

**REPORT**

DATE ISSUED: August 8, 2008 REPORT NO. HCR08-90

ATTENTION: Chair and Members of the Housing Commission  
For the Agenda of August 15, 2008

SUBJECT: Rehabilitation Period for Hotel Churchill  
(Council District 2)

**REQUESTED ACTION:**

Approve a ten-month extension of the rehabilitation period for the Hotel Churchill.

**STAFF RECOMMENDATION:**

Approve an extension of the rehabilitation period from January 31, 2009, to November 30, 2009, and authorize the Interim Chief Executive Officer and President of the Housing Commission to execute such documents as may be necessary.

**DISCUSSION:**

The Hotel Churchill is a seven-story, 92-room residential hotel located at 827 C Street. On January 11, 2008, the property owner, J & J Properties A, LLC (J & J), and the San Diego Housing Commission entered into a Single Room Occupancy Replacement Housing Agreement (see Attachment 1) whereby J & J made a commitment to rehabilitate the existing improvements to preserve 92 single-room-occupancy units and pay relocation benefits to persons displaced by renovation activities. J & J hired The London Group Realty Advisors, Inc. (London Group) as an agent to represent it in these matters.

Because of delays created by difficulties in replacing the building elevator equipment, London Group requested a six-month extension of the period necessary to rehabilitate the structure (see Attachment 2). The consulting engineer for the Hotel Churchill project, NeMaco, Inc., submitted a letter describing problems that will be encountered in modernizing the elevator (see Attachment 3). After discussions with London Group, Commission staff concluded that a ten-month time extension is appropriate in light of the extent of the additional work described by the Engineer.

**AFFORDABLE HOUSING IMPACT:**

None with this action. The units are rent and occupancy restricted to single-person households earning at or below fifty percent of Area Median Income (currently \$27,650) through January 11, 2038.

FISCAL CONSIDERATIONS:

Should J & J fail to complete rehabilitation within a time frame approved by the Housing Commission, J & J would be liable for payment of an in-lieu fee of \$4,250,000 to the Housing Commission as required by the Single Room Occupancy Replacement Housing Agreement.

PREVIOUS ACTIONS:

On November 20, 2007, the City Council voted in Closed Session on Item CS-1 to approve a settlement of San Diego Superior Court Case No. GIC 858800 that resulted in a Single Room Occupancy Replacement Housing Agreement for this project. The item passed unanimously with a vote of 8 to 0.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Community approval of the requested time extension is not required.

ENVIRONMENTAL REVIEW:

This proposed action is not a project pursuant to the California Environmental Quality Act (CEQA); therefore, no CEQA environmental review is required. Because no federal funding is involved in this activity, processing under the National Environmental Policy Act is not required.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Stakeholders in the project include J & J as the owner, London Group as the owner's agent, the Housing Commission, the City of San Diego, and extremely low-income residents of Downtown who benefit from the restricted rents of the housing units at Hotel Churchill.

Respectfully submitted,



Cissy Fisher  
Director of Housing Finance

Approved by,



Carrol M. Vaughan  
Interim President and Chief Executive Officer

- Attachments:
1. Single Room Occupancy Housing Replacement Agreement \*
  2. Request For Time Extension
  3. Engineer's Analysis

\* Distribution of this attachment may be limited. Copies available for review during business hours at the Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101.





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550 West C Street, Suite 1660  
San Diego, CA 92101

**FIRST AMENDMENT TO SINGLE ROOM OCCUPANCY REPLACEMENT HOUSING  
AGREEMENT AND AGREEMENT IMPOSING COVENANTS, CONDITIONS AND  
RESTRICTIONS ON REAL PROPERTY**

**THIS FIRST AMENDMENT TO SINGLE ROOM OCCUPANCY  
REPLACEMENT HOUSING AGREEMENT AND AGREEMENT IMPOSING  
COVENANTS, CONDITIONS AND RESTRICTIONS ON REAL PROPERTY**  
("Amendment") is made as of this 23 day of April, 2008, by San Diego Housing Commission, a public agency ("Commission"), whose address is 1122 Broadway, Suite 300, San Diego, California, 92101, and J & J Properties A, LLC, a California limited liability company ("J&J"), whose address is 8110 Aero Drive, San Diego, California 92123;

**RECITALS**

The Commission and J&J are parties to that certain Single Room Occupancy Replacement Housing Agreement and Agreement Imposing Covenants Conditions and Restrictions on Real Property, dated January 11, 2008, and recorded in the Office of the Recorder of the County of San Diego on February 25, 2008, as Document No. 2008-0095277 (the "Agreement"). The Commission and J&J desire to amend the Agreement as provided hereto.

NOW, THEREFORE, in furtherance of the recitals stated above, the Commission and J&J hereby amend the Agreement, and agree, promise and declare as follows:

1. Subsection (A) of the Agreement is amended and restated in its entirety to provide as follows: "J&J owns and operates the real property located within the City of San Diego, more particularly described on Exhibit "A" attached hereto (the "Property"). J&J and the Commission are parties to that certain lawsuit concerning, *inter alia*, application of Chapter 14, Article 3, Division 5 of the San Diego Municipal Code (the "SRO Ordinance") to the Property, entitled *J & J Properties A, LLC v. San Diego Housing Commission, et al.*, San Diego County Superior Court case number GIC 858800 (the "Lawsuit"). The lawsuit was settled and pursuant to such settlement, a judgment was entered on January 16, 2008, a true and correct copy of which is attached hereto as Exhibit "B", and by this reference incorporated.

2. Except to the extent modified by this Amendment, the Commission and J&J hereby confirm each of the covenants, agreements and obligations as set forth in the Agreement.

3. This Amendment may be executed in counterparts. When the Amendment is fully executed, the counterparts shall constitute one and the same agreement.

4. All individuals signing this Amendment for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenant to that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

5. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first written above.

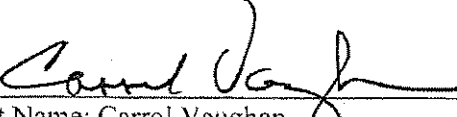
**J&J:**

J & J Properties A, LLC, a California limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**COMMISSION:**

San Diego Housing Commission

By:   
Print Name: Carol Vaughan  
Its: Interim President and Chief Executive Officer

**APPROVED AS TO FORM AND LEGALITY:**

Christensen Schwerdtfeger & Spath LLP  
Assignor General Counsel

By:   
Charles B. Christensen, Esq.

ACKNOWLEDGMENT

State of California )  
County of San Diego )

On May 9, 2008, before me, Patricia E. Garibay, notary public, personally appeared, Carrol Vaughn who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity(~~ies~~), and that by ~~his~~/her/~~their~~ signature(~~s~~) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature *Patricia E. Garibay*



2. Except to the extent modified by this Amendment, the Commission and J&J hereby confirm each of the covenants, agreements and obligations as set forth in the Agreement.

3. This Amendment may be executed in counterparts. When the Amendment is fully executed, the counterparts shall constitute one and the same agreement.

4. All individuals signing this Amendment for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenant to that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

5. In the event of any conflict between the Agreement and this Amendment, this Amendment shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first written above.

**J&J:**

J & J Properties A, LLC, a California limited liability company

By: [Signature]  
Print Name: Luz Burni  
Its: Member

**COMMISSION:**

San Diego Housing Commission

By: \_\_\_\_\_  
Print Name: Carrol Vaughan  
Its: Interim President and Chief Executive Officer

**APPROVED AS TO FORM AND LEGALITY:**

Christensen Schwerdtfeger & Spath LLP  
Assignor General Counsel

By: \_\_\_\_\_  
Charles B. Christensen, Esq.

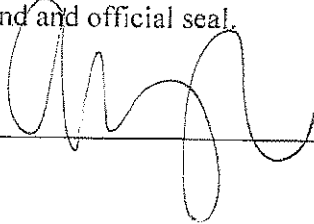
ACKNOWLEDGMENT

State of California )  
County of San Diego )

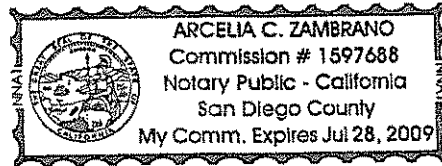
On April 23<sup>rd</sup>, 2008, before me, Arceia C. Zambrano, notary public, personally appeared, Luz Bukni who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature 

(Seal)





**EXHIBIT "A"****Legal Description of the Property**

LOTS L AND K IN BLOCK 32 OF HORTON'S ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA. ACCORDING TO MAP THEREOF MADE BY L.L. LOCKLING, JUNE 21, 1871 IN BOOK 13, PAGE 522 OF DEEDS, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY OF SAN DIEGO.

9102

**EXHIBIT B**

FILED  
Clerk of the Superior Court

JAN 16 2008

By: S. ...

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF SAN DIEGO

J & J PROPERTIES A, LLC,  
Plaintiff,

vs.

SAN DIEGO HOUSING COMMISSION, a  
state agency authorized by the City of San  
Diego; SAN DIEGO HOUSING  
AUTHORITY, an agency of the City of San  
Diego; CITY OF SAN DIEGO, a chartered  
municipal corporation,  
Defendants.

) Case No.: GIC858800  
) [Consolidated with Case No. GIC858807]

JUDGMENT

) Judge: Ronald S. Prager  
) Dept.: 71

The above noted civil actions came regularly for trial call on October 19, 2007 at 8:45 a.m. before the Hon. Ronald S. Prager in Department 71 of the San Diego Superior Court, Hall of Justice. Prior to assignment of this civil action for trial, Plaintiff J&J PROPERTIES A, LLC and Defendants SAN DIEGO HOUSING COMMISSION, HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, and CITY OF SAN DIEGO collectively agreed to the essential terms of a resolution; however, all such terms were expressly conditioned upon approval by the governing bodies of Defendants, and each of them. The governing bodies of Defendants, and each of them, now having approved the terms for resolution, and counsel for Plaintiff along with counsel for Defendants, and each of them, having executed a stipulation for the entry of judgment, the above-entitled Court now enters judgment thereon.

1 IT IS ADJUDGED, ORDERED AND DECREED:

2 1. Plaintiff shall pay the aggregate sum of Forty Nine Thousand Eight Hundred  
3 Sixty Four & 32/100 Dollars (\$49,864.32) as relocation benefits due those tenants who were  
4 displaced for reasons other than cause for eviction from the Hotel Churchill ("Churchill"),  
5 located at 827 C Street, San Diego, California 92101, during the time period from September 15,  
6 2005 until December 15, 2005. Defendants have identified for Plaintiff those tenants qualified to  
7 receive the relocation benefits, and stated the amount due each such tenant under San Diego  
8 Municipal Code §§113.0103 and 143.0501 et seq. (collectively "SRO Regulations"). Plaintiff  
9 shall use reasonable and good faith efforts to locate each identified tenant and pay the stated  
10 amounts prior to January 31, 2008. The cost of all such efforts shall be borne entirely by  
11 Plaintiff and must include the use of mass media reasonably calculated to apprise the identified  
12 tenants of the availability of the relocation benefits due under this judgment. Plaintiff shall  
13 account to Defendants for all monies paid, as well as the methods used to locate the identified  
14 tenants. If Plaintiff is unable to locate all such tenants, as determined by the SAN DIEGO  
15 HOUSING COMMISSION in its reasonable discretion, then any remaining funds shall be paid  
16 to the SAN DIEGO HOUSING COMMISSION, which shall hold the remaining monies for one  
17 (1) year after tender by Plaintiff for payment to qualified tenants, after which such monies shall  
18 be used by the SAN DIEGO HOUSING COMMISSION for the preservation, rehabilitation,  
19 and/or development of SRO hotels in the downtown San Diego area.

20 2. Plaintiff shall promptly undertake and diligently prosecute all actions required by  
21 the SRO Regulations and San Diego Municipal Code to process all permits and other official  
22 authorizations required for the rehabilitation of the Churchill. A rehabilitation plan for the  
23 Churchill shall be tendered to SAN DIEGO HOUSING COMMISSION with a copy to its  
24 general counsel and the City Attorney of the CITY OF SAN DIEGO on or before January 31,  
25 2008. Upon approval of the rehabilitation plan for the Churchill along with any other official  
26 authorizations reasonably required by the CITY OF SAN DIEGO, Plaintiff shall promptly  
27 commence and diligently prosecute the rehabilitation of the Churchill in a manner reasonably  
28 calculated to complete the rehabilitation of the Churchill on or before January 31, 2009. In the

1 event that Plaintiff is unable for good cause to complete the rehabilitation prior to January 31,  
2 2009, Plaintiff and Defendants shall negotiate in good faith to decide upon an extension of time  
3 for the completion of the rehabilitation, which extension shall be the shortest practicable  
4 extension reasonably calculated to complete the rehabilitation of the Churchill. If Plaintiffs and  
5 Defendants cannot agree on the extension, Plaintiffs and/or Defendants may apply to this Court  
6 for a judicial determination of the shortest practicable extension reasonably calculated to  
7 complete the rehabilitation of the Churchill.

8 3. Concurrently with the entry of this judgment, Plaintiff shall execute a Housing  
9 Replacement Agreement ("HRA") with the SAN DIEGO HOUSING COMMISSION, which  
10 shall, *inter alia*, require Plaintiff to pay the SAN DIEGO HOUSING COMMISSION the sum of  
11 Four Million Two Hundred Fifty Thousand Dollars (\$4,250,000.00) as an "in lieu" replacement  
12 housing fee in the event that Plaintiff fails to timely complete the rehabilitation of the Churchill.  
13 This "in lieu" replacement housing fee shall be secured by a promissory note and deed of trust,  
14 as set out below.

15 4. Plaintiff shall reserve fifty seven (57) of the rehabilitated rooms in the Churchill  
16 for exclusive use as SRO hotel rooms, as defined by the SRO Regulations, and shall also ensure  
17 that each of these rooms is rented to income qualified individuals, as defined by the SRO  
18 Regulations and memorialized in the HRA. This reservation of the SRO hotel rooms in the  
19 Churchill and renting of such rooms to income qualified persons shall persist for at least the  
20 minimum time periods dictated by the SRO Regulations and the HRA.

21 5. The timely completion of the rehabilitation along with the obligation to make the  
22 "in lieu" payment, which will be required if the rehabilitation is not timely completed, shall be  
23 secured by a promissory note and deed of trust (collectively "Security Instruments") executed by  
24 Plaintiff in favor of the SAN DIEGO HOUSING COMMISSION in the amount of Four Million  
25 Two Hundred Fifty Thousand Dollars (\$4,250,000.00). The Security Instruments shall be  
26 subordinate only to those recorded deeds of trust existing on the date the SAN DIEGO  
27 HOUSING COMMISSION recorded a lis pendens in these consolidated civil actions, and those  
28 encumbrances securing obligations incurred by Plaintiff exclusively for the rehabilitation of the

1 Churchill. Plaintiff shall seek the consent of the SAN DIEGO HOUSING COMMISSION in  
2 advance of incurring any indebtedness for which it will request the SAN DIEGO HOUSING  
3 COMMISSION to subordinate the Security Instruments. Prior to the SAN DIEGO HOUSING  
4 COMMISSION subordinating the Security Instruments to any encumbrances incurred by  
5 Plaintiff for the rehabilitation of the Churchill, Plaintiff shall account to the SAN DIEGO  
6 HOUSING COMMISSION for both purpose and monetary amount of the proposed  
7 encumbrance. The SAN DIEGO HOUSING COMMISSION shall not unreasonably withhold its  
8 consent to subordinating the Security Instruments for those encumbrances necessary to  
9 rehabilitate the Churchill.

10 6. The Security Instruments shall secure the performance of Plaintiff's rehabilitation  
11 of the Churchill. Upon timely rehabilitation of the Churchill, the SAN DIEGO HOUSING  
12 COMMISSION shall release the Security Instruments by reconveyance of the deed of trust and  
13 cancellation of the promissory note; however, failure of Plaintiff to timely complete the  
14 rehabilitation of the Hotel Churchill shall entitle the SAN DIEGO HOUSING COMMISSION to  
15 foreclose upon the Security Instruments. Time is of the essence in the completion of the  
16 rehabilitation of the Churchill.

17 7. Upon the execution of the HRA and the recording of the Security Instruments the  
18 SAN DIEGO HOUSING COMMISSION shall release the existing lis pendens.

19 8. In the event of a dispute over the interpretation of this Judgment, the Security  
20 Instruments, and/or HRA, the Hon. Ronald S. Prager or his designee Superior Court judge shall  
21 retain jurisdiction to decide such dispute. Prior to making recourse to the above-entitled Court  
22 for the resolution of such a dispute, Plaintiff and Defendant[s] shall meet and confer in good  
23 faith in an attempt to resolve the dispute[s] without the necessity of judicial intervention.

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9. If Plaintiff or its successors-in-interest intend to or actually convert, demolish, and/or again rehabilitate the Churchill, Plaintiff or its successors-in-interest, as the case may be, shall remain subject to the SRO Regulations, as well as all laws, regulations, and contractual commitments pertaining to the conversion, demolition, and/or rehabilitation of the Churchill.

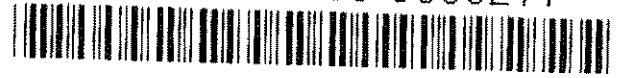
Dated: JAN 16 2008

RONALD S. PRAGER

Hon. Ronald S. Prager  
JUDGE OF THE SUPERIOR COURT

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550 West C Street, Suite 1660  
San Diego, CA 92101

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**SINGLE ROOM OCCUPANCY REPLACEMENT HOUSING AGREEMENT  
AND AGREEMENT IMPOSING COVENANTS, CONDITIONS AND RESTRICTIONS  
ON REAL PROPERTY**

THIS SINGLE ROOM OCCUPANCY REPLACEMENT HOUSING AGREEMENT AND AGREEMENT IMPOSING COVENANTS, CONDITIONS AND RESTRICTIONS ON REAL PROPERTY ("Agreement") is entered into as of this 11th day of January, 2008, by and between J & J Properties A, LLC, a California limited liability company ("J&J"), the San Diego Housing Commission ("Commission").

**RECITALS**

A. J&J owns and operates the real property located within the City of San Diego, more particularly described on Exhibit "A" attached hereto (the "Property"). J&J and the Commission are parties to that certain lawsuit concerning, *inter alia*, application of Chapter 14, Article 3, Division 5 of the San Diego Municipal Code (the "SRO Ordinance") to the Property, entitled *J & J Properties A, LLC v. San Diego Housing Commission, et al.*, San Diego County Superior Court case number GIC 858800 (the "Lawsuit").

B. As part of settlement of the Lawsuit, J&J agreed to rehabilitate and restrict fifty-seven (57) dwelling units (the "Affordable Units") located at the Property as "SRO Hotel Rooms" as that term is defined in §113.0103 of the San Diego Municipal Code. The Affordable Units shall be rent and occupancy to single-person households earning at or below fifty percent (50%) of Area Median Income for a term of thirty (30) years. Nothing contained herein is a novation, amendment or release of any of the rights or obligations of Commission or J&J under the stipulated judgment or any other document or agreement by and between Commission and J&J.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the parties hereby agree as follows:

1. Definitions. The following terms shall have the following meanings:



“Affordable Units” means fifty-seven (57) dwelling units, which shall at all times during the term of this Agreement meet the definition of “SRO Hotel Rooms,” as that term is defined in §113.0103 of the San Diego Municipal Code, and which are rent and occupancy restricted as provided in this Agreement for a period of thirty (30) years from the date of issuance of certificates of occupancy for all fifty-seven (57) Affordable Units. As used herein the term “Affordable Units” shall refer to those residential dwelling units on the Property which are owned or held available strictly in accordance with the terms and conditions set forth in this Agreement.

“Agreement” means this Single Room Occupancy Replacement Housing Agreement and Agreement Imposing Covenants, Conditions And Restrictions on Real Property by and between the Commission and J&J.

“Area Median Income” means the area median income, as adjusted for family size, for the San Diego Standard Metropolitan Statistical Area as promulgated by the U.S. Department of Housing and Urban Development (“HUD”). In the event HUD ceases to publish an established Area Median Income as aforesaid, the Commission may use any other reasonably comparable method of computing Area Median Income and/or Maximum Gross Rent.

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

“Deed of Trust” means the deed of trust described in Section 3(b) of this Agreement which secures the In Lieu Note.

“Eligible Tenants” means single person households whose aggregate gross annual income does not exceed 50% of Area Median Income for one person families, that also meet all of the requirements set forth in this Agreement, including without limitation Section 5 of this Agreement.

“In Lieu Note” means that certain “Promissory Note Secured by Deed of Trust” of even date herewith, executed concurrently herewith by J&J in favor of Commission, in the original principal amount of Four Million Two Hundred Fifty Thousand and No/100 Dollars (\$4,250,000.00), in a form reasonably approved by the Commission.

“J&J” means J & J Properties A, LLC, a California limited liability company.

“Lawsuit” means *J & J Properties A, LLC v. San Diego Housing Commission, et al.*, San Diego County Superior Court case number GIC 858800.

“Maximum Gross Rent” means on a monthly basis an amount that is less than or equal to thirty percent (30%) of the monthly income of a single person household earning at or below fifty percent (50%) of Area Median Income. Maximum Gross Rent shall include all rent and tenant paid utilities, fees and charges, including without limitation all payments made by the Eligible Tenants and all subsidies received by J&J, as further defined in Section 4(b), below.

“Property” means that certain real property located within the City of San Diego, more particularly described on Exhibit “A” attached hereto.

“Rehabilitation Plan” means the plan describing all of the work to be performed at the Property and on the Affordable Units in order to rehabilitate the same, submitted by J&J and approved by the Commission and its general counsel.

“SRO Ordinance” means Chapter 14, Article 3, Division 5 of the San Diego Municipal Code.

Other terms referenced in this Agreement in “quotations” have the meanings ascribed to them in this Agreement.

2. Rehabilitation.

(a) Rehabilitation Plan. On or before January 31, 2008 (or such other date as J&J and the Commission agree upon, or the court having jurisdiction over the Lawsuit, upon noticed motion and for good cause shown, may set), J&J shall submit a “Proposed Rehabilitation Plan” for the Property to the Commission and its general counsel for approval, which approval shall not be unreasonably withheld, conditioned or delayed. In the event the Commission rejects the Proposed Rehabilitation Plan for the Property, J&J shall promptly revise the Proposed Rehabilitation Plan so that it is reasonably satisfactory to the Commission and its general counsel. The Proposed Rehabilitation Plan that is approved by the Commission and its general counsel shall be referred to herein as the “Rehabilitation Plan.” Time is of the essence regarding the performance of the covenants of both J&J and the Commission; failure to comply with these covenants by either J&J or the Commission shall constitute a material default under this Agreement.

(b) Commencement and Completion of Rehabilitation; Building Permits. Within five (5) business days of the Commission and its general counsel’s approval of the Rehabilitation Plan, J&J shall commence rehabilitation of the fifty-seven (57) Affordable Units in accordance with the Rehabilitation Plan. J&J shall at its sole cost and expense obtain all required building permits, land development permits, public and private improvement permits and all other permits for the rehabilitation of the Property and the Affordable Units. J&J shall diligently rehabilitate the Property as provided in the Rehabilitation Plan. J&J shall complete all rehabilitation (as evidenced by certificates of occupancy for all of the Affordable Units) in strict accordance with the provisions of the Rehabilitation Plan on or before January 31, 2009 (or such other date as J&J and the Commission agree upon, or the court having jurisdiction over the Lawsuit, upon noticed motion and for good cause shown, may set). Time is of the essence regarding the performance of the covenants of both J&J and the Commission; failure to comply with these covenants by either J&J or the Commission shall constitute a material default under this Agreement. J&J shall provide the Commission with a copy of the recorded Notice of Completion for all units within the Property within five (5) days of J&J’s receipt of the same.

(c) Inspection by Commission. Commission shall be entitled to review, inspect and approve, without liability, all of the rehabilitation of the Property. All rehabilitation shall be

performed to the reasonable satisfaction of Commission, without liability to Commission for review and observation of the rehabilitation. Commission shall provide written notice to J&J of any deficiencies in rehabilitation and the same shall be corrected by the contractor and/or J&J.

(d) Housing Quality Standards. J&J represents and warrants that the Property shall be maintained, at all times during the term of this Agreement, as an SRO Hotel and in a safe, decent and sanitary condition in complete compliance with all code requirements and with the housing quality standards contained within 24 CFR §92.251. J&J hereby consents to reasonable periodic inspections by Commission's designated inspectors and/or other designees during regular business hours, including the Code Enforcement Agents of the City of San Diego, to assure compliance with said zoning, building codes, regulations, and housing quality standards. J&J agrees to comply with the provisions of 24 CFR §92.251, whether or not contained in this Section.

3. Security for Rehabilitation of the Affordable Units.

(a) In Lieu Note.

(1) Principal. Section 143.0550(d)(4) of the SRO Ordinance provides that "[i]n lieu of providing SRO hotel rooms, an applicant may contribute to the Single Room Occupancy Hotel Replacement Fund." As part of the settlement of the Lawsuit, the parties agreed that "if J&J does not timely complete the rehabilitation, to the reasonable satisfaction of the Commission, within the applicable time as allowed by Section 3, above (Section 2(b) of this Agreement), J&J shall owe to the Commission an in lieu fee in the amount of \$4,250,000.00" (the "In Lieu Fee"). As security for J&J's obligation to rehabilitate, restrict and operate the fifty-seven (57) Affordable Units in accordance with this Agreement and as security for payment of the In Lieu Fee, J&J shall concurrently herewith execute the In Lieu Note in favor of Commission, in the principal amount of Four Million Two Hundred Fifty Thousand and No/100 Dollars (\$4,250,000.00), in a form reasonably approved by the Commission (the "In Lieu Note"). The In Lieu Note shall be fully recourse to J&J and is hereby incorporated in this Agreement.

(2) No Interest or Payment Except in Event of Default: Deemed Satisfaction. The In Lieu Note shall not bear interest, except in the event of a default. No payments shall be due under the In Lieu Note, except in the event of a default. In the event of the failure to complete rehabilitation of the fifty-seven (57) Affordable Units in accordance with the provisions of the Rehabilitation Plan on or before January 31, 2009 (or such other date as J&J and the Commission agree upon, or the court having jurisdiction over the Lawsuit, upon noticed motion and for good cause shown, may set), the In Lieu Note shall bear interest at the rate of ten percent (10%) per annum from the date of default and all of the principal and accrued interest on the In Lieu Note shall be immediately due and payable by J&J to the Commission. The In Lieu Note shall be deemed satisfied in its entirety upon timely completion of rehabilitation of the fifty-seven (57) Affordable Units in accordance with the provisions of the Rehabilitation Plan on or before January 31, 2009 (or such other date as J&J and the Commission agree upon, or the court having jurisdiction over the Lawsuit, upon noticed motion and for good cause shown, may set). In such event the Deed of Trust shall be released and fully-reconveyed.

(3) Survival of Restrictions. Notwithstanding Section 3(a)(2), above, Sections 1, 2(d), 4-13, inclusive of this Agreement shall survive the deemed satisfaction of the In Lieu Note and the release and reconveyance of the Deed of Trust, and the same shall not affect J&J's obligation to restrict the fifty-seven (57) Affordable Units for thirty (30) years as set forth in this Agreement.

(b) Deed of Trust.

(1) Execution and Recordation. Upon the execution of this Agreement, J&J shall execute, acknowledge and deliver to the Commission a deed of trust (the "Deed of Trust"), in a form reasonably approved by the Commission, securing the In Lieu Note and all requirements of this Agreement to timely complete rehabilitation of the fifty-seven (57) Affordable Units in accordance with the provisions of the Rehabilitation Plan on or before January 31, 2009 (or such other date as J&J and the Commission agree upon, or the court having jurisdiction over the Lawsuit, upon noticed motion and for good cause shown, may set) and all of requirements and obligation of this Agreement that are to be performed concurrently with or prior such date. Upon any default the beneficiary under the Deed of Trust (i.e., the Commission) may foreclose on the Deed of Trust in accordance with applicable law and without court consent or action. The Deed of Trust shall be recorded in the Office of the County Recorder of the County of San Diego. The Commission will not agree to subordinate the Deed of Trust to any other deed of trust. Notwithstanding the foregoing the Deed of Trust may be subordinated to future encumbrances, only if the same are necessary to finance rehabilitation of the Property and do not exceed the estimated costs of rehabilitation of the Property, as determined by the President and CEO of the Commission and the Commission agrees that this subordination obligation shall be subject to specific enforcement by J&J. Any such subordination shall be pursuant to a written agreement approved by the President and CEO of the Commission and general counsel in their reasonable discretions.

(2) Foreclosure of Prior Lien. If at any time the Deed of Trust no longer exists as an encumbrance on the Property because of the foreclosure of a deed of trust to which the Deed of Trust has been subordinated, then the terms of this Agreement shall remain enforceable covenants running with the land by injunction, specific performance and/or money damages, but not by foreclosure or forfeiture of title. In the event of a foreclosure on the Property which eliminates the security for the performance of the Agreement, the new owner of the Property, upon five (5) days written notice from the Commission, shall: (i) execute, acknowledge and deliver to the Commission an assignment and assumption of this Agreement in a form approved by the Commission, in its reasonable discretion, for recordation; (ii) execute, acknowledge and deliver to the Commission a deed of trust, in a form approved by the Commission, in its reasonable discretion, to be recorded against the Property, in a lien priority immediately junior to the assignment and assumption agreement and securing its performance; and (iii) reimburse the Commission for all of its attorneys' fees and costs in connection with the foregoing, including all costs, attorneys' fees, and expert witnesses fees incurred by the Commission in obtaining compliance by the new owner, including those incurred in litigation, if any.

4. Restriction of the Affordable Units.

(a) 57 Affordable Units. J&J agrees and covenants on behalf of itself and its successors and assigns, and each successor in interest to the Property, that at all times during the term of this Agreement (after timely completion of rehabilitation of the Affordable Units) fifty-seven (57) dwelling units on the Property shall be set aside and reserved as Affordable Units. The Affordable Units shall be comparable in exterior appearance and overall quality of construction to other units on the Property. J&J shall only rent the Affordable Units to Eligible Tenants and shall not rent any Affordable Unit to any person, except for single person households earning at or below fifty percent (50%) of Area Median Income for a term of thirty (30) years. The monthly Maximum Gross Rent shall be less than or equal to thirty percent (30%) of the monthly income of a single person household earning at or below fifty percent (50%) of Area Median Income.

(b) Maximum Gross Rent. Maximum Gross Rent shall include rent and all tenant paid utilities, fees and charges. Maximum Gross Rent includes all payments made by the Eligible Tenants and all subsidies received by J&J. In the case of persons receiving Section 8 benefits, who are Eligible Households, J&J acknowledges that it shall not accept any subsidy or payment that would cause the amounts received for any Affordable Unit to exceed the Maximum Gross Rent.

(c) Maximum Rent To Be Collected by J&J. In no event shall any Eligible Tenant be required to pay, with respect to such Eligible Tenant's occupancy of an Affordable Unit, any amounts that exceed the Maximum Gross Rent. Acceptance by J&J or its successors in interest, of any amounts in excess of the Maximum Gross Rent shall constitute a material breach of this Agreement. Should J&J receive any amounts in excess of the Maximum Gross Rent, J&J agrees to immediately notify Commission and reimburse the tenant for any such overpayment.

5. Additional Restrictions on Eligible Tenants.

(a) No Relationship With J&J. The term "Eligible Tenants" shall not include J&J or any individuals who are members, principals, employees, executives, directors, partners or shareholders of J&J or in any entity having an ownership in J&J or in the Property or are related (by blood or marriage) to any of the foregoing persons.

(b) No Full-Time Students. The term "Eligible Tenants" shall not include any person who is a full-time student. The term "full-time student" shall be defined as any person who will be or has been a full-time student during five calendar months of the calendar year in question at an educational institution (other than a correspondence school) with regular faculty and students.

(c) No Student Dependents. Notwithstanding the provisions of subparagraph 5(b), the term "Eligible Tenants" shall not include any student dependent as defined in the U.S. Internal Revenue Code.

(d) No Owners of Real Property. The term "Eligible Tenants" shall not include any person who owns real property.

(e) Liquid Asset Limitation. The term "Eligible Tenants" shall not include any person or household holding, directly or indirectly, liquid assets whose aggregate value exceeds, at the time of determination of eligibility, the then-current restriction on such person's annual Area Median Income. As used herein, the term "liquid assets" refers to cash and assets which are readily convertible to cash within a reasonable period, including but not limited to savings and checking accounts, certificates of deposit of any term, marketable securities, money market and similar accounts, mutual fund shares, and insurance policy cash values. The term "liquid assets" shall not include retirement funds which are not readily accessible or which cannot be accessed by the buyer without the buyer incurring a penalty.

(f) Eligible Tenants - Increased Income. If any tenant that was previously determined to be an Eligible Tenant is determined to be ineligible as a result of increased income or assets, J&J shall have one hundred eighty (180) days from the date of notification to take all reasonable steps to pursue eviction of the ineligible household. During the time the over-income tenant resides in the Affordable Unit, the tenant shall continue to pay an amount that does not exceed the Maximum Gross Rent. The tenant shall continue to be considered an "Eligible Tenant" until evicted.

6. Determination of Eligibility. Commission and its successors and assigns, shall have the right, but not the obligation, to monitor and enforce the covenants contained in this Agreement. J&J covenants and agrees that it shall comply with any monitoring programs set up by the Commission and generally applied to similarly situated developers and projects to enforce the terms of this Agreement. In complying with any such monitoring program, J&J or its agent shall prepare and submit to the Commission an occupancy report, financial information and income verification documents for each tenant of an Affordable Unit, and all supporting documentation, on forms provided by the Commission, on a quarterly basis, setting forth the required information for the preceding period. On a quarterly basis J&J or its agent shall additionally submit to the Commission evidence of each Eligible Tenant's continuing eligibility for the Affordable Units. Moreover, J&J covenants and agrees that it shall pay all reasonable costs associated with said monitoring and enforcement efforts, which shall include the Commission's standard initial system set-up and implementation and occupancy and rent-up transaction fees not to exceed \$500, as reasonably determined by the Commission, plus an annual monitoring fee as set forth in schedules printed by the Commission from time to time and applicable to similar SRO hotels. Failure to provide any documentation required hereunder or the monitoring fee, if such failure is not cured within thirty (30) days after written notice of such failure to J&J from the Commission, shall constitute a material default hereunder. Further, in addition to any other remedies available to the Commission, J&J shall pay the Commission a fee equal to Ten Dollars (\$10.00) for each day that such documentation and such monitoring fee is not provided after thirty (30) days' written notice to J&J specifying what documentation and/or monitoring fee is being requested, multiplied by the number of Affordable Units for which such documentation or monitoring fee is not being produced. J&J expressly agrees that the aforesaid late fee is a fair and reasonable approximation of the additional costs and administrative expense which the Commission will incur as a result of any failure by J&J to timely furnish the required documentation.

7. Recordation of this Agreement. This Agreement shall be recorded as an encumbrance against the entire Property in the Office of the County Recorder of the County of San Diego senior to all other monetary encumbrances.
8. Indemnity. J&J agrees to indemnify, defend and hold harmless the City of San Diego, the Commission, the Housing Authority of the City of San Diego, and any and all of their respective Commissioners, members, officers, agents, servants, or employees (the "Indemnitees") from and against all claims, liens, claims of lien, losses, damages, costs, and expenses, whether direct or indirect, arising in any way from this Agreement, the Deed of Trust, the In Lieu Note, the rehabilitation, rental or operation of the Property and/or any of the Affordable Units, or from the default by J&J in the performance of its obligations under this Agreement; provided, however, that J&J shall not be required to indemnify, defend or hold harmless any of the Indemnitees from claims, losses, damages, costs and expenses attributable to the sole negligence or willful misconduct of the Indemnitees or the breach of this Agreement by the Commission.
9. Marketing Requirements; No Discrimination. J&J agrees that neither it nor its agents shall discriminate against any tenant or prospective tenant of the Property on the basis of race, color, religion, sex, national origin, age, physical handicap, or the fact that a prospective tenant or tenant has a child or children.
10. Covenants to Run With the Land. J&J agrees that all of its obligations hereunder shall constitute covenants, which shall run with the land and shall be binding upon the Property and upon every person having any interest therein at any time and from time to time during the term of this Agreement. Further, J&J agrees that, if a court of competent jurisdiction determines that the obligations set forth herein do not qualify as covenants running with the land, they shall be enforced as equitable servitudes. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, and their respective heirs, successors and assigns. J&J shall not sell, transfer or otherwise dispose of the Property, any portion thereof, or any interest therein unless the proposed transferee shall have executed and delivered to the Commission an express written assumption of all of J&J's obligations under this Agreement, on a form reasonably acceptable to the Commission. Upon assignment and assumption by a successor entity, as approved by the Commission, J&J shall be released from all prospective responsibility under the terms of this Agreement.
11. Title Insurance. On the recordation of the Deed of Trust, J&J shall obtain a California Land Title Association lender's policy with endorsements satisfactory to Commission in the amount of Four Million Two Hundred Fifty Thousand and No/100 Dollars (\$4,250,000.00), insuring that this Agreement and the Deed of Trust are encumbrances against the Property subordinate only to items 1-5, 7 and 8, on Schedule B of that certain Preliminary Report issued by Chicago Title Company, dated as of January 3, 2008, Order No. 830010002-U16. The cost of said California Land Title Association lender's policy and endorsements shall be shared equally by the Commission and J&J.

12. Standing, Equitable Remedies; Cumulative Remedies. J&J expressly agrees and declares that the Commission and/or the City of San Diego and/or their successors shall be the proper parties and shall have standing to initiate and pursue any and all actions or proceedings, at law or in equity, to enforce the provisions hereof and/or to recover damages for any default hereunder, notwithstanding the fact that such damages or the detriment arising from such a default may have actually been suffered by some other person or by the public at large. Further, J&J expressly agrees that receivership, injunctive relief and specific performance are proper pre-trial and/or post-trial remedies hereunder, and that, upon any default, and to assure compliance with this Agreement. Nothing in this subparagraph, and no recovery to the Commission or the City of San Diego, shall restrict or limit the rights or remedies of persons or entities other than the Commission and the City of San Diego, against J&J in connection with the same or related acts by J&J. Neither J&J, nor any tenant or occupant of the Property, shall have any claim or right of action against the Commission or the City based on any alleged failure of the Commission or the City to perform or enforce the terms of this Agreement, except that J&J may reasonably rely upon Commission's tenant eligibility determination

13. General Provisions.

(a) Integration; No Novation. The undersigned, and each of them, acknowledge and represent that no promise or inducement not expressed in this Agreement, the In Lieu Note or Deed of Trust has been made in connection with this Agreement the In Lieu Note and Deed of Trust. This Agreement, along with the In Lieu Note and Deed of Trust, contain the entire agreement and understanding between the parties. Notwithstanding the foregoing, nothing contained in this Agreement and nothing contained in the In Lieu Note or Deed of Trust, shall be a novation or amendment of any other agreements between the Commission and J&J, including without limitation the stipulated judgment.

(b) Waiver and Amendment. No provision of this Agreement, or breach of any provision, can be waived except in writing. Waiver of any provision or breach shall not be deemed to be a waiver of any other provision, or of any subsequent breach of the same or other provision. Except as otherwise provided herein, this Agreement may be amended, modified or rescinded only in writing signed by J&J and the Commission, which amendment shall be duly recorded as an amendment to this Agreement.

(c) Time of Essence. Time is expressly declared to be of the essence in this Agreement, and of every provision in which time is an element, whether such performance is to be by J&J or the Commission.

(d) Captions. Paragraph titles and captions contained in this Agreement are inserted as a matter of convenience and for reference, and are not a substantive part of this Agreement.

(e) Additional Documents. The parties each agree to sign any additional documents, which are reasonably necessary to carry out this Agreement or to accomplish its intent.



(f) Benefit and Burden. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, representatives, successors and assigns.

(g) Governing Law. This Agreement has been entered into in the State of California, and shall be interpreted and enforced under California law.

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

(i) Counterparts. This Agreement (and any amendment hereto) may be signed in duplicate counterparts.

(j) Recitals Incorporated. The Recitals to this Agreement are hereby incorporated in this Agreement by this reference.

(k) Notices. All notices given pursuant to this Agreement or law shall be written. Notices shall be delivered with all delivery or postal charges prepaid. Notices may be given personally; by United States first-class mail; by United States certified or registered mail; or by other recognized overnight service. Notices shall be deemed received on the date of personal delivery; on the date shown on a signed return receipt or acknowledgment of delivery; or, if delivery is refused or notice is sent by regular mail, seventy-two (72) hours after deposit. Until a party gives notice of a change, notices shall be sent to:

If to the Commission:           San Diego Housing Commission  
Attn: President and CEO  
1122 Broadway, Suite 300  
San Diego, CA 92101

If to J&J:                           J & J Properties A, LLC  
Attn: Ralph Burni  
8110 Aero Drive  
San Diego, CA 92123

(l) Mortgagees Protection. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Agreement shall defeat or render invalid or in any way impair the lien or charge of any permitted deed of trust recorded on the Property provided, however, that any subsequent owner of the Property shall be bound by the covenants, conditions, restrictions, limitations and provisions of this Agreement, whether such owner's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

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

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

**J&J:**

J & J Properties A, LLC, a California limited liability company

By: [Signature]  
 Print Name: USE Burmi  
 Its: Managing Member

**COMMISSION:**

San Diego Housing Commission

By: [Signature]  
 Print Name: CARROL VAUGHAN  
 Its: CEO (Interim)

**APPROVED AS TO FORM AND LEGALITY:**

Christensen Schwerdtfeger & Spath LLP  
 Assignor General Counsel

By: [Signature]  
 Charles B. Christensen, Esq.

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

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

**J&J:**

J & J Properties A, LLC, a California limited liability company

By: [Signature]  
Print Name: Jose Burni  
Its: Managing Member

**COMMISSION:**

San Diego Housing Commission

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**APPROVED AS TO FORM AND LEGALITY:**

Christensen Schwerdtfeger & Spath LLP  
Assignor General Counsel

By: [Signature]  
Charles B. Christensen, Esq.

ACKNOWLEDGMENT

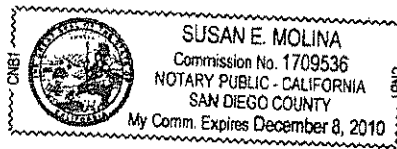
State of California )  
 )  
County of San Diego )

On Jan. 11, 2008, before me, Susan E. Molina, notary public, personally appeared, Luz Burni who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Susan E. Molina



(Seal)

ACKNOWLEDGMENT

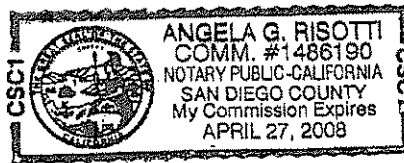
State of California )  
 )  
County of San Diego )

On January 14, 2008, before me, Angela G. Risotti, notary public, personally appeared, Carrol Vaughan who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity(~~ies~~), and that by ~~his~~/her/~~their~~ signature(~~s~~) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Angela G. Risotti (Seal)



ACKNOWLEDGMENT

State of California )  
 )  
County of San Diego )

On \_\_\_\_\_, 2008, before me, \_\_\_\_\_, notary public, personally appeared, \_\_\_\_\_ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

(Seal)

**EXHIBIT "A"****Legal Description of the Property**

LOTS L AND K IN BLOCK 32 OF HORTON'S ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA. ACCORDING TO MAP THEREOF MADE BY L.L. LOCKLING, JUNE 21, 1871 IN BOOK 13, PAGE 522 OF DEEDS, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY OF SAN DIEGO.



**THE LONDON GROUP**  
*Realty Advisors, Inc.*

June 19, 2008

Mr. Dan Cady  
San Diego Housing Commission  
1122 Broadway, Suite 300  
San Diego, CA 92101

**RE: REQUEST FOR TIME EXTENSION TO EXECUTE HOTEL CHURCHILL  
REHABILITATION PLAN**

Dear Mr. Cady,

As you know we are in process of assembling a team to renovate the Hotel Churchill. However, we have experienced several delays due to unforeseen circumstances and are formally requesting a six-month time extension to record our Notice of Completion, pursuant to the SRO Replacement Housing Agreement filed January 2008. This would push our completion date from January 31, 2009 to July 31, 2009.

The principal delay is due to the replacement of the existing elevator. We have had three separate elevator companies on site, including the State inspector, all of whom have declined to bid on the project due to the complexity of the existing mechanical system and atypical shaft opening. We are currently working with a regional engineering firm that specializes in these types of elevators and are hopeful we will be able to start construction shortly.

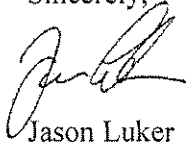
A secondary delay was the result of the Housing Commission's Lis Pendence on the property, which was removed last month. We were not able to obtain financing to begin our interior renovations due to this cloud on title. Now that the issue has been resolved, we are close to closing our financing agreement and anticipate starting interior renovations by the end of the month.

We have been working diligently and in good faith to move this project forward. In addition to our private contractor negotiations, we have met with Jennifer Hirsch at Historic Resources to clear up several questions regarding the appropriate treatment for renovating the building's historic façade. We anticipate presenting to the Design Assistance Subcommittee in July, and processing our single-discipline review permit shortly thereafter.



Thank you for your patience. Please feel free to contact me directly with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Luker', written in a cursive style.

Jason Luker  
Director of Development Services  
The London Group Realty Advisors

CC: Burni Enterprises; Charles Christensen, Esq.

July 7, 2008

Mr. Dan Cady  
San Diego Housing Commission  
1122 Broadway # 300  
San Diego, CA 92101

Mr. Cady,

I'm writing to explain the request for time extension for the rehabilitation of the Hotel Churchill. Mr. Luker with the London Group Realty Advisors asked me to prepare a short letter explaining the delay in more detail.

I have contacted the following elevator companies requesting proposal for modernization of original cable elevator at Hotel Churchill:

- Kone Inc.
- Omega Elevator Corp.
- Otis Elevator
- Schindler Elevator Corp.
- ThyssenKrupp Elevator
- Alied Elevator

Each of these companies sent representatives to the job site to inspect the existing elevator. However, all have declined to bid on the project because the existing elevator is very old and the awkward configuration of the hoistway with respect to the existing stairway and hallway at each floor level. Essentially, the hoistway cannot be enlarged, which will severely limit the type of equipment that can be used.

The following tasks must be required by a qualified mechanical engineer and designer before we can begin the installation of a new elevator:

- Structural Observation
- All structural calculations normally done on an elevator systems when the elevator is modernized
- Sheave beam calculations and details
- Rail bracket calculations and details
- Equipment anchorage calculations and details
- Hoist way plan and section
- Machine room plan
- New basement hoist machine anchorage
- Design of hoist machine inertia block
- Design of new pit extension, if necessary
- Design of intermediate rail support between first and second floors

- Fish plate calculations and details
- Seismic retainer plate calculations and details
- Design of steel stud hoistway enclosure between first and second floors
- Plan check rebuttal

There are very limited number of structural designers with experience in the above tasks. I have contacted three individual designers recommended by the state elevator inspector, and so far none of them are willing to commit to assisting with structural design because of liability issues.

I was finally able to contact an elevator consultant that provides services worldwide. I have already met with them at the job site and received a consulting services proposal several days ago. They are going to assist us on following tasks,

- Conduct a detailed survey of all the existing accessible equipment to determine its condition including machine room, hoistway, corridor, car enclosure;
- Fire/life safety;
- Recommendation of the type of equipment needed for modernization;
- Modernization options;
- Code and handicapped accessibility requirement;
- Provide a detailed equipment specification;
- Bid form;
- Bidding process, submit modernization document and select list of pre-qualified elevator companies;
- Evaluate bids received;
- Bid review process;
- Contract negotiations;
- Shop drawing review;
- Construction field observation.

We anticipate hiring this consultant to accomplish the above mention tasks shortly. The six-month extension will enable us to devise a plan to properly repair this elevator to ensure the safety and service of future tenants.

Please feel free to call me if you have further questions.

Sincerely,

Nemat Anjomshoaa

*NEMACO Inc.*

858-525-5554

315-222-2516 *efax*