

ATTACHMENT C

OWNER PARTICIPATION AGREEMENT
(Hotel Sandford)

by and between

REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO

AGENCY,

and

THE SAN DIEGO HOUSING COMMISSION,
COMMISSION

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OWNER PARTICIPATION AGREEMENT

THIS OWNER PARTICIPATION AGREEMENT (the "Agreement") is entered into by and between the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO (the "Agency") and THE SAN DIEGO HOUSING COMMISSION (the "Commission") as of _____, 2010. Agency and Commission agree as follows:

PART 1. SUBJECT OF AGREEMENT

SECTION 101 Purpose of the Agreement

The Commission intends to purchase an existing 130 unit single room occupancy ("SRO") hotel, commonly known as the Hotel Sandford, with 18,275 square feet of basement space, and first floor commercial retail space, generally located at 1301-1333 Fifth Avenue, in the City of San Diego, California ("Property"). The purpose of this Agreement is to effectuate the Redevelopment Plan for the Centre City Redevelopment Project by providing part of the financing for the acquisition of the Property and rehabilitation of the Improvements thereon which shall be operated as rental housing that is affordable to Low Income and Very Low Income households ("Project"), as more specifically described in this Agreement. The development and use of the Property pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City of San Diego and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable federal, state, and local laws and requirements.

SECTION 102 Definitions

For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Acquisition and Development Costs" means the total cost of acquiring the Property and rehabilitating the Improvements thereon, as set forth in the Project Budget, including Eligible Pre-Closing Costs.

"Affiliate" means (1) any Person directly or indirectly controlling, controlled by or under common control with another Person; (2) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such other Person; or (3) if that other Person is an officer, director, member or partner, any company for which such Person acts in any such capacity. The term "control" as used in the immediately preceding sentence, means the power to direct the management or the power to control election of the board of directors. It shall be a presumption that control with respect to a corporation or limited liability company is the right to exercise or control, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual,

partnership, trust, other entity or association, control is the possession, indirectly or directly, of the power to direct or cause the direction of the management or policies of the controlled entity.

“Affordable SRO Units” means the approximately 130 SRO units to be rehabilitated on the Property by Commission in accordance with this Agreement and the Scope of Development (Attachment No. 4). The Affordable SRO Units shall be restricted by Commission for Very Low Income and Low Income households, at an Affordable Rent, in accordance with the terms and conditions of this Agreement and the Agreement Affecting Real Property (Attachment No. 6).

“Affordable Rent” means rent, including a reasonable utility and parking allowance, that does not exceed the following respective amounts:

(a) for a Low Income household, the product of thirty percent (30%) times sixty percent (60%) of the Area Median Income adjusted for family size appropriate for the unit; and

(b) for a Very Low Income household, the product of thirty percent (30%) times fifty percent (50%) of the Area Median Income adjusted for family size appropriate for the unit.

“Agreement Affecting Real Property” means the Agreement Affecting Real Property (Including Rental Restrictions) to be recorded upon the occurrence of the Closing, substantially in the form attached to this Agreement as Attachment No. 6.

“Agency Deed of Trust” means the deed of trust securing the Agency Loan, to be recorded upon the occurrence of the Closing as a first priority deed of trust, substantially in the form attached to this Agreement as Attachment No. 9.

“Agency Loan” means the loan by the Agency to Commission of Low and Moderate Income Housing Funds in a principal amount not to exceed SIX MILLION NINETY-FIVE THOUSAND DOLLARS AND NO CENTS (\$6,095,000.00), as described in the Method of Financing (Attachment No. 3). The Agency Loan shall be evidenced by the Agency Loan Note (Attachment No. 8) and secured by the Agency Deed of Trust (Attachment No. 9), and other Agency Loan Documents.

“Agency Loan Documents” means the Agency Loan Note (Attachment No. 8), Agency Deed of Trust (Attachment No. 9), Assignment of Rents (Attachment No. 10), Assignment of Agreements (Attachment No. 11), and the UCC-1 Financing Statement (Attachment No. 13).

“Agency Loan Note” means the residual receipts promissory note substantially in the form attached to this Agreement as Attachment No. 8.

“Approved Title Conditions” means title that is subject to current property taxes and assessments, easements and other encumbrances specifically approved by the Executive Director.

“Area Median Income” or “AMI” means the median family income for San Diego County as annually estimated by the U.S. Department of Housing and Urban Development and published by the California Department of Housing and Community Development.

“Assignment of Agreements” means an instrument substantially in the form of the Assignment of Agreements, Plans, Specifications and Entitlements attached to this Agreement as Attachment No. 11.

“Assignment of Rents” means an instrument substantially in the form of the Assignment of Rents attached to this Agreement as Attachment No. 10.

“CCDC” means the Centre City Development Corporation.

“Centre City Planned District Ordinance” means Chapter 15, Article 6, Division 3, of the San Diego Municipal Code.

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

“Closing” means the point in time when all conditions precedent to close of escrow for the Agency Loan to Commission have been satisfied, as set forth in the Method of Financing (Attachment No. 3).

“Closing Date” means the date on which the Closing has occurred.

“Completion” means the point in time when all of the following shall have occurred: (1) issuance of a certificate of occupancy by the City or equivalent approval; (2) recordation of a Notice of Completion by Commission or its contractor; (3) certification or equivalent by the project architect that rehabilitation of the Improvements (with the exception of minor “punchlist” items) has been completed in a good and workmanlike manner and substantially in accordance with the approved plans and specifications; (4) payment, settlement or other extinguishment, discharge, release, waiver, bonding or insuring against any mechanic’s liens that have been recorded or stop notices that have been delivered; and (5) the Property has been developed in accordance with this Agreement, the Scope of Development (Attachment No. 4) and plans approved by the Agency pursuant to this Agreement.

“Covenant Period” means the ninety-nine (99) year period, commencing upon Closing, during which time the Affordable SRO Units must be available to and occupied by Very Low Income and Low Income households, at the Affordable Rents set forth in the Agreement Affecting Real Property (Attachment No. 6).

“Designee” means a person in the employ of the Agency or City, who has received an express delegation of duties customarily performed by the Executive Director. The express delegation must be authorized, in writing, by the Executive Director.

“Disbursement Agreement” means an agreement substantially in the form attached to this Agreement as Attachment No. 14.

“Eligible Pre-Closing Costs” means and includes those expenses incurred by Agency or Commission for the Project prior to Closing, which have been itemized as “Eligible Pre-Closing Costs” in Attachment No. 7A.

“Escrow Agent” means an escrow agent mutually acceptable to Agency and Commission.

“Executive Director” refers to the Executive Director of the Redevelopment Agency of the City of San Diego or Designee.

“Hazardous Substances” shall have the meaning set forth in Section 208.

“Improvements” means the improvements more particularly described in the Scope of Development (Attachment No. 4).

“Legal Description” means the legal description of the Property attached to this Agreement as Attachment No. 2.

“Low and Moderate Income Housing Fund” means the Low and Moderate Income Housing Fund established by the Agency for the Centre City Redevelopment Project Area pursuant to California Health and Safety Code Section 33334.3.

“Low Income” shall have the meaning set forth in California Health and Safety Code Section 50079.5.

“Method of Financing” means Attachment No. 3 to this Agreement.

“Notice of Affordability Restrictions” refers to the Notice of Affordability Restrictions in form as attached hereto as Attachment No. 16.

“Notice of Completion” shall have the same definition as set forth in California Civil Code section 3093.

“Official Records” means the Official Records of the Office of the County Recorder for San Diego County, California.

“Permitted Exceptions” refers to those permitted exceptions to title as agreed to by Commission and Agency for the Property.

“Permitted Transfer” means any of the following:

The lease for occupancy of all or any part of the Improvements within the Property;

The granting of easements or permits to facilitate the development of the Property in accordance with this Agreement; and

Any Permitted Transfer shall be subject to the reasonable approval of documentation by the Executive Director for conformance with this Agreement.

“Permitted Transferee” means the transferee of a Permitted Transfer.

“Person” means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, domestic or foreign.

“Project” refers to the rehabilitation of the Improvements on the Property.

“Project Budget” means the schedule of sources and uses attached to this Agreement as Attachment No. 7.

“Property” means the real property described in Section 104 of this Agreement.

“Release of Construction Covenants” means the certificate, substantially in form attached hereto as Attachment No. 17, to be issued by the Agency upon Completion in accordance with Section 319 of this Agreement.

“Retail Improvements” means the improvements integral to the rehabilitation, operation and utilization of the Retail Space.

“Retail Space” refers to the retail development on the Property, as set forth in the Scope of Development (Attachment No. 4).

“Schedule of Performance” means the document attached to this Agreement as Attachment No. 5.

“Scope of Development” means the document attached to this Agreement as Attachment No. 4.

“Site Map” means the document which is attached to this Agreement as Attachment No. 1.

“Source of Financing” means a source of financing the Project which has been approved by the Agency, as more specifically described in the Method of Financing (Attachment No. 3).

“Title Company” means Stewart Title Company or another title insurance company mutually acceptable to Agency and Commission.

“Title Insurance Policy” means a standard form ALTA lender’s policy of title insurance in favor of Agency, together with such endorsements as Agency may reasonably require,

insuring the lien of the Agency Deed of Trust against the Property, in the amount of the Agency Loan (the "Agency's Title Policy").

"Transfer" means any assignment, sale, lease, conveyance or other transfer of the Property, or any portion thereof or interest therein, by any means or method.

"UCC-1" means a financing statement, substantially in the form attached to this Agreement as Attachment No. 13.

"Universal Design" means the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design consistent with The Seven Principles of Universal Design developed by North Carolina State University's Center for Universal Design.

"Universal Design Checklist" means that checklist attached to this Agreement as Attachment No. 15.

"Very Low Income" shall have the meaning set forth in California Health and Safety Code Section 50105.

SECTION 103 The Redevelopment Plan

This Agreement is subject to the Redevelopment Plan for the Centre City Redevelopment Project which was approved and adopted on May 11, 1992 by the City Council of the City of San Diego by Ordinance No. 17767[NS] ("Redevelopment Plan"). The Redevelopment Plan is incorporated herein by reference and made a part hereof as though fully set forth herein.

SECTION 104 The Property

The "Property" is generally located at 1301-1333 Fifth Avenue, on the northeast corner of Fifth Avenue and A Street within the Cortez neighborhood of downtown San Diego, California. The Property is depicted on the Site Map attached hereto as Attachment No. 1. The legal description of the Property is set forth in the Legal Description attached hereto as Attachment No. 2.

SECTION 105 Agency

a. Agency is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under Chapter 2 of the Community Redevelopment Law of the State of California.

b. The address of the Agency for purposes of receiving notices pursuant to this Agreement shall be:

Redevelopment Agency of the City of San Diego
c/o Centre City Development Corporation
401 B Street, Suite 400
San Diego, CA 92101
Attn: Executive Director
Tel: 619-235-2200
Fax: 619-236-9148

With a copy to: Kane, Ballmer & Berkman
515 S. Figueroa Street, Suite 1850
Los Angeles, California 90071
Attn: Murray O. Kane
Tel: 213-617-0480
Fax: 213-625-0931

c. "Agency" as used in this Agreement includes the Redevelopment Agency of the City of San Diego, California and any assignee or successor to its rights, powers and responsibilities.

SECTION 106 Commission

a. Commission is the San Diego Housing Commission. The address of Commission for purposes of receiving notices pursuant to this Agreement is as follows:

The San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
Attn: Marco Vakili, Director, Real Estate Management
Tel: (619) 578-7587
Email: rogerg@sdhc.org

With a copy to: Christensen & Spath, LLP
550 West C Street, Suite 1660
San Diego, CA 92101
Attn: Charles B. Christensen

b. Whenever the term "Commission" is used herein, such term means and includes the Commission as of the date hereof, and any assignee of or successor to its rights, powers and responsibilities permitted by this Agreement.

SECTION 107 Assignments and Transfer

a. Commission represents and agrees that its undertakings pursuant to this Agreement are for the purpose of redeveloping the Property and providing affordable rental housing for Low Income and Very Low Income households, and not for speculation in land holding. Commission further recognizes that the qualifications and identity of Commission are of

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particular concern to the City and the Agency, in light of the following: (1) the importance of the development of the Property to the general welfare of the community; (2) the public assistance that has been made available by law and by the government for the purpose of making such redevelopment possible; and (3) the fact that a change in ownership or control of Commission or any other act or transaction involving or resulting in a significant change in ownership or control of Commission, is for practical purposes a Transfer of the property then owned by Commission. Commission further recognizes that it is because of such qualifications and identity that the Agency is entering into the Agreement with Commission. Therefore, no voluntary or involuntary successor in interest of Commission shall acquire any rights or powers under this Agreement except as expressly permitted herein.

b. Commission shall not assign all or any part of this Agreement, or any interest herein, without the prior written approval of the Agency. Subject to review of documentation effectuating any such proposed assignment or Transfer, the Agency agrees to reasonably give such approval if the assignment is a Permitted Transfer.

c. For the reasons cited above, Commission represents and agrees for itself and any successor in interest that, without the prior written approval of the Agency, there shall be no significant change in the ownership of Commission or in the relative proportions thereof, or with respect to the identity of the parties in control of Commission or the degree thereof, by any method or means, except Permitted Transfers.

d. Commission shall promptly notify the Agency of any and all changes whatsoever in the identity of the parties in control of Commission or the degree thereof, of which it or any of its officers have been notified or otherwise have knowledge or information. Except for Permitted Transfers, this Agreement may be terminated by the Agency if there is any significant change (voluntary or involuntary) in membership, management or control, of Commission (other than such changes occasioned by the death or incapacity of any individual).

PART 2. AGENCY ASSISTANCE

SECTION 201 Method of Financing

The Acquisition and Development Costs shall be financed with a combination of Sources of Financing as provided in the Method of Financing (Attachment No. 3), including the following intended sources: the Agency Loan and alternative gap financing sources ("Alternative Gap Financing"). To the maximum extent permitted by law, Commission intends to fund the acquisition and rehabilitation of the Project with funds from a Fannie Mae Delegated Underwriting and Servicing Product Line that have been irrevocably designated by the Commission as a "Build America Bond" in accordance with Section 55AA of the Internal Revenue Code of 1986 (the "BABS Loan"). Commission shall use reasonable best efforts to procure the above referenced Alternative Gap Financing in accordance with the Schedule of Performance (Attachment No. 5). For purposes of this Section, "best efforts" means Commission has used diligent efforts to submit applications for available Alternative Gap Financing sources that are timely, complete, and responsive. In the event that Commission does not obtain the

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Sources of Financing described in the Method of Financing (Attachment No. 3) despite making reasonable best efforts, the Agency Loan shall not be reduced.

SECTION 202 Agency Loan

a. Agency Loan. In accordance with and subject to the terms and conditions of this Agreement, including the Method of Financing (Attachment No. 3), the Agency agrees to lend to Commission, and Commission agrees to borrow from the Agency, the Agency Loan, as described in the Method of Financing (Attachment No. 3), an amount not to exceed SIX MILLION NINETY-FIVE THOUSAND DOLLARS AND NO CENTS (\$6,095,000.00). The amount of the Agency Loan shall be finalized after the Executive Director approves all Sources of Financing and uses of Acquisition and Development Costs set forth in the Project Budget (Attachment No. 7), in accordance with the Schedule of Performance (Attachment No. 5). The Agency Loan shall be evidenced by the Agency Loan Note (Attachment No. 8), and repayment shall be secured by the Agency Deed of Trust (Attachment No. 9), an Assignment of Rents (Attachment No. 10), an Assignment of Agreements (Attachment No. 11), and a UCC-1 Financing Statement ("UCC-1") (Attachment No. 13).

b. Gap Assistance. The parties acknowledge that the Agency Loan is intended to be gap assistance, not to exceed the amount needed to bridge the gap between the total Acquisition and Development Costs (as defined herein and in the Method of Financing) and the maximum loans obtainable by Commission. In furtherance of this acknowledgement, Commission agrees to the following conditions ("Conditions"):

1. The maximum amount of the Agency Loan shall not exceed SIX MILLION NINETY-FIVE THOUSAND DOLLARS AND NO CENTS (\$6,095,000.00).

2. If there are any increases in Project's funding gap due to development cost increases, the additional gap shall be funded by Commission through other non-Agency sources.

3. If Commission proposes to redesign the Project or add new features to the Project which result in a cost savings, the Agency Loan shall be reduced to reflect such changes.

4. If Commission procures Alternative Gap Financing, the Agency Loan shall be reduced by fifty percent (50%) of the Alternative Gap Financing procured. The other fifty percent (50%) shall be credited to reduce Commission's contribution towards Acquisition and Development Costs.

Commission understands and agrees that the Commission's performance of the Conditions are a material inducement to the Agency's execution of this Agreement and that in the event of any dispute between the parties, the Agreement shall be interpreted in a manner that furthers the intent of the Conditions for the benefit of the Agency. No portion of the Agency Loan may be used to pay rehabilitation costs directly attributable to the Retail Improvements.

c. Allocation of Costs. The proceeds of the Agency Loan shall be used exclusively to pay Acquisition and Development Costs for the Affordable SRO Units as identified in the Project Budget (Attachment No. 7), including Eligible Pre-Closing Costs, and reasonably approved by the Executive Director. Commission acknowledges, understands and agrees that the proceeds of the Agency Loan shall not be used to finance any other uses, including without limitation, the rehabilitation of the Retail Space or Retail Improvements.

d. Credit for Expenditure of Eligible Pre-Closing Costs. Commission acknowledges, understands and agrees that in contemplation of this Agreement, (i) the Agency shall make certain disbursements and expenditures for Eligible Pre-Closing Costs (Attachment No. 7A) and (ii) these disbursements and expenditures shall be fully credited as a Pre-Closing disbursement of the Agency Loan.

e. Disbursement Agreement. Except for Agency's pre-Closing disbursement and expenditures under subsection (d), above, the proceeds of the Agency Loan shall be disbursed in accordance with the Disbursement Agreement (Attachment No. 14).

SECTION 203 Evidence of Financing

a. Commission shall submit to the Agency evidence satisfactory to the Executive Director that Commission has obtained the financing necessary for the acquisition and development of the Property in accordance with this Agreement and the Schedule of Performance (Attachment No. 5). Such evidence of financing shall include the following:

A copy of all purchase and sale documents, evidencing intent to convey title of the Property to Commission concurrently with Closing, free and clear of all liens, encumbrances, covenants, restrictions, easements, leases, taxes and other defects, except as otherwise agreed to in writing by the Executive Director;

A copy of all financing commitments evidencing that Commission has obtained the financing necessary for the acquisition and rehabilitation of the Property in accordance with this Agreement, including without limitation copies of all commitments from all Sources of Financing; provided, however, that the BABS Loan is hereby deemed approved by the Agency as the source of the Commission's financing of the acquisition and rehabilitation of the Property; and

A copy of the contract between Commission and the general contractor or major subcontractors for the rehabilitation of the Improvements, certified by Commission to be a true and correct copy thereof.

b. The Executive Director shall approve or disapprove such evidence of financing within the time established in the Schedule of Performance (Attachment No. 5). Such approval shall not be unreasonably withheld. If the Agency shall disapprove any such evidence of financing, the Agency shall do so by written notice to Commission stating the reasons for such disapproval.

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SECTION 204

Conditions Precedent to Closing

Subject to the notice and cure provisions of Sections 501 through 510, inclusive, of this Agreement and to the enforced delay provisions of Section 602 of this Agreement, the Agency at its option may terminate this Agreement pursuant to Section 510 if any of the conditions precedent set forth in the Method of Financing (Attachment No. 3) are not satisfied by the Commission or waived in writing by the Agency within the time limits set forth in the Schedule of Performance (Attachment No. 5).

SECTION 205

Escrow

Agency agrees to open a loan escrow account in the County of San Diego with Title Company or such other escrow company, escrow department of a bank, or escrow department of a title insurance company first approved by Agency and Commission (the "Escrow Agent"), no later than the applicable dates established in the Schedule of Performance (Attachment No. 5).

Sections 201 through 207 (inclusive) of this Agreement shall constitute the joint escrow instructions of Agency and Commission with respect to Closing, and a duplicate original of this Agreement shall be delivered to the Escrow Agent upon the opening of the escrow.

Agency and Commission shall provide such additional escrow instructions as shall be necessary to close the escrow with respect to the Agency Loan, and consistent with this Agreement. The Escrow Agent hereby is empowered to act under such instructions, and upon indicating its acceptance thereof in writing, delivered to Agency and to Commission within five (5) days after the opening of the escrow, shall carry out its duties as Escrow Agent hereunder.

Upon receipt by the Escrow Agent of all executed and acknowledged documents, as required by the Method of Financing (Attachment No. 3), the Escrow Agent shall record all documents in accordance with Section 206 of this Agreement when the Agency Loan can be funded in accordance with the terms and provisions of this Agreement. The Escrow Agent shall buy, affix and cancel any transfer stamps required by law. Any insurance policies governing the Property or any portion thereof are not to be transferred.

Agency and Commission shall each pay in escrow to the Escrow Agent one half (1/2) of the following fees, charges and costs promptly after the Escrow Agent has notified Agency and Commission of the amount of such fees, charges and costs, but not earlier than one (1) day prior to the Closing Date:

1. Escrow fee;
2. Recording fees;
3. Notary fees;
4. State, county, city or other documentary stamps and transfer taxes, if any.

Agency's share of the foregoing fees, charges and costs shall be credited as a disbursement of the Agency Loan.

The Escrow Agent is authorized to:

1. Pay, and charge Agency and Commission, respectively, for any fees, charges and costs payable under this Section 205. Before such payments are made, the Escrow Agent shall notify Agency and Commission of the fees, charges and costs necessary to Closing;
2. Disburse funds and deliver documents to the parties entitled thereto when the conditions of the escrow have been fulfilled by Agency and Commission; and
3. Record any instruments delivered through the escrow if necessary or proper to vest the applicable interests in Commission and Agency in accordance with the terms and provisions of this Agreement.

All funds received in the escrow shall be deposited by the Escrow Agent in an interest bearing account for the benefit of the depositing party as directed by the depositing party.

If any escrow is not in condition to close on or before the Closing Date, either party who then shall have fully performed the acts to be performed before the Closing Date may, in writing, demand the return of its money, papers or documents. No demand for return shall be recognized until ten (10) days after the Escrow Agent shall have mailed copies of such demand to the other party at the address of its principal place of business. Objections, if any, shall be raised by written notice to the Escrow Agent and to the other party within the ten- (10) day period. If any objections are raised within the ten- (10) day period, the Escrow Agent is authorized to hold the money, paper and documents until instructed by mutual agreement of the parties or, upon failure thereof, by a court of competent jurisdiction. Notwithstanding the foregoing, the termination rights of Agency and Commission and other rights and remedies on default are governed by Sections 501 through 510, inclusive, of this Agreement, and no demand for such return shall affect such rights or remedies. If no such demands are made, the escrow shall be closed as soon as possible.

The Escrow Agent shall not be obligated to return any such money, papers or documents except upon the written instructions of both Agency and Commission affected thereby, or until the party entitled thereto has been determined by a final decision of a court of competent jurisdiction.

Any amendments to these escrow instructions shall be in writing and signed by both Agency and Commission. At the time of any amendment the Escrow Agent shall agree to carry out its duties as escrow agent under such amendment.

All communications from the Escrow Agent to Agency or Commission shall be directed to the addresses and in the manner established in Section 601 of this Agreement for notices, demands and communications between Agency and Commission.

The liability of the Escrow Agent under this Agreement is limited to performance of the obligations imposed upon it under Sections 201 through 207, inclusive of this Agreement.

SECTION 206 Recordation of Documents

a. Agency and Commission, respectively, agree to perform all acts necessary to achieve recordation and delivery of documents in sufficient time for escrow to be closed in accordance with the foregoing provisions.

b. All documents to be recorded shall be recorded in the Official Records.

SECTION 207 Title Insurance

Concurrently with the recordation of the Agency Deed of Trust (Attachment No. 9), Title Company shall provide and deliver to Agency a Title Insurance Policy, issued by the Title Company insuring the first priority of the lien of the Agency's Deed of Trust. The Title Company shall provide Agency with a copy of the Agency's Title Policy. The Agency's Title Policy shall be in the amount of the Agency Loan. Agency shall pay for all premiums for the Agency's Title Policy which payment shall be credited as a disbursement of the Agency Loan.

SECTION 208 Hazardous Substances

a. "Hazardous Substance," as used in this Agreement means any substance, material or waste which is or becomes regulated by the United States government, the State of California, or any local or other governmental authority, including, without limitation, any material, substance or waste which is (i) defined as a "hazardous waste," "acutely hazardous waste," "restricted hazardous waste," or "extremely hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code; (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code; (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code; (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code; (v) petroleum; (vi) asbestos; (vii) a polychlorinated biphenyl; (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20; (ix) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317); (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act (42 U.S.C. Section 6903); (xi) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601); or (xii) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any governmental requirements either requires special handling in its use, transportation,

generation, collection, storage, treatment or disposal, or is defined as “hazardous” or is harmful to the environment or capable of posing a risk of injury to public health and safety. “Hazardous Substances” do not include materials customarily used in the construction, development, operation or maintenance of real estate, provided such substances are used in accordance with all laws.

b. Commission hereby represents and warrants that the rehabilitation of the Property permitted under this Agreement (i) will comply with all applicable environmental laws; and (ii) do not require the presence of any Hazardous Substance on the Property, except for de minimis quantities used in compliance with all applicable environmental laws. Commission also agrees that the Property will not, while Commission is the owner or has any control thereof, be used for any activities involving, directly or indirectly, the use, generation, treatment, storage, release, or disposal of any Hazardous Materials, except for de minimis quantities used at the Property in compliance with all applicable environmental laws and required in connection with the routine development, operation and maintenance of the Property.

c. Effective upon Closing, if any enforcement action or legal claim or proceeding is initiated arising out of the presence of Hazardous Substances at, under or on the Property, in which the Agency, CCDC, and/or the City, or their respective members, officers, agents, or employees (collectively, “Indemnitees”) are named, regardless of whether the Commission is named, then the Commission shall have the following obligation: Unless and until the Commission obtains a final, non-appealable judicial determination, or the Agency’s written agreement, to the effect that the Commission has no liability or obligation whatsoever for environmental contamination or remediation with respect to the Property or the Project arising under any applicable laws, statutes, ordinances or regulations, or common law, the Commission shall defend (with counsel of Agency’s choice), hold harmless and indemnify the Indemnitees with respect to any losses, costs, fines, penalties, damages, claims or proceedings arising out of or related to actual or alleged environmental contamination or remediation with respect to the Property or the Project, except to the extent caused by the negligence or the willful misconduct of any Indemnitee. Notwithstanding anything to the contrary herein, this provision shall survive termination of this Agreement and/or any foreclosure action to protect the Agency’s interest hereunder.

d. On and after the Effective Date of this Agreement, Commission hereby waives and releases any and all rights of contribution from the Agency, CCDC, City and their respective members, officers, employees, agents, contractors and consultants, arising out of any and all present and future claims, demands, suits, legal and administrative proceedings, both known and unknown, relating to the use, storage, existence or disposal of Hazardous Substances at, under or on the Property, except those claims arising, in whole or in part, out of the negligence or willful misconduct of the Agency, CCDC or City or their respective employees, officers or agents. This release and waiver constitutes a special release specific to known and unknown claims arising from the use, storage, existence or disposal of Hazardous Substances, and not a general release of the persons and entities listed in this subparagraph d.

SECTION 209 Management Plan

Prior to Closing, and as provided in the Schedule of Performance (Attachment No. 5), Commission shall submit a management plan for the operation of the Hotel Sanford following conveyance of the Property to the Commission ("Management Plan"). The Management Plan shall be subject to the Agency's approval, which approval shall not be unreasonably withheld, conditioned or delayed.

PART 3. DEVELOPMENT OF THE PROPERTY

SECTION 301 Land Use Approvals

It is the responsibility of Commission, without cost to Agency, to ensure that zoning of the Property and all applicable City land use requirements will permit development of the Property and rehabilitation of the Improvements and the use, operation and maintenance of such Improvements in accordance with the provisions of this Agreement. Nothing contained herein shall be deemed to entitle Commission to any City of San Diego permit or other City approval necessary for the development of the Property, or waive any applicable City requirements relating thereto. This Agreement does not (a) grant any land use entitlement to Commission, (b) supersede, nullify or amend any condition which may be imposed by the City of San Diego in connection with approval of the development described herein, (c) guarantee to Commission or any other party any profits from the development of the Property, or (d) amend any City laws, codes or rules. This is not a Development Agreement as provided in Government Code Section 65864. Without cost to Agency, Agency shall provide appropriate technical assistance to Commission in connection with Commission's obtaining all necessary entitlements, permits and approvals for the rehabilitation of the Improvements, qualifying for the City's Affordable Infill Housing Expedite Program and obtaining deferral of City-imposed fees until issuance of certificates of occupancy.

SECTION 302 Scope of Development

The Property shall be rehabilitated in accordance with and within the parameters established in the Scope of Development (Attachment No. 4).

SECTION 303 Universal Design

Commission shall make commercially reasonable efforts to incorporate Universal Design components into the project as outlined in the Agency's Universal Design Checklist (Attachment No. 15).

SECTION 304 Construction Drawings and Related Documents

a. Commission shall prepare and submit construction drawings and related documents (collectively called the "Construction Drawings") to the Agency for review (including but not limited to architectural review), and written approval in the times established in the

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Schedule of Performance (Attachment No. 5). Such construction drawings and related documents shall be submitted as 50% and Final Construction Drawings. Final Construction Drawings are hereby defined as those in sufficient detail to obtain a building permit.

b. Approval of progressively more detailed Construction Drawings will be promptly granted by the Executive Director if developed as a logical evolution of Construction Drawings theretofore approved. Any items so submitted and approved by the Executive Director shall not be subject to subsequent disapproval.

c. During the preparation of all Construction Drawings, the Executive Director and Commission shall hold regular progress meetings to coordinate the preparation of, submission to, and review of Construction Drawings and related documents by the Executive Director. The Executive Director and Commission shall communicate and consult informally as frequently as is necessary to insure that the formal submittal of any documents to the Agency can receive prompt and speedy consideration.

d. If any revisions or corrections of Construction Drawings approved by the Agency shall be required by any government official, agency, department, or bureau having jurisdiction over the development of the Property, Commission and the Executive Director shall cooperate in efforts to obtain waiver of such requirements or to develop a mutually acceptable alternative.

SECTION 305 Public Improvement Plans

Commission shall prepare and submit to the Agency for its approval public improvement plans for the Property to the extent that such plans are required by the City as part of any discretionary approval process for rehabilitation of the Property ("Public Improvement Plans"). These plans shall be prepared and submitted within the times established in the Schedule of Performance (Attachment No. 5).

SECTION 306 Agency Approvals of Plans

a. Subject to the terms of this Agreement, the Agency shall have the right to review (including without limitation architectural review) and approve or disapprove all Public Improvement Plans and Construction Drawings (collectively, "Plans"), including any proposed substantial changes to any such Plans or submissions approved by Agency. Upon receipt of any disapproval, Commission shall revise the Plans, and shall resubmit to the Executive Director as soon as possible after receipt of the notice of disapproval. The Agency shall approve or disapprove the Plans referred to in Sections 304 and 305 of this Agreement within the times established in the Schedule of Performance (Attachment No. 5). Approval or disapproval by the CCDC for the purposes of this Section 306 shall be deemed to constitute the approval or disapproval of the Agency in accordance with Resolution No. 2130 of the Agency. Any disapproval shall state in writing the reasons for disapproval and the changes which the Executive Director requests to be made. Such reasons and such changes must be consistent with the Scope of Development (Attachment No. 4) and any items previously approved hereunder. Commission, upon receipt of a disapproval based upon powers reserved by the Agency hereunder shall revise

the Plans, and shall resubmit to the Executive Director as soon as possible after receipt of the notice of disapproval.

b. If Commission desires to make any substantial change in the Final Construction Drawings after their approval, such proposed change shall be submitted to the Executive Director for approval. For purposes of this Section, "Substantial" shall mean any material change in building materials or equipment, specifications, or the structural or architectural design or appearance of the Project. Nothing herein shall be interpreted as altering, modifying, waiving, amending, or reducing any requirements of any governmental permit required by any local, state or federal permitting authority for the development contemplated herein.

SECTION 307 Cost of Rehabilitation

The cost of rehabilitating the Improvements, including any offsite or onsite improvements required by the City in connection therewith, shall be the responsibility of Commission, without any cost to Agency, subject to the terms of this Agreement and those terms set forth in the Method of Financing (Attachment No. 3).

SECTION 308 Schedule of Performance

a. Each party to this Agreement shall perform the obligations to be performed by such party pursuant to this Agreement within the respective times provided in the Schedule of Performance (Attachment No. 5), and if no such time is provided, within a reasonable time. The Schedule of Performance shall be subject to amendment from time to time upon the written mutual approvals of the Agency and Commission.

b. After the Closing, Commission shall promptly begin and thereafter diligently prosecute to Completion the rehabilitation of the Improvements as provided herein and in the Scope of Development (Attachment No. 4).

c. During periods of rehabilitation, Commission shall submit to the Agency a written report of the progress of rehabilitation when and as reasonably requested by the Agency, but not more frequently than monthly. The report shall be in such form and detail as may be reasonably required by the Agency and shall include a reasonable number of photographs (if requested) taken since the last report by Commission. If Agency utilizes the services of a monitor, Commission shall reasonably cooperate with the Agency's monitor to coordinate inspections.

SECTION 309 Indemnification and Insurance

a. Commission's Indemnity. To the maximum extent permitted by law, and in addition to any other provisions of this Agreement independently requiring Commission to defend, indemnify, and hold harmless the Agency, the City of San Diego, the CCDC, and their respective officers, employees, contractors and agents, Commission agrees to and shall defend, indemnify and hold harmless Agency, the City of San Diego, the CCDC, and their respective officers, employees, contractors and agents from and against all claims, liability, loss, damage,

costs or expenses (including reasonable attorneys' fees and court costs) arising from or as a result of the death of any person or any accident, injury, loss or damage whatsoever caused to any person or the property of any person resulting or arising from or in any way connected with the following, provided Commission shall not be responsible for (and such indemnity shall not apply to) any negligence or willful misconduct of the Agency, City, the CCDC or their respective officers, employees, contractors or agents:

1. The existence, release, presence or disposal on, in, or under the Property of any Hazardous Substances resulting from the acts or omissions of Commission, its contractors, subcontractors, agents or other persons acting on Commission's behalf (individually, "Indemnifying Party," and collectively, "Indemnifying Parties");
2. The development, rehabilitation, marketing, use, operation or condition of the Property and the Improvements by any Indemnifying Party;
3. Any accident, personal injury or casualty on the Property or the Improvements resulting from the acts or omissions of any Indemnifying Party;
4. Any plans or designs for Improvements (collectively, "Plans") prepared by or on behalf of any Indemnifying Party, including without limitation any errors or omissions with respect to such plans or designs, except in the event that (i) none of the Indemnifying Parties develops the Property pursuant to this Agreement, and (ii) upon assignment of the Plans to Agency, Agency uses the Plans or causes such Plans to be used to develop the Property;
5. Any loss or damage to Agency resulting from any inaccuracy in or breach of any representation or warranty of Commission, or resulting from any breach or default by Commission, under this Agreement; and
6. Any and all actions, claims, damages, injuries, challenges and/or costs or liabilities arising from the approval of any and all entitlements or permits for the Improvements by CCDC, the City of San Diego or the Agency.

The foregoing indemnity obligations shall continue to remain in effect after the Completion, but shall only apply to acts or omissions arising during Commission's ownership and/or operation of the Project. Commission understands, acknowledges and agrees that nothing in this Section shall be deemed or interpreted as a limitation, modification or waiver of any other provisions of this Agreement independently requiring Commission to defend, indemnify, and hold harmless the Agency, the City of San Diego, the CCDC, and their respective officers, employees, contractors and agents.

b. Insurance Policies.

1. Commencing upon the Closing or Commission's possession of the Property, whichever occurs first through the end of the Covenant Period ("the Term") or sooner

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Release in accordance with Section 401 (c), Commission shall maintain in effect and deliver to Agency duplicate originals or appropriate certificates of the following insurance policies (the "Insurance Policies"):

(a) All-Risk Policies: Unless waived, in writing, by the Executive Director, Commission shall maintain or cause to be maintained coverage of the type now known as builder's completed value risk insurance, as delineated on an All Risk Builder's Risk 100% Value Non-Reporting Form. Such insurance shall insure against direct physical loss or damage by fire, lightning, wind, storm, explosion, collapse, underground hazards, flood, vandalism, malicious mischief, glass breakage and such other causes as are covered by such form of insurance, excluding earthquake(s). Such policy shall include (1) an endorsement for broad form property damage, breach of warranty, demolition costs and debris removal, (2) a "Replacement Cost Endorsement" in amount sufficient to prevent Commission from becoming a co-insurer under the terms of the policy, but in any event in an amount not less than 100% of the then full replacement cost, to be determined at least once annually and subject to reasonable approval by Agency, and (3) an endorsement to include coverage for budgeted soft costs. The replacement cost coverage shall be for work performed and equipment, supplies and materials furnished to the Property, or any adjoining sidewalks, streets and passageways, or to any bonded warehouse for storage pending incorporation into the work, without deduction for physical depreciation and with a deductible not exceeding \$25,000 per occurrence, or such other deductible amount as Agency may reasonably determine is acceptable, in light of the cost of the premium for such insurance), which deductible amount shall be subject to increases equal to increases in the Consumer Price Index.

(b) Liability Insurance: Commission shall maintain or cause to be maintained general liability insurance or an equivalent owner contractors protective policy, to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, suffered or alleged to be suffered by any person or persons whomsoever on or about the Property and the business of Commission on the Property, or in connection with the operation thereof, resulting directly or indirectly from any acts or activities of Commission, or any person acting for Commission, or under its respective control or direction, and also to protect against loss from liability imposed by law for damages to any property of any person occurring on or about the Property, or in connection with the operation thereof, caused directly or indirectly by or from acts or activities of Commission or its tenants, or any person acting for Commission, or under its control or direction. Such property damage and personal injury insurance shall also provide for and protect Agency against incurring any legal cost in defending claims for alleged loss. Such personal injury and property damage insurance shall be maintained in full force and effect during the Term in the following amounts: commercial general liability in a general aggregate amount of not less than Four Million Dollars (\$4,000,000), Four Million Dollars (\$4,000,000) Products and Completed Operations Aggregate, and Two Million Dollars (\$2,000,000) each Occurrence, which amounts shall be subject to increases equal to increases in the Consumer Price Index. Commission shall deliver to Agency a Certificate of Insurance evidencing such insurance coverage prior to the occurrence of the Closing. Commission agrees that provisions of this paragraph as to maintenance of insurance shall not be

construed as limiting in any way the extent to which Commission may be held responsible for the indemnification of Agency or the payment of damages to persons or property resulting from Commission's activities, activities of its tenants or the activities of any other person or persons for which Commission is otherwise responsible. To the extent that Commission maintains increased or additional insurance coverage during the Term, in excess of the minimum coverage requirements prescribed by paragraphs (b)(1)(b) and (b)(1)(c) of this Section 309, Commission shall ensure that the additional insureds specified in paragraph (b)(3) of this Section 309 derive the benefit of such increased or additional insurance coverage.

(c) Automobile Insurance: Commission shall maintain or cause to be maintained automobile insurance on any automobiles owned by Commission, maintained in full force and effect in an amount of not less than Two Million Dollars (\$2,000,000) per accident, which amount shall be subject to increases equal to increases in the Consumer Price Index.

(d) Workers' Compensation Insurance: Commission shall maintain or cause to be maintained workers' compensation insurance, if required, for any employees of Commission, issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the workers' compensation laws now in force in California, or any laws hereafter enacted as an amendment or supplement thereto or in lieu thereof. Such workers' compensation insurance shall cover all persons employed by Commission in connection with the Property and shall cover liability within statutory limits for compensation under any such act aforesaid, based upon death or bodily injury claims made by, for or on behalf of any person incurring or suffering injury or death in connection with the Property or the operation thereof by Commission. Notwithstanding the foregoing, Commission may, in compliance with the laws of the State of California and in lieu of maintaining such insurance, self-insure for workers' compensation in which event Commission shall deliver to Agency evidence that such self-insurance has been approved by the appropriate State authorities.

2. All policies or certificates of insurance shall provide that such policies shall not be canceled, reduced in coverage or limited in any manner without at least ten (10) days prior written notice to Agency. All fire and liability insurance policies (not automobile and Workers' Compensation) may name the Agency and Commission as insureds, additional insureds, and/or loss payable parties as their interests may appear.

3. The Insurance Policies shall name as additional insureds the following:

"The City of San Diego, the Redevelopment Agency of the City of San Diego, the Centre City Development Corporation, and their respective officers, employees, contractors, agents and attorneys."

Commission agrees to timely pay all premiums for such insurance and, at its sole cost and expense, to comply and secure compliance with all insurance requirements necessary for the maintenance of such insurance. Commission agrees to submit binders or certificates evidencing such insurance to Agency prior to the Closing. Within thirty (30) days, if practicable, but in any event prior to expiration of any such policy, copies of renewal policies, or certificates evidencing

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the existence thereof, shall be submitted to Agency. All insurance herein provided for under this Section shall be provided by insurers licensed to do business in the State of California and rated A-VII or better.

4. If Commission fails or refuses to procure or maintain insurance as required by this Agreement, Agency shall have the right, but not the obligation, at Agency's election, and upon ten (10) days prior notice to Commission, to procure and maintain such insurance. The premiums paid by Agency shall be treated as a loan, due from Commission, to be paid on the first day of the month following the date on which the premiums were paid. Agency shall give prompt notice of the payment of such premiums, stating the amounts paid and the name of the insured(s).

5. The Executive Director may, in his or her sole and absolute discretion, waive the automobile insurance requirements as to Commission, but not its contractor(s). This waiver must be express and in writing, and will only be made upon a showing by Commission that its operations in and with respect to Agency are not such as to impose liability within the scope of auto insurance coverage.

SECTION 310 Nondiscrimination and Equal Opportunity

a. Compliance with Equal Opportunity Contracting Requirements. The Commission shall comply with the City's Equal Opportunity Contracting Ordinance (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

b. Nondiscrimination. Commission shall not discriminate on the basis of race, gender, religion, national origin, ethnicity, sexual orientation, age or disability in the solicitation, selection, hiring or treatment of any contractors or consultants, to participate in subcontracting/subconsulting opportunities. Commission understands and agrees that violation of this clause shall be considered a material breach of this Agreement and may result in termination, debarment or other sanctions. After the Effective Date, this language shall be incorporated into all contracts between Commission and any contractor, consultant, subcontractor, subconsultants, vendors and suppliers.

SECTION 311 Local, State and Federal Laws

The Commission shall carry out the rehabilitation of the Improvements on the Property, including, without limitation, any and all public works, as defined by applicable law, if any, in conformity with all applicable local, state and federal laws, including, without limitation, all applicable federal and state labor laws (including, without limitation, any applicable requirement to pay state prevailing wages). Commission hereby agrees that Commission shall have the obligation to provide any and all disclosures, representations, statements, rebidding, and/or identifications which may be required by Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. Commission hereby agrees that Commission shall have the obligation to provide and maintain any and all bonds

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to secure the payment of contractors (including the payment of wages to workers performing any public work) which may be required by the Civil Code, Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. Commission shall indemnify, protect, defend and hold harmless the Agency, CCDC, City and their respective officers, employees, contractors and agents, with counsel reasonably acceptable to Agency, CCDC and City, from and against any and all loss, liability, damage, claim, cost, expense, and/or "increased costs" (including labor costs, penalties, reasonable attorneys fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development and/or rehabilitation (as defined by applicable law) of the Improvements, including, without limitation, any and all public works (if any) as defined by applicable law, results or arises in any way from any of the following: (1) the noncompliance by Commission of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state prevailing wages); (2) the implementation of Chapter 804, Statutes of 2003; (3) the implementation of Sections 1726 and 1781 of the Labor Code, as the same may be enacted, adopted or amended from time to time, or any other similar law; (4) failure by Commission to provide any required disclosure representation, statement, rebidding and/or identification which may be required by Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law; and/or (5) failure by Commission to provide and maintain any and all bonds to secure the payment of contractors (including the payment of wages to workers performing any public work) which may be required by the Civil Code, Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. Commission hereby expressly acknowledges and agrees that neither City, CCDC, nor Agency has ever previously affirmatively represented to the Commission or its contractor(s) for the Improvements in writing or otherwise, that the work to be covered by the bid or contract is not a "public work," as defined in Section 1720 of the Labor Code. It is agreed by the parties that, in connection with the development and rehabilitation (as defined by applicable law) of the Improvements, including, without limitation, any public work (as defined by applicable law), if any, Commission shall bear all risks of payment or non-payment of state prevailing wages and/or the implementation of Chapter 804, Statutes of 2003 and/or Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, and/or any other provision of law. "Increased costs" as used in this Section shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time. The foregoing indemnity shall survive termination of this Agreement and shall continue after Completion and the recordation of the Release of Construction Covenants.

SECTION 312 Reserved

SECTION 313 Permits

Before commencement the rehabilitation of any buildings, structures or other work of improvement upon any portion of the Property, Commission shall, at its own expense, secure or cause to be secured, any and all permits which may be required by the City or any other governmental agency affected by such rehabilitation or work.

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SECTION 313.1 Construction and Demolition Debris Diversion Deposit Program

Commission shall comply with the City of San Diego Construction and Demolition Debris Diversion Deposit Program, as set forth in San Diego Municipal Code sections 66.0601 through 66.0610.

SECTION 314 Rights of Access

Commencing upon the Closing, representatives of the Agency and the City shall have the reasonable right of access to the Property, upon 24 hours' written notice to Commission (except in the case of an emergency, in which case Agency shall provide such notice as may be practical under the circumstances), without charges or fees, at normal business hours during the period of rehabilitation for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed in rehabilitating the Improvements. Such representatives of the Agency or the City shall be those who are so identified in writing by the Executive Director of the Agency.

The Commission has the right to designate representatives to accompany the Agency or City representatives on such inspections. The Agency agrees to coordinate with Commission to schedule such inspections so that Commission's representative may attend the inspections, in the discretion of Commission.

SECTION 315 Disclaimer of Responsibility by Agency

The Agency neither undertakes nor assumes nor will have any responsibility or duty to Commission or to any third party to review, inspect, supervise, pass judgment upon or inform Commission or any third party of any matter in connection with the development or rehabilitation of the Improvements, whether regarding the quality, adequacy or suitability of the plans, any labor, service, equipment or material furnished to the Property, any person furnishing the same, or otherwise. Commission and all third parties shall rely upon its or their own judgment regarding such matters, and any review, inspection, supervision, exercise of judgment or information supplied to Commission or to any third party by the Agency in connection with such matter is for the public purpose of redeveloping the Property, and neither Commission (except for the purposes set forth in this Agreement) nor any third party is entitled to rely thereon. The Agency shall not be responsible for any of the work of rehabilitation, improvement or development of the Property.

SECTION 316 Taxes, Assessments, Encumbrances and Liens

Commencing upon the Closing, Commission shall pay when due all real estate taxes and assessments assessed and levied on or against the Property or any portion thereof. Commission shall not place, or allow to be placed, against the Property or any portion thereof, any mortgage, trust deed, encumbrance or lien not authorized by this Agreement.

SECTION 317

Prohibition Against Transfer

a. Commission shall not, except as permitted by this Agreement, including without limitation Sections 102 (definition of "Permitted Transfer") and 107, assign or attempt to assign this Agreement or any right herein, nor make any total or partial sale, transfer, conveyance or assignment of the whole or any part of the Commission's interest in the Property or the Improvements thereon, without prior written approval of the Agency. This prohibition shall not be deemed to prevent the granting of easements or permits to facilitate the development of the Property, nor shall it prohibit Permitted Transfers.

b. Except as permitted by paragraph a., in the event Commission does assign this Agreement or any of the rights herein, or does sell, transfer, convey or assign the Commission's interest in the Property (or any portion thereof) without the approval of the Agency, subject to the notice and cure provisions of Section 501, the Agency shall have the right to terminate this Agreement.

c. In the absence of a specific written agreement by the Agency, and except as otherwise provided in this Agreement, no such sale, transfer, conveyance or assignment of this Agreement or Commission's interest in the Property (or any portion thereof), or approval by the Agency of any such sale, transfer, conveyance or assignment, shall be deemed to relieve Commission or any other party from any obligations under this Agreement.

SECTION 318

Right of the Agency to Satisfy Other Liens on the Property

After Commission has had a reasonable time to challenge, cure or satisfy any liens or encumbrances on its interest in the Property, the Agency shall have the right to satisfy any such liens or encumbrances; provided, however, that nothing in this Agreement shall require Commission to pay or make provisions for the payment of any tax, assessment, lien or charge so long as Commission in good faith shall contest the validity or amount thereof, and so long as such delay in payment shall not subject the Property to forfeiture or sale. In such event, the Agency shall be entitled to reimbursement from Commission of all costs and expenses incurred by the Agency in satisfying any such liens or encumbrances. The Agency shall also be entitled to a lien upon the Property to the extent of such costs and expenses.

SECTION 319

Release of Construction Covenants

a. Promptly after Completion of the Improvements as required by this Agreement, Agency shall deliver to Commission a Release of Construction Covenants, upon written request therefor by Commission. Agency shall not unreasonably withhold any such Release of Construction Covenants. Such Release of Construction Covenants shall be, and shall so state, conclusive determination of satisfactory completion of the Scope of Development (Attachment No. 4) required by this Agreement.

b. The Release of Construction Covenants shall be substantially in the form attached hereto as Attachment No. 17 so as to permit it to be recorded in the Official Records.

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c. If Agency fails to deliver the Release of Construction Covenants within ten (10) days after written request from Commission, Agency shall provide Commission with a written statement of its reasons (the "Statement of Reasons") within that ten (10)-day period. The statement shall also set forth the steps Commission must take to obtain the Release of Construction Covenants. If the reasons are confined to the immediate unavailability of specific items or materials for landscaping, or to so-called "punch list" items identified by Agency, Agency will issue the Release of Construction Covenants upon the posting of a bond by Commission with Agency in an amount representing Agency's estimate of the cost to complete the work.

Such Release of Construction Covenants shall not constitute evidence of compliance with or satisfaction of any obligation of Commission to any Senior Lender, or any insurer of a mortgage securing money loaned to finance the Improvements, nor any part thereof. Such Release of Construction Covenants is not a Notice of Completion as referred to in Section 3093 of the California Civil Code.

PART 4. USE OF THE PROPERTY

SECTION 401 Uses

a. Commission covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that Commission, such successors and such assignees shall use the Property only for the uses specified in the Redevelopment Plan, the Centre City Planned District Ordinance, any development agreements entered into by and between the City and Commission, this Agreement (including without limitation the Scope of Development (Attachment No. 4) and the Agreement Affecting Real Property (Attachment No. 6). No change in the use of the Property shall be permitted without the prior written approval of Agency.

b. Notwithstanding the generality of Section 401(a), Commission, its successors and assigns, shall use the Property only for the uses permitted in this Agreement, specifically including the following: (i) residential rental uses of the Affordable SRO Units; and (ii) retail or office uses of the Retail Space.

c. Residential Uses. Subject to the provisions for Release set forth in Section 401(c) below, during the Covenant Period, Commission on behalf of itself and its successors, assigns, and each successor in interest to Commission's interest in the Property or any part thereof, hereby covenants and agrees as follows:

1. The Affordable SRO Units shall be available to Low Income and Very Low Income households at an Affordable Rent in accordance with the Schedule of Affordable Rents attached to Exhibit "B" of the Agreement Affecting Real Property (Attachment No. 6).

2. The maximum incomes of all tenants eligible to rent an Affordable SRO Unit shall be determined on the basis of the Area Median Income for San Diego County.

3. Except for any Affordable SRO Units designated by Commission as residential manager, which shall not exceed one (1) Affordable SRO Unit, no officer, employee, agent, official or consultant of Commission may occupy any of the Affordable Units.

4. Over-Income Tenants. Commission shall comply with the following rule: any tenant who initially qualified as a Low Income or Very Low Income household, as applicable, and who no longer qualifies as a Low Income or Very Low Income household, respectively, shall pay as rent an amount equal to 30 percent of the household income, and shall be given one (1) year to relocate from the Affordable Unit for which such tenant initially qualified.

5. Early Termination of Covenants. At any time after the expiration of the fifty-fifth (55th) year of the Covenant Period, Commission may request approval from the Housing Authority, and the Housing Authority shall be delegated the authority, to terminate the balance of the Covenant Period ("Release") if any of the following conditions occur:

i. The Hotel Sandford has a projected unfunded negative operating income of six (6) consecutive months or more (or other consecutive period, if mutually approved by the Agency and Commission), which projection shall be based upon six (6) consecutive months of actual income, expenses, and losses (or other consecutive period, if mutually approved by the Agency and Commission);

ii. The Hotel Sandford requires substantial rehabilitation for which there is no dedicated and available source of funds; and/or

iii. Any other factors which, in the opinion of the Housing Authority, justify the release of the covenants.

In the event of Release within ten (10) years of the expiration of the fifty-fifth (55th) year of the Covenant Period, and upon Commission's Transfer of the Property or any part thereof, Commission and Agency shall each share equally the proceeds of any disposition of the Property up to point that the Agency receives an amount equal to the outstanding balance of the Agency Loan, including accrued unpaid interest, at the end of the term of the Agency Loan, as defined in the Agency Loan Note ("Loan Balance"). Any balance of disposition proceeds in excess of the Loan Balance shall be allocated entirely to Commission.

6. Service Operation Benchmarks. Subject to the reasonable approval of the Executive Director, the Commission, or an operator chosen by the Commission with experience in operating SRO Hotels, shall operate the Project as decent, safe and sanitary housing for the term of the Agency Loan and the term of the Agreement Affecting Real Property (Attachment No. 6). The Commission shall be entitled to count the SRO Affordable Units towards its HUD mandated acquisition of 350 units and the Project shall be the subject of a regulatory agreement as required by the HUD disposition, in addition to the Agreement Affecting Real Property and this Agreement.

d. Prohibited Uses of Retail Space. The type and quality of tenants allowed in the Retail Space shall be in harmony with the balance of the Project as approved in the reasonable discretion of the Agency, and shall specifically exclude any offensive or incongruent uses including, but not limited to, the following:

1. Any public or private nuisance (as defined in California Civil Code Section 3479) connected with business operations conducted on the Property;
2. Any noise or sound that is objectionable due to intermittence, beat, frequency, shrillness or loudness;
3. Any obnoxious odor;
4. Any noxious materials, and any toxic or caustic, or corrosive fuel or gas in violation of applicable law;
5. Any dust, dirt or particulate matter in excessive quantities;
6. Any unusual fire, explosion, or other damaging or dangerous hazard;
7. Any commercial warehouse, other than that which is incidental to the primary commercial use or business operation, and any assembly, manufacturing, distillation, refining, smelting, agriculture, or mining operation;
8. Any pawn shop or retail sales operation involving second-hand merchandise;
9. Any adult business or facility as defined and regulated in the City's Municipal Code. Such uses include, without limitation, massage establishments (to the extent defined and regulated in such Code as an adult business or facility), adult news racks, adult bookstores, adult motion picture theaters, and paraphernalia businesses;
10. Any retail outlet that sells alcoholic beverages for off-site consumption;
and
11. Any gun shop or retail sales operation for which the main commercial use or business operation is the sale of guns.

e. Conversion of Retail Space. Commission shall not initiate proceedings to convert the Retail Space into condominium(s) without the express written approval of the Agency. Commission's sale of its interest in the Retail Space, or any portion thereof, to a Person shall constitute a Transfer within the meaning of Section 107 herein and Section 11 of the Agency Loan Note (collectively, "Transfer"), and such Transfer is subject to the Agency's written approval. In the event that the Agency approves such Transfer for the Retail Space, and as a

pre-condition to such Transfer after Agency approval, Commission shall pay to the Agency one-half of the proceeds of the Transfer, net of closing costs.

f. Tenant Selection for Retail Space. The commercial tenants selected should, to the greatest extent possible, create a vibrant mix of active retail and restaurant uses consisting of cafes, retailers offering a distinctive merchandise mix not found elsewhere which reflects the needs of current and future downtown residents, and should contribute to the overall economic well-being of downtown. The uses may also consist of arts and cultural organizations and other uses described in the downtown community plan as “active retail.”

g. Use of Basement Space. Approximately 15,008 square feet of basement space in the Hotel Sandford is currently designated for residential ancillary/common uses (“Basement Space”), but has potential to be used more productively for non-residential. In light of these potential uses, Agency and Commission agree to cooperate in good faith regarding more productive uses of the Basement Space, or portions thereof, and possible consideration to Commission for non-residential use of the Basement Space by non-profit health/social services organizations, to the extent allowed by the City’s zoning code.

SECTION 402 Maintenance

Commission shall maintain the Property in accordance with the requirements of the Agreement Affecting Real Property (Attachment No. 6) during the Covenant Period.

SECTION 403 Obligation to Refrain from Discrimination

Commission covenants and agrees for itself, its successors and its assigns in interest to the Property or any part thereof, that there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land.

SECTION 404 Form of Nondiscrimination and Nonsegregation Clauses

Commission shall refrain from restricting the rental, sale or lease of the Property on the basis of sex, sexual orientation, marital status, race, color, creed, religion, ancestry or national origin of any person. All deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. In deeds: “The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them,

that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

2. In leases: “The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.”

3. In contracts: “There shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land.”

SECTION 405 Effect and Duration of Covenants

The covenants established in this Agreement shall run with the land, without regard to technical classification and designation, and shall be for the benefit and in favor of and enforceable against the Commission and successors in interest by the Agency or the City. Unless set forth otherwise, the covenants described in this Part 4 shall commence upon the Closing and shall be set forth in the Agreement Affecting Real Property (Attachment No. 6) and shall remain in effect during the Covenant Period.

SECTION 406 Agreement Affecting Real Property

Concurrently with the Closing, Commission and Agency shall execute and cause the recordation of an Agreement Affecting Real Property (Attachment No. 6) and the Notice of Affordability Restrictions (Attachment No. 16).

SECTION 407 Monitoring

a. The parties acknowledge that this Agreement is subject to the provisions of Section 33418 of the California Health and Safety Code, which provides in pertinent part:

“(a) An Agency shall monitor, on an ongoing basis, any housing affordable to persons and families of low or moderate income developed or otherwise made available pursuant to any provisions of this part. As part of this monitoring, an Authority shall require Commissions or managers of the housing to submit an annual report to the Authority. The annual reports shall include for each rental unit the rental rate and the income and family size of the occupants... The income information required by this section shall be supplied by the tenant in a certified statement of a form provided by the Authority.”

b. To satisfy the requirements of said Section 33418, prior to Closing, Commission shall enter into a reporting and monitoring agreement with the Agency, as provided in the Agreement Affecting Real Property (Attachment No. 6). Commission shall pay customary monitoring fees.

PART 5. DEFAULTS AND REMEDIES

SECTION 501 Defaults - General

a. Subject to the extensions of time set forth in Section 602, failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement. The party who fails or delays must commence to cure, correct or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence.

b. The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Except as otherwise expressly provided in this Agreement, any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by either party in asserting any of its rights and remedies shall not deprive either party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

c. If a monetary event of default occurs, prior to exercising any remedies hereunder, the injured party shall give the party in default written notice of such default. The party in default shall have a period of thirty (30) calendar days after such notice is received or deemed received within which to cure the default prior to exercise of remedies by the injured party.

d. If a non-monetary event of default occurs, prior to exercising any remedies hereunder, the injured party shall give the party in default notice of such default. If the default is reasonably capable of being cured within thirty (30) calendar days after such notice is received or deemed received, the party in default shall have such period to effect a cure prior to exercise of remedies by the injured party. If the default is such that it is not reasonably capable of being cured within thirty (30) days after such notice is received, and the party in default (1) initiates corrective action within said period, and (2) diligently, continually, and in good faith works to effect a cure as soon as possible, then the party in default shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by the injured party, but in any event no more than one hundred and twenty (120) days of receipt of such notice of default from the injured party, unless a longer period is agreed to, in writing, by the non-defaulting party.

SECTION 502 Institution of Legal Actions

In addition to any other rights or remedies (and except as otherwise provided in this Agreement), either party may institute legal action to cure, correct or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this Agreement. Such legal actions must be instituted in the Superior Court of the County of San Diego, State of California, in any other appropriate court of that county, or in the United States District Court for the Southern District of California.

SECTION 503 Applicable Law

The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

SECTION 504 Acceptance of Service of Process

a. In the event that any legal action is commenced by Commission against the Agency, service of process on the Agency shall be made by personal service upon the Executive Director, or in such other manner as may be provided by law.

b. In the event that any legal action is commenced by the Agency against Commission, service of process on Commission shall be made by personal service upon Commission and shall be valid whether made within or without the State of California, or in such manner as may be provided by law.

SECTION 505 Rights and Remedies Are Cumulative

Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

SECTION 506 Damages

Subject to the notice and cure provisions of Section 501, if either party defaults with regard to any of the provisions of this Agreement, the non-defaulting party shall serve written notice of such default upon the defaulting party. If the default is not cured within the time provided in Section 501, the defaulting party shall be liable to the non-defaulting party for any damages caused by such default, and the non-defaulting party may thereafter (but not before) commence an action for damages against the defaulting party with respect to such default. Neither the Agency nor the Commission shall be entitled to, and each hereby waives, any right to seek special or consequential damages of any kind or nature arising out of or in connection with this Agreement.

SECTION 507 Specific Performance

Subject to the notice and cure provisions of Section 501, if either party defaults with regard to any of the provisions of this Agreement, the non-defaulting party shall serve written notice of such default upon the defaulting party. If the default is not cured within the time provided in Section 501, the non-defaulting party, at its option, may thereafter (but not before) commence an action for specific performance of the terms of this Agreement pertaining to such default.

SECTION 508 No-Fault Termination

Prior to the Closing, either party shall have the right to terminate this Agreement, by providing written notice to the other party, in the event of a failure of any condition precedent to the occurrence of the Closing as set forth in the Method of Financing, provided that such condition is outside the control of the party seeking to terminate this Agreement, whereupon neither the Agency nor Commission shall have any further rights against or liability to the other under this Agreement.

SECTION 509 Termination by Commission

Prior to the Closing, subject to the notice and cure provisions of Section 501, Commission shall have the right to terminate this Agreement, by providing written notice to the Agency, in the event of a default by Agency pursuant to this Agreement.

SECTION 510

Termination by Agency

a. Subject to the notice and cure provisions of Section 501, Agency shall have the right, prior to the Closing, to terminate this Agreement in the event of a default by Commission or failure of any condition precedent to the occurrence of the Closing which is in the control of Commission, including but not limited to the following:

1. Commission fails to make best efforts to obtain the financing described in Section 202 or fails to satisfy any other condition precedent to the occurrence of the Closing as provided in the Method of Financing (Attachment No. 3) within the time established therefor in the Schedule of Performance (Attachment No. 5); or

2. Commission (or any successor in interest) assigns or attempts to assign the Property or any of Commission's rights in and to the Property or any portion thereof or interest therein, or this Agreement or any portion hereof, except as permitted by this Agreement; or

3. there is substantial change in the ownership of Commission, or with respect to the identity of the parties in control of Commission, or the degree thereof contrary to the provisions of Section 107 hereof;

4. Commission fails to submit any of the plans, drawings and related documents required by this Agreement by the respective dates provided in this Agreement therefore;

5. Commission fails to acquire the Property within the time required by the Schedule of Performance; or

6. there is any other material default by Commission under the terms of this Agreement which is not cured within the time provided herein.

b. After the Closing, but before Completion, and subject to the notice and cure provisions of Section 501, Agency shall have the additional right to terminate this Agreement in the event any of the following defaults shall occur:

1. Commission fails to commence rehabilitation of the Improvements as required by this Agreement and such breach is not cured within the time provided in Section 501 of this Agreement, provided that Commission shall not have obtained an extension or postponement to which Commission may be entitled pursuant to Section 602 hereof; or

2. Commission abandons or substantially suspends rehabilitation of the Improvements for a period of at least thirty (30) days and such breach is not cured within the time provided in Section 501 of this Agreement, provided Commission has not obtained an extension or postponement to which Commission may be entitled to pursuant to Section 602 hereof; or

3. Commission assigns or attempts to assign this Agreement, or any rights herein, or transfer, or suffer any involuntary transfer of the Property, or any part thereof, in violation of this Agreement, and such breach is not cured within the time provided in Section 501 of this Agreement; or

4. Commission otherwise materially breaches this Agreement, and such breach is not cured within the time provided in Section 501 of this Agreement.

PART 6. GENERAL PROVISIONS

SECTION 601 Notices

Formal notices, demands and communications between Agency and Commission shall be deemed sufficiently given if dispatched by first class mail, registered or certified mail, postage prepaid, return receipt requested, or by electronic facsimile transmission followed by delivery of a "hard" copy, or by personal delivery (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), to the addresses of Agency and Commission as set forth in Sections 105 and 106 hereof. Such written notices, demands and communications may be sent in the same manner to such other addresses as either party may from time to time designate by mail. Any notice that is transmitted by electronic facsimile transmission followed by delivery of a "hard" copy, shall be deemed delivered upon its transmission; any notice that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), shall be deemed received on the documented date of receipt; and any notice that is sent by registered or certified mail, postage prepaid, return receipt required shall be deemed received on the date of receipt thereof.

SECTION 602 Enforced Delay: Extension of Time of Performance

a. Performance by either party hereunder shall not be deemed to be in default where delays or defaults are due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, casualties, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, material or tools, delays of any contractor, sub-contractor or supplier, acts of the other party, acts or failure to act of the City of San Diego or any other public or governmental agency or entity (except that acts or failure to act of Agency shall not excuse performance of Agency), or any causes beyond the control or without the fault of the party claiming an extension of time to perform.

b. An extension of time for any such cause (a "Force Majeure Delay") shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of knowledge of the commencement of the cause. Notwithstanding the foregoing, none of the foregoing events shall constitute a Force Majeure Delay unless and until the party claiming such delay and interference delivers to the other party written notice describing the event, its

cause, when and how such party obtained knowledge, the date and the event commenced, and the estimated delay resulting therefrom. Any party claiming a Force Majeure Delay shall deliver such written notice within thirty (30) days after it obtains actual knowledge of the event. Times of performance under this Agreement may also be extended in writing by the Agency and Commission.

c. Notwithstanding any provision to the contrary in this Section 602 or any other section of this Agreement, Agency and Commission agree that the Commission's failure to obtain the funding sources described in Section 202 herein and in the Method of Financing (Attachment No. 3), despite Commission's best efforts to apply for and obtain such financing, shall entitle the Commission to a twelve (12) month extension of time to comply with the Schedule of Performance (Attachment No. 5) and allow the Commission to re-apply for and obtain such financing or equivalent financing.

SECTION 603 Conflict of Interest

a. No member, official, or employee of Agency or CCDC shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official, or employee participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership, or association in which he or she is, directly or indirectly, interested.

b. Commission warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement.

SECTION 604 Nonliability of Agency Officials and Employees

No member, official, agent, legal counsel or employee of Agency or CCDC shall be personally liable to Commission, or any successor in interest in the event of any default or breach by Agency or for any amount which may become due to Commission or successor or on any obligation under the terms of this Agreement.

SECTION 605 Inspection of Books and Records

Agency shall have the right at all reasonable times to inspect and copy the books and records of Commission pertaining to the Property as pertinent to the purposes of this Agreement. Commission shall also have the right at all reasonable times to inspect and copy books and records of the Agency pertaining to the Property as pertinent to the purposes of this Agreement.

SECTION 606 Approvals

a. Except as otherwise expressly provided in this Agreement, approvals required of Agency or Commission in this Agreement, including the attachments hereto, shall not be unreasonably withheld or delayed. All approvals shall be in writing. Failure by either party to approve a matter within the time provided for approval of the matter shall not be deemed a

disapproval, and failure by either party to disapprove a matter within the time provided for approval of the matter shall not be deemed an approval.

b. Except as otherwise expressly provided in this Agreement, approvals required of the Agency shall be deemed granted by the written approval of the Executive Director. Agency agrees to provide notice to Commission of the name of the Executive Director's Designee on a timely basis, and to provide updates from time to time. Notwithstanding the foregoing, the Executive Director may, in his or her sole discretion, refer to the governing body of the Agency any item requiring Agency approval; otherwise, "Agency approval" means and refers to approval by the Executive Director.

SECTION 607 Real Estate Commissions; Finder's Fee

The Agency shall not be liable for any real estate commissions, brokerage fees or finder's fees which may arise from this Agreement. The Agency and Commission each represent that neither has engaged any broker, agent or finder in connection with this transaction.

SECTION 608 Construction and Interpretation of Agreement

a. The language in all parts of this Agreement shall in all cases be construed simply, as a whole and in accordance with its fair meaning and not strictly for or against any party. The parties hereto acknowledge and agree that this Agreement has been prepared jointly by the parties and has been the subject of arm's length and careful negotiation over a considerable period of time, that each party has been given the opportunity to independently review this Agreement with legal counsel, and that each party has the requisite experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. Accordingly, in the event of an ambiguity in or dispute regarding the interpretation of this Agreement, this Agreement shall not be interpreted or construed against the party preparing it, and instead other rules of interpretation and construction shall be utilized.

b. If any term or provision of this Agreement, the deletion of which would not adversely affect the receipt of any material benefit by any party hereunder, shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each other term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. It is the intention of the parties hereto that in lieu of each clause or provision of this Agreement that is illegal, invalid, or unenforceable, there be added as a part of this Agreement an enforceable clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible.

c. The captions of the articles, sections and subsections herein are inserted solely for convenience and under no circumstances are they or any of them to be treated or construed as part of this instrument.

d. References in this instrument to this "Agreement" mean, refer to and include this instrument as well as any riders, exhibits, addenda and attachments hereto (which are hereby

incorporated herein by this reference) or other documents expressly incorporated by reference in this instrument. Any references to any covenant, condition, obligation, and/or undertaking "herein," "hereunder," or "pursuant hereto" (or language of like import) means, refer to, and include the covenants, obligations, and undertakings existing pursuant to this instrument and any riders, exhibits, addenda, and attachments or other documents affixed to or expressly incorporated by reference in this instrument.

e. As used in this Agreement, and as the context may require, the singular includes the plural and vice versa, and the masculine gender includes the feminine and vice versa.

SECTION 609 Time of Essence

Time is of the essence with respect to the performance of each of the covenants and agreements contained in this Agreement.

SECTION 610 No Partnership

Nothing contained in this Agreement shall be deemed or construed to create a partnership, joint venture, or any other similar relationship between the parties hereto or cause Agency to be responsible in any way for the debts or obligations of Commission or any other Person.

SECTION 611 Compliance with Law

Commission agrees to comply with all the requirements now in force, or which may hereafter be in force, of all municipal, county, state and federal authorities, pertaining to the development and use of the Property and the Improvements, as well as operations conducted thereon. The judgment of any court of competent jurisdiction, or the admission of Commission or any lessee or permittee in any action or proceeding against them, or any of them, whether Agency be a party thereto or not, that Commission, lessee or permittee has violated any such ordinance or statute in the development and use of the Property shall be conclusive of that fact as between Agency and Commission.

SECTION 612 Binding Effect

This Agreement, and the terms, provisions, promises, covenants and conditions hereof, shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns; provided, however, that this Agreement shall have no force and effect unless and until Commission has entered into a binding purchase and sale agreement with Downtown Senior Center, a California nonprofit, public benefit corporation ("Land Seller"), and Senior Fifth Avenue Associates – Sandford, a California limited partnership ("Improvements Seller"), for conveyance of fee title to the Property to Commission concurrently with Closing, free and clear of all liens, encumbrances, covenants, restrictions, easements, leases, taxes and other defects, except as otherwise agreed to in writing by the Executive Director.

SECTION 613 No Third Party Beneficiaries

The parties to this Agreement acknowledge and agree that the provisions of this Agreement are for the sole benefit of Agency and Commission, and not for the benefit, directly or indirectly, of any other person or entity, except for the San Diego Housing Authority and City.

SECTION 614 Authority to Sign

Commission hereby represents that the persons executing this Agreement on behalf of Commission have full authority to do so and to bind Commission to perform pursuant to the terms and conditions of this Agreement.

SECTION 615 Incorporation by Reference

Each of the attachments and exhibits attached hereto is incorporated herein by this reference.

SECTION 616 Counterparts

This Agreement may be executed by each party on a separate signature page, and when the executed signature pages are combined, shall constitute one single instrument.

PART 7. ENTIRE AGREEMENT, WAIVERS AND AMENDMENTS

a. This Agreement is executed in three (3) duplicate originals, each of which is deemed to be an original. This Agreement, including all of the Attachments appended hereto, constitutes the entire understanding and agreement of the parties.

b. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the subject matter hereof.

c. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of Agency or Commission, and all amendments hereto must be in writing and signed by the appropriate authorities of Agency and Commission.

PART 8. TIME FOR ACCEPTANCE OF AGREEMENT BY AGENCY

This Agreement, when executed by Commission and delivered to Agency, must be authorized, executed and delivered by Agency within sixty (60) days after date of signature by Commission or this Agreement may be terminated by Commission upon written notice to Agency. The effective date of this Agreement ("Effective Date") shall be the date when this Agreement has been fully executed.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, Agency and Owner have signed this Agreement as of the dates set opposite their signatures.

REDEVELOPMENT AGENCY OF THE CITY OF
SAN DIEGO

Dated: _____

By: _____
William Anderson
Assistant Executive Director

APPROVED AS TO FORM AND LEGALITY

JAN L GOLDSMITH
Agency General Counsel

By: _____
By: Kevin Reisch

KANE, BALLMER & BERKMAN
Agency Special Counsel

By:  _____
Murray O. Kane

SIGNATURES CONTINUED ON NEXT PAGE

COMMISSION:

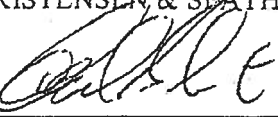
SAN DIEGO HOUSING COMMISSION, a public
agency

Dated: _____

By: _____
Richard C. Gentry
President & Chief Executive Officer

APPROVED AS TO FORM AND LEGALITY:

CHRISTENSEN & SPATH, LLP

By:  _____
Charles B. Christensen
General Counsel
San Diego Housing Commission

ATTACHMENT NO. 1

SITE MAP

[BEHIND THIS PAGE]

HOTEL SANDFORD SITE MAP



HOTEL SANDFORD SITE LOCATION

 Centre City
Development
Corporation

ATTACHMENT NO. 2

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of San Diego, City of San Diego, and described as follows:

Lots D, E and F in Block 191 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 369 filed in the Office of the County Recorder of San Diego County.

Assessor Parcel Number: 553-453-03

ATTACHMENT NO. 3
METHOD OF FINANCING

This is the Method of Financing attached to the Owner Participation Agreement (the "OPA") entered into between the Redevelopment Agency of the City of San Diego (the "Agency") and the San Diego Housing Commission (the "Commission") for the purpose of providing part of the financing for the acquisition of certain real property (the "Property") and the rehabilitation of the Improvements thereon (the "Project"), all as more particularly set forth in the OPA. OPA as used herein shall mean, refer to and include the OPA, as well as any riders, exhibits, addenda, implementation agreements, amendments and attachments thereto (which are hereby incorporated herein by this reference) or other documents expressly incorporated by reference in the OPA. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the OPA.

The Project will be financed by a combination of the Agency Loan and the Commission's Funds (as defined in Section 2.4, below). The Agency Loan will be in an amount not to exceed \$6,095,000, which shall be disbursed as described in the Disbursement Agreement (Attachment No. 14). The Agency Loan shall be a forgivable loan, the terms of which are described more specifically in Section 2.1, below, and the Agency Loan Note (Attachment No. 8).

1. Total Acquisition and Development Costs. The parties estimate that the cost of acquiring the Property and developing the Improvements thereon will be approximately \$10,444,000, as provided in Section 2, below.

2. Sources of Financing. The parties anticipate that the costs of acquiring the Property and rehabilitating the Improvements thereon (the "Acquisition and Development Costs") shall be financed with a combination of the Agency Loan and Commission's Funds, as set forth in the following chart and as described below, which chart shall be updated if the costs of rehabilitating the Improvements change, or if the financing changes, all subject to the approval of the Agency (as updated, the "Sources of Financing"):

Sources of Funding*		Use of Funding*	
Agency Loan	\$6,095,000	Predevelopment, Acquisition & Rehabilitation of SRO Affordable Units only	\$6,095,000
Commission's Funds	\$4,349,000	Predevelopment/Acquisition	\$4,349,000
Total Financed	\$10,444,000		\$10,444,000

*Excludes sources and uses for the Retail Improvements, which shall be financed solely by the Commission.

2.1 Agency Loan. The Agency Loan shall be a forgivable, residual receipts loan from the Agency, subject to the following conditions:

(a) The Agency Loan proceeds shall be used to pay Acquisition and Development Costs for the SRO Affordable Units as identified in the Project Budget (Attachment No. 7), including Eligible Pre-Closing Costs, in accordance with Section 202 of the OPA; provided, however, that no portion of the Agency Loan shall be utilized for the acquisition and rehabilitation of the Retail Improvements.

(b) The Agency Loan term shall commence upon Closing, subject to satisfaction of those conditions precedent to Closing set forth herein at Section 6, below. At the termination of the fifty-five (55) year loan period, the principal and all accrued but unpaid interest, if any, shall be forgiven by the Agency, and the Commission shall have no further obligation to the Agency, except to continue to maintain the Property as affordable housing until the end of the ninety-nine (99) year term of affordability, subject to certain conditions for release after fifty-five (55) years, all in accordance with the OPA and the Agreement Affecting Real Property Attachment No. 6).

(c) The Agency Loan shall be secured by the first priority Agency Deed of Trust (Attachment No. 9); an Assignment of Rents (Attachment No. 10); an Assignment of Agreements (Attachment No. 11); and a UCC-1 Financing Statement ("UCC-1") (Attachment No. 13).

(d) The outstanding balance of the Agency Loan shall bear simple interest at the rate of one percent (1%) per annum.

(e) The Agency Loan shall be repaid, to the extent of the Agency's share of Residual Receipts, as set forth in the Agency Loan Note.

(f) The Agency Loan shall be subject to repayment or reduction in an amount equal to any "Cost Savings" and/or in an amount equal to any "Alternative Gap Financing" as provided below.

(g) At the Closing, the obligation to repay the Agency Loan shall be evidenced by the Agency Loan Note.

(h) Commission shall have the right to prepay the obligation evidenced by the Agency Loan Note, or any part thereof, without penalty.

(i) to the extent that the United States Department of Housing and Urban Development ("HUD") has required the Commission to record a regulatory agreement to preserve affordability levels for not greater than 80% Area Median Income households, as part of the Commission's disposition of public housing ("HUD Regulatory Agreement"), the Agency shall subordinate the Agency Deed of Trust (Attachment No. 9), Assignment of Rents (Attachment No. 10); Assignment of Agreements (Attachment No. 11), and UCC-1 Financing Statement ("UCC-1") (Attachment No. 13) to the HUD Regulatory Agreement.

2.2 Cost Savings. To the extent actual Acquisition and Development Costs, as

determined by a cost certification acceptable to the Executive Director, performed not later than sixty (60) days following issuance of a final certificate of occupancy for the Project, at Commission's sole cost and expense, by an independent certified public accountant acceptable to the Executive Director, are less than \$6,095,000, Commission shall pay the resulting cost savings ("Cost Savings") to the Agency to reduce or repay the principal balance and any accrued, unpaid interest of the Agency Loan. Commission shall make any such payment to the Agency within thirty (30) days following Commission's submission of the cost certification to Agency.

2.3 Alternative Gap Financing. To the extent Commission obtains additional grants, loans or equity for the Project not identified in this Method of Financing (the "Alternative Gap Financing"), the Agency Loan shall be used to reduce the Agency Loan by fifty percent (50%) of the amount of Alternative Gap Financing procured. The remaining fifty percent (50%) shall be credited to reduce Commission's contribution towards Acquisition and Development Costs. To the extent the Agency Loan is fully disbursed or such Alternative Gap Financing is greater than the amount of undisbursed funds, Commission shall pay that portion of the Alternative Gap Financing to the Agency to pay any accrued interest on and then reduce or repay the principal amount of the Agency Loan. Commission shall make any such payment to the Agency within thirty (30) days following written request therefor.

2.4 Commission's Funds. To the maximum extent permitted by law, Commission intends to fund its share of Acquisition and Development Costs with funds from a Fannie Mae Delegated Underwriting and Servicing Product Line that have been irrevocably designated by the Commission as a "Build America Bond" in accordance with Section 55AA of the Internal Revenue Code of 1986 (the "BABS Loan"). Commission shall be responsible for (i) providing any additional funds which may be needed to pay for cost overruns and contingencies not otherwise funded by the sources described in Section 2 and (ii) all funds relating to the acquisition and rehabilitation of the Retail Improvements.

3. Project Budget. The parties anticipate that all Acquisition and Development Costs shall be as set forth in the Project Budget (Attachment No. 7), incorporated herein by this reference. Any change order in excess of Ten Thousand Dollars (\$10,000) or any amendment to the total Project Budget in excess of Ten Thousand Dollars (\$10,000) (collectively referred to as a "Revision") shall require the approval of the Executive Vice President of the Centre City Development Corporation ("CCDC"); provided that the principal amount of the Agency Loan shall not be increased without the express approval of the governing body of the Agency in its sole and absolute discretion. Except as provided in the previous sentence, the Executive Vice President of CCDC shall not unreasonably withhold or delay approval of any requested if the following conditions are satisfied:

- (a) to the extent the Revision is limited to a reallocation of budgeted funds among Project Budget line items without any increase in the total Project Budget or the Agency Loan, (i) the funds in the line item(s) to be reduced remain sufficient for completion of the Project, and (ii) the requested increase in one or more line item(s) is to be used to pay approved costs; and

- (b) to the extent the Revision involves an increase in the total Project Budget, (i) additional funds in an amount equal to the increase in the total Project Budget will be provided by Commission and (ii) the requested increase in the Project Budget is to be used to pay approved costs.

Upon approval of any Revision, the Project Budget shall be replaced by the approved revised Project Budget.

4. Evidence of Financing. The sum of the sources of financing described above shall be sufficient at all times to pay all Acquisition and Development Costs as set forth in the most recently Agency-approved Project Budget. Within the time provided therefor in the Schedule of Performance, Commission shall submit, for approval by the Agency Executive Director or designee, evidence of such financing as set forth in Section 203 of the OPA. To the extent that the sum of the sources of funds described above is insufficient to pay all Acquisition and Development Costs, Commission shall demonstrate the availability of other irrevocably committed or received funding sources at least equal to the shortfall.

5. No Subordination of Affordability Covenants. Notwithstanding anything to the contrary herein or in the OPA, the affordability covenants in the Agreement Affecting Real Property (Attachment No. 6) shall be senior in priority to all instruments securing any non-Agency sources of funds.

6. Conditions Precedent to Closing for the Benefit of the Agency

For the benefit of the Agency, Closing and disbursement of any portion of the Agency Loan, are conditioned upon the Commission taking possession of the Property and the occurrence of each of the following conditions on or prior to the scheduled Closing Date as set forth in the Schedule of Performance (Attachment No. 5):

(a) Acquisition of Property. Submission by Commission and Agency approval of documentation satisfactory to the Executive Director or designee that Developer has taken/will take fee title to the Property and shall have properly recorded/will properly record all title and ownership documents;

(b) No Default. Commission is not then in material breach of any of its obligations under the OPA.

(c) Title Insurance Policies. The Title Company shall be committed to issue a standard form ALTA Lender's Title Insurance Policy to the Agency, subject to the Approved Title Conditions, together with such endorsements as Agency shall reasonably require, in the amount of the Agency Loan insuring the Agency Deed of Trust on the Property. The cost of any premiums for said policy are included in the Project Budget (Attachment No. 7).

(d) Relocation. Submission by Commission and Agency approval of documentation satisfactory to the Executive Director from a relocation consultant satisfactory to

the Executive Director.

(e) Insurance. Commission shall have submitted to the Agency evidence of the insurance policies required by the OPA, naming as additional insureds the following:

“The City of San Diego, the Redevelopment Agency of the City of San Diego, the Centre City Development Corporation, and their respective officers, employees, contractors and agents.”

(f) Management Plan. Commission shall have submitted the Management Plan for the operation of the Hotel Sanford following Closing.

(g) Recording Instructions. Escrow Agent shall have approved such supplemental recording instructions as may have been prepared on behalf of the Agency.

(h) Documents. Agency, Commission and/or other parties, as appropriate, shall have executed, and filed or recorded as appropriate, the following documents:

- (1) Agreement Affecting Real Property (Attachment No. 6, to be signed and acknowledged by Commission and Agency);
- (2) Agency Loan Note (Attachment No. 8, to be signed by Commission);
- (3) Agency Deed of Trust (Attachment No. 9, to be signed and acknowledged by Commission);
- (4) Assignment of Rents (Attachment No. 10, to be signed and acknowledged by Commission);
- (5) Assignment of Agreements, Plans, Specifications and Entitlements (Attachment No. 11, to be signed by Commission and project architect);
- (6) Environmental Indemnity (Attachment No. 12, to be signed by Commission);
- (7) UCC-1 Financing Statement (Attachment No. 13, to be signed by Commission);
- (8) Disbursement Agreement (Attachment No. 14, to be signed by Agency and Commission);

- (9) Statutory Request for Notice of Default per California Civil Code section 2924b (to be signed and acknowledged by Agency);
- (10) Notice of Affordability Restrictions (Attachment No. 16, to be signed and acknowledged by Agency);
- (11) Monitoring Agreement (Exhibit "D" to Attachment No. 6, to be signed by Agency and Commission); and

(i) Closing Certificate. When all conditions precedent have been satisfied to the satisfaction of the Executive Director, the Executive Director shall execute and submit to the Escrow Agent a certificate stating that all conditions precedent to recording of the documents have been satisfied or waived, if such be the case. (Condition is for the benefit of Agency and Commission).

ATTACHMENT NO. 4

SCOPE OF DEVELOPMENT

A. Commission Responsibilities

1. General

This is the Scope of Development attached to the Owner Participation Agreement (“OPA”) by and between the Redevelopment Agency of the City of San Diego and the San Diego Housing Commission (“Commission”), for the purpose of providing part of the financing for the acquisition of certain real property (the “Property”) and the rehabilitation of the Improvements thereon (the “Project”), all as more particularly set forth in the OPA. OPA as used herein shall mean, refer to and include the OPA, as well as any riders, exhibits, addenda, implementation agreements, amendments and attachments thereto (which are hereby incorporated herein by this reference) or other documents expressly incorporated by reference in the OPA. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the OPA.

Commission shall comply with applicable City of San Diego (“City”) development requirements, including the Centre City Planned District Ordinance (Chapter 15, Article 6, Division 3 of the San Diego Municipal Code).

2. Description of Property

Hotel Sandford is a 130-unit Single Room Occupancy (SRO) residential hotel located at the northeast corner of Fifth Avenue and A Street within the Cortez neighborhood in downtown San Diego. The property consists of a 15,000-square-foot site on which sits an approximately 82,000-square-foot, four-story building with a basement.

The basement contains a television lounge, commercial-grade kitchen, large community dining room, laundry room and storage for the benefit of the 130 SRO units located on floors two through four. The basement also contains approximately 3,300 square feet (SF) of vacant commercial space and the building’s electrical and mechanical rooms. The ground floor contains five tenant spaces comprising approximately 7,700 SF of commercial space, as well as main and secondary SRO lobbies/entrances and two lounges for the SRO units. The second floor contains an outdoor roof terrace. Each SRO unit includes a private bath, a small closet and sleeping room, but no kitchen facilities. The units range in size from 86 to 150 SF. One of the units measures 396 SF in size and serves as the manager’s apartment.

The building contains two passenger elevators that serve all five floors. The building’s last renovation occurred in 1989 and included the addition of fire sprinklers, upgraded mechanical systems and plumbing, and a new roof. The Property has no on-site parking.

3. Scope of Rehabilitation

The scope of rehabilitation for the Property shall include code/life-safety improvements to cure existing code and life-safety issues, including seismic upgrades required since the Property is an unreinforced masonry (URM) building and subject to the City of San Diego ordinance requiring that certain seismic improvements be made; fire/life-safety and ADA-compliant plumbing upgrades; hazardous materials abatement; and patch/repair items located throughout the Property. Other upgrades and improvements include roof replacement, repair of interior architectural finishes, installation of water-saving plumbing fixtures, installation of energy-efficient electrical and mechanical equipment, improving ADA compliance, new paint and carpet on residential tenant floors, repainting the building's exterior, replacing concrete planters and street trees on surrounding sidewalks, additional seismic upgrades, and installation of a more functional kitchen in the Property's basement for use by SRO tenants.

The rehabilitation improvements generally will be consistent with the findings of the following documents:

- a. "Building Condition Assessment Report, Hotel Sandford, San Diego, California," prepared by Heritage Architecture & Planning (August 26, 2009)
- b. "Sandford Hotel Estimate Peer Review," prepared by Cornerstone CMS/Roel (October 23, 2009)
- c. "Phase I Environmental Site Assessment and Limited Asbestos and Lead Paint Sampling (Assessor's Parcel Number 533-453-03)," prepared by SCS Engineers (August 30, 2009)
- d. A Phase II follow-up to "c" above that will be prepared by SCS Engineers prior to the property closing.

The Commission shall hire a consultant team to prepare a set of Construction Drawings and related documents and Public Improvement Plans (collectively, the "Plan Set") for the planned rehabilitation improvements. The Plan Set shall be submitted to the Agency for review (including but not limited to architectural review), and written approval in the times established in the Schedule of Performance (Attachment No. 5). Such Plan Set shall be submitted as 80% and Final Construction Drawings. Final Construction Drawings are hereby defined as those in sufficient detail to obtain a building permit.

4. Required Approvals

The Commission shall be responsible for obtaining approval for all permits for construction and occupancy of the rehabilitation improvements as required by the City of San Diego, including approval from the City's Historical Resources staff prior to commencement of construction.

5. LEED

The Commission shall use commercially reasonable efforts to incorporate energy efficient and sustainable components that are likely to reduce operating costs, and strive to meet

guidelines and methods from Leadership in Energy and Environmental Design-Existing Buildings (LEED-EB) or an equivalent green building rating system to provide an environmentally sustainable rehabilitation.

ATTACHMENT NO. 5

SCHEDULE OF PERFORMANCE

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| 1. | <u>Submission – Architect and Civil Engineer.</u>
The Commission shall submit to the Agency for approval the name and qualifications of its Architect and Civil Engineer. | Prior to Closing. |
| 2. | <u>Approval – Architect and Civil Engineer.</u> The Agency shall approve or disapprove the Architect and Civil Engineer. | Within five (5) working days of submittal to Agency. |
| 3. | <u>Satisfaction of all Conditions Precedent to Closing.</u> The Commission shall have complied with all conditions precedent to Closing as required by Section 204 of the OPA. | Not later than fifteen (15) days prior to Closing. |
| 4. | <u>Closing.</u> The Commission shall close escrow on the Property. | On or before March 15, 2010.* |
| 5. | <u>Submission – Management Plan.</u> The Commission shall submit to the Agency for approval the Management Plan required by Section 209 of the OPA. | Prior to Closing. |
| 6. | <u>Approval – Management Plan.</u> The Agency shall approve or disapprove the Management Plan required by Section 209 of the OPA. | Within five (5) working days of submittal to Agency. |
| 7. | <u>Identification of Alternative Gap Financing Sources.</u> The Commission shall identify Alternative Gap Financing Sources in accordance with Section 201 of the OPA. | Not later than sixty (60) days after Closing. |
| 8. | <u>Application for Alternative Gap Financing Sources.</u> The Commission shall apply for Alternative Gap Financing Sources in accordance with Section 201 of the OPA. | Not later than ninety (90) days after Closing or consistent with specified deadlines/application periods of specific sources of financing. |
| 9. | <u>Submission – 80% Construction Drawings and Public Improvement Plans.</u> The Commission shall prepare and submit to the Agency for approval the 80% Construction Drawings and Public Improvement Plans required by Sections | Not later than five (5) months after Closing. |

304 and 305 of the OPA and the Scope of Development.

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| 10. | <u>Approval – 80% Construction Drawings and Public Improvement Plans.</u> The Agency shall approve or disapprove the 80% Construction Drawings and Public Improvement Plans. | Within fifteen (15) days of submittal to Agency. |
| 11. | <u>Submission – Final Construction Drawings.</u> The Commission shall prepare and submit to the Agency for approval the Final Construction Drawings based upon the Agency approved 80% Construction Drawings and Public Improvement Plans. | Not later than six (6) months after Closing. |
| 12. | <u>Approval – Final Construction Drawings.</u> The Agency shall approve or disapprove the Final Construction Drawings and Public Improvement Plans. | Within fifteen (15) days of submittal to Agency. |
| 13. | <u>Building Permit.</u> The Commission shall deliver to the Agency a “will issue” letter from the City of San Diego evidencing City’s commitment to issuing a building permit for the Project. | Not later than nine (9) months after Closing. |
| 14. | <u>Commencement of Rehabilitation.</u> The Commission shall commence rehabilitation of the Improvements. | Not later than nine (9) months after Closing. |
| 15. | <u>Completion of Rehabilitation.</u> The Commission shall complete rehabilitation of the Improvements. | Not later than ten (10) months after Commencement of rehabilitation. |

*Subject to three (3) thirty day extensions.

NOTES:

1. Additional amendments may be approved in writing pursuant to Section 308 of the OPA.
2. Descriptions of items of performance and deadlines in this Schedule of Performance are not intended to supersede more complete descriptions in the text of the OPA; and in the event of any conflict between the text of the OPA and this Schedule, the text of the OPA shall govern.

ATTACHMENT NO. 6

OFFICIAL BUSINESS

Document entitled to free
recording per Government
Code Section 6103

Recording Requested by and When
Recorded Return to:

REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO
c/o Centre City Development Corporation
401 B Street, Suite 400
San Diego, California 92101

Attn: Executive Director

Space above this line for Recorder's use only

AGREEMENT AFFECTING REAL PROPERTY
(INCLUDING RENTAL RESTRICTIONS)

THIS AGREEMENT AFFECTING REAL PROPERTY (the "Agreement") is entered into as of _____, 2010, by and between the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, a public body corporate and politic (herein referred to as "Agency") and the SAN DIEGO HOUSING COMMISSION (hereinafter referred to as "Commission").

A. Commission owns fee title to that certain real property (the "Property") located in the City of San Diego, County of San Diego, State of California, legally described in the "Legal Description" attached hereto as Exhibit "A" and incorporated herein by this reference.

B. The Property is located within the Centre City Redevelopment Project area (the "Project Area") in the City of San Diego and is subject to the provisions of the Redevelopment Plan for the Project Area adopted by Ordinance No. 17676[NS] on May 11, 1992 by the City Council of the City of San Diego, as heretofore amended.

C. The Agency and Commission entered into that certain Owner Participation Agreement, dated _____, 2010 (the "OPA") for the purpose of providing part of the financing for the acquisition of the Property and rehabilitation of the improvements thereon, with a 130-units single room occupancy ("SRO") hotel, commonly known as the Hotel Sandford, which shall be operated as rental housing that is affordable to Low Income and Very Low Income households (the "Project"), as more specifically described in the OPA. OPA as used herein shall mean, refer to and

include the OPA, as well as any riders, exhibits, addenda, implementation agreements, amendments and attachments thereto (which are hereby incorporated herein by this reference) or other documents expressly incorporated by reference in the OPA. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the OPA.

D. This Agreement is entered into and recorded in accordance with the Redevelopment Plan and the OPA.

NOW, THEREFORE, AGENCY AND COMMISSION COVENANT AND AGREE AS FOLLOWS:

1. Rehabilitation of the Property. Commission covenants and agrees for itself, its successors and assigns and every successor in interest to the Property or any part thereof, that Commission, its successors and assigns, shall acquire the Property and rehabilitate, or cause the rehabilitation, of the Improvements thereon in accordance with the provisions of the OPA.

2. Release of Construction Covenants. Following Completion of the Improvements on the Property in accordance with the OPA, Agency shall record a Release of Construction Covenants on the Property in accordance with Section 319 of the OPA. Following the Agency's recording of the Release of Construction Covenants, the covenants contained in Paragraph 1 herein, relating only to the acquisition of the Property and rehabilitation of the Improvements thereon, shall terminate and be of no further force and effect with respect to the Property.

3. Use of the Property. Commission, on behalf of itself and its successors, assigns, and each successor in interest to Commission's interest in the Property or any part thereof, hereby covenants and agrees as follows:

a. Commission covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that Commission, such successors and such assignees shall use the Property only for the uses specified in the Redevelopment Plan, the Centre City Planned District Ordinance, any development agreements entered into by and between the City and Commission, the OPA, and this Agreement. No change in the use of the Property shall be permitted without the prior written approval of Agency.

b. Notwithstanding the generality of subparagraph a., above, Commission, its successors and assigns, shall use the Property only for the uses permitted in this Agreement, specifically including the following: (i) residential rental uses of the Affordable SRO Units; and (ii) retail or office uses of the Retail Space.

c. Residential Uses. Subject to the provisions for Release set forth in subparagraph 3.c.(6) below, for a period of ninety-nine (99) years commencing from the Closing ("the Covenant Period"), Commission on behalf of itself and its successors, assigns, and each successor in interest to Commission's interest in the Property or any part thereof, hereby covenants and agrees as follows:

(1) The Affordable SRO Units shall be available to Low Income and

Very Low Income households at an Affordable Rent in accordance with the Schedule of Affordable Rents attached hereto as Exhibit "B" and incorporated herein by this reference.

(2) The maximum incomes of all tenants eligible to rent an Affordable SRO Unit shall be determined on the basis of the Area Median Income for San Diego County.

(3) Except for any Affordable SRO Units designated by Commission as residential manager, which shall not exceed one (1) Affordable SRO Unit, no officer, employee, agent, official or consultant of Commission may occupy any of the Affordable Units.

(4) Except for any Affordable SRO Units designated by Commission as residential manager, which shall not exceed two (2) Affordable SRO Units, no officer, employee, agent, official or consultant of Commission may occupy any of the Affordable Units.

(5) Over-Income Tenants. Commission shall comply with the following rule: any tenant who initially qualified as a Low Income or Very Low Income household, as applicable, and who no longer qualifies as a Low Income or Very Low Income household, respectively, shall pay as rent an amount equal to 30 percent of the household income, and shall be given one (1) year to relocate from the Affordable Unit for which such tenant initially qualified.

(6) Early Termination of Covenants. At any time after the expiration of the fifty-fifth (55th) year of the Covenant Period, Commission may request approval from the Housing Authority, and the Housing Authority shall be delegated the authority, to terminate the balance of the Covenant Period ("Release") if any of the following conditions occur:

(i) The Hotel Sandford has a projected unfunded negative operating income of six (6) consecutive months or more (or other consecutive period, if mutually approved by the Agency and Commission), which projection shall be based upon six (6) consecutive months of actual income, expenses, and losses (or other consecutive period, if mutually approved by the Agency and Commission);

(ii) The Hotel Sandford requires substantial rehabilitation for which there is no dedicated and available source of funds; and/or

(iii) Any other factors which, in the opinion of the Housing Authority, justify the release of the covenants.

In the event of Release within ten (10) years of the expiration of the fifty-fifth (55th) year of the Covenant Period, and upon Commission's Transfer of the Property or any part thereof, Commission and Agency shall each share equally the proceeds of any disposition of the Property up to point that the Agency receives an amount equal to the outstanding balance of the Agency Loan, including accrued unpaid interest, at the end of the term of the Agency Loan, as defined in the Agency Loan Note ("Loan Balance"). Any balance of disposition proceeds in excess of the Loan Balance shall be allocated entirely to Commission.

(7) Monitoring.

(a) The parties acknowledge that the OPA and this Agreement is subject to the provisions of Section 33418 of the California Health and Safety Code, which provides in pertinent part:

“(a) An agency shall monitor, on an ongoing basis, any housing affordable to persons and families of low or moderate income developed or otherwise made available pursuant to any provisions of this part. As part of this monitoring, an agency shall require owners or managers of the housing to submit an annual report to the agency. The annual reports shall include for each rental unit the rental rate and the income and family size of the occupants... The income information required by this section shall be supplied by the tenant in a certified statement of a form provided by the agency.”

(b) To satisfy the requirements of said Section 33418, prior to Closing, Commission shall enter into a reporting and monitoring agreement with the Agency substantially in the form attached hereto as Exhibit “C” and incorporated herein by this reference. Commission shall pay customary monitoring fees.

d. Service Operation Benchmarks. Subject to the reasonable approval of the Executive Director, the Commission, or an operator chosen by the Commission with experience in operating SRO Hotels, shall operate the Project as decent, safe and sanitary housing for the term of the Agency Loan and the term of this Agreement. The Commission shall be entitled to count the SRO Affordable Units towards its HUD mandated acquisition of 350 units and the Project shall be the subject of a regulatory agreement as required by the HUD disposition, in addition to the OPA and this Agreement.

e. Prohibited Uses of Retail Space. The type and quality of tenants allowed in the Retail Space shall be in harmony with the balance of the Project as approved in the reasonable discretion of the Agency, and shall specifically exclude any offensive or incongruent uses including, but not limited to, the following:

(1) Any public or private nuisance (as defined in California Civil Code Section 3479) connected with business operations conducted on the Property;

(2) Any noise or sound that is objectionable due to intermittence, beat, frequency, shrillness or loudness;

(3) Any obnoxious odor;

(4) Any noxious materials, and any toxic or caustic, or corrosive fuel or gas in violation of applicable law;

(5) Any dust, dirt or particulate matter in excessive quantities;

(6) Any unusual fire, explosion, or other damaging or dangerous hazard;

(7) Any warehouse, other than that which is incidental to the primary commercial use or business operation, and any assembly, manufacturing, distillation, refining, smelting, agriculture, or mining operation;

(8) Any pawn shop or retail sales operation involving second-hand merchandise;

(9) Any adult business or facility as defined and regulated in the City's Municipal Code. Such uses include, without limitation, massage establishments (to the extent defined and regulated in such Code as an adult business or facility), adult news racks, adult bookstores, adult motion picture theaters, and paraphernalia businesses;

(10) Any retail outlet that sells alcoholic beverages for off-site consumption; and

(11) Any gun shop or retail sales operation for which the main commercial use or business operation is the sale of guns.

e. Conversion of Retail Space. Commission shall not initiate proceedings to convert the Retail Space into condominium(s) without the express written approval of the Agency. Commission's sale of its interest in the Retail Space, or any portion thereof, to a Person shall constitute a Transfer within the meaning of Section 107 of the OPA and Section 11 of the Agency Loan Note (collectively, "Transfer"), and such Transfer is subject to the Agency's written approval. In the event that the Agency approves such Transfer for the Retail Space, and as a pre-condition to such Transfer after Agency approval, Commission shall pay to the Agency one-half of the proceeds of the Transfer, net of closing costs.

f. Tenant Selection for Retail Space. The commercial tenants selected should, to the greatest extent possible, create a vibrant mix of active retail and restaurant uses consisting of cafes, retailers offering a distinctive merchandise mix not found elsewhere which reflects the needs of current and future downtown residents, and should contribute to the overall economic well-being of downtown. The uses may also consist of arts and cultural organizations and other uses described in the downtown community plan as "active retail."

g. Use of Basement Space. Approximately 8,814 square feet of basement space in the Hotel Sandford is currently designated for residential ancillary/common uses ("Basement Space"), but has potential to be used more productively for non-residential. In light of these potential uses, Agency and Commission agree to cooperate in good faith regarding more productive uses of the Basement Space, or portions thereof, and possible consideration to Commission for non-residential use of the Basement Space by non-profit health/social services organizations, to the extent allowed by the City's zoning code.

4. Maintenance of the Property. Commission, its successors and assigns, shall maintain the Improvements on the Property in the same aesthetic and sound condition (or better) as the condition of the Property at the time Agency issues a Release of Construction Covenants

pursuant to the OPA, reasonable wear and tear excepted. This standard for the quality of maintenance of the Property shall be met whether or not a specific item of maintenance is listed below. However, representative items of maintenance shall include frequent and regular inspection for graffiti or damage or deterioration or failure, and immediate repainting or repair or replacement of all surfaces, fencing, walls, equipment, etc., as necessary; emptying of trash receptacles and removal of litter; sweeping of public sidewalks adjacent to the Property, on-site walks and paved areas and washing-down as necessary to maintain clean surfaces; maintenance of all landscaping in a healthy and attractive condition, including trimming, fertilizing and replacing vegetation as necessary; cleaning windows on a regular basis; painting the buildings on a regular program and prior to the deterioration of the painted surfaces; conducting a roof inspection on a regular basis and maintaining the roof in a leak-free and weather-tight condition; maintaining security devices in good working order. In the event Commission, its successors or assigns fails to maintain the Improvements in accordance with the standard for the quality of maintenance, Agency or its designee shall have the right but not the obligation to enter the Property upon reasonable notice to Commission, correct any violation, and hold Commission, or such successors or assigns responsible for the cost thereof, and such cost, until paid, shall constitute a lien on the Property.

5. Obligation to Refrain from Discrimination. Commission covenants and agrees for itself, its successors and its assigns in interest to the Property or any part thereof, that there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land.

6. Form of Nondiscrimination and Nonsegregation Clauses. Commission shall refrain from restricting the rental, sale or lease of the Property on the basis of sex, sexual orientation, marital status, race, color, creed, religion, ancestry or national origin of any person. All deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

b. In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

c. In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land."

6. Covenants Running with the Land. All conditions, covenants and restrictions contained in this Agreement shall be covenants running with the land, and shall, in any event, and without regard to technical classification or designation, legal or otherwise, be, to the fullest extent permitted by law and equity, binding for the benefit and in favor of, and enforceable by Agency, its successors and assigns, and the City of San Diego (the "City") and its successors and assigns, against Commission, its successors and assigns, to or of the Property or any portion thereof or any interest therein, and any party in possession or occupancy of said Property or portion thereof. Agency and the City shall be deemed the beneficiaries of the covenants, conditions and restrictions of this Agreement both for and in their own rights and for the purposes of protecting the interests of the community. The covenants, conditions, and restrictions shall run in favor of the Agency and the City, without regard to whether the Agency or City has been, remains, or is an Commission of any land or interest therein in the Property or the Project Area. Except as provided in the preceding sentence, the covenants, conditions and restrictions contained in this Agreement shall not benefit nor be enforceable by any Commission of real property within or outside the Project Area or any person or entity having any interest in any such real property, except the Agency and the City.

7. Permitted Mortgages. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Agreement shall defeat or render invalid or in any way impair the lien or charge of any mortgage permitted by the OPA.

8. Term. Subject to Paragraph 3.c.(6). herein, every covenant and condition and restriction contained in this Agreement shall remain in effect for ninety-nine (99) years from the date of Closing.

9. Notice and Opportunity to Cure. Prior to exercising any remedies hereunder, Agency shall give Commission notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Commission shall have such period to effect a cure prior to exercise of remedies by Agency. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and Commission (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Commission shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Agency, but in any event no more than one hundred and twenty days (120) days of receipt of such notice of default from the Agency.

10. Enforcement. If a violation of any of the covenants or provisions of this Agreement remains uncured after the respective time period set forth in Paragraph 9 above, Agency and its successors and assigns, without regard to whether Agency or its successors and assigns is an owner of any land or interest therein to which these covenants relate, may institute and prosecute any proceedings at law or in equity to abate, prevent or enjoin any such violation or attempted violation or to compel specific performance by Commission of its obligations hereunder. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the provisions hereof or to obtain relief against or recover for the continuation or repetition of such breach or violations or any similar breach or violation hereof at any later time.

11. Liens. Nothing herein contained shall be deemed to prohibit Commission from contesting the validity or amounts of any encumbrance, lien, levy or attachment, nor to limit the remedies available to Commission in respect thereto.

12. Counterparts. This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute one and the same instrument. The signature pages of one or more counterpart copies may be removed from such counterpart copies and all attached to the same copy of this Agreement, which, with all attached signature pages, shall be deemed to be an original Agreement.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, Agency and Commission have signed this Agreement as of the dates set opposite their signatures.

REDEVELOPMENT AGENCY OF THE CITY OF
SAN DIEGO

Dated: _____

By: _____

William Anderson
Assistant Executive Director

APPROVED AS TO FORM AND LEGALITY

Jan Goldsmith
Agency General Counsel

By: _____

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: _____

Murray O. Kane

[SIGNATURES CONTINUE ON NEXT PAGE]

Dated:_____

COMMISSION:

San Diego Housing Commission, a public agency

By:_____

Richard C. Gentry
President & Chief Executive Officer

APPROVED AS TO FORM AND LEGALITY:

Christensen & Spath, LLP

By:_____

Charles B. Christensen
General Counsel
San Diego Housing Commission

State of California

County of _____

On _____ before me, _____, 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)

State of California

County of _____

On _____ before me, _____, 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)

EXHIBIT "A"

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of San Diego, City of San Diego, and described as follows:

Lots D, E and F in Block 191 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 369 filed in the Office of the County Recorder of San Diego County.

Assessor Parcel Number: 553-453-03

EXHIBIT "B"

SCHEDULE OF AFFORDABLE RENTS

Of the one hundred and thirty (130) Affordable SRO Units:

(a) Fifty-two (52) shall be rented to and occupied by Very Low Income households at an Affordable Rent; and

(b) Seventy-eight (78) shall be rented to and occupied by Low Income households at an Affordable Rent.

"Affordable Rent" means rent, including a reasonable utility and parking allowance, that does not exceed the following respective amounts:

(a) for a Low Income household, the product of thirty percent (30%) times sixty percent (60%) of the Area Median Income adjusted for family size appropriate for the unit; and

(b) for a Very Low Income household, the product of thirty percent (30%) times fifty percent (50%) of the Area Median Income adjusted for family size appropriate for the unit.

"Area Median Income" or "AMI" means the median family income for San Diego County as annually estimated by the U.S. Department of Housing and Urban Development and published by the California Department of Housing and Community Development.

EXHIBIT "C"

MONITORING AGREEMENT

[BEHIND THIS PAGE]

MONITORING AGREEMENT

This Monitoring Agreement ("Agreement") is entered into as of _____, 2010 by and between the Redevelopment Agency of the City of San Diego, a public body, corporate and politic ("Agency") and the San Diego Housing Commission, a public agency ("Administrator" or "Participant" herein), which shall collectively be referred to as the "Parties".

RECITALS

WHEREAS, Participant intends to purchase an existing 130 unit single room occupancy ("SRO") hotel, commonly known as the Hotel Sandford, with 18,275 square feet of basement and first floor commercial retail space, located at 1301 Fifth Avenue in the City of San Diego, California ("Property"), which includes acquisition of the Property and rehabilitation of the Improvements thereon which shall be operated as rental housing that is affordable to Low Income and Very Low Income households ("Project"). The affordable rental apartments (referred to as the "Affordable SRO Units" in the OPA, as described below) are the subject of this Agreement and referenced herein as the "Affordable Units"; and

WHEREAS, the Affordable Units and real property on which they are constructed are the subject of that Agreement Affecting Real Property entered into by and between the Agency and the Participant (the Commission therein), dated _____ (the "AARP"), and recorded against the Property on _____, and that Owner Participation Agreement entered into by and between the Agency and Participant (the Commission therein) dated _____ (the "OPA"). The AARP and the OPA are incorporated herein by this reference. Any capitalized term not defined herein shall have the meaning ascribed to such term in the AARP and/or OPA; and

WHEREAS, the OPA and the AARP collectively require the rehabilitation and rental of a minimum of 130 Affordable Units priced at and made available to households earning between 50-60% of area median income for a period of not less than ninety-nine (99) years from the date of Closing in accordance with the OPA; and

WHEREAS, pursuant to California Health and Safety Code Section 33418 et seq. of the California Community Redevelopment Law ("CRL"), the Agency is a public agency charged with enforcing the affordable housing obligations of the Participant contained in the OPA and the AARP including, without limitation, determining the eligibility of renters and rental restrictions of the Affordable Units; and

WHEREAS, the Agency desires to use the staff, skills, and facilities of the Administrator to provide monitoring and reporting requirements on the Project, as regulated by the OPA and the AARP; and

WHEREAS, the Parties have the capability and the legal right to enter into this Agreement; and

WHEREAS, the Participant, the Agency and the Administrator desire to enter into this Agreement to, inter alia, provide that (i) Participant shall pay a fee to Administrator in consideration for monitoring the Affordable Units for the period of affordability; and (ii) Administrator shall administer and perform all monitoring and reporting requirements on the Project as regulated by the OPA and the AARP, and provide the reports set forth in Section VII.

NOW, THEREFORE, for good and valuable consideration, the receipt of and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

TERMS

I. Purpose of Agreement

The purpose of this Agreement is to provide for the administration of the affordable housing obligations of the Participant arising under the OPA and the AARP, in accordance with the CRL.

II. Scope of Work

A. Definitions.

“Affordable SRO Units” mean the approximately 130 SRO units to be rehabilitated on the Property by Participant in accordance with the OPA and the Scope of Development (Attachment No. 4), which shall be restricted by Participant for Very Low Income and Low Income households, at an Affordable Rent, in accordance with the terms and conditions of the OPA and AARP.

“Affordable Rent” means rent, including a reasonable utility and parking allowance, that does not exceed the following respective amounts:

(a) for a Low Income household, the product of thirty percent (30%) times sixty percent (60%) of the Area Median Income adjusted for family size appropriate for the unit; and

(b) for a Very Low Income household, the product of thirty percent (30%) times fifty percent (50%) of the Area Median Income adjusted for family size appropriate for the unit.

“Area Median Income” or “AMI” means the median family income for San Diego County as annually estimated by the U.S. Department of Housing and Urban Development and published by the California Department of Housing and Community Development.

“Low Income” shall have the meaning set forth in California Health and Safety Code Section 50079.5.

“Very Low Income” shall have the meaning set forth in California Health and Safety Code Section 50105.

B. Services. In addition to the reporting requirements set forth in Section VII below, the Administrator shall monitor Participant's compliance with the affordable housing requirements of the Project as set forth in the OPA and the AARP, including, without limitation: (i) establishing the eligibility criteria for renters of the Affordable Units in accordance with the requirements of the OPA and the AARP; and (ii) monitoring ongoing compliance with the terms of the OPA and the AARP as applicable, including an annual certification that the Affordable Units remain occupied by eligible tenants. The Agency will notify the Administrator of any amendments to the CRL that would affect the affordable housing requirements of the Project as set forth in the OPA and the AARP.

C. Administrator and Agency Approval of Rents. The maximum amount which Participant may charge for rent of each of the Affordable Units is set forth in Exhibit "A", attached hereto and incorporated herein by this reference.

D. Agency Rights and Obligations. All rights, obligations, and/or duties of the Agency under the OPA and the AARP, not otherwise the subject of this Agreement, shall remain the rights, obligations, and/or duties of the Agency.

III. Parties to Agreement

The Parties to this Agreement are:

A. The Redevelopment Agency of the City of San Diego, California, a public entity, corporate and politic, having its principal office at 1200 Third Avenue; Suite 1400, San Diego, California 92101.

B. The San Diego Housing Commission, a public agency, having its principal office at 1122 Broadway; Suite 300, San Diego, California 92101.

IV. Representatives of the Parties

The representatives of the respective Parties who are authorized to administer this Agreement and to whom formal notices, demands and communications shall be given are as follows:

A. The representative of the Agency shall be:

Janice L. Weinrick, Deputy Executive Director
Redevelopment Agency of the City of San Diego
1200 Third Avenue; Suite 1400, MS 56D
San Diego, California 92101

B. The representatives of the Administrator shall be:

Rick Gentry, President and Chief Executive Officer
Occupancy Monitoring Department

San Diego Housing Commission
1122 Broadway; Suite 300
San Diego, California 92101

Any Party may designate another representative by providing written notice to the other Parties.

V. Time of Performance

Services pursuant to this Agreement shall commence as of the date of the execution of this Agreement by all of the Parties and shall terminate upon the earlier of: (i) expiration of the affordable rental restriction requirements, as defined in the OPA and the AARP; or (ii) termination of this Agreement pursuant to Section II or Section XV, below.

VI. Monitoring of the Administrator by the Agency

The Agency may monitor the Administrator's performance of its duties under this Agreement. The Administrator shall reasonably cooperate with the Agency in connection with such monitoring.

VII. Monitoring and Reporting Requirements

Administrator Requirements

- A. The Administrator shall determine whether proposed applicants qualify as tenants for the Affordable Units.
- B. The Administrator shall monitor the following, pursuant to Exhibit "A" attached hereto:
 - (1) Each Affordable Unit's occupancy by eligible residents (i.e., at low- and very low- income levels); and
 - (2) The period of each Affordable Unit's affordability (i.e., not less than 99 years for rental units).
- C. The Administrator shall submit to the Agency annual reports of its monitoring activities pursuant to this Agreement, which may include the most recent Certification of Continuing Program Compliance report, no later than July 31st for the prior fiscal year (July 1- June 30).
- D. The Administrator shall re-certify household income annually. If a household's income increases to above 140% of the applicable income limitation, the household will be required to move out or, if another unit in the project is vacant and can be converted to an affordable rent, pay the market rate rent. Participant shall be solely responsible for eviction of tenants.

Agency Requirements

- A. Provide evidence of the Participant's advance notification of any fees required under this Agreement, as demonstrated by Exhibit "B" attached hereto and incorporated herein by this reference.
- B. Annually, upon request from the Administrator, provide updated rent chart based upon the San Diego Median Income, CRL and applicable regulations for the other project funding sources.

Participant Requirements

- A. Provide complete and accurate information required by the Administrator with regard to the affordable housing obligations of the Participant contained in the OPA and the AARP, immediately upon request.
- B. One (1) year prior to the expiration of an affordability restriction, the tenants will be provided with a written notice from the Participant.
- C. Participant shall timely pay all fees to the Administrator as required by this Agreement.

VIII. Books and Records

A. Complete Books. The Administrator shall maintain or cause to be maintained complete and accurate books, reports, files, and records necessary to carry out its monitoring and reporting obligations under this Agreement, the OPA and the AARP. The Participant shall maintain or cause to be maintained complete and accurate books, reports, files, and records necessary to carry out its monitoring and reporting obligations under this Agreement, the OPA and the AARP.

B. Availability. All records prepared in accordance with this Agreement shall be made available to the Agency for copying and inspection at any time without notice during normal business hours.

IX. Access to Records

A. The Agency shall have full and free access to all books, papers, documents, and records of the Administrator and/or Participant that are pertinent to the obligations of all Parties under this Agreement.

B. The Administrator shall have full and free access to all books, papers, documents and records of the Participant and/or Agency that are pertinent to the Administrator's obligations under this Agreement.

X. Ownership, Use and Distribution of Documents

A. All records, reports, books, papers, documents, computer discs or other information prepared or developed by the Administrator or Participant on behalf of the Agency in connection with services rendered under this Agreement, are and shall remain the exclusive property of the Agency.

B. The Agency and Administrator may use and distribute in each of their sole discretions any records, reports, books, papers, documents, computer discs or other information prepared by the Administrator and/or Participant pursuant to this Agreement. Such purposes include, but are not limited to, annual reports, reports required by the CRL, and responses to public information requests. The Agency shall identify the Administrator as the author of any such reports prepared by the Administrator that are distributed by the Agency. Neither the Agency, nor the Administrator shall be required to secure any prior authorization, written or otherwise, from one another prior to any such distribution.

C. Upon expiration of this Agreement or in the event of termination of this Agreement by the Agency or the Administrator as provided in Section XII or Section XV of this Agreement, the Administrator agrees to provide to the Agency and the Participant copies of all records, reports, books, papers, documents, computer discs or other information prepared as a result of this Agreement not previously provided to the Agency or the Participant.

XI. Payment of Compensation

A. Amount. In consideration for the Services provided by the Administrator with respect to the Affordable Units as referenced in this Agreement, the Administrator may establish and collect annually a fee ("Annual Monitoring Fee") from the Participant for services rendered pursuant to this Agreement to monitor and enforce the affordability covenants of the Project contained in the OPA and the AARP. The amount of the Annual Monitoring Fee charged shall be based upon the current San Diego Housing Commission Annual Occupancy Monitoring Fee Schedule, Exhibit "B", attached hereto, which Exhibit is subject to revision annually, based upon the increase in the Consumer Price Index for the San Diego Metropolitan Area. Each year the Annual Monitoring Fee shall be increased based upon the percentage of increase in the Cost of Living as referenced in the Consumer Price Index for the San Diego Metropolitan Area. In no event, shall the initial Annual Monitoring Fee decrease, however.

B. Time of Payment. Concurrently with Participant's execution and delivery of this Agreement, Participant shall pay to the Administrator a System Set-Up and Implementation Fee as referenced in Exhibit "B", attached hereto. The Administrator's right to the Annual Monitoring Fee referenced in Exhibit "B" shall commence concurrently with activities referenced in Section VII of this Agreement. The Participant shall pay to the Administrator the Annual Monitoring Fee in accordance with Exhibit "B", and as calculated by, Section XI.A, above. Failure to timely pay the System Set-Up and Implementation Fee and/or Annual Monitoring Fee shall constitute a material default under this Agreement. Such breach shall entitle the Administrator, in addition to all other rights that it has at law, equity and under the terms of this Agreement, to terminate this Agreement in accordance with Section XII or Section XV of this Agreement.

C. Administrator Entitled to All Fees. In the event that Agency directs Administrator to take legal steps, including the initiation of litigation, to enforce the OPA and/or the AARP, then Administrator shall be entitled to the legal costs and fees and other court costs associated with such enforcement actions, in addition to the fees set forth herein. The Agency shall compensate the Administrator for such fees and costs as incurred and the Administrator shall seek reimbursement of such fees and costs in any litigation against the Participant. The Agency, may, in lieu of requesting the Administrator to enforce the terms of the OPA and/or the AARP, enforce the obligations itself.

XII. Default

In the event of any breach or default hereunder, which the defaulting or breaching Party fails to satisfactorily cure within ten (10) calendar days of receiving written notice from a non-defaulting Party specifying the nature of the default or breach, the non-defaulting Party may immediately cancel and/or terminate this Agreement upon written notice to all other Parties and/or maintain any and all legally permissible actions at law or in equity against the defaulting Party to enforce the correction of any such default or breach or to enjoin any such default or breach. In addition to the defaulting Party, the non-defaulting Party must send any notice of default to the remaining Party to this Agreement.

XIII. Independent Contractor

The Parties hereto are entering into this Agreement independently from one another and shall not be deemed officers, officials, agents, partners or employees of one another.

XIV. Amendment or Assignment of Agreement

All amendments to this Agreement must be in writing and executed with mutual consent of the Administrator, the Agency and the Participant. This Agreement may not be assigned by any Party without the written approval of the remaining Parties subject to the Participant's rights under the OPA and AARP, and such approval shall not be unreasonably withheld.

XV. Termination

This Agreement may be terminated with or without cause by the Agency or the Administrator upon thirty (30) calendar days' written prior notice to all other Parties.

XVI. Complete Agreement

This Agreement contains the full and complete agreement between the parties concerning the matters contained herein. No verbal agreements or conversation with any officer, official, agent or employee of any Party shall effect or modify any of the terms and conditions of this Agreement.

XVII. Limitations on Agreement

Notwithstanding anything in this Agreement to the contrary, in no event shall the obligations of the Participant under this Agreement be any greater than the obligations of the Participant as the "Commission" under the OPA and the AARP. The Parties agree that this Agreement is not in any way intended to, and does not, revise, amend or otherwise affect any of the terms, conditions or priority of the OPA or the AARP, nor the enforcement thereof, except as specifically set forth herein. The Parties hereby agree that, except as expressly provided herein, the provisions of the OPA and the AARP shall be and remain unmodified and in full force and effect.

XVIII. Counterparts

This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute one and the same instrument. The signature pages of one or more counterpart copies may be removed from such counterpart copies and all attached to the same copy of this Agreement, which, with all attached signature pages, shall be deemed to be an original Agreement.

XIX. Time of Essence

Time is expressly declared to be of the essence in this Agreement, and of each and every provision in which time is an element.

XX. Captions

Section or paragraph titles and captions contained in this Agreement are inserted as a matter of convenience and for reference, and are not a substantive part of this Agreement.

XXI. Additional Documents

The Parties each agree to sign any additional documents, which are reasonably necessary to carry out this Agreement or to accomplish its intent.

XXII. Benefit and Burden

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, representatives, successors and assigns. This Agreement is not intended to benefit any person other than the Parties hereto.

XXIII. Governing Law

This Agreement has been entered into in the State of California and shall be interpreted and enforced under California law.

XXIV. Venue

Any action that may be filed to enforce or interpret the terms of this Agreement shall be filed in a court located within the City of San Diego, California.

XXV. Attorney's Fees

The prevailing party in any action including, but not limited to, arbitration, a petition for writ of mandate, and/or an action for declaratory relief, brought to enforce, interpret or reform the provisions of this Agreement shall be entitled to reasonable attorney's fees and costs (including, but not limited to, expert's fees and costs, and including "costs" regardless of whether recoverable as such under statute) incurred in such action.

XXVI. Waiver

No breach of any provision hereof may be waived unless in writing by all Parties. Waiver of any one breach of any provision hereof shall not be deemed to be a waiver of any other breach of the same or any other provision hereof.

XXVII. Number of Pages and Exhibits

This Agreement includes twelve (12) pages and two (2) Exhibits.

XXVIII. Signing Authority

The representative signing on behalf of each Party to this Agreement represents that authority has been obtained to sign on behalf of the Party.

XXVIX. Exhibits and Recitals Incorporated

All exhibits referred to in this Agreement are hereby incorporated in this Agreement by this reference, regardless of whether or not the exhibits are actually attached to this Agreement. The recitals to this Agreement are hereby incorporated in this Agreement by this reference.

XXX. Severability of Provisions

If any term or provision of this Agreement, the deletion of which would not adversely affect the receipt of any material benefit by any party hereunder, shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each other term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

XXXI. Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective heirs, legal and personal representatives, successors, and assigns.

[THIS SPACE LEFT INENTIONALLY BLANK]

IN WITNESS WHEREOF, the Parties have executed two (2) duplicate originals of this Agreement and have signed this Agreement as of the dates set opposite their signatures.

AGENCY:

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

By: _____

Janice L. Weinrick
Deputy Executive Director

Date: _____

Approved as to form and legality:

JAN I. GOLDSMITH, Redevelopment Agency General Counsel

By: _____

Kendall D. Berkey
Deputy General Counsel

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: _____

Murray O. Kane

[SIGNATURES CONTINUE ON NEXT PAGE]

**SIGNATURE PAGE TO
MONITORING AGREEMENT**

ADMINISTRATOR/PARTICIPANT:
SAN DIEGO HOUSING COMMISSION

By: _____
Richard C. Gentry
President & Chief Executive Officer

Date: _____

Approved as to form:
CHRISTENSEN & SPATH, LLP

By: _____
Charles B. Christensen
General Counsel
San Diego Housing Commission

EXHIBIT "A"

QUALIFIED TENANT AND RENT SCHEDULE

Hotel Sanford

A "Qualified Tenant" shall be a person of low or very low income as defined below. Qualified Tenants shall meet the income limits and shall not pay more than the rental rates identified and illustrated in the following tables:

RESTRICTIONS FOR TENANT ELIGIBILITY

# of Units	# of Bedrooms	Income Level¹	Maximum Rents²	# of Years
52	Studio (SRO)	50% AMI	\$656	99
78	Studio (SRO)	60% AMI	\$787	99

¹ Income Level = Eligible Households earning up to **% of AMI based on household size.

² Maximum Rents = 30% of **% AMI (less utility allowance) based upon household size and appropriate regulatory agreement. The rents in this chart are illustrative based upon the 2009 San Diego Median Income. Actual rents at time of lease-up may be different due to fluctuations in the San Diego Median Income.

The Median Income for San Diego County is determined by the U.S. Department of Housing and Urban Development (HUD Schedule), revised periodically and distributed by the San Diego Housing Commission. Utility allowance calculations may vary depending on actual services provided.

EXHIBIT "B"

OCCUPANCY MONITORING FEE SCHEDULE – Rental Units

Hotel Sandford

Initial Monitoring Fee

System Set-up and Implementation

\$500

The initial monitoring fee is a one-time, not to exceed charge to cover costs for setting up and implementing the monitoring system and procedures for the Project, and is due and payable upon execution of this Agreement.

Annual Monitoring Fee

The base monitoring fee per unit is: \$65 per unit for the first 40 units,
\$55 per unit for the next 40 units,
\$45 per unit for all units in excess of 80.

The monitoring fee is subject to annual adjustments to reflect changes in the Consumer Price Index over the term of this Agreement as set forth below.

Maximum Annual Fee

Pursuant to this Agreement and recorded AARP, the maximum initial annual fee charged by the Administrator shall not exceed **\$910** plus the initial monitoring fee of **\$500**. This maximum initial annual amount may be adjusted for changes in the Consumer Price Index as set forth in Section XI of this Agreement, and may exceed the **\$910** maximum in any year succeeding the initial year of the Agreement.

Enforcement Fees

In the event the Administrator, in monitoring compliance, determines that the Participant is not in compliance with the covenants and conditions in the Agreement or the AARP, the Participant shall pay Administrator's additional reasonable costs of enforcement. Such costs shall be equal to Administrator's total documented costs for employee and attorney time expended in securing compliance. In no event shall such additional fees exceed \$500 without Agency's approval. If Agency disapproves such additional fees, Agency shall assume the enforcement function for the specific non-compliance situation then at issue.

Billing and Payment of Fees

The Administrator shall bill/invoice Participant for all fees at the address of record on an annual basis. Participant shall pay fees to the Administrator within fifteen (15) calendar days of the date of the invoice.

ATTACHMENT NO. 7

PROJECT BUDGET

[BEHIND THIS PAGE]

CASH FLOW ANALYSIS

Hotel Sanford

**San Diego Housing Commission
January 20, 2010**

SUMMARY TABLE A
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION

	up to 45% AMI by Year 4 with Section 8	
I. Average Rent - Residential		
Year 0	\$437	
Year 1	\$479	
Year 2	\$532	
Year 3	\$603	
Year 4	\$651	
Year 5	\$667	
Year 15	\$854	
Year 16	\$876	
Year 17	\$897	
Year 18	\$920	
II. Operating Expenses	Current Expenses + 3.5%/year	
III. Uses of Funds		
Acquisition Costs		
Land Value	\$3,300,000	
Building Value	\$3,500,000	
Due Diligence	\$130,000	
Closing Fees	\$100,000	
Relocation Costs - Temporary	\$27,000	
Relocation Costs - Permanent	<u>\$22,000</u>	
Total Acquisition Costs	\$7,079,000	
Direct Costs	\$3,888,000	
Indirects/Operating Lease-Up Reserve	<u>\$1,223,000</u>	
Total Uses of Funds	\$12,190,000	
IV. Agency/SDHC Contribution		
San Diego Housing Commission	\$6,095,000	50%
Agency Loan	<u>\$6,095,000</u>	<u>50%</u>
Total Uses of Funds	\$12,190,000	100%
V. NPV of Project Cash Flow (55 years)		
NPV of SDHC Share @	\$177,000	50%
NPV of Agency Share @	<u>\$177,000</u>	<u>50%</u>
Total	\$354,000	100%
VI. Outstanding Agency Loan @ Year 55	\$7,386,000	

SUMMARY TABLE B

RENT INCREASE ASSUMPTIONS

HOTEL SANDFORD

SAN DIEGO HOUSING COMMISSION

up to 45% AMI by Year 4 - with Section 8 (2)(3)									
	Year 0	Year 1	Year 2	Year 3	Year 4	Years 5-15	Year 16	Year 17	Year 18-55
Existing Rents - 33% AMI	100%	80%	55%	20%	0%	-	-	-	-
40% AMI	-	-	-	-	-	-	-	-	-
45% AMI	-	10%	30%	50%	70%	70%	80%	85%	100%
50% AMI	-	-	-	-	-	-	-	-	-
45% AMI - Section 8 (1)	-	10%	15%	30%	30%	30%	20%	15%	-

(1) Per HUD Guidelines, when project based Section 8 vouchers are used, AMI cannot exceed the AMI rent levels for non-Section 8 tenants.

(2) Existing turnover at Hotel Sandford is estimated at approximately 25% per year based on historical operating data resulting from the following:

- (i) no private kitchens; (ii) roommates are prohibited; (iii) tenants awarded HUD Section 8 vouchers relocate to other properties; (iv) tenants over time may require assisted living or 24 hour care; and (v) natural attrition. The cash flow analysis projects an annual turn over rate at 20%.

(3) Project based Section 8 vouchers are assumed to be used by existing residents currently paying rents at approximately 33% AMI. Project based vouchers are proposed to benefit only existing tenants. The cash flow analysis assumes that Section 8 vouchers will be used by 10% of the units in Year 1, an additional 5% of the units in Year 2, and an additional 15% of the units in Years 3 and 4, for a total of 30% of all units. Beginning in Year 4, all units are assumed to achieve rents up to 45% AMI.

SUMMARY TABLE C

COMPARISON OF RENTS HOTEL SANDFORD SAN DIEGO HOUSING COMMISSION

Survey of Market Rents (1)						
	Subject Hotel Sandford (Market Rent)	C Street Inn	Centre City Manor	Chadwick Hotel	Peachtree Hill	Sara Francis Homotel
Room Size	86 - 150 SF	100 - 150 SF	100 - 120 SF	168 SF	150+ SF	150+ SF
Private Bath	Yes	Yes	Yes	Yes	Yes	Yes
Private Kitchen	No	No	No	No	No	No
Monthly Rent	\$650	\$575	\$880 (2)	\$550	\$615 - \$795	\$625

Maximum Affordable Rent, 2009 (3)			
40% AMI	45% AMI	50% AMI	60% AMI
\$525	\$590	\$656	\$787

(1) Sources: Anderson & Brabant, Inc., August 2009; Jones, Roach & Caringella, Inc., August 2009; San Diego Housing Commission, September 2009.
 (2) Based on weekly rate.
 (3) Based on State of California Housing and Community Development Income Limits for San Diego County, April 3, 2009.

TABLE 1

PROJECT DESCRIPTION
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION

I. Location	1301 - 1333 Fifth Avenue San Diego, California	
II. Site Area	0.34 Acres 15,000 SF	
III. Gross Building Area		
Residential	56,019 SF	68%
Basement - Residential - Improved	8,814 SF	11%
Basement - Residential - Unimproved	<u>6,194</u> SF	<u>8%</u>
Total Residential	71,027 SF	87%
Retail		
BB's Deli	752 SF	1%
Associated Barber College - Salon	705 SF	1%
Associated Barber College - Barber	2,902 SF	4%
Fifth Avenue Corp.	250 SF	0%
Corner Space	3,054 SF	4%
Basement - Retail - Improved	<u>3,267</u> SF	<u>4%</u>
Total Retail	10,930 SF	13%
Total Gross Building Area	81,957 SF	100%
Above Grade - Gross Building Area	63,682 SF	78%
Below Grade - Gross Building Area	<u>18,275</u> SF	<u>22%</u>
Total Gross Building Area	81,957 SF	100%
IV. Number of Units	130 Units	
V. Number of Stories / Density	4 Floors + Basement 378 Units/Acre	
VI. Construction Type	Unreinforced Masonry	
VII. Parking	None provided	

TABLE 2

**DEVELOPMENT COSTS
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION**

	<u>Totals</u>	<u>Per Unit</u>	<u>Comments (1)</u>	<u>Source</u>
I. Acquisition Costs				
Land Value (2)	\$3,300,000	\$25,385	\$220 /SF Site Area	Anderson and Brabant, Inc.
Building Value (2)	\$3,500,000	\$26,923	\$46 /SF GBA	Anderson and Brabant, Inc.
Subtotal Acquisition Costs	\$6,800,000	\$52,308	\$90 /SF GBA	
Due Diligence (3)	\$130,000	\$1,000	Allowance	Agency and SDHC
Closing Fees (3)	\$100,000	\$769	Allowance	Stewart Title and SDHC
Relocation Costs - Temporary (3)(4)	\$27,000	\$208	Allowance	Relocation Report
Relocation Costs - Permanent (3)	\$22,000	\$169	Allowance	Relocation Report
Total Acquisition Costs	\$7,079,000	\$54,454	\$93 /SF GBA	
II. Direct Costs (5)				
Rehabilitation (6)	\$3,055,000	\$23,500	\$40 /SF GBA	Cornerstone Construction Management
Sustainability / LEED Upgrades (6)(7)	\$91,000	\$700	3.0% of above Directs	Cornerstone Construction Management
Tenant Improvements (8)	\$108,000	\$831	\$10 /SF Retail & Res. Basement-Unimp.	SDHC
FF&E - Common Area (9)	\$78,000	\$600	Allowance	Cornerstone Construction Management
FF&E - Resident Rooms (10)	\$157,000	\$1,205	\$1,205 /Unit	Cornerstone Construction Management
Universal Design Upgrade	\$50,000	\$1,205	\$1 /SF GBA	SDHC
Owner Contingency	\$349,000	\$2,685	10.0% of Directs	Industry standard
Total Direct Costs	\$3,888,000	\$29,908	\$51 /SF GBA	
III. Indirect Costs				
Architecture & Engineering	\$467,000	\$3,592	12.0% of Directs	Heritage Architecture
Permits & Fees	\$50,000	\$385	\$1 /SF GBA	Cornerstone Construction Management
Legal & Accounting	\$75,000	\$577	1.9% of Directs	KMA
Property Taxes and Assessments (11)	\$5,000	\$38	0.1% of Directs	KMA
Business Taxes (11)	\$0	\$0	0.0% of Directs	SDHC
Construction Management Fee	\$122,000	\$500	4.0% of Rehabilitation Costs	Cornerstone Construction Management
Relocation Consultant Management Fee	\$61,000	\$469	1.6% of Directs	Relocation Consultant
Leasing Commissions - Retail (12)	\$55,000	\$423	\$7 /SF Retail GBA	SDHC
Property and Liability Insurance	\$15,000	\$115	0.4% of Directs	SDHC
Contingency	\$39,000	\$300	4.6% of Indirects	Industry standard
Total Indirect Costs	\$889,000	\$6,838	22.9% of Directs	

TABLE 2

**DEVELOPMENT COSTS
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION**

	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u> ⁽¹⁾	<u>Source</u>
IV. Operating/Lease-Up Reserves				
Operating/Lease-Up Reserve-Residential ⁽¹³⁾	\$236,000	\$1,815	6.1% of Directs	SDHC/Industry Standard
Operating/Lease-Up Reserve-Retail	\$98,000	\$754	2.5% of Directs	SDHC
Total Operating/Lease-Up Reserves	\$334,000	\$2,569	8.6% of Directs	
V. Subtotal Development Costs excluding Acquisition	\$5,111,000	\$39,315	\$67 /SF GBA	
VI. Total Development Costs including Acquisition	\$12,190,000	\$93,769	\$161 /SF GBA	

- (1) Per SF GBA estimates exclude unimproved residential basement (6,194 SF).
 (2) Source: Hotel Sandford Appraisal Report, Anderson & Brabant, August 12, 2009.
 (3) Per OPA agreement cost to be split 50/50 between the Agency and SDHC.
 (4) Reflects the cost of moving residents' belongings from one unit to another during rehabilitation. Excludes resident room furniture. Assumes a 12-unit phasing plan schedule.
 (5) Includes payment of prevailing wages.
 (6) Rehabilitation estimate verified by Cornerstone Construction Management Services, October 23, 2009. Includes 15% design contingency. Assumes a 12-unit phasing plan schedule.
 (7) Reflects energy efficiency upgrades to building.
 (8) Estimate based on SDHC discussion with retail broker. Excludes "corner space" and improved retail basement space.
 (9) Assumes full replacement of security and phones systems and furniture for elevator lobby, front lobby, and men's and women's sitting room.
 (10) Assumes replacement of a bed, night stand, chair, small television and table, and dresser.
 (11) SDHC is exempt from property and business taxes. SDHC must pay tax assessments.
 (12) Excludes "corner space" retail. Leasing commission based on SDHC discussion with retail broker.
 (13) Approximate reserve requirement based on four months of operating expenses and lease-up reserve of 10.0% of operating expenses.

TABLE 3

**ALLOCATION OF DEVELOPMENT COSTS
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION**

	Residential	Retail	Total
I. Cost Allocation Method			
Gross Building Area	71,027 SF 86.7%	10,930 SF 13.3%	81,957 SF 100.0%
II. Uses of Funds			
A. Acquisition Costs (1)			
Land Value	\$2,795,000	\$505,000	\$3,300,000
Building Value	<u>\$3,000,000</u>	<u>\$500,000</u>	<u>\$3,500,000</u>
Subtotal Acquisition Costs	\$5,795,000	\$1,005,000	\$6,800,000
Due Diligence	\$130,000	\$0	\$130,000
Closing Fees	\$100,000	\$0	\$100,000
Relocation Costs - Temporary	\$27,000	\$0	\$27,000
Relocation Costs - Permanent	<u>\$22,000</u>	<u>\$0</u>	<u>\$22,000</u>
Total Acquisition Costs	\$6,074,000	\$1,005,000	\$7,079,000
B. Direct Costs			
Rehabilitation	\$2,648,000	\$407,000	\$3,055,000
Sustainability / LEED Upgrades	\$79,000	\$12,000	\$91,000
Tenant Improvements	\$88,000	\$20,000	\$108,000
FF&E - Common Area	\$78,000	\$0	\$78,000
FF&E - Resident Rooms	\$157,000	\$0	\$157,000
Universal Design Upgrade	\$50,000	\$0	\$50,000
Owner Contingency	<u>\$305,000</u>	<u>\$44,000</u>	<u>\$349,000</u>
Total Direct Costs	\$3,405,000	\$483,000	\$3,888,000
C. Indirect Costs			
Architecture & Engineering	\$405,000	\$62,000	\$467,000
Permits & Fees	\$43,000	\$7,000	\$50,000
Legal & Accounting	\$65,000	\$10,000	\$75,000
Property Taxes and Assessments	\$4,000	\$1,000	\$5,000
Business Taxes	\$0	\$0	\$0
Construction Management Fee	\$106,000	\$16,000	\$122,000
Relocation Consultant Management Fee	\$61,000	\$0	\$61,000
Leasing Commissions - Retail	\$0	\$55,000	\$55,000
Property Liability Insurance	\$13,000	\$2,000	\$15,000
Contingency	<u>\$32,000</u>	<u>\$7,000</u>	<u>\$39,000</u>
Total Indirect Costs	\$729,000	\$160,000	\$889,000
D. Operating Lease-Up/Reserves			
Operating Lease-Up/Reserves-Residential	\$236,000	\$0	\$236,000
Operating Lease-Up/Reserves-Retail	<u>\$0</u>	<u>\$98,000</u>	<u>\$98,000</u>
Total Operating Lease-Up/Reserves	\$236,000	\$98,000	\$334,000
E. Total Costs	\$10,444,000	\$1,746,000	\$12,190,000

(1) Allocation of value per Anderson & Brabant, Inc.

Prepared by: Keyser Marston Associates, Inc.

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TABLE 3

**ALLOCATION OF DEVELOPMENT COSTS
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION**

	Residential	Retail	Total
III. Sources of Funds			
<u>San Diego Housing Commission</u>			
Acquisition Costs			
Land Value	\$2,795,000	\$505,000	\$3,300,000
Building Value	<u>\$0</u>	<u>\$500,000</u>	<u>\$500,000</u>
Subtotal Acquisition	\$2,795,000	\$1,005,000	\$3,800,000
Due Diligence	\$65,000	\$0	\$65,000
Closing Fees	\$50,000	\$0	\$50,000
Relocation Costs - Temporary	\$14,000	\$0	\$14,000
Relocation Costs - Permanent	<u>\$11,000</u>	<u>\$0</u>	<u>\$11,000</u>
Total Acquisition	\$2,935,000	\$1,005,000	\$3,940,000
Direct Costs	\$931,000	\$483,000	\$1,414,000
Indirect Costs	\$365,000	\$160,000	\$525,000
Operating Lease-Up/Reserves	<u>\$118,000</u>	<u>\$98,000</u>	<u>\$216,000</u>
Total San Diego Housing Commission	\$4,349,000	\$1,746,000	\$6,095,000 50%
<u>Agency</u>			
Acquisition Costs			
Land Value	\$0	\$0	\$0
Building Value	<u>\$3,000,000</u>	<u>\$0</u>	<u>\$3,000,000</u>
Subtotal Acquisition	\$3,000,000	\$0	\$3,000,000
Due Diligence	\$65,000	\$0	\$65,000
Closing Fees	\$50,000	\$0	\$50,000
Relocation Costs - Temporary	\$13,000	\$0	\$13,000
Relocation Costs - Permanent	<u>\$11,000</u>	<u>\$0</u>	<u>\$11,000</u>
Total Acquisition	\$3,139,000	\$0	\$3,139,000
Direct Costs	\$2,474,000	\$0	\$2,474,000
Indirect Costs	\$364,000	\$0	\$364,000
Operating Lease-Up/Reserves	<u>\$118,000</u>	<u>\$0</u>	<u>\$118,000</u>
Total Agency	\$6,095,000	\$0	\$6,095,000 50%
Total Sources of Funds	\$10,444,000	\$1,746,000	\$12,190,000 100%

TABLE 4

**SUMMARY OF NET OPERATING INCOME
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION**

	(A) 2008 (Actual) (1)			(B) 2009 (Budget) (1)		(C) 2010 (w/Section 8)		(C-B) Difference
I. Revenues								
Gross Scheduled Income								
BB's Deli	752 SF			\$1.22 /SF/Month	\$10,980			
Associated Barber College - Salon	705 SF			\$0.72 /SF/Month	\$6,120			
Associated Barber College - Barber	2,902 SF			\$0.62 /SF/Month	\$21,504			
Fifth Avenue Corp.	250 SF			\$0.00 /SF/Month	\$0			
Subtotal Ground Level Retail	4,609 SF	\$63,543		\$0.70 /SF/Month	\$38,604	\$0.75 /SF/Month	\$41,500	\$2,896
Corner Space	3,054 SF	\$0			\$0	\$0.00 /SF/Month	\$0	\$0
Residential	130 Units	\$619,416		\$437 /Unit/Month	\$681,816	\$479 /Unit/Month	\$747,000	\$65,184
Total Gross Scheduled Income		\$682,959			\$720,420		\$788,500	\$68,080
Other Income								
Refrigerator Rents		\$6,510		\$4 /Unit/Month	\$6,510	\$5 /Unit/Month	\$8,000	\$1,490
Laundry (Wash & Dry)		\$2,258		\$1 /Unit/Month	\$2,258	\$2 /Unit/Month	\$3,000	\$742
Security Deposits		\$1,055		\$1 /Unit/Month	\$1,055	\$1 /Unit/Month	\$2,000	\$945
Miscellaneous Income		\$104		\$0 /Unit/Month	\$105	\$0 /Unit/Month	\$210	\$105
Subtotal Other Income		\$9,927		\$6 /Unit/Month	\$9,928	\$8 /Unit/Month	\$13,210	\$3,282
(Less) Vacancy - Residential		(\$33,801)		7.0% of Residential GSI	(\$47,727)	15.0% of Residential GSI	(\$112,050)	(\$64,323)
(Less) Vacancy - Commercial		\$0		0.0% of Commercial GSI	\$0	10.0% of Commercial GSI	(\$4,150)	(\$4,150)
Total Vacancy		(\$33,801)			(\$47,727)		(\$116,200)	(\$68,473)
Effective Gross Revenue		\$659,085			\$682,621		\$685,510	\$2,889
II. Operating Expenses								
Operating Expenses								
Administration and Legal Expenses (2)								
Management Fee (3)		(\$145,304)		\$1,250 /Unit/Year	(\$162,558)	\$400 /Unit/Year (10)	(\$52,000)	\$110,558
Operating & Maintenance Expense (4)		\$0		\$0 /Unit/Year	\$0	\$460 /Unit/Year (10)	(\$59,800)	(\$59,800)
Taxes and Insurance (5)		(\$222,675)		\$1,439 /Unit/Year	(\$187,058)	\$600 /Unit/Year (10)	(\$78,000)	\$109,058
Payroll Salary (6)		(\$44,548)		\$451 /Unit/Year	(\$58,624)	\$115 /Unit/Year (10)	(\$14,950)	\$43,674
Financial Expenses (7)		\$0		\$0 /Unit/Year	\$0	\$1,374 /Unit/Year (10)	(\$178,603)	(\$178,603)
Audit and Tax Preparation		(\$11,227)		\$0 /Unit/Year	\$0	\$100 /Unit/Year (10)	(\$13,000)	(\$13,000)
Utilities (8)		(\$168,878)		\$115 /Unit/Year	(\$15,000)	\$119 /Unit/Year (10)	(\$15,525)	(\$525)
Operating Contingency		\$0		\$1,402 /Unit/Year	(\$182,215)	\$1,451 /Unit/Year (10)	(\$188,593)	(\$6,378)
Total Operating Expenses		(\$592,632)		\$4,657 /Unit/Year	(\$605,455)	\$200 /Unit/Year (10)	(\$26,000)	(\$26,000)
						\$4,819 /Unit/Year	(\$626,470)	(\$21,015)

TABLE 4

**SUMMARY OF NET OPERATING INCOME
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION**

	(A) 2008 (Actual) (1)	(B) 2009 (Budget) (1)	(C) 2010 (w/Section 8)	(C-B) Difference
II. Operating Expenses (cont'd.)				
Property Taxes and Assessments	\$108 /Unit/Year	\$111 /Unit/Year	\$38 /Unit/Year (10)	\$9,449
Social Services/Amenities	\$0 /Unit/Year	\$0 /Unit/Year	\$150 /Unit/Year (10)	(\$19,500)
Replacement Reserves	\$0 /Unit/Year	\$0 /Unit/Year	\$275 /Unit/Year (10)	(\$35,750)
Furniture Replacement	\$0 /Unit/Year	\$0 /Unit/Year	\$150 /Unit/Year (11)	(\$19,500)
Mattress Replacement	\$0 /Unit/Year	\$0 /Unit/Year	\$75 /Unit/Year (12)	(\$9,750)
SDHC Monitoring Fee	\$0 /Unit/Year	\$0 /Unit/Year	\$54 /Unit/Year (13)	(\$7,050)
Total Operating Expenses	\$4,667 /Unit/Year	\$4,768 /Unit/Year	\$5,582 /Unit/Year	(\$103,116)
III. Net Operating Income	\$52,425	\$62,717	(\$37,510)	(\$100,227)

(1) Source: Senior Fifth Avenue Associates, March 4, 2009.

(2) Includes marketing, office supply, phone service, internet, training for staff, audit, computer supplies, credit check of tenants, and bank fees.

(3) Fee paid to property management company to manage the property.

(4) Costs associated with building repair such as painting, minor repairs, supplies, property maintenance, elevator contract, fire alarm and sprinkler monitoring, fire extinguisher recharge, pest control, security, signage, and HVAC maintenance.

(5) Includes business property taxes and property insurance. SDHC is exempt from taxes.

(6) Assumes one full-time manager, one full-time maintenance coordinator, one full-time janitor, and one half-time assistant manager. Also includes expense of one free manager unit.

(7) Payments toward loan amount, mortgage, interest fees, and miscellaneous expenses.

(8) Includes electric, gas, cable, and trash collection.

(9) Included in administration and legal fees.

(10) Source: San Diego Housing Commission, October-November 2009.

(11) Assumes replacement of resident room furniture every 10 years.

(12) Assumes replacement of resident mattresses every 3 years.

(13) Source: San Diego Housing Commission. Assumes: \$65/unit for 1-40 units; \$55/unit for 41-80 units, and \$45/unit for 81-130 units.

Prepared by: Keyser Marston Associates, Inc.

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ASSUMED PHASE-IN OF RENT INCREASES
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION

[illegible]

Prepared by: Kayser Mansion Associates, Inc.
Filename: I:\SDHC_Hotel Sandford_v15:1/20/2010.laq

TABLE 6

**MULTI-YEAR CASH FLOW
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION**

	Year (1)										
I. Retail	1	2	3	4	5	6	7	8	9	10	11
Gross Scheduled Income (1)	\$31,125	\$107,481	\$121,308	\$132,370	\$137,900	\$139,836	\$147,318	\$149,351	\$151,436	\$153,573	\$155,763
(Less) Vacancy @ 10.0% of GSI	(\$3,113)	(\$10,748)	(\$12,131)	(\$13,237)	(\$13,790)	(\$13,984)	(\$14,732)	(\$14,935)	(\$15,144)	(\$15,357)	(\$15,576)
(Less) Tenant Improvements	(\$30,540)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(Less) Leasing Commissions \$7 / SF	(\$21,378)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Effective Gross Income	(\$23,906)	\$96,733	\$109,177	\$119,133	\$124,110	\$125,853	\$132,586	\$134,416	\$136,292	\$138,216	\$140,191
II. Residential											
Effective Gross Income (EGI) - Residential	\$486,120	\$762,600	\$888,200	\$984,400	\$1,008,650	\$1,033,866	\$1,059,713	\$1,086,206	\$1,113,361	\$1,141,195	\$1,169,725
(Less) Operating Expenses	(\$469,853)	(\$646,396)	(\$671,090)	(\$694,579)	(\$718,889)	(\$744,050)	(\$770,092)	(\$797,045)	(\$824,941)	(\$853,814)	(\$883,698)
(Less) Property Taxes and Assessments	(\$3,750)	(\$5,100)	(\$5,202)	(\$5,306)	(\$5,412)	(\$5,520)	(\$5,631)	(\$5,743)	(\$5,858)	(\$5,975)	(\$6,095)
(Less) Social Services/Amenities	(\$14,625)	(\$20,183)	(\$20,888)	(\$21,620)	(\$22,377)	(\$23,160)	(\$23,970)	(\$24,809)	(\$25,678)	(\$26,576)	(\$27,507)
(Less) Replacement Reserves	(\$26,813)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)
(Less) Furniture Replacement	(\$14,625)	(\$20,183)	(\$20,888)	(\$21,620)	(\$22,377)	(\$23,160)	(\$23,970)	(\$24,809)	(\$25,678)	(\$26,576)	(\$27,507)
(Less) Mattress Replacement	(\$7,313)	(\$10,091)	(\$10,444)	(\$10,810)	(\$11,188)	(\$11,580)	(\$11,985)	(\$12,405)	(\$12,839)	(\$13,286)	(\$13,753)
(Less) SDHC Monitoring Fee	(\$5,288)	(\$7,297)	(\$7,552)	(\$7,816)	(\$8,090)	(\$8,373)	(\$8,665)	(\$8,967)	(\$9,284)	(\$9,608)	(\$9,945)
(Less) Operating Expenses	(\$542,265)	(\$746,999)	(\$771,817)	(\$797,501)	(\$824,083)	(\$851,593)	(\$880,065)	(\$909,531)	(\$940,028)	(\$971,589)	(\$1,004,254)
III. Project Cash Flow											
Total Net Operating Income	(\$80,051)	\$112,333	\$225,560	\$306,032	\$308,678	\$308,126	\$312,234	\$311,090	\$309,626	\$125,340	\$232,422
(Less) Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Cash Flow	(\$80,051)	\$112,333	\$225,560	\$306,032	\$308,678	\$308,126	\$312,234	\$311,090	\$309,626	\$125,340	\$232,422
IV. Operating Reserve Fund											
(Less) Deposits into Operating Reserve Fund	\$0	(\$112,333)	(\$225,560)	(\$306,032)	(\$308,678)	(\$308,126)	(\$312,234)	(\$311,090)	(\$309,626)	(\$125,340)	(\$232,422)
Add: Reserve Funds for Shortfall	\$80,051	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
V. Net Project Cash Flow Available for Distribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VI. Cash Flow to Agency/SDHC @ 100%											
Cash Flow To Agency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow to SDHC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VII. Repayment of Agency Loan											
Beginning Balance	\$6,095,000	\$6,140,713	\$6,201,663	\$6,262,613	\$6,323,563	\$6,384,513	\$6,445,463	\$6,506,413	\$6,567,363	\$6,628,313	\$6,689,263
Interest 1.0%	\$45,713	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950
(Less) Cash Flow Credit of 50%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$6,140,713	\$6,201,663	\$6,262,613	\$6,323,563	\$6,384,513	\$6,445,463	\$6,506,413	\$6,567,363	\$6,628,313	\$6,689,263	\$6,750,213
NPV Cash flow to Agency @ 10% \$177,000 (3)											
VIII. Repayment of SDHC Investment											
Beginning Balance	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000
Interest 0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(Less) Cash Flow Credit of 50%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000
NPV Cash flow to SDHC @ 10% \$177,000 (3)											

Assumptions:
Income Escalation
Tenant Improvement/Leasing Escalation
Operating Expense Escalation
Furniture / Mattress Escalation

2.50%
3.50%
3.50%
3.50%

Replacement Reserves Escalation
Property Tax Escalation
SDHC Monitoring Escalation

0.00%
2.00%
3.50%

(1) Year 1 reflects partial year (April 1, 2010-December 31, 2010).
(2) Assumes 10-year lease for corner retail space, beginning January 1, 2011.
(3) Excludes outstanding loan balance at Year 55.

TABLE 6

MULTI-YEAR CASH FLOW
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION

	Year (1)	12	13	14	15	16	17	18	19	20	21	22
I. Retail												
Gross Scheduled Income (1)		\$159,657	\$163,648	\$167,740	\$171,933	\$176,231	\$180,637	\$185,153	\$189,782	\$194,526	\$199,390	\$204,374
(Less) Vacancy @ 10.0% of GSI		(\$15,966)	(\$16,365)	(\$16,774)	(\$17,193)	(\$17,623)	(\$18,064)	(\$18,515)	(\$18,978)	(\$19,453)	(\$19,939)	(\$20,437)
(Less) Tenant Improvements \$10 /SF		\$0	\$0	\$0	(\$127,488)	(\$51,165)	\$0	\$0	\$0	(\$151,416)	(\$60,768)	\$0
(Less) Leasing Commissions \$7 /SF		\$0	\$0	\$0	(\$89,242)	(\$35,816)	\$0	\$0	\$0	(\$105,991)	(\$42,538)	\$0
Effective Gross Income		\$143,691	\$147,284	\$150,966	(\$61,991)	\$71,627	\$162,573	\$166,638	\$170,804	(\$82,334)	\$76,145	\$183,937
II. Residential												
Effective Gross Income (EGI) - Residential		\$1,198,968	\$1,228,942	\$1,259,666	\$1,291,563	\$1,323,822	\$1,356,897	\$1,390,835	\$1,425,806	\$1,461,246	\$1,497,777	\$1,535,222
(Less) Operating Expenses		(\$914,627)	(\$946,639)	(\$979,772)	(\$1,014,064)	(\$1,049,556)	(\$1,086,290)	(\$1,124,310)	(\$1,163,661)	(\$1,204,389)	(\$1,246,543)	(\$1,290,172)
(Less) Property Taxes and Assessments		(\$6,217)	(\$6,341)	(\$6,468)	(\$6,597)	(\$6,729)	(\$6,864)	(\$7,001)	(\$7,141)	(\$7,284)	(\$7,430)	(\$7,578)
(Less) Social Services/Amenities		(\$28,469)	(\$29,466)	(\$30,497)	(\$31,565)	(\$32,669)	(\$33,813)	(\$34,996)	(\$36,221)	(\$37,489)	(\$38,801)	(\$40,159)
(Less) Replacement Reserves		(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)
(Less) Furniture Replacement		(\$28,469)	(\$29,466)	(\$30,497)	(\$31,565)	(\$32,669)	(\$33,813)	(\$34,996)	(\$36,221)	(\$37,489)	(\$38,801)	(\$40,159)
(Less) Mattress Replacement		(\$14,235)	(\$14,733)	(\$15,249)	(\$15,782)	(\$16,335)	(\$16,906)	(\$17,498)	(\$18,111)	(\$18,744)	(\$19,400)	(\$20,079)
(Less) SDHC Monitoring Fee		(\$10,293)	(\$10,653)	(\$11,026)	(\$11,412)	(\$11,811)	(\$12,225)	(\$12,652)	(\$13,095)	(\$13,554)	(\$14,028)	(\$14,519)
(Less) Operating Expenses		(\$1,038,060)	(\$1,073,048)	(\$1,109,258)	(\$1,146,734)	(\$1,185,520)	(\$1,225,661)	(\$1,267,205)	(\$1,310,200)	(\$1,354,699)	(\$1,400,753)	(\$1,448,417)
III. Project Cash Flow												
Total Net Operating Income		\$304,599	\$303,178	\$301,373	\$82,839	\$209,930	\$293,810	\$290,268	\$286,209	\$24,213	\$173,169	\$270,742
(Less) Debt Service		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Cash Flow		\$304,599	\$303,178	\$301,373	\$82,839	\$209,930	\$293,810	\$290,268	\$286,209	\$24,213	\$173,169	\$270,742
IV. Operating Reserve Fund												
(Less) Deposits into Operating Reserve Fund		(\$304,599)	(\$303,178)	(\$301,373)	(\$82,839)	(\$209,930)	(\$41,831)	\$0	\$0	\$0	\$0	\$0
Add: Reserve Funds for Shortfall		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
V. Net Project Cash Flow Available for Distribution												
		\$0	\$0	\$0	\$0	\$0	\$251,979	\$290,268	\$286,209	\$24,213	\$173,169	\$270,742
VI. Cash Flow to Agency/SDHC @ 100%												
Cash Flow To Agency		\$0	\$0	\$0	\$0	\$0	\$251,979	\$290,268	\$286,209	\$24,213	\$173,169	\$270,742
Cash Flow to SDHC		\$0	\$0	\$0	\$0	\$0	\$125,990	\$145,134	\$143,105	\$12,107	\$86,585	\$135,371
VII. Repayment of Agency Loan												
Beginning Balance		\$6,750,213	\$6,811,163	\$6,872,113	\$6,933,063	\$6,994,013	\$7,054,963	\$6,989,923	\$6,905,739	\$6,823,584	\$6,872,428	\$6,846,793
Interest 1.0%		\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950
(Less) Cash Flow Credit of 50%		\$0	\$0	\$0	\$0	\$0	(\$125,990)	(\$145,134)	(\$143,105)	(\$12,107)	(\$86,585)	(\$135,371)
Ending Balance		\$6,811,163	\$6,872,113	\$6,933,063	\$6,994,013	\$7,054,963	\$6,989,923	\$6,905,739	\$6,823,584	\$6,872,428	\$6,846,793	\$6,772,372
NPV Cash flow to Agency @ 10% \$177,000												
VIII. Repayment of SDHC Investment												
Beginning Balance		\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$5,969,010	\$5,823,876	\$5,680,772	\$5,568,665	\$5,582,080
Interest 0.0%		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(Less) Cash Flow Credit of 50%		\$0	\$0	\$0	\$0	\$0	(\$125,990)	(\$145,134)	(\$143,105)	(\$12,107)	(\$86,585)	(\$135,371)
Ending Balance		\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$6,095,000	\$5,969,010	\$5,823,876	\$5,680,772	\$5,668,665	\$5,582,080	\$5,446,709
NPV Cash flow to SDHC @ 10% \$177,000												

(1) Year 1 reflects partial year (April 1, 2010-December 31, 2010)

(2) Assumes 10-year lease for corner retail space, beginning January 1, 2011.

(3) Excludes outstanding loan balance at Year 55.

TABLE 6

MULTI-YEAR CASH FLOW
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION

I. Retail	Year (1)	23	24	25	26	27	28	29	30	31	32	33
Gross Scheduled Income (1)		\$209,484	\$214,721	\$220,089	\$225,591	\$231,231	\$237,012	\$242,937	\$249,010	\$255,236	\$261,616	\$268,157
(Less) Vacancy @ 10.0% of GSI		(\$20,948)	(\$21,472)	(\$22,009)	(\$22,559)	(\$23,123)	(\$23,701)	(\$24,294)	(\$24,901)	(\$25,524)	(\$26,162)	(\$26,816)
(Less) Tenant Improvements	\$10 /SF	\$0	\$0	(\$179,835)	(\$172,174)	\$0	\$0	\$0	(\$213,588)	(\$85,719)	\$0	\$0
(Less) Leasing Commissions	\$7 /SF	\$0	\$0	(\$125,884)	(\$50,521)	\$0	\$0	\$0	(\$149,511)	(\$60,004)	\$0	\$0
Effective Gross Income		\$188,535	\$193,249	(\$107,639)	\$80,337	\$208,108	\$213,310	\$218,643	(\$138,989)	\$83,989	\$235,455	\$241,341
II. Residential												
Effective Gross Income (EGI) - Residential		\$1,573,602	\$1,612,942	\$1,653,266	\$1,694,598	\$1,736,963	\$1,780,387	\$1,824,896	\$1,870,519	\$1,917,282	\$1,965,214	\$2,014,344
(Less) Operating Expenses		(\$1,335,328)	(\$1,382,065)	(\$1,430,437)	(\$1,480,502)	(\$1,532,320)	(\$1,585,951)	(\$1,641,459)	(\$1,698,910)	(\$1,758,372)	(\$1,819,915)	(\$1,883,612)
(Less) Property Taxes and Assessments		(\$7,730)	(\$7,884)	(\$8,042)	(\$8,203)	(\$8,367)	(\$8,534)	(\$8,705)	(\$8,879)	(\$9,057)	(\$9,238)	(\$9,423)
(Less) Social Services/Amenities		(\$41,564)	(\$43,019)	(\$44,525)	(\$46,083)	(\$47,696)	(\$49,366)	(\$51,093)	(\$52,882)	(\$54,732)	(\$56,648)	(\$58,631)
(Less) Replacement Reserves		(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)
(Less) Furniture Replacement		(\$41,564)	(\$43,019)	(\$44,525)	(\$46,083)	(\$47,696)	(\$49,366)	(\$51,093)	(\$52,882)	(\$54,732)	(\$56,648)	(\$58,631)
(Less) Mattress Replacement		(\$20,782)	(\$21,510)	(\$22,262)	(\$23,042)	(\$23,848)	(\$24,683)	(\$25,547)	(\$26,441)	(\$27,366)	(\$28,324)	(\$29,315)
(Less) SDHC Monitoring Fee		(\$15,027)	(\$15,553)	(\$16,097)	(\$16,661)	(\$17,244)	(\$17,848)	(\$18,472)	(\$19,119)	(\$19,788)	(\$20,480)	(\$21,197)
(Less) Operating Expenses		(\$1,497,746)	(\$1,548,800)	(\$1,601,639)	(\$1,656,324)	(\$1,712,921)	(\$1,771,497)	(\$1,832,120)	(\$1,894,862)	(\$1,959,798)	(\$2,027,004)	(\$2,096,559)
III. Project Cash Flow												
Total Net Operating Income		\$264,391	\$257,391	(\$56,012)	\$118,610	\$232,149	\$222,200	\$211,420	(\$163,333)	\$41,473	\$173,665	\$159,126
(Less) Debt Service		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Cash Flow		\$264,391	\$257,391	(\$56,012)	\$118,610	\$232,149	\$222,200	\$211,420	(\$163,333)	\$41,473	\$173,665	\$159,126
IV. Operating Reserve Fund												
(Less) Deposits into Operating Reserve Fund		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Funds for Shortfall		\$0	\$0	\$56,012	\$0	\$0	\$0	\$0	\$163,333	\$0	\$0	\$0
V. Net Project Cash Flow Available for Distribution		\$264,391	\$257,391	\$0	\$118,610	\$232,149	\$222,200	\$211,420	\$0	\$41,473	\$173,665	\$159,126
VI. Cash Flow to Agency/SDHC @ 100%												
Cash Flow To Agency		\$132,196	\$128,695	\$0	\$59,305	\$116,075	\$111,100	\$105,710	\$0	\$20,736	\$86,832	\$79,563
Cash Flow to SDHC		\$132,196	\$128,695	\$0	\$59,305	\$116,075	\$111,100	\$105,710	\$0	\$20,736	\$86,832	\$79,563
VII. Repayment of Agency Loan												
Beginning Balance		\$6,772,372	\$6,701,126	\$6,633,381	\$6,694,331	\$6,695,976	\$6,640,851	\$6,590,701	\$6,545,941	\$6,606,891	\$6,647,105	\$6,621,222
Interest	1.0%	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950
(Less) Cash Flow Credit of	50%	(\$132,196)	(\$128,695)	\$0	(\$59,305)	(\$116,075)	(\$111,100)	(\$105,710)	\$0	(\$20,736)	(\$86,832)	(\$79,563)
Ending Balance		\$6,701,126	\$6,633,381	\$6,694,331	\$6,695,976	\$6,640,851	\$6,590,701	\$6,545,941	\$6,606,891	\$6,647,105	\$6,621,222	\$6,602,609
NPV Cash flow to Agency @ 10% \$177,000												
VIII. Repayment of SDHC Investment												
Beginning Balance		\$5,446,709	\$5,314,514	\$5,185,818	\$5,185,818	\$5,126,513	\$5,010,439	\$4,899,338	\$4,793,629	\$4,793,629	\$4,772,892	\$4,686,060
Interest	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(Less) Cash Flow Credit of	50%	(\$132,196)	(\$128,695)	\$0	(\$59,305)	(\$116,075)	(\$111,100)	(\$105,710)	\$0	(\$20,736)	(\$86,832)	(\$79,563)
Ending Balance		\$5,314,514	\$5,185,818	\$5,185,818	\$5,126,513	\$5,010,439	\$4,899,338	\$4,793,629	\$4,793,629	\$4,772,892	\$4,686,060	\$4,606,497
NPV Cash flow to SDHC @ 10% \$177,000												

(1) Year 1 reflects partial year (April 1, 2010-December 31, 2010)

(2) Assumes 10-year lease for corner retail space, beginning January 1, 2011.

(3) Excludes outstanding loan balance at Year 55.

TABLE 6

MULTI-YEAR CASH FLOW
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION

	Year (1)											
	34	35	36	37	38	39	40	41	42	43	44	
I. Retail												
Gross Scheduled Income (1)	\$274,861	\$281,732	\$288,776	\$295,995	\$303,395	\$310,980	\$318,754	\$326,723	\$334,891	\$343,891	\$351,845	
(Less) Vacancy @ 10.0% of GSI	(\$27,486)	(\$28,173)	(\$28,878)	(\$29,600)	(\$30,339)	(\$31,098)	(\$31,875)	(\$32,672)	(\$33,489)	(\$34,326)	(\$35,185)	
(Less) Tenant Improvements \$10 /SF	\$0	(\$253,675)	(\$101,808)	\$0	\$0	\$0	(\$301,286)	(\$120,916)	\$0	\$0	\$0	
(Less) Leasing Commissions \$7 /SF	\$0	(\$177,572)	(\$71,265)	\$0	\$0	\$0	(\$210,900)	(\$84,641)	\$0	\$0	\$0	
Effective Gross Income	\$247,375	(\$177,688)	\$86,825	\$266,396	\$273,055	\$279,882	(\$225,308)	\$88,494	\$301,402	\$308,937	\$316,661	
II. Residential												
Effective Gross Income (EGI) - Residential	\$2,064,703	\$2,116,320	\$2,169,228	\$2,223,459	\$2,279,045	\$2,336,022	\$2,394,422	\$2,454,283	\$2,515,640	\$2,578,531	\$2,642,994	
(Less) Operating Expenses	(\$1,949,539)	(\$2,017,772)	(\$2,088,394)	(\$2,161,488)	(\$2,237,140)	(\$2,315,440)	(\$2,396,481)	(\$2,480,358)	(\$2,567,170)	(\$2,657,021)	(\$2,750,017)	
(Less) Property Taxes and Assessments	(\$9,611)	(\$9,803)	(\$9,999)	(\$10,199)	(\$10,403)	(\$10,611)	(\$10,824)	(\$11,040)	(\$11,261)	(\$11,486)	(\$11,716)	
(Less) Social Services/Amenities	(\$60,683)	(\$62,807)	(\$65,005)	(\$67,280)	(\$69,635)	(\$72,072)	(\$74,595)	(\$77,206)	(\$79,908)	(\$82,705)	(\$85,599)	
(Less) Replacement Reserves	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	
(Less) Furniture Replacement	(\$60,683)	(\$62,807)	(\$65,005)	(\$67,280)	(\$69,635)	(\$72,072)	(\$74,595)	(\$77,206)	(\$79,908)	(\$82,705)	(\$85,599)	
(Less) Mattress Replacement	(\$30,341)	(\$31,403)	(\$32,503)	(\$33,640)	(\$34,817)	(\$36,036)	(\$37,297)	(\$38,603)	(\$39,954)	(\$41,352)	(\$42,800)	
(Less) SDHC Monitoring Fee	(\$21,939)	(\$22,707)	(\$23,502)	(\$24,324)	(\$25,176)	(\$26,057)	(\$26,969)	(\$27,913)	(\$28,890)	(\$29,901)	(\$30,947)	
(Less) Operating Expenses	(\$2,168,546)	(\$2,243,050)	(\$2,320,158)	(\$2,399,963)	(\$2,482,557)	(\$2,568,039)	(\$2,656,510)	(\$2,748,074)	(\$2,842,840)	(\$2,940,919)	(\$3,042,428)	
III. Project Cash Flow												
Total Net Operating Income	\$143,531	(\$304,418)	(\$64,105)	\$89,892	\$69,544	\$47,864	(\$487,396)	(\$205,298)	(\$25,798)	(\$53,452)	(\$82,773)	
(Less) Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Project Cash Flow	\$143,531	(\$304,418)	(\$64,105)	\$89,892	\$69,544	\$47,864	(\$487,396)	(\$205,298)	(\$25,798)	(\$53,452)	(\$82,773)	
IV. Operating Reserve Fund												
(Less) Deposits into Operating Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Add: Reserve Funds for Shortfall	\$0	\$304,418	\$64,105	\$0	\$0	\$0	\$487,396	\$205,298	\$25,798	\$53,452	\$82,773	
V. Net Project Cash Flow Available for Distribution	\$143,531	\$0	\$0	\$89,892	\$69,544	\$47,864	\$0	\$0	\$0	\$0	\$0	
VI. Cash Flow to Agency/SDHC @ 100%												
Cash Flow to Agency	\$143,531	\$0	\$0	\$89,892	\$69,544	\$47,864	\$0	\$0	\$0	\$0	\$0	
Cash Flow to SDHC	\$71,766	\$0	\$0	\$44,946	\$34,772	\$23,932	\$0	\$0	\$0	\$0	\$0	
VII. Repayment of Agency Loan												
Beginning Balance	\$6,602,609	\$6,591,794	\$6,652,744	\$6,713,694	\$6,729,698	\$6,755,876	\$6,792,894	\$6,853,844	\$6,914,794	\$6,975,744	\$7,036,694	
Interest 1.0%	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	
(Less) Cash Flow Credit of 50%	(\$71,766)	\$0	\$0	(\$44,946)	(\$34,772)	(\$23,932)	\$0	\$0	\$0	\$0	\$0	
Ending Balance	\$6,591,794	\$6,652,744	\$6,713,694	\$6,729,698	\$6,755,876	\$6,792,894	\$6,853,844	\$6,914,794	\$6,975,744	\$7,036,694	\$7,097,644	
NPV Cash flow to Agency @ 10%	\$177,000											
VIII. Repayment of SDHC Investment												
Beginning Balance	\$4,606,497	\$4,534,731	\$4,534,731	\$4,534,731	\$4,489,785	\$4,455,013	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	
Interest 0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
(Less) Cash Flow Credit of 50%	(\$71,766)	\$0	\$0	(\$44,946)	(\$34,772)	(\$23,932)	\$0	\$0	\$0	\$0	\$0	
Ending Balance	\$4,534,731	\$4,534,731	\$4,534,731	\$4,489,785	\$4,455,013	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	
NPV Cash flow to SDHC @ 10%	\$177,000											

(1) Year 1 reflects partial year (April 1, 2010-December 31, 2010)

(2) Assumes 10-year lease for corner retail space, beginning January 1, 2011.

(3) Excludes outstanding loan balance at Year 55.

TABLE 6

**MULTI-YEAR CASH FLOW
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION**

		Year (1)											
		45	46	47	48	49	50	51	52	53	54	55	
I. Retail													
	Gross Scheduled Income (1)	\$360,641	\$369,657	\$378,899	\$388,371	\$398,080	\$408,032	\$418,233	\$428,689	\$439,406	\$450,391	\$461,651	
	(Less) Vacancy @ 10.0% of GSI	(\$36,064)	(\$36,966)	(\$37,890)	(\$38,837)	(\$39,808)	(\$40,803)	(\$41,823)	(\$42,869)	(\$43,941)	(\$45,039)	(\$46,165)	
	(Less) Tenant Improvements \$10 /SF	(\$357,834)	(\$143,610)	\$0	\$0	\$0	(\$424,994)	(\$170,564)	\$0	\$0	\$0	(\$504,760)	
	(Less) Leasing Commissions \$7 /SF	(\$250,484)	(\$100,527)	\$0	\$0	\$0	(\$297,496)	(\$119,395)	\$0	\$0	\$0	(\$353,332)	
	Effective Gross Income	(\$283,740)	\$88,554	\$341,009	\$349,534	\$358,272	(\$355,261)	\$86,452	\$385,820	\$395,466	\$405,352	(\$442,605)	
II. Residential													
	Effective Gross Income (EGI) - Residential	\$2,709,069	\$2,776,796	\$2,846,216	\$2,917,371	\$2,990,305	\$3,065,063	\$3,141,689	\$3,220,232	\$3,300,737	\$3,383,256	\$3,467,837	
	(Less) Operating Expenses	(\$2,846,267)	(\$2,945,887)	(\$3,048,993)	(\$3,155,707)	(\$3,266,157)	(\$3,380,473)	(\$3,498,789)	(\$3,621,247)	(\$3,747,991)	(\$3,879,170)	(\$4,014,941)	
	(Less) Property Taxes and Assessments	(\$11,950)	(\$12,189)	(\$12,433)	(\$12,682)	(\$12,935)	(\$13,194)	(\$13,458)	(\$13,727)	(\$14,002)	(\$14,282)	(\$14,567)	
	(Less) Social Services/Amenities	(\$88,595)	(\$91,696)	(\$94,905)	(\$98,227)	(\$101,665)	(\$105,223)	(\$108,906)	(\$112,718)	(\$116,663)	(\$120,746)	(\$124,972)	
	(Less) Replacement Reserves	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	(\$35,750)	
	(Less) Furniture Replacement	(\$88,595)	(\$91,696)	(\$94,905)	(\$98,227)	(\$101,665)	(\$105,223)	(\$108,906)	(\$112,718)	(\$116,663)	(\$120,746)	(\$124,972)	
	(Less) Mattress Replacement	(\$44,298)	(\$45,848)	(\$47,453)	(\$49,114)	(\$50,832)	(\$52,612)	(\$54,453)	(\$56,359)	(\$58,331)	(\$60,373)	(\$62,486)	
	(Less) SDHC Monitoring Fee	(\$32,031)	(\$33,152)	(\$34,312)	(\$35,513)	(\$36,756)	(\$38,042)	(\$39,374)	(\$40,752)	(\$42,178)	(\$43,654)	(\$45,182)	
	(Less) Operating Expenses	(\$3,147,486)	(\$3,256,218)	(\$3,368,751)	(\$3,485,220)	(\$3,605,761)	(\$3,730,517)	(\$3,859,636)	(\$3,993,270)	(\$4,131,578)	(\$4,274,722)	(\$4,422,871)	
III. Project Cash Flow													
	Total Net Operating Income	(\$722,157)	(\$390,868)	(\$181,527)	(\$218,315)	(\$257,183)	(\$1,020,715)	(\$631,495)	(\$387,219)	(\$435,375)	(\$486,113)	(\$1,397,639)	
	(Less) Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Project Cash Flow	(\$722,157)	(\$390,868)	(\$181,527)	(\$218,315)	(\$257,183)	(\$1,020,715)	(\$631,495)	(\$387,219)	(\$435,375)	(\$486,113)	(\$1,397,639)	
IV. Operating Reserve Fund													
	(Less) Deposits into Operating Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Add: Reserve Funds for Shortfall	\$722,157	\$390,868	\$181,527	\$218,315	\$257,183	\$1,020,715	\$631,495	\$387,219	\$435,375	\$486,113	\$2,162,639	
V. Net Project Cash Flow Available for Distribution		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$765,000	
VI. Cash Flow to Agency/SDHC @ 100%		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$765,000	
	Cash Flow To Agency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$382,500	
	Cash Flow to SDHC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$382,500	
VII. Repayment of Agency Loan													
	Beginning Balance	\$7,097,644	\$7,158,594	\$7,219,544	\$7,280,494	\$7,341,444	\$7,402,394	\$7,463,344	\$7,524,294	\$7,585,244	\$7,646,194	\$7,707,144	
	Interest 1.0%	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	\$60,950	
	(Less) Cash Flow Credit of 50%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$382,500)	
	Ending Balance	\$7,158,594	\$7,219,544	\$7,280,494	\$7,341,444	\$7,402,394	\$7,463,344	\$7,524,294	\$7,585,244	\$7,646,194	\$7,707,144	\$7,768,000	
	NPV Cash flow to Agency @ 10%	\$177,000											
VIII. Repayment of SDHC Investment													
	Beginning Balance	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	
	Interest 0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	(Less) Cash Flow Credit of 50%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Ending Balance	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,081	\$4,431,000	
	NPV Cash flow to SDHC @ 10%	\$177,000											

(1) Year 1 reflects partial year (April 1, 2010-December 31, 2010)

(2) Assumes 10-year lease for corner retail space, beginning January 1, 2011.

(3) Excludes outstanding loan balance at Year 55.

TABLE 7

OPERATING RESERVE FUND
HOTEL SANDFORD

SAN DIEGO HOUSING COMMISSION

Year	0	1	2	3	4	5	6	7	8	9	10	11
Operating Reserve Fund												
Beginning Balance		\$0	\$0	\$112,333	\$340,141	\$652,975	\$974,712	\$1,302,332	\$1,640,613	\$1,984,515	\$2,333,831	\$2,505,848
Interest @ 2.0%		\$0	\$0	\$2,247	\$6,803	\$13,060	\$19,494	\$26,047	\$32,812	\$39,690	\$46,677	\$50,117
Subtotal		\$0	\$0	\$114,580	\$346,943	\$666,035	\$994,206	\$1,328,379	\$1,673,425	\$2,024,206	\$2,380,508	\$2,555,965
Add: Reserve Fund Deposits		\$0	\$112,333	\$225,560	\$306,032	\$308,678	\$308,126	\$312,234	\$311,090	\$309,626	\$125,340	\$232,422
Add: Deposit from Operating Lease-Up/Reserves		\$80,051										
(Less) Cash Shortfall		(\$80,051)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance		\$0	\$112,333	\$340,141	\$652,975	\$974,712	\$1,302,332	\$1,640,613	\$1,984,515	\$2,333,831	\$2,505,848	\$2,788,386

TABLE 7

OPERATING RESERVE FUND
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION

Year	12	13	14	15	16	17	18	19	20	21	22
Operating Reserve Fund											
Beginning Balance	\$2,788,386	\$3,148,753	\$3,514,905	\$3,886,576	\$4,047,146	\$4,338,019	\$4,466,610	\$4,555,942	\$4,647,061	\$4,740,002	\$4,834,802
Interest @ 2.0%	\$55,768	\$62,975	\$70,298	\$77,732	\$80,943	\$86,760	\$89,332	\$91,119	\$92,941	\$94,800	\$96,696
Subtotal	\$2,844,154	\$3,211,728	\$3,585,203	\$3,964,308	\$4,128,089	\$4,424,780	\$4,555,942	\$4,647,061	\$4,740,002	\$4,834,802	\$4,931,498
Add: Reserve Fund Deposits	\$304,599	\$303,178	\$301,373	\$82,839	\$209,930	\$41,831	\$0	\$0	\$0	\$0	\$0
Add: Deposit from Operating Lease											
(Less) Cash Shortfall	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$3,148,753	\$3,514,905	\$3,886,576	\$4,047,146	\$4,338,019	\$4,466,610	\$4,555,942	\$4,647,061	\$4,740,002	\$4,834,802	\$4,931,498

TABLE 7

OPERATING RESERVE FUND
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION

	<u>Year</u>	<u>23</u>	<u>24</u>	<u>25</u>	<u>26</u>	<u>27</u>	<u>28</u>	<u>29</u>	<u>30</u>	<u>31</u>	<u>32</u>	<u>33</u>
Operating Reserve Fund												
Beginning Balance		\$4,931,498	\$5,030,128	\$5,130,731	\$5,177,333	\$5,280,880	\$5,386,498	\$5,494,228	\$5,604,112	\$5,552,861	\$5,663,919	\$5,777,197
Interest @ 2.0%		<u>\$98,630</u>	<u>\$100,603</u>	<u>\$102,615</u>	<u>\$103,547</u>	<u>\$105,618</u>	<u>\$107,730</u>	<u>\$109,885</u>	<u>\$112,082</u>	<u>\$111,057</u>	<u>\$113,278</u>	<u>\$115,544</u>
Subtotal		\$5,030,128	\$5,130,731	\$5,233,346	\$5,280,880	\$5,386,498	\$5,494,228	\$5,604,112	\$5,716,194	\$5,663,919	\$5,777,197	\$5,892,741
Add: Reserve Fund Deposits		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Deposit from Operating Lease												
(Less) Cash Shortfall		<u>\$0</u>	<u>\$0</u>	<u>(\$56,012)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$163,333)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Ending Balance		\$5,030,128	\$5,130,731	\$5,177,333	\$5,280,880	\$5,386,498	\$5,494,228	\$5,604,112	\$5,552,861	\$5,663,919	\$5,777,197	\$5,892,741

TABLE 7

OPERATING RESERVE FUND
HOTEL SANDFORD
SAN DIEGO HOUSING COMMISSION

	Year	<u>34</u>	<u>35</u>	<u>36</u>	<u>37</u>	<u>38</u>	<u>39</u>	<u>40</u>	<u>41</u>	<u>42</u>	<u>43</u>	<u>44</u>
Operating Reserve Fund												
Beginning Balance		\$5,892,741	\$6,010,596	\$5,826,390	\$5,878,812	\$5,996,388	\$6,116,316	\$6,238,643	\$5,876,020	\$5,788,242	\$5,878,209	\$5,942,321
Interest @ 2.0%		\$117,855	\$120,212	\$116,528	\$117,576	\$119,928	\$122,326	\$124,773	\$117,520	\$115,765	\$117,564	\$118,846
Subtotal		\$6,010,596	\$6,130,808	\$5,942,917	\$5,996,388	\$6,116,316	\$6,238,643	\$6,363,415	\$5,993,540	\$5,904,007	\$5,995,773	\$6,061,168
Add: Reserve Fund Deposits		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Deposit from Operating Lease												
(Less) Cash Shortfall		\$0	(\$304,418)	(\$64,105)	\$0	\$0	\$0	(\$487,396)	(\$205,298)	(\$25,798)	(\$53,452)	(\$82,773)
Ending Balance		\$6,010,596	\$5,826,390	\$5,878,812	\$5,996,388	\$6,116,316	\$6,238,643	\$5,876,020	\$5,788,242	\$5,878,209	\$5,942,321	\$5,978,394

TABLE 7

OPERATING RESERVE FUND
HOTEL SANDFORD

SAN DIEGO HOUSING COMMISSION

Year	<u>45</u>	<u>46</u>	<u>47</u>	<u>48</u>	<u>49</u>	<u>50</u>	<u>51</u>	<u>52</u>	<u>53</u>	<u>54</u>	<u>55</u>
Operating Reserve Fund											
Beginning Balance	\$5,978,394	\$5,375,805	\$5,092,454	\$5,012,776	\$4,894,717	\$4,735,428	\$3,809,421	\$3,254,114	\$2,931,978	\$2,555,243	\$2,120,235
Interest @ 2.0%	<u>\$119,568</u>	<u>\$107,516</u>	<u>\$101,849</u>	<u>\$100,256</u>	<u>\$97,894</u>	<u>\$94,709</u>	<u>\$76,188</u>	<u>\$65,082</u>	<u>\$58,640</u>	<u>\$51,105</u>	<u>\$42,405</u>
Subtotal	\$6,097,962	\$5,483,321	\$5,194,303	\$5,113,031	\$4,992,611	\$4,830,136	\$3,885,609	\$3,319,197	\$2,990,618	\$2,606,348	\$2,162,639
Add: Reserve Fund Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Deposit from Operating Lease											
(Less) Cash Shortfall	<u>(\$722,157)</u>	<u>(\$390,868)</u>	<u>(\$181,527)</u>	<u>(\$218,315)</u>	<u>(\$257,183)</u>	<u>(\$1,020,715)</u>	<u>(\$631,495)</u>	<u>(\$387,219)</u>	<u>(\$435,375)</u>	<u>(\$486,113)</u>	<u>(\$1,397,639)</u>
Ending Balance	\$5,375,805	\$5,092,454	\$5,012,776	\$4,894,717	\$4,735,428	\$3,809,421	\$3,254,114	\$2,931,978	\$2,555,243	\$2,120,235	\$765,000
											Total Shortfall
											(\$7,651,000)

ATTACHMENT NO. 7A

ELIGIBLE PRE-CLOSING COSTS

[BEHIND THIS PAGE]

Hotel Sandford - Eligible Pre-Closing Costs

1/20/2010

Comission												
	Item Description	Consultant	Initial Costs - Agency (CCDC) Only	Costs Spent from 9/1 to 9/30	Costs Spent from 10/1 to 10/31	Costs Spent from 11/1 to 11/30	Costs Spent from 12/1 to 12/31	Costs Spent from 1/1 to 1/31	Costs Spent from 2/1 to 2/28	Remaining Costs	Total	
Studies Completed												
	1 Appraisal	Anderson and Brabant, Inc.	\$15,100								\$15,100	
	2 Building Condition Report	Heritage Architecture and Planning	\$33,000								\$33,000	
	3 Phase 1 Environmental	SCS Engineers	\$4,525								\$4,525	
4 Financial Evaluation	Keyser Marston Associates, Inc	\$21,660									\$21,660	
Studies in Progress												
	5 Financial Evaluation	Keyser Marston Associates, Inc		\$5,940	\$6,700	\$5,800	\$1,073				\$19,513	
	6 Contractor Cost Estimate and Phasing Plan	Cornerstone Construction Services			\$7,600						\$7,600	
	7 Preliminary City HRB Review	City HRB Staff			\$499						\$499	
8 Relocation Study	OPC Consultants					\$7,600					\$7,600	
Pending Studies												
	9 ALTA Survey	PDC Consultants						\$5,800		\$5,800	\$5,800	
	10 Comprehensive Phase 2 Report	SCS Engineers						\$8,200		\$8,200	\$8,200	
Sub Total Costs											\$123,497	
Contingency											\$6,503	
Total Costs			\$65,267	\$5,940	\$14,799	\$5,800	\$8,673	\$14,000	\$0	\$14,000	\$130,000	

ATTACHMENT NO. 8

PROMISSORY NOTE
TO THE REDEVELOPMENT AGENCY
OF THE CITY OF SAN DIEGO

1.0% Interest
\$6,095,000

San Diego, California
[Date]

FOR VALUE RECEIVED, SAN DIEGO HOUSING COMMISSION ("Borrower"), hereby promises to pay to the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO ("Agency"), a public body, corporate and politic, or order, a principal amount of SIX MILLION NINETY FIVE THOUSAND DOLLARS AND NO CENTS (\$6,095,000.00)(the "Agency Loan"). This Note is given pursuant to that certain Owner Participation Agreement dated as of _____, 2010, between Borrower ("Commission" therein) and Agency (the "OPA") and evidences the Agency Loan to Borrower, which provides part of the financing for the acquisition of that certain real property in the City of San Diego (the "Property") legally described in the Agency Deed of Trust securing this Note and rehabilitation of the Improvements thereon. The OPA is incorporated herein by this reference as though fully set forth herein. OPA as used herein shall mean, refer to and include the OPA, as well as any riders, exhibits, addenda, implementation agreements, amendments and attachments thereto (which are hereby incorporated herein by this reference) or other documents expressly incorporated by reference in the OPA. The Borrower shall pay interest at the rate, in the amount and at the time hereinafter provided.

The Borrower shall pay interest at the rate, in the amount and at the time hereinafter provided.

1. Definitions. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the OPA. In addition, the following terms shall have the following meanings:

"Agency's Share of SRO Residual Receipts" shall mean the Agency's 50:50 share of SRO Residual Receipts.

"Annual Financial Statement" shall mean the annual audited financial statement of Gross Revenue and Operating Expenses and balance sheet for the Project, prepared at the Borrower's expense, by an independent certified public accountant reasonably acceptable to the Agency, which shall form the basis for determining the SRO Residual Receipts.

"Borrower's Share of SRO Residual Receipts" shall mean the Borrower's 50:50 share of the SRO Residual Receipts not allocated to Agency as "Agency's Share of SRO Residual Receipts."

“Gross Revenue” with respect to a particular calendar year, shall mean all revenue, income, receipts, and other consideration actually received from operation or leasing of the Project. “Gross Revenue” shall include, but not be limited to: all rents, fees and charges paid by tenants, Section 8 payments or other rental subsidy payments received for the dwelling units, deposits forfeited by tenants, all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance to the extent not utilized to repair or rebuild the Project; and condemnation awards for a taking of part or all of the Project for a temporary period. “Gross Revenue” shall also include the fair market value of any goods or services provided in consideration for the leasing or other use of any portion of the Project, except that the value of services provided by on-site manager(s) shall not be treated as “Gross Revenue” if no more than one dwelling unit is leased to or otherwise used by on-site manager(s). “Gross Revenue” shall not include tenants’ security deposits or proceeds from the Agency Loan.

“Operating Expenses” with respect to a particular calendar year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Project to the extent that they are consistent with an annual independent audit performed by an independent certified public accountant using generally accepted accounting principles: property and other taxes and assessments; premiums for property damage and liability insurance; utility services not paid for directly or reimbursed by tenants, including but not limited to water, sewer, trash collection, gas and electricity; maintenance and repair including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial, supplies, and similar customary utility services; any annual lease payment, license or certificate of occupancy fees required for operation of the Project; general administrative expenses including but not limited to advertising and marketing, security services and systems, professional fees for legal, audit, accounting and tax returns, and similar customary administrative expenses; cash deposited into a reserve for capital replacements or improvements and an operating reserve in such reasonable amounts as approved by the Executive Director; and debt service payments on the Agency Loan. “Operating Expenses” shall not include the following: any asset management fee or any other similar fee paid to the Borrower, depreciation, amortization, depletion or other non-cash expenses or any amount expended from a reserve account. The calculation of Operating Expenses shall be subject to the reasonable approval of the Agency.

“Retail Income” shall mean the Gross Revenue received from the operation of the Retail Space.

“Retail Operating Expenses” shall mean any Operating Expenses necessary to operate and maintain the Retail Space.

“Retail Residual Receipts” shall mean (a) the Retail Income minus (b) the Retail Operating Expenses, calculated on a 12-month basis. All calculations of Retail Residual Receipts shall be subject to verification and reasonable approval by the Agency.

“SRO Operating Expenses” shall mean any Operating Expenses necessary to operate and

maintain the Affordable SRO Units.

“SRO Residual Receipts” shall mean (a) the SRO Revenue minus (b) the SRO Operating Expenses, calculated on a 12-month basis. All calculations of SRO Residual Receipts shall be subject to verification and reasonable approval by the Agency.

“SRO Revenue” shall mean the Gross Revenue minus Retail Income.

“Term” of this Note shall commence on the date first stated above and shall terminate upon the fifty-fifth (55th) anniversary of Closing (“Maturity Date”).

“Transfer” shall have the meaning set forth in Section 11 of this Note.

“Year” shall mean each calendar year, beginning from the Closing Date. For example Year 1 begins on the Closing Date and ends on the date immediately preceding the first anniversary from the Closing Date, and Year 30 begins on the twenty-ninth anniversary from the Closing Date and ends on the date immediately preceding the thirtieth anniversary from the Closing Date.

2. Evidence of Obligation. This Note evidences the obligation of the Borrower to the Agency for the repayment of the Agency Loan.

3. Where and How Payable. This Note is payable at the principal office of Agency, c/o Centre City Development Corporation, 401 B Street, Suite 400, San Diego, California 92101, or at such other place as the holder hereof may inform the Borrower in writing, in lawful money of the United States.

4. Security. This Note shall be secured by the Agency Deed of Trust (Attachment No. 9 to the OPA); an Assignment of Rents (Attachment No. 10 to the OPA); an Assignment of Agreements (Attachment No. 11 to the OPA); and a UCC-1 Financing Statement (“UCC-1”) (Attachment No. 13 to the OPA) (collectively referenced herein as “Agency Loan Documents”). Said documents are public records on file in the offices of Agency, and the provisions of said documents are incorporated herein by this reference. The Agency’s Loan Documents shall be subordinate to the HUD Regulatory Agreement, as provided in Section 2.1(i) of the Method of Financing (Attachment No. 3). The HUD Regulatory Agreement and Agency Loan Documents shall be subordinate to the Agreement Affecting Real Property (Attachment No. 6).

5. Interest. Except in an event of acceleration described in subsections (a) and (b) of Section 7, below, this Note shall bear interest at the rate of one percent (1%) per annum, simple interest, which shall begin to accrue upon disbursement. In the case of an event of acceleration described in subsections (a) and (a) of Section 7, below, the unpaid balance shall bear interest at the lesser of ten percent (10%) or the highest rate of interest permitted by law, from disbursement until paid in full.

6. Payments. Except in an event of acceleration described in subsections (a) and (b) of Section 7 below, no payments shall be due and payable under this Note except to the extent of

(a) the Agency's Share of SRO Residual Receipts as described in Section 8, below, and (b) the Agency's share of Cost Savings described in Section 10 below.

7. Due on Expiration of Term or Upon Event of Acceleration. Upon the expiration of the fifty-five (55) year Term of this Note, the principal and all accrued but unpaid interest, if any, shall be forgiven by the Agency and the Borrower shall have no further obligation to the Agency, except to continue to maintain the Property as affordable housing until the end of the ninety-nine (99) year term of affordability, subject to certain conditions for release after fifty-five (55) years, all in accordance with the OPA and Agreement Affecting Real Property, or immediately upon the occurrence of either of the following events of acceleration:

(a) if the Property or any portion thereof or interest therein is sold, transferred, assigned or refinanced, without the prior written approval of the Agency, except as otherwise permitted in this Note or the OPA; or

(b) the date on which there is a default by the Borrower under the terms of this Note, the OPA, the Agreement Affecting Real Property, any of the other Agency Loan Documents, or other obligations secured by a deed of trust on the Property, which is not cured within the respective time period provided herein and therein.

8. SRO Residual Receipts. Subject to the adjustments described in Section 10 of this Note, prior to the expiration of the fifty-five (55) year Term hereof or in an event of acceleration described in subsections (a) and (b) of Section 7, Borrower shall be obligated to repay the Agency Loan exclusively from the Agency's Share of SRO Residual Receipts, as follows:

(a) Annually, not later than the first day of April (commencing with such date occurring in the year after the year in which the City of San Diego issues a certificate of occupancy for the Property) (the "Payment Date"), Borrower shall submit to Agency an audited Annual Financial Statement for the preceding calendar year, prepared by an independent certified public accountant reasonably acceptable to the Agency, determining the amount of SRO Residual Receipts, if any, generated in that year. The first such Annual Financial Statement shall be for a partial year commencing upon the issuance of the final certificate of occupancy. The Agency shall review and approve such Annual Financial Statement, or request revisions, within thirty (30) days after receipt. In the event as the result of the Agency's review of the statement, there is an increase in the amount of any payment due and payable to Agency (as the result, for example, of a determination that the actual amount of SRO Residual Receipts to which the Agency is entitled exceeds the amount of Agency's Share of SRO Residual Receipts shown in the Annual Financial Statement submitted by Borrower), Borrower shall promptly pay to the Agency the difference, with interest, from the date on which such payment was due, at the rate of one percent (1%) over the Prime Rate announced by Bank of America, but in any event within ten (10) days of notice of such increase.

(b) Annually, commencing with the year in which the City of San Diego issues a final certificate of occupancy for the Property, Borrower shall calculate its SRO Residual Receipts as provided in subsection (a) of this Section 8, and pay to the Agency and the

Borrower on the Payment Date the SRO Residual Receipts on a 50:50 basis; provided, however that no SRO Residual Receipts shall be paid to either the Agency or the Borrower unless and until there are sufficient operating and replacement reserves for the operation and maintenance of the Affordable SRO Units as set forth in Section 18 herein.

9. Application of Payments. All payments to the Agency shall be applied first to interest, then to reduce the principal amount owed.

10. Mandatory Prepayments. The Agency Loan shall be subject to prepayment equal to the Agency's share of any "Cost Savings" or "Alternative Gap Financing".

(a) Cost Savings. To the extent actual Acquisition and Development Costs, as determined by a cost certification acceptable to the Executive Director performed not later than sixty (60) days following issuance of a final certificate of occupancy for the Project at Borrower's sole cost and expense by an independent certified public accountant acceptable to the Executive Director, are less than \$6,095,000, the total Agency Loan disbursements made by the Agency, Borrower shall pay the resulting cost savings ("Cost Savings") to the Agency to reduce or repay the principal balance and any accrued, unpaid interest of the Agency Loan. Borrower shall make any such payment to the Agency within thirty (30) days following Borrower's submission of the cost certification to Agency.

(b) Alternative Gap Financing. To the extent Borrower obtains additional grants, loans or equity for the Project not identified in the Method of Financing attached to the OPA (the "Alternative Gap Financing"), the Agency Loan shall be reduced by fifty percent (50%) of the Alternative Gap Financing procured. The other fifty percent (50%) shall be credited to reduce Borrower's contribution towards Acquisition and Development Costs. To the extent the Agency Loan is fully disbursed or such Alternative Gap Financing are greater than the amount of undisbursed funds, Borrower shall pay that portion of the Alternative Gap Financing to the Agency to reduce or repay the principal balance and any accrued, unpaid interest of the Agency Loan. Borrower shall make any such payment to the Agency within thirty (30) days following written request therefor.

(c) Other Proceeds. In the event Borrower subdivides the retail portion of the Property and sells the retail portion or any part thereof, Borrower shall share the net proceeds on a pro rata basis with Agency. Proceeds from any such sale during the Term of the Agency Loan shall be used to pay any accrued interest on and then reduce or repay the principal amount of the Agency Loan. Thereafter, the Agency's share of any such proceeds shall be deposited into the Low and Moderate Income Housing Fund, established and maintained by the Redevelopment Agency of the City of San Diego pursuant to California Health and Safety Code Section 33334.2 *et seq.*

11. Transfers.

(a) Prior to the full reconveyance of the Agency Deed of Trust, Borrower shall not, except as permitted by this Note or the OPA, assign or attempt to assign the OPA or any right therein, nor make any total or partial sale, transfer, conveyance or assignment of the

whole or any part of the Property or the improvements thereon, without prior written approval of the Agency. As used herein, "transfer" includes the sale, transfer or conveyance of the Property and the improvements thereon or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, or any agreement to do so; the execution of any installment land sale contract or similar instrument affecting all or a portion of the Property or any improvements thereon; or the lease of all or substantially all of the Property or any improvements thereon. "Transfer" shall also include the transfer, assignment, hypothecation or conveyance of legal or beneficial ownership of any interest in Borrower, or any conversion of Borrower to an entity form other than that of Borrower at the time of execution of this Note.

(b) Any proposed transferee shall have the qualifications and financial responsibility necessary and adequate, as may be reasonably determined by the Agency, to fulfill the obligations undertaken by Borrower in the OPA, the Agreement Affecting Real Property, this Note, and the Agency Loan Documents. Any such proposed transferee, by instrument in writing satisfactory to the Agency and in form recordable among the land records of San Diego County, for itself and its successors and assigns, and for the benefit of the Agency shall expressly assume all of the obligations of Borrower and be subject to all conditions and restrictions under the OPA, the Agreement Affecting Real Property, this Note, and the Agency Loan Documents. There shall be submitted to the Agency for review all instruments and other legal documents proposed to effect any such transfer; and if approved by the Agency its approval shall be indicated to the Borrower in writing.

(c) In the event Borrower does or attempts to assign the OPA or any of the rights therein, or does or attempts to sell, transfer, convey or assign the Property or the buildings or structures thereon prior to the full reconveyance of the Agency Deed of Trust without the approval of the Agency in violation of this Note or the OPA, at the option of the Agency the remaining principal balance of the Agency Loan and all accrued but unpaid interest shall be immediately due and payable.

(d) In the absence of a specific written agreement by the Agency, and except as otherwise provided in this Note or the OPA, no such sale, transfer, conveyance or assignment of the OPA or the Property (or any portion thereof), or approval by the Agency of any such sale, transfer, conveyance or assignment, shall be deemed to relieve Borrower or any other party from any obligations under the OPA or this Note.

12. Low and Moderate Income Housing. The Agency Loan is funded from the Agency's Low and Moderate Income Housing Fund. Accordingly, Borrower agrees for itself, its successors and assigns that the use of the property shall be subject to the restrictions on rent and occupancy set forth in the Agreement Affecting Real Property. Further, Borrower agrees that no portion of the Agency Loan shall be used for the development of the Retail Improvements or operation of the Retail Space.

13. Limited Recourse. Subject to the provisions and limitations of this Section 13, the obligation to repay the Agency Loan is a nonrecourse obligation of the Borrower. Borrower and any general or limited partner of Borrower's limited partnership shall not have any personal liability for repayment of the loan, except as provided in this Section 13. The sole recourse of

Agency shall be the exercise of its rights against the Property and any related security for the Agency Loan. Provided, however, that the foregoing shall not (a) constitute a waiver of any obligation evidenced by this Note or the Agency Deed of Trust; (b) limit the right of the Agency to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under this Note and the Agency Deed of Trust or any action or proceeding hereunder so long as no judgment in the nature of a deficiency judgment shall be asked for or taken against Borrower; (c) release or impair this Note or the Agency Deed of Trust; (d) prevent or in any way hinder Agency from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, any other remedy against the mortgaged Property or any other instrument securing the Note or as prescribed by law or in equity in case of default; (e) prevent or in any way hinder Agency from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, its remedies in respect of any deposits, insurance proceeds, condemnation awards or other monies or other collateral or letters of credit securing the Note; (f) relieve Borrower of any of its obligations under any indemnity delivered by Borrower to Agency; or (g) affect in any way the validity of any guarantee or indemnity from any person of all or any of the obligations evidenced and secured by this Note and the Agency Deed of Trust. The foregoing provisions of this paragraph are limited by the provision that in the event of the occurrence of a default, Borrower and its successors and assigns shall have personal liability hereunder for any deficiency judgment, but only if and to the extent Borrower, its principals, shareholders, partners or its successors and assigns received rentals, other revenues, or other payments or proceeds in respect of the mortgaged Property after the occurrence of such default, which rentals, other revenues, or other payments or proceeds have not been used for the payment of ordinary and reasonable operating expenses of the mortgaged Property, ordinary and reasonable capital improvements to the mortgaged Property, debt service, real estate taxes in respect of the mortgaged Property and basic management fees, but not incentive fees, payable to an entity or person unaffiliated with Borrower in connection with the operation of the mortgaged Property, which are then due and payable. Notwithstanding the first sentence of this paragraph, Agency may recover directly from Borrower or from any other party:

(a) any damages, costs and expenses incurred by Agency as a result of fraud or any criminal act or acts of Borrower or any member, partner, shareholder, officer, director or employee of Borrower, or of any member or general or limited partner of Borrower, or of any general or limited partner of such member or general or limited partner;

(b) any damages, costs and expenses incurred by Agency as a result of any misappropriation of funds provided to pay Acquisition and Development Costs, as described in the OPA, rents and revenues from the operation of the Project, or proceeds of insurance policies or condemnation proceeds;

(c) any and all amounts owing by Borrower pursuant to any indemnity set forth in the OPA, and

(d) all court costs and attorneys' fees reasonably incurred in enforcing or collecting upon any of the foregoing exceptions (provided that Agency shall pay Borrower's reasonable court costs and attorneys' fees if Borrower is the prevailing party in any such

enforcement or collection action).

14. Waivers. Borrower waives presentment for payment, demand, protest, and notices of dishonor and of protest; the benefits of all waivable exemptions; and all defenses and pleas on the ground of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice. Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the holder hereof, in the enforcement of this Note, the Agency Deed of Trust or any term or provision of either thereof.

15. Exercise of Rights and Remedies. Upon the failure of Borrower to perform or observe any other term or provision of this Note, upon any event of acceleration described in Section 7, or upon the occurrence of any other event of default under the terms of the OPA, Agency Loan Documents, or the Agreement Affecting Real Property, or other obligations secured by a deed of trust on the Property, the holder may exercise its rights or remedies hereunder or thereunder.

16. Defaults.

(a) Subject to the extensions of time set forth in Section 17, and subject to the further provisions of this Section 16, failure or delay by Borrower to perform any material term or provision of the OPA, the Agency Loan Documents including this Note, and/or the Agreement Affecting Real Property, or other obligations secured by a deed of trust on the Property, constitutes a default under this Note.

(b) The Agency shall give written notice of default to the Borrower, specifying the default complained of by the Agency. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Except as otherwise expressly provided in this Agreement, any failures or delays by Agency in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by Agency in asserting any of its rights and remedies shall not deprive Agency of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

(c) If a monetary event of default occurs, prior to exercising any remedies hereunder, the Agency shall give the Borrower written notice of such default. The Borrower shall have a period of thirty (30) calendar days after such notice is received or deemed received within which to cure the default prior to exercise of remedies by the Agency.

(d) If a non-monetary event of default occurs, prior to exercising any remedies hereunder, the Agency shall give the Borrower notice of such default. If the default is reasonably capable of being cured within thirty (30) calendar days after such notice is received or deemed received, the Borrower shall have such period to effect a cure prior to exercise of remedies by the Agency. If the default is such that it is not reasonably capable of being cured within thirty (30) days after such notice is received, and the Borrower (1) initiates corrective action within said period, and (2) diligently, continually, and in good faith works to effect a cure as soon as possible,

then the Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by the Agency, but in any event no more than 120 days of receipt of notice of default from Agency, unless extended in writing by the Executive Director.

(e) Any notice of default that is transmitted by electronic facsimile transmission followed by delivery of a "hard" copy, shall be deemed delivered upon its transmission; any notice of default that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), shall be deemed received on the documented date of receipt by Borrower; and any notice of default that is sent by registered or certified mail, postage prepaid, return receipt required shall be deemed received on the date of receipt thereof.

17. Force Majeure. Notwithstanding specific provisions of this Note, Borrower shall not be deemed to be in default for failure to perform any non-monetary performance hereunder where delays or defaults are due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, casualties, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, material or tools, delays of any contractor, sub-contractor or supplier, acts of the Agency or any other public or governmental agency or entity, or any causes beyond the control or without the fault of the Borrower. An extension of time for any such cause (a "Force Majeure Delay") shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by Borrower is sent to the Agency within thirty (30) days of knowledge of the commencement of the cause. Notwithstanding the foregoing, none of the foregoing events shall constitute a Force Majeure Delay unless and until the Borrower delivers to the Agency written notice describing the event, its cause, when and how Borrower obtained knowledge, the date and the event commenced, and the estimated delay resulting therefrom. Borrower shall deliver such written notice within thirty (30) days after it obtains actual knowledge of the event. Times of performance under this Agreement may also be extended in writing by the Agency and Borrower.

18. Operation and Replacement Reserves.

(a) Borrower shall establish and make annual payments into an operating and replacement reserve account for the Affordable SRO Units ("SRO Reserve Account"), in the amount sufficient to operate the Affordable SRO Units for the entire fifty-five (55) year loan period, including an amount sufficient to cover all negative NOI months of operation, plus ten percent (10%) of the foregoing. Any reserves deposited into the SRO Reserve Account shall be placed by Borrower into an interest-bearing account within the Borrower's investment portfolio, where interest will be calculated and allocated quarterly to the account earning the highest interest available to the Borrower. All money in the SRO Reserve Account shall be placed into the SDHC investment portfolio where interest will be calculated and allocated quarterly to the account earning the highest interest available to the SDHC. The SDHC investment portfolio must remain fully compliant with all Federal, State, local and SDHC investment policies. The investment priority includes safety of principle investment, liquidity to meet anticipated cash obligations and yield. By following this investment priority, SDHC will make every effort to

produce a portfolio yield that meets or exceeds the 3-year Treasury Bill rate on all funds invested in the portfolio. SDHC shall provide an annual earnings report on its investment portfolio (generally 4 months after the close of each fiscal year). If the yield is determined at any time to be substantially below market, the Agency may request a review of Borrower's investment policies or an alternative investment strategy for the SRO Reserve Account. Once such operating and replacement reserves have been accumulated, SRO Residual Receipts payments to the Agency and Borrower shall commence; provided, however, that Borrower shall first deposit into the SRO Reserve Account all of its Retail Residual Receipts (to the extent generated, if any) net of any capital and operating reserves reasonably required to operate and maintain the Retail Space, before depositing the Agency's share of Residual Receipts into the SRO Reserve Account. Borrower shall not add debt service on the Property at any time during the Agency Loan period without the Agency's written approval. The amount of the necessary reserves for the Affordable SRO Units and the Retail Space shall be analyzed periodically. The first periodic evaluation shall occur after five (5) years of operation of the Project, and an additional periodic evaluation shall occur every two (2) years thereafter. To the extent that any periodic evaluation results in a determination that reserves in the SRO Reserve Account are in excess of the above-defined amount for the SRO Reserve Account, any such amounts shall be disbursed to the Agency and Borrower on a 50:50 basis.

(b) Annual payments into the operating and replacement SRO Reserve Account shall only be made to the extent Borrower has sufficient cash flow to make such payments after paying for SRO Operating Expenses. In the event that there is not sufficient cash flow to fund the SRO Reserve Account, the SRO Reserve Account will be funded when sufficient cash flow is available. The funds in this account shall be used only in the event of operating budget deficits for the Affordable SRO Units. The SRO Reserve Account shall be "capped" at an amount as provided in subsection 18(a) above; when the balance of the account reaches this amount, the deposit requirement thereto shall be suspended until the account falls below said amount, in which case the deposit requirement shall be reinstated.

(c) Except in the event of an emergency, neither operating reserves nor replacement reserves shall be drawn upon without the written approval of the Agency, which approval shall not be unreasonably withheld or delayed.

(d) Borrower acknowledges and agrees that all replacement reserves and operating reserves are for the benefit of the Project, are not the property of Borrower, and shall not be withdrawn upon sale of the Property and/or the Project, but rather shall stay with the Project upon any sale, other transfer, refinancing or foreclosure of the Property and/or the Project.

19. Approvals. In any approval, consent or other determination by Agency required under this Note or any of the other Agency Loan Documents, Agency shall act reasonably and in good faith.

20. Right to Prepay. Borrower shall have the right to prepay the obligation evidenced by this Note, or any part thereof, without penalty.

21. Partial Invalidity. If the rights created by this Note shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, the remaining obligations shall be completely performed and paid.

IN WITNESS WHEREOF Borrower has executed this Note as of the day and year set forth above.

Dated: _____

COMMISSION:

San Diego Housing Commission, a public agency

By: _____

Richard C. Gentry
President & Chief Executive Officer

APPROVED AS TO FORM AND LEGALITY:

Christensen & Spath, LLP

By: _____

Charles B. Christensen
General Counsel
San Diego Housing Commission

ATTACHMENT NO. 9

OFFICIAL BUSINESS
Document entitled to free
recording per Government
Code Section 6103.

Recording Requested by and
When Recorded Mail to:

THE REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO
c/o CENTRE CITY DEVELOPMENT CORPORATION
401 B Street, Suite 400
San Diego, California 92101

Attn: Executive Director

SPACE ABOVE THIS LINE FOR RECORDER'S USE

SUBORDINATE DEED OF TRUST,
SECURITY AGREEMENT AND FIXTURE FILING
(WITH ASSIGNMENT OF RENTS)

This Subordinate Deed of Trust, Security Agreement and Fixture Filing (With Assignment of Rents) is made as of _____, 2010, by the San Diego Housing Commission (hereinafter referred to as "Trustor"), whose address is c/o _____ to _____ TITLE COMPANY (hereinafter called "Trustee"), for the benefit of the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, a public body corporate and politic (hereinafter called "Beneficiary"), whose address is c/o Centre City Development Corporation, 401 B Street, Suite 400, San Diego, California 92101.

WITNESSETH: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to Trustee, its successors and assigns, in Trust, with POWER OF SALE TOGETHER WITH RIGHT OF ENTRY AND POSSESSION the following property (the "Trust Estate"):

(A) That certain real property in the City of San Diego, County of San Diego, State of California more particularly described in Exhibit "A" attached hereto and by this reference made a part hereof (such interest in real property is hereafter referred to as the "Subject Property");

(B) All buildings, structures and other improvements now or in the future located or to be constructed on the Subject Property (the "Improvements");

(C) all tenements, hereditaments, appurtenances, privileges, franchises and other rights and interests now or in the future benefiting or otherwise relating to the Subject Property or the Improvements, including easements, rights-of-way and development rights (the "Appurtenances"). (The Appurtenances, together with the Subject Property and the Improvements, are hereafter referred to as the "Real Property");

(D) subject to the assignment to Beneficiary set forth in Paragraph 4 below, all rents, issues, income, revenues, royalties and profits now or in the future payable with respect to or otherwise derived from the Trust Estate or the ownership, use, management, operation leasing or occupancy of the Trust Estate, including those past due and unpaid (the "Rents");

(E) all present and future right, title and interest of Trustor in and to all inventory, equipment, fixtures and other goods (as those terms are defined in Division 9 of the California Uniform Commercial Code (the "UCC"), and whether existing now or in the future) now or in the future located at, upon or about, or affixed or attached to or installed in, the Real Property, or used or to be used in connection with or otherwise relating to the Real Property or the ownership, use, development, construction, maintenance, management, operation, marketing, leasing or occupancy of the Real Property, including furniture, furnishings, theater equipment, seating, machinery, appliances, building materials and supplies, generators, boilers, furnaces, water tanks, heating ventilating and air conditioning equipment and all other types of tangible personal property of any kind or nature, and all accessories, additions, attachments, parts, proceeds, products, repairs, replacements and substitutions of or to any of such property, but not including personal property that is donated to Trustor (the "Goods," and together with the Real Property, the "Property"); and

(F) all present and future right, title and interest of Trustor in and to all accounts, general intangibles, chattel paper, deposit accounts, money, instruments and documents (as those terms are defined in the UCC) and all other agreements, obligations, rights and written material (in each case whether existing now or in the future) now or in the future relating to or otherwise arising in connection with or derived from the Property or any other part of the Trust Estate or the ownership, use, development, construction, maintenance, management, operation, marketing, leasing, occupancy, sale or financing of the property or any other part of the Trust Estate, including (to the extent applicable to the Property or any other portion of the Trust Estate) (i) permits, approvals and other governmental authorizations, (ii) improvement plans and specifications and architectural drawings, (iii) agreements with contractors, subcontractors, suppliers, project managers, supervisors, designers, architects, engineers, sales agents, leasing agents, consultants and property managers, (iv) takeout, refinancing and permanent loan commitments, (v) warranties, guaranties, indemnities and insurance policies, together with insurance payments and unearned insurance premiums, (vi) claims, demands, awards, settlements, and other payments arising or resulting from or otherwise relating to any insurance or any loss or destruction of, injury or damage to, trespass on or taking, condemnation (or conveyance in lieu of condemnation) or public use of any of the Property, (vii) license agreements, service and maintenance agreements, purchase and sale agreements and purchase

options, together with advance payments, security deposits and other amounts paid to or deposited with Trustor under any such agreements, (viii) reserves, deposits, bonds, deferred payments, refunds, rebates, discounts, cost savings, escrow proceeds, sale proceeds and other rights to the payment of money, trade names, trademarks, goodwill and all other types on intangible personal property of any kind or nature, and (ix) all supplements, modifications, amendments, renewals, extensions, proceeds, replacements and substitutions of or to any of such property (the "Intangibles").

Trustor further grants to Trustee and Beneficiary, pursuant to the UCC, a security interest in all present and future right, title and interest of Trustor in and to all Goods and Intangibles and all of the Trust Estates described above in which a security interest may be created under the UCC (collectively, the "Personal Property"). This Deed of Trust constitutes a security agreement under the UCC, conveying a security interest in the Personal Property to Trustee and Beneficiary. Trustee and Beneficiary shall have, in addition to all rights and remedies provided herein, all the rights and remedies of a "secured party" under the UCC and other applicable California law. Trustor covenants and agrees that this Deed of Trust constitutes a fixture filing under Section 9334 and 9502(b) of the UCC.

FOR THE PURPOSE OF SECURING, in such order of priority as Beneficiary may elect, the following:

1. due, prompt and complete observance, performance and discharge of each and every condition, obligation, covenant and agreement contained herein or contained in the following:

(a) that certain Promissory Note to the Redevelopment Agency of the City of San Diego executed by Trustor ("Borrower" therein) of even date herewith (the "Note");

(b) the Owner Participation Agreement dated _____, 2010, between Trustor ("Commission" therein) and Beneficiary ("Agency" therein) (the "OPA"); and

(c) the Agreement Affecting Real Property dated _____, 2010, between Trustor ("Commission" therein) and Beneficiary ("Agency" therein).

2. payment of indebtedness of the Trustor to the Beneficiary not to exceed SIX MILLION NINETY-FIVE THOUSAND DOLLARS AND NO CENTS (\$6,095,000.00) (the "Agency Loan"), according to the terms of the Note.

Said Note, OPA and Agreement Affecting Real Property (collectively, referred to as the "Secured Obligations") and all of their terms are incorporated herein by reference and this conveyance shall secure any and all extensions, amendments, modifications or renewals thereof however evidenced, and additional advances evidenced by any note reciting that it is secured hereby.

AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR COVENANTS AND AGREES:

1. That Trustor shall pay the Note at the time and in the manner provided therein, and perform the obligations of the Trustor as set forth in the OPA and Agreement Affecting Real Property at the time and in the manner respectively provided therein.

2. That Trustor shall not permit or suffer the use of any of the property for any purpose other than the use set forth in the OPA and Agreement Affecting Real Property.

3. That the Secured Obligations are incorporated in and made a part of the Deed of Trust. Upon default of a Secured Obligation, and after the giving of notice and the expiration of any applicable cure period, the Beneficiary, at its option, may declare the whole of the indebtedness secured hereby to be due and payable.

4. That all rents, profits and income from the property covered by this Deed of Trust are hereby assigned to the Beneficiary for the purpose of discharging the debt hereby secured. Permission is hereby given to Trustor so long as no default exists hereunder after the giving of notice and the expiration of any applicable cure period, to collect such rents, profits and income for use in accordance with the provisions of the OPA and the Agreement Affecting Real Property.

5. That upon default hereunder or under the aforementioned agreements, and after the giving of notice and the expiration of any applicable cure period, Beneficiary shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the property described herein and operate same and collect the rents, profits and income therefrom.

6. That Trustor will keep the improvements now existing or hereafter erected on the property insured against loss by fire and such other hazards, casualties, and contingencies as may reasonably be required in writing from time to time by the Beneficiary, and all such insurance shall be evidenced by standard fire and extended coverage insurance policy or policies. In no event shall the amounts of coverage be less than 100 percent of the insurable value of the Property. Such policies shall be endorsed with standard mortgage clause with loss payable to the Beneficiary and certificates thereof together with copies of original policies shall be deposited with the Beneficiary. Unless approved otherwise in writing by the Executive Director of the Beneficiary, or his or her designee, Trustor shall maintain insurance as required by Exhibit "B" of this Deed of Trust, which is incorporated herein by this reference.

7. To pay, at least 10 days before delinquency, any taxes and assessments affecting said Property; to pay, when due, all encumbrances, charges and liens, with interest, on said Property or any part thereof which appear to be prior or superior hereto; and to pay all costs, fees, and expenses of this Trust. Notwithstanding anything to the contrary contained in this Deed

of Trust, Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as Trustor is contesting the legality thereof in good faith and by appropriate proceedings, and Trustor has adequate funds to pay any liabilities contested pursuant to this Section 7.

8. To keep said property in good condition and repair, subject to ordinary wear and tear, casualty and condemnation, not to remove or demolish any buildings thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged, or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon (subject to Trustor's right to contest the validity or applicability of laws or regulations); not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law and/or covenants, conditions and/or restrictions affecting said property; not to permit or suffer any material alteration of or addition to the buildings or improvements hereafter constructed in or upon said property without the consent of the Beneficiary.

9. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of evidence of title and reasonable attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear.

10. Should Trustor fail, after the giving of notice and the expiration of any applicable cure period, to make any payment or do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. Following default, after the giving of notice and the expiration of any applicable cure period, Beneficiary or Trustee being authorized to enter upon said property for such purposes, may commence, appear in and/or defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; may pay, purchase, contest, or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, may pay necessary expenses, employ counsel, and pay his reasonable fees.

11. Beneficiary shall have the right to pay fire and other property insurance premiums when due should Trustor fail to make any required premium payments. All such payments made by the Beneficiary shall be added to the indebtedness and obligations secured hereby.

12. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, under permission given under this Deed of Trust, with interest from date of expenditure at the lesser of ten percent (10%) or the highest rate of interest permitted by law.

13. That upon the failure of Trustor, after the giving of notice and the expiration of any applicable cure period, to keep and perform all the covenants, conditions, and agreements of said OPA and Agreement Affecting Real Property, the entire indebtedness evidenced by the

Note shall at the option of the Beneficiary of this Deed of Trust become due and payable, anything contained herein to the contrary notwithstanding.

14. Trustor further covenants that it will not voluntarily create, suffer, or permit to be created against the property subject to this Deed of Trust any lien or liens except as authorized by Beneficiary and further that they will keep and maintain the property free from the claims of all persons supplying labor or materials which will enter into the construction of any and all buildings now being erected or to be erected on said premises. Notwithstanding anything to the contrary contained in this Deed of Trust, Trustor shall not be obligated to pay any claims for labor, materials or services which Trustor in good faith disputes and is diligently contesting, provided that Trustor shall, at Beneficiary's written request, within thirty (30) days after the filing of any claim or lien (but in any event, and without any requirement that Beneficiary must first provide a written request, prior to foreclosure) record in the Office of the Recorder of San Diego County, a surety bond in the amount of such claim item to protect against a claim of lien, or provide such other security reasonably satisfactory to Beneficiary.

15. That any and all improvements made or about to be made upon the premises covered by the Deed of Trust, and all plans and specifications, comply with all applicable municipal ordinances and regulations and all other applicable regulations made or promulgated, now or hereafter, by lawful authority, and that the same will upon completion comply with all such municipal ordinances and regulations and with the rules of the applicable fire rating or inspection organization, bureau, association or office.

IT IS MUTUALLY AGREED THAT:

16. Should the property or any part thereof be taken or damaged by reason of any public improvement or condemnation proceeding, or damaged by fire, or earthquake, or in any other manner, subject to the rights of any beneficiary of a deed of trust senior in priority to this Deed of Trust ("Senior Lender"), Beneficiary shall be entitled to all compensation, awards, and other payments or relief therefor which are not used to reconstruct, restore or otherwise improve the property or part thereof that was taken or damaged, and shall be entitled at its option to commence, appear in and prosecute in its own name, any action or proceedings, or to make any compromise or settlement, in connection with such taking or damage. Subject to the rights of any Senior Lender, all such compensation, awards, damages, rights of action and proceeds which are not used to reconstruct, restore or otherwise improve the property or part thereof that was taken or damaged, including the proceeds of any policies of fire and other insurance affecting said property, are hereby assigned to Beneficiary. After deducting therefrom all its expenses, including reasonable attorneys fees, the balance of the proceeds which are not used to reconstruct, restore or otherwise improve the property or part thereof that was taken or damaged, shall be applied to the amount due under the secured hereby. No amount applied to the reduction

of the principal shall relieve the trustor from making regular payments as required by the Promissory Note.

17. Reserved.

18. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser its Deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the Deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale. The Trustee shall apply the proceeds of sale to payment of (1) the expenses of such sale, together with the reasonable expenses of this trust including therein reasonable Trustee's fees or attorney's fees for conducting the sale, and the actual cost of publishing, recording, mailing and posting notice of the sale; (2) the cost of any search and/or other evidence of title procured in connection with such sale and revenue stamps on Trustee's Deed; (3) all sums expended under the terms hereof, not then repaid, with accrued interest at the rate specified in the Method of Financing; (4) all other sums then secured hereby; and (5) the remainder, if any, to the person or persons legally entitled thereto.

19. Beneficiary may from time to time substitute a successor or successors to any Trustee named herein or acting hereunder to execute this Trust. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers, and duties conferred upon any Trustee herein named or acting hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which, when duly recorded in the proper office of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee.

20. The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law.

21. Upon written request of Beneficiary stating that all sums secured hereby have been paid and all obligations secured hereby have been satisfied, and upon surrender of this Deed of Trust to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

22. The trust created hereby is irrevocable by Trustor.

23. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term "Beneficiary" shall include not only the original Beneficiary hereunder but also any future owner and holder including pledgees, of the Note secured hereby. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural. All obligations of Trustor hereunder are joint and several.

24. Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made public record as provided by law. Except as otherwise provided by law the Trustee is not obligated to notify any party hereto of pending sale under this Deed of Trust or of any action of proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

25. The undersigned Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Trustor at the address set forth in the first paragraph of this Deed of Trust.

26. Trustor agrees at any time and from time to time upon receipt of a written request from Beneficiary, to furnish to Beneficiary detailed statements in writing of income, rents, profits, and operating expenses of the premises, and the names of the occupants and tenants in possession, together with the expiration dates of their leases and full information regarding all rental and occupancy agreements, and the rents provided for by such leases and rental and occupancy agreements, and such other information regarding the premises and their use as may be requested by Beneficiary.

27. Trustor agrees that the indebtedness secured by this Deed of Trust is made expressly for the purpose of financing the acquisition of the Property and construction of improvements thereon as provided in the OPA and to be operated as provided in the Agreement Affecting Real Property.

28. Trustor agrees that, except as otherwise provided in the Note or the OPA, upon sale or refinancing of the property, the entire indebtedness secured by this Deed of Trust shall at the option of Beneficiary be immediately due and payable.

29. Notwithstanding specific provisions of this Deed of Trust, non-monetary performance hereunder shall not be deemed to be in default where delays or defaults are due to: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor or supplier; acts of the other party; acts or failure to act of the City of San Diego or any other public or governmental agency or entity (except that any act or failure to act of Beneficiary shall not

excuse performance by Beneficiary); or any other causes beyond the reasonable control or without the fault of the party claiming an extension of time to perform. An extension of time for any such cause (a "Force Majeure Delay") shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause. If, however, notice by the party claiming such extension is sent to the other party more than thirty (30) days after the commencement of the cause, the period shall commence to run only thirty (30) days prior to the giving of such notice. Times of performance under this Deed of Trust may also be extended in writing by the Beneficiary and Trustor. Notwithstanding the foregoing, none of the foregoing events shall constitute a Force Majeure Delay unless and until Trustor delivers to Beneficiary written notice describing the event, its cause, when and how Trustor obtained knowledge, the date the event commenced, and the estimated delay resulting therefrom. Trustor shall deliver such written notice within thirty (30) days after it obtains actual knowledge of the event.

30. If the rights and liens created by this Deed of Trust shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, the unsecured portion of such obligations shall be completely performed and paid prior to the performance and payment of the remaining and secured portion of the obligations, and all performance and payments made by Trustor shall be considered to have been performed and paid on and applied first to the complete payment of the unsecured portion of the obligations.

31. (a) Subject to the extensions of time set forth in Section 30, and subject to the notice and cure provisions of this Section 31, failure or delay by Trustor to perform any term or provision respectively required to be performed under the OPA, the Note, the Agreement Affecting Real Property or this Deed of Trust constitutes a default under this Deed of Trust;

(b) Beneficiary shall give written notice of default to the party in default, specifying the default complained of by the Beneficiary. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Except as otherwise expressly provided in this Agreement, any failures or delays by Beneficiary in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by Beneficiary in asserting any of its rights and remedies shall not deprive Beneficiary of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

(c) If a monetary event of default occurs, prior to exercising any remedies hereunder, the Beneficiary shall give the Trustor written notice of such default. The Trustor shall have a period of thirty (30) calendar days after such notice is received or deemed received within which to cure the default prior to exercise of remedies by the Beneficiary.

(d) If a non-monetary event of default occurs, prior to exercising any remedies hereunder, the Beneficiary shall give the Trustor notice of such default. If the default is reasonably capable of being cured within thirty (30) calendar days after such notice is received or deemed received, the Trustor shall have such period to effect a cure prior to exercise of

remedies by the Beneficiary. If the default is such that it is not reasonably capable of being cured within thirty (30) days after such notice is received, and the Trustor (1) initiates corrective action within said period, and (2) diligently, continually, and in good faith works to effect a cure as soon as possible, then the Trustor shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by the injured party, but in any event no more than ninety (90) days of receipt of such notice of default from the Beneficiary.

(e) Any notice of default that is transmitted by electronic facsimile transmission followed by delivery of a "hard" copy, shall be deemed delivered upon its transmission; any notice of default that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), shall be deemed received on the documented date of receipt by Trustor; and any notice of default that is sent by registered or certified mail, postage prepaid, return receipt required shall be deemed received on the date of receipt thereof.

(f) After the giving the notice and cure specified in this Section 31, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale, and of written notice of default and of election to cause the property to be sold, which notice Trustee shall cause to be duly filed for record and Beneficiary may foreclose this Deed of Trust. Beneficiary shall also deposit with Trustee this Deed, the Note and all documents evidencing expenditures secured hereby.

32. Subject to the provisions and limitations of this Section 32, the obligation to repay the Agency Loan is a nonrecourse obligation of the Trustor. Trustor and any general or limited partner of Trustor's limited partnership shall not have any personal liability for repayment of the Agency Loan secured hereby, except as provided in this Section 32. The sole recourse of Beneficiary shall be the exercise of its rights against the Property and any related security for the Agency Loan. Provided, however, that the foregoing shall not (a) constitute a waiver of any obligation evidenced by the Note or this Deed of Trust; (b) limit the right of the Beneficiary to name Trustor as a party defendant in any action or suit for judicial foreclosure and sale under the Note and this Deed of Trust or any action or proceeding hereunder so long as no judgment in the nature of a deficiency judgment shall be asked for or taken against Trustor; (c) release or impair the Note or this Deed of Trust; (d) prevent or in any way hinder Beneficiary from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, any other remedy against the mortgaged Property or any other instrument securing the Note or as prescribed by law or in equity in case of default; (e) prevent or in any way hinder Beneficiary from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, its remedies in respect of any deposits, insurance proceeds, condemnation awards or other monies or other collateral or letters of credit securing the Note; (f) relieve Trustor of any of its obligations under any indemnity delivered by Trustor to Beneficiary; or (g) affect in any way the validity of any guarantee or indemnity from any person of all or any of the obligations evidenced and secured by the Note and this Deed of Trust. The foregoing provisions of this paragraph are limited by the provision

that in the event of the occurrence of a default, Trustor and its successors and assigns shall have personal liability hereunder for any deficiency judgment, but only if and to the extent Trustor, its principals, shareholders, partners or its successors and assigns received rentals, other revenues, or other payments or proceeds in respect of the mortgaged Property, which rentals, other revenues, or other payments or proceeds have not been used for the payment of ordinary and reasonable operating expenses of the mortgaged Property after the occurrence of such default, ordinary and reasonable capital improvements to the mortgaged Property, debt service, real estate taxes in respect of the mortgaged Property and basic management fees, but not incentive fees, payable to an entity or person unaffiliated with Trustor in connection with the operation of the mortgaged Property, which are then due and payable. Notwithstanding the first sentence of this paragraph, Beneficiary may recover directly from Trustor or from any other party:

(a) any damages, costs and expenses incurred by Beneficiary as a result of fraud or any criminal act or acts of Trustor or any partner, shareholder, officer, director or employee of Trustor;

(b) any damages, costs and expenses incurred by Beneficiary as a result of any misappropriation of funds provided for the construction of the Project, as described in the OPA, rents and revenues from the operation of the Project, or proceeds of insurance policies or condemnation proceeds;

(c) any and all amounts owing by Trustor pursuant to any indemnity under the OPA or the indemnification regarding Hazardous Substances pursuant to the Environmental Indemnity, and

(d) all court costs and attorneys' fees reasonably incurred in enforcing or collecting upon any of the foregoing exceptions (provided that Beneficiary shall pay Trustor's reasonable court costs and attorneys' fees if Trustor is the prevailing party in any such enforcement or collection action).

33. In the event of any fire or other casualty to the Project or eminent domain proceedings resulting in condemnation of the Project or any part thereof, Trustor shall have the right to rebuild the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Agency Loan in balance and rebuild the Project in a manner that provides adequate security to Agency for repayment of the Agency Loan or if such proceeds are insufficient then Trustor shall have funded any deficiency, (b) Agency shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the Agency Loan Documents. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Agency Loan in a manner that provides adequate security to Agency for repayment of the remaining balance of the Agency Loan.

IN WITNESS WHEREOF Trustor has executed this Deed of Trust as of the day and year set forth above.

Dated: _____

TRUSTOR:

San Diego Housing Commission, a public agency

By: _____

Richard C. Gentry
President & Chief Executive Officer

APPROVED AS TO FORM AND LEGALITY:

Christensen & Spath, LLP

By: _____

Charles B. Christensen
General Counsel
San Diego Housing Commission

STATE OF CALIFORNIA)
)ss.
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public,
personally appeared _____, who proved to me on the basis of
satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or
the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

STATE OF CALIFORNIA)
)ss.
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public,
personally appeared _____, who proved to me on the basis of
satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or
the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of San Diego, City of San Diego, and described as follows:

Lots D, E and F in Block 191 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 369 filed in the Office of the County Recorder of San Diego County.

Assessor Parcel Number: 553-453-03

EXHIBIT "B"

INSURANCE REQUIREMENTS

1. Commencing upon the Closing or Trustor's possession of the Property, whichever occurs first through the end of the Covenant Period ("the Term") or sooner Release in accordance with Section 401c. of the OPA, Trustor shall maintain in effect and deliver to Beneficiary duplicate originals or appropriate certificates of the following insurance policies (the "Insurance Policies"):

(a) All-Risk Policies: Unless waived, in writing, by the Executive Director, Trustor shall maintain or cause to be maintained coverage of the type now known as builder's completed value risk insurance, as delineated on an All Risk Builder's Risk 100% Value Non-Reporting Form. Such insurance shall insure against direct physical loss or damage by fire, lightning, wind, storm, explosion, collapse, underground hazards, flood, vandalism, malicious mischief, glass breakage and such other causes as are covered by such form of insurance, excluding earthquake(s). Such policy shall include (1) an endorsement for broad form property damage, breach of warranty, demolition costs and debris removal, (2) a "Replacement Cost Endorsement" in amount sufficient to prevent Trustor from becoming a co-insurer under the terms of the policy, but in any event in an amount not less than 100% of the then full replacement cost, to be determined at least once annually and subject to reasonable approval by Beneficiary, and (3) an endorsement to include coverage for budgeted soft costs. The replacement cost coverage shall be for work performed and equipment, supplies and materials furnished to the Property, or any adjoining sidewalks, streets and passageways, or to any bonded warehouse for storage pending incorporation into the work, without deduction for physical depreciation and with a deductible not exceeding \$25,000 per occurrence, or such other deductible amount as Beneficiary may reasonably determine is acceptable, in light of the cost of the premium for such insurance), which deductible amount shall be subject to increases equal to increases in the Consumer Price Index.

(b) Liability Insurance: Trustor shall maintain or cause to be maintained general liability insurance or an equivalent owner contractors protective policy, to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, suffered or alleged to be suffered by any person or persons whomsoever on or about the Property and the business of Trustor on the Property, or in connection with the operation thereof, resulting directly or indirectly from any acts or activities of Trustor, or any person acting for Trustor, or under its respective control or direction, and also to protect against loss from liability imposed by law for damages to any property of any person occurring on or about the Property, or in connection with the operation thereof, caused directly or indirectly by or from acts or activities of Trustor or its tenants, or any person acting for Trustor, or under its control or direction. Such property damage and personal injury insurance shall also provide for and protect Beneficiary against incurring any legal cost in defending claims for alleged loss. Such personal injury and property damage insurance shall be maintained in full force and effect during the Term in the following amounts: commercial general liability in a general aggregate amount of not less than Four Million Dollars (\$4,000,000), Four Million Dollars (\$4,000,000) Products and Completed Operations Aggregate, and Two Million Dollars (\$2,000,000) each Occurrence, which amounts shall be subject to increases equal to increases in

the Consumer Price Index. Trustor shall deliver to Beneficiary a Certificate of Insurance evidencing such insurance coverage prior to the occurrence of the Closing. Trustor agrees that provisions of this paragraph as to maintenance of insurance shall not be construed as limiting in any way the extent to which Trustor may be held responsible for the indemnification of Beneficiary or the payment of damages to persons or property resulting from Trustor's activities, activities of its tenants or the activities of any other person or persons for which Trustor is otherwise responsible. To the extent that Trustor maintains increased or additional insurance coverage during the Term, in excess of the minimum coverage requirements prescribed by paragraphs (b)(1)(b) and (b)(1)(c) of Section 309 of the OPA, Trustor shall ensure that the additional insureds specified in paragraph (b)(3) of Section 309 of the OPA derive the benefit of such increased or additional insurance coverage.

(c) Automobile Insurance: Trustor shall maintain or cause to be maintained automobile insurance on any automobiles owned by Trustor, maintained in full force and effect in an amount of not less than Two Million Dollars (\$2,000,000) per accident, which amount shall be subject to increases equal to increases in the Consumer Price Index.

(d) Workers' Compensation Insurance: Trustor shall maintain or cause to be maintained workers' compensation insurance, if required, for any employees of Trustor, issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the workers' compensation laws now in force in California, or any laws hereafter enacted as an amendment or supplement thereto or in lieu thereof. Such workers' compensation insurance shall cover all persons employed by Trustor in connection with the Property and shall cover liability within statutory limits for compensation under any such act aforesaid, based upon death or bodily injury claims made by, for or on behalf of any person incurring or suffering injury or death in connection with the Property or the operation thereof by Trustor. Notwithstanding the foregoing, Trustor may, in compliance with the laws of the State of California and in lieu of maintaining such insurance, self-insure for workers' compensation in which event Trustor shall deliver to Beneficiary evidence that such self-insurance has been approved by the appropriate State authorities.

2. All policies or certificates of insurance shall provide that such policies shall not be canceled, reduced in coverage or limited in any manner without at least ten (10) days prior written notice to Beneficiary. All fire and liability insurance policies (not automobile and Workers' Compensation) may name the Beneficiary and Trustor as insureds, additional insureds, and/or loss payable parties as their interests may appear.

3. The Insurance Policies shall name as additional insureds the following:

"The City of San Diego, the Redevelopment Agency of the City of San Diego, the Centre City Development Corporation, and their respective officers, employees, contractors, agents and attorneys."

Trustor agrees to timely pay all premiums for such insurance and, at its sole cost and expense, to comply and secure compliance with all insurance requirements necessary for the maintenance of such insurance. Trustor agrees to submit binders or certificates evidencing such insurance to

Beneficiary prior to the Closing. Within thirty (30) days, if practicable, but in any event prior to expiration of any such policy, copies of renewal policies, or certificates evidencing the existence thereof, shall be submitted to Beneficiary. All insurance herein provided for under this Section shall be provided by insurers licensed to do business in the State of California and rated A-VII or better.

4. If Trustor fails or refuses to procure or maintain insurance as required by this Agreement, Beneficiary shall have the right, but not the obligation, at Beneficiary's election, and upon ten (10) days prior notice to Trustor, to procure and maintain such insurance. The premiums paid by Beneficiary shall be treated as a loan, due from Trustor, to be paid on the first day of the month following the date on which the premiums were paid. Beneficiary shall give prompt notice of the payment of such premiums, stating the amounts paid and the name of the insured(s).

5. The Executive Director may, in his or her sole and absolute discretion, waive the automobile insurance requirements as to Trustor, but not its contractor(s). This waiver must be express and in writing, and will only be made upon a showing by Trustor that its operations in and with respect to Beneficiary are not such as to impose liability within the scope of auto insurance coverage.

ATTACHMENT NO. 10

OFFICIAL BUSINESS

Document entitled to free
recording per Government
Code Section 6103

Recording Requested by:
REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO

When Recorded Return to:

REDEVELOPMENT AGENCY OF
THE CITY OF SAN DIEGO
c/o Centre City Development Corporation
401 B Street, Suite 400
San Diego, California 92101

Attn: Executive Director

SPACE ABOVE THIS LINE FOR RECORDER'S USE

ASSIGNMENT OF RENTS AND LEASES

THIS ASSIGNMENT OF RENTS AND LEASES (the "Assignment") is made as of _____, 2010 by the SAN DIEGO HOUSING COMMISSION ("Borrower"), in favor of the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, a public body corporate and politic, its successors, and assigns (collectively, the "Agency").

RECITALS

A. Borrower is the owner of certain real property described in Exhibit "A" attached hereto, and the owner of all of the personalty, fixtures, and improvements now or hereafter located thereon or attached thereto now existing or to be constructed thereon. Said real property, personalty, fixtures, and the improvements are herein referred to collectively as the "Premises".

B. Agency has agreed to make a loan (the "Agency Loan") to Borrower, pursuant to the terms of that certain Owner Participation Agreement, by and between Agency and Borrower, dated as of _____, 2010 (the "OPA"), as evidenced by that certain Promissory Note of even date herewith (the "Agency Loan Note"), executed by Borrower. The Agency Loan is secured by that certain Agency Deed of Trust, of even date herewith, executed by Borrower, as Trustor, for the benefit of Agency, as Beneficiary (the "Deed of Trust").

C. In order to induce Agency to make the Agency Loan to Borrower, Borrower has agreed to execute this Assignment.

NOW, THEREFORE, with reference to the foregoing and in reliance thereon and for good and valuable consideration, the receipt of which is hereby acknowledged, Borrower agrees as follows:

AGREEMENT

1. All initially capitalized terms used herein, unless otherwise defined or required by context, shall have the meaning ascribed to them in the OPA.

2. Borrower hereby absolutely grants, sells, assigns, transfers, and sets over to Agency, by this Assignment, all of Borrower's interests, whether now existing or hereafter acquired, in all leases and other occupancy agreements of any nature, now or hereafter covering all or any part of the Premises, together with all extensions, renewals, modifications, or replacements of said leases and occupancy agreements, and together with any and all guarantees of the obligations of the lessees and occupants (the "Lessees") thereunder, whether now existing or hereafter executed, and all extensions and renewals of said guarantees. (Said leases and occupancy agreements, together with any and all guarantees, modifications, extensions and renewals thereof, are hereinafter referred to collectively as the "Leases" and individually as a "Lease".)

3. Borrower's purpose in making this Assignment is to relinquish to Agency its right to collect and enjoy the rents, royalties, issues, profits, income, and other benefits at any time accruing by virtue of the Leases (hereinafter called "Rents and Profits").

4. The parties intend that this Assignment shall be a present, absolute and unconditional assignment, subordinate to the rights of Senior Lender, and shall, immediately upon execution, give the Agency the right to collect the Rents and Profits and to apply them in payment of the principal and interest and all other sums payable on the indebtedness and other obligations under the Agency Loan Note and other loan documents, as well as all other sums payable under the Deed of Trust or any other instrument given as security for the indebtedness, subject to the rights of the Senior Lender. However, the Agency hereby grants to Borrower a license to collect and use, subject to the provisions set forth below, the Rents and Profits as they respectively become due and to enforce the Leases, so long as there is no default by Borrower in performance of the terms, covenants, or provisions of the Deed of Trust, the Agency Loan Note, or the OPA, this Assignment or any other loan document, after the expiration of any applicable notice and cure periods. Nothing contained herein, nor any collection of Rents and Profits by Agency or by a receiver, shall be construed to make Agency a "mortgagee in possession" of the Premises so long as Agency has not entered into actual possession of the Premises.

5. Upon the occurrence of any default or event of default, after the expiration of any applicable notice and cure periods, under the terms and conditions of this Assignment, the Agency Loan Note, the Deed of Trust, the Agreement Affecting Real Property, the OPA or any other loan document, this Assignment shall constitute a direction and full authority to each Lessee under any Lease and each guarantor of any Lease to pay all Rents and Profits to Agency without proof of the default relied upon. Borrower hereby irrevocably authorizes each Lessee and guarantor to rely upon and comply with any notice or demand by Agency for the payment to Agency of any Rents and Profits due or to become due.

6. Borrower represents and warrants as to each Lease now or hereafter covering all or any portion of the Premises, unless Agency has been otherwise advised in writing by Borrower:

- a. That each Lease is in full force and effect;
- b. That no material default exists on the part of the Lessee thereunder or
Borrower;
- c. That no rent in excess of one month's rent has been collected in advance;
- d. That no Lease or any interest therein has been previously assigned or
pledged;
- e. That no Lessee under any Lease has any defense, setoff or counterclaim
against Borrower; and
- f. Except as otherwise carried out in the normal course of leasing residential
or retail spaces, that all rent due to date under each Lease has been collected and no concession
has been granted to any Lessee in the form of a waiver, release, reduction, discount, or other
alteration of rent due or to become due except as previously disclosed to Borrower in writing.

7. Borrower agrees with respect to each Lease:

a. If any Lease provides for a security deposit paid by the Lessee to Borrower, this Assignment transfers to Agency all of Borrower's right, title, and interest in and to each such security deposit; provided, however, that Borrower shall have the right to retain said security deposit so long as Borrower is not in default, after the expiration of any applicable notice and cure periods, under this Assignment, the Deed of Trust, the Agency Loan Note, the Agreement Affecting Real Property, the OPA or any other loan document; and provided further that Agency shall have no obligation to the Lessee with respect to such security deposit unless and until Agency comes into actual possession and control of said security deposit.

b. If any Lease provides for the abatement of rent during repair of the leased premises by reason of fire or other casualty, Borrower shall furnish rental insurance to Agency,

the policies to be with companies and in form, content, policy limits, and terms as are customary in the case of entities owning similar property or assets similarly situated.

c. Each Lease shall remain in full force and effect despite any merger of the interest of Borrower and any Lessee thereunder. Except as otherwise provided in the OPA, Borrower shall not terminate any Lease (except pursuant to the terms of the Lease upon a default by any Lessee thereunder), or materially modify or amend any Lease or any of the terms thereof, or grant any concessions in connection therewith or accept a surrender thereof, without the prior written consent of Agency, which consent shall not be unreasonably withheld.

d. Except as otherwise provided in the OPA, Borrower shall not hereafter execute any Lease, the terms and conditions of which have not been previously approved in writing by Agency, which approval shall not be unreasonably withheld or delayed.

e. Borrower shall not collect any Rents and Profits more than thirty (30) days in advance of the date on which they become due under the terms of any Lease.

f. Borrower shall not discount any future accruing Rents and Profits.

g. Borrower shall not consent to any assignment of any Lease, or any subletting thereunder, whether or not in accordance with its terms, on any terms less favorable than those that would reflect an arm's length transaction in light of prevailing market conditions (subject to the rent restrictions applicable to the Premises), without the prior written consent of Agency, except as otherwise provided in the OPA.

h. Except as otherwise provided in the OPA, and except in favor of any Senior Lender, Borrower shall not execute any further assignment of any of the Rents and Profits or any interest therein or suffer or permit any such assignment to occur by operation of law unless such assignment is lower in priority than this assignment.

i. Borrower shall not request, consent to, agree to, or accept a subordination of any Lease to any mortgage, deed of trust or other encumbrance, or any other lease, now or hereafter affecting the Premises or any part thereof, or suffer or permit conversion of any Lease to a sublease, without Agency's prior written consent.

j. Borrower shall faithfully perform and discharge all obligations of the lessor under each Lease, and shall give prompt written notice to Agency of any notice of Borrower's default received from any Lessee or any other person and furnish Agency with a complete copy of said notice. Borrower shall appear in and defend, at no cost to Agency, any action or proceeding arising under or in any manner connected with any Lease. If requested by Agency, Borrower shall enforce each Lease and all remedies available to Borrower against the Lessee in the case of default under the Lease by the Lessee.

k. Any Lease of a part of the Premises shall, upon written notice from Agency to Borrower, be deemed included in this Assignment as though originally listed herein.

l. Except as otherwise provided in the OPA, at Agency's option, Borrower shall not hire, retain, or contract with any third party for property management services with respect to the Premises, without the prior written approval of Agency of such party and the terms of its contract for management services.

m. Nothing herein shall be construed to impose any liability or obligation on Agency under or with respect to any Lease. Borrower shall indemnify, defend, and hold Agency, its officers, directors, agents, employees, and representatives (the Indemnitees) harmless from and against any and all liabilities, losses, and damages that any Indemnatee may incur under any Lease or by reason of this Assignment, and of and from any and all claims and demands whatsoever that may be asserted against any Indemnatee by reason of any alleged obligations to be performed or discharged by Borrower under any Lease or this Agreement, unless any of the foregoing arises from or results from the gross negligence or willful misconduct of any Indemnatee. Should any Indemnatee incur any liability, loss, or damage under any Lease or by reason of this Assignment and such liability, loss, or damage falls within the foregoing indemnification, Borrower shall immediately upon demand reimburse such Indemnatee for the amount thereof together with all costs and expenses and reasonable attorneys' fees (based on itemized invoices for time and charges) and court costs incurred by such Indemnatee. All of the foregoing sums shall bear interest at the lesser of ten percent (10%) or the highest rate of interest permitted by law until paid. Any Rents and Profits collected by Agency may be applied by Agency, in its discretion, in satisfaction of any such liability, loss, damage, claim, demand, cost, expense, or fees.

8. Subject to the rights of the Senior Lender, Borrower hereby grants to Agency the following rights:

a. Upon an event of default as defined in the OPA, Agency shall be deemed to be the creditor of each Lessee in respect of any assignments for the benefit of creditors and any bankruptcy, arrangement, reorganization, insolvency, dissolution, receivership, or other debtor relief proceedings affecting such Lessee, without obligation on the part of Agency, however, to file timely claims in such proceedings or otherwise pursue creditor's rights therein.

b. Agency shall have the right to assign Borrower's right, title, and interest in the Leases to any subsequent holder of the Deed of Trust or any participating interest therein or to any person acquiring title to all or any part of the Premises through foreclosure or otherwise. Any subsequent Agency shall have all the rights and powers herein provided to Agency.

c. Agency shall have the right (but not the obligation), upon any event of default under the Deed of Trust, the Agreement Affecting Real Property or the OPA, to take any action as Agency may deem necessary or appropriate to protect its security, including but not

limited to appearing in any action or proceeding and performing any obligations of the lessor under any Lease; and Borrower agrees to pay, on demand, all costs and expenses, including without limitation reasonable attorneys' fees and court costs incurred by Agency in connection therewith, together with interest thereon at the highest rate of interest permitted by law per annum.

d. Upon any default under this Assignment, the Deed of Trust, the Agency Loan Note, the Agreement Affecting Real Property, the OPA, or any other loan document (subject to any notice and cure provisions), and without notice to or consent of Borrower, Agency shall have the following rights (none of which shall be construed to be obligations of Agency):

i. Agency shall have the right under this Assignment to use and possess, without rental or charge, the fixtures, equipment, and personal property of the Borrower located in or on the Premises and used in the operation or occupancy thereof. Agency shall have the right to apply any of the Rents and Profits to pay installments due for personal property rented or purchased on credit, insurance premiums on personal property, or other charges relating to personal property in or on the Premises. However, nothing herein shall be construed to release or waive the Borrower's obligations to Agency under the OPA, Agreement Affecting Real Property or the Agency Loan Documents.

ii. Agency shall have the right to apply the Rents and Profits and any sums recovered by Agency hereunder to the outstanding indebtedness, as well as to charges for taxes, insurance, improvements, maintenance, and other items relating to the operation of the Premises.

iii. Agency shall have the right to take possession of the Premises, manage and operate the Premises and Borrower's business thereon, and to take possession of and use all books of account and financial records of Borrower and its property managers or representatives relating to the Premises.

iv. Agency shall have the right to execute new Leases of any part of the Premises, including Leases that extend beyond the term of the Deed of Trust.

v. Agency shall have the right to cancel or alter any existing Leases, subject to the terms of such Leases.

vi. Agency shall have the irrevocable authority, as Borrower's attorney-in-fact, such authority being coupled with an interest, to sign the name of Borrower and to bind Borrower on all papers and documents relating to the operation, leasing and maintenance of the Premises.

e. All of the foregoing rights and remedies of Agency are cumulative, and Agency shall also have upon the occurrence of any such default or event of default all other

rights and remedies provided under the Agency Loan Note, the OPA, the Agreement Affecting Real Property, the Deed of Trust, or any other loan document or other agreement between Borrower and Agency or between Borrower and Agency, or otherwise available at law or in equity or by statute subject to the limited recourse clause set forth in the Agency Loan Note. Failure of Agency to avail itself of any terms, covenants, or conditions of this Assignment for any period of time or for any reason shall not constitute a waiver thereof.

9. Notwithstanding any future modification of the terms of the Agency Loan Note, the Deed of Trust, the Agreement Affecting Real Property, the OPA, or any other loan document, this Assignment and the rights and benefits hereby assigned and granted shall continue in favor of Agency in accordance with the terms of this Assignment.

10. This Assignment shall be binding upon and inure to the benefit of the respective heirs, legal representatives, successors, and assigns of the parties hereto (including without limitation in the case of Agency, any third parties now or hereafter acquiring any interest in the indebtedness or other obligations of Borrower under the Agency Loan Note or Deed of Trust or a part thereof, whether by virtue of assignment, participation, or otherwise). The words Borrower, Agency, and Lessee, wherever used herein, shall include the persons and entities named herein or in any Lease and designated as such and their respective heirs, legal representatives, successors and assigns, provided that any action taken by the named Agency or any successor, designated as such by an instrument recorded in the Official Records of San Diego County, California, referring to this Assignment, shall be sufficient for all purposes notwithstanding that Agency may have theretofore assigned or participated any interest in the obligation to a third party. All words and phrases shall be taken to include the singular or plural number, and the masculine, feminine, or neuter gender, as may fit the case.

11. Any change, amendment, modification, abridgment, cancellation, or discharge of this Assignment or any term or provision hereof shall be invalid without the written consent of Agency.

12. Upon payment to Agency of the full amount of the indebtedness and other obligations secured hereby and by the Agency Loan Note and Deed of Trust, as evidenced by a recorded full reconveyance satisfaction or release of the Deed of Trust, this Assignment shall be void and of no further effect.

13. All notices, demands, approvals, and other communications provided for in the Loan Documents shall be in writing and be delivered by telegraph, cable, overnight air courier, personal delivery, or registered or certified U.S. mail, postage prepaid with return receipt requested to the appropriate party at its address as follows:

If to Borrower: The San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
Attn: Marco Vakili
Tel: (619) 231-9400
Fax:

With a copy to: Christensen & Spath, LLP
550 West C Street, Suite 1660
San Diego, CA 92101
Attn: Charles Christensen

If to Agency: Redevelopment Agency of the City of San Diego
c/o Centre City Development Corporation
401 B Street, Suite 400
San Diego, CA 92101
Attn: Executive Director
Tel: 619-235-2200
Fax: 619-236-9148

With a copy to: Kane, Ballmer & Berkman
515 S. Figueroa Street
Suite 1850
Los Angeles, California 90071
Attn: Murray O. Kane
Tel: 213-617-0480
Fax: 213-625-0931

Addresses for notice may be changed from time to time by written notice to all other parties. Any communications given by telegram or cable must be confirmed within forty-eight (48) hours by overnight air courier or mail in the manner hereinbefore described. If any communication is given by mail in the manner hereinabove described, it will be effective upon the earlier of (a) three (3) days after deposit in a post office or other official depository under the care and custody of the United States Postal Service, or (b) actual receipt, as indicated by the return receipt; if given by telegraph or cable, when delivered to the telegraph company with charges prepaid; and if given by personal delivery, or by overnight air courier, when delivered to the appropriate address set forth above.

14. This Assignment may be recorded in the Official Records of San Diego County, California, and Borrower shall pay all fees, charges, costs, and expenses of such recording.

15. If any provision hereof is determined to be illegal or unenforceable for any reason, the remaining provisions hereof shall not be affected thereby.

16. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

17. If Agency should bring any action to enforce its rights hereunder at law or at equity, Borrower shall reimburse Agency for all reasonable attorneys' fees and costs expended in connection therewith.

IN WITNESS WHEREOF, the undersigned Borrower has executed this Assignment as of the date first above written.

REDEVELOPMENT AGENCY OF THE CITY OF
SAN DIEGO

Dated: _____

By: _____

William Anderson
Assistant Executive Director

APPROVED AS TO FORM AND
LEGALITY

Jan Goldsmith
Agency General Counsel

By: _____

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: _____

Murray O. Kane

[SIGNATURES CONTINUE ON NEXT PAGE]

Dated: _____

COMMISSION:

San Diego Housing Commission, a public agency

By: _____

Richard C. Gentry
President & Chief Executive Officer

APPROVED AS TO FORM AND LEGALITY:

Christensen & Spath, LLP

By: _____

Charles B. Christensen
General Counsel
San Diego Housing Commission

STATE OF CALIFORNIA)
)ss.
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

STATE OF CALIFORNIA)
)ss.
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of San Diego, City of San Diego, and described as follows:

Lots D, E and F in Block 191 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 369 filed in the Office of the County Recorder of San Diego County.

Assessor Parcel Number: 553-453-03

ATTACHMENT NO. 11

ASSIGNMENT OF AGREEMENTS, PLANS,
SPECIFICATIONS AND ENTITLEMENTS

FOR VALUE RECEIVED, the undersigned, SAN DIEGO HOUSING COMMISSION ("Borrower"), pursuant to that certain Owner Participation Agreement by and between the Borrower ("Commission" therein) and the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO ("Agency"), dated as of _____, 2010 (the "OPA"), hereby assigns to the Agency all of Borrower's rights and interest, in, under and to the following, as they relate to the Improvements (defined in the OPA), as of the date hereof, _____, 2010 (the "Effective Date"):

1. All architectural, design, engineering and development agreements, and any and all amendments, modifications, supplements, addenda and general conditions thereto (collectively, "Architectural or Engineering Agreements") heretofore or hereafter entered into or prepared by any Architect/Engineer, engineer or other person or entity (collectively "Architect/Engineer(s)"), for or on behalf of Borrower in connection with the construction of the Improvements;
2. All plans and specifications, shop drawings, working drawings, amendments, modifications, changes, supplements, general conditions and addenda thereto (collectively "Plans and Specifications") heretofore or hereafter prepared by any architect, engineer or other person or entity (collectively "Architect/Engineer(s)"), for or on behalf of Borrower in connection with the construction of the Improvements; and
3. All governmental permits, approvals and entitlements (collectively "Entitlements") relating to the construction and operation of the Improvements heretofore or hereafter granted by the City of San Diego or any other governmental authority having jurisdiction over the Property.

The Architectural or Engineering Agreements, Plans and Specifications and Entitlements consist of are those which Borrower has heretofore entered into, received or obtained and shall include but not be limited to those described in the Schedule of Architectural and Engineering Agreements, Plans and Specifications and Entitlements attached to this Assignment as Exhibit B.

This ASSIGNMENT OF AGREEMENTS, PLANS AND SPECIFICATIONS AND ENTITLEMENTS ("Assignment") constitutes an assignment to Agency as the Effective Date for security purposes. Borrower represents and warrants to Agency, as of the Effective Date, that, to the actual knowledge of Borrower: (a) all Architectural or Engineering Agreements entered into by Borrower are in full force and effect and no default, or event which would constitute a default after notice or the passage of time, or both, exists with respect to said Architectural or Engineering Agreements; (b) all copies of the Architectural or Engineering Agreements and Plans and Specifications delivered to Agency are complete and correct copies; and (c) Borrower has not assigned any of its rights under the Architectural and Engineering Agreements or with respect to the Plans and Specifications.

This Assignment shall be governed by the laws of the State of California, except to the extent that Federal laws preempt the laws of the State of California, and Borrower consents to the jurisdiction of any Federal or State Court within the State of California having proper venue for the filing and maintenance of any action arising hereunder and agrees that the prevailing party in any such action shall be entitled, in addition to any other recovery, to reasonable attorney's fees and costs.

This Assignment shall be binding upon and inure to the benefit of the heirs, legal representatives, assigns, and successors-in-interest of Borrower and Agency.

Except as expressly provided herein, the Borrower makes this Assignment without representation or warranty, express or implied, regarding the Architectural or Engineering Agreements, the Plans and Specifications, and the Entitlements.

The Borrower hereby irrevocably appoints the Agency as its attorney-in-fact (which agency is coupled with an interest) to, upon the occurrence of a Default by Borrower (after notice and opportunity to cure) under and as defined in the OPA, demand, receive, and enforce any and all of the Borrower's rights with respect to the Architectural or Engineering Agreements, Plans and Specifications, and Entitlements, and perform any and all acts in the name of the Borrower or in the name of the Agency with the same force and effect as if performed by the Borrower in the absence of this Assignment.

The attached Consent, Schedule 1, Exhibit A and Exhibit B are incorporated by reference.

Dated: _____

COMMISSION:

San Diego Housing Commission, a public agency

By: _____

Richard C. Gentry
President & Chief Executive Officer

APPROVED AS TO FORM AND LEGALITY:

Christensen & Spath, LLP

By: _____

Charles B. Christensen
General Counsel
San Diego Housing Commission

CONSENT

[TO BE ADDED FOR EACH ARCHITECT, LANDSCAPE ARCHITECT AND ENGINEER PREPARING PLANS FOR THE IMPROVEMENTS]

The undersigned Architect/Engineer ("Architect" or "Engineer" as the case may be) hereby consents to the foregoing Assignment to which this Consent ("Consent") is part, and acknowledges that there presently exists no unpaid claims due to the Architect/Engineer except as set forth on Schedule 1 attached hereto, arising out of the preparation and delivery of the Plans and Specifications to Borrower and/or the performance of the Architect/Engineer's obligations under the Assignment.

Architect/Engineer agrees that if Agency shall become the owner of said Property and elects to undertake or the construction of the Improvements on any portion of the Property, in accordance with the Plans and Specifications, and gives Architect/Engineer written notice of such election; THEN, so long as Architect/Engineer has received, receives or continues to receive the compensation called for under the Agreements, Agency may, at its option, use and rely on the Plans and Specifications for the purposes for which they were prepared, and Architect/Engineer will continue to perform its obligations under the Agreements for the benefit and account of Agency in the same manner as if performed for the benefit or account of Borrower in the absence of the Assignment.

Architect/Engineer warrants and represents that they have no knowledge of any prior assignment(s) of any interest in either the Plans and Specifications and/or the Agreements, except for an assignment to the senior lender, _____. Except as otherwise defined herein, the terms used herein shall have the meanings given them in the Assignment.

Executed on _____, 201____.

ARCHITECT/ENGINEER:

By: _____

Architect/Engineer s Address:

Agency s Address:

REDEVELOPMENT AGENCY OF THE CITY OF
SAN DIEGO

c/o Centre City Development Corporation
401 B Street, Suite 400
San Diego, California 92101

SCHEDULE 1 TO ASSIGNMENT
SCHEDULE OF UNPAID CLAIMS

Schedule 1 to Assignment of Agreements, Plans and Specifications and Entitlements dated as of _____, 2010 between SAN DIEGO HOUSING COMMISSION as "Borrower", and REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, as "Agency".

EXHIBIT A

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of San Diego, City of San Diego, and described as follows:

Lots D, E and F in Block 191 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 369 filed in the Office of the County Recorder of San Diego County.

Assessor Parcel Number: 553-453-03

EXHIBIT B

**LIST OF ARCHITECTURAL OR ENGINEERING AGREEMENTS, PLANS AND
SPECIFICATIONS AND ENTITLEMENTS**

[TO BE ADDED]

ATTACHMENT NO. 12

RESERVED

ATTACHMENT NO. 13

UCC-1 FINANCING STATEMENT

[BEHIND THIS PAGE]

UCC-1 Financing Statement

Debtor:	San Diego Housing Commission
Secured Party:	Redevelopment Agency of the City of San Diego
Obligation Secured:	\$6,095,000

EXHIBIT A

DESCRIPTION OF THE COLLATERAL

Attached to and being a part of UCC-1 Financing Statement from the San Diego Housing Commission, as Debtor, to the Redevelopment Agency of the City of San Diego, as Secured Party.

1. All fixtures, machinery, equipment, engines, boilers, incinerators, building materials, appliances and goods of every nature whatsoever now or hereafter located in, on, or used, or intended to be used in connection with the property described in the attached Exhibit B, including, but not limited to, those for the purposes of supplying or distributing heating, cooling, electricity, gas, water, air and light; and all elevators, and related machinery and equipment, fire prevention and extinguishing apparatus, security and access control apparatus, plumbing, bath tubs, water heaters, water closets, sinks, ranges, stoves, refrigerators, dishwashers, disposals, washers, dryers, awnings, storm windows, storm doors, awnings, screens, blinds, shades, curtains and curtain rods, mirrors, cabinets, paneling, rugs, attached floor coverings, furniture, pictures, antennas, trees and plants, tax refunds, trade names, licenses, permits, Debtor's rights to insurance proceeds, unearned insurance premiums and choses in action; all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the real property covered by this Instrument; and all of the foregoing, together with said property are herein referred to as the "Property";

2. All of Debtor's right, title and interest in, to and under any and all leases now or hereinafter in existence (as amended or supplemented from time to time) and covering space in or applicable to the Property (together with all other leases covering space or applicable to the Property, hereinafter referred to collectively as the "Leases" and singularly as a "Lease"), together with all rents, earnings, income, profits, benefits and advantages arising from the Property and from said Leases and all other sums due or to become due under and pursuant thereto, and together with any and all guarantees of or under any of said Leases, and together with all rights, powers, privileges, options and other benefits of Debtor as lessor under the Leases, including, without limitation, the immediate and continuing right to receive and collect all rents, income, revenues, issues, profits, condemnation awards, insurance proceeds, moneys and security payable or receivable under the Leases or pursuant to any of the provisions thereof, whether as rent or otherwise, the right to accept or reject any offer made by any tenant pursuant to its Lease to purchase the Property and any other property subject to the Lease as, therein provided and to perform all other necessary or appropriate acts with respect to such Leases as agent and attorney-in-fact for Debtor, and the right to make all waivers and agreements, to give and receive all notices, consents and releases, to take such action upon the happening of a default under any Lease, including the commencement, conduct and consummation of proceedings at law or in equity as shall be permitted under any provision of any Lease or by any law, and to do any and all

other things whatsoever which Debtor is or may become entitled to do under any such Lease together with all accounts receivable, contract rights, franchises, interests, estates or other claims, both at law and in equity, relating to the Property, to the extent not included in rent earnings and income under any of the Leases;

3. Subject to rights of any Senior Lender, all of Debtor's right, title and interest in, to and under any and all reserve, deposit or escrow accounts (the "Accounts") made pursuant to any loan document made between Debtor and Secured Party with respect to the Property, together with all income, profits, benefits and advantages arising therefrom, and together with all rights, powers, privileges, options and other benefits of Debtor under the Accounts, and together with the right to do any and all other things whatsoever which Debtor is or may become entitled to do under the Accounts;

4. All agreements, contracts, certificates, reservations, guaranties, warranties, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto, pertaining to the use, occupancy, construction, management or operation of the Property and any part thereof and any improvements or respecting any business or activity conducted on the Property and any part thereof and all right, title and interest of Debtor therein, including the right to receive and collect any sums payable to Debtor thereunder and all deposits or other security or advance payments made by Debtor with respect to any of the services related to the Property or the operation thereof;

5. All trade names, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used in connection with the operation of the Property; and

6. Any and all proceeds resulting or arising from any of the foregoing (collectively, the "Collateral").

EXHIBIT "B"

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of San Diego, City of San Diego, and described as follows:

Lots D, E and F in Block 191 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 369 filed in the Office of the County Recorder of San Diego County.

Assessor Parcel Number: 553-453-03

UCC Financing Statement
Additional Page 1

Debtor: San Diego Housing Commission
Secured Party: Redevelopment Agency of the City of San Diego

Attachment No. 1

Item 4: Collateral Description:

All of the following described property located on the real property in the City of San Diego, County of San Diego, State of California (the "Real Property"):

[See Attachment No. 2 to UCC Financing Statement for Description of Real Estate]

All buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Property.

Together with the rents, issues and profits thereof; and together with all buildings and improvements of every kind and description now or hereafter erected or placed thereon, and all fixtures including, but not limited to, all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, laundry equipment, steam and hot-water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating fixtures, mantles, cabinets, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, and all shades, awnings, screens, blinds and other furnishings, it being hereby agreed that all such fixtures and furnishings shall to the extent permitted by law be deemed to be permanently affixed to and a part of the realty.

Together with all building materials and equipment now or hereafter delivered to said premises and intended to be installed therein.

Together with all plans, drawings, specifications, etc., and articles of personal property now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the Property which are necessary to the completion and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be attached to said building or buildings in any manner.

UCC Financing Statement
Additional Page 2

Debtor: San Diego Housing Commission
Secured Party: Redevelopment Agency of the City of San Diego

Attachment No. 2

Item 14: Description of Real Estate

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

Lots D, E and F in Block 191 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 369 filed in the Office of the County Recorder of San Diego County.

Assessor Parcel Number: 553-453-03

ATTACHMENT NO. 14

DISBURSEMENT AGREEMENT

THIS DISBURSEMENT AGREEMENT is made as of _____, 2010 by the SAN DIEGO HOUSING COMMISSION ("Commission"), in favor of the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, a public body corporate and politic, its successors, and assigns (collectively, the "Agency").

R E C I T A L S

A. Commission is the owner of certain the real property described in Exhibit "A" attached hereto (the "Property").

B. Agency has agreed to make a loan (the "Agency Loan") to Commission, pursuant to the terms of that certain Owner Participation Agreement, by and between Agency and Commission, dated as of _____, 2010 (the "OPA"), as evidenced by that certain Promissory Note of even date herewith (the "Agency Loan Note"), executed by Commission. The Agency Loan is secured by that certain Agency Deed of Trust, of even date herewith, executed by Commission, as Trustor, for the benefit of Agency, as Beneficiary (the "Deed of Trust"). OPA as used herein shall mean, refer to and include the OPA, as well as any riders, exhibits, addenda, implementation agreements, amendments and attachments thereto (which are hereby incorporated herein by this reference) or other documents expressly incorporated by reference in the OPA. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the OPA.

C. In accordance with Section 202 of the OPA and the Method of Financing (Attachment No. 3 to the OPA), Commission has agreed to the disbursement of the Agency Loan proceeds in accordance with the terms and conditions of this Disbursement Agreement.

NOW, THEREFORE, Agency and Commission agree as follows:

1. Deposit and Use of Funds.

a. Deposit of Agency Funds. The Agency Loan proceeds ("Agency Funds") shall be segregated from Commission's other Sources of Financing ("Commission's Funds"), and deposited into a disbursement account held by the Agency.

b. Disbursement of Agency Funds. The Agency Funds shall be disbursed as follows: \$3,139,000 of Agency Funds shall be disbursed upon Closing for the acquisition of the residential portion of the Property. The remainder of Agency Funds shall be disbursed upon submission of an Application for Payment in accordance with Section 3, below, for the outstanding Acquisition and Development Costs itemized in the Project Budget (Attachment No. 7).

c. Disbursement of Commission's Funds: The Commission's Funds shall be disbursed as follows: \$2,935,000 of the Commission's Funds shall be disbursed upon Closing for the acquisition of the remaining portion of the Property. The remainder of Commission's Funds shall be disbursed upon submission of a Application for Payment in accordance with Section 3, below, for the outstanding Acquisition and Development Costs itemized in the Project Budget (Attachment No. 7).

3. Application for Payments.

a. Application for Payment. Disbursements of Project Funds shall be made upon submission of a written itemized statement or draw request (the "Application for Payment") in a form that is acceptable to the Agency, subject to the conditions set forth below. The term "disbursements of Project Funds" shall include, without limitation, disbursement of Agency Funds and Commission's Funds. An Application for Payment shall be submitted not more frequently than once monthly.

b. Order of Disbursement. Project Funds shall be disbursed in the following order: Agency Funds and the Commission's Funds shall be distributed on a 68% Agency : 32% Commission basis, to the extent that Agency Funds are still available for disbursement. Upon depletion of Agency Funds, Commission shall assume responsibility for payment of any outstanding Acquisition and Development Costs.

c. Contents of Application for Payment. Each Application for Payment shall set forth the following: (1) a description of the work performed, material supplied and/or other approved cost incurred or due for which disbursement is requested with respect to a line item ("Item") in the Project Budget relating solely to the Affordable SRO Units ("Approved Cost(s)"); (2) the total amount incurred, expended and/or due for each requested Item, less prior disbursements; (3) the percentage of completion of the portion of the work to be paid from the Item, and (4) a certification by Commission that no Agency Funds will be used to pay for Retail Improvements.

d. Delivery of Applications for Payment. Commission shall deliver copies of each Application for Payment to Agency. Each Application for Payment shall be subject to the approval of the Agency.

e. Documentation. Each Application for Payment shall be accompanied by the following: any applicable change order(s) to the general contract; and copies of paid invoices and unconditional lien releases for construction costs paid with the proceeds of the prior Application for Payment (except for the first Application for Payment), and conditional (upon receipt of payment) lien releases for construction costs to be paid with the proceeds of the instant Application for Payment, which invoices and lien releases shall be considered a part of each Application for Payment. Where Commission is requesting Project Funds for Approved Costs other than general contract payments, Commission shall attach to the Application for Payment invoices or such other appropriate documentation to evidence, document, justify and support the request, which shall be an amount within the amount of the applicable line item in the Project Budget. Agency may require Commission to separate lien waivers and hard cost invoices from the other materials provided with Applications for Payment.

f. Submission to Agency. Immediately after each disbursement pursuant to any Application for Payment, Commission shall transmit to Agency, to the extent available to Commission, a copy of an inspection report or other documentation indicating the percentage of work complete pertaining to such Application for Payment.

4. Approval of Application for Payment

a. General. Approval of each Application for Payment shall be subject to satisfaction of the requirements of this Agreement and the Agency Loan Documents.

b. Procedure. Agency shall, within fifteen (15) business days after receipt of an Application for Payment containing all of the items described in Section 3, above, determine the amount of the Application for Payment to be approved, notify Commission, appropriate members of the construction team of such amount, and, if and as required pursuant to paragraph b. of Section 3, above, disburse the approved amount, by check or wire transfer, to Commission, or to the respective contractor or subcontractor, as determined by the Agency.

c. Disapprovals. On the basis of the progress of the work performed on the Project and the conditions precedent to making disbursements contained in their respective agreements with Commission, Agency may disapprove all or part of a requested Application for Payment. In the event Agency disapproves any portion of the amount requested by Commission in an Application for Payment (the "disapproved amount"), Agency shall promptly notify the Commission of the disapproved amount and the reason therefor.

d. Concurrent Review of Applications for Payment. In the event any item shall be disapproved, the representatives of the Commission and Agency shall meet promptly and in good faith to attempt to resolve the matter to their mutual satisfaction. To effectuate this paragraph, Commission shall submit to the Agency each Application for Payment.

e. Disbursement of Undisputed Amounts. In the event of any dispute, the Agency and Commission shall each disburse the amount of any Application for Payment not in dispute, and fund any disputed amounts promptly upon resolution of the dispute. Disputed amounts shall not be deducted from the Agency's loan, but shall be available for disbursement for other Approved Costs in accordance with the Project Budget. The Agency and the Commission shall seek to resolve any disputes promptly and in good faith.

f. Right to Condition Disbursements. The Agency shall have the right to condition any disbursement upon receipt and approval of such documentation, evidence or information that Agency may request, including, but not limited to, vouchers, invoices, and architect's inspector's and/or engineer's periodic certifications or equivalent statements of the percentage and/or stage of construction that has been completed.

g. General Conditions Applicable to Disbursements. Disbursements shall be subject to the following conditions:

(1) Agency shall use the disbursement procedures set forth in the Agency Loan Documents and this Agreement; and

(2) The Agency shall make disbursements of Project Funds to Commission for reimbursement of any Approved Costs. Notwithstanding the foregoing, Agency shall have the right in its sole discretion to make disbursements of Project Funds directly to third parties entitled to such payment in the event of Commission's uncured default under the OPA.

5. Compliance with Public Contract Code. All payments and withholding of retention shall be made in accordance with the following Public Contract Code sections: 7107 (retention), 9203 (progress payments), 20104.50 (prompt payment), 4100 *et seq.* (Subletting and Subcontracting Fair Practices Act).

6. Approval of Final Application for Payment. Agency Funds used to make a final retention payment shall be disbursed to Commission by Agency upon the submission by Commission of documentation of the final cost of completing the Project, and the following (referred to as the "Completion"): (a) issuance of a final certificate of occupancy for the Project by the City of San Diego or equivalent approvals (b) recordation of a Notice of Completion, (c) submission to the Agency of unconditional lien releases or waivers obtained by Commission or Commission's agent, (d) certification by the project architect that the Project has been completed in a good and workmanlike manner and in accordance with the approved plans and specifications, (e) disposition of any mechanic's liens that have been recorded or stop notices that have been delivered to Agency, so that any such liens shall have been paid, settled, bonded around or otherwise extinguished or discharged, and (f) issuance by the Agency of its Release of Construction Covenants pursuant to the OPA.

7. Disbursement of Commission's Funds. All of the Commission's Funds shall be disbursed to pay Approved Costs on the basis of Applications for Payment approved or deemed approved by the Agency in accordance with this Agreement.

8. Inspection of the Project. Agency shall have the right to inspect the Property during construction and agrees to deliver to the Commission copies of any inspection reports. Inspection of the Property shall be for the sole purpose of protecting the Agency's security and is not to be construed as a representation by Agency that there has been compliance with plans or that the Property will be free of faulty materials or workmanship. The Commission may make or cause to be made such other independent inspections as the Commission may desire for its own protection.

9. Supervision of Construction. Agency shall be under no obligation to perform any of the construction or complete the construction of the improvements on the Property, or to supervise any construction on the Property, and shall not be responsible for inadequate or deficient contractors, subcontractors, materials, equipment or supplies. Agency is not the agent for Commission, neither are Agency and Commission partners or joint venturers with each other.

10. Integrated Agreement. This Agreement is made for the sole benefit and protection of the parties hereto and no other person or persons shall have any right of action or right to rely hereon. As this Agreement contains all the terms and conditions agreed upon between the parties, no other agreement regarding the subject matter thereof shall be deemed to exist or bind any party unless in writing and signed by the party to be charged. Notwithstanding the foregoing

sentence or any other provision of this Agreement, this Agreement does not supersede and shall not be deemed to amend any of the Agency Loan Documents.

11. Termination of this Disbursement Agreement. This Agreement shall terminate when all of the Agency Funds have been fully disbursed.

12. Counterparts. This Agreement may be signed by each party on a separate signature page, and when the executed signature pages are combined, shall constitute one single instrument with the same effect as if all signatories had executed the same instrument.

13. Binding Effect. This Agreement shall be binding on and inure to the benefit of the parties to this Agreement and their heirs, personal representatives, successors, and assigns, except as otherwise provided in this Agreement.

14. Governing Law. This Agreement has been negotiated and entered in the State of California, and shall be governed by, construed and enforced in accordance with the internal laws of the State of California, applied to contracts made in California by California domiciliaries to be wholly performed in California.

15. Titles and Captions. Titles or captions contained herein are inserted as a matter of conveniences and for reference, and in no way define, limit, extend or describe the scope of this Agreement or any provision hereof.

16. Interpretation. No provision in this Agreement is to be interpreted for or against either party because that party or his legal representatives drafted such provision.

17. Waiver; Amendments. No breach of any provision hereof may be waived unless in writing. Waiver of any one breach of any provision hereof shall not be deemed to be a waiver of any other breach of the same or any other provision hereof. This Agreement may be amended only by a written agreement executed by the parties in interest at the time of the modification.

18. Further Assurances. The parties hereto hereby agree to execute such other documents and to take such other action as may be reasonably necessary to further the purposes of this Agreement.

19. Severance. If any provision of this Agreement is determined by a court of competent jurisdiction to be illegal, invalid or enforceable, then such provision will be deemed to be severed and deleted from the agreement as a whole and neither such provision, nor its severance and deletion shall in any way affect the validity of the remaining provisions of this Agreement.

20. Independent Advice of Counsel. The parties hereto and each of them, represent and declare that in executing this Agreement they rely solely upon their own judgment, belief and knowledge, and the advice and recommendations of their own independently selected counsel, concerning the nature, extent and duration of their rights and claims, and that they have not been influenced to any extent whatsoever in executing the same by any of the parties hereto or by any person representing them, or any of them.

21. Voluntary Agreement. The parties hereto, and each of them, further represent and declare that they carefully read this Agreement and know the contents thereof, and that they sign the same freely and voluntarily.

22. Attorneys' Fees. In the event of any dispute between the parties regarding this Agreement, the prevailing party shall be entitled to recover costs and expenses, including but not limited to reasonable attorneys' fees.

23. CCDC as Agency's Agent. For purposes herein, approvals required by the Agency shall be deemed granted by the written approval of the Executive Vice President of the Centre City Development Corporation ("CCDC").

IN WITNESS WHEREOF, the Agency and the Commission have executed this Disbursement Agreement as of the date set forth above.

REDEVELOPMENT AGENCY OF THE CITY OF
SAN DIEGO

Dated: _____

By: _____
William Anderson
Assistant Executive Director

APPROVED AS TO FORM AND
LEGALITY

Jan Goldsmith
Agency General Counsel

By: _____

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: _____
Murray O. Kane

[SIGNATURES CONTINUE ON NEXT PAGE]

SAN DIEGO HOUSING COMMISSION

Dated: _____

By: _____

Richard C. Gentry
President & Chief Executive Officer

APPROVED AS TO FORM AND LEGALITY

CHRISTENSEN & SPATH, LLP

By: _____

Charles B. Christensen
General Counsel
San Diego Housing Commission

Exhibit "A"

DESCRIPTION OF PROPERTY

The land referred to herein is situated in the State of California, County of San Diego, City of San Diego, and described as follows:

Lots D, E and F in Block 191 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 369 filed in the Office of the County Recorder of San Diego County.

Assessor Parcel Number: 553-453-03

ATTACHMENT NO. 15

UNIVERSAL DESIGN CHECKLIST

Entrances

1. Stepless front entrance or other primary entrance.
2. If only one entry, not through a garage or from a patio or raised deck.
3. Minimum 5' x 5' level clear space inside and outside entry door.
4. Power door operators.
5. Weather protection such as a porch, stoop with roof, awning, or carport.
6. Full length sidelights, windows in doors, and/or windows nearby.

Interior Circulation

7. Open plan design, with at least one bedroom and bathroom located on an accessible ground floor entry level.
8. Clear door opening width (32" minimum, 34"-36" wide doors) for all doorways.
9. Flush thresholds at all doorways.
10. Clear floor space (18" minimum) beside door on pull side at latch jamb.
11. Circulation route 42" minimum width.
12. Turning space in all rooms (5' diameter).

Vertical Circulation

13. All stairs should have space at the bottom for later installation of a platform lift.
14. At least one set of staked closets, pantries or storage spaces with knock-out floor.
15. Stair handrails to extend horizontally beyond the top and bottom risers.

Bathrooms

16. At least one bathroom with one of the following:
 - a) minimum 5'x3' curbless shower
 - b) tub with integral seat, waterproof floor and a floor drain
17. 60" diameter turning space in the room and 30" x 48" clear floor space at each fixture.
18. Clear space (3') in front and to one side of toilet
19. Toilet centered 18" from any side wall, cabinet or tub.
20. Lavatory counter height 32" minimum
21. Offset controls in tub/shower with adjacent clear floor space.

Kitchens

22. Space between face of cabinets and cabinets and walls 48" minimum
23. Variable height (28"-42") work surfaces such as countertops, sinks and cooktops.
24. Stretches of continuous countertops, particularly between refrigerator, sink and stove-top.
25. Full height pantry storage with easy access pull-out and/or adjustable height shelves.
26. Under-counter or drawer type refrigerators installed on raised platforms.
27. Built in oven with knee space beside, set for one pull-out oven rack at the same height as adjacent countertop.

Laundry/Storage

28. Laundry sink and countertop surface no more than 34" above finished floor with knee space below.
29. Clear floor space 36" wide across full width in front of washer and dryer and extending at least 18" beyond right and left sides.
30. 50% of all storage less than 54" high
31. 8' minimum door height or alternate on-site parking for tall vehicles
32. Electrical panel with top no more than 54" above floor located with a minimum 30" x 48" clear floor space in front

Windows

33. Windows for viewing 36" maximum still height
34. Exterior sliding doors: drop frame and threshold into subfloor to reduce height of track.
35. By-passing closet doors: each panel should create an opening at least 32" clear.

Non-structural features

36. Lever door handles, motion detector light switches in garage, utility spaces, audible and visual alarms for doorbell, smoke detectors, etc.
37. Color contrast between floor surfaces and trim.
38. Contrast between countertops and front edges or cabinet faces

This checklist shall not be interpreted to *require* design features in excess of existing/current California Building Code. It is a list of features that contribute to or can be components of Universal Design. Not all features are expected to be included in any given development proposal and this list is not exhaustive.

ATTACHMENT NO. 16

Recording Requested By and
When Recorded Mail to:

REDEVELOPMENT AGENCY
OF THE CITY OF SAN DIEGO
c/o Centre City Development
Corporation 401 B Street, Suite 400
San Diego, California 92101

Attn: Executive Director

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF
PROPERTY**

NOTICE IS HEREBY GIVEN that pursuant to Health & Safety Code Section 33334.3(f)(3) as amended effective January 1, 2008, Declarant, the Redevelopment Agency of the City of San Diego, is recording this Notice of Affordability Restrictions on Transfer of Property (hereinafter the "Notice") with regard to the property located at 1301 Fifth Avenue, City of San Diego, California, and more particularly described in Exhibit "A" attached hereto (the "Property").

1. Definitions. Any capitalized term not otherwise defined herein shall have the same meaning ascribed to such term in the Agreement Affecting Real Property (Including Rental Restrictions) recorded concurrently herewith ("Affordability Covenants").

2. Affordability Restrictions. The Property is subject to the following Affordability Covenants:

a. Affordable Housing Requirements. For a period of ninety-nine (99) years, commencing from the Closing ("the Covenant Period"):

(1) All of the Affordable SRO Units shall be available to Low Income and Very Low Income households at an Affordable Rent in accordance with the Schedule of Affordable Rents attached hereto as Exhibit "B" and incorporated herein by this reference.

This Notice is recorded for the purpose of providing notice only and it in no way modifies the provisions of the Affordability Covenants.

REDEVELOPMENT AGENCY OF THE CITY OF
SAN DIEGO

Dated: _____

By: _____
William Anderson
Assistant Executive Director

APPROVED AS TO FORM
AND LEGALITY

Jan I. Goldsmith
Agency General Counsel

By: _____

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: _____
Murray O. Kane

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

The land referred to herein is situated in the State of California, County of San Diego, City of San Diego, and described as follows:

Lots D, E and F in Block 191 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 369 filed in the Office of the County Recorder of San Diego County.

Assessor Parcel Number: 553-453-03

EXHIBIT “B”

SCHEDULE OF AFFORDABLE RENTS

Of the one hundred and thirty (130) Affordable SRO Units:

(a) Fifty-two (52) shall be rented to and occupied by Very Low Income households at an Affordable Rent; and

(b) Seventy-eight (78) shall be rented to and occupied by Low Income households at an Affordable Rent.

“Affordable Rent” means rent, including a reasonable utility and parking allowance, that does not exceed the following respective amounts:

(a) for a Low Income household, the product of thirty percent (30%) times sixty percent (60%) of the Area Median Income adjusted for family size appropriate for the unit; and

(b) for a Very Low Income household, the product of thirty percent (30%) times fifty percent (50%) of the Area Median Income adjusted for family size appropriate for the unit.

“Area Median Income” or “AMI” means the median family income for San Diego County as annually estimated by the U.S. Department of Housing and Urban Development and published by the California Department of Housing and Community Development.

State of California)
) ss
County of _____)

(Signature of Notary Public)

[Seal]

ATTACHMENT NO. 17

OFFICIAL BUSINESS

Document entitled to free recording
per Government Code Section 6103

THE REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO
c/o CENTRE CITY DEVELOPMENT CORPORATION
401 B Street, Suite 400
San Diego, California 92101

Attn: Executive Director

SPACE ABOVE THIS LINE FOR RECORDER'S USE

RELEASE OF CONSTRUCTION COVENANTS

WHEREAS, SAN DIEGO HOUSING COMMISSION (the "Commission") is the owner of that certain real property situated in the City of San Diego, California described in Exhibit "A" which is attached hereto and made a part hereof (the "Property"), and has agreed to rehabilitate certain improvements thereon (the "Improvements"); and

WHEREAS, pursuant to the Owner Participation Agreement ("OPA") entered into by and between the Redevelopment Agency of the City of San Diego (the "Agency") and the Commission dated for reference purposes _____, 2010, the Agency has agreed to furnish the Commission with a Release of Construction Covenants ("Release") upon the acquisition of the Property and completion of the rehabilitation of the Improvements thereon, and such certificate is to be in such form as to permit it to be recorded in the Recorder's Office of San Diego County; and

WHEREAS, the OPA states that the Release shall be conclusive determination of satisfactory completion of the Scope of Development required by the OPA; and

WHEREAS, the Agency has determined that the acquisition of the Property and rehabilitation of the Improvements thereon as required by the OPA has been satisfactorily completed.

NOW THEREFORE, it is hereby acknowledged and agreed by the parties hereto that:

1. The Agency hereby certifies that the acquisition of the Property and rehabilitation of the Improvements thereon has been fully and satisfactorily performed and completed as required by the OPA.

2. Any operating requirements and all use, maintenance, security and nondiscrimination covenants contained in the OPA and other documents executed or recorded pursuant to the OPA shall remain in effect and enforceable according to their terms.

3. Nothing contained in this Release shall modify, in any way whatsoever, any provisions of the OPA or other instrument executed or recorded pursuant to the OPA, except as stated herein.

4. This Release shall not constitute evidence of compliance with or satisfaction of any obligation of Commission to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance the Improvements or any part thereof.

REDEVELOPMENT AGENCY OF THE CITY OF
SAN DIEGO

Dated: _____

By: _____
William Anderson
Assistant Executive Director

APPROVED AS TO FORM
AND LEGALITY

Jan I. Goldsmith
Agency General Counsel

By: _____

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: _____
Murray O. Kane

[SIGNATURES CONTINUE ON NEXT PAGE]

“APPROVED BY COMMISSION”

Dated: _____

COMMISSION:

San Diego Housing Commission, a public agency

By: _____

Richard C. Gentry
President & Chief Executive Officer

APPROVED AS TO FORM AND LEGALITY:

Christensen & Spath, LLP

By: _____

Charles B. Christensen
General Counsel
San Diego Housing Commission

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to herein is situated in the State of California, County of San Diego, City of San Diego, and described as follows:

Lots D, E and F in Block 191 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 369 filed in the Office of the County Recorder of San Diego County.

Assessor Parcel Number: 553-453-03

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____ before me, (here insert name and title of the officer), 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)

