Circle

Draft Date: 06/03/2024 - 2:59 PM

SECTION 1: PROJECT INFORMATION AND ACQUISITION ASSUMPTIONS

GENERAL PROJECT INFORMATION

Project Name: **ESA - Hotel Circle**
 Purchase Price: **\$57,402,420**
 Project Address: **2087 Hotel Circle South**
 Choice Communities
 Year Built: **0**
 Total Units: **163**
 MSA: **San Diego County**
 Area Media Income
 Project Type
 Prospected Owner Entity: **SDHC**

BUILDING AREA

Gross Building Square Footage: **80,000 sf**
 Residential: **45,406 sf**
 Common Area: **34,594 sf**
 Land: **36,154 sf**
 - sf
 - sf
 - sf
 - sf
Approximate Gross Building Area: **sf**

SECTION 2: UNIT MIX & PROJECT INCOME

RESIDENTIAL INCOME

Bedroom Type	Number of Units	% of Total	Net Area (SF)	Gross Square Feet	Section 8 Payment Standard	Utility Allowance	Max Rent	Monthly Income	Annual Income	
PSH Studio	161	99.4%	320	44,480	\$2,167	\$0	\$2,167	348,887	\$4,186,644	
PSH Studio	0	0.0%	0	0	\$0	\$0	\$0	-	\$0	
PSH Two Bedroom	0	0.0%	0	0	\$0	\$0	\$0	-	\$0	
Manager Studio	2	1.2%	463	926	\$0	\$0	\$0	0%	\$0	
Total/Average	163	100.6%	322	45,406	\$0	\$0.00	\$2,140	0%	348,887	\$4,186,644

COMMERCIAL INCOME (NNN)

Unit Type	Net SF	\$/SF/Month	Monthly	Annual
Commercial Suites	0	\$0.00	\$0	\$0
Vacancy	5%			
Total			\$0	\$0

OTHER INCOME

Residential	\$/unit/Month	Monthly	Annual
Parking Income	\$0.00	\$0	\$0
Storage Income	\$0.00	\$0	\$0
Laundry Income	\$13.00	\$2,119	\$25,428
Fees and Charges	\$0.00	\$0	\$0
Other	\$0.00	\$0	\$0
Total other income/month	\$13.00	\$2,119	\$25,428

ESCALATORS & VACANCY

Item	Rate
Escalator for Income	2.5%
Escalator for Expenses	3.5%
Escalator for P'ship Expenses	3.0%
Escalator for Misc Expenses	1.0%
Residential Vacancy	5.0%

SECTION 3: EXPENSES

Category	PUPA	Total Annual
Admin	\$3,347	per unit \$545,582
Utilities	\$3,659	per unit \$596,423
Maintenance	\$6,272	per unit \$1,022,276
Security	\$5,367	\$874,863
Insurance/Taxes	\$680	per unit \$110,880
Bad Debt	\$253	per unit \$41,250
Replacement Reserves	\$500	per unit \$81,500
Supportive Services	\$501	\$60,000
Asset Management Fee	\$502	per unit \$38,168
Total Expenses	\$21,081	\$3,370,943

SECTION 4: PROJECT MILESTONES

Approval Milestones	Date

SECTION 5: ASSUMPTIONS

Waterfall Assumptions		
Other Assumptions		
MTW FY21 Plan TDC Max Studio		\$ 179,399
MTW FY21 Plan TDC Max 2-Bed		\$ 322,918

SECTION 6: FINANCING SOURCE ASSUMPTIONS

RESERVED (PERM LOAN)		RESERVED (CONSTRUCTION LOAN)	
DCR	1.15		
Amort (Years)	-		
All-in Rate	0.00%		
Annual PMT	-		
Perm Loan Amt	\$0		
TBD SOFT FUNDING		RESERVED (LIHTC EQUITY)	
Principal	\$0		
Interest (Simple)	3.00%		
Term	55		
Annual Payment	Residual Rec.		
SOFT FUNDING TBD		ACQUIRED RESERVES	
Principal	\$0	Existing Reserves	\$0
Interest (Simple)	3.00%		
Term	55		
Annual Payment	Residual Rec.		
SOFT FUNDING TBD		RESERVED (PAY-IN SCHEDULE)	
Principal	\$0		
Interest (Simple)	3.00%		
Term	55		
Annual Payment	Residual Rec.		

SECTION 7: QUICK LOOK SUMMARY

Operating Summary	Total	Per Unit	% of EGI
Gross Rental Income	\$4,186,644	\$25,685	
Other Income	\$25,428	\$156	
(Less) Vacancy @ 5%	(\$210,604)	(\$1,292)	
Effective Gross	\$4,001,468	\$24,549	
Commercial Income	\$0	\$0	
(Less) Vacancy @ 0%	\$0	\$0	
Total Gross	\$4,001,468	\$24,549	
(Less) Operating Exp	(\$3,251,275)	(\$19,946)	
(Less) Other Expenses	(\$4,000)	(\$25)	
Net Operating Income	\$746,193	\$4,578	
(Less) Debt Service	\$0	\$0	
Net Cash Flow	\$746,193	\$4,578	
Developer Fee Installments			
Closing			
25% Completion			
50% Completion			
75% Completion			
100% Completion			
8609s			
Deferred			
Total Developer Fee			0%
Sources:			
STATE HCD FUNDS	\$35,000,000	\$214,724	47.2%
PERM LOAN	-	\$0	0.0%
CITY OF SAN DIEGO	\$17,806,432	\$109,242	24.0%
COUNTY OF SAN DIEGO	\$17,806,432	\$109,242	24.0%
REGIONAL TASK FORCE ON HOW	\$1,100,000	\$6,748	1.5%
DEFERRED DEVELOPER FEE	\$2,400,000	\$14,724	3.2%
GAP	0	\$0	0.0%
Total Sources	74,112,864	\$454,680	100%
Uses:			
ACQUISITION COSTS	\$7,402,420	\$352,162	77.5%
HARD COSTS	9,471,696	\$58,109	12.8%
PERMITS & FEES	284,150	\$1,743	0.4%
A&E	813,019	\$4,988	1.1%
THIRD PARTY REPORTS	170,074	\$1,043	0.2%
FINANCING COSTS	-	\$0	0.0%
RESERVES	1,517,473	\$9,310	2.0%
OTHER SOFT COSTS	1,831,533	\$11,236	2.5%
DEVELOPER FEE	2,622,500	\$16,089	3.5%
Total Uses	74,112,864	\$454,680	100.0%

Appraisal Of

Extended Stay America-Hotel Circle

**2085-95 Hotel Circle South
San Diego, CA 92108**

Effective Date: May 3, 2023

Report Date: August 15, 2023

San Diego Housing Commission

Buddy Bohrer

**Vice President-Real Estate Finance and Acquisition
1122 Broadway, Suite 300
San Diego, CA 92101**

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August 15, 2023

Buddy Bohrer
Vice President-Real Estate Finance and Acquisition
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

Re: Appraisal of Extended Stay America-Hotel Circle
2085-95 Hotel Circle South
San Diego, CA 92108

Dear Mr. Bohrer:

We are pleased to present the findings with respect to the value of the above-referenced property, Extended Stay America-Hotel Circle (Subject). The intended user and client of this report is San Diego Housing Commission (Developer) and their assigns. Additional intended users include The California Department of Housing and Community Development (HCD), and any other funding agency, lender or partnership formed. California Tax Credit Allocation Committee (TCAC) and the California Debt Limit Allocation Committee (CDLAC) may rely upon the appraisal as an intended user related to the low-income housing tax credits application. This report is intended to comply with California Tax Credit Allocation Committee (TCAC)/California Debt Limit Allocation Committee (CDLAC) appraisal requirements. The intended use is to provide assistance with investment analysis.

It should be noted throughout the report when we reference “Developer” we are referring to San Diego Housing Commission.

This valuation engagement was conducted in accordance with the Code of Professional Ethics and Standards of Valuation Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP). In accordance with these standards, we have reported our findings herein in an appraisal report as defined by USPAP.

The value conclusions were based on general economic conditions as they existed on the date of the analysis and did not include an estimate of the potential impact of any sudden or sharp rise or decline in general economic conditions from that date to the effective date of this report. Events or transactions that may have occurred subsequent to the effective date of our opinion have not been considered. We are not responsible to update or revise this report based on such subsequent events, although we would be pleased to discuss with you the need for revisions that may be occasioned as a result of changes that occur after the valuation date.

Special & Extraordinary Limiting Conditions

The valuation assumes the hypothetical condition that the site is vacant. A hypothetical condition is that which is contrary to what exists but is supposed for the purpose of analysis. The use of the hypothetical conditions may affect assignment results.

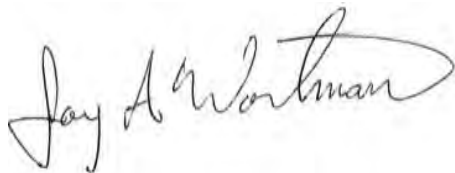
The Subject is zoned CO-2-2 (Commercial--Office). Zoning information was verified with the San Diego Municipal Code and L64A-003A, Cycle Type: 1 Prelim Land Development Review (LDR-Planning Review) from the City of San Diego and dated May 30, 2023. The City's LDR will be retained in the appraiser's file. The purpose of the CO zones is to provide areas for employment uses with limited, complementary retail uses and residential use as specified. According to L64A-003A, Cycle Type: 1 Prelim (LDR-Planning Review) from the City of San Diego and dated May 30, 2023, "In this case the proposed SRO land use is understood to be previously conforming by-right and no approval will be necessary to continue the proposed use." The market rate multifamily use will be consistent with this use as the unit mix is not planned to be altered. Reliance has been placed upon this information from the City of San Diego Planning Department. Should this change, the valuation may require modification and we reserve the right to make modifications.

Value Conclusion	
Hypothetical Market Value of Land as of May 3, 2023	\$11,970,000
Market Value of the Fee Simple Interest of the existing use as of May 3, 2023	\$31,350,000
Market Value of the Fee Simple Interest as a Market Rate Apartment as of May 3, 2023	\$60,780,000

We appreciate this opportunity to be of service. Please contact us if you have any comments or questions.

Respectfully submitted,

KINETIC VALUATION GROUP, INC.



Jay Wortmann, MAI
Appraiser
jay@kvgteam.com
(402) 202-0771
Certified General
CA - 3001293
Expiration: 9/10/2023



Byron Lea, MAI
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Expiration: 2/28/2025

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ADDENDA

EXECUTIVE SUMMARY

PROPERTY DESCRIPTION

Property Appraised:

The property is located at 2085-95 Hotel Circle South, in San Diego, CA. The Subject has been assigned Assessor parcel number 443-040-38. Extended Stay America-Hotel Circle (Subject) is an existing three-story, elevator-served hotel containing 165 rooms. The rooms are furnished. There is a laundry room, break room, guest laundry room, and lobby on the first floor. The building was constructed in 1999 and is wood frame with concrete foundation. Surrounding the building is a parking lot containing 196 spaces. The site topography gently slopes upward from south to the north, but is generally level with the exception of the far southern portion of the parcel which turns into steeply sloping hillside.

The developer is planning to convert the property into 165 studio multifamily units with supportive housing for homeless and at risk of homeless individuals pursuant to the Homekey program.

Legal Interest Appraised:

The property interest appraised is fee simple subject to any and all encumbrances, if applicable for each value estimate.

Site Area:

The site contains 4.58 acres or 199,504 square feet.

Zoning:

The Subject is zoned CO-2-2 (Commercial--Office). The purpose of the CO zones is to provide areas for employment uses with limited, complementary retail uses and residential use as specified. The CO zones are intended to apply in large-scale activity centers or in specialized areas where a full range of commercial activities is not desirable. The CO zones are differentiated based on the uses and development scale allowed. CO-2-2 is intended to accommodate office uses that serve as an employment center.

Per San Diego Municipal Code (SDMC) Table 131-05B (Use Regulations for Commercial Zones), Visitor Accommodations are an allowable use within Base Zone CO-2-2.

**Highest and Best Use
“As Vacant”:**

The highest and best use for the property “as vacant” would be to construct a commercial property consistent with zoning ordinances.

**Highest and Best Use
“As Improved”:**

Homekey appraisal requirements, indicate we have to provide an existing use value regardless of the appraisers concluded highest and best use; therefore, the value of the property as a hotel is presented. Analysis indicates conversion of the Subject to market rate multifamily use represents the highest and best use as improved.

Inspection Date:

The Subject property was inspected May 3, 2023.

Marketing/Exposure Period:

Six – 12 Months.

FACTUAL DESCRIPTION

Property Identification

The property is located at 2085-95 Hotel Circle South, in San Diego, CA. Extended Stay America-Hotel Circle (Subject) is an existing three-story, elevator-served hotel containing 165 rooms. The rooms are furnished. There is a laundry room, break room, guest laundry room, and lobby on the first floor. The building was constructed in 1999. Surrounding the building is a parking lot containing 196 spaces. The Subject has been assigned Assessor parcel number 443-040-38.

Intended Use and Intended Users of Appraisal

The intended user and client of this report include San Diego Housing Commission and their assigns. Additional intended users include The California Department of Housing and Community Development (HCD), and any other funding agency, lender or partnership formed. California Tax Credit Allocation Committee (TCAC) and the California Debt Limit Allocation Committee (CDLAC) may rely upon the appraisal as an intended user related to the low-income housing tax credits application. This report is intended to comply with California Tax Credit Allocation Committee (TCAC)/California Debt Limit Allocation Committee (CDLAC) appraisal requirements. The intended use is to provide assistance with investment analysis.

Compliance and Competency Provision

We are aware of the compliance and competency provisions of USPAP, and within our understanding of those provisions, this report complies with all mandatory requirements, and the authors of this report possess the education, knowledge, technical skills, and practical experience to complete this assignment competently, in conformance with the stated regulations.

Legal Description

Included in the Addenda.

Property Interest Appraised

The property interest appraised is the fee simple estate.

Market value is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and acting in what they consider their best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,

5. The price represents normal considerations for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

Fair Market Value is defined as: The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with each other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

SRO hotel room means a guest room or efficiency unit, as defined by California Health and Safety Code section 17958.1, intended or designed to be used, or which is used, rented, or hired out, to be occupied, or which is occupied, as a primary residence, by guests.

Date of Inspection and Effective Date of Appraisal

The Subject was inspected and photographed on May 3, 2023. This shall be the effective date of the appraisal.

Compliance and Competency Provision

We are aware of the compliance and competency provisions of USPAP, and within our understanding of those provisions, this report complies with all mandatory requirements, and the authors of this report possess the education, knowledge, technical skills, and practical experience to complete this assignment competently, in conformance with the stated regulations.

Scope of Appraisal

As part of this appraisal, we have completed the following steps to gather, confirm, and analyze the data.

- Byron Lea, MAI, a CA Certified General Real Estate Appraiser, performed a physical inspection of the property and the Subject's neighborhood May 3, 2023.
- The identification of the property to be appraised is based on information provided by the client and the property representative.
- Regional, city, and county data were based on information obtained from newspaper articles, city of San Diego, San Diego County, ESRI Demographics, the Bureau of Labor Statistics, and other resources available to the appraiser. This was performed by Brent Griffiths, MAI.
- Data collection and analysis of market conditions currently affecting the county's real estate market on a national and regional level was conducted. This included, but was not limited to, the review and analysis of data pertaining to supply and demand for real estate properties, availability of financing and current financing terms, current interest and yield rates, buyer preferences, and economic forecasts. This was performed by Byron Lea, MAI.

¹ 7th Edition of The Dictionary of Real Estate Appraisal.

- The research for land included areas of San Diego from 2019 to the present. The research for improved sales included the San Diego region. The market data was collected from the appraiser's office files, other appraisers, Realtors, newspapers articles, CoStar, title companies, LoopNet, and public records. The land and improved sales were surveyed by Byron Lea, MAI.
- The information gathered from these surveys and investigations was then analyzed, and comparisons were made to the property. The valuation process included the Income and Sales Comparison Approaches. This was performed by Byron Lea, MAI
- Jay Wortmann, MAI reviewed the report but did not inspect the Subject.

Unavailability of Information

In general, all information necessary to develop an estimate of value of the Subject property was available to the appraisers.

Ownership and History of Subject

Ownership of the site is vested in ESA P Portfolio L.L.C. The current ownership vesting purchased the property along with 563 other Extended Stay America properties in June 2021 for \$5,940,000,000. The property is subject to a purchase and sale agreement dated April 20th, 2023, and a first amendment to the purchase and sale agreement dated July 27th, 2023, with San Diego Housing Commission (buyer) with a purchase amount of \$57,000,000, or \$345,000 per room. The buyer intends to renovate and convert the property to permanent supportive housing for homeless. The purchase agreement also includes one other Extended Stay America property, and the buyer may elect to purchase this property or not. Analysis of the transaction demonstrates it is a market-oriented transaction. We are not aware of any other transfers in the previous three years.

REGIONAL AND LOCAL AREA ANALYSIS

Located on the coast of the Pacific Ocean in Southern California, San Diego is widely known for its white-sand beaches and climate which is characterized as warm, dry summers and mild winters with most of the annual precipitation falling between December and March. San Diego's economy primarily evolves are military, tourism, research and manufacturing, and biotechnology. It is the second largest city in the state of California and the eighth largest in the United States, with a population of 1,386,932 people as of the 2020 census. San Diego has a total area of 372 square miles and is the county seat of San Diego County.

San Diego County is the southernmost county in California bordering Orange and Riverside Counties to the north, Imperial County to the east, Mexico to the south, and the Pacific Ocean to the west. The county is made up of 18 incorporated cities and towns along with other neighborhoods and communities. It had an estimated population of 3,38,330 people as of the 2020 census. San Diego County is also designated as the San Diego-Carlsbad, California MSA.

Transportation

Highway: The San Diego metropolitan area is served by an extensive freeway/interstate system, which includes the following roads:

Interstate 5 is a major north-south route along the entire west coast of the United States. This highway links the major California cities of San Diego, Santa Ana, Los Angeles, Stockton, Sacramento, and Redding. It travels through the western portion of San Diego, providing access to other major roadways within the metropolitan area including Interstate 8, State Route 94, and State Route 15 (an extension of Interstate 15).

Interstate 805 is a major north-south route through southern California. It is a bypass of Interstate 5, running through the center of the Greater San Diego region from San Ysidro (part of the city of San Diego) near the Mexico-U.S. border to near the city of Del Mar. It provides access to other major roadways within the metropolitan area including Interstate 5, State Route 94, and State Route 15 (an extension of Interstate 15).

California State Route 15, joined by Interstate 15, is a major north-south route in southern California. It connects San Bernardino, Riverside, and San Diego Counties. The route consists of the southernmost portion of Interstate 15, which extends north through Nevada, Arizona, Utah, Idaho, and Montana to the Canadian border. It is a major thoroughfare for traffic between San Diego and the Inland Empire and provides access to other major roadways within the metropolitan area including Interstate 5, Interstate 8, Interstate 805, and State Route 94.

Interstate 8 is a major east-west route through the southwestern United States. It runs from the western portion of San Diego to the junction with Interstate 10, just southeast of the city of Casa Grande, Arizona. The freeway travels through the

central portion of the San Diego metropolitan area provides access to other major roadways within the metropolitan area including Interstate 5, State Route 94, and Interstate 15.

California State Route 52 extends from La Jolla Parkway at Interstate 5 in La Jolla to California State Route 67 in Santee. It is a freeway for its entire length and serves as a major east–west route through the northern part of the city of San Diego.

California State Route 56 (Ted Williams Freeway) is an east–west route running from Interstate 5 in Carmel Valley to Interstate 15. It serves as an important connector between these interstates, being the only east–west freeway between California State Route 78 in north San Diego County and California State Route 52 near Marine Corps Air Station Miramar.

California State Route 94 is a major east-west route through the central portion of San Diego. The western portion, known as the Martin Luther King Jr. Freeway, begins downtown San Diego and continues to the end of the freeway portion past State Route 125 in the city of Spring Valley. It provides access to other major roadways within the metropolitan area including Interstate 5, Interstate 805, and State Route 15 (an extension of Interstate 15).

California State Route 163, or the Cabrillo Freeway, is an 11-mile stretch of the former US 395 freeway that runs from Downtown San Diego just south of an interchange with Interstate 5, extending north through historic Balboa Park and various neighborhoods of San Diego to an interchange with Interstate 15 in the neighborhood of Miramar.

Air: San Diego International Airport (SAN) is located approximately 12 miles southwest of the Subject. The airport is the nation's busiest single-runway commercial airport with 600 daily flights. The airport receives more than 16 million passengers a year and has 22 airlines providing non-stop service throughout the United States and non-stop services to Mexico and Canada.

Public Transportation

The San Diego Metropolitan Transit System (MTS) is the public transit service provider for about 570 square miles of the urbanized areas of San Diego County as well as the rural parts of East County. In total, MTS serves about 3 million people, generating approximately 92 million annual passenger trips. Services include bus and light rail as well as freight. The bus service includes almost 100 fixed bus routes as well as paratransit service. Light rail service is operated by San Diego Trolley, Inc. (SDTI) on four lines with 53 stations and 54.3 miles of rail. The nearest bus stop to the Subject is located 0.12 miles from the Subject. The nearest light rail station is Fashion Valley Station, which is located 0.85 miles from the Subject.

Education

The Subject is located in the San Diego Unified School District. San Diego Unified School District serves more than 132,000 students in pre-school through grade 12 and is the second largest district in California. It includes more than 223 educational facilities with 14,438 employees. More than 6,500 teachers are in classrooms at the district's various educational facilities, which include 118 traditional elementary schools, 9 K-8 schools, 24 traditional middle schools, 26 high schools, 44 charter schools, and 14 atypical/ alternative schools. Students to reside at the Subject are zoned to attend Grant Elementary School, Correia Middle School, and Point Loma High School. These schools are located between 0.72 miles and 2.97 miles from the Subject.

Healthcare

UC San Diego Medical Center-Hillcrest is a teaching hospital for the University of California San Diego School of Medicine. The 381-bed hospital offers a range of primary care and specialized services and houses several regional services. It is located 0.99 miles from the Subject.

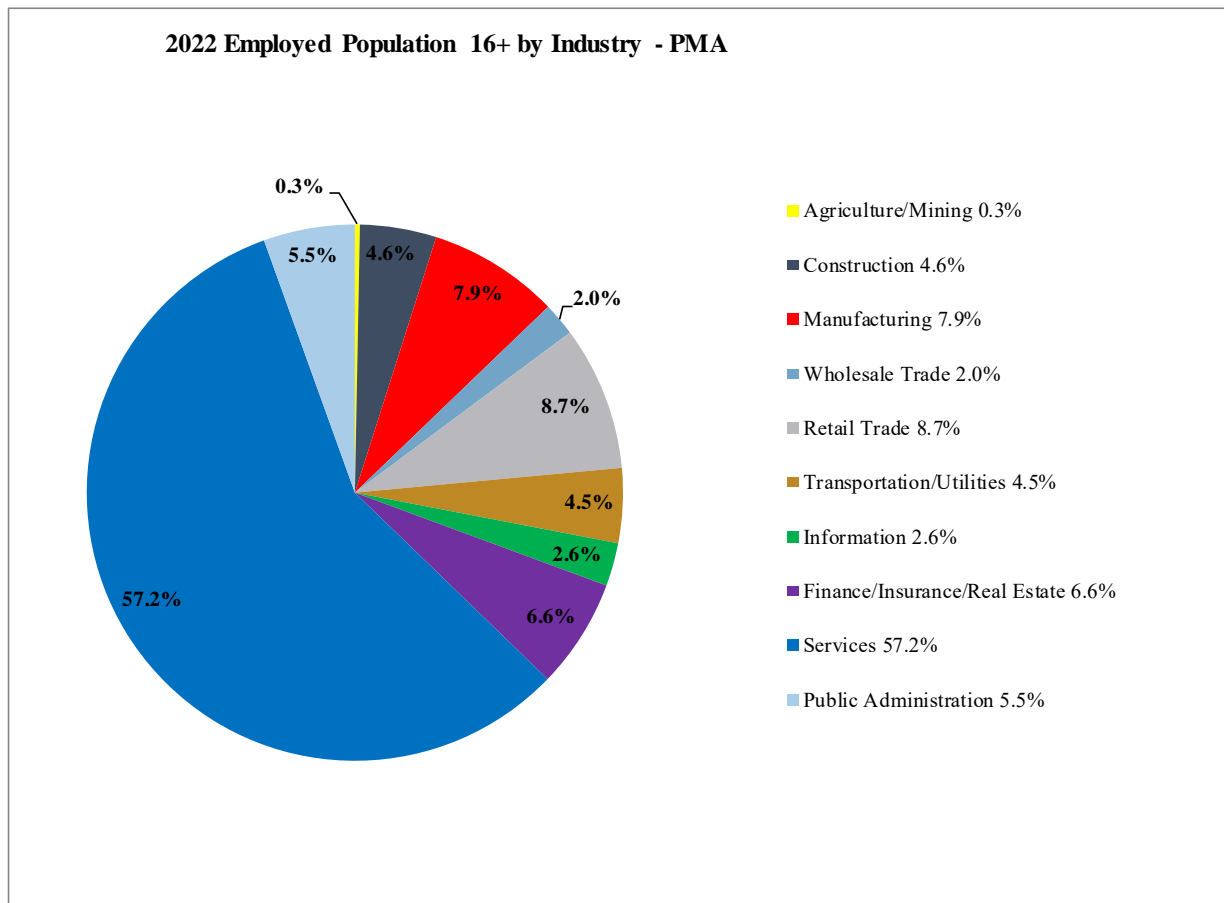
Scripps Mercy Hospital is a private Catholic hospital located in San Diego. Founded in 1890, it is the oldest hospital in San Diego County and has campuses in Chula Vista and Hillcrest. The hospital has 700 acute-care-licensed beds and employees 1,300 physicians. The Hillcrest campus is home to one of only two regional Level I Trauma Centers and receives more than 2,100 trauma patients each year. The hospital is approximately 1.32 miles from the Subject.

MARKET AREA ECONOMY

The following discussion includes an analysis of the local economy. This section will present and analyze information regarding employment by industry, the major employers, and unemployment trends. The economic information is from ESRI Demographics, the City of San Diego, the Bureau of Labor Statistics, and California Employment Development Department. These data sources are reliable and current.

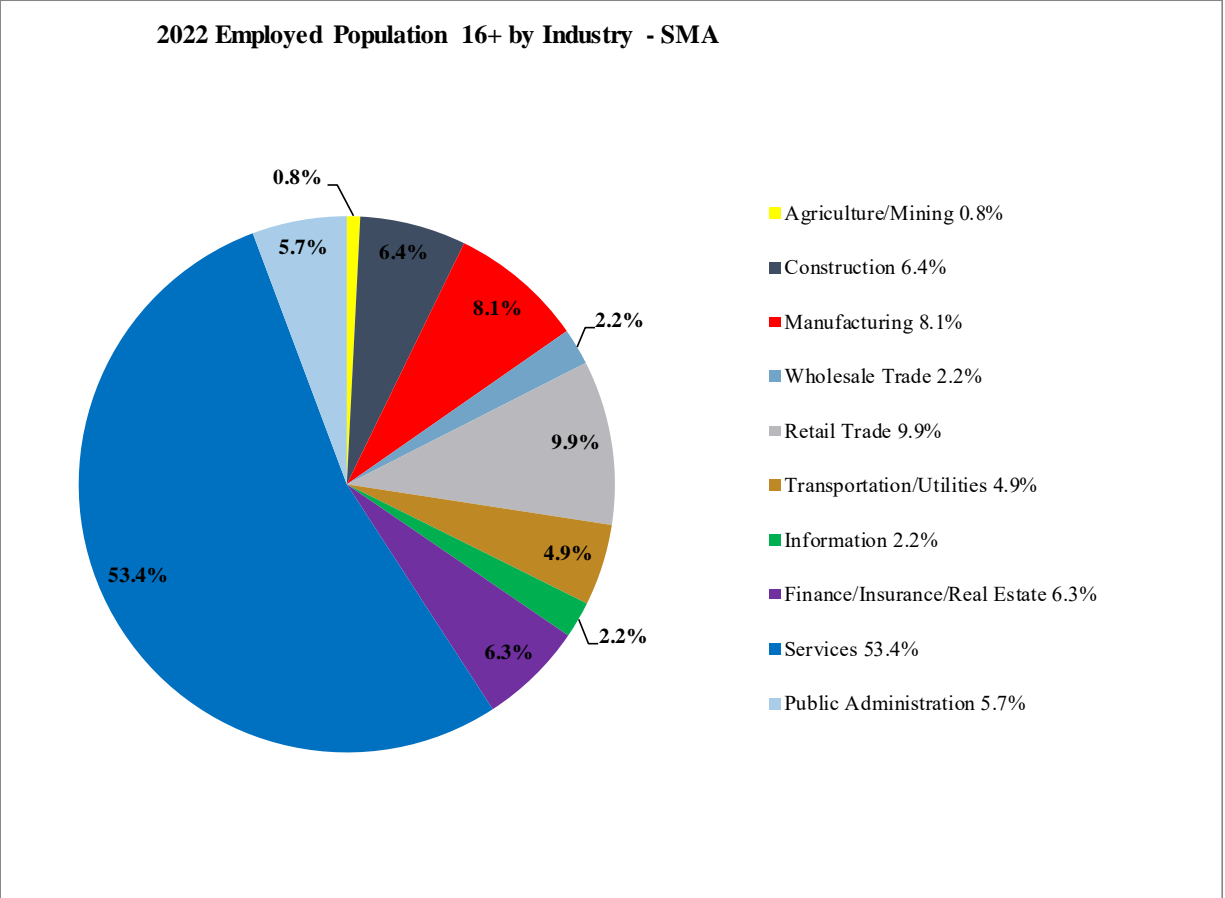
Employment by Industry

The following charts illustrate the distribution of employment sectors by industry within the PMA and SMA.



Source: ESRI Demographics

The largest employment sector in the PMA is the services sector with 57.2 percent, followed by the retail trade sector with 8.7 percent, and the manufacturing sector with 7.9 percent.



Source: ESRI Demographics

The largest employment sector in the SMA is the services sector with 53.4 percent, followed by the retail trade sector with 9.9 percent, and the manufacturing sector with 8.1 percent.

Major Employers

The following charts identify the major employers in the city of San Diego and San Diego County.

City of San Diego, CA Major Employers - 2022		
Employer	Industry	# Employees
Naval Base San Diego	Government	41,321
University of California, San Diego	Education	37,064
Sharp Health Care	Healthcare	18,839
County of San Diego	Government	16,744
Scripps Health	Healthcare	13,787
San Diego Unified School District	Education	13,559
Qualcomm Inc	Technology	11,546
City of San Diego	Government	11,466
Kaiser Permanente	Healthcare	9,632
Northrop Grumman Corporation	Manufacturing	6,075

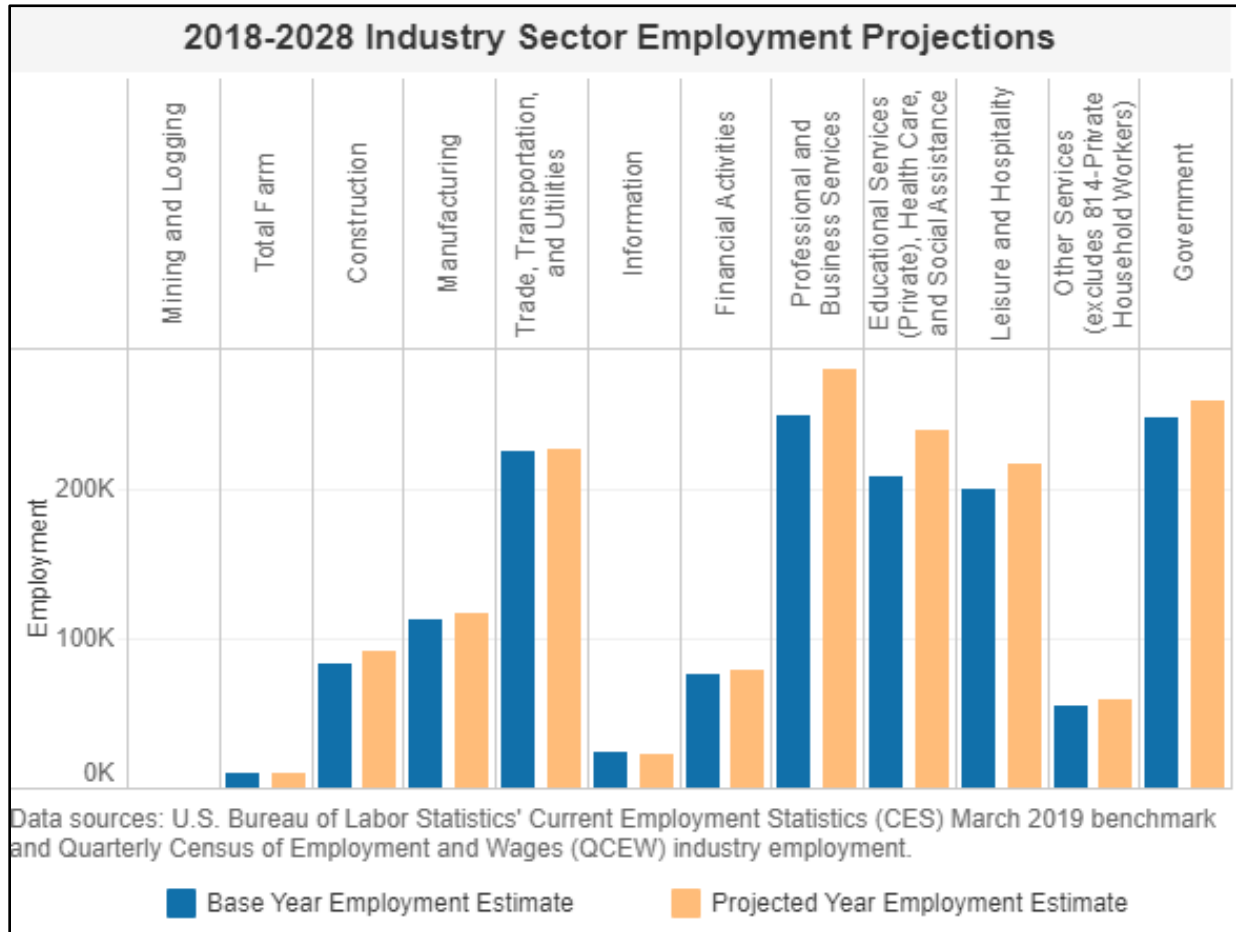
Source: City of San Diego Comprehensive Annual Financial Report 2022

San Diego County, CA Major Employers - 2022		
Employer Name	Location	Industry
32nd St Naval Station	San Diego	Federal Government-National Security
Ceasar Entertainment	Valley Center	Restaurants
Employees' association-SDGE	San Diego	Gas Companies
General Dynamics NASSCO	San Diego	Ship Builders & Repairers (mfrs)
Illumina Inc	San Diego	Biotechnology Products & Services
Kaiser Permanente Vandever Med	San Diego	Physicians & Surgeons
Kaiser Permanente Zion Med Ctr	San Diego	Hospitals
MCCS MCRD SN DIEGO-MRNE CORPS	San Diego	Military Bases
Merchants Building Maintenance	San Diego	Janitor Service
Page One Seo	San Diego	Mental Health Services
Palomar Pomerado Health Rehab	Escondido	Rehabilitation Services
Rady Children's Hospital	San Diego	Hospitals
San Diego Community College	San Diego	Junior-Community College-Tech Institutes
San Diego County Sheriff	Santee	Police Departments
Scripps Mercy Hosp Sn Diego	San Diego	Hospitals
Scripps Research Institute	La Jolla	Laboratories-Research & Development
SeaWorld San Diego	San Diego	Water Parks
Sharp Grossmont Rehab Ctr	La Mesa	Rehabilitation Services
Sharp Mary Birch Hosp	San Diego	Hospitals
Sharp Memorial Hospital	San Diego	Hospitals
Sony Electronics	San Diego	Electronic Equipment & Supplies-Retail
UC San Diego Health	San Diego	Health Care Management
Ucsd-Neural Computation	La Jolla	University-College Dept/Facility/Office
University of California	La Jolla	University-College Dept/Facility/Office
University-California Sn Diego	La Jolla	Schools-Universities & Colleges Academic

Source: CA EDD

Employment Expansion/Contractions and Trends

The information below was obtained from the Employment Development Department (EDD) about San Diego County.



2018-2028 Fastest Growing Occupations

Standard Occupational Classification	Occupational Title	Base Year Employment Estimate	Projected Year Employment Estimate	Percentage Change	Median Hourly Wage	Median Annual Wage
29-1171	Nurse Practitioners	1,340	2,260	68.7%	\$60.19	\$125,209
15-2041	Statisticians	740	1,060	43.2%	\$53.38	\$111,021
11-9111	Medical and Health Services Managers	3,100	4,350	40.3%	\$58.15	\$120,944
29-1071	Physician Assistants	1,060	1,480	39.6%	\$58.31	\$121,297
31-2021	Physical Therapist Assistants	650	890	36.9%	\$29.68	\$61,732
29-1126	Respiratory Therapists	1,550	2,080	34.2%	\$40.96	\$85,199
29-2056	Veterinary Technologists and Technicians	1,060	1,410	33.0%	\$21.96	\$45,679
15-2031	Operations Research Analysts	1,030	1,370	33.0%	\$47.54	\$98,876
27-3091	Interpreters and Translators	1,010	1,340	32.7%	\$34.97	\$72,748
29-1131	Veterinarians	1,280	1,690	32.0%	\$53.74	\$111,787

The top three industries with the highest level of employment in San Diego County include professional and business services; government; and educational services, health care, and social assistance. Professional and business services; government; and educational services, health care, and social assistance are projected to see a 12.6, 4.5, and 14.7 percent increase, respectively, in employment between 2018 and 2028.

We also obtained the May 2023 San Diego-Carlsbad Metropolitan Statistical Area (San Diego County) press release published by the “State of California Employment Development Department, Labor Market Information Division”. We have illustrated this below.

Between April 2022 and April 2023, nonfarm employment increased by 43,400 (up 2.8 percent). Meanwhile, agricultural employment receded by 200.

- Jobs in leisure and hospitality augmented by 16,300, for the most significant advance over the year. Payroll increases in accommodation and food services (up 10,500), that were centered on food services and drinking places (up 6,900), accounted for most of the growth. Arts, entertainment, and recreation (up 5,800) made up the remaining job expansion.
- Private education and health services (up 11,800) reported employment additions that were almost entirely in health care and social assistance (up 11,700). Within healthcare, the largest job gains were in social assistance (up 5,000) which renders services to youth, the elderly, families, and the disabled.
- Other industries with expansions worth noting include government (up 5,500), other services (up 4,300) construction (up 2,500), and trade, transportation, and utilities (up 1,800). Employment remained unchanged in mining and logging while job activity in manufacturing (down 100) and information (down 100) decreased.

Workforce and Unemployment Trends

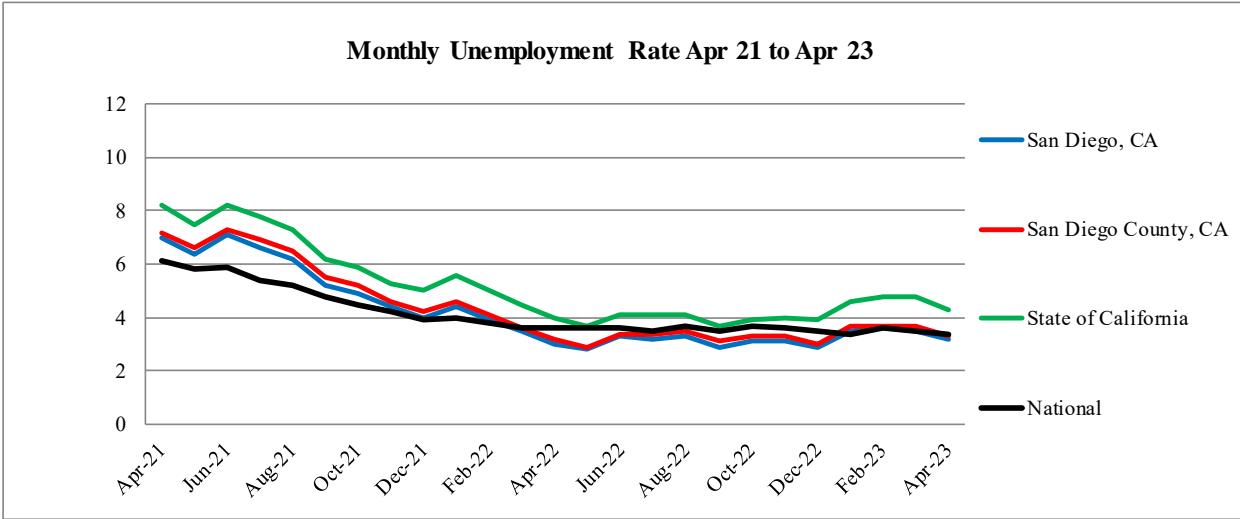
The table below illustrates the workforce and unemployment trends for the city of San Diego and San Diego County.

Unemployment Trends - 2012-2023 YTD								
Year	San Diego, CA				San Diego County, CA			
	Total Labor Force	Total Employment	Unemployment Rate (%)	(%) Change	Total Labor Force	Total Employment	Unemployment Rate (%)	(%) Change
2012	685,334	624,726	8.8	-	1,536,925	1,394,274	9.3	-
2013	688,208	636,209	7.6	-1.2	1,537,644	1,415,625	7.9	-1.4
2014	690,228	647,467	6.2	-1.4	1,537,512	1,437,398	6.5	-1.4
2015	695,049	660,441	5.0	-1.2	1,548,794	1,467,686	5.2	-1.3
2016	704,277	672,005	4.6	-0.4	1,563,246	1,489,143	4.7	-0.5
2017	710,115	682,275	3.9	-0.7	1,570,791	1,507,180	4.0	-0.7
2018	716,352	693,043	3.3	-0.6	1,579,787	1,526,622	3.4	-0.6
2019	717,904	695,590	3.1	-0.2	1,583,579	1,532,211	3.2	-0.2
2020	701,079	636,929	9.2	6.1	1,547,325	1,401,923	9.4	6.2
2021	701,321	657,654	6.2	-3.0	1,547,828	1,447,539	6.5	-2.9
2022	721,023	697,299	3.3	-2.9	1,589,551	1,534,802	3.4	-3.1
2023 YTD	725,805	702,619	3.2	-0.1	1,599,209	1,546,511	3.3	-0.1

Source: Bureau of Labor Statistics

Since 2012, the unemployment rate in San Diego has decreased year-over-year. The unemployment rate was at a decade low of 3.1 percent in 2019 before climbing to 9.2 percent in 2020 due to the COVID-19 Pandemic. As of 2023 year-to-date, the unemployment rate has decreased to 3.2 percent. The unemployment rate in the county has followed a similar trend.

Below we have compared the city, county, state, and national unemployment rates over the past 24 months.



Source: Bureau of Labor Statistics

The beginning of the previous 24-month period coincides with the middle of the COVID-19 Pandemic. Unemployment rates during this time spiked as the effects of government-mandated shutdowns and social distancing due to the COVID-19 Pandemic were felt. The city, county, state, and nation have generally shown a decreasing trend since April 2021 as a result of businesses reopening as guidelines to manage the pandemic were put into place. The local areas have generally maintained rates below the state and national average over this period, especially in the most recent months.

Employment Trends

The following table illustrates the employment trends in San Diego and San Diego County from 2012 to 2023 year-to-date.

Employment Trends - 2012 - 2023 YTD				
	San Diego, CA		San Diego County, CA	
Year	Total Employment	Percentage Growth	Total Employment	Percentage Growth
2012	624,726	-	1,394,274	-
2013	636,209	1.8%	1,415,625	1.5%
2014	647,467	1.8%	1,437,398	1.5%
2015	660,441	2.0%	1,467,686	2.1%
2016	672,005	1.8%	1,489,143	1.5%
2017	682,275	1.5%	1,507,180	1.2%
2018	693,043	1.6%	1,526,622	1.3%
2019	695,590	0.4%	1,532,211	0.4%
2020	636,929	-8.4%	1,401,923	-8.5%
2021	657,654	3.3%	1,447,539	3.3%
2022	697,299	6.0%	1,534,802	6.0%
2023 YTD	702,619	0.8%	1,546,511	0.8%

Source: Bureau of Labor Statistics

Over the past decade, employment levels in San Diego increased year over year with the exception of 2020, when the city suffered an 8.4 percent decrease due to the COVID-19 Pandemic. In the two years following, employment increased 3.3 percent and 6.0 percent in 2021 and 2022, respectively. As of 2023 year to date, employment has increased 0.8 percent. The county has followed a similar trend.

Wages by Occupation

The table below displays the wages by occupation for San Diego County.

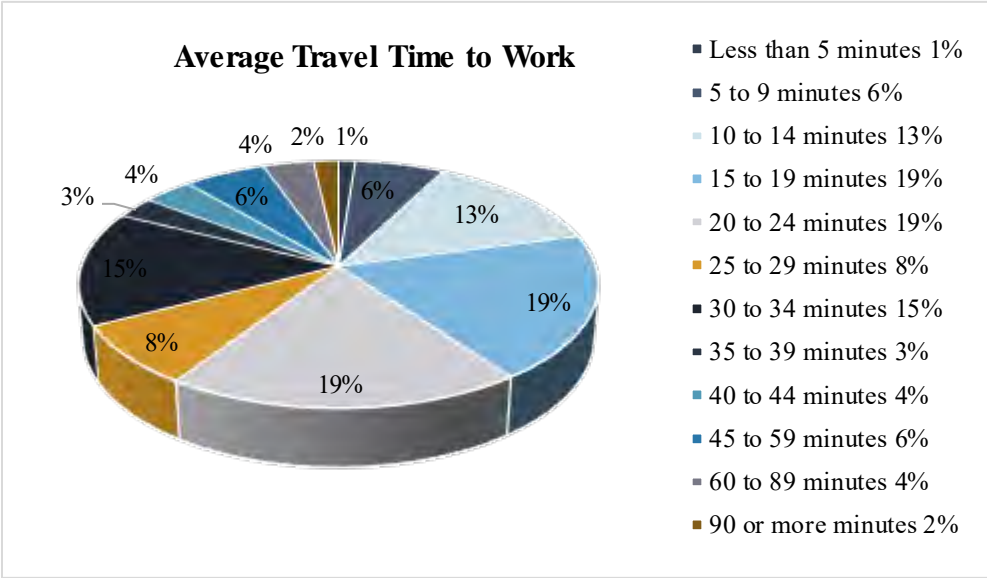
Wage by Occupation - San Diego County, CA- 2022			
Occupational Title	Number of Employees	Average Hourly Wage	Average Annual Wage
Total all occupations	1,390,410	\$33.62	\$69,917
Management Occupations	105,500	\$65.36	\$135,964
Business and Financial Operations Occupations	101,930	\$41.87	\$87,090
Computer and Mathematical Occupations	55,750	\$54.72	\$113,824
Architecture and Engineering Occupations	39,600	\$52.93	\$110,084
Life, Physical, and Social Science Occupations	25,900	\$44.02	\$91,551
Community and Social Service Occupations	24,110	\$29.32	\$60,978
Legal Occupations	12,290	\$65.93	\$137,145
Educational Instruction and Library Occupations	80,050	\$35.19	\$73,193
Arts, Design, Entertainment, Sports, and Media Occupations	17,360	\$32.90	\$68,438
Healthcare Practitioners and Technical Occupations	78,970	\$58.35	\$121,366
Healthcare Support Occupations	69,680	\$18.82	\$39,146
Protective Service Occupations	33,970	\$32.21	\$66,980
Food Preparation and Serving Related Occupations	118,300	\$17.84	\$37,109
Building and Grounds Cleaning and Maintenance Occupations	42,880	\$19.34	\$40,212
Personal Care and Service Occupations	29,600	\$19.56	\$40,691
Sales and Related Occupations	126,320	\$25.36	\$52,759
Office and Administrative Support Occupations	162,010	\$23.89	\$49,692
Farming, Fishing, and Forestry Occupations	3,040	\$19.24	\$40,035
Construction and Extraction Occupations	61,890	\$31.86	\$66,275
Installation, Maintenance, and Repair Occupations	45,160	\$28.97	\$60,270
Production Occupations	67,020	\$22.72	\$47,253
Transportation and Material Moving Occupations	89,080	\$20.97	\$43,619

Source: CA EDD

The data presented in the previous table depicts the wages in the county and is representative of wages earned in the PMA. The chart shows average hourly and annual wages by employment classification. The classification with the lowest average hourly wage was food preparation and serving-related occupations at \$17.84 per hour. The highest average hourly wage of \$65.93 was management occupations.

Commuting Patterns

The chart below shows the travel time to work for the PMA according to ESRI data.

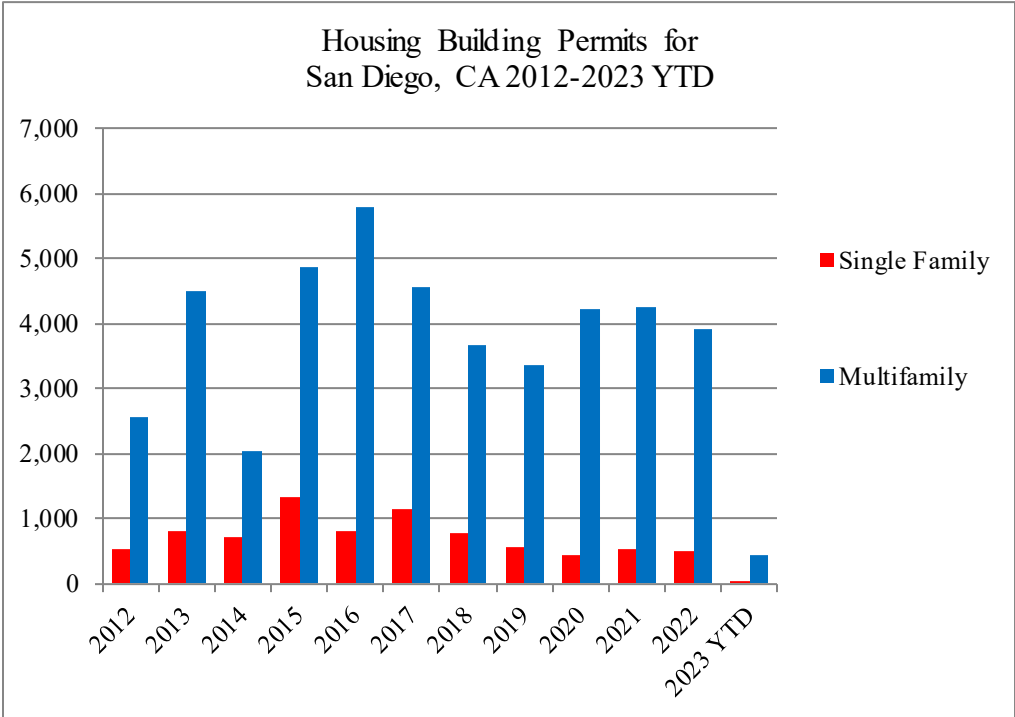


Source: ESRI Demographics

Approximately 81 percent of persons in the PMA have a commute time of less than 35 minutes indicating a majority of the persons in the PMA commute to work in nearby areas.

Building Permits

The following table demonstrates building permit information from 2012 through 2023 year-to-date in San Diego provided by the State of the Cities Data System.



Source: Office of Policy Development and Research HUD

Construction activity in the city over the past decade has mainly consisted of multifamily development.

Conclusion

The city of San Diego and San Diego County have many employment options for area residents, many of which are located within the PMA. Numerous businesses offering a range of positions and skill levels exist throughout the PMA. Many employment opportunities exist within a short distance of the Subject.

NEIGHBORHOOD ANALYSIS

Neighborhood

The neighborhood surrounding a property often impacts the property's status, image, class, and style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section investigates the property's neighborhood and evaluates any pertinent location factors that could affect its marketability.

Mission Valley Plan Area

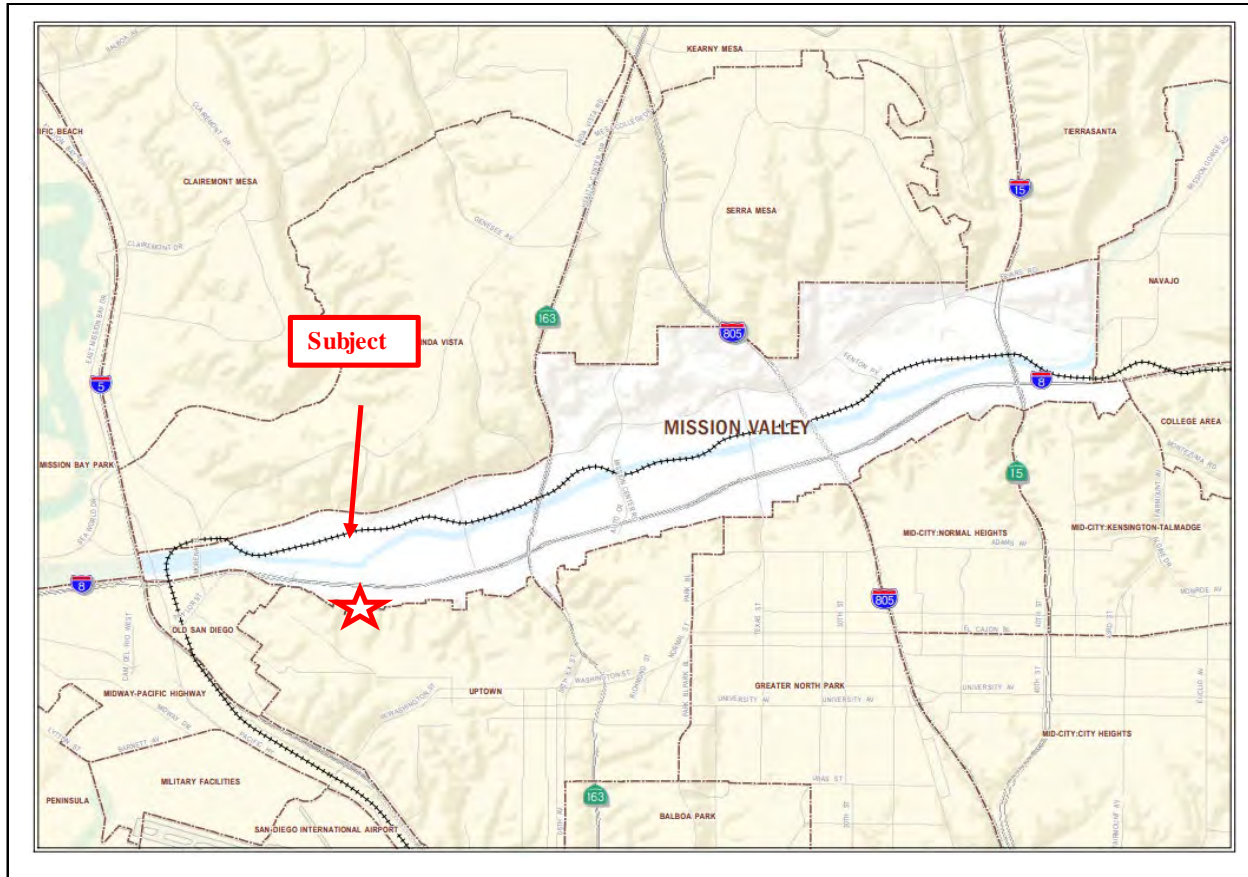
“The Mission Valley planning area comprises approximately 2,418 net acres and is located near the geographic center of the City of San Diego. Part of the San Diego River floodplain, it is generally bounded by Friars Road and the northern slopes of the valley on the north, the eastern banks of the San Diego River on the east, the southern slopes of the valley on the south, and Interstate 5 on the west.

Throughout the history of Mission Valley, the San Diego River has been a primary attraction, first as a source of fresh water and later as a scenic recreational asset. Major urban development has occurred since 1958, primarily as a result of improvements in the regional highway network. The construction of U.S. 80 (now Interstate 8) provided an impetus for commercial development in Mission Valley, and for displacement of the agricultural economy. Other significant projects include San Diego Stadium (now Snapdragon Stadium) which was completed in 1967. The community is now a regional center of office, hotels, retail sales, and a growing residential community, tied together by the San Diego Trolley.”

South of I-8 Urban Village Area

South of I-8 will have a continued emphasis on office, automobile, and hotel uses. Yet, this area will be enhanced through higher quality building materials, greater connectivity, enhanced bicycle and pedestrian friendliness, green spaces and plazas, new trail connections, and restoration of the landscape. Public art will be encouraged as a tool to support a greater sense of place and trails, bike lanes, and potentially an aerial tram would be encouraged to connect to neighborhoods on the mesa.

The map below illustrates the location of the Subject within the Mission Valley Plan Area.



Access and Traffic Flow

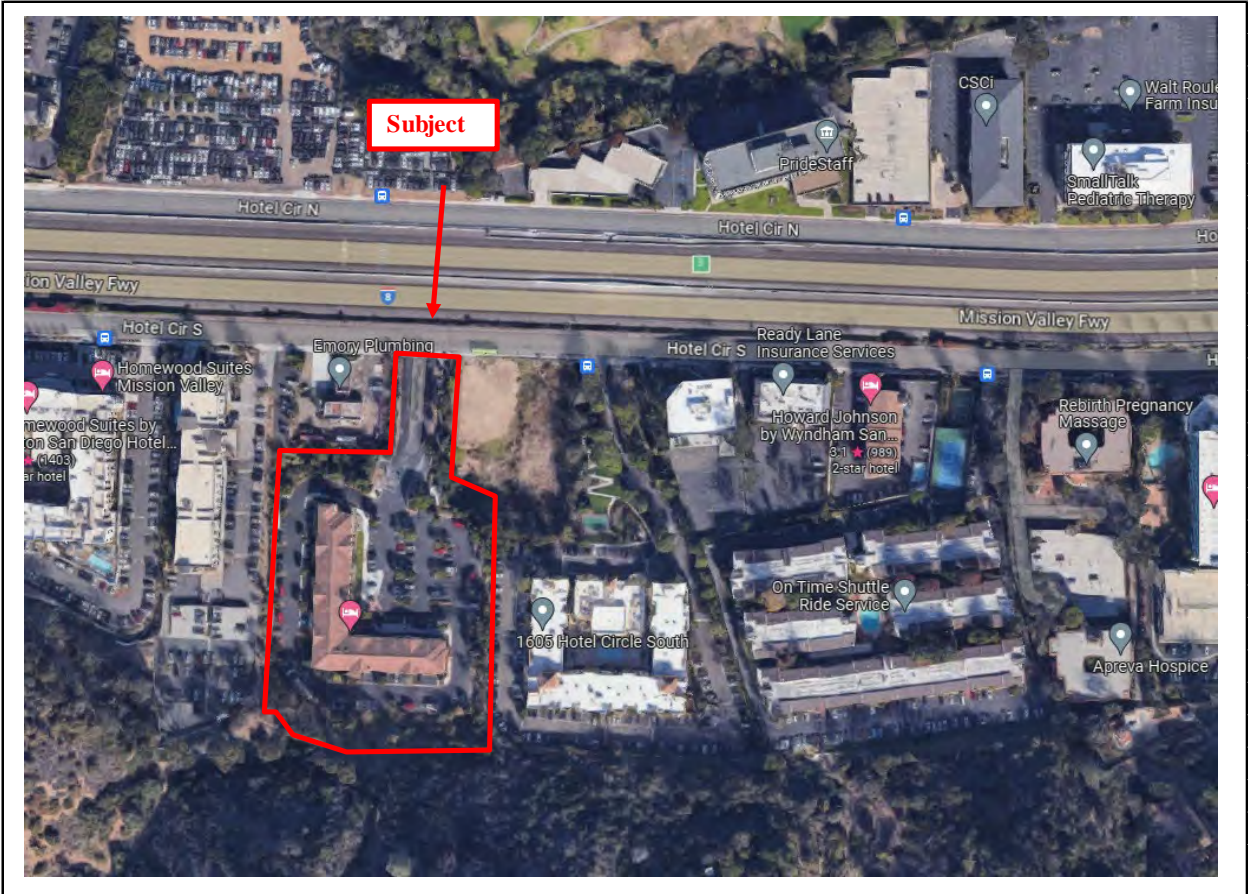
Access to the Subject site is from the south side of Hotel Circle South. Hotel Circle South traverses east/west along the south side of Interstate 8. It links with Hotel Circle North to the east of the Subject, just west of the Interstate 8/California State Route 163 interchange. Together, Hotel Circle South and Hotel Circle North form a loop around Interstate 8 and provide on-ramp/off-ramp access to this freeway. As its name suggests, the roadways are lined with various hotels, motels, and lodging, as well as complementary commercial uses.

Visibility/Views

The Subject site has limited visibility from the south side of Hotel Circle South. This is due to its setback behind adjacent properties that front the street. A small entrance/exit leads to the portion of the site where the improvements are located. Adjacent the site, north of the improvements, are a vacant lot as well as a plumbing business. To the west are various hotels including a Hampton Inn and Homewood Suites. A condominium complex is located to the east. Further east and northeast are hotels and office buildings. The Subject site is separated from uses to the south by a steep, wooded hillside. Further south are single-family homes. Surrounding uses are in average to good condition.

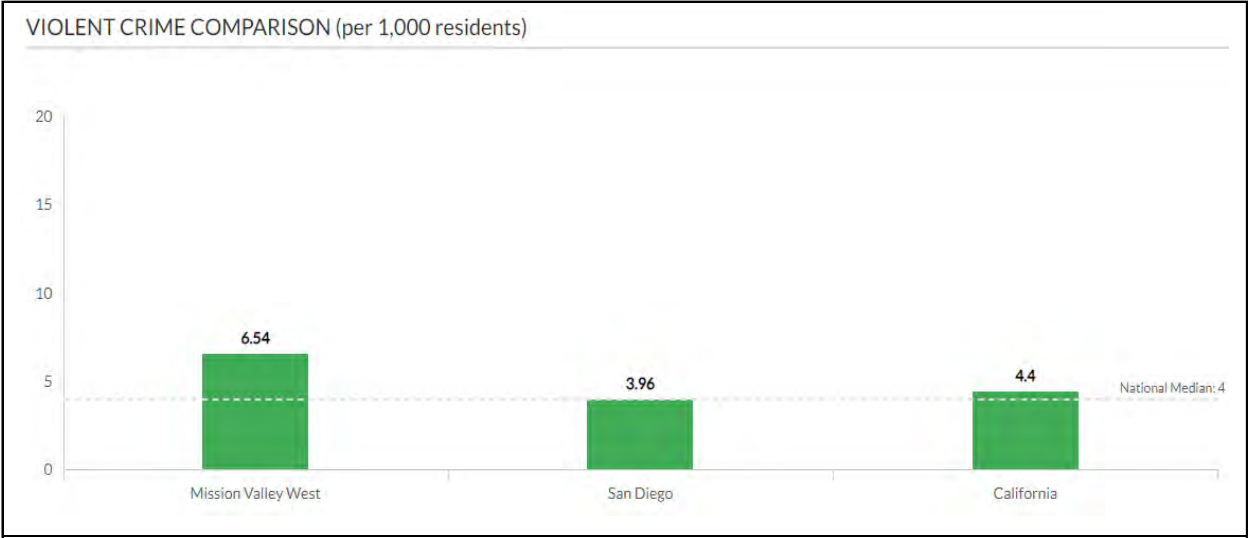
Location Map

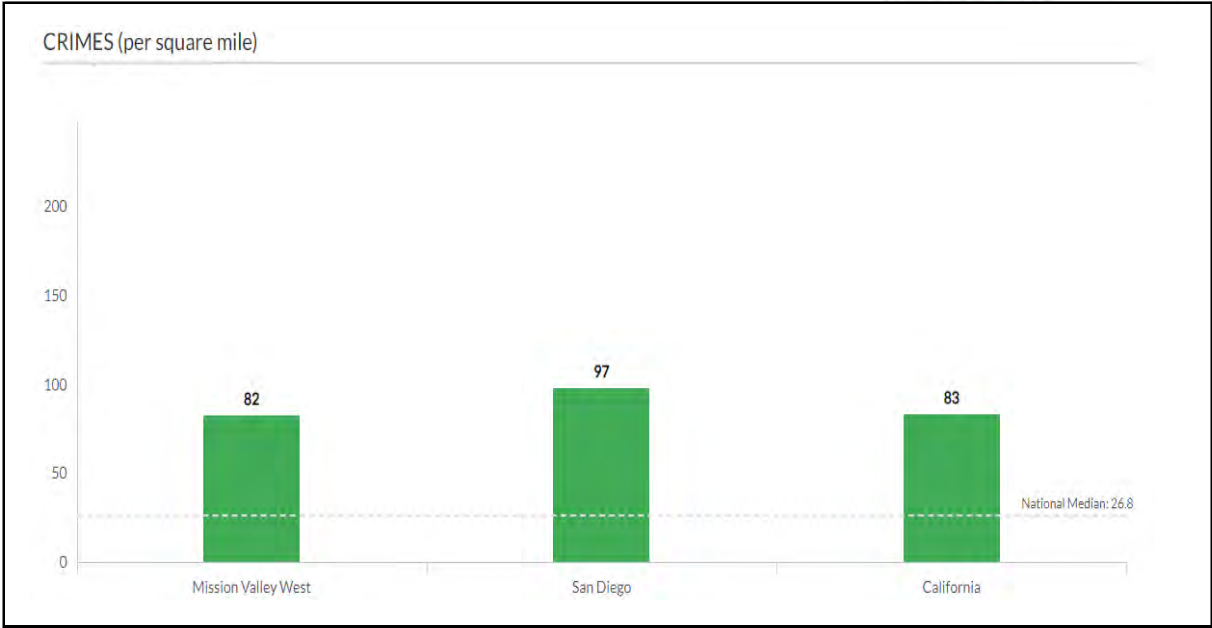
The map below illustrates the Subject and surrounding neighborhood.



Crime Statistics

The following crime data is provided by Neighborhood Scout.





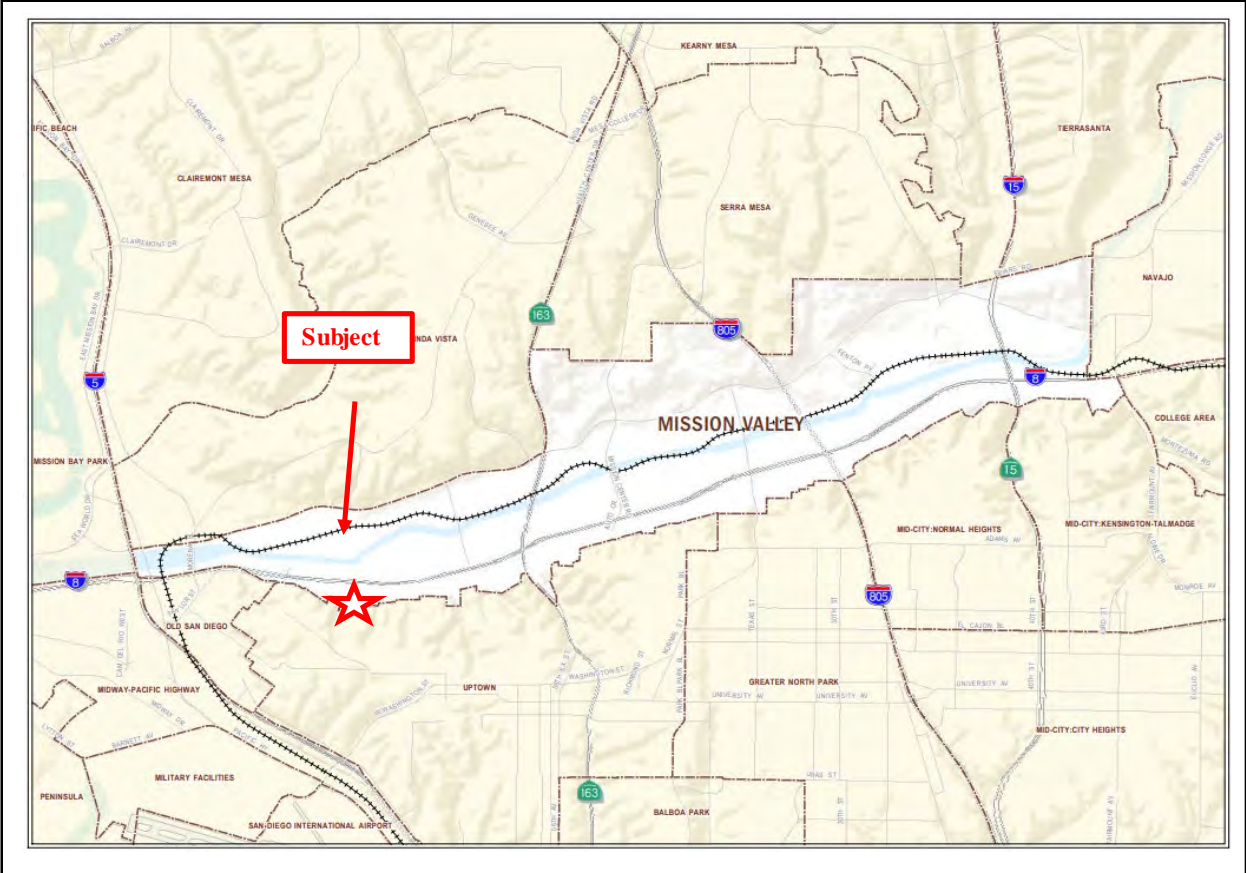
After inspection and observation of the Subject’s neighborhood, we do not anticipate the overall crime statistics will affect the marketability for the Subject.

Summary

The Subject is located in a mixed-use area in the city of San Diego. All major shopping, healthcare, and recreational amenities are located within a short distance of the Subject. Access to groceries, pharmacy and transportation is convenient.

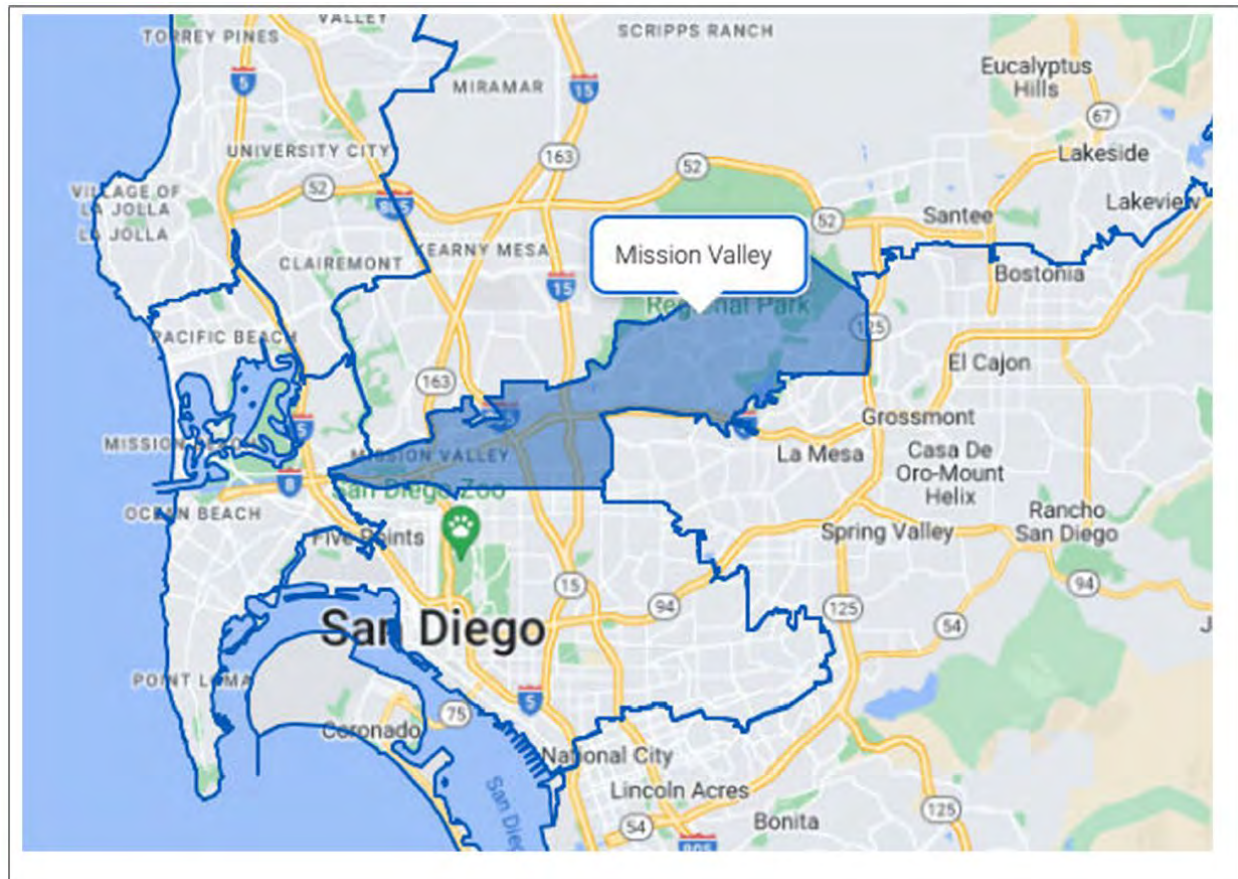
LODGING INDUSTRY

The Subject operates as a 165-room hotel within the Extended Stay America flag. Extended Stay America is a hospitality company that goes beyond the basics of just simple accommodations. The franchise focuses on long-term stays with emphasis on the right level of simplicity and functionality.



The following market data source is obtained from 2023 Costar in the Hospitality Submarket Reports.

The Subject is identified within the midscale operations class of hospitality/lodging properties. It is located within the Mission Valley submarket per Costar data as shown in the following map.



The following market data source is obtained from 2023 Costar in the Hospitality Submarket Report.

The Mission Valley submarket contains around 6,500 hotel rooms, and houses 32 of the San Diego market's 514 hotel properties. The submarket is characterized by very large hotels. The average hotel in Mission Valley contains 203 rooms, placing it in the top 5% of U.S. hotel submarkets.

In the past 12 months, monthly occupancy has averaged 77.1%, moderately above the market average of 73.6% for the same period. Perhaps unsurprisingly, Mission Valley weathered the initial impact of COVID-19 slightly better than most areas. Here, monthly occupancy fell to 31.5%, and annualized occupancy dropped to 47.7% in the initial wake of the pandemic. Since then, its recovery has been a step ahead of the San Diego market.

Trailing 12-month occupancy is 73.0%, a level slightly below the market average of 73.9% for the same period.

While the initial impact of COVID-19 affected Sea World/Old Town/Airport just as much as any hospitality submarket, as monthly occupancy fell to 22.9% and annualized occupancy dropped to 42.0% in the initial wake of the pandemic, its subsequent recovery has been a step behind its peers in the San Diego market.

Twelve-month RevPAR in the Mission Valley hotel submarket was up sharply as of May, and climbed at a 26.0% year-over-year rate. That's stronger than the otherwise considerable 20.7% increase observed market wide.

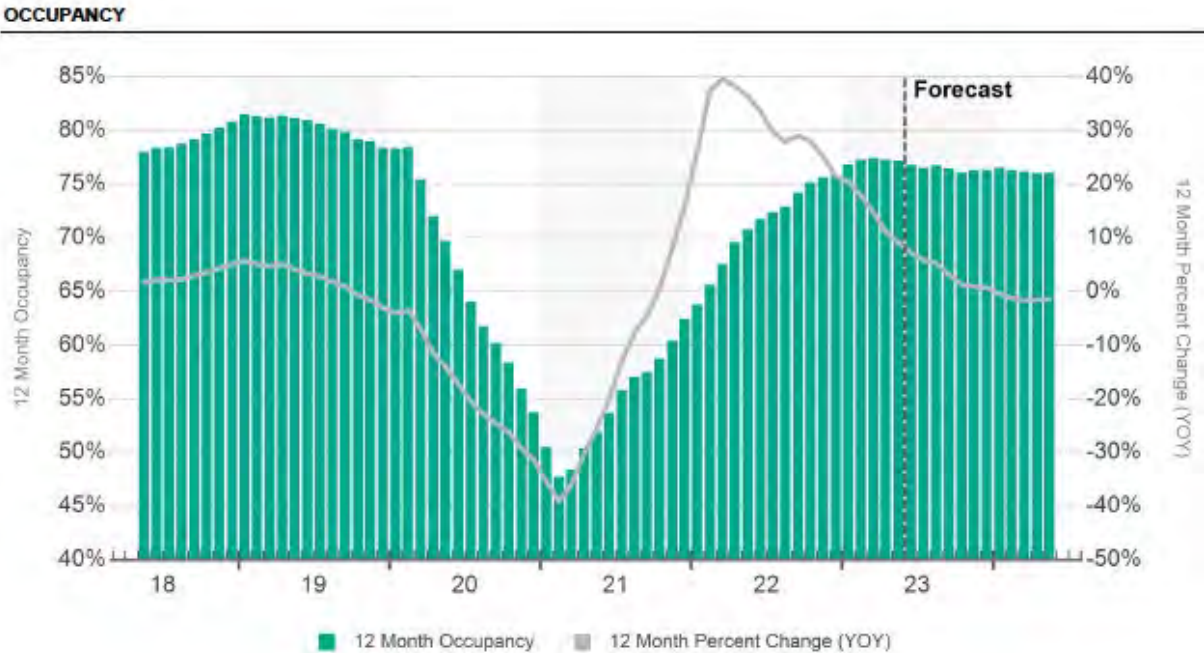
While developers are active elsewhere in the San Diego market—2,300 rooms are underway—nothing is under construction in the submarket itself. Moreover, the inventory has actually contracted over the past 10 years, as demolition activity has outpaced new construction.

KEY INDICATORS

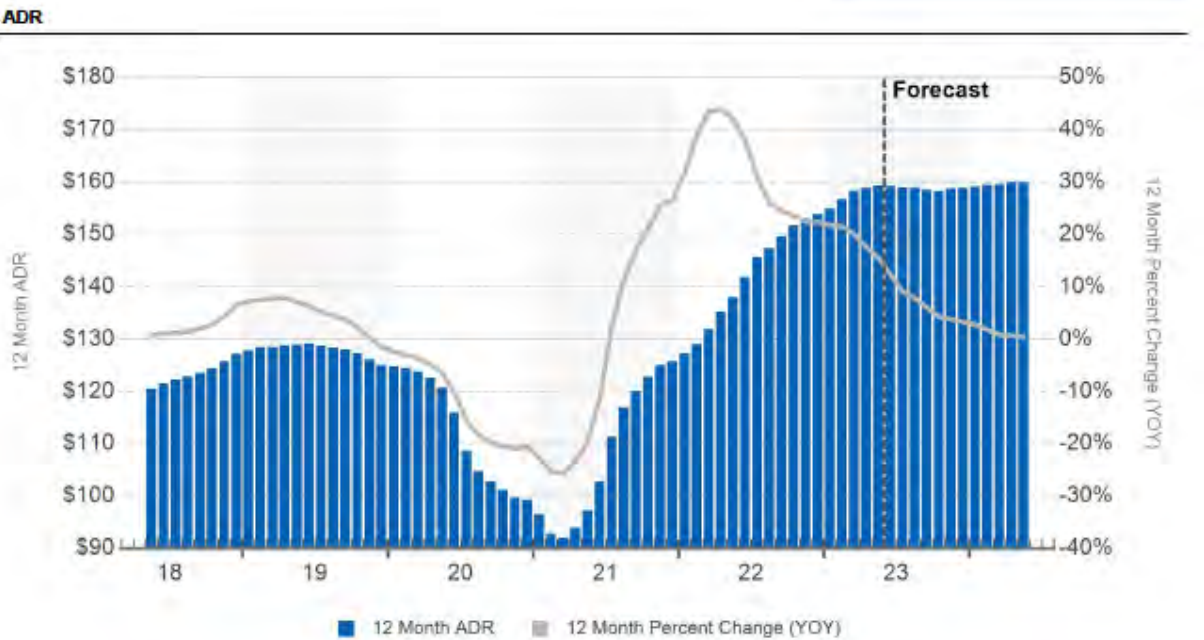
Class	Rooms	12 Mo Occ	12 Mo ADR	12 Mo RevPAR	12 Mo Delivered	Under Construction
Luxury & Upper Upscale	1,636	73.2%	\$182.92	\$133.89	0	0
Upscale & Upper Midscale	2,554	83.4%	\$185.77	\$154.95	0	0
Midscale & Economy	2,291	74.1%	\$114.79	\$85.10	0	0
Total	6,481	77.2%	\$159.26	\$122.86	0	0

Average Trend	Current	3 Mo	YTD	12 Mo	Historical Average	Forecast Average
Occupancy	75.5%	79.2%	76.6%	77.2%	70.4%	78.1%
Occupancy Change	-1.0%	-0.3%	4.5%	9.1%	-0.2%	0.4%
ADR	\$157.58	\$155.23	\$150.86	\$159.26	\$131.00	\$168.31
ADR Change	3.8%	6.9%	10.3%	15.5%	5.8%	1.9%
RevPAR	\$118.89	\$123.01	\$115.51	\$122.86	\$92.20	\$131.46
RevPAR Change	2.7%	6.6%	15.2%	26.0%	5.5%	2.4%

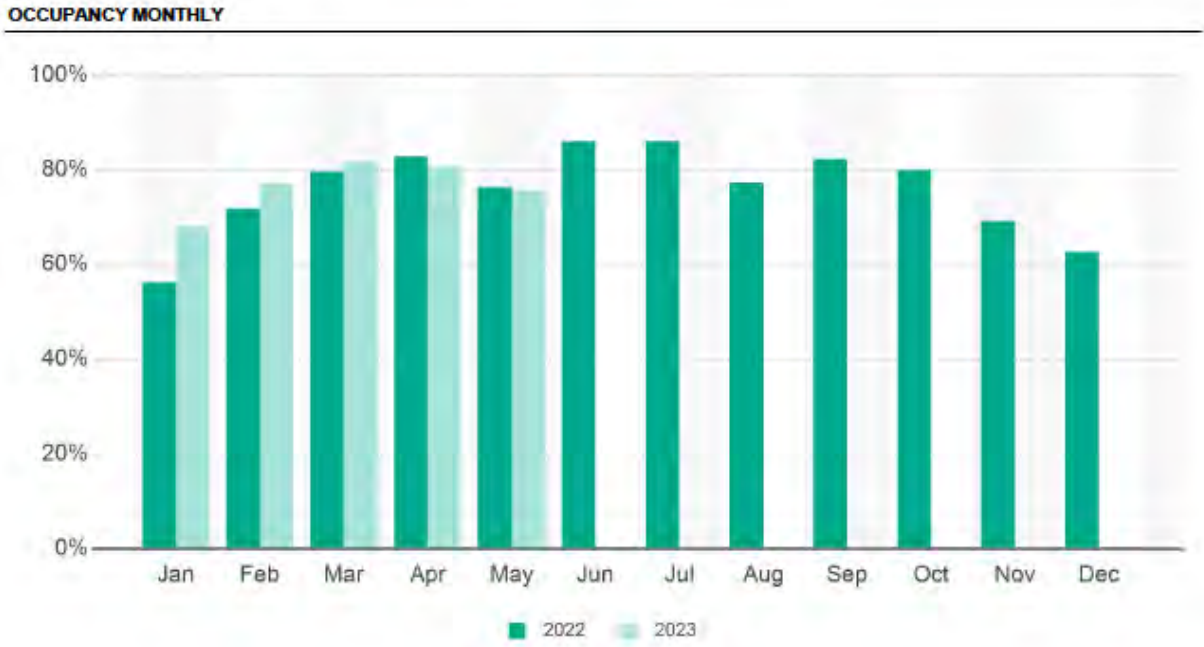
The following chart shows the submarket occupancy data from 2018 through 2022, and forecast for 2023.



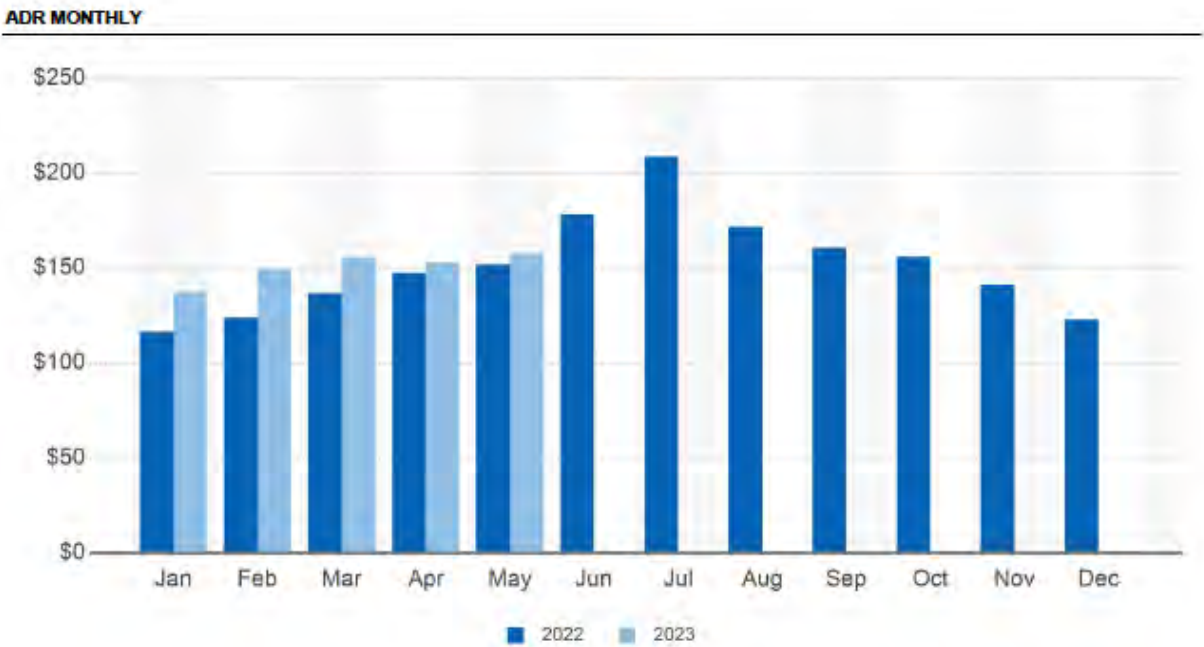
The following chart shows the submarket ADR data from 2018 through 2022, and forecast for 2023.



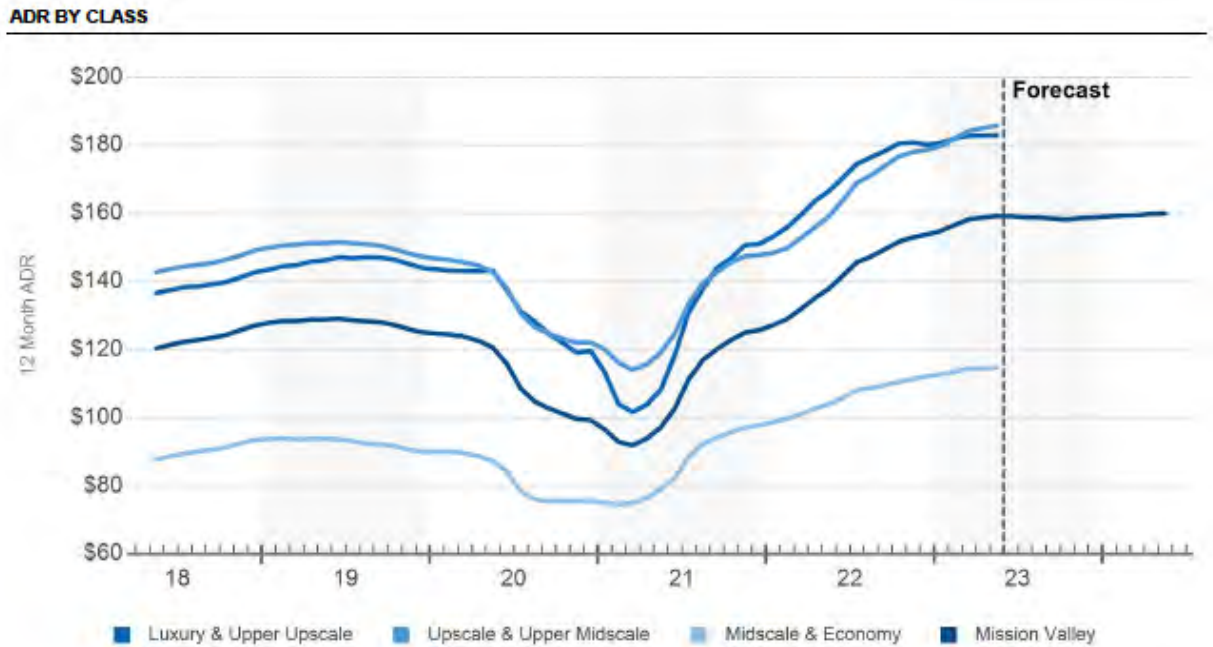
The following chart shows the submarket monthly occupancy data from 2018 through 2022, and forecast for 2023.



The following chart shows the submarket monthly ADR data from 2018 through 2022, and forecast for 2023.



The following chart shows the submarket ADR by hotel class from 2018 through 2022, and forecast for 2023.



Market analysis data will be focusing upon ADR and occupancy data. “The average daily rate (ADR) is a metric widely used in the hospitality industry to indicate the average revenue earned for an occupied room on a given day. ADR is a direct factor in revenue per available room (RevPAR), the hotel industry gold standard for measuring top-line performance in a hotel, portfolio, market segment or geographic area. The rooms department is typically the largest generator of revenue and profit for hotels. An effective approach to ADR is a key piece of the hotel revenue-management cycle with the goal of maximizing profitability. ADR is calculated by dividing room revenue by rooms sold”. *Source: Smith Travel Research.*

PROJECT DESCRIPTION

Our description of the Subject is based upon information provided by the developer and the property inspection. We assume the information supplied is accurate.

Site Description

Site Location:

The Subject site is located at 2085-95 Hotel Circle South, San Diego, San Diego County, California. It has been assigned Assessor Parcel Number (APN) 443-040-38. The site is located in census tract 0089.02.

Existing Improvements:

The Subject consists of one three-story, elevator-served hotel containing 165 rooms. There is a laundry room, break room, laundromat, and lobby on the first floor. The building was constructed in 1999 and is wood frame with concrete foundation. Surrounding the building is a parking lot containing 196 spaces.

Size/Shape:

The site contains 4.58 acres or 199,504 square feet and is irregular in shape.

Topography:

The site topography gently slopes upward from south to the north, but is generally level with the exception of the far southern portion of the parcel which turns into steeply sloping hillside.

Vegetation:

The site has landscaped vegetation with some trees, and landscaped areas. The far southern portion of the site is steeply sloping hillside with natural vegetation including grasses, brush, and trees.

Proximity to Adverse Conditions:

At this time, we are unaware of any detrimental influences that would impact on the value of the Subject.

Drainage:

Appears adequate, however no specific tests were performed.

Soil and Subsoil Conditions:

We were not provided with soil surveys.

Environmental:

No environmental hazards were observed during the site inspection. However, we are not experts within this field. We were provided with Phase I environmental assessment reports of the Subject site, which revealed no evidence of recognized environmental conditions (RECs), historical recognized environmental conditions (HRECs), controlled recognized environmental conditions (CRECs), significant data gaps, or significant business environmental risks in connection with the Subject.

Access and Traffic Flow:

Access to the Subject site is from the south side of Hotel Circle South. Hotel Circle South traverses east/west along the south side of Interstate 8. It links with Hotel Circle North to the east of the Subject, just west of the Interstate 8/California State Route 163 interchange. Together, Hotel Circle South and Hotel Circle North form a loop around Interstate 8 and provide on-ramp/off-ramp access to this freeway. As its name suggests, the roadways are lined with various hotels, motels, and lodging, as well as complementary commercial uses.

Visibility/Views

Contiguous Land Use:

The Subject site has limited visibility from the south side of Hotel Circle South. This is due to its setback behind adjacent properties that front the street. A small entrance/exit leads to the portion of the site where the improvements are located. Adjacent the site, north of the improvements, are a vacant lot as well as a plumbing business. To the west are various hotels including a Hampton Inn and Homewood Suites. A condominium complex is located to the east. Further east and northeast are hotels and office buildings. The Subject site is separated from uses to the south by a steep, wooded hillside. Further south are single-family homes. Surrounding uses are in average to good condition.

Zoning:

The Subject is zoned CO-2-2 (Commercial--Office).

The purpose of the CO zones is to provide areas for employment uses with limited, complementary retail uses and residential use as specified. The CO zones are intended to apply in large-scale activity centers or in specialized areas where a full range of commercial activities is not desirable. The CO zones are differentiated based on the uses and development scale allowed. CO-2-2 is intended to accommodate office uses that serve as an employment center.

Per San Diego Municipal Code (SDMC) Table 131-05B (Use Regulations for Commercial Zones), Visitor Accommodations are an allowable use within Base Zone CO-2-2.

Zoning information was verified with the San Diego Municipal Code and L64A-003A, Cycle Type: 1 Prelim (LDR-Planning Review) from the City of San Diego and dated May 30, 2023.

Flood Plain:

Review of the Flood Insurance Rate Map (Community/Panel No. 06073C1618G), published by the Federal Emergency Management Agency (FEMA) and dated May 16, 2012, indicate the Subject is located in Zone X (unshaded), areas of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level.

Photographs:

Subject photos are included in the Addenda.

Location Map:

The map below illustrates the location of the Subject.



IMPROVEMENT CHARACTERISTICS

The Subject consists of one three-story, elevator-served hotel containing 165 rooms. There is a laundry room, break room, laundromat, and lobby on the first floor. The building was constructed in 1999 and is wood frame with concrete foundation. Surrounding the building is a parking lot containing 196 spaces.

Rooms Mix: The Subject’s room mix breakdown are detailed in the following table.

San Diego - Hotel Circle

Room Matrix

Floor	Queen	King	Double/Double	Total
First	40	2	7	49
Second	44	4	10	58
Third	44	3	11	58
Total	128	9	28	165
<i>Est. Sqft</i>	297	338	338	

Target Population and Occupancy Type:

The Subject markets itself as an extended stay property attracting longer guest stays in addition to nightly traffic, with weekly and monthly tenancies/rates. We were not provided with a breakdown of room rack rates.

Amenities Table:

The Subject's amenities are detailed in the following table.

Unit Amenities:		Property Amenities:	
Central Heat/Cool	<input checked="" type="checkbox"/>	Community Room	<input type="checkbox"/>
Blinds	<input checked="" type="checkbox"/>	Swimming Pool	<input type="checkbox"/>
Carpet	<input checked="" type="checkbox"/>	Spa/Jacuzzi	<input type="checkbox"/>
Ceiling Fan	<input type="checkbox"/>	Exercise Room	<input type="checkbox"/>
Skylight	<input type="checkbox"/>	Courtyard/Picnic Area	<input checked="" type="checkbox"/>
Storage Closet	<input type="checkbox"/>	Playground	<input type="checkbox"/>
Coat Closet	<input checked="" type="checkbox"/>	Tennis Court	<input type="checkbox"/>
Walk-In Closet	<input type="checkbox"/>	Basketball Court	<input type="checkbox"/>
Fireplace	<input type="checkbox"/>	Volleyball Court	<input type="checkbox"/>
Patio/Balcony	<input type="checkbox"/>	On-Site Manager	<input checked="" type="checkbox"/>
		Laundry Room	<input checked="" type="checkbox"/>
		Computer Room	<input type="checkbox"/>
		Business Center	<input type="checkbox"/>
		Car Wash Area	<input type="checkbox"/>
		Elevator ("Y" es or "N" o)	<input checked="" type="checkbox"/>
		Additional Services*	<input checked="" type="checkbox"/>
Appliances:			
Refrigerator	<input checked="" type="checkbox"/>		
Stove/Oven	Stovetop		
Dishwasher	<input type="checkbox"/>		
Garbage Disposal	<input type="checkbox"/>		
Microwave	<input checked="" type="checkbox"/>		
Washer/Dryer	<input type="checkbox"/>		
Washer/Dryer Hook-up	<input type="checkbox"/>		
Parking:		Security:	
Surface Parking	<input checked="" type="checkbox"/>	Gated/Controlled Access/Intercom	<input checked="" type="checkbox"/>
Carport	<input type="checkbox"/>	Courtesy Patrol	<input type="checkbox"/>
Underground	<input type="checkbox"/>	Surveillance Cameras	<input checked="" type="checkbox"/>
Detached Garage	<input type="checkbox"/>		
Attached Garage	<input type="checkbox"/>		
Tuck-under Garage	<input type="checkbox"/>		
Parking Garage	<input type="checkbox"/>		
* Supportive Services			

Parking:

The Subject provides 196 surface parking spaces.

Assessment Value and Taxes:

Under California State Law, real property is re-appraised only when a change in ownership occurs, or upon completion of new construction. Except for these two instances, property assessments cannot be increased by more than two percent annually, based on the California Consumer Price Index.

A limited value is also assigned to each individual property and is taxed using a primary tax rate. According to the San Diego County Assessor's Office, the Subject has been assigned the following Appraisal Parcel Number: 443-040-38. The current limited tax rate for the Subject's full cash appraised value is 1.21636 per \$100 of assessed value. The 2022/2023 tax bill for the Subject was \$246,346.06 per San Diego County Tax Collector data, The tax analysis assumes hypothetical assessment using the current tax rate.

Summary:

The Subject operates within the Mission Valley San Diego hospitality submarket.

HIGHEST AND BEST USE ANALYSIS

HIGHEST AND BEST USE AS VACANT

Physically Possible

The Subject site consists of approximately 4.58 acres or 199,504 square feet. The site is irregular in shape parcel with level topography within the building and parking areas, and steep sloping areas to the southwest area. Accessibility and visibility are considered good. The site is considered adequate for a variety of physically possible uses. The potential non-buildable area is nominal.

Legally Permissible

The Subject is zoned CO-2-2 (Commercial--Office), which is a commercial designation that permits various forms of commercial uses. The Subject's hotel use is permitted within the current zoning and therefore represents is a legal and conforming use.

Financially Feasible

The cost of the land limits those uses that are financially feasible for the site. Any use of the Subject site that provides a financial return to the land in excess of the cost of the land is those uses that are financially feasible.

The Subject's feasible uses are restricted to those that are allowed by zoning classifications, and are physically possible. As noted in the zoning section, the site can be used for commercial uses. Given the Subject's surrounding land uses, the site's physical attributes, development patterns in the area, and demand, continuation of the existing lodging is considered the most likely use.

With the financial subsidy, the value of the project supports feasibility. Per Costar data, there is no construction activity within the Subject's Mission Valley submarket. The maximally productive use of this site as if vacant would be to construct a lodging property.

There is an active market of participants acquiring lodging properties within California with planned conversion to supportive housing for homeless. We performed an income approach analysis of the Subject assuming conversion to supportive housing for homeless utilizing planned rents and the value indication was less than the existing use as a lodging property.

Next an analysis assuming market rate multifamily operation and deduction for costs to convert the lodging property to market rate multifamily operation. No specific costs to complete conversion to market rate operation were available. Analysis of Marshall Swift data does not provide adequate data. Multifamily Sale 1 was a hotel that was purchased by a developer in 2017 and reportedly spent \$6,000,000 on conversion to market rate multifamily use. This equates to \$60,000 per unit cost. Published information indicates the property features extensive amenities as a "boutique" multifamily property, and also was ranked number one in San Diego by a Union Tribune Readers poll. A qualitative analysis sets the upper limit of conversion costs by this property. The developer renovated two formerly hotel properties in 2021 to apartments which ranged in cost from \$11,200 to \$23,900 per unit.

These renovations appear to be more in line to what would be needed at the Subject; therefore, for analysis purposes costs to convert the Subject to market rate multifamily are estimated at \$20,000 per unit, which would incorporate installation of unit upgrades consisting of kitchen appliances and countertops, and replacement of flooring with a laminate product, and upgrading of fixtures throughout the property, and getting the property in ADA compliance for apartment use.

Conclusion Highest and Best Use “As Vacant”

The highest and best use for the property “as vacant” would be to construct a lodging property consistent with current zoning ordinances.

Highest and Best Use “As Improved”

Homekey appraisal requirements, indicate we have to provide an existing use value regardless of the appraisers concluded highest and best use; therefore, the value of the property as a hotel is presented. Analysis indicates conversion of the Subject to market rate multifamily use represents the highest and best use as improved.

APPRAISAL METHODOLOGY

The valuation process begins with an estimate of the highest and best use of the Subject property considered as though vacant, and as improved. Once determined the property is then valued according to its highest and best use. Contemporary appraisers usually gather and process data according to the discipline of the three approaches to value.

The cost approach consists of a summation of land value (as though vacant) and the cost to reproduce or replace the improvements, less appropriate deductions for depreciation. Reproduction cost is the cost to construct a replica of the Subject improvements. Replacement cost is the cost to construct improvements having equal utility.

The sales comparison approach involves a comparison of the appraised property with similar properties that have sold recently. When properties are not directly comparable, sale prices may be broken down into units of comparison, which are then applied to the Subject for an indication of its likely selling price.

The income capitalization approach involves an analysis of the investment characteristics of the property under valuation. The earnings' potential of the property is carefully estimated and converted into an estimate of the property's market value.

APPLICABILITY TO THE SUBJECT PROPERTY

The cost approach consists of a summation of land value (as though vacant) and the cost to replace the improvements, less appropriate deductions for depreciation. Replacement cost is the cost to construct improvements having equal utility. This valuation technique is not typically undertaken for properties of similar vintage since we do not anticipate the approach yields a reliable indication of value for the Subject property. This is primarily attributable to the age and condition of the improvements, and the attendant difficulty in accurately estimating accrued physical depreciation as well as the lack of recent multi-family land sales in the Subject's market area. Moreover, motel purchasers do not typically use cost principles in pricing properties of the Subject's age. However, an indication of hypothetical land value as is vacant is a component of this assignment. This valuation utilizes the sales comparison approach.

In the sales comparison approach, appraisers estimate the value of a property by comparing it with similar, recently sold properties in surrounding or competing areas. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution. We presented a sales comparison approach on hotels on a per room basis based on the existing use, and a sales comparison approach on a per unit basis as a market rate apartment property.

The income capitalization approach requires an estimation of the anticipated economic benefits of ownership, gross and net incomes, and capitalization of these estimates into an indication of value using investor yield or return requirements. Yield requirements reflect the expectations of investors in terms of property performance, risk and alternative investment possibilities. We have presented an income approach for the existing hotel use and for the market rate multifamily use.

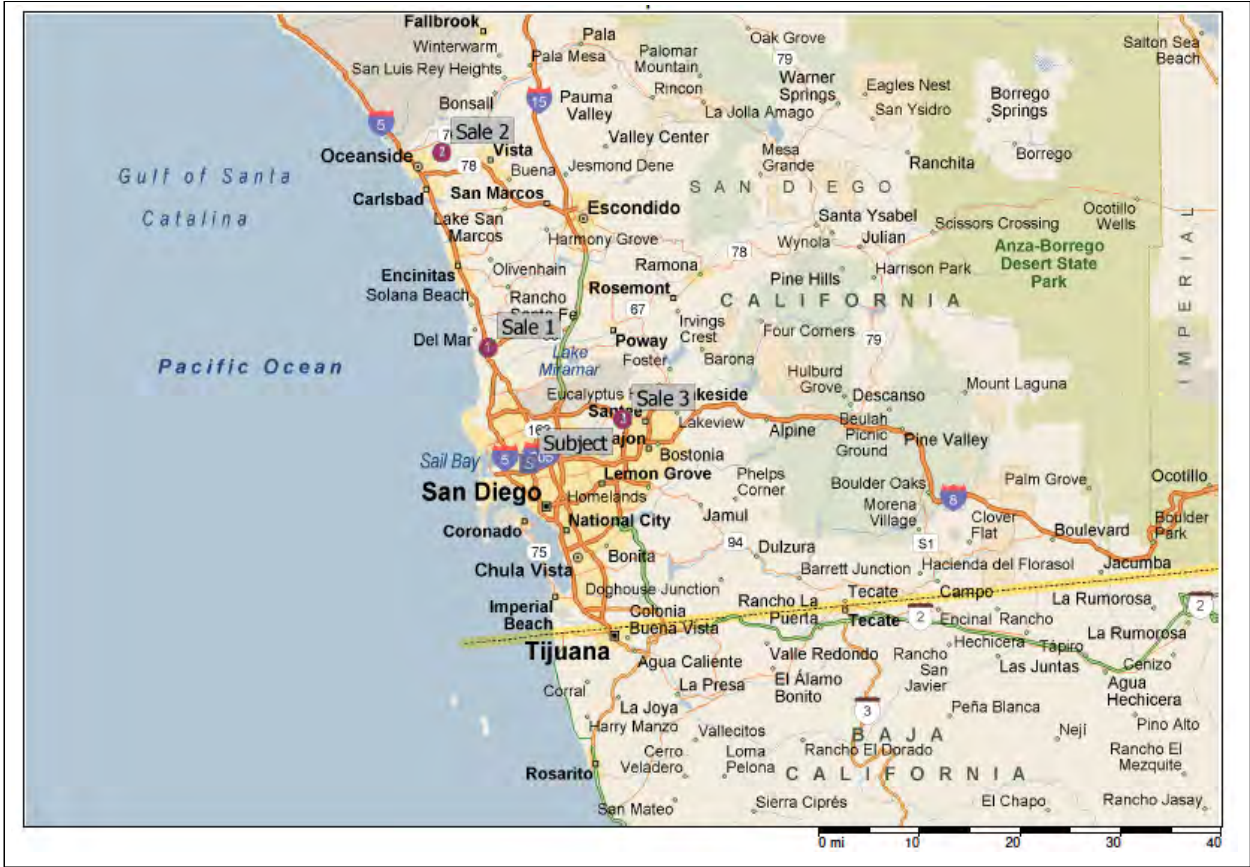
LAND VALUATION

The sales comparison approach to value is a process of comparing market data; that is, the price paid for similar properties, prices asked by owners, and offers made by prospective purchasers willing to buy or lease. Market data is good evidence of value because it represents the actions of users and investors. The sales comparison approach is based on the principle of substitution, which states that a prudent investor would not pay more to buy or rent a property than it will cost to buy or rent a comparable substitute. The sales comparison approach recognizes that the typical buyer will compare asking prices and work through the most advantageous deal available. In the sales comparison approach, the appraisers are observers of the buyer's actions. The buyer is comparing those properties that constitute the market for a given type and class.

To arrive at an opinion of land value for the Subject site, we researched and analyzed sales of comparable sites in the competitive area. In performing the market valuation, an extensive search for recent transfers of land zoned for commercial and hotel development within the San Diego area was made. The search area was expanded to include communities within San Diego County intended for hotel development. Following is a land sales map, summary of sales, analysis of sales, and individual land data sheets.

Hotel Land Sales						
Data No.	Property Identification	Date of Sale	Sale Price	Property Size/Acres	Property Size/SF	Price per SF
1	3510 Valley Centre Drive San Diego, CA 92130 307-240-02	Oct-19	\$4,200,000	1.46	63,598	\$66.04
2	Southwest corner El Corazon Drive and Rancho Del Oro Road Oceanside, CA 92056 160-572-50, 160-572-47	Oct-21	\$4,500,000	2.62	114,127	\$39.43
3	8707 Mission Gorge Road Santee, CA 92071 383-112-52	Oct-19	\$2,400,000	2.05	89,298	\$26.88

Land Sales Map



Land Sale 1			
Property Identification			
Address/Location	3510 Valley Centre Drive San Diego, CA 92130		
APN	307-240-02		
Property Characteristics		Sale Data	
Zoning	CVPD-VC	Sale Price	\$4,200,000
Property Use	Commercial	Cash Equivalent	\$4,200,000
Size (Acres)	1.46		
Size (SF)	63,598	Price per SF	\$66.04
Shape	Irregular	Sale Date	Oct-19
Topography	Level		
Streets	Paved	Cash Equivalent	Yes
Off-site Improvements	To site	Seller	Sciuto Hospitalities, LP
Other Improvements	Commercial Building	Buyer	Del Mar Hotel Partners LP
Utilities	To Site	Sale Conditions	Market
Location	Average	Property Rights	Fee Simple
Access	Average	Marketing Time (Mo.)	Nav
Visibility	Average	Comp ID	17929
Comments			
Data source Costar and published information. Site acquired to develop 127-room Hyatt Place Hotel. Former 8,700 square foot restaurant demolished.			

Land Sale 2			
Property Identification			
Address/Location	Southwest corner El Corazon Drive and Rancho Del Oro Road Oceanside, CA 92056		
APN	160-572-50, 160-572-47		
Property Characteristics		Sale Data	
Zoning	SP-1-09	Sale Price	\$4,500,000
Property Use	Commercial	Cash Equivalent	\$4,500,000
Size (Acres)	2.62		
Size (SF)	114,127	Price per SF	\$39.43
Shape	Irregular	Sale Date	Oct-21
Topography	Level		
Streets	Paved	Cash Equivalent	Yes
Off-site Improvements	To site	Seller	City of Oceanside
Other Improvements	None	Buyer	MC-Pacific LLC
Utilities	To Site	Sale Conditions	Market
Location	Average	Property Rights	Fee Simple
Access	Average	Marketing Time (Mo.)	Nav
Visibility	Average	Comp ID	17931
Comments			
Data source Costar and published information. Site planned for development of a 137-room Home2Suites hotel.			

Land Sale 3			
Property Identification			
Address/Location	8707 Mission Gorge Road Santee, CA 92071		
APN	383-112-52		
Property Characteristics		Sale Data	
Zoning	GC	Sale Price	\$2,400,000
Property Use	Commercial	Cash Equivalent	\$2,400,000
Size (Acres)	2.05		
Size (SF)	89,298	Price per SF	\$26.88
Shape	Irregular	Sale Date	Oct-19
Topography	Level		
Streets	Paved	Cash Equivalent	Yes
Off-site Improvements	To site	Seller	Marrokal Lynda M Trust
Other Improvements	None	Buyer	Na
Utilities	To Site	Sale Conditions	Market
Location	Average	Property Rights	Fee Simple
Access	Average	Marketing Time (Mo.)	Nav
Visibility	Average	Comp ID	17932
Comments			
Data source Costar and published information. Site planned for development of 120-room Woodsprings Suites hotel.			

The table below summarizes the adjustments.

Land Sale Analysis							
Subject		Sale 1		Sale 2		Sale 3	
Address/Location	2085-95 Hotel Circle South San Diego, CA 92108	3510 Valley Centre Drive San Diego, CA 92130		Southwest corner El Corazon Drive and Rancho Del Oro Road Oceanside, CA 92056		8707 Mission Gorge Road Santee, CA 92071	
Sale Price		\$4,200,000		\$4,500,000		\$2,400,000	
Price per Sq. Ft.		\$66.04		\$39.43		\$26.88	
	Comparison	Comparison	Adj.			Comparison	Adj.
Property Rights		Fee Simple		Fee Simple		Fee Simple	
Adjusted Price Per Sq. Ft.			\$66.04		\$39.43		\$26.88
Terms		Yes		Yes		Yes	
Adjusted Price Per Sq. Ft.			\$66.04		\$39.43		\$26.88
Sale Conditions		Market		Market		Market	
Adjusted Price Per Sq. Ft.			\$66.04		\$39.43		\$26.88
Sale Date		Oct-19	20%	Oct-21	15%	Oct-19	20%
Adjusted Price Per Sq. Ft.			\$79.25		\$45.34		\$32.25
Expenditures After Purchase		Yes	\$5.00	None		No	
Adjusted Price Per Sq. Ft.			\$84.25		\$45.34		\$32.25
Physical Characteristics	Comparison	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.
Zoning	IL-2-1	CVPD-VC		SP-1-09		GC	
Size (Acres)	4.58	1.46		2.62		2.05	
Size (SF)	199,505	63,598		114,127		89,298	
Topography	Level site area	Level		Level		Level	
Street	Paved	Paved		Paved		Paved	
Off-site Improvements	To Site	To site		To site		To site	
On-site Improvements	None	Commercial Building		None		None	
Utilities	To Site	To Site		To Site		To Site	
Submarket ADR	\$158.30	\$258.00		\$208.43		\$162.87	
Location	Average	Superior		Average		Average	
Total Physical Adjustment			0%		0%		0%
Adjusted Price Per Sq. Ft.			\$84.25		\$45.34		\$32.25
				Minimum Sale \$32.25 Maximum Sale \$84.25 Average Sale \$53.95			

Explanation of Adjustments

Sale Date/Market Conditions

Real estate values change over time. The rate of this change fluctuates due to investors' perceptions and responses to prevailing market conditions. This adjustment category reflects market differences occurring between the effective date of the appraisal and the sale date of comparables, when values have appreciated or depreciated.

The land sales occurred between October 2019 and October 2021. Nationally, and regionally, land values peaked during the prior cycle near 2008, and stalled during the economic recession. During the time period between 2008 and 2012, there were softened market conditions, and declining market values. Appreciation in land values started being reported in late 2012 and continued rising through year-to-date.

Interviews with local brokers revealed prices increased on average between five and ten percent per year during this time frame; five percent will be utilized. Additionally, industrial land sites are continuing to increase in value due to the market being very supply constrained. Based on this methodology, Sales 1 and 3 were adjusted upward 20 percent, Sale 2 was adjusted upward 15 percent.

Expenditures Immediately After Purchase

A knowledgeable buyer considers expenditures that will have to be made upon purchase of a property because these costs effect the price the buyer agrees to pay. Such expenditures may include costs to cure deferred maintenance, costs to demolish and remove a portion of the improvements, costs for additions or improvements to the property, costs to petition for a zoning change, and costs to remediate environmental contamination. These costs are often quantified in price negotiations.

The Subject is improved with a motel structure; however, the value for land assumes its vacant. Sales 2 and 3 are vacant sites; therefore, no adjustments were necessary. Sale 1 had improvements at the time of sale that required demolition in order to allow for redevelopment. There was an 8,700-square foot restaurant building that was demolished after transfer. In estimating an adjustment amount, Marshall & Swift valuation demolition costs were analyzed, and range from \$4.66 to \$7.20 per square foot; an estimate of \$5.00 per square foot was utilized. This equates to an upward adjustment of \$5.00 per square foot.

Zoning/Density

All of the sales are zoned for commercial hotel development; therefore, no adjustments are necessary.

Size

The sites range in size from 1.46 to 2.62 acres. The Subject totals 4.58 acres. Typically, larger sites sell less per square foot. All of the sites are smaller; however, we have utilized a qualitative adjustment as no quantitative adjustment could be determined. More weight will be placed on the lower end of the range because the Subject is larger than all the other sales.

Location

The Subject and land sales are located within communities of San Diego, and provide some differing locational attributes. Sale 1 is a superior location within the La Jolla lodging submarket. Sales 2 and 3 reflect generally similar lodging locales, and no adjustment is indicated. We looked at the difference in the submarkets ADRs between the Sales and the Subject, which seemed unreasonable; therefore, we will utilize a qualitative adjustment for these differences. Our conclusion will not be higher than Sale 1 as its location is better, but the Subjects location is better than Sales 2 and 3.

Summary of Land Value

There are very limited land sales transactions intended for hotel development with in San Diego and San Diego County over the past several years. The analysis adjustments reflect qualitative adjustments versus quantitative adjustments due to the nature of the properties. After adjustments, the Sales range in price per square foot from \$32.25 to \$84.25 per square foot and average \$53.95 per square foot. Sale 1 sets the upper limit because its location is the best, while Sale 2 and 3 have similar locations to the Subject. Additionally, more weight is placed on the low end of the range because of the size of the Subject. A value indication of \$60.00 per square foot is considered reasonable and market oriented. The value computes as follows.

Indication of Value		
Square Footage	\$/Sq. Ft	Indication
199,505	\$60.00	\$11,970,000

INCOME CAPITALIZATION APPROACH EXISTING USE

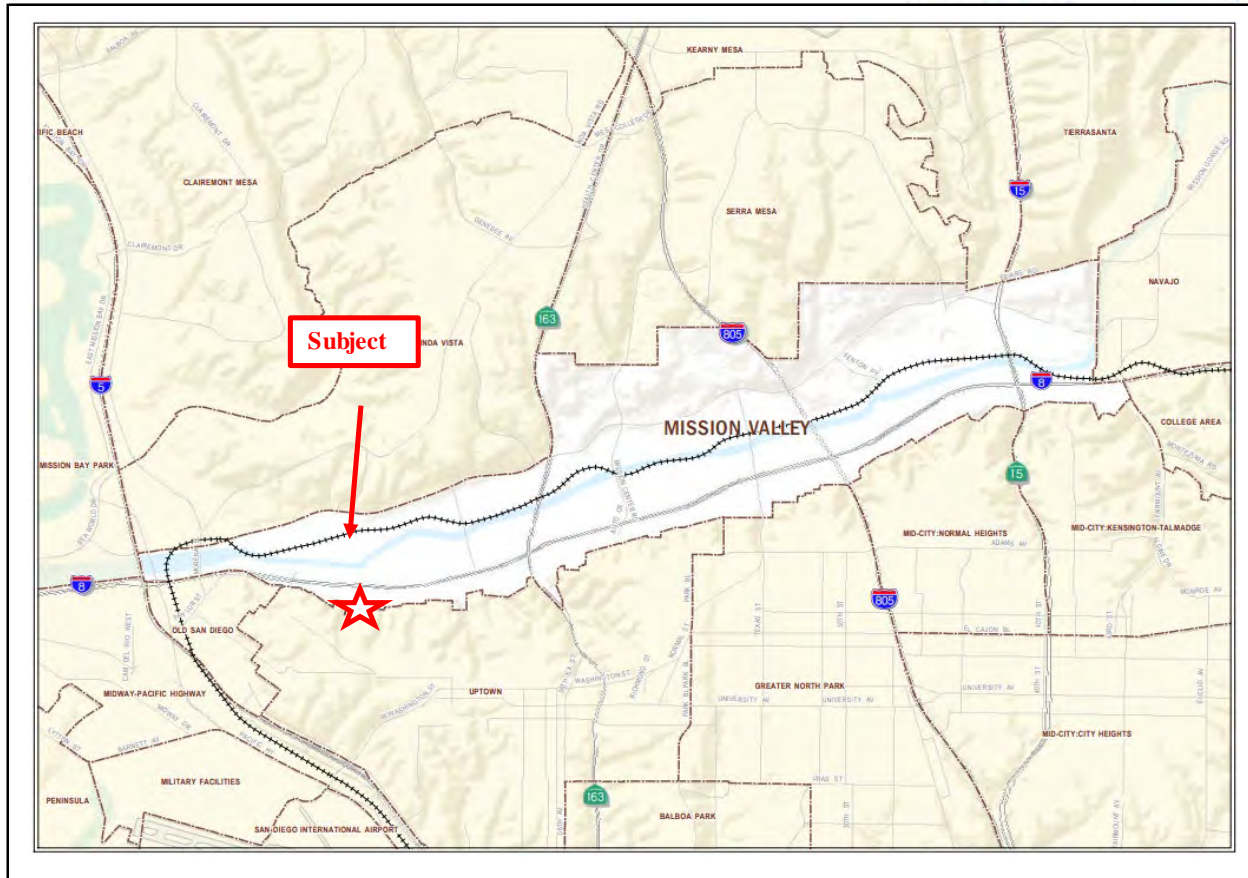
INTRODUCTION

The Income Capitalization Approach to value is based upon the premise that the value of an income-producing property is largely determined by the ability of the property to produce future economic benefits. The value of such a property to the prudent investor lies in anticipated annual cash flows and an eventual sale of the property. An estimate of the property's market value is derived via the capitalization of these future income streams.

The Subject operates as a 165-room hotel within the Extended Stay America flag. It bills itself as a brand that has been serving business and leisure travelers with extended stays in addition to nightly stays.

Market analysis data will be focusing upon ADR and occupancy data. "The average daily rate (ADR) is a metric widely used in the hospitality industry to indicate the average revenue earned for an occupied room on a given day. ADR is a direct factor in revenue per available room (RevPAR), the hotel industry gold standard for measuring top-line performance in a hotel, portfolio, market segment or geographic area. The rooms department is typically the largest generator of revenue and profit for hotels. An effective approach to ADR is a key piece of the hotel revenue-management cycle with the goal of maximizing profitability. ADR is calculated by dividing room revenue by rooms sold". *Source: Smith Travel Research.*

The Subject is identified within the midscale economy operations class of hospitality/lodging properties. It is located within the Mission Valley submarket per Costar data as shown in the following map.



The following market data source is obtained from 2023 Costar in the Hospitality Submarket Report.

“The Mission Valley submarket contains around 6,500 hotel rooms, and houses 32 of the San Diego market's 514 hotel properties. The submarket is characterized by very large hotels. The average hotel in Mission Valley contains 203 rooms, placing it in the top 5% of U.S. hotel submarkets.

In the past 12 months, monthly occupancy has averaged 77.1%, moderately above the market average of 73.6% for the same period. Perhaps unsurprisingly, Mission Valley weathered the initial impact of COVID-19 slightly better than most areas. Here, monthly occupancy fell to 31.5%, and annualized occupancy dropped to 47.7% in the initial wake of the pandemic. Since then, its recovery has been a step ahead of the San Diego market.”

Subject’s Historical Data and Revenue Forecast

The Subject’s 2021, 2020, and 2019 historical operating data was provided and analyzed. Further analysis utilizing Costar market and submarket operating data regarding submarket occupancies, ADR and operating expenses was analyzed as previously presented.

Revenue and Occupancy Forecast

The Subject’s historical occupancy rates range from 72.7 to 86.4 percent. The Subject’s Costar submarket occupancy rate is 77.2 percent. The Subject’s ADR rates range from \$77.25 to \$93.75, with the lower point being influenced by the pandemic time period. The ADR rate from the Cost submarket is \$159.26. Weight is placed upon the Subject’s historical data, which also reflects the extended stay nature of the property. Rates and occupancy data variances between nightly rates and extended stay rates was not disclosed, therefore, greater reliance is placed upon historical data. Forecast occupancy is 86.5 percent, and ADR \$94.00.

Summarized following is the Subject’s historical data provided and comparison with other lodging properties in the San Diego area.

Operating Expenses

The Subject’s operating data provided is summarized following.

Project	Subject			Subject			Subject		
	2021			2020			2019		
	165			165			165		
	Percent of Total			Percent of Total			Percent of Total		
	Per Room	Revenue	Amount	Per Room	Revenue	Amount	Per Room	Total Revenue	Amount
Available Room Nights			60,225			60,225			60,225
Occupied Room Nights			52,013			46,806			43,767
Occupancy			86.4%			77.7%			72.7%
ADR			\$93.75			\$77.25			\$92.52
	Percent of Total			Percent of Total			Percent of Total		
	Per Room	Revenue	Total	Per Room	Revenue	Total	Per Room	Total Revenue	Total
Net Rooms Revenue	\$ 29,284	95.28%	\$ 4,831,842	\$ 21,669	92.32%	\$ 3,575,365	\$ 24,055	93.06%	\$ 3,969,090
Other Rooms Revenue	\$ 270	0.88%	\$ 44,566	\$ 246	1.05%	\$ 40,628	\$ 486	1.88%	\$ 80,262
Other Revenue	\$ 1,180	3.84%	\$ 194,676	\$ 1,557	6.63%	\$ 256,861	\$ 1,307	5.06%	\$ 215,693
Total Revenues	\$ 30,734		\$ 5,071,084	\$ 23,472		\$ 3,872,854	\$ 25,849		\$ 4,265,045
	Percent of Total			Percent of Total			Percent of Total		
	Per Room	Revenue	Total	Per Room	Revenue	Total	Per Room	Total Revenue	Total
Operating Expenses									
Administration	\$ 1,038	3.38%	\$ 171,241	\$ 1,162	4.95%	\$ 191,720	\$ 1,004	3.88%	\$ 165,686
Bank Charges & Credit Card Fees	\$ 476	1.55%	\$ 78,462	\$ 415	1.77%	\$ 68,407	\$ 576	2.23%	\$ 94,961
Sales & Marketing	\$ 1,097	3.57%	\$ 180,949	\$ 875	3.73%	\$ 144,434	\$ 1,403	5.43%	\$ 231,467
Commissions Flag & Royalties	\$ 1,478	4.81%	\$ 243,820	\$ 1,096	4.67%	\$ 180,800	\$ 1,227	4.75%	\$ 202,468
Room Departmental Expenses	\$ 373	1.21%	\$ 61,477	\$ 643	2.74%	\$ 106,029	\$ 473	1.83%	\$ 78,107
Maintenance and Repairs	\$ 762	2.48%	\$ 125,657	\$ 895	3.81%	\$ 147,634	\$ 605	2.34%	\$ 99,749
Food & Beverages	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -
Management Fee	\$ 1,537	5.00%	\$ 253,554	\$ 1,096	4.67%	\$ 180,800	\$ 1,227	4.75%	\$ 202,468
Payroll	\$ 4,381	14.26%	\$ 722,900	\$ 3,539	15.08%	\$ 583,924	\$ 3,477	13.45%	\$ 573,633
Utilities	\$ 1,636	5.32%	\$ 269,984	\$ 1,011	4.31%	\$ 166,781	\$ 925	3.58%	\$ 152,555
Property & Liability Ins.	\$ 341	1.11%	\$ 56,313	\$ 313	1.34%	\$ 51,726	\$ 259	1.00%	\$ 42,726
Other Expenses	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -
Real Estate and Other Taxes	\$ 1,508	4.91%	\$ 248,815	\$ 1,497	6.38%	\$ 247,003	\$ 1,438	5.56%	\$ 237,199
Replacement Reserves	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -
Total Operating Expenses	\$ 14,625	47.59%	\$ 2,413,172	\$ 12,541	53.43%	\$ 2,069,258	\$ 12,612	48.79%	\$ 2,081,019

Expense Comparables

Hotel operating expense data was analyzed on a per room and percentage of total revenues. Operating occupancy and ADR data is presented on a submarket level, and individual properties' occupancy and ADR data is unavailable. Expense Comparables data is summarized following.

	Name Holiday Inn Express San Diego Downtown			Name Residence Inn San Diego Chula Vista			Name Homewood Suites by Hilton Carlsbad North San Diego County 2223 Palomar Airport Rd Carlsbad			Name Holiday Inn Express & Suites San Diego Sorrento Valley		
	Address 1430-1460 7th Ave, San Diego 1986			Address 2005 Centerpark Rd, Chula Vista 2017			Address 2223 Palomar Airport Rd Carlsbad 2008			Address 5925 Lusk Blvd, San Diego 2000		
Project	Hotel Property 1			Hotel Property 2			Hotel Property 3			Hotel Property 4		
Number of Rooms	2022 148			2022 148			2022 145			2022 79		
	Percent of Total Revenue			Percent of Total Revenue			Percent of Total Revenue			Percent of Total Revenue		
	Per Room	Revenue	Amount	Per Room	Revenue	Amount	Per Room	Revenue	Amount	Per Room	Revenue	Amount
Submarket Occupancy		74.70%				76.60%			68.10%			73.80%
Submarket ADR			\$250.60			\$147.79			\$208.43			\$258.47
Net Rooms Revenue	\$ 54,658	90.93%	8,089,418	\$ 68,619	114.16%	10,155,649	\$ 53,047	99.36%	7,691,855	\$ 47,291	99.47%	3,735,974
Other Departmental Revenue	\$ 5,450	9.07%	806,535	\$ 627	1.04%	92,749	\$ 340	0.64%	49,243	\$ 233	0.49%	18,374
Other Revenue	\$ -	0.00%		\$ -	0.00%		\$ -	0.00%		\$ 21	0.04%	1,620
Total Revenues	\$ 53,915		\$ 8,895,953	\$ 69,246		\$ 10,248,398	\$ 53,387	100.00%	\$ 7,741,098	\$ 47,544	100.00%	\$ 3,755,968
Administration	\$ 3,461	5.76%	\$ 512,200	\$ 5,698	8.23%	\$ 843,266	\$ 3,090	5.79%	\$ 448,116	\$ 3,521	7.41%	\$ 278,178
Other Departmental Expenses	\$ 591	0.98%	\$ 87,491	\$ 197	0.28%	\$ 29,161	\$ 659	1.24%	\$ 95,617	\$ 230	0.48%	\$ 18,183
Bank Charges & Credit Card Fees	\$ -	0.00%		\$ -	0.00%		\$ -	0.00%		\$ -	0.00%	
Sales & Marketing	\$ 1,213	2.02%	\$ 179,462	\$ 4,269	6.17%	\$ 631,827	\$ 567	1.06%	\$ 82,162	\$ 1,223	2.57%	\$ 96,599
Commissions Flag & Royalties	\$ 6,955	11.57%	\$ 1,029,404	\$ 3,923	5.67%	\$ 580,591	\$ 5,778	10.82%	\$ 837,880	\$ 6,089	12.81%	\$ 481,065
Room Departmental Expenses	\$ 13,923	23.16%	\$ 2,060,576	\$ 10,699	15.45%	\$ 1,583,499	\$ 11,740	21.99%	\$ 1,702,299	\$ 10,438	21.95%	\$ 824,580
Maintenance and Repairs	\$ 2,316	3.85%	\$ 342,777	\$ 2,984	4.31%	\$ 441,702	\$ 1,967	3.68%	\$ 285,180	\$ 1,620	3.41%	\$ 128,014
Food & Beverages	\$ 111	0.19%	\$ 16,486	\$ 0	0.00%	\$ 7	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -
Management Fee	\$ 2,404	4.00%	\$ 355,829	\$ 2,483	3.59%	\$ 367,447	\$ 1,068	2.00%	\$ 154,822	\$ 1,893	3.98%	\$ 149,559
Payroll	\$ -	0.00%		\$ -	0.00%		\$ -	0.00%		\$ -	0.00%	
Utilities Total	\$ 1,424	2.37%	\$ 210,712	\$ 3,066	4.43%	\$ 453,810	\$ 2,583	4.84%	\$ 374,481	\$ 2,550	5.36%	\$ 201,439
Property & Liability Ins.	\$ 1,002	1.67%	\$ 148,346	\$ 425	0.61%	\$ 62,906	\$ 486	0.91%	\$ 70,533	\$ 429	0.90%	\$ 33,880
Other Expenses	\$ -	0.00%		\$ 6,490	9.37%	\$ 960,551	\$ 6,624	12.41%	\$ 960,551	\$ 1,790	3.77%	\$ 141,443
Real Estate and Other Taxes	\$ 1,097	1.82%	\$ 162,316	\$ 1,931	2.79%	\$ 285,763	\$ 2,379	4.46%	\$ 344,918	\$ 888	1.87%	\$ 70,149
Replacement Reserves	\$ -	0.00%		\$ -	0.00%		\$ -	0.00%		\$ -	0.00%	
Total Operating Expenses	\$ 34,497	57.39%	\$ 5,105,599	\$ 42,166	60.89%	\$ 6,240,530	\$ 36,942	69.20%	\$ 5,356,559	\$ 30,672	64.51%	\$ 2,423,089

Comparison with the Subject's historical expenses in each category and comparables was performed. There are some inconsistencies with comparables' reporting versus the Subject's historical operations such as payroll expense is not separately identified within the comparables, and we anticipate the expense is incorporated into room department expenses.

The individual line items of the expense estimates are based upon an analysis on a line-by-line basis of historical expenses incurred by the Subject and comparison with the comparables. The analysis on a percentage of total revenues provides the best basis of comparison and is presented following.

Administration

This expense typically includes auditing expenses, legal expenses, advertising, office supplies, etc. The table below illustrates the historical administration expense at the Subject property and comparables. The table also illustrates our conclusion for administration expense. Weight is placed upon recent historical experience and market comparison. The conclusion utilized is illustrated in the table below.

Administration			
Property	Min	Max	Average
Subject Historical Range	3.38%	4.95%	4.07%
Hotel Expense Comp Range	5.76%	8.23%	6.80%
Conclusion			
Forecast	4.00%		

Bank Charges and Credit Card Fees

Bank charges and credit card fees expenses are not separately reported in the comparables. The table below illustrates the Bank charges and credit card fees at the Subject property. Weight is placed upon recent historical operation. The conclusion utilized is illustrated in the table below.

Bank Charges & Credit Card Fees			
Property	Min	Max	Average
Subject Historical Range	1.55%	2.23%	1.85%
Hotel Expense Comp Range	0.00%	0.00%	0.00%
Conclusion			
Forecast	1.60%		

Sales and Marketing Expense

The table below illustrates the sales and marketing expenses at the Subject property and comparables. Weight is placed upon recent historical operation. The conclusion utilized is illustrated in the table below.

Sales & Marketing			
Property	Min	Max	Average
Subject Historical Range	3.57%	5.43%	4.24%
Hotel Expense Comp Range	1.06%	6.17%	2.95%
Conclusion			
Forecast	4.00%		

Commissions and Flag Royalties

The table below illustrates the Commissions and Flag Royalties expenses at the Subject property and comparables. Weight is placed upon recent historical operation. The conclusion utilized is illustrated in the table below.

Commissions & Flag Royalties			
Property	Min	Max	Average
Subject Historical Range	4.67%	4.81%	4.74%
Hotel Expense Comp Range	5.67%	12.81%	10.22%
Conclusion			
Forecast	4.80%		

Rooms Departmental Expenses

The table below illustrates the Rooms departmental expenses at the Subject property and comparables. We anticipate an amount of payroll expense is included in the comparables reporting, and therefore weight is placed upon historical operation. The conclusion utilized is illustrated in the table below.

Room Departmental Expenses			
Property	Min	Max	Average
Subject Historical Range	1.21%	2.74%	1.93%
Hotel Expense Comp Range	15.45%	23.16%	20.64%
Conclusion			
Forecast	2.00%		

Maintenance and Repairs

Repairs and maintenance expenses vary dramatically depending upon the age, location, and type of project developed. The table below illustrates the maintenance and repairs expense at the Subject property and comparables. Weight is placed upon recent historical operation. The conclusion utilized is illustrated in the table below.

Maintenance and Repairs			
Property	Min	Max	Average
Subject Historical Range	2.34%	3.81%	2.88%
Hotel Expense Comp Range	3.41%	4.31%	3.81%
Conclusion			
Forecast	3.50%		

Management Fee

Capable management is usually required to maintain strong occupancy levels. The industry average for management expenses range between three and six percent of effective gross income. The table below illustrates the management fee expense at the Subject property and comparables. Greater weight is placed upon historical experience. The conclusion utilized is illustrated in the table below.

Management			
Property	Min	Max	Average
Subject Historical Range	4.67%	5.00%	4.81%
Hotel Expense Comp Range	2.00%	4.00%	3.39%
Conclusion			
Forecast	5.00%		

Payroll

Expenses for payroll include maintenance and repairs payroll as well as site management payroll and the taxes and benefits associated with the staff. The table below illustrates the payroll expense at the Subject property and comparable properties. The comparable data does not present line item payroll and weight is placed upon historical experience. The conclusion utilized is illustrated in the table below.

Payroll			
Property	Min	Max	Average
Subject Historical Range	13.45%	15.08%	14.26%
Hotel Expense Comp Range	0.00%	0.00%	0.00%
Conclusion			
Forecast	14.50%		

Utilities

The table below illustrates the utilities expense at the Subject property and comparables. However, it should be noted that utilities vary from property to property. Weight has been placed on the Subject's historical operation. The conclusion utilized is illustrated in the table below.

Utilities			
Property	Min	Max	Average
Subject Historical Range	3.58%	5.32%	4.40%
Hotel Expense Comp Range	2.37%	5.36%	4.25%
Conclusion			
Forecast	5.30%		

Property Insurance

The table below illustrates the property and liability insurance expense at the Subject property and comparables. The Subject's historical data includes additional insurance expenses such as umbrella insurance, which is not incorporated in the analysis. The conclusion utilized is illustrated in the table below, which is in-line with the historicals.

Property & Liability Ins.			
Property	Min	Max	Average
Subject Historical Range	1.00%	1.34%	1.15%
Hotel Expense Comp Range	0.61%	1.67%	1.02%
Conclusion			
Forecast	1.20%		

Property Taxes

Real Estate taxes are calculated based upon reassessment using the current tax rate of 1.21636 per \$100 of indicated value. Taxes vary greatly by property due to California assessment practices wherein property assessments are limited to two percent annual increase with the exception of upon transfer, reassessment at market value is performed.

Real Estate and Other Taxes			
Property	Min	Max	Average
Subject Historical Range	4.91%	6.38%	5.62%
Hotel Expense Comp Range	1.82%	4.46%	2.73%
Conclusion			
Forecast	7.15%		

Reserves & Replacements

The Subject and the comparables do not identify replacement reserves. This is also within the improved sales presented later in this report. Therefore reserves are reflected in the selection of overall rate.

Summary of Operating Expenses

Following is the operating expenses forecast Summary.

Operating Expenses	Percent of Total		
	Per Room	Revenue	Total
Administration	\$1,221	4.00%	\$201,483
Bank Charges & Credit Card Fees	\$488	1.60%	\$80,593
Sales & Marketing	\$1,221	4.00%	\$201,483
Commissions Flag & Royalties	\$1,465	4.80%	\$241,780
Room Expenses	\$611	2.00%	\$100,742
Maintenance and Repairs	\$1,068	3.50%	\$176,298
Food & Beverages	\$0	0.00%	\$0
Management Fee	\$1,526	5.00%	\$251,854
Payroll	\$4,427	14.50%	\$730,377
Utilities Total	\$1,618	5.30%	\$266,966
Property & Liability Ins.	\$366	1.20%	\$60,445
Real Estate and Other Taxes	\$2,182	7.15%	\$360,000
Replacement Reserves	\$0	0.00%	\$0
Total Operating Expenses	\$16,194	53.05%	\$2,672,022

The Subject's overall operating expenses historically have ranged from 47.59 to 53.43 percent. Comparable properties operating expenses ranged from 57.39 to 69.20 percent. The forecast conclusion is 53.05 percent, and is within the range of historical operation and slightly lower than the range of comparables.

DIRECT CAPITALIZATION

To quantify the income potential of the Subject, a direct capitalization of a forecast cash flow is employed. In this analytical method, we estimate the present values of future cash flow expectations by applying the appropriate overall capitalization rate to the forecast net operating income. In order to estimate the appropriate capitalization rate, we relied upon several methods, discussed below.

CAPITALIZATION RATE SELECTION

Costar data for the Subject’s submarket is shown following with midscale properties within 7.4% to 7.8%.



PWC Real Estate Investor Survey

The Price Waterhouse Coopers Real Estate Investor Survey tracks capitalization rates utilized by national investors in commercial and multifamily real estate. The following summarizes the information for the national lodging market first quarter 2023:

“After an additional increase to the federal funds rate and the lingering threat of a near-term recession, overall cap rates have noticeably increased in most property sectors both on a quarterly and year-over-year basis.”

National Limited-Service Midscale & Economy Lodging Segment First Quarter 2023

OVERALL CAP RATE (OAR)*					
Range	8.00% – 11.50%	8.00% – 11.50%	7.00% – 10.50%	7.50% – 11.00%	7.50% – 11.00%
Average	9.65%	9.75%	8.88%	9.10%	9.15%
Change (Basis Points)		- 10	+ 77	+ 55	+ 50

Overall rates from Sales 2, 3, and 4 indicate a range from 7.14 to 11.34 percent, and portfolio overall rate from Sales 3 and 4 equates to 9.54 percent. The Sales do not include reserves in the overall rates.

Due to the rising interest rates and inflation, paired with the decelerating price growth, upward pressure has been put on market capitalization rates. An overall rate conclusion of 8.00% is considered reasonable and market oriented.

Following is a summary of the forecast income, expenses, and indicated value.

Hotel Income Capitalization			
Number of Rooms			165
Available Room Nights			60,225
Occupied Room Nights			52,094
Occupancy			86.50%
ADR			\$94.00
	Per Room	Percent of Total	Total
Net Rooms Revenue	\$29,678	97.22%	\$4,896,836
Other Rooms Revenue	\$200	1.00%	\$33,000
Other Revenue	\$650	4.00%	\$107,250
Total Revenues			\$5,037,086
	Per Room	Percent of Total	Total
Operating Expenses			
Administration	\$1,221	4.00%	\$ 201,483
Bank Charges & Credit Card Fees	\$488	1.60%	\$ 80,593
Sales & Marketing	\$1,221	4.00%	\$ 201,483
Commissions Flag & Royalties	\$1,465	4.80%	\$ 241,780
Room Departmental Expenses	\$611	2.00%	\$ 100,742
Maintenance and Repairs	\$1,068	3.50%	\$ 176,298
Food & Beverages	\$0	0.00%	
Management Fee	\$1,526	5.00%	\$ 251,854
Payroll	\$4,427	14.50%	\$ 730,377
Utilities	\$1,618	5.30%	\$ 266,966
Property & Liability Ins.	\$366	1.20%	\$ 60,445
Real Estate and Other Taxes	\$2,182	7.15%	\$ 360,000
Replacement Reserves	\$0	0.00%	
Total Operating Expenses	\$16,194	53.05%	\$ 2,672,022
Net Operating Income			\$2,365,064
Capitalization Rate			8.00%
Indicated Value			\$29,563,294
Rounded			\$29,560,000

**INCOME CAPITALIZATION APPROACH MARKET RATE
MULTIFAMILY USE**

INTRODUCTION

The Income Capitalization Approach to value is based upon the premise that the value of an income-producing property is largely determined by the ability of the property to produce future economic benefits. The value of such a property to the prudent investor lies in anticipated annual cash flows and an eventual sale of the property. An estimate of the property's market value is derived via the capitalization of these future income streams.

It is important to note that the projections of income and expenses are based on the basic assumption that the apartment building will be managed and staffed by competent personnel and that the property will be professionally advertised and aggressively promoted.

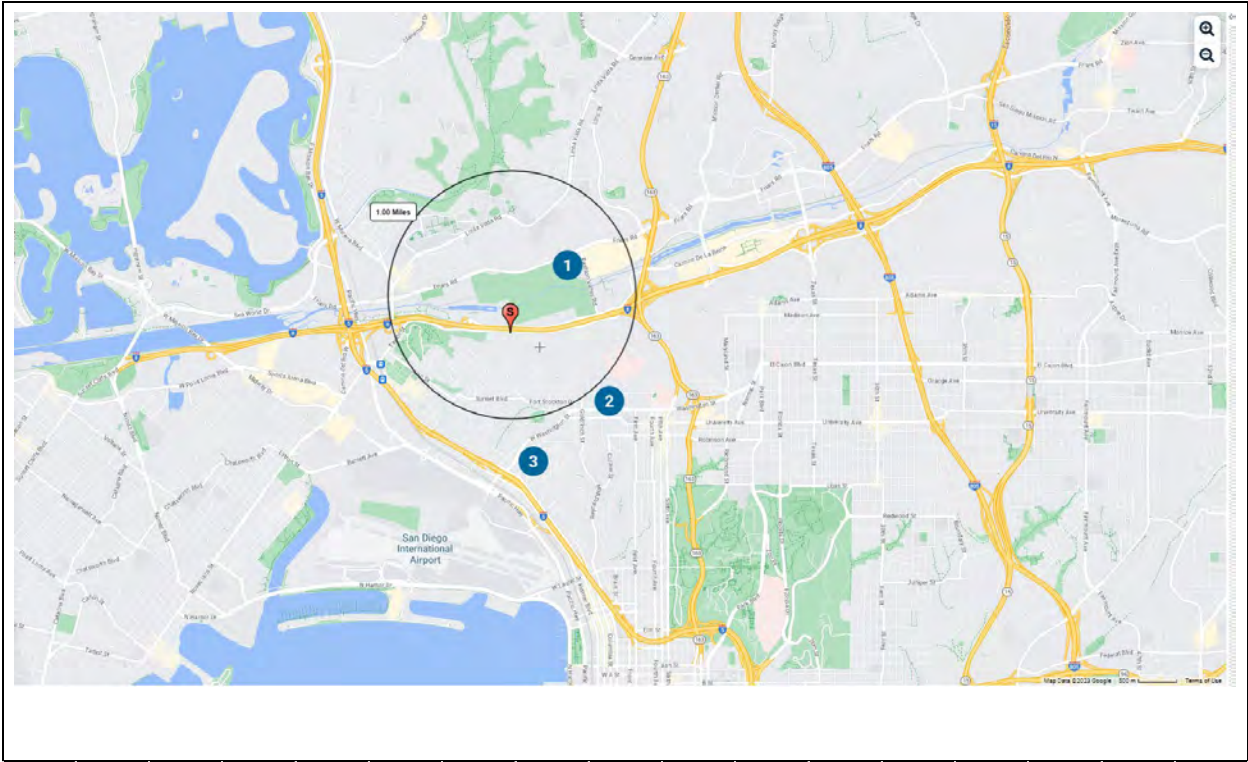
ECONOMIC RENT ANALYSIS

We performed a competitive rental analysis of the local market within the market study prepared for the Subject. Analysis of the comparable properties is included in this section.

Unit sizes are reported on a net basis for comparable properties, which is the typical basis reported within the apartment industry. Additionally, unit size may not be reflective of the appeal of the unit; an example being two apartments with differing floor plans wherein the smaller size unit may appear to be larger to the observer due to floor plan layout and lighting. In some cases where multiple floor plans were available for identical unit sizes, an average unit size and rent was applied.

Following is a summary of the comparables, corresponding map and individual rent comparable data sheets for the comparables used in our analysis.

Rent Comparables Map



Comparable Properties					
Comp #	Comparable Name	Street Address	City, State	Rent Structure	Proximity from Subject (miles)
1	Centre Pointe Apartments	6466 - 6596 Friars Road	San Diego, CA	Market	0.57 miles
2	Antone Apartments	4052 1/2 Brant Street	San Diego, CA	Market	1.02 miles
3	Overlook Point Apartments	1616 Guy Street	San Diego, CA	Market	1.07 miles

Rent Survey Summary										
No.	Project/ Proximity	Type/ Yr. Built	Market/ Subsidy	Bed/ Bath/AMI Level	Size (SF)	Units	Rent (Ask)	Price Per Square Foot	Units Vacant	Vacancy Rate
1	Centre Pointe Apartments 6466 - 6596 Friars Road San Diego, CA 0.57 miles	Garden (2 story) 1974	Market	Studio/1.0	400	80	\$2,284	\$5.71	0	0.0%
				1/1.0	630	120	\$2,704	\$4.29	0	0.0%
				2/2.0	900	24	\$3,379	\$3.75	0	0.0%
				Total		224			0	0.0%
2	Antone Apartments 4052 1/2 Brant Street San Diego, CA 1.02 miles	Garden (2 story) 1963	Market	Studio/1.0	425	2	\$1,825	\$4.29	0	0.0%
				1/1.0	580	26	\$1,850	\$3.19	0	0.0%
				2/1.0	825	20	\$2,250	\$2.73	0	0.0%
				2/2.0	1,000	19	\$2,800	\$2.80	1	5.3%
Total		67			1	1.5%				
3	Overlook Point Apartments 1616 Guy Street San Diego, CA 1.07 miles	Garden (2 story) 1963	Market	Studio/1.0	320	104	\$1,650	\$5.16	2	1.9%
				1/1.0	380	17	\$1,750	\$4.61	0	0.0%
				Total		121			2	1.7%

Comparable #1

Survey Date: 6/6/2023

Property Name Centre Pointe Apartments
 Street 6466 - 6596 Friars Road
 City, State San Diego, CA
 County San Diego
 Phone Number 619-432-4098
 Contact Name Nicole
 Type Multifamily
 ("Market"/"Low Income) Market
 Proximity 0.57 miles
 Structure Garden (2 story)
 HCV Tenants Yes - NA
 Yearly Turnover % 10%
 Leasing Pace Preleased to two weeks
 Waiting List None
 Concessions None
 Change in Rent Increased in 2023
 Year Built/Renovated 1974
 Comp ID Number 17823



Property Description:

Bed/Bath	Area (SF)	Units	Rent	Concession (monthly)	Vacant Units	Vacancy Rate
Studio/1.0	400	80	\$2,284	\$0	0	0.0%
1/1.0	630	120	\$2,704	\$0	0	0.0%
2/2.0	900	24	\$3,379	\$0	0	0.0%
Total Units		224			0	0.0%

Utilities:

	Who Pays Utility?	Gas/Electric G=Gas E=Electric
Other Electric	T	E
Heat	T	E
Water Heat	T	E
Cooking	T	E
Water	L	
Sewer	L	
Trash	L	

Unit Amenities:

Central Heat/Cool	<input checked="" type="checkbox"/>
Blinds	<input checked="" type="checkbox"/>
Carpet	<input checked="" type="checkbox"/>
Ceiling Fan	<input type="checkbox"/>
Skylight	<input type="checkbox"/>
Storage Closet	<input type="checkbox"/>
Coat Closet	<input checked="" type="checkbox"/>
Walk-In Closet	<input type="checkbox"/>
Fireplace	<input type="checkbox"/>
Patio/Balcony	<input checked="" type="checkbox"/>

Appliances:

Refrigerator	<input checked="" type="checkbox"/>
Stove/Oven	<input checked="" type="checkbox"/>
Dishwasher	<input checked="" type="checkbox"/>
Garbage Disposal	<input checked="" type="checkbox"/>
Microwave	<input checked="" type="checkbox"/>
Washer/Dryer	<input type="checkbox"/>
Washer/Dryer Hook-up	<input type="checkbox"/>

Property Amenities:

Community Room	<input checked="" type="checkbox"/>
Swimming Pool	<input checked="" type="checkbox"/>
Spa/Jacuzzi	<input checked="" type="checkbox"/>
Exercise Room	<input type="checkbox"/>
Picnic Area	<input checked="" type="checkbox"/>
Playground	<input type="checkbox"/>
Tennis Court	<input checked="" type="checkbox"/>
Basketball Court	<input type="checkbox"/>
Volleyball Court	<input type="checkbox"/>
On-Site Manager	<input checked="" type="checkbox"/>
Laundry Room	<input checked="" type="checkbox"/>
Computer Room	<input type="checkbox"/>
Business Center	<input type="checkbox"/>
Car Wash Area	<input type="checkbox"/>
Additional Services*	<input checked="" type="checkbox"/>
Elevator ("Yes or "No)	N

Parking:

Surface Parking	<input checked="" type="checkbox"/>
Carport	<input type="checkbox"/>
Underground	<input type="checkbox"/>
Detached Garage	<input type="checkbox"/>
Attached Garage	<input type="checkbox"/>
Tuck-under Garage	<input type="checkbox"/>
Parking Garage	<input type="checkbox"/>

Security:

Gated/Controlled Access/Intercom	<input type="checkbox"/>
Courtesy Patrol	<input checked="" type="checkbox"/>
Surveillance Cameras	<input type="checkbox"/>

*See Notes

Notes:

Additional services include a dog park. Management indicated units have been remodeled and/or updated on an as-needed basis throughout the years as they have turned over. Based on this information as well as photographs of unit interiors obtained online, an effective year built of 2005 is estimated for this property. Property image is from Google.

Comparable #2

Survey Date: 6/2/2023

Property Name Antone Apartments
 Street 4052 1/2 Brant Street
 City, State San Diego, CA
 County San Diego
 Phone Number 619-823-0455
 Contact Name Collette
 Type Multifamily
 ("Market"/"Low Income") Market
 Proximity 1.02 miles
 Structure Garden (2 story)
 HCV Tenants None
 Yearly Turnover % 20%
 Leasing Pace One to two weeks
 Waiting List None
 Concessions None
 Change in Rent Fluctuates
 Year Built/Renovated 1963
 Comp ID Number 17822



Property Description:

Bed/Bath	Area (SF)	Units	Rent	Concession (monthly)	Vacant Units	Vacancy Rate
Studio/1.0	425	2	\$1,825	\$0	0	0.0%
1/1.0	580	26	\$1,850	\$0	0	0.0%
2/1.0	825	20	\$2,250	\$0	0	0.0%
2/2.0	1,000	19	\$2,800	\$0	1	5.3%
Total Units		67			1	1.5%

Utilities:

	Who Pays	Gas/Electric
	Utility?	G=Gas E=Electric
Other Electric	T	E
Heat	T	E
Water Heat	T	E
Cooking	T	E
Water	L	
Sewer	L	
Trash	L	

Unit Amenities:

Central Heat/Cool	<input checked="" type="checkbox"/>
Blinds	<input checked="" type="checkbox"/>
Carpet	<input checked="" type="checkbox"/>
Ceiling Fan	<input checked="" type="checkbox"/>
Skylight	<input type="checkbox"/>
Storage Closet	<input type="checkbox"/>
Coat Closet	<input checked="" type="checkbox"/>
Walk-In Closet	<input type="checkbox"/>
Fireplace	<input type="checkbox"/>
Patio/Balcony	<input checked="" type="checkbox"/>

Appliances:

Refrigerator	<input checked="" type="checkbox"/>
Stove/Oven	<input checked="" type="checkbox"/>
Dishwasher	<input checked="" type="checkbox"/>
Garbage Disposal	<input checked="" type="checkbox"/>
Microwave*	<input type="checkbox"/>
Washer/Dryer	<input type="checkbox"/>
Washer/Dryer Hook-up	<input type="checkbox"/>

Property Amenities:

Community Room	<input type="checkbox"/>
Swimming Pool	<input checked="" type="checkbox"/>
Spa/Jacuzzi	<input type="checkbox"/>
Exercise Room	<input type="checkbox"/>
Picnic Area	<input type="checkbox"/>
Playground	<input type="checkbox"/>
Tennis Court	<input type="checkbox"/>
Basketball Court	<input type="checkbox"/>
Volleyball Court	<input type="checkbox"/>
On-Site Manager	<input checked="" type="checkbox"/>
Laundry Room	<input checked="" type="checkbox"/>
Computer Room	<input type="checkbox"/>
Business Center	<input type="checkbox"/>
Car Wash Area	<input type="checkbox"/>
Additional Services	<input type="checkbox"/>
Elevator ("Yes or "No)	N

Parking:

Surface Parking*	<input checked="" type="checkbox"/>
Carport	<input type="checkbox"/>
Underground	<input type="checkbox"/>
Detached Garage	<input type="checkbox"/>
Attached Garage	<input type="checkbox"/>
Tuck-under Garage	<input type="checkbox"/>
Parking Garage	<input type="checkbox"/>

Security:

Gated/Controlled Access/Intercom	<input type="checkbox"/>
Courtesy Patrol	<input type="checkbox"/>
Surveillance Cameras	<input type="checkbox"/>

*See Notes

Notes:

Additional surface parking is \$50 a month. Microwaves are in select units. Management indicated units have been remodeled and/or updated on an as-needed basis throughout the years as they have turned over. Based on this information as well as photographs of unit interiors obtained online, an effective year built of 2000 is estimated for this property. Property image is from the property website.

Comparable #3

Survey Date: 6/2/2023

Property Name Overlook Point Apartments
 Street 1616 Guy Street
 City, State San Diego, CA
 County San Diego
 Phone Number 619-298-6242
 Contact Name Manager
 Type Multifamily
 ("Market"/"Low Income) Market
 Proximity 1.07 miles
 Structure Garden (2 story)
 HCV Tenants Yes - NA
 Yearly Turnover % N/A
 Leasing Pace N/A
 Waiting List N/A
 Concessions None
 Change in Rent N/A
 Year Built/Renovated 1963
 Comp ID Number 17825



Property Description:

Bed/Bath	Area (SF)	Units	Rent	Concession (monthly)	Vacant Units	Vacancy Rate
Studio/1.0	320	104	\$1,650	\$0	2	1.9%
1/1.0	380	17	\$1,750	\$0	0	0.0%
Total Units		121			2	1.7%

Utilities:

	Who Pays Utility?	Gas/Electric
		G=Gas E=Electric
Other Electric	T	E
Heat	T	E
Water Heat	T	G
Cooking	T	G
Water	L	
Sewer	L	
Trash	L	

Unit Amenities:

Central Heat/Cool	<input type="checkbox"/>
Blinds	<input checked="" type="checkbox"/>
Carpet	<input checked="" type="checkbox"/>
Ceiling Fan	<input type="checkbox"/>
Skylight	<input type="checkbox"/>
Storage Closet	<input type="checkbox"/>
Coat Closet	<input checked="" type="checkbox"/>
Walk-In Closet	<input type="checkbox"/>
Fireplace	<input type="checkbox"/>
Patio/Balcony	<input type="checkbox"/>

Appliances:

Refrigerator	<input checked="" type="checkbox"/>
Stove/Oven	<input checked="" type="checkbox"/>
Dishwasher	<input type="checkbox"/>
Garbage Disposal	<input checked="" type="checkbox"/>
Microwave	<input type="checkbox"/>
Washer/Dryer	<input type="checkbox"/>
Washer/Dryer Hook-up	<input type="checkbox"/>

Property Amenities:

Community Room	<input type="checkbox"/>
Swimming Pool	<input checked="" type="checkbox"/>
Spa/Jacuzzi	<input type="checkbox"/>
Exercise Room	<input type="checkbox"/>
Picnic Area	<input type="checkbox"/>
Playground	<input type="checkbox"/>
Tennis Court	<input type="checkbox"/>
Basketball Court	<input type="checkbox"/>
Volleyball Court	<input type="checkbox"/>
On-Site Manager	<input checked="" type="checkbox"/>
Laundry Room	<input checked="" type="checkbox"/>
Computer Room	<input type="checkbox"/>
Business Center	<input type="checkbox"/>
Car Wash Area	<input type="checkbox"/>
Additional Services	<input type="checkbox"/>
Elevator ("Yes or "No)	N

Parking:

Surface Parking	<input checked="" type="checkbox"/>
Carport	<input type="checkbox"/>
Underground	<input type="checkbox"/>
Detached Garage	<input type="checkbox"/>
Attached Garage	<input type="checkbox"/>
Tuck-under Garage	<input type="checkbox"/>
Parking Garage	<input type="checkbox"/>

Security:

Gated/Controlled Access/Intercom	<input type="checkbox"/>
Courtesy Patrol	<input checked="" type="checkbox"/>
Surveillance Cameras	<input type="checkbox"/>

Notes:

Management indicated units have been remodeled and/or updated on an as-needed basis throughout the years as they have turned over. Based on this information as well as photographs of unit interiors obtained online, an effective year built of 1995 is estimated for this property. Property image is from Apartments.com.

Rent Adjustment Table For Multifamily Projects		
Characteristics	Adjustment	Comment
	Base BR	
Elevator (Yes/No)	\$10	
Tenant Paid Utilities		
Electricity	From U.A.	Use amount from the utility allowance schedule
Heat	From U.A.	Use amount from the utility allowance schedule
Hot Water	From U.A.	Use amount from the utility allowance schedule
Cooking--Power	From U.A.	Use amount from the utility allowance schedule
TV	From U.A.	Use amount from the utility allowance schedule
Water/Sewer/Trash	From U.A.	Use amount from the utility allowance schedule
Sewer	From U.A.	Use amount from the utility allowance schedule
Trash	From U.A.	Use amount from the utility allowance schedule
Unit Amenities		
Central Heat/Cool	\$20	Central VS Wall \$10
Blinds	\$5	
Carpet	\$10	
Ceiling Fan	\$5	
Skylight/Vaulted Ceilings	\$10	
Storage Closet	\$5	
Coat Closet	\$0	
Walk-In Closet	\$5	
Fireplace	\$5	
Patio/Balcony	\$5	
Appliances		
Refrigerator	\$20	
Stove/Oven	\$20	
Dishwasher	\$10	
Garbage Disposal	\$0	
Microwave	\$5	
Washer/Dryer	\$50	
Washer/Dryer Connection	\$25	
Parking/Transportation		
Surface Parking	\$20	Compare to off-site parking
Carport	\$30	
Underground Parking	\$40	
Detached Garage	\$60	
Attached Garage	\$60	
Tuck-Under Garage	\$30	
Parking Garage	\$60	
Project Amenities		
Clubhouse/Community Room	\$10	
Swimming Pool	\$10	
Spa/Jacuzzi	\$5	
Exercise Room	\$10	
Picnic Area	\$5	
Tot Lot/Playground	\$5	
Tennis Court	\$5	
Basketball Court	\$5	
Volleyball Court	\$5	
On-Site Manager	\$10	
Laundry Room	\$10	
Computer Room	\$10	
Business Center	\$10	
Car Wash Area	\$5	
Security		
Gated	\$5	
Courtesy Patrol	\$5	
Emergency Pull Cords	\$10	
Intercomm	\$5	
Surveillance Cameras	\$5	

TCAC Adjustments Matrix: MKT Studio		Centre Pointe Apartments		Antone Apartments		Overlook Point Apartments	
	Subject Highest Rent	6466 - 6596 Friars Road		4052 1/2 Brant Street		1616 Guy Street	
		San Diego, CA		San Diego, CA		San Diego, CA	
Prepared by: Kinetic Valuation Group		619-432-4098		619-823-0455		619-298-6242	
	Char	Char	Adj	Char	Adj	Char	Adj
Type ("Market, "Low Income)	L	M		M		M	
Distance in Miles from Subject		0.57 miles		1.02 miles		1.07 miles	
Number of Units		80		2		104	
Vacancy Rate		0.0%		0.0%		1.9%	
Unit Size in SF	320	400		425		320	
Base Rent		\$2,284		\$1,825		\$1,650	
# of stories	3	2		2		2	
Elevator ("Yes or "No)	Y	N	\$10	N	\$10	N	\$10
# of Bedrooms	0	0		0		0	
# of Bathrooms	1	1		1		1	
Unit Size Adjustment	320	400	(\$114)	425	(\$113)	320	\$0
Rent Concessions		None		None		None	
Age (built or last renovated) Quality	1999/2024	1974	\$20	1963	\$50	1963	\$70
Location	Average	Similar		Similar		Similar	
Utilities Paid by Tenant							
Electricity	L	T	\$45	T	\$45	T	\$45
Heat ("Gas or "Electric)	L/E	T/E	\$26	T/E	\$26	T/E	\$26
Hot Water (G or E)	L/G	T/E	\$10	T/E	\$10	T/G	\$10
Cooking (G or E)	L/E	T/E	\$12	T/E	\$12	T/G	\$12
TV ("Cable or "Satellite)	T	T		T		T	
Water	L	L		L		L	
Sewer	L	L		L		L	
Trash	L	L		L		L	
Unit Amenities							
Central Heat/Cool	✓	✓		Wall	\$10	□	\$20
Blinds	✓	✓		✓		✓	
Carpet	✓	✓		✓		✓	
Ceiling Fan	□	□		✓	(\$5)	□	
Skylight	□	□		□		□	
Storage Closet	□	□		□		□	
Coat Closet	✓	✓		✓		✓	
Walk-In Closet	□	□		□		□	
Fireplace	□	□		□		□	
Patio/Balconv	□	✓	(\$5)	✓	(\$5)	□	
Appliances							
Refrigerator	✓	✓		✓		✓	
Stove/Oven	Stovetop	✓	(\$10)	✓	(\$10)	✓	(\$10)
Dishwasher	□	✓	(\$10)	✓	(\$10)	□	
Garbage Disposal	□	✓	\$0	✓	\$0	✓	\$0
Microwave	✓	✓		□	\$5	□	\$5
Washer/Dryer	□	□		□		□	
Washer/Dryer Hook-ups	□	□		□		□	
Parking/Transportation							
Surface Parking	✓	✓		✓		✓	
Carport	□	□		□		□	
Underground Parking	□	□		□		□	
Detached Garage	□	□		□		□	
Attached Garage	□	□		□		□	
Tuck-under Garage	□	□		□		□	
Parking Garage	□	□		□		□	
Project Amenities							
Clubhouse/Community Room	□	✓	(\$10)	□		□	
Swimming Pool	□	✓	(\$10)	✓	(\$10)	✓	(\$10)
Spa/Jacuzzi	□	✓	(\$5)	□		□	
Exercise Room	□	□		□		□	
Picnic Area	✓	✓		□	\$5	□	\$5
Tot Lot/Playground	□	✓		□		□	
Tennis Court	□	✓	(\$5)	□		□	
Basketball Court	□	□		□		□	
Volleyball Court	□	□		□		□	
On Site Manager	✓	✓		✓		✓	
Laundry Room	✓	✓		✓		✓	
Computer Room	□	□		□		□	
Business Center	□	□		□		□	
Car Wash Area	□	□		□		□	
Security							
Gated	✓	□	\$5	□	\$5	□	\$5
Courtesy Patrol	□	✓	(\$5)	□		✓	(\$5)
Surveillance Camera	✓	□	\$5	□	\$5	□	\$5
Adjusted Rent			\$2,243		\$1,855		\$1,838

MARKET CHARACTERISTICS

Following are relevant market characteristics of comparable properties surveyed:

Age & Condition

The Subject is the proposed conversion of a 165-room Extended Stay America hotel to market rate multifamily. The cost of the renovation is estimated at \$20,000 per unit. The estimated effective year built of the Subject will be 2009.

The market rate comparable properties were built between 1963 and 1974. Based on information obtained from property management and/or online photographs regarding the date and extent of the renovations, an effective year built was estimated for each property.

All of the adjustments applied to the comparables are based on approximately \$5.00 per year difference between the Subject’s estimated effective year built post-conversion (2010) and the effective year built of the comparables; rounding to the nearest \$10 increment was applied. This is a conservative adjustment based on pairing analyses between more recently constructed properties and properties of older vintage located within the region. The table below outlines the adjustments applied to each comparable.

Age & Condition Adjustment				
Comparable	Property Name	Year Built	Effective Year Built	Adjustment
Subject	Extended Stay America-Hotel Circle	1999/2024	2009	-
1	Centre Pointe Apartments	1974	2005	\$20
2	Antone Apartments	1963	2000	\$50
3	Overlook Point Apartments	1963	1995	\$70

Location

All of the market comparables are within similar neighborhood areas; as such no location adjustments were necessary.

Unit Mix

The unit mix for the Subject and comparable properties summation are shown in the following table. The Subject will have studio units.

Unit Mix				
Unit Type	Total Units (Subject)	Percent (Subject)	Total Units (Comps)	Percent (Comps)
Studio	165	100.0%	212	43.0%
1 BR	0	0.0%	217	44.0%
2 BR	0	0.0%	64	13.0%
3 BR	0	0.0%	0	0.0%
Total	165	100.0%	493	100.0%

Turnover

The table below illustrates the turnover rates at each comparable. Turnover was not reported by Comparable 3 as such, this property was excluded from this analysis.

Turnover			
Comp #	Property Name	Rent Structure	Turnover
1	Centre Pointe Apartments	Market	10%
2	Antone Apartments	Market	20%
3	Overlook Point Apartments	Market	N/A
Average Turnover			10%

The comparable properties in the PMA indicate a turnover range from 10 percent to 20 percent with an average turnover of 10 percent. Given the turnover rate in the market, the Subject's unit mix and target market, assuming competent management, turnover is anticipated to be minimal at the Average turnover at the Subject should be 20 percent or less, annually.

Utility Structure

Tenants at the Subject will not be responsible for any utilities. The landlord will cover all electric and gas expenses, which include gas water heating, and electric cooling, heating, cooking, and general electricity, as well as the cold water, sewer, and trash expenses. Adjustments were applied to market comparables with utility structures differing from that of the Subject. The adjustments were based upon the utility allowance schedule obtained from the San Diego Housing Commission (SDHC).

Tenants at Comparables 1, 2, and 3 are responsible for all electric and gas utilities; therefore, upward adjustments for electricity, heat, hot water, and cooking were applied to these comparables.

Vacancy

The charts below show overall vacancy rates, as well as vacancy by property and unit type, at the comparable properties included in the survey.

Vacancy					
Comp #	Property Name	Rent Structure	Total Units	Vacant Units	Vacancy Rate
1	Centre Pointe Apartments	Market	224	0	0.0%
2	Antone Apartments	Market	67	1	1.5%
3	Overlook Point Apartments	Market	121	2	1.7%
Average					0.4%

The comparable properties in the PMA indicate a vacancy range from 0.0 to 1.7 percent with an average vacancy rate of 0.4 percent. Taking the vacancy rates in the market into account, we expect the Subject to operate with a vacancy of five percent or less.

Leasing Pace

A quick leasing pace indicates a strong market with high occupancy and unmet demand. Properties that are preleased generally maintain waiting lists. The table below illustrates the leasing pace reported by each comparable property. Comparable 3 could not provide leasing pace information.

Leasing Pace			
Comp #	Property Name	Rent Structure	Leasing Pace
1	Centre Pointe Apartments	Market	Preleased to two weeks
2	Antone Apartments	Market	One to two weeks
3	Overlook Point Apartments	Market	N/A

All but one comparable reported preleasing vacant units.

Rent History

Due to the high occurrence of management and/or management company turnover at comparable properties, a three-year rent history could not be obtained from comparable properties. The table below illustrates the change in rent at the comparables over the last year.

Rent History			
Comp #	Comparable Name	Rent Structure	Change in Rent
1	Centre Pointe Apartments	Market	Increased in 2023
2	Antone Apartments	Market	Fluctuates
3	Overlook Point Apartments	Market	N/A

Market Rents

The achievable market rents were determined by comparing the aesthetic quality, amenities, unit sizes, etc. to that of the market rate projects in the area. We concluded that the Subject will be competitive with the market rate competition and achievable rents are within the market rental range. Achievable rents represent net market rate rent levels that we believe a project of the Subject's condition and quality could reasonably achieve.

Achievable Market Rents	
Unit Type	Market Rent
0BR/1BA	\$2,175

In conclusion of market rent, primary weight is given to Comparable 1, which is closest in proximity to the Subject and most similar in terms of age/condition. Secondary weight is given to Comparables 2 and 3.

Other Income

In addition to rental income produced from the apartment units, we must also consider any income that will be generated from amenities. Such income can vary significantly from property to property, depending upon the project class, amenities offered, and whether or not management has elected to separate amenity charges from the basic apartment rates. In this instance, there are no known amenity charges to the basic rental rates. Therefore, other income includes such items as laundry and vending, NSF fees, forfeited deposits and credit report fees.

The below table illustrates the range of the market comparables and forecast. A conclusion toward the top end of the range was appropriate as only three comparables reported other income.

Other Income			
Property	Min	Max	Average
Market Expense Comp Range	\$0	\$1,467	\$657
Conclusion			
As Unrestricted	\$1,100		

Vacancy and Collection Loss

The chart below shows overall vacancy rates, as well as vacancy by property at the comparable properties included in the survey.

Vacancy					
Comp #	Property Name	Rent Structure	Total Units	Vacant Units	Vacancy Rate
1	Centre Pointe Apartments	Market	224	0	0.0%
2	Antone Apartments	Market	67	1	1.5%
3	Overlook Point Apartments	Market	121	2	1.7%
				Average	0.4%

Vacancy at comparable properties ranges from zero to 1.7 percent and averages 0.4 percent. Taking into consideration typical losses due to concessions, bad debt or lack of collections, a stabilized vacancy and collection loss of five percent will be used. This will be deducted from potential gross income.

Operating Expenses

The Subject’s residential units are analyzed with the landlord responsible for advertising/administrative expenses, insurance, maintenance, common area utilities, property taxes, payroll, management fees, and reserves.

We have provided expense comparables from multifamily market rate properties within the region. It should be noted the expense comparables have been trended to 2023 based on three percent annual increase.

Market Rate Expense Comparables

Project	Conventional Property 1		Conventional Property 2		Conventional Property 3		Conventional Property 4	
	2022		2020		2020		2020	
Number of Units	116		52		72		122	
	Per Unit	Amount	Per Unit	Amount	Per Unit	Amount	Per Unit	Amount
Total Rental Income	\$ 20,213	\$ 2,344,694	\$ 13,362	\$ 694,813	\$ 26,671	\$ 1,920,288	\$ 25,480	\$ 3,108,548
Vacancy	\$ -	\$ -	\$ (152)	\$ (7,894)	\$ (2,056)	\$ (148,061)	\$ (2,465)	\$ (300,742)
Other Income	\$ -	\$ -	\$ 82	\$ 4,275	\$ 1,080	\$ 77,790	\$ 1,467	\$ 178,944
Total Revenues	\$ 20,213	\$ 2,344,694	\$ 13,292	\$ 691,194	\$ 25,695	\$ 1,850,017	\$ 24,482	\$ 2,986,750
Operating Expenses	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total
Administration	\$ 305	\$ 35,401	\$ 709	\$ 36,882	\$ 1,337	\$ 96,230	\$ 1,351	\$ 164,837
Maintenance and Repairs	\$ 890	\$ 103,238	\$ 1,825	\$ 94,905	\$ 2,451	\$ 176,485	\$ 1,951	\$ 238,036
Management Fee	\$ 750	\$ 86,942	\$ 776	\$ 40,359	\$ 707	\$ 50,875	\$ 851	\$ 103,820
Payroll	\$ 1,615	\$ 187,354	\$ 1,682	\$ 87,475	\$ 2,197	\$ 158,184	\$ 3,786	\$ 461,861
Utilities Total	\$ 1,810	\$ 209,903	\$ 762	\$ 39,607	\$ 1,454	\$ 104,697	\$ 1,127	\$ 137,507
Property & Liability Ins.	\$ 325	\$ 37,662	\$ 409	\$ 21,274	\$ 213	\$ 15,340	\$ 227	\$ 27,657
Real Estate and Other Taxes	\$ 1,863	\$ 216,065	\$ 261	\$ 13,579	\$ 3,891	\$ 280,126	\$ 1,088	\$ 132,688
Replacement Reserves	\$ 258	\$ 29,870	\$ 311	\$ 16,154	\$ 327	\$ 23,544	\$ 338	\$ 41,228
Total Operating Expenses	\$ 7,814	\$ 906,435	\$ 6,735	\$ 350,236	\$ 12,576	\$ 905,479	\$ 10,718	\$ 1,307,635

Administration

The table below illustrates administration expense for the Market Comparables. The forecast is within the range of the comparables. Comparables 3 and 4 seem high; therefore, more weight was placed on the low end of the range.

Administration			
Property	Min	Max	Average
Market Expense Comp Range	\$305	\$1,351	\$926
Conclusion			
As Unrestricted	\$325		

Maintenance and Repairs

The table below illustrates maintenance and repairs expense forecast, and the market expense comparables. The forecast is within the range of comparables and reflect the planned updates. Comparables 2, 3, and 4 seem high; therefore, more weight was placed on the low end of the range.

Maintenance and Repairs			
Property	Min	Max	Average
Market Expense Comp Range	\$890	\$2,451	\$1,779
Conclusion			
As Unrestricted	\$900		

Management Fee

Capable management is usually required to maintain strong occupancy levels. The industry average for management expenses ranged between 3.5 to 8.0 percent of effective gross income. A conclusion of 3.5 percent is utilized which placed weight on the average of the comparables.

Management Fee			
Property	Min	Max	Average
Market Expense Comp Range	2.7%	5.8%	3.9%
Conclusion			
As Unrestricted	3.5%		

Payroll

The table below illustrates forecast payroll expense for the Subject and the market expense comparables. The forecast is within the range of the comparables. Comparables 3 and 4 seem high; therefore, more weight was placed on the low end of the range.

Payroll			
Property	Min	Max	Average
Market Expense Comp Range	\$1,615	\$3,786	\$2,320
Conclusion			
As Unrestricted	\$1,650		

Utilities

Tenants will not be responsible for any utilities. The landlord is responsible for all electrical expenses including lights, air conditioning, heating, hot water, and cooking, as well as cold water, sewer, and trash expenses. Because of the utility structure, weight was placed on the top end of the range. The table below illustrates utilities expense for the Subject's forecast, and the market expenses comparables.

Utilities			
Property	Min	Max	Average
Market Expense Comp Range	\$762	\$1,810	\$1,288
Conclusion			
As Unrestricted	\$1,800		

Property Insurance

The table below illustrates insurance expense for the Subject's forecast, and the market expenses comparables. Comparables 3 and 4 seem high; therefore, more weight was placed on the low end of the range.

Property & Liability Insurance			
Property	Min	Max	Average
Market Expense Comp Range	\$213	\$409	\$293
Conclusion			
As Unrestricted	\$225		

Property Taxes

Real Estate taxes are calculated based upon reassessment using the current tax rate of 1.21636 per \$100 of indicated value. Taxes vary greatly by property due to California assessment practices wherein property assessments are limited to two percent annual increase with the exception of upon transfer, reassessment at market value is performed.

Real Estate and Other Taxes			
Property	Min	Max	Average
Market Expense Comp Range	\$261	\$3,891	\$1,776
Conclusion			
As Unrestricted	\$4,764		

Reserves & Replacements

Over the life of a property, the owner would likely have to replace some short-lived capital improvement items. The subject's improvements feature a number of short-lived items such as concrete and asphalt paving, mechanical systems, paint, flooring, etc. These items will eventually require replacement during a typical investment-holding period. Property owners typically do not set aside funds each year for the ultimate replacement of such short-lived items. However, since these items generally have a lesser economic life than the structure itself and are not subject to recovery under a typical maintenance budget, a reserve account should be considered. Under this methodology, the property owner deposits funds annually so that they earn interest and will ultimately be available to pay for the replacement of the short-lived items. This is also referred to as a sinking fund technique. This type of analysis models cash outflows for replacements as a level annuity. We utilized reserves of \$300 per unit.

Summary of Operating Expenses

The following table illustrates the operating expense estimates for the as unrestricted rents scenario:

As Unrestricted Operating Expenses		
Operating Expenses	Per Unit	Total Annual
Administration	\$325	\$53,625
Maintenance and Repairs	\$900	\$148,500
Management Fee	\$894	\$147,490
Payroll	\$1,650	\$272,250
Utilities	\$1,800	\$297,000
Property & Liability Insurance	\$225	\$37,125
Real Estate and Other Taxes	\$4,764	\$786,000
Replacement Reserves	\$300	\$49,500
Total Operating Expenses	\$10,858	\$1,791,490

DIRECT CAPITALIZATION

To quantify the income potential of the Subject, a direct capitalization of a forecast cash flow is employed. In this analytical method, we estimate the present values of future cash flow expectations by applying the appropriate overall capitalization rate to the forecast net operating income. In order to estimate the appropriate capitalization rate, we relied upon several methods, discussed below.

CAPITALIZATION RATE SELECTION

Market Transactions

The capitalization rate to be applied to net income is based on sales of comparable apartment projects in stabilized occupancy condition. The overall rates extracted from the comparable sales are based on the reported or estimated scheduled rental income at the time of sale, expenses reported for the comparable properties, and/or the appraiser’s judgment of the appropriate expenses for the comparable properties. The search for market-oriented improved sales was concentrated within San Diego and the surrounding region. The sales are located in San Diego and Lemon Grove are generally similar to the Subject; however, differences do exist in terms of access to local amenities. Location adjustments will be discussed later in the *Sales Comparison Approach* section.

The table below summarizes recent comparable sales with income/expense information available.

Tabulation of Improved Apartment Sales									
Data No.	Project/Location	Date of Sale	Sale Price	OAR	Effective Gross Income	EGIM	Expense Ratio	# of Units	Price per Unit
1	The Warwick 606 Washington Street San Diego, CA 92103	Dec-22	\$37,375,000	3.01%	\$ 1,845,854	20.25	39.1%	80	\$467,188
2	Celsius Apartments 100 Citronica Lane Lemon Grove, CA 91945	May-22	\$42,800,000	3.83%	\$ 3,067,466	13.95	46.6%	102	\$419,608
3	The Ridge at San Diego 4641-4677 Home Avenue San Diego, CA 92105	Oct-22	\$31,500,000	4.50%	\$ 2,616,368	12.04	45.8%	87	\$362,069
4	Ballpark Place Apartments 229 16th Street San Diego, CA 92101	Jan-23	\$21,000,000	3.74%	\$ 1,655,770	12.68	52.6%	100	\$210,000

All the sales are included in the following *Sales Comparison* section of this report. The improved sales illustrate a range of overall rates from 3.01 to 4.50 percent, with an average of 3.77 percent. The closed sales occurred between May 2022 to January 2023. There has been upward pressure upon overall rates resulting from the increases in lending interest rates and decreased volume of sales activity. The Subject will represent an overall Class C property, and a conclusion of 3.75 percent is considered reasonable and market oriented.

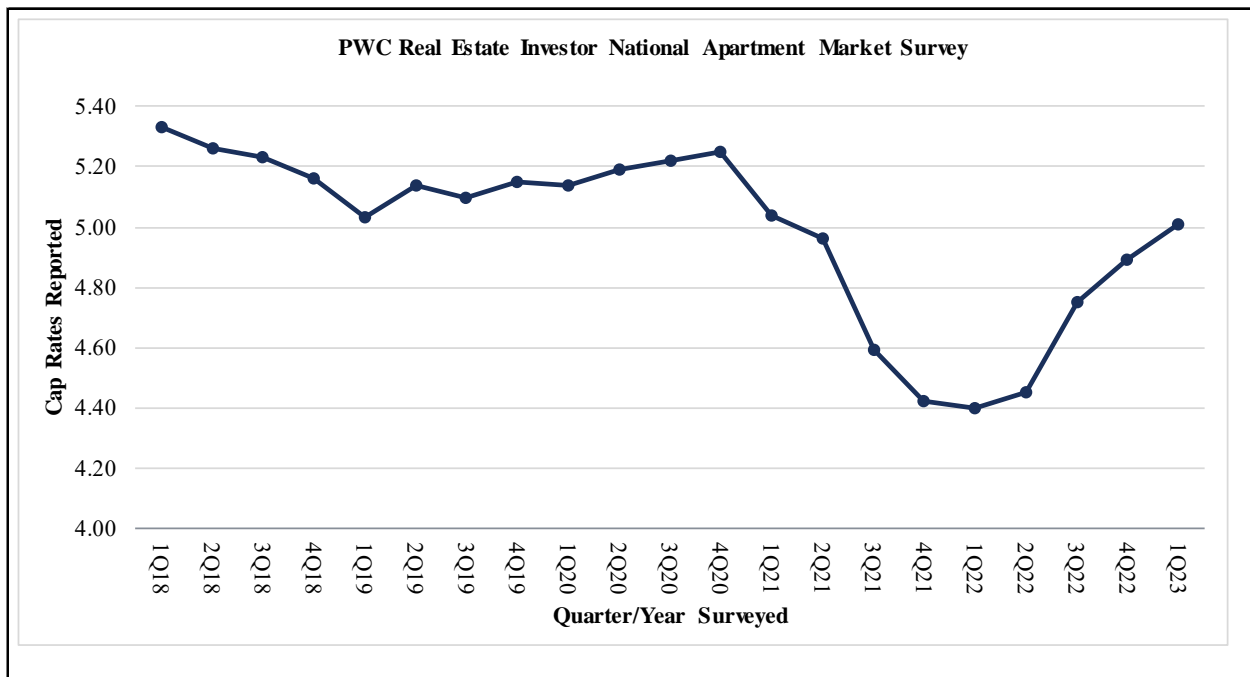
PWC Real Estate Investor Survey

The Price Waterhouse Coopers Real Estate Investor Survey tracks capitalization rates utilized by national investors in commercial and multifamily real estate. The following summarizes the information for the national multifamily housing market:

1st Qtr PWC 2023	
Range:	3.50%-8.00%
Average:	5.01%

The PWC Real Estate Investor Survey defines “Institutional Grade Real Estate” as real property investments that are sought out by institutional buyers and have the capacity to meet generally prevalent institutional investment criteria² Typical “Institutional Grade” apartment properties are newly constructed, well amenitized, market rate properties in urban or suburban locations.

The following chart shows the slight downward trend in overall rates from the first quarter 2018 to the first quarter 2023; however, rates are appearing to be on the uprise because of the increasing interest rates. .



Based on the PWC Survey, a capitalization rate of 5.01 percent is concluded.

Summary

The following chart identifies the overall rates from the three methods of estimating overall rates.

- Market Extraction – 3.75%
- PWC Market Survey – 5.01%

²PWC Real Estate Investor Survey, 1st Quarter 2023

With consideration of the current market trends, emphasis on the sales and giving consideration to the overall market area, a market derived OAR of 3.75 percent will be used in the capitalization analyses. Summary of the direct capitalization analysis is presented following.

As Unrestricted			
Apartment Rentals	No. Units	Rents	Annual Revenue
OBR/IBA	163	\$2,175	\$4,254,300
Manager's Units	2	\$0	\$0
	<i>Number</i>	<i>Per unit</i>	<i>Amount</i>
Total Potential Rental Income	165		\$4,254,300
Other Income		\$1,100	\$181,500
Total Potential Revenues			\$4,435,800
Vacancy			-\$221,790
Vacancy Percentage			5.0%
Effective Gross Income			\$4,214,010
Operating Expenses			
Administration		\$325	\$53,625
Maintenance and Repairs		\$900	\$148,500
Management Fee	3.5%	\$894	\$147,490
Payroll		\$1,650	\$272,250
Utilities		\$1,800	\$297,000
Property & Liability Insurance		\$225	\$37,125
Real Estate and Other Taxes		\$4,764	\$786,000
Replacement Reserves		\$300	\$49,500
Total Operating Expenses		\$10,858	\$1,791,490
Expenses as a ratio of EGI			42.5%
Net Operating Income			\$2,422,520
Capitalization Rate			3.75%
Indicated Value			\$64,600,524
Renovations Required			-\$3,300,000
			\$61,300,524
Rounded			\$61,300,000

Analysis of Marshall Swift data does not provide adequate data. Multifamily Sale 1 was a hotel that was purchased by a developer in 2017 and reportedly spent \$6,000,000 on conversion to market rate multifamily use. This equates to \$60,000 per unit cost. Published information indicates the property features extensive amenities as a “boutique” multifamily property, and also was ranked number one in San Diego by a Union Tribune Readers poll. A qualitative analysis sets the upper limit of conversion costs by this property. The developer renovated two formerly hotel properties in 2021 to apartments which ranged in cost from \$11,200 to \$23,900 per unit. These renovations appear to be more in line to what would be needed at the Subject; therefore, for analysis purposes costs to convert the Subject to market rate multifamily are estimated at \$20,000 per unit, which would incorporate installation of unit upgrades consisting of kitchen appliances and countertops, and replacement of flooring with a laminate product, and upgrading of fixtures throughout the property, and getting the property in ADA compliance for apartment use. This is a total cost to convert of \$3,300,000. This figure has been included in the calculation above.

The Subject is zoned CO-2-2 (Commercial--Office). Zoning information was verified with the San Diego Municipal Code and L64A-003A, Cycle Type: 1 Prelim (LDR-Planning Review) from the City of San Diego and dated May 30, 2023. The City's LDR will be retained in the appraiser's file. The purpose of the CO zones is to provide areas for employment uses with limited, complementary retail uses and residential use as specified. According to L64A-003A, Cycle Type: 1 Prelim (LDR-Planning Review) from the City of San Diego and dated May 30, 2023, "in this case the proposed SRO land use is understood to be previously conforming by-right and no approval will be necessary to continue the proposed use." The market rate multifamily use will be consistent with this use as the unit mix is not planned to be altered. Reliance has been placed upon this information from the City of San Diego Planning Department. Should this change, the valuation may require modification and we reserve the right to make modifications.

SALES COMPARISON APPROACH EXISTING USE

The sales comparison approach to value is a process of comparing market data; that is, the price paid for similar properties, prices asked by owners, and offers made by prospective purchasers willing to buy or lease. Market data is good evidence of value because it represents the actions of users and investors. The sales comparison approach is based on the principle of substitution, which states that a prudent investor would not pay more to buy or rent a property than it will cost him to buy or rent a comparable substitute. The sales comparison approach recognizes that the typical buyer will compare asking prices and work through the most advantageous deal available. In the sales comparison approach, we are observers of the buyer's actions. The buyer is comparing those properties that constitute the market for a given type and class.

Following is a summary of existing hotel improved sales located in San Diego and Solana Beach.

Tabulation of Improved Hotel Sales							
Data No.	Project/Location	Date of Sale	Sale Price	No. Rooms	Year Built/Renovation	Effective Age	Price per Room
1	Holiday Inn Express & Suites Solana Beach Del Mar 621 S Highway 101 Solana Beach, CA 92075	Mar-23	\$15,500,000	80	2000	2000	\$193,750
2	La Quinta Inn 150 Bonita Road Chula Vista, CA 91910	Aug-22	\$23,000,000	142	1986/2012	2002	\$161,972
3	Fairfield Inn & Suites 3900 Old Town Avenue San Diego, CA 92110	Dec-21	\$27,836,000	123	1988/2012	2002	\$226,309
4	Courtyard Old Town 2435 Jefferson Street San Diego, CA	Dec-21	\$44,164,000	176	1987/2016	2006	\$250,932

Improved Sales Map



Comparable #1

Name: Holiday Inn Express & Suites Solana Beach Del Mar
 Street: 621 S Highway 101
 City, State: Solana Beach, CA 92075
 County: San Diego
 APN: 298-211-88
 Site Size (acres): 0.81
 Zoning: C- Commercial
 No. of Rooms: 80
 Rentable Area (SF): 42,368
 Year Built: 2000
 Parking: Surface Spaces
 Quality: Good
 Condition: Good
 Buyer: Pacifica Mission Bay LLC
 Seller: Alps Hospitality Inc
 Sale Date: Mar-23
 Marketing Time: Nav
 Property Rights: Fee Simple
 Condition of Sale: Market
 Cash Equivalency: Yes
 17692



Property Description:

No. Rooms	2021 Occupancy	2021 ADR	2021 RevPar	Costar Submarket Occupancy	Costar Submarket ADR	Costar Submarket RevPar
80	Nav	Nav	Nav	73.8%	\$258.47	\$190.83

Income & Expense

Sale Price	\$ 15,500,000
Gross Scheduled Income	Nav
Miscellaneous Income	Nav
Total Gross Income	Nav
Vacancy Factor	Nav
Effective Gross Income	Nav
Estimated Expenses	Nav
Net Operating Income	Nav

Financial Indicators

Price per Room	\$ 193,750
Price per SF	\$ 365.84
EGIM	Nav
OAR	Nav
Expenses per Room	Nav
Expense Ratio	Nav
NOI per Room	Nav
NOI per SF	Nav

Notes:

Data source Costar and published information. Amenities include Business Center, fitness center, pool, hot tub, wifi, meeting event space.

Comparable #2

Name La Quinta Inn
 Street 150 Bonita Road
 City, State Chula Vista, CA 91910
 County San Diego
 APN 570-140-61, 570-140-62
 Site Size (acres) 2.43
 Zoning Bonita Glen SPA
 No. of Rooms 142
 Rentable Area (SF) 82,065
 Year Built 1986/2012
 Parking Surface Spaces
 Quality Average
 Condition Average
 Buyer Karma Hospitality Bonita LLC
 Seller Cavalier California LP
 Sale Date Aug-22
 Marketing Time Nav
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number 17801



Property Description:

No. Rooms	2021 Occupancy	2021 ADR	2021 RevPar	Costar Submarket Occupancy	Costar Submarket ADR	Costar Submarket RevPar
142	81.0%	\$110.57	\$89.58	76.6%	\$147.79	\$113.17

Income & Expense			Financial Indicators	
Sale Price	\$	23,000,000	Price per Room	\$ 161,972
Total Department Revenue	\$	4,649,820	Price per SF	\$ 280.27
Departmental Expenses	\$	1,250,125	OAR	7.14%
Total Operating Expenses	\$	1,758,083		
Net Operating Income	\$	<u>1,641,612</u>		

Notes:

Data Source Costar, broker interview, and marketing information. Price confirmed by broker. There was a prior sale March 2022 within a portfolio of 124 properties.

Comparable #3

Name: Fairfield Inn & Suites
 Street: 3900 Old Town Avenue
 City, State: San Diego, CA 92110
 County: San Diego
 APN: 443-721-7200
 Site Size (acres): 1.14 ac
 Zoning: OSDHN
 No. of Rooms: 123
 Rentable Area (SF): 69,272
 Year Built: 1988/2012
 Parking: Covered
 Quality: Average
 Condition: Average
 Buyer: SD Old Town Jefferson LLC
 Seller: RPC Old Town Avenue Owner, LLC
 Sale Date: Dec-21
 Marketing Time: Nav
 Property Rights: Fee Simple
 Condition of Sale: Market
 Cash Equivalency: Yes
 Comp ID Number:



Property Description:

No. Rooms	2021 Occupancy	2021 ADR	2021 RevPar	Costar Submarket Occupancy	Costar Submarket ADR	Costar Submarket RevPar
123	Nav	Nav	\$89.58	72.7%	\$211.46	\$153.80

Income & Expense

Sale Price	\$ 27,836,000
Total Department Revenue	\$ 5,007,453
Departmental Expenses	\$ 585,349
Total Operating Expenses	\$ 1,264,355
Net Operating Income	<u>\$ 3,157,749</u>

Financial Indicators

Price per Room	\$ 226,309
Price per SF	\$401.84
OAR	11.34%

Notes:

Data source Costar and published information. Sale is portfolio of two properties - Fairfield Inn & Suites Old Town and Courtyard Old Town for a combined price of \$72,000,000. Properties are presented individually for analysis purposes. Amenities include Digital key, Fitness Center, High Speed Internet Access, Pool, Public Access Wifi, Smoke-Free. Income & Expenses are 2021 data.

Comparable #4

Name Courtyard Old Town
 Street 2435 Jefferson Street
 City, State San Diego, CA
 County San Diego
 APN 443-721-7000
 Site Size (acres) 1.07
 Zoning OSDHN
 No. of Rooms 176
 Rentable Area (SF) 74,584
 Year Built 1987/2016
 Parking Covered
 Quality Average
 Condition Average
 Buyer SD Old Town Jefferson LLC
 Seller RPC Old Town Avenue Owner, LLC
 Sale Date Dec-21
 Marketing Time Nav
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number



Property Description:

No. Rooms	2021 Occupancy	2021 ADR	2021 RevPar	Costar Submarket Occupancy	Costar Submarket ADR	Costar Submarket RevPar
176	Nav	Nav	\$89.58	72.7%	\$211.46	\$153.80

Income & Expense

Sale Price	\$	44,164,000
Total Department Revenue	\$	9,018,394
Departmental Expenses	\$	2,649,093
Total Operating Expenses	\$	2,661,782
Net Operating Income	\$	3,707,519
Portfolio Analysis		
Net Operating Income	\$	6,865,268
Portfolio Price	\$	72,000,000

Financial Indicators

Price per Room	\$	250,932
Price per SF		\$592.14
OAR		8.39%
Portfolio OAR		9.54%

Notes:

Data source Costar and published information. Sale is portfolio of two properties - Fairfield Inn & Suites Old Town and Courtyard Old Town for a combined price of \$72,000,000. Properties are presented individually for analysis purposes. Amenities include Business Center, Fitness Center, High Speed Internet Access, Meeting Event Space, On-Site Bar, On-Site Retail, Pool, Restaurant, Room Service. Income & Expenses are 2021 data.

The table below summarizes the adjustments.

Adjustment Grid - Hotel Property Sales									
	Subject	Sale No. 1		Sale No. 2		Sale No. 3		Sale No. 4	
	Extended Stay America-Hotel Circle	Holiday Inn Express & Suites Solana Beach Del Mar		La Quinta Inn		Fairfield Inn & Suites 3900 Old Town Avenue 92110		Courtyard Old Town	
	2085-95 Hotel Circle South San Diego, CA 92108	621 S Highway 101 Solana Beach, CA 92075		150 Bonita Road Chula Vista, CA 91910				2435 Jefferson Street San Diego, CA	
Total Sale Price		\$15,500,000		\$23,000,000		\$27,836,000		\$44,164,000	
Price Per Room		\$193,750		\$161,972		\$226,309		\$250,932	
		Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment
Property Rights Conveyed	Fee Simple	Fee Simple	\$193,750	Fee Simple	\$161,972	Fee Simple	\$226,309	Fee Simple	\$250,932
Financing Terms	Cash Equivalent	Cash Equivalent	\$193,750	Cash Equivalent	\$161,972	Cash Equivalent	\$226,309	Cash Equivalent	\$250,932
Adjusted \$/Room									
Condition of Sale	Market	Market	\$193,750	Market	\$161,972	Market	\$226,309	Market	\$250,932
Adjusted \$/Room									
Expenditures made immediately after purchase		None	\$193,750	None	\$161,972	None	\$226,309	None	\$250,932
Adjusted \$/Room									
Date of Sale		Mar-23	\$193,750	Aug-22	5.00%	Dec-21	10.00%	Dec-21	10.00%
Adjusted \$/Room					\$170,070		\$248,940		\$276,025
Physical Characteristic		Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment
Location	Average	Superior		Inferior		Superior		Superior	
No. of Rooms	165	80		142		123		176	
Submarket ADR	\$159.3	\$258.0		\$147.8		\$211.5		\$211.5	
Design & Appeal	Three Story	Two Story		Three Story		Two Story		Four Stories	
Age/Condition	1999	2000		2002		2002		2006	
Parking	Surface Spaces	Surface Spaces		Surface Spaces		Covered	-2.00%	Surface & Covered	-2.00%
Amenities	Average	Superior	-5.00%	Slightly Superior	-5.00%	Superior	-5.00%	Superior	-5.00%
Total Percentage Adjustment			-5.00%		-5.00%		-7.00%		-7.00%
Adjusted Price Per Room			\$184,063		\$161,567		\$231,514		\$256,703
		Minimum Per Room		\$161,567					
		Maximum Per Room		\$256,703					
		Mean Per Room		\$208,462					

Explanation of Adjustments

Sale Date/Market Conditions

Real estate values change over time. The rate of this change fluctuates due to investors' perceptions and responses to prevailing market conditions. This adjustment category reflects market differences occurring between the effective date of the appraisal and the sale date of comparables. During the time period between 2008 and 2012, there were softened market conditions, and declining market values. Appreciation in land values started being reported in late 2012 and has continued rising through the year-to-date. Interviews with local brokers indicate land values increased five and 10 percent per year during that time.

The improved sales occurred between December 2021 and March 2023. Based on this methodology, Sale 2 was adjusted upward five percent, and Sales 3 and 4 were adjusted upward 10 percent. No adjustment to Sale 1 is warranted.

Location

The search for market-oriented sales is comprised of motel properties located in San Diego, and surrounding communities, and locational differences exist. Sale 1 is located within the La Jolla submarket, which reflects superior market conditions. Sale 2 is located in Chula Vista which is an overall inferior submarket compared to the Subject's submarket. Sales 3 and 4 represent a portfolio acquisition of two properties located within the SeaWorld/Old Town/Airport submarket, which is an overall superior submarket.

We looked at the difference in the submarkets ADRs between the Sales and the Subject, which seemed unreasonable; therefore, we will utilize a qualitative adjustment for these differences. Our conclusion will not be higher than Sales 1, 3, and 4 as their locations are better, but the Subject's location is better than Sale 2.

Number of Rooms

The number of rooms range in size from 80 to 176 rooms. The Subject has 165 rooms. Typically hotels with more rooms sell less per room. Sales 2, 3, and 4 are similar in number of rooms; therefore, no adjustment necessary. Sale 1 has significantly less rooms than the Subject. We will utilize a qualitative adjustment for this difference in our reconciliation.

Condition/Effective Age

For purposes of analysis effective age of properties is estimated based upon the year built for properties not renovated, and 10 years less the renovation year for older properties that have been renovated. The effective age of the comparables range from 2000 to 2006, and comparison with the Subject's effective age of 2002 appear comparable, and no further adjustment is warranted.

Parking

The Subject and Sales 1 and 2 provide surface parking and no adjustment is warranted. Sales 3 and 4 provide covered, and covered and surface parking due to limited site area. Typically covered parking commands parking income, and therefore Sales 3 and 4 were adjusted downward two percent.

Amenities

The Subject and Sales 1, 2, 3, and 4, provide generally superior amenities and were adjusted downward five percent.

Conclusion

The analysis adjustments reflect qualitative adjustments versus quantitative adjustments due to the nature of the properties. The Sales illustrate a range of price per room from \$161,567 to \$256,703, and average \$208,462 per room. Overall Sales 1 and 2 are the most recent sales, and Sale 3 and 4 represent good overall comparisons to the Subject when comes to the number of rooms.

We are aware of two sales of existing hotel properties that feature extended stay attributes, Residence Inn properties in San Diego purchased in 2020 by the San Diego Housing Commission for conversion to homeless supportive housing utilizing awards from the Homekey program. The November 2020 transfer of the Residence Inn located at 5400 Kearny Mesa Road, San Diego consisting of 144 rooms, located within the same submarket at the Subject price was \$39,500,000, which equates to \$274,305 per room. The November 2020 transfer of the Residence Inn located at 1865 Hotel Circle South, San Diego consisting of 192 rooms located in the same submarket as the Subject, price was \$67,000,000, which equates to \$348,958 per room. Both of these were purchased for a different use than a hotel and our value is a use as a hotel.

The purchase contract for the Subject is \$65,175,000, which equates to \$395,000 per room. This transaction is outside of the adjusted range of the Sales, and also the range of the previous transactions from the San Diego Housing Commission of existing hotels for redevelopment acquisitions.

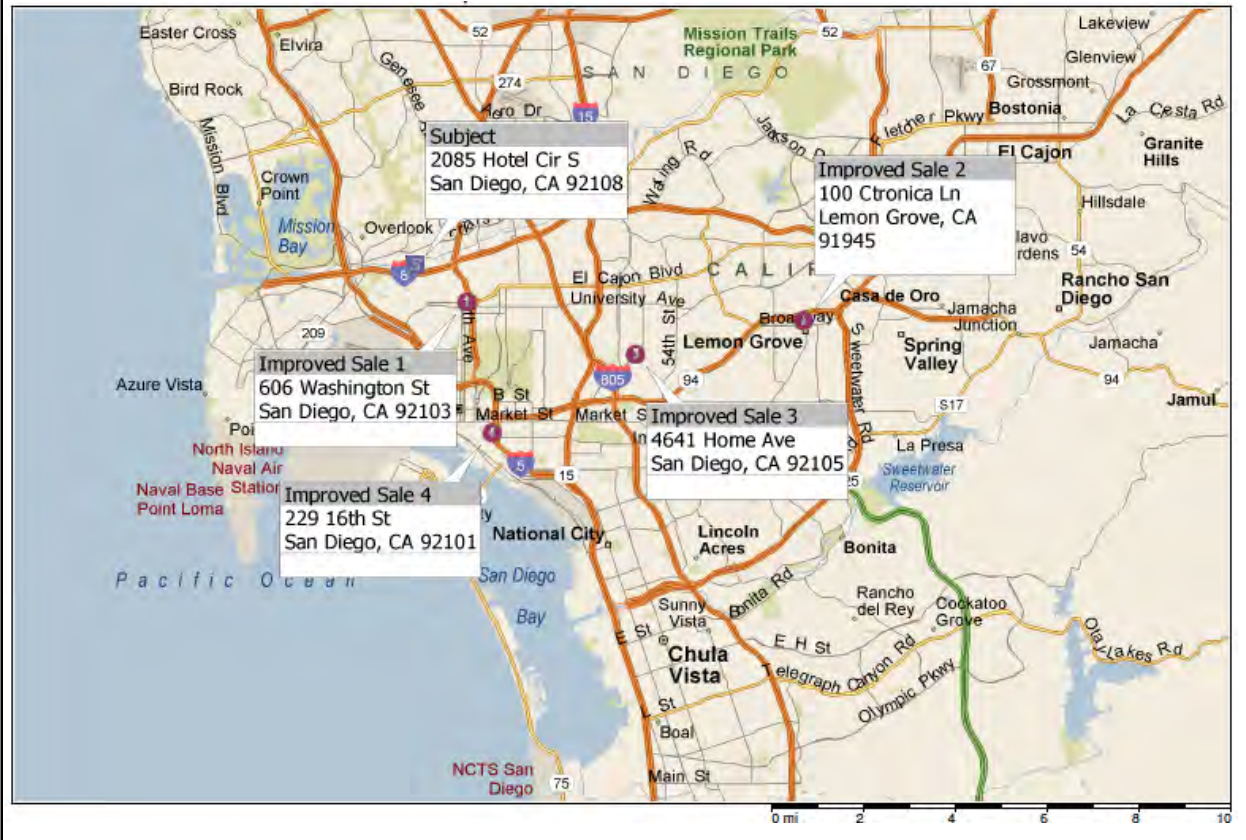
An indication of \$190,000 per room is considered reasonable and market oriented. This equates to an indication of \$31,350,000.

SALES COMPARISON APPROACH MARKET MULTIFAMILY

The sales comparison approach to value is a process of comparing market data; that is, the price paid for similar properties, prices asked by owners, and offers made by prospective purchasers willing to buy or lease. Market data is good evidence of value because it represents the actions of users and investors. The sales comparison approach is based on the principle of substitution, which states that a prudent investor would not pay more to buy or rent a property than it will cost him to buy or rent a comparable substitute. The sales comparison approach recognizes that the typical buyer will compare asking prices and work through the most advantageous deal available. In the sales comparison approach, we are observers of the buyer's actions. The buyer is comparing those properties that constitute the market for a given type and class.

Following is a summary of multifamily improved sales located in San Diego and Lemon Grove.

Tabulation of Improved Apartment Sales									
Data No.	Project/Location	Date of Sale	Sale Price	OAR	Effective Gross Income	EGIM	Expense Ratio	# of Units	Price per Unit
1	The Warwick 606 Washington Street San Diego, CA 92103	Dec-22	\$37,375,000	3.01%	\$ 1,845,854	20.25	39.1%	80	\$467,188
2	Celsius Apartments 100 Citronica Lane Lemon Grove, CA 91945	May-22	\$42,800,000	3.83%	\$ 3,067,466	13.95	46.6%	102	\$419,608
3	The Ridge at San Diego 4641-4677 Home Avenue San Diego, CA 92105	Oct-22	\$31,500,000	4.50%	\$ 2,616,368	12.04	45.8%	87	\$362,069
4	Ballpark Place Apartments 229 16th Street San Diego, CA 92101	Jan-23	\$21,000,000	3.74%	\$ 1,655,770	12.68	52.6%	100	\$210,000



Comparable #1

Apartment Name The Warwick
 Street 606 Washington Street
 City, State San Diego, CA 92103
 County San Diego
 APN 444-533-22
 Site Size (acres) 0.81
 Zoning C-C-3-9/C-C-3-8
 No. of Units 80
 Rentable Area (SF) 90,308
 Year Built 1986
 Parking Covered
 Quality Average
 Condition Average
 Buyer Spectrum Warwick LLC
 Seller Warwick Hillcrest LLC
 Sale Date Dec-22
 Marketing Time N/A
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number 17643

**Property Description:**

Bed/Bath	Area (SF)	Units	Monthly Rent	Vacant Units	Vacancy Rate
Studio/1.0	437	26	\$1,819	2	8%
1/1.0	617	53	\$2,105	3	6%
2/2.0	844	1	\$3,058	0	0%
Totals		80		5	6%

Income & Expense

Sale Price	\$ 37,375,000
Gross Scheduled Income	\$ 1,943,004
Miscellaneous Income	\$ -
Total Gross Income	\$ 1,943,004
Vacancy Factor	\$ (97,150)
Effective Gross Income	\$ 1,845,854
Estimated Expenses	\$ (722,441)
Net Operating Income	\$ 1,123,413

Financial Indicators

Price per Unit	\$ 467,188
Price per SF	\$ 413.86
EGIM	20.25
OAR	3.01%
Expenses per Unit	\$ 9,031
Expense Ratio	39.1%
NOI per Unit	\$ 14,043
NOI per SF	\$ 12.44

Notes:

Sale information was confirmed with listing broker Tyler Sinks (858-257-4706). Replacement reserves of \$300 per unit were added to the operating expenses for comparison purposes. This property is a former hotel that was converted to an apartment in 2017 with a \$6 million renovation. Based on this information and photographs of unit interiors online, an estimated effective year built of 2010 is estimated for this property.

Comparable #2

Apartment Name Celsius Apartments
 Street 100 Citronica Lane
 City, State Lemon Grove, CA 91945
 County San Diego
 APN 480-043-42
 Site Size (acres) 1.14
 Zoning C
 No. of Units 102
 Rentable Area (SF) 142,800
 Year Built 2017
 Parking Covered
 Quality Excellent
 Condition Excellent
 Buyer Citronica 1031 LLC
 Seller Celsius Lemon Grove LLC
 Sale Date May-22
 Marketing Time 5 Months
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number 17645

**Property Description:**

Bed/Bath	Area (SF)	Units	Monthly Rent	Vacant Units	Vacancy Rate
1/1.0	713	56	\$0	1	2%
2/1.0	891	4	\$0	0	0%
2/2.0	1,076	38	\$0	1	3%
3/2.0	1,482	4	\$0	0	0%
Totals		102		2	2%

Income & Expense

Sale Price	\$ 42,800,000
Gross Scheduled Income	\$ 3,228,912
Miscellaneous Income	\$ -
Total Gross Income	\$ 3,228,912
Vacancy Factor	\$ (161,446)
Effective Gross Income	\$ 3,067,466
Estimated Expenses	\$ (1,428,866)
Net Operating Income	\$ 1,638,600

Financial Indicators

Price per Unit	\$ 419,608
Price per SF	\$ 299.72
EGIM	13.95
OAR	3.83%
Expenses per Unit	\$ 14,008
Expense Ratio	46.6%
NOI per Unit	\$ 16,065
NOI per SF	\$ 11.47

Notes:

Sale information was confirmed with listing broker Tyler Sinks (858-257-4706). Replacement reserves of \$300 per unit were added to the operating expenses for comparison purposes. The photograph is from Costar.

Comparable #3

Apartment Name The Ridge at San Diego
 Street 4641-4677 Home Avenue
 City, State San Diego, CA 92105
 County San Diego
 APN 476-581-03
 Site Size (acres) 4.77
 Zoning RM-1-1
 No. of Units 87
 Rentable Area (SF) 132,976
 Year Built 1989
 Parking Surface & Garage
 Quality Average
 Condition Average
 Contreras Irrevocable Gift
 Trust; Mollison 150
 Buyer Enterprises, LP
 Seller Ridge Holdings LLC
 Sale Date Oct-22
 Marketing Time 1 Month
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number 17684



Property Description:

Bed/Bath	Area (SF)	Units	Monthly Rent	Vacant Units	Vacancy Rate
2/1.0	812	22	\$0	2	9%
2/2.0	912	65	\$0	5	8%
Totals		87		7	8%

Income & Expense		Financial Indicators	
Sale Price	\$ 31,500,000	Price per Unit	\$ 362,069
Gross Scheduled Income	\$ 2,754,072	Price per SF	\$ 236.88
Miscellaneous Income	\$ -	EGIM	12.04
Total Gross Income	\$ 2,754,072	OAR	4.50%
Vacancy Factor	\$ (137,704)	Expenses per Unit	\$ 13,780
Effective Gross Income	\$ 2,616,368	Expense Ratio	45.8%
Estimated Expenses	\$ (1,198,868)	NOI per Unit	\$ 16,293
Net Operating Income	\$ 1,417,500	NOI per SF	\$ 10.66

Notes:

Sale information was confirmed with listing broker Erik Anderson (858-675-7600). Replacement reserves of \$300 per unit were included in the operating expenses. Based on photographs of unit interiors obtained online, the estimated effective year built of the property is 2000.

Comparable #4

Apartment Name Ballpark Place Apartments
 Street 229 16th Street
 City, State San Diego, CA 92101
 County San Diego
 APN 535-383-03
 Site Size (acres) 0.43
 Zoning CCPD-MC
 No. of Units 100
 Rentable Area (SF) 46,151
 Year Built 1988/2001
 Parking Covered
 Quality Average
 Condition Average
 Buyer Ball Park Ness 8, LLC
 Seller Jones R & L L Trust
 Sale Date Jan-23
 Marketing Time Nav
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number 18012



Property Description:

Bed/Bath	Area (SF)	Units	Monthly Rent	Vacant Units	Vacancy Rate
1/1.0	396	70	\$1,287	0	0%
2/1.0	675	30	\$1,550	0	0%
Totals		100		0	0%

Income & Expense

Sale Price	\$ 21,000,000
Gross Scheduled Income	\$ 1,637,493
Miscellaneous Income	\$ 73,502
Total Gross Income	\$ 1,710,995
Vacancy Factor	\$ (55,225)
Effective Gross Income	\$ 1,655,770
Estimated Expenses	\$ (870,311)
Net Operating Income	\$ 785,459

Financial Indicators

Price per Unit	\$	210,000
Price per SF	\$	455.03
EGIM		12.68
OAR		3.74%
Expenses per Unit	\$	8,703
Expense Ratio		52.6%
NOI per Unit	\$	7,855
NOI per SF	\$	17.02

Notes:

Data source Costar, marketing and published information. Reserves of \$300 per unit are included in the operating expenses for comparison purposes. Photo is Costar. The property was constructed in 1988 and renovated in 2001; an effective age estimate is 1991.

The table below summarizes the adjustments.

Adjustment Grid - Apartment Property Sales									
	Subject	Sale No. 1		Sale No. 2		Sale No. 3		Sale No. 4	
	Extended Stay America-Hotel Circle 2085-95 Hotel Circle South San Diego, CA 92123	The Warwick 606 Washington Street San Diego, CA 92103 \$37,375,000 \$467,188		Celsius Apartments 100 Citronica Lane Lemon Grove, CA 91945 \$42,800,000 \$419,608		The Ridge at San Diego 4641-4677 Home Avenue San Diego, CA 92105 \$31,500,000 \$362,069		Ballpark Place Apartments 229 16th Street 92101 \$21,000,000 \$210,000	
Total Sale Price									
Price Per Dwelling Unit									
		Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment
Property Rights Conveyed	Fee Simple	Fee Simple	\$467,188	Fee Simple	\$419,608	Fee Simple	\$362,069	Fee Simple	\$210,000
Financing Terms	Cash Equivalent	Cash Equivalent	\$467,188	Cash Equivalent	\$419,608	Cash Equivalent	\$362,069	Cash Equivalent	\$210,000
Adjusted \$/DU			\$467,188		\$419,608		\$362,069		\$210,000
Condition of Sale	Market	Market	\$467,188	Market	\$419,608	Market	\$362,069	Market	\$210,000
Adjusted \$/DU			\$467,188		\$419,608		\$362,069		\$210,000
Expenditures made immediately after purchase		None	\$467,188	None	\$419,608	None	\$362,069	None	\$210,000
Adjusted \$/DU			\$467,188		\$419,608		\$362,069		\$210,000
Date of Sale		Dec-22	5.00%	May-22	5.00%	Oct-22	5.00%	Jan-23	5.00%
Adjusted \$/DU			\$490,547		\$440,588		\$380,172		\$210,000
Physical Characteristic		Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment
Location	Average	Similar		Similar		Similar		Similar	
No. of Units	165	80		102		87		100	
Average Unit Size	320	475	-3.00%	1,041	-14.00%	862	-11.00%	536	-4.00%
Design & Appeal	Garden	Garden		Garden		Garden		Garden	
Age/Condition	2009	2010	-1.00%	2017	-8.00%	2000	9.00%	1991	18.00%
Parking	Surface	Covered	-2.00%	Covered	-2.00%	Surface & Garage	-2.00%	Garage	-2.00%
Complex Amenities	Average	Superior	-10.00%	Superior	-10.00%	Similar	0.00%	Superior	-5.00%
Total Percentage Adjustment			-16.00%		-34.00%		-4.00%		7.00%
Adjusted Price Per DU			\$412,059		\$290,788		\$364,966		\$224,700
		Minimum Per Unit		\$224,700					
		Maximum Per Unit		\$412,059					
		Mean Per Unit		\$323,128					

Explanation of Adjustments

Sale Date/Market Conditions

Real estate values change over time. The rate of this change fluctuates due to investors' perceptions and responses to prevailing market conditions. This adjustment category reflects market differences occurring between the effective date of the appraisal and the sale date of comparables. During the time period between 2008 and 2012, there were softened market conditions, and declining market values. Appreciation in land values started being reported in late 2012 and has continued rising through the year-to-date. Interviews with local brokers indicate land values increased five and 10 percent per year during that time.

The improved sales occurred between May 2022 and January 2023. Based on this methodology, Sales 1, 2, and 3 were adjusted upward five percent, No adjustment to Sale 4 is warranted.

Location

The search for market-oriented sales is comprised of multifamily properties located in San Diego, and surrounding communities, and locational differences exist. Sale 1 is located within close proximity to Scripps Health and UCSD, which reflects superior market conditions. We utilized a qualitative adjustment for these differences and adjusted in our conclusion.

Unit Size

The Subject's average unit size is 320 square feet. The Sales range in average unit size from 475 to 1,041 square feet. An adjustment based upon two percent difference between the Subject and Sales is utilized.

The Subject is closest in average unit size to Sales 1 and 4. Sale 1 was adjusted downward three percent, Sale 2 was adjusted downward 14 percent, Sale 3 was adjusted downward 11 percent, and Sale 4 was adjusted downward four percent.

Condition/Effective Age

For purposes of analysis effective age of properties is estimated based upon the year built for properties not renovated, and 10 years less the renovation year for older properties that have been renovated. The effective age of the comparables range from 1991 to 2017, and comparison with the Subject's estimated effective age of 2009 and adjusted based upon 1 percent per year between effective age of the Subject and the Sales. This is a conservative adjustment based on pairing analyses between more recently constructed properties and properties of older vintage located within the region which is inline with the adjustment in the Income Approach. Sale 1 was adjusted downward one percent. Sale 2 was adjusted downward eight percent, Sale 3 was adjusted upward nine percent, and Sale 4 was adjusted upward 18 percent.

Parking

The Subject provided surface parking. Sales 1, 2, 3, and 4 provide covered garage and surface parking due to limited site area. Typically covered parking commands parking income, and therefore Sales 1, 2, 3, and 4 were adjusted downward two percent. This adjustments consistent with the Income Approach adjustments for difference in parking.

Amenities

The Subject and Sales 1, 2, and 4, provide generally superior amenities and were adjusted downward five percent. Sale 1 reportedly was renovated at \$60,000 per unit, and sets the upper range. Additionally amenities of the Sales were observed from online photos. No adjustment is warranted to Sale 3. An estimate of \$20,000 per unit renovations is estimated for the Subject. Sales 1 and 2 were adjusted downward 10 percent, and Sale 4 was adjusted downward five percent. No adjustment to Sale 3 is warranted. This adjustments consistent with the Income Approach adjustments for difference in amenities.

Conclusion

The analysis adjustments reflect qualitative adjustments versus quantitative adjustments due to the nature of the properties. The Sales illustrate a range of price per unit from \$224,700 to \$412,059, and average \$323,128 per unit. Overall Sale 1 is superior and sets the upper limit, but represents a conversion from hotel to multifamily with superior location and amenities. The Subject cannot achieve similar to this sale; therefore, it was given the least weight. Sale 4 is most similar in location and is the newest sale, while Sale 3 is similar in location but has larger unit sizes; therefore, Sale 3 received the most weight, while Sale 4 received the secondary weight. Sale 2 received the most adjustments; therefore, it received less weight.

An indication of \$360,000 per unit is considered reasonable and market oriented. This equates to an indication of \$59,400,000 for an apartment complex value. We need to provide the as is value so there would be some cost to convert the hotel to an apartment complex.

Analysis of Marshall Swift data does not provide adequate data. Multifamily Sale 1 was a hotel that was purchased by a developer in 2017 and reportedly spent \$6,000,000 on conversion to market rate multifamily use. This equates to \$60,000 per unit cost. Published information indicates the property features extensive amenities as a “boutique” multifamily property, and also was ranked number one in San Diego by a Union Tribune Readers poll. A qualitative analysis sets the upper limit of conversion costs by this property. The developer renovated two formerly hotel properties in 2021 to apartments which ranged in cost from \$11,200 to \$23,900 per unit. These renovations appear to be more in line to what would be needed at the Subject; therefore, for analysis purposes costs to convert the Subject to market rate multifamily are estimated at \$20,000 per unit, which would incorporate installation of unit upgrades consisting of kitchen appliances and countertops, and replacement of flooring with a laminate product, and upgrading of fixtures throughout the property, and getting the property in ADA compliance for apartment use. This is a total cost to convert of \$3,300,000. This figure has been included in the calculation above.

When you deduct this cost from the apartment complex value this equates to a value indication of \$56,100,000

The Subject is zoned CO-2-2 (Commercial--Office). Zoning information was verified with the San Diego Municipal Code and L64A-003A, Cycle Type: 1 Prelim (LDR-Planning Review) from the City of San Diego and dated May 30, 2023. The City's LDR will be retained in the appraiser's file. The purpose of the CO zones is to provide areas for employment uses with limited, complementary retail uses and residential use as specified. According to L64A-003A, Cycle Type: 1 Prelim(LDR-Planning Review) from the City of San Diego and dated May 30, 2023, “in this case the proposed SRO land use is understood to be previously conforming by-right and no approval will be necessary to continue the proposed use.” The market rate multifamily use will be consistent with this use as the unit mix is not planned to be altered. Reliance has been placed upon this information from the City of San Diego Planning Department. Should this change, the valuation may require modification and we reserve the right to make modifications.

RECONCILIATION

In the final analysis, we considered the influence of the three approaches in relation to one another and in relation to the Subject. The appraisers have considered the traditional approaches in the estimation of the Subject's value, and weight has been placed upon the income and sales comparison approaches, with greatest weight placed upon the sales comparison approach.

The resulting value estimates are presented below:

Valuation Method	Value Indication
Cost Approach	
Hypothetical Market Value of Land as of May 3, 2023	\$11,970,000
Income Approach	
Market Value of the Fee Simple Interest of the existing use as of May 3, 2023	\$29,560,000
Market Value of the Fee Simple Interest as a Market Rate Apartment as of May 3, 2023	\$61,300,000
Sales Comparison Approach	
Market Value of the Fee Simple Interest of the existing use as of May 3, 2023	\$31,350,000
Market Value of the Fee Simple Interest as a Market Rate Apartment as of May 3, 2023	\$56,100,000

VALUE CONCLUSIONS

For the existing use value, weight is placed on the Sales Comparison approach. For the apartment use value, more weight is given to the income approach. Our final value opinions are detailed below.

Value Conclusion	
Hypothetical Market Value of Land as of May 3, 2023	\$11,970,000
Market Value of the Fee Simple Interest of the existing use as of May 3, 2023	\$31,350,000
Market Value of the Fee Simple Interest as a Market Rate Apartment as of May 3, 2023	\$60,780,000

Marketing/Exposure Time

Marketing Time is defined as the period from the date of initial listing to the settlement date. The projected marketing time for the Subject property will vary greatly, depending upon the aggressiveness of the marketing agent, the method of marketing, the market that is targeted, interest rates and the availability of credit at the time the property is marketed, the supply and demand of similar properties for sale or having been recently purchased, and the perceived risks at the time it is marketed.

Discussions with area Realtors indicate that a marketing period of six to twelve months is reasonable for properties such as the Subject. This is supported by data obtained on several of the comparable sales and consistent with information obtained from the *PWC Real Estate Investor Survey*. This estimate assumes a strong advertising and marketing program during the marketing period.

The exposure/marketing time of the subject property is very difficult to judge in that the buy/sell decision involving investment properties is interrelated with the assumption that the property is priced reasonably and is adequately exposed to the proper market. Marketing Time differs from Exposure Time in that the estimate of Marketing Time is a projection into the future with the associated estimates as to future trends and factors that are likely to impact the market segment in which the subject is participating. In an attempt to forecast Marketing Time, consideration is given to the fact that the sales and opinions that have been elicited in the estimation of Exposure Time have been formulated during current economic conditions that are expected to be very similar in the foreseeable future.

Investment property brokers, investors, and sellers familiar with the market, report that the exposure time can range from 30 days to as long as twelve months. This assumes that financing is available and that there are no significant negative items affecting the property. Based upon information gathered during the course of this assignment it is our opinion that the appropriate estimate of the exposure time is equal to the marketing time for the subject and is estimated at six to twelve months.

ADDENDUM A

Assumptions and Limiting Conditions, Certification

ASSUMPTIONS AND LIMITING CONDITIONS

1. In the event that the client provided a legal description, building plans, title policy and/or survey, etc., the appraiser has relied extensively upon such data in the formulation of all analyses.
2. The legal description as supplied by the client is assumed to be correct and the author assumes no responsibility for legal matters, and renders no opinion of property title, which is assumed to be good and merchantable.
3. All encumbrances, including mortgages, liens, leases, and servitudes, were disregarded in this valuation unless specified in the report. It was recognized, however, that the typical purchaser would likely take advantage of the best available financing, and the effects of such financing on property value were considered.
4. All information contained in the report which others furnished was assumed to be true, correct, and reliable. A reasonable effort was made to verify such information, but the author assumes no responsibility for its accuracy.
5. The report was made assuming responsible ownership and capable management of the property.
6. The sketches, photographs, and other exhibits in this report are solely for the purpose of assisting the reader in visualizing the property. The author made no property survey, and assumes no liability in connection with such matters. It was also assumed there is no property encroachment or trespass unless noted in the report.
7. The author of this report assumes no responsibility for hidden or unapparent conditions of the property, subsoil or structures, or the correction of any defects now existing or that may develop in the future. Equipment components were assumed in good working condition unless otherwise stated in this report.
8. It is assumed that there are no hidden or unapparent conditions for the property, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover such factors.
9. The investigation made it reasonable to assume, for report purposes, that no insulation or other product banned by the Consumer Product Safety Commission has been introduced into the Subject premises. Visual inspection by the appraiser did not indicate the presence of any hazardous waste. It is suggested the client obtain a professional environmental hazard survey to further define the condition of the Subject soil if they deem necessary.

10. Any distribution of total property value between land and improvements applies only under the existing or specified program of property utilization. Separate valuations for land and buildings must not be used in conjunction with any other study or appraisal and are invalid if so used.
11. A valuation estimate for a property is made as of a certain day. Due to the principles of change and anticipation the value estimate is only valid as of the date of valuation. The real estate market is non-static and change and market anticipation is analyzed as of a specific date in time and is only valid as of the specified date.
12. Possession of the report, or a copy thereof, does not carry with it the right of publication, nor may it be reproduced in whole or in part, in any manner, by any person, without the prior written consent of the author particularly as to value conclusions, the identity of the author or the firm with which he or she is connected. Neither all nor any part of the report, or copy thereof shall be disseminated to the general public by the use of advertising, public relations, news, sales, or other media for public communication without the prior written consent and approval of the appraiser. Nor shall the appraiser, firm, or professional organizations of which the appraiser is a member be identified without written consent of the appraiser.
13. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the professional appraisal organization with which the appraiser is affiliated: specifically, the Appraisal Institute.
14. The author of this report is not required to give testimony or attendance in legal or other proceedings relative to this report or to the Subject property unless satisfactory additional arrangements are made prior to the need for such services.
15. The opinions contained in this report are those of the author and no responsibility is accepted by the author for the results of actions taken by others based on information contained herein.
16. Opinions of value contained herein are estimates. There is no guarantee, written or implied, that the Subject property will sell or lease for the indicated amounts.
17. All applicable zoning and use regulations and restrictions are assumed to have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
18. It is assumed that all required licenses, permits, covenants or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.


19. All general codes, ordinances, regulations or statutes affecting the property have been and will be enforced and the property is not Subject to flood plain or utility restrictions or moratoriums, except as reported to the appraiser and contained in this report.
20. The party for whom this report is prepared has reported to the appraiser there are no original existing condition or development plans that would Subject this property to the regulations of the Securities and Exchange Commission or similar agencies on the state or local level.
21. Unless stated otherwise, no percolation tests have been performed on this property. In making the appraisal, it has been assumed the property is capable of passing such tests so as to be developable to its highest and best use, as detailed in this report.
22. No in-depth inspection was made of existing plumbing (including well and septic), electrical, or heating systems. The appraiser does not warrant the condition or adequacy of such systems.
23. No in-depth inspection of existing insulation was made. It is specifically assumed no Urea Formaldehyde Foam Insulation (UFFI), or any other product banned or discouraged by the Consumer Product Safety Commission has been introduced into the appraised property. The appraiser reserves the right to review and/or modify this appraisal if said insulation exists on the Subject property.
24. Acceptance of and/or use of this report constitute acceptance of all assumptions and the above conditions.

CERTIFICATION

The undersigned hereby certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations;
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved;
- We have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment;
- We are performing a market study in conjunction with this report. No other appraisal or consulting assignments have been completed on the Subject in the past three years;
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results;
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Valuation Practice of the Appraisal Institute and USPAP;
- Byron Lea, MAI performed a physical inspection of the property and the Subject's neighborhood May 3, 2023. Brent Griffins, MAI provided assistance with portions of market research and preparation of portions of this report and is competent to perform such analyses. Jay Wortmann, MAI reviewed the report but did not inspect the Subject;
- We do not authorize the out of context quoting from or partial reprinting of this market analysis report. Further, neither all nor any part of this report shall be disseminated to the general public by the use of media for public communication without the prior written consent of Kinetic Valuation Group, Inc.;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;

- As of the date of this report, Jay Wortmann, MAI and Byron Lea, MAI have completed the requirements of the continuing education program of the Appraisal Institute.



Jay Wortmann, MAI
Appraiser
jay@kvgteam.com
(402) 202-0771
Certified General
CA - 3001293
Expiration: 9/10/2023

Byron Lea, MAI
Appraiser
byron@kvgteam.com
(970) 699-1748
Certified General
CA - AG008505
Expiration: 2/28/2025

ADDENDUM B

Subject Photographs and Information

SUBJECT PICTURES



Subject exterior view



Subject exterior view



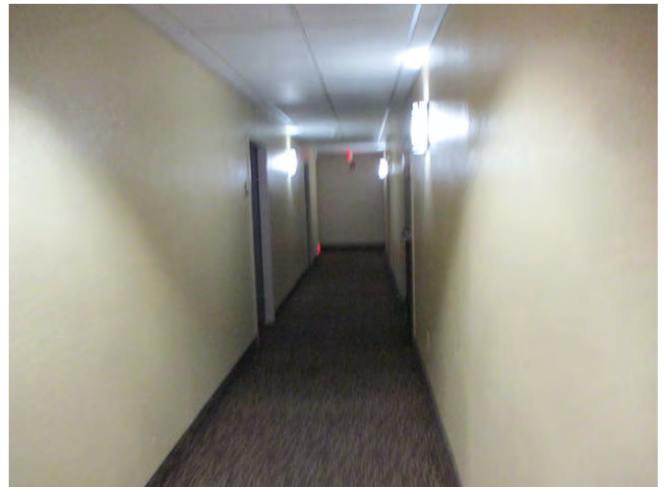
Subject exterior view



Subject exterior view



Subject exterior view



Hallway

SUBJECT PICTURES



Guest laundry



Typical Kitchen



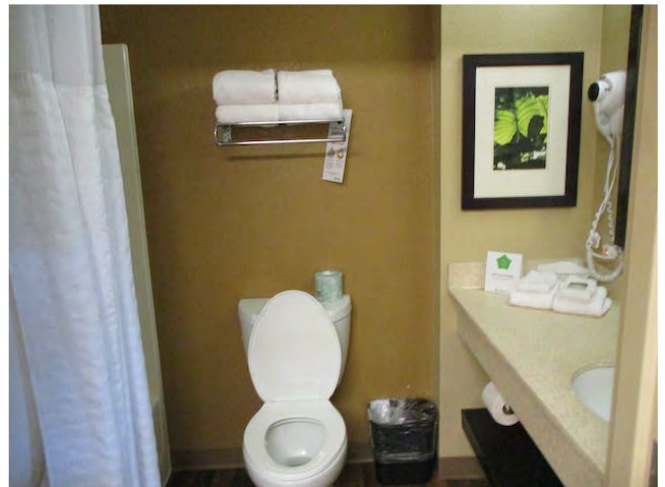
Typical Interior



Typical Bathroom



Typical Kitchen



Typical Bathroom

SUBJECT PICTURES



Typical Interior



Typical Interior



Street Hotel Circle South facing west



Subject entry from Hotel Circle South



Properties adjacent to west of Subject

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE**

2020 W. El Camino Avenue, Suite 670, 95833
P.O. Box 952054
Sacramento, CA 94252-2054
(916) 263-2771
www.hcd.ca.gov



HOMEKEY 3.0 – APPRAISAL GUIDELINES

1. Appraisal reports shall be prepared and signed by an appropriately California-licensed Certified General Real Estate Appraiser in good standing (pursuant to Part 3, commencing with Section 11300 of Division 4 of the Business and Professions Code, and the California Code of Regulations, Title 10, Section 3701) who possesses the appropriate background, education, training, knowledge and experience necessary to accept the assignment and provide credible assignment results. The subject property must be physically inspected (exterior and interior inspections) by at least one of the licensed appraisers signing the report.
2. The appraisal report must be USPAP compliant (current edition as of the date of appraisal report), and must include the report date, client, intended use, intended user, definition of fair market value, signed and dated appraiser certification. Intended users must include the State of California.
3. Appraisal report must provide the fair market value of the fee simple interest, leased fee interest, or going concern (as appropriate) of the subject property based on its current physical condition and recorded or unrecorded title encumbrances under the appraiser's concluded highest and best use. Lease conveyances or conveyances through trusts on tribal lands may also provide a need for leasehold valuations.
4. An appraiser's concluded highest and best use of the property may or may not be its existing use. However, the appraiser must, within the body of the appraisal report and in the letter of transmittal, report the fair market value of its existing use as of the date of inspection, without consideration to Project Homekey funding, other related affordable housing funding, the affordable housing regulatory environment, and funding application status.
5. If an appraiser's concluded highest and best use of the property is not its existing use, an appraisal must clearly and sufficiently demonstrate this conclusion by fully developing valuations under the existing use AND alternate use, accounting for the time and cost of procuring any entitlement approvals, renovation costs, lease up costs, profit, demolition, etc. Moreover, the valuation of the alternate use must utilize comparable data (e.g. sales, rents, expenses, capitalization rates) consistent with the concluded alternate use.
6. If prior to the close of escrow, **owner (seller)**, at their sole cost and expense, will obtain all necessary entitlements and/or complete all physical improvements consistent with the concluded highest and best use, the appraiser should provide a proposed use fair market value that reflects any seller obligations (e.g. entitlements, improvements, etc), in addition to the existing use value.

7. If value scenarios are anticipated to be different for any reason, e.g. unique contractual requirements, the appraiser must contact HCD for guidance in advance of completion of appraisal for instructions, approval of hypotheticals, etc. on how to proceed.
8. All value scenarios need to be market supported with credible market evidence.
9. Appraisal shall utilize the following definition of value:
Fair Market Value: The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with each other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.
10. Full and complete compliance with USPAP Standards Rules 1-5(a) and (b) and 2-2(a) x (3) as it pertains for documenting the sale history. See Advisory Opinion 1 of USPAP from The Appraisal Foundation. If the subject is under contract or under negotiation for sale, compliance includes describing how the contract/negotiations came to occur (e.g. whether the property was listed for sale or if the buyer made an unsolicited offer), and reconciling the fair market value with the contract/negotiation price by explaining any differences between price and value, and stating whether the contract/negotiation price is below, consistent with, or above fair market value.
11. All appraisals are subject to review by the State of California. State reserves the right to request an independent outside review.

Appraisal report should include the following:







1. Title page with sufficient identification of appraisal project.
2. Letter of transmittal summarizing important assumptions and conclusions, value estimate, date of value, date of report, etc.
3. Table of contents.
4. Assumptions and Limiting Conditions.
5. Description of the scope of work, including the extent of data collection and limitations, if any, in obtaining and analyzing relevant data.
6. Photographs of subject property and comparable data, including significant physical features and the interior of structural improvements if applicable. (Interior photos of subject property improvements are required.)
7. Copies of Assessor's plat maps with the subject parcels marked.
8. A legal description of the subject property if available.
9. Three-year subject property history, including sales, listings, leases, options, zoning, applications for permits, or other documents or facts that might indicate or affect use or value.
10. Detailed discussion of any current Agreement of Sale, option, or listing of subject property.
11. Regional, area, and neighborhood analyses.

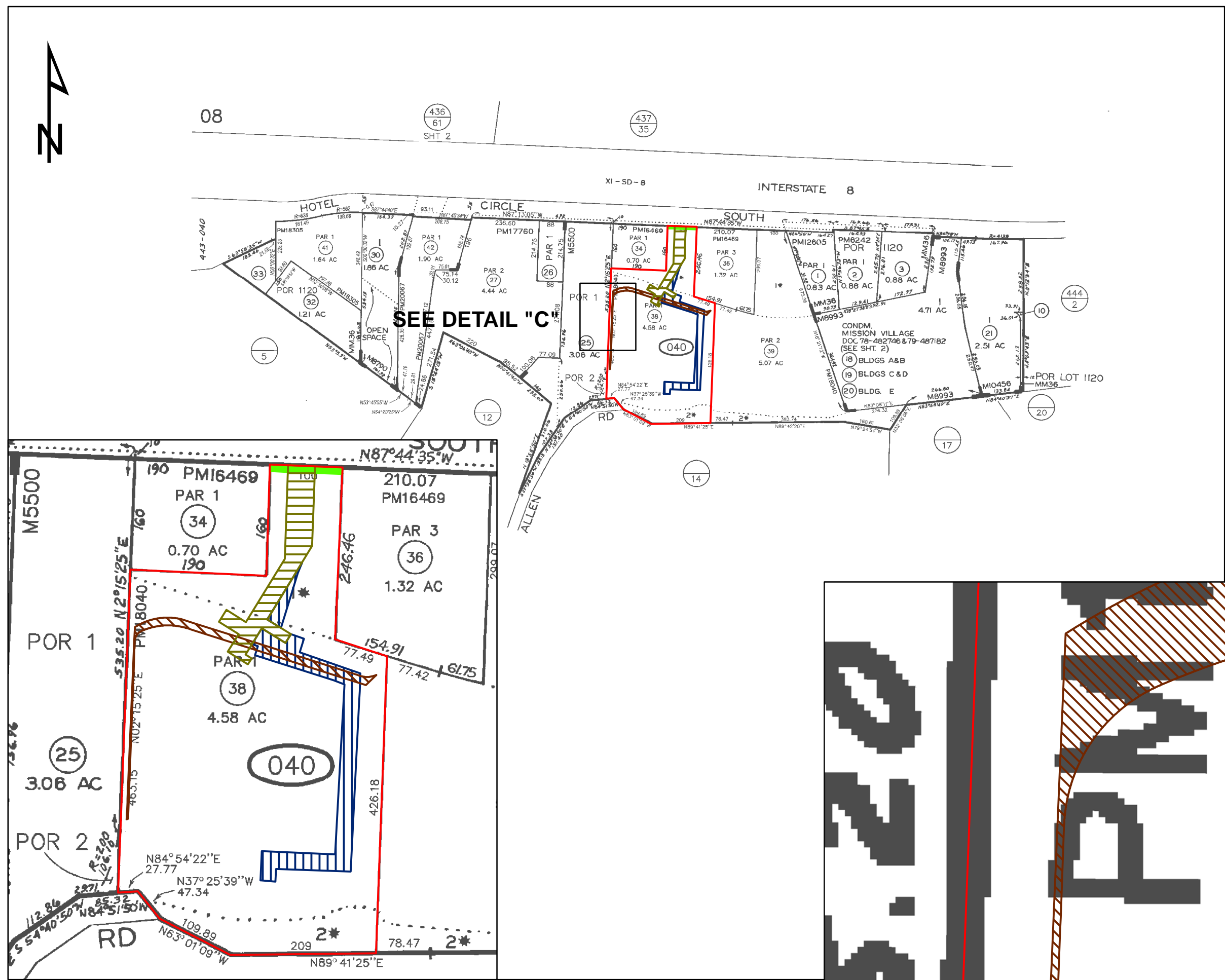
12. Market conditions and trends including identification of the relevant market area, a discussion of supply and demand within the relevant market area (or other areas of competition), and a discussion of the relevant market factors impacting demand for site acquisition or leasing within the relevant market area.
13. Discussion of subject land/site characteristics (size, topography, current use, zoning and land use issues, development entitlements, General Plan designations, utilities, offsite improvements, access, easements and restrictions, flood and earthquake information, toxic hazards, taxes and assessments, etc.).
14. Description of subject improvements, including all structures, square footage, physical age, type of construction, quality of construction, condition, site improvements, etc.
15. Subject leasing and operating cost history.
16. Opinion of highest and best use for the subject property, based on an in-depth analysis supporting the concluded use. Such support typically requires a discussion of the four criteria or tests utilized to determine the highest and best use of a property. If alternative feasible uses exist, explain and support market, development, cash flow, and risk factors leading to an ultimate highest and best use decision.
17. All approaches to market value applicable to the property type and in the subject market. Explain and support the exclusion of any usual approaches to value.
18. Map(s) showing all comparable properties in relation to subject property.
19. Photographs and plat maps of comparable properties.
20. In depth discussion of comparable properties, similarities and differences, and comparisons and adjustments to the comparable data, and discussion of the reliability and credibility of the data as it relates to the indicated subject property value.
21. Comparable data sheets: 1) For sales, include information on grantor/grantee, sale/recordation dates, listed or asking price as of date of sale, financing, conditions of sale, buyer motivation, sufficient location information (street address, post mile, and/or distance from local landmarks such as bridges, road intersections, structures, etc.), land/site characteristics, improvements, source of any allocation of sale price between land and improvement, and confirming source. 2). For listings, also include marketing time from list date to effective date of the appraisal, original list price, changes in list price, broker feedback, if available. 3). For leases, include significant information such as lessor/lessee, lease date and term, type of lease, rent and escalation, expenses, size of space leased, tenant improvement allowance, concessions, use restrictions, options, and confirming source.
22. Discussion of construction cost methodology, data source used, costs included and excluded.
23. Discussion relating to remaining economic life. Depreciation methodology, a discussion of accrued depreciation from all causes, and remaining economic life.
24. Copies of construction cost data including, section and pages of cost manual (date of estimate or date of publication of cost manual must be provided if not indicated on page), copies of cost estimate if provided from another source, and supporting calculations including worksheets or spreadsheets.
25. Include a copy of a recent preliminary title report (within the past year) as an appraisal exhibit and discuss the effect of title exceptions on fair market value. If unavailable, the appraisal should be made contingent upon review of the preliminary title report and the assumption that there is no effect on value.

26. Reconciliation and final value estimate. Explain and support conclusions reached.
27. Signed Certification consistent with language found in USPAP.
28. A discussion of market conditions and trends including identification of the relevant market, a discussion of supply and demand within the relevant market area and a discussion of the relevant market factors impacting demand for site acquisition and leasing within the relevant market area.
29. These appraisal guidelines must be included in the Addenda of appraisal report.

ORDER NO.
00189985-993
03/24/2023
APN
443-040-38-00

Legend

-  PIQ
-  Ease for Water Facilities recorded
10/20/1998 Inst #1998-0677665 OR - Item 11
-  Ease for Drainage Facilities recorded
10/20/1998 Inst #1998-0677666 OR - Item 12
-  Ease for Water Facilities recorded
05/21/1999 Inst #1999-0348081 OR - Item 14
-  Ease for street & Highway recorded
06/20/2002 Inst #2002-0524129 OR - Item 16
-  Ease for Public Utilities, Ingress & Egress recorded
03/10/2006 Inst #2006-0167981 OR - Item 17 (Unlocatable)



DETAIL

DETAIL "C"

This map/plat is being furnished as an aid in locating the herein described Land in relation to adjoining streets, natural boundareis and other land, and is not a survey of the land depicted. Except to the extent a policy of title insurane is expressly modified by endorsement, if any, the Company does not insure dimensions, distances, location of easements, acreage or other matters shown thereon.

ADDENDUM C

Legal Description & Title Report



Issuing Policies of Chicago Title Insurance Company

ORDER NO.: **00189985-993-SD2-CFU**

Main Office Line: **(619) 521-3500**

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
ATTN: Buddy Bohrer
Email: buddyb@sdhc.org
REF:

Title Officer: Ken Cyr & Mark Franklin
Title Officer Phone: (619) 521-3673
Title Officer Fax: (619) 521-3608
Title Officer Email: TeamCyrFranklin@ctt.com

PROPERTY: **2085 – 2095 SOUTH HOTEL CIRCLE, SAN DIEGO, CA**

PRELIMINARY REPORT

*In response to the application for a policy of title insurance referenced herein, **Chicago Title Company** hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Chicago Title Insurance Company, a Florida corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Chicago Title Company

By: 
Authorized Signature



By: 
Michael J. Nolan
President

ATTEST: 
Marjorie Nemzura
Secretary



PRELIMINARY REPORT

EFFECTIVE DATE: **March 7, 2023 at 7:30 a.m.**

ORDER NO.: **00189985-993-SD2-CFU**

The form of policy or policies of title insurance contemplated by this report is:

ALTA Standard Owner's Policy (6-17-06)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A FEE

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS [VESTED IN:](#)

ESA P PORTFOLIO LLC F/K/A BRE/ESA P PORTFOLIO LLC, a DE limited liability company

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

See Exhibit A attached hereto and made a part hereof.

EXHIBIT "A"

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1 OF [PARCEL MAP NO. 18040](#), IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JUNE 4, 1998 AS FILE NO. [1998-0335824, OF OFFICIAL RECORDS](#).

[APN: 443-040-38-00](#)

EXCEPTIONS

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

- A. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2023 - 2024.
- B. Property taxes, including any personal property taxes and any assessments collected with taxes, are as follows:

Tax Identification No.: 443-040-38-00
Fiscal Year: 2022 - 2023
1st Installment: \$123,173.03, PAID
2nd Installment: \$123,173.03, OPEN (Delinquent after April 10)
Penalty and Cost: \$12,327.30
Homeowners Exemption: \$0.00
Code Area: 08001

- C. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

- 1. Privilege and right to extend drainage structures and excavation and embankment slopes beyond the limits of the right of way, where required for the construction and maintenance of said right of way as contained in the document set forth below:

Recording Date: March 23, 1955
Recording No.: [Book 5577, Page 287](#), of Official Records

- 2. Easement(s) for the purpose(s) shown below and rights incidental thereto, as delineated on or as offered for dedication on

Map/Plat: [Map No. 5500](#)
Purpose: Drainage
Affects: As shown on [Parcel Map No. 18040](#).

Resolution R-296603, certified resolution for drainage easement located within Parcel 1 of [Parcel Map No. 18040](#), Drawing Nos. 18808-1-B and 18808-2-B, vacating a portion of said easement, as recorded June 13, 2002 as [Instrument No. 2002-0501636, of Official Records](#).

- 3. Agreement relating to the installation, maintenance and possible removal of a lined drainage ditch as set forth below:

Between: City of San Diego
And: Valley Enterprises, Ltd., owner
Recording Date: August 8, 1979
[Recording No.:](#) [79-331889, of Official Records](#)

EXCEPTIONS (Continued)

4. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Mission Cable TV, Inc., a corporation
Purpose: Aerial and underground community antenna television equipment
Recording Date: October 27, 1980
[Recording No:](#) [80-357046, of Official Records](#)

The exact location and extent of said easement is not disclosed of record.

5. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: The City of San Diego, a municipal corporation
Purpose: Drainage facilities, drainage access easement and pedestrian and non-motor vehicular easements
Recording Date: August 20, 1982
[Recording No:](#) [82-258396, of Official Records](#)
Affects: As shown on [Parcel Map No. 18040](#).

6. An offer and the rejection of said offer subject to the provisions of Section 66477.2 of the Government Code of the State of California for the dedication of that portion of Parcel 2 of [Parcel Map No. 16469](#) marked "Reserved for Future Street", as shown on the map of said tract, which provides that a rejected Offer of Dedication shall remain.

7. Easement(s) for the purpose(s) shown below and rights incidental thereto, as delineated on or as offered for dedication on

Map/Plat: [Parcel Map No. 16469](#)
Purpose: Open space
Affects: As shown on [Parcel Map No. 18040](#).

8. Various matters including, but not limited to, requirements for developing or improving the land, proposed easements, covenants, conditions, restrictions and provisions set forth on [Parcel Map No. 18040](#).

9. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, veteran or military status, genetic information, medical condition, citizenship, primary language, and immigration status, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: March 20, 1992
[Recording No:](#) [1992-0155627, of Official Records](#)

EXCEPTIONS (Continued)

10. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, veteran or military status, genetic information, medical condition, citizenship, primary language, and immigration status, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: July 1, 1998
[Recording No: 1998-0407242, of Official Records](#)

11. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of San Diego, a municipal corporation
Purpose: Water facilities
Recording Date: October 20, 1998
[Recording No: 1998-0677665, of Official Records](#)
Affects: A portion of said land.

12. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of San Diego, a municipal corporation
Purpose: Drainage facilities
Recording Date: October 20, 1998
[Recording No: 1998-0677666, of Official Records](#)
Affects: A portion of said land as more particularly described in said document.

13. Matters contained in that certain document

Entitled: Mission Valley Planned District/Resource Protection Ordinance Permit No. 96-7233 Maravilla 1 (Extended Stay America Hotel), City Council
Dated: September 29, 1998
Executed by: The City of San Diego, Maravilla I, LLC, Owner and ESA Management, Inc.
Recording Date: April 22, 1999
[Recording No: 1999-0271158, of Official Records](#)

Reference is hereby made to said document for full particulars.

14. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of San Diego, a municipal corporation
Purpose: Water facilities
Recording Date: May 21, 1999
[Recording No: 1999-0348081, of Official Records](#)
Affects: A portion of said land.

EXCEPTIONS (Continued)

15. Agreement relating to the installation, maintenance and possible removal of curb outlet, 12" storm drain, pvt. 8" sewer, pvt laterals with backflow preventer brow ditch, sidewalk, gazebo, a corporation pavement, curb & landscaping as set forth below:

Between: City of San Diego
And: Extended Stay CA, Inc., owner
Recording Date: May 13, 2002
[Recording No.:](#) [2002-0403112, of Official Records](#)

16. An irrevocable offer to dedicate an easement over a portion of said Land for

Purpose(s): Street and highway
Recording Date: June 20, 2002
[Recording No.:](#) [2002-0524129, of Official Records](#)
Affects: The route thereof affects a portion of said land as more particularly described in said document.

17. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: San Diego Gas and Electric Company
Purpose: Public utilities, ingress and egress
Recording Date: March 10, 2006
[Recording No.:](#) [2006-0167981, of Official Records](#)

The exact location and extent of said easement is not disclosed of record.

18. An unrecorded lease with certain terms, covenants, conditions and provisions set forth therein as disclosed by the document

Entitled: Memorandum of Lease
Lessor: ESA P Portfolio L.L.C., a Delaware limited liability company
Lessee: ESA P Portfolio Operating Lessee LLC, a Delaware limited liability company
Recording Date: July 2, 2021
[Recording No.:](#) [2021-0479339, of Official Records](#)

19. A deed of trust to secure an indebtedness in the amount shown below,

Amount: \$22,640,000.00
Dated: June 16, 2021
Trustor/Grantor: ESA P Portfolio L.L.C., a Delaware limited liability company and ESA P Portfolio Operating Lessee LLC, a Delaware limited liability company
Trustee: Chicago Title Insurance Company
Beneficiary: JPMorgan Chase Bank, National Association, a banking association chartered under the laws of the United States of America, Citi Real Estate Funding Inc., a New York corporation and Deutsche Bank AG, a New York Branch, a branch of Deutsche Bank AG, a German Bank, authorized by the New York Department of Financial Services
Recording Date: July 2, 2021
[Recording No.:](#) [2021-0479340, of Official Records](#)

**EXCEPTIONS
(Continued)**

An assignment of the beneficial interest under said deed of trust which names:

Assignee: German American Capital Corporation, a Maryland corporation
Recording Date: October 12, 2021
[Recording No: 2021-0708887, of Official Records](#)

An assignment of the beneficial interest under said deed of trust which names:

Assignee: Wells Fargo Bank, National Association, as Trustee, for the benefit of holders of Extended Stay America Trust 2021-ESH, Commercial Mortgage Pass-Through Certificates, Series 2021-ESH
Recording Date: October 12, 2021
[Recording No: 2021-0708888, of Official Records](#)

- 20. Water rights, claims or title to water, whether or not disclosed by the public records.
- 21. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.
- 22. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

PLEASE REFER TO THE "INFORMATIONAL NOTES" AND "REQUIREMENTS" SECTIONS WHICH FOLLOW FOR INFORMATION NECESSARY TO COMPLETE THIS TRANSACTION.

END OF EXCEPTIONS

REQUIREMENTS SECTION

1. The Company will require the following documents for review prior to the issuance of any title insurance predicated upon a conveyance or encumbrance from the entity named below:

Limited Liability Company: ESA P Portfolio LLC F/K/A BRE/ESA P Portfolio LLC, a DE limited liability company

- a) A copy of its operating agreement, if any, and all amendments, supplements and/or modifications thereto, certified by the appropriate manager or member.
- b) If a domestic Limited Liability Company, a copy of its Articles of Organization and all amendments thereto with the appropriate filing stamps.
- c) If the Limited Liability Company is member-managed, a full and complete current list of members certified by the appropriate manager or member.
- d) A current dated certificate of good standing from the proper governmental authority of the state in which the entity is currently domiciled.
- e) If less than all members, or managers, as appropriate, will be executing the closing documents, furnish evidence of the authority of those signing.
- f) If Limited Liability Company is a Single Member Entity, a Statement of Information for the Single Member will be required.
- g) Each member and manager of the LLC without an Operating Agreement must execute in the presence of a notary public the Certificate of California LLC (Without an Operating Agreement) Status and Authority form.

END OF REQUIREMENTS

INFORMATIONAL NOTES SECTION

1. None of the items shown in this report will cause the Company to decline to attach ALTA Endorsement Form 9 to an Extended Coverage Loan Policy, when issued.
2. The Company is not aware of any matters which would cause it to decline to attach CLTA Endorsement Form 116 indicating that there is located on said Land Commercial properties, known as 2085 – 2095 South Hotel Circle, located within the City of San Diego, California, to an Extended Coverage Loan Policy.
3. Note: The policy of title insurance will include an arbitration provision. The Company or the insured may demand arbitration. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. Please ask your escrow or title officer for a sample copy of the policy to be issued if you wish to review the arbitration provisions and any other provisions pertaining to your Title Insurance coverage.
4. Notice: Please be aware that due to the conflict between federal and state laws concerning the cultivation, distribution, manufacture or sale of marijuana, the Company is not able to close or insure any transaction involving Land that is associated with these activities.
5. Pursuant to Government Code Section 27388.1, as amended and effective as of 1-1-2018, a Documentary Transfer Tax (DTT) Affidavit may be required to be completed and submitted with each document when DTT is being paid or when an exemption is being claimed from paying the tax. If a governmental agency is a party to the document, the form will not be required. DTT Affidavits may be available at a Tax Assessor-County Clerk-Recorder.
6. The following Exclusion(s) are added to preliminary reports, commitments and will be included as an endorsement in the following policies:
 - A. 2006 ALTA Owner's Policy (06-17-06).
 6. Defects, liens, encumbrances, adverse claims, notices, or other matters not appearing in the Public Records but that would be disclosed by an examination of any records maintained by or on behalf of a Tribe or on behalf of its members.
 - B. 2006 ALTA Loan Policy (06-17-06).
 8. Defects, liens, encumbrances, adverse claims, notices, or other matters not appearing in the Public Records but that would be disclosed by an examination of any records maintained by or on behalf of a Tribe or on behalf of its members.
 9. Any claim of invalidity, unenforceability, or lack of priority of the lien of the Insured Mortgage based on the application of a Tribe's law resulting from the failure of the Insured Mortgage to specify State law as the governing law with respect to the lien of the Insured Mortgage.
 - C. ALTA Homeowner's Policy of Title Insurance (12-02-13) and CLTA Homeowner's Policy of Title Insurance (12-02-13).
 10. Defects, liens, encumbrances, adverse claims, notices, or other matters not appearing in the Public Records but that would be disclosed by an examination of any records maintained by or on behalf of a Tribe or on behalf of its members.

**INFORMATIONAL NOTES
(Continued)**

- D. ALTA Expanded Coverage Residential Loan Policy - Assessments Priority (04-02-15).
12. Defects, liens, encumbrances, adverse claims, notices, or other matters not appearing in the Public Records but that would be disclosed by an examination of any records maintained by or on behalf of a Tribe or on behalf of its members.
 13. Any claim of invalidity, unenforceability, or lack of priority of the lien of the Insured Mortgage based on the application of a Tribe's law resulting from the failure of the Insured Mortgage to specify State law as the governing law with respect to the lien of the Insured Mortgage.
- E. CLTA Standard Coverage Policy 1990 (11-09-18).
7. Defects, liens, encumbrances, adverse claims, notices, or other matters not appearing in the public records but that would be disclosed by an examination of any records maintained by or on behalf of a tribe or on behalf of its members.
 8. Any claim of invalidity, unenforceability, or lack of priority of the lien of the insured mortgage based on the application of a tribe's law resulting from the failure of the insured mortgage to specify state law as the governing law with respect to the lien of the insured mortgage.
7. Note: There are NO conveyances affecting said Land recorded within 24 months of the date of this report.

END OF INFORMATIONAL NOTES

Ken Cyr & Mark Franklin/725

Wire Fraud Alert

This Notice is not intended to provide legal or professional advice. If you have any questions, please consult with a lawyer.

All parties to a real estate transaction are targets for wire fraud and many have lost hundreds of thousands of dollars because they simply relied on the wire instructions received via email, without further verification. **If funds are to be wired in conjunction with this real estate transaction, we strongly recommend verbal verification of wire instructions through a known, trusted phone number prior to sending funds.**

In addition, the following non-exclusive self-protection strategies are recommended to minimize exposure to possible wire fraud.

- **NEVER RELY** on emails purporting to change wire instructions. Parties to a transaction rarely change wire instructions in the course of a transaction.
- **ALWAYS VERIFY** wire instructions, specifically the ABA routing number and account number, by calling the party who sent the instructions to you. **DO NOT** use the phone number provided in the email containing the instructions, use phone numbers you have called before or can otherwise verify. **Obtain the phone number of relevant parties to the transaction as soon as an escrow account is opened.** **DO NOT** send an email to verify as the email address may be incorrect or the email may be intercepted by the fraudster.
- **USE COMPLEX EMAIL PASSWORDS** that employ a combination of mixed case, numbers, and symbols. Make your passwords greater than eight (8) characters. Also, change your password often and do **NOT** reuse the same password for other online accounts.
- **USE MULTI-FACTOR AUTHENTICATION** for email accounts. Your email provider or IT staff may have specific instructions on how to implement this feature.

For more information on wire-fraud scams or to report an incident, please refer to the following links:

Federal Bureau of Investigation:
<http://www.fbi.gov>

Internet Crime Complaint Center:
<http://www.ic3.gov>



Notice of Available Discounts

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the filed rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for such discount. These discounts only apply to transactions involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

Not all discounts are offered by every FNF Company. The discount will only be applicable to the FNF Company as indicated by the named discount.

FNF Underwritten Title Company

CTC – Chicago Title company
CLTC – Commonwealth Land Title Company
FNTC – Fidelity National Title Company of California
FNTCCA - Fidelity National Title Company of California
TICOR – Ticor Title Company of California
LTC – Lawyer's Title Company
SLTC – ServiceLink Title Company

Underwritten by FNF Underwriters

CTIC – Chicago Title Insurance Company
CLTIC - Commonwealth Land Title Insurance Company
FNTIC – Fidelity National Title Insurance Company
FNTIC - Fidelity National Title Insurance Company
CTIC – Chicago Title Insurance Company
CLTIC – Commonwealth Land Title Insurance Company
CTIC – Chicago Title Insurance Company

Available Discounts

DISASTER LOANS (CTIC, CLTIC, FNTIC)

The charge for a Lender's Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within twenty-four (24) months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be fifty percent (50%) of the appropriate title insurance rate.

CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (CTIC, FNTIC)

On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be fifty percent (50%) to seventy percent (70%) of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be forty (40%) to fifty percent (50%) of the appropriate title insurance rate, depending on the type of coverage selected.

FIDELITY NATIONAL FINANCIAL, INC. PRIVACY NOTICE

Effective January 1, 2023

Fidelity National Financial, Inc. and its majority-owned subsidiary companies (collectively, “FNF,” “our,” or “we”) respect and are committed to protecting your privacy. This Privacy Notice explains how we collect, use, and protect personal information, when and to whom we disclose such information, and the choices you have about the use and disclosure of that information.

A limited number of FNF subsidiaries have their own privacy notices. If a subsidiary has its own privacy notice, the privacy notice will be available on the subsidiary’s website and this Privacy Notice does not apply.

Collection of Personal Information

FNF may collect the following categories of Personal Information:

- contact information (e.g., name, address, phone number, email address);
- demographic information (e.g., date of birth, gender, marital status);
- identity information (e.g. Social Security Number, driver’s license, passport, or other government ID number);
- financial account information (e.g. loan or bank account information); and
- other personal information necessary to provide products or services to you.

We may collect Personal Information about you from:

- information we receive from you or your agent;
- information about your transactions with FNF, our affiliates, or others; and
- information we receive from consumer reporting agencies and/or governmental entities, either directly from these entities or through others.

Collection of Browsing Information

FNF automatically collects the following types of Browsing Information when you access an FNF website, online service, or application (each an “FNF Website”) from your Internet browser, computer, and/or device:

- Internet Protocol (IP) address and operating system;
- browser version, language, and type;
- domain name system requests; and
- browsing history on the FNF Website, such as date and time of your visit to the FNF Website and visits to the pages within the FNF Website.

Like most websites, our servers automatically log each visitor to the FNF Website and may collect the Browsing Information described above. We use Browsing Information for system administration, troubleshooting, fraud investigation, and to improve our websites. Browsing Information generally does not reveal anything personal about you, though if you have created a user account for an FNF Website and are logged into that account, the FNF Website may be able to link certain browsing activity to your user account.

Other Online Specifics

Cookies. When you visit an FNF Website, a “cookie” may be sent to your computer. A cookie is a small piece of data that is sent to your Internet browser from a web server and stored on your computer’s hard drive. Information gathered using cookies helps us improve your user experience. For example, a cookie can help the website load properly or can customize the display page based on your browser type and user preferences. You can choose whether or not to accept cookies by changing your Internet browser settings. Be aware that doing so may impair or limit some functionality of the FNF Website.

Web Beacons. We use web beacons to determine when and how many times a page has been viewed. This information is used to improve our websites.

Do Not Track. Currently our FNF Websites do not respond to “Do Not Track” features enabled through your browser.

Links to Other Sites. FNF Websites may contain links to unaffiliated third-party websites. FNF is not responsible for the privacy practices or content of those websites. We recommend that you read the privacy policy of every website you visit.

Use of Personal Information

FNF uses Personal Information for three main purposes:

- To provide products and services to you or in connection with a transaction involving you.
- To improve our products and services.
- To communicate with you about our, our affiliates’, and others’ products and services, jointly or independently.

When Information Is Disclosed

We may disclose your Personal Information and Browsing Information in the following circumstances:

- to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure;
- to affiliated or nonaffiliated service providers who provide or perform services or functions on our behalf and who agree to use the information only to provide such services or functions;

- to affiliated or nonaffiliated third parties with whom we perform joint marketing, pursuant to an agreement with them to jointly market financial products or services to you;
- to law enforcement or authorities in connection with an investigation, or in response to a subpoena or court order; or
- in the good-faith belief that such disclosure is necessary to comply with legal process or applicable laws, or to protect the rights, property, or safety of FNF, its customers, or the public.

The law does not require your prior authorization and does not allow you to restrict the disclosures described above. Additionally, we may disclose your information to third parties for whom you have given us authorization or consent to make such disclosure. We do not otherwise share your Personal Information or Browsing Information with nonaffiliated third parties, except as required or permitted by law.

We reserve the right to transfer your Personal Information, Browsing Information, and any other information, in connection with the sale or other disposition of all or part of the FNF business and/or assets, or in the event of bankruptcy, reorganization, insolvency, receivership, or an assignment for the benefit of creditors. By submitting Personal Information and/or Browsing Information to FNF, you expressly agree and consent to the use and/or transfer of the foregoing information in connection with any of the above described proceedings.

Security of Your Information

We maintain physical, electronic, and procedural safeguards to protect your Personal Information.

Choices With Your Information

Whether you submit Personal Information or Browsing Information to FNF is entirely up to you. If you decide not to submit Personal Information or Browsing Information, FNF may not be able to provide certain services or products to you.

For California Residents: We will not share your Personal Information or Browsing Information with nonaffiliated third parties, except as permitted by California law. For additional information about your California privacy rights, please visit the “California Privacy” link on our website (<https://fnf.com/pages/californiaprivacy.aspx>) or call (888) 413-1748.

For Nevada Residents: We are providing this notice pursuant to state law. You may be placed on our internal Do Not Call List by calling FNF Privacy at (888) 714-2710 or by contacting us via the information set forth at the end of this Privacy Notice. For further information concerning Nevada’s telephone solicitation law, you may contact: Bureau of Consumer Protection, Office of the Nevada Attorney General, 555 E. Washington St., Suite 3900, Las Vegas, NV 89101; Phone number: (702) 486-3132; email: aginqueries@ag.state.nv.us.

For Oregon Residents: We will not share your Personal Information or Browsing Information with nonaffiliated third parties for marketing purposes, except after you have been informed by us of such sharing and had an opportunity to indicate that you do not want a disclosure made for marketing purposes.

For Vermont Residents: We will not disclose information about your creditworthiness to our affiliates and will not disclose your personal information, financial information, credit report, or health information to nonaffiliated third parties to market to you, other than as permitted by Vermont law, unless you authorize us to make those disclosures.

For Virginia Residents: For additional information about your Virginia privacy rights, please email privacy@fnf.com or call (888) 714-2710.

Information From Children

The FNF Websites are not intended or designed to attract persons under the age of eighteen (18). We do not collect Personal Information from any person that we know to be under the age of thirteen (13) without permission from a parent or guardian.

International Users

FNF’s headquarters is located within the United States. If you reside outside the United States and choose to provide Personal Information or Browsing Information to us, please note that we may transfer that information outside of your country of residence. By providing FNF with your Personal Information and/or Browsing Information, you consent to our collection, transfer, and use of such information in accordance with this Privacy Notice.

FNF Website Services for Mortgage Loans

Certain FNF companies provide services to mortgage loan servicers, including hosting websites that collect customer information on behalf of mortgage loan servicers (the “Service Websites”). The Service Websites may contain links to both this Privacy Notice and the mortgage loan servicer or lender’s privacy notice. The sections of this Privacy Notice titled When Information is Disclosed, Choices with Your Information, and Accessing and Correcting Information do not apply to the Service Websites. The mortgage loan servicer or lender’s privacy notice governs use, disclosure, and access to your Personal Information. FNF does not share Personal Information collected through the Service Websites, except as required or authorized by contract with the mortgage loan servicer or lender, or as required by law or in the good-faith belief that such disclosure is necessary: to comply with a legal process or applicable law, to enforce this Privacy Notice, or to protect the rights, property, or safety of FNF or the public.

Your Consent To This Privacy Notice; Notice Changes

By submitting Personal Information and/or Browsing Information to FNF, you consent to the collection and use of the information in accordance with this Privacy Notice. We may change this Privacy Notice at any time. The Privacy Notice’s effective date will show the

last date changes were made. If you provide information to us following any change of the Privacy Notice, that signifies your assent to and acceptance of the changes to the Privacy Notice.

Accessing and Correcting Information; Contact Us

If you have questions or would like to correct your Personal Information, visit FNF's [Privacy Inquiry Website](#) or contact us by phone at (888) 714-2710, by email at privacy@fnf.com, or by mail to:

Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

ATTACHMENT ONE (Revised 05-06-16)

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY – 1990

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13) ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;
 - d. improvements on the Land;
 - e. land division; and
 - f. environmental protection.This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;

- c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
 6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.
 This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
 7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
 8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
 9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16:	1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$ 10,000.00
Covered Risk 18:	1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 19:	1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 21:	1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$ 5,000.00

2006 ALTA LOAN POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13 or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

{Except as provided in Schedule B - Part II, {t{or T}his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

{PART I

{The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.}

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:}

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

{The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown in the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and that are not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records. }
7. {Variable exceptions such as taxes, easements, CC&R's, etc. shown here.}

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY – ASSESSMENTS PRIORITY (04-02-15)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

08

This map is for informational purposes only. It is not intended to be used as a legal document. The information on this map is subject to change without notice. The user of this map is responsible for obtaining all necessary permits and approvals. The user of this map is responsible for obtaining all necessary permits and approvals. The user of this map is responsible for obtaining all necessary permits and approvals.

Scale: 1 inch = 100 feet. Date: 10/15/10. Prepared by: [Redacted] Project: [Redacted] Drawing No: [Redacted]

City of San Diego, Department of Public Works, Engineering Division



CHANGES

No.	Description	Date
1	Initial Issue	10/15/10
2	Revised	10/15/10
3	Revised	10/15/10
4	Revised	10/15/10
5	Revised	10/15/10
6	Revised	10/15/10
7	Revised	10/15/10
8	Revised	10/15/10
9	Revised	10/15/10
10	Revised	10/15/10

MAP 10150 - MISSION VILLAGE CONDOMINIUMS
 MAP 8000 - MISSION VILLAGE CONDOMINIUMS
 MAP 8790 - L.A.C. OF SAN DIEGO
 MAP 8750 - L.A.C. OF SAN DIEGO
 MAP 8550 - L.A.C. OF SAN DIEGO
 MAP 8500 - L.A.C. OF SAN DIEGO
 MAP 8450 - L.A.C. OF SAN DIEGO
 MAP 8400 - L.A.C. OF SAN DIEGO

DATE: 10/15/10

SCALE: 1" = 100'

ADDENDUM D

Qualifications of Consultants

Qualifications of Partners & Key Personnel

STATEMENT OF PROFESSIONAL QUALIFICATIONS JAY A. WORTMANN, MAI

ASSOCIATION MEMBERSHIPS

Member of the Appraisal Institute with the MAI Designation, No. 519881

STATE CERTIFICATIONS

State of California Certified General Real Estate Appraiser (3001293)
State of Hawaii Certified General Real Estate Appraiser (CGA 1146)
State of Iowa Certified General Real Estate Appraiser (CG03319)
State of Minnesota Certified General Real Estate Appraiser (40392083)
State of Missouri Certified General Real Estate Appraiser (2013040219)
State of Nebraska Certified General Real Estate Appraiser (CG2014002)
State of New Mexico Certified General Real Estate Appraiser (03455-G)
State of Oklahoma Certified General Real Estate Appraiser (13111CGA)
State of Texas Certified General Real Estate Appraiser (TX 1380393 G)

EDUCATION

University of Nebraska, **Bachelor of Science** in Business Administration with an emphasis in Finance and Management, 2004

All educational requirements successfully completed for the Appraisal Institute MAI designation.

Consortium Institute of Management and Business Analysis (CIMBA) Undergraduate Program, Spring Semester 2004, Paderno del Grappa, Italy

EXPERIENCE

06/2018 to Present Kinetic Valuation Group, President
10/2015 to 06/2018 Lea & Company, President
01/2007 to 10/2015 Lea & Company, Director Midwest Offices
11/2006 to 5/2008 Assumption-Guadalupe Catholic School - South Omaha CORE Development Director
06/2004 to 10/2006 Novogradac & Company LLP, Real Estate Analyst

PROFESSIONAL TRAINING

Appraisal Courses Completed:

- Basic Appraisal Procedures 10/2008
- Basic Appraisal Principles 12/2008
- Income Approach Part I 07/2010
- Income Approach Part II 08/2010
- General Appraiser Sales Comparison Approach 04/2011
- Market Analysis & Highest & Best Use 05/2011
- Real Estate Finance Statistics and Valuation Modeling 08/2011
- Advanced Income Capitalization 09/2011
- General Appraiser Site Valuation & Cost Approach 10/2011
- General Appraiser Report Writing and Case Studies 12/2011
- National USPAP 15-Hour Course 01/2012
- Nebraska National Appraiser Examination 04/2012
- Advanced Concepts & Case Studies 11/2013
- MAI Comprehensive Exam Module II, III, & IV 04/2014

- MAI Comprehensive Exam Module I 11/2014
- MAI General Demonstration Report-Capstone Program – 11/2014

REAL ESTATE ASSIGNMENTS

A representative sample of various types of projects involved with includes:

- Prepared market studies for proposed Low-Income Housing Tax Credit, market rate, HOME financed, USDA Rural Development, and HUD subsidized properties, on a national basis. Analysis includes property screenings, market analysis, comparable rent surveys, demand analysis based on the number of income qualified renters in each market, supply analysis, and operating expenses analysis. Property types include proposed multifamily, senior independent living, large family, and acquisition with rehabilitation.
- Prepare appraisals of proposed new construction, rehabilitation, and existing Low-Income Housing Tax Credit properties, USDA Rural Development, and market rate multifamily developments. Analysis includes property screenings, valuation analysis, rent comparability studies, expense comparability analysis, determination of market rents, and general market analysis.
- Prepare appraisal work for retail and commercial properties in various parts of the country for various lenders. The client utilized the study for underwriting purposes.
- Conducted market studies for projects under the HUD Multifamily Accelerated Processing program.
- Prepare appraisals of proposed new construction properties under the HUD Multifamily Accelerated Processing program.
- Prepare Rent Comparability Studies for expiring Section 8 HAP contracts for subsidized properties located throughout the United States. Engagements included site visits to the subject property, interviewing and inspecting potentially comparable properties, and the analyses of collected data including adjustments to comparable data to determine appropriate adjusted market rents using HUD form 92273.
- Performed all aspects of data collection and data mining for web-based rent reasonableness systems for use by local housing authorities.

Work assignments completed in various states include:

Arizona	Missouri
Arkansas	Montana
California	Nebraska
Colorado	New Mexico
Hawaii	North Dakota
Idaho	Pennsylvania
Indiana	Oklahoma
Iowa	Texas
Kansas	Utah
Michigan	Washington
Minnesota	Wisconsin
Mississippi	Wyoming

STATEMENT OF PROFESSIONAL QUALIFICATIONS

AMANDA M. BAKER, MAI

I. Professional Affiliation

Member of the Appraisal Institute with the MAI Designation, No. 511086

II. State Certifications

State of Arizona Certified General Real Estate Appraiser (32065)
State of California Certified General Real Estate Appraiser (3002360)
State of Colorado Certified General Real Estate Appraiser (CG.200000747)
State of Kansas Certified General Real Property Appraiser (G-2960)
State of Missouri Certified General Real Estate Appraiser (2014021680)
State of Nebraska Certified General Real Property Appraiser (CG2016006R)
State of Nevada Certified General Real Estate Appraiser (A.0207150-CG)
State of Washington Certified General Real Estate Appraiser (1102380)

III. Education

University of Nebraska-Omaha, **Bachelor of Science** in Business Administration
-Specialization in Real Estate and Land Use Economics
-Specialization in Marketing
-Secondary Specialization in Economics

IV. Professional Experience

-Vice President-Kinetic Valuation Group, June 2018-Present
-Manager-Lea & Company, November 2011-June 2018
-Senior Real Estate Analyst, Novogradac & Company LLP, April 2005–October 2011

V. Professional Training

-MAI General Demonstration Report-Capstone Program July 2016
-2016-2017 National USPAP Update March 2016
-MAI Comprehensive Exam August 2015
-Advanced Market Analysis and Highest & Best Use May 2015
-Advanced Income Capitalization October 2014
-Quantitative Analysis June 2014
-Advanced Concepts & Case Studies May 2014

VI. Real Estate Assignments

A representative sample of Due Diligence and Valuation Engagements includes:

- Prepared market studies for proposed Low-Income Housing Tax Credit, market rate, HOME financed, USDA Rural Development, and HUD subsidized properties, on a national basis. Analysis includes property screenings, market analysis, comparable rent surveys, demand analysis based on the number of income qualified renters in each market, supply analysis, and operating expenses analysis. Property types include proposed multifamily, senior independent living, large family, and acquisition with rehabilitation.
- Prepare appraisals of proposed new construction, rehabilitation, and existing Low-Income Housing Tax Credit properties, USDA Rural Development, and market rate multifamily developments. Analysis includes property screenings, valuation analysis, rent comparability studies, expense comparability analysis, determination of market rents, and general market analysis.

- Prepare appraisal work for retail and commercial properties in various parts of the country for various lenders. The client utilized the study for underwriting purposes.
- Conducted market studies for projects under the HUD Multifamily Accelerated Processing program.
- Prepare appraisals of proposed new construction properties under the HUD Multifamily Accelerated Processing program.
- Prepare Rent Comparability Studies for expiring Section 8 HAP contracts for subsidized properties located throughout the United States. Engagements included site visits to the subject property, interviewing and inspecting potentially comparable properties, and the analyses of collected data including adjustments to comparable data to determine appropriate adjusted market rents using HUD form 92273.
- Performed all aspects of data collection and data mining for web-based rent reasonableness systems for use by local housing authorities.

**STATEMENT OF PROFESSIONAL QUALIFICATIONS
BYRON N. LEA, MAI**

ASSOCIATION MEMBERSHIPS

Member of the Appraisal Institute with the MAI Designation, No. 10374

STATE CERTIFICATIONS

State of Colorado Certified General Appraiser (CG40039600)

State of California Certified General Appraiser (AG-008505)

EDUCATION

California State University Sacramento, Bachelor of Science in Business Administration, 1985

All educational requirements successfully completed for the Appraisal Institute MAI designation and 100-hour/five year continuing education cycles.

EXPERIENCE

06/2018 to Present Consultant to Kinetic Valuation Group
10/2015 to 06/2018 Founder and Consultant to Lea & Company
8/2006/ to 10/2015 Re-establishment of Lea & Company, President of Firm. Commercial Valuation and Consulting Services within the Affordable Housing Industry.
8/2000 to 8/2006 Novogradac & Company LLP, Partner, established the Kansas City and Los Angeles Valuation Group offices.
7/94 to 8/2000 Relocated to Kansas City, Senior Appraiser, Nunnink & Associates, Inc., which transformed into Integra Realty Resources.
Performed narrative appraisals and review of appraisals.
8/88 - 7/94 Commercial Fee Appraiser, Lea & Associates, Sacramento, California
Principal of firm. Performed narrative appraisals on fee basis.
8/86 - 5/88 Commercial Appraiser, Urban Pacific Services, Newport Beach, California
Performed narrative appraisals.
1/86 - 8/86 Commercial Appraiser, Bank of America, Orange County, California
Staff commercial appraiser.
4/85 - 9/85 Financial Analyst, Financial Investment Advisors Associates (FIA), Inc., Sacramento, California. Financial analysis of multi-million dollar institutional grade real estate.

REPRESENTATIVE SAMPLE OF ASSIGNMENTS

- On a national basis, conduct market studies and appraisals for proposed Low-Income Housing Tax Credit properties.
- On a national basis, conduct market studies and appraisals for preservation of affordable housing properties involving USDA and HUD programs, oftentimes with renovation using Low-Income Housing Tax Credits and/or Historic Tax Credits. Programs include USDA 515 and 538, and HUD 221D4, 236, and MAP.
- Rent Comparability Studies of apartment properties for HUD programs nationally.
- Team member in the valuation of a U.S. Air Force Base closure located in Northern California.
- Rockhurst College, a Jesuit University located in Kansas City, Missouri.
- Student housing portfolios located in West Lafayette, Indiana, home of Purdue University.
- Fair Rental Market Analysis for General Services Agency consisting of a Federal Courthouse located in Kansas City, Kansas, Bannister Federal Complex, and Federal properties located in Leavenworth and Topeka, Kansas and Independence, Missouri.
- Industrial portfolio valuation of properties located throughout the United States.
- Residential subdivisions located in California and Midwest.
- Regional Malls located in California.

- Convenience Store properties located throughout the Midwest.
- Proposed Mixed Use Entertainment Center with Megaplex theaters and restaurant.
- Megaplex and Multiplex movie theaters.
- Proposed truck terminal facilities located in Kansas and Missouri.
- Bulk liquids transfer terminal located in Kansas.
- Assisted living and nursing home properties located in Kansas, Missouri, Alabama, and Mississippi.
- Institutional grade investment properties located throughout the United States.
- Portfolio valuation for Small Business Administration of properties located in California.
- Work assignments completed in various states include:

Alabama	Montana
Arizona	Nebraska
Arkansas	Nevada
California	New Mexico
Colorado	North Dakota
Hawaii	Ohio
Idaho	Oklahoma
Iowa	Oregon
Illinois	Pennsylvania
Indiana	South Dakota
Kansas	Tennessee
Louisiana	Texas
Michigan	Utah
Minnesota	Washington
Mississippi	Wisconsin
Missouri	Wyoming

STATEMENT OF PROFESSIONAL QUALIFICATIONS

BRENT R. GRIFFITHS, MAI

ASSOCIATION MEMBERSHIPS

Member of the Appraisal Institute with MAI Designation, No. 574292

STATE CERTIFICATIONS

State of Arkansas Certified General Real Estate Appraiser (CG-4379)

State of California Certified General Real Estate Appraiser (3004361)

State of Minnesota Certified General Real Estate Appraiser (40524536)

State of Montana Certified General Real Estate Appraiser (REA-RAG-LIC-9586)

EDUCATION

University of Nebraska-Lincoln, Bachelor of Science in Business Administration with an emphasis in Finance and Management

EXPERIENCE

10/2022 to Present: Kinetic Valuation Group, Principal

06/2018 to 10/2022: Kinetic Valuation Group, Certified General Real Estate Appraiser

03/2013 to 06/2018: Lea & Company, Senior Analyst

08/2011 to 03/2013: Pinnacle Bank, Real Estate Loan Assistant

04/2010 to 08/2011: Pinnacle Bank, Customer Service Representative

PROFESSIONAL TRAINING

Certified General Real Property Appraisal Courses Completed:

- | | |
|--|---------|
| • Basic Appraisal Procedures | 05/2013 |
| • National USPAP 15-Hour Course | 06/2013 |
| • Basic Appraisal Principles | 09/2013 |
| • Real Estate Finance, Statistics, and Valuation Modeling | 09/2013 |
| • General Appraiser Report Writing and Case Studies | 12/2013 |
| • General Appraiser Sales Comparison Approach | 04/2014 |
| • General Appraiser Income Approach/Part 1 | 07/2014 |
| • General Appraiser Market Analysis and Highest & Best Use | 08/2014 |
| • General Appraiser Income Approach/Part 2 | 12/2014 |
| • General Appraiser Site Valuation and Cost Approach | 10/2015 |
| • Advanced Income Capitalization | 09/2016 |
| • Advanced Concepts & Case Studies | 09/2018 |
| • Quantitative Analysis | 08/2019 |
| • Advanced Market Analysis and Highest & Best Use | 10/2020 |
| • General Demonstration Report-Capstone Program | 11/2021 |
| • MAI Comprehensive Exam Module I, II, III, IV | 08/2022 |

REAL ESTATE ASSIGNMENTS

A representative sample of types of projects involved with includes:

- On a national basis, prepare market studies and appraisals consulting services for proposed Low-Income Housing Tax Credit properties.
- On a national basis, prepare market studies and appraisals consulting services for preservation of affordable housing properties involving USDA and HUD programs, oftentimes with renovation using Low-Income Housing Tax Credits and/or Historic Tax Credits. Programs include Rental Assistance Demonstration (RAD) Program, USDA 515 and 538, and HUD 221D4, 236, and MAP.

- Prepare market studies for proposed new construction, conversion, and existing Low-Income Housing Tax Credit developments for special needs and age-restricted populations.
- Prepare appraisals of proposed new construction, rehab and existing Low-Income Housing Tax Credit properties, Section 8 Mark-to-Market properties, Rental Assistance Demonstration (RAD) Program, and HUD Map Section 221D4 and 223f properties.
- Conduct rent comparable studies for properties encumbered by Section 8 contracts.

Work assignments completed in the following states:

- Alabama
- Arizona
- Arkansas
- California
- Connecticut
- Colorado
- Florida
- Hawaii
- Illinois
- Indiana
- Iowa
- Kansas
- Louisiana
- Maryland
- Michigan
- Minnesota
- Missouri
- Montana
- Nebraska
- Nevada
- New Jersey
- New Mexico
- North Carolina
- North Dakota
- Oklahoma
- Oregon
- Pennsylvania
- Rhode Island
- South Dakota
- Tennessee
- Texas
- Utah
- Washington
- Wyoming

**STATEMENT OF PROFESSIONAL QUALIFICATIONS
CHARLES K. HAASE**

STATE CERTIFICATIONS

State of California Certified General Real Estate Appraiser (3004234)
State of Ohio Certified General Real Estate Appraiser (2017003033)
State of Utah Certified General Real Estate Appraiser (10536692-CG00)
State of Oklahoma Certified General Real Estate Appraiser (13344CGA)

EDUCATION

University of Nebraska Omaha, **Bachelor of Arts** in International Studies
- Specialization in Global Strategic Studies.

EXPERIENCE

06/2018 to Present - Kinetic Valuation Group, Certified General Real Estate Appraiser

10/2011 to 06/2018 - Lea & Company, Certified General Real Estate Appraiser

06/2009 to 10/2011 - Nebraska Title Company – Escrow Closer/Title Agent/Searcher

PROFESSIONAL TRAINING

Certified General Real Property Appraisal Courses Completed:

- Basic Appraisal Procedures 05/2012
- Basic Appraisal Principles 10/2012
- Statistics, Modeling, and Finance 05/2013
- General Site Valuation and Cost Approach 07/2013
- General Sales Comparison Approach 08/2013
- General Appraiser Income Approach Part I 04/2014
- General Appraiser Market Analysis and Highest & Best Use 08/2014
- General Appraiser Report Writing and Case Studies 10/2014
- National USPAP 15-Hour Course 11/2014
- Business Practice and Ethics 8/2015
- General Appraiser Income Approach Part II 9/2015
- Advanced Income Capitalization 10/2015

REAL ESTATE ASSIGNMENTS

A representative sample of Due Diligence and Valuation Engagements includes:

- On a national basis, assisted with market studies and appraisals for proposed Low-Income Housing Tax Credit properties. Includes property screenings, market and demographic analysis, comparable rent surveys, and supply and demand analysis.
- On a national basis, prepare market studies and appraisals consulting services for preservation of affordable housing properties involving USDA and HUD programs, oftentimes with renovation using Low-Income Housing Tax Credits and/or Historic Tax Credits. Programs include Rental Assistance Demonstration (RAD) Program, USDA 515 and 538, and HUD 221D4, 236, and MAP.

- Prepare market studies for proposed new construction, conversion, and existing Low-Income Housing Tax Credit developments for family and age-restricted populations.
- Prepare appraisals of proposed new construction, rehab and existing Low-Income Housing Tax Credit properties and Section 8 Mark-to-Market properties. Assistance includes rent comparability studies, determination of market rents and market analysis.
- Conduct Rent Comparability Studies for expiring Section 8 HAP contracts for subsidized properties located throughout the United States. Engagements included site visits to the subject property, interviewing and inspecting potentially comparable properties, and the analyses of collected data including adjustments to comparable data to determine appropriate adjusted market rents using HUD form 92273.
- Performed all aspects of data collection and data mining for web-based rent reasonableness systems for use by local housing authorities.

Work assignments completed in various states include:

Arizona	Nebraska
Arkansas	New Mexico
California	New York
Colorado	North Dakota
Florida	Ohio
Hawaii	Oklahoma
Iowa	Oregon
Kansas	Pennsylvania
Michigan	Texas
Missouri	Utah
Minnesota	West Virginia
Montana	Washington
Nevada	Wisconsin
	Wyoming

STATEMENT OF PROFESSIONAL QUALIFICATIONS

Sarah L Hauxwell

EDUCATION

University of Nebraska- Omaha, **Bachelor of Science** in Business Administration with a minor in Real Estate & Land Use, 2016

EXPERIENCE

06/2018 to Present: Kinetic Valuation Group, Real Estate Analyst

11/2016 to 06/2018: Lea & Company, Real Estate Analyst

PROFESSIONAL TRAINING

Certified General Real Property Appraisal Courses Completed:

- Basic Appraisal Procedures 10/2017
- Basic Appraisal Principles 8/2017
- National USPAP 15-Hour Course 12/10/2017

REAL ESTATE ASSIGNMENTS

A representative sample of types of projects involved with includes:

- On a national basis, assisted with market studies and appraisals for proposed Low-Income Housing Tax Credit properties. Includes property screenings, market and demographic analysis, comparable rent surveys, and supply and demand analysis.
- On a national basis, assisted with market studies and appraisals for preservation of affordable housing properties involving USDA and HUD programs, oftentimes with renovation using Low-Income Housing Tax Credits and/or Historic Tax Credits. Programs include USDA 515 and 538.
- Prepare market studies for proposed new construction, conversion, and existing Low-Income Housing Tax Credit developments for family, senior, and assisted-living senior populations.
- Assist with appraisals of proposed new construction, rehab and existing Low-Income Housing Tax Credit properties and Section 8 Mark-to-Market properties. Assistance includes rent comparability studies, determination of market rents and market analysis.
- Conduct rent comparable studies for properties encumbered by Section 8 contracts. Research included analysis of comparable properties and market analysis.

Work assignments completed in the following states:

Arizona	Nebraska
Arkansas	New York
California	Ohio
Colorado	Oklahoma
Hawaii	Utah
Iowa	West Virginia
Kansas	Washington
Missouri	
Minnesota	

Certificate of Professional Designation

This certificate verifies that

Jay A Wortmann
Kinetic Valuation Group

*Has completed NCHMA's Professional Designation Requirements
and is hence an approved member in good standing of:*



National Council of Housing Market Analysts
1400 16th St. NW
Suite 420
Washington, DC 20036
202-939-1750

Membership Term
1/1/2023 to 12/31/2023



Kaitlyn Snyder
Managing Director, NCHMA

COMMERCIAL APPRAISAL REVIEW FORM

The appraisal report which is the subject of this review is briefly identified and described as follows:

Name of Project/Property Extended Stay America - Homekey Supportive Housing
 Location/Legal 2085-95 Hotel Circle South, San Diego, CA 92108
 Type of Property Currently a hotel/proposed conversion to supportive housing Existing Proposed Construction
 Name of Appraiser Jay Wortmann, MAI / Byron Lea, MAI Telephone (402) 202-0771
 Address P.O. Box 68, Corona Del Mar, CA 92625
 Report Addressed to: San Diego Housing Commission - Buddy Bohrer Telephone N/A
 Address 1122 Broadway, Suite 300, San Diego, CA 92101
 Type of Appraisal Report: Narrative Printed Form Other (identify)

Section I - Purpose and Function of Appraisal

Value Sought: Market Value Other (identify) Date of Value: Current Future Past
 Interests Valued: Fee Simple Leased Interest Value Sought Interest To Be Valued
 Easements Other (identify) Market Rent Other (identify)
 Real Estate Valued: Land Improvements Assumptions and Limiting Conditions: Standard Consistent with Valuation Process
 Ground Lease Personal Property Third Party Report Unreasonable or Excessive
 Other (identify)
 Comments: Adequate

Section II - Property Identification, Ownership and Assessment

Does the report adequately contain or identify:	Yes	No	N/A	Does Report:	Yes	No	N/A
Property Location/Address	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Owners of Record	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Legal Description	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	History of Ownership	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real Estate Tax Information	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	If Applicable to Subject Property:			
Assessments, Bonds, etc.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Amount of Purchase Price	<input checked="" type="checkbox"/>	\$ 5,940,000,000*	
Existence of:				Pending Sales Price	<input checked="" type="checkbox"/>	\$ 65,175,000*	
Deed Restrictions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Asking Price	<input type="checkbox"/>	\$	
Covenants, Conditions, Restrictions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Option Price	<input type="checkbox"/>	\$	
Moratoriums	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other	<input type="checkbox"/>	\$	

Comments: Adequate.
 (*) The subject was acquired in June 2021 as part of a bulk purchase of 563 Extended Stay America's for \$5,940,000,000. The subject is part of a purchase agreement for \$65,175,000 with the San Diego Housing Commission as the buyer. They intend to convert the subject to a homekey supportive housing project.

Section III - Location Analysis

Does the report adequately describe or identify:	Yes	No	N/A	Does Report:	Yes	No	N/A
Region	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sum up and rate the area	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
City	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Identify and discuss important trends	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Neighborhood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Identify nuisances or hazards	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: Adequate

Section IV - Property Description

Comment upon the descriptions and analysis of the following:	Yes	No	IMPROVEMENTS:	Yes	No
SITE:			Adequate description of physical features	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Adequate description of physical features	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Attention given to:		
Identification of encumbrances	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Quality	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does report state adequacy of site for existing or proposed use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Functional Utility and Appeal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Utilities available	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Age	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Special Problems:			Condition	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Flood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Hazardous Conditions	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Environmental Hazards, Seismic, Toxic etc.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ZONING:		
Other (identify) <u>Homekey Supportive</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Statement	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Definition	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Comments: Adequate

Section V - Highest and Best Use

	Yes	No		Yes	No
Definition	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Does property conform to zoning and neighborhood	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Components	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is use legal and physically possible	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Conclusion of highest and best use <u>Varies*</u>			Has the report in this or other sections discussed:		
Current Zoning <u>CO-2-2, Commercial-Office</u>			Marketability (supply-demand, market trends, absorption occupancy levels)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Status zoning change <u>N/A</u>			Other (identify)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Status of building permit (if proposed construction) <u>N/A</u>			Were other studies/reports considered	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does report discuss feasibility/profitability	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

Comments: Adequate

(*) Highest and best use as vacant is a lodging property. Highest and best use as improved is conversion to market rate apartments.

Section VI - Property Valuation

Comment and rate the approaches to value:

COST APPROACH:	Satisfactory	Unsatisfactory	DISCOUNTED CASH FLOW ANALYSIS (DCF)	Satisfactory	Unsatisfactory
Format	<input type="checkbox"/>	<input type="checkbox"/>	Format	<input type="checkbox"/>	<input type="checkbox"/>
Adequacy of data	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Adequacy of data and support for:		
Source of costs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Holding Period	<input type="checkbox"/>	<input type="checkbox"/>
Land value estimate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Growth Rates	<input type="checkbox"/>	<input type="checkbox"/>
Estimated cost new	<input type="checkbox"/>	<input type="checkbox"/>	Discount Rate	<input type="checkbox"/>	<input type="checkbox"/>
Depreciation estimate	<input type="checkbox"/>	<input type="checkbox"/>	Development of Cash Flow Estimates	<input type="checkbox"/>	<input type="checkbox"/>
SALES COMPARISON APPROACH:			Reversionary Value	<input type="checkbox"/>	<input type="checkbox"/>
Format	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other Methods of Processing		
Adequacy of data	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Income Stream (Mortgage Equity, Band of Investments, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
Sources of data	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RECONCILIATION:		
Summary of sales table	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Indicated values are:		
Use of adjustment grid table	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cost Approach	\$ N/A	
Comparative analysis of sales	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sales Comparison Approach	\$ 56,100,000*	
INCOME CAPITALIZATION APPROACH:			Income Approach	\$ 61,300,000*	
Format	<input checked="" type="checkbox"/>	<input type="checkbox"/>	DCF Analysis	\$ _____	
Selection of proper capitalization method	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other (Pending Sale, etc.)	\$ _____	
Adequacy of data and support for:			Value Conclusion		\$ 60,780,000*
Comparable Rentals	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Allocation as Follows:		
Vacancy and Loss Factor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Land	\$ 11,970,000*	
Operating History	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Improvements	\$ _____	
Rent Roll	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Personal Property	\$ _____	
Income Estimate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other	\$ _____	
Expense Estimate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Total Value		\$ _____
Net Operating Income	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Capitalization Rate	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

Comments: Adequate

(* The value conclusions shown above are for market rate apartments. The land value was estimated at \$11,970,000 via the sales comparison approach, As an existing hotel, the sales comparison approach was \$31,350,000, the income approach was \$29,560,000 and the reconciled value was \$31,350,000.

Section VII - Other Report Requirements

Does report contain a certification	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Does principal appraiser make state- ment of concurrence with value conclusion	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the report co-signed	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Does report contain appraiser(s) qualifications	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Did principal appraiser sign report	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No			
Did principal appraiser personally inspect subject property	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No			

Section VIII - Final Rating of Appraisal

Report Format	Acceptable	Unacceptable	Property Valuation:	Acceptable	Unacceptable
Readability and neatness	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Feasibility/Profitability	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mathematical accuracy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Market Trends	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exhibits (Photos, Maps, etc.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cost Approach	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Appraiser's analytical ability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sales Comparison Approach	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Purpose and function of appraisal	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Income Approach	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Property identification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	DCF	<input type="checkbox"/>	<input type="checkbox"/>
Locational analysis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Reconciliation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Property Description:			Date of Appraisal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Site	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Overall Rating of Appraisal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Improvements	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Highest and Best Use	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

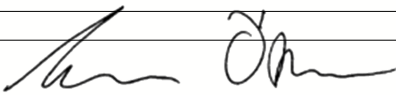
Brief Comments on Unacceptable Ratings: Adequate.

The review appraiser inspected the subject on June 30, 2023. The review appraiser confirmed this appraisal meets all homekey appraisal guidelines, except for providing plat maps for the comparables as required by appraisal requirements #19.

Section IX - Reviewer's Conclusions - Recommendations

Scope of Review:			If reviewer does not concur with the soundness of conclusion, then what is the recommended action:
Read report	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Totally reject appraisal
Interviewed appraiser	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Have appraiser rework, revise, update the appraisal
Field Review	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Have another appraisal prepared by someone else
Does the Reviewer concur with the soundness of conclusion:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Other
Concluding Comments: <u>Adequate</u>			

"All electronic signatures on this report have a security feature maintained by individual passwords for each signing appraiser. No person can alter the appraisal without the express permission of the original signing appraiser(s)."

Reviewer's Signature  Date 7/17/2023

Name of Reviewer Stephen O'Rourke, ASA, RW-AC

Position _____ Department _____

Address 425 East Colorado Street Telephone (213) 532-3800

City, State, Zip Glendale, CA 91205

Supplemental Addendum

File No. 12387

Borrower					
Property Address	2085 Hotel Cir S				
City	San Diego	County	State	CA	Zip Code 92108
Lender/Client	San Diego Housing Commission				

INTENDED USE, USERS & PURPOSE OF THE REVIEW

The intended use of the review is to assist the client, San Diego Housing Commission, in providing an opinion of the quality of work that is the subject of the appraisal review assignment. This review is also to determine compliance with USPAP, Federal Regulations and the requirements of the client. The reviewer's own opinion of value is not a purpose of this review.

DATE OF REPORT & EFFECTIVE DATE OF APPRAISAL

The appraisal that is the subject of the appraisal review assignment was completed on July 13, 2023 and had an effective date of value of May 3, 2023.

File No. 12387

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what they considers their own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Source: FDIC Interagency Appraisal and Evaluation Guidelines, October 27, 1994.)

SCOPE OF REVIEW: The scope of this review is limited to the information being provided by the original appraiser, and is to form an opinion as to the apparent adequacy and relevance of the data and the propriety of any adjustments to the data; form an opinion as to the appropriateness of the appraisal methods and techniques used and develop the reasons for any disagreement; form an opinion as to whether the analyses, opinions, and conclusions in the report under review are appropriate and reasonable, and develop the reasons for any disagreement.

CERTIFICATION AND STATEMENT OF LIMITING CONDITIONS

CERTIFICATION: The reviewer certifies and agrees that, to the best of his/her knowledge and belief:

- 1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. Unless otherwise indicated, I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
4. Unless otherwise indicated, I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
8. My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
9. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
10. Unless otherwise indicated, I have not made a personal inspection of the subject of the work under review.
11. Unless otherwise indicated, no one provided significant appraisal, appraisal review, or appraisal consulting assistance to the person(s) signing this certification (if there are exceptions, the name of each individual providing significant real property appraisal assistance is stated elsewhere in this report).
12. We have not performed any professional services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

CONTINGENT AND LIMITING CONDITIONS: The certification of the Reviewer appearing in the review report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Reviewer in the review report.

- 1. The Reviewer assumes no responsibility for matters of a legal nature affecting the property which is the subject of this review or the title thereto, nor does the Reviewer render any opinion as to the title, which is assumed to be good and marketable.
2. The Reviewer will not give testimony or appear in court because he or she reviewed an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.
3. The Reviewer assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Reviewer assumes no responsibility for such conditions, or for engineering which might be required to discover such factors. This review report must not be considered an environmental assessment of the subject property.
4. Information, estimates, and opinions furnished to the Reviewer, and contained in the review report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the Reviewer can be assumed by the Reviewer.
5. Disclosure of the contents of the report is governed by the Uniform Standards of Professional Appraisal Practice, the Bylaws and Regulations of the professional appraisal organizations with which the Reviewer is associated, and any applicable federal, state or local laws.
6. Neither all, nor any part of the content of the review report, or copy thereof (including the conclusions of the review, the identity of the Reviewer, professional designations, reference to any professional appraisal organizations, or the firm with which the Reviewer is connected), shall be used for any purpose by anyone but the client specified in the review report, its successors and assigns, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent and approval of the Reviewer.
7. No change of any item in the review report shall be made by anyone other than the Reviewer and the Reviewer shall have no responsibility for any such unauthorized change.

APPRAISER:
Signature: [Handwritten Signature]
Name: Stephen O'Rourke, ASA, RW-AC
Title:
State Certification #: AG036788
or State License #:
State: CA Expiration Date of Certification or License: 03/22/2025
Date Signed: 07/17/2023

SUPERVISORY or CO-APPRAISER (if applicable):
Signature: [Handwritten Signature]
Name: Ben F. Tunnell III
Title: Chairman
State Certification #: AG006964
or State License #:
State: CA Expiration Date of Certification or License: 05/10/2025
Date Signed: 07/17/2023

Subject Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
City	San Diego	County	State	CA	Zip Code 92108
Lender/Client	San Diego Housing Commission				



Subject east side

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Subject west side



Subject south and west sides

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
City	San Diego	County	State	CA	Zip Code 92108
Lender/Client	San Diego Housing Commission				



Subject south and west sides

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Subject rear



Subject gated entrance

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
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Lender/Client	San Diego Housing Commission				

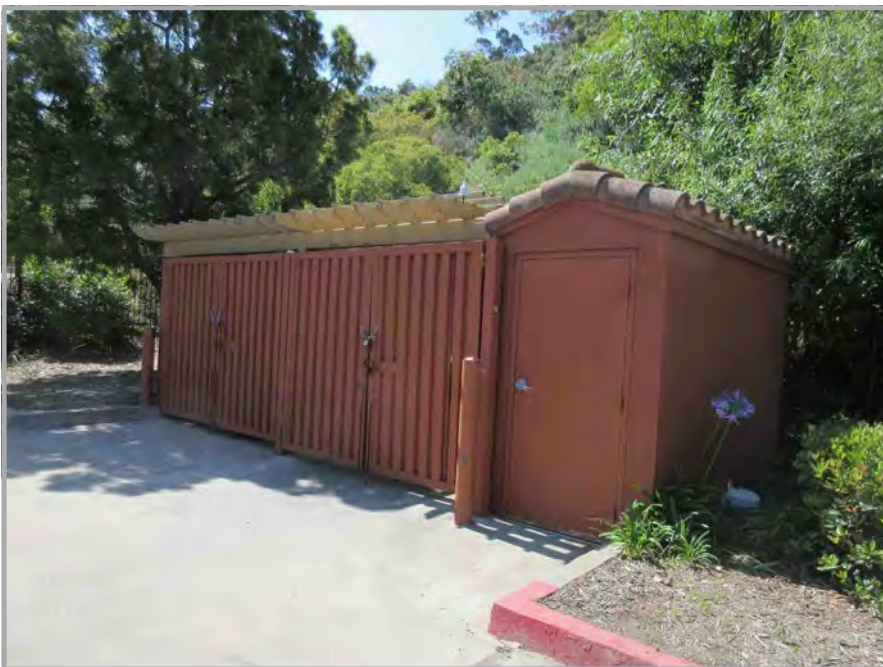


Subject signage and driveway

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Subject signage and driveway



Trash enclosure and storage shed

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
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Lender/Client	San Diego Housing Commission				



Entrance

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



EV chargers



Fire sprinkler system

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
City	San Diego	County	State	CA	Zip Code 92108
Lender/Client	San Diego Housing Commission				



Parking lot

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Parking lot



Parking lot

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
City	San Diego	County	State	CA	Zip Code 92108
Lender/Client	San Diego Housing Commission				



Parking lot

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Parking lot



Parking lot

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
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Lender/Client	San Diego Housing Commission				



Street scene east, subject on right

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Street scene west, subject on left



Courtyard seating area

Subject Interior Photo Page

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Property Address	2085 Hotel Cir S				
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Lender/Client	San Diego Housing Commission				



Boilers

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Electrical sign



Electrical sign

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
City	San Diego	County	State	CA	Zip Code 92108
Lender/Client	San Diego Housing Commission				



Electrical

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Elevator



Housekeeping and storage

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
City	San Diego	County	State	CA	Zip Code 92108
Lender/Client	San Diego Housing Commission				

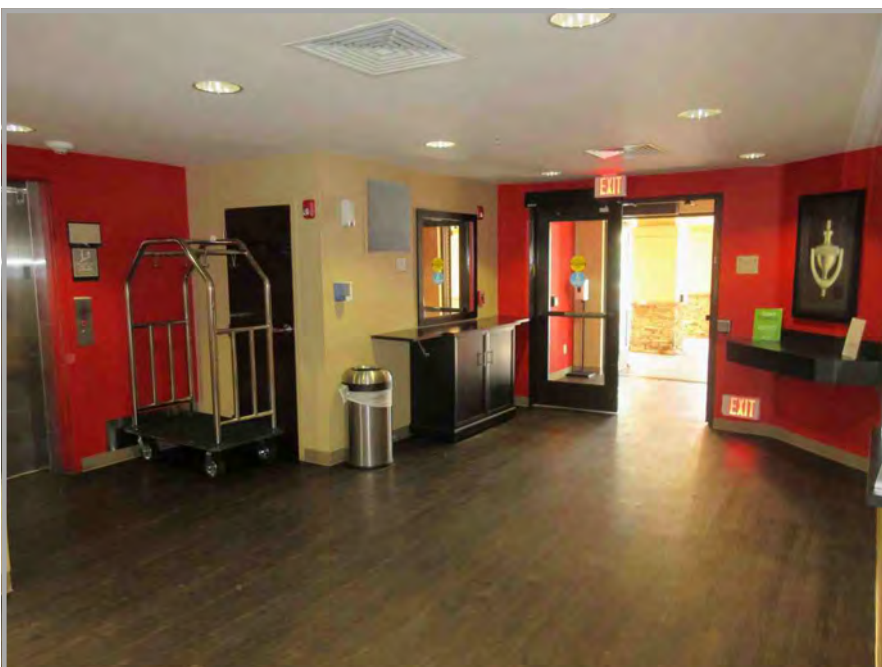


Housekeeping and storage

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Laundry and vending



Lobby

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
City	San Diego	County	State	CA	Zip Code 92108
Lender/Client	San Diego Housing Commission				



Staff break room

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Staircase



Staircase

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
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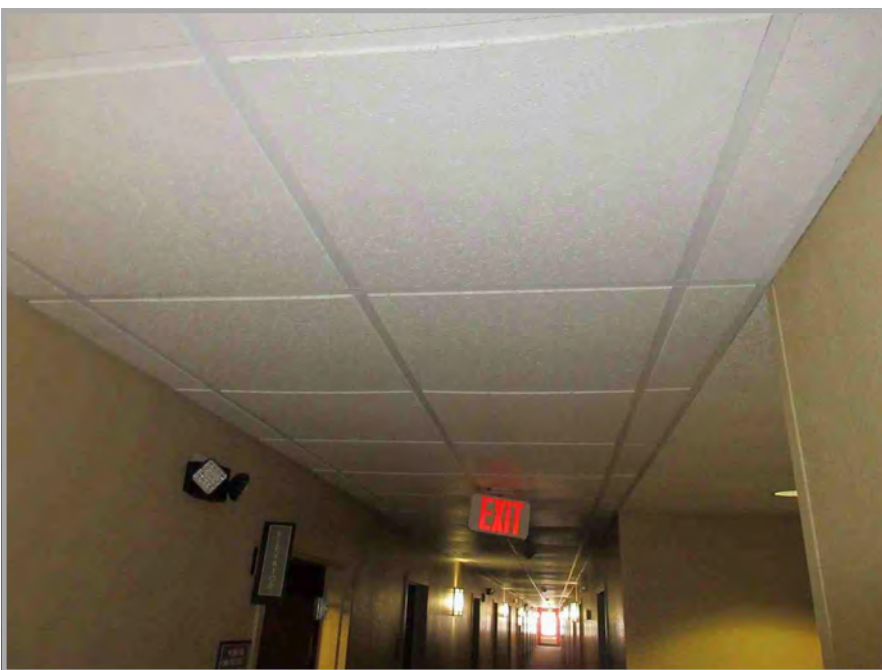


Storage

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Typical hallway



Typical hallway ceiling

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
City	San Diego	County	State	CA	Zip Code 92108
Lender/Client	San Diego Housing Commission				



Unit 146-Typical ADA air conditioner

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Unit 146-Typical ADA bathroom



Unit 146-Typical ADA bedroom

Subject Interior Photo Page

Borrower					
Property Address	2085 Hotel Cir S				
City	San Diego	County	State	CA	Zip Code 92108
Lender/Client	San Diego Housing Commission				



Unit 146-Typical ADA dining/kitchen

- Sales Price
- Gross Living Area
- Total Rooms
- Total Bedrooms
- Total Bathrooms
- Location
- View
- Site
- Quality
- Age



Unit 146-Typical ADA kitchen



Unit 146-Typical ADA shower



County of San Diego

DEPARTMENT OF GENERAL SERVICES

5560 OVERLAND AVENUE, SUITE 410, SAN DIEGO, CA 92123

(858) 694-2338

MARKO MEDVED, PE, CEM
DIRECTOR

NICOLE J. ALEJANDRE
ASSISTANT DIRECTOR

August 18, 2023

TO: FELIPE MURILLO, Program Coordinator
Housing and Community Development Services (HCDS)

FROM: KRISTA ELLIS, CHIEF REAL ESTATE SERVICES *KE*
DGS Asset Management Real Estate Services - Valuation Section

FINAL APPRAISAL REVIEWS – EXTENDED STAY AMERICA HOTELS IN MISSION VALLEY, SAN DIEGO

DGS Real Estate Valuation has completed final desk-top appraisal reviews of two appraisal reports prepared by Kinetic Valuation Group, Inc. (KVG) dated August 15, 2023. The properties appraised are the Extended Stay America Hotels on Hotel Circle and Murphy Canyon Road in the City of San Diego. The client is San Diego Housing Commission. The appraisals were prepared for client’s participation in the State of California Homekey Program. The County of San Diego Board of Supervisors have also allocated funding toward acquiring these properties for affordable housing and have relied on these appraisal reports for their accuracy and completeness.

For each property, KVG provided the following valuations: Hypothetical Market Value of the Land, Market Value of the Fee Simple Interest of the existing use, and Market Value of the Fee Simple Interest as a Market Rate Apartment. For both properties, KVG concluded the highest and best is to convert the hotel to an apartment at market rate rents. Based on these appraisals, the following values are of the Fee Simple Interest as of May 3, 2023:

Extended Stay America – Murphy Canyon Rd. Valuation Conclusions	
Hypothetical Market Value of Land	\$7,840,000
Market Value of the Existing Use (Hotel)	\$19,260,000
Market Value of the Market Rate Apartment	\$29,418,000
Extended Stay America – Hotel Circle Valuation Conclusions	
Hypothetical Market Value of Land	\$11,970,000
Market Value of the Existing Use (Hotel)	\$31,350,000
Market Value of the Market Rate Apartment	\$60,780,000

The primary purpose of the appraisal reviews was to develop a credible opinion as to the overall adequacy and appropriateness of the reports being reviewed, and specifically, not to develop an independent opinion of market value. The intent of the review process is to determine if the results of the appraisal are credible for its intended use and for evaluation compliance with the Uniform Standards of Professional Appraisal Practice.

Both appraisal reports comply with the Uniform Standards of Professional Appraisal Practice. The appraisers set a sound foundation for the valuation process by describing the pertinent characteristics of the subject properties. Their approaches to value and analysis resulted in a credible appraisal. Below are pertinent factors that have been relied on for this review and could influence value if the condition stated herein should change.

Appraisal Assumptions

- The City of San Diego Planning Department’s pre-approval for the proposed Single Room Occupancy (SRO) use as previously conforming by-right and no discretionary approval will be necessary.
- HCSD and/or SDHC provided the following additional information in support of the appraisals:
 - 1) City of San Diego LDR-Planning Reviews
 - 2) Copies of the Capital Needs Assessments supporting the appraisers’ deduction of \$20,000 per unit for renovation costs. Reviewer noted that costs to stabilize the “apartment” were not considered (e.g., carrying costs, lease-up, marketing, etc.). However, we assumed these costs would be minor given SDHC non-



profit status, and timing would more than likely be under twelve months. Therefore, no discounting was necessary.

- 3) SRO "efficiency unit" is a studio unit (San Diego Municipal Code, Chapter 11, Article 3, Division 1), and therefore the term "Apartment" in lieu of SRO is acceptable.
- 4) Market rents will be subsidized so the "developer" is made "whole", and therefore the market value of the hotel conversion to a market rate apartment (aka SRO or Multi-Family Permanent Supportive Housing) is the highest and best use.

CC: Angela Jackson-Llamas, Project Manager

Appraisal Of

Extended Stay America-Hotel Circle

**2085-95 Hotel Circle South
San Diego, CA 92108**

Effective Date: May 20, 2024

Report Date: June 3, 2024

San Diego Housing Commission

Buddy Bohrer

**Vice President-Real Estate Finance and Acquisition
1122 Broadway, Suite 300
San Diego, CA 92101**

KINETIC VALUATION GROUP, INC.

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June 3, 2024

Buddy Bohrer
Vice President-Real Estate Finance and Acquisition
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

Re: Appraisal of Extended Stay America-Hotel Circle
2085-95 Hotel Circle South
San Diego, CA 92108

Dear Mr. Bohrer:

We are pleased to present the findings with respect to the value of the above-referenced property, Extended Stay America-Hotel Circle (Subject). The intended user and client of this report is San Diego Housing Commission (Developer) and their assigns. Additional intended users include The California Department of Housing and Community Development (HCD), Housing Authority of the City of San Diego, and any other funding agency, lender or partnership formed. California Tax Credit Allocation Committee (TCAC) and the California Debt Limit Allocation Committee (CDLAC) may rely upon the appraisal as an intended user related to the low-income housing tax credits application. This report is intended to comply with California Tax Credit Allocation Committee (TCAC)/California Debt Limit Allocation Committee (CDLAC) appraisal requirements. The intended use is to provide assistance with investment analysis.

It should be noted throughout the report when we reference "Developer" we are referring to San Diego Housing Commission.

This valuation engagement was conducted in accordance with the Code of Professional Ethics and Standards of Valuation Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP). In accordance with these standards, we have reported our findings herein in an appraisal report as defined by USPAP.

The value conclusions were based on general economic conditions as they existed on the date of the analysis and did not include an estimate of the potential impact of any sudden or sharp rise or decline in general economic conditions from that date to the effective date of this report. Events or transactions that may have occurred subsequent to the effective date of our opinion have not been considered. We are not responsible to update or revise this report based on such subsequent events, although we would be pleased to discuss with you the need for revisions that may be occasioned as a result of changes that occur after the valuation date.

Special & Extraordinary Limiting Conditions

The valuation assumes the hypothetical condition that the site is vacant. A hypothetical condition is that which is contrary to what exists but is supposed for the purpose of analysis. The use of the hypothetical conditions may affect assignment results.

The Subject is zoned CO-2-2 (Commercial--Office). Zoning information was verified with the San Diego Municipal Code and L64A-003A, Cycle Type: 1Prelim(LDR-Planning Review) from the City of San Diego and dated May 30, 2023. The City's LDR will be retained in the appraiser's file. The purpose of the CO zones is to provide areas for employment uses with limited, complementary retail uses and residential use as specified. According to L64A-003A, Cycle Type: 1Prelim(LDR-Planning Review) from the City of San Diego and dated May 30, 2023, "in this case the proposed SRO land use is understood to be previously conforming by-right and no approval will be necessary to continue the proposed use. The market rate multifamily use will be consistent with this use as the unit mix is not planned to be altered. Reliance has been placed upon this information from the City of San Diego Planning Department. Should this change, the valuation may require modification and we reserve the right to make modifications.

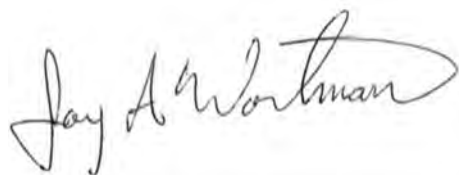
The following are our opinions of value as of May 20, 2024:

Value Conclusions	
Hypothetical Market Value of Land as of May 20, 2024	\$13,570,000
Market Value of the Fee Simple Interest of the existing use as of May 20, 2024	\$33,000,000
Market Value of the Fee Simple Interest as a Market Rate Apartment as of May 20, 2024	\$59,540,000

We appreciate this opportunity to be of service. Please contact us if you have any comments or questions.

Respectfully submitted,

KINETIC VALUATION GROUP, INC.



Jay Wortmann, MAI
Appraiser
jay@kvgteam.com
(402) 202-0771
Certified General
CA - 3001293
Expiration: 9/10/2025



Byron Lea, MAI
Appraiser
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Expiration: 2/28/2025

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ADDENDA

EXECUTIVE SUMMARY

PROPERTY DESCRIPTION

Property Appraised:

The property is located at 2085-95 Hotel Circle South, in San Diego, CA. The Subject has been assigned Assessor parcel number 443-040-38. Extended Stay America-Hotel Circle (Subject) is an existing three-story, elevator-served hotel containing 165 rooms. The rooms are furnished. There is a laundry room, break room, guest laundry room, and lobby on the first floor. The building was constructed in 1999 and is wood frame with concrete foundation. Surrounding the building is a parking lot containing 196 spaces. The site topography gently slopes upward from south to the north, but is generally level with the exception of the far southern portion of the parcel which turns into steeply sloping hillside.

The developer is planning to convert the property into 165 studio multifamily units with supportive housing for homeless and at risk of homeless individuals pursuant to the Homekey program

Legal Interest Appraised:

The property interest appraised is fee simple subject to any and all encumbrances, if applicable for each value estimate.

Site Area:

The site contains 4.58 acres or 199,504 square feet.

Zoning:

The Subject is zoned CO-2-2 (Commercial--Office). The purpose of the CO zones is to provide areas for employment uses with limited, complementary retail uses and residential use as specified. The CO zones are intended to apply in large-scale activity centers or in specialized areas where a full range of commercial activities is not desirable. The CO zones are differentiated based on the uses and development scale allowed. CO-2-2 is intended to accommodate office uses that serve as an employment center.

Per San Diego Municipal Code (SDMC) Table 131-05B (Use Regulations for Commercial Zones), Visitor Accommodations are an allowable use within Base Zone CO-2-2.

**Highest and Best Use
“As Vacant”:**

The highest and best use for the property “as vacant” would be to construct a commercial property consistent with zoning ordinances.

**Highest and Best Use
“As Improved”:**

Homekey appraisal requirements, indicate we have to provide an existing use value regardless of the appraisers concluded highest and best use; therefore the value of the property as a hotel is presented. Analysis indicates conversion of the Subject to market rate multifamily use represents the highest and best use as improved.

Inspection Date:

The Subject property was inspected May 3, 2023. No new inspection was required but we verified the property is in similar condition as the last inspection. The effective date of this report is May 20, 2024

Marketing/Exposure Period:

Six – 12 Months.

FACTUAL DESCRIPTION

Property Identification

The property is located at 2085-95 Hotel Circle South, in San Diego, California. Extended Stay America-Hotel Circle (Subject) is an existing three-story, elevator-served hotel containing 165 rooms. The rooms are furnished. There is a laundry room, break room, guest laundry room, and lobby on the first floor. The building was constructed in 1999. Surrounding the building is a parking lot containing 196 spaces. The Subject has been assigned Assessor parcel number 443-040-38.

Intended Use and Intended Users of Appraisal

The intended user and client of this report include San Diego Housing Commission and their assigns. Additional intended users include The California Department of Housing and Community Development (HCD), Housing Authority of the City of San Diego, and any other funding agency, lender or partnership formed. California Tax Credit Allocation Committee (TCAC) and the California Debt Limit Allocation Committee (CDLAC) may rely upon the appraisal as an intended user related to the low income housing tax credits application. This report is intended to comply with California Tax Credit Allocation Committee (TCAC)/California Debt Limit Allocation Committee (CDLAC) appraisal requirements. The intended use is to provide assistance with investment analysis.

Compliance and Competency Provision

We are aware of the compliance and competency provisions of USPAP, and within our understanding of those provisions, this report complies with all mandatory requirements, and the authors of this report possess the education, knowledge, technical skills, and practical experience to complete this assignment competently, in conformance with the stated regulations.

Legal Description

Included in the Addenda.

Property Interest Appraised

The property interest appraised is the fee simple estate.

Market value is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and acting in what they consider their best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements

comparable thereto; and,

5. The price represents normal considerations for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

Fair Market Value is defined as: The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with each other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

SRO hotel room means a guest room or efficiency unit, as defined by California Health and Safety Code section 17958.1, intended or designed to be used, or which is used, rented, or hired out, to be occupied, or which is occupied, as a primary residence, by guests.

Date of Inspection and Effective Date of Appraisal

The Subject was inspected and photographed on May 3, 2023. No new inspection was required but we verified the property is in similar condition as the last inspection. The effective date of this report is May 20, 2024.

Compliance and Competency Provision

We are aware of the compliance and competency provisions of USPAP, and within our understanding of those provisions, this report complies with all mandatory requirements, and the authors of this report possess the education, knowledge, technical skills, and practical experience to complete this assignment competently, in conformance with the stated regulations.

Scope of Appraisal

As part of this appraisal, we have completed the following steps to gather, confirm, and analyze the data.

- Byron Lea, MAI, a CA Certified General Real Estate Appraiser, performed a physical inspection of the property and the Subject's neighborhood May 3, 2023.
- The identification of the property to be appraised is based on information provided by the client and the property representative.
- Regional, city, and county data were based on information obtained from newspaper articles, city of San Diego, San Diego County, ESRI Demographics, the Bureau of Labor Statistics, and other resources available to the appraiser. This was performed by Brent Griffiths, MAI.
- Data collection and analysis of market conditions currently affecting the county's real estate market on a national and regional level was conducted. This included, but was not limited to, the review and analysis of data pertaining to supply and demand for real estate properties, availability of financing and current financing terms, current interest and yield rates, buyer preferences, and economic forecasts. This was performed by Byron Lea, MAI.

¹ 7th Edition of The Dictionary of Real Estate Appraisal.

- The research for land included areas of San Diego from 2019 to the present. The research for improved sales included the San Diego region. The market data was collected from the appraiser's office files, other appraisers, Realtors, newspapers articles, CoStar, title companies, LoopNet, and public records. The land and improved sales were surveyed by Byron Lea, MAI.
- The information gathered from these surveys and investigations was then analyzed, and comparisons were made to the property. The valuation process included the Income and Sales Comparison Approaches. This was performed by Byron Lea, MAI
- Jay Wortmann, MAI reviewed the report but did not inspect the Subject.

Unavailability of Information

In general, all information necessary to develop an estimate of value of the Subject property was available to the appraisers.

Ownership and History of Subject

Ownership of the site is vested in ESA P Portfolio LLC. The current ownership vesting purchased the property along with 563 other Extended Stay America properties in June 2021 for \$5,940,000,000. The property is subject to a purchase and sale agreement dated April 20th, 2023, and a five amendments to the purchase and sale agreement dated July 27th, 2023, with San Diego Housing Commission (buyer) with a purchase amount of \$57,000,000, or \$345,000 per room. The buyer intends to renovate and convert the property to permanent supportive housing for homeless. The original purchase agreement also includes one other Extended Stay America property, and the buyer elected no to purchase this second property. Analysis of the transaction demonstrates it is a market-oriented transaction. We are not aware of any other transfers in the previous three years.

REGIONAL AND LOCAL AREA ANALYSIS

Located on the coast of the Pacific Ocean in Southern California, San Diego is widely known for its white-sand beaches and climate which is characterized as warm, dry summers and mild winters with most of the annual precipitation falling between December and March. San Diego's economy primarily evolves are military, tourism, research and manufacturing, and biotechnology. It is the second largest city in the state of California and the eighth largest in the United States, with a population of 1,386,932 people as of the 2020 census. San Diego has a total area of 372 square miles and is the county seat of San Diego County.

San Diego County is the southernmost county in California bordering Orange and Riverside Counties to the north, Imperial County to the east, Mexico to the south, and the Pacific Ocean to the west. The county is made up of 18 incorporated cities and towns along with other neighborhoods and communities. It had an estimated population of 3,298,634 people as of the 2020 census. San Diego County is also designated as the San Diego-Carlsbad, California MSA.

Transportation

Highway: The San Diego metropolitan area is served by an extensive freeway/interstate system, which includes the following roads:

Interstate 5 is a major north–south route along the entire west coast of the United States. This highway links the major California cities of San Diego, Santa Ana, Los Angeles, Stockton, Sacramento, and Redding. It travels through the western portion of San Diego, providing access to other major roadways within the metropolitan area including Interstate 8, State Route 94, and State Route 15 (an extension of Interstate 15).

Interstate 805 is a major north–south route through southern California. It is a bypass of Interstate 5, running through the center of the Greater San Diego region from San Ysidro (part of the city of San Diego) near the Mexico–U.S. border to near the city of Del Mar. It provides access to other major roadways within the metropolitan area including Interstate 5, State Route 94, and State Route 15 (an extension of Interstate 15).

California State Route 15, joined by Interstate 15, is a major north–south route in southern California. It connects San Bernardino, Riverside, and San Diego Counties. The route consists of the southernmost portion of Interstate 15, which extends north through Nevada, Arizona, Utah, Idaho, and Montana to the Canadian border. It is a major thoroughfare for traffic between San Diego and the Inland Empire and provides access to other major roadways within the metropolitan area including Interstate 5, Interstate 8, Interstate 805, and State Route 94.

Interstate 8 is a major east-west route through the southwestern United States. It runs from the western portion of San Diego to the junction with Interstate 10, just southeast of the city of Casa Grande, Arizona. The freeway travels through the

central portion of the San Diego metropolitan area provides access to other major roadways within the metropolitan area including Interstate 5, State Route 94, and Interstate 15.

California State Route 52 extends from La Jolla Parkway at Interstate 5 in La Jolla to California State Route 67 in Santee. It is a freeway for its entire length and serves as a major east–west route through the northern part of the city of San Diego.

California State Route 56 (Ted Williams Freeway) is an east–west route running from Interstate 5 in Carmel Valley to Interstate 15. It serves as an important connector between these interstates, being the only east–west freeway between California State Route 78 in north San Diego County and California State Route 52 near Marine Corps Air Station Miramar.

California State Route 94 is a major east-west route through the central portion of San Diego. The western portion, known as the Martin Luther King Jr. Freeway, begins downtown San Diego and continues to the end of the freeway portion past State Route 125 in the city of Spring Valley. It provides access to other major roadways within the metropolitan area including Interstate 5, Interstate 805, and State Route 15 (an extension of Interstate 15).

California State Route 163, or the Cabrillo Freeway, is an 11-mile stretch of the former US 395 freeway that runs from Downtown San Diego just south of an interchange with Interstate 5, extending north through historic Balboa Park and various neighborhoods of San Diego to an interchange with Interstate 15 in the neighborhood of Miramar.

Air: San Diego International Airport (SAN) is located approximately 12 miles southwest of the Subject. The airport is the nation's busiest single-runway commercial airport with 600 daily flights. The airport receives more than 16 million passengers a year and has 22 airlines providing non-stop service throughout the United States and non-stop services to Mexico and Canada.

Public Transportation

The San Diego Metropolitan Transit System (MTS) is the public transit service provider for about 570 square miles of the urbanized areas of San Diego County as well as the rural parts of East County. In total, MTS serves about 3 million people, generating approximately 92 million annual passenger trips. Services include bus and light rail as well as freight. The bus service includes almost 100 fixed bus routes as well as paratransit service. Light rail service is operated by San Diego Trolley, Inc. (SDTI) on four lines with 53 stations and 54.3 miles of rail. The nearest bus stop to the Subject is located 0.12 miles from the Subject. The nearest light rail station is Fashion Valley Station, which is located 0.85 miles from the Subject.

Education

The Subject is located in the San Diego Unified School District. San Diego Unified School District serves more than 132,000 students in pre-school through grade 12 and is the second largest district in California. It includes more than 223 educational facilities with 14,438 employees. More than 6,500 teachers are in classrooms at the district's various educational facilities, which include 118 traditional elementary schools, 9 K-8 schools, 24 traditional middle schools, 26 high schools, 44 charter schools, and 14 atypical/ alternative schools. Students to reside at the Subject are zoned to attend Grant Elementary School, Corriea Middle School, and Point Loma High School. These schools are located between 0.72 miles and 2.97 miles from the Subject.

Healthcare

UC San Diego Medical Center-Hillcrest is a teaching hospital for the University of California San Diego School of Medicine. The 381-bed hospital offers a range of primary care and specialized services and houses several regional services. It is located 0.99 miles from the Subject.

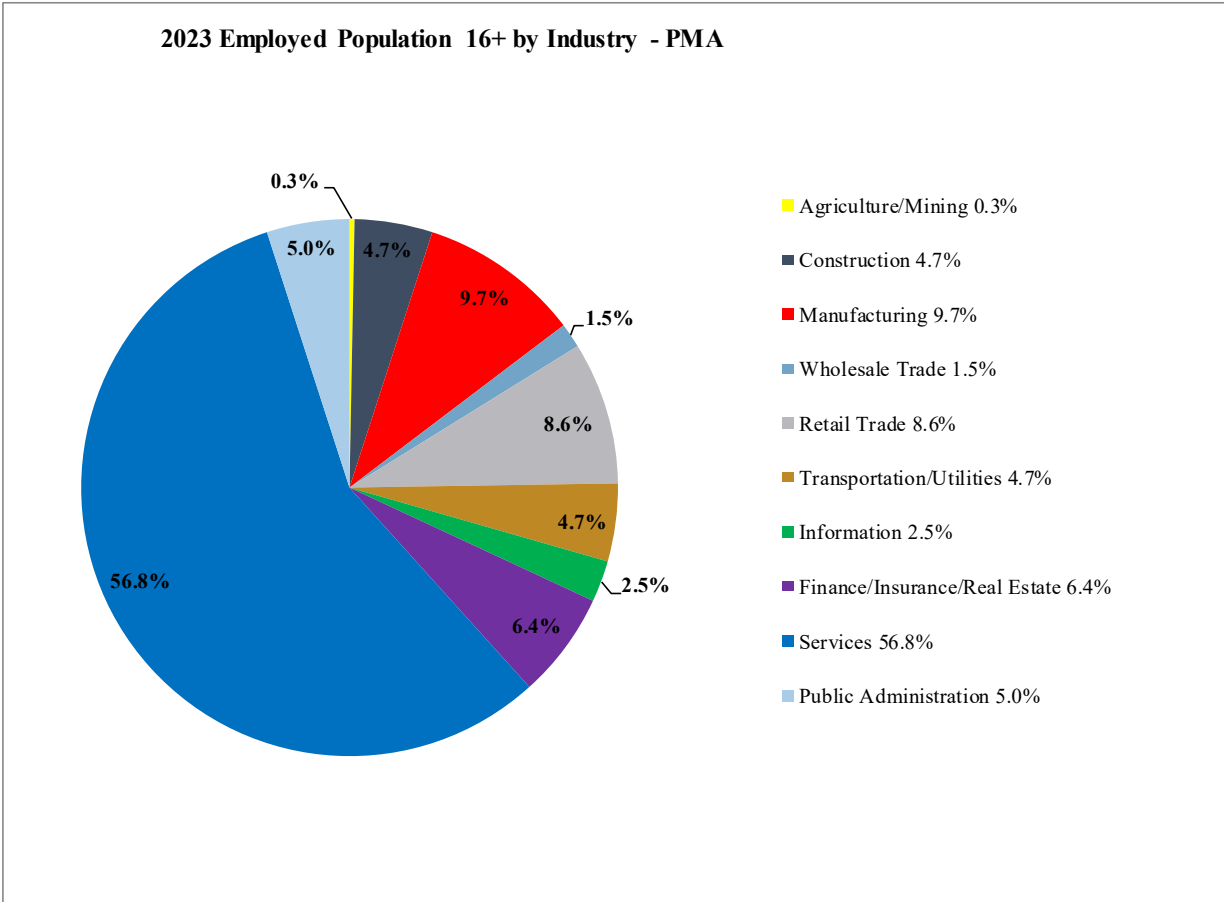
Scripps Mercy Hospital is a private Catholic hospital located in San Diego. Founded in 1890, it is the oldest hospital in San Diego County and has campuses in Chula Vista and Hillcrest. The hospital has 700 acute-care-licensed beds and employees 1,300 physicians. The Hillcrest campus is home to one of only two regional Level I Trauma Centers and receives more than 2,100 trauma patients each year. The hospital is approximately 1.32 miles from the Subject.

MARKET AREA ECONOMY

The following discussion includes an analysis of the local economy. This section will present and analyze information regarding employment by industry, the major employers, and unemployment trends. The economic information is from ESRI Demographics, the City of San Diego, the Bureau of Labor Statistics, and California Employment Development Department. These data sources are reliable and current.

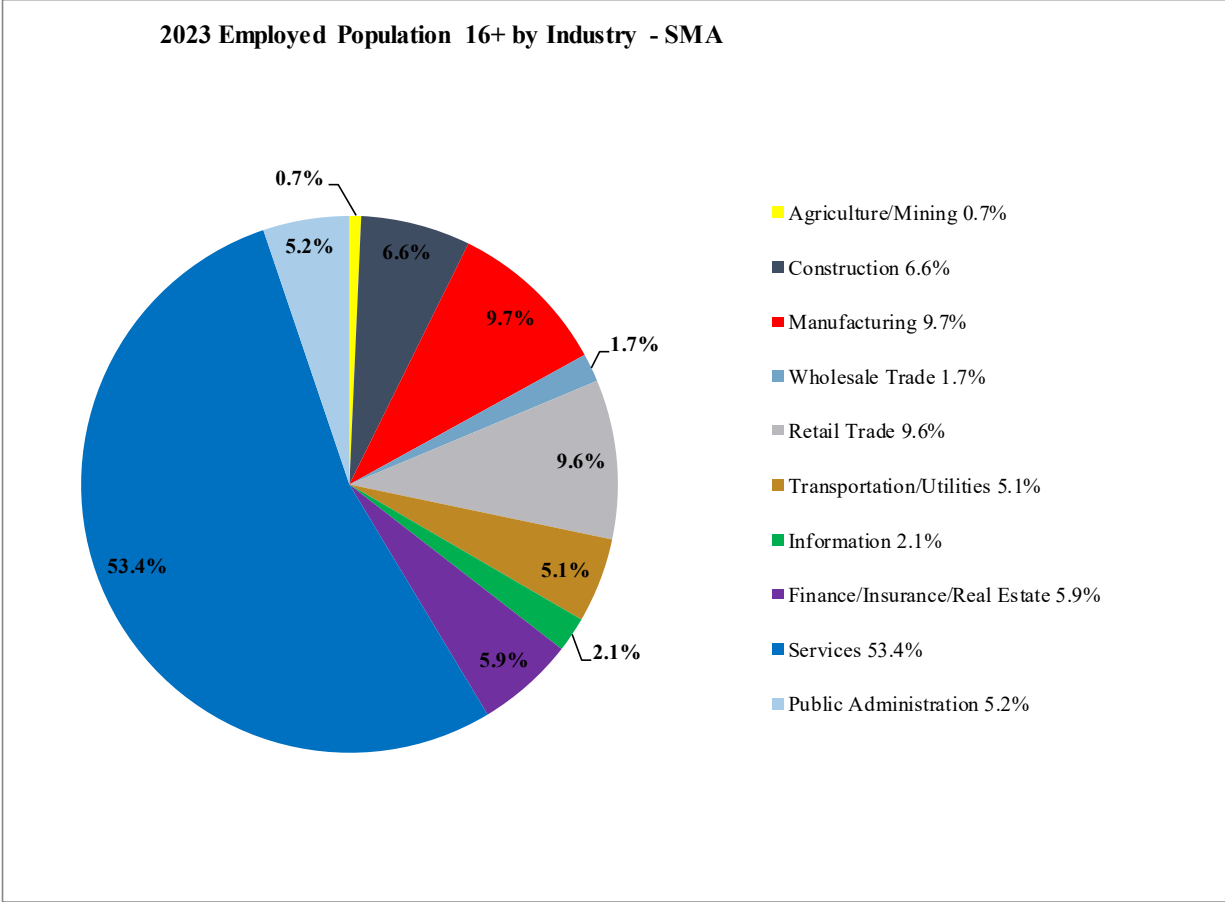
Employment by Industry

The following charts illustrate the distribution of employment sectors by industry within the PMA and SMA.



Source: ESRI Demographics

The largest employment sector in the PMA is the services sector with 56.8 percent, followed by the manufacturing sector with 9.7 percent, and the retail trade sector with 8.6 percent.



Source: ESRI Demographics

The largest employment sector in the SMA is the services sector with 53.4 percent, followed by the manufacturing sector with 9.7 percent, and the retail trade sector with 9.6 percent.

Major Employers

The following charts identify the major employers in the city of San Diego and San Diego County.

City of San Diego, CA Major Employers - 2023		
Employer	Industry	# Employees
Univrsty of California, San Diego	Education	40,285
Naval Base San Diego	Government	38,079
Sharp Health Care	Healthcare	19,528
County of San Diego	Government	17,591
Scripps Health	Healthcare	14,686
San Diego Unified School District	Education	13,453
City of San Diego	Government	12,505
QualcommInc.	Technology	11,615
Kaiser Permanente	Healthcare	7,345
Northrop Grunman Corporation	Manufacturing	7,331

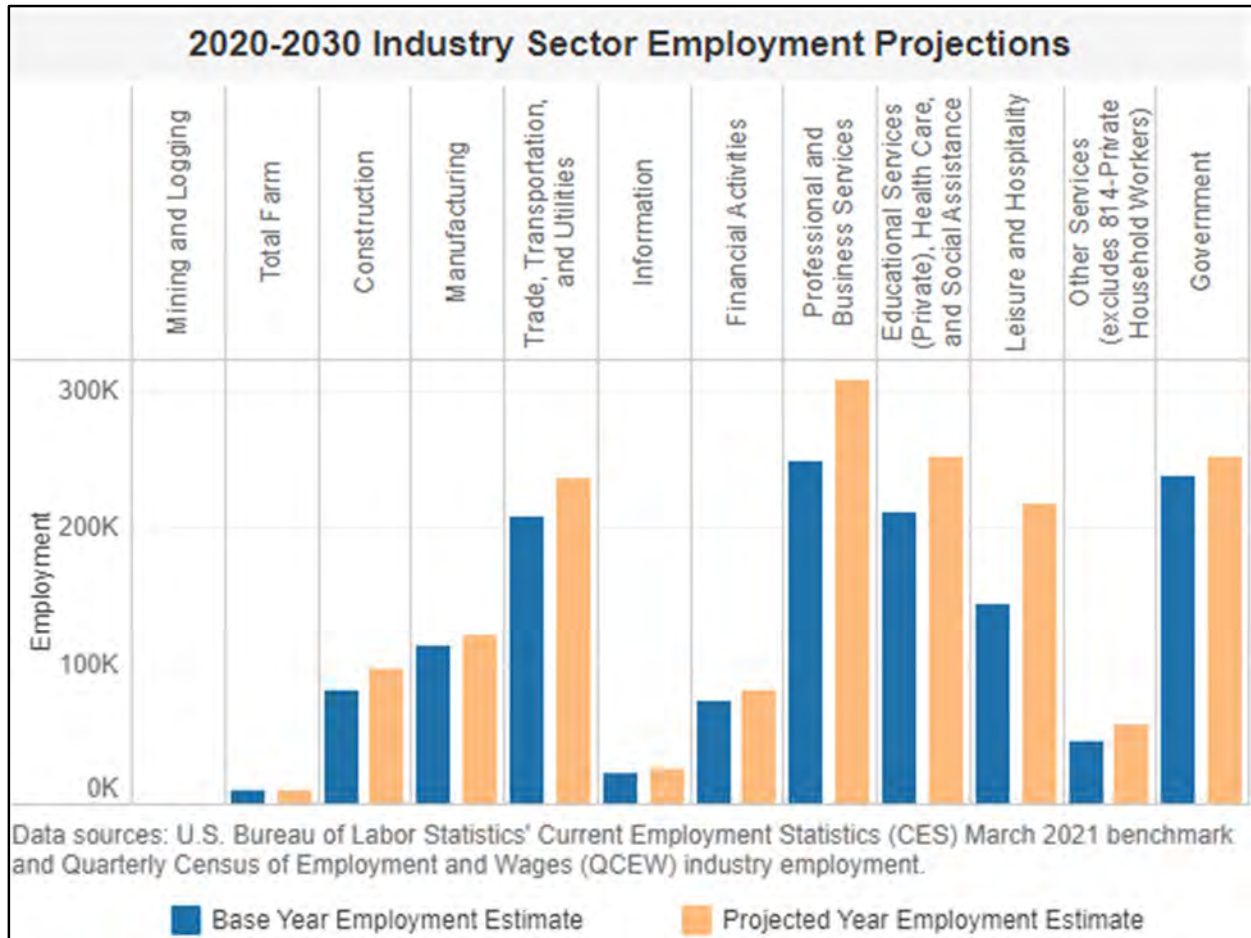
Source: City of San Diego Comprehensive Annual Financial Report 2023

San Diego County, CA Major Employers - 2023		
Employer	Location	Industry
32nd St Naval Station	San Diego	Federal Government-National Security
Collins Aerospace	Chula Vista	Aircraft Components-Manufacturers
General Dynamics Nassco	San Diego	Ship Builders & Repairers (mfrs)
Illumina Inc	San Diego	Biotechnology Products & Services
Kaiser Permanente Vandever Med	San Diego	Physicians & Surgeons
MCCS MCRD SN DIEGO-MRNE CORPS	San Diego	Military Bases
Merchants Building Maintenance	San Diego	Janitor Service
Page One Seo	San Diego	Mental Health Services
Rady Children's Hospital	San Diego	Hospitals
San Diego Community College	San Diego	Junior-Community College-Tech Institutes
San Diego County Sheriff	Santee	Police Departments
Scripps Mercy Hosp Sn Diego	San Diego	Hospitals
Scripps Research Institute	La Jolla	Laboratories-Research & Development
SDG & E	San Diego	Gas Companies
Seaworld San Diego	San Diego	Amusement & Theme Parks
Sharp Grossmont Hospital	La Mesa	Hospitals
Sharp Grossmont Rehab Ctr	La Mesa	Vocational Rehabilitation Services
Sharp Mary Birch Hosp	San Diego	Hospitals
Sharp Memorial Hospital	San Diego	Hospitals
Sony Electronics Inc	San Diego	Electronic Equipment & Supplies-Retail
UC San Diego Health	San Diego	Health Care Management
Ucsd-Neural Computation	La Jolla	University-College Dept/Facility/Office
University of California	La Jolla	University-College Dept/Facility/Office
University-California Sn Diego	La Jolla	Schools-Universities & Colleges Academic
VA San Diego Healthcare System	San Diego	Hospitals

Source: CA EDD

Employment Expansion/Contractions and Trends

The information below was obtained from the Employment Development Department (EDD) about San Diego County.



2020-2030 Occupations with the Most Job Openings

Standard Occupational Classification	Occupational Title	Total Job Openings	Median Hourly Wage	Median Annual Wage
35-3023	Fast Food and Counter Workers	79,270	\$15.56	\$32,376
41-2011	Cashiers	71,520	\$15.00	\$31,200
31-1120	Home Health and Personal Care Aides	69,560	\$15.23	\$31,673
41-2031	Retail Salespersons	49,110	\$15.16	\$31,530
35-3031	Waiters and Waitresses	48,680	\$15.42	\$32,067
53-7065	Stockers and Order Fillers	37,610	\$16.96	\$35,279
53-7062	Laborers and Freight, Stock, and Material Movers, Hand	36,410	\$17.77	\$36,960
35-2014	Cooks, Restaurant	35,760	\$18.65	\$38,783
37-2011	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	35,600	\$15.97	\$33,218
11-1021	General and Operations Managers	28,480	\$50.44	\$104,906

The top three industries with the highest level of employment in San Diego County include professional and business services; government; and educational services, health care, and social assistance. These industries are projected to see a 23.8, 6.5, and 19.5 percent increase, respectively, in employment between 2020 and 2030.

The April 2024 San Diego County press release published by the “State of California Employment Development Department, Labor Market Information Division” illustrates the following:

“Between March 2023 and March 2024, nonfarm employment in San Diego County increased by 14,500 or 0.9 percent.

- Private education and health services, the third largest industry job sector in San Diego County, led the year-over growth, adding 15,500 jobs. Health care and social assistance (up 14,000) reported job gains across every health care subsector and accounted for most of the employment development. Private educational services extended the increase with an addition of 1,500 jobs. Private education and health services has reported job gains in ten of the last twelve months.
- Government payrolls were up by 6,200 jobs. The bulk of the growth was driven up by job gains in local government (up 3,800), with most of the increase centered in local government excluding educational services (up 2,300). State government contributed 2,400 jobs to the expansion, while federal government remained unchanged.
- Leisure and hospitality reported an advance of 5,300 jobs. The growth was led by a gain of 2,700 jobs in arts, entertainment, and recreation. This industry sub-sector continues to outperform all other nonfarm sub-sectors in annual percent change with an expansion of 9.4 percent. Accommodation and food services contributed with an additional 2,600 jobs to the growth for a 1.6 percent year-over increase.

Workforce and Unemployment Trends

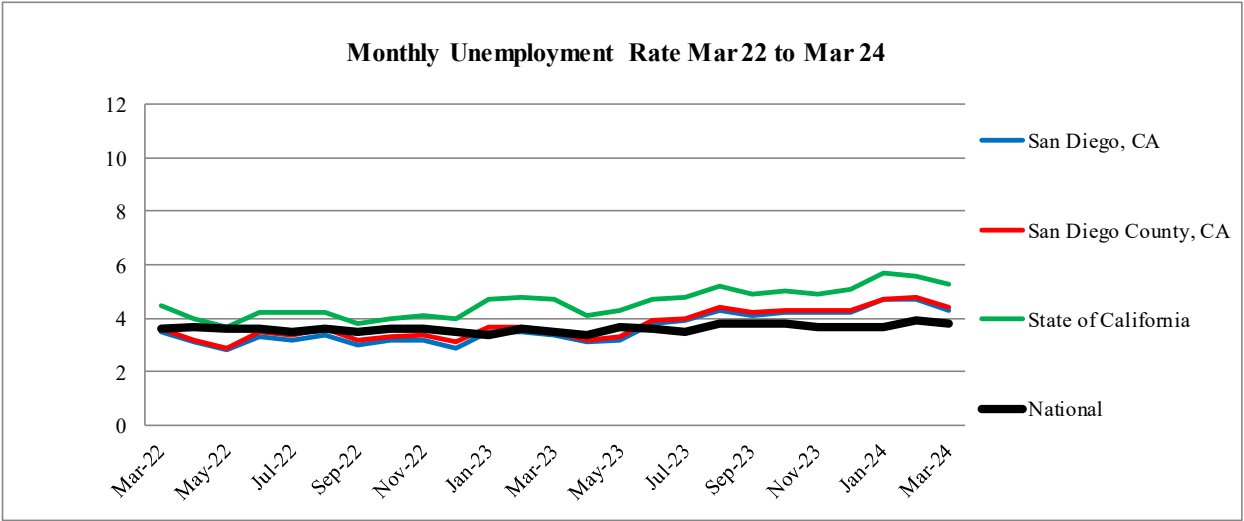
The table below illustrates the workforce and unemployment trends for the city of San Diego and San Diego County.

Unemployment Trends - 2013-2024 YTD								
	San Diego, CA				San Diego County, CA			
Year	Total Labor Force	Total Employment	Unemployment Rate (%)	(%) Change	Total Labor Force	Total Employment	Unemployment Rate (%)	(%) Change
2013	688,208	636,209	7.6	-	1,537,644	1,415,625	7.9	-
2014	690,228	647,467	6.2	-1.4	1,537,512	1,437,398	6.5	-1.4
2015	695,049	660,441	5.0	-1.2	1,548,794	1,467,686	5.2	-1.3
2016	704,277	672,005	4.6	-0.4	1,563,246	1,489,143	4.7	-0.5
2017	710,115	682,275	3.9	-0.7	1,570,791	1,507,180	4.0	-0.7
2018	716,352	693,043	3.3	-0.6	1,579,787	1,526,622	3.4	-0.6
2019	716,630	694,309	3.1	-0.2	1,580,775	1,529,389	3.3	-0.1
2020	699,709	635,750	9.1	6.0	1,544,298	1,399,329	9.4	6.1
2021	699,769	656,199	6.2	-2.9	1,544,408	1,444,339	6.5	-2.9
2022	715,969	692,056	3.3	-2.9	1,578,463	1,523,260	3.5	-3.0
2023	724,483	697,124	3.8	0.5	1,596,432	1,534,417	3.9	0.4
2024 YTD	727,658	696,170	4.3	0.5	1,603,118	1,532,316	4.4	0.5

Source: Bureau of Labor Statistics

Since 2013, the unemployment rate in San Diego has decreased year-over-year. The unemployment rate was at a decade low of 3.1 percent in 2019 before climbing to 9.1 percent in 2020 due to the COVID-19 Pandemic. Unemployment decreased back down to 3.3 percent through 2022 but has slightly increased through 2024 year-to-date and presently sits at 4.3 percent. The unemployment rate in the county has followed a similar trend.

Below we have compared the city, county, state, and national unemployment rates over the past 24 months.



Source: Bureau of Labor Statistics

The unemployment rate in the city and county have fluctuated above and below the national average over the past 24 months. The state has consistently maintained the highest rates of all areas of comparison. Unemployment rates in all areas have generally increased though 2023 and 2024 year-to-date.

Employment Trends

The following table illustrates the employment trends in San Diego and San Diego County from 2013 to 2024 year-to-date.

Employment Trends - 2013 - 2024 YTD				
	San Diego, CA		San Diego County, CA	
Year	Total Employment	Percentage Growth	Total Employment	Percentage Growth
2013	636,209	-	1,415,625	-
2014	647,467	1.8%	1,437,398	1.5%
2015	660,441	2.0%	1,467,686	2.1%
2016	672,005	1.8%	1,489,143	1.5%
2017	682,275	1.5%	1,507,180	1.2%
2018	693,043	1.6%	1,526,622	1.3%
2019	694,309	0.2%	1,529,389	0.2%
2020	635,750	-8.4%	1,399,329	-8.5%
2021	656,199	3.2%	1,444,339	3.2%
2022	692,056	5.5%	1,523,260	5.5%
2023	697,124	0.7%	1,534,417	0.7%
2024 YTD	696,170	-0.1%	1,532,316	-0.1%

Source: Bureau of Labor Statistics

Over the past decade, employment levels in San Diego increased year over year with the exception of 2020, when the city suffered an 8.4 percent decrease due to the COVID-19 Pandemic. In the three years following, employment increased each year but has slightly decreased through 2024 year-to-date. The county has followed a similar trend.

Wages by Occupation

The chart below shows the wages by occupation for San Diego County.

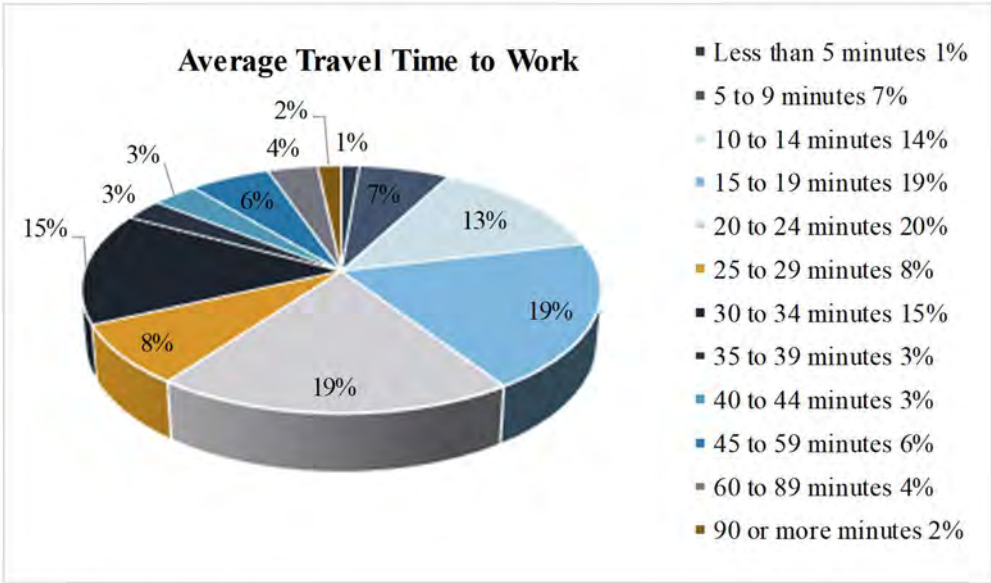
Wage by Occupation - San Diego County, CA- 2023			
Occupational Title	Number of Employees	Average Hourly Wage	Average Annual Wage
Total all occupations	1,489,500	\$35.34	\$73,523
Management Occupations	111,540	\$73.34	\$152,540
Business and Financial Operations Occupations	108,350	\$43.37	\$90,216
Computer and Mathematical Occupations	56,220	\$59.85	\$124,477
Architecture and Engineering Occupations	42,120	\$54.60	\$113,574
Life, Physical, and Social Science Occupations	27,090	\$46.17	\$96,024
Community and Social Service Occupations	28,430	\$29.91	\$62,213
Legal Occupations	13,700	\$70.42	\$146,461
Educational Instruction and Library Occupations	85,320	\$37.32	\$77,623
Arts, Design, Entertainment, Sports, and Media Occupations	21,770	\$39.25	\$81,642
Healthcare Practitioners and Technical Occupations	83,190	\$59.94	\$124,685
Healthcare Support Occupations	76,430	\$19.80	\$41,181
Protective Service Occupations	35,760	\$30.89	\$64,249
Food Preparation and Serving Related Occupations	146,450	\$18.37	\$38,223
Building and Grounds Cleaning and Maintenance Occupations	49,250	\$20.15	\$41,902
Personal Care and Service Occupations	35,350	\$20.81	\$43,282
Sales and Related Occupations	123,510	\$27.32	\$56,821
Office and Administrative Support Occupations	165,620	\$25.05	\$52,102
Farming, Fishing, and Forestry Occupations	3,010	\$20.03	\$41,668
Construction and Extraction Occupations	65,030	\$33.57	\$69,822
Installation, Maintenance, and Repair Occupations	46,460	\$30.33	\$63,103
Production Occupations	67,840	\$24.22	\$50,366
Transportation and Material Moving Occupations	97,050	\$22.00	\$45,765

Source: CA EDD

The data presented in the previous table depicts the wages in the county and is representative of wages earned in the PMA. The chart shows average hourly and annual wages by employment classification. The classification with the lowest average hourly wage was food preparation and serving-related occupations at \$18.37 per hour. The highest average hourly wage of \$73.34 was management occupations.

Commuting Patterns

The chart below shows the travel time to work for the PMA according to ESRI data.

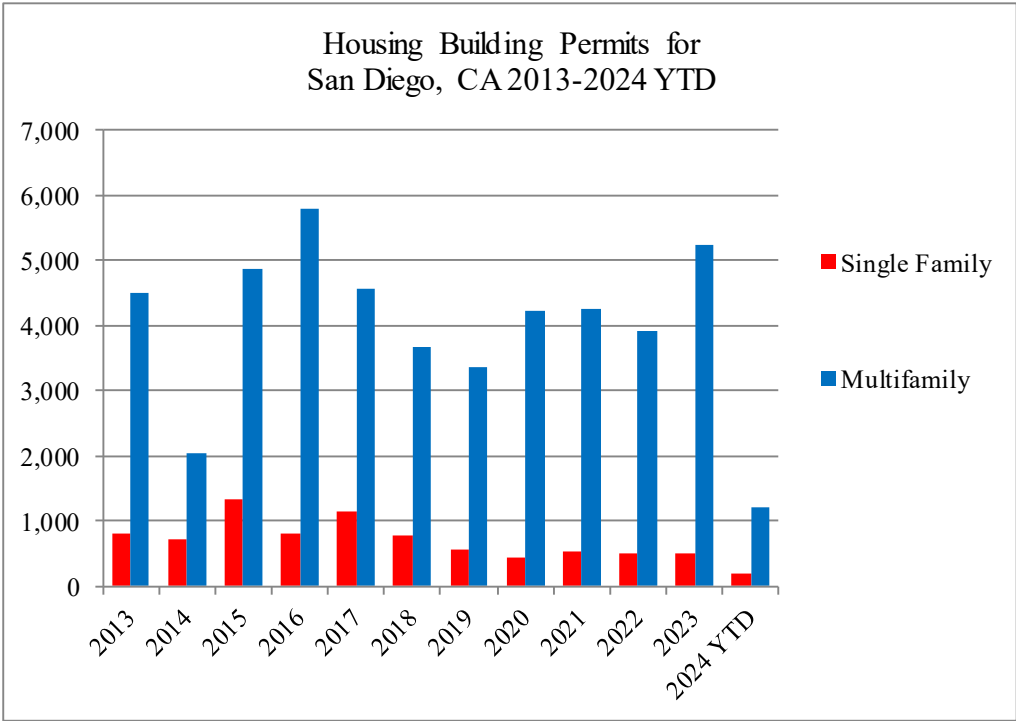


Source: ESRI Demographics

Approximately 72 percent of persons in the PMA have a commute time of less than 35 minutes indicating a majority of the persons in the PMA commute to work in nearby areas.

Building Permits

The following table demonstrates building permit information from 2013 through 2024 year-to-date in San Diego provided by the State of the Cities Data System.



Source: Office of Policy Development and Research HUD

Construction activity in San Diego has mainly consisted of multifamily properties over the past decade.

Conclusion

The city of San Diego and San Diego County have many employment options for area residents. Numerous businesses offering a range of positions and skill levels exist throughout the PMA. Many employment opportunities exist within a short distance of the Subject. The wage rates within the area demonstrate a significant pool of potential tenants exist for affordable housing developments.

NEIGHBORHOOD ANALYSIS

Neighborhood

The neighborhood surrounding a property often impacts the property's status, image, class, and style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section investigates the property's neighborhood and evaluates any pertinent location factors that could affect its marketability.

Mission Valley Plan Area

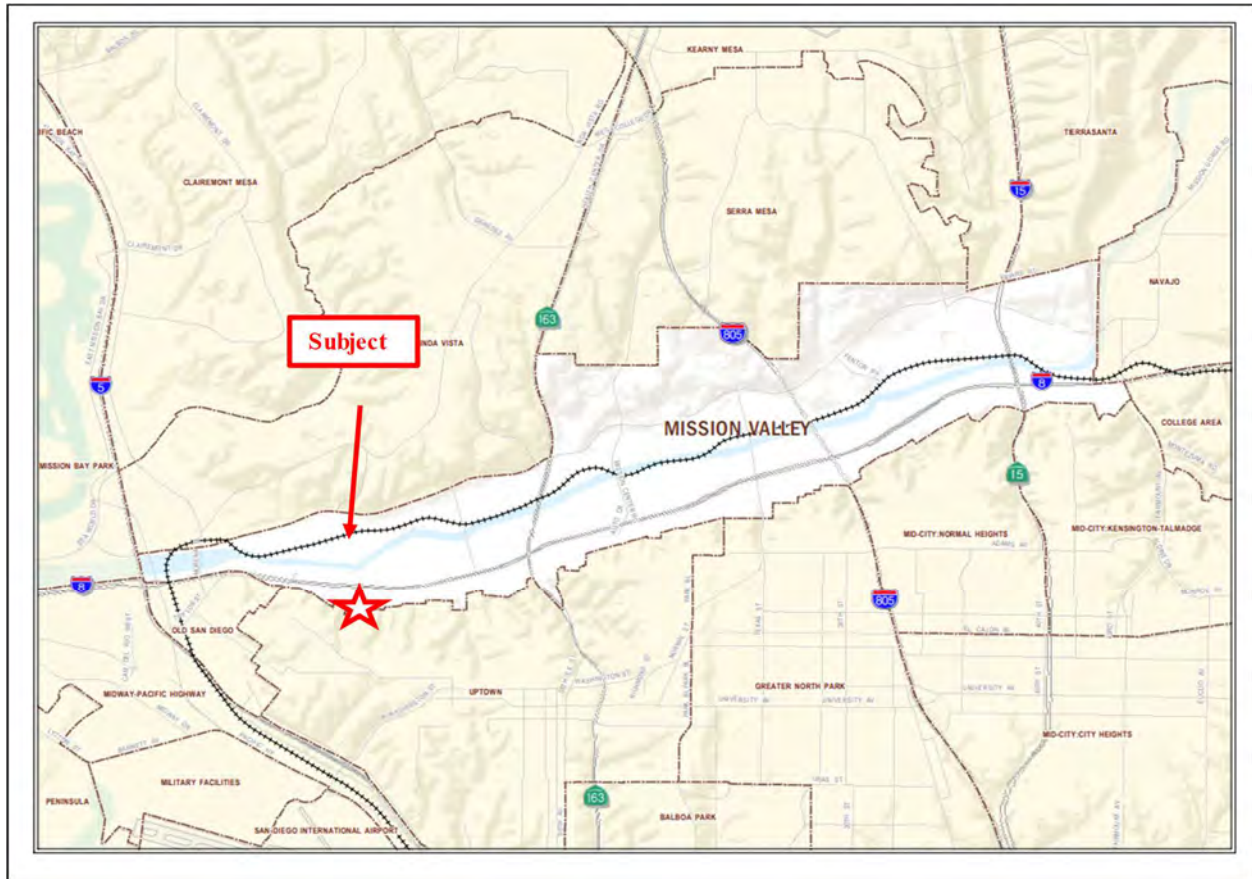
“The Mission Valley planning area comprises approximately 2,418 net acres and is located near the geographic center of the City of San Diego. Part of the San Diego River floodplain, it is generally bounded by Friars Road and the northern slopes of the valley on the north, the eastern banks of the San Diego River on the east, the southern slopes of the valley on the south, and Interstate 5 on the west.

Throughout the history of Mission Valley, the San Diego River has been a primary attraction, first as a source of fresh water and later as a scenic recreational asset. Major urban development has occurred since 1958, primarily as a result of improvements in the regional highway network. The construction of U.S. 80 (now Interstate 8) provided an impetus for commercial development in Mission Valley, and for displacement of the agricultural economy. Other significant projects include San Diego Stadium (now Snapdragon Stadium) which was completed in 1967. The community is now a regional center of office, hotels, retail sales, and a growing residential community, tied together by the San Diego Trolley.”

South of I-8 Urban Village Area

South of I-8 will have a continued emphasis on office, automobile, and hotel uses. Yet, this area will be enhanced through higher quality building materials, greater connectivity, enhanced bicycle and pedestrian friendliness, green spaces and plazas, new trail connections, and restoration of the landscape. Public art will be encouraged as a tool to support a greater sense of place and trails, bike lanes, and potentially an aerial tram would be encouraged to connect to neighborhoods on the mesa.

The map below illustrates the location of the Subject within the Mission Valley Plan Area.



Access and Traffic Flow

Access to the Subject site is from the south side of Hotel Circle South. Hotel Circle South traverses east/west along the south side of Interstate 8. It links with Hotel Circle North to the east of the Subject, just west of the Interstate 8/California State Route 163 interchange. Together, Hotel Circle South and Hotel Circle North form a loop around Interstate 8 and provide on-ramp/off-ramp access to this freeway. As its name suggests, the roadways are lined with various hotels, motels, and lodging, as well as complementary commercial uses.

Visibility/Views

The Subject site has limited visibility from the south side of Hotel Circle South. This is due to its setback behind adjacent properties that front the street. A small entrance/exit leads to the portion of the site where the improvements are located. Adjacent the site, north of the improvements, are a vacant lot as well as a plumbing business. To the west are various hotels including a Hampton Inn and Homewood Suites. A condominium complex is located to the east. Further east and northeast are hotels and office buildings. The Subject site is separated from uses to the south by a steep, wooded hillside. Further south are single-family homes. Surrounding uses are in average to good condition.

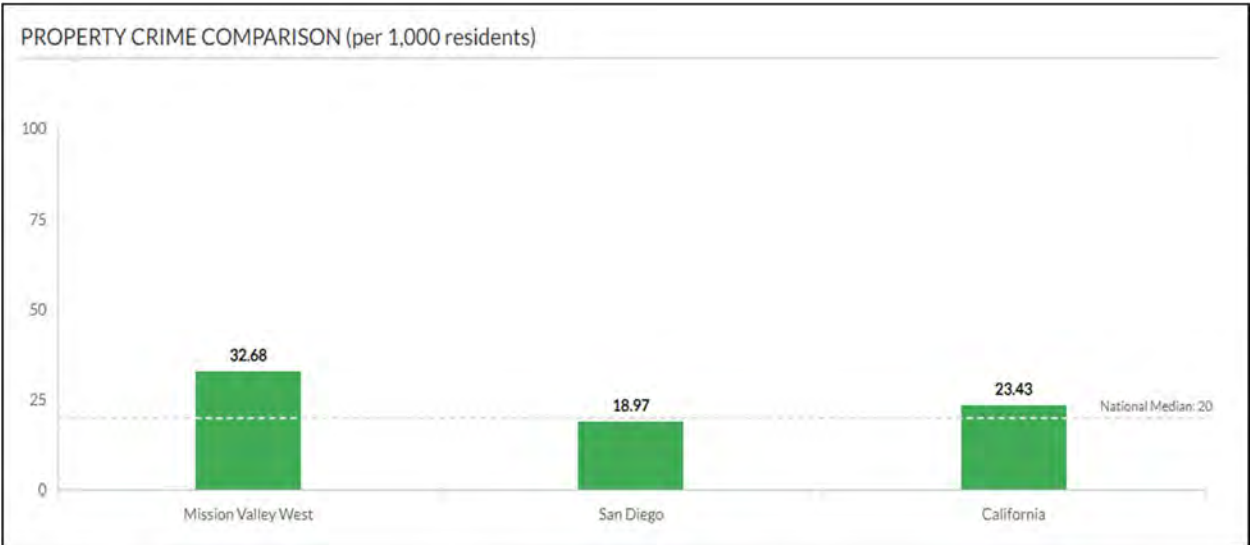
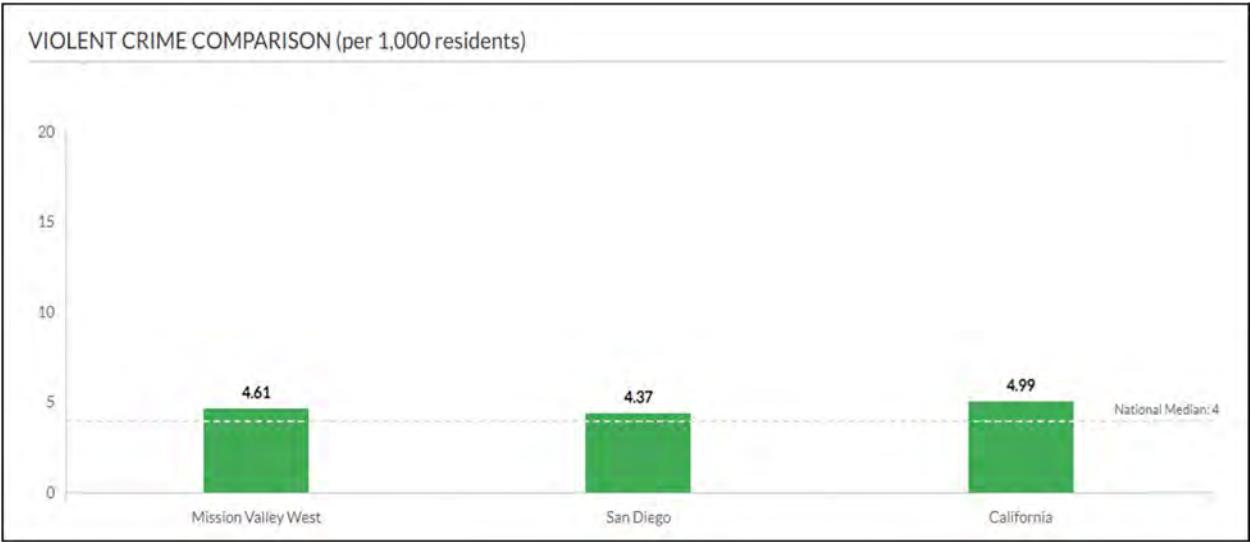
Location Map

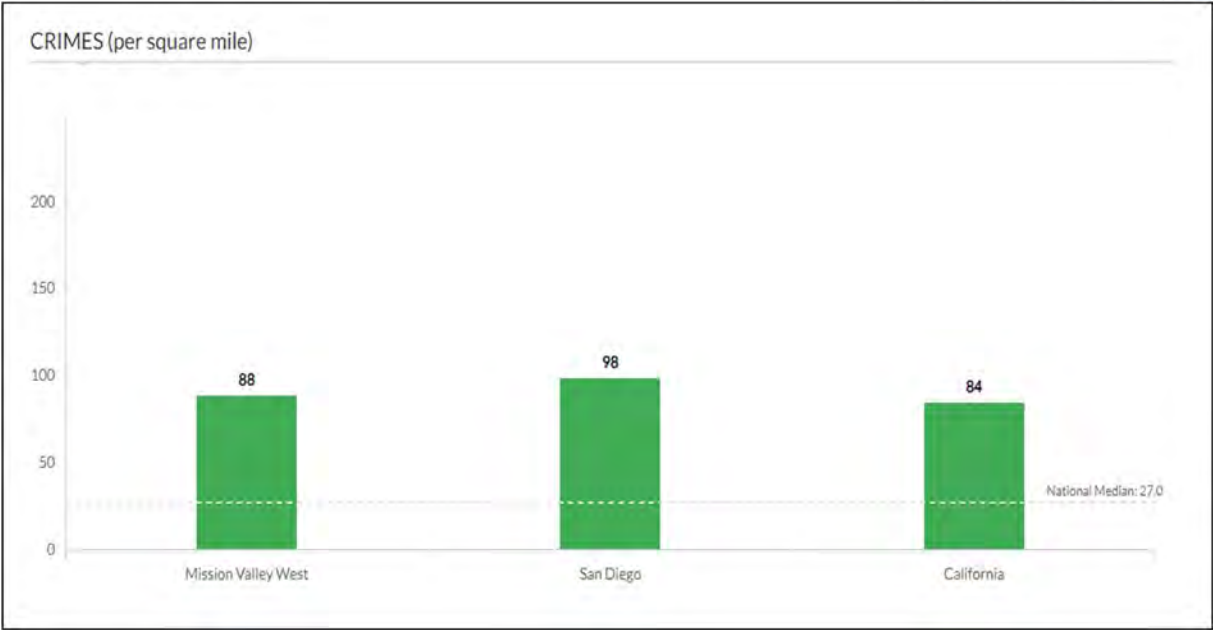
The map below illustrates the Subject and surrounding neighborhood.



Crime Statistics

The following crime data is provided by Neighborhood Scout.





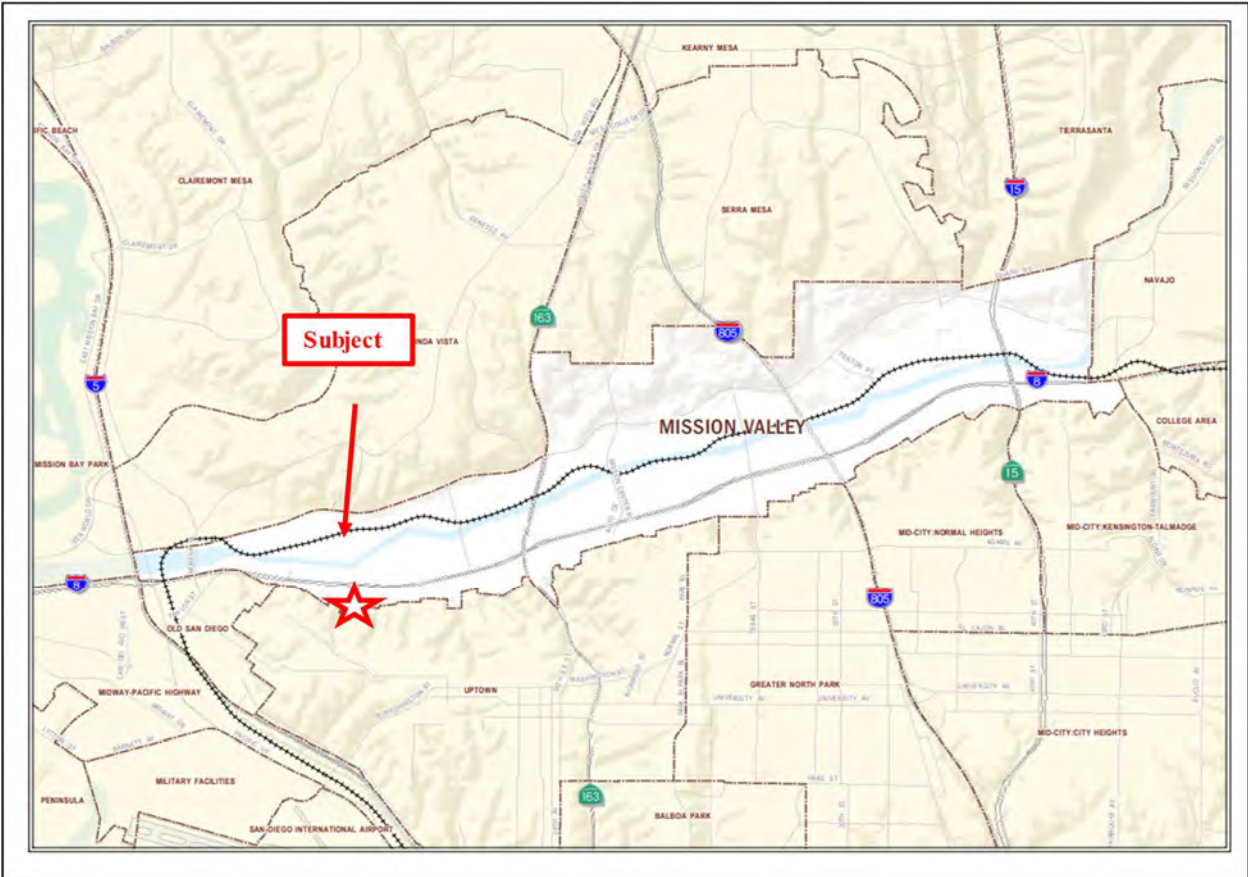
After inspection and observation of the Subject’s neighborhood, we do not anticipate the overall crime statistics will affect the marketability for the Subject.

Summary

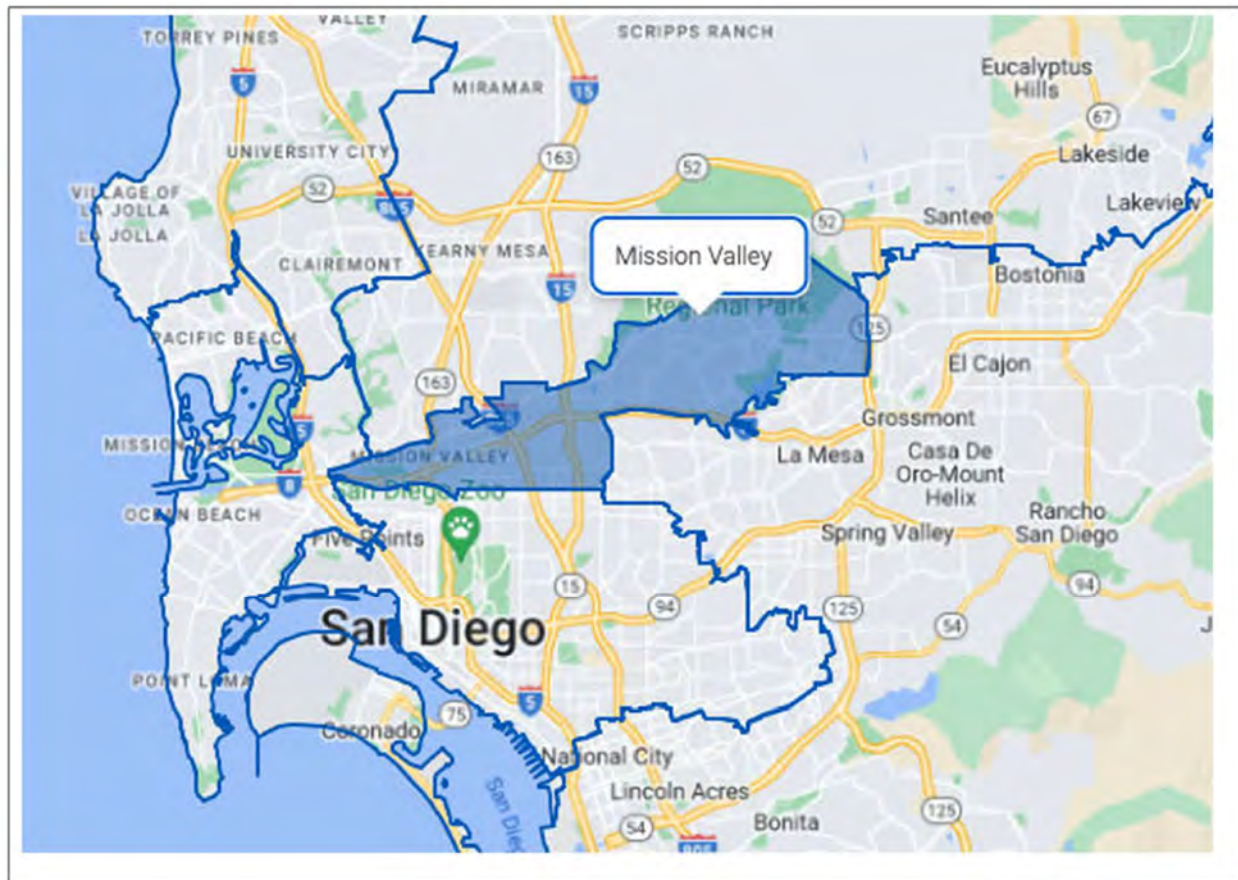
The Subject is located in a mixed-use area in the city of San Diego. All major shopping, healthcare, and recreational amenities are located within a short distance of the Subject. Access to groceries, pharmacy and transportation is convenient.

LODGING INDUSTRY

The Subject operates as a 165-room hotel within the Extended Stay America flag. Extended Stay America is a hospitality company that goes beyond the basics of just simple accommodations. The franchise focuses on long-term stays with emphasis on the right level of simplicity and functionality.



The Subject is identified within the midscale operations class of hospitality/lodging properties. It is located within the Mission Valley submarket per Costar data as shown in the following map.



The following market data source is obtained from 2024 Costar Hospitality Submarket Report for Mission Valley.

Mission Valley is one of San Diego's smaller submarkets, and contains about 5,900 hotel rooms spread between 29 properties. The submarket is characterized by very large hotels. The average hotel in Mission Valley contains 203 rooms, placing it in the top 5% of U.S. hotel submarkets.

In the past 12 months, monthly occupancy has averaged 76.3%, moderately above the market average of 73.4% for the same period.

Twelve-month RevPAR in the Mission Valley hotel submarket was modestly up year-over-year as of last April. That's slightly better than the market-wide situation, where RevPAR was essentially flat.

While developers are active elsewhere in the San Diego market—2,500 rooms are underway—nothing is under construction in the submarket itself. Moreover, the inventory has actually contracted over the past 10 years, as demolition activity has outpaced new construction.

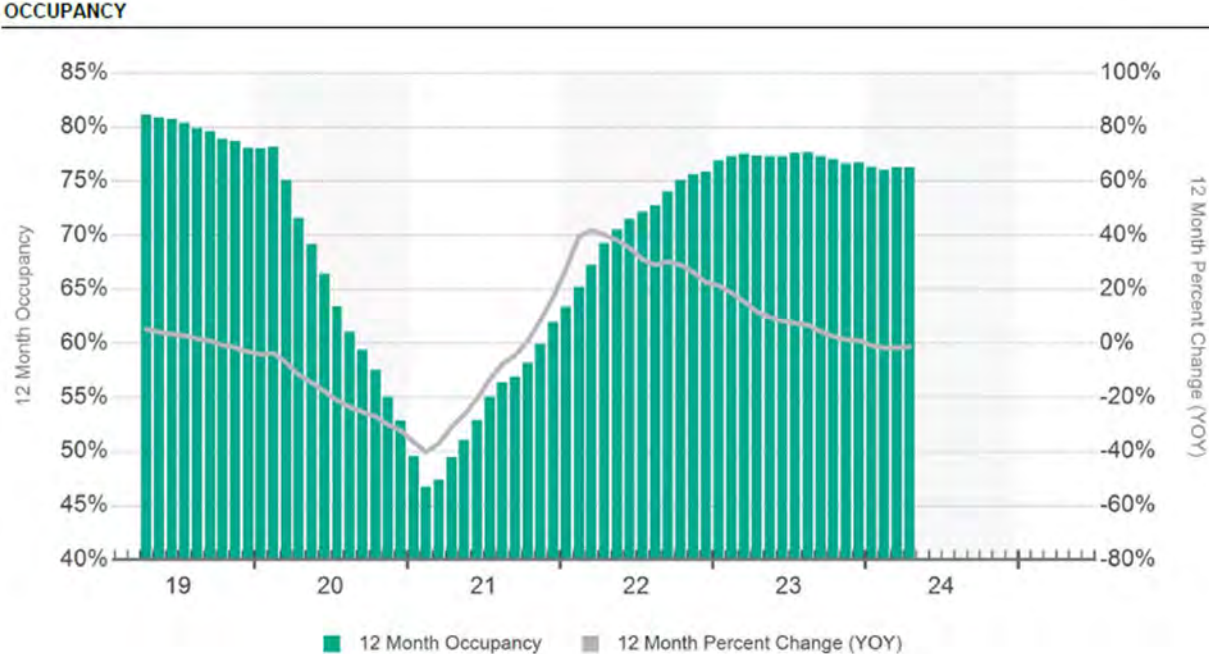
Investors are not particularly active in the Mission Valley submarket: Only three hotel deals have closed in as many years.

KEY INDICATORS

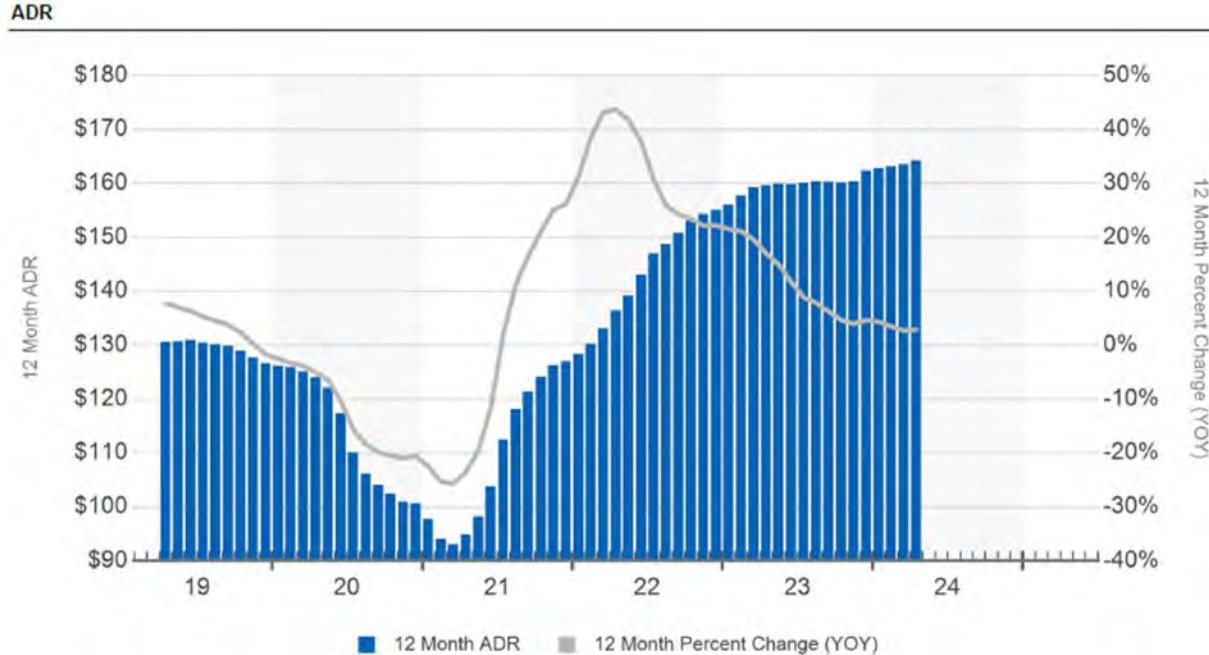
Class	Rooms	12 Mo Occ	12 Mo ADR	12 Mo RevPAR	12 Mo Delivered	Under Construction
Luxury & Upper Upscale	965				0	0
Upscale & Upper Midscale	2,640	76.8%	\$194.38	\$149.27	0	0
Midscale & Economy	2,296	73.3%	\$120.21	\$88.15	0	0
Total	5,901	76.3%	\$164.22	\$125.26	0	0

Average Trend	Current	3 Mo	YTD	12 Mo	Historical Average	Forecast Average
Occupancy	81.2%	79.9%	75.5%	76.3%	68.9%	
Occupancy Change	0.7%	0%	-1.7%	-1.4%	-1.2%	
ADR	\$160.74	\$157.89	\$154.82	\$164.22	\$139.24	
ADR Change	5.0%	3.5%	3.8%	2.9%	4.7%	
RevPAR	\$130.51	\$126.11	\$116.93	\$125.26	\$95.98	
RevPAR Change	5.7%	3.5%	2.1%	1.5%	3.4%	

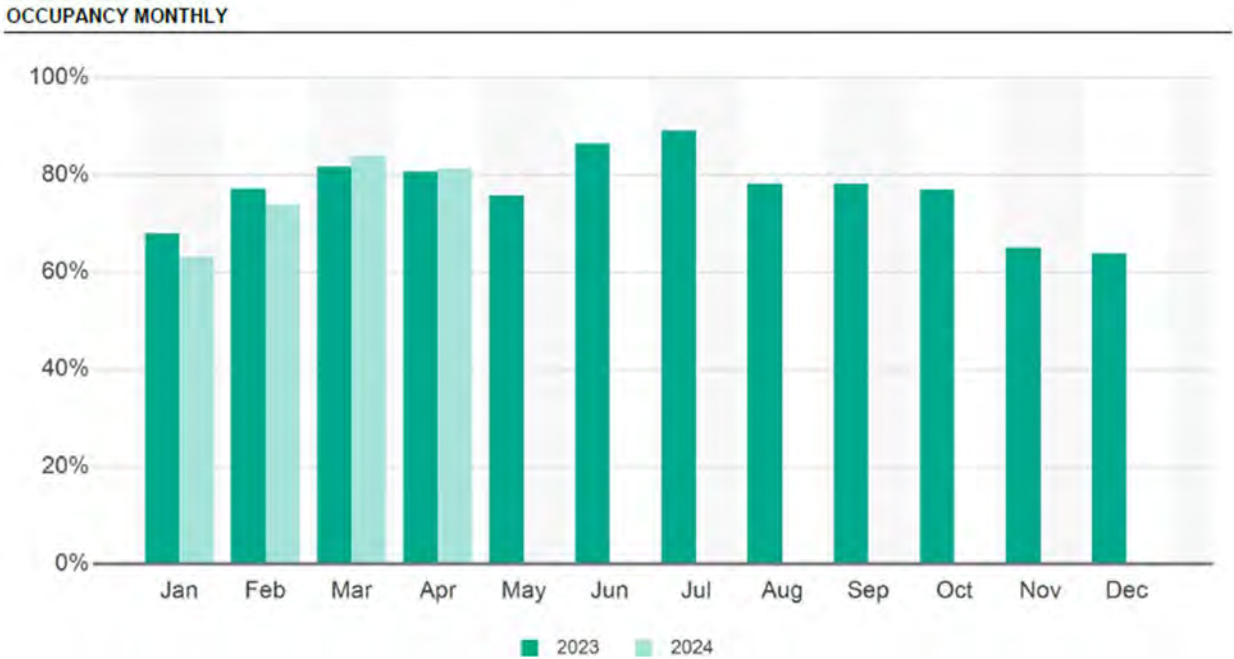
The following chart shows the submarket occupancy data from 2019 through 2024 year-to-date.



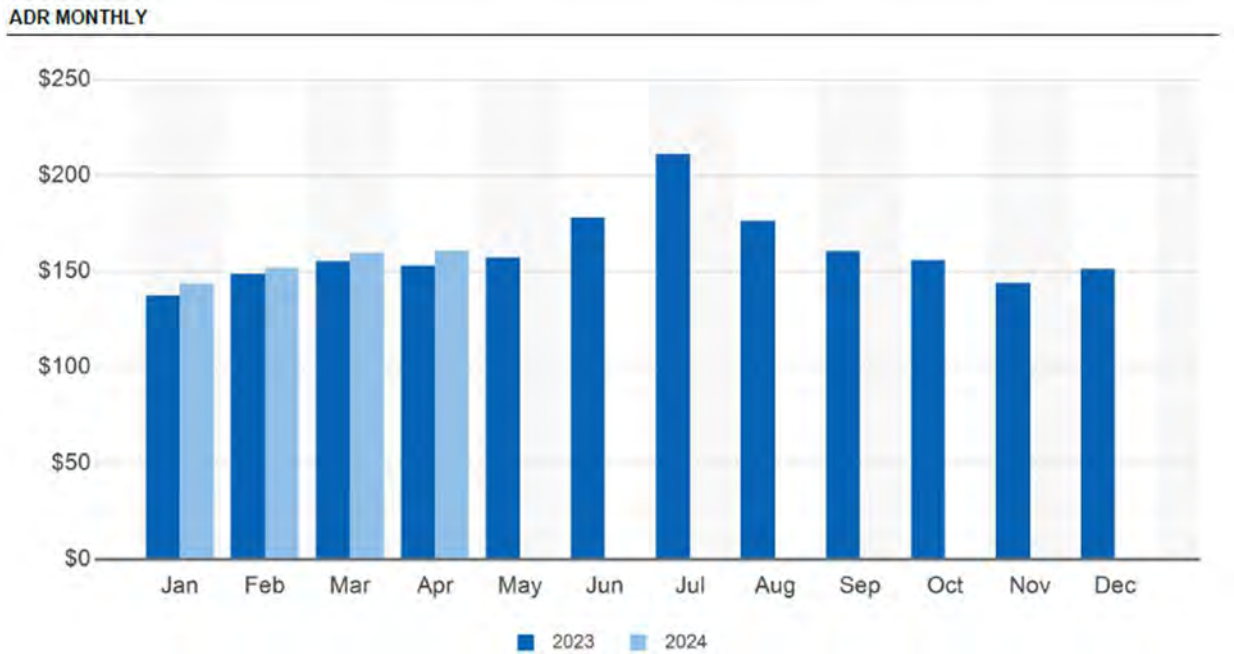
The following chart shows the submarket ADR data from 2019 through 2024 year-to-date.



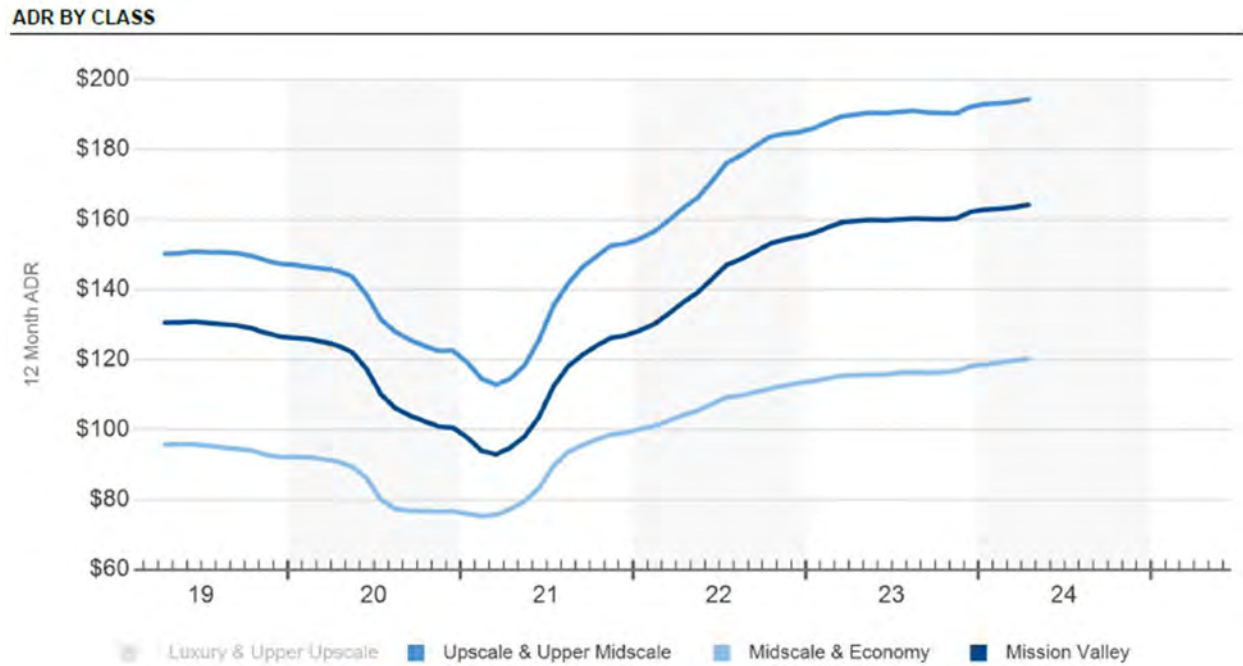
The following chart shows the submarket monthly occupancy data from 2023 through 2024 year-to-date.



The following chart shows the submarket monthly ADR data from 2023 through 2024 year-to-date.



The following chart shows the submarket ADR by hotel class from 2019 through 2024 year-to-date.



Market analysis data will be focusing upon ADR and occupancy data. “The average daily rate (ADR) is a metric widely used in the hospitality industry to indicate the average revenue earned for an occupied room on a given day. ADR is a direct factor in revenue per available room (RevPAR), the hotel industry gold standard for measuring top-line performance in a hotel, portfolio, market segment or geographic area. The rooms department is typically the largest generator of revenue and profit for hotels. An effective approach to ADR is a key piece of the hotel revenue-management cycle with the goal of maximizing profitability. ADR is calculated by dividing room revenue by rooms sold”. *Source: Smith Travel Research.*

PROJECT DESCRIPTION

Our description of the Subject is based upon information provided by the developer and the property inspection. We assume the information supplied is accurate.

Site Description

Site Location:

The Subject site is located at 2085-95 Hotel Circle South, San Diego, San Diego County, California. It has been assigned Assessor Parcel Number (APN) 443-040-38. The site is located in census tract 0089.02.

Existing Improvements:

The Subject consists of one three-story, elevator-served hotel containing 165 rooms. There is a laundry room, break room, laundromat, and lobby on the first floor. The building was constructed in 1999 and is wood frame with concrete foundation. Surrounding the building is a parking lot containing 196 spaces.

Size/Shape:

The site contains 4.58 acres or 199,504 square feet and is irregular in shape.

Topography:

The site topography gently slopes upward from south to the north, but is generally level with the exception of the far southern portion of the parcel which turns into steeply sloping hillside.

Vegetation:

The site has landscaped vegetation with some trees, and landscaped areas. The far southern portion of the site is steeply sloping hillside with natural vegetation including grasses, brush, and trees.

Proximity to Adverse Conditions:

At this time, we are unaware of any detrimental influences that would impact on the value of the Subject.

Drainage:

Appears adequate, however no specific tests were performed.

Soil and Subsoil Conditions:

We were not provided with soil surveys.

Environmental:

No environmental hazards were observed during the site inspection. However, we are not experts within this field. We were provided with Phase I environmental assessment reports of the Subject site, which revealed no evidence of recognized environmental conditions (RECs), historical recognized environmental conditions (HRECs), controlled recognized environmental conditions (CRECs), significant data gaps, or significant business environmental risks in connection with the Subject.

Access and Traffic Flow:

Access to the Subject site is from the south side of Hotel Circle South. Hotel Circle South traverses east/west along the south side of Interstate 8. It links with Hotel Circle North to the east of the Subject, just west of the Interstate 8/California State Route 163 interchange. Together, Hotel Circle South and Hotel Circle North form a loop around Interstate 8 and provide on-ramp/off-ramp access to this freeway. As its name suggests, the roadways are lined with various hotels, motels, and lodging, as well as complementary commercial uses.

Visibility/Views

Contiguous Land Use:

The Subject site has limited visibility from the south side of Hotel Circle South. This is due to its setback behind adjacent properties that front the street. A small entrance/exit leads to the portion of the site where the improvements are located. Adjacent the site, north of the improvements, are a vacant lot as well as a plumbing business. To the west are various hotels including a Hampton Inn and Homewood Suites. A condominium complex is located to the east. Further east and northeast are hotels and office buildings. The Subject site is separated from uses to the south by a steep, wooded hillside. Further south are single-family homes. Surrounding uses are in average to good condition.

Zoning:

The Subject is zoned CO-2-2 (Commercial--Office).

The purpose of the CO zones is to provide areas for employment uses with limited, complementary retail uses and residential use as specified. The CO zones are intended to apply in large-scale activity centers or in specialized areas where a full range of commercial activities is not desirable. The CO zones are differentiated based on the uses and development scale allowed. CO-2-2 is intended to accommodate office uses that serve as an employment center.

Per San Diego Municipal Code (SDMC) Table 131-05B (Use Regulations for Commercial Zones), Visitor Accommodations are an allowable use within Base Zone CO-2-2.

Zoning information was verified with the San Diego Municipal Code and L64A-003A, Cycle Type: 1Prelim(LDR-Planning Review) from the City of San Diego and dated May 30, 2023.

Flood Plain:

Review of the Flood Insurance Rate Map (Community/Panel No. 06073C1618G), published by the Federal Emergency Management Agency (FEMA) and dated May 16, 2012, indicate the Subject is located in Zone X (unshaded), areas of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level.

Photographs:

Subject photos are included in the Addenda.

Location Map:

The map below illustrates the location of the Subject.



IMPROVEMENT CHARACTERISTICS

The Subject consists of one three-story, elevator-served hotel containing 165 rooms. There is a laundry room, break room, laundromat, and lobby on the first floor. The building was constructed in 1999 and is wood frame with concrete foundation. Surrounding the building is a parking lot containing 196 spaces.

Rooms Mix: The Subject’s room mix breakdown are detailed in the following table.

San Diego - Hotel Circle

Room Matrix

Floor	Queen	King	Double/Double	Total
First	40	2	7	49
Second	44	4	10	58
Third	44	3	11	58
Total	128	9	28	165
<i>Est. Sqft</i>	297	338	338	

Target Population and Occupancy Type:

The Subject markets itself as an extended stay property attracting longer guest stays in addition to nightly traffic, with weekly and monthly tenancies/rates. We were not provided with a breakdown of room rack rates.

Amenities Table:

The Subject's amenities are detailed in the following table.

Unit Amenities:		Property Amenities:	
Central Heat/Cool	<input checked="" type="checkbox"/>	Community Room	<input type="checkbox"/>
Blinds	<input checked="" type="checkbox"/>	Swimming Pool	<input type="checkbox"/>
Carpet	<input checked="" type="checkbox"/>	Spa/Jacuzzi	<input type="checkbox"/>
Ceiling Fan	<input type="checkbox"/>	Exercise Room	<input type="checkbox"/>
Skylight	<input type="checkbox"/>	Courtyard/Picnic Area	<input checked="" type="checkbox"/>
Storage Closet	<input type="checkbox"/>	Playground	<input type="checkbox"/>
Coat Closet	<input checked="" type="checkbox"/>	Tennis Court	<input type="checkbox"/>
Walk-In Closet	<input type="checkbox"/>	Basketball Court	<input type="checkbox"/>
Fireplace	<input type="checkbox"/>	Volleyball Court	<input type="checkbox"/>
Patio/Balcony	<input type="checkbox"/>	On-Site Manager	<input checked="" type="checkbox"/>
Appliances:		Laundry Room	<input checked="" type="checkbox"/>
Refrigerator	<input checked="" type="checkbox"/>	Computer Room	<input type="checkbox"/>
Stove/Oven	Stovetop	Business Center	<input type="checkbox"/>
Dishwasher	<input type="checkbox"/>	Car Wash Area	<input type="checkbox"/>
Garbage Disposal	<input type="checkbox"/>	Elevator ("Y"es or "N"o)	<input type="checkbox"/>
Microwave	<input checked="" type="checkbox"/>	Additional Services*	<input checked="" type="checkbox"/>
Washer/Dryer	<input type="checkbox"/>		
Washer/Dryer Hook-up	<input type="checkbox"/>		
Parking:		Security :	
Surface Parking	<input checked="" type="checkbox"/>	Gated/Controlled Access/Intercom	<input checked="" type="checkbox"/>
Carport	<input type="checkbox"/>	Courtesy Patrol	<input type="checkbox"/>
Underground	<input type="checkbox"/>	Surveillance Cameras	<input checked="" type="checkbox"/>
Detached Garage	<input type="checkbox"/>		
Attached Garage	<input type="checkbox"/>		
Tuck-under Garage	<input type="checkbox"/>		
Parking Garage	<input type="checkbox"/>		
*Supportive Services			

Parking:

The Subject provides 196 surface parking spaces.

Assessment Value and Taxes:

Under California State Law, real property is re-appraised only when a change in ownership occurs, or upon completion of new construction. Except for these two instances, property assessments cannot be increased by more than two percent annually, based on the California Consumer Price Index.

A limited value is also assigned to each individual property and is taxed using a primary tax rate. According to the San Diego County Assessor's Office, the Subject has been assigned the following Appraisal Parcel Number: 443-040-38. The current limited tax rate for the Subject's full cash appraised value is 1.22509 per \$100 of assessed value. The 2022/2023 tax bill for the Subject was \$246,346.06 per San Diego County Tax Collector data, The tax analysis assumes hypothetical assessment using the current tax rate.

Summary:

The Subject operates within the Mission Valley San Diego hospitality submarket.

HIGHEST AND BEST USE ANALYSIS

HIGHEST AND BEST USE AS VACANT

Physically Possible

The Subject site consists of approximately 4.58 acres or 199,504 square feet. The site is irregular in shape parcel with level topography within the building and parking areas, and steep sloping areas to the southwest area. Accessibility and visibility are considered good. The site is considered adequate for a variety of physically possible uses. The potential non-buildable area is nominal..

Legally Permissible

The Subject is zoned CO-2-2 (Commercial--Office), which is a commercial designation that permits various forms of commercial uses. The Subject's hotel use is permitted within the current zoning and therefore represents is a legal and conforming use.

Financially Feasible

The cost of the land limits those uses that are financially feasible for the site. Any use of the Subject site that provides a financial return to the land in excess of the cost of the land is those uses that are financially feasible.

The Subject's feasible uses are restricted to those that are allowed by zoning classifications, and are physically possible. As noted in the zoning section, the site can be used for commercial uses. Given the Subject's surrounding land uses, the site's physical attributes, development patterns in the area, and demand, continuation of the existing lodging is considered the most likely use.

With the financial subsidy, the value of the project supports feasibility. Per Costar data, there is no construction activity within the Subject's Mission Valley submarket. The maximally productive use of this site as if vacant would be to construct a lodging property.

There is an active market of participants acquiring lodging properties within California with planned conversion to supportive housing for homeless. We performed an income approach analysis of the Subject assuming conversion to supportive housing for homeless utilizing planned rents and the value indication was less than the existing use as a lodging property.

Next an analysis assuming market rate multifamily operation and deduction for costs to convert the lodging property to market rate multifamily operation. No specific costs to complete conversion to market rate operation were available. Analysis of Marshall Swift data does not provide adequate data. Multifamily Sale 1 was a hotel that was purchased by a developer in 2017 and reportedly spent \$6,000,000 on conversion to market rate multifamily use. This equates to \$60,000 per unit cost. Published information indicates the property features extensive amenities as a "boutique" multifamily property, and also was ranked number one in San Diego by a Union Tribune Readers poll. A qualitative analysis sets the upper limit of conversion costs by this property. The developer renovated two formerly hotel properties in 2021 to apartments which ranged in cost from \$11,200 to \$23,900 per unit.

These renovations appear to be more in line to what would be needed at the Subject; therefore, for analysis purposes costs to convert the Subject to market rate multifamily are estimated at \$20,000 per unit, which would incorporate installation of unit upgrades consisting of kitchen appliances and countertops, and replacement of flooring with a laminate product, and upgrading of fixtures throughout the property, and getting the property in ADA compliance for apartment use.

Conclusion Highest and Best Use “As Vacant”

The highest and best use for the property “as vacant” would be to construct a lodging property consistent with current zoning ordinances.

Highest and Best Use “As Improved”

Homekey appraisal requirements, indicate we have to provide an existing use value regardless of the appraisers concluded highest and best use; therefore the value of the property as a hotel is presented. Analysis indicates conversion of the Subject to market rate multifamily use represents the highest and best use as improved.

APPRAISAL METHODOLOGY

The valuation process begins with an estimate of the highest and best use of the Subject property considered as though vacant, and as improved. Once determined the property is then valued according to its highest and best use. Contemporary appraisers usually gather and process data according to the discipline of the three approaches to value.

The cost approach consists of a summation of land value (as though vacant) and the cost to reproduce or replace the improvements, less appropriate deductions for depreciation. Reproduction cost is the cost to construct a replica of the Subject improvements. Replacement cost is the cost to construct improvements having equal utility.

The sales comparison approach involves a comparison of the appraised property with similar properties that have sold recently. When properties are not directly comparable, sale prices may be broken down into units of comparison, which are then applied to the Subject for an indication of its likely selling price.

The income capitalization approach involves an analysis of the investment characteristics of the property under valuation. The earnings' potential of the property is carefully estimated and converted into an estimate of the property's market value.

APPLICABILITY TO THE SUBJECT PROPERTY

The cost approach consists of a summation of land value (as though vacant) and the cost to replace the improvements, less appropriate deductions for depreciation. Replacement cost is the cost to construct improvements having equal utility. This valuation technique is not typically undertaken for properties of similar vintage since we do not anticipate the approach yields a reliable indication of value for the Subject property. This is primarily attributable to the age and condition of the improvements, and the attendant difficulty in accurately estimating accrued physical depreciation as well as the lack of recent multi-family land sales in the Subject's market area. Moreover, motel purchasers do not typically use cost principles in pricing properties of the Subject's age. However, an indication of hypothetical land value as is vacant is a component of this assignment. This valuation utilizes the sales comparison approach.

In the sales comparison approach, appraisers estimate the value of a property by comparing it with similar, recently sold properties in surrounding or competing areas. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution. We presented a sales comparison approach on hotels on a per room basis based on the existing use, and a sales comparison approach on a per unit basis as a market rate apartment property.

The income capitalization approach requires an estimation of the anticipated economic benefits of ownership, gross and net incomes, and capitalization of these estimates into an indication of value using investor yield or return requirements. Yield requirements reflect the expectations of investors in terms of property performance, risk and alternative investment possibilities. We have presented an income approach for the existing hotel use and for the market rate multifamily use.

LAND VALUATION

The sales comparison approach to value is a process of comparing market data; that is, the price paid for similar properties, prices asked by owners, and offers made by prospective purchasers willing to buy or lease. Market data is good evidence of value because it represents the actions of users and investors. The sales comparison approach is based on the principle of substitution, which states that a prudent investor would not pay more to buy or rent a property than it will cost to buy or rent a comparable substitute. The sales comparison approach recognizes that the typical buyer will compare asking prices and work through the most advantageous deal available. In the sales comparison approach, the appraisers are observers of the buyer's actions. The buyer is comparing those properties that constitute the market for a given type and class.

To arrive at an opinion of land value for the Subject site, we researched and analyzed sales of comparable sites in the competitive area. In performing the market valuation, an extensive search for recent transfers of land zoned for commercial and hotel development within the San Diego area was made. The search area was expanded to include communities within San Diego County intended for hotel and/or commercial development. Following is a land sales map, summary of sales, analysis of sales, and individual land data sheets.

Hotel Land Sales						
Data No.	Property Identification	Date of Sale	Sale Price	Property Size/Acres	Property Size/SF	Price per SF
1	3510 Valley Centre Drive San Diego, CA 92130 307-240-02	Oct-19	\$4,200,000	1.46	63,598	\$66.04
2	Southwest corner El Corazon Drive and Rancho Del Oro Road Oceanside, CA 92056 160-572-50, 160-572-47	Oct-21	\$4,500,000	2.62	114,127	\$39.43
3	342-360 El Cajon Boulevard El Cajon, CA 92020 487-321-01, 24, 25, 26	Oct-23	\$2,930,000	0.94	40,946	\$71.56

Land Sales Map



Land Sale 1			
Property Identification			
Address/Location	3510 Valley Centre Drive San Diego, CA 92130		
APN	307-240-02		
Property Characteristics		Sale Data	
Zoning	CVPD-VC	Sale Price	\$4,200,000
Property Use	Commercial	Cash Equivalent	\$4,200,000
Size (Acres)	1.46		
Size (SF)	63,598	Price per SF	\$66.04
Shape	Irregular	Sale Date	Oct-19
Topography	Level		
Streets	Paved	Cash Equivalent	Yes
Off-site Improvements	To site	Seller	Sciuto Hospitalities, LP
Other Improvements	Commercial Building	Buyer	Del Mar Hotel Partners LP
Utilities	To Site	Sale Conditions	Market
Location	Average	Property Rights	Fee Simple
Access	Average	Marketing Time (Mo.)	Nav
Visibility	Average	Comp ID	17929
Comments			
Data source Costar and published information. Site acquired to develop 127-room Hyatt Place Hotel. Former 8,700 square foot restaurant demolished.			

Land Sale 2			
Property Identification			
Address/Location	Southwest corner El Corazon Drive and Rancho Del Oro Road Oceanside, CA 92056		
APN	160-572-50, 160-572-47		
Property Characteristics		Sale Data	
Zoning	SP-1-09	Sale Price	\$4,500,000
Property Use	Commercial	Cash Equivalent	\$4,500,000
Size (Acres)	2.62		
Size (SF)	114,127	Price per SF	\$39.43
Shape	Irregular	Sale Date	Oct-21
Topography	Level		
Streets	Paved	Cash Equivalent	Yes
Off-site Improvements	To site	Seller	City Of Oceanside
Other Improvements	None	Buyer	MC-Pacific LLC
Utilities	To Site	Sale Conditions	Market
Location	Average	Property Rights	Fee Simple
Access	Average	Marketing Time (Mo.)	Nav
Visibility	Average	Comp ID	17931
Comments			
Data source Costar and published information. Site planned for development of a 137-room Home2Suites hotel.			

Land Sale 3			
Property Identification			
Address/Location	342-360 El Cajon Boulevard El Cajon, CA 92020		
APN	487-321-01, 24, 25, 26		
Property Characteristics		Sale Data	
Zoning	C-G	Sale Price	\$2,930,000
Property Use	Commercial	Cash Equivalent	\$2,930,000
Size (Acres)	0.94		
Size (SF)	40,946	Price per SF	\$71.56
Shape	Irregular	Sale Date	Oct-23
Topography	Level		
Streets	Paved	Cash Equivalent	Yes
Off-site Improvements	To Site	Seller	Victoria Eriquat
Other Improvements	Asphalt Paving	Buyer	670 El Cajon Enterprises LLC
Utilities	All Utilities Available	Sale Conditions	Market
Location	Average	Property Rights	Fee Simple
Access	Average	Marketing Time (Mo.)	Nav
Visibility	Average	Comp ID	21463
Comments			
Data source Costar and published marketing information. Site is improved with asphalt parking with demolition costs anticipated to be nominal. No development plans information is available.			

The table below summarizes the adjustments.

Land Sale Analysis							
Subject		Sale 1		Sale 2		Sale 3	
Address/Location	2085-95 Hotel Circle South San Diego, CA 92108	3510 Valley Centre Drive San Diego, CA 92130		Southwest corner El Corazon Drive and Rancho Del Oro Road Oceanside, CA 92056		342-360 El Cajon Boulevard El Cajon, CA 92020	
Sale Price		\$4,200,000		\$4,500,000		\$2,930,000	
Price per Sq. Ft.		\$66.04		\$39.43		\$71.56	
Comparison		Comparison	Adj.		Adj.	Comparison	Adj.
Property Rights		Fee Simple		Fee Simple		Fee Simple	
Adjusted Price Per Sq. Ft.			\$66.04		\$39.43		\$71.56
Terms		Yes		Yes		Yes	
Adjusted Price Per Sq. Ft.			\$66.04		\$39.43		\$71.56
Sale Conditions		Market		Market		Market	
Adjusted Price Per Sq. Ft.			\$66.04		\$39.43		\$71.56
Sale Date		Oct-19	25%	Oct-21	20%	Oct-23	5%
Adjusted Price Per Sq. Ft.			\$82.55		\$47.32		\$75.13
Expenditures After Purchase		Yes	\$5.00	None		No	
Adjusted Price Per Sq. Ft.			\$87.55		\$47.32		\$75.13
Physical Characteristics	Comparison	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.
Zoning	IL-2-1	CVPD-VC		SP-1-09		C-G	
Size (Acres)	4.58	1.46		2.62		0.94	
Size (SF)	199,505	63,598		114,127		40,946	
Topography	Level site area	Level		Level		Level	
Street	Paved	Paved		Paved		Paved	
Off-site Improvements	To Site	To site		To site		To Site	
On-site Improvements	None	Commercial Building		None		Asphalt Paving	
Utilities	To Site	To Site		To Site		To Site	
Submarket ADR	\$206.78	\$206.78		\$202.20		\$148.17	
Location	Average	Superior		Average		Average	
Total Physical Adjustment			0%		0%		0%
Adjusted Price Per Sq. Ft.			\$87.55		\$47.32		\$75.13
				Minimum Sale \$47.32			
				Maximum Sale \$87.55			
				Average Sale \$70.00			

Explanation of Adjustments

Sale Date/Market Conditions

Real estate values change over time. The rate of this change fluctuates due to investors' perceptions and responses to prevailing market conditions. This adjustment category reflects market differences occurring between the effective date of the appraisal and the sale date of comparables, when values have appreciated or depreciated.

The land sales occurred between October 2019 and October 2021. Nationally, and regionally, land values peaked during the prior cycle near 2008, and stalled during the economic recession. During the time period between 2008 and 2012, there were softened market conditions, and declining market values. Appreciation in land values started being reported in late 2012 and continued rising through year-to-date.

Interviews with local brokers revealed prices increased on average between five and ten percent per year during this time frame; five percent will be utilized. Additionally, industrial land sites are continuing to increase in value due to the market being very supply constrained. Based on this methodology, Sale 1 was adjusted upward 25 percent, Sale 2 was adjusted upward 20 percent, and Sale 3 was adjusted upward five percent.

Expenditures Immediately After Purchase

A knowledgeable buyer considers expenditures that will have to be made upon purchase of a property because these costs effect the price the buyer agrees to pay. Such expenditures may include costs to cure deferred maintenance, costs to demolish and remove a portion of the improvements, costs for additions or improvements to the property, costs to petition for a zoning change, and costs to remediate environmental contamination. These costs are often quantified in price negotiations.

The Subject is improved with a motel structure; however, the value for land assumes its vacant. Sales 2 and 3 are vacant sites; therefore, no adjustments were necessary. Sale 1 had improvements at the time of sale that required demolition in order to allow for redevelopment. There was an 8,700-square foot restaurant building that was demolished after transfer. In estimating an adjustment amount, Marshall & Swift valuation demolition costs were analyzed, and range from \$4.66 to \$7.20 per square foot; an estimate of \$5.00 per square foot was utilized. This equates to an upward adjustment of \$5.00 per square foot.

Zoning/Density

All of the sales are zoned for commercial hotel development; therefore, no adjustments are necessary.

Size

The sites range in size from 1.46 to 2.62 acres. The Subject totals 4.58 acres. Typically larger sites sell less per square foot. All of the sites are smaller; however, we have utilized a qualitative adjustment as no quantitative adjustment could be determined. More weight will be placed on the lower end of the range because the Subject is larger than all the other sales.

Location

The Subject and land sales are located within communities of San Diego, and provide some differing locational attributes. Sale 1 is a superior location within the La Jolla lodging submarket. Sales 2 and 3 reflect generally similar lodging locales, and no adjustment is indicated. We looked at the difference in the submarkets ADRs between the Sales and the Subject, which seemed unreasonable; therefore, we will utilize a qualitative adjustment for these differences. Our conclusion will not be higher than Sale 1 as its location is better, but the Subjects location is better than Sales 2 and 3.

Summary of Land Value

There is very limited land sales transactions intended for hotel development with in San Diego and San Diego County over the past several years. The analysis adjustments reflect qualitative adjustments versus quantitative adjustments due to the nature of the properties. After adjustments, the Sales range in price per square foot from \$47.32 to \$87.55 per square foot and average \$70.00 per square foot. Sale 1 sets the upper limit because it’s location is the best, while Sale 2 has similar location to the Subject. The location of Sale 3 is inferior to the Subject’s location. Additionally, more weight is placed on the low end of the range because of the size of the Subject. A value indication of \$68.00 per square foot is considered reasonable and market oriented. The value computes as follows.

Indication of Value		
Square Footage	\$/Sq. Ft	Indication
199,505	\$68.00	\$13,570,000

INCOME CAPITALIZATION APPROACH EXISTING USE

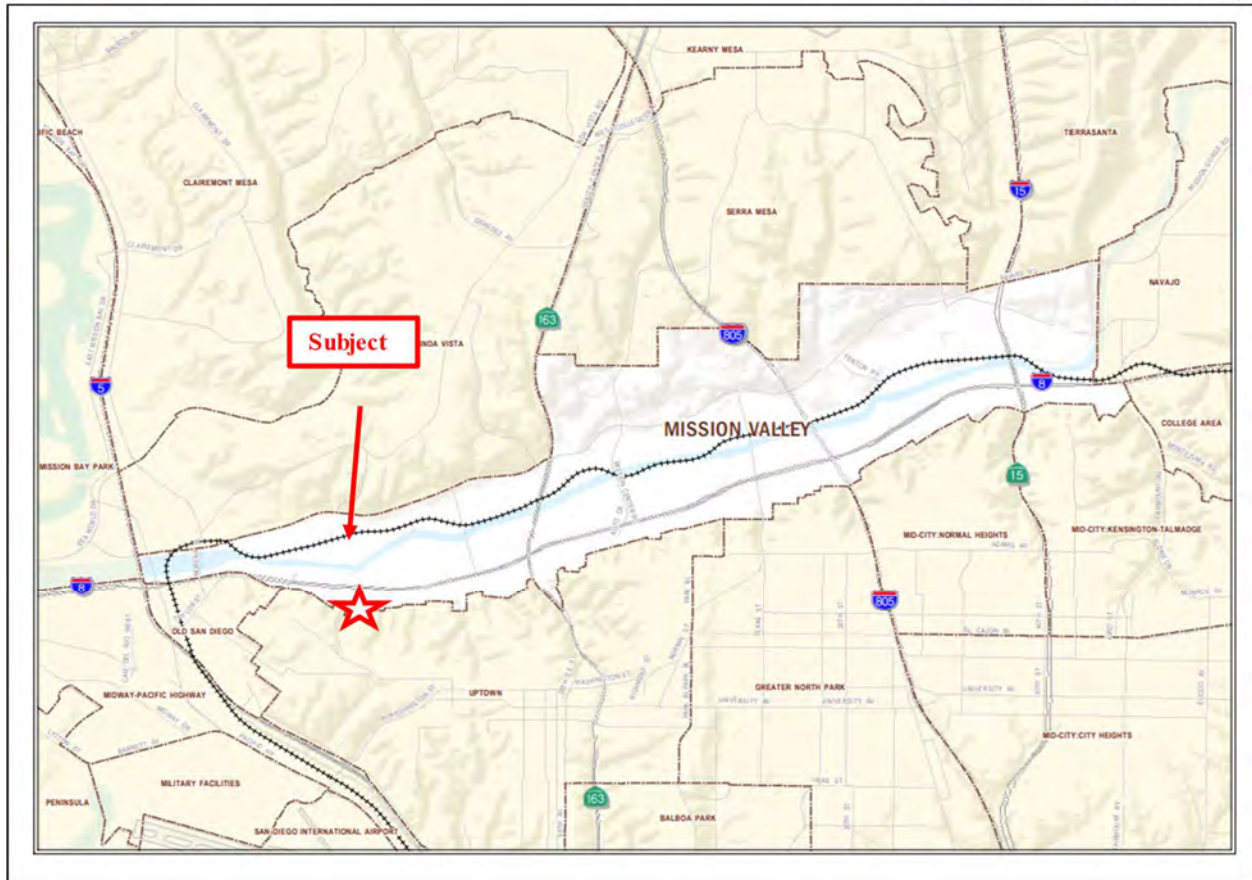
INTRODUCTION

The Income Capitalization Approach to value is based upon the premise that the value of an income-producing property is largely determined by the ability of the property to produce future economic benefits. The value of such a property to the prudent investor lies in anticipated annual cash flows and an eventual sale of the property. An estimate of the property's market value is derived via the capitalization of these future income streams.

The Subject operates as a 165-room hotel within the Extended Stay America flag. It bills itself as a brand that has been serving business and leisure travelers with extended stays in addition to nightly stays.

Market analysis data will be focusing upon ADR and occupancy data. "The average daily rate (ADR) is a metric widely used in the hospitality industry to indicate the average revenue earned for an occupied room on a given day. ADR is a direct factor in revenue per available room (RevPAR), the hotel industry gold standard for measuring top-line performance in a hotel, portfolio, market segment or geographic area. The rooms department is typically the largest generator of revenue and profit for hotels. An effective approach to ADR is a key piece of the hotel revenue-management cycle with the goal of maximizing profitability. ADR is calculated by dividing room revenue by rooms sold". *Source: Smith Travel Research.*

The Subject is identified within the midscale economy operations class of hospitality/lodging properties. It is located within the Mission Valley submarket per Costar data as shown in the following map.



The following market data source is obtained from 2023 Costar in the Hospitality Submarket Report.

“The Mission Valley submarket contains around 6,500 hotel rooms, and houses 32 of the San Diego market's 514 hotel properties. The submarket is characterized by very large hotels. The average hotel in Mission Valley contains 203 rooms, placing it in the top 5% of U.S. hotel submarkets.

In the past 12 months, monthly occupancy has averaged 77.1%, moderately above the market average of 73.6% for the same period. Perhaps unsurprisingly, Mission Valley weathered the initial impact of COVID-19 slightly better than most areas. Here, monthly occupancy fell to 31.5%, and annualized occupancy dropped to 47.7% in the initial wake of the pandemic. Since then, its recovery has been a step ahead of the San Diego market.”

Subject’s Historical Data and Revenue Forecast

The Subject’s 2021, 2022, and 2023 historical operating data was provided and analyzed. Further analysis utilizing Costar market and submarket operating data regarding submarket occupancies, ADR and operating expenses was analyzed as previously presented.

Revenue and Occupancy Forecast

The Subject’s historical occupancy rates range from 74.1 to 86.8 percent. The Subject’s Costar submarket occupancy rate is 76.3 percent. The Subject’s ADR rates range from \$93.75 to \$113.97. The ADR rate from the Cost submarket is \$164.22. Weight is placed upon the Subject’s historical data, which also reflects the extended stay nature of the property. Rates and occupancy data variances between nightly rates and extended stay rates was not disclosed, therefore, greater reliance is placed upon historical data. Forecast occupancy is 75.0 percent, and ADR \$115.00.

Summarized following is the Subject’s historical data provided and comparison with other lodging properties in the San Diego area.

Operating Expenses

The Subject’s operating data provided is summarized following.

Project	Subject 2023			Subject 2022			Subject 2021		
	165			165			165		
	Percent of Total			Percent of Total			Percent of Total		
	Per Room	Revenue	Amount	Per Room	Total Revenue	Amount	Per Room	Revenue	Amount
Available RoomNights			60,225			60,225			60,225
Occupied RoomNights			44,625			52,272			52,013
Occupancy			74.1%			86.8%			86.4%
ADR			\$113.97			\$105.33			\$93.75
	Percent of Total			Percent of Total			Percent of Total		
	Per Room	Revenue	Total	Per Room	Total Revenue	Total	Per Room	Revenue	Total
Net Rooms Revenue	\$ 30,258	94.18%	4,992,638	\$ 32,997	96.16%	5,444,467	\$ 29,284	91.15%	4,831,842
Other Rooms Revenue	\$ 565	1.76%	93,172	\$ 371	1.15%	61,190	\$ 270	0.84%	44,566
Other Revenue	\$ 1,306	4.06%	215,440	\$ 946	2.95%	156,127	\$ 1,180	3.67%	194,676
Total Revenues	\$ 32,129		\$ 5,301,250	\$ 34,314		\$ 5,661,784	\$ 30,734		\$ 5,071,084
	Percent of Total			Percent of Total			Percent of Total		
Operating Expenses	Per Room	Revenue	Total	Per Room	Total Revenue	Total	Per Room	Revenue	Total
Administration	\$ 1,232	3.84%	\$ 203,327	\$ 507	1.58%	\$ 83,596	\$ 1,038	3.23%	\$ 171,241
Bank Charges & Credit Card Fees	\$ 818	2.55%	\$ 134,983	\$ 628	1.95%	\$ 103,609	\$ 476	1.48%	\$ 78,462
Sales & Marketing	\$ 1,544	4.81%	\$ 254,787	\$ 1,143	3.56%	\$ 188,672	\$ 1,097	3.41%	\$ 180,949
Commissions Flag & Royalties	\$ -	0.00%	Undisclosed	\$ -	0.00%	Undisclosed	\$ 1,478	4.60%	\$ 243,820
Room Departmental Expenses	\$ 336	1.04%	\$ 55,396	\$ 400	1.24%	\$ 65,925	\$ 373	1.16%	\$ 61,477
Maintenance and Repairs	\$ 758	2.36%	\$ 125,075	\$ 870	2.71%	\$ 143,588	\$ 762	2.37%	\$ 125,657
Food & Beverages	\$ 189	0.59%	\$ 31,184	\$ 225	0.70%	\$ 37,114	\$ -	0.00%	\$ -
Management Fee	\$ -	0.00%	Undisclosed	\$ -	0.00%	Undisclosed	\$ 1,537	4.78%	\$ 253,554
Payroll	\$ 5,034	15.67%	\$ 830,586	\$ 4,844	15.08%	\$ 799,211	\$ 4,381	13.64%	\$ 722,900
Utilities	\$ 1,806	5.62%	\$ 297,949	\$ 1,747	5.44%	\$ 288,181	\$ 1,636	5.09%	\$ 269,984
Property & Liability Ins.	\$ 482	1.50%	\$ 79,554	\$ 321	1.00%	\$ 52,965	\$ 341	1.06%	\$ 56,313
Other Expenses	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -
Real Estate and Other Taxes	\$ 1,564	4.87%	\$ 257,993	\$ 1,536	4.78%	\$ 253,514	\$ 1,508	4.69%	\$ 248,815
Replacement Reserves	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -
Total Operating Expenses	\$ 13,763	42.84%	\$ 2,270,834	\$ 12,220	38.04%	\$ 2,016,375	\$ 14,625	45.52%	\$ 2,413,172

Expense Comparables

Hotel operating expense data was analyzed on a per room and percentage of total revenues. Operating occupancy and ADR data is presented on a submarket level, and individual properties' occupancy and ADR data is unavailable. Expense Comparables data is summarized following.

Project	Holiday Inn Express San Diego Downtown			Residence Inn San Diego Chula Vista			Carlsbad North San Diego County			Holiday Inn Express & Suites San Diego Sorrento Valley		
	Name	Address	Year Built	Name	Address	Year Built	Name	Address	Year Built	Name	Address	Year Built
	Hotel Property 1			Hotel Property 2			Hotel Property 3			Hotel Property 4		
Number of Rooms	2023 148			2023 148			2023 145			2022 79		
	Percent of Total Revenue			Percent of Total Revenue			Percent of Total Revenue			Percent of Total Revenue		
	Per Room	Revenue	Amount	Per Room	Revenue	Amount	Per Room	Revenue	Amount	Per Room	Revenue	Amount
Submarket Occupancy			73.90%			75.70%			69.80%			73.80%
Submarket ADR		\$264.63			\$148.17			\$202.20				\$258.47
Net Rooms Revenue	\$ 59,643	90.88%	\$ 8,827,196	\$ 76,324	116.30%	\$ 11,295,918	\$ 51,495	99.23%	\$ 7,466,774	\$ 47,291	99.47%	\$ 3,735,974
Other Departmental Revenue	\$ 5,983	9.12%	\$ 885,456	\$ 524	0.80%	\$ 77,578	\$ 402	0.77%	\$ 58,262	\$ 233	0.49%	\$ 18,374
Other Revenue	\$ -	0.00%	\$ -	\$ 112	0.17%	\$ 16,507	\$ -	0.00%	\$ -	\$ 21	0.04%	\$ 1,620
Total Revenues	\$ 58,865		\$ 9,712,652	\$ 76,959		\$ 11,390,003	\$ 51,897	100.00%	\$ 7,525,036	\$ 47,544	100.00%	\$ 3,755,968
Administration	\$ 4,197	6.40%	\$ 621,229	\$ 6,081	7.90%	\$ 899,979	\$ 3,629	6.99%	\$ 526,182	\$ 3,521	7.41%	\$ 278,178
Other Departmental Expenses	\$ 892	1.36%	\$ 131,953	\$ 176	0.23%	\$ 25,982	\$ 659	1.27%	\$ 95,617	\$ 230	0.48%	\$ 18,183
Bank Charges & Credit Card Fees	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -
Sales & Marketing	\$ 4,360	6.64%	\$ 645,297	\$ 4,269	5.55%	\$ 631,827	\$ 1,700	3.28%	\$ 246,473	\$ 1,223	2.57%	\$ 96,599
Commissions Flag & Royalties	\$ 7,639	11.64%	\$ 1,130,643	\$ 4,351	5.65%	\$ 643,883	\$ 4,633	8.93%	\$ 671,778	\$ 6,089	12.81%	\$ 481,065
Room Departmental Expenses	\$ 15,871	24.18%	\$ 2,348,931	\$ 11,486	14.92%	\$ 1,699,908	\$ 12,467	24.02%	\$ 1,807,683	\$ 10,438	21.95%	\$ 824,580
Maintenance and Repairs	\$ 2,654	4.04%	\$ 392,840	\$ 2,829	3.68%	\$ 418,735	\$ 2,244	4.32%	\$ 325,354	\$ 1,620	3.41%	\$ 128,014
Food & Beverages	\$ 111	0.17%	\$ 16,486	\$ 0	0.00%	\$ 0	\$ 7	0.00%	\$ -	\$ -	0.00%	\$ -
Management Fee	\$ 2,625	4.00%	\$ 388,506	\$ 2,824	3.67%	\$ 418,013	\$ 2,076	4.00%	\$ 301,001	\$ 1,893	3.98%	\$ 149,559
Payroll	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -
Utilities Total	\$ 1,705	2.60%	\$ 252,290	\$ 3,435	4.46%	\$ 508,315	\$ 2,839	5.47%	\$ 411,727	\$ 2,550	5.36%	\$ 201,439
Property & Liability Ins.	\$ 1,308	1.99%	\$ 193,645	\$ 646	0.84%	\$ 95,560	\$ 673	1.30%	\$ 97,645	\$ 429	0.90%	\$ 33,880
Other Expenses	\$ -	0.00%	\$ -	\$ 6,490	8.43%	\$ 960,551	\$ -	0.00%	\$ -	\$ 1,790	3.77%	\$ 141,443
Real Estate and Other Taxes	\$ 969	1.48%	\$ 143,443	\$ 1,840	2.39%	\$ 272,261	\$ 2,514	4.84%	\$ 364,516	\$ 888	1.87%	\$ 70,149
Replacement Reserves	\$ 2,622	4.00%	\$ 388,056	\$ -	0.00%	\$ -	\$ 2,076	4.00%	\$ 301,001	\$ -	0.00%	\$ -
Total Operating Expenses	\$ 44,955	68.50%	\$ 6,653,319	\$ 44,426	57.73%	\$ 6,575,021	\$ 35,510	68.42%	\$ 5,148,977	\$ 30,672	64.51%	\$ 2,423,089

Comparison with the Subject's historical expenses in each category and comparables was performed. There are some inconsistencies with comparables' reporting versus the Subject's historical operations such as payroll expense is not separately identified within the comparables, and we anticipate the expense is incorporated into room department expenses.

The individual line items of the expense estimates are based upon an analysis on a line-by-line basis of historical expenses incurred by the Subject and comparison with the comparables. The analysis on a percentage of total revenues provides the best basis of comparison and is presented following.

Administration

This expense typically includes auditing expenses, legal expenses, advertising, office supplies, etc. The table below illustrates the historical administration expense at the Subject property and comparables. The table also illustrates our conclusion for administration expense. Weight is placed upon recent historical experience and market comparison. The conclusion utilized is illustrated in the table below.

Administration			
Property	Min	Max	Average
Subject Historical Range	1.58%	3.84%	2.88%
Hotel Expense Comp Range	6.40%	7.90%	7.17%
Conclusion			
Forecast	3.75%		

Bank Charges and Credit Card Fees

Bank charges and credit card fees expenses are not separately reported in the comparables. . The table below illustrates the credit card fees at the Subject property. Bank fees are not separately reported with the exception of 2021 data. Weight is placed upon recent historical operation. The conclusion utilized is illustrated in the table below.

Bank Charges & Credit Card Fees			
Property	Min	Max	Average
Subject Historical Range	1.48%	2.55%	1.99%
Hotel Expense Comp Range	0.00%	0.00%	0.00%
Conclusion			
Forecast	2.00%		

Sales and Marketing Expense

The table below illustrates the sales and marketing expenses at the Subject property and comparables. Weight is placed upon recent historical operation. The conclusion utilized is illustrated in the table below.

Sales & Marketing			
Property	Min	Max	Average
Subject Historical Range	3.41%	4.81%	3.93%
Hotel Expense Comp Range	2.57%	6.64%	4.51%
Conclusion			
Forecast	4.50%		

Commissions and Flag Royalties

The table below illustrates the Commissions and Flag Royalties expenses at the Subject property and comparables. Weight is placed upon recent historical operation. The conclusion utilized is illustrated in the table below.

Commissions & Flag Royalties			
Property	Min	Max	Average
Subject Historical Range	0.00%	4.60%	1.53%
Hotel Expense Comp Range	5.65%	12.81%	9.76%
Conclusion			
Forecast	4.75%		

Rooms Departmental Expenses

The table below illustrates the Rooms departmental expenses at the Subject property and comparables. We anticipate an amount of payroll expense is included in the comparables reporting, and therefore weight is placed upon historical operation. The conclusion utilized is illustrated in the table below.

Room Departmental Expenses			
Property	Min	Max	Average
Subject Historical Range	1.04%	1.24%	1.15%
Hotel Expense Comp Range	14.92%	24.18%	21.27%
Conclusion			
Forecast	1.15%		

Maintenance and Repairs

Repairs and maintenance expenses vary dramatically depending upon the age, location, and type of project developed. The table below illustrates the maintenance and repairs expense at the Subject property and comparables. Weight is placed upon recent historical operation. The conclusion utilized is illustrated in the table below.

Maintenance and Repairs			
Property	Min	Max	Average
Subject Historical Range	2.36%	2.71%	2.48%
Hotel Expense Comp Range	3.41%	4.32%	3.86%
Conclusion			
Forecast	2.50%		

Management Fee

Capable management is usually required to maintain strong occupancy levels. The industry average for management expenses range between three and six percent of effective gross income. The table below illustrates the management fee expense at the Subject property and comparables. Management fee is only reported in 2021 data. Weight is placed upon the Subject's historical data. The conclusion utilized is illustrated in the table below.

Management			
Property	Min	Max	Average
Subject Historical Range	0.00%	4.78%	1.59%
Hotel Expense Comp Range	3.67%	4.00%	3.91%
Conclusion			
Forecast	5.00%		

Payroll

Expenses for payroll include maintenance and repairs payroll as well as site management payroll and the taxes and benefits associated with the staff. The table below illustrates the payroll expense at the Subject property and comparable properties. The comparable data does not present line item payroll and weight is placed upon historical experience. The conclusion utilized is illustrated in the table below.

Payroll			
Property	Min	Max	Average
Subject Historical Range	13.64%	15.67%	14.79%
Hotel Expense Comp Range	0.00%	0.00%	0.00%
Conclusion			
Forecast	15.00%		

Utilities

The table below illustrates the utilities expense at the Subject property and comparables. However, it should be noted that utilities vary from property to property. Weight has been placed on the Subject's historical operation. The conclusion utilized is illustrated in the table below.

Utilities			
Property	Min	Max	Average
Subject Historical Range	5.09%	5.62%	5.38%
Hotel Expense Comp Range	2.60%	5.47%	4.47%
Conclusion			
Forecast	5.50%		

Property Insurance

The table below illustrates the property and liability insurance expense at the Subject property and comparables. The Subject's historical data includes additional insurance expenses such as liability insurance. The conclusion utilized is illustrated in the table below, which is in-line with the historicals.

Property & Liability Ins.			
Property	Min	Max	Average
Subject Historical Range	1.00%	1.50%	1.19%
Hotel Expense Comp Range	0.84%	1.99%	1.26%
Conclusion			
Forecast	1.50%		

Property Taxes

Real Estate taxes are calculated based upon reassessment using the current tax rate of 1.25509 per \$100 of indicated value. Taxes vary greatly by property due to California assessment practices wherein property assessments are limited to two percent annual increase with the exception of upon transfer, reassessment at market value is performed.

Real Estate and Other Taxes			
Property	Min	Max	Average
Subject Historical Range	4.69%	4.87%	4.78%
Hotel Expense Comp Range	1.48%	4.84%	2.64%
Conclusion			
Forecast	6.45%		

Reserves & Replacements

The Subject and the comparables do not identify replacement reserves. This is also within the improved sales presented later in this report. Therefore reserves are reflected in the selection of overall rate.

Summary of Operating Expenses

Following is the operating expenses forecast Summary.

Operating Expenses	Per Room	Percent of Total	
		Revenue	Total
Administration	\$1,250	3.75%	\$206,327
Bank Charges & Credit Card Fees	\$667	2.00%	\$110,041
Sales & Marketing	\$1,501	4.50%	\$247,592
Commissions Flag & Royalties	\$1,584	4.75%	\$261,347
Room Expenses	\$383	1.15%	\$63,274
Maintenance and Repairs	\$834	2.50%	\$137,551
Food & Beverages	\$200	0.60%	\$33,012
Management Fee	\$1,667	5.00%	\$275,102
Payroll	\$5,002	15.00%	\$825,307
Utilities Total	\$1,834	5.50%	\$302,612
Property & Liability Ins.	\$500	1.50%	\$82,531
Real Estate and Other Taxes	\$2,152	6.45%	\$355,000
Replacement Reserves	\$0	0.00%	\$0
Total Operating Expenses	\$17,574	52.70%	\$2,899,696

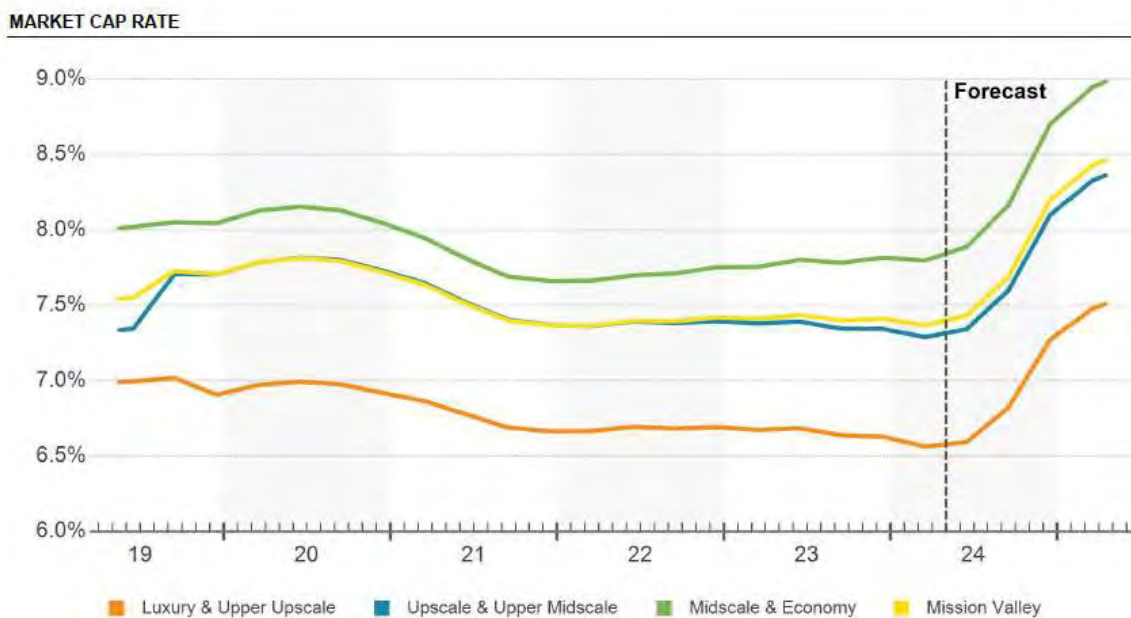
The Subject's overall operating expenses historically have ranged from 38.04 to 45.52 percent. Comparable properties operating expenses ranged from 57.73 to 68.50 percent, and average 64.79 percent. The forecast conclusion is 57.70 percent, and is within the range of comparables and slightly lower than the historicals.

DIRECT CAPITALIZATION

To quantify the income potential of the Subject, a direct capitalization of a forecast cash flow is employed. In this analytical method, we estimate the present values of future cash flow expectations by applying the appropriate overall capitalization rate to the forecast net operating income. In order to estimate the appropriate capitalization rate, we relied upon several methods, discussed below.

CAPITALIZATION RATE SELECTION

Costar data for the Subject’s submarket is shown following with midscale properties within 7.8% to 8.1%. The Costar data forecast reflects increasing overall rates due primarily to increases in interest rates and availability of financing.



PWC Real Estate Investor Survey

The Price Waterhouse Coopers Real Estate Investor Survey tracks capitalization rates utilized by national investors in commercial and multifamily real estate. The following summarizes the information for the national lodging market first quarter 2024:

“After an additional increase to the federal funds rate and the lingering threat of a near-term recession, overall cap rates have noticeably increased in most property sectors both on a quarterly and year-over-year basis.”

National Limited-Service Midscale & Economy Lodging Segment First Quarter 2024

	CURRENT	LAST QUARTER	1 YEAR AGO	1Q 2021	1Q 2019
OVERALL CAP RATE (OAR)*					
Range	9.00% – 12.00%	9.00% – 12.00%	8.00% – 11.50%	7.00% – 11.00%	7.50% – 11.00%
Average	10.38%	10.38%	9.65%	9.18%	9.05%
Change (Basis Points)		0	+ 73	+ 120	+ 133

Overall rates from Sales 2, 3, and 4 indicate a range from 7.14 to 11.34 percent, and portfolio overall rate from Sales 3 and 4 equates to 9.54 percent. The Sales do not include reserves in the overall rates.

Due to the rising interest rates and inflation, paired with the decelerating price growth, upward pressure has been put on market capitalization rates. An overall rate conclusion of 8.50% is considered reasonable and market oriented.

Following is a summary of the forecast income, expenses, and indicated value.

Hotel Income Capitalization			
Number of Rooms			165
Available Room Nights			60,225
Occupied Room Nights			45,168
Occupancy			75.00%
ADR			\$115.00
	Per Room	Percent of Total	Total
Net Rooms Revenue	\$31,481	94.41%	\$5,194,320
Other Rooms Revenue	\$565	1.69%	\$93,225
Other Revenue	\$1,300	3.90%	\$214,500
Total Revenues			\$5,502,045
	Per Room	Percent of Total	Total
Operating Expenses			
Administration	\$1,250	3.75%	\$ 206,327
Bank Charges & Credit Card Fees	\$667	2.00%	\$ 110,041
Sales & Marketing	\$1,501	4.50%	\$ 247,592
Commissions Flag & Royalties	\$1,584	4.75%	\$ 261,347
Room Departmental Expenses	\$383	1.15%	\$ 63,274
Maintenance and Repairs	\$834	2.50%	\$ 137,551
Food & Beverages	\$200	0.60%	\$ 33,012
Management Fee	\$1,667	5.00%	\$ 275,102
Payroll	\$5,002	15.00%	\$ 825,307
Utilities	\$1,834	5.50%	\$ 302,612
Property & Liability Ins.	\$500	1.50%	\$ 82,531
Real Estate and Other Taxes	\$2,152	6.45%	\$ 355,000
Replacement Reserves	\$0	0.00%	
Total Operating Expenses	\$17,574	52.70%	\$ 2,899,696
Net Operating Income			\$2,602,349
Capitalization Rate			8.50%
Indicated Value			\$30,615,873
Rounded			\$30,620,000

**INCOME CAPITALIZATION APPROACH MARKET RATE
MULTIFAMILY USE**

INTRODUCTION

The Income Capitalization Approach to value is based upon the premise that the value of an income-producing property is largely determined by the ability of the property to produce future economic benefits. The value of such a property to the prudent investor lies in anticipated annual cash flows and an eventual sale of the property. An estimate of the property's market value is derived via the capitalization of these future income streams.

It is important to note that the projections of income and expenses are based on the basic assumption that the apartment building will be managed and staffed by competent personnel and that the property will be professionally advertised and aggressively promoted.

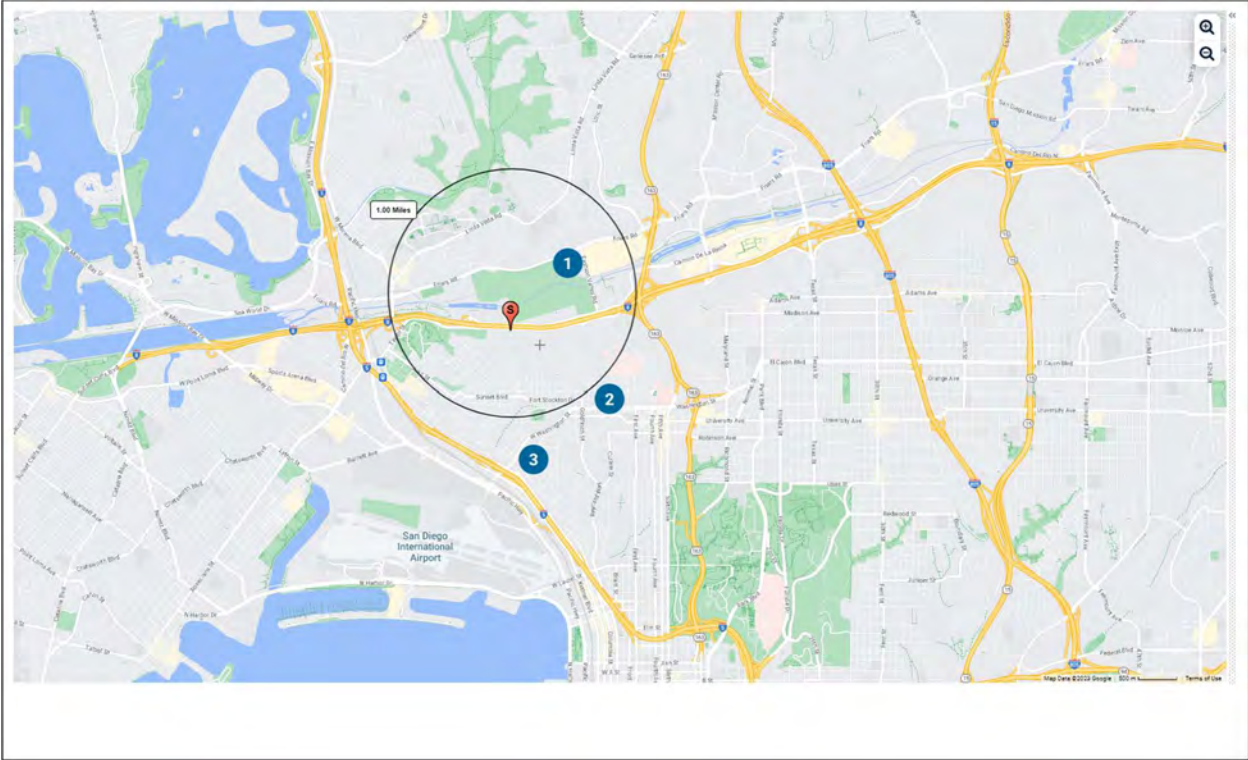
ECONOMIC RENT ANALYSIS

We performed a competitive rental analysis of the local market within the market study prepared for the Subject. Analysis of the comparable properties is included in this section.

Unit sizes are reported on a net basis for comparable properties, which is the typical basis reported within the apartment industry. Additionally, unit size may not be reflective of the appeal of the unit; an example being two apartments with differing floor plans wherein the smaller size unit may appear to be larger to the observer due to floor plan layout and lighting. In some cases where multiple floor plans were available for identical unit sizes, an average unit size and rent was applied.

Following is a summary of the comparables, corresponding map and individual rent comparable data sheets for the comparables used in our analysis.

Rent Comparables Map



Comparable Properties					
Comp #	Comparable Name	Street Address	City, State	Rent Structure	Proximity from Subject (miles)
1	Centre Pointe Apartments	6466 - 6596 Friars Road	San Diego, CA	Market	0.57 miles
2	Antone Apartments	4052 1/2 Brant Street	San Diego, CA	Market	1.02 miles
3	Overlook Point Apartments	1616 Guy Street	San Diego, CA	Market	1.07 miles

Rent Survey Summary										
No.	Project/ Proximity	Type/ Yr. Built	Market/ Subsidy	Bed/ Bath/AMI Level	Size (SF)	Units	Rent (Ask)	Price Per Square Foot	Units Vacant	Vacancy Rate
1	Centre Pointe Apartments 6466 - 6596 Friars Road San Diego, CA 0.57 miles	Garden (2 story) 1974	Market	Studio/1.0	400	80	\$2,254	\$5.64	0	0.0%
				1/1.0	630	120	\$2,550	\$4.05	4	3.3%
				2/2.0	900	24	\$3,379	\$3.75	0	0.0%
				Total		224			4	1.8%
2	Antone Apartments 4052 1/2 Brant Street San Diego, CA 1.02 miles	Garden (2 story) 1963	Market	Studio/1.0	425	2	\$1,825	\$4.29	0	0.0%
				1/1.0	580	26	\$2,275	\$3.92	2	7.7%
				2/1.0	825	20	\$2,450	\$2.97	0	0.0%
				2/2.0	1,000	19	\$2,900	\$2.90	1	5.3%
Total		67			3	4.5%				
3	Overlook Point Apartments 1616 Guy Street San Diego, CA 1.07 miles	Garden (2 story) 1963	Market	Studio/1.0	320	104	\$1,735	\$5.42	3	2.9%
				1/1.0	380	17	\$1,825	\$4.80	0	0.0%
				Total		121			3	2.5%

Comparable #1

Survey Date: 5/17/24

Property Name Centre Pointe Apartments
 Street 6466 - 6596 Friars Road
 City, State San Diego, CA
 County San Diego
 Phone Number 619-432-4098
 Contact Name Jordan
 Type Multifamily
 ("M"arket/"L"ow Income) Market
 Proximity 0.57 miles
 Structure Garden (2 story)
 HCV Tenants Yes - NA
 Yearly Turnover % 10%
 Leasing Pace Preleased to two weeks
 Waiting List None
 Concessions None
 Change in Rent Fluctuates
 Year Built/Renovated 1974
 Comp ID Number 17823



Property Description:

Bed/Bath	Area (SF)	Units	Rent	Concession (monthly)	Vacant Units	Vacancy Rate
Studio/1.0	400	80	\$2,254	\$0	0	0.0%
1/1.0	630	120	\$2,550	\$0	4	3.3%
2/2.0	900	24	\$3,379	\$0	0	0.0%
Total Units		224			4	1.8%

Utilities:

	Who Pays Utility?	Gas/Electric G=Gas E=Electric
Other Electric	T	E
Heat	T	E
Water Heat	T	E
Cooking	T	E
Water	L	
Sewer	L	
Trash	L	

Unit Amenities:

Central Heat/Cool	<input checked="" type="checkbox"/>
Blinds	<input checked="" type="checkbox"/>
Carpet	<input checked="" type="checkbox"/>
Ceiling Fan	<input type="checkbox"/>
Skylight	<input type="checkbox"/>
Storage Closet	<input type="checkbox"/>
Coat Closet	<input checked="" type="checkbox"/>
Walk-In Closet	<input type="checkbox"/>
Fireplace	<input type="checkbox"/>
Patio/Balcony	<input checked="" type="checkbox"/>

Appliances:

Refrigerator	<input checked="" type="checkbox"/>
Stove/Oven	<input checked="" type="checkbox"/>
Dishwasher	<input checked="" type="checkbox"/>
Garbage Disposal	<input checked="" type="checkbox"/>
Microwave	<input checked="" type="checkbox"/>
Washer/Dryer	<input type="checkbox"/>
Washer/Dryer Hook-up	<input type="checkbox"/>

Property Amenities:

Community Room	<input checked="" type="checkbox"/>
Swimming Pool	<input checked="" type="checkbox"/>
Spa/Jacuzzi	<input checked="" type="checkbox"/>
Exercise Room	<input checked="" type="checkbox"/>
Picnic Area	<input checked="" type="checkbox"/>
Playground	<input type="checkbox"/>
Tennis Court	<input checked="" type="checkbox"/>
Basketball Court	<input type="checkbox"/>
Volleyball Court	<input type="checkbox"/>
On-Site Manager	<input checked="" type="checkbox"/>
Laundry Room	<input checked="" type="checkbox"/>
Computer Room	<input type="checkbox"/>
Business Center	<input type="checkbox"/>
Car Wash Area	<input type="checkbox"/>
Additional Services*	<input checked="" type="checkbox"/>
Elevator ("Y"es or "N"o)	<input type="checkbox"/>

Parking:

Surface Parking	<input checked="" type="checkbox"/>
Carport	<input type="checkbox"/>
Underground	<input type="checkbox"/>
Detached Garage	<input type="checkbox"/>
Attached Garage	<input type="checkbox"/>
Tuck-under Garage	<input type="checkbox"/>
Parking Garage	<input type="checkbox"/>

Security :

Gated/Controlled Access/Intercom	<input type="checkbox"/>
Courtesy Patrol	<input checked="" type="checkbox"/>
Surveillance Cameras	<input type="checkbox"/>

*See Notes

Notes:

Additional services include a dog park. Management indicated units have been remodeled and/or updated on an as-needed basis throughout the years as they have turned over. Based on this information as well as photographs of unit interiors obtained online, an effective year built of 2005 is estimated for this property. Property image is from Google.

Comparable #2

Survey Date: 5/14/24

Property Name Antone Apartments
 Street 4052 1/2 Brant Street
 City, State San Diego, CA
 County San Diego
 Phone Number 619-823-0455
 Contact Name Collette
 Type Multifamily
 ("M"arket/"L"ow Income) Market
 Proximity 1.02 miles
 Structure Garden (2 story)
 HCV Tenants None
 Yearly Turnover % 20%
 Leasing Pace One to two weeks
 Waiting List None
 Concessions None
 Change in Rent Fluctuates
 Year Built/Renovated 1963
 Comp ID Number 17822



Property Description:

Bed/Bath	Area (SF)	Units	Rent	Concession (monthly)	Vacant Units	Vacancy Rate
Studio/1.0	425	2	\$1,825	\$0	0	0.0%
1/1.0	580	26	\$2,275	\$0	2	7.7%
2/1.0	825	20	\$2,450	\$0	0	0.0%
2/2.0	1,000	19	\$2,900	\$0	1	5.3%
Total Units		67			3	4.5%

Utilities:

	Who Pays	Gas/Electric
	Utility?	G=Gas E=Electric
Other Electric	T	E
Heat	T	E
Water Heat	T	E
Cooking	T	E
Water	L	
Sewer	L	
Trash	L	

Unit Amenities:

Central Heat/Cool	<input checked="" type="checkbox"/>
Blinds	<input checked="" type="checkbox"/>
Carpet	<input checked="" type="checkbox"/>
Ceiling Fan	<input checked="" type="checkbox"/>
Skylight	<input type="checkbox"/>
Storage Closet	<input type="checkbox"/>
Coat Closet	<input checked="" type="checkbox"/>
Walk-In Closet	<input type="checkbox"/>
Fireplace	<input type="checkbox"/>
Patio/Balcony	<input checked="" type="checkbox"/>

Appliances:

Refrigerator	<input checked="" type="checkbox"/>
Stove/Oven	<input checked="" type="checkbox"/>
Dishwasher	<input checked="" type="checkbox"/>
Garbage Disposal	<input checked="" type="checkbox"/>
Microwave*	<input type="checkbox"/>
Washer/Dryer	<input type="checkbox"/>
Washer/Dryer Hook-up	<input type="checkbox"/>

Property Amenities:

Community Room	<input type="checkbox"/>
Swimming Pool	<input checked="" type="checkbox"/>
Spa/Jacuzzi	<input type="checkbox"/>
Exercise Room	<input type="checkbox"/>
Picnic Area	<input type="checkbox"/>
Playground	<input type="checkbox"/>
Tennis Court	<input type="checkbox"/>
Basketball Court	<input type="checkbox"/>
Volleyball Court	<input type="checkbox"/>
On-Site Manager	<input checked="" type="checkbox"/>
Laundry Room	<input checked="" type="checkbox"/>
Computer Room	<input type="checkbox"/>
Business Center	<input type="checkbox"/>
Car Wash Area	<input type="checkbox"/>
Additional Services	<input type="checkbox"/>
Elevator ("Y"es or "N"o)	<input type="checkbox"/>

Parking:

Surface Parking*	<input checked="" type="checkbox"/>
Carport	<input type="checkbox"/>
Underground	<input type="checkbox"/>
Detached Garage	<input type="checkbox"/>
Attached Garage	<input type="checkbox"/>
Tuck-under Garage	<input type="checkbox"/>
Parking Garage	<input type="checkbox"/>

Security :

Gated/Controlled Access/Intercom	<input type="checkbox"/>
Courtesy Patrol	<input type="checkbox"/>
Surveillance Cameras	<input type="checkbox"/>

*See Notes

Notes:

Additional surface parking is \$50 a month. Microwaves are in select units. Management indicated units have been remodeled and/or updated on an as-needed basis throughout the years as they have turned over. Based on this information as well as photographs of unit interiors obtained online, an effective year built of 2000 is estimated for this property. Property image is from the property website.

Comparable #3 **Survey Date: 5/17/24**

Property Name: Overlook Point Apartments
 Street: 1616 Guy Street
 City, State: San Diego, CA
 County: San Diego
 Phone Number: 619-298-6242
 Contact Name: Mo
 Type: Multifamily
 ("M"arket/"L"ow Income): Market
 Proximity: 1.07 miles
 Structure: Garden (2 story)
 HCV Tenants: Yes - NA
 Yearly Turnover %: 20%
 Leasing Pace: One to two weeks
 Waiting List: None
 Concessions: None
 Change in Rent: Increased \$75 in 2024
 Year Built/Renovated: 1963
 Comp ID Number: 17825



Property Description:

Bed/Bath	Area (SF)	Units	Rent	Concession (monthly)	Vacant Units	Vacancy Rate
Studio/1.0	320	104	\$1,735	\$0	3	2.9%
1/1.0	380	17	\$1,825	\$0	0	0.0%
Total Units		121			3	2.5%

Utilities:

	Who Pays Utility?	Gas/Electric
		G=Gas E=Electric
Other Electric	T	E
Heat	T	E
Water Heat	T	G
Cooking	T	G
Water	L	
Sewer	L	
Trash	L	

Unit Amenities:

Central Heat/Cool	<input type="checkbox"/>
Blinds	<input checked="" type="checkbox"/>
Carpet	<input checked="" type="checkbox"/>
Ceiling Fan	<input type="checkbox"/>
Skylight	<input type="checkbox"/>
Storage Closet	<input type="checkbox"/>
Coat Closet	<input checked="" type="checkbox"/>
Walk-In Closet	<input type="checkbox"/>
Fireplace	<input type="checkbox"/>
Patio/Balcony	<input type="checkbox"/>

Appliances:

Refrigerator	<input checked="" type="checkbox"/>
Stove/Oven	<input checked="" type="checkbox"/>
Dishwasher	<input type="checkbox"/>
Garbage Disposal	<input checked="" type="checkbox"/>
Microwave	<input type="checkbox"/>
Washer/Dryer	<input type="checkbox"/>
Washer/Dryer Hook-up	<input type="checkbox"/>

Property Amenities:

Community Room	<input type="checkbox"/>
Swimming Pool	<input checked="" type="checkbox"/>
Spa/Jacuzzi	<input type="checkbox"/>
Exercise Room	<input type="checkbox"/>
Picnic Area	<input type="checkbox"/>
Playground	<input type="checkbox"/>
Tennis Court	<input type="checkbox"/>
Basketball Court	<input type="checkbox"/>
Volleyball Court	<input type="checkbox"/>
On-Site Manager	<input checked="" type="checkbox"/>
Laundry Room	<input checked="" type="checkbox"/>
Computer Room	<input type="checkbox"/>
Business Center	<input type="checkbox"/>
Car Wash Area	<input type="checkbox"/>
Additional Services	<input type="checkbox"/>
Elevator ("Y"es or "N"o)	<input type="checkbox"/> N

Parking:

Surface Parking	<input checked="" type="checkbox"/>
Carport	<input type="checkbox"/>
Underground	<input type="checkbox"/>
Detached Garage	<input type="checkbox"/>
Attached Garage	<input type="checkbox"/>
Tuck-under Garage	<input type="checkbox"/>
Parking Garage	<input type="checkbox"/>

Security :

Gated/Controlled Access/Intercom	<input type="checkbox"/>
Courtesy Patrol	<input checked="" type="checkbox"/>
Surveillance Cameras	<input type="checkbox"/>

Notes:

Management indicated units have been remodeled and/or updated on an as-needed basis throughout the years as they have turned over. Based on this information as well as photographs of unit interiors obtained online, an effective year built of 2000 is estimated for this property. Property image is from Apartments.com.

Rent Adjustment Table For Multifamily Projects		
Characteristics	Adjustment	Comment
	Base BR	
Elevator (Yes/No)	\$10	
Tenant Paid Utilities		
Electricity	From U.A.	Use amount from the utility allowance schedule
Heat	From U.A.	Use amount from the utility allowance schedule
Hot Water	From U.A.	Use amount from the utility allowance schedule
Cooking-Power	From U.A.	Use amount from the utility allowance schedule
TV	From U.A.	Use amount from the utility allowance schedule
Water/Sewer/Trash	From U.A.	Use amount from the utility allowance schedule
Sewer	From U.A.	Use amount from the utility allowance schedule
Trash	From U.A.	Use amount from the utility allowance schedule
Unit Amenities		
Central Heat/Cool	\$20	Central VS Wall \$10
Blinds	\$5	
Carpet	\$10	
Ceiling Fan	\$5	
Skylight/Vaulted Cielings	\$10	
Storage Closet	\$5	
Coat Closet	\$0	
Walk-In Closet	\$5	
Fireplace	\$5	
Patio/Balcony	\$5	
Apliances		
Refrigerator	\$20	
Stove/Oven	\$20	
Dishwasher	\$10	
Garbage Disposal	\$0	
Microwave	\$5	
Washer/Dryer	\$50	
Washer/Dryer Connection	\$25	
Parking/Transportation		
Surface Parking	\$20	Compare to off-site parking
Carport	\$30	
Underground Parking	\$40	
Detached Garage	\$60	
Attached Garage	\$60	
Tuck-Under Garage	\$30	
Parking Garage	\$60	
Project Amenities		
Clubhouse/Community Room	\$10	
Swimming Pool	\$10	
Spa/Jacuzzi	\$5	
Exercise Room	\$10	
Picnic Area	\$5	
Tot Lot/Playground	\$5	
Tennis Court	\$5	
Basketball Court	\$5	
Volleyball Court	\$5	
On-Site Manager	\$10	
Laundry Room	\$10	
Computer Room	\$10	
Business Center	\$10	
Car Wash Area	\$5	
Security		
Gated	\$5	
Courtesy Patrol	\$5	
Emergency Pull Cords	\$10	
Intercomm	\$5	
Surveillance Cameras	\$5	

TCAC Adjustments Matrix: MKT Studio		Centre Pointe Apartments		Antone Apartments		Overlook Point Apartments	
	Subject Highest Rent	6466 - 6596 Friars Road		4052 1/2 Brant Street		1616 Guy Street	
		San Diego, CA		San Diego, CA		San Diego, CA	
Prepared by: Kinetic Valuation Group		619-432-4098		619-823-0455		619-298-6242	
	Char	Char	Adj	Char	Adj	Char	Adj
Type ("M"arket, "L"ow Income)	L	M		M		M	
Distance in Miles from Subject		0.57 miles		1.02 miles		1.07 miles	
Number of Units		80		2		104	
Vacancy Rate		0.0%		0.0%		2.9%	
Unit Size in SF	320	400		425		320	
Base Rent		\$2,254		\$1,825		\$1,735	
# of stories	3	2		2		2	
Elevator ("Y"es or "N"o)	Y	N	\$10	N	\$10	N	\$10
# of Bedrooms	0	0		0		0	
# of Bathrooms	1	1		1		1	
Unit Size Adjustment	320	400	(\$113)	425	(\$113)	320	\$0
Rent Concessions		None		None		None	
Age (built or last renovated) Quality	1999/2025	1974	\$20	1963	\$50	1963	\$50
Location	Average	Similar		Similar		Similar	
Utilities Paid by Tenant							
Electricity	L	T	\$40	T	\$40	T	\$40
Heat ("G"as or "E"lectric)	L/E	T/E	\$18	T/E	\$18	T/E	\$18
Hot Water (G or E)	L/G	T/E	\$9	T/E	\$9	T/G	\$9
Cooking (G or E)	L/E	T/E	\$11	T/E	\$11	T/G	\$11
TV ("C"able or "S"atellite)	T	T		T		T	
Water	L	L		L		L	
Sewer	L	L		L		L	
Trash	L	L		L		L	
Unit Amenities							
Central Heat/Cool	✓	✓		Wall	\$10	□	\$20
Blinds	✓	✓		✓		✓	
Carpet	✓	✓		✓		✓	
Ceiling Fan	□	□		✓	(\$5)	□	
Skylight	□	□		□		□	
Storage Closet	□	□		□		□	
Coat Closet	✓	✓		✓		✓	
Walk-In Closet	□	□		□		□	
Fireplace	□	□		□		□	
Patio/Balcony	□	✓	(\$5)	✓	(\$5)	□	
Appliances							
Refrigerator	✓	✓		✓		✓	
Stove/Oven	Stovetop	✓	(\$10)	✓	(\$10)	✓	(\$10)
Dishwasher	□	✓	(\$10)	✓	(\$10)	□	
Garbage Disposal	□	✓	\$0	✓	\$0	✓	\$0
Microwave	✓	✓		□	\$5	□	\$5
Washer/Dryer	□	□		□		□	
Washer/Dryer Hook-ups	□	□		□		□	
Parking/Transportation							
Surface Parking	✓	✓		✓		✓	
Carport	□	□		□		□	
Underground Parking	□	□		□		□	
Detached Garage	□	□		□		□	
Attached Garage	□	□		□		□	
Tuck-under Garage	□	□		□		□	
Parking Garage	□	□		□		□	
Project Amenities							
Clubhouse/Community Room	□	✓	(\$10)	□		□	
Swimming Pool	□	✓	(\$10)	✓	(\$10)	✓	(\$10)
Spa/Jacuzzi	□	✓	(\$5)	□		□	
Exercise Room	□	✓	(\$10)	□		□	
Picnic Area	✓	✓		□	\$5	□	\$5
Tot Lot/Playground	□	□		□		□	
Tennis Court	□	✓	(\$5)	□		□	
Basketball Court	□	□		□		□	
Volleyball Court	□	□		□		□	
On Site Manager	✓	✓		✓		✓	
Laundry Room	✓	✓		✓		✓	
Computer Room	□	□		□		□	
Business Center	□	□		□		□	
Car Wash Area	□	□		□		□	
Security							
Gated	✓	□	\$5	□	\$5	□	\$5
Courtesy Patrol	□	✓	(\$5)	□		✓	(\$5)
Surveillance Camera	✓	□	\$5	□	\$5	□	\$5
Adjusted Rent			\$2,189		\$1,840		\$1,888

MARKET CHARACTERISTICS

Following are relevant market characteristics of comparable properties surveyed:

Age & Condition

The Subject is the proposed conversion of a 165-room Extended Stay America hotel to market rate multifamily. The cost of the renovation is estimated at \$20,000 per unit. The estimated effective year built of the Subject will be 2009.

The market rate comparable properties were built between 1963 and 1974. Based on information obtained from property management and/or online photographs regarding the date and extent of the renovations, an effective year built was estimated for each property.

All of the adjustments applied to the comparables are based on approximately \$5.00 per year difference between the Subject’s estimated effective year built post-conversion (2009) and the effective year built of the comparables; rounding to the nearest \$10 increment was applied. This is a conservative adjustment based on pairing analyses between more recently constructed properties and properties of older vintage located within the region. The table below outlines the adjustments applied to each comparable.

Age & Condition Adjustment				
Comparable	Property Name	Year Built	Effective Year Built	Adjustment
Subject	Extended Stay America-Hotel Circle	1999/2025	2009	-
1	Centre Pointe Apartments	1974	2005	\$20
2	Antone Apartments	1963	2000	\$50
3	Overlook Point Apartments	1963	2000	\$50

Location

All of the market comparables are within similar neighborhood areas; as such no location adjustments were necessary.

Unit Mix

The unit mix for the Subject and comparable properties summation are shown in the following table. The Subject will have studio units.

Unit Mix				
Unit Type	Total Units (Subject)	Percent (Subject)	Total Units (Comps)	Percent (Comps)
Studio	165	100.0%	186	45.1%
1 BR	0	0.0%	163	39.6%
2 BR	0	0.0%	63	15.3%
Total	165	100.0%	412	100.0%

Turnover

The table below illustrates the turnover rates at each comparable.

Turnover			
Comp #	Property Name	Rent Structure	Turnover
1	Centre Pointe Apartments	Market	10%
2	Antone Apartments	Market	20%
3	Overlook Point Apartments	Market	20%
Average Turnover			13%

The comparable properties in the PMA indicate a turnover range from 10 percent to 20 percent with an average turnover of 13 percent. Given the turnover rate in the market, the Subject's unit mix and target market, assuming competent management, turnover is anticipated to be minimal at the Average turnover at the Subject should be 20 percent or less, annually.

Utility Structure

Tenants at the Subject will not be responsible for any utilities. The landlord will cover all electric and gas expenses, which include gas water heating, and electric cooling, heating, cooking, and general electricity, as well as the cold water, sewer, and trash expenses. Adjustments were applied to market comparables with utility structures differing from that of the Subject. The adjustments were based upon the utility allowance schedule obtained from the San Diego Housing Commission (SDHC).

Tenants at Comparables 1, 2, and 3 are responsible for all electric and gas utilities; therefore, upward adjustments for electricity, heat, hot water, and cooking were applied to these comparables.

Vacancy

The charts below show overall vacancy rates, as well as vacancy by property and unit type, at the comparable properties included in the survey.

Vacancy					
Comp #	Property Name	Rent Structure	Total Units	Vacant Units	Vacancy Rate
1	Centre Pointe Apartments	Market	224	4	1.8%
2	Antone Apartments	Market	67	3	4.5%
3	Overlook Point Apartments	Market	121	3	2.5%
Average					2.4%

The comparable properties in the PMA indicate a vacancy range from 1.8 to 4.5 percent with an average vacancy rate of 2.4 percent. Taking the vacancy rates in the market into account, we expect the Subject to operate with a vacancy of five percent or less.

Leasing Pace

A quick leasing pace indicates a strong market with high occupancy and unmet demand. Properties that are preleased generally maintain waiting lists. The table below illustrates the leasing pace reported by each comparable property.

Leasing Pace			
Comp #	Property Name	Rent Structure	Leasing Pace
1	Centre Pointe Apartments	Market	Preleased to two weeks
2	Antone Apartments	Market	One to two weeks
3	Overlook Point Apartments	Market	One to two weeks

Leasing paces ranged from preleased to two weeks.

Rent History

Due to the high occurrence of management and/or management company turnover at comparable properties, a three-year rent history could not be obtained from comparable properties. The table below illustrates the change in rent at the comparables over the last year.

Rent History			
Comp #	Comparable Name	Rent Structure	Change in Rent
1	Centre Pointe Apartments	Market	Fluctuates
2	Antone Apartments	Market	Fluctuates
3	Overlook Point Apartments	Market	Increased \$75 in 2024

Market Rents

The achievable market rents were determined by comparing the aesthetic quality, amenities, unit sizes, etc. to that of the market rate projects in the area. We concluded that the Subject will be competitive with the market rate competition and achievable rents are within the market rental range. Achievable rents represent net market rate rent levels that we believe a project of the Subject's condition and quality could reasonably achieve.

Achievable Market Rents	
Unit Type	Market Rent
0BR/1BA	\$2,175

In conclusion of market rent, primary weight is given to Comparable 1, which is closest in proximity to the Subject and most similar in terms of age/condition. Secondary weight is given to Comparables 2 and 3.

Other Income

that will be generated from amenities. Such income can vary significantly from property to property, depending upon the project class, amenities offered, and whether or not management has elected to separate amenity charges from the basic apartment rates. In this instance, there are no known amenity charges to the basic rental rates. Therefore, other income includes such items as laundry and vending, NSF fees, forfeited deposits and credit report fees.

The below table illustrates the range of the market comparables and forecast. A conclusion toward the top end of the range was appropriate as only three comparables reported other income.

Other Income			
Property	Min	Max	Average
Market Expense Comp Range	\$1,110	\$1,832	\$1,411
Conclusion			
As Unrestricted	\$1,400		

Vacancy and Collection Loss

The chart below shows overall vacancy rates, as well as vacancy by property at the comparable properties included in the survey.

Vacancy					
Comp #	Property Name	Rent Structure	Total Units	Vacant Units	Vacancy Rate
1	Centre Pointe Apartments	Market	224	4	1.8%
2	Antone Apartments	Market	67	3	4.5%
3	Overlook Point Apartments	Market	121	3	2.5%
Average					2.4%

Vacancy at comparable properties ranges from zero to 1.8 percent and averages 4.5 percent. Taking into consideration typical losses due to concessions, bad debt or lack of collections, a stabilized vacancy and collection loss of five percent will be used. This will be deducted from potential gross income.

Operating Expenses

The Subject’s residential units are analyzed with the landlord responsible for advertising/administrative expenses, insurance, maintenance, common area utilities, property taxes, payroll, management fees, and reserves.

We have provided expense comparables from multifamily market rate properties within the region. It should be noted the expense comparables have been trended to 2024 based on three percent annual increase.

Market Rate Expense Comparables

Project	Conventional Property 1		Conventional Property 2		Conventional Property 3			Conventional Property 4	
	2022		2023		2020			2020	
Number of Units	108		224		72			122	
	Per Unit	Amount	Per Unit	Amount	Per Unit	Amount	Amount	Per Unit	Amount
Total Rental Income	\$ 22,317	\$ 2,410,207	\$ 36,660	\$ 8,211,811	\$ 27,405	\$ 1,761,732	\$ 1,973,140	\$ 24,077	\$ 2,937,435
Vacancy	\$ (1,824)	\$ (196,940)	\$ -	\$ -	\$ (2,113)	\$ (135,836)	\$ (152,136)	\$ (2,329)	\$ (284,187)
Other Income	\$ 1,832	\$ 197,807	\$ 1,318	\$ 295,186	\$ 1,110	\$ 71,367	\$ 79,931	\$ 1,386	\$ 169,094
Total Revenues	\$ 22,325	\$ 2,411,074	\$ 37,978	\$ 8,506,997	\$ 26,402	\$ 1,697,263	\$ 1,900,935	\$ 23,134	\$ 2,822,342
Operating Expenses	Per Unit	Total	Per Unit	Total	Per Unit	Total	Total	Per Unit	Total
Administration	\$ 992	\$ 107,159	\$ 1,720	\$ 385,367	\$ 1,373	\$ 88,284	\$ 98,878	\$ 1,277	\$ 155,764
Maintenance and Repairs	\$ 737	\$ 79,605	\$ 1,988	\$ 445,369	\$ 2,519	\$ 161,913	\$ 181,343	\$ 1,844	\$ 224,933
Management Fee	\$ 842	\$ 90,987	\$ 1,122	\$ 251,262	\$ 726	\$ 46,674	\$ 52,275	\$ 804	\$ 98,105
Payroll	\$ 1,540	\$ 166,367	\$ 3,394	\$ 760,250	\$ 2,257	\$ 145,123	\$ 162,538	\$ 3,577	\$ 436,438
Utilities Total	\$ 1,599	\$ 172,675	\$ 2,019	\$ 452,201	\$ 1,494	\$ 96,052	\$ 107,578	\$ 1,065	\$ 129,938
Property & Liability Ins.	\$ 487	\$ 52,607	\$ 581	\$ 130,136	\$ 219	\$ 14,073	\$ 15,762	\$ 214	\$ 26,134
Real Estate and Other Taxes	\$ 3,651	\$ 394,306	\$ 6,035	\$ 1,351,784	\$ 3,998	\$ 256,996	\$ 287,836	\$ 1,028	\$ 125,384
Replacement Reserves	\$ -	\$ -	\$ 265	\$ 59,295	\$ 336	\$ 21,600	\$ 24,192	\$ 319	\$ 38,959
Total Operating Expenses	\$ 9,849	\$ 1,063,706	\$ 17,124	\$ 3,835,665	\$ 12,922	\$ 830,715	\$ 930,401	\$ 10,128	\$ 1,235,655

Administration

The table below illustrates administration expense for the. The forecast is within the range of the comparables. Comparables 3 and 4 seem high; therefore, more weight was placed on the low end of the range.

Administration			
Property	Min	Max	Average
Market Expense Comp Range	\$992	\$1,720	\$1,341
Conclusion			
As Unrestricted	\$325		

Maintenance and Repairs

The table below illustrates maintenance and repairs expense forecast, and the market expense comparables. The forecast is within the range of comparables and reflect the planned updates. Comparables 2, 3, and 4 seem high; therefore, more weight was placed on the low end of the range.

Maintenance and Repairs			
Property	Min	Max	Average
Market Expense Comp Range	\$737	\$2,519	\$1,772
Conclusion			
As Unrestricted	\$900		

Management Fee

Capable management is usually required to maintain strong occupancy levels. The industry average for management expenses ranged between 3.0 to 8.0 percent of effective gross income. A conclusion of 3.0 percent is utilized which placed weight on the average of the comparables.

Management Fee			
Property	Min	Max	Average
Market Expense Comp Range	2.7%	3.8%	3.2%
Conclusion			
As Unrestricted	3.0%		

Payroll

The table below illustrates forecast payroll expense for the Subject and the market expense comparables. The forecast is within the range of the comparables. Comparables 2 and 4 seem high; therefore, more weight was placed on the low end of the range.

Payroll			
Property	Min	Max	Average
Market Expense Comp Range	\$1,540	\$3,577	\$2,692
Conclusion			
As Unrestricted	\$1,625		

Utilities

Tenants will not be responsible for any utilities. The landlord is responsible for all electrical expenses including lights, air conditioning, heating, hot water, and cooking, as well as cold water, sewer, and trash expenses. Because of the utility structure, weight was placed on the upper end of the range. The table below illustrates utilities expense for the Subject's forecast, and the market expenses comparables.

Utilities			
Property	Min	Max	Average
Market Expense Comp Range	\$1,065	\$2,019	\$1,544
Conclusion			
As Unrestricted	\$1,800		

Property Insurance

The table below illustrates insurance expense for the Subject's forecast, and the market expenses comparables. Comparable 2 seems high; therefore, more weight was placed on the low end of the range.

Property & Liability Insurance			
Property	Min	Max	Average
Market Expense Comp Range	\$214	\$581	\$375
Conclusion			
As Unrestricted	\$350		

Property Taxes

Real Estate taxes are calculated based upon reassessment using the current tax rate of 1.25509 per \$100 of indicated value. Taxes vary greatly by property due to California assessment practices wherein property assessments are limited to two percent annual increase with the exception of upon transfer, reassessment at market value is performed.

Real Estate and Other Taxes			
Property	Min	Max	Average
Market Expense Comp Range	\$1,028	\$6,035	\$3,678
Conclusion			
As Unrestricted	\$4,515		

Reserves & Replacements

Over the life of a property, the owner would likely have to replace some short-lived capital improvement items. The subject's improvements feature a number of short-lived items such as concrete and asphalt paving, mechanical systems, paint, flooring, etc. These items will eventually require replacement during a typical investment-holding period. Property owners typically do not set aside funds each year for the ultimate replacement of such short-lived items. However, since these items generally have a lesser economic life than the structure itself and are not subject to recovery under a typical maintenance budget, a reserve account should be considered. Under this methodology, the property owner deposits funds annually so that they earn interest and will ultimately be available to pay for the replacement of the short-lived items. This is also referred to as a sinking fund technique. This type of analysis models cash outflows for replacements as a level annuity. We utilized reserves of \$300 per unit.

Summary of Operating Expenses

The following table illustrates the operating expense estimates for the as unrestricted rents scenario:

As Unrestricted Operating Expenses		
Operating Expenses	Per Unit	Total Annual
Administration	\$325	\$53,625
Maintenance and Repairs	\$900	\$148,500
Management Fee	\$775	\$127,831
Payroll	\$1,625	\$268,125
Utilities	\$1,800	\$297,000
Property & Liability Insurance	\$350	\$57,750
Real Estate and Other Taxes	\$4,515	\$745,000
Replacement Reserves	\$300	\$49,500
Total Operating Expenses	\$10,590	\$1,747,331

DIRECT CAPITALIZATION

To quantify the income potential of the Subject, a direct capitalization of a forecast cash flow is employed. In this analytical method, we estimate the present values of future cash flow expectations by applying the appropriate overall capitalization rate to the forecast net operating income. In order to estimate the appropriate capitalization rate, we relied upon several methods, discussed below.

CAPITALIZATION RATE SELECTION

Market Transactions

The capitalization rate to be applied to net income is based on sales of comparable apartment projects in stabilized occupancy condition. The overall rates extracted from the comparable sales are based on the reported or estimated scheduled rental income at the time of sale, expenses reported for the comparable properties, and/or the appraiser’s judgment of the appropriate expenses for the comparable properties. The search for market-oriented improved sales was concentrated within San Diego and the surrounding region. The sales are located in San Diego and Lemon Grove are generally similar to the Subject; however, differences do exist in terms of access to local amenities. Location adjustments will be discussed later in the *Sales Comparison Approach* section.

The table below summarizes recent comparable sales with income/expense information available.

Tabulation of Improved Apartment Sales									
Data No.	Project/Location	Date of Sale	Sale Price	OAR	Effective Gross Income	EGIM	Expense Ratio	# of Units	Price per Unit
1	The Warwick 606 Washington Street San Diego, CA 92103	Dec-22	\$37,375,000	3.01%	\$ 1,845,854	20.25	39.1%	80	\$467,188
2	Celsius Apartments 100 Citronica Lane Lemon Grove, CA 91945	May-22	\$42,800,000	3.83%	\$ 3,067,466	13.95	46.6%	102	\$419,608
3	The Ridge at San Diego 4641-4677 Home Avenue San Diego, CA 92105	Oct-22	\$31,500,000	4.50%	\$ 2,616,368	12.04	45.8%	87	\$362,069
4	Ballpark Place Apartments 229 16th Street San Diego, CA 92101	Jan-23	\$21,000,000	3.74%	\$ 1,655,770	12.68	52.6%	100	\$210,000

All the sales are included in the following *Sales Comparison* section of this report. The improved sales illustrate a range of overall rates from 3.01 to 4.50 percent, with an average of 3.77 percent. The closed sales occurred between May 2022 to January 2023. There has been upward pressure upon overall rates resulting from the increases in lending interest rates and decreased volume of sales activity. The Subject will represent an overall Class C property, and a conclusion of 4.0 percent is considered reasonable and market oriented.

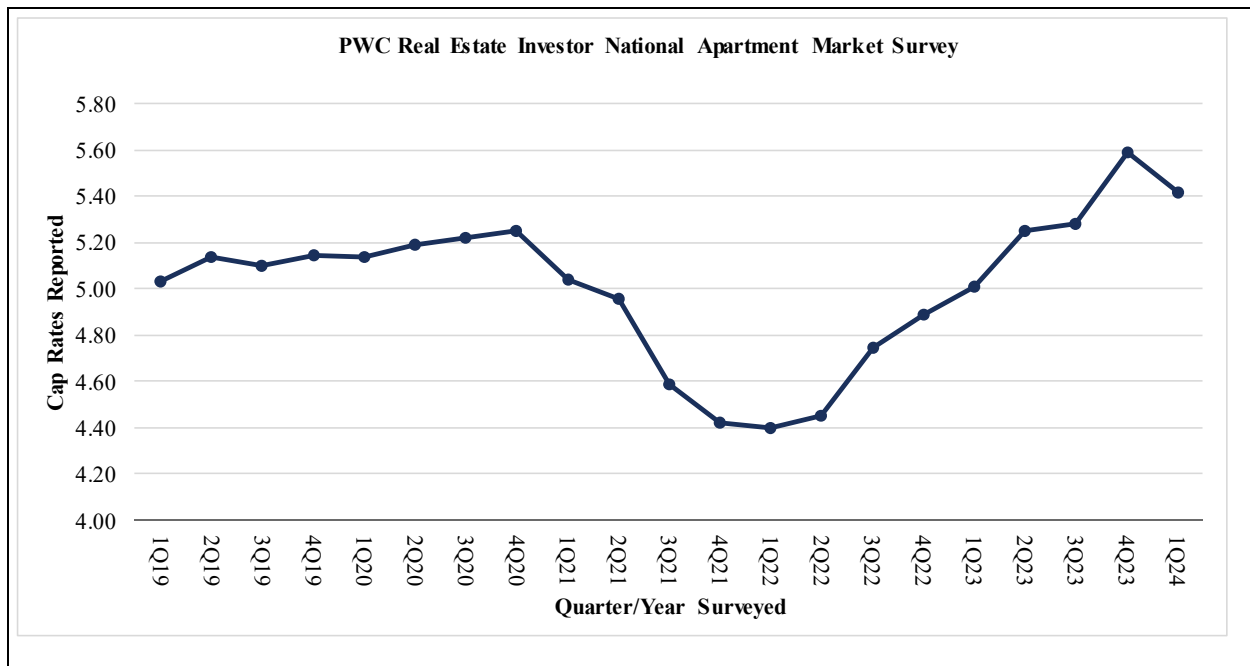
PWC Real Estate Investor Survey

The Price Waterhouse Coopers Real Estate Investor Survey tracks capitalization rates utilized by national investors in commercial and multifamily real estate. The following summarizes the information for the national multifamily housing market:

1st Qtr PWC 2024	
Range:	4.00%-7.50%
Average:	5.42%

The PWC Real Estate Investor Survey defines “Institutional Grade Real Estate” as real property investments that are sought out by institutional buyers and have the capacity to meet generally prevalent institutional investment criteria² Typical “Institutional Grade” apartment properties are newly constructed, well amenitized, market rate properties in urban or suburban locations.

The following chart shows overall cap rates trended upward slightly from the first quarter 2019 to the fourth quarter of 2020. Following the fourth quarter of 2020, rates generally trended downward, dipping to the lowest in the last five years in first quarter 2022. Following first quarter 2022, rates increased steadily reaching a five-year high in fourth quarter 2023, surpassing overall rates in 2018. Rates have decreased in first quarter 2024.



Based on the PWC Survey, a capitalization rate of 5.42 percent is concluded.

²PWC Real Estate Investor Survey, 1st Quarter 2024

Summary

The following chart identifies the overall rates from the three methods of estimating overall rates.

- Market Extraction – 4.00%
- PWC Market Survey – 5.01%

With consideration of the current market trends, emphasis on the sales and giving consideration to the overall market area, a market derived OAR of 4.00 percent will be used in the capitalization analyses. Summary of the direct capitalization analysis is presented following.

	As Unrestricted		
Apartment Rentals	No. Units	Rents	Annual Revenue
0BR/1BA	163	\$2,175	\$4,254,300
Manager's Units	2	\$0	\$0
	<i>Number</i>	<i>Per unit</i>	<i>Amount</i>
Total Potential Rental Income	165		\$4,254,300
Other Income		\$1,400	\$231,000
Total Potential Revenues			\$4,485,300
Vacancy			-\$224,265
Vacancy Percentage			5.0%
Effective Gross Income			\$4,261,035
Operating Expenses			
Administration		\$325	\$53,625
Maintenance and Repairs		\$900	\$148,500
Management Fee	3.0%	\$775	\$127,831
Payroll		\$1,625	\$268,125
Utilities		\$1,800	\$297,000
Property & Liability Insurance		\$350	\$57,750
Real Estate and Other Taxes		\$4,515	\$745,000
Replacement Reserves		\$300	\$49,500
Total Operating Expenses		\$10,590	\$1,747,331
Expenses as a ratio of EGI			41.0%
Net Operating Income			\$2,513,704
Capitalization Rate			4.00%
Indicated Value			\$62,842,599
Renovations Required			-\$3,300,000
			\$59,542,599
Rounded			\$59,540,000

Analysis of Marshall Swift data does not provide adequate data. Multifamily Sale 1 was a hotel that was purchased by a developer in 2017 and reportedly spent \$6,000,000 on conversion to market rate multifamily use. This equates to \$60,000 per unit cost. Published information indicates the property features extensive amenities as a “boutique” multifamily property, and also was ranked number one in San Diego by a Union Tribune Readers poll. A qualitative analysis sets the upper limit of conversion costs by this property. The developer renovated two formerly hotel properties in 2021 to apartments which ranged in cost from \$11,200 to \$23,900 per unit.

These renovations appear to be more in line to what would be needed at the Subject; therefore, for analysis purposes costs to convert the Subject to market rate multifamily are estimated at \$20,000 per unit, which would incorporate installation of unit upgrades consisting of kitchen appliances and countertops, and replacement of flooring with a laminate product, and upgrading of fixtures throughout the property, and getting the property in ADA compliance for apartment use. This is a total cost to convert of \$3,300,000. This figure has been included in the calculation above.

The Subject is zoned CO-2-2 (Commercial--Office). Zoning information was verified with the San Diego Municipal Code and L64A-003A, Cycle Type: 1Prelim(LDR-Planning Review) from the City of San Diego and dated May 30, 2023. The City's LDR will be retained in the appraiser's file. The purpose of the CO zones is to provide areas for employment uses with limited, complementary retail uses and residential use as specified. According to L64A-003A, Cycle Type: 1Prelim(LDR-Planning Review) from the City of San Diego and dated May 30, 2023, "in this case the proposed SRO land use is understood to be previously conforming by-right and no approval will be necessary to continue the proposed use. The market rate multifamily use will be consistent with this use as the unit mix is not planned to be altered. Reliance has been placed upon this information from the City of San Diego Planning Department. Should this change, the valuation may require modification and we reserve the right to make modifications.

SALES COMPARISON APPROACH EXISTING USE

The sales comparison approach to value is a process of comparing market data; that is, the price paid for similar properties, prices asked by owners, and offers made by prospective purchasers willing to buy or lease. Market data is good evidence of value because it represents the actions of users and investors. The sales comparison approach is based on the principle of substitution, which states that a prudent investor would not pay more to buy or rent a property than it will cost him to buy or rent a comparable substitute. The sales comparison approach recognizes that the typical buyer will compare asking prices and work through the most advantageous deal available. In the sales comparison approach, we are observers of the buyer's actions. The buyer is comparing those properties that constitute the market for a given type and class.

Following is a summary of existing hotel improved sales located in San Diego, Chula Vista, and Solana Beach.

Tabulation of Improved Hotel Sales							
Data No.	Project/Location	Date of Sale	Sale Price	No. Rooms	Year Built/Renovation	Effective Age	Price per Room
1	Holiday Inn Express & Suites Solana Beach Del Mar 621 S Highway 101 Solana Beach, CA 92075	Mar-23	\$15,500,000	80	2000	2000	\$193,750
2	La Quinta Inn 150 Bonita Road Chula Vista, CA 91910	Aug-22	\$23,000,000	142	1986/2012	2002	\$161,972
3	Fairfield Inn & Suites 3900 Old Town Avenue San Diego, CA 92110	Dec-21	\$27,836,000	123	1988/2012	2002	\$226,309
4	Courtyard Old Town 2435 Jefferson Street San Diego, CA	Dec-21	\$44,164,000	176	1987/2016	2006	\$250,932

Improved Sales Map



Comparable #1

Name Holiday Inn Express & Suites Solana Beach Del Mar
 Street 621 S Highway 101
 City, State Solana Beach, CA 92075
 County San Diego
 APN 298-211-88
 Site Size (acres) 0.81
 Zoning C- Commercial
 No. of Rooms 80
 Rentable Area (SF) 42,368
 Year Built 2000
 Parking Surface Spaces
 Quality Good
 Condition Good
 Buyer Pacifica Mission Bay LLC
 Seller Alps Hospitality Inc
 Sale Date Mar-23
 Marketing Time Nav
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 17692



Property Description:

No. Rooms	2021 Occupancy	2021 ADR	2021 RevPar	Costar Submarket Occupancy	Costar Submarket ADR	Costar Submarket RevPar
80	Nav	Nav	Nav	73.8%	\$258.47	\$190.83

Income & Expense

Sale Price	\$ 15,500,000
Gross Scheduled Income	Nav
Miscellaneous Income	Nav
Total Gross Income	Nav
Vacancy Factor	Nav
Effective Gross Income	Nav
Estimated Expenses	Nav
Net Operating Income	Nav

Financial Indicators

Price per Room	\$	193,750
Price per SF	\$	365.84
EGIM		Nav
OAR		Nav
Expenses per Room		Nav
Expense Ratio		Nav
NOI per Room		Nav
NOI per SF		Nav

Notes:

Data source Costar and published information. Amenities include Business Center, fitness center, pool, hot tub, wifi, meeting event space.

Comparable #2

Name La Quinta Inn
 Street 150 Bonita Road
 City, State Chula Vista, CA 91910
 County San Diego
 APN 570-140-61, 570-140-62
 Site Size (acres) 2.43
 Zoning Bonita Glen SPA
 No. of Rooms 142
 Rentable Area (SF) 82,065
 Year Built 1986/2012
 Parking Surface Spaces
 Quality Average
 Condition Average
 Buyer Karma Hospitality Bonita LLC
 Seller Cavalier California LP
 Sale Date Aug-22
 Marketing Time Nav
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number 17801



Property Description:

No. Rooms	2021 Occupancy	2021 ADR	2021 RevPar	Costar Submarket Occupancy	Costar Submarket ADR	Costar Submarket RevPar
142	81.0%	\$110.57	\$89.58	76.6%	\$147.79	\$113.17

Income & Expense

Sale Price	\$ 23,000,000
Total Department Revenue	\$ 4,649,820
Departmental Expenses	\$ 1,250,125
Total Operating Expenses	\$ 1,758,083
Net Operating Income	\$ 1,641,612

Financial Indicators

Price per Room	\$ 161,972
Price per SF	\$ 280.27
OAR	7.14%

Notes:

Data Source Costar, broker interview, and marketing information. Price confirmed by broker. There was a prior sale March 2022 within a portfolio of 124 properties.

Comparable #3

Name Fairfield Inn & Suites
 Street 3900 Old Town Avenue
 City, State San Diego, CA 92110
 County San Diego
 APN 443-721-7200
 Site Size (acres) 1.14 ac
 Zoning OSDHN
 No. of Rooms 123
 Rentable Area (SF) 69,272
 Year Built 1988/2012
 Parking Covered
 Quality Average
 Condition Average
 Buyer SD Old Town Jefferson LLC
 Seller RPC Old Town Avenue Owner, LLC
 Sale Date Dec-21
 Marketing Time Nav
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number



Property Description:

No. Rooms	2021 Occupancy	2021 ADR	2021 RevPar	Costar Submarket Occupancy	Costar Submarket ADR	Costar Submarket RevPar
123	Nav	Nav	\$89.58	72.7%	\$211.46	\$153.80

Income & Expense

Sale Price	\$ 27,836,000
Total Department Revenue	\$ 5,007,453
Departmental Expenses	\$ 585,349
Total Operating Expenses	\$ 1,264,355
Net Operating Income	<u>\$ 3,157,749</u>

Financial Indicators

Price per Room	\$ 226,309
Price per SF	\$401.84
OAR	11.34%

Notes:

Data source Costar and published information. Sale is portfolio of two properties - Fairfield Inn & Suites Old Town and Courtyard Old Town for a combined price of \$72,000,000. Properties are presented individually for analysis purposes. Amenities include Digital key, Fitness Center, High Speed Internet Access, Pool, Public Access Wifi, Smoke-Free. Income & Expenses are 2021 data.

Comparable #4

Name Courtyard Old Town
 Street 2435 Jefferson Street
 City, State San Diego, CA
 County San Diego
 APN 443-721-7000
 Site Size (acres) 1.07
 Zoning OSDHN
 No. of Rooms 176
 Rentable Area (SF) 74,584
 Year Built 1987/2016
 Parking Covered
 Quality Average
 Condition Average
 Buyer SD Old Town Jefferson LLC
 Seller RPC Old Town Avenue Owner, LLC
 Sale Date Dec-21
 Marketing Time Nav
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number



Property Description:

No. Rooms	2021 Occupancy	2021 ADR	2021 RevPar	Costar Submarket Occupancy	Costar Submarket ADR	Costar Submarket RevPar
176	Nav	Nav	\$89.58	72.7%	\$211.46	\$153.80

Income & Expense

Sale Price	\$ 44,164,000
Total Department Revenue	\$ 9,018,394
Departmental Expenses	\$ 2,649,093
Total Operating Expenses	\$ 2,661,782
Net Operating Income	<u>\$ 3,707,519</u>

Portfolio Analysis

Net Operating Income	<u>\$ 6,865,268</u>
Portfolio Price	\$ 72,000,000

Financial Indicators

Price per Room	\$ 250,932
Price per SF	\$592.14
OAR	8.39%
Portfolio OAR	9.54%

Notes:

Data source Costar and published information. Sale is portfolio of two properties - Fairfield Inn & Suites Old Town and Courtyard Old Town for a combined price of \$72,000,000. Properties are presented individually for analysis purposes. Amenities include Business Center, Fitness Center, High Speed Internet Access, Meeting Event Space, On-Site Bar, On-Site Retail, Pool, Restaurant, Room Service. Income & Expenses are 2021 data.

The table below summarizes the adjustments.

Adjustment Grid - Hotel Property Sales									
	Subject	Sale No. 1		Sale No. 2		Sale No. 3		Sale No. 4	
	Extended Stay America-Hotel Circle	Holiday Inn Express & Suites Solana Beach Del Mar		La Quinta Inn		Fairfield Inn & Suites 3900 Old Town Avenue 92110		Courtyard Old Town	
	2085-95 Hotel Circle South San Diego, CA 92108	621 S Highway 101 Solana Beach, CA 92075		150 Bonita Road Chula Vista, CA 91910				2435 Jefferson Street San Diego, CA	
Total Sale Price		\$15,500,000		\$23,000,000		\$27,836,000		\$44,164,000	
Price Per Room		\$193,750		\$161,972		\$226,309		\$250,932	
		Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment
Property Rights Conveyed	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
			\$193,750		\$161,972		\$226,309		\$250,932
Financing Terms	Cash Equivalent	Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent	
Adjusted \$/Room			\$193,750		\$161,972		\$226,309		\$250,932
Condition of Sale	Market	Market		Market		Market		Market	
Adjusted \$/Room			\$193,750		\$161,972		\$226,309		\$250,932
Expenditures made immediately after purchase		None		None		None		None	
Adjusted \$/Room			\$193,750		\$161,972		\$226,309		\$250,932
Date of Sale		Mar-23		Aug-22	5.00%	Dec-21	10.00%	Dec-21	10.00%
Adjusted \$/Room			\$193,750		\$170,070		\$248,940		\$276,025
Physical Characteristic		Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment
Location	Average	Superior		Inferior		Superior		Superior	
No. of Rooms	165	80		142		123		176	
Submarket ADR	\$159.3	\$258.0		\$147.8		\$211.5		\$211.5	
Design & Appeal	Three Story	Two Story		Three Story		Two Story		Four Stories	
Age/Condition	1999	2000		2002		2002		2006	
Parking	Surface Spaces	Surface Spaces		Surface Spaces		Covered	-2.00%	Surface & Covered	-2.00%
Amenities	Average	Superior	-5.00%	Slightly Superior	-5.00%	Superior	-5.00%	Superior	-5.00%
Total Percentage Adjustment			-5.00%		-5.00%		-7.00%		-7.00%
Adjusted Price Per Room			\$184,063		\$161,567		\$231,514		\$256,703
		Minimum Per Room		\$161,567					
		Maximum Per Room		\$256,703					
		Mean Per Room		\$208,462					

Explanation of Adjustments

Sale Date/Market Conditions

The improved sales occurred between December 2021 and March 2023. Based on this methodology, Sale 1 was adjusted upward five percent, Sale 2 was adjusted upward 10 percent, and Sales 3 and 4 were adjusted upward 15 percent.

Location

The search for market-oriented sales is comprised of motel properties located in San Diego, and surrounding communities, and locational differences exist. Sale 1 is located within the La Jolla submarket, which reflects superior market conditions. Sale 2 is located in Chula Vista which is an overall inferior submarket compared to the Subject's submarket. Sales 3 and 4 represent a portfolio acquisition of two properties located within the Seaworld/Old Town/Airport submarket, which is an overall superior submarket.

We looked at the difference in the submarkets ADRs between the Sales and the Subject, which seemed unreasonable; therefore, we will utilize a qualitative adjustment for these differences. Our conclusion will not be higher than Sales 1, 3, and 4 as their locations are better, but the Subject's location is better than Sale 2.

Number of Rooms

The number of rooms range in size from 80 to 176 rooms. The Subject has 165 rooms. Typically hotels with more rooms sell less per room. Sales 2 and 4 are similar in number of rooms; therefore, no adjustment necessary. Sale 1 has significantly less rooms than the Subject. We will utilize a qualitative adjustment for this difference in our reconciliation.

Condition/Effective Age

For purposes of analysis effective age of properties is estimated based upon the year built for properties not renovated, and 10 years less the renovation year for older properties that have been renovated. The effective age of the comparables range from 2000 to 2006, and comparison with the Subject's effective age of 2002 appear comparable, and no further adjustment is warranted.

Parking

The Subject and Sales 1 and 2 provide surface parking and no adjustment is warranted. Sales 3 and 4 provide covered, and covered and surface parking due to limited site area. Typically covered parking commands parking income, and therefore Sales 3 and 4 were adjusted downward two percent.

Amenities

The Subject and Sales 1, 2, 3, and 4, provide generally superior amenities and were adjusted downward five percent.

Conclusion

The analysis adjustments reflect qualitative adjustments versus quantitative adjustments due to the nature of the properties. The Sales illustrate a range of price per room from \$169,261 to \$268,372, and average \$218,234 per room. Overall Sale 1 is the most recent sales, and Sales 2 and 4 represent good overall comparisons to the Subject when comes to the number of rooms.

We are aware of two sales of existing hotel properties that feature extended stay attributes, Residence Inn properties in San Diego purchased in 2020 by the San Diego Housing Commission for conversion to homeless supportive housing utilizing awards from the Homekey program. The November 2020 transfer of the Residence Inn located at 5400 Kearny Mesa Road, San Diego consisting of 144 rooms, located within the same submarket at the Subject price was \$39,500,000, which equates to \$274,305 per room. The November 2020 transfer of the Residence Inn located at 1865 Hotel Circle South, San Diego consisting of 192 rooms located in the same submarket as the Subject, price was \$67,000,000, which equates to \$348,958 per room. Both of these were purchased for a different use than a hotel and our value is a use as a hotel.

We are aware of an August 2023 sale of the 219 room Doubletree hotel located at 1515 Hotel Circle South, San Diego. The reported transaction amount was \$43,850,135, or \$200,229 per room. The previous transaction was 2015 with purchase of leasehold interest \$36,700,000, and \$12,500,000 for the land, totaling \$49,200,000. We do not have information if there was an additional transaction whether the 2023 sale was a leasehold transaction, or whether the transaction included leased fee interest for the land, and therefore we have not profiled this transaction.

The purchase contract for the Subject is \$57,000,000, which equates to \$345,454 per room. This transaction is within the range of the adjusted range of the Sales, and slightly below the range of the previous transactions from the San Diego Housing Commission of existing hotels for redevelopment acquisitions.

An indication of \$200,000 per room is considered reasonable and market oriented. This equates to an indication of \$33,000,000.

SALES COMPARISON APPROACH MARKET MULTIFAMILY

The sales comparison approach to value is a process of comparing market data; that is, the price paid for similar properties, prices asked by owners, and offers made by prospective purchasers willing to buy or lease. Market data is good evidence of value because it represents the actions of users and investors. The sales comparison approach is based on the principle of substitution, which states that a prudent investor would not pay more to buy or rent a property than it will cost him to buy or rent a comparable substitute. The sales comparison approach recognizes that the typical buyer will compare asking prices and work through the most advantageous deal available. In the sales comparison approach, we are observers of the buyer's actions. The buyer is comparing those properties that constitute the market for a given type and class.

Following is a summary of multifamily improved sales located in San Diego and Lemon Grove.

Tabulation of Improved Apartment Sales									
Data No.	Project/Location	Date of Sale	Sale Price	OAR	Effective Gross Income	EGIM	Expense Ratio	# of Units	Price per Unit
1	The Warwick 606 Washington Street San Diego, CA 92103	Dec-22	\$37,375,000	3.01%	\$ 1,845,854	20.25	39.1%	80	\$467,188
2	Celsius Apartments 100 Citronica Lane Lemon Grove, CA 91945	May-22	\$42,800,000	3.83%	\$ 3,067,466	13.95	46.6%	102	\$419,608
3	The Ridge at San Diego 4641-4677 Home Avenue San Diego, CA 92105	Oct-22	\$31,500,000	4.50%	\$ 2,616,368	12.04	45.8%	87	\$362,069
4	Ballpark Place Apartments 229 16th Street San Diego, CA 92101	Jan-23	\$21,000,000	3.74%	\$ 1,655,770	12.68	52.6%	100	\$210,000



Comparable #1

Apartment Name The Warwick
 Street 606 Washington Street
 City, State San Diego, CA 92103
 County San Diego
 APN 444-533-22
 Site Size (acres) 0.81
 Zoning C-C-3-9/C-C-3-8
 No. of Units 80
 Rentable Area (SF) 88,949
 Year Built 1986
 Parking Covered
 Quality Average
 Condition Average
 Buyer Spectrum Warwick LLC
 Seller Warwick Hillcrest LLC
 Sale Date Dec-22
 Marketing Time N/A
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number 17643

**Property Description:**

Bed/Bath	Area (SF)	Units	Monthly Rent	Vacant Units	Vacancy Rate
Studio/1.0	435	26	\$1,819	2	8%
1/1.0	597	53	\$2,105	3	6%
2/2.0	844	1	\$3,058	0	0%
Totals		80		5	6%

Income & Expense

Sale Price	\$ 37,375,000
Gross Scheduled Income	\$ 1,943,004
Miscellaneous Income	\$ -
Total Gross Income	\$ 1,943,004
Vacancy Factor	\$ (97,150)
Effective Gross Income	\$ 1,845,854
Estimated Expenses	\$ (722,441)
Net Operating Income	\$ 1,123,413

Financial Indicators

Price per Unit	\$ 467,188
Price per SF	\$ 420.18
EGIM	20.25
OAR	3.01%
Expenses per Unit	\$ 9,031
Expense Ratio	39.1%
NOI per Unit	\$ 14,043
NOI per SF	\$ 12.63

Notes:

Sale information was confirmed with listing broker Tyler Sinks (858-257-4706). Replacement reserves of \$300 per unit were added to the operating expenses for comparison purposes. This property is a former hotel that was converted to an apartment in 2017 with a \$6 million renovation. Based on this information and photographs of unit interiors online, an estimated effective year built of 2010 is estimated for this property.

Comparable #2

Apartment Name Celsius Apartments
 Street 100 Citronica Lane
 City, State Lemon Grove, CA 91945
 County San Diego
 APN 480-043-42
 Site Size (acres) 1.14
 Zoning C
 No. of Units 102
 Rentable Area (SF) 142,800
 Year Built 2017
 Parking Covered
 Quality Excellent
 Condition Excellent
 Buyer Citronica 1031 LLC
 Seller Celsius Lemon Grove LLC
 Sale Date May-22
 Marketing Time 5 Months
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number 17645



Property Description:

Bed/Bath	Area (SF)	Units	Monthly Rent	Vacant Units	Vacancy Rate
1/1.0	713	56	\$0	1	2%
2/1.0	891	4	\$0	0	0%
2/2.0	1,076	38	\$0	1	3%
3/2.0	1,482	4	\$0	0	0%
Totals		102		2	2%

Income & Expense

Sale Price	\$ 42,800,000
Gross Scheduled Income	\$ 3,228,912
Miscellaneous Income	\$ -
Total Gross Income	\$ 3,228,912
Vacancy Factor	<u>\$ (161,446)</u>
Effective Gross Income	\$ 3,067,466
Estimated Expenses	<u>\$ (1,428,866)</u>
Net Operating Income	\$ 1,638,600

Financial Indicators

Price per Unit	\$ 419,608
Price per SF	\$ 299.72
EGIM	13.95
OAR	3.83%
Expenses per Unit	\$ 14,008
Expense Ratio	46.6%
NOI per Unit	\$ 16,065
NOI per SF	\$ 11.47

Notes:

Sale information was confirmed with listing broker Tyler Sinks (858-257-4706). Replacement reserves of \$300 per unit were added to the operating expenses for comparison purposes. The photograph is from Costar.

Comparable #3

Apartment Name The Ridge at San Diego
 Street 4641-4677 Home Avenue
 City, State San Diego, CA 92105
 County San Diego
 APN 476-581-03
 Site Size (acres) 4.77
 Zoning RM-1-1
 No. of Units 87
 Rentable Area (SF) 132,976
 Year Built 1989
 Parking Surface & Garage
 Quality Average
 Condition Average
 Contreras Irrevocable Gift
 Trust; Mollison 150
 Buyer Enterprises, LP
 Seller Ridge Holdings LLC
 Sale Date Oct-22
 Marketing Time 1 Month
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number 17684



Property Description:

Bed/Bath	Area (SF)	Units	Monthly Rent	Vacant Units	Vacancy Rate
2/1.0	812	22	\$0	2	9%
2/2.0	912	65	\$0	5	8%
Totals		87		7	8%

Income & Expense		Financial Indicators	
Sale Price	\$ 31,500,000	Price per Unit	\$ 362,069
Gross Scheduled Income	\$ 2,754,072	Price per SF	\$ 236.88
Miscellaneous Income	\$ -	EGIM	12.04
Total Gross Income	\$ 2,754,072	OAR	4.50%
Vacancy Factor	\$ (137,704)	Expenses per Unit	\$ 13,780
Effective Gross Income	\$ 2,616,368	Expense Ratio	45.8%
Estimated Expenses	\$ (1,198,868)	NOI per Unit	\$ 16,293
Net Operating Income	\$ 1,417,500	NOI per SF	\$ 10.66

Notes:

Sale information was confirmed with listing broker Erik Anderson (858-675-7600). Replacement reserves of \$300 per unit were included in the operating expenses. Based on photographs of unit interiors obtained online, the estimated effective year built of the property is 2000.

Comparable #4

Apartment Name Ballpark Place Apartments
 Street 229 16th Street
 City, State San Diego, CA 92101
 County San Diego
 APN 535-383-03
 Site Size (acres) 0.43
 Zoning CCPD-MC
 No. of Units 100
 Rentable Area (SF) 46,151
 Year Built 1988/2001
 Parking Covered
 Quality Average
 Condition Average
 Buyer Ball Park Ness 8, LLC
 Seller Jones R & L L Trust
 Sale Date Jan-23
 Marketing Time Nav
 Property Rights Fee Simple
 Condition of Sale Market
 Cash Equivalency Yes
 Comp ID Number 18012



Property Description:

Bed/Bath	Area (SF)	Units	Monthly Rent	Vacant Units	Vacancy Rate
1/1.0	396	70	\$1,287	0	0%
2/1.0	675	30	\$1,550	0	0%
Totals		100		0	0%

Income & Expense		Financial Indicators	
Sale Price	\$ 21,000,000	Price per Unit	\$ 210,000
Gross Scheduled Income	\$ 1,637,493	Price per SF	\$ 455.03
Miscellaneous Income	<u>\$ 73,502</u>	EGIM	12.68
Total Gross Income	\$ 1,710,995	OAR	3.74%
Vacancy Factor	<u>\$ (55,225)</u>	Expenses per Unit	\$ 8,703
Effective Gross Income	\$ 1,655,770	Expense Ratio	52.6%
Estimated Expenses	<u>\$ (870,311)</u>	NOI per Unit	\$ 7,855
Net Operating Income	\$ 785,459	NOI per SF	\$ 17.02

Notes:

Data source Costar, marketing and published information. Reserves of \$300 per unit are included in the operating expenses for comparison purposes. Photo is Costar. The property was constructed in 1988 and renovated in 2001; an effective age estimate is 1991.

The table below summarizes the adjustments.

Adjustment Grid - Apartment Property Sales									
	Subject	Sale No. 1		Sale No. 2		Sale No. 3		Sale No. 4	
	Extended Stay America-Hotel Circle 2085-95 Hotel Circle South San Diego, CA 92123	The Warwick 606 Washington Street San Diego, CA 92103		Celsius Apartments 100 Citronica Lane Lemon Grove, CA 91945		The Ridge at San Diego 4641-4677 Home Avenue San Diego, CA 92105		Ballpark Place Apartments 229 16th Street 92101	
Total Sale Price		\$37,375,000		\$42,800,000		\$31,500,000		\$21,000,000	
Price Per Dwelling Unit		\$467,188		\$419,608		\$362,069		\$210,000	
		Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment
Property Rights Conveyed	Fee Simple	Fee Simple	\$467,188	Fee Simple	\$419,608	Fee Simple	\$362,069	Fee Simple	\$210,000
Financing Terms	Cash Equivalent	Cash Equivalent	\$467,188	Cash Equivalent	\$419,608	Cash Equivalent	\$362,069	Cash Equivalent	\$210,000
Adjusted S/DU			\$467,188		\$419,608		\$362,069		\$210,000
Condition of Sale	Market	Market	\$467,188	Market	\$419,608	Market	\$362,069	Market	\$210,000
Adjusted S/DU			\$467,188		\$419,608		\$362,069		\$210,000
Expenditures made immediately after purchase		None	\$467,188	None	\$419,608	None	\$362,069	None	\$210,000
Adjusted S/DU			\$467,188		\$419,608		\$362,069		\$210,000
Date of Sale		Dec-22	10.00%	May-22	10.00%	Oct-22	10.00%	Jan-23	5.00%
Adjusted S/DU			\$513,906		\$461,569		\$398,276		\$220,500
Physical Characteristic		Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment	Comparison	Adjustment
Location	Average	Similar		Similar		Similar		Similar	
No. of Units	165	80		102		87		100	
Average Unit Size	320	469	-3.00%	1,041	-14.00%	862	-11.00%	536	-4.00%
Design & Appeal	Garden	Garden		Garden		Garden		Garden	
Age/Condition	2009	2010	-1.00%	2017	-8.00%	2000	9.00%	1991	18.00%
Parking	Surface	Covered	-2.00%	Covered	-2.00%	Surface & Garage	-2.00%	Garage	-2.00%
Complex Amenities	Average	Superior	-10.00%	Superior	-10.00%	Similar	0.00%	Superior	-5.00%
Total Percentage Adjustment			-16.00%		-34.00%		-4.00%		7.00%
Adjusted Price Per DU			\$431,681		\$304,635		\$382,345		\$235,935
		Minimum Per Unit		\$235,935					
		Maximum Per Unit		\$431,681					
		Mean Per Unit		\$338,649					

Explanation of Adjustments

Sale Date/Market Conditions

Real estate values change over time. The rate of this change fluctuates due to investors' perceptions and responses to prevailing market conditions. This adjustment category reflects market differences occurring between the effective date of the appraisal and the sale date of comparables. During the time period between 2008 and 2012, there were softened market conditions, and declining market values. Appreciation in land values started being reported in late 2012 and has continued rising through the year-to-date. Interviews with local brokers indicate values increased five and 10 percent per year during that time.

The improved sales occurred between May 2022 and January 2023. Based on this methodology, Sales 1, 2, and 3 were adjusted upward 10 percent, and Sale 4 was adjusted upward five percent.

Location

The search for market-oriented sales is comprised of multifamily properties located in San Diego, and surrounding communities, and locational differences exist. Sale 1 is located within close proximity to Scripps Health and UCSD, which reflects superior market conditions. We utilized a qualitative adjustment for these differences and adjusted in our conclusion.

Unit Size

The Subject's average unit size is 320 square feet. The Sales range in average unit size from 469 to 1,041 square feet. An adjustment based upon two percent difference between the Subject and Sales is utilized.

The Subject is closest in average unit size to Sales 1 and 4. Sale 1 was adjusted downward three percent, Sale 2 was adjusted downward 14 percent, Sale 3 was adjusted downward 11 percent, and Sale 4 was adjusted downward four percent.

Condition/Effective Age

For purposes of analysis effective age of properties is estimated based upon the year built for properties not renovated, and 10 years less the renovation year for older properties that have been renovated. The effective age of the comparables range from 1991 to 2017, and comparison with the Subject's estimated effective age of 2009 and adjusted based upon 1 percent per year between effective age of the Subject and the Sales. This is a conservative adjustment based on pairing analyses between more recently constructed properties and properties of older vintage located within the region which is inline with the adjustment in the Income Approach. Sale 1 was adjusted downward one percent. Sale 2 was adjusted downward eight percent, Sale 3 was adjusted upward nine percent, and Sale 4 was adjusted upward 18 percent.

Parking

The Subject provided surface parking. Sales 1, 2, 3, and 4 provide covered garage and surface parking due to limited site area. Typically covered parking commands parking income, and therefore Sales 1, 2, 3, and 4 were adjusted downward two percent. This adjustments consistent with the Income Approach adjustments for difference in parking.

Amenities

The Subject and Sales 1, 2, and 4, provide generally superior amenities and were adjusted downward five percent. Sale 1 reportedly was renovated at \$60,000 per unit, and sets the upper range. Additionally amenities of the Sales were observed from online photos. No adjustment is warranted to Sale 3. An estimate of \$20,000 per unit renovations is estimated for the Subject. Sales 1 and 2 were adjusted downward 10 percent, and Sale 4 was adjusted downward five percent. No adjustment to Sale 3 is warranted. This adjustments consistent with the Income Approach adjustments for difference in amenities.

Conclusion

The analysis adjustments reflect qualitative adjustments versus quantitative adjustments due to the nature of the properties. The Sales illustrate a range of price per unit from \$235,935 to \$431,681, and average \$338,649 per unit. Overall Sale 1 is superior and sets the upper limit, but represents a conversion from hotel to multifamily with superior location and amenities. The Subject cannot achieve similar to this sale; therefore, it was given the least weight. Sale 4 is most similar in location and is the newest sale, while Sale 3 is similar in location but has larger unit sizes; therefore, Sale 3 received the most weight, while Sale 4 received the secondary weight. Sale 2 received the most adjustments; therefore, it received less weight.

An indication of \$365,000 per unit is considered reasonable and market oriented. This equates to an indication of \$60,230,000 for an apartment complex value. We need to provide the as is value so there would be some cost to convert the hotel to an apartment complex.

Analysis of Marshall Swift data does not provide adequate data. Multifamily Sale 1 was a hotel that was purchased by a developer in 2017 and reportedly spent \$6,000,000 on conversion to market rate multifamily use. This equates to \$60,000 per unit cost. Published information indicates the property features extensive amenities as a “boutique” multifamily property, and also was ranked number one in San Diego by a Union Tribune Readers poll. A qualitative analysis sets the upper limit of conversion costs by this property. The developer renovated two formerly hotel properties in 2021 to apartments which ranged in cost from \$11,200 to \$23,900 per unit. These renovations appear to be more in line to what would be needed at the Subject; therefore, for analysis purposes costs to convert the Subject to market rate multifamily are estimated at \$20,000 per unit, which would incorporate installation of unit upgrades consisting of kitchen appliances and countertops, and replacement of flooring with a laminate product, and upgrading of fixtures throughout the property, and getting the property in ADA compliance for apartment use. This is a total cost to convert of \$3,300,000. This figure has been included in the calculation above.

When you deduct this cost from the apartment complex value this equates to a value indication of \$56,930,000

The Subject is zoned CO-2-2 (Commercial--Office). Zoning information was verified with the San Diego Municipal Code and L64A-003A, Cycle Type: 1Prelim(LDR-Planning Review) from the City of San Diego and dated May 30, 2023. The City’s LDR will be retained in the appraiser’s file. The purpose of the CO zones is to provide areas for employment uses with limited, complementary retail uses and residential use as specified. According to L64A-003A, Cycle Type: 1Prelim(LDR-Planning Review) from the City of San Diego and dated May 30, 2023, “in this case the proposed SRO land use is understood to be previously conforming by-right and no approval will be necessary to continue the proposed use. The market rate multifamily use will be consistent with this use as the unit mix is not planned to be altered. Reliance has been placed upon this information from the City of San Diego Planning Department. Should this change, the valuation may require modification and we reserve the right to make modifications.

RECONCILIATION

In the final analysis, we considered the influence of the three approaches in relation to one another and in relation to the Subject. The appraisers have considered the traditional approaches in the estimation of the Subject's value, and weight has been placed upon the income and sales comparison approaches, with greatest weight placed upon the sales comparison approach.

The resulting value estimates are presented below:

Valuation Method	Value Indication
Cost Approach	
Hypothetical Market Value of Land as of May 20, 2024	\$13,570,000
Income Approach	
Market Value of the Fee Simple Interest of the existing use as of May 20, 2024	\$30,620,000
Market Value of the Fee Simple Interest as a Market Rate Apartment as of May 20, 2024	\$59,540,000
Sales Comparison Approach	
Market Value of the Fee Simple Interest of the existing use as of May 20, 2024	\$33,000,000
Market Value of the Fee Simple Interest as a Market Rate Apartment as of May 20, 2024	\$56,930,000

VALUE CONCLUSIONS

For the existing use value, weight is placed on the Sales Comparison approach. For the apartment use value, more weight is given to the income approach. Our final value opinions are detailed below.

Value Conclusions	
Hypothetical Market Value of Land as of May 20, 2024	\$13,570,000
Market Value of the Fee Simple Interest of the existing use as of May 20, 2024	\$33,000,000
Market Value of the Fee Simple Interest as a Market Rate Apartment as of May 20, 2024	\$59,540,000

Marketing/Exposure Time

Marketing Time is defined as the period from the date of initial listing to the settlement date. The projected marketing time for the Subject property will vary greatly, depending upon the aggressiveness of the marketing agent, the method of marketing, the market that is targeted, interest rates and the availability of credit at the time the property is marketed, the supply and demand of similar properties for sale or having been recently purchased, and the perceived risks at the time it is marketed.

Discussions with area Realtors indicate that a marketing period of six to twelve months is reasonable for properties such as the Subject. This is supported by data obtained on several of the comparable sales and consistent with information obtained from the *PWC Real Estate Investor Survey*. This estimate assumes a strong advertising and marketing program during the marketing period.

The exposure/marketing time of the subject property is very difficult to judge in that the buy/sell decision involving investment properties is interrelated with the assumption that the property is priced reasonably and is adequately exposed to the proper market. Marketing Time differs from Exposure Time in that the estimate of Marketing Time is a projection into the future with the associated estimates as to future trends and factors that are likely to impact the market segment in which the subject is participating. In an attempt to forecast Marketing Time, consideration is given to the fact that the sales and opinions that have been elicited in the estimation of Exposure Time have been formulated during current economic conditions that are expected to be very similar in the foreseeable future.

Investment property brokers, investors, and sellers familiar with the market, report that the exposure time can range from 30 days to as long as twelve months. This assumes that financing is available and that there are no significant negative items affecting the property. Based upon information gathered during the course of this assignment it is our opinion that the appropriate estimate of the exposure time is equal to the marketing time for the subject and is estimated at six to twelve months.

ADDENDUM A

Assumptions and Limiting Conditions, Certification

ASSUMPTIONS AND LIMITING CONDITIONS

1. In the event that the client provided a legal description, building plans, title policy and/or survey, etc., the appraiser has relied extensively upon such data in the formulation of all analyses.
2. The legal description as supplied by the client is assumed to be correct and the author assumes no responsibility for legal matters, and renders no opinion of property title, which is assumed to be good and merchantable.
3. All encumbrances, including mortgages, liens, leases, and servitudes, were disregarded in this valuation unless specified in the report. It was recognized, however, that the typical purchaser would likely take advantage of the best available financing, and the effects of such financing on property value were considered.
4. All information contained in the report which others furnished was assumed to be true, correct, and reliable. A reasonable effort was made to verify such information, but the author assumes no responsibility for its accuracy.
5. The report was made assuming responsible ownership and capable management of the property.
6. The sketches, photographs, and other exhibits in this report are solely for the purpose of assisting the reader in visualizing the property. The author made no property survey, and assumes no liability in connection with such matters. It was also assumed there is no property encroachment or trespass unless noted in the report.
7. The author of this report assumes no responsibility for hidden or unapparent conditions of the property, subsoil or structures, or the correction of any defects now existing or that may develop in the future. Equipment components were assumed in good working condition unless otherwise stated in this report.
8. It is assumed that there are no hidden or unapparent conditions for the property, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover such factors.
9. The investigation made it reasonable to assume, for report purposes, that no insulation or other product banned by the Consumer Product Safety Commission has been introduced into the Subject premises. Visual inspection by the appraiser did not indicate the presence of any hazardous waste. It is suggested the client obtain a professional environmental hazard survey to further define the condition of the Subject soil if they deem necessary.

10. Any distribution of total property value between land and improvements applies only under the existing or specified program of property utilization. Separate valuations for land and buildings must not be used in conjunction with any other study or appraisal and are invalid if so used.
11. A valuation estimate for a property is made as of a certain day. Due to the principles of change and anticipation the value estimate is only valid as of the date of valuation. The real estate market is non-static and change and market anticipation is analyzed as of a specific date in time and is only valid as of the specified date.
12. Possession of the report, or a copy thereof, does not carry with it the right of publication, nor may it be reproduced in whole or in part, in any manner, by any person, without the prior written consent of the author particularly as to value conclusions, the identity of the author or the firm with which he or she is connected. Neither all nor any part of the report, or copy thereof shall be disseminated to the general public by the use of advertising, public relations, news, sales, or other media for public communication without the prior written consent and approval of the appraiser. Nor shall the appraiser, firm, or professional organizations of which the appraiser is a member be identified without written consent of the appraiser.
13. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the professional appraisal organization with which the appraiser is affiliated: specifically, the Appraisal Institute.
14. The author of this report is not required to give testimony or attendance in legal or other proceedings relative to this report or to the Subject property unless satisfactory additional arrangements are made prior to the need for such services.
15. The opinions contained in this report are those of the author and no responsibility is accepted by the author for the results of actions taken by others based on information contained herein.
16. Opinions of value contained herein are estimates. There is no guarantee, written or implied, that the Subject property will sell or lease for the indicated amounts.
17. All applicable zoning and use regulations and restrictions are assumed to have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
18. It is assumed that all required licenses, permits, covenants or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

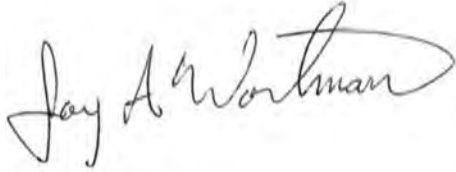
19. All general codes, ordinances, regulations or statutes affecting the property have been and will be enforced and the property is not Subject to flood plain or utility restrictions or moratoriums, except as reported to the appraiser and contained in this report.
20. The party for whom this report is prepared has reported to the appraiser there are no original existing condition or development plans that would Subject this property to the regulations of the Securities and Exchange Commission or similar agencies on the state or local level.
21. Unless stated otherwise, no percolation tests have been performed on this property. In making the appraisal, it has been assumed the property is capable of passing such tests so as to be developable to its highest and best use, as detailed in this report.
22. No in-depth inspection was made of existing plumbing (including well and septic), electrical, or heating systems. The appraiser does not warrant the condition or adequacy of such systems.
23. No in-depth inspection of existing insulation was made. It is specifically assumed no Urea Formaldehyde Foam Insulation (UFFI), or any other product banned or discouraged by the Consumer Product Safety Commission has been introduced into the appraised property. The appraiser reserves the right to review and/or modify this appraisal if said insulation exists on the Subject property.
24. Acceptance of and/or use of this report constitute acceptance of all assumptions and the above conditions.

CERTIFICATION

The undersigned hereby certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations;
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved;
- We have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment;
- We are performed a market study and appraisal of the Subject in 2023. No other appraisal or consulting assignments have been completed on the Subject in the past three years;
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results;
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Valuation Practice of the Appraisal Institute and USPAP;
- Byron Lea, MAI performed a physical inspection of the property and the Subject's neighborhood May 3, 2023. Brent Griffins, MAI provided assistance with portions of market research and preparation of portions of this report and is competent to perform such analyses. Jay Wortmann, MAI reviewed the report but did not inspect the Subject;
- We do not authorize the out of context quoting from or partial reprinting of this market analysis report. Further, neither all nor any part of this report shall be disseminated to the general public by the use of media for public communication without the prior written consent of Kinetic Valuation Group, Inc.;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;

- As of the date of this report, Jay Wortmann, MAI, Brent Griffiths, MAI, and Byron Lea, MAI have completed the requirements of the continuing education program of the Appraisal Institute.



Jay Wortmann, MAI
Appraiser
jay@kvgteam.com
(402) 202-0771
Certified General
CA - 3001293
Expiration: 9/10/2025

Byron Lea, MAI
Appraiser
byron@kvgteam.com
(970) 699-1748
Certified General
CA - AG008505
Expiration: 2/28/2025

ADDENDUM B

Subject Photographs and Information

SUBJECT PICTURES



Subject exterior view



Subject exterior view



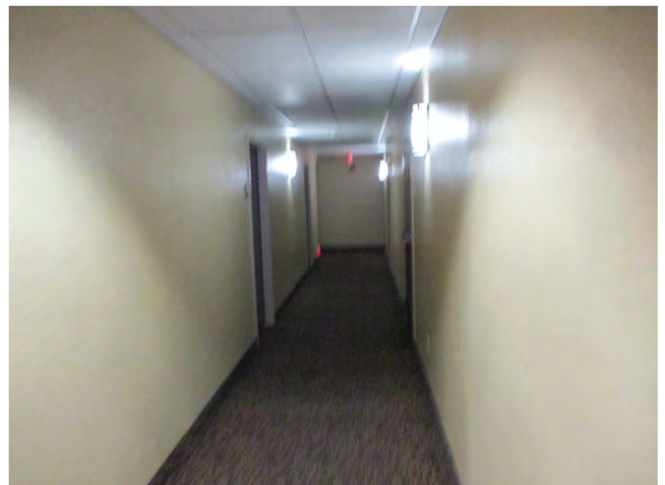
Subject exterior view



Subject exterior view



Subject exterior view



Hallway

SUBJECT PICTURES



Guest laundry



Typical Kitchen



Typical Interior



Typical Bathroom



Typical Kitchen



Typical Bathroom

SUBJECT PICTURES



Typical Interior



Typical Interior



Street Hotel Circle South facing west



Subject entry from Hotel Circle South



Properties adjacent to west of Subject

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE**

2020 W. El Camino Avenue, Suite 670, 95833
P.O. Box 952054
Sacramento, CA 94252-2054
(916) 263-2771
www.hcd.ca.gov



HOMEKEY 3.0 – APPRAISAL GUIDELINES

1. Appraisal reports shall be prepared and signed by an appropriately California-licensed Certified General Real Estate Appraiser in good standing (pursuant to Part 3, commencing with Section 11300 of Division 4 of the Business and Professions Code, and the California Code of Regulations, Title 10, Section 3701) who possesses the appropriate background, education, training, knowledge and experience necessary to accept the assignment and provide credible assignment results. The subject property must be physically inspected (exterior and interior inspections) by at least one of the licensed appraisers signing the report.
2. The appraisal report must be USPAP compliant (current edition as of the date of appraisal report), and must include the report date, client, intended use, intended user, definition of fair market value, signed and dated appraiser certification. Intended users must include the State of California.
3. Appraisal report must provide the fair market value of the fee simple interest, leased fee interest, or going concern (as appropriate) of the subject property based on its current physical condition and recorded or unrecorded title encumbrances under the appraiser's concluded highest and best use. Lease conveyances or conveyances through trusts on tribal lands may also provide a need for leasehold valuations.
4. An appraiser's concluded highest and best use of the property may or may not be its existing use. However, the appraiser must, within the body of the appraisal report and in the letter of transmittal, report the fair market value of its existing use as of the date of inspection, without consideration to Project Homekey funding, other related affordable housing funding, the affordable housing regulatory environment, and funding application status.
5. If an appraiser's concluded highest and best use of the property is not its existing use, an appraisal must clearly and sufficiently demonstrate this conclusion by fully developing valuations under the existing use AND alternate use, accounting for the time and cost of procuring any entitlement approvals, renovation costs, lease up costs, profit, demolition, etc. Moreover, the valuation of the alternate use must utilize comparable data (e.g. sales, rents, expenses, capitalization rates) consistent with the concluded alternate use.
6. If prior to the close of escrow, **owner (seller)**, at their sole cost and expense, will obtain all necessary entitlements and/or complete all physical improvements consistent with the concluded highest and best use, the appraiser should provide a proposed use fair market value that reflects any seller obligations (e.g. entitlements, improvements, etc), in addition to the existing use value.

7. If value scenarios are anticipated to be different for any reason, e.g. unique contractual requirements, the appraiser must contact HCD for guidance in advance of completion of appraisal for instructions, approval of hypotheticals, etc. on how to proceed.
8. All value scenarios need to be market supported with credible market evidence.
9. Appraisal shall utilize the following definition of value:
Fair Market Value: The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with each other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.
10. Full and complete compliance with USPAP Standards Rules 1-5(a) and (b) and 2-2(a) x (3) as it pertains for documenting the sale history. See Advisory Opinion 1 of USPAP from The Appraisal Foundation. If the subject is under contract or under negotiation for sale, compliance includes describing how the contract/negotiations came to occur (e.g. whether the property was listed for sale or if the buyer made an unsolicited offer), and reconciling the fair market value with the contract/negotiation price by explaining any differences between price and value, and stating whether the contract/negotiation price is below, consistent with, or above fair market value.
11. All appraisals are subject to review by the State of California. State reserves the right to request an independent outside review.

Appraisal report should include the following:







1. Title page with sufficient identification of appraisal project.
2. Letter of transmittal summarizing important assumptions and conclusions, value estimate, date of value, date of report, etc.
3. Table of contents.
4. Assumptions and Limiting Conditions.
5. Description of the scope of work, including the extent of data collection and limitations, if any, in obtaining and analyzing relevant data.
6. Photographs of subject property and comparable data, including significant physical features and the interior of structural improvements if applicable. (Interior photos of subject property improvements are required.)
7. Copies of Assessor's plat maps with the subject parcels marked.
8. A legal description of the subject property if available.
9. Three-year subject property history, including sales, listings, leases, options, zoning, applications for permits, or other documents or facts that might indicate or affect use or value.
10. Detailed discussion of any current Agreement of Sale, option, or listing of subject property.
11. Regional, area, and neighborhood analyses.

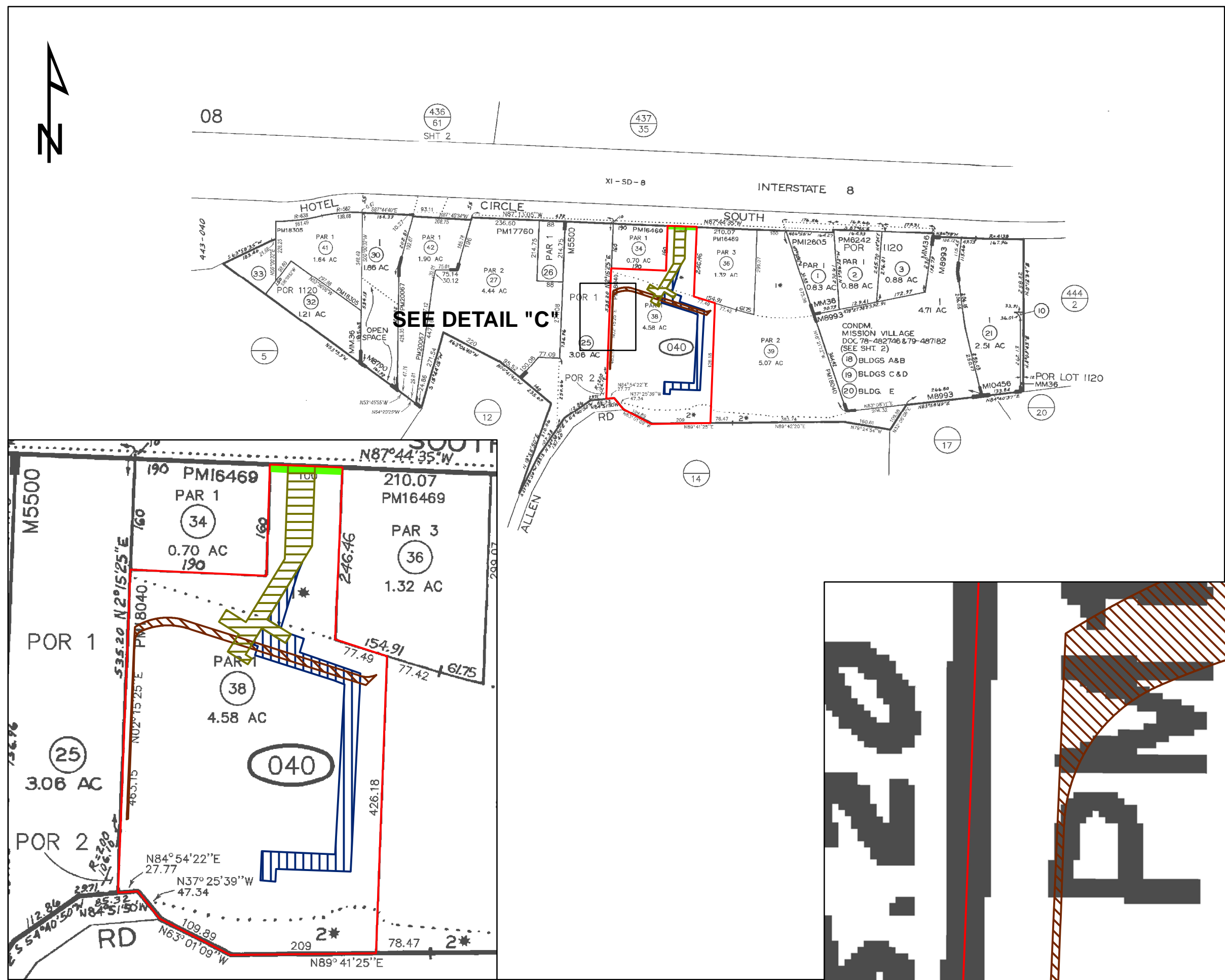
12. Market conditions and trends including identification of the relevant market area, a discussion of supply and demand within the relevant market area (or other areas of competition), and a discussion of the relevant market factors impacting demand for site acquisition or leasing within the relevant market area.
13. Discussion of subject land/site characteristics (size, topography, current use, zoning and land use issues, development entitlements, General Plan designations, utilities, offsite improvements, access, easements and restrictions, flood and earthquake information, toxic hazards, taxes and assessments, etc.).
14. Description of subject improvements, including all structures, square footage, physical age, type of construction, quality of construction, condition, site improvements, etc.
15. Subject leasing and operating cost history.
16. Opinion of highest and best use for the subject property, based on an in-depth analysis supporting the concluded use. Such support typically requires a discussion of the four criteria or tests utilized to determine the highest and best use of a property. If alternative feasible uses exist, explain and support market, development, cash flow, and risk factors leading to an ultimate highest and best use decision.
17. All approaches to market value applicable to the property type and in the subject market. Explain and support the exclusion of any usual approaches to value.
18. Map(s) showing all comparable properties in relation to subject property.
19. Photographs and plat maps of comparable properties.
20. In depth discussion of comparable properties, similarities and differences, and comparisons and adjustments to the comparable data, and discussion of the reliability and credibility of the data as it relates to the indicated subject property value.
21. Comparable data sheets: 1) For sales, include information on grantor/grantee, sale/recordation dates, listed or asking price as of date of sale, financing, conditions of sale, buyer motivation, sufficient location information (street address, post mile, and/or distance from local landmarks such as bridges, road intersections, structures, etc.), land/site characteristics, improvements, source of any allocation of sale price between land and improvement, and confirming source. 2). For listings, also include marketing time from list date to effective date of the appraisal, original list price, changes in list price, broker feedback, if available. 3). For leases, include significant information such as lessor/lessee, lease date and term, type of lease, rent and escalation, expenses, size of space leased, tenant improvement allowance, concessions, use restrictions, options, and confirming source.
22. Discussion of construction cost methodology, data source used, costs included and excluded.
23. Discussion relating to remaining economic life. Depreciation methodology, a discussion of accrued depreciation from all causes, and remaining economic life.
24. Copies of construction cost data including, section and pages of cost manual (date of estimate or date of publication of cost manual must be provided if not indicated on page), copies of cost estimate if provided from another source, and supporting calculations including worksheets or spreadsheets.
25. Include a copy of a recent preliminary title report (within the past year) as an appraisal exhibit and discuss the effect of title exceptions on fair market value. If unavailable, the appraisal should be made contingent upon review of the preliminary title report and the assumption that there is no effect on value.

26. Reconciliation and final value estimate. Explain and support conclusions reached.
27. Signed Certification consistent with language found in USPAP.
28. A discussion of market conditions and trends including identification of the relevant market, a discussion of supply and demand within the relevant market area and a discussion of the relevant market factors impacting demand for site acquisition and leasing within the relevant market area.
29. These appraisal guidelines must be included in the Addenda of appraisal report.

ORDER NO.
00189985-993
03/24/2023
APN
443-040-38-00

Legend

-  PIQ
-  Ease for Water Facilities recorded
10/20/1998 Inst #1998-0677665 OR - Item 11
-  Ease for Drainage Facilities recorded
10/20/1998 Inst #1998-0677666 OR - Item 12
-  Ease for Water Facilities recorded
05/21/1999 Inst #1999-0348081 OR - Item 14
-  Ease for street & Highway recorded
06/20/2002 Inst #2002-0524129 OR - Item 16
-  Ease for Public Utilities, Ingress & Egress recorded
03/10/2006 Inst #2006-0167981 OR - Item 17 (Unlocatable)



DETAIL

DETAIL "C"

This map/plat is being furnished as an aid in locating the herein described Land in relation to adjoining streets, natural boundareis and other land, and is not a survey of the land depicted. Except to the extent a policy of title insurane is expressly modified by endorsement, if any, the Company does not insure dimensions, distances, location of easements, acreage or other matters shown thereon.

ADDENDUM C

Legal Description & Title Report



Issuing Policies of Chicago Title Insurance Company

ORDER NO.: **00189985-993-SD2-CFU**

Main Office Line: **(619) 521-3500**

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
ATTN: Buddy Bohrer
Email: buddyb@sdhc.org
REF:

Title Officer: Ken Cyr & Mark Franklin
Title Officer Phone: (619) 521-3673
Title Officer Fax: (619) 521-3608
Title Officer Email: TeamCyrFranklin@ctt.com

PROPERTY: **2085 – 2095 SOUTH HOTEL CIRCLE, SAN DIEGO, CA**

PRELIMINARY REPORT

*In response to the application for a policy of title insurance referenced herein, **Chicago Title Company** hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Chicago Title Insurance Company, a Florida corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Chicago Title Company

By: 
Authorized Signature



By: 
Michael J. Nolan
President

ATTEST: 
Marjorie Nemzura
Secretary



PRELIMINARY REPORT

EFFECTIVE DATE: **March 7, 2023 at 7:30 a.m.**

ORDER NO.: **00189985-993-SD2-CFU**

The form of policy or policies of title insurance contemplated by this report is:

ALTA Standard Owner's Policy (6-17-06)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A FEE

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS [VESTED IN:](#)

ESA P PORTFOLIO LLC F/K/A BRE/ESA P PORTFOLIO LLC, a DE limited liability company

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

See Exhibit A attached hereto and made a part hereof.

EXHIBIT "A"

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1 OF [PARCEL MAP NO. 18040](#), IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JUNE 4, 1998 AS FILE NO. [1998-0335824, OF OFFICIAL RECORDS](#).

[APN: 443-040-38-00](#)

EXCEPTIONS

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

- A. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2023 - 2024.
- B. Property taxes, including any personal property taxes and any assessments collected with taxes, are as follows:

Tax Identification No.: 443-040-38-00
Fiscal Year: 2022 - 2023
1st Installment: \$123,173.03, PAID
2nd Installment: \$123,173.03, OPEN (Delinquent after April 10)
Penalty and Cost: \$12,327.30
Homeowners Exemption: \$0.00
Code Area: 08001

- C. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

- 1. Privilege and right to extend drainage structures and excavation and embankment slopes beyond the limits of the right of way, where required for the construction and maintenance of said right of way as contained in the document set forth below:

Recording Date: March 23, 1955
Recording No.: [Book 5577, Page 287](#), of Official Records

- 2. Easement(s) for the purpose(s) shown below and rights incidental thereto, as delineated on or as offered for dedication on

Map/Plat: [Map No. 5500](#)
Purpose: Drainage
Affects: As shown on [Parcel Map No. 18040](#).

Resolution R-296603, certified resolution for drainage easement located within Parcel 1 of [Parcel Map No. 18040](#), Drawing Nos. 18808-1-B and 18808-2-B, vacating a portion of said easement, as recorded June 13, 2002 as [Instrument No. 2002-0501636, of Official Records](#).

- 3. Agreement relating to the installation, maintenance and possible removal of a lined drainage ditch as set forth below:

Between: City of San Diego
And: Valley Enterprises, Ltd., owner
Recording Date: August 8, 1979
[Recording No.:](#) [79-331889, of Official Records](#)

EXCEPTIONS (Continued)

4. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Mission Cable TV, Inc., a corporation
Purpose: Aerial and underground community antenna television equipment
Recording Date: October 27, 1980
[Recording No:](#) [80-357046, of Official Records](#)

The exact location and extent of said easement is not disclosed of record.

5. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: The City of San Diego, a municipal corporation
Purpose: Drainage facilities, drainage access easement and pedestrian and non-motor vehicular easements
Recording Date: August 20, 1982
[Recording No:](#) [82-258396, of Official Records](#)
Affects: As shown on [Parcel Map No. 18040](#).

6. An offer and the rejection of said offer subject to the provisions of Section 66477.2 of the Government Code of the State of California for the dedication of that portion of Parcel 2 of [Parcel Map No. 16469](#) marked "Reserved for Future Street", as shown on the map of said tract, which provides that a rejected Offer of Dedication shall remain.

7. Easement(s) for the purpose(s) shown below and rights incidental thereto, as delineated on or as offered for dedication on

Map/Plat: [Parcel Map No. 16469](#)
Purpose: Open space
Affects: As shown on [Parcel Map No. 18040](#).

8. Various matters including, but not limited to, requirements for developing or improving the land, proposed easements, covenants, conditions, restrictions and provisions set forth on [Parcel Map No. 18040](#).

9. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, veteran or military status, genetic information, medical condition, citizenship, primary language, and immigration status, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: March 20, 1992
[Recording No:](#) [1992-0155627, of Official Records](#)

EXCEPTIONS (Continued)

10. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, veteran or military status, genetic information, medical condition, citizenship, primary language, and immigration status, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: July 1, 1998
[Recording No: 1998-0407242, of Official Records](#)

11. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of San Diego, a municipal corporation
Purpose: Water facilities
Recording Date: October 20, 1998
[Recording No: 1998-0677665, of Official Records](#)
Affects: A portion of said land.

12. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of San Diego, a municipal corporation
Purpose: Drainage facilities
Recording Date: October 20, 1998
[Recording No: 1998-0677666, of Official Records](#)
Affects: A portion of said land as more particularly described in said document.

13. Matters contained in that certain document

Entitled: Mission Valley Planned District/Resource Protection Ordinance Permit No. 96-7233 Maravilla 1 (Extended Stay America Hotel), City Council
Dated: September 29, 1998
Executed by: The City of San Diego, Maravilla I, LLC, Owner and ESA Management, Inc.
Recording Date: April 22, 1999
[Recording No: 1999-0271158, of Official Records](#)

Reference is hereby made to said document for full particulars.

14. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of San Diego, a municipal corporation
Purpose: Water facilities
Recording Date: May 21, 1999
[Recording No: 1999-0348081, of Official Records](#)
Affects: A portion of said land.

EXCEPTIONS (Continued)

15. Agreement relating to the installation, maintenance and possible removal of curb outlet, 12" storm drain, pvt. 8" sewer, pvt laterals with backflow preventer brow ditch, sidewalk, gazebo, a corporation pavement, curb & landscaping as set forth below:
- Between: City of San Diego
And: Extended Stay CA, Inc., owner
Recording Date: May 13, 2002
[Recording No.:](#) [2002-0403112, of Official Records](#)
16. An irrevocable offer to dedicate an easement over a portion of said Land for
- Purpose(s): Street and highway
Recording Date: June 20, 2002
[Recording No.:](#) [2002-0524129, of Official Records](#)
Affects: The route thereof affects a portion of said land as more particularly described in said document.
17. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:
- Granted to: San Diego Gas and Electric Company
Purpose: Public utilities, ingress and egress
Recording Date: March 10, 2006
[Recording No.:](#) [2006-0167981, of Official Records](#)
- The exact location and extent of said easement is not disclosed of record.
18. An unrecorded lease with certain terms, covenants, conditions and provisions set forth therein as disclosed by the document
- Entitled: Memorandum of Lease
Lessor: ESA P Portfolio L.L.C., a Delaware limited liability company
Lessee: ESA P Portfolio Operating Lessee LLC, a Delaware limited liability company
Recording Date: July 2, 2021
[Recording No.:](#) [2021-0479339, of Official Records](#)
19. A deed of trust to secure an indebtedness in the amount shown below,
- Amount: \$22,640,000.00
Dated: June 16, 2021
Trustor/Grantor: ESA P Portfolio L.L.C., a Delaware limited liability company and ESA P Portfolio Operating Lessee LLC, a Delaware limited liability company
Trustee: Chicago Title Insurance Company
Beneficiary: JPMorgan Chase Bank, National Association, a banking association chartered under the laws of the United States of America, Citi Real Estate Funding Inc., a New York corporation and Deutsche Bank AG, a New York Branch, a branch of Deutsche Bank AG, a German Bank, authorized by the New York Department of Financial Services
Recording Date: July 2, 2021
[Recording No.:](#) [2021-0479340, of Official Records](#)

EXCEPTIONS (Continued)

An assignment of the beneficial interest under said deed of trust which names:

Assignee: German American Capital Corporation, a Maryland corporation
Recording Date: October 12, 2021
[Recording No: 2021-0708887, of Official Records](#)

An assignment of the beneficial interest under said deed of trust which names:

Assignee: Wells Fargo Bank, National Association, as Trustee, for the benefit of holders of Extended Stay America Trust 2021-ESH, Commercial Mortgage Pass-Through Certificates, Series 2021-ESH
Recording Date: October 12, 2021
[Recording No: 2021-0708888, of Official Records](#)

- 20. Water rights, claims or title to water, whether or not disclosed by the public records.
- 21. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.
- 22. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

PLEASE REFER TO THE "INFORMATIONAL NOTES" AND "REQUIREMENTS" SECTIONS WHICH FOLLOW FOR INFORMATION NECESSARY TO COMPLETE THIS TRANSACTION.

END OF EXCEPTIONS

REQUIREMENTS SECTION

1. The Company will require the following documents for review prior to the issuance of any title insurance predicated upon a conveyance or encumbrance from the entity named below:

Limited Liability Company: ESA P Portfolio LLC F/K/A BRE/ESA P Portfolio LLC, a DE limited liability company

- a) A copy of its operating agreement, if any, and all amendments, supplements and/or modifications thereto, certified by the appropriate manager or member.
- b) If a domestic Limited Liability Company, a copy of its Articles of Organization and all amendments thereto with the appropriate filing stamps.
- c) If the Limited Liability Company is member-managed, a full and complete current list of members certified by the appropriate manager or member.
- d) A current dated certificate of good standing from the proper governmental authority of the state in which the entity is currently domiciled.
- e) If less than all members, or managers, as appropriate, will be executing the closing documents, furnish evidence of the authority of those signing.
- f) If Limited Liability Company is a Single Member Entity, a Statement of Information for the Single Member will be required.
- g) Each member and manager of the LLC without an Operating Agreement must execute in the presence of a notary public the Certificate of California LLC (Without an Operating Agreement) Status and Authority form.

END OF REQUIREMENTS

INFORMATIONAL NOTES SECTION

1. None of the items shown in this report will cause the Company to decline to attach ALTA Endorsement Form 9 to an Extended Coverage Loan Policy, when issued.
2. The Company is not aware of any matters which would cause it to decline to attach CLTA Endorsement Form 116 indicating that there is located on said Land Commercial properties, known as 2085 – 2095 South Hotel Circle, located within the City of San Diego, California, to an Extended Coverage Loan Policy.
3. Note: The policy of title insurance will include an arbitration provision. The Company or the insured may demand arbitration. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. Please ask your escrow or title officer for a sample copy of the policy to be issued if you wish to review the arbitration provisions and any other provisions pertaining to your Title Insurance coverage.
4. Notice: Please be aware that due to the conflict between federal and state laws concerning the cultivation, distribution, manufacture or sale of marijuana, the Company is not able to close or insure any transaction involving Land that is associated with these activities.
5. Pursuant to Government Code Section 27388.1, as amended and effective as of 1-1-2018, a Documentary Transfer Tax (DTT) Affidavit may be required to be completed and submitted with each document when DTT is being paid or when an exemption is being claimed from paying the tax. If a governmental agency is a party to the document, the form will not be required. DTT Affidavits may be available at a Tax Assessor-County Clerk-Recorder.
6. The following Exclusion(s) are added to preliminary reports, commitments and will be included as an endorsement in the following policies:
 - A. 2006 ALTA Owner's Policy (06-17-06).
 6. Defects, liens, encumbrances, adverse claims, notices, or other matters not appearing in the Public Records but that would be disclosed by an examination of any records maintained by or on behalf of a Tribe or on behalf of its members.
 - B. 2006 ALTA Loan Policy (06-17-06).
 8. Defects, liens, encumbrances, adverse claims, notices, or other matters not appearing in the Public Records but that would be disclosed by an examination of any records maintained by or on behalf of a Tribe or on behalf of its members.
 9. Any claim of invalidity, unenforceability, or lack of priority of the lien of the Insured Mortgage based on the application of a Tribe's law resulting from the failure of the Insured Mortgage to specify State law as the governing law with respect to the lien of the Insured Mortgage.
 - C. ALTA Homeowner's Policy of Title Insurance (12-02-13) and CLTA Homeowner's Policy of Title Insurance (12-02-13).
 10. Defects, liens, encumbrances, adverse claims, notices, or other matters not appearing in the Public Records but that would be disclosed by an examination of any records maintained by or on behalf of a Tribe or on behalf of its members.

**INFORMATIONAL NOTES
(Continued)**

- D. ALTA Expanded Coverage Residential Loan Policy - Assessments Priority (04-02-15).
 - 12. Defects, liens, encumbrances, adverse claims, notices, or other matters not appearing in the Public Records but that would be disclosed by an examination of any records maintained by or on behalf of a Tribe or on behalf of its members.
 - 13. Any claim of invalidity, unenforceability, or lack of priority of the lien of the Insured Mortgage based on the application of a Tribe's law resulting from the failure of the Insured Mortgage to specify State law as the governing law with respect to the lien of the Insured Mortgage.
 - E. CLTA Standard Coverage Policy 1990 (11-09-18).
 - 7. Defects, liens, encumbrances, adverse claims, notices, or other matters not appearing in the public records but that would be disclosed by an examination of any records maintained by or on behalf of a tribe or on behalf of its members.
 - 8. Any claim of invalidity, unenforceability, or lack of priority of the lien of the insured mortgage based on the application of a tribe's law resulting from the failure of the insured mortgage to specify state law as the governing law with respect to the lien of the insured mortgage.
7. Note: There are NO conveyances affecting said Land recorded within 24 months of the date of this report.

END OF INFORMATIONAL NOTES

Ken Cyr & Mark Franklin/725

Wire Fraud Alert

This Notice is not intended to provide legal or professional advice. If you have any questions, please consult with a lawyer.

All parties to a real estate transaction are targets for wire fraud and many have lost hundreds of thousands of dollars because they simply relied on the wire instructions received via email, without further verification. **If funds are to be wired in conjunction with this real estate transaction, we strongly recommend verbal verification of wire instructions through a known, trusted phone number prior to sending funds.**

In addition, the following non-exclusive self-protection strategies are recommended to minimize exposure to possible wire fraud.

- **NEVER RELY** on emails purporting to change wire instructions. Parties to a transaction rarely change wire instructions in the course of a transaction.
- **ALWAYS VERIFY** wire instructions, specifically the ABA routing number and account number, by calling the party who sent the instructions to you. **DO NOT** use the phone number provided in the email containing the instructions, use phone numbers you have called before or can otherwise verify. **Obtain the phone number of relevant parties to the transaction as soon as an escrow account is opened.** **DO NOT** send an email to verify as the email address may be incorrect or the email may be intercepted by the fraudster.
- **USE COMPLEX EMAIL PASSWORDS** that employ a combination of mixed case, numbers, and symbols. Make your passwords greater than eight (8) characters. Also, change your password often and do **NOT** reuse the same password for other online accounts.
- **USE MULTI-FACTOR AUTHENTICATION** for email accounts. Your email provider or IT staff may have specific instructions on how to implement this feature.

For more information on wire-fraud scams or to report an incident, please refer to the following links:

Federal Bureau of Investigation:
<http://www.fbi.gov>

Internet Crime Complaint Center:
<http://www.ic3.gov>



Notice of Available Discounts

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the filed rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for such discount. These discounts only apply to transactions involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

Not all discounts are offered by every FNF Company. The discount will only be applicable to the FNF Company as indicated by the named discount.

FNF Underwritten Title Company

CTC – Chicago Title company
CLTC – Commonwealth Land Title Company
FNTC – Fidelity National Title Company of California
FNTCCA - Fidelity National Title Company of California
TICOR – Ticor Title Company of California
LTC – Lawyer's Title Company
SLTC – ServiceLink Title Company

Underwritten by FNF Underwriters

CTIC – Chicago Title Insurance Company
CLTIC - Commonwealth Land Title Insurance Company
FNTIC – Fidelity National Title Insurance Company
FNTIC - Fidelity National Title Insurance Company
CTIC – Chicago Title Insurance Company
CLTIC – Commonwealth Land Title Insurance Company
CTIC – Chicago Title Insurance Company

Available Discounts

DISASTER LOANS (CTIC, CLTIC, FNTIC)

The charge for a Lender's Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within twenty-four (24) months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be fifty percent (50%) of the appropriate title insurance rate.

CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (CTIC, FNTIC)

On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be fifty percent (50%) to seventy percent (70%) of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be forty (40%) to fifty percent (50%) of the appropriate title insurance rate, depending on the type of coverage selected.

FIDELITY NATIONAL FINANCIAL, INC. PRIVACY NOTICE

Effective January 1, 2023

Fidelity National Financial, Inc. and its majority-owned subsidiary companies (collectively, “FNF,” “our,” or “we”) respect and are committed to protecting your privacy. This Privacy Notice explains how we collect, use, and protect personal information, when and to whom we disclose such information, and the choices you have about the use and disclosure of that information.

A limited number of FNF subsidiaries have their own privacy notices. If a subsidiary has its own privacy notice, the privacy notice will be available on the subsidiary’s website and this Privacy Notice does not apply.

Collection of Personal Information

FNF may collect the following categories of Personal Information:

- contact information (e.g., name, address, phone number, email address);
- demographic information (e.g., date of birth, gender, marital status);
- identity information (e.g. Social Security Number, driver’s license, passport, or other government ID number);
- financial account information (e.g. loan or bank account information); and
- other personal information necessary to provide products or services to you.

We may collect Personal Information about you from:

- information we receive from you or your agent;
- information about your transactions with FNF, our affiliates, or others; and
- information we receive from consumer reporting agencies and/or governmental entities, either directly from these entities or through others.

Collection of Browsing Information

FNF automatically collects the following types of Browsing Information when you access an FNF website, online service, or application (each an “FNF Website”) from your Internet browser, computer, and/or device:

- Internet Protocol (IP) address and operating system;
- browser version, language, and type;
- domain name system requests; and
- browsing history on the FNF Website, such as date and time of your visit to the FNF Website and visits to the pages within the FNF Website.

Like most websites, our servers automatically log each visitor to the FNF Website and may collect the Browsing Information described above. We use Browsing Information for system administration, troubleshooting, fraud investigation, and to improve our websites. Browsing Information generally does not reveal anything personal about you, though if you have created a user account for an FNF Website and are logged into that account, the FNF Website may be able to link certain browsing activity to your user account.

Other Online Specifics

Cookies. When you visit an FNF Website, a “cookie” may be sent to your computer. A cookie is a small piece of data that is sent to your Internet browser from a web server and stored on your computer’s hard drive. Information gathered using cookies helps us improve your user experience. For example, a cookie can help the website load properly or can customize the display page based on your browser type and user preferences. You can choose whether or not to accept cookies by changing your Internet browser settings. Be aware that doing so may impair or limit some functionality of the FNF Website.

Web Beacons. We use web beacons to determine when and how many times a page has been viewed. This information is used to improve our websites.

Do Not Track. Currently our FNF Websites do not respond to “Do Not Track” features enabled through your browser.

Links to Other Sites. FNF Websites may contain links to unaffiliated third-party websites. FNF is not responsible for the privacy practices or content of those websites. We recommend that you read the privacy policy of every website you visit.

Use of Personal Information

FNF uses Personal Information for three main purposes:

- To provide products and services to you or in connection with a transaction involving you.
- To improve our products and services.
- To communicate with you about our, our affiliates’, and others’ products and services, jointly or independently.

When Information Is Disclosed

We may disclose your Personal Information and Browsing Information in the following circumstances:

- to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure;
- to affiliated or nonaffiliated service providers who provide or perform services or functions on our behalf and who agree to use the information only to provide such services or functions;

- to affiliated or nonaffiliated third parties with whom we perform joint marketing, pursuant to an agreement with them to jointly market financial products or services to you;
- to law enforcement or authorities in connection with an investigation, or in response to a subpoena or court order; or
- in the good-faith belief that such disclosure is necessary to comply with legal process or applicable laws, or to protect the rights, property, or safety of FNF, its customers, or the public.

The law does not require your prior authorization and does not allow you to restrict the disclosures described above. Additionally, we may disclose your information to third parties for whom you have given us authorization or consent to make such disclosure. We do not otherwise share your Personal Information or Browsing Information with nonaffiliated third parties, except as required or permitted by law.

We reserve the right to transfer your Personal Information, Browsing Information, and any other information, in connection with the sale or other disposition of all or part of the FNF business and/or assets, or in the event of bankruptcy, reorganization, insolvency, receivership, or an assignment for the benefit of creditors. By submitting Personal Information and/or Browsing Information to FNF, you expressly agree and consent to the use and/or transfer of the foregoing information in connection with any of the above described proceedings.

Security of Your Information

We maintain physical, electronic, and procedural safeguards to protect your Personal Information.

Choices With Your Information

Whether you submit Personal Information or Browsing Information to FNF is entirely up to you. If you decide not to submit Personal Information or Browsing Information, FNF may not be able to provide certain services or products to you.

For California Residents: We will not share your Personal Information or Browsing Information with nonaffiliated third parties, except as permitted by California law. For additional information about your California privacy rights, please visit the “California Privacy” link on our website (<https://fnf.com/pages/californiaprivacy.aspx>) or call (888) 413-1748.

For Nevada Residents: We are providing this notice pursuant to state law. You may be placed on our internal Do Not Call List by calling FNF Privacy at (888) 714-2710 or by contacting us via the information set forth at the end of this Privacy Notice. For further information concerning Nevada’s telephone solicitation law, you may contact: Bureau of Consumer Protection, Office of the Nevada Attorney General, 555 E. Washington St., Suite 3900, Las Vegas, NV 89101; Phone number: (702) 486-3132; email: aginquiries@ag.state.nv.us.

For Oregon Residents: We will not share your Personal Information or Browsing Information with nonaffiliated third parties for marketing purposes, except after you have been informed by us of such sharing and had an opportunity to indicate that you do not want a disclosure made for marketing purposes.

For Vermont Residents: We will not disclose information about your creditworthiness to our affiliates and will not disclose your personal information, financial information, credit report, or health information to nonaffiliated third parties to market to you, other than as permitted by Vermont law, unless you authorize us to make those disclosures.

For Virginia Residents: For additional information about your Virginia privacy rights, please email privacy@fnf.com or call (888) 714-2710.

Information From Children

The FNF Websites are not intended or designed to attract persons under the age of eighteen (18). We do not collect Personal Information from any person that we know to be under the age of thirteen (13) without permission from a parent or guardian.

International Users

FNF’s headquarters is located within the United States. If you reside outside the United States and choose to provide Personal Information or Browsing Information to us, please note that we may transfer that information outside of your country of residence. By providing FNF with your Personal Information and/or Browsing Information, you consent to our collection, transfer, and use of such information in accordance with this Privacy Notice.

FNF Website Services for Mortgage Loans

Certain FNF companies provide services to mortgage loan servicers, including hosting websites that collect customer information on behalf of mortgage loan servicers (the “Service Websites”). The Service Websites may contain links to both this Privacy Notice and the mortgage loan servicer or lender’s privacy notice. The sections of this Privacy Notice titled When Information is Disclosed, Choices with Your Information, and Accessing and Correcting Information do not apply to the Service Websites. The mortgage loan servicer or lender’s privacy notice governs use, disclosure, and access to your Personal Information. FNF does not share Personal Information collected through the Service Websites, except as required or authorized by contract with the mortgage loan servicer or lender, or as required by law or in the good-faith belief that such disclosure is necessary: to comply with a legal process or applicable law, to enforce this Privacy Notice, or to protect the rights, property, or safety of FNF or the public.

Your Consent To This Privacy Notice; Notice Changes

By submitting Personal Information and/or Browsing Information to FNF, you consent to the collection and use of the information in accordance with this Privacy Notice. We may change this Privacy Notice at any time. The Privacy Notice’s effective date will show the

last date changes were made. If you provide information to us following any change of the Privacy Notice, that signifies your assent to and acceptance of the changes to the Privacy Notice.

Accessing and Correcting Information; Contact Us

If you have questions or would like to correct your Personal Information, visit FNF's [Privacy Inquiry Website](#) or contact us by phone at (888) 714-2710, by email at privacy@fnf.com, or by mail to:

Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

ATTACHMENT ONE (Revised 05-06-16)

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY – 1990

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13) ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;
 - d. improvements on the Land;
 - e. land division; and
 - f. environmental protection.This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;

- c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
 6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.
 This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
 7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
 8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
 9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16:	1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$ 10,000.00
Covered Risk 18:	1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 19:	1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 21:	1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$ 5,000.00

2006 ALTA LOAN POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13 or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

{Except as provided in Schedule B - Part II, {t{or T}his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

{PART I

{The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.}

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:}

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
 - (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

{The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown in the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and that are not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records. }
7. {Variable exceptions such as taxes, easements, CC&R's, etc. shown here.}

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY – ASSESSMENTS PRIORITY (04-02-15)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

08

This map is to be used in conjunction with the site plan and other documents. It is not to be used as a substitute for a site plan. It is not to be used as a substitute for a site plan. It is not to be used as a substitute for a site plan.

Scale: 1/8" = 1'-0"

Page 1 of 1. Revisions: (1) Major Revisions (2) Minor Revisions (3) Additions (4) Deletions (5) Corrections

City of San Diego, Department of Public Works



NO.	DESCRIPTION	DATE	BY
1	Initial Drawing	10/1/00	J. L. [Name]
2	Revised Drawing	10/1/00	J. L. [Name]
3	Revised Drawing	10/1/00	J. L. [Name]
4	Revised Drawing	10/1/00	J. L. [Name]
5	Revised Drawing	10/1/00	J. L. [Name]
6	Revised Drawing	10/1/00	J. L. [Name]
7	Revised Drawing	10/1/00	J. L. [Name]
8	Revised Drawing	10/1/00	J. L. [Name]
9	Revised Drawing	10/1/00	J. L. [Name]
10	Revised Drawing	10/1/00	J. L. [Name]

MAP 10150 - MOUNTAIN VIEW VILLAGE CONDOMINIUM
 MAP 8000 - MOUNTAIN VIEW VILLAGE CONDOMINIUM
 MAP 8790 - L.A.C. OF SAN DIEGO
 MAP 8700 - L.A.C. OF SAN DIEGO
 MAP 8550 - L.A.C. OF SAN DIEGO
 MAP 8500 - L.A.C. OF SAN DIEGO
 MAP 8450 - L.A.C. OF SAN DIEGO
 MAP 8400 - L.A.C. OF SAN DIEGO
 MAP 8350 - L.A.C. OF SAN DIEGO
 MAP 8300 - L.A.C. OF SAN DIEGO
 MAP 8250 - L.A.C. OF SAN DIEGO
 MAP 8200 - L.A.C. OF SAN DIEGO
 MAP 8150 - L.A.C. OF SAN DIEGO
 MAP 8100 - L.A.C. OF SAN DIEGO
 MAP 8050 - L.A.C. OF SAN DIEGO
 MAP 8000 - L.A.C. OF SAN DIEGO

DATE: 10/1/00

City of San Diego

443-01
SPT 1

MOTEL CIRCLE SOUTH

⑤

CONDOMINIUM UNIT NUMBER

CONDOMINIUM UNIT NUMBER
 443-043-16-210 (1207-16)
 443-043-16-211 (1207-17)
 443-043-16-212 (1207-18)
 443-043-16-213 (1207-19)
 443-043-16-214 (1207-20)
 443-043-16-215 (1207-21)
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 443-043-16-290 (1207-96)
 443-043-16-291 (1207-97)
 443-043-16-292 (1207-98)
 443-043-16-293 (1207-99)
 443-043-16-294 (1207-100)



CONDOMINIUM
 MISSION VILLAGE
 DOCS 78-48248 & 79-48282
 MAP 8093 - MISSION VILLAGE CONDOMINIUM - (LOT 1)

08

1/11/16

This map/plan is being submitted with an intention to transfer the parcel described herein in relation to subdividing streets, easements and other land, and is not a survey of the unimproved land in the parcel or the location of the structure or structures as shown on the map/plan. The Commission does not make drawings, calculate, create or otherwise describe or other matters shown thereon.

Order: 18896
 Date: 2016-01-11

Page 2 of 2

Requested By: Michael Moore / Project: 201600015 (R-AM)



Surveyor
 License No. 12345

ADDENDUM D

Qualifications of Consultants

Qualifications of Partners & Key Personnel

STATEMENT OF PROFESSIONAL QUALIFICATIONS JAY A. WORTMANN, MAI

ASSOCIATION MEMBERSHIPS

Member of the Appraisal Institute with the MAI Designation, No. 519881

STATE CERTIFICATIONS

State of California Certified General Real Estate Appraiser (3001293)
State of Hawaii Certified General Real Estate Appraiser (CGA 1146)
State of Iowa Certified General Real Estate Appraiser (CG03319)
State of Minnesota Certified General Real Estate Appraiser (40392083)
State of Missouri Certified General Real Estate Appraiser (2013040219)
State of Nebraska Certified General Real Estate Appraiser (CG2014002)
State of New Mexico Certified General Real Estate Appraiser (03455-G)
State of Oklahoma Certified General Real Estate Appraiser (13111CGA)
State of Texas Certified General Real Estate Appraiser (TX 1380393 G)

EDUCATION

University of Nebraska, **Bachelor of Science** in Business Administration with an emphasis in Finance and Management, 2004

All educational requirements successfully completed for the Appraisal Institute MAI designation.

Consortium Institute of Management and Business Analysis (CIMBA) Undergraduate Program, Spring Semester 2004, Paderno del Grappa, Italy

EXPERIENCE

06/2018 to Present Kinetic Valuation Group, President
10/2015 to 06/2018 Lea & Company, President
01/2007 to 10/2015 Lea & Company, Director Midwest Offices
11/2006 to 5/2008 Assumption-Guadalupe Catholic School - South Omaha CORE Development Director
06/2004 to 10/2006 Novogradac & Company LLP, Real Estate Analyst

PROFESSIONAL TRAINING

Appraisal Courses Completed:

- Basic Appraisal Procedures 10/2008
- Basic Appraisal Principles 12/2008
- Income Approach Part I 07/2010
- Income Approach Part II 08/2010
- General Appraiser Sales Comparison Approach 04/2011
- Market Analysis & Highest & Best Use 05/2011
- Real Estate Finance Statistics and Valuation Modeling 08/2011
- Advanced Income Capitalization 09/2011
- General Appraiser Site Valuation & Cost Approach 10/2011
- General Appraiser Report Writing and Case Studies 12/2011
- National USPAP 15-Hour Course 01/2012
- Nebraska National Appraiser Examination 04/2012
- Advanced Concepts & Case Studies 11/2013
- MAI Comprehensive Exam Module II, III, & IV 04/2014

- MAI Comprehensive Exam Module I 11/2014
- MAI General Demonstration Report-Capstone Program – 11/2014

REAL ESTATE ASSIGNMENTS

A representative sample of various types of projects involved with includes:

- Prepared market studies for proposed Low-Income Housing Tax Credit, market rate, HOME financed, USDA Rural Development, and HUD subsidized properties, on a national basis. Analysis includes property screenings, market analysis, comparable rent surveys, demand analysis based on the number of income qualified renters in each market, supply analysis, and operating expenses analysis. Property types include proposed multifamily, senior independent living, large family, and acquisition with rehabilitation.
- Prepare appraisals of proposed new construction, rehabilitation, and existing Low-Income Housing Tax Credit properties, USDA Rural Development, and market rate multifamily developments. Analysis includes property screenings, valuation analysis, rent comparability studies, expense comparability analysis, determination of market rents, and general market analysis.
- Prepare appraisal work for retail and commercial properties in various parts of the country for various lenders. The client utilized the study for underwriting purposes.
- Conducted market studies for projects under the HUD Multifamily Accelerated Processing program.
- Prepare appraisals of proposed new construction properties under the HUD Multifamily Accelerated Processing program.
- Prepare Rent Comparability Studies for expiring Section 8 HAP contracts for subsidized properties located throughout the United States. Engagements included site visits to the subject property, interviewing and inspecting potentially comparable properties, and the analyses of collected data including adjustments to comparable data to determine appropriate adjusted market rents using HUD form 92273.
- Performed all aspects of data collection and data mining for web-based rent reasonableness systems for use by local housing authorities.

Work assignments completed in various states include:

Arizona	Missouri
Arkansas	Montana
California	Nebraska
Colorado	New Mexico
Hawaii	North Dakota
Idaho	Pennsylvania
Indiana	Oklahoma
Iowa	Texas
Kansas	Utah
Michigan	Washington
Minnesota	Wisconsin
Mississippi	Wyoming

STATEMENT OF PROFESSIONAL QUALIFICATIONS

AMANDA M. BAKER, MAI

I. Professional Affiliation

Member of the Appraisal Institute with the MAI Designation, No. 511086

II. State Certifications

State of Arizona Certified General Real Estate Appraiser (32065)
State of California Certified General Real Estate Appraiser (3002360)
State of Colorado Certified General Real Estate Appraiser (CG.200000747)
State of Kansas Certified General Real Property Appraiser (G-2960)
State of Missouri Certified General Real Estate Appraiser (2014021680)
State of Nebraska Certified General Real Property Appraiser (CG2016006R)
State of Nevada Certified General Real Estate Appraiser (A.0207150-CG)
State of Washington Certified General Real Estate Appraiser (1102380)

III. Education

University of Nebraska-Omaha, **Bachelor of Science** in Business Administration
-Specialization in Real Estate and Land Use Economics
-Specialization in Marketing
-Secondary Specialization in Economics

IV. Professional Experience

-Vice President-Kinetic Valuation Group, June 2018-Present
-Manager-Lea & Company, November 2011-June 2018
-Senior Real Estate Analyst, Novogradac & Company LLP, April 2005–October 2011

V. Professional Training

-MAI General Demonstration Report-Capstone Program July 2016
-2016-2017 National USPAP Update March 2016
-MAI Comprehensive Exam August 2015
-Advanced Market Analysis and Highest & Best Use May 2015
-Advanced Income Capitalization October 2014
-Quantitative Analysis June 2014
-Advanced Concepts & Case Studies May 2014

VI. Real Estate Assignments

A representative sample of Due Diligence and Valuation Engagements includes:

- Prepared market studies for proposed Low-Income Housing Tax Credit, market rate, HOME financed, USDA Rural Development, and HUD subsidized properties, on a national basis. Analysis includes property screenings, market analysis, comparable rent surveys, demand analysis based on the number of income qualified renters in each market, supply analysis, and operating expenses analysis. Property types include proposed multifamily, senior independent living, large family, and acquisition with rehabilitation.
- Prepare appraisals of proposed new construction, rehabilitation, and existing Low-Income Housing Tax Credit properties, USDA Rural Development, and market rate multifamily developments. Analysis includes property screenings, valuation analysis, rent comparability studies, expense comparability analysis, determination of market rents, and general market analysis.

- Prepare appraisal work for retail and commercial properties in various parts of the country for various lenders. The client utilized the study for underwriting purposes.
- Conducted market studies for projects under the HUD Multifamily Accelerated Processing program.
- Prepare appraisals of proposed new construction properties under the HUD Multifamily Accelerated Processing program.
- Prepare Rent Comparability Studies for expiring Section 8 HAP contracts for subsidized properties located throughout the United States. Engagements included site visits to the subject property, interviewing and inspecting potentially comparable properties, and the analyses of collected data including adjustments to comparable data to determine appropriate adjusted market rents using HUD form 92273.
- Performed all aspects of data collection and data mining for web-based rent reasonableness systems for use by local housing authorities.

**STATEMENT OF PROFESSIONAL QUALIFICATIONS
BYRON N. LEA, MAI**

ASSOCIATION MEMBERSHIPS

Member of the Appraisal Institute with the MAI Designation, No. 10374

STATE CERTIFICATIONS

State of Colorado Certified General Appraiser (CG40039600)

State of California Certified General Appraiser (AG-008505)

EDUCATION

California State University Sacramento, Bachelor of Science in Business Administration, 1985

All educational requirements successfully completed for the Appraisal Institute MAI designation and 100-hour/five year continuing education cycles.

EXPERIENCE

06/2018 to Present Consultant to Kinetic Valuation Group
10/2015 to 06/2018 Founder and Consultant to Lea & Company
8/2006/ to 10/2015 Re-establishment of Lea & Company, President of Firm. Commercial Valuation and Consulting Services within the Affordable Housing Industry.
8/2000 to 8/2006 Novogradac & Company LLP, Partner, established the Kansas City and Los Angeles Valuation Group offices.
7/94 to 8/2000 Relocated to Kansas City, Senior Appraiser, Nunnink & Associates, Inc., which transformed into Integra Realty Resources.
Performed narrative appraisals and review of appraisals.
8/88 - 7/94 Commercial Fee Appraiser, Lea & Associates, Sacramento, California
Principal of firm. Performed narrative appraisals on fee basis.
8/86 - 5/88 Commercial Appraiser, Urban Pacific Services, Newport Beach, California
Performed narrative appraisals.
1/86 - 8/86 Commercial Appraiser, Bank of America, Orange County, California
Staff commercial appraiser.
4/85 - 9/85 Financial Analyst, Financial Investment Advisors Associates (FIA), Inc., Sacramento, California. Financial analysis of multi-million dollar institutional grade real estate.

REPRESENTATIVE SAMPLE OF ASSIGNMENTS

- On a national basis, conduct market studies and appraisals for proposed Low-Income Housing Tax Credit properties.
- On a national basis, conduct market studies and appraisals for preservation of affordable housing properties involving USDA and HUD programs, oftentimes with renovation using Low-Income Housing Tax Credits and/or Historic Tax Credits. Programs include USDA 515 and 538, and HUD 221D4, 236, and MAP.
- Rent Comparability Studies of apartment properties for HUD programs nationally.
- Team member in the valuation of a U.S. Air Force Base closure located in Northern California.
- Rockhurst College, a Jesuit University located in Kansas City, Missouri.
- Student housing portfolios located in West Lafayette, Indiana, home of Purdue University.
- Fair Rental Market Analysis for General Services Agency consisting of a Federal Courthouse located in Kansas City, Kansas, Bannister Federal Complex, and Federal properties located in Leavenworth and Topeka, Kansas and Independence, Missouri.
- Industrial portfolio valuation of properties located throughout the United States.
- Residential subdivisions located in California and Midwest.
- Regional Malls located in California.

- Convenience Store properties located throughout the Midwest.
- Proposed Mixed Use Entertainment Center with Megaplex theaters and restaurant.
- Megaplex and Multiplex movie theaters.
- Proposed truck terminal facilities located in Kansas and Missouri.
- Bulk liquids transfer terminal located in Kansas.
- Assisted living and nursing home properties located in Kansas, Missouri, Alabama, and Mississippi.
- Institutional grade investment properties located throughout the United States.
- Portfolio valuation for Small Business Administration of properties located in California.
- Work assignments completed in various states include:

Alabama	Montana
Arizona	Nebraska
Arkansas	Nevada
California	New Mexico
Colorado	North Dakota
Hawaii	Ohio
Idaho	Oklahoma
Iowa	Oregon
Illinois	Pennsylvania
Indiana	South Dakota
Kansas	Tennessee
Louisiana	Texas
Michigan	Utah
Minnesota	Washington
Mississippi	Wisconsin
Missouri	Wyoming

STATEMENT OF PROFESSIONAL QUALIFICATIONS

BRENT R. GRIFFITHS, MAI

ASSOCIATION MEMBERSHIPS

Member of the Appraisal Institute with MAI Designation, No. 574292

STATE CERTIFICATIONS

State of Arkansas Certified General Real Estate Appraiser (CG-4379)

State of California Certified General Real Estate Appraiser (3004361)

State of Minnesota Certified General Real Estate Appraiser (40524536)

State of Montana Certified General Real Estate Appraiser (REA-RAG-LIC-9586)

EDUCATION

University of Nebraska-Lincoln, Bachelor of Science in Business Administration with an emphasis in Finance and Management

EXPERIENCE

10/2022 to Present: Kinetic Valuation Group, Principal

06/2018 to 10/2022: Kinetic Valuation Group, Certified General Real Estate Appraiser

03/2013 to 06/2018: Lea & Company, Senior Analyst

08/2011 to 03/2013: Pinnacle Bank, Real Estate Loan Assistant

04/2010 to 08/2011: Pinnacle Bank, Customer Service Representative

PROFESSIONAL TRAINING

Certified General Real Property Appraisal Courses Completed:

- | | |
|--|---------|
| • Basic Appraisal Procedures | 05/2013 |
| • National USPAP 15-Hour Course | 06/2013 |
| • Basic Appraisal Principles | 09/2013 |
| • Real Estate Finance, Statistics, and Valuation Modeling | 09/2013 |
| • General Appraiser Report Writing and Case Studies | 12/2013 |
| • General Appraiser Sales Comparison Approach | 04/2014 |
| • General Appraiser Income Approach/Part 1 | 07/2014 |
| • General Appraiser Market Analysis and Highest & Best Use | 08/2014 |
| • General Appraiser Income Approach/Part 2 | 12/2014 |
| • General Appraiser Site Valuation and Cost Approach | 10/2015 |
| • Advanced Income Capitalization | 09/2016 |
| • Advanced Concepts & Case Studies | 09/2018 |
| • Quantitative Analysis | 08/2019 |
| • Advanced Market Analysis and Highest & Best Use | 10/2020 |
| • General Demonstration Report-Capstone Program | 11/2021 |
| • MAI Comprehensive Exam Module I, II, III, IV | 08/2022 |

REAL ESTATE ASSIGNMENTS

A representative sample of types of projects involved with includes:

- On a national basis, prepare market studies and appraisals consulting services for proposed Low-Income Housing Tax Credit properties.
- On a national basis, prepare market studies and appraisals consulting services for preservation of affordable housing properties involving USDA and HUD programs, oftentimes with renovation using Low-Income Housing Tax Credits and/or Historic Tax Credits. Programs include Rental Assistance Demonstration (RAD) Program, USDA 515 and 538, and HUD 221D4, 236, and MAP.

- Prepare market studies for proposed new construction, conversion, and existing Low-Income Housing Tax Credit developments for special needs and age-restricted populations.
- Prepare appraisals of proposed new construction, rehab and existing Low-Income Housing Tax Credit properties, Section 8 Mark-to-Market properties, Rental Assistance Demonstration (RAD) Program, and HUD Map Section 221D4 and 223f properties.
- Conduct rent comparable studies for properties encumbered by Section 8 contracts.

Work assignments completed in the following states:

- Alabama
- Arizona
- Arkansas
- California
- Connecticut
- Colorado
- Florida
- Hawaii
- Illinois
- Indiana
- Iowa
- Kansas
- Louisiana
- Maryland
- Michigan
- Minnesota
- Missouri
- Montana
- Nebraska
- Nevada
- New Jersey
- New Mexico
- North Carolina
- North Dakota
- Oklahoma
- Oregon
- Pennsylvania
- Rhode Island
- South Dakota
- Tennessee
- Texas
- Utah
- Washington
- Wyoming

**STATEMENT OF PROFESSIONAL QUALIFICATIONS
CHARLES K. HAASE**

STATE CERTIFICATIONS

State of California Certified General Real Estate Appraiser (3004234)
State of Ohio Certified General Real Estate Appraiser (2017003033)
State of Utah Certified General Real Estate Appraiser (10536692-CG00)
State of Oklahoma Certified General Real Estate Appraiser (13344CGA)

EDUCATION

University of Nebraska Omaha, **Bachelor of Arts** in International Studies
- Specialization in Global Strategic Studies.

EXPERIENCE

06/2018 to Present - Kinetic Valuation Group, Certified General Real Estate Appraiser

10/2011 to 06/2018 - Lea & Company, Certified General Real Estate Appraiser

06/2009 to 10/2011 - Nebraska Title Company – Escrow Closer/Title Agent/Searcher

PROFESSIONAL TRAINING

Certified General Real Property Appraisal Courses Completed:

- | | |
|---|---------|
| • Basic Appraisal Procedures | 05/2012 |
| • Basic Appraisal Principles | 10/2012 |
| • Statistics, Modeling, and Finance | 05/2013 |
| • General Site Valuation and Cost Approach | 07/2013 |
| • General Sales Comparison Approach | 08/2013 |
| • General Appraiser Income Approach Part I | 04/2014 |
| • General Appraiser Market Analysis
and Highest & Best Use | 08/2014 |
| • General Appraiser Report Writing and Case Studies | 10/2014 |
| • National USPAP 15-Hour Course | 11/2014 |
| • Business Practice and Ethics | 8/2015 |
| • General Appraiser Income Approach Part II | 9/2015 |
| • Advanced Income Capitalization | 10/2015 |

REAL ESTATE ASSIGNMENTS

A representative sample of Due Diligence and Valuation Engagements includes:

- On a national basis, assisted with market studies and appraisals for proposed Low-Income Housing Tax Credit properties. Includes property screenings, market and demographic analysis, comparable rent surveys, and supply and demand analysis.
- On a national basis, prepare market studies and appraisals consulting services for preservation of affordable housing properties involving USDA and HUD programs, oftentimes with renovation using Low-Income Housing Tax Credits and/or Historic Tax Credits. Programs include Rental Assistance Demonstration (RAD) Program, USDA 515 and 538, and HUD 221D4, 236, and MAP.

- Prepare market studies for proposed new construction, conversion, and existing Low-Income Housing Tax Credit developments for family and age-restricted populations.
- Prepare appraisals of proposed new construction, rehab and existing Low-Income Housing Tax Credit properties and Section 8 Mark-to-Market properties. Assistance includes rent comparability studies, determination of market rents and market analysis.
- Conduct Rent Comparability Studies for expiring Section 8 HAP contracts for subsidized properties located throughout the United States. Engagements included site visits to the subject property, interviewing and inspecting potentially comparable properties, and the analyses of collected data including adjustments to comparable data to determine appropriate adjusted market rents using HUD form 92273.
- Performed all aspects of data collection and data mining for web-based rent reasonableness systems for use by local housing authorities.

Work assignments completed in various states include:

Arizona	Nebraska
Arkansas	New Mexico
California	New York
Colorado	North Dakota
Florida	Ohio
Hawaii	Oklahoma
Iowa	Oregon
Kansas	Pennsylvania
Michigan	Texas
Missouri	Utah
Minnesota	West Virginia
Montana	Washington
Nevada	Wisconsin
	Wyoming

STATEMENT OF PROFESSIONAL QUALIFICATIONS

Sarah L Hauxwell

EDUCATION

University of Nebraska- Omaha, **Bachelor of Science** in Business Administration with a minor in Real Estate & Land Use, 2016

EXPERIENCE

06/2018 to Present: Kinetic Valuation Group, Real Estate Analyst

11/2016 to 06/2018: Lea & Company, Real Estate Analyst

PROFESSIONAL TRAINING

Certified General Real Property Appraisal Courses Completed:

- Basic Appraisal Procedures 10/2017
- Basic Appraisal Principles 8/2017
- National USPAP 15-Hour Course 12/10/2017

REAL ESTATE ASSIGNMENTS

A representative sample of types of projects involved with includes:

- On a national basis, assisted with market studies and appraisals for proposed Low-Income Housing Tax Credit properties. Includes property screenings, market and demographic analysis, comparable rent surveys, and supply and demand analysis.
- On a national basis, assisted with market studies and appraisals for preservation of affordable housing properties involving USDA and HUD programs, oftentimes with renovation using Low-Income Housing Tax Credits and/or Historic Tax Credits. Programs include USDA 515 and 538.
- Prepare market studies for proposed new construction, conversion, and existing Low-Income Housing Tax Credit developments for family, senior, and assisted-living senior populations.
- Assist with appraisals of proposed new construction, rehab and existing Low-Income Housing Tax Credit properties and Section 8 Mark-to-Market properties. Assistance includes rent comparability studies, determination of market rents and market analysis.
- Conduct rent comparable studies for properties encumbered by Section 8 contracts. Research included analysis of comparable properties and market analysis.

Work assignments completed in the following states:

Arizona	Nebraska
Arkansas	New York
California	Ohio
Colorado	Oklahoma
Hawaii	Utah
Iowa	West Virginia
Kansas	Washington
Missouri	
Minnesota	

Certificate of Professional Designation

This certificate verifies that

Jay Wortmann
Kinetic Valuation Group

Has completed NCHMA's Professional Designation Requirements
and is hence an approved member in good standing of:



National Council of Housing Market Analysts
1400 16th St. NW
Suite 420
Washington, DC 20036
202-939-1750

Membership Term
1/1/2024 to 12/31/2024



Kaitlyn Snyder
Managing Director, NCHMA

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE**

2020 W. El Camino Avenue, Suite 670, 95833
P. O. Box 952054
Sacramento, CA 94252-2054
(916) 263-2771
www.hcd.ca.gov



February 13, 2024

Jeff Davis, Interim President and Chief Executive Officer
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

Dear Jeff Davis:

**RE: Conditional Award Commitment and Acceptance of Terms and Conditions
Homekey Program, Round 3 Notice of Funding Availability, Fiscal Year 2023/2024
San Diego Housing Commission – *Presidio Palms*
Contract No. 23-HK-18083**

The California Department of Housing and Community Development (“**Department**” or “**HCD**”) issued a Homekey Program, Round 3 Notice of Funding Availability (“**NOFA**”) on March 29, 2023, and as amended on November 15, 2023. The Department is now pleased to inform you of this conditional award to San Diego Housing Commission (“**Awardee**”). This conditional award is a grant in the amount of \$35,000,000 (the “**Conditional Award**”) for the above-referenced project (the “**Project**”) and includes the following:

Program	Award Amount	Contract Number
Capital Award	\$35,000,000	23-HK-18083
Operating Award	\$0	23-HK-18083

This Homekey Program Round 3 NOFA award is under a media and public announcement embargo until released by the Office of the Governor or otherwise notified by HCD staff. HCD will provide updates on the timing of the public award announcement and provide a social media toolkit and a quote from the HCD Director for use in local media releases.

The Conditional Award is based on and subject to the Applicant Representations and the Terms and Conditions of Conditional Award, both as further specified and described in this notice of the Conditional Award (the “**Conditional Award Commitment**”). This Conditional Award may only be accepted by timely delivery of a fully executed Acceptance of Terms and Conditions of Conditional Award form to the Department (an execution copy of this form is enclosed herein).

I. Applicant Representations – Basis of Conditional Award

In response to the above mentioned NOFA, the Awardee(s) submitted an application for grant funding of the Project (that application, and all communications and documentation

submitted to the Department in support thereof, the “**Application**”).

The Department is making this Conditional Award to the Awardee(s) on the basis of, and in reliance upon, the representations, warranties, projections, and descriptions that the Awardee(s) submitted as part of the Application (the “**Applicant Representations**”).

The Department may rescind this Conditional Award if the Department discovers, at any time prior to disbursement of the Conditional Award, that the Applicant Representations included material misrepresentations or omissions, regardless of whether or not such misrepresentations or omissions were innocent, unintentional, and/or based upon belief.

II. Terms and Conditions of Conditional Award

TIME IS OF THE ESSENCE IN THE SATISFACTION OF THESE TERMS AND CONDITIONS OF CONDITIONAL AWARD.

The Department may rescind this Conditional Award if any of the terms and conditions enumerated in this Section II (the “**Terms and Conditions of Conditional Award**”) are not timely satisfied. The Terms and Conditions of this Conditional Award and their corresponding timelines are described below.

If the Terms and Conditions of this Conditional Award are timely satisfied, the Department will **(i)** promptly provide a written notification to the Awardee(s) via electronic mail; and **(ii)** circulate an executed copy of an STD 213, Standard Agreement, for all appropriate signatures and approvals in accordance with the timeline specified in Section III of this Conditional Award Commitment.

All timelines shall be calculated in calendar days. Any deadline falling on a weekend or State of California holiday shall be extended to the next business day.

A. Timely Execution of Acceptance of Terms and Conditions of Conditional Award Form

The Awardee(s) shall execute and deliver a copy of the enclosed Acceptance of Terms and Conditions of Conditional Award to the Department within ten (10) calendar days of the date of this Conditional Award Commitment. The Department will deem this condition to be unsatisfied if it receives an executed Acceptance of Terms and Conditions of Conditional Award that has been substantively modified, altered, or amended in any way. The signed Acceptance of Terms and Conditions of Conditional Award form must be submitted to ProgramHomekey@hcd.ca.gov.

III. Delivery of Standard Agreement

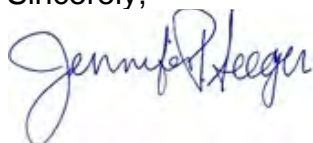
In an effort to be responsive to each Awardee’s closing needs and to ensure timely commitment of funds, the Department commits to delivering an executed copy of the Standard Agreement relative to this Conditional Award within ninety (90) calendar days

Homekey Program Round 3 NOFA, Conditional Award Commitment
San Diego Housing Commission – *Presidio Palms*
Contract No. 23-HK-18083
February 13, 2024
Page 3

of receiving all required documents, including all legally sufficient Authorization and Organizational Documents, in connection with this Project and as applicable.

Congratulations on your successful Application. For further information, please contact Connor Leahy, Homekey Manager, Program Design and Implementation Branch, at (916) 820-1207 or Connor.Leahy@hcd.ca.gov.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer Seeger". The signature is written in a cursive style with a large initial "J".

Jennifer Seeger
Deputy Director
Division of State Financial Assistance

Enclosure: Acceptance of Terms and Conditions of Conditional Award form

California Department of Housing and Community Development
Homekey Program, NOFA, Round 3,
Acceptance of Terms and Conditions of Conditional Award

San Diego Housing Commission (“**Awardee**”)
Presidio Palms (“**Project**”)

Homekey Program NOFA award totaling \$35,000,000 (“**Conditional Award**”), as detailed below:

Program	Award Amount	Contract Number
Capital Award	\$35,000,000	23-HK-18083
Operating Award	\$0	23-HK-18083

By signing this Acceptance of Terms and Conditions of Conditional Award, the Awardee acknowledges having read and fully understood the terms and conditions of the Conditional Award Commitment, dated February 13, 2024, in connection with the Project.

This Homekey Program Round 3 NOFA award is under a media and public announcement embargo until released by the Office of the Governor or otherwise notified by HCD staff. HCD will provide updates on the timing of the public award announcement and provide a social media toolkit and a quote from the HCD Director for use in local media releases.

In addition, the Awardee acknowledges having read and fully understood all of the Department’s requirements relative to the Conditional Award, and the Awardee agrees to abide by and comply with those requirements.

In addition, the Awardee acknowledges that it has reviewed and verified the accuracy of the project report prepared by the Department on February 8, 2024 for the Project.

Jeff Davis, Interim President and Chief Executive Officer
San Diego Housing Commission

Date

**** For HCD Use Only ****

- Authorized Representatives Verified
- All Parties Signed

Date Received: _____

AUTHORIZING RESOLUTION

RESOLUTION NO. 1989

A RESOLUTION OF THE GOVERNING BODY OF THE SAN DIEGO HOUSING COMMISSION AUTHORIZING APPLICATION TO AND PARTICIPATION IN THE HOMEKEY PROGRAM

WHEREAS:

- A. The Department of Housing and Community Development (“**Department**”) has issued a Notice of Funding Availability, dated March 29, 2023 (“**NOFA**”), for the Homekey Program (“**Homekey**” or “**Program**”). The Department has issued the NOFA for Homekey grant funds pursuant to Health and Safety Code section 50675.1.3 (Assem. Bill No. 140 (2021-2022 Reg. Sess.), § 20.).
- B. The San Diego Housing Commission (“**Applicant**”) desires to apply for Homekey grant funds. Therefore, Applicant is submitting an application for Homekey funds (“**Application**”) to the Department for review and consideration with respect to the Extended Stay America property at 2087 Hotel Circle South, San Diego, CA 92108, to be known as Presidio Palms.
- C. The Department is authorized to administer Homekey pursuant to the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code). Homekey funding allocations are subject to the terms and conditions of the NOFA, the Application, the Department-approved STD 213, Standard Agreement (“**Standard Agreement**”), and all other legal requirements of the Homekey Program.

THEREFORE, IT IS RESOLVED THAT:

1. Applicant is hereby authorized and directed to submit an Application to the Department in response to the NOFA, and to apply for Homekey grant funds in a total amount not to exceed **\$40,250,000** with respect to the 2087 Hotel Circle South, San Diego, CA 92108, to be known as Presidio Palms.
2. If the Application is approved, Applicant is hereby authorized and directed to enter into, execute, and deliver a Standard Agreement in a total amount not to exceed **\$40,250,000**, any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from the Department and to participate in the Homekey Program, and all amendments thereto (collectively, the “**Homekey Documents**”).
3. Applicant acknowledges and agrees that it shall be subject to the terms and conditions specified in the Standard Agreement, and that the NOFA and Application will be incorporated in the Standard Agreement by reference and made a part thereof. Any and all activities, expenditures, information, and timelines represented in the Application are enforceable through the Standard Agreement. Funds are to be used for the allowable expenditures and activities

identified in the Standard Agreement.

- 4. Jeff Davis, Interim President and CEO of the San Diego Housing Commission, or designee is authorized to execute the Application and the Homekey Documents on behalf of Applicant for participation in the Homekey Program.

Approved as to Form
Christensen & Spath

By Walter F. Spath III, Esq.
CD1400050122472...
 Walter Spath
 General Counsel
 San Diego Housing Commission

I certify that the foregoing actions in this Resolution were approved by the San Diego Housing Commission Board of Commissioners at its meeting on July 25, 2023

DocuSigned by:
Susie Cawood
3483B72638034CD...
 By: _____
 Susie Cawood
 Director of Communications

Approved: Jeff Davis
EE0040404B64474
 Jeff Davis
 Interim President & Chief Executive Officer
 San Diego Housing Commission

[NOTICE AND INSTRUCTIONS APPEAR ON THE FOLLOWING PAGE]

NOTICE AND INSTRUCTIONS

1. **Notice.** The Department is providing this template Authorizing Resolution as informational guidance only. The Department encourages each Applicant to consult with professional legal counsel during the development of its own formal, legally binding statement that it is authorized to apply to and participate in the Homekey Program.
 - a. Please note, however, that any limitations or conditions on the authority of the signatory or signatories to execute the Application or the Homekey Documents may result in the Department rejecting the Authorizing Resolution.
2. **Accuracy, Verification.** The Department will verify that this Authorizing Resolution comports with the legal authority and composition of Applicant's governing body. Applicant must timely notify the Department, in writing, of any factors that limit its ability to provide an Authorizing Resolution which is materially in line with this template.
3. **Dollar Amounts of Grant Awards.** The Department recommends identifying an authorized dollar amount that is at least double the anticipated award (based on current formula calculations). Award amounts are subject to change. If Applicant is ultimately awarded an amount in excess of the amount identified in the Authorizing Resolution, the Department will require a new Authorizing Resolution from Applicant before execution of a Standard Agreement.
4. **Authorized Signatory or Signatories, Designee.** Applicant, as a state, regional, or local public entity, may designate an authorized signatory by title only. In addition, Applicant may authorize multiple signatories, so long as there is clarifying language as to whether the signatories are authorized to execute the Homekey Documents individually or collectively. In addition, Applicant may authorize a designee of the authorized signatory to execute the Homekey Documents. In such case, Applicant must append a supporting document (e.g., memorandum, meeting notes of official action), which indicates the name and title of the designee who is authorized to legally bind the governing body.
5. **Vote Count.** Please fill out the field by every voting category (i.e., Ayes, Nays, Abstain, Absent). If none, please indicate zero (0) for that field. The vote count must comport with the legal authority and membership of the Applicant's governing body.
6. **Certification of Authorizing Resolution.** The individual who certifies the Authorizing Resolution cannot also be authorized to execute the Homekey Documents on behalf of Applicant.

Passed and adopted by the San Diego Housing Commission on July 25, 2023, pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(1), by the following vote:

	Yeas	Nays	Excused	Not Present
Eugene "Mitch" Mitchell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ryan Clumpner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Antoine "Tony" Jackson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Melinda K. Vásquez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johanna Hester	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kellee Hubbard	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

AUTHENTICATED BY:

Jeff Davis

Interim President & Chief Executive Officer of the
San Diego Housing Commission

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of
RESOLUTION NO. 1989 passed and adopted by the San Diego Housing Commission on
July 25, 2023.

By:



Susie Cawood
Secretary of the San Diego Housing Commission

AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY
AND JOINT ESCROW INSTRUCTIONS

THIS AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY AND JOINT ESCROW INSTRUCTIONS (this "Agreement") is entered into as of April 20, 2023, by and between SAN DIEGO HOUSING COMMISSION, INC., a California corporation ("Buyer"), and ESA P PORTFOLIO L.L.C., a Delaware limited liability company ("Seller"), with reference to the Recitals set forth below. This Agreement shall also constitute the joint escrow instructions of Buyer and Seller to Chicago Title Company ("Escrow Holder" or "Title Company"). Seller and Buyer are sometimes hereinafter referred to individually as a "Party" and collectively as the "Parties".

RECITALS

A. Seller is the owner of three (3) real properties in the City of San Diego (the "City"), County of San Diego (the "County"), State of California (the "State") (each a "Parcel" and, collectively, the "Land"), having street addresses of (a) 3860 Murphy Canyon Road (APN No. 421-392-10-00) (the "Murphy Canyon Land"), (b) 2085-95 Hotel Circle South (APN No. 443-040-38-00) (the "Hotel Circle Land"), and (c) 7440-50 Mission Valley Road (APN No. 677-390-34-00) (the "Mission Valley Land"), which are more particularly described on Exhibit "A" attached hereto.

B. Seller desires to sell the Property (as defined below) to Buyer, and Buyer desires to purchase the Property from Seller for the purpose of rehabilitating each of the Properties and operating multi-family affordable housing rental developments thereon (each a "Project" and, collectively, the "Projects"), upon the terms and conditions set forth in this Agreement. Notwithstanding the foregoing, the Buyer shall have the right to purchase all of the Property or to purchase any one or two of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property.

C. The Parties desire to enter into this Agreement to document the purchase and sale of the Property between Seller and Buyer on all of the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Buyer and Seller hereby agree as follows:

AGREEMENT

1. Purchase and Sale of Property. Seller hereby agrees to sell, grant and convey to Buyer, and Buyer hereby agrees to purchase from Seller, the Property collectively described in Sections 1.1 through 1.3 below. Notwithstanding the foregoing, the Buyer shall have the right to purchase from Seller any one or two of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property.

1.1 Real Property. Each Parcel, together with all improvements located on the Land, including, without limitation, the hotel building located thereon (each a "Hotel" or

“Building” and, collectively, the “Hotels” or “Buildings”), and any and all easements, rights-of-way, privileges, rights and appurtenances benefiting, appertaining or belonging to such Parcel, including, without limitation, any and all streets and roads (whether opened or proposed) abutting such Parcel, riparian rights, water or water rights and stock evidencing any such water rights, and/or oil, gas or other minerals laying under such Parcel (the “Murphy Canyon Real Property,” the “Hotel Circle Real Property” and the “Mission Valley Real Property,” respectively, and each and collectively, as the context may require, the “Real Property”);

1.2 Personal Property. Except as provided hereinbelow, all of Seller’s right, title and interest in and to any tangible personal property owned by Seller that is currently placed or installed on or about each Real Property and used in connection with the development, use, ownership, operation, management, maintenance and/or repair of such Real Property (collectively, the “Personal Property”); and

1.3 Intangible Property. Except as provided hereinbelow, all of Seller’s right, title and interest, to the extent assignable, in and to any governmental permit applications, governmental permits, governmentally-issued licenses, plans, maps, site plans, drawings, specifications, surveys, warranties, guaranties, development agreements, utility rights, development rights, governmental approvals, entitlements, prepaid development fees, sewer credits, governmental certifications, variances, specific plan amendments, general plan amendments, negative declarations, environmental impact reports, CEQA findings and determinations, will serve letters and similar rights which benefit each Real Property, whether granted by governmental or quasi-governmental authorities or private persons or entities (collectively, the “Intangible Property”).

The Building located on the Murphy Canyon Land (the “Murphy Canyon Building”) contains one hundred seven (107) guest rooms. The Building located on the Hotel Circle Land (the “Hotel Circle Building”) contains one hundred sixty-five (165) guest rooms. The Building located on the Mission Valley Land (the “Mission Valley Building”) contains one hundred forty (140) guest rooms.

Each Real Property and its corresponding Personal Property and Intangible Property are collectively referred to herein as the “Murphy Canyon Property,” the “Hotel Circle Property” and the “Mission Valley Property,” respectively, and, each and collectively, as the context may require, as the “Property”. Notwithstanding anything to the contrary contained in this Agreement, including, without limitation, Sections 1.2 or 1.3 above, the “Property” shall not include: vending machines; employee time clocks; any and all fixtures, personal property or intellectual property owned by or proprietary to any guest or customer of any Hotel or the manager of any Hotel; hotel guest data and information in any database maintained by the Seller or any Affiliate (as defined below) of Seller; any property management, purchasing, reservation, financial, risk or marketing systems or programs provided for the benefit of Seller or the Property by any Affiliate of Seller; all computer software systems owned or licensed by Seller or its Affiliates or otherwise used in connection with the operation of any Hotel or any other hotel operated by Seller or any of its managers or Affiliates (it being understood that any Personal Property consisting of computers or electronic devices shall be erased and reset to factory settings); any service marks, copyrights, trade names, trademarks, symbols, logos, and all other intellectual property rights, marks or characteristics associated with the brand name of Seller and/or its Affiliates; any signage

containing the name or logo of Seller and/or its Affiliates (all of which shall be removed from the Building and any existing monument sign with any related penetrations of the surface of the Building being patched and with the cement base of any monument being left in place); any personal property or chattels of any type of kind which is branded with any marks owned, licensed or otherwise used by Seller and/or its Affiliates; and the personal property listed on Schedule 1.3 attached hereto. Buyer shall not assume any liabilities or obligations relating to the Property unless expressly provided in this Agreement. The term "Affiliate" shall mean any Person (as defined below) that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, another Person. The term "control" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and shall in any event include the ownership or power to vote fifty percent (50%) or more of the outstanding equity or voting interests, respectively, of such other Person. The term "Person" shall mean a natural person, partnership, limited partnership, limited liability company, corporation, trust, estate, association, unincorporated association or other entity.

2. Purchase Price. The purchase price for all of the Property shall be One Hundred Fifty-Seven Million Eight Hundred Seventy-Five Thousand and No/100 Dollars (\$157,875,000.00). In the event the Buyer elects to purchase one or two of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property, the purchase price for each of those Properties individually shall be: (a) \$40,700,000.00 for the Murphy Canyon Property (the "Murphy Canyon Purchase Price"); (b) \$65,175,000.00 for the Hotel Circle Property (the "Hotel Circle Purchase Price"); and (c) \$52,000,000.00 for the Mission Valley Property (the "Mission Valley Purchase Price") (each of the foregoing, individually, and all of the foregoing, collectively, as the context may require, being referred to herein as the "Purchase Price"). The Purchase Price shall be payable upon the Close of Escrow (as defined in Section 9.2.1 below) in accordance with the following procedures:

2.1 Earnest Money Deposits.

2.1.1 First Deposit. Buyer shall deposit with Escrow Holder, within three (3) business days after the Effective Date (as defined in Section 18.15 below), an initial earnest money deposit in the amount of One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00) (i.e., \$50,000.00 per Property) (the "First Deposit"), which shall be applied (in its entirety) toward the Purchase Price at the Closing (as defined in Section 9.2.1 below), and which (except for the Independent Consideration and any amounts due to Escrow Holder from Buyer pursuant to this Agreement) shall be fully refundable to Buyer until such time as Buyer delivers to Seller Buyer's Approval Notice (as defined in Section 4.4 below) approving all matters relating to the Property, and thereafter only in the event of (i) a termination of this Agreement pursuant to Section 4.5 of this Agreement (other than in connection with an Application Failure Termination Notice (as defined in Section 4.5 below)), (ii) a default by Seller under this Agreement, the failure of a condition precedent in Section 5.1 below, or (iii) as otherwise expressly provided in Section 15 of this Agreement, but subject to Section 2.4 below.

2.1.2 Second Deposit. If Buyer has elected not to terminate this Agreement with respect to any of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property pursuant to Section 4.4 below, then concurrently with Buyer's

delivery to Seller of the Buyer's Approval Notice, but no later than the last day of the Due Diligence Period (as defined in Section 4.4 below), Buyer shall deposit with Escrow Holder an additional sum of Fifty Thousand and No/100 Dollars (\$50,000.00) per Property not so terminated (the "Second Deposit"), which shall be applied (in its entirety) toward the Purchase Price at the Closing, and which shall be non-refundable to Buyer when made, except in the event of a termination of this Agreement pursuant to Section 4.5 of this Agreement (other than in connection with an Application Failure Termination Notice), a default by Seller under this Agreement, the failure of a condition precedent in Section 5.1 below, or as otherwise expressly provided in Section 15 of this Agreement, but subject to Section 2.4 below. The portion of the First Deposit applicable to any of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property which Buyer does not elect to purchase in Buyer's Approval Notice, less the Independent Consideration and any amounts due to Escrow Holder from Buyer pursuant to this Agreement, shall be refunded to Buyer within five (5) business days after Buyer's delivery to Seller and Escrow Holder of Buyer's Approval Notice.

2.1.3 Earnest Money Deposits. Any reference to "Deposits" in this Agreement shall collectively refer to the First Deposit and Second Deposit, if and when any such deposits are made by Buyer.

2.2 Balance of Purchase Price. The balance of the Purchase Price, together with all other funds necessary on the part of Buyer to enable Escrow Holder to comply with these instructions, shall be paid by Buyer to Escrow Holder in immediately available funds not later than the day immediately preceding the Closing Date (as defined in Section 9.2.1 below). For purposes of calculating the balance of the Purchase Price payable by Buyer hereunder, Buyer shall be credited with (i) the Deposits (including all investment earnings on the Deposits), and (ii) Buyer's share of the prorations in Buyer's favor and other credits described in Section 11 below.

2.3 Investment of Deposits. The Deposits and all other cash sums deposited into Escrow by Buyer shall be promptly invested by Escrow Holder in an FDIC insured interest-bearing account with a depository designated by Buyer and reasonably acceptable to Seller. Any and all interest earned on the Deposits while in Escrow shall accrue to the benefit of the party receiving the Deposits pursuant to the terms of this Agreement, and the term "Deposits" shall include all interest earned thereon.

2.4 Independent Consideration. Notwithstanding any provision to the contrary contained in this Agreement, a portion of the First Deposit in the amount of One Hundred and No/100 Dollars (\$100.00) (the "Independent Consideration") shall be deposited with Escrow Holder and be non-refundable to Buyer under any circumstances as independent consideration for the rights extended to Buyer under this Agreement. The Independent Consideration shall be released to Seller immediately following Buyer's deposit of the Independent Consideration into Escrow. The Independent Consideration shall be applicable towards the Purchase Price.

3. Title.

3.1 Preliminary Title Report. Within fifteen (15) days after the Opening of Escrow (as set forth in the Consent of Escrow Holder attached hereto) (the "Preliminary Title Report Delivery Date"), Seller shall cause the Title Company to prepare and deliver to Buyer, at

Seller's sole cost, a current preliminary title report describing the state of title of the Real Property (the "Preliminary Title Report"). If a complete copy of the Preliminary Title Report is not delivered to Buyer on or before the Preliminary Title Report Delivery Date, then the Title Objection Date (as defined in Section 3.3 below) shall be automatically extended by one (1) day for (i) each day following the Preliminary Title Report Delivery Date that Buyer has not received a complete copy of the Preliminary Title Report and (ii) the day upon which Buyer receives a complete copy of the Preliminary Title Report.

3.2 Survey. Buyer may, at its sole cost and expense, obtain an ALTA survey, or an update to any ALTA survey previously obtained by Seller, for the Property (the "Survey") prepared by an engineer selected by Buyer in its sole discretion.

3.3 Title and Survey Exceptions. On or before the date which is sixty (60) days following Buyer's receipt of the Preliminary Title Report (the "Title Objection Date"), Buyer shall notify Seller in writing ("Title Objection Notice") of any title exceptions identified in the Preliminary Title Report and/or the Survey that Buyer disapproves in its sole and absolute discretion ("Title Objections"). Subject to Section 3.4 below, any exception shown on the Preliminary Title Report or any matter shown on the Survey that is not listed as a Title Objection in the Buyer's Title Objection Notice will be deemed approved by Buyer and shall constitute a "Permitted Exception" hereunder. Buyer and Seller hereby agree that all non-delinquent property taxes and assessments as of the Closing, as well as such other exceptions as the Title Company shall commit to insure over without any additional cost or liability to Buyer, whether such insurance is made available in consideration of payment, bonding, indemnity of Seller or otherwise, or made pursuant to an endorsement to the Title Policy, shall be deemed a Permitted Exception. Notwithstanding anything to the contrary contained in this Agreement, Buyer hereby disapproves all deeds of trust, delinquent taxes and assessments, mechanics' liens (except those relating to due diligence investigations or other work pursuant to any contracts to which Buyer is a party), and judgment liens against Seller or any operating lessee or management company affecting the Land (collectively, "Automatically Disapproved Liens"), and Seller hereby covenants to cause all such Automatically Disapproved Liens to be satisfied at Seller's sole cost and expense (including all prepayment penalties and charges) before or concurrently with the Close of Escrow from sales proceeds or otherwise. If Buyer fails to timely provide a Title Objection Notice, such failure shall be deemed an election by Buyer to approve all title exceptions identified in the Preliminary Title Report and the Survey, except Automatically Disapproved Liens. Seller shall have a period of twenty (20) days following its receipt of the Title Objection Notice within which to notify Buyer in writing ("Title Objection Response") of its agreement to undertake to cure (i.e., by removing, altering, modifying or otherwise mitigating) any Title Objections to the satisfaction of Title Company (sufficient for Title Company to remove such Seller Cure Items (defined below) from the exceptions set forth in the Owner's Policy (as defined in Section 3.5 below)) and to the reasonable satisfaction of Buyer (such Title Objections that Seller undertakes to cure being referred to herein as "Seller Cure Items"); provided, however, if Seller thereafter fails to cure any such Seller Cure Items (other than any Automatically Disapproved Liens), such failure shall constitute a failure of a condition precedent in Section 5.1 below, but shall not constitute a default by Seller under this Agreement (provided that Seller's failure to remove any Automatically Disapproved Liens shall constitute a default by Seller under this Agreement). Seller's failure to timely provide a Title Objection Response will be deemed an election by Seller not to cure the Title Objections prior to the Close of Escrow. In the event that Seller is not willing to remove, alter, modify or

otherwise mitigate to the satisfaction of Buyer and Title Company any Title Objection, Buyer shall elect, prior to the expiration of the Due Diligence Period, to either (i) waive its disapproval of such exception by delivering (or being deemed to have delivered) an Approval Notice in accordance with Section 4.4 below, in which case such exception shall then be deemed to be a Permitted Exception, or (ii) terminate its obligation to purchase the Property by delivering a Disapproval Notice in accordance with Section 4.4 below.

3.4 Additional Exceptions. In the event of any supplement to or update of the Preliminary Title Report that is issued after Buyer's initial Title Objection Notice (other than to reflect matters shown on or disclosed by the Survey, all of which must be set forth in Buyer's initial Title Objection Notice or waived in accordance with Section 3.3 above) discloses additional material title exceptions (other than any resulting from Buyer's activities on the Property), Buyer shall have an additional ten (10) day period following Buyer's receipt of such supplement or update to approve or disapprove such material title exception in its sole and absolute discretion; provided, however, Seller shall cause any additional Automatically Disapproved Liens to be satisfied at Seller's sole cost and expense before or concurrently with the Close of Escrow from sales proceeds or otherwise. In order to be considered "material" for purposes hereof, an additional title exception must be reasonably expected to interfere with Buyer's intended use of the Property, and must be either (i) reasonably anticipated to cost in excess of the Material Cure Cost to cure (i.e., remove, alter, modify or otherwise mitigate so as not to adversely affect Buyer's intended use of the Property), or (ii) insusceptible of cure. As used herein, the "Material Cure Cost" shall mean an amount equal to Fifty Thousand and No/100 Dollars (\$50,000.00). Any disapproval will be subject to the same notice/response provisions and right to a refund of the Deposits as set forth in Section 3.3 above and Section 4.4 below.

3.5 Title Commitment. Prior to the expiration of the Due Diligence Period, Buyer shall secure from Title Company its commitment (the "Title Commitment") to issue, at the Closing, its standard coverage (or if Buyer has provided the Title Company with the Survey, its ALTA extended coverage) owner's policy of title insurance in a form satisfactory to Buyer, with liability equal to the Purchase Price (to be calculated separately for each applicable Property based upon the Purchase Price for such Property), showing fee title to the Property vested in Buyer, free and clear of any and all tenancies, options, rights of first refusal, other purchase rights, lis pendens, and monetary liens and/or encumbrances and subject only to the Permitted Exceptions (the "Owner's Policy"). If any additional title exceptions are identified in accordance with the terms and conditions of Section 3.4 above, and if this Agreement is not terminated as a result of such additional title exceptions, then it shall be Buyer's responsibility to secure an updated Title Commitment from Title Company in connection therewith.

4. Due Diligence Investigations.

4.1 Physical Inspections. Subject to compliance with the terms and conditions set forth below, from the Effective Date until the Closing, Buyer and Buyer's agents, employees, contractors, engineers, architects, brokers, consultants and representatives (collectively, "Buyer's Agents") shall be entitled to enter onto the Property, during normal business hours (i.e., 8:00 a.m. – 6:00 p.m. California time) on at least forty-eight (48) hours' notice to Seller, to perform a complete review of the Property and all matters related to the Property as Buyer determines is necessary in Buyer's sole and absolute discretion and to perform any inspections, investigations,

surveying, engineering and tests of the Property, including, but not limited to, geotechnical soil borings, test pits, physical inspections and other environmental tests of the Property, all at Buyer's sole cost and expense; provided that no invasive testing or boring or any Phase II environmental assessments shall be performed unless Seller has approved the work plan for such testing or boring or assessments, which approval may be withheld by Seller in its sole and absolute discretion. In connection with Buyer's entry on the Property Buyer shall comply with all of the following:

(a) Buyer shall keep the Property free and clear of all liens arising out of Buyer's and Buyer's Agents activities conducted upon the Property. Buyer shall indemnify, defend and hold Seller and the Property free and harmless of and from any and all Claims (as defined in Section 13.1.5 below) to the extent caused by the entry upon the Property by Buyer and Buyer's Agents, but excluding any Claims to the extent arising out of (i) the gross negligence or willful misconduct of Seller or any of Seller's employees, agents or representatives, (ii) the mere discovery or exposure of an existing condition with respect to the Property, including latent defects or hazardous materials (except to the extent that such existing condition was aggravated or exacerbated by Buyer or Buyer's Agents), or (iii) Seller's violation of any of its obligations with respect to any Bookings (as defined in Section 6.3 below). The foregoing indemnity shall survive the termination of this Agreement or the Closing.

(b) Prior to Buyer or any Buyer's Agents entering the Property, Buyer shall provide Seller with a certificate of commercial general liability insurance, with a combined single limit of liability not less than Three Million Dollars (\$3,000,000.00).

(c) Buyer, at Buyer's sole cost, shall repair all damage or injury caused by Buyer or Buyer's Agents in connection with any such inspection or entry and shall return the Property to the substantially same condition existing prior to such entry, but excluding any correction of any preexisting condition discovered by Buyer during its investigation of the Property, including latent defects or hazardous materials (except to the extent such preexisting condition was aggravated or exacerbated by Buyer or Buyer's Agents).

4.2 Review of Due Diligence Materials. Within five (5) days following the Effective Date, Seller shall make available to Buyer vis-à-vis Seller's online due diligence room relating to the Property copies of those materials described in Schedule 4.2 attached hereto, to the extent within Seller's possession or control (collectively, the "Due Diligence Materials"). The Due Diligence Materials shall include copies of those Property-specific service contracts or service agreements relating to the operation and maintenance of the Property currently in effect and assignable to Buyer at the Close of Escrow, but expressly exclude the Operating Agreements (as defined in Section 6.4 below), any contracts Seller determines are "master contracts" affecting properties other than the Property or any contracts Seller determines are not assignable. Buyer shall advise Seller in writing prior to the expiration of the Due Diligence Period which Property-specific service contracts or service agreements Buyer desires to have assigned to Buyer at the Close of Escrow (collectively, the "Buyer Designated Contracts"), in which event Seller shall use commercially reasonable, good faith efforts to cause the Buyer Designated Contracts to be assigned to Buyer at the Close of Escrow (and Buyer shall assume all obligations accruing thereunder from and after the Close of Escrow); provided that, Seller's failure to cause any Buyer Designated Contracts to be assigned to Buyer at the Close of Escrow shall constitute neither a failure of a condition precedent in favor of Buyer nor a default by Seller under this Agreement.

Notwithstanding anything to the contrary contained in this Agreement, the Due Diligence Materials shall not include any privileged, confidential or proprietary materials or information (including, without limitation, internal memoranda of Seller, budgets, financial analyses or projections, appraisal reports or other valuation information, organizational, financial and other documents relating to Seller or its Affiliates, or any report or studies that have been superseded by subsequent reports or studies, or any documents or information subject to attorney-client privilege or that constitute attorney work product). Seller represents and warrants that, to Seller's knowledge, the Due Diligence Materials are true, correct and complete in all material respects as of the dates set forth thereon, and that, to Seller's knowledge, the copies of the Due Diligence Materials provided to Buyer are complete copies of the same. Buyer acknowledges and understands that all such materials made available by Seller are only for Buyer's convenience in making its own examination and determination prior during the Due Diligence Period as to whether it wishes to purchase the Property, and, in so doing, Buyer shall rely exclusively upon its own independent investigation, verification and evaluation of every aspect of the Property. During the period commencing on the Effective Date until the Closing, Buyer and Buyer's Agents shall have the right to review the Due Diligence Materials. In the event this Agreement is terminated prior to Closing, Buyer shall (i) return to Seller all hard copies of the Due Diligence Materials in Buyer's possession or control, (ii) shall delete all electronic copies of the Due Diligence Materials in Buyer's possession or control, and (iii) shall deliver to Seller copies of all reports, studies, inspections, assessments, surveys and similar documents and materials prepared or commissioned by Buyer with respect to the Property (the "Buyer Prepared Materials"). Notwithstanding anything to the contrary contained in this Agreement, the Buyer Prepared Materials shall not include any privileged, confidential or proprietary materials or information (including, without limitation, internal memoranda of Buyer, budgets, financial analyses or projections, appraisal reports or other valuation information, organizational, financial and other documents relating to Buyer or its Affiliates, or any documents or information subject to attorney-client privilege or that constitute attorney work product). Buyer makes no representations or warranties regarding the sufficiency, truthfulness, completeness or accuracy of the Buyer Prepared Materials or that the Buyer Prepared Materials are complete copies of the same.

4.3 Required Due Diligence Period Approvals. Seller and Buyer acknowledge that Buyer shall have no obligation to purchase the Property as provided in this Agreement unless and until the occurrence, prior to the expiration of the Due Diligence Period, of all of the following (collectively, the "Due Diligence Approval Conditions"): (a) this Agreement is approved by Buyer's Board of Commissioners; (b) this Agreement is approved by the Housing Authority of the City of San Diego (the "Housing Authority"), which is comprised of the nine members of the San Diego City Council, if and only if the Housing Authority elects to hear the matter; and (c) the Housing Authority appropriates funds for Buyer's acquisition of the Property.

4.4 Due Diligence Notice. Buyer shall have the absolute right, during the period commencing on the Effective Date and expiring at 5:00 p.m. California time on the date that is one hundred eighty (180) days following the Opening of Escrow (the "Due Diligence Period"), to elect to approve or disapprove, in Buyer's sole discretion, the suitability of the Property for Buyer's intended purposes. In the event Buyer (for any reason or no reason) disapproves any or all of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property, including, without limitation, if the Due Diligence Approval Conditions are not satisfied, Buyer may terminate its obligation to purchase any or all of the Murphy Canyon

Property, the Hotel Circle Property and/or the Mission Valley Property by delivering written notice of its disapproval of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property to Seller at any time prior to the expiration of the Due Diligence Period (“Disapproval Notice”), in which case the portion of the First Deposit applicable to the Property so disapproved shall be immediately refunded to Buyer, less the Independent Consideration and any amounts due to Escrow Holder from Buyer pursuant to this Agreement, Buyer’s obligation to purchase, and Seller’s obligation to sell, the disapproved Property shall terminate, and neither Party shall have any further obligation to the other with respect to the disapproved Property, except as otherwise provided in this Agreement. In the event that Buyer elects in its sole and absolute discretion to approve all matters relating to any or all of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property, and in the event the Due Diligence Approval Conditions are satisfied with respect to the Property so approved, then, prior to the expiration of the Due Diligence Period, Buyer shall deliver written notice to Seller (“Approval Notice”) confirming Buyer’s approval of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property, as applicable, and confirming the satisfaction of the Due Diligence Approval Conditions with respect to the approved Property. If Buyer fails to timely deliver a Disapproval Notice or an Approval Notice to Seller or the Second Deposit to Escrow Holder prior to the expiration of the Due Diligence Period, Buyer shall be deemed to have delivered a Disapproval Notice.

4.5 Entitlement/Financing. Unless and until this Agreement is terminated as provided herein or until the Close of Escrow, Buyer shall have the exclusive right: (a) to seek and process all applications, plans (including, without limitation, improvement, site and specific plans), drawings, specifications, permits (including, without limitation, 401, 404 and 1603 environmental permits), licenses, maps, zoning changes, amendments (including, without limitation, general plan amendments), entitlements, approvals, agreements, documents and other instruments, and any modifications or changes thereto, that Buyer deems necessary or appropriate to obtain from the City, County and any other governmental or quasi-governmental entities or agencies (collectively, the “Governmental Authorities”) for the design, development, construction, use and operation of the Project on each Property as to which this Agreement has not been terminated, all on terms and conditions that are acceptable to Buyer in its sole and absolute discretion (collectively, the “Entitlements”), and (b) to obtain commitments satisfactory to Buyer to finance the acquisition of the Property and development of the Project on each Property as to which this Agreement has not been terminated, including, without limitation, the receipt by Buyer of an acceptable funding award letter issued by HCD under its Homekey Program in response to Buyer’s application therefor (the “Homekey Funding Award Letter”) (collectively, the “Financing Commitments”). Buyer shall notify Seller in writing of Buyer’s receipt of the Homekey Funding Award Letter within three (3) days following Buyer’s receipt of the Homekey Funding Award Letter. Notwithstanding anything to the contrary contained in this Agreement, if Buyer does not submit to HCD a completed application for Homekey funding (which shall include, without limitation, to the extent applicable, having previously undertaken a pre-application consultation screening with HCD regarding the proposed housing Project on the Real Property, providing project overview and primary applicant information, and submitting all other required documentation, including, without limitation, if and to the extent required, certification and legal documentation, a signed authorizing resolution and a tax ID number form) (collectively, the “Homekey Funding Application”) on or before the date on which the Due Diligence Period expires (which shall be referred to in this Section 4.5 as the “Homekey Application Deadline”), for any

reason whatsoever, and if this Agreement has not otherwise terminated pursuant to Section 4.4 above, then Seller thereafter shall have the right to terminate this Agreement by delivery of written notice of termination to Buyer (the “Application Failure Termination Notice”) at any time after the Homekey Application Deadline and prior to Seller's receipt from Buyer of reasonable evidence that Buyer has submitted to HCD the Homekey Funding Application. It is uncertain when HCD will begin accepting Homekey Funding Applications. Therefore, notwithstanding the foregoing, in the event HCD has not begun accepting Homekey Funding Applications on or before that date which is thirty (30) days prior to expiration of the Due Diligence Period (the “Homekey Target Application Date”), then: (i) the Homekey Application Deadline shall be extended by one day for each day commencing on the Homekey Target Application Date until the date HCD begins accepting Homekey Funding Applications; provided that, the extension of the Homekey Application Deadline shall not otherwise extend the Due Diligence Period; and further provide that, in no event shall the Homekey Application Deadline be extended beyond November 30, 2023. If Seller timely delivers to Buyer the Application Failure Termination Notice, then the First Deposit and the Second Deposit shall be non-refundable to Buyer (except that, if HCD has not begun accepting Homekey Funding Applications thirty (30) days prior to Seller's delivery of the Application Failure Termination Notice, then the First Deposit and the Second Deposit, less the Independent Consideration and any amounts due to Escrow Holder from Buyer pursuant to this Agreement, shall be refundable to Buyer), Buyer's obligation to purchase, and Seller's obligation to sell, the Property shall terminate, and neither Party shall have any further obligation to the other, except as otherwise provided in this Agreement. In addition, if Buyer does not receive the Homekey Funding Award Letter from HCD with respect to the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property, as applicable, on or before that date (the “Homekey Funding Deadline”) which is sixty (60) days prior to the Closing Deadline (as defined in Section 9.2.1 below), as the same may be extended pursuant to Section 9.2.2, then Seller thereafter shall have the right to terminate this Agreement (with respect to each Property as to which Buyer theretofore has not received a Homekey Funding Award letter from HCD) by delivery of written notice of termination to Buyer (the “Funding Failure Termination Notice”) at any time after the Homekey Funding Deadline and prior to Seller's receipt of Buyer's notification that Buyer has received the Homekey Funding Award Letter with respect to any such Property. If Seller timely delivers to Buyer the Funding Failure Termination Notice, then the First Deposit and the Second Deposit applicable to each Property identified in the Funding Failure Termination Notice shall be immediately refunded to Buyer, less the Independent Consideration and any amounts due to Escrow Holder from Buyer pursuant to this Agreement, Buyer's obligation to purchase, and Seller's obligation to sell, each such Property shall terminate, and neither Party shall have any further obligation to the other with respect to each such Property, except as otherwise provided in this Agreement. Buyer's right to process and obtain the Entitlements under this Section shall include, without limitation, the right to (x) meet with the Governmental Authorities to discuss the Project and Entitlements for each Property as to which this Agreement has not been terminated, (y) negotiate any and all applicable fees, including, without limitation, impact fees, engineering fees and plan check fees in connection with the Project on each Property as to which this Agreement has not been terminated, and (z) submit to the Governmental Authorities for approval architectural and other plans for the Project on each Property as to which this Agreement has not been terminated. Notwithstanding the foregoing, prior to any scheduled meeting or scheduled discussion (including by telephone) with the Governmental Authorities, Buyer will provide written notice to Seller and a reasonable opportunity to participate at a time and location

reasonably convenient to Seller. Seller agrees to reasonably cooperate with Buyer, at no cost or liability to Seller, in connection with its processing of the Entitlements. Following any request from Buyer, Seller agrees, at no cost or liability to Seller, to promptly execute any applications, letters, documents and/or maps required or requested by any of the Governmental Authorities and/or the adjoining real property owners to allow Buyer to process the Entitlements. Buyer shall bear all costs, expenses and liability related to the preparation and processing of the Entitlements and any related applications, reports, plans, maps, letters and other documents. Buyer shall be solely responsible for any and all costs associated with implementing any relocation assistance procedures that may be required in connection with the Entitlements (including, without limitation, the fees of any relocation assistance consultant engaged to assist Buyer with such relocation procedures, and the amounts of any relocation assistance payments required to be made to present or former occupants of the Real Property under applicable federal, state or local law), whether such relocations occur prior to or after Closing, and whether or not any present or former occupants of the Real Property entitled to relocation assistance payments are Identified Occupants (as defined in Section 6.3 below). No Entitlements or other agreements with the Governmental Authorities and/or adjoining property owners shall bind the Property prior to the Closing or cause any liability to Seller. Buyer shall indemnify, defend and hold Seller and the Property free and harmless of and from any and all Claims to the extent related to or arising out of (A) any third party claims brought against Seller in connection with any action, lawsuit, challenge, opposition, appeal or protest instituted in connection with Buyer seeking approval of the Entitlements or otherwise in connection with Buyer's contemplated use of the Property (including, without limitation, any action, lawsuit, challenge, appeal or protest brought or threatened by any Governmental Authorities, property owners' associations, community groups or private individuals or entities, to enjoin or block the sale of the Property to Buyer, to enjoin or prevent Buyer's intended use of the Property, to reverse or nullify the sale of the Property to Buyer following the Closing, or to seek damages in connection with the sale of the Property to Buyer or Buyer's intended use of the Property) (all such third party claims described in this item (A) being referred to herein, collectively, as "Entitlement/Use Claims"), and (B) any breach of Buyer's obligations under this Section 4.5; it being understood that Buyer's obligations under this sentence shall survive the termination of this Agreement or the Closing. Seller acknowledges that Buyer makes no representations, warranties or guaranties as to whether the Entitlements will be pursued or obtained, as to the actual timing for receipt of any Entitlements, or with respect to the conditions imposed upon the Entitlements, or with respect to challenges or opposition Buyer may encounter related to its proposed use of the Property. In the event this Agreement is terminated for any reason, Buyer shall have no obligation whatsoever to continue to process any Entitlements. Buyer shall notify Seller and Escrow Holder in writing ("Buyer's Entitlement/Financing Notice") within ten (10) business days following Buyer's receipt of the Homekey Funding Award Letter with respect to the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property, as applicable, of Buyer's approval or disapproval of the Entitlements and the Financing Commitments, as determined by Buyer in its sole and absolute discretion; provided, however, Buyer shall use its commercially reasonable, good faith efforts to pursue any of the Entitlements that Buyer desires and the Financing Commitments, and Buyer's right to terminate this Agreement after the Due Diligence Period shall be limited to Buyer's failure (notwithstanding its commercially reasonable, good faith efforts) to obtain the Entitlements or the Financing Commitments necessary for Buyer's intended use of the Property. Buyer's failure to deliver Buyer's Entitlement/Financing Notice within ten (10) business days following Buyer's receipt of

the Homekey Funding Award Letter shall be conclusively deemed Buyer's disapproval thereof. If Buyer disapproves or is deemed to have disapproved the Entitlements or the Financing Commitments for any of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property: (1) the First Deposit and the Second Deposit with respect to each Property for which the Entitlements or the Financing Commitments are disapproved or deemed disapproved, including interest earned thereon, shall be returned to Buyer, less the Independent Consideration and any amounts due to Escrow Holder from Buyer pursuant to this Agreement; and (2) this Agreement shall terminate with respect to each such Property and neither Party will have any further obligations under this Agreement with respect to each such Property, except for those obligations which specifically survive the termination of this Agreement.

5. Conditions Precedent. The following shall be the conditions precedent to the Parties' obligations to consummate the purchase and sale transaction contemplated herein:

5.1 Conditions to Buyer's Obligations. Buyer's obligations hereunder, including, but not limited to, its obligation to consummate the purchase transaction provided for herein, are subject to the satisfaction, in Buyer's sole and absolute discretion, of each of the following conditions, each of which is for the sole benefit of Buyer and may only be waived by Buyer in writing:

5.1.1 Owner's Policy. Title Company shall be irrevocably committed to issue, at the Closing, the Owner's Policy in the form of the Title Commitment obtained by Buyer prior to the expiration of the Due Diligence Period (as modified to reflect any additional title exceptions in accordance with Section 3.4 above); provided, however, if Buyer failed to obtain the Title Commitment, or if Buyer seeks modifications to the Owner's Policy that are not reflected in the Title Commitment, or if Title Company's refusal to issue the Owner's Policy in the form of the Title Commitment relates to any condition to issuance thereof that is caused by Buyer, then Title Company's failure to commit to issue the Owner's Policy shall constitute a default by Buyer under this Agreement (and not the failure of a condition precedent); and provided, further, however, that Title Company's refusal to issue the Owner's Policy due to any Entitlement/Use Claims shall not constitute a failure of this condition precedent (and Buyer shall not be entitled to a return of any portion of the Deposits on account thereof).

5.1.2 Due Performance. Seller shall not be in material default under this Agreement, and shall have duly performed each and every material covenant, undertaking and agreement to be performed by it prior to the Close of Escrow hereunder.

5.1.3 Seller's Representations and Warranties. Each representation and warranty made in this Agreement by Seller shall be true and correct at the time as of which the same is made and as of the Close of Escrow, subject to the terms and conditions of Section 12.1 below.

5.1.4 Seller Deliveries. Seller shall have delivered to Escrow Holder the items described in Section 7 hereof.

5.1.5 No Pending Action. There shall exist no pending or threatened actions, suits, arbitrations, claims, attachments, proceedings, assignments for the benefit of

creditors, insolvency, bankruptcy, reorganization or other proceedings, against the Seller that would materially and adversely affect the Seller's ability to unconditionally perform its obligations under this Agreement; and there shall exist no pending or threatened action, suit or proceeding with respect to the Seller before or by any court or administrative agency which seeks to restrain or prohibit, or to obtain damages or a discovery order with respect to, this Agreement or the consummation of the transactions contemplated hereby; provided, however, any Entitlement/Use Claims shall not constitute a failure of this condition precedent (and Buyer shall not be entitled to a return of any portion of the Deposits on account thereof).

5.2 Buyer's Waiver of Conditions. Buyer may at any time or times on or before the Close of Escrow, at its sole election, waive any of the conditions precedent to Buyer's obligations under Section 5.1 or otherwise and consummate the sale, but any such waiver shall be effective only if contained in a writing signed by Buyer and delivered to Seller. In the event any of the conditions precedent for the benefit of Buyer that are contained in this Agreement are not completely fulfilled and satisfied, then in addition to any other rights or remedies Buyer may have, Buyer may terminate its obligation to purchase the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property, as applicable, and (a) the Deposit with respect to each Property as to which Buyer terminates this Agreement (including all accrued interest thereon) shall immediately be returned by Escrow Holder to Buyer, less the Independent Consideration and any amounts due to Escrow Holder from Buyer pursuant to this Agreement, (b) Buyer's obligation to purchase, and Seller's obligation to sell, each such Property shall terminate, and (c) neither Party shall have any further obligation to the other with respect to each such Property except as otherwise provided in this Agreement. Any termination of this Agreement due to a default by Seller shall not be a limitation on Buyer's remedies.

5.3 Conditions to Seller's Obligations. Seller's obligations hereunder, including, but not limited to, its obligation to consummate the purchase transaction provided for herein, are subject to the satisfaction, in Seller's sole and absolute discretion, of each of the following conditions, each of which is for the sole benefit of Seller and may be waived by Seller in writing:

5.3.1 Buyer Deliveries. Buyer shall have delivered to Escrow Holder the items required to be delivered by Buyer pursuant to Section 8 hereof.

5.3.2 Due Performance. Buyer shall not be in material default under this Agreement and shall have duly performed each and every covenant, undertaking and agreement to be performed by it prior to the Close of Escrow hereunder.

5.3.3 Buyer's Representations and Warranties. Each representation and warranty made in this Agreement by Buyer shall be true and correct at the time as of which the same is made and as of the Close of Escrow.

6. Covenants During Escrow. From the Effective Date and until the earlier of the Closing or the termination of this Agreement, Seller covenants and agrees to the following:

6.1 Insurance. Seller shall keep the Hotels insured against fire and other hazards in such amounts and under such terms as Seller deems advisable consistent with past practices.

6.2 Contracts. Seller shall terminate all contracts or agreements relating to the Property to which Seller is a party, including, without limitation, the Operating Agreements (collectively, "Contracts") on or prior to Close of Escrow, except those Buyer Designated Contracts (if any) that Seller assigns to Buyer at the Close of Escrow, or unless otherwise agreed in writing by Seller and Buyer.

6.3 Bookings. As used herein, "Bookings" shall mean contracts, leases or reservations for the use or occupancy of guest rooms, meeting rooms, or any other space within the Real Property entered into by Seller in its ordinary course of operating its hotel business on the Real Property. Prior to the expiration of the Due Diligence Period, Buyer shall identify any then present occupants of the Real Property that may be entitled to any relocation assistance payments under applicable federal, state or local law; and following the expiration of the Due Diligence Period and prior to Closing, Buyer shall identify any subsequent occupants of the Real Property that may be entitled to any relocation assistance payments (all such occupants identified by Buyer shall be referred to herein as "Identified Occupants"). Effective as of Closing, Seller shall terminate (a) any and all Bookings that would otherwise commence on or after the Close of Escrow, and (b) any Bookings or any leases, licenses or other occupancy rights with respect to the Real Property other than those involving Identified Occupants, and all such Bookings and other leases, licenses and occupancy rights involving Identified Occupants shall be assigned to Buyer at Closing as though the same had been identified as Buyer Designated Contracts; provided, however, Buyer acknowledges and agrees that (i) Seller shall have no obligation whatsoever to preserve any Bookings pursuant to the terms of this Agreement, it being understood that Seller shall have no liability whatsoever in the event that any Identified Occupants terminate their respective Bookings, leases, licenses or other occupancy rights; and (ii) Seller shall have the right (but not the obligation) to relocate any Bookings from the Real Property (other than those with respect to Identified Occupants) to another real property owned or operated by Seller or an Affiliate of Seller.

6.4 Termination of Hotel Operations. On or prior to the Closing Date, Seller shall, at its sole cost and expense, (i) cause the hotel operations with respect to the Real Property to be wound up and ceased, and (ii) terminate or relocate all employees involved in the operation and maintenance of each Hotel. Buyer shall not assume (and Buyer shall not be deemed to have assumed) any claim, liability or obligation of Seller related to the hotel operations on the Real Property, including, but not limited to, the following: (a) any liabilities or obligations for indebtedness of Seller; (b) any trade payables and accrued expenses; (c) any liabilities or obligations of Seller arising in connection with or relating to the hotel operations or maintenance that occurred or existed prior to the Closing; (d) any claim, liability, obligation or damage with respect to any warranty or similar claim with respect to any product or service provided by Seller at any time on or prior to the Closing; (e) any liabilities or obligations arising in connection with the employment or termination of employment of any persons prior to or in connection with the Closing, including, without limitation, any workers' compensation claims or claims under the

Occupational Safety and Health Act (29 U.S.C. Chapter 15), any employee grievances, any liabilities with respect to employee benefit plans, any liabilities for accrued vacation, bonus or severance payments arising as a result of the consummation of the transactions contemplated by this Agreement and all liabilities or obligations to be discharged by Seller prior to the Closing; and (f) any agreements concerning the master leasing and/or operation of any Hotel (collectively, the “Operating Agreements”).

7. Seller’s Closing Deliveries. Not less than one (1) business day prior to the Closing Date, Seller shall deliver or cause to be delivered to Escrow Holder the following items:

7.1 One (1) executed and acknowledged grant deed conveying each Real Property to Buyer in the form attached hereto as Exhibit “B” (each a “Grant Deed” and, collectively, the “Grant Deeds”);

7.2 A Certificate of Non-Foreign Status duly executed by Seller certifying that Seller is not a “foreign person” within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended, together with the equivalent California form (Form 593) confirming that Seller is not subject to withholding of any portion of the Purchase Price by Buyer pursuant to the California Revenue & Taxation Code (collectively, the “Non-Foreign Affidavits”);

7.3 Two (2) counterpart copies of an assignment agreement (each an “Assignment” and, collectively, the “Assignments”) conveying to Buyer the Intangible Property for each Property in the form attached hereto as Exhibit “C” executed by Seller;

7.4 Two (2) counterpart copies of a bill of sale (each a “Bill of Sale” and, collectively, the “Bills of Sale”) for each Property in the form attached hereto as Exhibit “D” executed by Seller;

7.5 One (1) executed copy of the Title Company’s standard form of owner’s affidavit (in a form reasonably acceptable to Seller) for each Real Property, as required by Title Company to issue the Owner’s Policy;

7.6 Any other document, instrument or agreement necessary to consummate the transactions contemplated herein reasonably requested by Buyer or Escrow Holder.

8. Buyer’s Closing Deliveries. Not less than one (1) business day prior to the Closing Date, Buyer shall deliver to Escrow Holder the following items:

8.1 The balance of the Purchase Price;

8.2 Two (2) counterpart copies of each Assignment executed by Buyer;

8.3 Two (2) counterpart copies of each Bill of Sale executed by Buyer; and

8.4 Any other documents, instruments or agreements necessary to consummate the transactions contemplated herein reasonably requested by Seller or Escrow Holder.

9. Escrow and Closing.

9.1 Escrow Instructions. When this Agreement or counterparts hereof shall have been executed by Seller and Buyer and delivered to Escrow Holder, it shall constitute Escrow Holder's escrow instructions. Any standard form escrow instructions submitted by Escrow Holder or any other clarification or addition to the instructions contained herein shall, when executed by Buyer and Seller, constitute additional escrow instructions. In the event of any conflict between such additional instructions and this Agreement, the terms of this Agreement shall prevail.

9.2 Closing.

9.2.1 Closing Date. The "Close of Escrow" or "Closing" means the date on which the Grant Deeds conveying title to the Property to Buyer are delivered to Escrow Holder and the Purchase Price is disbursed from Escrow. The Close of Escrow shall take place through an escrow ("Escrow") to be established with Escrow Holder and occur on or before the date (the "Closing Date") that is sixty (60) days following Buyer's receipt of the Homekey Funding Award Letter; provided, however, and except as provided in Section 9.2.2 below, in no event shall the Close of Escrow occur later than the date that is twelve (12) months following the Opening of Escrow (the "Closing Deadline").

9.2.2 Closing Date Extension. Buyer shall have the option to extend the Closing Deadline one (1) time for a period of three (3) months by notifying Seller in writing not less than ten (10) business days prior to the initial Closing Deadline.

9.3 Close of Escrow. Provided that Escrow Holder shall not have received written notice in a timely manner from Buyer or Seller of the failure of any condition to the Close of Escrow or of the termination of the Escrow, and if and when Buyer and Seller have deposited into Escrow the funds and documents required by this Agreement, and Title Company is irrevocably committed to issue the Owner's Policy concurrently with the Close of Escrow, Escrow Holder shall:

9.3.1 Record Documents. Cause the Grant Deeds to be recorded in the Official Records of the County;

9.3.2 Deliver to Buyer. Immediately upon the recording of the Grant Deeds, deliver to Buyer: (i) a conformed copy of each Grant Deed; (ii) fully executed originals of the Non-Foreign Affidavits, Assignments and Bills of Sale; (iii) any funds deposited by Buyer, and any interest earned thereon, in excess of the amount required to be paid by Buyer hereunder, including the closing costs, prorations and adjustments to be paid by Buyer pursuant to this Agreement; and (iv) the Owner's Policy issued by Title Company.

9.3.3 Deliver to Seller. Immediately upon the recording of the Grant Deeds, deliver to Seller (i) the balance of the Purchase Price, after satisfying the closing costs, prorations and adjustments to be paid by Seller pursuant to this Agreement; (ii) a conformed copy of each Grant Deed; and (iii) fully executed originals of the Non-Foreign Affidavits, Assignments and Bills of Sale.

9.4 Real Estate Reporting Person. Escrow Holder is hereby instructed to comply with all applicable Federal, state and local reporting and withholding requirements relating to the close of this transaction. Escrow Holder is hereby designated the “real estate reporting person” for purposes of Section 6045 of Title 26 of the United States Code and Treasury Regulation 1.6045-4 and any instructions or settlement statement prepared by Escrow Holder shall so provide. Upon the consummation of the transaction contemplated by this Agreement, Escrow Holder shall, in addition to complying with any applicable state and local requirements, file Form 1099 information return and send the statement to Seller as required under the aforementioned statute and regulation.

10. Closing Costs. Buyer shall pay (i) one-half (1/2) of Escrow Holder’s escrow fee; (ii) the cost of any increased premium for the extended coverage portion of the Owner’s Policy and any title endorsements requested by Buyer (other than those payable by Seller as provided in this Section 10 below), and (iii) the cost of recording the Grant Deeds. Seller shall pay (a) one-half (1/2) of Escrow Holder’s escrow fee; (b) all of the County documentary transfer taxes; (c) the costs of the standard coverage premium for the Owner’s Policy. Seller shall pay for all of Title Company’s charges for endorsements to the Owner’s Policy required to cure Title Objections that Seller has agreed to cure pursuant to Section 3 hereof. All other closing costs and charges (including, without limitation, any City documentary transfer taxes, if any) shall be paid by the Parties in accordance with the customary practice in the County. The foregoing provisions of this Section notwithstanding, except as otherwise expressly provided in this Agreement to the contrary, should the obligations of Buyer to purchase, and Seller to sell, the Property be terminated in accordance with this Agreement, Buyer and Seller shall each pay one-half (1/2) of the cost of the escrow cancellation fees and other amounts due Escrow Holder and the Title Company; provided, however, that should this Escrow be terminated as a result of the default by one of the Parties hereto, the defaulting Party shall pay the entire amount of the cancellation fees and other amounts due Escrow Holder and the Title Company, and the non-defaulting Party shall have no liability therefor. Buyer and Seller shall each pay their own attorneys’ fees in connection with the preparation and negotiation of this Agreement and in connection with the consummation of the transactions contemplated hereby.

11. Proration of Taxes. To the extent any property taxes and assessments have been paid by Seller for the period following the Closing, such amount shall be credited to Seller and Seller shall be responsible for obtaining a property tax refund from the taxing authorities after Closing. If any property taxes or assessments are owed at Closing, such amounts shall be paid by Seller. Buyer, not Seller, shall be responsible for any and all rollback taxes and ad valorem property taxes (or any equivalent thereof) resulting from any action of Buyer that changes the use of the Real Property. The amount of such prorations shall be subject to adjustment in cash after the Close of Escrow outside of Escrow as and when complete and accurate information becomes available, if such information is not available on the Closing Date. Seller and Buyer agree to cooperate and use their respective commercially reasonable, good faith efforts to make such adjustments prior to ninety (90) days after the Close of Escrow.

12. Representations and Warranties.

12.1 Representations and Warranties of Seller. Seller hereby makes the representations and warranties set forth in Sections 12.1.1 through 12.1.8 below to Buyer (which

Buyer is relying upon), which representations are true in all material respects as of the date hereof and as of the Closing. Seller shall notify Buyer in writing immediately if Seller becomes aware that any representation or warranty has become untrue or misleading in light of information obtained by Seller after the Effective Date.

12.1.1 Due Authorization. Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and is registered to do business in and in good standing under the laws of the State of California. Seller has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder. The execution of delivery of this Agreement by Buyer has been duly authorized.

12.1.2 Eminent Domain. To Seller's knowledge, there are no existing, proposed, threatened or contemplated eminent domain proceedings that would affect the Property in any way whatsoever, except for any Entitlement/Use Claims.

12.1.3 No Conflict. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereunder on the part of Seller do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree or judgment, conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Seller by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Seller is a part or which is or purports to be binding upon Seller or which otherwise affects Seller, which will not be discharged, assumed or released at the Close of Escrow.

12.1.4 Litigation. There is no litigation or administrative proceeding or investigation (whether for personal injury, property damage, landlord-tenant disputes, property taxes or otherwise) pending or, to the Seller's knowledge, threatened, that does or will affect Seller or the Property and which is not, or would not be, covered by insurance carried by Seller (provided that Buyer acknowledges and agrees that any Entitlement/Use Claims shall not cause this representation and warranty to be untrue).

12.1.5 Violations of Law. To Seller's knowledge, no notices of any uncured violation of governmental regulations, ordinances or laws relating to the Property as the same have been used by Seller and which would be reasonably expected to interfere with Buyer's intended use of the Property have been received by Seller or entered against Seller (provided that Buyer acknowledges and agrees that there might be minor violations currently existing at the Property, of which Seller does not have knowledge, that might be identified upon an inspection of the Property by the Governmental Authorities).

12.1.6 Bankruptcy. No attachments or execution proceedings and no assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against Seller or concerning all or part of the Property, nor are any of such proceedings contemplated by Seller, nor has Seller ever been a debtor under any case commenced under the United States Bankruptcy Code. Seller has not been insolvent for the last one hundred twenty (120) days preceding the Effective Date.

12.1.7 Foreign Person. Seller warrants that no individual or entity which, under the terms of this Agreement, will transfer United States Real Property Interests, as defined in Section 897(c) of the Internal Revenue Code, is a “foreign person” with the meaning of Section 1445(f) of the Internal Revenue Code. Seller agrees to execute and deliver through Escrow, prior to the Close of Escrow, any affidavit required by Buyer verifying the warranty specified in this paragraph.

12.1.8 Anti-Money Laundering and Anti-Terrorism Laws.

(a) None of Seller or, to Seller’s knowledge, its Affiliates, is in violation of any laws, ordinances, statutes, rules, regulations, decrees, judgments, executive orders or other orders relating to terrorism, money laundering or drug-trafficking, or predicate crimes to terrorism, money laundering or drug-trafficking, including, without limitation, the USA Patriot Act of 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Action of 2001, Public Law 107-56 and Executive Order No. 13224 (Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism) (the “Executive Order”), all as amended from time to time (collectively, the “Anti-Money Laundering and Anti-Terrorism Laws”).

(b) None of Seller or, to Seller’s knowledge, its Affiliates, is acting, directly or indirectly, on behalf of terrorists, terrorist organizations or narcotics traffickers, including those persons or entities that appear on the Annex to the Executive Order, or are included on any relevant lists maintained by the Office of Foreign Assets Control of U.S. Department of Treasury, U.S. Department of State, or other U.S. government agencies, all as may be amended from time to time.

(c) None of Seller or, to Seller’s knowledge, its Affiliates or, without inquiry, any of its brokers or other agents, in any capacity in connection with the sale of the Property (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person included in the lists set forth in the preceding paragraph; (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order; or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Money Laundering and Anti-Terrorism Laws.

(d) Seller understands and acknowledges that Buyer may become subject to further anti-money laundering regulations, and agrees to execute instruments, provide information, or perform any other acts as may reasonably be requested by Buyer, for the purpose of: (A) carrying out due diligence as may be required by Anti-Money Laundering and Anti-Terrorism Laws in effect from time to time to establish Seller’s identity and source of funds; (B) maintaining records of such identities and sources of funds, or verifications or certifications as to the same; and (C) taking any other actions as may be required to comply with and remain in compliance with Anti-Money Laundering and Anti-Terrorism Laws applicable to Seller.

(e) Neither Seller, nor, to Seller's knowledge, any person controlling or controlled by Seller, is a country, territory, individual or entity named on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, as updated from time to time, or any other list of terrorists or terrorist organizations maintained pursuant to the Executive Order or any other Anti-Money Laundering and Anti-Terrorism Laws (the "Government Lists"), and the monies used in connection with this Agreement and amounts committed with respect thereto, were not and are not derived from any activities that contravene any of the Anti-Money Laundering and Anti-Terrorism Laws (including funds being derived from any person, entity, country or territory on the Government Lists or engaged in any unlawful activity defined under Title 18 of the United States Code, Section 1956(c)(7)).

12.1.9 Subsequent Changes. Upon Buyer becoming aware of any fact (whether in written notice from Seller or otherwise) which would materially and adversely change any of the representations or warranties contained in Sections 12.1.1 through 12.1.8 above, or elsewhere in this Agreement or in any Other Documents (as defined in Section 17.5 below) (collectively, "Seller's Representations"), Buyer, as its sole and exclusive remedy at law or in equity, shall have the option of (i) waiving the breach of warranty or change, and proceeding with the Close of Escrow, or (ii) terminating this Agreement with respect to any or all of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property, in which event the Deposits and any other funds deposited by Buyer into the Escrow with respect to each Property as to which this Agreement is terminated and all interest earned thereon shall be returned to Buyer, less the Independent Consideration and any amounts due to Escrow Holder from Buyer pursuant to this Agreement, so long as Buyer is not then in breach or default under this Agreement. Any such election shall be made by Buyer not later than three (3) business days from Buyer becoming aware of such fact. Notwithstanding the foregoing, if Buyer elects to proceed under clause (ii) above, Seller shall have the right, in its sole discretion, within three (3) business days following receipt of such election from Buyer, to elect by written notice to Buyer to cure such matter prior to Closing (and Seller shall have the right to delay the Closing for up to thirty (30) days to effectuate such cure). If Seller makes such foregoing election, then Buyer's original notice under clause (ii) above shall be deemed Buyer's election to not terminate this Agreement and proceed pursuant to clause (i) above. If Buyer does not timely elect to terminate this Agreement pursuant to this Section 12.1.9, then Buyer shall be deemed to have (a) irrevocably elected to waive its rights to terminate this Agreement pursuant to this Section 12.1.9, (b) elected to acquire the Property on the terms set forth in this Agreement, and (c) waived all remedies at law or in equity with respect to any representations or warranties resulting from the facts or circumstances disclosed by Seller in its notice to Buyer or of which Buyer becomes aware prior to Closing and Seller's Representations shall be deemed to have been modified by all such disclosures. Anything contained herein to the contrary notwithstanding, if (x) Buyer has knowledge of any inaccuracy in any of Seller's Representations contained herein or in any Other Documents, whether as a result of notice from Seller, Buyer's own investigations or inquiries or otherwise, or (y) any information contained in any material provided or made available to Buyer by Seller or received by Buyer from any third party (including without limitation any report provided to Buyer by any contractor or consultant engaged by Buyer in connection with Buyer's investigation of the Property) is in any way inconsistent with any of Seller's Representations, whether or not actually known to Buyer, and notwithstanding clause (x) and clause (y) Buyer nonetheless proceeds with the Closing of the

transactions contemplated hereby, then Seller's Representations shall be deemed qualified and amended or modified to the full extent of Buyer's knowledge and such inconsistent information, Buyer shall be deemed to have accepted and approved Seller's Representations as so qualified and amended or modified, and Buyer shall have no right or remedy, and Seller shall have no obligation or liability, on account thereof. In no event shall Seller be liable to Buyer for (except to the extent expressly elected by Seller pursuant to this Section 12.1.9, above), or be deemed to be in default under this Agreement by reason of, any breach of a representation or warranty if Buyer had knowledge thereof prior to Closing and Buyer nonetheless proceeds with the Closing. For the purposes of this Section, Buyer's knowledge shall mean Buyer's knowledge, as described in clause (x) in this Section above or Buyer's obtaining the inconsistent information described in clause (y) in this Section above.

12.1.10 Seller's Knowledge. Whenever phrases such as "to Seller's knowledge" or "Seller has no knowledge" or similar phrases are used in Seller's Representations or otherwise used in this Agreement (including, without limitation, in Section 4.2 above and Section 13.1.4 below) with regard to the "knowledge" of Seller, they will be deemed to refer exclusively to matters within the current actual (as opposed to constructive) knowledge of Seller's Regional Asset Manager Judith Bikulege ("Seller's Representative"). No duty of inquiry or investigation on the part of Seller or Seller's Representative will be required or implied by the making of any representation or warranty which is so limited to matters Seller's knowledge, and in no event shall Seller's Representative have any personal liability therefor.

12.2 Representations and Warranties of Buyer. Buyer hereby makes the representations and warranties set forth in this Section for the benefit of Seller and its successors and assigns. Buyer shall notify Seller in writing immediately if Buyer becomes aware that any representation or warranty has become untrue or misleading in light of information obtained by Buyer after the Effective Date.

12.2.1 Authority. Buyer is a public agency duly organized, validly existing and in good standing under the laws of the State. Buyer has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Buyer has been duly authorized.

12.2.2 No Conflict. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereunder on the part of Buyer do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree or judgment, conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a part or which is or purports to be binding upon Buyer or which otherwise affects Buyer, which will not be discharged, assumed or released at the Close of Escrow.

12.2.3 Litigation. There are no claims, actions, suits or proceeding continuing, pending or to Buyer's actual knowledge, threatened, which would materially adversely affect Buyer or this transaction.

12.2.4 Bankruptcy. No attachments or execution proceedings and no assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against Buyer, nor are any of such proceedings contemplated by Buyer, nor has Buyer ever been a debtor under any case commenced under the United States Bankruptcy Code. Buyer has not been insolvent for the last one hundred twenty (120) days preceding the Effective Date.

12.2.5 Anti-Money Laundering and Anti-Terrorism Laws.

(a) Neither Buyer nor, to Buyer's knowledge, any of its direct or indirect owners, principals, employees or Affiliates, is in violation of, has been charged with or is under indictment for the violation of, or has pled guilty to or been found guilty of the violation of, any Anti-Money Laundering and Anti-Terrorism Laws.

(b) None of Buyer or, to Buyer's knowledge, its direct or indirect owners, principals, employees or Affiliates, is acting, directly or indirectly, on behalf of terrorists, terrorist organizations or narcotics traffickers, including those persons or entities that appear on the Annex to the Executive Order, or are included on any relevant lists maintained by the Office of Foreign Assets Control of U.S. Department of Treasury, U.S. Department of State, or other U.S. government agencies, all as may be amended from time to time.

(c) None of Buyer or, to Buyer's knowledge, its Affiliates or, without inquiry, any of its brokers or other agents, in any capacity in connection with the purchase of the Property (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person included in the lists set forth in the preceding paragraph; (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order; or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Money Laundering and Anti-Terrorism Laws.

(d) Buyer understands and acknowledges that Seller may become subject to further anti-money laundering regulations, and agrees to execute instruments, provide information, or perform any other acts as may reasonably be requested by Seller, for the purpose of: (A) carrying out due diligence as may be required by Anti-Money Laundering and Anti-Terrorism Laws in effect from time to time to establish Buyer's identity and source of funds; (B) maintaining records of such identities and sources of funds, or verifications or certifications as to the same; and (C) taking any other actions as may be required to comply with and remain in compliance with Anti-Money Laundering and Anti-Terrorism Laws applicable to Buyer.

(e) Neither Buyer, nor any person controlling or controlled by Buyer, is a country, territory, individual or entity named on the Government Lists, and the monies used in connection with this Agreement and amounts committed with respect thereto, were not and are not derived from any activities that contravene any of the Anti-Money Laundering and Anti-Terrorism Laws (including funds being derived from any

person, entity, country or territory on the Government Lists or engaged in any unlawful activity defined under Title 18 of the United States Code, Section 1956(c)(7)).

(f) Buyer is not engaging in the transactions contemplated hereunder, directly or indirectly, in violation of any Anti-Money Laundering and Anti-Terrorism Laws. None of the funds of Buyer have been or will be derived from any unlawful activity with the result that the investment of direct or indirect equity owners in Buyer is prohibited by Anti-Money Laundering and Anti-Terrorism Laws or that the transactions contemplated hereunder or this Agreement are or will be in violation of Anti-Money Laundering and Anti-Terrorism Laws.

(g) Schedule 12.2.5(g) is a complete list of Buyer’s CEO or key person(s), Buyer’s “knowledge” party(ies), the natural person(s) authorized to receive notice on behalf of Buyer identified in Section 16 below and Buyer’s signatory to this Agreement. In addition, no natural person owns a twenty-five percent (25%) or greater interest in Buyer, directly or indirectly except as disclosed in Schedule 12.2.5(g).

13. AS-IS Sale. Buyer acknowledges, by its initials as set forth below, that the provisions of this Section 13 have been required by Seller as a material inducement to enter into the contemplated transactions, and the intent and effect of such provisions have been explained to Buyer by Buyer’s counsel and have been understood and agreed to by Buyer.

13.1 Buyer’s Acknowledgement. As a material inducement to Seller to enter into this Agreement and to convey the Property to Buyer, Buyer hereby acknowledges and agrees as follows in Sections 13.1.1 through 13.1.7 below:

13.1.1 AS-IS. Except as otherwise expressly set forth in this Agreement, and subject to Seller’s representation and warranties set forth in this Agreement, Buyer is purchasing the Property in its existing condition, “AS-IS, WHERE-IS, WITH ALL FAULTS,” and upon the Closing Date has made or has waived all inspections and investigations of the Property and its vicinity which Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property.

Initials:



Seller



Buyer

13.1.2 No Representations. Other than the express representations and warranties of Seller contained in Section 12.1 of this Agreement and the Other Documents, neither Seller, nor any of its Affiliates, predecessors, successors, partners, members and assigns, and their respective past, present and future partners, members, officers, directors, trustees, employees, agents, lenders, representatives, attorneys and all persons acting by, through, under or in concert with the foregoing, or any of them (Seller and all of said entities and individuals are collectively referred to herein as the “Seller Group”) has made any representation, warranty, inducement, promise, agreement, assurance or statement, directly or indirectly, oral or written, of any kind to Buyer upon which Buyer has or is relying, or in connection with which Buyer has made or will make any decisions concerning the Property or its vicinity including, without limitation, its use, condition, value, compliance with Governmental Regulations (as defined below), the existence or

absence of Hazardous Substances (as defined below) in, on, under or about the Property, any relocation assistance issues (including if any relocation assistance is required to be paid to occupants or former occupants of the Real Property), or the permissibility, feasibility, or convertibility of all or any portion of the Property for any particular use or purpose, including, without limitation, its present or future prospects for sale, lease, development, occupancy or suitability as security for financing. As used in this Agreement, the following definitions shall apply: (i) the term "Governmental Regulations" means any laws (including Environmental Laws (as that term is defined below)), ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, Hazardous Substances, occupational health and safety, handicapped access, water, earthquake hazard reduction, and building and fire codes) of any governmental or quasi-governmental body or agency claiming jurisdiction over the Property, (ii) the term "Environmental Laws" shall mean all federal, state and local laws, ordinances, rules and regulations now or hereafter in force, whether statutory or common law, as amended from time to time, and all federal and state court decisions, consent decrees and orders interpreting or enforcing any of the foregoing, in any way relating to or regulating human health or safety, or industrial hygiene or environmental conditions, or protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, and includes, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., and the Clean Water Act, 33 U.S.C. § 1251, et seq., and (iii) "Hazardous Substances" shall mean any substance or material that is or becomes described as a toxic or hazardous substance, waste or material or a pollutant or contaminant, or words of similar import, in any of the Environmental Laws, and includes asbestos or asbestos containing material, petroleum (including, without limitation, flammable explosives, crude, oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum, petroleum-based products and petroleum additives and derived substances, lead-based paint, viruses, mold, fungi or bacterial matter, the group of compounds known as polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity.

Initials:



Seller



Buyer

13.1.3 No Implied Warranties. Excluding any representation or warranty set forth in this Agreement or in the Other Documents, Seller hereby specifically disclaims: (i) all warranties implied by law arising out of or with respect to the execution of this Agreement, any aspect or element of the Property, or the performance of Seller's obligations hereunder including, without limitation, all implied warranties of merchantability, habitability and/or fitness for a particular purpose; and (ii) any warranty, guaranty or representation, oral or written, past, present or future, of, as to, or concerning (a) the nature and condition of the Property or other items conveyed hereunder, including, without limitation, the water, soil, and geology, the suitability thereof and of the Property or other items conveyed hereunder for development or for any and all other activities and uses which Buyer may elect to conduct thereon, the existence of any environmental hazards or conditions thereon (including but not limited to the presence of asbestos or other Hazardous Substances) or compliance with applicable Environmental Laws; (b) the nature and extent of any right-of-way, lease, possession, lien, encumbrance, license,

reservation, condition or otherwise; and (c) the compliance of the Property or other items conveyed hereunder or its operation with any Governmental Regulations.

Initials:  Seller  Buyer

13.1.4 Information Supplied by Seller. Seller hereby represents and warrants to the Buyer that, to Seller’s knowledge, and with the understanding that same have generally been prepared by third parties, all Due Diligence Materials required to be delivered to Buyer are true, correct and complete in all material respects as of the dates set forth thereon. Buyer specifically acknowledges and agrees that, except as expressly contained in this Agreement and the Other Documents, the Seller Group has made no representation or warranty of any nature concerning the accuracy or completeness of any documents delivered or made available for inspection by Seller to Buyer, including, without limitation, the Due Diligence Materials and any other documents or materials distributed with respect to the Property, and that Buyer has undertaken such inspections of the Property as Buyer deems necessary and appropriate and that Buyer is relying solely upon such investigations. As to the Due Diligence Materials, Buyer specifically acknowledges that they have been prepared by third parties with whom Buyer has no privity.

Initials:  Seller  Buyer

13.1.5 Release. AS OF THE CLOSE OF ESCROW, BUYER, FOR ITSELF AND ON BEHALF OF THE BUYER PARTIES (AS DEFINED IN SECTION 17.5 BELOW) HEREBY FULLY AND IRREVOCABLY RELEASE AND FOREVER DISCHARGE THE SELLER GROUP OF AND FROM ANY AND ALL MANNER OF ACTION OR ACTIONS, CAUSE OR CAUSES OF ACTION, AT LAW OR IN EQUITY (INCLUDING, WITHOUT LIMITATION, IN TORT), SUITS, DEBTS, LIENS, CONTRACTS, AGREEMENTS, PROMISES, LIABILITIES, CLAIMS, DEMANDS, DAMAGES, LOSSES, CHARGES, COSTS OR EXPENSES, OF ANY NATURE WHATSOEVER, KNOWN OR UNKNOWN, FIXED OR CONTINGENT (COLLECTIVELY, “CLAIMS”) THAT THE BUYER PARTIES MAY HAVE OR HEREAFTER ACQUIRE AGAINST EACH AND ANY OF THE SELLER GROUP ARISING FROM OR RELATED TO IN ANY WAY THE PROPERTY, THE CONDITION OF THE PROPERTY, THIS AGREEMENT, THE OTHER DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING, WITHOUT LIMITATION, ANY LATENT OR PATENT CONSTRUCTION DEFECTS, ERRORS OR OMISSIONS, ANY RELOCATION ASSISTANCE ISSUES (INCLUDING IF ANY RELOCATION ASSISTANCE IS REQUIRED TO BE PAID TO OCCUPANTS OR FORER OCCUPANTS OF THE REAL PROPERTY), COMPLIANCE WITH LAW MATTERS, THE PRESENCE, DISCOVERY OR REMOVAL OF HAZARDOUS SUBSTANCES AND OTHER ENVIRONMENTAL MATTERS WITHIN, UNDER OR UPON, OR IN THE VICINITY OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY ENVIRONMENTAL LAWS. THE FOREGOING RELEASE BY BUYER AND THE BUYER PARTIES SHALL INCLUDE, WITHOUT LIMITATION, ANY CLAIMS BUYER AND/OR THE BUYER PARTIES MAY HAVE PURSUANT TO ANY STATUTORY OR COMMON LAW RIGHT BUYER MAY HAVE TO RECEIVE DISCLOSURES FROM SELLER, INCLUDING,

WITHOUT LIMITATION, ANY DISCLOSURES AS TO THE PROPERTY'S LOCATION WITHIN AREAS DESIGNATED AS SUBJECT TO FLOODING, FIRE, SEISMIC OR EARTHQUAKE RISKS BY ANY FEDERAL, STATE OR LOCAL ENTITY, THE PRESENCE OF HAZARDOUS SUBSTANCES ON OR BENEATH THE PROPERTY, THE NEED TO OBTAIN FLOOD INSURANCE, THE CERTIFICATION OF WATER HEATER BRACING AND/OR THE ADVISABILITY OF OBTAINING TITLE INSURANCE, OR ANY OTHER CONDITION OR CIRCUMSTANCE AFFECTING THE PROPERTY, ITS FINANCIAL VIABILITY, USE OR OPERATION, OR ANY PORTION THEREOF. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN THIS AGREEMENT, ANY RIGHT WAIVED BY BUYER AND ANY RELEASE BY BUYER, SHALL ONLY RELEASE OR WAIVE BUYER'S RIGHTS TO PURSUE OR ENFORCE ANY CLAIM, DEMAND OR JUDGMENT PERSONALLY AGAINST THE SELLER GROUP OR ANY OF THEM. BUYER IS NOT WAIVING ANY RIGHT TO BRING ANY ACTION AGAINST ANY OF THE NON-RELEASED PARTIES (AS DEFINED BELOW) OR WAIVING RECOVERY AGAINST OR OTHERWISE RELEASING OR AGREEING TO FOREGO BUYER'S RIGHTS WITH RESPECT TO ANY INSURANCE POLICY, OR ANY OTHER PERSON (OTHER THAN THE RIGHT TO ENFORCE A JUDGMENT PERSONALLY AGAINST ANY OF THE SELLER GROUP), INCLUDING WITHOUT LIMITATION PERSONS OBLIGATED TO THE SELLER GROUP, BY RIGHT OF SUBROGATION OR OTHERWISE, PRIOR OWNERS OR OCCUPANTS OF THE REAL PROPERTY, THE TENANTS, PERSONS PERFORMING WORK AT THE PROPERTY AND/OR ANY INSURANCE POLICIES HELD BY ANY OR ALL SUCH PERSONS (COLLECTIVELY, THE "NON-RELEASED PARTIES"); PROVIDED, HOWEVER, BUYER UNDERSTANDS AND AGREES THAT SELLER HERETOFORE MAY HAVE RELEASED AND/OR WAIVED SELLER'S RIGHTS TO PURSUE OR ENFORCE ANY CLAIM, DEMAND OR JUDGMENT AGAINST THE NON-RELEASED PARTIES OR ANY OF THEM, INCLUDING, WITHOUT LIMITATION, WAIVING SELLER'S RIGHTS TO BRING ACTIONS AGAINST THE NON-RELEASED PARTIES OR ANY OF THEM OR WAIVING RECOVER AGAINST OR OTHERWISE RELEASING OR AGREEING TO FOREGO SELLER'S RIGHTS WITH RESPECT TO ANY INSURANCE POLICY OR THE NON-RELEASED PARTIES OR ANY OF THEM, AND NO SUCH WAIVER OR RELEASE BY SELLER SHALL IN ANY WAY OPERATE, OR BE CONSTRUED, TO INCREASE SELLER'S OBLIGATIONS UNDER THIS AGREEMENT OR TO INCREASE THE LIABILITY OF THE SELLER GROUP OR ANY OF THEM UNDER THIS AGREEMENT. THIS RELEASE INCLUDES CLAIMS OF WHICH BUYER IS PRESENTLY UNAWARE OR WHICH BUYER DOES NOT PRESENTLY SUSPECT TO EXIST IN ITS FAVOR WHICH, IF KNOWN BY BUYER, WOULD MATERIALLY AFFECT BUYER'S RELEASE OF THE SELLER GROUP. IN CONNECTION WITH THE GENERAL RELEASE SET FORTH IN THIS SECTION 13.1.5, BUYER SPECIFICALLY WAIVES THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY

AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

Initials:



Seller



Buyer

Notwithstanding anything to the contrary set forth in this Section 13.1.5, the foregoing release is not intended to and does not cover (i) any claims arising from a breach of Seller’s representations or warranties set forth in Section 12.1 of this Agreement, (ii) any other breach by Seller of an express obligation of Seller under this Agreement which by its terms survives the Close of Escrow, or (iii) any liability of Seller for fraud.

13.1.6 California Natural Hazard Disclosure. Buyer acknowledges that any seller owning property located in the State of California is required to disclose if such property lies within the following natural hazardous areas or zones: (i) a special flood hazard area (any type Zone “A” or “V”) designated by the Federal Emergency Management Agency (Cal. Gov. Code Section 8589.3); (ii) an area of potential flooding shown on a dam failure inundation map designated pursuant to Cal. Gov. Code Section 8589.5 (Cal. Gov. Code Section 8589.4); (iii) a very high fire hazard severity zone designated pursuant to Cal. Gov. Code Section 51178 or 51179 (in which event the owner maintenance obligations of Cal. Gov. Code Section 51182 would apply) (Cal. Gov. Code Section 51183.5); (iv) a wildland area that may contain substantial forest fire risks and hazards designated pursuant to Cal. Pub. Resources Code Section 4125 (in which event (a) such seller would be subject to maintenance requirements of Cal. Pub. Resources Code Section 4291 and (b) it would not be the State of California’s responsibility to provide fire protection services to any building or structure located within the wildland area except, if applicable, pursuant to Cal. Pub. Resources Code Section 4129 or pursuant to a cooperative agreement with a local agency for those purposes pursuant to Cal. Pub. Resources Code Section 4142) (Cal. Pub. Resources Code Section 4136); (v) an earthquake fault zone (Cal. Pub. Resources Code Section 2621.9); or (vi) a seismic hazard zone (and, if applicable, whether a landslide zone or liquefaction zone) (Cal. Pub. Resources Code Section 2694). Buyer acknowledges that Seller will employ the services of Title Company or an Affiliate thereof or another reputable vendor (“Natural Hazard Expert”) to examine the maps and other information specifically made available to the public by government agencies and to report the results of its examination to Buyer in writing. The written report prepared by the Natural Hazard Expert regarding the results of its examination fully and completely discharges such Seller from its disclosure obligations under California Civil Code Section 1103, and, for the purpose of this Agreement, the provisions of Civil Code Section 1103.4 regarding the non-liability of Seller for errors and/or omissions not within its personal knowledge shall be deemed to apply. Buyer acknowledges and agrees that Buyer will independently evaluate and investigate whether any or all of such natural hazards affect the applicable Property, and Seller shall have no liabilities or obligations with respect thereto. Prior to the expiration of the Due Diligence Period, Buyer shall execute and deliver to Seller an acknowledgement of receipt of the Natural Hazard Disclosure Statement. Buyer acknowledges and agrees that the matters set forth in the Natural Hazard Disclosure Statement may change on or following the Closing Date for such Property and that Seller has no obligation to update, modify, or supplement the Natural Hazard Disclosure Statement following such Closing Date. Buyer shall be solely responsible for preparing and delivering its own Natural Hazard Disclosure Statement to subsequent prospective buyers of the Property, to the extent required. BUYER ACKNOWLEDGES AND REPRESENTS THAT

IT HAS EXTENSIVE EXPERIENCE ACQUIRING AND CONDUCTING DUE DILIGENCE REGARDING COMMERCIAL PROPERTIES. THIS PROVISION IS AN ESSENTIAL ASPECT OF THE BARGAIN BETWEEN THE PARTIES.

13.1.7 California Health and Safety Code Section 25359.7. Buyer acknowledges and agrees that the sole inquiry and investigation Seller conducted in connection with the environmental condition of the Property is to obtain the environmental report(s) which are part of the Due Diligence Materials and that, for purposes of California Health and Safety Code Section 25359.7, Seller has acted reasonably in relying upon said inquiry and investigation, and the delivery of this Agreement constitutes written notice to Buyer under such code section.

13.2 Survival. This Section 13 shall survive any termination of this Agreement and the Closing.

14. Further Assurances. Seller will, whenever and as often as it shall be reasonably requested by Buyer and at no cost to Seller, and Buyer will, whenever and as often as it shall be reasonably requested by Seller and at no cost to Buyer, execute, acknowledge and deliver, or cause to be executed, acknowledged or delivered, any and all such further instruments and documents as may be reasonably necessary, expedient or proper in order to carry out the intent and purpose of this Agreement.

15. Risk of Loss.

15.1 Condemnation and Casualty. If, after the Effective Date but on or before the Closing, any Real Property (including the Hotel thereon) or any portion thereof shall be (i) damaged or destroyed by fire or other casualty or (ii) taken as a result of any condemnation or eminent domain proceeding, Seller shall promptly notify Buyer and, subject to the terms of Section 15.2 below (if such casualty or condemnation constitutes a Material Casualty or Material Condemnation, as applicable), Seller will credit against the Purchase Price payable by Buyer at the Closing an amount equal to the net proceeds (other than on account of business or rental interruption relating to the period prior to Closing), if any, received by Seller as a result of such casualty or condemnation, plus the amount of any deductible payable by Buyer, less any amounts spent by Seller to restore such Real Property (including the Hotel thereon). Subject to Section 15.4 below, if as of the Closing, Seller has not received any such insurance or condemnation proceeds, then the parties shall nevertheless consummate the conveyance of the Property (without any credit for such insurance or condemnation proceeds except for a credit for any deductible payable by Buyer under such insurance) and Seller will at the Closing assign to Buyer all rights of Seller, if any, to the insurance or condemnation proceeds (other than on account of business or rental interruption relating to the period prior to Closing) and to all other rights or claims arising out of or in connection with such casualty or condemnation.

15.2 Right of Termination. Notwithstanding the provisions of Section 15.1 above, if, on or before the Closing, any of the Murphy Canyon Real Property, the Hotel Circle Real Property and/or the Mission Valley Real Property (in each instance including the Hotel thereon) or any portion thereof shall be (i) damaged or destroyed by a Material Casualty or (ii) taken as a result of a Material Condemnation, Buyer shall have the right, exercised by notice to Seller no more than five (5) business days after Buyer has received notice of such Material

Casualty or Material Condemnation, to terminate this Agreement with respect to each Property that has been affected by such Material Casualty or Material Condemnation, in which event the Deposit with respect to such Property as to which this Agreement is terminated shall be refunded to Buyer, less the Independent Consideration and any amounts due to Escrow Holder from Buyer pursuant to this Agreement, and neither party shall have any further rights or obligations hereunder with respect to such Property as to which this Agreement is terminated other than those which expressly survive the termination of this Agreement. If Buyer fails to timely terminate this Agreement in accordance with this Section 15.2, the provisions of Section 15.1 above shall apply. As used in this Section 15.2, a “Material Casualty” shall mean any damage to a particular Real Property (including the Hotel thereon) or any portion thereof by fire or other casualty that in Seller’s reasonable judgment may be expected to cost in excess of five percent (5%) of the Purchase Price for such applicable Real Property to repair. As used in this Section 15.2, a “Material Condemnation” shall mean a taking of a particular Real Property (including the Hotel thereon) or any material portion thereof as a result of a condemnation or eminent domain proceedings that permanently impairs the use and value of such Real Property (including the Hotel thereon), and which cannot be restored to substantially the same use and value as before the taking.

15.3 Seller Risk of Loss. Subject to the provisions of this Section 15, the risk of physical loss or damage to the Real Property (including the Hotels thereon) shall remain with Seller until delivery of the Grant Deeds and disbursement of the Purchase Price from Escrow. Notwithstanding anything to the contrary set forth in this Agreement, it is acknowledged and agreed that the transactions contemplated by this Agreement, and the respective obligations of Buyer and Seller set forth in this Agreement, are not conditioned or contingent upon Seller maintaining pre-Closing performance levels of the Hotels, including, without limitation, the financial or operational condition of the Hotels or the satisfaction of any financial or operational projections, and any related post-Closing risk of loss shall be borne solely by Buyer.

15.4 Extension of Closing. In the event any Real Property (including the Hotel thereon) or any portion thereof shall be (i) damaged or destroyed by fire or other casualty or (ii) taken as a result of any condemnation or eminent domain proceeding, within, in each case, five (5) business days prior to the Closing Date, at Seller’s option, the Closing Date shall be extended by five (5) business days.

15.5 Insurance Proceeds. Buyer and Seller hereby agree that, except as otherwise expressly provided in this Section 15, any insurance claims, insurance proceeds or other recoveries payable in connection with a casualty occurring prior to the Closing shall be retained by or paid to Seller, and are not part of the Property to be transferred to Buyer and Seller may take any action it deems desirable or necessary to collect same. If any such proceeds or recoveries are received by Buyer, Buyer shall promptly deliver the same to Seller. The provisions of this Section 15.5 shall survive the Closing without limitation.

16. Notices. Any notice, request, demand, instruction or other document (each of which is herein called a “Notice”) to be given hereunder to any Party shall be in writing and shall be delivered to the person at the appropriate address set forth below by personal service (including by means of professional messenger, express or courier service), or by nationally recognized overnight courier service, or by email (provided any such email notice shall state in the subject

line in all capital letters: “OFFICIAL NOTICE SENT UNDER SECTION 16 OF THE SAN DIEGO PORTFOLIO PURCHASE AND SALE AGREEMENT”).

If to Seller, to: ESA P Portfolio L.L.C.
11525 North Community House Road, Suite 100
Charlotte, NC 28277
Attention: General Counsel
Attention: Judith Bikulege
Telephone: (980) 345-1761
E-Mail: abrockington@extendedstay.com,
cdekle@extendedstay.com, and
jbikulege@extendedstay.com
(prior to April 24, 2023)

or

ESA P Portfolio L.L.C.
13024 Ballantyne Corporate Place, Suite 1000
Charlotte, NC 28277
Attention: General Counsel
Attention: Judith Bikulege
Telephone: (980) 345-1761
E-Mail: abrockington@extendedstay.com,
cdekle@extendedstay.com, and
jbikulege@extendedstay.com
(on or after April 24, 2023)

In either instance with a copy to: Allen Matkins Leck Gamble Mallory & Natsis LLP
Three Embarcadero Center, 12th Floor
San Francisco, CA 94111-4074
Attention: Lee A. Edlund, Esq.
Telephone: (415) 273-7436
E-Mail: ledlund@allenmatkins.com

If to Buyer, to: San Diego Housing Commission
1122 Broadway
San Diego, CA 92101
Attention: Robert G. Bohrer
Telephone: 619-578-7524
E-Mail: buddyb@sdhc.org

With a copy to: Christensen & Spath LLP
401 West A Street, Suite 2250
San Diego, CA 92101
Attention: Walter F. Spath III, Esq.
Telephone: 619-255-6587
E-Mail: wfs@candslaw.net

If to Escrow Holder: Chicago Title Company
2365 Northside Drive
San Diego, CA 92108
Attention: Renee Marshall
E-Mail: marshallr@ctt.com

A copy of any Notice given by Buyer or Seller to the other prior to the Close of Escrow shall also be given to Escrow Holder as above provided. Notices so submitted shall be deemed to have been given (i) on the date actually delivered to the recipient, (ii) on the date delivery is refused by the recipient, or (iii) on the date delivery is first attempted but cannot be made due to a change in address for which no Notice was provided; provided, however, that Notices delivered by email shall be deemed received upon the day of delivery if sent on a business day prior to 5:00 p.m. California time, and otherwise on the next business day. The addresses and addressees, for the purpose of this Section, may be changed by giving written notice of such change in the manner herein provided for giving Notice. Unless and until such written Notice of change is received, the last address and addressee stated by written Notice, or provided herein if no such written Notice of change has been received, shall be deemed to continue in effect for all purposes hereunder. Buyer and Seller hereby agree that Notices may be given hereunder by the Parties' respective counsel and that, if any communication is to be given hereunder by Buyer's or Seller's counsel, such counsel may communicate directly with all principals as required to comply with the provisions of this Section.

17. Default and Remedies.

17.1 Buyer Default; Liquidated Damages. BUYER AND SELLER ACKNOWLEDGE AND AGREE THAT, WITH THE FLUCTUATION IN LAND VALUES, THE UNPREDICTABLE STATE OF THE ECONOMY AND OF GOVERNMENT REGULATIONS, THE FLUCTUATING MONEY MARKET FOR REAL ESTATE LOANS OF ALL TYPES, AND OTHER FACTORS THAT DIRECTLY AFFECT THE VALUE AND MARKETABILITY OF THE PROPERTY, IT WOULD BE EXTREMELY DIFFICULT AND IMPRACTICABLE TO ASCERTAIN WITH ANY DEGREE OF CERTAINTY THE AMOUNT OF DAMAGES THAT WOULD BE SUFFERED BY SELLER IN THE EVENT OF THE FAILURE OF THE TRANSACTION WHICH IS THE SUBJECT OF THIS AGREEMENT TO CLOSE ESCROW AS A RESULT OF BUYER'S DEFAULT IN ITS OBLIGATION UNDER THIS AGREEMENT TO PURCHASE THE MURPHY CANYON PROPERTY, THE HOTEL CIRCLE PROPERTY AND/OR THE MISSION VALLEY PROPERTY. THE PARTIES HEREBY AGREE THAT THE REASONABLE ESTIMATE OF SAID DAMAGES IS THE AMOUNT OF THE DEPOSITS ACTUALLY MADE BY BUYER (AT THE TIME OF BUYER'S DEFAULT) WITH RESPECT TO THE PROPERTY THAT BUYER SO FAILS TO PURCHASE, AND IN THE EVENT THAT BUYER DEFAULTS IN ITS OBLIGATION UNDER THIS AGREEMENT TO PURCHASE THE MURPHY CANYON PROPERTY, THE HOTEL CIRCLE PROPERTY AND/OR THE MISSION VALLEY PROPERTY, AND THE CLOSE OF ESCROW WITH RESPECT TO SUCH PROPERTY FAILS TO OCCUR AS A RESULT OF SUCH BUYER DEFAULT, SELLER SHALL, AS ITS SOLE AND EXCLUSIVE REMEDY, BE ENTITLED TO SUCH DEPOSITS ACTUALLY MADE BY BUYER (AT THE TIME OF BUYER'S DEFAULT) WITH RESPECT TO THE PROPERTY THAT BUYER SO

FAILS TO PURCHASE AS LIQUIDATED DAMAGES. THE AMOUNT OF THE DEPOSITS ACTUALLY MADE BY BUYER (AT THE TIME OF BUYER'S DEFAULT) HAS BEEN DETERMINED WITH REFERENCE BY THE PARTIES TO THE ABOVE CONSIDERATIONS IN ESTABLISHING A REASONABLE SUM AS LIQUIDATED DAMAGES. THE PARTIES ACKNOWLEDGE THAT THE PAYMENT OF SUCH LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677. SELLER EXPRESSLY WAIVES THE REMEDY OF SPECIFIC PERFORMANCE WITH RESPECT TO ANY BREACH OR DEFAULT BY BUYER UNDER THIS AGREEMENT TO PURCHASE THE MURPHY CANYON PROPERTY, THE HOTEL CIRCLE PROPERTY AND/OR THE MISSION VALLEY PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY RIGHTS IT MAY HAVE UNDER CALIFORNIA CIVIL CODE SECTION 3389. EXCEPT AS SPECIFICALLY SET FORTH IN THIS SECTION 17 (INCLUDING, WITHOUT LIMITATION, SECTION 17.4 BELOW), SELLER DOES HEREBY WAIVE ANY RIGHT TO PURSUE ANY OTHER REMEDY, AT LAW, OR IN EQUITY, FOR BUYER'S DEFAULT IN ITS OBLIGATION UNDER THIS AGREEMENT TO PURCHASE THE MURPHY CANYON PROPERTY, THE HOTEL CIRCLE PROPERTY AND/OR THE MISSION VALLEY PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY RIGHT TO SEEK, CLAIM OR OBTAIN ANY PUNITIVE, CONSEQUENTIAL OR SPECULATIVE DAMAGES.

Initials:  Seller  Buyer

17.2 Seller Default. In the event of any material default by Seller under this Agreement with respect to the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property, Buyer may, at its option and as its exclusive remedy, either (i) subject to the terms of Section 12.1.9 above, terminate this Agreement with respect to each Property to which Seller's material default relates by giving written notice of termination thereof to Seller and Escrow Holder whereupon (x) the Deposit with respect to each Property as to which Buyer so terminates this Agreement shall be immediately refunded by Escrow Holder to Buyer, (y) Seller shall reimburse Buyer for its actual out-of-pocket third-party costs incurred in connection with this Agreement with respect to each Property as to which Buyer so terminates this Agreement within thirty (30) days after Seller's receipt from Buyer of reasonably detailed invoices or receipts (provided that in no event shall Seller's reimbursement obligation pursuant to this Section 17.2 exceed One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00) per Property as to which Buyer so terminates this Agreement), and (z) Buyer's obligation to purchase, and Seller's obligation to sell, the Property shall terminate, and neither Party shall have any further obligation to the other, except as otherwise provided in this Agreement, or (ii) Buyer may seek specific performance of this Agreement. Buyer shall be deemed to have elected to terminate this Agreement pursuant to clause (i) above if Buyer fails to file suit for specific performance against Seller in a court having jurisdiction in the County and State in which the Property is located, on or before forty-five (45) days following the date upon which the Closing was to have occurred. Except as specifically set forth in this Section 17.2, Buyer does hereby specifically waive any right to pursue any other remedy at law or equity for such default of Seller, including, without limitation, any right to seek, claim or obtain damages, punitive damages or consequential damages.

17.3 Waivers. AS A MATERIAL CONSIDERATION FOR SELLER ENTERING INTO THIS AGREEMENT, BUYER EXPRESSLY WAIVES FOR ANY DEFAULT BY SELLER (i) ANY RIGHT UNDER CALIFORNIA CODE OF CIVIL PROCEDURE, PART 2, TITLE 4.5, SECTION 405 THROUGH 405.61 OR ANY OTHER SIMILAR STATE OR FEDERAL STATUTE, OR AT COMMON LAW OR OTHERWISE TO RECORD OR FILE A LIS PENDENS OR A NOTICE OF PENDENCY OF ACTION OR SIMILAR NOTICE AGAINST ALL OR ANY PORTION OF THE PROPERTY UNLESS AND UNTIL BUYER HAS ELECTED TO SEEK SPECIFIC PERFORMANCE OF THIS AGREEMENT AND HAS FILED AN ACTION SEEKING SUCH REMEDY, (ii) ANY RIGHT TO SEEK DAMAGES IN THE EVENT OF SELLER’S DEFAULT HEREUNDER, EXCEPT AS OTHERWISE SET FORTH IN SECTION 17.2 ABOVE, AND (iii) ANY RIGHT TO BRING ANY ACTION THAT WOULD IN ANY WAY AFFECT TITLE TO OR RIGHT OF POSSESSION OF ALL OR ANY PORTION OF THE PROPERTY, EXCEPT FOR BUYER’S RIGHT TO SEEK SPECIFIC PERFORMANCE OF THIS AGREEMENT PURSUANT TO SECTION 17.2 ABOVE. BUYER HEREBY WAIVES THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 3389 AND ANY SIMILAR STATE OR FEDERAL STATUTE. BUYER ACKNOWLEDGES AND AGREES THAT PRIOR TO THE CLOSING, BUYER SHALL NOT HAVE ANY RIGHT, TITLE OR INTEREST IN AND TO THE PROPERTY OR ANY PORTION THEREOF UNLESS AND UNTIL BUYER HAS ELECTED TO SEEK SPECIFIC PERFORMANCE OF THIS AGREEMENT AND HAS FILED AN ACTION SEEKING SUCH REMEDY. BUYER HEREBY EVIDENCES ITS SPECIFIC AGREEMENT TO THE TERMS OF THIS WAIVER BY PLACING ITS SIGNATURE OR INITIALS IN THE SPACE PROVIDED HEREINAFTER.

Initials:



Seller



Buyer

17.4 Indemnities; Defaults After Closing or Termination. The limitations on the parties’ remedies set forth in Sections 17.1 and 17.2, above, will not be deemed to prohibit either party from (i) specifically seeking indemnification from the other for any matter with respect to which such other party has agreed hereunder to provide indemnification or from seeking damages from such other party in the event such other party fails or refuses to provide such indemnification; (ii) subject to the terms, conditions and limitations of this Agreement, seeking damages incurred during the period of time after Closing that a representation or warranty given as of the Closing Date by the other party hereunder survives Closing, for the other party’s breach of such representation or warranty discovered after such Closing; or (iii) subject to the terms, conditions and limitations of this Agreement seeking damages or such equitable relief as may be available for the other party’s failure to perform after any termination of this Agreement any obligation hereunder which expressly survives such termination; provided, however, that, as contemplated in Sections 17.1 and 17.2 above, in no event whatsoever will either party be entitled to recover from the other any punitive, consequential or speculative damages under or in connection with this Agreement. This Section 17.4 shall survive any termination of this Agreement and the Closing.

Initials:



Seller



Buyer

17.5 Limited Liability. Notwithstanding anything to the contrary herein, Buyer on its own behalf and on behalf of its Affiliates, and on behalf of its and its Affiliates' respective agents, members, partners, employees, officers, directors, representatives, successors and assigns (collectively, the "Buyer Parties") hereby agrees that in no event or circumstance shall any of the members, partners, employees, representatives, officers, directors or agents of Seller, of any Affiliate of Seller or of Seller's property management company, have any personal liability under this Agreement. Seller on its own behalf and on behalf of its Affiliates, and on behalf of its and its Affiliates' respective agents, members, partners, employees, officers, directors, representatives, successors and assigns hereby agrees that in no event or circumstance shall any of the Buyer Parties have any personal liability under this Agreement. Notwithstanding anything to the contrary contained herein: (i) the maximum aggregate liability of Seller, and the maximum aggregate amount which may be awarded to and collected by Buyer (including, without limitation, for any breach of any representation, warranty, indemnity and/or covenant of Seller) under this Agreement and any documents executed pursuant hereto or in connection herewith, including, without limitation, the Exhibits attached hereto (collectively, the "Other Documents") shall, under no circumstances whatsoever, exceed, in the aggregate, one and one-half percent (1.5%) of the Purchase Price (which shall be calculated separately for each of the Murphy Canyon Property, the Hotel Circle Property and/or the Mission Valley Property such that the maximum aggregate liability with respect to any particular Property shall not exceed, in the aggregate, one and one-half percent (1.5%) of the Purchase Price for such particular Property) (the "Cap Amount"); and (ii) no claim by Buyer alleging a breach by Seller of any representation, warranty and/or covenant of Seller contained herein or in any of the Other Documents may be made, and Seller shall not be liable for any judgment in any action based upon any such claim, unless and until such claim, either alone or together with any other claims by Buyer alleging a breach by Seller of any such representation, warranty and/or covenant, is for an aggregate amount in excess of Twenty-Five Thousand Dollars (\$25,000.00) (the "Floor Amount"), in which event Seller's liability respecting any final judgment concerning such claim or claims shall be for the entire amount thereof, subject to the Cap Amount set forth in clause (i) above; provided, however, that if any such final judgment is for an amount that is less than or equal to the Floor Amount, then Seller shall have no liability with respect thereto. Notwithstanding anything to the contrary set forth herein, Seller is not released from any liability to Buyer for fraud and the Cap Amount shall not apply to the same. Buyer agrees to first seek recovery under any insurance policies, title policies and other applicable agreements prior to seeking recovery from Seller, and Seller shall not be liable to Buyer to the extent Buyer's claim is actually satisfied from such insurance policies, title policies or other applicable agreements, if any. Notwithstanding any provision of this Agreement to the contrary, in no event shall Seller be liable to Buyer for punitive, consequential or speculative damages with respect to Seller's obligations under this Agreement, the Other Documents or otherwise with respect to the Property. This Section 17.5 shall survive any termination of this Agreement and the Closing.

Initials:



Seller



Buyer

18. Miscellaneous Provisions.

18.1 No Waiver. The waiver by one Party of the performance of any covenant, condition or promise shall not invalidate this Agreement nor shall it be considered a waiver by

such Party of any other covenant, condition or promise hereunder. The waiver by either or both Parties of the time for performing any act shall not constitute a waiver of the time for performing any other act or identical act required to be performed at a later time. The exercise of any remedy provided by law and the provisions of this Agreement for any remedy shall not exclude other consistent remedies unless they are expressly excluded.

18.2 Construction. As used in this Agreement, the masculine, feminine or neuter gender and the singular or plural numbers shall each be deemed to include the other whenever the context indicates. This Agreement shall be construed as a whole and in accordance with its fair meaning, the captions being for convenience only and not intended to fully describe or define the provisions in the portions of the Agreement to which they pertain. Each Party hereto, and counsel for each Party hereto, has reviewed and revised this Agreement, and the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation or construction of this Agreement. This document shall, in all respects, be governed by the laws of the State applicable to agreements executed and to be wholly performed within the State. Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provision contained herein and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail but the provision of this document that is affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law.

18.3 Merger/Integration. This Agreement and the Exhibits attached hereto supersede any prior agreement, oral or written, and contain the entire agreement between the Parties on the subject matter hereof. This Agreement (including the Exhibits attached hereto) is intended to be a final expression of the agreement of the Parties. No subsequent agreement, representation or promise made by either Party hereto, or by or to any employee, officer, agent or representative of either Party shall be of any effect unless it is in writing and executed by the Party to be bound thereby. There are no contemporaneous separate written or oral agreements between the Parties in any way related to the subject matter of this Agreement.

18.4 Counterparts. This Agreement and any modifications, amendments or supplements thereto may be executed in several counterparts, and all so executed shall constitute one agreement binding on all Parties hereto, notwithstanding that all Parties are not signatories to the original or the same counterpart. The Parties may also deliver executed copies of this Agreement to each other by facsimile or electronic mail, which facsimile or electronic mail signatures shall be binding. Any facsimile or electronic mail delivery of signatures shall be followed by the delivery of executed originals.

18.5 Survival. All covenants, agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the Close of Escrow, the recording of the Grant Deeds conveying the Property to Buyer and all deliveries contemplated herein for a period of nine (9) months after the Close of Escrow (the "Survival Period"). No claim for a breach of any representation or warranty of Seller will be actionable or payable if (i) Buyer does not notify Seller in writing of such breach and commence a legal action thereon within said nine (9) month period, or (ii) the breach in question results from or is based on a condition, state of facts or other matter which was actually known to Buyer prior to Closing.

18.6 Computation of Periods. All periods of time referred to in this Agreement shall include all Saturdays, Sundays and State or National holidays, unless the period of time specifies “business days”, in which case such period of time shall exclude Saturdays, Sundays and State and National holidays; provided that if the date or last date to perform any act or give any notice with respect to this Agreement shall fall on a Saturday, Sunday or State or National holiday, such act or notice may be timely performed or given on the next succeeding day that is not a Saturday, Sunday or State or National holiday and the time period in question shall be deemed to have expired on such next succeeding day that is not a Saturday, Sunday or State or National holiday such that any additional computations of time based on the expiration of such period shall be based on such extended date. For purposes of this Agreement, the phrase “State and National holiday” shall refer to any day in which the Escrow Holder, Title Company and/or the Office of the County Recorder for the County is/are closed for business.

18.7 Successors and Assigns; No Third-Party Beneficiaries. The stipulations, terms, covenants and agreements set forth in this Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective permitted successors and assigns (including any successor entity after a public offering of stock, merger, consolidation, purchase or other similar transaction involving a party hereto) and nothing herein expressed or implied shall give or be construed to give to any Person, other than the parties hereto and such assigns, any legal or equitable rights hereunder.

18.8 Assignment. This Agreement may not be assigned by Buyer without the prior written consent of Seller. Notwithstanding the foregoing sentence, Buyer may assign this Agreement once to an Affiliate of Buyer without the written consent of Seller provided that (i) at least five (5) days prior to Closing, Buyer provides Seller with a fully executed and enforceable assignment of this Agreement which includes a statement that all representations and warranties of the Buyer outlined in Section 12.2 are true of such Affiliate of Buyer taking assignment of this Agreement, and (ii) Buyer will continue to remain liable under this Agreement notwithstanding any such assignment. In the event Buyer assigns its rights under this Agreement, Buyer shall be solely responsible for any realty transfer taxes assessed as a result thereof, and shall pay such additional taxes at settlement and recording of the Grant Deeds. Seller shall have no liability for any realty transfer taxes, interest and penalties assessed based on any consideration greater than the Purchase Price set forth herein, and Buyer shall indemnify, defend and hold Seller harmless from any costs, liability or expense incurred by Seller in connection with an assignment of this Agreement by Buyer, including, without limitation, any transfer taxes and legal fees incurred by Seller in connection therewith.

18.9 No Obligation to Third Parties. The execution and delivery of this Agreement shall not be deemed to confer any rights upon, nor obligate either of the Parties hereto, to any person or entity other than each other.

18.10 Legal Fees. If either Buyer or Seller brings any action, arbitration or suit against the other for any matter relating to or arising out of this Agreement, then the prevailing Party in such action or dispute, whether by final judgment or settlement, shall be entitled to recover from the other Party all costs and expenses of suit, including actual attorneys’ fees and expert witness fees. Any judgment or order entered in any final judgment shall contain a specific

provision providing for the recovery of all costs and expenses of suit, including actual attorneys' fees incurred in enforcing, perfecting and executing such judgment.

18.11 Broker. Buyer represents and warrants that Marcus and Millichap ("M&M") made Buyer aware of Seller's willingness to consider a sale of the Property. Seller represents and warrants that it has engaged only CBRE, Inc. ("Seller's Broker") to represent its interests in connection with this transaction. If and only if the Close of Escrow occurs, then Buyer shall pay a Finder's Fee to M&M pursuant to a separate written agreement between the Buyer and M&M, and Seller shall pay a brokerage commission to Seller's Broker pursuant to a separate written agreement between Seller and Seller's Broker. The total amount of the fees paid by Seller to Seller's Broker shall not exceed the amount set forth in Section 1 of Contract Attachment 3 to San Diego Housing Commission Contract No. RED-21-34, approved by the Housing Commission board on November 12, 2021. Each Party agrees to indemnify and hold the other harmless from and against all liabilities, costs, damages and expenses, including, without limitation, reasonable attorneys' fees, resulting from any claims or fees or commissions, based upon agreements by it, if any, to pay any broker's commission and/or finder's fee.

18.12 Confidentiality. Buyer and Seller, and each of their respective Affiliates shall hold as confidential all information disclosed or obtained in connection with the transactions contemplated hereby and concerning each other, the Property, this Agreement and the transactions contemplated hereby and shall not release any such information to third parties without the prior written consent of the other parties hereto, except (i) any information which was previously or is hereafter publicly disclosed (other than in violation of this Agreement or other confidentiality agreements with Seller or its Affiliates to which Buyer or Affiliates of Buyer are parties), (ii) to their partners, advisers, underwriters, analysts, employees, Affiliates, officers, directors, consultants, lenders, accountants, legal counsel, title companies or other advisors of any of the foregoing, provided that they are advised as to the confidential nature of such information and are instructed to maintain such confidentiality and (iii) to comply with any law, rule or regulation (including without limitation those of the United States Securities and Exchange Commission). Notwithstanding anything to the contrary set forth herein, Seller acknowledges that Buyer is a public agency and is bound by the terms of the California Public Records Act (Government Code Section 6250, et seq.). Nothing set forth in this Agreement shall impose liability on Buyer with respect to any disclosures required by any applicable laws or otherwise be interpreted to require Buyer to violate the terms of any applicable law concerning the disclosure of records. Certain State and Federal relocation laws may be applicable to Buyer, as a public agency, require Buyer to provide certain notices to the tenants of the Property. Within five (5) Business Days after the Effective Date, Seller shall provide to Buyer the names and addresses of all guests of each Hotel who have been in house for thirty (30) days or longer, if any. Seller agrees to allow Buyer to provide any and all notices to tenants of the Property that are required or advisable in order for Buyer to comply with any applicable laws; provided, however, prior to delivering notices to any tenants of the Property, Buyer shall submit a sample of the notice to Seller for Seller's review and approval, which approval shall not be unreasonably withheld, conditioned or delayed. Without limiting the generality of the foregoing, and except as otherwise provided herein, Buyer acknowledges and agrees that Buyer shall not interview or otherwise discuss this Agreement or the terms and conditions hereof with any employee or guest of the Hotels currently operated at the Real Property without Seller's prior written consent, which may be granted or denied in Seller's sole discretion. The terms of this Section 18.12 shall constitute a modification of any prior confidentiality agreement that may have been entered into by the parties.

The provisions of this Section 18.12 shall survive the Closing or the termination of this Agreement for a period of one (1) year; provided that the Buyer may not at any time following Closing or termination of this Agreement disclose the identity of Seller's direct or indirect owners, except to the extent such disclosure is required by law.

18.13 Press Release. Seller or Buyer may issue a press release with respect to this Agreement and the transactions contemplated hereby, provided that the content of any such press release shall be subject to the prior written consent of the other party hereto and in no event shall any such press release issued by Buyer disclose the identity of Seller's direct or indirect beneficial owners by name or the consideration paid to Seller for the Property.

18.14 Governing Law. The terms and provisions of this Agreement shall be construed in accordance with the laws of the State.


18.15 Effective Date. The term "Effective Date" shall mean that date on which both Parties have executed this Agreement and Buyer and Seller have each received a fully executed counterpart of this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, Seller and Buyer have executed this Agreement as of the Effective Date.

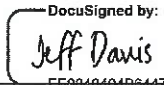
SELLER:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

By: 
Name: Christine Dell
Title: Vice President & Secretary


BUYER:

SAN DIEGO HOUSING COMMISSION, INC.,
a California corporation

By: 
EE0046464B64474...
Jeff Davis, Interim President & CEO

Approved as to Form:

Christensen & Spath LLP


Walter F. Spath III, Esq.
Buyer's General Counsel

CONSENT OF ESCROW HOLDER

The undersigned Escrow Holder hereby agrees to (i) accept the foregoing Agreement, (ii) be Escrow Holder under said Agreement, (iii) make all filings required under Section 6045 of the Internal Revenue Code of 1986, as amended, and (iv) be bound by said Agreement in the performance of its duties as Escrow Holder; provided, however, the undersigned shall have no obligations, liability or responsibility under (a) this consent or otherwise, unless and until said Agreement, fully signed by the Parties, has been delivered to the undersigned, or (b) any amendment to said Agreement unless and until the same is delivered to the undersigned.

Date of Opening of Escrow: _____, 2023

CHICAGO TITLE COMPANY

By: _____

Name: _____

Title: _____

SCHEDULE 1.3**LIST OF ADDITIONAL EXCLUDED PERSONAL PROPERTY**

CHEETAH- Network Infrastructure Equipment	Nomadtx Guest Gateway
	Netware Guest Wi-Fi Switch
	Hallway based Access Point
	V Band
	Wattbox PCU
	FortiGate FG-60E Firewall
	FortiNet FS-124E Switch
Digital Signage	60" Digital Signage if Applicable
ESA TV Marketing Equipment	Pro Centric Server
	Encoder Modulator
Television Equipment	HD TV Service- DISH HD TV Headend
Telephone Equipment	PBX Phone System- Adtram Switch(s)
	Netvant Switch
	IP Phone Set
	Engenius Durafon 1x Wireless Phone
	VMS Auto-Attendant Setup
ADP Time Clock	ADP Employee Network Timeclock (do not own)
Property Management System	HotelKey PMS- Apple I-Pad WI-FI Tablet
	HotelKey PMS- Verifone PinPads (at front desk)
	HotelKey PMS- Gateway in the MDF
	HotelKey PMS- GM PC
	HotelKey PMS- HP Airprint Printer
	HotelKey PMS- HP MPP
Inventory	Linen and Terry not in guest rooms
Vending Machines	Soda and Snack Machines (do not own)
Intellectual Property	Any Service Marks, copyrights, trade names, trademarks, symbols, logos, and all other intellectual property rights, marks, or characteristics associated with the brand name of the Seller and/or its affiliates, or chattels of any type of kind which is branded with any marks owned, licensed or otherwise used by Seller and/or its affiliates
Other	Any and all fixtures, personal property or intellectual property owned by or proprietary to any guest or customer of the hotel on the Property or the manager of the Property
	Hotel Guest data or information in any database maintained by Seller and any of Seller's affiliates
	Any property management, purchasing, reservation, financial, risk or marketing systems or programs provided for the benefit of Seller of the Property by any affiliate of Seller

	All computer software systems owned or licensed by Seller or its affiliates or otherwise used in connection with the operation of the hotel on the Real Property or any other hotel operated by Seller or any of its managers or affiliates (it being understood that any Personal Property consisting of computers or electronic devices shall be erased and reset to factory settings)
	Panic button system, including gateway devices, all mobile badges, all hubs and all beacons.

SCHEDULE 4.2

LIST OF DUE DILIGENCE MATERIALS

Three years Tax Bills
Phase I Environmental
Seismic Report
Certificate of Occupancy
Zoning Verification Letter
Floor Plan with Room Numbers
Survey
Architectural Plans
Civil Plans
Landscape Plans
MEP Plans
Structural Plans
STEM Battery Storage Agreement
CA Natural Gas Contract

SCHEDULE 12.2.5(g)**BUYER'S KEY PERSONS AND REPRESENTATIVES**

Counterparty Role	First Name	Last Name	Country of Residence	State of Residence
25+% Owner (if any)	None			
CEO/Key Person	Jeff	Davis	U.S.	California
Buyer's Knowledge Party	Robert G. (Buddy)	Bohrer	U.S.	California
Notice Parties	Robert G. (Buddy)	Bohrer	U.S.	California
	Walter F. III	Spath	U.S.	California
Signatory	Jeff	Davis	U.S.	California

EXHIBIT "A"

LEGAL DESCRIPTION

[TO BE INSERTED]

EXHIBIT "B"

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Attention: _____

AND MAIL TAX STATEMENTS TO:

Same as above.

(Space Above Line For Recorder's Use Only)

DOCUMENTARY TRANSFER TAX \$ _____

Computed on the consideration or value of property
conveyed, OR

Signature of Declarant or Agent
determining tax

_____ Computed on the consideration or value less
liens or encumbrances remaining at time of sale.

GRANT DEED

FOR VALUE RECEIVED, ESA P PORTFOLIO L.L.C., a Delaware limited liability company ("Grantor") hereby grants to _____ ("Grantee") all that certain real property situated in the City of San Diego, County of San Diego, State of California, described on **Exhibit "1"** attached hereto ("Property"), together with (a) all improvements owned by Grantor and located on the Property and all fixtures contained in any such improvements, and (b) any and all easements, rights-of-way, privileges, rights and appurtenances benefiting, appertaining or belonging to the Property, including, without limitation, any and all streets and roads (whether opened or proposed) abutting the Property, riparian rights, water or water rights and stock evidencing any such water rights, and/or oil, gas or other minerals laying under the Property. The foregoing grant is subject to all matters of record, all matters which would be disclosed by a survey of the Property, and all real property taxes and assessments not yet due and payable, if any.

[Signature page follows.]

IN WITNESS WHEREOF, Grantor has executed this Grant Deed as of _____,
20__.

GRANTOR:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

By: _____

Name: _____

Title: _____

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name of notary)

Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

**[OR INSERT APPLICABLE NOTARY ACKNOWLEDGE FROM JURISDICTION
WHERE GRANT DEED WILL BE SIGNED]**

EXHIBIT "1" TO GRANT DEED
DESCRIPTION OF PROPERTY
[TO BE INSERTED]

EXHIBIT "C"

GENERAL ASSIGNMENT

THIS GENERAL ASSIGNMENT ("Agreement") is entered into as of this ____ day of _____, 20 __, by ESA P PORTFOLIO L.L.C., a Delaware limited liability company (the "Assignor"), and _____ ("Assignee"), in connection with that certain Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions between Assignor as the "Seller" and Assignee as the "Buyer" dated as of _____, 20 __, as the same has been or may be amended (the "Purchase Agreement") pursuant to which Assignor agreed to sell to Assignee the "[Murphy Canyon][Hotel Circle][Mission Valley] Property" described therein. All terms with initial capital letters shall have the meaning ascribed thereto in the Purchase Agreement except as otherwise defined herein.

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Assignment. Assignor hereby unconditionally assigns and transfers to Assignee all of Assignor's right, title and interest, to the extent assignable, in and to any governmental permit applications, governmental permits, governmentally-issued licenses, plans, maps, site plans, drawings, specifications, surveys, warranties, guaranties, development agreements, utility rights, development rights, governmental approvals, entitlements, prepaid development fees, sewer credits, governmental certifications, variances, specific plan amendments, general plan amendments, negative declarations, environmental impact reports, CEQA findings and determinations, will serve letters and similar rights which benefit the [Murphy Canyon][Hotel Circle][Mission Valley] Real Property, whether granted by governmental or quasi-governmental authorities or private persons or entities (collectively, the "Intangible Property").

2. Further Assurances. Assignor shall execute and deliver to the Assignee any additional instrument or other document that Assignee reasonably requests to evidence the assignment of the Assigned Rights hereunder promptly upon request. Assignor shall cooperate and assist Assignee in obtaining any consents required to effectuate this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the Assignor has executed this Agreement as of the year and date first above written.

ASSIGNOR:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

By: _____

Name: _____

Title: _____

ASSIGNEE:

a _____

By: _____

Name: _____

Title: _____

EXHIBIT "D"

BILL OF SALE

THIS BILL OF SALE ("Bill of Sale") is made as of _____, 20__, ("Effective Date"), by ESA P PORTFOLIO L.L.C., a Delaware limited liability company (collectively, "Seller"), in favor of _____ ("Buyer"), with reference to the following facts:

WHEREAS, Seller and Buyer entered into that certain Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions, dated as of _____, 20__, between Seller and Buyer (the "Purchase Agreement"), respecting the sale of certain Property, which includes any tangible personal property owned by Seller that is currently placed or installed on or about the [Murphy Canyon][Hotel Circle][Mission Valley] Real Property and used in connection with the development, use, ownership, operation, management, maintenance and/or repair of the [Murphy Canyon][Hotel Circle][Mission Valley] Real Property, except to the extent any such tangible personal property is expressly excluded from the [Murphy Canyon][Hotel Circle][Mission Valley] Property pursuant to the terms of the Purchase Agreement (all such tangible personal property included in the [Murphy Canyon][Hotel Circle][Mission Valley] Property being referred to herein, collectively, as the "Personal Property"). All capitalized terms used herein, unless indicated to the contrary, have the meanings ascribed to them in the Purchase Agreement.

NOW, THEREFORE, for good and valuable consideration, Seller hereby grants, sells, transfers, assigns, conveys and delivers to Buyer the Personal Property.

Notwithstanding anything to the contrary contained in this Bill of Sale, the "Personal Property" shall not include: vending machines; employee time clocks; any and all fixtures, personal property or intellectual property owned by or proprietary to any guest or customer of the Hotel on the [Murphy Canyon][Hotel Circle][Mission Valley] Real Property or the manager of the Hotel on the [Murphy Canyon][Hotel Circle][Mission Valley] Real Property; hotel guest data and information in any database maintained by the Seller or any Affiliate of Seller; any property management, purchasing, reservation, financial, risk or marketing systems or programs provided for the benefit of Seller of the [Murphy Canyon][Hotel Circle][Mission Valley] Property by any Affiliate of Seller; all computer software systems owned or licensed by Seller of its Affiliates or otherwise used in connection with the operation of the Hotel on the [Murphy Canyon][Hotel Circle][Mission Valley] Real Property or any other hotel operated by Seller or any of its managers or Affiliates (it being understood that any Personal Property consisting of computers or electronic devices shall be erased and reset to factory settings); any service marks, copyrights, trade names, trademarks, symbols, logos, and all other intellectual property rights, marks or characteristics associated with the brand name of Seller and/or its Affiliates; any signage containing the name or logo of Seller and/or its Affiliates (all of which shall be removed from the Building on the [Murphy Canyon][Hotel Circle][Mission Valley] Real Property and any existing monument sign with any related penetrations of the surface of the Building on the [Murphy Canyon][Hotel Circle][Mission Valley] Real Property being patched and with the cement base of any monument being left in place); and any personal property or chattels of any type of kind which is branded with any marks owned, licensed or otherwise used by Seller and/or its Affiliates.

The Personal Property is conveyed in its “AS-IS, WHERE-IS, WITH ALL FAULTS” condition, and (except as expressly set forth herein) without any representation or warranty from Seller, express or implied, and without any recourse against Seller whatsoever. Any warranty of merchantability, warranty of quality, warranty of fitness for a particular purpose, warranty against interference, warranty as to the accuracy of the quantities or description of the Personal Property, or warranty against infringement of any patent, copyright, trademark, trade secret or other proprietary rights of a third party, whether express or implied, is hereby expressly disclaimed.

Notwithstanding the foregoing, Seller does hereby represent and warrant that (i) Seller is the owner of the Personal Property, and the Personal Property is not subject to any liens, encumbrances or claims of any kind, (ii) the transfer of the Personal Property to Buyer does not, and shall not, require the consent of any third party, and (iii) Seller has the legal power, right and authority to transfer the Personal Property to Buyer.

Seller shall, upon request by Buyer, execute and deliver to Buyer such additional documents as Buyer may reasonably request in order to assign and transfer fully to and vest in Buyer all rights, title or interest in and to the Personal Property, or to enable Buyer to realize upon or otherwise enjoy the Personal Property.

This Bill of Sale shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, heirs and legatees of Buyer and Seller.

[signature page follows]

IN WITNESS WHEREOF, Seller has executed this Bill of Sale as of the Effective Date of this Bill of Sale.

SELLER:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

By: _____

Name: _____

Title: _____

BUYER:

a _____

By: _____

Name: _____

Title: _____

**FIRST AMENDMENT TO
AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY
AND JOINT ESCROW INSTRUCTIONS**

THIS FIRST AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY AND JOINT ESCROW INSTRUCTIONS (this "Amendment") is dated as of the 27th day of July, 2023, by and between ESA P Portfolio L.L.C., a Delaware limited liability company ("Seller"), and the San Diego Housing Commission ("Buyer").

RECITALS

A. The Seller and Buyer (erroneously identified in the Agreement as the San Diego Housing Commission, Inc., a California corporation) are all of the parties to that certain Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of April 20, 2023 (the "Agreement").

B. The Seller and Buyer desire to amend the Agreement as set forth herein. All terms not defined in this Amendment shall have the meanings set forth in the Agreement. In the event of any conflict between the Agreement and this Amendment, the terms of this Amendment shall control.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, the Seller and Buyer hereby amend the Agreement, and agree, promise and declare as follows:

1. Restatement of Section 2. The first paragraph of Section 2 of the Agreement, but no other portions of Section 2, is hereby amended and restated in its entirety to provide as follows:

2. Purchase Price. The purchase price for all of the Property shall be Eighty-Five Million and No/100 Dollars (\$85,000,000.00). In the event the Buyer elects to purchase one or both of the Murphy Canyon Property and/or the Hotel Circle Property, the purchase price for each of those Properties individually shall be: (a) \$28,000,000.00 for the Murphy Canyon Property (the "Murphy Canyon Purchase Price"); and (b) \$57,000,000.00 for the Hotel Circle Property (the "Hotel Circle Purchase Price") (each of the foregoing, individually, and all of the foregoing, collectively, as the context may require, being referred to herein as the "Purchase Price"). The Purchase Price shall be payable upon the Close of Escrow (as defined in Section 9.2.1 below) in accordance with the following procedures:

2. Omnibus Termination of Right and Obligation of Seller to Sell and Buyer to Buy the Mission Valley Property. The Seller and Buyer agree that, notwithstanding any provision to the contrary contained in the Agreement, the Seller shall not sell the Mission Valley Property to Buyer and the Buyer shall not buy the Mission Valley Property from Seller. Accordingly, the Seller and Buyer hereby amend the Agreement to terminate the Seller's right and obligation to sell and the Buyer's right and obligation to buy the Mission Valley Property, and all references in the Agreement to a "Property" or the "Properties" shall hereafter be deemed to specifically exclude

the Mission Valley Property, it being acknowledged and agreed by the Parties that the Mission Valley Property (or any portion thereof) shall no longer be subject to the terms of the Agreement; provided, however, that the \$50,000.00 portion of the First Deposit previously attributable to the Mission Valley Property (the “Mission Valley Portion of the First Deposit”) shall remain in Escrow, and if Buyer subsequently and timely delivers to Seller an Approval Notice (i) for both of the remaining Properties, such Mission Valley Portion of the First Deposit shall be deemed to be the portion of the Second Deposit attributable to one of the approved Properties, and Buyer will remain obligated to deposit with Escrow Holder the additional \$50,000.00 portion of the Second Deposit attributable to the second approved Property, as provided in Section 2.1.2 of the Agreement, concurrently with Buyer’s delivery of such Approval Notice to Seller (making the total required Deposits thereafter remaining in Escrow equal to \$200,000.00, plus the Independent Consideration and any accrued interest), or (ii) for only one of the remaining Properties, such Mission Valley Portion of the First Deposit (less the Independent Consideration) shall be refunded to Buyer in accordance with the terms of Sections 2.1.2 and 4.4 of the Agreement, Seller shall be deemed to have refunded to Buyer the portion of the First Deposit attributable to the second disapproved Property, and Buyer shall be deemed to have delivered the Second Deposit attributable to the one approved Property (making the total required Deposits thereafter remaining in Escrow equal to \$100,000.00, plus the Independent Consideration and any accrued interest). If Buyer delivers (or is deemed to have delivered) a Disapproval Notice for both Properties, the entire First Deposit (less the Independent Consideration and any amounts due to Escrow Holder from Buyer pursuant to the Agreement) shall be refunded to Buyer in accordance with Sections 2.1.2 and 4.4 of the Agreement.

3. General Provisions.

(a) Severability. If any provision of this Amendment is deemed to be invalid or unenforceable by a court of competent jurisdiction, that provision shall be severed from the rest of this Amendment and the remaining provisions shall continue in full force and effect.

(b) Recitals Incorporated. The Recitals to this Amendment are hereby incorporated into this Amendment by this reference.

(c) Counterparts. This Amendment may be executed in any number of counterparts and, as so executed, the counterparts shall constitute one and the same agreement. The parties agree that each such counterpart is an original and shall be binding upon all the Parties, even though all of the Parties are not signatories to the same counterpart. The Parties may also deliver executed copies of this Amendment to each other by facsimile or electronic mail, which facsimile or electronic mail signatures shall be binding.

(d) Conflicts. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control.

(e) Signature Authority. All individuals signing this Amendment for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, represent and

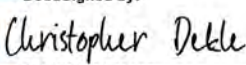
warrant to the other party that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment as of the date first set forth above.

SELLER:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

DocuSigned by:

By: _____
Name: Christopher Dekle
Title: Vice President and Secretary

BUYER:

San Diego Housing Commission

By: _____
Jeff Davis, Interim President & CEO

Approved as to Form:

Christensen & Spath LLP

By: _____
Walter F. Spath III, Esq.
Buyer's General Counsel

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment as of the date first set forth above.

SELLER:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

By: _____

Name: _____

Title: _____

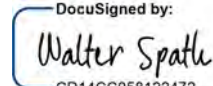
BUYER:

San Diego Housing Commission

By:  _____
EE6040404B04474...
Jeff Davis, Interim President & CEO

Approved as to Form:

Christensen & Spath LLP

By:  _____
CD14CC058122472...
Walter F. Spath III, Esq.
Buyer's General Counsel

CONSENT OF ESCROW HOLDER

The undersigned Escrow Holder hereby agrees to (i) accept the foregoing Amendment, (ii) be Escrow Holder under the Agreement, as amended by the Amendment, (iii) make all filings required under Section 6045 of the Internal Revenue Code of 1986, as amended, and (iv) be bound by the Agreement, as amended by the Amendment, in the performance of its duties as Escrow Holder; provided, however, the undersigned shall have no obligations, liability or responsibility under (a) this consent or otherwise, unless and until said Amendment, fully signed by the Parties, has been delivered to the undersigned, or (b) any additional amendment to the Agreement unless and until the same is delivered to the undersigned.

Date: July 27, 2023

CHICAGO TITLE COMPANY

By:  _____
Name: A4E08ABDC94C441... Renee Marshall
Title: AVP/Sr. Escrow Officer

**SECOND AMENDMENT TO
AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY
AND JOINT ESCROW INSTRUCTIONS**

THIS SECOND AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY AND JOINT ESCROW INSTRUCTIONS (this “Amendment”) is dated as of the 19th day of October, 2023, by and between ESA P Portfolio L.L.C., a Delaware limited liability company (“Seller”), and the San Diego Housing Commission (“Buyer”).

RECITALS

A. The Seller and Buyer (erroneously identified in the Agreement as the San Diego Housing Commission, Inc., a California corporation) are all of the parties to that certain Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of April 20, 2023 (the “Purchase Agreement”).

B. The Seller and Buyer previously entered into that certain First Amendment to Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of July 27, 2023 (the “First Amendment”). The Purchase Agreement, as amended by the First Amendment, is referred to herein as the “Agreement.”

C. Buyer previously sent its Title Objection Notice with respect to the Murphy Canyon Property in which Buyer objected to that certain Declaration of Covenants, Conditions and Restrictions of Daly Corporate Center affecting the Murphy Canyon property, as amended (the “Declaration”), shown as Exception 5 on the Preliminary Title Report because, among other reasons, Section 4.2.a of the Declaration prohibits the Murphy Canyon Property from being used for residential purposes (the “Residential Restriction Title Objection”). In its Title Objection Response, Seller elected not to cure the Residential Restriction Title Objection. Accordingly, Buyer must elect, prior to the expiration of the Due Diligence Period, to either (i) waive its disapproval of the Residential Restriction Title Objection by delivering (or being deemed to have delivered) an Approval Notice, in which case the Residential Restriction Title Objection shall then be deemed to be a Permitted Exception, or (ii) terminate its obligation to purchase the Murphy Canyon Property by delivering a Disapproval Notice. Buyer is negotiating with the Owners (as defined in the Declaration) for resolution of the Residential Restriction Title Objection in a manner satisfactory to Buyer.

D. The Seller and Buyer desire to amend the Agreement as set forth herein. All terms not defined in this Amendment shall have the meanings set forth in the Agreement. In the event of any conflict between the Agreement and this Amendment, the terms of this Amendment shall control.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, the Seller and Buyer hereby amend the Agreement, and agree, promise and declare as follows:

1. Extension of Due Diligence Period for Title Issue and Appropriation of Funds. Notwithstanding anything to the contrary contained in the Agreement, the “Due Diligence Period,” as that term is defined in Section 4.4 of the Purchase Agreement, and, accordingly, the deadline

for making the “Second Deposit,” as that term is defined in Section 2.1.2 of the Purchase Agreement (it being understood that Buyer shall make the Second Deposit concurrently with Buyer’s delivery to Seller of the Buyer’s Approval Notice), is hereby extended through 5:00 p.m. California time on December 31, 2023, but only for the following purposes: (i) to allow for the occurrence of the Due Diligence Approval Conditions stated in Section 4.3 of the Purchase Agreement; and (ii) to allow Buyer to negotiate with the Owners to resolve the Residential Restriction Title Objection in a manner satisfactory to Buyer. Buyer hereby acknowledges and agrees that Buyer has otherwise approved (or waived its right to disapprove) the state of title of the Real Property, the Survey, the review of the Property (including, without limitation, its physical condition), the Due Diligence Materials and the Buyer Prepared Materials. Notwithstanding the foregoing, nothing contained in this Amendment shall be construed to modify or reduce Buyer’s rights (and obligations) under Section 4.5 of the Purchase Agreement.

2. General Provisions.

(a) Severability. If any provision of this Amendment is deemed to be invalid or unenforceable by a court of competent jurisdiction, that provision shall be severed from the rest of this Amendment and the remaining provisions shall continue in full force and effect.

(b) Recitals Incorporated. The Recitals to this Amendment are hereby incorporated into this Amendment by this reference.

(c) Counterparts. This Amendment may be executed in any number of counterparts and, as so executed, the counterparts shall constitute one and the same agreement. The parties agree that each such counterpart is an original and shall be binding upon all the Parties, even though all of the Parties are not signatories to the same counterpart. The Parties also agree that the Purchase Agreement, the First Amendment, this Second Amendment and any other documents executed in connection with the Agreement (the “Agreement Documents”) may be signed and/or transmitted by facsimile, electronic mail or electronic signature (e.g., DocuSign or similar electronic signature technology) and thereafter maintained in electronic form, and that such electronic record shall be valid and effective to bind the party so signing as a paper copy bearing such party’s hand-written signature. The Parties further consent and agree that the electronic signatures appearing on any of the Agreement Documents shall be treated, for purpose of validity, enforceability and admissibility, the same as hand-written signatures.

(d) Conflicts. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control.

(e) Signature Authority. All individuals signing this Amendment for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, represent and warrant to the other party 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.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment as of the date first set forth above.

SELLER:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

DocuSigned by:
Christopher Dekle
By: _____
Name: Christopher Dekle
Title: vice President

BUYER:

San Diego Housing Commission

By: _____
Jeff Davis, Interim President & CEO

Approved as to Form:

Christensen & Spath LLP

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

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment as of the date first set forth above.


SELLER:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

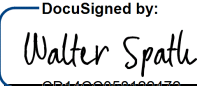
BUYER:

San Diego Housing Commission

By:  _____
EE0040404B64474...
Jeff Davis, Interim President & CEO

Approved as to Form:

Christensen & Spath LLP

By:  _____
CD14CC058122472...
Walter F. Spath III, Esq.
Commission General Counsel

CONSENT OF ESCROW HOLDER

The undersigned Escrow Holder hereby agrees to (i) accept the foregoing Amendment, (ii) be Escrow Holder under the Agreement, as amended by the Amendment, (iii) make all filings required under Section 6045 of the Internal Revenue Code of 1986, as amended, and (iv) be bound by the Agreement, as amended by the Amendment, in the performance of its duties as Escrow Holder; provided, however, the undersigned shall have no obligations, liability or responsibility under (a) this consent or otherwise, unless and until said Amendment, fully signed by the Parties, has been delivered to the undersigned, or (b) any additional amendment to the Agreement unless and until the same is delivered to the undersigned.

Date: October 20th, 2023

CHICAGO TITLE COMPANY

By: Renee Marshall/AS

Name: Renee Marshall

Title: Escrow Officer

**THIRD AMENDMENT TO
AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY
AND JOINT ESCROW INSTRUCTIONS**

THIS THIRD AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY AND JOINT ESCROW INSTRUCTIONS (this "Amendment") is dated as of the 13th day of December, 2023, by and between ESA P Portfolio L.L.C., a Delaware limited liability company ("Seller"), and the San Diego Housing Commission ("Buyer").

RECITALS

A. The Seller and Buyer (erroneously identified in the Agreement as the San Diego Housing Commission, Inc., a California corporation) are all of the parties to that certain Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of April 20, 2023 (the "Purchase Agreement").

B. The Seller and Buyer previously entered into: (i) that certain First Amendment to Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of July 27, 2023 (the "First Amendment"); and (ii) that certain Second Amendment to Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of October 19, 2023 (the "Second Amendment"). The Purchase Agreement, as amended by the First Amendment and the Second Amendment, is referred to herein as the "Agreement."

C. Buyer previously sent its Title Objection Notice with respect to the Murphy Canyon Property in which Buyer objected to that certain Declaration of Covenants, Conditions and Restrictions of Daly Corporate Center affecting the Murphy Canyon property, as amended (the "Declaration"), shown as Exception 5 on the Preliminary Title Report because, among other reasons, Section 4.2.a of the Declaration prohibits the Murphy Canyon Property from being used for residential purposes (the "Residential Restriction Title Objection"). In its Title Objection Response, Seller elected not to cure the Residential Restriction Title Objection. Accordingly, Buyer must elect, prior to the expiration of the Due Diligence Period, to either (i) waive its disapproval of the Residential Restriction Title Objection by delivering (or being deemed to have delivered) an Approval Notice, in which case the Residential Restriction Title Objection shall then be deemed to be a Permitted Exception, or (ii) terminate its obligation to purchase the Murphy Canyon Property by delivering a Disapproval Notice. Buyer is negotiating with the Owners (as defined in the Declaration) for resolution of the Residential Restriction Title Objection in a manner satisfactory to Buyer.

D. The Seller and Buyer desire to amend the Agreement as set forth herein. All terms not defined in this Amendment shall have the meanings set forth in the Agreement. In the event of any conflict between the Agreement and this Amendment, the terms of this Amendment shall control.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, the Seller and Buyer hereby amend the Agreement, and agree, promise and declare as follows:

1. Extension of Due Diligence Period for Title Issue and Appropriation of Funds. Notwithstanding anything to the contrary contained in the Agreement, the "Due Diligence Period," as that term is defined in Section 4.4 of the Purchase Agreement, and, accordingly, the deadline for making the "Second Deposit," as that term is defined in Section 2.1.2 of the Purchase Agreement (it

being understood that Buyer shall make the Second Deposit concurrently with Buyer's delivery to Seller of the Buyer's Approval Notice), is hereby extended through 5:00 p.m. California time on January 31, 2024, but only for the following purposes: (i) to allow for the occurrence of the Due Diligence Approval Conditions stated in Section 4.3 of the Purchase Agreement; and (ii) to allow Buyer to negotiate with the Owners to resolve the Residential Restriction Title Objection in a manner satisfactory to Buyer. Buyer hereby acknowledges and agrees that Buyer has otherwise approved (or waived its right to disapprove) the state of title of the Real Property, the Survey, the review of the Property (including, without limitation, its physical condition), the Due Diligence Materials and the Buyer Prepared Materials. Notwithstanding the foregoing, nothing contained in this Amendment shall be construed to modify or reduce Buyer's rights (and obligations) under Section 4.5 of the Purchase Agreement.

2. General Provisions.

(a) Severability. If any provision of this Amendment is deemed to be invalid or unenforceable by a court of competent jurisdiction, that provision shall be severed from the rest of this Amendment and the remaining provisions shall continue in full force and effect.

(b) Recitals Incorporated. The Recitals to this Amendment are hereby incorporated into this Amendment by this reference.

(c) Counterparts. This Amendment may be executed in any number of counterparts and, as so executed, the counterparts shall constitute one and the same agreement. The parties agree that each such counterpart is an original and shall be binding upon all the Parties, even though all of the Parties are not signatories to the same counterpart. The Parties also agree that the Purchase Agreement, the First Amendment, this Second Amendment and any other documents executed in connection with the Agreement (the "Agreement Documents") may be signed and/or transmitted by facsimile, electronic mail or electronic signature (e.g., DocuSign or similar electronic signature technology) and thereafter maintained in electronic form, and that such electronic record shall be valid and effective to bind the party so signing as a paper copy bearing such party's hand-written signature. The Parties further consent and agree that the electronic signatures appearing on any of the Agreement Documents shall be treated, for purpose of validity, enforceability and admissibility, the same as hand-written signatures.

(d) Conflicts. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control.


(e) Signature Authority. All individuals signing this Amendment for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, represent and warrant to the other party 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.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment as of the date first set forth above.

SELLER:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

DocuSigned by:

By: Christopher Dekle
Name: Christopher Dekle
Title: vice President and Secretary


BUYER:

San Diego Housing Commission

By: 
Jeff Davis, Deputy CEO

Approved as to Form:

Christensen & Spath LLP

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

CONSENT OF ESCROW HOLDER

The undersigned Escrow Holder hereby agrees to (i) accept the foregoing Amendment, (ii) be Escrow Holder under the Agreement, as amended by the Amendment, (iii) make all filings required under Section 6045 of the Internal Revenue Code of 1986, as amended, and (iv) be bound by the Agreement, as amended by the Amendment, in the performance of its duties as Escrow Holder; provided, however, the undersigned shall have no obligations, liability or responsibility under (a) this consent or otherwise, unless and until said Amendment, fully signed by the Parties, has been delivered to the undersigned, or (b) any additional amendment to the Agreement unless and until the same is delivered to the undersigned.

12/19/2023

Date: December __, 2023

CHICAGO TITLE COMPANY

By: Coreti Lamphiere
Name: Coreti Lamphiere
Title: Escrow Officer

**FOURTH AMENDMENT TO
AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY
AND JOINT ESCROW INSTRUCTIONS**

THIS FOURTH AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY AND JOINT ESCROW INSTRUCTIONS (this "Amendment") is dated as of the 29th day of January, 2024, by and between ESA P Portfolio L.L.C., a Delaware limited liability company ("Seller"), and the San Diego Housing Commission ("Buyer").

RECITALS

A. The Seller and Buyer (erroneously identified in the Agreement as the San Diego Housing Commission, Inc., a California corporation) are all of the parties to that certain Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of April 20, 2023 (the "Purchase Agreement").

B. The Seller and Buyer previously entered into: (i) that certain First Amendment to Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of July 27, 2023 (the "First Amendment"); (ii) that certain Second Amendment to Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of October 19, 2023 (the "Second Amendment"); and (iii) that certain Third Amendment to Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of December 13, 2023 (the "Third Amendment"). The Purchase Agreement, as amended by the First Amendment, Second Amendment and Third Amendment, is referred to herein as the "Agreement."

C. Buyer previously sent its Title Objection Notice with respect to the Murphy Canyon Property in which Buyer objected to that certain Declaration of Covenants, Conditions and Restrictions of Daly Corporate Center affecting the Murphy Canyon property, as amended (the "Declaration"), shown as Exception 5 on the Preliminary Title Report because, among other reasons, Section 4.2.a of the Declaration prohibits the Murphy Canyon Property from being used for residential purposes (the "Residential Restriction Title Objection"). In its Title Objection Response, Seller elected not to cure the Residential Restriction Title Objection. Accordingly, Buyer must elect, prior to the expiration of the Due Diligence Period, to either (i) waive its disapproval of the Residential Restriction Title Objection by delivering (or being deemed to have delivered) an Approval Notice, in which case the Residential Restriction Title Objection shall then be deemed to be a Permitted Exception, or (ii) terminate its obligation to purchase the Murphy Canyon Property by delivering a Disapproval Notice. Buyer is negotiating with the Owners (as defined in the Declaration) for resolution of the Residential Restriction Title Objection in a manner satisfactory to Buyer.

D. The Seller and Buyer desire to amend the Agreement as set forth herein. All terms not defined in this Amendment shall have the meanings set forth in the Agreement. In the event of any conflict between the Agreement and this Amendment, the terms of this Amendment shall control.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, the Seller and Buyer hereby amend the Agreement, and agree, promise and declare as follows:

I. Extension of Due Diligence Period for Title Issue and Appropriation of Funds. Notwithstanding anything to the contrary contained in the Agreement, the "Due Diligence Period," as

that term is defined in Section 4.4 of the Purchase Agreement, and, accordingly, the deadline for making the “Second Deposit,” as that term is defined in Section 2.1.2 of the Purchase Agreement (it being understood that Buyer shall make the Second Deposit concurrently with Buyer’s delivery to Seller of the Buyer’s Approval Notice), is hereby extended through 5:00 p.m. California time on February, 29, 2024, but only for the following purposes: (i) to allow for the occurrence of the Due Diligence Approval Conditions stated in Section 4.3 of the Purchase Agreement; and (ii) to allow Buyer to negotiate with the Owners to resolve the Residential Restriction Title Objection in a manner satisfactory to Buyer. Buyer hereby acknowledges and agrees that Buyer has otherwise approved (or waived its right to disapprove) the state of title of the Real Property, the Survey, the review of the Property (including, without limitation, its physical condition), the Due Diligence Materials and the Buyer Prepared Materials. Notwithstanding the foregoing, nothing contained in this Amendment shall be construed to modify or reduce Buyer’s rights (and obligations) under Section 4.5 of the Purchase Agreement.

2. General Provisions.

(a) Severability. If any provision of this Amendment is deemed to be invalid or unenforceable by a court of competent jurisdiction, that provision shall be severed from the rest of this Amendment and the remaining provisions shall continue in full force and effect.

(b) Recitals Incorporated. The Recitals to this Amendment are hereby incorporated into this Amendment by this reference.

(c) Counterparts. This Amendment may be executed in any number of counterparts and, as so executed, the counterparts shall constitute one and the same agreement. The parties agree that each such counterpart is an original and shall be binding upon all the Parties, even though all of the Parties are not signatories to the same counterpart. The Parties also agree that the Purchase Agreement, this Amendment and any other documents executed in connection with the Agreement (the “Agreement Documents”) may be signed and/or transmitted by facsimile, electronic mail or electronic signature (e.g., DocuSign or similar electronic signature technology) and thereafter maintained in electronic form, and that such electronic record shall be valid and effective to bind the party so signing as a paper copy bearing such party’s hand-written signature. The Parties further consent and agree that the electronic signatures appearing on any of the Agreement Documents shall be treated, for purpose of validity, enforceability and admissibility, the same as hand-written signatures.

(d) Conflicts. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control.


(e) Signature Authority. All individuals signing this Amendment for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, represent and warrant to the other party 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.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment as of the date first set forth above.

SELLER:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

By: 
Name: Christa Debla
Title: Vice President & Secy

BUYER:


San Diego Housing Commission

By: DocuSigned by:

EE9040404B64474
Jeff Davis, Deputy CEO

Approved as to Form:

Christensen & Spath LLP

By: DocuSigned by:

CD14CC050122472...
Walter F. Spath III, Esq.
Commission General Counsel

CONSENT OF ESCROW HOLDER

The undersigned Escrow Holder hereby agrees to (i) accept the foregoing Amendment, (ii) be Escrow Holder under the Agreement, as amended by the Amendment, (iii) make all filings required under Section 6045 of the Internal Revenue Code of 1986, as amended, and (iv) be bound by the Agreement, as amended by the Amendment, in the performance of its duties as Escrow Holder; provided, however, the undersigned shall have no obligations, liability or responsibility under (a) this consent or otherwise, unless and until said Amendment, fully signed by the Parties, has been delivered to the undersigned, or (b) any additional amendment to the Agreement unless and until the same is delivered to the undersigned.

1/30/2024

Date: January __, 2024

CHICAGO TITLE COMPANY

DocuSigned by:

By: *Lorelei Lampliere*
Name: Lorelei Lampliere
Title: Escrow Officer

**FIFTH AMENDMENT TO
AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY
AND JOINT ESCROW INSTRUCTIONS**

THIS FIFTH AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE OF REAL PROPERTY AND JOINT ESCROW INSTRUCTIONS (this “Amendment”) is dated as of the 27th day of February, 2024, by and between ESA P Portfolio L.L.C., a Delaware limited liability company (“Seller”), and the San Diego Housing Commission (“Buyer”).

RECITALS

A. The Seller and Buyer (erroneously identified in the Agreement as the San Diego Housing Commission, Inc., a California corporation) are all of the parties to that certain Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of April 20, 2023 (the “Purchase Agreement”).

B. The Seller and Buyer previously entered into: (i) that certain First Amendment to Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of July 27, 2023 (the “First Amendment”); (ii) that certain Second Amendment to Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of October 19, 2023 (the “Second Amendment”); (iii) that certain Third Amendment to Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of December 13, 2023 (the “Third Amendment”); and (iv) that certain Fourth Amendment to Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions dated as of January 29, 2024 (the “Fourth Amendment”). The Purchase Agreement, as amended by the First Amendment, Second Amendment, Third Amendment and Fourth Amendment, is referred to herein as the “Agreement.”

C. The Seller and Buyer desire to amend the Agreement as set forth herein. All terms not defined in this Amendment shall have the meanings set forth in the Agreement. In the event of any conflict between the Agreement and this Amendment, the terms of this Amendment shall control.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, the Seller and Buyer hereby amend the Agreement, and agree, promise and declare as follows:

1. Murphy Canyon Property Disapproval Notice. This Amendment shall be deemed to be Buyer’s Disapproval Notice with respect to the Murphy Canyon Property pursuant to Section 4.4 of the Agreement.
2. Hotel Circle Property Approval Notice. This Amendment shall be deemed to be Buyer’s Approval Notice with respect to the Hotel Circle Property pursuant to Section 4.4 of the Agreement. Buyer confirms Buyer’s approval of the Hotel Circle Property and Buyer confirms satisfaction of the Due Diligence Approval Conditions with respect to the Hotel Circle Property. In addition, Buyer confirms that the Entitlements and the Financing Commitments have been obtained.

3. Deposits. Buyer has made “Deposits,” as defined in Section 2.1 of the Agreement, in the aggregate amount of \$150,000.00. Under the terms of the Agreement, Buyer is required to maintain a First Deposit with respect to the Hotel Circle Property in the amount of \$50,000.00 and make the Second Deposit of an additional \$50,000.00, for a total Deposit of \$100,000.00. Therefore, the parties instruct Escrow Holder to remit \$50,000.00 of the \$150,000.00 of Deposits to Buyer.

4. Restatement of Section 9.2. Section 9.2 of the Agreement, including subsections 9.2.1 and 9.2.2 are hereby amended and restated to provide as follows:

9.2 Closing. The “Close of Escrow” or “Closing” means the date on which the Grant Deeds conveying title to the Property to Buyer are delivered to Escrow Holder and the Purchase Price is disbursed from Escrow. The Close of Escrow shall take place through an escrow (“Escrow”) to be established with Escrow Holder (the “Closing Date”) shall occur on a date selected by Buyer (the “Closing Date”); provided that, Buyer shall deliver Seller not less than forty-five (45) days’ prior written notice of the Closing Date; and further provided that, the Closing Date shall occur on or before July 22, 2024 (the “Closing Deadline”).

5. General Provisions.

(a) Severability. If any provision of this Amendment is deemed to be invalid or unenforceable by a court of competent jurisdiction, that provision shall be severed from the rest of this Amendment and the remaining provisions shall continue in full force and effect.

(b) Recitals Incorporated. The Recitals to this Amendment are hereby incorporated into this Amendment by this reference.

(c) Counterparts. This Amendment may be executed in any number of counterparts and, as so executed, the counterparts shall constitute one and the same agreement. The parties agree that each such counterpart is an original and shall be binding upon all the Parties, even though all of the Parties are not signatories to the same counterpart. The Parties also agree that the Purchase Agreement, this Amendment and any other documents executed in connection with the Agreement (the “Agreement Documents”) may be signed and/or transmitted by facsimile, electronic mail or electronic signature (e.g., DocuSign or similar electronic signature technology) and thereafter maintained in electronic form, and that such electronic record shall be valid and effective to bind the party so signing as a paper copy bearing such party’s hand-written signature. The Parties further consent and agree that the electronic signatures appearing on any of the Agreement Documents shall be treated, for purpose of validity, enforceability and admissibility, the same as hand-written signatures.

(d) Conflicts. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control.

(e) Signature Authority. All individuals signing this Amendment for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, represent and


warrant to the other party 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.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment as of the date first set forth above.

SELLER:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

DocuSigned by:

By: _____
Name: CHRISTOPHER Dekle
Title: vice President and Secretary

BUYER:

San Diego Housing Commission

By: _____
Jeff Davis, Deputy CEO

Approved as to Form:

Christensen & Spath LLP

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

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment as of the date first set forth above.

SELLER:

ESA P PORTFOLIO L.L.C.,
a Delaware limited liability company

By: _____
Name: _____
Title: _____


BUYER:

San Diego Housing Commission

By:  _____
EE0040404B64474...
Jeff Davis, Deputy CEO

Approved as to Form:

Christensen & Spath LLP

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

CONSENT OF ESCROW HOLDER

The undersigned Escrow Holder hereby agrees to (i) accept the foregoing Amendment, (ii) be Escrow Holder under the Agreement, as amended by the Amendment, (iii) make all filings required under Section 6045 of the Internal Revenue Code of 1986, as amended, and (iv) be bound by the Agreement, as amended by the Amendment, in the performance of its duties as Escrow Holder; provided, however, the undersigned shall have no obligations, liability or responsibility under (a) this consent or otherwise, unless and until said Amendment, fully signed by the Parties, has been delivered to the undersigned, or (b) any additional amendment to the Agreement unless and until the same is delivered to the undersigned.

Date: March 13, 2024

CHICAGO TITLE COMPANY

DocuSigned by:

By: Renee Marshall
Name: A4E08ABDC94C441... Renee Marshall
Title: AVP/Sr. Escrow Officer

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO AUTHORIZING THE SAN DIEGO HOUSING COMMISSION TO ACCEPT \$35,000,000 IN STATE OF CALIFORNIA HOMEKEY PROGRAM FUNDS, \$17,806,432 IN CITY OF SAN DIEGO HOME INVESTMENT PARTNERSHIPS AMERICAN RESCUE PLAN ACT (HOME-ARP) FUNDS, \$17,806,432 IN COUNTY OF SAN DIEGO AMERICAN RESCUE PLAN ACT (ARPA) FUNDS, AND \$1,100,000 IN SAN DIEGO REGIONAL TASK FORCE ON HOMELESSNESS FUNDS; TO EXPEND \$71,712,864 FOR THE ACQUISITION AND REHABILITATION OF REAL PROPERTY KNOWN AS EXTENDED STAY AMERICA AT 2087 HOTEL CIRCLE SOUTH, SAN DIEGO, CALIFORNIA (PROPERTY); AND TO ACQUIRE AND REHABILITATE THE PROPERTY, TO BE KNOWN AS PRESIDIO PALMS.

WHEREAS, the State Department of Housing and Community Development (Department) issued a Notice of Funding Availability (NOFA), dated March 29, 2023, for the Homekey Program, which continues a statewide effort to sustain and rapidly expand housing for persons experiencing homelessness or at-risk of homelessness, and who are, thereby, disproportionately impacted by and at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases. The Department issued the NOFA for Homekey Program grant funds under Assembly Bill 140 (2021-2022 Regular Session), which provided the statutory basis for Round 3 of the Homekey Program by adding California Health and Safety Code section 50675.1.3; and

WHEREAS, through the Homekey Program, the Department made \$736 million in grant funding available to local public entities, including cities, counties, or other local public entities,

including housing authorities or federally recognized tribal governments within California; and

WHEREAS, Department awarded funds may be used for acquisition or rehabilitation of hotels, apartments, or homes, including manufactured housing, to be converted into permanent or interim housing; conversion of nonresidential properties into residential units; new construction; master leasing of properties for non-congregate housing; purchase of affordability covenants and restrictions for units; relocation costs for individuals being displaced as a result of the Homekey Program project; and capitalized operating subsidies for units purchased, converted, constructed, or altered; and

WHEREAS, Homekey Program funds consist of \$435 million derived from the federal Coronavirus State Fiscal Recovery Fund (CSFRF), established by the federal American Rescue Plan Act of 2021 (ARPA) (Public Law 117- 2), and \$301 million from the state's general fund; and

WHEREAS, the Department is authorized to administer the Homekey Program under the Multifamily Housing Program (California Health and Safety Code sections 50675-50675.15). Homekey Program funding allocations are subject to the terms and conditions of the NOFA, ARPA guidance, the Homekey Program application, the Department-approved STD 213, Standard Agreement (Standard Agreement), and all other legal requirements of the Homekey Program; and

WHEREAS, in April 2023, the Board of Commissioners of the Housing Commission (Board) authorized the execution of a Purchase and Sales Agreement for the Extended Stay America property, to be known as Presidio Palms, located at 2087 Hotel Circle South, San Diego, CA (Presidio Palms), commencing due diligence activities in compliance with the Housing Commission's acquisition policy; and

WHEREAS, the San Diego Housing Commission (Housing Commission) submitted an application to the Department on July 28, 2023, for \$38,500,000 of Homekey funds to support the acquisition and rehabilitation of Presidio Palms; and

WHEREAS, on February 13, 2024, the Department informed the Housing Commission of a conditional award of \$35,000,000 in Homekey funds for the Presidio Palms project; and

WHEREAS, the proposed Presidio Palms project consists of 161 units dedicated to individuals experiencing homelessness who have income up to 30 percent of San Diego's Area Median Income, two managers' units and two units to be used as a service provider offices; and

WHEREAS, the Housing Commission has committed 161 federal Project-Based Housing Vouchers (PBVs) to help pay rent at Presidio Palms for residents experiencing homelessness, of which 40 PBVs are for transition-age youth experiencing homelessness, 40 PBVs are for people experiencing chronic homelessness, and 81 PBVs are for people who are literally homeless. Under the PBV program, the tenant's rent is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder being federally subsidized up to a gross rent level approved by the Housing Commission. Residents will be identified through referrals from the Coordinated Entry System and would include individuals experiencing chronic homelessness with serious mental illness; and

WHEREAS, Housing Commission has secured the commitment of \$17,806,432 in City of San Diego HOME Investment Partnerships American Rescue Plan (HOME-ARP) funds, \$17,806,432 in County of San Diego American Rescue Plan Act (ARPA) funds, and \$1,100,000 in San Diego Regional Task Force on Homelessness funds for the acquisition and rehabilitation of Presidio Palms; and

WHEREAS, in addition to \$17,806,432 in capital funds, the County of San Diego has

committed to providing \$8,521,435 over five years toward necessary behavioral health supportive services for Presidio Palms through a Memorandum of Agreement (MOA) with the County of San Diego Health and Human Services Agency; and

WHEREAS, all 161 households will receive the following supportive services: outreach and engagement; mental health services; healthcare and physical health services; behavioral health services; substance use services; case management; care coordination; life skills training; education and employment services; assistance obtaining benefits; and essential documentation and transportation services; and

WHEREAS, the Housing Commission anticipates that its staff will provide property management in the form of one on-site property manager, one on-site assistant property manager, and two custodians and site cleaners; and

WHEREAS, once acquired, the property will undergo the following rehabilitation: upgrades to existing building systems to extend useful life and accommodate upgrades to life safety systems; security additions to include the installation of cameras and additional exterior lighting; painting of the interior and exterior of the building; accessibility upgrades, including path of travel to units and common areas; termite fumigation; other items identified in the Physical Needs Assessment; and other site improvements within the approved budget; and

WHEREAS, Housing Commission staff engaged in extensive due diligence activities and did not identify findings that would prevent the recommendation of acquiring the property; and

WHEREAS, Kinetic Valuation Group (KVG) completed an appraisal of the property's fee simple interest and determined the market value for its existing use as of May 3, 2023, is \$60,780,000 (\$368,363 per unit); and

WHEREAS, Housing Commission staff hired BTI Appraisal to complete a peer review

of the KVG appraisal. The BTI peer review found the KVG appraisal acceptable. The County of San Diego Department of General Services Real Estate Valuation also completed an appraisal review and found that the KVG appraisal complied with the Uniform Standards of Professional Appraisal Practice and the appraiser's analysis of the selected market data were appropriate and produced reasonable results; and

WHEREAS, although not required by the funding sources and Housing Commission Policy PO-RED-374.02, Housing Commission staff received an updated appraisal from KVG as of May 20, 2024, with an appraised value of \$59,540,000; and

WHEREAS, the City of San Diego (City) staff conducted an environmental review and determined the authorization to accept funds and to acquire and rehabilitate the Presidio Palms (Project) is categorically exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15301 (Existing Facilities) and 15304 (Minor Alterations to Land), and that no exception to the exemptions, as set forth in CEQA Guidelines Section 15300.2, applies to the Project; and

WHEREAS, City staff determined that the Project is categorically excluded from the National Environmental Policy Act (NEPA) under Title 24 of the Code of Federal Regulations, section 58.35(a)(3)(ii), regarding rehabilitation of buildings and improvements, and is subject to Title 24 of the Code of Federal Regulations, section 58.5; and

WHEREAS, on May 10, 2024, the Board voted unanimously to recommend that the Housing Authority authorize the staff-recommended actions; and

WHEREAS, the Office of the City Attorney has drafted this resolution based on the information provided by Housing Commission staff, and verified by the Housing Commission's

General Counsel, with the understanding that this information is sufficient to allow for a proper and complete analysis of this matter; NOW, THEREFORE,

BE IT RESOLVED, by the Housing Authority, as follows:

1. The Housing Commission is authorized to accept and expend \$35,000,000 in State Homekey Program funds, \$17,806,432 in City of San Diego HOME Investment Partnerships American Rescue Plan (HOME-ARP) funds, \$17,806,432 in County of San Diego American Rescue Plan Act (ARPA) funds, and \$1,100,000 in San Diego Regional Task Force on Homelessness funds for the acquisition and rehabilitation of the real property currently known as the Extended Stay America at 2087 Hotel Circle South, San Diego, CA 92108 (Property), which will be known as Presidio Palms.

2. The Housing Commission is authorized to acquire the Property under that certain Purchase and Sale Agreement (PSA) for the Property, dated April 20, 2023, with the seller ESA P Portfolio LLC, a Delaware limited liability company.

3. The Housing Commission's President and Chief Executive Officer (President and CEO), or designee, is authorized to take such actions and perform such acts as are necessary to acquire the Property in clear fee simple title from ESA P Portfolio LLC.

4. The Housing Commission's President and CEO, or designee, is authorized to execute and record an affordability covenant against the title to the Property for 55 years, with 161 units required to remain affordable for households experiencing homelessness with income at or below 30 percent of AMI and two unrestricted units used as property manager's units, for 163 total studio units.

5. The Housing Commission is authorized to purchase the Property, complete all associated closing activities, and pay all closing costs, remediation, and upgrades to the

Property, using \$35,000,000 in State Department of Housing and Community Development Homekey Program Round 3 (Homekey) funds; \$17,806,432 in City of San Diego HOME Investment Partnerships American Rescue Plan (HOME-ARP) funds; \$17,806,432 in County of San Diego American Rescue Plan Act (ARPA) funds; and \$1,100,000 in San Diego Regional Task Force on Homelessness funds.

6. The Housing Commission's President and CEO, or designee, is authorized to execute all documents and instruments that are necessary and appropriate to implement this resolution, in a form approved by Housing Commission's General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals upon the advice of General Counsel, to allow the Housing Commission to acquire the Property on terms and conditions described in the Staff Report, as approved by General Counsel.

7. The rehabilitation and project budgets are approved, including the transfer or reallocation of funds between any and all funding use line items within the total approved rehabilitation and project budget, provided the total rehabilitation and project budget amount after any and all transfers or reallocations does not exceed the previously approved budget total, in any instances when the operational needs arise or when such actions are to the benefit of the Housing Commission and its mission, associated with the purchase and rehabilitation of the Property are authorized.

8. The Housing Commission's President and CEO, or designee, is authorized to take such actions and perform such acts as necessary for the recruitment and hiring of staff for the ongoing operations of Presidio Palms.

9. Housing Commission staff will notify the Housing Authority and the City Attorney's Office about any subsequent amendments or modifications to any documents

and budgets authorized to implement this resolution, and other required documents,
including amendments to any documents and budgets.

APPROVED: MARA W. ELLIOTT, General Counsel

By _____
Hilda R. Mendoza
Sr. Deputy General Counsel

HRM:nja
06/04/2024
Or. Dept: SDHC
Doc. No. 3670504