

REPORT

DATE ISSUED: March 3, 2008 REPORT NO: HCR 08-41  
ATTENTION: Chair and Members of the Housing Commission  
For the Agenda of April 4, 2008  
SUBJECT: Amendment to Ground Lease to Streamline Affordable Rent Calculation for the  
Rancho Del Rio Mobile Home Park – 204 Calle Primera

REQUESTED ACTION:

Allow amendment to Ground Lease Agreement with JSP Rancho Del Rio LP and Jackson Square Properties, LLC, (lessee) to change the index used to adjust annual affordable rent increases.

STAFF RECOMMENDATION:

1. Change the index used from the Consumer Price Index for all Urban Consumers (CPI-U) to the Department of Housing and Urban Development (HUD) Area Median Income (AMI) to align with the standard Housing Commission rent restriction formula;
2. Require Lessee to commence paying an administrative fee of sixty-five dollars (\$65) per unit per year to the Housing Commission, to be consistent with the Housing Commission's occupancy monitoring fees and practices;
3. Allow Lessee to make monthly Ground Lease rent payments directly to the City Auditor's office to avoid duplicating efforts by Lessee and Housing Commission;
4. Require Lessee to perform annual recertification of all tenants, to ensure that affordable units are continually occupied by eligible tenants and to be consistent with current monitoring practices.

BACKGROUND:

The Housing Commission currently monitors approximately 450 projects with 14,700 units. The affordability restrictions (project rents and eligible incomes) typically run for 55 years and restrictions range from 50 percent AMI (\$39,500 for a family of four) to 60 percent AMI (\$47,400 for a family of four).

Rancho Del Rio was developed as a 130 space mobile home park on land owned by the City, leased to the Housing Authority and subleased to Ranch Del Rio, LP in 1984. On October 31, 2007, Rancho Del Rio L.P. assigned their rights, title and interest in the Lease to JSP Rancho Del Rio LP and Jackson Square Properties, LLC. The Ground Lease restricts thirty-nine (39) mobile homes, twenty-one (21) one bedroom and eighteen (18) two bedroom for a 55 year period. JSP Rancho Del Rio LP and Jackson Square Properties, LLC agreed to the terms of the Ground Lease which will expire on August 13, 2039.

#### DISCUSSION

Generally, affordability restrictions for the Housing Commission's occupancy monitoring portfolio are written so that income and rents are adjusted annually according to the Area Median Income data published by HUD. However, the lease for Rancho Del Rio Mobile Home Park was structured to use HUD published income limits and the annual rent increases were structured using increases in the consumer price index for all urban consumers (CPI-U).

The income limit throughout the term is not to exceed 80% AMI (\$56,150 for a family of four) and, in the first lease year, the rent for restricted mobile homes is set at 60% AMI. Per the terms of the ground lease, subsequent rent increases were to be adjusted using the increase in the housing cost component of the CPI-U, from the level preceding the commencement of the first lease year. If the index increases over the beginning index, the increase in rent for the lease year shall be calculated by multiplying the rent chargeable during the previous lease year by 75% of the percentage increase in the current index over the beginning index.

Over time, this formula has disconnected the rent formula from local income trends and has created artificially low rents; the affordable one-bedroom rent is now equivalent to 37% of AMI and the two bedroom rent is equivalent to 46% of AMI while the income restrictions remain at 80% AMI. [Note: this discussion does not reflect actual tenant income.]

A change in the index would provide that rents be calculated at 60% AMI for current tenants and at 80% AMI for new tenants as published by HUD. These levels are consistent with the initial rent and the maximum rent allowed by the Ground Lease.

Changing the index used to calculate rent increases from the CPI to HUD AMI limits would align the process for rent increases to be consistent with the rest of the Housing Commission's occupancy monitoring portfolio and would enable the park operator to budget funds for repairs to the rental coaches.

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Amendment of Affordability Restrictions

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The rents produced by these rent formulas are to be used as maximums; property owners and managers may determine that lower rents are more feasible or desirable. If the recommendation is approved, the property will be analyzed to determine the appropriate phase-in period for the transition from the CPI-U to AMI in calculating rent increases. Implementation would be based on verification of current tenant incomes and a maximum annual increase not to exceed 5% of the current rent amount to ensure that existing tenants are not economically displaced.

Typically, the Housing Commission collects an administrative fee of sixty-five dollars (\$65) to perform monitoring services; currently Rancho Del Rio does not pay monitoring fees. Increased rents would allow the lessee to commence paying monitoring fees consistent with the rest of the Housing Commission's occupancy monitoring portfolio.

The ground lease currently requires the Lessee to make monthly Ground Lease rent payments to the Housing Commission which deposits the check into a Housing Commission account and in turn issues a check to the City's Auditors Department. Staff recommends that Lessee make payment directly to the City's Auditors Department to maximize efficiency and avoid duplicating efforts by Lessee and Housing Commission.

To ensure that Affordable Units within the City of San Diego remain affordable and are continually occupied by eligible tenants, owners are required to perform annual recertifications of all tenants. Under the current ground lease agreement, Lessee is not required to perform annual recertification of tenants and is not being monitored for such. Staff recommends that Lessee perform annual recertifications of all tenants in order to determine continued eligibility. Staff also recommends that if, during annual recertification, a tenant who previously and properly qualified ceases to qualify due to increased income, that tenant be allowed to remain in the affordable unit until the total household income exceeds 140% of 80% of AMI (this is a standard practice in projects funded with tax credits). After which, Lessee must either issue said tenant a six (6) months notice to move or provide a market-rate unit to replace the unit that no longer qualifies as affordable.

FISCAL CONSIDERATIONS:

Approval of this recommendation would not result in any expenditure of Housing Commission funds. Fee income would be approximately \$2,535 (two thousand five hundred and thirty five dollars) for annual monitoring services.

ENVIRONMENTAL REVIEW:

The proposed activity is not a "project" within the meaning of California Environmental Quality Act and no environmental review is required. This activity is exempt from National Environmental Policy Act processing since no additional federal funding would result from this action.

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KEY STAKEHOLDERS & PROJECTED IMPACTS:

Stakeholders include the owners/operators of the properties and the existing residents of the affected properties.

Respectfully submitted,



Cissy Fisher  
Director of Housing Finance and Development

Approved by,



Carrol M. Vaughn  
President & Chief Executive Officer

- Attachments:
1. Ground Lease Agreement
  2. Amendment to Ground Lease Agreement

**GROUND LEASE**

**Between**

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO  
("Landlord")**

**AND**

**RANCHO DEL RIO  
("Tenant")**

August 3, 1984  
(Date)

GROUND LEASE

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## GROUND LEASE

THIS GROUND LEASE ("Lease") is between the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic (hereinafter referred to as "Landlord"), and RANCHO DEL RIO, a California limited partnership (hereinafter referred to as "Tenant"). Landlord and Tenant are hereinafter collectively referred to as the "Parties."

### ARTICLE I

#### DEFINITIONS

As used in this Lease, the following words and phrases shall have the following meanings:

City means the City of San Diego, a municipal corporation.

Commission means the San Diego Housing Commission, a public agency.

Construction Loan means the construction financing obtained for the Original Improvements.

Delinquent Rent means any installment of Rent not paid when due.

Expiration means the coming to an end of the Term specified in this Lease as its duration.

Foreclosure means judicial foreclosure, sale under a power of sale given in a Mortgage, and all other remedies provided by law or equity or set out in a Mortgage and enforceable in this state at the time of the foreclosure for divesting the obligor of title in the event of the obligor's default.

HUD means the U. S. Department of Housing and Urban Development.

Improvements means any and all buildings, structures, fences (except Trade Fixtures as defined below) and similar improvements, including, without limitation, the Original Improvements, which exist from time to time on the Premises. The term Improvements shall not include any mobile homes placed on the Premises, whether owned by Tenant or others.

Individual Person means a human being.

Institutional Lender means any bona fide institution authorized under the laws of this state to lend money on the security of an interest or interests in real property, including but not limited to, banks, savings and loan associations, mutual savings banks, mortgage companies, insurance companies, and trust companies.

Landlord means the person who is the owner of the Premises at the time in question, whether singular or plural in number, and whether named in this Lease as Landlord or having become the successor in interest of the named Landlord, or the successor of a successor, whether by assignment, foreclosure, or other transfer, and whether intentional or inadvertent or by operation of law.

Lease Year means each successive period of four (4) successive calendar quarters following the First Lease Year. The First Lease Year shall commence one hundred eighty (180) days after the issuance of a Certificate of Occupancy for the Project or eighteen (18) months after the effective date of this Lease, whichever occurs first, and shall include the partial calendar quarter in which it commences plus the following four (4) calendar quarters. Tenant shall have the right to extend the commencement date of the First Lease Year beyond the eighteen (18) month period if, after good faith efforts to do so, it has been unable to obtain all appropriate governmental approvals for the Project; it being the intent of this paragraph to provide a six month period after the Project is ready for occupancy during which Tenant shall not be required to make any monthly rental payment. Such eighteen month period shall be extended for a period equal to the period of any delay in completion of construction of the Original Improvements and occupancy of the Units caused by any of the causes enumerated in Section 13.08 hereof. The last Lease Year shall end on the date the Term expires or terminates.

Leasehold Mortgage means a Mortgage encumbering Tenant's leasehold estate and any or all Improvements as permitted by this Lease.

Leasehold Mortgagee means a Mortgagee holding a Leasehold Mortgage.

Low Income Subtenant means a household whose gross annual income upon initial occupancy does not exceed 80% of the median income for San Diego Standard Metropolitan Statistical Area (SMSA) as defined by the U. S. Department of Housing and Urban Development (HUD) and adjusted for unit size.

Moderate Income Subtenant means a household whose gross annual income upon initial occupancy does not exceed 100% of the median income for the San Diego SMSA as defined by HUD and adjusted for unit size.

Mortgage means mortgage, deed of trust, or other encumbrance recognized in this state at the time it attaches as a contractual security interest in real property.

Mortgagee means mortgagee, beneficiary, or other obligee of an indebtedness secured by a Mortgage. All Mortgagees under this Lease must be Institutional Lenders.

Original Improvements means a 144 space mobile home park constructed in accordance with Section 6.01.

Permanent Loan means the take-out or long term financing obtained for the Original Improvements.

Person means person or persons or other entity or entities or any combination of persons and entities.

Planting means the planting Tenant is to install in the "natural open space area" shown on Exhibit "B" in accordance with that certain "Mitigation Plan" dated January 24, 1984 attached hereto as Exhibit "C".

Premises means the 15.19 acre parcel of real property owned by the City and Leased by Landlord and located in the County of San Diego, State of California, more particularly described in Exhibit "A" to this Lease.

Project means the Premises and the Improvements collectively.

Rent means the sum of Five Thousand, Seven Hundred Forty-Two Dollars (\$5,742) per month (as adjusted under Section 3.01B).

Space means a mobile home space within the Project.

Subtenant or Subtenants means a person or persons renting a Unit or Units.

Tenant means the person named as Tenant in this Lease, whether singular or plural in number, or the person who at the time in question is the successor-in-interest of Tenant, or the successor of a successor, whether by assignment, foreclosure, or other transfer, and whether intentional or inadvertent or by operation of law. It does not, however, include any person claiming under any assignment or other transfer prohibited by this Lease, and this definition does not alter the provisions of Article X.

Term means the period of fifty-five (55) years commencing on the Parties' execution of this Lease.

Termination means the ending of the Term for any reason before expiration.

Trade Fixtures means equipment and personal property installed or placed in or on the Premises. Disputes, to which Landlord, Tenant, or any Mortgagee is a party in any combination, on the question whether any item or items are Trade Fixtures, shall be arbitrated under Section 14.12.

Unit means a Space containing a mobile home.

Work of Improvement means any work undertaken by Tenant on the Premises to which the provisions of Article VI are applicable.

## ARTICLE II

### LEASE OF PREMISES AND TERM

Landlord leases to Tenant and Tenant leases from Landlord the Premises for the Term.

## ARTICLE III

### RENT

#### 3.01 Rent.

##### A. Rent Payment

Tenant shall pay Rent to Landlord, without deduction, setoff, prior notice or demand, except as expressly provided herein, in advance, Five Thousand, Seven Hundred Forty-Two Dollars (\$5,742) per month on the first day of each calendar month commencing with the first day of the First Lease Year and continuing during the Term; provided, however, that if the First Lease Year commences on any day other than the first day of a calendar month, Rent for the first partial month shall be paid on the day the First Lease Year commences and shall be prorated at the rate of 1/30th of the Rent per day. In addition to the monthly rent provided for above, Tenant shall pay to Landlord on the first day of each calendar month during the Term the additional rent, if any, required to be paid pursuant to Section 5.01 for the preceding month.

##### B. Rent Adjustment.

Rent shall be subject to adjustment at the commencement of the Eleventh Lease Year and every five (5) years thereafter. Rent as adjusted shall

be equal to eight and two-tenths percent (8.2%) of the value of the Premises appraised at its highest and best use as an R-2 zoned (14 dwelling units per acre) site, without the leasehold improvements, and as not subject to the terms of this Lease. Appraisals for the purpose of Rent adjustment shall be determined as follows. Landlord shall submit its appraisal of the Premises together with its calculation of the Rent as adjusted pursuant to such appraisal to Tenant for its approval at least thirty (30) days prior to commencement of the period for which the adjustment will take effect. Failure to provide such appraisal at least 30 days prior to commencement of the period shall not however preclude the Landlord from proceeding with an adjustment pursuant to this paragraph so long as Landlord's appraisal is submitted in any event within 30 days after the commencement of the period for which the adjustment will take effect. If Tenant disputes Landlord's appraisal, Tenant shall have twenty (20) days within which to notify Landlord of this fact, and to appoint its own appraiser from the City's list of approved appraisers. If the appraisal of Tenant's appraiser is less than that of Landlord's appraiser, Landlord's appraiser and Tenant's appraiser shall select a third appraiser and the appraised value shall be determined by averaging the three appraisals, provided that any appraisal which is more than ten percent (10%) greater than or less than the middle appraisal shall be disregarded. Landlord and Tenant shall pay the fees of their own appraisers, and the fee of the third appraiser shall be paid by the party whose appraisal was furthest from the appraisal of the third appraiser. If the appraisers have not reached a determination of the average appraised value prior to commencement of the period for which the Rent Adjustment is to take effect, Tenant shall continue to pay the Rent then in effect. Upon announcement of the appraiser's decision, any adjustment in Rent shall be retroactive to the beginning of the period for which the adjustment was made, and Tenant shall immediately pay the amount of any retroactive increase to Landlord, with interest on the increase at 12% per year from the beginning of the adjustment period, and Landlord shall pay the amount of any retroactive decrease to Tenant.

### 3.02 Late Charges

Delinquent Rent shall bear interest in accordance with Section 14.23 hereof entitled "Interest." In addition to such interest, Tenant shall pay Landlord a late charge equal to five percent (5%) of Delinquent Rent; provided, however, if Delinquent Rent is still unpaid after fifteen (15) days, then Tenant shall pay Landlord, instead of five percent (5%), a sum of money equal to ten percent (10%) of Delinquent Rent. The Parties intend this late charge to compensate Landlord for loss resulting from rental delinquency, including costs to Landlord of servicing the delinquent account. Acceptance of any interest or late charge under this Section shall not constitute a waiver of Tenant's default for the nonpayment or prevent Landlord from pursuing other rights and remedies under this Lease.

## ARTICLE IV

### TAXES AND ASSESSMENTS

#### 4.01 Real and Personal Property Taxes.

Tenant shall pay all real and personal property taxes, including possessory interest taxes, general and special assessments, and other charges of every description levied on or assessed against the Project, personal property located on or in the Project, the leasehold estate, or any subleasehold estate, to the full extent of installments falling due during the Term, whether belonging

to or chargeable against Landlord or Tenant. Tenant shall make all such payments directly to the charging authority at least ten (10) days before delinquency and before any fine, interest, or penalty shall become due or be imposed by operation of law for their nonpayment. If, however, the law expressly permits the payment of any or all of the above items in installments (whether or not interest accrues on the unpaid balance), Tenant may, at Tenant's election, utilize the permitted installment method, but shall pay each installment with any interest before delinquency. Tenant recognizes and agrees that this Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of taxes levied on such interest and that Tenant shall pay all such possessory interest taxes.

#### 4.02 Proration of Taxes and Assessments.

All payments of taxes or assessments or both, except permitted installment payments, shall be prorated at the commencement and expiration of the Term. For permitted installment payments of which at least the first installment fell due before commencement of the Term, Tenant shall pay only installments falling due after commencement of the Term. For permitted installment payments of which the first installment falls due during the final year of the Term, Tenant shall pay only the installment(s) falling due before expiration of the Term.

#### 4.03 Tenant's Right to Contest.

Tenant may contest the legal validity or amount of any taxes, assessments, or charges for which Tenant is responsible under this Lease, and may institute such proceedings as Tenant considers necessary for such contest. If Tenant contests any tax, assessment, or charge, Tenant may withhold or defer payment of such tax, assessment, or charge, or pay under protest, but shall protect Landlord and the Project from any lien by furnishing Landlord a surety bond in an amount equal to one hundred twenty-five percent (125%) of the total amount of the taxes in dispute, or other appropriate security acceptable to Landlord. Such bond or security shall hold Landlord and the Project harmless from any damage arising out of the proceeding or contest and shall insure the payment of any judgment that may be rendered. The failure of Tenant to pay the tax, assessment, or charge in conjunction with a contest shall not constitute a default under this Lease, so long as Landlord is protected as provided herein. Landlord shall cooperate with Tenant if requested to do so by Tenant in connection with Tenant's efforts to contest such taxes, assessments or charges.

#### 4.04 Power of Attorney.

Landlord appoints Tenant as Landlord's attorney-in-fact for the purpose of making all payments to any charging authorities and for the purpose of contesting any taxes, assessments, or charges, conditioned on Tenant's preventing any liens from being levied on the Project or on Landlord (other than the statutory lien of Revenue and Taxation Code Section 2187).

#### 4.05 Substitute and Additional Taxes.

Tenant shall not be required to pay any municipal, county, state, or federal income or franchise taxes of Landlord, or any municipal, county, state or federal estate, succession, inheritance, or transfer taxes of Landlord. If at any time during the Term, the State of California or any political subdivision of the State, including any county, city, city and county, public corporation, district, or any other political entity or public corporation of this State, levies or assesses against Landlord as a direct substitution in whole or in part for, or in addition to, any real property or possessory interest taxes,

a tax, fee, or excise: (1) on rents, (2) on the square footage of the Premises, (3) on the act of entering into this Lease, (4) on the occupancy of Tenant, or (5) any other tax, fee, or excise, however described, including, without limitation, a so-called value added tax, [as a direct substitution in whole or in part for, or in addition to, any real property or possessory interest taxes] Tenant shall pay before delinquency that tax, fee, or excise on rents.

#### 4.06 Proof of Compliance.

Tenant shall furnish to Landlord, at least ten (10) days before the date when any tax, assessment, or charge would become delinquent, receipts or other appropriate evidence establishing payment of any tax, assessment or charge to be paid by Tenant. Tenant may comply with this requirement by retaining a tax service to notify Landlord whether the taxes have been paid.

### ARTICLE V

#### USES AND PURPOSES

##### 5.01 Permitted Use.

The Premises are leased to Tenant only for the purpose of constructing the Improvements and operating the Project on the terms and conditions of this Lease, and for any reasonably related or incidental purposes as may first be approved in writing by Landlord, including the uses described on the Planned Residential Development Permit for the Project, a copy of which is attached hereto as Exhibit "B". Tenant shall have the right to display and offer for sale not more than five (5) mobile homes on the Premises at any one time as an incidental purpose hereunder. As additional rent for this Lease, Tenant shall pay to Landlord on the first calendar day of each month during the Term, a sum equal to one and one-half percent (1½%) of Tenant's gross receipts, if any, from Tenant's sale of mobile homes on the Premises consummated during the previous month. This additional rent is subject to the provisions of Section 3.02 for Delinquent Rent. During the period of initial rent-up of the Project, Tenant also may allow mobile home dealers to rent spaces at the Project for display and sale models. Whenever Tenant knows, or should know, that the potential Subtenant is a mobile home dealer who is going to use the rented space for the display and sale of a mobile home, Tenant shall enter into a written agreement with the dealer requiring such dealer to pay Landlord, through Tenant, one and one-half percent (1½%) of the dealer's gross receipts from the sale of the mobile home on the premises. Such payment shall be made on the first calendar day of each month for any sales consummated during the previous month. Landlord shall be named as a third-party beneficiary to such agreement allowing Landlord to enforce the agreement directly. However, tenant shall in any event be primarily responsible for assuring such payment is made.

##### 5.02 Compliance with Laws.

In its use of the Project, Tenant shall comply with all laws, statutes, ordinances, governmental rules and regulations, conditional use permits, zoning variances and the like, now in force or which may hereinafter be enacted, promulgated or granted with respect to the Project and Tenant's business. Further, Tenant shall bear the entire cost and all expenses necessary to alter, maintain or restore the Project so as to remain in compliance and conformity with the laws relating to the condition, use or occupancy of the Project during the Term. Nothing contained in this Section shall be deemed to preclude Tenant at its own cost from contesting the legal validity of any such law, statute, ordinance, rule, regulation, permit or the like provided any such contest is made in good faith.

#### 5.03 Affirmative Action.

Tenant agrees to take affirmative action to improve employment opportunities of minorities and women. When applicable, Tenant agrees to abide by the City's Affirmative Action Program for Lessees as it now exists or is hereafter amended. A copy of the program effective as of the date of this agreement, is on file in the Office of the City Clerk and by this reference is incorporated herein. Minorities are presently defined as Mexican-American, Black, Filipino, American Indian and Asian/Oriental. The goal of this program shall be attainment of the employment in a total percentage of employment approximately equal to the total level of minority and women employment as established by the City for its Affirmative Action Program each year.

#### 5.04 Waste; Nuisance.

Tenant shall not use or permit any use of the Project in any manner which will cause or constitute waste, nuisance or unreasonable annoyance to owners or occupants of adjacent properties. Tenant shall not do, bring, keep or permit anything in or about the Project that will cause a cancellation of any insurance covering the Project. Tenant shall keep the Project, including sidewalks adjacent to the Project, clean and free from rubbish and dirt at all times.

#### 5.05 Related Actions.

By the granting of this Lease, Landlord is not obligating the City on any other discretionary action relating to the development or operation of the Project. Such discretionary action may include, but is not limited to, rezonings, conditional use permits, variances, environmental clearance, or any other governmental agency approvals, which may be required. Landlord shall cooperate with Tenant in Tenant's attempts to obtain any necessary governmental approvals.

#### 5.06 Inability to Receive Approvals.

If Tenant is unable, after reasonable good faith effort, to receive any governmental approvals subject to conditions acceptable to Tenant in its sole discretion necessary for completion of the Project as planned, including, without limitation, any conditional use permit, Coastal Commission approval and Corps of Engineer approvals, Tenant may terminate this Lease by notifying Landlord in writing of such inability.

#### 5.07 Nondiscrimination.

Tenant agrees not to discriminate in any manner against any person or persons on account of race, marital status, sex, religious creed, color, ancestry, national origin, age, physical handicap or medical condition in Tenant's use of the Project, including but not limited to, the providing of goods, services, facilities, privileges, advantages and accommodations, and the obtaining and holding of employment.

#### 5.08 Low Income Subtenants.

##### A. Obligation and Rent.

On 43 Spaces Tenant shall provide mobile homes at rents affordable to Low Income Subtenants ("Low Income Units"). It is anticipated that on twenty-two (22) Spaces Tenant will provide one-bedroom mobile homes and on twenty-one (21) Spaces Tenant will provide two-bedroom mobile homes, but Tenant may with Landlord's prior written consent change this mix if market conditions so warrant. In the First Lease Year, rent for the Low

Income Units, including the HUD defined utility allowance, shall not exceed 30% of the monthly income of a household earning 60% of the area median income as defined by HUD at the commencement of the First Lease Year and adjusted for unit size as shown by example on the Affordability Table, Exhibit F. Under the current median of \$26,400, rent for a one-bedroom unit would be \$317 minus the \$28 utility allowance or \$289; rent for a two-bedroom unit would be \$396 minus the \$35 utility allowance or \$361. Low Income Subtenants shall be responsible to pay their own gas and electric utility charges. Tenant shall pay reasonable water, sewer, and garbage collection charges on behalf of Low Income Subtenants. Tenant agrees to rent the 43 units throughout the Term at rents affordable to Low Income Subtenants which means that throughout the Term rent, including a HUD defined utility allowance, shall not exceed 30% of the monthly income of a household earning 80% of the area median income as defined by HUD and adjusted for unit size.

B. Low Income Rent Increases.

Tenant may increase rent for its Low Income Units at the commencement of the Second Lease Year, and at the commencement of each Lease Year thereafter. The rent may be adjusted to reflect increases, if any, in the housing cost component in the Consumer Price Index for All Urban Consumers for San Diego, California published by the Bureau of Labor Statistics, United States Department of Labor ("Index"), from the level of the housing cost component of the Index published most immediately preceding the commencement of the First Lease Year ("Beginning Index"). The Index published most immediately preceding the adjustment date in question ("Extension Index") is to be used in determining the maximum amount of the adjustment. If the Extension Index has increased over the Beginning Index, the increase in rent for the Lease Year shall be calculated by multiplying the rent chargeable during the previous Lease Year by 75% of the percentage increase in the Extension Index over the Beginning Index.

If the Index is changed so that the base year differs from that in effect when the Term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

C. Low Income Subtenant Selection.

A Subtenant shall qualify as a Low Income Subtenant if the average combined gross income of all proposed occupants of a Low Income Unit for the two calendar years prior to commencement of the proposed Sublease is 80% or less of median income within the San Diego SMSA as defined by HUD, as adjusted for unit size and at least one member of the household is 62 years of age or over. On or before the commencement of the First Lease Year, Landlord shall provide Tenant with a list of prospective Low Income Subtenants, to augment the Tenant's marketing efforts, from which Tenant may, but need not, select. Landlord shall continue to provide Tenant with such a list of prospective Low Income Subtenants on an annual basis throughout the Term of this Lease. Tenant may also select proposed Low Income Subtenants by performing its own good faith investigation regarding such Subtenants' qualifications providing that the Landlord has certified the income of the proposed Low Income Subtenants. Any Low Income Subtenant selected from Landlord's list, or selected by Tenant and certified by Landlord, shall be deemed a suitable Low Income Subtenant for the purposes of Tenant's compliance with the low income housing requirements of this Lease. Any Low Income Subtenant selected by any method allowed by this Section shall continue to be deemed a Low Income Subtenant for the purposes



of Tenant's compliance with the low income requirements of this Lease. Tenant shall provide Landlord, from time to time at Landlord's request, but not more frequently than monthly, a list of Low Income Subtenants residing within the Premises.

D. Rental of Low Income Units.

Notwithstanding Tenant's obligations under this Lease, including the other provisions of this Section 5.08, if there are no qualified Low Income Subtenants desiring to rent Low Income Units and as a consequence Low Income Units are vacant for a reasonable period of time, but not for less than thirty (30) days, Tenant may rent vacant Low Income Units to persons of Moderate Income at the monthly rental for Low Income Units provided in Section 5.08.A, as adjusted from time to time pursuant to Section 5.08B. A Subtenant shall qualify as Moderate Income if the average combined gross income of all proposed occupants of a Low Income Unit for the two calendar years prior to commencement of the proposed Sublease is 100% or less of median income, within the San Diego SMSA as defined by HUD, as adjusted for units size and at least one member of the household is 62 years of age or older. Landlord shall have the right to approve the form of Tenant's Sublease with Subtenants in connection with the Low Income Units, which approval shall not be unreasonably withheld.

E. Non-Low Income Units.

Nothing contained in this Lease, including, without limitation, this Section 5.08, shall be deemed to impose rent restrictions on the 101 market rate spaces or to prohibit the imposition of utility charges on the Subtenants at such spaces.

F. Tenant's Rights On Low Income Units.

Nothing contained in this Lease, including, without limitation, this Section 5.08, shall be deemed to: (i) preclude Tenant from evicting any Low Income Subtenant for failure to pay rent or for any other default by a Subtenant of his or her sublease with Tenant, or from enforcing any of Tenant's other rights and remedies as provided by such Sublease, or (ii) require Tenant to rent to any Low Income Subtenant who does not meet any of Tenant's non-monetary generally applicable and reasonable requirements for subtenancy.

5.09 Management of the Project.

Tenant may select and hire a management company or manager for the Project; however, such selection and hiring shall be subject to Landlord's written approval which shall be obtained before Tenant awards any contract or enters into any agreement with a management company or manager.

ARTICLE VI

IMPROVEMENTS

6.01 Construction of Original Improvements.

Within ninety (90) days following receipt of all government approvals, Tenant shall commence to diligently pursue completion of the Project. Construction of Original Improvements shall be performed in accordance with this Article VI.

## 6.02 Future Construction of Improvements.

From time to time during the Term, Tenant may, with the prior written consent of the Landlord, but is not obligated to, except as otherwise provided for in Article VII of this Lease, construct or otherwise make new Improvements on any part or all of the Premises and demolish, remove, replace, alter, relocate, reconstruct or add to any existing Improvements in whole or in part, and modify or change the contour or grade, or both, of the Premises, provided Tenant is not then in default under any condition or provision of this Lease and provided the Improvements following the work are at least equal in value to the Improvements as they were before being demolished, removed, replaced, altered, relocated, constructed, modified or changed. All salvage shall belong to Tenant. Any and all such construction shall be performed in accordance with the provisions of this Article VI.

## 6.03 Conditions of Construction.

Tenant shall comply with all the following conditions or procure Landlord's written waiver thereof prior to delivery of any building materials to the Premises for a Work of Improvement:

### A. Delivery of Preliminary Plans.

Deliver to Landlord for Landlord's approval two (2) sets of preliminary construction plans and specifications ("Preliminary Plans") prepared by an architect or engineer licensed to practice as such in the State of California, including but not limited to preliminary grading and drainage plans, soil tests, utilities, sewer and service connections, locations of ingress and egress to and from public thoroughfares, curbs, gutters, parkways, street lighting, designs and locations for outdoor signs, storage areas and landscaping, all sufficient to enable potential contractors and subcontractors to make reasonably accurate bid estimates and to enable Landlord to make an informed judgment about the design and quality of construction of the Work of Improvement.

### B. Approval of Preliminary Plans.

Obtain Landlord's approval of the Preliminary Plans before implementation, which approval shall not be unreasonably withheld. Landlord shall approve or disapprove Tenant's Preliminary Plans within fifteen (15) days after receipt thereof. Failure to disapprove such Plans within such period shall be deemed approval thereof. Approval or disapproval shall be communicated in the manner provided herein for notices, and disapproval shall be accompanied by specification of the grounds for disapproval. Following Landlord's first or any subsequent disapproval, Tenant may elect (1) to submit revised Preliminary Plans, (2) to give notice contesting the reasonableness of Landlord's disapproval, or (3) on preliminary plans for the Original Improvements only, to give notice to Landlord terminating this Lease.

### C. Final Plans.

Prepare final working plans and specifications ("Final Plans") substantially conforming to the Preliminary Plans previously approved by Landlord, submit them to the appropriate governmental agencies for approval, and deliver to Landlord one complete set as approved by the governmental agencies.

D. Notice of Commencement.

Notify Landlord of Tenant's intention to commence the Work of Improvement at least ten (10) days before commencement of such Work of Improvement or delivery of any materials to the Premises. The notice shall specify the approximate location and nature of the intended Work of Improvement. Landlord shall have the right to post and maintain on the Project any notices of nonresponsibility provided for under applicable law and to inspect the Project in relation to the construction at all reasonable times.

E. Construction Contract.

Furnish Landlord with a true copy of Tenant's contract with the general contractor, who must be licensed in the State of California. The contract shall give Landlord the right but not the obligation to assume Tenant's obligations and rights under that contract if Tenant should default. Landlord may disapprove of the contract by notice given to Tenant within ten (10) days following delivery of the copy of the contract. The notice shall specify the grounds for disapproval. Landlord shall be considered to have approved the contract in the absence of notice of disapproval given within ten (10) days after Landlord receives the contract as specified above. Landlord shall waive the requirement for a construction contract if the Project is constructed by Tenant, any general partner of Tenant or any related entity.

F. Financing.

1. Original Improvements.

Deliver to Landlord true copies of all documents to evidence the commitment of financing for the Construction Loan and the Permanent Loan. Both the Construction and Permanent Loans shall provide that Landlord shall have the right, but not the obligation, to assume such Loans upon Tenant's default thereunder. Landlord's exercise of this right shall not constitute a waiver of any other right Landlord may have against Tenant, any surety, guarantor or anyone else.

2. Other Improvements.

Deliver to Landlord true copies of all documents to evidence the commitment of financing for, or to evidence Tenant's financial ability to complete and pay for, the Work of Improvement. The financing commitment shall provide that Landlord shall have the right, but not the obligation, to assume Tenant's financing for the Work of Improvement upon Tenant's default thereunder. Landlord's exercise of this right shall not constitute a waiver of any other right Landlord may have against Tenant, any surety, guarantor or anyone else.

G. Payment Bond and Completion Bond.

Deliver to Landlord a payment bond and a completion bond in favor of Landlord of a reasonable surety company, licensed to do business in California, in forms customary in the industry, in amounts not less than the estimated cost of construction, which bonds shall remain in effect until the entire cost of the Work of Improvement shall have been paid

in full and the Work of Improvement shall have been insured as provided in this Lease. If Tenant has a fund control satisfactory to the Institutional Lender and Landlord with respect to the funding of the Construction Loan, then Landlord shall waive the requirement to deliver payment and completion bonds to Landlord.

H. Compliance with Regulations.

Procure and deliver to Landlord, at Tenant's expense, evidence of compliance with all then applicable codes, ordinances, regulations and requirements for permits and approvals, including but not restricted to a grading permit, building permits, zoning and planning requirements and approvals from various governmental agencies and bodies having jurisdiction.

I. Builder's Risk Insurance

Deliver to Landlord certificates of insurance evidencing coverage for "builder's risk," as required in Section 11.03.

6.04 Diligent Prosecution.

Once the Work of Improvement is begun, Tenant shall with reasonable diligence prosecute to completion all construction of Improvements. The Original Improvements shall be completed and lawfully ready for occupancy within one (1) year after commencement of construction, provided that the time for completion shall be extended for as long as Tenant shall be prevented from completing the construction by delays as described in Section 13.08.A. beyond Tenant's control; but failure, regardless of cause, to complete construction within fifteen (15) months after the Term commences shall, at Landlord's election exercised by notice, terminate this Lease. All work shall be performed in a good and workmanlike manner, shall substantially comply with the Final Plans submitted to Landlord as required by this Lease, and shall comply with all applicable governmental permits, laws, ordinances, and regulations.

6.05 Protection of Landlord Against Cost or Claim.

Tenant shall pay or cause to be paid the total cost and expense of all "works of improvement," as that phrase is defined in the Mechanics' Lien Law in effect at the place of construction when the work begins. No such payment shall be construed as rent. Tenant shall not suffer or permit to be enforced against the Project or any part of it any mechanic's, materialman's, contractor's, or subcontractor's lien arising from any such work of improvement, however it may arise. However, Tenant may in good faith and at Tenant's own expense contest the validity of any such asserted lien, claim, or demand, provided Tenant has furnished the bond required in California Civil Code Section 3143 (or any comparable statute hereafter enacted for providing a bond freeing the Project from the effect of such a lien claim).

6.06 Landlord's Right to Discharge Lien.

If Tenant does not cause to be recorded the bond described in California Civil Code Section 3143 or otherwise protect the Project under any alternative or successor statute, and a final judgment has been rendered against Tenant by a court of competent jurisdiction for the foreclosure of a mechanic's, materialman's, contractor's or subcontractor's lien claim, and if Tenant fails

to stay the execution of the judgment by lawful means or to pay the judgment, Landlord shall have the right, but not the duty, to pay or otherwise discharge, stay, or prevent the execution of any such judgment or lien or both. Tenant shall reimburse Landlord for all sums paid by Landlord under this Section 6.06, together with all Landlord's reasonable attorneys' fees and costs, plus interest on those sums, fees, and costs in accordance with Section 14.23.

6.07 Notice of Completion.

On completion of the Work of Improvement, Tenant shall file or cause to be filed a Notice of Completion. Tenant hereby appoints Landlord as Tenant's attorney-in-fact to file the Notice of Completion on Tenant's failure to do so after the Work of Improvement substantially has been completed.

6.08 Notice of Changes in Plans.

On completion of the Work of Improvement, Tenant shall give Landlord notice of all material changes in the Final Plans made during the course of work and shall supply Landlord with "as built" drawings accurately reflecting any such changes. Landlord acknowledges that it is common practice in the construction industry to make numerous changes during the course of construction on substantial projects. Changes that do not substantially alter the Final Plans previously approved pursuant to Section 6.03(C) do not constitute a breach of Tenant's obligations, and Tenant shall not be required to notify Landlord or supply drawings of the same.

6.09 Notice of Permanent Financing.

As soon as possible after completion of the Work of Improvement Tenant shall deliver to Landlord (a) evidence that the supplier of the Construction Loan or other construction financing has accepted or approved the Improvements; and (b) evidence that the Permanent Loan or other permanent financing has been recorded and the funds properly disbursed, together with copies of the note and the encumbrance securing it.

**ARTICLE VII**

**MAINTENANCE, REPAIRS, ALTERATIONS AND RECONSTRUCTION**

7.01 Maintenance.

Throughout the Term, Tenant shall, at Tenant's sole cost and expense, maintain the Project in a decent, safe, healthy and sanitary condition, ordinary wear and tear excepted, and in accordance with all applicable laws, rules, ordinances, orders and regulations of (1) federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials; (2) the insurance underwriting board or insurance inspection bureau having or claiming jurisdiction; and (3) all insurance companies insuring all or any part of the Project. After 20 years, unless Landlord approves continued use, Tenant shall begin to replace Low Income Units at the rate of 4 per year.

#### 7.02 Destruction.

Tenant shall promptly and diligently repair, restore, and replace as required to maintain the Project Under Section 7.01, and shall remedy all damage to or destruction of all or any part of the Improvements, if the cost of the restoration does not exceed fifty percent (50%) of the replacement value of all the Improvements. If the cost of restoration does exceed that percent, Tenant may nevertheless repair, restore, and replace as provided above or after notice to Landlord may elect instead to raze the Improvements damaged or destroyed and replace them with Improvements of value equal to or greater than the value of the Improvements prior to destruction or damage.

#### 7.03 Repairs, Reconstruction and Alterations.

Landlord's approval is not required for Tenant's "minor" repairs, alterations, or additions. "Minor" means a construction cost not exceeding Fifty-Thousand Dollars (\$50,000). "Construction costs" includes all costs that would constitute the basis of a valid claim or claims under the Mechanic's Lien Laws in effect at the time the work is commenced for any demolition and any removal of existing Improvements or parts of Improvements, as well as for preparation, construction, and completion of all new Improvements or parts of Improvements. The dollar amount stated above shall be adjusted from time to time by the percentage change from the date the Term commences in the index known as the United States Department of Commerce Composite Construction Cost Index, as published in the Survey of Current Business by the United States Department of Commerce, or a successor index. If the index is discontinued and there is no reasonably comparable successor index, the reference figure shall be determined by the Senior Officer in the closest Office of the U. S. Department of Commerce or successor department or agency. "Major" repairs, alterations, or additions are those not defined as minor above. For major repairs, alterations, or additions, Tenant shall comply with the conditions set forth in Sections 6.03 through 6.09.

#### 7.04 Entry and Inspection.

Landlord reserves and shall always have the right, upon giving reasonable advance written notice, to enter the Project for the purpose of viewing and ascertaining its condition, or to protect its interests in the Project or to inspect the operations conducted thereon. If Landlord's entry or inspection discloses that all or part of the Project is not in a decent, safe, healthy and sanitary condition, Landlord shall have the right, after thirty (30) days written notice to Tenant, if Tenant has not performed or commenced to perform necessary maintenance work, to have any necessary maintenance work done for and at the expense of Tenant. Tenant agrees to pay promptly all costs incurred by Landlord in having such necessary maintenance work done to keep the Project in a decent, safe, healthy and sanitary condition. The rights reserved in this Section 7.04 shall not create any obligations on Landlord or increase obligations imposed on Landlord elsewhere in this Lease.

### ARTICLE VIII

#### OWNERSHIP OF IMPROVEMENTS

##### 8.01 During Term.

All Improvements shall be owned by Tenant until expiration of the Term or sooner termination of this Lease. Tenant shall not, however, remove any Improvements

from the Premises nor waste, destroy, or modify any Improvements, except as permitted by this Lease. The Parties covenant for themselves and all persons claiming under them that the Improvements are real property.

#### 8.02 At Expiration or Termination of Term.

At the expiration of the Term or sooner termination of this Lease, all Improvements shall, without compensation to Tenant, then become Landlord's property, free and clear of all claims to or against them by Tenant or any third person, and Tenant shall defend and indemnify Landlord against all liability and loss arising from such claims or from Landlord's exercise of the rights conferred by this Section; provided that at the expiration or sooner termination of the Term, Landlord may, at Landlord's election, demand the removal from the Premises, at Tenant's expense, of all Improvements or of certain Improvements, as specified in the notice provided for below. A demand to take effect at the expiration of the Term shall be effectuated by notice given at any time within three (3) months before the expiration date. A demand to take effect on any termination of the Lease shall be effectuated by notice given in or concurrently with notice of such termination or within thirty (30) days after such termination. Tenant shall comply with the notice before the expiration of the Term and within sixty (60) days after the notice for the termination of this Lease. At the expiration or termination of this Lease, Tenant shall retain title to any mobile homes which it owns within the Premises. Tenant shall promptly remove any such mobile homes which it owns after expiration or termination, provided that Tenant may, at its election, not remove any or all of the mobile homes it owns, in which case any such mobile homes not removed shall be deemed a charitable contribution by Tenant to Landlord and shall become Landlord's property.

#### 8.03 Landlord's Purchase of Trade Fixtures.

Landlord may, at Landlord's election, purchase all or any portion of Tenant's Trade Fixtures located on or at the Project at the expiration or sooner termination of this Lease for the full fair market price of such Trade Fixtures. Any failure of Landlord and Tenant to agree upon the fair market price of such Trade Fixtures shall be resolved by arbitration pursuant to Section 14.12 hereof. The election shall be exercised, if at all, by notice given (1) not more than six months nor less than three months before the expiration of the Term, or (2) concurrently with or as a part of a notice of the termination of this Lease. Landlord's purchase of the Trade Fixtures shall be consummated at a "Closing." The Closing shall take place concurrently with the expiration of the Term or, in the event of termination of this Lease, concurrently with the Parties' execution of an agreement to terminate this Lease or within thirty (30) days of a final judicial determination that this Lease has been terminated. Landlord shall pay the purchase price in cash at the Closing and, at Landlord's election, Landlord may without notice offset against the purchase price any or all sums then due from Tenant to Landlord. The Parties shall execute and deliver at the Closing any documents or instruments necessary to complete Landlord's purchase, including the appropriate bill or bills of sale for the Trade Fixtures from Tenant to Landlord.

## ARTICLE IX

### ENCUMBRANCE AND QUIET ENJOYMENT

#### 9.01 Tenant's Right to Mortgage Leasehold.

Tenant shall have the right at any time and from time to time to subject the leasehold estate and any or all Improvements to one or more Leasehold Mortgages as security for a loan of which Tenant is the borrower and all of the net proceeds are used for fees and costs in connection with obtaining the financing or to improve the Premises as provided herein, or to refinance a preexisting loan used to improve the Premises. Any and all Leasehold Mortgages and all rights acquired under them shall be subject to each and all of the covenants, conditions, and restrictions of this Lease and, except for the Construction Loan, must be approved by Landlord. In giving or withholding such approval Landlord shall consider whether the terms of such Leasehold Mortgage are within a reasonable range of financing then available for similar projects. Landlord agrees that any Leasehold Mortgagee may take an assignment in lieu of foreclosure. A Leasehold Mortgagee shall not be liable to perform Tenant's obligations under this Lease unless and until it acquires Tenant's rights by foreclosure or assignment; thereafter, the Leasehold Mortgagee shall be liable to perform Tenant's obligations only until it assigns or transfers the leasehold as permitted by this Lease.

#### 9.02 No Encumbrance of Fee.

Landlord shall not in any event be required to subordinate or encumber its fee title in the Premises to the lien of a Mortgage.

#### 9.03 Quiet Enjoyment.

If Tenant pays the Rent and performs the covenants and agreements of this Lease, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises at all times during the Term.

#### 9.04 Reservation of Landlord's Rights.

Landlord reserves all right, title and interest in any and all gas, oil, minerals and water beneath the Premises. In addition, Landlord shall have the right to enter the Project for the purpose of making repairs to or developing municipal services. Notwithstanding the foregoing, Landlord shall not unreasonably interfere with Tenant's use of the Project and will reimburse Tenant for damages, if any, resulting from Landlord's exercising the rights reserved in this Section 9.04. Landlord shall pay the cost of maintenance and repair of all Landlord installations made pursuant to the rights reserved in this Section 9.04. Any dispute on the financial extent of any claimed damages shall be arbitrated under Section 14.12.

## ARTICLE X

### ASSIGNMENT AND SUBLETTING

#### 10.01 Assignment and Subletting.

Tenant shall have the right to sublease Spaces to Subtenants and, in doing so, shall comply with the applicable provisions of Article V. Tenant also shall have the right to assign or transfer within 360 days after the issuance of the Certificate of Occupancy for the Project the Leasehold Estate to a new



limited partnership of which the General Partner or a controlled entity of Tenant is the general partner or one of several general partners but with primary responsibility for managing the business of the new limited partnership. For purposes of the preceding sentence, "controlled entity" shall be deemed to be as described in Section 10.02 parts (ii), (iii) and (iv). Subject to these exceptions, Tenant may not sell, assign, hypothecate, sublease or otherwise transfer Tenant's leasehold interest without Landlord's prior written consent. Any permitted assignment or subletting shall be subject to and governed by the provisions of this Lease. Any assignment or subletting without Landlord's consent shall be voidable at the option of Landlord. The approval of one assignment or subletting shall not be deemed approval of or consent to any subsequent assignment or subletting. In making its decision, Landlord shall consider the financial capability and overall competence of any prospective assignee, sublessee, or transferee to operate successfully the Project. Tenant's leasehold interest shall not be assignable by operation of law without Landlord's written consent.

#### 10.02 Inclusion in Assignment.

For the purpose of this Article X, and except as provided in this Section 10.02, any single sale, assignment, transfer, or other disposition, or any series of sales, assignments, transfers, or other dispositions, of the interest of the general partner of Tenant shall be construed as an assignment of this Lease. Any one or more sales, assignments, transfers or other dispositions of (i) limited partnership interests in Tenant pursuant to Tenant's Limited Partnership Agreement, or (ii) all or part of the interest of Tenant's general partner in Tenant to a corporation, partnership, joint venture, syndicate or co-tenancy in which such general partner has fifty percent (50%) or more of the voting power or has management control, (iii) all or part of such general partner's interest in Tenant to a family trust where such general partner is both grantor and a beneficiary of such trust and retains the right to revoke the trust in whole or in part, or withdraw its contributed portion, or (iv) all or part of such general partner's interest in Tenant to any trust, whether revocable or irrevocable, where the general partner is trustee, or an assignment or transfer in connection with the assignment authorized in the second sentence of paragraph 10.01 to a new limited partnership within 360 days after the issuance of the Certificate of Occupancy for the Project shall not constitute an assignment of this Lease requiring Landlord's prior approval, nor a change in "Control."

#### 10.03 Landlord's Right of First Refusal.

In addition to the Parties' rights and obligations under Section 10.01, Tenant agrees to give Landlord notice of Tenant's intent to sell or assign this Lease or any interest therein ("Notice of Sale"). The Notice of Sale to Landlord shall include the exact and complete terms of any offer to sell or assign by Tenant. If Tenant has received a bona fide offer from a third party, the Notice of Sale shall include a copy of such bona fide offer, duly executed by the prospective purchaser.

For a period of thirty (30) days after receipt by Landlord of the Notice of Sale, Landlord shall have the right to give written notice to Tenant of Landlord's election to exercise Landlord's right to purchase the interest proposed to be sold, on the same terms set forth in the Notice of Sale. If Landlord elects to exercise its right to purchase, the Parties shall promptly execute a purchase agreement and shall enter into an escrow to make such purchase within 120 days of opening escrow. If Landlord does not elect to exercise

its right to purchase within such thirty (30) day period, Tenant thereafter shall have the right to sell or assign this Lease or any interest therein to a third party on the same terms stated in the Notice of Sale. If Tenant does not sell or assign this Lease or any interest therein within ninety (90) days after the end of such thirty (30) day period, any further transaction shall be deemed a new determination by Tenant to sell or assign this Lease or any interest therein, and the provisions of this Section 10.03 shall be applicable.

#### 10.04 Tenant's Right of First Refusal.

Landlord shall give Tenant notice of Landlord's intent to sell all or a part of Landlord's fee interest ("Notice of Sale"). The Notice of Sale to Tenant shall include the exact and complete terms of any offer to sell by Landlord. If Landlord has received a bona fide offer from a third party, the Notice of Sale shall include a copy of such bona fide offer, duly executed by the prospective purchaser. For a period of thirty (30) days after receipt by Tenant of the Notice of Sale, Tenant shall have the right to give written notice to Landlord of Tenant's election to exercise Tenant's right to purchase the interest proposed to be sold, on the same terms set forth in the Notice of Sale. If Tenant elects to exercise its right to purchase, the Parties shall promptly execute a purchase agreement and shall enter into an escrow to make such purchase within 120 days of opening escrow. If Tenant does not elect to exercise its right to purchase within such thirty (30) day period, Landlord thereafter shall have the right to sell its fee interest to a third party on the same terms stated in the Notice of Sale. If Landlord does not sell or assign the interest proposed to be sold within ninety (90) days after the end of such thirty (30) day period, any further transaction shall be deemed a new determination by Landlord to sell its fee interest, and the provisions of this Section 10.04 shall be applicable.

#### 10.05 Assumption by Tenant's Successor.

Approval (if required hereunder) of any sale, assignment, sublease or transfer by Landlord shall be conditioned upon such purchaser, assignee, sublessee or transferee agreeing in writing that it will assume the rights and obligations thereby sold, assigned, subleased or transferred and that it will keep and perform all covenants, conditions and provisions of this Lease which are applicable to the rights acquired. Upon any approved sale, assignment or transfer, Landlord agrees to release Tenant from all of the continuing obligations or liability hereunder assumed by the purchaser, assignee, sublessee or transferee as of the effective date of such sale, assignment or transfer without the execution of any further amendment hereto. Landlord shall not approve any sale, assignment, sublease or other transfer unless the terms of said sale, assignment, sublease or transfer provide that the purchaser, assignee, sublessee or transferee agrees to be liable for any Delinquent Rent to the date of the approved sale, assignment or transfer not paid to Landlord pursuant to Section 10.06 because of insufficient proceeds.

#### 10.06 Disbursement Upon Assignment or Other Conveyance or Encumbrance.

If Tenant or its successor interest in this Lease or its leasehold estate is sold, assigned, or otherwise transferred or encumbered, in whole or in part, whether voluntarily or involuntarily, or by operation of law, subsequent to the recordation of the Permanent Loan (or subsequent to the recordation of

the Construction Loan if only one loan is made for the construction and permanent financing of the Original Improvements), or if any Leasehold Mortgage is refinanced, in whole or in part, or if Tenant's or any successor's interest in this Lease or its leasehold estate is encumbered for any other purpose than the sole purpose of constructing or permanently financing any Improvements (each of which events is hereafter referred to as an "Assignment"), then any proceeds (which shall include cash and non-cash consideration, including, without limitation, any evidences of indebtedness, payments of principal and interest received by Tenant on such evidences of indebtedness, and cash received by Tenant upon any sale or other disposition of any non-cash consideration) received from such Assignment shall be distributed in the following order and priority (to the extent the proceeds are adequate to do so):

- (i) Payment of the then unpaid and due balance of any and all existing Leasehold Mortgages;
- (ii) Payment to Landlord of any Delinquent Rent and any other amounts then due Landlord under the terms of this Lease;
- (iii) Payment of fifty percent (50%) of the remainder to Landlord and fifty percent (50%) of the remainder to Tenant.

Notwithstanding anything to the contrary in this Article 10.06, Tenant shall not be obligated to share any proceeds received in connection with subleasing to Subtenants or any other transfer otherwise excepted from the definition of "Assignment" under Article 10.02.

## ARTICLE XI

### INSURANCE

#### 11.01 Insurance on Improvements.

During the Term, Tenant, at its cost and expense, shall keep or cause to be kept insured, for the mutual benefit of Landlord and Tenant, all Improvements against loss or damage by fire and such other risks as are now or hereafter included in an extended coverage indorsement in common use for developments similar to the Project, including vandalism and malicious mischief. The amount of the insurance shall be at least ninety percent (90%) of the then actual replacement cost, excluding cost of replacing excavation and foundations but without deduction for depreciation (hereinafter referred to as "Full Insurable Value"). Landlord shall not carry any insurance the effect of which would be to reduce the protection or payment to Tenant under any insurance that this Lease obligates Tenant to carry. If any dispute between the Parties whether the amount of insurance complies with this Section 11.01 cannot be resolved by agreement, the dispute shall be arbitrated under Section 14.12. Tenant may include any Leasehold Mortgage as a loss payee.

#### 11.02 Payments of Insurance Proceeds.

Landlord shall, at Tenant's cost and expense, cooperate fully with Tenant to obtain the largest possible recovery of insurance proceeds, and all policies for fire and extended coverage insurance required by Section 11.01 shall provide that the proceeds shall be paid as follows:

If the proceeds do not exceed the amount defined in Section 7.03 as the measure of "minor" repairs, alterations, or additions, all the proceeds shall be paid to Tenant and shall be applied by Tenant for the repair, restoration, or reconstruction of any Improvements damaged or destroyed by the casualty giving rise to the insurance claim. If the proceeds exceed that measure, all the proceeds shall be deposited with an appropriate depository designated by Landlord as escrow holder to be disbursed by said escrow holder in the same manner as if the proceeds were a construction loan from an Institutional Lender to Tenant. Tenant shall pay all escrow fees and charges. If this Lease is terminated by mutual agreement and the Improvements are not reconstructed, repaired or replaced, the insurance proceeds shall, subject to the terms of any Leasehold Mortgage, be used to restore the Premises to a neat, clean and safe condition. The balance of the proceeds shall be paid in accordance with Section 10.06.

#### 11.03 Builder's Risk Insurance.

Before commencement of any Work of Improvement, Tenant shall procure, and shall maintain in force until completion and acceptance of the Work of Improvement, "all risks" builder's risk insurance including vandalism and malicious mischief, in form and with a company reasonably acceptable to Landlord, covering Improvements and all material and equipment at the job site furnished under contract, but excluding contractors', subcontractors', and construction managers' tools and equipment and property owned by contractors' or subcontractors' employees, with limits of at least One Hundred Thousand Dollars (\$100,000) per loss for all work at the job site.

#### 11.04 Public Liability Insurance.

During the Term, Tenant, at its sole cost and expense, shall keep or cause to be kept in force, for the mutual benefit of Landlord, Tenant, the Commission and the City, comprehensive broad form general public liability insurance against claims and liability for personal injury, death, or property damage arising from the use, occupancy, disuse, or condition of the Project, or adjoining areas or ways, providing protection of at least Three Million Dollars (\$3,000,000) for personal injury to or death of one or more persons, or property damage arising out of a single accident or occurrence.

#### 11.05 Boiler, Unusual Hazards, Other Insurance.

Tenant shall procure and keep in force in form and coverage reasonably satisfactory to Landlord:

- (i) Boiler and machinery insurance if at any time or from time such equipment is located on the Project;
- (ii) If Tenant commits, permits, or causes the conduct of any activity or the bringing or operation of any equipment on or about the Project creating unusual hazards, Tenant shall, promptly on notice of demand from Landlord, procure and maintain in force, during such activity or operation, insurance sufficient to cover the risks represented thereby. Landlord's demand for unusual hazard insurance shall not constitute a waiver of Landlord's right, if Landlord would otherwise have that right, to demand the removal, cessation, or abatement of such activity or operation;
- (iii) Other insurance in amounts from time to time reasonably required by Landlord, against other insurable risks, if at the time they are commonly insured against for projects similar to the Project and containing comparable Improvements.

Tenant may procure and maintain any insurance not required by this Lease, but all such insurance shall be subject to all other provisions of this Lease pertaining to insurance and shall be for the mutual benefit of Landlord and Tenant.

11.06 General Insurance Matters.

All insurance required by express provisions of this Lease shall be carried only by responsible companies licensed to do business in the State of California. All such policies shall be nonassessable and shall contain language, to the extent obtainable, to the effect that (1) any loss shall be payable notwithstanding any act or negligence of Landlord that might otherwise result in a forfeiture of the insurance; (2) the insurer waives the right of subrogation against Landlord and against Landlord's agents and representatives; (3) the policies are primary and noncontributing with any insurance that may be carried by Landlord; and (4) they cannot be cancelled or materially changed except after thirty (30) days notice by the insurer to the Landlord. On or before Tenant's execution of this Lease, Tenant shall furnish Landlord with binders representing all insurance required by this Lease. If Landlord elects, at the expiration of the Term Landlord shall reimburse Tenant pro rata for all prepaid premiums on insurance required to be maintained by Tenant and Tenant shall assign all Tenant's right, title, and interest in that insurance to Landlord. Tenant may provide by blanket insurance covering the Project and any other location or locations any insurance required or permitted under this Lease provided it is reasonably acceptable to Landlord and all Mortgagees. Tenant agrees, at its sole expense, to comply and secure compliance with all insurance requirements necessary for the maintenance of the insurance coverage required by this Lease.

11.07 Failure to Maintain Insurance; Proof of Compliance.

Tenant shall deliver to Landlord, in the manner required for notices, copies or certificates of all insurance policies required by this Lease, together with evidence satisfactory to Landlord of payment required for procurement and maintenance of the policy, within the following time limits:

- (i) For insurance required at the commencement of this Lease, within thirty (30) days after execution of this Lease.
- (ii) For insurance becoming required at a later date, at least ten (10) days before the requirement takes effect.
- (iii) For any renewal or replacement of a policy already in existence, at least ten (10) days before expiration or other termination of the existing policy.

If Tenant fails or refuses to procure or to maintain insurance as required by this Lease or fails or refuses to furnish Landlord with required proof that the insurance has been procured and is in force and paid for, Landlord shall have the right, at Landlord's election and without notice, to procure and maintain such insurance. The premiums paid by Landlord shall be treated as added rent due from Tenant with interest in accordance with Section 14.23, to be paid on the first day of the month following the date on which the premiums were paid. Landlord shall give Tenant prompt notice of the payment of such premiums, stating the amounts paid and the names of the insurer or insurers, and interest shall run from the date of the notice.

11.08 Adjustment of Insurance Limits.

If Tenant's operations under this Lease result in an increased or decreased risk, in the reasonable judgment of Landlord, then Tenant agrees the minimum policy limits designated in this Article XI shall be changed accordingly upon Landlord's written request.

11.09 Landlord's Nonliability.

Landlord, the Commission and the City, including their employees, agents, representatives and officers, shall not be liable, and Tenant shall defend, indemnify and hold Landlord, the Commission and the City free and harmless against any and all liability, claims of liability, demands, costs, losses and expenses, including attorneys' fees, and Tenant waives all claims against Landlord, the Commission and the City, for damage or injury to persons or property, including but not limited to damage or injury to Tenant's employees, agents, representatives and officers and their property, arising, or asserted to have arisen, from any cause whatsoever, on or about the Project. Tenant's indemnification of, and waiver of all claims against, Landlord, The Commission and the City includes but is not limited to liability and claims for damage or injury resulting from (a) the active or passive negligence, and, to the extent not in conflict with any law now or hereafter applicable to this Lease, gross negligence, or willful misconduct, of Landlord, the Commission or the City, whether the sole cause or a contributory cause; (b) the active or passive negligence, gross negligence, or willful misconduct of Tenant, whether the sole cause or a contributory cause; and (c) the active or passive negligence, gross negligence, or willful misconduct of third parties, whether the sole cause or a contributory cause. Tenant agrees the provisions of this Article XI on the maintenance of insurance shall not be construed as limiting in any way the extent to which Tenant may be held responsible for the payment of damages to persons or property resulting from Tenant's activities, the activities of its Subtenants, or the activities of any person or persons for which Tenant is otherwise responsible. This Section 11.09 is the result of a negotiated allocation of risk between the Parties.

ARTICLE XII

CONDEMNATION

12.01 Definitions.

The following definitions apply in construing provisions of this Lease relating to a taking of or damage to all or any part of the Project or any interest in it by eminent domain or inverse condemnation:

Taking means the taking or damaging, including severance damage, by eminent domain or by inverse condemnation or for any public or quasi-public use under any statute. The transfer of title may be either a transfer resulting from the recording of a final order in condemnation or a voluntary transfer or conveyance to the condemning agency or entity under threat of condemnation, in avoidance of an exercise of eminent domain, or while condemnation proceedings are pending. The taking shall be considered to take place as of the later of (1) the date actual physical possession is taken by the condemnor; or (2) the date on which the right to compensation and damages accrues under the law applicable to the Project.

Total taking means the taking of the fee title to the Project.

Substantial taking means the taking of the fee title of so much of the Project that the remaining Premises would not be profitably or feasibly usable by Tenant.

Partial taking means any taking of the fee title of the Project that is not either a total or a substantial taking.

Notice of intended taking means any written notice or notification or offer on which a reasonably prudent person would rely and which he or she would interpret as expressing an existing intention of taking as distinguished from a mere preliminary inquiry or proposal. It includes but is not limited to the service of a condemnation summons and complaint on a Party to this Lease. The notice is considered to have been received when a Party to this Lease receives from the condemning agency or entity a notice of intended taking containing a description or map of the taking reasonably defining the extent of the taking.

Award means compensation paid for the taking whether pursuant to judgment or by agreement or otherwise.

#### 12.02 Notice to Other Party.

The Party receiving any notice of the kinds specified below shall promptly give the other Party a photocopy of such notice, indicating the date such notice was received:

- (i) Notice of intended taking.
- (ii) Service of any legal process relating to condemnation of the Project.
- (iii) Notice in connection with any proceedings or negotiations with respect to such a condemnation.
- (iv) Notice of intent or willingness to make or negotiate a private purchase, sale, or transfer in lieu of condemnation.

#### 12.03 Representation of Each Party.

Landlord and Tenant shall each have the right to represent its respective interest in each proceeding or negotiation with respect to a taking or intended taking and to make full proof of its claims. The Parties agree to execute and deliver to each other any instruments that may be required to effectuate or facilitate the provisions of this Lease relating to condemnation.

#### 12.04 Total or Substantial Taking.

##### A. Effect on Rent and Term.

On a total taking this Lease shall terminate on the date of taking.

##### B. Procedure for Substantial Taking.

If the taking is not a total taking, either Party (the "Notifying Party") may, by notice to the other Party (the "Receiving Party") given within ten (10) days after the Notifying Party receives or receives knowledge

of the notice of intended taking, elect to treat the taking as a substantial taking. If the Receiving Party gives the Notifying Party notice disputing the Notifying Party's contention that the taking is substantial within twenty (20) days following the Notifying Party's notice, the dispute shall be arbitrated under Section 14.12. If the Receiving Party gives no such notice, the taking shall be considered a substantial taking. If the Landlord is the Notifying Party, a substantial taking shall be treated as a total taking. If the Tenant is the Notifying Party, a substantial taking shall be treated as a total taking if (1) Tenant delivers possession of the Project to Landlord within thirty (30) days after determination that the taking was a substantial taking, and (2) Tenant is not in default under this Lease at the time the determination is made that the taking was a substantial taking and has complied with all Lease provisions concerning apportionment of the award; if these conditions are not met, the taking shall be treated as a partial taking.

#### 12.05 Partial Taking.

##### A. Effect on Rent and Term.

On a partial taking, this Lease shall remain in full force and effect for the remaining portion of the Project, except that the Rent shall be reduced in the same ratio as the value of the entire leasehold is reduced by the taking as of the date of taking. If Landlord and Tenant are unable to agree within thirty (30) days on the amount of such reduction, the dispute shall be arbitrated under Section 14.12, and the effects of such total, substantial or partial taking on term, rent and apportionment of award shall be determined by the provisions of this Article XII.

##### B. Restoration of Improvements.

Promptly after a partial taking, at Tenant's expense and in the manner specified in Section 7.03, Tenant shall repair, alter, modify, or reconstruct the Project to make it reasonably suitable for Tenant's continued occupancy for the uses and purposes for which the Premises are leased. If Tenant does not so repair, alter, modify, or reconstruct, the cost thereof shall be deducted from Tenant's share of the award and paid to Landlord.

#### 12.06 Limited Takings.

##### A. Taking of Less Than Fee Title.

On the taking of less than a fee title interest in the Premises or Improvements or both, other than a temporary taking for a period ending before the expiration date of the Term, the question whether the taking is total, substantial or partial shall be arbitrated under Section 14.12, and the effects of such total, substantial or partial taking on term, rent and apportionment of award shall be determined by the provisions of this Article XII.



B. Taking for Temporary Use.

On the taking, for a temporary use, of less than a fee title interest in the Premises or Improvements or both, for a period ending before the expiration date of the Term, neither the Term nor the Rent shall be reduced or affected in any way, and Tenant shall be entitled to the entire award for the use or estate taken. If a result of the taking is to necessitate expenditures for changes, repairs, alterations, modifications, or reconstruction of the Project to make it economically viable and a practical whole after Tenant retakes possession of the Premises, Tenant shall receive, hold, and disburse the award for such work in the manner described in Section 11.02. At the completion of the work and the discharge of the Project from all liens and claims, Tenant shall be entitled to any surplus and shall be liable for any deficit.

12.07 Award.

On a taking, all sums awarded, including damages and interest, shall be deposited promptly with an institutional depository designated by Landlord (subject to Tenant's approval) as escrow agent and shall be distributed and disbursed as provided below. Costs of such escrow shall be borne equally by Landlord and Tenant.

A. Distributions On Total Taking.

For a total taking, the award shall be distributed and disbursed in the following order of priority:

1. All real and personal property taxes constituting a lien on the Premises or Improvements.
2. The balance due under any note and Mortgage encumbering Landlord's fee interest in the Premises and having priority over this Lease.
3. The balance due under any note and Leasehold Mortgage to which the fee is not subordinated.
4. The balance due under any note and Mortgage encumbering the fee but not having priority over this Lease, provided that the amount so paid shall be deducted from any amounts otherwise due to Landlord.
5. To Landlord, a sum equal to the value of the Premises taken, valued as unimproved land exclusive of improvements and unburdened by all leases and subleases.
6. To Landlord, any expenses or disbursements reasonably paid or incurred by or on behalf of Landlord for or in connection with the condemnation proceedings.
7. To Landlord, the value of the reversionary interest in the Improvements.
8. To Tenant, the balance of the award.

B. Distributions On Partial Taking.

For a partial taking, the award shall be distributed and disbursed in the following order of priority:

1. To Tenant, the sum of:
  - (a) the value contributed to the Premises by Improvements and mobile homes owned by Tenant taken; and
  - (b) any severance damage to the remaining Leasehold Interest and Improvements, computed as the difference between the market value of the remaining Leasehold and Improvements as they were, proportionally, before the taking and as they will be after the taking.
2. To Landlord, the fair market value of the Leasehold interest taken at the date as of which the award is determined, computed by determining the excess of the present worth of the fair rental value of the entire Premises as used for a mobile home park with mixed low income and market rate spaces as provided in this Lease over the present worth of the contract Rent for the entire Premises, multiplied by a fraction the numerator of which is the number of Spaces taken and the denominator of which is the total number of Spaces prior to the taking.
3. To any Leasehold Mortgagee, a sum equal to any decrease in its security resulting from the taking.
4. To Landlord and Tenant, their respective expenses and disbursements reasonably made or incurred for or in connection with the condemnation proceedings.
5. To Landlord, the balance of the award.

ARTICLE XIII

DEFAULT AND REMEDIES

13.01 Tenant's Default.

The occurrence of any of the following shall constitute a breach and material default of this Lease by Tenant:

- (i) Abandonment or surrender of the project or of Tenant's leasehold estate, or failure or refusal to pay when due any installment of Rent or any other sums required by this Lease to be paid by Tenant, or to perform any other provision of this Lease. Notwithstanding the foregoing, Tenant may terminate this Lease pursuant to Section 5.06 at any time prior to completion of the Project without liability.
- (ii) The subjection of any right or interest of Tenant to attachment, execution, or other levy, or to seizure under legal process, if not released within thirty (30) days; provided that the foreclosure of any Leasehold Mortgage shall not be construed as a default within the meaning of this paragraph.

- (iii) The appointment of a receiver to take possession of the Project or of Tenant's interest in the leasehold estate or of Tenant's operations on and at the Project for any reason, including but not limited to, assignment for benefit of creditors or voluntary or involuntary bankruptcy proceeding, but not including receivership (1) pursuant to administration of the estate of any deceased or incompetent individual partner of Tenant, or (2) pursuant to any Leasehold Mortgage, or (3) instituted by Landlord, the event of default being not the appointment of a receiver at Landlord's instance but the event justifying the receivership, if any.
- (iv) An assignment by Tenant for the benefit of creditors or the filing of a voluntary or involuntary petition by or against Tenant under any law for the purpose of adjudicating Tenant a bankrupt; or for extending time for payment, adjustment, or satisfaction of Tenant's liabilities; or for reorganization, dissolution, or arrangement on account of or to prevent bankruptcy or insolvency; unless the assignment or proceeding, and all consequent orders, adjudications, custodies, and supervisions are dismissed, vacated, or otherwise permanently stayed or terminated within sixty (60) days after the assignment, filing, or other initial event.
- (v) Default or delinquency in the payment of any loan secured by a Leasehold Mortgage.

#### 13.02 Notice of Default.

As a precondition to pursuing any remedy for an alleged default by Tenant, Landlord shall, before pursuing any remedy, give notice of default to Tenant and to all Leasehold Mortgagees whose names and addresses were previously given to Landlord in a notice or notices from Tenant stating that the notice was for the purpose of notice under this Section 13.02. Each notice of default shall specify in detail the alleged event of default and the intended remedy.

#### 13.03 Tenant's Right to Cure Defaults.

If the alleged default is nonpayment of Rent, taxes, or other sums to be paid by Tenant under this Lease, Tenant shall have fifteen (15) days after notice is given to cure the default. For the cure of any other default, Tenant shall promptly and diligently after the notice commence curing the default and shall have sixty (60) days after notice is given to complete the cure, plus any additional period that is reasonably required for the curing of the default.

#### 13.04 Leasehold Mortgagee's Right to Cure Tenant's Defaults.

Leasehold Mortgagees shall have the same rights to cure Tenant's defaults as Tenant, in the absence of a timely cure by Tenant.

#### 13.05 Landlord's Right to Cure Tenant's Defaults.

After expiration of the applicable time for curing a particular default, or before the expiration of that time in the event of emergency, Landlord may, but is not obligated to, make any payment required of Tenant under this Lease or under any note, Leasehold Mortgage, or other document pertaining to the

financing of Improvements or perform or comply with any covenant or condition imposed on Tenant under this Lease or any such note, Leasehold Mortgage or document, and the amount so paid plus the reasonable costs of any such performance or compliance, plus interest on such sum in accordance with Section 14.23 from the date of payment, performance, or compliance, shall be deemed to be additional rent payable by Tenant with the next succeeding installment of Rent. No such performance or compliance shall constitute a waiver of default or of any remedy for default or render Landlord liable for any loss or damage resulting therefrom.

13.06 Landlord's Remedies.

If any default by Tenant shall continue uncured following notice of default as required by this Lease, Landlord shall have the following remedies in addition to all other rights and remedies provided by law or equity, to which Landlord may resort cumulatively or in the alternative:

A. Termination of Lease.

Landlord may at Landlord's election terminate this Lease by giving Tenant notice of termination. On the giving of the notice, all Tenant's rights in the Project shall terminate. Promptly after notice of termination, Tenant shall surrender and vacate the Project in a neat and orderly condition, and Landlord may reenter and take possession of the Project and eject all parties in possession or eject some and not others or eject none. Termination under this paragraph shall not relieve Tenant from the payment of any sum then due to Landlord or from any claim for damages previously accrued or then accruing against Tenant.

B. Reentry Without Termination.

Landlord may at Landlord's election reenter the Project, and, without terminating this Lease or Tenant's right to possession, at any time and from time to time, relet the Project or any part or parts of it for the account and in the name of Tenant or otherwise. Landlord may at Landlord's election eject all persons or eject some and not others or eject none. Landlord shall apply all rents from reletting as provided in paragraph F of this Section. Any reletting may be for the remainder of the Term or for a longer or shorter period. Landlord may execute any leases made under this paragraph either in Landlord's name or in Tenant's name and shall be entitled to all rents from the use, operation, or occupancy of the Project. Tenant shall nevertheless pay to Landlord on the due dates specified in this Lease the equivalent of all sums required of Tenant under this Lease, plus Landlord's expenses, less the proceeds of any reletting or attornment. No act by or on behalf of Landlord under this paragraph shall constitute a termination of this Lease unless Landlord gives Tenant written notice of termination.

C. Tenant's Trade Fixtures.

Landlord may at Landlord's election use Tenant's Trade Fixtures or any of such Trade Fixtures without compensation and without liability for use or damage, or store them for the account and at the cost of Tenant. The election of one remedy for any one item shall not foreclose an election of any other remedy for another item or for the same item at a later time.

D. Recovery of Rent.

Landlord shall be entitled at Landlord's election to each installment of Rent or to any combination of installments for any period before termination, plus interest in accordance with Section 14.23 for each installment. Proceeds of reletting or attorned subrents shall be applied, when received, as follows:

1. To Landlord to the extent that the proceeds for the period covered do not exceed the amount due from and charged to Tenant for the same period; and
2. The balance to Tenant.

Landlord shall make reasonable efforts to mitigate Tenant's liability under this paragraph.

E. Damages.

Landlord shall be entitled at Landlord's election to damages in the following sums:

1. All amounts that would have fallen due as Rent between the time of termination of this Lease and the time of the claim, judgment, or other award, less the proceeds of all relettings and attornments, plus interest on the balance in accordance with Section 14.23; and
2. The "worth" at the time of the claim, judgment or other award, of the amount by which the unpaid Rent for the balance of the Term exceeds the then fair rental value of the Premises at the lower of the fair rental value as then encumbered by this Lease and Improvements and the fair rental value unencumbered by this Lease and Improvements.

"Worth," as used in this paragraph, is computed by discounting the total at the discount rate of the Federal Reserve Bank of San Francisco at the time of the claim, judgment, or award, plus one percent (1%).

F. Assignment of Subrents.

Tenant assigns to Landlord all subrents and other sums falling due from Subtenants, licensees and concessionaires during any period in which Landlord has the right under this Lease, whether exercised or not, to reenter the Project for Tenant's default, and Tenant shall not have any right to such sums during that period. This assignment is subject and subordinate to any and all assignments of the same subrents and other sums made, before the default in question, to a Leasehold Mortgagee. Landlord may at Landlord's election reenter the Project with or without process of law, without terminating this Lease, and either or both collect these sums or bring action for the recovery of the sums directly from such obligors. Landlord shall receive and collect all subrents and proceeds from reletting, applying them: first, to the payment of reasonable expenses (including attorneys' fees or brokers' commissions or both) paid or incurred by or on behalf of Landlord in recovering possession, placing the Project

in good condition, and preparing or altering the Project for reletting; second, to the reasonable expense of securing new Subtenants; third, to the fulfillment of Tenant's covenants to the end of the Term; and fourth, to Landlord's uses and purposes. Tenant shall nevertheless pay to Landlord on the due dates specified in this Lease the equivalent of all sums required of Tenant under this Lease, plus landlord's expenses, less the proceeds of the sums assigned and actually collected under this provision. Landlord may proceed to collect either the assigned sums or Tenant's balances or both, or any installment or installments of them, either before or after expiration of the Term, but the period of limitations shall not begin to run on Tenant's payments until the due date of the final installment to which Landlord is entitled nor shall it begin to run on the payments of the assigned sums until the due date of the final installment due from the respective obligors.

#### 13.07 Notice of Landlord's Default; Tenant's Waiver.

Landlord shall not be considered to be in default under this Lease unless (1) Tenant has given notice to Landlord specifying the default; and (2) Landlord has failed for thirty (30) days to cure the default, if it is curable, or to institute and diligently pursue reasonable corrective or ameliorative acts for noncurable defaults. Tenant shall have the right of termination for Landlord's default only after notice to and consent by all Leasehold Mortgagees. Tenant waives the protection of Civil Code Sections 1932 and 1933.

#### 13.08 General Provisions.

##### A. Unavoidable Default or Delay.

Any prevention, delay, nonperformance, or stoppage due to any of the causes hereinafter mentioned shall excuse nonperformance for a period equal to any such prevention, delay, nonperformance, or stoppage, except the obligations imposed by this Lease for the payment of Rent, taxes, insurance, or other obligations to pay money. The causes referred to above are strikes, lockouts, labor disputes, failure of power, irresistible superhuman cause, acts of public enemies of this state or of the United States, riots, insurrections, civil commotion, inability to obtain labor or materials or reasonable substitutes for either, governmental restrictions or regulations or control (except those reasonably foreseeable in connection with the uses contemplated by this Lease), or other similar causes beyond the reasonable control of the Party obligated to perform.

##### B. Waiver, Voluntary Acts.

No waiver of any default shall constitute a waiver of any other breach or default, whether of the same or any other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by either Party shall give the other any contractual right by custom, estoppel, or otherwise. The subsequent acceptance of Rent pursuant to this Lease shall not constitute a waiver of any preceding default by Tenant other than default in the payment of the particular Rent payment so accepted, regardless of Landlord's knowledge of the preceding breach at the time of accepting the Rent, nor shall acceptance of Rent or any other payment after termination constitute a reinstatement, extension, or renewal of the Lease or revocation of any notice or other act by Landlord.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

14.01 Notice.

A. Definition of Notice; Application of Provision.

As used in this Lease, notice includes but is not limited to the communication of notice, request, demand, approval, statement, report, acceptance, consent, waiver, and appointment. No notice of the exercise of any option or election is required unless giving the election or option expressly requires notice. Unless the provisions of this Lease on Rent direct otherwise, Rent shall be sent in the manner provided for giving notice.

B. Writing.

All notices must be in writing; provided that no writing other than the check or other instrument representing the Rent payment itself need accompany the payment of Rent.

C. Delivery.

Notice is considered given either

1. When delivered in person to the recipient named as below, or
2. Forty-eight (48) hours after deposit in the United States Mail in a sealed envelope or container, either registered or certified mail, return receipt requested, postage and postal charges prepaid, addressed by name and address to the Party or person intended as follows:

Notice to Tenant:        Rancho Del Rio  
                                  ATTN: Mr. J. George Harrison  
                                  4452 Park Boulevard, Suite 314  
                                  San Diego, California 92116

Copy to:                    James R. Dawe, Esquire  
                                  Seltzer Caplan Wilkins & McMahon  
                                  3003 Fourth Avenue  
                                  San Diego, California 92103

Notice to Landlord:     Housing Authority of the City of  
                                  San Diego  
                                  c/o San Diego Housing Commission  
                                  121 Broadway, Suite 443  
                                  San Diego, California 92101  
                                  Attention: Executive Director

Copy to:                    Housing Authority of the City  
                                  of San Diego  
                                  General Counsel  
                                  c/o City Attorney's Office  
                                  202 C Street, Third Floor  
                                  San Diego, California 92101

D. Change of Recipient or Address.

Either party may, by notice given at any time or from time to time, require subsequent notices to be given to another individual person, whether a Party or an officer or representative, or to a different address, or both. Notices given before actual receipt of notice of change shall not be invalidated by the change.

14.02 Nonmerger of Fee and Leasehold Estates.

If both Landlord's and Tenant's estates in the Premises or the Improvements or both become vested in the same owner, this Lease shall nevertheless not be destroyed by application of the doctrine of merger except at the express election of the owner and the consent of all Leasehold Mortgagees.

14.03 Estoppel Certificates.

At any time and from time to time, within fifteen (15) days after notice of request by either Party, the other Party shall execute, acknowledge, and deliver to the requesting Party, or to such other recipient as the notice shall direct, a statement certifying that this Lease is unmodified and in full force and effect, or, if there have been modifications, that it is in full force and effect as modified in the manner specified in the statement. The statement shall also state the dates to which the Rent and any other charges have been paid in advance. The statement shall be such that it can be relied on by any auditor, creditor, commercial banker, or investment banker of either Party and by any prospective purchaser or encumbrances of the Premises or Improvements or both or of all or any part or parts of Tenant's or Landlord's interests under this Lease.

The failure of Landlord or Tenant to execute, acknowledge, and deliver, on request, the certified statement described above within the specified time shall constitute acknowledgment by such Party to all persons entitled to rely on the statement that this Lease is unmodified and in full force and effect and that the Rent and other charges have been duly and fully paid to and including the respective due dates immediately preceding the date of the notice of request, and shall constitute a waiver with respect to all persons entitled to rely on the statement of any defaults that may exist before the date of the notice.

14.04 Joint and Several Obligations.

If either Landlord or Tenant consists of more than one person, the obligation of all such persons is joint and several.

14.05 Captions, Table of Contents.

The table of contents of this Lease and the captions of the various sections and paragraphs of this Lease are for convenience and ease of reference only and do not define, limit, augment, or describe the scope, content, or intent of this Lease or of any part or parts of this Lease.

14.06 Gender.

The neuter gender includes the feminine and masculine, the masculine includes the feminine and neuter, and the feminine includes the masculine and neuter, and each includes corporation, partnership, or other legal entity when the context so requires.



14.07 Singular and Plural.

The singular includes the plural whenever the context so requires.

14.08 Entire Agreement.

This Lease contains the entire agreement between the Parties, and supersedes all prior correspondence and agreements between the Parties. No promise, representation, warranty, or covenant not included in this Lease has been or is relied on by either Party. Each Party has relied on his own examination of this Lease, the counsel of its own advisors, and the warranties, representations, and covenants in the Lease itself. The failure or refusal of either Party to inspect the Premises, to read this Lease or other documents, or to obtain legal or other advice relevant to this transaction constitutes a waiver of any objection, contention, or claim that might have been based on such reading, inspection, or advice.

14.09 Successors.

Subject to the provisions of Article X, each and all of the covenants and conditions of this Lease shall be binding on and shall inure to the benefits of the heirs, successors, executors, administrators, assigns, and personal representatives of the respective Parties.

14.10 Attorneys' Fees.

If either Party becomes a Party to any litigation concerning this Lease or the Project, by reason of any act or omission of the other Party or its authorized representatives, and not by any act or omission of the Party that becomes a party to that litigation or any act or omission of its authorized representatives, the Party that causes the other Party to become involved in the litigation shall be liable to that Party for reasonable attorneys' fees and court costs incurred by it in the litigation.

If either Party commences an action against the other Party arising out of or in connection with this Lease, the prevailing Party shall be entitled to have and recover from the losing Party all costs of suit, including reasonable attorneys' fees. Arbitration is an action for the purposes of this Section 14.10.

14.11 Counterparts.

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

14.12 Arbitration.

Any controversy arising out of or related to this Lease or its breach, except adjustments in Rent determined according to Section 3.01 or Tenant's failure to pay Rent or any other sums required hereunder (e.g., taxes, insurance, Leasehold Mortgage payments, etc.), and any matter for which arbitration is prescribed in this Lease shall be resolved as follows:

- (i) When the total sum in dispute is less than \$100,000, or when arbitration is prescribed in this Lease, the controversy shall be settled by binding arbitration in San Diego in accordance with the rules of the American Arbitration Association, and any judgment entered upon the award rendered may be enforced by appropriate judicial action pursuant to the California Code of Civil Procedure. The arbitration panel shall consist of three members, one selected by each Party to the dispute within thirty (30) days following notice by one Party that he desires that a matter be arbitrated, and the third selected by the first two members within thirty (30) days after their selection. The arbitration panel shall determine which Party shall bear any fees and expenses of the arbitration and any other tribunal fees and expenses. Each Party shall bear its own costs of producing witnesses on its behalf and any other costs or expenses incurred by it (except attorneys' fees). The arbitration panel shall render a decision within thirty (30) days following the close of presentation by the Parties of their cases and any rebuttal.
- (ii) When the total sum in dispute is \$100,000, or greater, the controversy shall be settled by binding arbitration as described in paragraph (i) above, except that in lieu of an arbitration panel, the Parties shall agree on a single arbitrator. If the Parties are unable to agree on a single arbitrator, either Party may seek appropriate judicial action.

#### 14.13 Exhibits Incorporated.

All Exhibits to which reference is made are deemed incorporated in this Lease, whether or not actually attached.

#### 14.14 Applicable Law.

In interpreting the covenants and conditions of this Lease, the laws of the State of California shall apply.

#### 14.15 Amendments.

This Lease may not be altered, modified or amended except by an instrument in writing executed by the Parties. Landlord agrees to execute and deliver to Tenant, within ten (10) days after notice of request by Tenant, any amendment to this Lease required by a Leasehold Mortgagee, provided that such amendment has no material economic effect on Landlord.

#### 14.16 Memorandum of Lease.

This Lease shall not be recorded, except that if either Party requests the other Party to do so, the Parties shall execute and record an appropriate Memorandum of Lease in the form attached hereto as Exhibit "E".

#### 14.17 Inspection of Records.

Whenever Landlord desires to inspect the records and accounts of Tenant to determine Tenant's compliance with the terms of this Lease, Landlord shall have the right, upon not less than forty-eight (48) hours prior written notice to Tenant, to inspect any records pertinent to the subject under study. Tenant agrees to cooperate in such inspection and to make the pertinent records available to Landlord at Tenant's place of business in the City of San Diego.

14.18 Severability.

If any provision of this Lease or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforceable to the greatest extent permitted by law.

14.19 Time is of the Essence.

Time is of the essence in the performance of the terms and conditions of this Lease.

14.20 Relationship.

The relationship between the Parties shall at all times be deemed to be that of landlord and tenant. The Parties do not intend nor shall this Lease be deemed to create a partnership or joint venture.

14.21 Landlord's Cooperation.

Landlord shall be reasonable in the exercise of its discretion hereunder and shall not unreasonably withhold consent or approval to any matter for which its consent or approval is required. In addition, Landlord shall use its best efforts to and shall perform any acts or execute any instruments or documents reasonably necessary to effectuate the purposes of this Lease or to assist Tenant in effectuating the purposes of this Lease.

14.22 Administrative Approval and Consent.

Landlord, by the execution of this Lease, hereby designates the Executive Director of Commission to make and effectuate any and all decisions under this Lease to be made by Landlord, to implement the provisions of this Lease and to receive all notices pursuant to this Lease.

The approval or consent of Landlord, wherever required in this Lease, shall mean the approval or consent of the Commission unless otherwise specified, without need for further resolution by Landlord. Unless otherwise specified, approvals and consents of the Commission may be rendered by the Executive Director of the Commission or his designate, and Tenant may rely on any such approval or consent rendered by the Executive Director or his designate, or the Commission.

14.23 Interest.

Any amount due Landlord that is not paid when due shall bear interest from the date such amount becomes due until it is paid. Interest shall be the greater of (a) ten percent (10%) per year or (b) five percent (5%) per year plus the rate the Federal Reserve Bank of San Francisco charges on advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

ARTICLE XV

EXPIRATION AND TERMINATION

15.01 Tenant's Duty to Surrender.

At the expiration or earlier termination of the Term, Tenant shall surrender to Landlord the possession of the Project, and shall execute, acknowledge and deliver to Landlord within thirty (30) days after Landlord's written demand, a valid and recordable quitclaim deed covering all of the Project (except any Improvements which Landlord has demanded Tenant to remove pursuant to Section 8.02), free and clear of all liens, encumbrances and Mortgages, except those existing at the commencement of the Term or those existing and created pursuant to the provisions of this Lease or with the written consent or at the written request of Landlord. Surrender or removal of Trade Fixtures and Improvements shall be as directed in Sections 8.02 and 8.03. Tenant shall leave the surrendered Project and any other property in neat and orderly condition except as provided to the contrary in Article VII. All Trade Fixtures that Tenant abandons shall, at Landlord's election, become Landlord's property at expiration or termination.

If Tenant fails to surrender the Premises at the expiration or sooner termination of this Lease, Tenant shall defend and indemnify Landlord from all liability and expense resulting from the delay or failure to surrender, including, without limitation, claims made by any succeeding tenant founded on or resulting from Tenant's failure to surrender.

15.02 Holding Over.

This Lease shall terminate without further notice at the expiration of the Term. Any holding over by Tenant after expiration shall not constitute a renewal or extension or give Tenant any rights in or to the Project.

IN WITNESS WHEREOF, the Parties have executed this Ground Lease on the dates opposite their signatures below.

LANDLORD:

HOUSING AUTHORITY OF THE CITY  
OF SAN DIEGO, a public body  
corporate and politic

Date: August 9, 1984

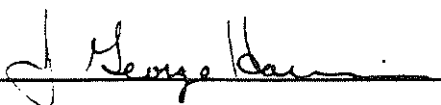
By:   
Chairman

Date: Aug. 14, 1984

  
Ben Montijo, Executive Director

TENANT:

Date: Aug 3, 1984



Date: \_\_\_\_\_

\_\_\_\_\_

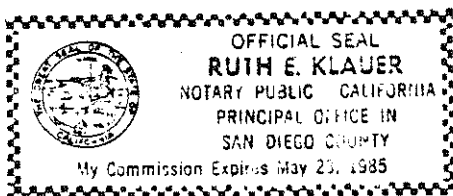
STATE OF CALIFORNIA, )  
                                  ) SS.  
COUNTY OF SAN DIEGO, )

On August 9, 1984, before me, the undersigned, a Notary Public in and for said County and State, residing therein, duly commissioned and sworn, personally appeared Roger Hedgecock, known to me to be the Mayor of The City of San Diego, the municipal corporation that executed the within instrument, and known to me to be the person who executed the within instrument on behalf of the municipal corporation therein named, and acknowledged to me that such municipal corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal, in the County of San Diego, State of California, the day and year in this certificate first above written.

(Insert Notary Stamp Below)

Ruth E. Klauer  
Notary Public in and for said San Diego County, State of California



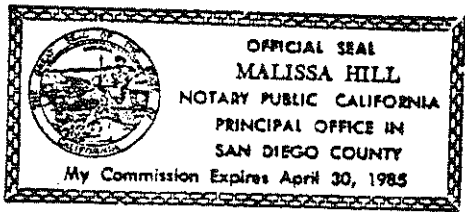
APPROVED FOR FORM AND LEGALITY THIS 13 day of August, 1984

GENERAL COUNSEL, HOUSING  
AUTHORITY OF THE CITY OF  
SAN DIEGO, John W. Witt

By: [Signature]  
Deputy

STATE OF CALIFORNIA )  
COUNTY OF SAN DIEGO )

On this 14th day of August, in the year 1984  
before me, Malissa Hill, a Notary Public in and for  
said County and State, personally appeared Ben Montijo,  
known to me to be Executive Director of  
the San Diego Housing Commission, and known to  
be the person who executed the within instrument on behalf of said public agency  
and acknowledged to me that such public agency executed the same.



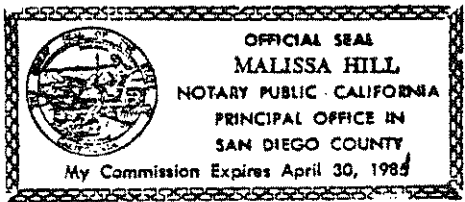
[Signature]  
NOTARY PUBLIC

On August 3, 1984 before me, the undersigned, a Notary Public in  
State, personally appeared J. George Harrison

\_\_\_\_\_, known to me  
to be the person whose name is \_\_\_\_\_ subscribed  
to the within instrument and acknowledged that \_\_\_\_\_  
executed the same.

WITNESS my hand and official seal.

Signature [Signature]



(This area for official notarial seal)

APPROVED FOR FORM AND LEGALITY THIS 13 day of August, 1984

GENERAL COUNSEL, HOUSING  
AUTHORITY OF THE CITY OF  
SAN DIEGO, John W. Witt

By: [Signature]  
Deputy

1944 CA (8-74)

dividual)

STATE OF CALIFORNIA

COUNTY OF SAN DIEGO

} SS.

On August 3, 1984 before me, the undersigned, a Notary Public in and for said  
State, personally appeared J. George Harrison

\_\_\_\_\_, known to me  
to be the person whose name is subscribed  
to the within instrument and acknowledged that he  
executed the same.

WITNESS my hand and official seal.

Signature [Signature]



(This area for official notarial seal)

STATE OF CALIFORNIA, )  
 ) SS.  
COUNTY OF SAN DIEGO, )

On August 13, 1984, before me, the undersigned, a Notary Public in and for said County and State, residing therein, duly commissioned and sworn, personally appeared H. Valderhaug, known to me to be the Deputy City Attorney of The City of San Diego, the municipal corporation that executed the within instrument, and known to me to be the person who executed the within instrument on behalf of the municipal corporation therein named, and acknowledged to me that such municipal corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal, in the County of San Diego, State of California, the day and year in this certificate first above written.

(Insert Notary  
Stamp Below)

Ruth E. Klauer  
Notary Public in and for said San Diego County,  
State of California

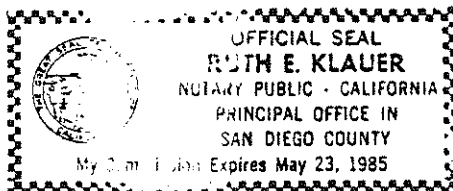




EXHIBIT A

PARCEL 1:

Parcel lots 4 and 5 of Tia Juana City, in the City of San Diego, County of San Diego, State of California, according to map thereof No. 562, filed in the Office of the County Recorder of said San Diego County, September 29, 1888.

PARCEL 2:

That portion of the southwest quarter of the northwest quarter of Section 1, township 19 south, Range 2 west, San Bernardino meridian, in the County of San Diego, State of California, according to United States Government survey approved February 25, 1870, described as follows:

Beginning at the southwest corner of the northwest quarter of said Section 1, township 19 south, range 2 west, San Bernardino Meridian, and running thence east  $43 \frac{3}{4}$  rods; thence north 80 rods; thence west  $43 \frac{3}{4}$  rods to the west line of said quarter section; thence south 80 rods to the point of beginning.

Excepting that portion lying easterly and northerly of a line described as follows:

Beginning at the point of intersection of the north line of said southwest quarter of the northwest quarter with a line which is parallel with and 20 feet easterly of the southerly prolongation of the east line of Cottonwood Road as said road is shown on map of San Ysidro No. 1174, filed in the office of the County Recorder of the County of San Diego; thence southerly parallel with said southerly prolongation to the southerly line of the northerly 180 feet of said southwest quarter of the northwest quarter; thence westerly parallel with said north line 20 feet to said southerly prolongation of the east line of Cottonwood Road; thence southerly along said prolongation to a point on the northerly line of the southerly 283.40 feet of said southwest quarter of the northwest quarter; thence easterly parallel with the southerly line of said northwest quarter to the easterly line of the first above described land.

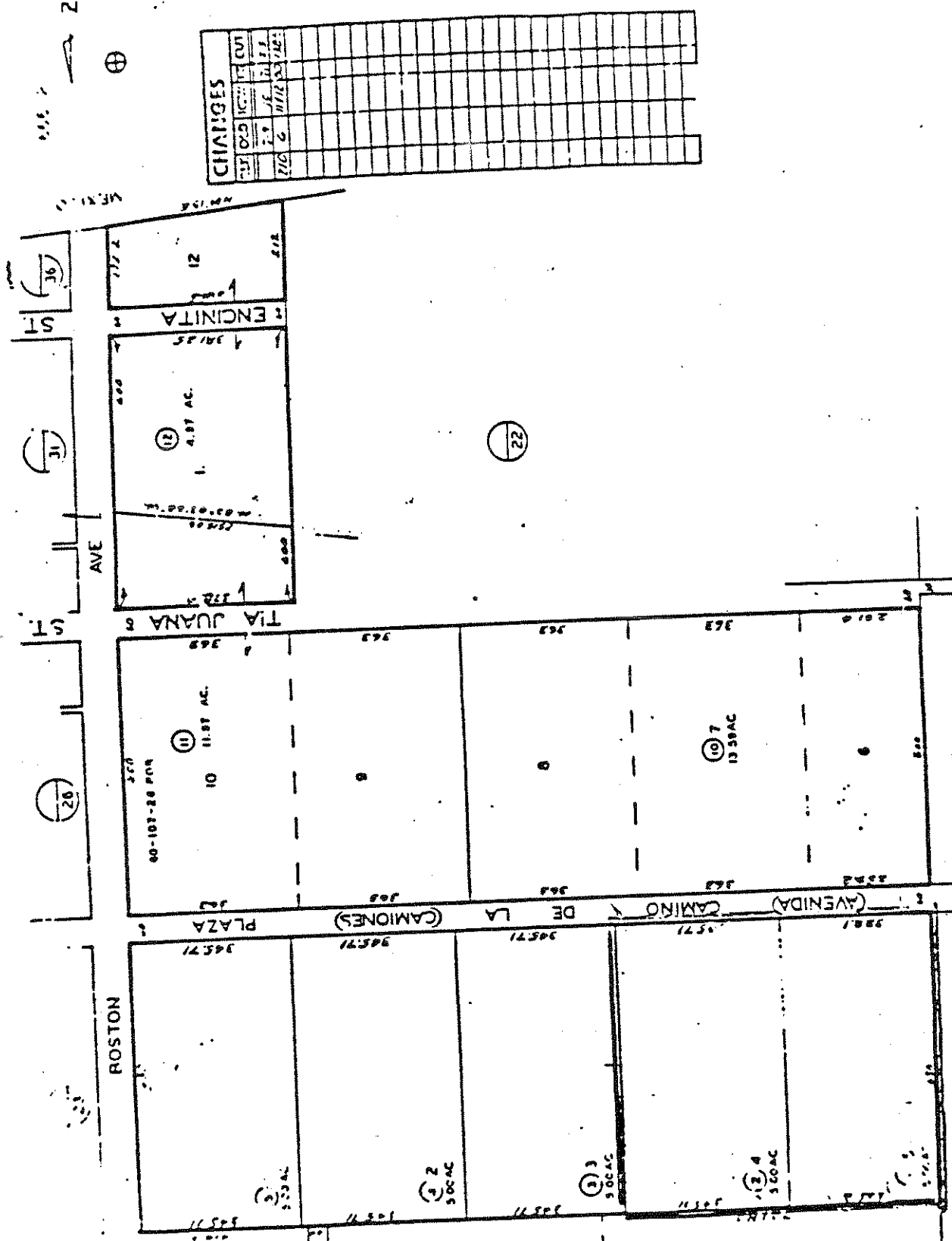
Also excepting the northerly 200 feet of the westerly 400 feet of the first above described land.

Also excepting therefrom that portion described in deed to the State of California, recorded July 10, 1969 as File No. 124067.

R-255725

MAP 562 - TIA JUANA CITY RE-FILED

PARCEL 1



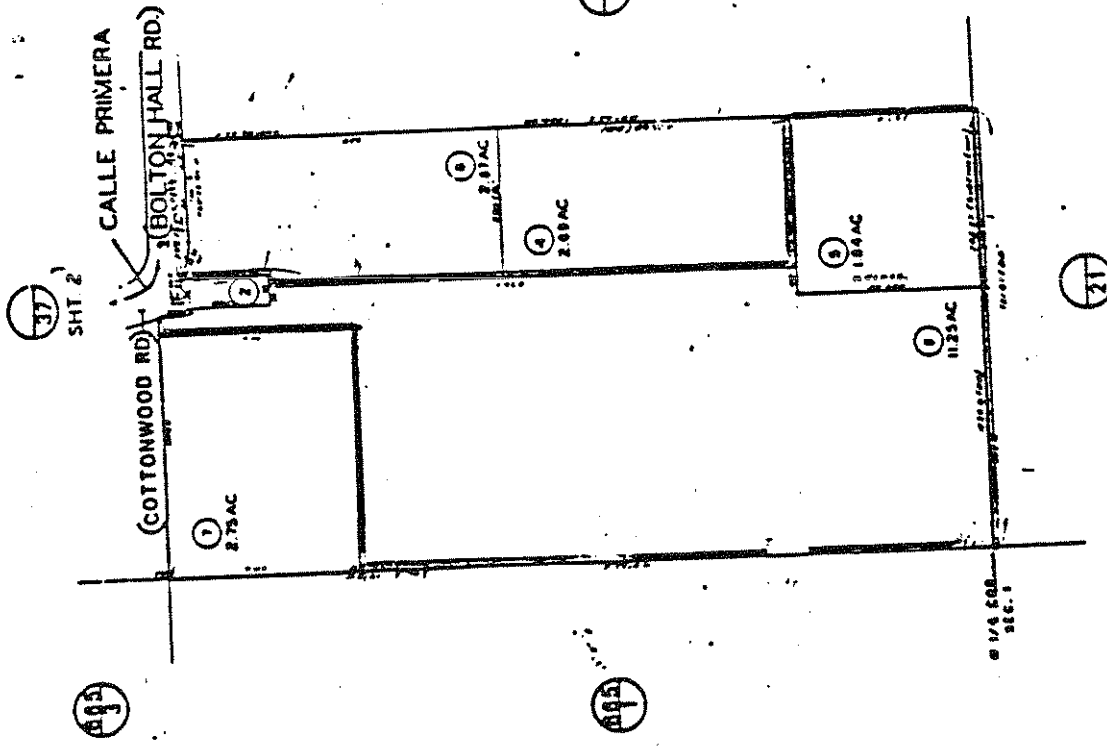
| CHANGES |          |    |         |
|---------|----------|----|---------|
| NO.     | DATE     | BY | REMARKS |
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| 2       | 02/20/00 | JE | FILED   |
| 3       | 02/20/00 | JE | FILED   |
| 4       | 02/20/00 | JE | FILED   |
| 5       | 02/20/00 | JE | FILED   |
| 6       | 02/20/00 | JE | FILED   |
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688-14

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CHANGES

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|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|

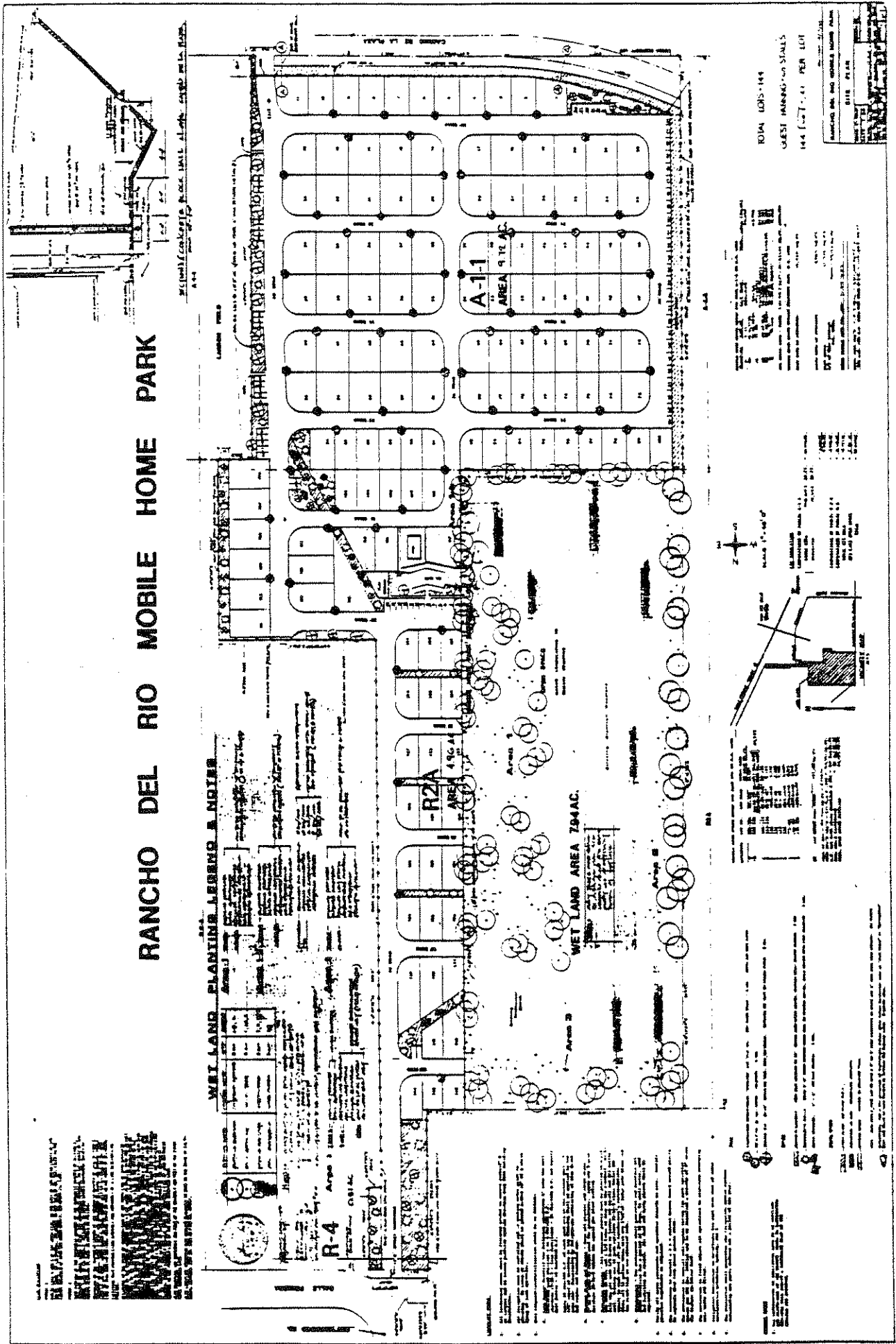


SEC 1 - T19S - R2W - POR NW 1/4

PARCEL 2

R- 255725

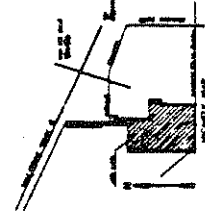
# RANCHO DEL RIO MOBILE HOME PARK



100% LOTS-144  
 GUEST PARKING-50 SPACES  
 144 (147-141) PER LOT

| NO. | DESCRIPTION | AMOUNT | DATE |
|-----|-------------|--------|------|
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| NO. | DESCRIPTION | AMOUNT | DATE |
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| NO. | DESCRIPTION | AMOUNT | DATE |
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| 10  | ...         | ...    | ...  |

| NO. | DESCRIPTION | AMOUNT | DATE |
|-----|-------------|--------|------|
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| 6   | ...         | ...    | ...  |
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| 8   | ...         | ...    | ...  |
| 9   | ...         | ...    | ...  |
| 10  | ...         | ...    | ...  |

MITIGATION PLAN  
FOR  
RANCHO DEL RIO MOBILE HOME PARK  
SAN YSIDRO, CALIFORNIA

Prepared for:

Cal-West Diversified  
4135 Taylor Street, Suite 6  
San Diego, CA 92110

Prepared by:

Wier Biological  
4855 Ruffner Street, Suite B  
San Diego, CA 92111  
(619) 292-5094

January 24, 1984

## INTRODUCTION

The Rancho del Rio Mobile Home Park project, located along the Tijuana River in San Ysidro, California, has been found to pose potential, significant adverse effects to biological resources (Wier Biological, August 31, 1983, Attachment I). In order to proceed with a mitigated negative declaration for the project, the City of San Diego Environmental Quality Division required an open space easement, and implementation of a wetland development plan. The wetlands plan, outlined here, is intended to offset the loss of wetlands resulting from site development (see Attachment II, letter from EQD to George Harrison, November 22, 1983). See Table 1.

This plan includes instructions for trash and fill removal, fencing during construction, augering of holes for planting, landscaping area identification, types, sizes and species of plant material to be used, and densities for planting.

Table 1. Habitat Summary\*  
(in acres)

|                                   | Existing Wetland | Wetland to be Lost | Wetland to be Pre-served in Existing Condition | Wetland to be Created or Enhanced by this Plan |
|-----------------------------------|------------------|--------------------|--|--|
| Riparian Woodland (High Quality)  | 5.22             | 1.40               | 3.88**   | 3.03**   |
| Riparian Woodland (Lower Quality) | 3.73             | 1.94               | 0.00   | 0.00   |
| Freshwater Marsh (High Quality)   | 1.31             | 0.20               | 1.11**   | 0.00   |
| Freshwater Marsh (Lower Quality)  | 0.51             | 0.51               | 0.00   | 0.00   |
| Totals                            | 10.77            | 4.05               | 4.99   | 3.03   |

Total Wetland After Project: 8.02 (sum of \*\*)

\* Source: Habitat Map prepared by Wier Biological (1983) overlaid by development plan and mitigation plan.

Table 2. Plant Materials for Use in Restoration  
of Rancho del Rio

A. Trees for Riparian Woodland (planted as 1-gallon or  
5-gallon container stock)

\*Alnus rhombifolia  
\*Platanus racemosa  
\*Populus fremontii  
Quercus agrifolia  
\*Salix gooddingii  
\*Salix hindsiana  
Salix laevigata  
  
Salix lasiandra  
Salix lasiolepis

B. Shrubs for Riparian Woodland (planted as 1-gallon  
container stock)

Amorpha fruticosa  
\*Artemisia douglasiana  
Artemisia palmeri  
\*Atriplex lentiformis  
Baccharis pilularis var. consanguinea  
Cercocarpus minutiflorus  
Clematis lasiantha (vine)  
Elymus condensatus  
\*Heteromeles arbutifolia  
Hymenoclea monogyra  
Lonicera subspicata  
Lotus scoparius (could be planted as seed)  
Malacothamnus fasciculatus  
Mimulus puniceus  
\*Prosopis glandulosa  
Rhus integrifolia  
Rhus trilobata  
\*Rosa californica  
\*Rubus ursinus  
Salix hindsiana  
\*Sambucus mexicana  
Solanum douglasii  
\*Vitis girdiana (vine)

Table 2 (Continued)

C. Herbs for Riparian Woodland (planted as seed)

Camissonia cheiranthifolia  
Carex spissa  
\*Chenopodium album  
\*Eschscholzia californica  
Lotus heermannii  
Lotus purshianus  
\*Lupinus succulentus  
\*Melilotus albus  
\*Melilotus indicus  
\*Mimulus cardinalis  
Mimulus guttatus  
\*Oenothera hookeri  
Penstemon spectabilis  
Psoralea macrostachya  
Stachys rigida  
Veronica anagallis-aquatica

---

\* Preferred species. All other species to be used only if preferred species are unavailable.

---

LANDSCAPE PLAN--GENERAL

The landscape plan calls for the restoration of only one habitat type -- Riparian Woodland. The plan involves enhancement of existing habitat and planting of newly-created slopes. In nature, Riparian Woodland is dominated by tall, deciduous trees, predominantly willow and cottonwood, and on more upland sites, sycamore. There are also various understory levels in Riparian Woodland, including low ground covers, low shrubs and tall shrubs or small trees. The landscape plan intends to recreate this situation, as well as increase floral (species) number.

Riparian Woodland at the site's lower elevations will be composed of a willow-cottonwood association, whereas higher elevations will be composed of a cottonwood-sycamore association.

Plants to be used in this plan are listed in Table 2. The table includes trees, shrubs and herbs. The specified stock size for trees and shrubs is 1 gallon or 5 gallon. Herbs are to be planted as seed.

The landscape plan calls for the use of at least 16 plant species from Table 2. The preferred species are marked



with an asterisk. These species will be used unless they are not available. In such a case, the landscape contractor may select a substitute species from the same category within the list (i.e., replace an unavailable shrub species with a shrub that is available). Two trees, Populus fremontii and Platanus racemosa, may not be substituted for, and unavailable Salix must be substituted for with Salix other than Salix hindsiana (a small species unsuitable as an overstory tree).

In order to obtain the necessary types and quantities of plant materials called for in this plan, it will probably be necessary to contract for propagation and seed collection at least 6 months prior to the date of planting. There are a number of qualified nurseries and propagators in the area, including some that specialize in native plants.

#### AREA 1

This area, which presently has a disturbed riparian cover, will receive plantings of trees and shrubs without removal of any significant amount of existing plant cover. Some shrubs may need to be removed to allow planting of new trees and shrubs.

#### Specifications

Plant Populus fremontii and Salix gooddingii on alternate 15-foot centers throughout the area (List A). Plant at least four shrub species (List B) on 10-foot centers throughout the area. Plant four individuals of same species contiguously, forming a rectangular or spherical stand. Provide each tree or shrub with irrigation for the first six months or less, depending on need.

#### AREA 1B

Embankment to be created with indigenous fill at 2:1 slope.

#### Specifications

Plant on 15-foot centers the trees Platanus racemosa, Populus fremontii and Alnus rhombifolia. Plant on 10-foot centers the shrubs Prosopis glandulosa, Heteromeles arbutifolia and Atriplex lentiformis. Provide irrigation as above. Hydroseed or broadcast seed slope after planting, at least four species from List C.

## AREA 2

This area lacks riparian vegetation almost completely, but is dominated by a weedy cover of grasses and iceplant (Gasoul crystallinum). The elevation of the top of the slope is about 5 feet above areas presently supporting riparian vegetation. Weed control is necessary prior to planting.

### Specifications

Remove the existing fencing along this property line (if indeed it is on-site). Grade this slope to create an evenness and reduce the standing weed cover. Fill with soil the large pits at the northern end. Remove trash at the northern end also. Plant Populus fremontii and Platanus racemosa on 15-foot centers along the bank. Platanus is suited better for higher elevations than Populus. Plant at least four shrub species on 10-foot centers throughout the area. Prosopis glandulosa and Atriplex lentiformis must be included as two of the four shrub species. Provide irrigation for the first six months or less, depending on need.

## AREA 3

This area is fill material several feet above the level of standing water.

### Specifications

Remove the concrete blocks. Create a 2:1 slope with the toe of slope at the water level (34.1 feet) and the top of slope at the property line. Plant Populus fremontii and Salix gooddingii at the lower elevations and Populus fremontii, Prosopis glandulosa, Heteromeles arbutifolia and Atriplex lentiformis at higher elevations. Plant trees on 15-foot centers and shrubs on 10-foot centers. Provide irrigation for higher elevations only.

## SITE PREPARATION PRIOR TO LANDSCAPING

1. Remove trash, including foreign fill material such as asphalt and concrete, from all portions of the restoration area indicated.
2. In the northwest corner, in addition to trash removal and grading, remove the stand of Castor-Bean (Ricinus communis) plants there. At the direction of the biological consultant, remove other infestations of Castor-Bean, Giant Reed (Arundo donax) and Salt-Cedar (Tamarix sp.).

Remove weedy plant cover along western property line mechanically.

3. Fence (with temporary fencing) the high-quality riparian vegetation shown. This measure is to prevent accidental damage to the habitat by construction vehicles. Fencing could be temporarily removed in order to allow weed or trash removal. Remove fencing after construction.
4. Mark and auger all holes for tree stock. Auger to a depth of 10 feet maximum, or to permanently moist soil. Refill with wetted indigenous soil. Auger diameter should be 10 inches for trees.
5. Dig all holes for shrubs to a depth of 20 inches maximum, or to permanently moist soil, and refill with wetted indigenous soil. Auger diameter should be 10 inches.
6. On all cut and fill slopes within the restoration area, stabilize if necessary (for instance, with jute matting). Where matting is not used, disc or rake the slope to aid retention of seeds, organic litter and water.
7. Identify in the field and mark areas 1, 2 and 3.

#### PLANTING

1. If 5-gallon or larger stock is used, it will be supported with one 2-inch diameter stake per plant, and two cinch ties (note that 1-gallon stock is recommended).
2. Fertilizers and soil amendments will not be required.

#### IRRIGATION

1. An irrigation system, particularly on the fill slopes, may be necessary to insure survival and proper growth of the planted riparian vegetation. The need for a temporary system should be anticipated. If used, the system will be removed at year's end.

### REPLACEMENT OF PLANTS

The landscape contractor will replace all plants which have died or are unhealthy within the first year. Replacements will take place immediately. The biological consultant will identify plants for removal (below).

### MONITORING

A biological consultant will be retained to monitor and report upon the progress of vegetation. Monitoring will consist of height, cover and survivorship measurements of all trees and shrubs on two 50m<sup>2</sup> plots in each of areas 1, 1B and 2 (total of 6 plots). Representative photographs will be taken within each plot. Sampling will take place monthly throughout the first 6 months, bi-monthly through the end of the first year, and semi-annually through year 3. Reports will be submitted to City EQD at 6 months, 1 year, 2 years and 3 years.

### MAINTENANCE

The developer and the Housing Commission, with input from the Environmental Quality Division, will determine the mechanism whereby successful implementation of the mitigation plan will be guaranteed.

**AGREEMENT FOR PLANTING AND  
MAINTENANCE OF OPEN SPACE AREA**

THIS AGREEMENT, dated as of \_\_\_\_\_, 1984, is between THE CITY OF SAN DIEGO (herein "City"), a municipal corporation duly organized and existing under a charter adopted pursuant to the Constitution of the State of California, and RANCHO DEL RIO, a California limited partnership (herein "Rancho"). City and Rancho are collectively referred to as the "Parties".

**WITNESSETH:**

That in consideration of the mutual promises and agreements herein contained, the Parties agree as follows:

**SECTION 1. Consideration**

The Parties enter into this Agreement as additional consideration for the grant and execution by City of a lease of real property (herein "Site") described in Exhibit "A" attached hereto and made a part hereof to the Housing Authority of the City of San Diego (herein "Authority") entitled "Site 133/476 Master Ground Lease," and for the grant and execution by Authority of a lease of the Site to Rancho entitled "Ground Lease between Housing Authority of the City of San Diego and Rancho del Rio," both executed concurrently with this Agreement.

**SECTION 2. Affected Premises and Ownership.**

This Agreement affects and relates to the real property (herein "Open Space") described in Exhibit "B" attached hereto and made a part hereof. The Open Space is adjacent to the Site which Authority is leasing from City and Rancho is in turn leasing from Authority. City covenants that it is the owner of the Open Space.

**SECTION 3. Right of Entry.**

City hereby grants to Rancho and its authorized employees, agents, and representatives, a right to enter on the Open Space during the term of this Agreement to perform and fulfill Rancho's obligations under this Agreement. Rancho shall pay and be solely responsible for all costs and expenses it incurs in performing and fulfilling its obligations under this Agreement. Rancho shall keep the Open Space free and clear of any liens and shall comply with the requirements of the "Mitigation Plan" for the Open Space previously submitted by Rancho to the Environmental Quality Division of City's Planning Department, a copy of which is attached as Exhibit "C" and made a part hereof. Rancho shall indemnify and save City, Authority and the San Diego Housing Commission, a public body (herein "Commission"), free and harmless of and from all claims, demands, losses, and liability, including legal fees, to the extent the same is the result of an error, omission or negligent act of Rancho, or of any person

employed by Rancho, in connection with Rancho's performance of its obligations under this Agreement. During the time this Agreement is in effect, Rancho, at its sole cost and expense, shall keep or cause to be kept in force, for the mutual benefit of Rancho, City, Authority and the Commission, comprehensive broad form general public liability insurance against claims and liability for personal injury, death, or property damage arising from Rancho's entry on the Open Space or the performance of Rancho's obligations under this Agreement, providing protection of at least Three Million Dollars (\$3,000,000) for personal injury to or death of one or more persons, or property damage arising out of a single accident or occurrence. Rancho's right to enter on the Open Space pursuant to this Section 3 does not give Rancho any right to the possession and control of the Open Space.

SECTION 4. Rancho's Obligation to Plant and Maintain the Open Space.

Rancho agrees, upon the execution of this Agreement and the leases described in Section 1 and after all required government approvals have been obtained, to remove all trash and fill from the Open Space and to plant the Open Space with native riparian woodland habitat, including trees, shrubs and grasses, all as more particularly described and defined in the Mitigation Plan for the Open Space. The term of this Agreement shall begin and end with the term of the obligations under the Mitigation Plan. Rancho agrees that after clean-up and planting of the Open Space, it shall maintain the Open Space pursuant to the Mitigation Plan, and shall retain a qualified biological consultant to monitor the progress of the vegetation, for a period of three (3) years from the date of this Agreement. Rancho shall pay and be solely responsible for all costs and expenses it incurs in performing and fulfilling its obligations under this Agreement.

SECTION 5. Time Is Of The Essence.

It is expressly understood that time of performance is of the essence of this Agreement.

SECTION 6. Notices.

Any and all notices, approvals or demands by or from one Party to the other shall be given in writing and shall be served either by personal delivery or by registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below. Either Party may change its address by notifying the other of a change of address in writing pursuant to this paragraph. Notices, approvals and demands shall be deemed received at the earlier of actual receipt or three (3) business days following mailing.

To City:                   City Clerk  
                              City Administration Building  
                              202 "C" Street  
                              San Diego, CA 92101

To Rancho:               Rancho Del Rio  
                              Attn: Mr. J. George Harrison  
                              4452 Park Blvd., Suite 314  
                              San Diego, CA 92116

SECTION 7. Entire Agreement.

This Agreement is the Parties' entire Agreement on the clean-up, planting and maintenance of the Open Space, and any previous agreements, whether oral or written, are merged into this Agreement. Any change, amendment, or modification of this Agreement must be in writing and signed by the Parties.

SECTION 8. Attorneys' Fees.

If any controversy, claim or dispute between the Parties, arising out of or relating to this Agreement or its breach, should result in litigation or arbitration, the prevailing Party shall be reimbursed for all reasonable costs, including but not limited to reasonable attorneys' fees. If either Party becomes a party to any litigation concerning this Agreement by reason of any act or omission of the other Party or its authorized representatives and not by any act or omission of the Party that becomes subject to that litigation or any act or omission of its authorized representatives, the Party that causes the other Party to become involved in the litigation shall be liable to that Party for reasonable attorneys' fees and court costs incurred by it in the litigation.

SECTION 9. Arbitration.

Any controversy arising out of this Agreement or its breach shall be settled by arbitration if, before the commencement of any legal proceedings dealing with a controversy arising out of this Agreement or its breach, any Party to this Agreement demands that the controversy be arbitrated. After a demand, and within ten (10) days from the demand, the Parties shall attempt to designate a mutually acceptable individual to arbitrate the controversy. If within the 10-day period the Parties are unable to designate such an individual, the controversy shall be arbitrated under the Rules of the American Arbitration Association; and judgment on the award, whether rendered by the arbitrator chosen by the Parties or the arbitrator used pursuant to the Rules of the American Arbitration Association, may be entered in any court having jurisdiction and shall be fully binding on the Parties.

SECTION 10. Binding Effect.

The terms of this Agreement shall be binding on and shall inure to the benefit of and be enforceable by the Parties and their respective legal representatives, successors, and assigns. Rancho's obligations under this Agreement may not be delegated.

SECTION 11. Interpretation.

This Agreement shall be construed as a whole and in accordance with its fair meaning. Captions and organizations are for convenience and shall not be used in construing meaning. As used in this Agreement, the masculine, feminine or neuter gender and the singular or plural number shall

each be deemed to include the others whenever the context so indicates. This Agreement and the Parties' rights under it shall be governed by, construed and enforced according to the laws of the State of California. If any part or provision of this Agreement shall be determined to be invalid under the laws of the State of California, the remaining part of this Agreement that can be separated from the invalid, unenforceable provision shall continue in full force and effect.

SECTION 12. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than one counterpart.

SECTION 13. Exhibits Incorporated.

All Exhibits to which reference is made are deemed incorporated in this Agreement, whether or not actually attached.

SECTION 14. Necessary Acts.

The Parties agree to cooperate with each other and to perform such acts and to execute and deliver such further documents as may be reasonably necessary to effect the purposes of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first written above.

**THE CITY OF SAN DIEGO**

By: \_\_\_\_\_  
Raymond T. Blair, City Manager

[Seal]

Attest:

\_\_\_\_\_  
City Clerk

**RANCHO DEL RIO**  
A California Limited Partnership

By: \_\_\_\_\_  
, General Partner



EXHIBIT E

RECORDING REQUESTED BY:

James R. Dawe, Esq.

AFTER RECORDING, RETURN TO:

James R. Dawe, Esq.  
Seltzer Caplan Wilkins & McMahon  
3003 Fourth Avenue  
San Diego, California 92103

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE ("Memorandum") is made as of \_\_\_\_\_, 1984 by and between THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic ("Landlord") and RANCHO DEL RIO, a California limited partnership ("Tenant"), who agree as follows:

1. Landlord and Tenant have executed that certain Ground Lease of even date herewith.
2. For good and adequate consideration, Landlord leases the Premises described on Exhibit "A", attached hereto and incorporated herein by this reference, to Tenant, and Tenant leases the Premises from Landlord, on the conditions and provisions contained in the Ground Lease, which is incorporated in this Memorandum by this reference.
3. The term shall be for 55 years commencing on the execution of the Ground Lease by Landlord and Tenant.
4. Tenant is given a right of first refusal to purchase the Premises in the event Landlord should offer them for sale. Landlord is given a right of first refusal to purchase Tenant's leasehold estate in the event Tenant should offer to sell or assign the leasehold estate.

5. This Memorandum is not a complete summary of the Ground Lease. Provisions in this Memorandum shall not be used in interpreting the Ground Lease. In the event of conflict between this Memorandum and the Ground Lease, the Ground Lease shall control.

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,  
a public body corporate and politic

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

RANCHO DEL RIO,  
A California limited partnership

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

(Acknowledgements to be Attached)

EXHIBIT F  
LOW AND MODERATE INCOME  
AFFORDABLE MONTHLY HOUSING COST

CITY OF SAN DIEGO\*

| NUMBER OF BEDROOMS | CITY OF SAN DIEGO*  |                     |                     |                     |                     |                     | MOD 120%              |                       |
|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
|                    | LOW 50%             | LOW 60%             | LOW 70%             | LOW 80%             | MOD 90%             | MOD 100%            |                       |                       |
|                    | INCOME COST         | INCOME COST         | INCOME COST         | INCOME COST         | INCOME COST         | INCOME COST         | INCOME COST           |                       |
| STUDIO             | \$ 9,240<br>\$ 231  | \$ 11,088<br>\$ 277 | \$ 12,936<br>\$ 323 | \$ 14,784<br>\$ 370 | \$ 16,632<br>\$ 485 | \$ 18,480<br>\$ 539 | \$ 20,328<br>\$ 593   | \$ 22,176<br>\$ 647   |
| ONE BEDROOM        | \$ 10,560<br>\$ 264 | \$ 12,672<br>\$ 317 | \$ 14,784<br>\$ 376 | \$ 16,896<br>\$ 422 | \$ 19,008<br>\$ 534 | \$ 21,120<br>\$ 616 | \$ 23,232<br>\$ 678   | \$ 25,344<br>\$ 739   |
| TWO BEDROOM        | \$ 13,200<br>\$ 330 | \$ 15,840<br>\$ 396 | \$ 18,480<br>\$ 462 | \$ 21,120<br>\$ 528 | \$ 23,760<br>\$ 693 | \$ 26,400<br>\$ 770 | \$ 29,040<br>\$ 847   | \$ 31,680<br>\$ 924   |
| THREE BEDROOM      | \$ 14,830<br>\$ 371 | \$ 17,820<br>\$ 446 | \$ 20,790<br>\$ 520 | \$ 23,760<br>\$ 594 | \$ 26,730<br>\$ 780 | \$ 29,700<br>\$ 866 | \$ 32,670<br>\$ 933   | \$ 35,640<br>\$ 1,040 |
| FOUR BEDROOM       | \$ 16,503<br>\$ 413 | \$ 19,800<br>\$ 495 | \$ 23,100<br>\$ 578 | \$ 26,400<br>\$ 660 | \$ 29,700<br>\$ 866 | \$ 33,000<br>\$ 963 | \$ 36,300<br>\$ 1,059 | \$ 39,600<br>\$ 1,155 |

AFFORDABLE HOUSING COST = INCOME + 12 X .30 (low income)  
INCOME + 12 X .35 (moderate income)

HUD DEFINED UTILITY ALLOWANCE:

- Studio \$23
- 1 Bedroom \$28
- 2 Bedroom \$35
- 3 Bedroom \$40
- 4 Bedroom \$47

\*Based on a median income of \$26,400 for a family of four as estimated by the HUD area office April, 1983.



426

85-457057

Recording Requested By:  
 The San Diego Housing Commission  
 When Recorded Mail to:  
 J. Dahlin  
 San Diego Housing Commission  
 1625 Newton Avenue  
 San Diego, CA 92113

RECORDED IN  
 COUNTY RECORDERS  
 1985 DEC -4 PM 3:07  
 VERA L. LYLE  
 COUNTY RECORDER

NO FEE  
MA

Re-Recording requested to include legal description.

AMENDMENT TO

GROUND LEASE

Between

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO  
("Landlord")

AND

RANCHO DEL RIO  
("Tenant")

October 15, 1985  
(Date)

RE-RECORDED

85-492506

RECORDED IN  
 COUNTY RECORDERS  
 1985 DEC 30 AM 10:16  
 VERA L. LYLE  
 COUNTY RECORDER

NO FEE

AMENDMENT TO GROUND LEASE

THIS AMENDMENT TO GROUND LEASE is made by and between THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic (hereinafter referred to as "Landlord"), and RANCHO DEL RIO, a California limited partnership, (hereinafter referred to as "Tenant"). Landlord and Tenant are hereinafter collectively referred to as the "Parties."

R E C I T A L S

A. Landlord and Tenant were authorized to enter into a ground lease for the property described on Attachment B by Housing Authority Resolution No. 00359 adopted on July 17, 1984.

B. Coastal Commission approval of a development permit for the property required a reduction of the developable area from 15.19 to 12.99 acres.

C. As a result of the reduction in the developable area, the number of mobilehome spaces will be reduced from 144 to 130, or 10%.

D. A corresponding reduction in the annual lease payment for the property would result in a reduction from \$68,906 to \$58,630.

NOW, THEREFORE, in consideration of the above recitals and of the provisions and conditions stated hereinbelow, the parties hereto agree as follows:

1. The second sentence under the definition of "Lease Year" as contained on page 2 of the Ground Lease is hereby amended to read as follows:

The First Lease Year shall commence two hundred seventy (270) days after the issuance of a Certificate of Occupancy for the

Project or twenty-one (21) months after the effective date of this Lease, whichever occurs first, and shall include the partial calendar quarter in which it commences plus the following four (4) calendar quarters.

2. "Premises" as defined on page 2 of the Ground Lease is hereby amended to insert the number 12.99 in place of the number 15.19.

3. "Original Improvements" as defined on page 2 of the Ground Lease is hereby amended to replace the number 144 for the number 130.

4. "Rent" specified on page 2 of the Ground Lease is hereby amended by substituting the number \$4,886 for the number \$5,742.

5. Section 3.01A. on page 3 of the Ground Lease is hereby amended to replace the number \$5,742 with the number \$4,886.

6. Section 5.08A is hereby amended to provide that 39 rather than 43 spaces shall be utilized to provide mobilehomes at rents affordable to Low Income Subtenants. The number of one and two-bedroom mobilehomes to be rented to Low Income Subtenants is amended from 22 to 20 and 21 to 19 respectively. The third sentence is hereby amended to read as follows:

Prior to the commencement of and during the First Lease Year, rent for the Low Income Units, including the HUD defined utility allowance, shall not exceed 30% of the monthly income of a household earning 60% of the area median income as defined by HUD at the commencement of occupancy and adjusted for unit size as shown by example on the Affordability Table, Exhibit F.

7. Exhibits A and B are hereby modified by replacing the existing Exhibits A and B with new Exhibits as attached hereto showing a leasehold area of 12.99 acres and the configuration for the 130 mobilehome spaces and the configuration fo the 9.67 acre open space area.

8. All of the terms and conditions of the Ground Lease shall remain the same.

IN WITNESS WHEREOF, the Parties have executed this Amendment to Ground Lease on the dates opposite their signatures below.

LANDLORD:

HOUSING AUTHORITY OF THE CITY  
OF SAN DIEGO, a public body  
corporate and politic

Date: 11/25/85

By   
Ben Montijo  
Executive Director

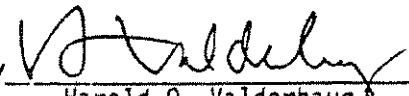
TENANT:

Date: 11/25/85

  
J. George Harrison  
General Partner

I HEREBY APPROVE the form and legality of the foregoing Amendment to Ground Lease.

JOHN W. WITT, General Counsel

By   
Harold O. Valderhaug  
Deputy Counsel

HOV:ps  
9/30/85