



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

DATE: November 30, 2018

HCR18-068

COUNCIL DISTRICT(S): 3

ORIGINATING DEPARTMENT: Real Estate Division

SUBJECT: Moving To Work (MTW) Grant Recommendation for Quality Inn

CONTACT/PHONE NUMBER: Tina Kessler (619) 578-7569

REQUESTED ACTION:

Approve a grant and amendment to the ground lease, to facilitate the rehabilitation of Quality Inn, a 92-unit existing development, located at 1840 4th Avenue, San Diego 92101, which will include 91 units for transition aged youth, veterans, seniors and adults with mental disabilities who are experiencing homelessness that will remain affordable for 55 years.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The proposed affordable housing development is a four story, 23,612-square-foot existing building, composed of 92 units located at 1840 4th Avenue. The unit mix would consist of 49 studio units, 42 single room occupancy (SRO) units, and a studio manager's unit. On average the units are approximately 200 square feet.
- The developer is seeking a grant of up to \$5,602,926, a Home Depot grant of \$400,000, MHSAs loan of \$2,704,500 and a bank loan of \$4,912,920.
- In addition to the loan, the developer is seeking an amendment to the ground lease, adjusting the payment to be consistent with other tax credit transactions.
- The developer is Housing Development Partners (HDP), an affiliate of the Housing Commission. HDP is an experienced developer who has successfully participated in affordable housing developments throughout San Diego, contributing to the affordable housing inventory.
- Total development cost of the development is \$13,620,345
- Total development cost per residential units is \$148,047
- Housing Commission subsidy per unit is \$60,901
- The Housing Commission previously approved an award of 91 federal project based housing vouchers for this development. Units will be set aside for homeless transition aged youth, veterans, seniors and adults with mental disabilities, filled through the coordinated entry system.
- If approved, the developer could commence construction in March 2019 and complete construction by March 2020.



REPORT

DATE ISSUED: November 21, 2018

REPORT NO: HCR18-068

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 30, 2018

SUBJECT: Moving To Work (MTW) Grant Recommendation for Quality Inn

COUNCIL DISTRICT: 3

REQUESTED ACTION

The seven day advance notice of San Diego Housing Commission's Hearing of this matter is being provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(A) and (B).

Approve a grant and an amendment to the ground lease, to facilitate the rehabilitation of Quality Inn, a 92-unit existing development, located at 1840 Fourth Avenue, San Diego 92101, which will include 91 units that will remain affordable for 55 years for transitional aged youth, veterans, seniors and adults with mental disabilities who are experiencing homelessness.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) take the following actions, as described in this report.

Housing Commission:

- 1) Approve a Housing Commission grant of up to \$5,602,926 to HDP Quality Inn LLC, a California limited liability company, of which Housing Development Partners (HDP), the Housing Commission's nonprofit affiliate, is the managing member, to facilitate the proposed rehabilitation of Quality Inn, a 92-unit existing development, located at 1840 Fourth Avenue, San Diego 92101, which will include 91 units that will remain affordable for 55 years for transitional aged youth, veterans, seniors, and adults with mental disabilities who are experiencing homelessness..

The Housing Commission's proposed grant will be part of the developer's third-party funding commitments, including a California Mental Health Services Act (MHSA) loan of \$2,704,500; a Home Depot grant of \$400,000; and a bank loan of \$4,912,920 described in this report. Such third-party funding commitments will be subject to the Housing Commission's General Counsel's approval.

- 2) Adjust the terms of the 65-year ground lease from the Housing Commission to HDP Quality Inn LLC so that the annual ground rent will equal the lesser of: (i) 4.5 percent of HDP Quality Inn, LLC's gross annual income; or (ii) 100 percent of HDP Quality Inn, LLC's cash flow.

- 3) Authorize the Executive Vice President and Chief of Staff (Executive Vice President), or designee:
 - a. To adjust financing terms/conditions as necessary for consistency with requirements of other funding sources or to accommodate market changes that may occur, provided that the proposed \$5,602,926 maximum grant amount may not increase.
 - b. To substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the Executive Vice President, or designee, to take such actions as are necessary, convenient and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of General Counsel.

SUMMARY

A development summary is at Attachment 1.

Table 1 – Development Details

Address	1840 Fourth Avenue
Council District	3
Community Plan Area	Bankers Hill/Park West neighborhood of Uptown Community Planning Area
Developer	Housing Development Partners (HDP)
Development Type	Acquisition with rehabilitation
Construction Type	Type V, wood frame, stucco construction
Parking Type	No parking on-site
Housing Type	Multifamily (four-story structure)
Lot Size	10,018 square feet (rectangular in shape) (0.230 acres)
Units	92 (91 units affordable)
Density	400 dwelling units per acre (92 units ÷ 0.230 acres)
Unit Mix	42 SRO units, 49 studio units, and a studio manager’s unit
Gross Building Area	23,612 square feet
Net Rentable Area	18,366 square feet (residential total)

The Development

Quality Inn is a 92-unit existing building constructed in 1990. It is located at 1840 Fourth Avenue, (between Elm Street and Fir Street) (Attachment 2 - site maps). Quality Inn is one building with four stories, including elevator service. There is no on-site parking. Site amenities include: a central courtyard, community room, on-site laundry, and secured entry. Bus service is available nearby on Fourth and Fifth Avenues. Adjacent to the property on the north side is multifamily residential and a restaurant. To the south are Elm Street, multifamily residential and office buildings. Located to the east are Fourth Avenue, a newly constructed CVS, a parking lot, and a hotel. To the west are Third Avenue, a parking lot, multifamily residential and religious uses.

Prior Actions

On December 14, 2017, the Housing Commission acquired Quality Inn property for \$10,480,000, partially funded with with Moving to Work (MTW) funds and leased the property to HDP Quality Inn,

LLC to operate as permanent supportive housing. A copy of the lease is included as Attachment 3 to this report.

Quality Inn supports the creation of permanent housing opportunities for homeless San Diegans through HOUSING FIRST – SAN DIEGO, the Housing Commission’s homelessness action plan. The current phase of HOUSING FIRST – SAN DIEGO, which launched on July 1, 2017, will create permanent housing opportunities for at least 3,000 homeless San Diegans over three fiscal years (2018-2020). This phase builds upon the accomplishments of the programs in the first three years of HOUSING FIRST – SAN DIEGO (2014-2017), which created housing opportunities for close to 3,000 San Diegans experiencing homelessness.

Ground Lease

The Housing Commission and HDP Quality Inn, LLC, previously entered into a 65-year ground lease of the property, which required annual ground rent payments equal to 4.5 percent of gross income. To obtain funding for the rehabilitation and permanent financing of the property, the ground lease terms must be adjusted to match the Housing Commission’s standard ground lease rent structure, which requires rents at 4.5 percent of annual gross income, up to 100 percent of the project’s cash flow.

Developer’s Request

HDP Quality Inn, LLC, submitted a request for a Housing Commission grant of \$5,602,926, and an amendment to the ground lease.

Building Conditions/Proposed Rehabilitation Work

HDP Quality Inn, LLC, intends to complete a comprehensive/substantial renovation of Quality Inn. An estimated rehabilitation summary is included as Attachment 4. A Physical Needs Assessment (PNA) was conducted by Building Consultants, Inc., which identified and assisted in development of the scope of work.

The current estimate of rehabilitation hard costs is \$8,648,838 (\$94,009/unit). This amount includes estimated costs to: add kitchenettes to 49 of the units to convert the SROs into studios; upgrade existing building systems to extend useful life; add new bathroom fixtures; update fire/life-safety components; elevator modernization; roof replacement; and painting of the interior and exterior of the building. A General Contractor has not yet been selected.

Prevailing Wages

HDP Quality Inn LLC’s use of Project-Based Section 8 rental housing vouchers and this proposed allocation of U.S. Department of Housing and Urban Development (HUD) Moving to Work Grant funds will require payment of Federal Prevailing wages. The ground lease for the property with the Housing Commission will require the payment of State Prevailing wages. The higher of the two rates will apply.

Relocation

For this acquisition/rehabilitation project, the temporary relocation of up to 92 households will be required. The project is scheduled to begin in the First Quarter of 2019, with an anticipated construction period of approximately 12 months. It is anticipated that all tenants will need to be temporarily housed in hotels for up to 4 weeks. HDP will contract with a professional relocation consultant to manage the relocation process. HDP Quality Inn LLC will ensure that all required notices and associated benefits are provided. The relocation consultant will provide ongoing support.

Development Team

HDP is a California 501(c)(3) nonprofit public benefit corporation that was incorporated in April 1990 and is an affiliate of the Housing Commission. HDP is a separate legal entity established by the Housing Commission to acquire and develop low- and moderate-income housing and to provide services related to housing. HDP is an experienced developer and has successfully participated in affordable housing developments throughout San Diego. HDP has developed 1,253 units of affordable housing with 284 more units in process, including multiple affordable developments utilizing Housing Commission loans. Recent developments include:

- New Palace Hotel, at 1814 Fifth Avenue, an 80-unit rehabilitation development, currently in construction, with a \$3,040,000 Housing Commission loan and a \$10,500,000 tax-exempt bond issuance.
- San Diego Square, at 1055 Ninth Avenue, a 156-unit rehabilitation development, completed in 2016, with a \$17,825,000 tax-exempt bond issuance.
- Hotel Churchill, at 827 C Street, a 73-unit rehabilitation development, completed in 2016, with a \$6,106,609 Housing Commission loan and a \$9,289,800 MTW grant.

HDP is in full compliance with previous Housing Commission loans. Based upon the developer’s past experience and past performance, staff has determined that the developer has the requisite capacity to successfully complete the proposed Quality Inn rehabilitation. HDP Quality Inn, LLC, a California limited liability company, will act as the borrower’s Managing General Partner (Attachment 5 – organization chart).

Property Management and Supportive Services

Quality Inn is managed by SK Management (SK). SK has substantial experience as a manager of affordable housing, including properties for seniors and special needs tenants with Project-Based Section 8 rental housing vouchers.

HDP anticipates that resident supportive services will be provided by the County of San Diego Behavioral Health Services, St. Paul’s Program of All-Inclusive Care for the Elderly (PACE), the U.S. Department of Veterans Affairs (VA) San Diego Healthcare System, Home Start, and San Diego Youth Services. Units will be set aside for transitional aged youth, veterans, seniors, and adults with disabilities who are experiencing homelessness. On-site and off-site supportive services may include: medical support, daily living support, nutrition and transportation support, in addition to other services as needed on a case-by-case basis for tenants.

Table 2 – Quality Inn Population

Population to be Served	Service Providers	Total # of Units
Transitional Age Youth	Pathways	13
Transitional Age Youth & Adults with Mental Illness	Community Research Foundation	12
Seniors (age 55+)	St. Paul’s PACE	31
Veterans	Veterans Administration	20
Non-VA Veterans (other than honorable discharged)	St. Paul’s PACE	3
Transitional Age Youth	San Diego Youth Services/ Home Start	12
Totals		91

Table 3 Development Team Summary

Role	Firm
Owner	San Diego Housing Commission
Leasehold	HDP Quality Inn, LLC
Managing Partner	HDP Quality Inn, LLC
Architect	BASIS Architecture & Consulting
Civil Engineer	Kettler Leweck Engineering
General Contractor	To be selected
Property Manager	SK Management
Relocation Consultant	To be selected
Service Provider	County of San Diego Behavioral Health Services, St. Paul's PACE, VA San Diego Healthcare System, and San Diego Youth Services
Construction & Perm Lender	To be selected

STATEMENT for PUBLIC DISCLOSURE

The developer's Disclosure Statement is at Attachment 6.

FINANCING STRUCTURE

Permanent Sources and Uses of Financing

The estimated total development costs and sources and uses of funds are detailed in the pro forma attached to this report (Attachment 7) and summarized below.

Table 4 – Quality Inn Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan	\$4,912,920	Hard costs	\$8,648,838	\$94,009
SDHC proposed grant	\$5,602,926	Developer fee	\$2,000,000	\$21,739
		Architect/Engineering - \$310,000		
		Permits & fees - \$120,000		
		Third party reports - \$ 50,401		
		Other soft costs - + \$1,479,478		
		Subtotal - 1,989,879	\$1,989,879	\$21,303
Proposed MHSA loan	\$2,704,500	Financing	\$652,280	\$7,090
Proposed Home Depot grant	\$400,000	Reserves	\$359,348	\$3,906
Total Development Cost	\$13,620,345	Total Development Cost (TDC)	\$13,620,345	\$148,047

The proposed Housing Commission grant will be funded with up to \$5,602,926 with HUD MTW funds. A final determination of Housing Commission funding sources will be made by the Housing Commission's Executive Vice President, or designee, contingent upon budget availability.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators that were used to evaluate the proposed development and make a funding recommendation. The key performance indicators listed in Table 5 are commonly used by real estate industry professionals and affordable housing developers.

Table 5 - Key Performance Indicators

Development Cost Per Unit	\$13,620,345 ÷ 92 units =	\$148,047
Housing Commission Subsidy Per Unit	\$5,602,926 ÷ 92 units =	\$60,901
Gross Building Square Foot Hard Cost	\$8,648,838 ÷ 23,612 sq. ft. =	\$366
Net Rentable Square Foot Hard Cost	\$8,648,838 ÷ 18,366 sq. ft. =	\$471

Developer Fee

HDP is proposing a developer fee of \$2,000,000 (\$21,739/unit). The fee proposed is consistent with the Request for Approval of Updated Developer Fees (HAR17-011) approved by the Housing Authority on April 25, 2017.

AFFORDABLE HOUSING IMPACT

On December 12, 2017, Housing Commission staff approved a commitment for 91 Section 8 Project-Based Housing Vouchers for Quality Inn. Under this program, the tenant’s rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder federally subsidized up to a gross rent level approved by the Housing Commission. The Housing Assistance Payment provides a rental subsidy for the project’s residents. Under the proposed grant, the development will be subject to a Housing Commission Declaration of Covenants and Restrictions that will restrict the affordability of 91 units for 55 years. The project’s 91 units will be affordable to tenants with income levels up to 60 percent of San Diego’s Area Median Income (AMI), currently \$40,920 per year for a studio one-person household.

Table 6 Quality Inn Affordability and Monthly Estimated Rent Table

Affordability Mix	Studios	SRO Units*	Estimated Rent
60% AMI units	49	--	\$1,085
60% AMI units	--	42	\$815
Manager’s unrestricted unit	1	--	--
Subtotal	50	42	
Combined Total Units	92		

* Based on Section 8 Project-Based Rent.

FISCAL CONSIDERATIONS

The funding sources and uses proposed for approval by this action are included in the Fiscal Year 2019 Budget. Approving this action will result in the rehabilitation of a 92-unit development.

Funding sources approved by this action will be as follows:

- MTW Grant - up to \$5,602,926
- Total Funding Sources - up to \$5,602,926

Funding uses approved by this action will be as follows:

- Grants - up to \$5,602,926
- Total Funding Uses - up to \$5,602,926

Approving these actions will further grant the Executive Vice President, or designee, the authority to substitute the above funding sources with other available funding sources so long as the total Housing

Commission grant amount does not exceed the approved total grant amount, should the operational need arise or should such actions be to the benefit of the Housing Commission.

Development Schedule

The estimated development timeline is as follows:

Milestones	Estimated Dates
<ul style="list-style-type: none">• Rehabilitation Finance Closing	<ul style="list-style-type: none">• Estimated March 2019
<ul style="list-style-type: none">• Start of construction work	<ul style="list-style-type: none">• Estimated March 2019
<ul style="list-style-type: none">• Completion of construction work	<ul style="list-style-type: none">• Estimated March 2020

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

HDP presented the project as an information item to the Uptown Community Planning Group on June 5, 2018, and to the Bankers Hill Community Group on July 16, 2018.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders for this project include the residents of Quality Inn, HDP as developer and managing member of the borrower HDP Quality Inn, LLC, the residents of the Bankers Hill/Park West neighborhood, service providers, and the Housing Commission as the property owner. The property rehabilitation is expected to have a positive impact on the community because it will preserve existing affordable housing for downtown seniors.

ENVIRONMENTAL REVIEW

This project's proposed rehabilitation is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to section 15301 of the State CEQA Guidelines because the project is an existing facility and the proposed actions do not involve expansion of the existing use.

This project may be partially funded with federal Moving to Work (MTW) grant funds. The activities described herein are Categorically Excluded subject to Section 58.5 from the National Environmental Policy Act (NEPA) pursuant to Section 58.35(a)(3) of Title 24 of the Code of Federal Regulations. The City of San Diego and San Diego Housing Commission have conducted a limited Environmental Review of this project as required under Section 58.35(a), and have determined that this project converts to exempt status per Section 58.34(a)(12). A copy of the Environmental Review is on file in the Environmental Review Record.

HOUSING DEVELOPMENT PARTNERS CONFLICT DISCLOSURE STATEMENT:

Housing Development Partners' Board of Directors includes the President and CEO of the Housing Commission, Commissioners Stefanie Benvenuto and Tim Walsh, and community members. The current HDP Board consists of five members. Commissioners Benvenuto and Walsh, and President and CEO of the Housing Commission, Richard Gentry, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation. Commissioner Benvenuto, Commissioner Walsh, and CEO Gentry receive no compensation for their service on the Housing Development Partners Board of Directors. Pursuant to the provisions of Government Code Sections 1091.5(a)(7) and 1091.5(a)(8), Commissioner Benvenuto, Commissioner Walsh, and CEO Gentry each have a "non-interest" as described in Government Code Section 1091.5. Furthermore, none of Housing Development Partners' board members has a financial interest in this development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100, et. seq. because a 501(c)(3)

nonprofit corporation is not a business entity for the purposes of state law and because Housing Development Partners has been determined to be a public agency by the Ethics Commission for local conflict law purposes and/or the Housing Commission's Conflict of Interest Code. As members of the Board of Commissioners of the Housing Commission, Ms. Benvenuto and Mr. Walsh are legally entitled to vote and be counted for quorum purposes. This disclosure shall be and is hereby documented in the official records of the Housing Commission. Further, Housing Development Partners may form an affiliated limited partnership or LLC and under such a scenario, Housing Development Partners will be the managing general partner for its affiliated limited partnership or LLC. The grantee HDP Quality Inn LLC's affiliated managing general partner is planned to have the same makeup as the Housing Development Partners' Board, and Commissioner Benvenuto, Commissioner Walsh and CEO Gentry will all have non-interests with any affiliated limited partnership or LLC. This disclosure shall be and is hereby documented in the official records of the Housing Commission.

Respectfully submitted,

Approved by,

Tina Kessler

Jeff Davis

Tina Kessler
Housing Programs Manager
Real Estate Division

Jeff Davis
Executive Vice President & Chief of Staff
San Diego Housing Commission

Attachments:

1. Development Summary
2. Site Maps
3. Ground Lease
4. Rehabilitation Summary
5. Organization Chart
6. Developer Disclosure Statement
7. Developer's Pro Forma

Hard copies are available for review during business hours at the security information desk in the main lobby and the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org

Attachment 1

Table 1 - Development Details

Address	1840 4 th Avenue
Council District	3
Community Plan Area	Bankers Hill/Park West neighborhood of Uptown
Development Type	Acquisition with rehabilitation
Construction Type	Type V, wood frame, stucco construction
Parking Type	No parking on site
Housing Type	Multifamily (four-story structure)
Lot Size	10,018 square feet (rectangular in shape) (0.230 acres)
Units	92 (91 units affordable)
Density	400 dwelling units per acre (92 units ÷ 0.230 acres)
Unit Mix	42 SRO units, 49 studio units, and a studio manager's
Gross Building Area	23,612 square feet
Net Rentable Area	10,120 square feet (residential total)
Developer	18,366 square feet (residential total)
Prevailing Wages	Federal Prevailing Wage rates
Rental Subsidy	91 project based vouchers

Table 2 - Development Team Summary

Owner	San Diego Housing Commission
Developer	Housing Development Partners
Managing Partner	HDP Quality Inn, LLC
General Contractor	To be selected
Architect	BASIS Architecture & Consulting
Civil Engineer	Kettler Leweck Engineering
Property Manager	SK Management
Relocation Consultant	To be selected
Service Providers	County of San Diego Behavioral Health Services, St. Paul's PACE, Veteran's Affairs San Diego Healthcare System, and San Diego Youth Services

Table 3 - Permanent Sources & Uses

Sources of Financing		Uses of Financing	
Permanent Loan	\$4,912,920	Hard Costs	\$8,648,838
Housing Commission Grant	5,602,926	Soft Costs	1,989,879
Proposed MHSA Loan	2,704,500	Financing Costs	652,280
Proposed Home Depot Grant	400,000	Reserves	359,348
		Developer Fee	2,000,000
Total Development Costs	\$13,620,345	Total Development Costs	\$13,620,345

Funding Request

Housing Commission Total Subsidy	\$5,602,926
Housing Commission Subsidy Per Unit	\$ 60,901

Table 4 – Performance Indicators

Development Cost Per Unit	\$13,620,926 ÷ 92 units = \$ 148,047
Housing Commission Subsidy Per Unit	\$ 5,602,926 ÷ 92 units = \$ 60,901
Net Rentable Square Foot Hard Cost	\$ 8,648,838 ÷ 23,612 sf = \$ 366
Gross Building Square Foot Hard Cost	\$ 8,648,838 ÷ 18,366 sf = \$ 471

Table 5- Project Cost Comparison Chart

Project Name	Units	Total Development Cost	Per Unit Cost	Commission Subsidy Per Unit	MTW	Local	Total
Quality Inn	92	\$ 13,620,345	\$ 148,047	\$ 60,901	\$ 5,602,926		\$ 5,602,926
Averil Road	14	1,433,545	102,396	102,396	1,415,413	18,132	1,433,545
La Jolla Marine	8	1,519,877	189,984	189,984	1,355,968	163,909	1,519,877
Village North Senior	120	11,324,000	94,367				
TOTAL	234	\$ 27,897,767					

Table 6 - Proposed Rents

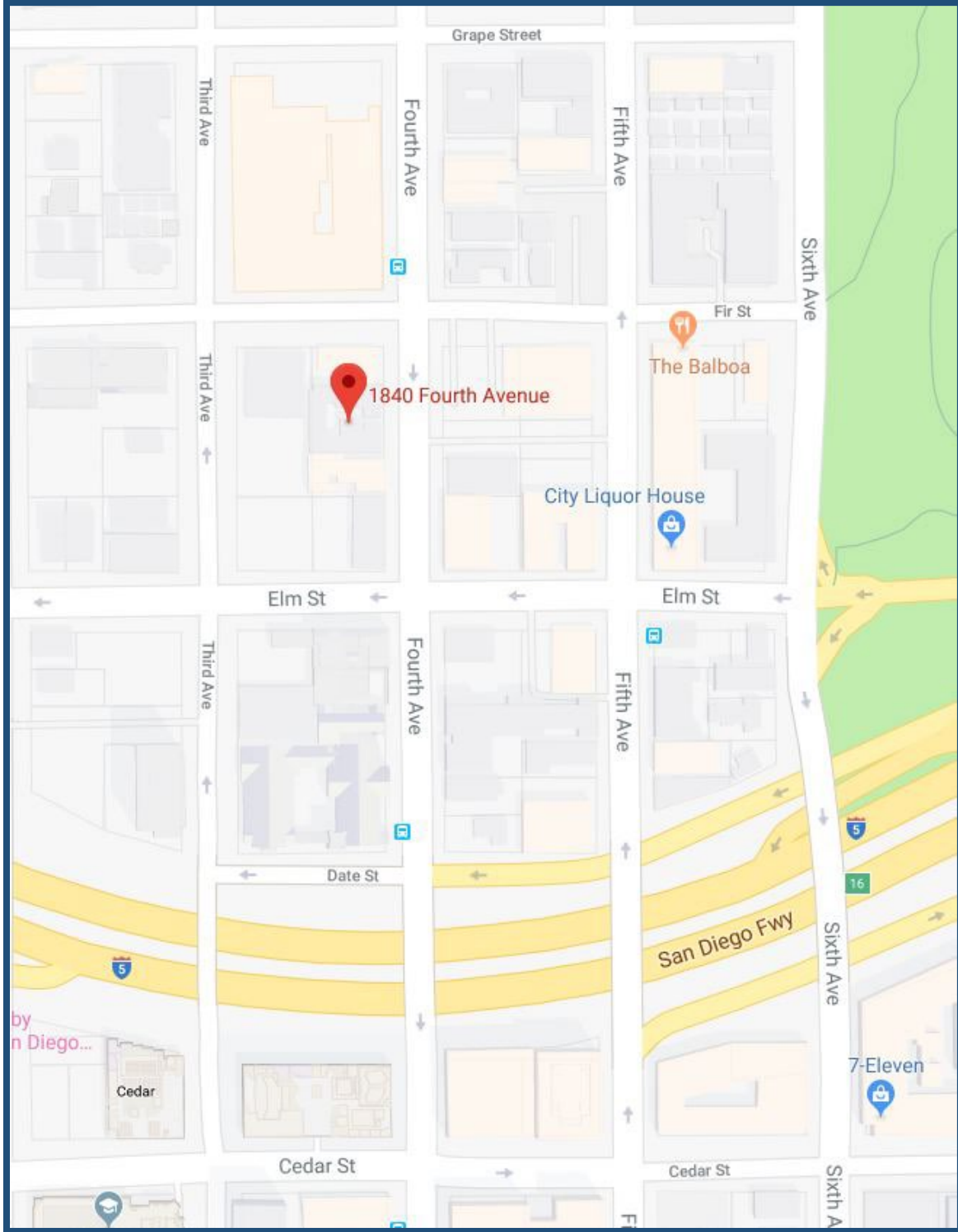
Affordability Mix	Studios	SRO Units	Estimated Rents**
80% AMI Units	49	-	\$1,085
80% AMI Units	-	42	\$ 815
Manager's Unit	1	-	-
TOTAL	92		

*Owner paid utilities

**Based on Section 8 Project-Based Rent

Attachment 2

Site Map



Recording Requested by:
CHICAGO TITLE COMPANY
COMMERCIAL DIVISION

DOC# 2017-0585951



Dec 14, 2017 04:54 PM

OFFICIAL RECORDS
Ernest J. Dronenburg, Jr.,
SAN DIEGO COUNTY RECORDER
FEES: \$11,170.00
PCOR: AFNF
PAGES: 41

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San Diego, CA 92101

00069356-050

**GROUND LEASE AND OPTION AGREEMENT
(Quality Inn)**

Transfer Tax: \$ 11,000.00

THIS GROUND LEASE AND OPTION AGREEMENT ("Ground Lease") is dated as of the 14th day of December, 2017, by and between the San Diego Housing Commission ("Commission") and HDP Quality Inn, LLC, a California limited liability company ("Tenant").

RECITALS

A. The Commission is the owner of that certain approximately 10,000 square foot, rectangular parcel of real property generally located at 1840 4th Avenue, in the City of San Diego, California, as more particularly described on Exhibit A attached hereto. Commission and Tenant desire for Tenant to lease the Property from the Commission upon the terms and conditions set forth herein. This Ground Lease creates a leasehold estate ("Leasehold") in the Property, as defined in more detail below.

B. Tenant intends to rehabilitate the existing structure on the Property, which upon completion of the rehabilitation will provide ninety-one (91) affordable residential dwelling units ("Affordable Units"), plus one (1) manager's unit, as well as the common areas, on the Leasehold (collectively the "Project"). The actual rehabilitation to be performed, the scope of work and all construction contracts shall be subject to approval by the Commission. In consideration for this Ground Lease, Tenant has agreed to restrict the rent and occupancy of all ninety-one (91) of the Affordable Units to residents with incomes at or below eighty percent (80%) of AMI, as defined below.

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

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

(a) Affordable Units. “Affordable Units” means the ninety-one (91) dwelling units located on the Leasehold, the rent and occupancy of which are restricted to Eligible Residents, as provided herein.

(b) Affordability Provisions. “Affordability Provisions” has that meaning ascribed to it in Section 4 of this Ground Lease.

(c) Annual Rent. “Annual Rent” has that meaning ascribed to it in Section 3 of this Ground Lease.

(d) Area Median Income. “Area Median Income” or “AMI” means the then current annual area median income for families in the County of San Diego, established by the Department of Housing and Urban Development (“HUD”) as the then current median income for the San Diego-Carlsbad Metropolitan Statistical Area, established periodically by HUD and published in the Federal Register, as adjusted for family size. The Area Median Income shall be deemed adjusted, from time to time, in accordance with any adjustments that are authorized by HUD or any successor agency, as determined by the Commission in accordance with its policies and procedures in effect at the time of such determination and as adjusted for family size. In the event HUD ceases to establish median income as aforesaid, the Commission may, in its discretion, use any other reasonably comparable method of computing adjustments in Area Median Income.

(e) City. “City” means the City of San Diego.

(f) Commission. “Commission” means the San Diego Housing Commission.

(g) Eligible Residents. “Eligible Residents” has that meaning ascribed to it in Section 4(b) of this Ground Lease.

(h) Event of Default. “Event of Default” has that meaning ascribed to it in Section 21 of this Ground Lease.

(i) Fee Mortgage. “Fee Mortgage” means any Mortgage constituting a lien upon the fee estate in the Property.

(j) Governmental Requirements. “Governmental Requirements” means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State of California, the County of San Diego, the City, or any other political subdivision in which the Property is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over the Commission, Tenant, Leasehold, Improvements or Property.

(k) Hazardous Materials. "Hazardous Materials" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United State Government. Provided, however, the term "Hazardous Materials" shall not include substances typically used in the ordinary course of developing, operating and maintaining apartment complexes in California or small amounts of chemicals, cleaning agents and the like commonly employed in routine household uses in a manner typical of occupants in other similar properties, provided that such substances are used in compliance with applicable laws.

(l) Housing Authority. "Housing Authority" means the Housing Authority of the City of San Diego.

(m) Improvements. "Improvements" means the ninety-one (91) Affordable Units, the manager's unit, and all other structures and improvements now or hereafter erected or situated on the Leasehold, including without limitation, the common areas, foundations, footings, and any and all fixtures, equipment and machinery of every kind and nature whatsoever now or hereafter affixed or attached thereto, or now or hereafter used or procured for use in connection with the operation, use or occupancy thereof, and the appurtenances thereto, but excluding from the foregoing all fixtures and articles of personal property, title of which, pursuant to any lease of space in the Improvements shall be vested in the resident under such lease. Fee title to the Improvements shall be vested in Tenant and shall remain vested in Tenant during the Term of this Ground Lease.

(n) Imposition. "Imposition" has that meaning ascribed to it in 9(a) of this Ground Lease.

(o) Lease Commencement Date. "Lease Commencement Date" means the date this Lease is recorded in the Office of the Recorder of San Diego County.

(p) Leasehold. "Leasehold" means the leasehold estate created by this Ground Lease.

(q) Leasehold Mortgage. "Leasehold Mortgage" means any Mortgage, provided such Mortgage is permitted under the terms and conditions of this Ground Lease, constituting a lien upon the Leasehold. Tenant shall have no right to, and under no circumstances shall the Tenant, encumber the fee interest in the Property, which fee interest shall be and remain at all times solely and exclusively owned by the Commission.

(r) Leasehold Mortgagee. "Leasehold Mortgagee" means the holder or beneficiary of a Leasehold Mortgage.

(s) Mechanic's Liens. "Mechanic's Liens" has that meaning ascribed to it in Section 19 of this Ground Lease.

(t) Mortgage. "Mortgage" means an indenture of mortgage and/or deed of trust.

(u) Property. The “Property” is that certain real property owned by the Commission, located in the City of San Diego, County of San Diego, State of California, as more particularly described on Exhibit “A”. Except as otherwise expressly provided to the contrary in this Ground Lease, each reference to the Property is to the described real property exclusive of any improvements now or hereafter located on such real property, notwithstanding that any such improvements may and shall be construed as affixed to and as constituting part of the real property.

(v) Project. “Project” has that meaning ascribed to it in Recital B of this Ground Lease.

(w) Rent Commencement Date. “Rent Commencement Date” means the date this Lease is recorded in the Office of the Recorder of San Diego County.

(x) Tenant. “Tenant” means HDP Quality Inn, LLC, a California limited liability company.

(y) Term. The “Term” of this Ground Lease shall commence on the Lease Commencement Date and shall expire and terminate at 12:00 midnight on the date which is sixty-five (65) years after the Rent Commencement Date. The Commission and the Tenant agree that the Tenant will have the burdens and benefits of ownership for federal income tax purposes and will be entitled to all tax benefits including, without limitation, the depreciation attributable to the Project during the term of this Ground Lease.

2. Use and Ownership of the Property and Improvements.

(a) Use of the Property. Commission hereby leases the Property to Tenant. The Property is being leased to Tenant solely and exclusively for the purposes of rehabilitation and operation of the Project by Tenant, at its sole cost and expense, including without limitation leasing the Affordable Units to Eligible Residents. As soon as is reasonably practicable after the Lease Commencement Date, the Tenant shall present the Commission with a proposal for the rehabilitation to be performed, the scope of work and all construction contracts for the same, all of which shall be subject to approval by the Commission. As soon as is reasonably practicable after the Commission approves the scope of work and all construction contracts for the same, and in no event later than December 31, 2020, Tenant shall begin rehabilitation of the Project. The Project shall include at least five (5) handicap accessible units and at least two (2) units with features for the visual or hearing impaired. The Project shall also include universal design features and will comply with all federal accessibility standards. The Project shall be rehabilitated in accordance with all applicable laws, rules, regulations and conditions of approval from the City, the various lenders making loans to Tenant and the requirements of this Ground Lease. Tenant covenants and agrees to use the Property solely and exclusively for such purposes and to diligently pursue said purposes for the Term. Commission and Tenant agree that Tenant will have the burdens and benefits of ownership for federal income tax purposes and will be entitled to all tax benefits including the depreciation attributable to the Project during the term of this Ground Lease. Completion of rehabilitation of the Project evidenced by the filing or issuance by the building official of the City of a temporary certificate of occupancy for all units within the Project, shall be completed on or before December 31, 2021.

(b) Title to Improvements. All of the Improvements existing, constructed or installed upon the Leasehold shall, at all times during the Term, be and remain real property, with fee title thereto being vested in the Tenant, for tax and all other purposes; provided, however, that upon the expiration, or earlier termination of this Ground Lease, title to any such Improvements shall vest in the Commission.

(c) Title to Personal Property. Commission acknowledges that any equipment or other personal property of Tenant now or hereafter located on the Leasehold shall be and remain the personal property of Tenant and shall not become a part of the Leasehold. To the extent that Tenant grants a lien or security interest in such equipment or other personal property to any Leasehold Mortgagee to secure obligations owed by the Tenant to the Leasehold Mortgagee, Commission agrees that, upon enforcement or exercise by such Leasehold Mortgagee of any of its rights with respect thereto, Commission shall afford Leasehold Mortgagee reasonable access to the Leasehold for the purpose of preserving its interest therein or enforcing or exercising such rights, subject to the terms and conditions of this Ground Lease.

3. Rent.

(a) Annual Rent. The annual rent ("Annual Rent") shall equal four and a half percent (4½%) of all Gross Income (as that term is defined below) for the immediately preceding calendar year. Tenant's obligation to pay Annual Rent, as set forth in this Section 3, shall begin on the Rent Commencement Date, provided however, that since the Annual Rent is paid in arrears, the first payment of Annual Rent shall be made not later than May 1, 2019, and then annually during the Term on May 1 of each year. All rent shall be paid to the Commission at the address to which notices to the Commission are given, or to such other person or such other place as directed from time to time by written notice to Tenant from the Commission.

(b) Gross Income Defined. "Gross Income" shall mean all gross income, as calculated in accordance with GAAP, from all residential and non-residential components of the Project, and any other income to Tenant derived from the Property, but shall not include sale or refinancing proceeds, insurance or condemnation proceeds, equity contributions to Tenant made by the members of Tenant or security deposits.

(c) Delinquent Rent. In the event Tenant fails to pay all or any part of the applicable rents within fifteen (15) days of the due date thereof, the Tenant shall pay the Commission in addition to the delinquent rent, a sum of money equal to five percent (5%) of said delinquent rent; provided, however, in the event said delinquent rent is still unpaid after an additional fifteen (15) days of becoming delinquent the Tenant shall pay Commission in addition to the delinquent rent, instead of said five percent (5%) of said delinquent rent, a sum of money equal to ten percent (10%) of said delinquent rent. Tenant and Commission agree that it would be extremely difficult or impracticable to ascertain the precise amount of actual damages accruing to Commission as a result of such a default and that the foregoing formula is a fair and reasonable method of approximating such damages. In addition, all rent and other sums which may from time to time become due and payable by Tenant to Commission under any of the provisions of

this Ground Lease shall bear interest from and after the due date thereof at the rate of ten percent (10%) per annum.

(d) Inspection of Records. Whenever the Commission desires to inspect the records and accounts of Tenant in order to determine Tenant's compliance with the terms of this Ground Lease, the Commission shall have the right at all reasonable times, but only upon at least 48 hours advance notice to inspect all such records. Tenant agrees to cooperate in such inspection and to make the records available to Commission at Tenant's place of business in the City.

(e) Triple Net Ground Lease. It is the purpose and intent of Commission and Tenant that the rent payable under this Ground Lease shall be absolutely net to Commission. Therefore, this Ground Lease shall yield the rent specified and provided in this Section 3 absolutely net to Commission, and that Tenant shall pay all costs, charges and expenses of every kind and nature whatsoever against the Property which may arise or become due during the Term and which, except for the execution and delivery of this Ground Lease, would or could have been payable by Commission. However, notwithstanding the foregoing: (i) nothing in this Ground Lease shall require, or be construed to require, Tenant to pay any interest or principal payments or other payments on or required under any Fee Mortgage; (ii) in the event the Property becomes subject to property taxes as a result of a transfer of the Property by the Commission, then the Tenant shall not be liable under this Section 3(d) for such property taxes (provided, however, the foregoing shall not affect Tenant's obligation to pay any taxes assessed against the Leasehold); and (iii) Tenant shall not be responsible for payment of any income taxes, rental taxes or gross receipts taxes properly levied against the Commission.

(f) Retention of Records. Tenant shall keep, for a period of at least seven (7) years from the end of each year of the Term, at Tenant's address set forth hereinbelow, or at such place or to such person as the Commission may reasonably approve in writing, all of the records, books, accounts and other data which are regularly kept in the ordinary course of business to establish Tenant's Gross Income for that year of the Term, and shall make the same available to the Commission, and its employees, agents, accountants, representatives, auditors and attorneys. The parties hereto specifically agree that notwithstanding anything to the contrary contained herein, this Section 3(e) of this Ground Lease shall survive and remain in full force and effect after the termination of this Ground Lease.

(g) Operating and Capital Improvements Reserve. Concurrently herewith, the Commission is funding an operating and capital improvement reserve in the amount of \$184,956.39, for the Property. Not later than May 1, 2019, and then annually during the Term on May 1 of each year thereafter, Tenant shall deposit all cash flows remaining for the immediately preceding calendar year after payment of all applicable costs and expenses into the reserve account for capital improvements. The reserve shall be maintained in a separate bank account. No disbursements from the reserve shall be made without the express written consent of the Commission, not to be unreasonably withheld, conditioned or delayed. Tenant shall account to the Commission for any monies expended from the reserve.

4. Affordability Restrictions. The provisions of this Section 4 of this Ground Lease, shall be referred to collectively herein as the “Affordability Provisions.”

(a) Restrictive Covenants. Tenant agrees and covenants on behalf of itself and its successors and assigns, and each successor-in-interest to this Ground Lease and/or the Improvements, that at all times during the Term ninety-one (91) units in the Project shall be set aside and reserved as “Affordable Units.” As used herein the term “Affordable Units” shall refer to those residential units in the Project which are owned or held available strictly in accordance with the terms and conditions set forth herein.

(b) Affordable Unit Restrictions. The ninety-one (91) Affordable Units shall be occupied only by Eligible Residents. “Eligible Residents” are those tenants who meet all of the criteria contained in this Section 4 and whose aggregate gross annual income does not exceed eighty percent (80%) of AMI. Notwithstanding anything contained herein to the contrary, to the extent any other restrictions applicable to the Project limit the rent and/or occupancy of dwelling units in the Project, the most restrictive shall apply.

(c) Maximum Rents. Tenant shall not receive rent for any month from any Eligible Tenant for any Affordable Unit, which exceeds 1/12th of thirty percent (30%) of eighty percent (80%) of AMI.

(d) Determination of Eligibility. The eligibility of each prospective resident under the restrictions set forth herein shall be certified by Tenant which shall submit such certification and all supporting documentation on forms acceptable to the Commission, in its reasonable discretion, for a determination of resident eligibility, prior to such resident’s occupancy. No Affordable Unit may be rented to a prospective resident or occupied by any person unless and until the Commission has determined that the prospective resident or occupant is an Eligible Resident as determined in accordance with the Affordability Provisions.

(e) Annual Adjustment of Rents. An adjustment of rents shall be performed annually in accordance with the percentage increase in rents as contained in the applicable Commission rent schedules for the affected unit type.

(f) Determination; Annual Requalification. Annually, Tenant shall requalify the resident as Eligible Residents. Such requalification process shall be performed by Tenant as part of the annual certification of Tenant’s compliance as set forth in Section 4(g) below. Failure of Tenant to timely comply with the resident qualification and requalification process described in this Section 4(f) and in Section 4(g), below, after written notice and the Tenant’s failure to cure within 60 days, shall constitute a material default under this Ground Lease.

(g) Tenant Certification; Annual Recertification. Each year of the Term of this Ground Lease, on May 1, Tenant shall certify to the Commission under penalty of perjury, utilizing such forms and providing such backup documentation as the Commission may require, that Tenant is complying with all provisions of this Ground Lease. The Commission may, but is not obligated to, perform the following monitoring functions: (i) preparing and making available

to Tenant any general information that the Commission possesses regarding income limitations and restrictions which are applicable to the Affordable Units; (ii) reviewing the applications of prospective occupants of the Affordable Units, and verifying Tenant's determination of eligibility of such persons as Eligible Residents in accordance with Section 4(d), above; (iii) reviewing the documentation submitted by Tenant in connection with the annual certification process for Eligible Residents in accordance with Section 4(f), above; and (iv) inspecting the Affordable Units to verify that they are being maintained in good condition as required by this Ground Lease (after completion of rehabilitation of the Project, Tenant shall continually maintain the Affordable Units in substantially the same condition as the Affordable Units are in at completion of the rehabilitation, reasonable wear and tear excepted, and in a condition which satisfies the Uniform Physical Conditions Standards promulgated by the Department of Housing and Urban Development (24 CFR §5.705), as such standards are interpreted and enforced by the Commission under its normal policies and procedures). Notwithstanding the foregoing description of the Commission's functions, Tenant shall have no claim or right of action against the Commission based on any alleged failure to perform such function, except that Tenant may reasonably rely upon the Commission's resident eligibility determination and shall not be liable to the Commission for any damages attributable solely to the Commission's negligence or willful misconduct in conducting any such resident eligibility determinations.

(h) Relationship with Tenant. The term "Eligible Resident" shall not include: (i) any individuals who are members, managers, partners or shareholders in Tenant or Housing Development Partners of San Diego, a California nonprofit public benefit corporation ("HDP"); (ii) any relative (by blood or marriage) of any individuals who are members, managers, partners or shareholders in Tenant or HDP; (iii) any individuals who are members, managers, partners or shareholders in any entity having an interest in Tenant, HDP, the Leasehold or the Property; (iv) any officer, employee, agent or consultant of the Tenant or HDP; or (v) any relative (by blood or marriage) of any officer, employee, agent or consultant of the Tenant or HDP. This restriction shall not preclude occupancy by a resident manager in one (1) of the dwelling units located on the Leasehold.

(i) Limitations.

(1) No Student Dependents. The term "Eligible Resident" shall not include any student dependent as defined in the U.S. Internal Revenue Code, unless the taxpayer (upon whom the student in question is dependent) resides in the same dwelling unit. The term "Eligible Resident" shall not include any person who is a full-time student, or a household comprised exclusively of persons who are full-time students, unless such persons are married and eligible to file a joint federal income tax return, provided, however, the Commission may in the Commission's sole discretion waive the foregoing prohibition against full-time students on a case-by-case basis. 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.

(2) No Owners of Real Property. The term "Eligible Resident" shall not include any person or any household comprised of one or more persons who owns any real property.

(3) Liquid Asset Limitation. The term “Eligible Resident” shall not include any person or household holding, directly or indirectly, liquid assets whose aggregate value exceeds, at the time of determination of eligibility, eighty percent (80%) of the then-current Area Median Income, as reasonably adjusted by the Commission for household size in accordance with the Commission’s policies and procedures. 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.

(j) Income of Co-Residents, Etc. The income of all co-residents and/or non-dependent occupants shall be taken into account in determining whether a household is an Eligible Resident hereunder.

(k) Eviction.

(1) Reasons Other Than Over Income. Subject to provisions of applicable law, and the requirements of all Leasehold Mortgagee loan documents, in the event that a resident who was properly certified as an Eligible Resident at the commencement of such resident’s occupancy ceases to be eligible, for any reason other than the resident being over income, the Tenant shall give thirty (30) days written notice, or such longer period as proscribed by law, to such resident to vacate the Affordable Unit. The vacated Affordable Unit shall thereafter only be rented to an Eligible Resident.

(2) Over Income Residents. Subject to provisions of applicable law, in the event that a resident who was properly certified as an Eligible Resident at the commencement of such resident’s occupancy ceases to be eligible, because the resident is over income, the Tenant shall give one hundred eighty (180) days written notice to such resident to vacate the Affordable Unit. The vacated Affordable Unit shall thereafter only be rented to an Eligible Resident. The over-income resident shall continue to be considered an Eligible Resident until evicted. During the time the over-income resident resides in the Affordable Unit, such resident shall continue to pay the restricted rent. Notwithstanding the foregoing, no resident who was properly certified as an Eligible Resident at the commencement of such resident’s occupancy shall be evicted solely because the resident is over income, if: (i) such eviction would violate any State or Federal law applicable to the Tenant, Leasehold, Property or any funding source obtained by Tenant; or (ii) such eviction would cause Tenant to lose its exemption from property taxes.

(l) Covenant’s Run with the Land/Successors Bound. All of the covenants contained herein shall constitute “covenants running with the land,” including without limitation the Affordability Provisions of this Section 4, and shall bind the Property, the Leasehold, the Improvements and every person having an interest therein during the Term. Tenant agrees for itself and its successors that, in the event that, for any reason whatsoever, a court of competent jurisdiction determines that the foregoing covenants do not run with the land, such covenants shall be enforced as equitable servitudes against the Leasehold.

(m) Standing, Equitable Remedies; Cumulative Remedies. Tenant expressly agrees and declares that the Commission or any successor entity shall be the proper party and shall have standing to initiate and pursue any and all actions or proceedings, at law or in equity, to enforce the Affordability Provisions of this Section 4 and/or to recover damages for any Event of Default under this Section 4, 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, Tenant expressly agrees that receivership, injunctive relief and specific performance are proper pre-trial and/or post-trial remedies hereunder upon any Event of Default, as well as to assure compliance with the Affordability Provisions of this Section 4. Nothing in this subparagraph, and no recovery to the Commission, shall restrict or limit the rights or remedies of persons or entities other than the Commission, against Tenant in connection with the same or related acts by Tenant. The remedies set forth in this Ground Lease are cumulative and not mutually exclusive, except to the extent that their award is specifically determined to be duplicative by final order of a court of competent jurisdiction.

(n) Remedies at Law for Breach of Tenant Restrictions. In the event of any Event of Default under the Affordability Provisions of this Section 4, the Commission shall be entitled to, in addition to any and all other remedies available at law or in equity, to seek and to recover damages in separate actions for successive and separate breaches which may occur. Further, interest shall accrue on the amount of such damages from the date of the breach in question at the rate of ten percent (10%) per annum or the maximum rate then allowed by law, whichever is less.

(o) Residential Lease Provisions. Tenant agrees that it will include in all of its Affordable Unit leases, and cause its successors-in-interest to include in all of their leases, all provisions required under the terms of this Ground Lease, including provisions that will provide the residents with written notice of the following requirements:

(1) Tenant Restrictions. No Affordable Unit in the Project shall be rented to any person other than an "Eligible Resident." The term "Eligible Resident" shall not include: (i) any person or household holding, directly or indirectly, liquid assets whose aggregate value exceeds, at the time of determination of eligibility, 80% of the then-current annual Area Median Income, as reasonably adjusted by the Commission for household size in accordance with the Commission's policies and procedures; and (ii) any person or any household comprised of one or more persons who owns any real property. 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. The income of all co-residents and/or occupants shall be taken into account in determining whether a household is an Eligible Resident.

(2) Rent Restriction. The monthly rent (“Affordable Rent”) charged to any tenant for an Affordable Unit (which shall include any permitted utility allowance) shall not exceed the amount provided in Section 4(c), above.

(3) Term Restriction. The Affordable Units shall be rented to Eligible Residents only. No Affordable Unit lease shall have a term in excess of one (1) year.

5. Covenants and Conditions.

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

(b) Right to Assign. When in the opinion of the President and CEO of the Commission, in his reasonable discretion, and if he deems it to be consistent with the best interests of the Commission, Tenant may assign this Ground Lease or any interest herein and may sublease any portion hereof to an assignee or sublessee who has, in the opinion of the President and CEO of the Commission, the financial capability and overall competence to successfully operate the assigned or subleased premises. Provided, however, that no such assignment shall be effective for any purpose unless and until (i) the Tenant’s interest in the Improvements shall be transferred to the assignee of this Ground Lease and (ii) there shall be delivered to Commission (A) a duplicate original of the instrument or instruments of transfer of this Ground Lease and of the assignor’s interest in the Improvements in recordable form, containing the name and address of the transferee and (B) an instrument of assumption by the transferee of all of Tenant’s obligations under this Ground Lease in a form and format acceptable to the Commission in its sole discretion. This Ground Lease and any interest herein shall not be assignable by operation of law without the written consent of the President and CEO of the Commission and all Leasehold Mortgagees. Nothing contained in this Section 5(b) or elsewhere in this Ground Lease shall prohibit or otherwise impair the Commission’s right to assign the Commission’s right, title and interest in and to this Ground Lease.

6. Encumbrances.

(a) Encumbrance of the Leasehold Estate. Tenant shall have the right to encumber the Leasehold and the Improvements, as necessary to secure financing for rehabilitation of the Project, provided such financing and encumbrances are approved by the Commission in its reasonable discretion. Tenant shall have no right to, and under no circumstances shall the Tenant, encumber the fee interest in the Property, which fee interest shall be and remain at all times solely and exclusively owned by the Commission. A Leasehold Mortgagee may enforce any such Leasehold Mortgage and acquire title to the Leasehold in any lawful way and, pending foreclosure of such Leasehold Mortgage, the Leasehold Mortgagee may take possession of and operate the Leasehold performing all obligations performable by Tenant. Commission agrees to accept performance by each Leasehold Mortgagee of any cures, conditions and covenants as though performed by Tenant, and agrees to permit each Leasehold Mortgagee access to the

Premises to take all such actions as may be necessary or useful to perform any condition or covenant of this Ground Lease or to cure any default of Tenant. Any person or entity acquiring the Leasehold as a result of foreclosure of a Leasehold Mortgage or assignment of the Leasehold under this Ground Lease in lieu of such foreclosure shall be personally liable to perform only the obligations imposed on Tenant by this Ground Lease commencing as of the date of the foreclosure of the Leasehold Mortgage or assignment in lieu of such foreclosure and ending as of the date any assignment of this Ground Lease to a successor tenant in accordance with the requirements of Section 5(b), above. The rights and privileges hereunder of any Leasehold Mortgagee shall be subject to the rights and privileges of any other Leasehold Mortgagee whose lien has priority over the lien of such Leasehold Mortgagee. In addition, Leasehold Mortgagees shall have the cure and other rights set forth in Section 21 of this Ground Lease.

(b) Encumbrance of the Property. Commission owns the Property in fee simple. There is no deed of trust, mortgage or other encumbrance on Landlord's fee simple interest in the Property that is senior in priority to the Ground Lease. Commission will not mortgage or otherwise encumber its interest in the Property or in the Ground Lease while any Leasehold Mortgage approved by the Commission remains outstanding, unless the deed of trust, mortgage or other encumbrance is expressly subordinated pursuant to a form of subordination agreement satisfactory to the holder of the Leasehold Mortgage.

7. Compliance With All Codes, Orders and Ordinances.

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

(b) Disputes. Tenant shall have the right to contest by appropriate legal proceedings, the validity or application of any law, ordinance, order, rule, regulation or requirement of the nature referred to in Section 7(a) above, and if by the terms of any such law, ordinance, order, rule, regulation or requirement, compliance therewith pending the prosecution of any such proceeding may legally be held in abeyance without the incurrance of a lien, charge or liability of any kind against the Property, the Improvements or the Leasehold and without subjecting Tenant to any criminal liability of any kind or nature whatsoever for failure to comply therewith and without subjecting the Commission to any liability of any kind or nature whatsoever for failure to immediately comply therewith, Tenant may postpone compliance therewith until the final determination of any proceedings, provided that all such proceedings shall be prosecuted with all due diligence and dispatch. Under no circumstances shall any such contest of any law, ordinance, order, rule, regulation or requirement of the nature referred to in Section 7(a) above, result in any cost, liability or expense to Commission whatsoever.

(c) Prevailing Wages. Tenant, the general contractor, and any and all subcontractors, shall pay prevailing wages for rehabilitation of the Project and all further work done with respect to the Project as required by California law.

8. Utilities. Tenant shall pay or cause to be paid, as and when they become due and payable, all charges for water, gas, light, heat, telephone, electricity, garbage, refuse and all other utilities and communication services rendered or used on or about the Property, Leasehold or the Improvements at all times during the Term of this Ground Lease; provided, however, that nothing contained in this Section 8 of this Ground Lease, shall limit or otherwise impair Tenant's ability to charge the residents of the individual dwelling units in the Project for such amounts and/or to have all such amounts billed directly to the residents of the individual dwelling units in the Project.

9. Payment of Taxes, Assessments, Etc.

(a) All Taxes Paid in a Timely Manner. Tenant covenants and agrees to pay, before any fine, penalty, interest or cost may be added thereto for the non-payment thereof, all property taxes, assessments, water and sewer rates and charges, and other governmental charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever (all of which taxes, assessments, water and sewer rates or charges, and other governmental charges are hereinafter referred to as an "Imposition"), which are assessed, levied or imposed on, become a lien upon, or become payable with respect to, the Property, Leasehold and/or the Improvements and the sidewalks or streets in front of or adjoining the Property and the Improvements, during the Term of this Ground Lease. Nothing contained herein is intended to, or shall be interpreted to, prohibit Tenant from seeking a property tax exemption with respect to the Leasehold under California Revenue and Taxation Code Sections 214(g) and/or 236. Notwithstanding the foregoing, if, by law, any such Imposition may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and shall pay only such installments as may become due during the Term of this Ground Lease as the same respectively become due and before any fine, penalty, interest or cost may be added thereto, for the non-payment of any such installment and interest. In addition, if any Imposition relates to a fiscal period of a taxing authority, a part of which period is included within the Term of this Ground Lease and a part of which is included in a period of time after the termination of this Ground Lease, such Imposition shall (whether or not such Imposition shall be assessed, levied, imposed or become a lien upon the Property, Leasehold and/or the Improvements, or shall become payable, during the Term of this Ground Lease) be adjusted between Commission and Tenant as of the expiration of the Term of this Ground Lease, so that Commission shall pay that portion of such Imposition which relates to that part of the fiscal period after the termination of this Ground Lease, and Tenant shall pay that portion of which relates to the period prior to the termination of this Ground Lease.

(b) Tax Receipts. Tenant, when and if requested by Commission, shall provide Commission with official receipts of the appropriate taxing authority or other evidence satisfactory to Commission evidencing payment of any and all Impositions.

(c) Tenant Not Required to Pay Taxes Unrelated to the Property. Nothing contained in this Ground Lease shall require Tenant to pay any franchise, corporate, estate, inheritance, succession, capital levy, stamp tax or transfer tax owed by the Commission, or any income, excess profits or revenue tax or any other tax, assessment, charge or levy upon the rent payable by Tenant to the Commission under this Ground Lease, nor shall any tax, assessment, charge or levy of the character described in this Section 9(c) be deemed to be included within the term "Imposition" as defined above.

(d) Evidence of Payment. Tenant covenants, upon request of Commission, to furnish to Commission within sixty (60) days after the date when any Imposition is payable, official receipts of the appropriate taxing authority, or other evidence satisfactory to Commission, evidencing the payment of such Imposition.

(e) Tax Disputes. Tenant shall have the right to contest the amount or validity, or to seek a refund, in whole or in part, of any Imposition by appropriate proceedings, and notwithstanding the provisions of Section 9(a) above, this shall not be deemed or construed in any way as relieving, modifying or extending Tenant's covenants to pay any such Imposition at the time and in the manner as provided in this Section 9, unless Tenant shall have deposited with Commission or a bank or trust company designated by Commission, as security for the payment of such Imposition, money or a corporate surety bond or other security acceptable to Commission in an amount equal to one hundred ten percent (110%) of the amount so contested and unpaid together with the estimated amount of all interest and penalties in connection therewith and all charges that may or might be assessed against or become a charge on the Property, Leasehold and/or Improvements or any part thereof in said proceedings, whereupon Tenant may postpone or defer payment of such Imposition. Upon the termination of such proceedings, Tenant shall pay the amount of such Imposition or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties or other liabilities in connection therewith, and upon such payment, Commission shall return, or cause such bank or trust company to return, the amount above referred to without interest. If, at any time during the continuance of such proceedings, Commission shall deem the amount deposited with the Commission, or any Leasehold Mortgagee, or secured by any surety bond, insufficient, Tenant shall, upon demand, deposit with Commission or such bank or trust company such additional sum as Commission may request, and upon failure of Tenant to do so, the amount theretofore deposited may be applied by Commission, or any Leasehold Mortgagee, or such bank or trust company to the payment, removal and discharge of such Imposition and the interest and penalties in connection therewith and any and all costs, fees or other liability accruing in any such proceedings, including without limitation any and all costs, fees or other liabilities of the Commission, and the balance, if any, shall be returned to Tenant. Commission shall not be subjected to any liability for the payment of any costs or expenses in connection with any such proceeding, and Tenant covenants and agrees to indemnify, save and hold harmless Commission from any such costs or expenses, including any and all costs incurred by the Commission, including attorneys' fees.

(f) Prima Facie Evidence of Non-Payment. The certificate, advice or bill of the appropriate official designated by law to make or issue the same or to receive payment of any

Imposition, of non-payment thereof, shall be prima facie evidence that such Imposition is due and unpaid at the time of the making or issuance of such certificate, advice or bill.

(g) Commission or Leasehold Mortgagee Right to Cure. If Tenant in violation of the provisions of this Ground Lease shall fail to pay and discharge any Imposition, the Commission or any Leasehold Mortgagee may, but shall not be obligated to, pay or discharge such Imposition, and all such amounts paid by the Commission, including without limitation, costs, expenses, interest, penalties and attorneys' fees, together with simple interest at an annual rate of ten percent (10%) per annum, from the date of any such payment, shall be deemed to be and shall be payable immediately by Tenant to Commission or a Leasehold Mortgagee, as applicable, as additional rent.

10. Covenants to Maintain the Property and Improvements. Subject to the provisions of this Ground Lease concerning condemnation, alteration, damage and destruction of the Improvements, Tenant, at its sole expense, shall maintain or cause to be maintained in good order, repair and operation the Property and the Improvements, including without limitation all furnishings, fixtures, equipment thereon or therein and the adjoining sidewalks and curbs, throughout the Term of this Ground Lease without expense to Commission, and to perform or cause to be performed all repairs and replacements necessary to maintain and preserve the Property, Leasehold and the Improvements, including without limitation all furnishings, fixtures, equipment thereon or therein and the adjoining sidewalks and curbs, in a decent, safe and sanitary condition, in compliance with all applicable laws, and equal in value, quality and use to the condition of the Improvements, including furnishings, fixtures and equipment, as originally constructed or installed, reasonable wear and tear excepted. Under no circumstances shall the Commission be required to make any repairs, replacements or otherwise perform any maintenance, of any kind, nature or description whatsoever, with respect to the Property, Leasehold or the Improvements. Tenant hereby expressly waives all right to make repairs at Commission's expense under Sections 1941 and 1942 of the California Civil Code, as either or both may from time to time be amended, replaced or restated. All landscaping shall be maintained in a healthy condition. Commission shall not be required to furnish any services or facilities or to make any repairs or alterations to the Property, Leasehold or the Improvements and Tenant hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Property, Leasehold and the Improvements.

11. Waste. Tenant shall not commit or suffer to be committed any voluntary or permissive waste of the Property, Leasehold or the Improvements, or any part thereof.

12. Damages or Destruction of the Improvements.

(a) Restoration of Damaged or Destroyed Improvements. During the Term, Tenant covenants that in case of damage to or destruction of the Improvements by fire or any other cause, similar or dissimilar, insured or uninsured, Tenant will promptly, at its sole cost and expense, restore, repair, replace or rebuild the Improvements as nearly as possible to the condition, quality and class such Improvements were in immediately prior to such damage or destruction. Such restoration, repairs, replacement or rebuilding shall be commenced promptly and prosecuted with reasonable diligence.

(b) Insurance Proceeds. If insurance proceeds, if any, recovered in respect of any insured damage or destruction, less any cost of recovery, shall be insufficient to pay the entire cost of such restoration, repairs, replacement or rebuilding, Tenant covenants to pay any deficiency in its entirety.

(c) Obligation to Continue Paying Rent. Tenant's obligation to make payment of the rent and all other charges on the part of Tenant to be paid and to perform all other covenants and agreements on the part of Tenant to be performed shall not be affected by any such damage to or destruction of the Improvements and Tenant hereby waives the provisions of Sections 1932(2) and 1933(4) of the California Civil Code and of any other statute or law now or hereafter in effect contrary to such obligations of the Tenant as set forth in this Ground Lease, or which relieves Tenant from such obligation.

(d) Notice and Rights of Leasehold Mortgagee. Commission will provide reasonable prior notice to all Leasehold Mortgagees of any proceedings for adjustment or adjudication of any insurance claim involving the Property and will permit any Leasehold Mortgagee to participate therein as an interested party. Commission agrees that in the event the Commission and any Leasehold Mortgagee are named as additional insureds under any policy of casualty insurance, the proceeds of such policy shall be paid and applied as provided in the applicable Leasehold Mortgage.

13. Environmental.

(a) Condition of the Site. Tenant shall take all necessary precautions to prevent the release in, on or under the Property of any Hazardous Materials. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Tenant shall install and utilize such equipment and implement and adhere to such procedures as are consistent with commercially reasonable standards as respects the disclosure, storage, use, removal and disposal of Hazardous Materials.

(b) Required Disclosures. Tenant shall notify Commission, and provide to Commission a copy or copies, of all environmental permits, disclosures, applications, entitlements or inquiries relating to the Property, including notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks. Tenant shall report to Commission, as soon as possible after each incident, any unusual or potentially important incidents with respect to the environmental condition of the Property. In the event of a release of any Hazardous Materials into the environment, Tenant shall, as soon as possible after the release, furnish to Commission a copy of any and all reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request, Tenant shall furnish to Commission a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Property including, but not limited to, all permit applications, permits and reports including, without limitation, those reports and other matters which may be characterized as confidential.

(c) Tenant Indemnity. Tenant agrees to indemnify, defend and hold the Commission, City, Housing Authority and all of their respective commissioners, members, agents, officers, representatives, directors and employees (the "Indemnified Parties") harmless from and against any claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense (including, without limitation, attorneys' fees), resulting from, arising out of, or based upon any of the following: (i) the presence, release, use, generation, discharge, storage or disposal of any Hazardous Materials on, under, in or about, or the transportation of any such Hazardous Materials to or from, the Property or Leasehold, or (ii) the violation, or alleged violation, of any statute, ordinance, order, rule, regulation, permit, judgment or license relating to the use, generation, release, discharge, storage, disposal or transportation of Hazardous Materials on, under, in or about, to or from, the Property or Leasehold. The indemnification of the Indemnified Parties by Tenant set forth in this Section 13 shall apply to the Hazardous Materials came to be on, under, in or about the Property or Leasehold during Tenant's lease of the Property (but Tenant's indemnification obligation set forth in this Section 13 shall not apply with respect to Hazardous Materials came to be on, under, in or about the Property after the later of: (i) termination of this Ground Lease; or (ii) Tenant is no longer in possession of the Property or Leasehold). This indemnity shall include, without limitation, any damage, liability, fine, penalty, parallel indemnity after closing cost or expense arising from or out of any claim, action, suit or proceeding for personal injury (including sickness, disease or death), tangible or intangible property damage, compensation for lost wages, business income, profits or other economic loss, damage to the natural resource or the environment, nuisance, contamination, leak, spill, release or other adverse effect on the environment. This indemnity provided in this Section 13(c) does not include any condition arising solely as a result of the affirmative action or inaction of the Indemnified Parties. Notwithstanding anything contained in this Ground Lease to the contrary, Tenant's duty to indemnify the Indemnified Parties as set forth in this Section 13(c) shall survive and remain an outstanding obligation of Tenant after termination of this Ground Lease.

14. Indemnification of Commission by Tenant.

(a) Definitions. The following definitions are applicable to this Section 14 only:

(1) Claims. "Claims" means any and all threatened, pending or completed claims, actions, suits, proceedings, arbitrations, grand jury proceedings or investigations, damages, liabilities, injunctive relief, injuries to person or property, fines, penalties, causes of action, losses, costs, expenses and judgments whether civil, criminal, administrative or investigative, and any one or more appeals therefrom.

(2) Expenses. "Expenses" means reasonable attorneys' fees, retainers, court costs, staff time, transcripts, fees of experts, witness fees, arbitration fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all and all other direct or indirect costs and disbursements associated with any Claims, including without limitation expenses of establishing a right to indemnification under this Section 14 of this Ground Lease.

(3) Indemnified Parties. “Indemnified Parties” means the City, Commission, Housing Authority and all of their respective commissioners, members, agents, officers, representatives, directors and employees (individually an “Indemnified Party”).

(4) Liabilities. “Liabilities” means the obligations (including an obligation incurred by way of settlement) to pay any judgment, settlement, penalty, interest, assessment, Claim, cost, expert witness fee and award of attorneys’ fees.

(b) Indemnification. Tenant hereby agrees to indemnify, protect and hold harmless the Indemnified Parties from and against any and all Claims incurred by or asserted against any Indemnified Party, which arise directly or indirectly, in whole, in part or in any way, from this Ground Lease, the Property, the Leasehold, the Affordable Units and from any other approval or action whatsoever in connection with the Project, except for those Claims arising directly out of the gross negligence or willful misconduct of the Indemnified Party.

(c) Payment of Liabilities and Expenses. Tenant further agrees to pay any and all Liabilities and Expenses incurred by any and all Indemnified Parties with respect to any Claims which arise directly or indirectly, in whole, in part or in any way from this Ground Lease, the Property, the Leasehold, the Affordable Units and from any other approval or action whatsoever in connection with the Project.

(d) Separate Rights of Action. A separate right of action hereunder shall arise each time each Indemnified Party acquires knowledge of any matters described herein. Separate and successive actions may be brought hereunder to enforce any of the provisions hereof at any time and from time to time. No action hereunder shall preclude any subsequent action.

(e) Right to Defend. Each Indemnified Party shall have the right, but not the obligation, to conduct its own defense with respect to any Claims and to retain legal counsel of its own choosing. Tenant shall pay for or reimburse any such Indemnified Party for any and all Expenses and Liabilities incurred by such Indemnified Party, as such Expenses and Liabilities are incurred. An Indemnified Party’s election to defend itself as provided in this Section, shall not in any way limit the Tenant’s obligation to reimburse and pay for any and all Liabilities and Expenses incurred by the Indemnified Parties with respect to any Claims; provided, however, any Indemnified Party may elect in its sole discretion to demand that the Tenant defend and pay all Expenses with respect to any Claims, provided the Claims if determined adversely to such Indemnified Party, would be covered by the foregoing indemnification provisions. Upon any such demand by any Indemnified Party, Tenant shall defend and pay all Expenses and Liabilities with respect to such Claims; such defense shall be at Tenant’s sole cost and expense and by counsel reasonably approved by such Indemnified Party.

(f) Survival. Tenant’s duty to indemnify shall survive and remain an outstanding obligation of Tenant upon the termination of this Ground Lease.

(g) Notification of Claims. The Indemnified Parties will promptly notify Tenant of any Claims.

15. Required Insurance.

(a) Minimum Requirements. During the Term of this Ground Lease, Tenant at its sole cost and expense shall:

(1) Keep or cause to be kept a policy or policies of insurance against loss or damage to the Improvements on the Property resulting from fire, windstorm, hail, lightning, vandalism, malicious mischief, and such other perils ordinarily included in extended coverage casualty insurance policies. In addition, if Tenant carries coverage voluntarily for additional causes (such as earthquake, riot, civil commotion, or other), such coverage shall be treated in all respects as the policy or policies required to be kept under this Section 15(a)(1), for so long as Tenant continues to voluntarily carry such coverage. All insurance hereunder shall be maintained in an amount not less than one hundred percent (100%) of the full insurable value of the Improvements as defined in Section 15(b) of this Ground Lease.

(2) Maintain or cause to be maintained public liability insurance naming the Commission, Housing Authority, City and the Leasehold Mortgagees as additional insureds, to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, suffered or alleged to be suffered by any person or persons whomsoever, in on or about the Property, the Leasehold or the Improvements; to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, as a result of the acts or omissions of Tenant, its agents, servants or employees alleged to be suffered by any person or persons whomsoever, resulting directly or indirectly from any act or activities of Tenant or under its control or direction arising from the use and occupancy of the Property, the Leasehold or the Improvements; and also to protect against loss from liability imposed by law for damages to any property of any person caused directly or indirectly by or from the acts or activities of Tenant in connection with the Property, the Leasehold the Improvements, or Tenant or its sublessees, or any person acting for Tenant or under its control or direction. Such property damage and personal injury insurance shall also protect the Commission and such additional insureds against incurring any legal cost in defending claims for alleged loss. Such personal injury and property damage insurance shall be maintained in full force and effect during the entire Term of this Ground Lease in an amount of at least Two Million Dollars (\$2,000,000), adjusted for inflation, combined single limit. Tenant agrees that provisions of this paragraph as to public liability insurance shall not be construed to limit 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, or the activities of any other person or persons for which Tenant is otherwise responsible.

(3) If Tenant has employees, maintain or cause to be maintained workers' compensation insurance issued by an insurance carrier authorized under the laws

of the State of California for workers' compensation and employer's liability under the Workers' Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof. Such workers' compensation insurance shall cover all persons employed by Tenant in connection with the Property, the Leasehold or the Improvements, and shall cover full liability for compensation under any such act aforesaid, based upon death or bodily injury claims made by, for or on behalf of, any person incurring or suffering injury or death in connection with the Property, the Leasehold or the Improvements, or the operation thereof by Tenant.

(4) Such other insurance (or other terms with respect to any insurance required pursuant to this Section 15(a), including without limitation amounts of coverage or deductibles) on or in connection with the Project as the Commission may reasonably require, which at the time is commonly obtained in connection with properties similar in type of building size, use and location to the Project.

(b) Definition of Full Insurable Value. The term "full insurable value," as used in Section 15(a) and elsewhere in this Ground Lease, shall mean the actual replacement cost of the Improvements. To ascertain the amount of coverage required, Tenant shall cause the full insurable value to be determined from time to time by appraisal by the insurer or by any appraiser mutually acceptable to the Commission and Tenant, not less often than once each three (3) years; except that no such appraisals shall be required if the policy is written on a "replacement cost" basis.

(c) General Insurance Provisions. All insurance provided for under Section 15 of this Ground Lease shall be for the benefit of Tenant and the additional insureds described above (i.e., the Commission, Housing Authority, City and the Leasehold Mortgagees). All insurance provided for under Section 15 shall be periodically reviewed by the parties for the purpose of mutually increasing or decreasing the minimum limits of such insurance, from time to time, to amounts which may be reasonable and customary for similar facilities of like size and operation and in the same location as the Property. All insurance provided for under Section 15 shall be effected under policies issued by insurers licensed or permitted to do business in the state of California and reasonably approved by the Commission, the Commission may not withhold approval of any insurer having a rating of A-VII or better in Best Insurance Guide, or if Best Insurance Guide is no longer in existence, similar or comparable rating. All insurance required to be maintained by Tenant pursuant to Section 15 may be taken out under a blanket insurance policy or policies covering other premises or properties, and other named or additional insureds in addition to the parties hereto; provided, however, that any such policy or policies of blanket insurance, or supplemental written certification from the insurers under such policies, shall specify therein the amount of insurance allocated to the coverage required under Section 15 (except that no such allocation shall be required if coverage is provided on a "blanket limit" basis) and provided further, that in all other respects, any such blanket policy shall comply with the other provisions of Section 15. All certificates of insurance shall provide that such certificates and the policies related thereto shall not be canceled or materially changed without at least thirty (30) days' prior written notice to the Commission. All insurance policies shall provide that there shall be no exclusion from coverage for cross liability among the named

insureds. Certificates of insurance (and, at the Commission's request, copies of each required policy) shall be deposited with the Commission together with appropriate evidence of payment of the current premiums therefor; and, at least thirty (30) days prior to expiration of any such policy, certificates of renewal policies shall be so deposited.

(d) Insurance During Rehabilitation Period. In addition to all other insurance required herein, during the period of rehabilitation of the Project, the Tenant shall cause its general contract and any subcontractors to provide the insurance coverage set forth in this subsection. All policies and proof of insurance certificates shall list the following as additional insureds: the San Diego Housing Commission, the Housing Authority of the City of San Diego and the City of San Diego.

(1) General Liability (Including operations, products and completed operations), which can include excess coverage, \$5,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, The general aggregate limit shall be at \$10,000,000 or higher.

(2) Automobile Liability \$1,000,000 per accident for bodily injury and property damage.

(3) Workers' Compensation and Employers Liability in accordance with all State and Federal Laws Statutory for Workers Compensation.

(4) \$25,000,000 in excess or umbrella liability coverage no less restrictive than underlying commercial general liability, commercial automobile liability and employers liability coverages.

(5) Employers' Liability \$1,000,000 each accident, \$1,000,000 policy limit bodily injury by disease, \$1,000,000 each employee bodily injury by disease.

(6) Contractors Pollution – Asbestos Legal Liability \$1,000,000 each occurrence / \$2,000,000 policy aggregate.

(7) Railroad Protective Liability-\$1,000,000 each occurrence / \$2,000,000 policy aggregate.

(8) Design Professional/Engineer's Errors & Omission liability Insurance - \$2,000,000 each occurrence / \$2,000,000 policy aggregate.

(e) Failure to Maintain Insurance. If Tenant fails or refuses to procure or maintain insurance as required by this Ground Lease, the Commission shall have the right, at Commission's election, to procure and maintain the insurance described in Section 15 for the benefit of Tenant and Commission. The premiums paid by the Commission shall be treated as supplemental Annual Rent due from Tenant, to be paid on the first day of the month following the date on which the premiums were paid. The Commission shall give prompt notice of the

payment of such premiums, stating the amount paid and the name of the insured(s) which shall include Tenant.

16. Commission's Right to Perform Tenants Covenants. Tenant covenants and agrees that if it shall at any time fail to perform any of the covenants contained herein within the time limits provided herein, after any notice of any default has been given, including without limitation any failure to pay any Imposition in accordance with the provisions of Section 9, or to take out, pay for, maintain or deliver any of the insurance policies provided for in Section 15, or to fail to cause any lien of the character referred to in Section 19 to be discharged as provided therein, or shall fail to perform any other act on its part to be performed, then Commission may (but shall not be obligated to) and without further notice or demand upon Tenant and without waiving or releasing Tenant from any obligations of Tenant contained in this Ground Lease contained, (a) pay any Imposition payable by Tenant pursuant to the provisions of Section 9, or (b) take out, pay for and maintain any of its insurance policies provided for in Section 15, or (c) discharge any lien of the character referred to in Section 19 as provided therein, or (d) perform any other act on Tenant's part to be performed as provided in this Ground Lease; provided, however, that so long as a Leasehold Mortgage shall be outstanding, Commission shall not take any action of the character specified in the foregoing clause (c) (except when reasonably necessary to protect its interest in the Property and/or the Improvements, including without limitation enforcement of the Affordability Provisions), or (d) until after the written notice specified in Sections 6 and 21 of this Ground Lease has been given to the Leasehold Mortgagee(s) and the expiration of all cure periods provided in Sections 6 and 21 of this Ground Lease. All sums so paid by Commission and all necessary incidental costs and expenses paid or incurred by Commission in connection with the performance of any such act by Commission, together with interest thereon at the rate of ten percent (10%) per annum from the date of making of such expenditure by Commission, shall be payable to Commission on demand or, at the option of Commission, may be added to any rent then due or thereafter becoming due under this Ground Lease, and Tenant covenants to pay any such sum or sums, and Commission shall have (in addition to any other right or remedy of Commission) the same rights and remedies in the event of the non-payment of any such sums by Tenant as in the case of default by Tenant in the payment of rent.

17. Condemnation.

(a) Total Taking. If, at any time during the Term of this Ground Lease, there shall be a total taking or a constructive total taking of the fee title to the Property and Improvements in condemnation proceedings or by any right of eminent domain, this Ground Lease shall terminate on the date of such taking and the rent and other charges payable by Tenant under this Ground Lease shall be apportioned and paid to the date of such taking. For the purposes of this Section, the term "a constructive total taking" shall mean a taking of such scope that the untaken portion of the Property and Improvements is insufficient to permit the restoration of the existing Improvements so as to constitute a complete, economical project.

(b) Distribution of Proceeds in the Event of a Total Taking. In the event of any such total taking or constructive total taking and the termination of this Ground Lease, the award or awards for such taking, less the costs of the determination and collection of the amount of the award or awards ("Condemnation Proceeds"), shall be distributed as follows:

(1) Each permitted Leasehold Mortgage shall first be entitled to as much of the Condemnation Proceeds as shall be necessary to repay its Leasehold Mortgage (with all such proceeds being allocated to the Leasehold Mortgagees in order of their respective lien priority (first to last)).

(2) Commission shall be entitled to receive and retain as its own property, and Tenant hereby assigns to Commission, such remaining portion of the Condemnation Proceeds as shall equal the fair market value of the Property as encumbered by this Ground Lease including any untaken portion of the Property.

(3) Tenant shall then be entitled to receive, and Commission hereby assigns to Tenant, the balance of the Condemnation Proceeds, if any.

(c) Partial Taking. In the event of a taking which is less than a total taking or constructive total taking (a "Partial Taking"), this Ground Lease shall not terminate or be affected in any way, except as provided in Section 17(d), below, and the Condemnation Proceeds shall first be paid to the permitted Leasehold Mortgagees as provided in Section 17(b), above, and then Commission shall be entitled to receive and retain as its own property, that portion of the remaining Condemnation Proceeds applicable to the Property as encumbered by this Ground Lease, equal to the fair market value of the portion of the Property as encumbered by this Ground Lease so taken exclusive of the Improvements ("Commission's Proceeds"). Tenant shall then be entitled to receive the balance of the Condemnation proceeds ("Tenant's Proceeds") and the same shall be payable, and Commission hereby so assigns the same, in trust to Tenant for application by Tenant to the cost of restoring, repairing, replacing or rebuilding the Improvements.

(d) Distribution of Proceeds in the Event of a Partial Taking. Subject to Section 17(g), below, in the event of a partial taking, Tenant, at its sole cost and expense, shall proceed with due diligence to restore, repair, replace or rebuild the remaining part of the Improvements to substantially its former condition or with such changes or alterations reasonably necessary so as to constitute a complete, rentable project.

(e) Partial Termination in the Event of a Partial Taking. In the event of a partial taking, this Ground Lease shall terminate as to the portion of the Property so taken and the rent payable for the balance of the Term of this Ground Lease shall be reduced by a sum equivalent to the portion of the Property taken, such reduction to be effective as of the date of Commission's receipt of such Condemnation Proceeds. Until the amount of the reduction of the rent shall have been determined, Tenant shall continue to pay to Commission the rent provided for in Section 3, above.

(f) Temporary Taking. If, at any time during the Term, the whole or any part of the Property, the Leasehold, or of the Improvements shall be taken in condemnation proceedings or by any right of eminent domain for temporary use or occupancy (a "Temporary Taking") the foregoing provisions of this Section 17 shall not apply and Tenant shall continue to pay, in the manner at the times specified in this Ground Lease, the full amounts of the rent and other charges

payable by Tenant under this Ground Lease, and, except only to the extent that Tenant may be prevented from so doing pursuant to the terms of the order of the condemning authority. Tenant shall perform and observe all of the other terms, covenants, conditions and obligations of this Ground Lease upon the part of Tenant to be performed and observed, as though such taking had not occurred. In the event of any such Temporary Taking, Tenant shall be entitled to receive the entire amount of the Condemnation Proceeds made for such taking, whether paid by way of damages, rent or otherwise unless such period of temporary use or occupancy shall extend beyond the termination of this Ground Lease, in which case the Condemnation Proceeds shall be apportioned between Commission and Tenant as of the date of termination of this Ground Lease. Tenant covenants that, upon the expiration of any such period of temporary use or occupancy during the Term, it will, at its sole cost and expense, restore the Improvements, as nearly as may be reasonably possible, to the condition in which the same was immediately prior to such taking, wear and tear during such temporary use or occupancy excepted. To the extent that Commission receives any portion of the Condemnation Proceeds as compensation for the cost of restoration or repair of the Improvements, Commission shall pay such sum to Tenant and Tenant shall use such amount solely for restoration of the Improvements by Tenant as provided above. Any such amount not used for restoration of the Improvements by Tenant shall be returned to the Commission. Any portion of the Condemnation Proceeds received by Tenant as compensation for the cost of restoration of the Improvements shall, if such period of temporary use or occupancy shall extend beyond the Term of this Ground Lease, be paid to Commission on the date of termination of this Ground Lease.

(g) Commission Consent to Distribution to Leasehold Mortgagee. If Tenant shall assign to any Leasehold Mortgagee any Condemnation Proceeds to which Tenant or such Leasehold Mortgagee is entitled, Commission shall recognize such assignment and shall consent to the payment of the Condemnation Proceeds to such assignee as its interest may appear.

(h) Tenant Participation in Condemnation Proceedings. Commission shall provide reasonable prior notice to Tenant and any Leasehold Mortgagee of any proceedings for adjustment or adjudication of any condemnation claim involving the Property and Tenant and any Leasehold Mortgagee shall have the right to participate in any condemnation proceeding for the sole and limited purpose of protecting their rights under this Ground Lease, and in this connection, specifically and without limitation to introduce evidence independently of Commission to establish the value of or damage to the Improvements.

18. Maintenance and Alteration of Improvements.

(a) Changes or Alterations. Except with respect to any rehabilitation approved by the Commission pursuant to Section 2(a), above, Tenant agrees not to demolish or otherwise materially alter any portion of the Improvements and not to construct or install any buildings or structures on the Property, the Leasehold or otherwise improve or alter the Property or the Leasehold in any manner except in accordance with the scope of work submitted to the Commission and approved by Commission in writing. Tenant shall not make any major structural or architectural design alterations to approved buildings, structures or improvement installed on the Property or the Leasehold except in accordance with the scope of work previously approved in writing by the Commission. This provision shall not limit or set aside

any obligation of Tenant under this Ground Lease to maintain the Property, the Leasehold and Improvements in a decent, safe, healthy and sanitary condition, including structural repair and restoration of damaged or worn improvements. Commission shall not be obligated to make any improvements or alterations to the Property, the Leasehold or the Improvements or to assume any expenses therefore. Any such changes or alterations shall be made in all cases subject to the following conditions which Tenant covenants to observe and perform:

(1) No construction, change or alteration shall be undertaken until Tenant shall have procured and paid for, so far as the same may be required, from time to time, all municipal and other governmental permits and authorizations of the various municipal departments and governmental subdivisions having jurisdiction and Commission agrees, at no cost to Commission, to join in the application for such permits or authorizations whenever such action is necessary.

(2) Any construction, change or alteration of the Project and/or Property shall be conducted under the supervision of an architect or engineer licensed as such in the State of California (who may be an employee of Tenant) selected by Tenant and plans therefore shall be submitted to Commission, in order to give Commission an opportunity to determine that such construction, change or alteration will comply with the provisions of this Section 18.

(3) All construction, changes and alterations shall be of such a character that, when completed, the value and utility of the Improvements shall be not less than the value and utility of the Improvements immediately before any such construction, change or alteration; Tenant shall, prior to the commencement of demolition or construction submit to Commission preliminary drawings and outline specifications to be approved by Commission which approval shall not be unreasonably withheld and which shall have reference only to establishing that such new Improvements will be of a value not substantially less than the value of the Improvements to be demolished and that such new Improvements, when completed, will constitute all or a part of a completed rentable project capable of producing a fair and reasonable net annual income, after payment of all operating expenses.

(4) All work done in connection with any construction, change or alteration shall be done in a good and workmanlike manner and in compliance with all applicable laws, ordinances, orders and requirements of all federal, state and municipal governments and their appropriate departments, commissions, boards and officers. The cost of all such construction, change or alteration shall be paid in cash or its equivalent, so that the Property, the Leasehold and the Improvements shall at all times be free of liens for labor and materials supplied or claimed to have been supplied or such liens shall be bonded-over to the Commission's reasonable satisfaction. The work of any construction, change or alteration shall be prosecuted with reasonable dispatch, unavoidable delays excepted. Worker's compensation insurance covering all persons employed in connection with the work and with respect to whom death or bodily injury claims could be asserted against the Commission, City, Housing Authority, Tenant or the Property, Leasehold or Improvements, and general liability and property damage insurance (which may be effected by endorsement, if obtainable, on the insurance required to be carried as provided in this Ground Lease) for the mutual benefit of Tenant and Commission with limits of not less than those required to be carried as provided in this Ground Lease, shall be maintained

by Tenant at Tenant's sole cost and expense at all times when any work is in process in connection with any construction, change or alteration.

(b) Compliance with Changes and Alterations. Tenant covenants that in performing any work or repairs to, or restoration, replacement or rebuilding of, any of the Improvements required to be performed by Tenant pursuant to this Ground Lease, it will observe and perform, insofar as the nature of such repairs, restoration, replacement or rebuilding make such observation and performance appropriate, the conditions relating to any construction, changes or alterations set forth in Section 18(a), above.

19. Mechanic's Liens. Tenant shall not suffer or permit any mechanic's, vendor's, laborer's, or materialman's statutory or similar liens (collectively "Mechanic's Liens") to be filed against the Property, the Leasehold or the Improvements, nor against the Leasehold, by reason of work, labor, services or materials supplied or claimed to have been supplied to Tenant or anyone holding any interest in the Property, the Leasehold and/or the Improvements or any part thereof through or under Tenant. If any such Mechanic's Lien shall be filed, Tenant shall, within thirty (30) days after notice of the filing thereof, cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise; provided, however, that Tenant shall have the right to contest, with due diligence, the validity or amount of any such lien or claimed lien, if Tenant posts a bond and causes the lien to be released from the Property, the Leasehold or the Improvements. Subject to the foregoing provisions, if Tenant shall fail to cause such lien to be discharged within such 30-day period, then, in addition to any other right or remedy of Commission, Commission may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding proceedings. Nothing in this Ground Lease shall be deemed or construed in any way as constituting the consent or request of Commission, express or implied by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvements, alteration to or repair of the Property, the Leasehold or the Improvements or any part thereof, nor as giving Tenant a right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any Mechanic's Liens against the Property, the Leasehold or the Improvements.

20. Tenant to Use Property in a Lawful Manner.

(a) Lawful Uses Only. Tenant shall not use or allow the Improvements, the Property, the Leasehold or any parts thereof, to be used or occupied for any unlawful purpose or for any dangerous or noxious trade or business.

(b) Delivery to Commission Upon Termination. Upon termination of this Ground Lease, Tenant shall surrender to Commission the Property and the Improvements, in good order and repair, reasonable wear and tear excepted and also except as Tenant may have been prevented from maintaining the Improvements in good order and repair by occupation of the Improvements by any sovereign who shall have taken the temporary use of the Improvements and shall then be in possession of the Improvements. Upon such termination, Tenant shall also deliver to Commission all leases, lease files, plans, records, registers and all other papers and

documents which may be necessary or appropriate for the proper operation and management of the Property and the Improvements.

(c) Inspection. Tenant agrees to permit Commission and the authorized representatives of Commission and the holder of any Fee Mortgage to enter the Property, the Leasehold or the Improvements upon reasonable advance notice of at least 48 hours for the purpose of inspecting the same or exhibiting the same to prospective purchasers of the Property, the Leasehold or the Improvements.

21. Bankruptcy and Other Events of Default.

(a) Termination of Ground Lease in Event of Bankruptcy. Tenant agrees that in the event all or substantially all of Tenant's assets are placed in the hands of a receiver or trustee, and such receivership or trusteeship continues for a period of thirty (30) days, or should Tenant make an assignment for the benefit of creditors or be finally adjudicated a bankrupt, or should Tenant institute any proceeding under the Federal Bankruptcy Code as the same now exists or under any amendment thereof which may hereafter be enacted, or under any other act relating to the subject of bankruptcy, or to be discharged of its debts, or to effect a plan of liquidation, composition or reorganization, or should any involuntary proceeding be filed against Tenant under any such bankruptcy laws and such proceeding is not dismissed within ninety (90) days thereafter (each an "Event of Default"), then this Ground Lease and any interests of Tenant in and to the Property and the Leasehold shall not become an asset in any of such proceedings and (i) such event shall constitute an Event of Default hereunder and (ii) subject to Tenant and Leasehold Mortgagee cure rights, in addition to any and all other rights or remedies of Commission under this Ground Lease or as otherwise provided by law, it shall be lawful for Commission to declare the Term ended and to reenter the Property and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim thereon or hereunder.

(b) Events of Default. In addition to any Events of Default set forth in Section 21(a), above, each of the following shall be an Event of Default, if the same is not cured prior to the expiration of the cure periods set forth in this Section 21(b), if any: (i) Tenant at any time is in default with respect to any rental payments or other charges payable by Tenant under this Ground Lease, and if such default continues for a period of five (5) days after written notice from Commission to Tenant; (ii) Tenant is in default in the prompt and full performance of any other of its promises, covenants or agreements contained in this Ground Lease and such default or breach of performance continues for more than thirty (30) days after written notice thereof from Commission to Tenant specifying the particulars of such default or breach of performance, provided, however, that if such default or breach is not reasonably capable of being cured by Tenant within such thirty (30) day period, Tenant shall have such additional time not to exceed ninety (90) days to cure such default or breach as may be reasonably required by Tenant to cure such default or breach; (iii) Tenant abandons the Property or the Leasehold; or (iv) Tenant breaches the Affordability Provisions hereof, and such breach continues for a period of thirty (30) days after written notice from Commission to Tenant, provided, however, that if such default or breach is not reasonably capable of being cured by Tenant within such thirty (30) day period, Tenant shall have such additional time not to exceed ninety (90) days to cure such default or breach as may be reasonably required by Tenant to cure such default or breach. Upon the

occurrence of any one or more of the foregoing Events of Default (and the expiration of any cure periods applicable to Leasehold Mortgagees as set forth in Section 21(c), below), Commission shall, in addition to any or all other rights or remedies of Commission under this Ground Lease or as otherwise permitted by law, at the option of Commission, without further notice or demand of any kind to Tenant, have the following rights:

(1) The right of Commission to declare the Term ended, to declare this Ground Lease terminated and to reenter the Property and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim thereon or thereunder.

(2) The right of Commission without declaring this Ground Lease ended to reenter the Property and occupy the whole or any part thereof for and on account of Tenant and to collect the rent and any other charges that may thereafter become payable.

(3) The right of Commission, even though it may have reentered the Property, to thereafter elect to terminate this Ground Lease and all of the rights of Tenant in or to the Property and the Leasehold.

(c) Leasehold Mortgagee Cure Rights.

(1) Notice to Leasehold Mortgagees. Commission will give to any Leasehold Mortgagee named in Section 24, below, and to any Leasehold Mortgagee that has delivered to Commission prior written notice of the address of such Leasehold Mortgagee, a copy of any notice or other communication from Commission to Tenant under this Section 21 at the time of giving such notice or communication to Tenant.

(2) Leasehold Mortgagee Cure Periods. No Leasehold Mortgagee shall have the obligation to cure any Event of Default by Tenant described in Section 21(a), above. Commission shall give to each Leasehold Mortgagee prompt written notice of the occurrence of an Event of Default. In the case of an Event of Default by Tenant in the payment of money, Commission will take no action to exercise any remedy by reason thereof, unless such Event of Default is not cured by any Leasehold Mortgagee within thirty (30) days after Commission gives each Leasehold Mortgagee written notice of such Event of Default. In the case of any Event of Default by Tenant other than a default in the payment of money and other than an Event of Default by Tenant described in Section 21(a), above, Commission will take no action to exercise any remedy by reason thereof, unless such Event of Default is not cured by any Leasehold Mortgagee within ninety (90) days after Commission gives each Leasehold Mortgagee written notice of such Event of Default; provided, however, that if any Leasehold Mortgagee commences to cure the non-monetary default within such ninety (90) day period and thereafter diligently prosecutes the same to completion, then such Leasehold Mortgagee shall have such longer period of time as is necessary to cure such Event of Default, not to exceed one hundred fifty (150) days from the date the Commission gives each Leasehold Mortgagee written notice of such Event of Default (except as otherwise provided in Section 21(c)(3), below).

(3) Leasehold Mortgagee Cure Rights. In the event that any Event of Default is cured by a Leasehold Mortgagee, as set forth in Section 21(c)(2), above, the Commission shall

accept such performance on the part of such Leasehold Mortgagee as though the same had been done or performed by Tenant. For such purpose, Commission and Tenant hereby authorize such Leasehold Mortgagee to enter upon the Leasehold and to exercise any of its rights and powers under this Ground Lease. The commencement of judicial or non-judicial foreclosure proceedings by a Leasehold Mortgagee shall be deemed the commencement of a cure, as provided in Section 21(c)(2), above, so long as: (i) the Leasehold Mortgagee thereafter diligently prosecutes the same to completion (provided, however, the time period set forth above shall be tolled during the period such foreclosure proceedings are pending, and provided further that if the default is cured by Tenant or another person, Commission will accept such cure and the Leasehold Mortgagee may discontinue such proceedings and/or possession). If a Leasehold Mortgagee is prohibited, stayed or enjoined by any bankruptcy, insolvency or other judicial proceeding involving Tenant, from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings for the Leasehold Mortgagee shall be extended for the period of such prohibition. Following the acquisition of the Leasehold by the Leasehold Mortgagee, or its designee, either as a result of judicial foreclosure or trustee sale proceedings or acceptance of an assignment in lieu of foreclosure, the Leasehold Mortgagee or party acquiring title to the Leasehold shall, within ninety (90) days thereafter, commence to cure all defaults hereunder reasonably susceptible of being cured by the Leasehold Mortgagee and thereafter diligently process such cure to completion. During the period that such Leasehold Mortgagee shall be in possession of the Leasehold and/or during the pendency of any foreclosure proceedings instituted by any Leasehold Mortgagee, the Leasehold Mortgagee shall pay or cause to be paid the Annual Rent and all other charges of whatsoever nature which are payable by Tenant hereunder which accrue during said period (subject to the notice and cure provisions contained in this Ground Lease). Any purchaser at any foreclosure sale, including, without limitation, any Leasehold Mortgagee, shall be liable to perform only the obligations imposed on Tenant by this Ground Lease incurred or accrued during the period such person has ownership of the Leasehold. Notwithstanding anything to the contrary contained elsewhere herein, on transfer of the leasehold estate created by this Ground Lease at any foreclosure sale under any Leasehold Mortgage (or by deed or assignment in lieu of foreclosure), or upon creation of a new Ground Lease, all of the following defaults and Events of Default relating to any prior owner of the leasehold estate created under this Ground Lease shall automatically be deemed cured:

(i) Any failure by any prior Tenant to make a disclosure of a hazardous substance release as required by the California Health and Safety Code, this Ground Lease or otherwise;

(ii) Any default in the payment of rent, any default under any provision restricting transfers, encumbrances or similar matters, and any default resulting from a default under any other document, instrument or agreement;

(iii) Any breach of any representation or warranty given by any prior Tenant;

(iv) Any other defaults personal to Tenant and/or not otherwise reasonably curable by each Leasehold Mortgagee;

(v) Attachment, execution or other judicial levy upon this Ground Lease or the leasehold estate hereby created (provided such attachment, execution or levy either (i) was commenced or occurred at the direction or request of the Leasehold Mortgagee in question), or (ii) would be subject and subordinate to the Leasehold Mortgage in question);

(vi) Assignment of this Ground Lease or the leasehold estate hereby created for the direct or indirect benefit of creditors of any prior Tenant (provided such assignment, as a matter of law or contract) is or was subject to the Leasehold Mortgage in question);

(vii) Judicial appointment of a receiver or similar officer to take possession of property of any prior Tenant (other than the Property); and

(viii) Filing any petition by, for or against any prior Tenant (or any affiliate) under any chapter of the federal Bankruptcy Act or any federal or state debtor relief statute, as amended.

(4) New Ground Lease Agreement With Leasehold Mortgagee. After the expiration of any applicable grace period given Tenant and each Leasehold Mortgagee under this Ground Lease to cure a default, in the event that this Ground Lease is terminated for any reason, including, without limitation, any termination or rejection through bankruptcy proceedings, Commission shall give each Leasehold Mortgagee prompt written notice of such termination. Each Leasehold Mortgagee or its assignee shall have the right within sixty (60) days after receipt of such notice of termination, to request and obtain from Commission a new lease to replace this Ground Lease; provided however, that should more than one Leasehold Mortgagee make such demand, only the senior-most Leasehold Mortgagee's demand shall be honored by Commission. Such new lease shall be for a term equal to the remainder of the Term of this Ground Lease before giving effect to such termination and shall contain the same covenants, agreements, terms, provisions and limitations as this Ground Lease. Such new lease shall be executed and delivered by the Commission to such requesting Leasehold Mortgagee or its assignee within thirty (30) days after receipt by the Commission of written notice from such Leasehold Mortgagee of such election and upon payment by such Leasehold Mortgagee of all sums owing by Tenant under the provisions of this Ground Lease (less the rent and other income actually collected by Commission in the meantime from any sublessees or other occupants of the Premises). In connection with such a new Ground Lease, Commission shall assign to Leasehold Mortgagee or its nominee all of Commission's interest in all existing subleases of all or any part of the Property and all attornments given by the sublessees, provided that such Leasehold Mortgagee assumes Tenant's obligations as sublandlord under any subleases then in effect to the extent such assumption is necessary in order to continue such subleases in effect. Commission shall not terminate or agree to terminate any sublease or enter into any new lease or sublease for all or any portion of the Property without such Leasehold Mortgagee's prior written consent, unless such Leasehold Mortgagee fails to timely deliver request for a new Ground Lease under this Section. In connection with any such new Ground Lease, Commission shall also, by grant deed, convey to the applicable Leasehold Mortgagee or its nominee fee title to the Improvements, if any, which become vested in Commission as a result of termination of this Ground Lease. Upon the

execution and delivery of such new lease, the new "Tenant" may take all appropriate steps as shall be necessary to remove the terminated Tenant from the Leasehold and the Improvements, but Commission shall not be subject to any liability for the payments of fees, including attorneys' fees, costs or expenses in connection with such removal; and such new "Tenant" shall pay all fees, including attorneys' fees costs and expenses reasonably incurred by Commission (or, on demand, make reimbursements therefor to Commission).

(d) Reentry Not Termination of Ground Lease. Should Commission have reentered the Property under the provisions of Subsection 21(b)(2), above, Commission shall not be deemed to have terminated this Ground Lease, or the liability of Tenant to pay rent thereafter to accrue, or its liability for damages under any of the provisions of this Ground Lease, by any such reentry or by any action in unlawful detainer, or otherwise, to obtain possession of the Property, unless Commission shall have notified Tenant in writing that it has so elected to terminate this Ground Lease. Tenant further covenants that the service by Commission of any notice pursuant to the unlawful detainer statutes of the State of California and the surrender of possession pursuant to such notice shall not (unless Commission elects to the contrary at the time of or at any time subsequent to the serving of such notices and such election is evidenced by a written notice to Tenant) be deemed to be a termination of this Ground Lease. In the event of any entry or taking possession of the Property as provided above, Commission shall have the right, but not the obligation, to remove from the Property and the Leasehold all or any part of the personal property located therein and may place the same in storage at a public warehouse at the expense and risk of the owner or owners thereof.

(e) Termination of Ground Lease. Should Commission elect to terminate this Ground Lease under the provisions of Subsections 21(b)(1) or (3), above, Commission may recover from Tenant as damages:

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

(2) the value at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss Tenant proves could have been reasonably avoided;

(3) the value at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided;

(4) any other amount necessary to compensate Commission for all the detriment proximately caused by Tenant's failure to perform its obligations under this Ground Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses incurred by Commission in maintaining or preserving the Property or the Leasehold after such default, preparing the Improvements for reletting to a new resident, any repairs or alterations to the Improvements for such reletting, leasing commissions, or any other costs necessary or appropriate to relet the Property; and

(5) at Commission's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time at law or in equity.

(f) Value at the Time of Award Defined. As used in Subsections 21(e)(1) and (2), above, the "value at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in Subsection 21(e)(3), above, the "value at the time of award" is computed by discounting such amount at the discount rate of the San Francisco Federal Reserve Bank, at the time of award, plus one percent.

(g) Furniture, Fixtures and Equipment. In the Event of Default, after expiration of the notice and cure periods afforded to Tenant and all Leasehold Mortgagees under this Ground Lease and subject to the rights of Leasehold Mortgagees, all of Tenant's fixtures, furniture, equipment, improvements, additions, alterations, and other personal property shall remain on the Property and in that event, and continuing during the length of such default, Commission shall have the right to take the exclusive possession of same and to use same, rent or charge free, until all defaults are cured or, at its option, at any time during the Term, to require Tenant to forthwith remove same.

(h) Reentry Upon Termination. Upon the termination of this Ground Lease pursuant to any of the provisions of this Section 21, it shall be lawful for Commission, without formal demand or notice of any kind, to re-enter the Property and the Improvements by summary dispossession proceedings or any other action or proceeding authorized by law, to remove Tenant therefrom without being liable for any damages therefore.

(i) Compliance. Commission shall not be deemed to be in default in the performance of any obligation required to be performed by it under this Ground Lease until it has failed to perform such obligation within thirty (30) days after written notice by Tenant to Commission specifying the nature of Commission's default; provided, however, that if the nature of Commission's obligation is such that more than thirty (30) days are required for its performance, then Commission shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion.

22. Limitation of Commission Liability. The term "Commission" as used in this Ground Lease, so far as covenants or obligations on the part of Commission are concerned shall be limited to mean and include only the owner or owners at the time in question of the fee of the Property and in the event of any transfer or transfers of the title to such fee, Commission herein named (and in case of any subsequent transfers or conveyances the then grantor) shall be automatically freed and relieved from and after the date of such transfer or conveyance from all obligations on the part of Commission contained in this Ground Lease to be performed thereafter, provided that any prepaid rent or trust funds in the hands of such Commission or the then grantor at the time of such transfer, shall be transferred to the grantee or transferee, who shall expressly assume, subject to the limitations of this Section, all of the terms, covenants and conditions in this Ground Lease contained on the part of Commission thereafter to be performed, it being intended by this Section that the covenants and obligations contained in this Ground Lease on the part of Commission shall, subject to the provisions of this Section 22, be binding on

Commission, its successors and assigns, only during and in respect of their respective successive periods of ownership.

23. Estoppel Certificates.

(a) By Tenant. Tenant agrees at any time and from time to time upon not less than twenty (20) days prior notice by Commission to execute, acknowledge and deliver to Commission a statement in writing certifying that this Ground Lease is unmodified and in full force and effect (or if there have been modifications that the Ground Lease is in full force and effect as modified and stating the modifications), and the dates to which the rent has been paid, and stating whether or not to the best knowledge of the signer of such statement Tenant is then in default or may be in default with notice or the passage of time, or both, in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Ground Lease, and, if in default, specifying each such default, it being intended that any such statement delivered pursuant to this Section may be relied upon by Commission or any prospective purchaser of the fee or any Fee Mortgage thereof or any assignee of any Fee Mortgage but reliance on such statement may not extend to any default as to which the signer shall have had no actual knowledge.

(b) By Commission. Commission agrees at any time and from time to time upon not less than twenty (20) days prior notice by Tenant or any Leasehold Mortgagee to execute, acknowledge and deliver to Tenant a statement in writing certifying that this lease is unmodified and in full force and effect (or if there shall have been modifications that the Ground Lease is in full force and effect as modified and stating the modifications) and the dates to which the rent has been paid, and stating whether or not to the best knowledge of the signer of such statement Tenant is then in default or may be with notice or the passage of time, or both, in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Ground Lease and, if Tenant shall be in default, specifying each such default of which the signer may have knowledge, it being intended that such statement delivered pursuant to this Section may be relied upon by any prospective transferee of Tenant's interest in this Ground Lease and the Improvements or any Leasehold Mortgagee or any assignee of any Leasehold Mortgage, but reliance on such certificate may not extend to any default as to which the signer shall have had no actual knowledge.

24. Notices. All notices under this Ground Lease shall be in writing and sent (a) by certified or registered U.S. mail, postage pre-paid, return receipt requested, (b) overnight by a nationally recognized overnight courier such as UPS Overnight or FedEx, or (c) by personal delivery. All notices shall be effective upon receipt (or refusal to accept delivery). All notices shall be delivered to the following addresses:

Commission: San Diego Housing Commission
Attn: Loan Management
1122 Broadway, Suite 300
San Diego, CA 92101

Copy to: Christensen & Spath LLP
550 West C Street, Suite 1660
San Diego, CA 92101

Tenant: HDP Quality Inn, LLC
c/o Housing Development Partners of San Diego
701 B Street, Suite 530
San Diego, CA 92101
Attn. Emily S, Jacobs, Vice President

Copy to: Downs Pham & Kuei, LLP
One Embarcadero Center, Suite 500
San Francisco, CA 94111
Attn. Irene Kuei

25. Commission Option to Acquire the Improvements.

(a) Granting of the Option. Tenant grants to the Commission the exclusive option ("Option") to purchase all of the Tenant's interest in this Leasehold, the Project and the Improvements (collectively, the "Option Property") on the terms and conditions set forth in this Section 25. The Option shall commence on the earlier of: (i) an uncured Event of Default; or (ii) the date which is fifteen (15) years from the date of completion of rehabilitation of the Improvements ("Option Commencement Date"), and shall expire at the end of the Term ("Option Term").

(b) Consideration for the Option. The execution of this Ground Lease shall be the consideration for entering into the Option. Tenant hereby acknowledges that the Commission would not enter into this Agreement without the Tenant granting the Option to the Commission.

(d) Exercise of the Option. During the Option Term, the Commission may exercise its Option by giving Tenant written notification of Commission's election to purchase the Option Property ("Exercise of the Option").

(e) Purchase Price and Payment. The total consideration from the Commission to Tenant upon Exercise of the Option, shall be the principal of and all accrued interest on any Leasehold Mortgage approved by the Commission, or if such Leasehold Mortgage is no longer outstanding at such time, then the principal of and all accrued interest on any loans secured by the Improvements, provided such loans were approved by the Commission in writing. In addition, if the Commission, with the consent of the holder of any loan secured by the Leasehold, assumes Tenant's obligations under such loan, then all principal and accrued interest on such loan, shall be credited against the purchase price payable by the Commission for the Option Property.

(f) Escrow. Within ten (10) days following Commission's Exercise of the Property Option pursuant to Section 25(d) of this Ground Lease, Tenant shall open an escrow at a reputable escrow company in San Diego County, California. The parties shall sign the escrow

instructions prepared by the escrow holder within ten (10) days of receipt thereof, so long as the instructions (i) state that it is the sole purpose of the escrow holder to comply with and carry out the terms and conditions of this Section 25 of this Ground Lease, and (ii) contain such other general provisions as are then customarily found in such escrow holder's escrow instructions. Either party failing to sign the escrow holder's escrow instructions as provided above shall be deemed to be in breach of this Ground Lease. The escrow shall provide for a closing on or before ninety (90) days after it is opened. The escrow holder's escrow instructions signed by the parties shall state the date escrow was opened. The Option Property shall be transferred "As-Is", "Where-Is" without representation or warranty.

26. General Conditions.

(a) Remedies Cumulative. The specified remedies to which Commission may resort under the terms of this Ground Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Commission may be lawfully entitled in case of any breach or threatened breach by Tenant of any provision of this Ground Lease. The failure of Commission to insist in any one or more cases upon the strict performance of any of the covenants of this Ground Lease or to exercise any option contained in this Ground Lease shall not be construed as a waiver or a relinquishment for the future of such covenant or option.

(b) No Waiver. A receipt by Commission of rent with knowledge of the breach of any covenant of this Ground Lease shall not be deemed a waiver of such breach, and no waiver by Commission of any provision of this Ground Lease shall be deemed to have been made unless expressly in writing and signed by Commission. In addition to the other remedies provided in this Ground Lease, Commission shall be entitled to the restraint by injunction of the violation, or attempted or threatened violation, of any of the covenants, conditions or provisions of this Ground Lease.

(c) Amendments. No waiver, modification, amendment, discharge or change of this Ground Lease shall be valid unless it is in writing and signed by the Commission and Tenant and consented to by each Leasehold Mortgagee, if any.

(d) No Real Estate Brokers. Each of Commission and Tenant hereby represents and warrants that it has dealt with no real estate broker, agent or party who may be entitled to a commission or fee on account of this Ground Lease. Each of Commission and Tenant hereby indemnifies and agrees to hold the other party harmless from and against any loss, cost, liability and expense, including attorneys' fees, which may be incurred in the event the foregoing representation and warranty proves incorrect.

(e) Representations. Commission hereby disclaims any warranty, guaranty or representation of the nature and condition of the Property, including (but not by way of limitation) the soil and geology and suitability thereof for any and all activities and uses which Tenant may elect to conduct thereon at any time during the Term, the manner of construction and the conditions and state of repair or lack of repair of all improvements located thereon, and the nature and extent of the rights of others with respect to the Property, whether by way of

easement, right of way, lease, possession, lien, encumbrance, license, reservation, condition or otherwise.

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

(g) Invalidity of Particular Provisions. If any term or provision of this Ground Lease or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Ground Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Ground Lease shall be valid and be enforced to the fullest extent permitted by law.

(h) Successors Bound. Subject to the other provisions of this Ground Lease, this Ground Lease shall be binding upon and inure to the benefit of Commission and Tenant and their respective legal representatives, successors, heirs and permitted assigns, and wherever a reference in this Ground Lease is made to either Commission or Tenant, such reference shall be deemed to include, wherever applicable, also a reference to the successors and assigns of such party, as if in every case so expressed.

(i) Recordation. This Ground Lease shall be recorded as an encumbrance against the Property in the Office of the County Recorder of San Diego County, California.

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

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

(l) Entire Agreement. This Ground Lease, together with any written modifications or amendments hereafter entered into (and consented to by each Leasehold Mortgagee, if any), contain the entire agreement between the parties relating to the transactions contemplated by this Ground Lease and all prior or contemporaneous agreements, understandings, representations or statements, oral or written, are superseded.

(m) No Third-Party Rights. Nothing in this Ground Lease, express or implied, is intended to confer upon any person, other than the parties to this Ground Lease, the Leasehold Mortgagees (who are third-party beneficiaries of this Ground Lease) and their respective successors and assigns, any rights or remedies.

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

(o) Attorneys' Fees. The parties agree that the prevailing party in litigation for the breach and/or interpretation and/or enforcement of the terms of this Ground Lease shall be

entitled to their expert witness fees, if any, as part of their costs of suit, and attorneys' fees as may be awarded by the court, pursuant to California Code of Civil Procedure ("CCP") Section 1033.5 and any other applicable provisions of California law, including, without limitation, the provisions of CCP Section 998. All claims, disputes, causes of action or controversies shall be subject solely to the jurisdiction of the San Diego Superior Court.

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

(q) Commission Approval. Where this Ground Lease refers to an action or approval of the Commission, it shall mean the approval of the President and CEO of the Commission, or designee, unless otherwise provided.

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

(s) No Merger of Ground Lease With the Fee Estate. There shall be no merger of this Ground Lease or any interest in this Ground Lease, nor of the Leasehold, with the fee estate in the Property for any reason.

(t) Signature Authority. All individuals signing this Ground Lease 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 one another that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

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

TENANT:

By: HDP Quality Inn, LLC, a California limited liability company

By: Housing Development Partners of San Diego,
a California nonprofit public benefit corporation

Its: Manager

By: 


Emily S. Jacobs, Vice President

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

COMMISSION:
San Diego Housing Commission

By: 
Deborah N. Ruane
Executive Vice President & Chief Strategy Officer

Approved as to Form:
Christensen & Spath LLP

By: 
Walter F. Spath III, Esq.
Commission General Counsel

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

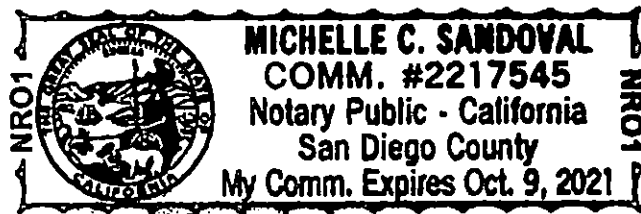
State of California)
)
County of San Diego)

On December 12, 2017, before me, Michelle C. Sandoval, notary public, personally appeared Deborah N. Ruane who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature Michelle C. Sandoval (Seal)



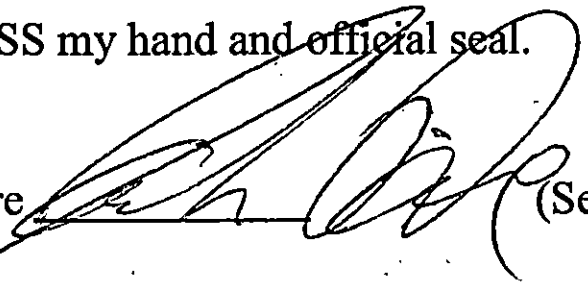
ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Diego)

On Dec. 13, 2017, before me, Jack Paine, notary public, personally appeared Emily S. Jacobs who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.
Signature  (Seal)

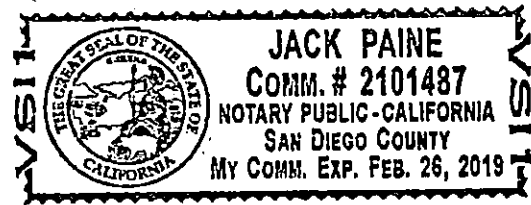


Exhibit "A"

Legal Description of the Property

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

LOTS J AND K OF BLOCK 226 OF NORTON'S ADDITION IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE AMENDED MAP BY L. L. LOCKLING FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.

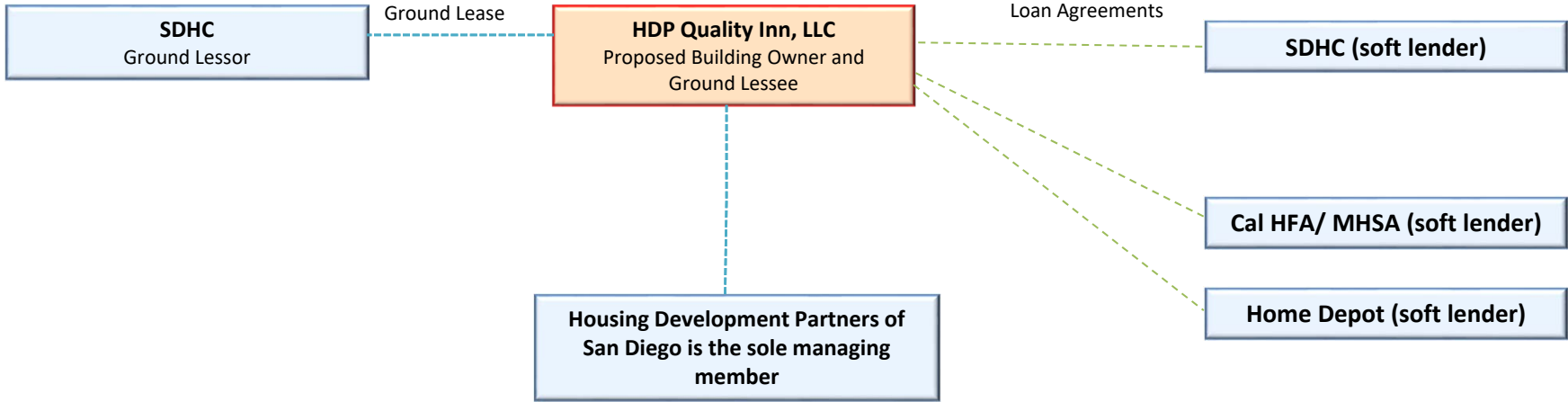
APN: 533-296-07

Quality Inn

Proposed Scope of Rehabilitation

- Fumigation/Tenting - Termite & insect remediation per Termite Inspector's report
- Elevator Rehab/Modernization
- Demolition & removal/disposal of debris as required to achieve final scope
- Repair & replacement of structure and substrates as required to achieve final scope
- Accessibility upgrades as required and as technically feasible
- Refresh common area finishes as required (community room, fitness room, courtyards)
- Build out of office spaces in former service areas
- New interior finishes in Units
 - Vinyl Plank/Sheet Vinyl throughout
 - Replace/resurface drywall as req'd
- Replacement of existing plumbing fixtures – in-kind/in-place
 - Microbial growth remediation, per VM3 report recommendations
- Replacement lighting – LED's & ceiling fans
- Improved unit-ventilation
- Upgrade Unit HVAC systems – replacement PTAC units
- Replacement of boilers/hot water systems
- Addition of kitchenettes to units as able; to consist of:
 - 2-burner range w/overhead exhaust fan, ducted to outside
 - Microwave
 - Sink w/ garbage disposal
 - Refrigerator/Freezer
 - Cabinetry & solid surface countertops
- Adjustment & Repair/replacement of doors & door hardware
- Window hardware repair/replacement
- Resurface/reslope exterior walkways (cementitious waterproof decking)
- Repair/replacement of steel guardrails
- Exterior Plaster repair & repaint
- Replace Roof, gutters, leaders, outlets & associated flashing
- Project Signage/awnings
- Repair/replacement of landscaping & irrigation systems

Quality Inn
ORGANIZATIONAL CHART





SAN DIEGO
HOUSING
COMMISSION

Real Estate Department

**DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/
ENTITY SEEKING GRANT/BORROWERS
(Collectively referred to as "CONTRACTOR" herein)
STATEMENT FOR PUBLIC DISCLOSURE**

1. Name of CONTRACTOR: Housing Development Partners of San Diego
2. Address and Zip Code: 701 B Street Suite 530, San Diego, CA 92101
3. Telephone Number: 619-578-7488
4. Name of Principal Contact for CONTRACTOR: Michael C. Pavco
5. Federal Identification Number or Social Security Number of CONTRACTOR:
33-0427639
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:
 - A corporation (Attach Articles of Incorporation)
 - A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status).
 - A partnership known as: _____
(Name)
 - Check one
 - General Partnership (Attach statement of General Partnership)
 - Limited Partnership (Attach Certificate of Limited Partnership)
 - A business association or a joint venture known as:

(Attach joint venture or business association agreement)
 - A Federal, State or local government or instrumentality thereof.
 - Other (explain)

7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:

Housing Development Partners was formed in California in April 1990 as a 501(c) (3) non-profit

8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:
- If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
 - If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.
 - If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
 - If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.
 - If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.

Name, Address and Zip Code _____	Position Title (if any) and percent of interest or description of character and extent of interest
-------------------------------------	--

Name: Richard C. Gentry	President & CEO
Address: 619-578-7532	0
Name: Gary Grambling	Vice President & Audit Committee Member
Address: 760-455-4978	0
Name: Roberta Spoon	Assistant Secretary & Audit Committee Member
Address: 619-234-4173	0
Name: Tim Walsh	Board Member
Address: 619-305-3261	0
Name: Stefanie Benvenuto	Secretary
Address: 714-336-6536	0

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail.

Yes. HDP Board members Stefanie Benvenuto and Tim Walsh were brought on to replace prior members Dottie Surdi and Ben Moraga as of the September 27, 2018 meeting.

10. Is it anticipated that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.

No.

11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR):

<u>Name, Address and Zip Code</u>	<u>Position Title (if any) and extent of interest</u>
None	N/A

12. Names, addresses and telephone numbers (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 8 or Item 11 above:

Name and Address	Position/Title and Phone
Name: Michael C. Pavco	Senior Vice President
Address: 701 B Street, Suite 530	619-578-7488
San Diego, CA 92101	
Name: Pari Ryan	Director
Address: 701 B Street, Suite 530	619-578-7547
San Diego, CA 92101	

13. Is the CONTRACTOR a subsidiary of or affiliated with any other corporation or corporations, any other firm or any other business entity or entities of whatever nature? If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity.

Name and Address	Relationship to CONTRACTOR
Name: San Diego Housing Commission	Affiliate through shared board members, Gentry, Walsh, Benvenuto
Address: 1122 Broadway	
San Diego, CA 92101	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the attached financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position.

15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

a. Name, Address & Zip Code of Bank/Savings & Loan:

Name: US Bank

Address: 11988 El Camino Real, Suite 100, San Diego, CA 92130

Amount: \$ 5,700,000

b. By loans from affiliated or associated corporations or firms:

Name, Address & Zip Code of Bank/Savings & Loan:

Amount: \$ _____

c. By sale of readily salable assets/including marketable securities:

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
N/A	\$	\$

17. Names and addresses of bank references, and name of contact at each reference:

Name and Address	Contact Name
Name: US Bank	
Address: SDHC	
San Diego, CA 92101	

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?

___ Yes X No

If yes, give date, place, and under what name.

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?
 Yes No

If yes, give for each case (1) date, (2) charge, (3) place, (4) court, and (5) action taken. Attach any explanation deemed necessary.

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond:

<u>Bond Type</u>	<u>Project Description</u>	<u>Date of Completion</u>	<u>Amount of Bond</u>	<u>Action on Bond</u>
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N/A

21. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information:
Not Applicable.

- a. Name and addresses of such contractor or builder:

N/A

- b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract?
 Yes No

If yes, please explain, in detail, each such instance:

N/A

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$ N/A

General description of such work: N/A

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state whether any change orders were sought, amount of change orders, was litigation

commenced concerning the project, including a designation of where, when and the outcome of the litigation.

N/A

- d. Construction contracts or developments now being performed by such contractor or builder:

<u>Identification of Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be Completed</u>
--	-----------------	---------------	-----------------------------

N/A

- e. Outstanding construction-contract bids of such contractor or builder:

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
------------------------	---------------	--------------------

N/A

22. Provide a detailed and complete statement respecting equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:

N/A

23. Does any member of the governing body of the San Diego Housing Commission ("COMMISSION"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the COMMISSION, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

Yes No

If yes, explain.

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:

See attached General Insurance Policy for HDP

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

___ Yes X No

If yes, explain:

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverages: List the amount of coverage (limits) currently existing in each category: See Certificates Attached.

a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- Comprehensive Form
- Premises - Operations
- Explosion and Collapse Hazard
- Underground Hazard
- Products/Completed Operations Hazard
- Contractual Insurance
- Broad Form Property Damage
- Independent Contractors
- Personal Injury

b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- Comprehensive Form
- Owned
- Hired
- Non-Owned

c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

f. Other (Specify). [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the COMMISSION setting forth the provisions of this nondiscrimination clause.

28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the COMMISSION, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the COMMISSION, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.

29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the COMMISSION, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the Commission was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please so state:

<u>Government Entity Making Complaint</u>	<u>Date</u>	<u>Resolution</u>
---	-------------	-------------------

N/A

31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation? If so, please explain the circumstances in detail. If none, please so state:

None

32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license, together with a statement as to whether the License has ever been revoked:

<u>Governmental Agency</u>	<u>Description License</u>	<u>License Number</u>	<u>Date Issued (original)</u>	<u>Status (current)</u>	<u>Revocation (yes/no)</u>
----------------------------	----------------------------	-----------------------	-------------------------------	-------------------------	----------------------------

N/A

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the COMMISSION.

N/A

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the COMMISSION.

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the COMMISSION, AUTHORITY and/or the CITY within the last five (5) years:

<u>Date</u>	<u>Entity Involved (i.e., CITY COMMISSION, etc.)</u>	<u>Status (Current, delinquent repaid, etc.)</u>	<u>Dollar Amount</u>
-------------	--	--	----------------------

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount
	SDHC	Current	\$15,396,409

	City (Civic San Diego)	Current	\$3,000,000
	SDHC	Current	\$2,693,633
	SDHC	Current	\$511,708
	SDHC	Current	\$1,600,000
	SDHC	Current	\$6,000,000
	SDHC	Current	\$4,400,000

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)? Yes No

If yes, explain:

N/A

37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License?
 Yes No

If yes, explain:

N/A

38. List three local references who would be familiar with your previous construction project:

Name: San Diego Housing Commission

Address: 1122 Broadway, San Diego, CA 92101

Phone: _____

Project Name and Description: San Diego Square- acquisition & renovation of a 156-unit senior HUD building

Name: Civic San Diego

Address: 401 B Street Suite 400, San Diego, CA 92101

Phone: 619-235-2200

Project Name and Description: Hotel Churchill – extensive renovation of a 100+ year old historic hotel in downtown San Diego

Name: California Housing Finance Agency

Address: 500 Capitol Mall, Ste 1400, Sacramento, CA 95814

Phone: 877-922-5432

Project Name and Description: Hotel Churchill – extensive renovation of a 100+ year old historic hotel in downtown San Diego

39. Give a brief statement respecting equipment, experience, financial capacity and other resources available to the Contractor for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment and the general experience of the Contractor.

Construction General Contractor TBD

40. Give the name and experience of the proposed Construction Superintendent.

Name	Experience
TBD	

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("COMMISSION"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information", if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of the COMMISSION, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information", if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of the COMMISSION, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

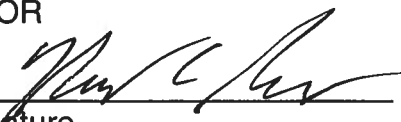
CONTRACTOR represents and warrants to the COMMISSION, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information being submitted herein), the information constitutes a "Public Record" subject to disclosure to members of the public in accordance with the provisions of California Government Section 6250 et seq.

CONTRACTOR specifically waives, by the production of the information disclosed herein, any and all rights that CONTRACTOR may have with respect to the information under the provisions of Government Code Section 6254 including its applicable subparagraphs, to the extent of the disclosure herein, as well as all rights of privacy, if any, under the State and Federal Law.

Executed this 11th day of October, 2018, at San Diego, California.

CONTRACTOR

By:



Signature
SVP

Title

CERTIFICATION

The CONTRACTOR, Housing Development Partners, hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: Michael C Pavco

By: *[Signature]*

Title: Senior Vice President

Title: SVP

Dated: 10/11/18

Dated: 10/11/18

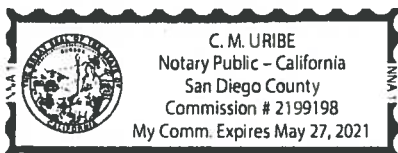
WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

ATTEST:

State of California

County of San Diego

Subscribed and sworn to before me this 11th day of October, 2018.



SEAL

[Signature]
Signature of Notary

C.M. Uribe, Notary Public
Name of Notary

Quality Inn

Draft Date: 09/23/2018 - 9:43 PM

SECTION 1: PROJECT INFORMATION AND ACQUISITION ASSUMPTIONS

GENERAL PROJECT INFORMATION

Project Name	Quality Inn
Purchase Price	
Project Address	1840 W Fourth Ave.
Year Built	1991
Site Acreage	0.45
Total Units	92 (approximately 204 units/acre)
MSA	San Diego County
Area Media Income	\$72,200
Project Type	
Prospected Owner Entity	TBD - Quality Inn

BUILDING AREA

Residential Rentable SF													
Common Areas								20%	of Res sf				sf
Subtotal Residential SF													- sf
Commercial / Retail / Office Rentable SF													sf
Common Areas													sf
Subtotal Commercial SF													- sf
Parking Structure								0 Spaces	@	390	sf per space		- sf
On Grade Parking								0 Spaces	@	300	sf per space		- sf
Subtotal Parking SF													- sf
Approximate Gross Building Area													- sf

SECTION 2: UNIT MIX & PROJECT INCOME

RESIDENTIAL INCOME

Bedroom Type		Number of Units	% of Total	Net Area (SF)	Gross Square Feet	Proposed Rents	Utility Allowance	Market Rent	Maximum Rent	Spread to Market	Monthly Income	Annual Income
0 Bedroom SRO		42	45.7%	220	9,240	\$815	\$0	\$1,100	\$815	0%	\$34,230	\$410,760
0 Bedroom Studio		49	53.3%	220	10,780	\$1,085	\$0	\$1,100	\$1,085	0%	\$53,165	\$637,980
0 Bedroom		0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
1 Bedroom Manager		1	1.1%	350	189	\$0	\$0	\$1,100	\$1,085	0%	\$1,085	\$13,020
2 Bedroom Manager		0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
Total/Average		92	100.0%	221	20,209	\$0	\$0.00		\$962	0%	\$88,480	\$1,061,760

COMMERCIAL INCOME (NNN)

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

OTHER INCOME

Residential	\$/unit/Month	Monthly	Annual
Parking Income	\$0.00	\$0	\$0
Storage Income	\$0.00	\$0	\$0
Laundry Income	\$3.00	\$276	\$3,312
Fees and Charges	\$0.00	\$0	\$0
Other	\$0.00	\$0	\$0
Total other income/month	\$3.00	\$276	\$3,312

ESCALATORS & VACANCY

Item	Rate
Escalator for Income	2.0%
Escalator for Expenses	3.0%
Escalator for P'ship Expenses	1%
Escalator for Misc Expenses	0.0%
Residential Vacancy	5%

SECTION 3: EXPENSES

Category	Per Unit	Total Annual
Professional Management	\$662	per unit \$60,880
Administrative	\$388.40	per unit \$35,733
Accounting/Audit	\$131	per unit \$12,075
Advertising	\$5	per unit \$489
Legal	\$23	per unit \$2,070
Payroll & Benefits		
Onsite Staff (Mgr & Maintenance)	\$1,349	per unit \$124,133
Payroll Taxes	\$208	per unit \$19,136
Benefits	\$374	per unit \$34,431
Utilities		
Gas	\$204	per unit \$18,800
Electricity	\$700	per unit \$64,400
Water/Sewer/Garbage/Cable	\$541	per unit \$49,781
Maintenance		
Repairs and Supplies	\$132	per unit \$12,133
Contracts	\$447	per unit \$41,136
Security	\$0	per unit \$0
Insurance/Taxes	\$334	per unit \$30,697
Service Coordinator	\$261	per unit \$24,000
Replacement Reserves	\$500	per unit \$46,000
Compliance Monitoring	\$190	per unit \$17,500
Total Expenses	\$6,450	\$593,393

SECTION 4: PROJECT MILESTONES

Architectural Milestones	Date
Schematic Drawings	na
Design & Development	na
Construction Drawings	na

Approval Milestones	Date
HC Board Date	
Housing Authority/TEFRA	
CDLAC Application Date	
TCAC Application Date	
CDLAC Allocation Date	
TCAC Allocation Date	
Closing Date	

Construction Milestones	Month	Date
Construction Start	0	
25% Completion	3	
50% Completion	6	
75% Completion	9	
100% Completion	12	
Conversion/8609s	15	

SECTION 5: OTHER ASSUMPTIONS

Waterfall Assumptions	
SNHP Compliance Monitoring Fee	\$0
LP Asset Management Fee	\$0
Non Profit Management Fee	\$15,000
Interest On Deferred Dev (2.18 AFR?)	0.00%
Residual Cash Flow Split to P'ship	50.0%
LP Share of Partnership CF	0.0%
Residual Receipts Lender Split	Proportional
Ground Lease (% of EGI) Years 1-17	4.5%
Ground Lease (% of EGI) Years 17-55	4.5%
Other	

Developer Fees	
Max Allowable Developer Fee	\$1,400,000
Max Developer Fee In Basis	\$2,500,000
LP Share of Tax Credits	99.99%
Other	

50% Test	
Eligible Basis + Land	\$12,638,226
Amount Financed By Bonds	\$4,912,920
Percent of Financed by Bonds	39%

SECTION 6: FINANCING SOURCE ASSUMPTIONS

PERM LOAN	
DSCR	1.25
Amort (Years)	30
All-in Rate	5.50%
Annual PMT	334,740
Perm Loan Amt	\$4,912,920

SOFT LOAN	
Principal	\$2,704,500
Interest (Simple)	
Term	
Annual Payment	Residual Rec.

SELLER LOAN	
Principal	
Interest (Simple)	3.00%
Term	55
Annual Payment	

LAND DONATION	
Land Value	\$0.00

CONSTRUCTION LOAN	
AMT	4,912,920
Term (months)	18
Rate	5.50%

LIHTC EQUITY	
DDA/QCT	Yes
AFR	3.21%
Credit Pricing	\$0.000
Investor Share of Credits	99.99%

ACQUIRED RESERVES	
Existing Reserves	\$0

PAY-IN SCHEDULE	
Closing	15% \$ -
25% Completion	0% \$ -
50% Completion	0% \$ -
75% Completion	0% \$ -
100% Completion	0% \$ -
Conversion/8609	85% \$ -

SECTION 7: QUICK LOOK SUMMARY

Operating Summary	Total	Per Unit	% of EGI
Gross Rental Income	\$1,061,760	\$11,541	
Other Income	\$3,312	\$36	
(Less) Vacancy @ 5%	(\$53,254)	(\$579)	
Effective Gross	\$1,011,818	\$10,998	
Commercial Income	\$0	\$0	
(Less) Vacancy @ 0%	\$0	\$0	
Total Gross	\$1,011,818	\$10,998	
(Less) Operating Exp	(\$593,393)	(\$6,450)	
(Less) Other Expenses	\$0	\$0	
Net Operating Income	\$418,425	\$4,548	
(Less) Debt Service	(\$334,740)	(\$3,638)	
Net Cash Flow	\$83,685	\$910	

Developer Fee Installments			
Closing	1/0/00	\$500,000	25%
25% Completion	1/0/00	\$0	0%
50% Completion	1/0/00	\$500,000	25%
75% Completion	1/0/00	\$500,000	25%
100% Completion	1/0/00	\$500,000	25%
8609s	1/0/00	\$0	0%
Deferred	As Available	\$0	0%
Total Developer Fee		\$2,000,000	100%

Sources:	Total	Per Unit	% of Total
PERM LOAN	\$4,912,920	\$53,401	36.1%
SECOND LOAN	\$0	\$0	0.0%
SDHC GRANT	\$5,602,926	\$60,901	41.1%
SOFT LOAN - STATE	\$0	\$0	0.0%
SOFT LOAN - MHSA	\$2,704,500	\$29,397	19.9%
HOME DEPOT GRANT	\$400,000	\$4,348	2.9%
OTHER	\$0	\$0	0.0%
GAP FUNDING REQUIRED	(\$0)	(\$0)	0.0%
Total Sources	\$13,620,345	\$148,047	100%

Uses:	Total	Per Unit	% of Total
HARD COSTS	\$8,648,838	\$94,009	63.5%
PERMITS & FEES	\$120,000	\$1,304	0.9%
A&E	\$310,000	\$3,370	2.3%
THIRD PARTY REPORTS	\$50,401	\$548	0.4%
FINANCING	\$652,280	\$7,090	4.8%
RESERVES	\$359,348	\$3,906	2.6%
OTHER SOFT COSTS	\$1,479,479	\$16,081	10.9%
DEVELOPER FEE	\$2,000,000	\$21,739	14.7%
Total Uses	\$13,620,345	\$148,047	100.0%

Quality Inn

DEVELOPMENT COSTS

	Unit Cost	Total	Per Unit
HARD COSTS			
2030 REHABILITATION (RESIDENTIAL) Prevail. Wage	\$66,000	\$6,897,000	\$74,967
2045 GENERAL CONDITIONS/REQUIREMENTS	6.00%	\$413,820	\$4,498
2050 GENERAL CONTRACTOR FEE (OHP)	8.00%	\$551,760	\$5,997
2060 HARD COST CONTINGENCY (OWNER)	10.00%	\$786,258	\$8,546
TOTAL HARD COSTS		\$8,648,838	\$94,009
PERMITS & FEES			
3030 MUNICIPAL	\$120,000	\$120,000	\$1,304
TOTAL PERMITS & FEES		\$120,000	\$1,304
ARCHITECTURE & ENGINEERING			
4005 ARCHITECT	\$250,000	\$250,000	\$2,717
4010 CIVIL ENGINEERING	\$25,000	\$25,000	\$272
4030 OTHER CONSULTANTS-SPECIAL INSPECTIONS	\$35,000	\$35,000	\$380
TOTAL ARCHITECTURE & ENGINEERING		\$310,000	\$3,370
THIRD PARTY REPORTS			
5005 APPRAISAL	\$6,750	\$6,750	\$73
5010 MARKET STUDY	\$4,500	\$4,500	\$49
5020 ENVIRONMENTAL (PH1 & PH2)	\$4,600	\$4,600	\$50
5025 PHYSICAL NEEDS ASSESSMENT	\$3,250	\$3,250	\$35
5040 REMEDIATION TESTING & CONSULTANT		\$0	\$0
5040 OTHER TECHNICAL REPORTS	\$26,719	\$26,719	\$290
8075 THIRD PARTY REPORT CONTINGENCY	\$4,582	\$4,582	\$50
TOTAL DILIGENCE COSTS	\$50,401	\$50,401	\$548
FINANCING COSTS			
6045 BRIDGE LOAN INTEREST	\$67,500	\$67,500	\$734
6005 CONSTRUCTION LOAN ORIGATION FEE	\$50,000	\$50,000	\$543
6010 CONSTRUCTION LOAN LEGAL	\$50,000	\$50,000	\$543
6015 CONSTR LENDER APPLICATION / DUE DILIGENCE	\$25,000	\$25,000	\$272
6025 INTEREST DURING CONSTRUCTION	\$243,190	\$243,190	\$2,643
6130 PERM LOAN CONVERSION FEE	\$10,000	\$10,000	\$109
6115 PERM LOAN DUE DILIGENCE	\$25,000	\$25,000	\$272
6105 CALHFA & SDHC FEES	\$154,090	\$154,090	\$1,675
6135 SOFT LOAN LENDER LEGAL	\$27,500	\$27,500	\$299
TOTAL FINANCING COSTS		\$652,280	\$7,090
RESERVES			
7005 REPLACEMENT RESERVE - INITIAL DEPOSIT	\$500	\$46,000	\$500
7010 LEASE UP RESERVE		\$165,000	\$1,793
7010 OPERATING RESERVE (3 mos)	3	\$148,348	\$1,612
TOTAL RESERVES		\$359,348	\$3,906

Quality Inn

DEVELOPMENT COSTS

	Unit Cost	Total	Per Unit
OTHER SOFT COSTS			
8020 LEGAL - DEVELOPER (CONSTRUCTION)	\$100,000	\$100,000	\$1,087
8005 LEGAL - ENTITLEMENTS & PREDEV	\$20,000	\$20,000	\$217
8035 ACCOUNTING/COST CERT	\$15,000	\$15,000	\$163
8045 RELOCATION COSTS	\$598,000	\$598,000	\$6,500
8045 RELOCATION STUDY	\$30,000	\$30,000	\$326
5035 ALTA SURVEY	\$10,000	\$10,000	\$109
8055 PREPAID INSURANCE	\$15,000	\$15,000	\$163
8060 TITLE/ESCROW/RECORDING	\$32,100	\$32,100	\$349
8065 REAL ESTATE TAXES	\$10,000	\$10,000	\$109
4025 CONSTRUCTION MANAGEMENT	\$144,000	\$144,000	\$1,565
8085 BORROWER FINANCIAL ANALYST	\$50,000	\$50,000	\$543
8030 FF&E - RESIDENTIAL	\$50,000	\$50,000	\$543
8080 FF&E - COMMON AREA	\$50,000	\$50,000	\$543
2055 BONDING & INSURANCE	2%	\$172,977	\$1,880
8075 SOFT COST CONTINGENCY		\$182,402	\$1,983
TOTAL OTHER SOFT COSTS		\$1,479,479	\$16,081
DEVELOPER FEE			
9005 DEVELOPER FEE		\$2,000,000	\$21,739
TOTAL DEVELOPER FEE		\$2,000,000	\$21,739
GRAND TOTAL DEVELOPMENT COSTS		\$13,620,345	\$148,047

Quality Inn

Cash Flow Analysis 1.1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
OPERATING BUDGET															
GROSS RENTAL INCOME	1,061,760	1,082,995	1,104,655	1,126,748	1,149,283	1,172,269	1,195,714	1,219,628	1,244,021	1,268,901	1,294,280	1,320,165	1,346,568	1,373,500	1,400,970
Other Income	3,312	3,378	3,446	3,515	3,585	3,657	3,730	3,804	3,881	3,958	4,037	4,118	4,200	4,284	4,370
(Less) Vacancy @ 5%	(53,254)	(54,319)	(55,405)	(56,513)	(57,643)	(58,796)	(59,972)	(61,172)	(62,395)	(63,643)	(64,916)	(66,214)	(67,538)	(68,889)	(70,267)
EFFECTIVE GROSS INCOME	1,011,818	1,032,055	1,052,696	1,073,750	1,095,225	1,117,129	1,139,472	1,162,261	1,185,507	1,209,217	1,233,401	1,258,069	1,283,230	1,308,895	1,335,073
Commercial Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL GROSS INCOME	1,011,818	1,032,055	1,052,696	1,073,750	1,095,225	1,117,129	1,139,472	1,162,261	1,185,507	1,209,217	1,233,401	1,258,069	1,283,230	1,308,895	1,335,073
(Less) Total Operating Expenses	(593,393)	(611,195)	(629,531)	(648,417)	(667,869)	(687,905)	(708,542)	(729,799)	(751,693)	(774,243)	(797,471)	(821,395)	(846,037)	(871,418)	(897,560)
NET OPERATING INCOME	418,425	420,860	423,165	425,333	427,356	429,224	430,929	432,463	433,814	434,973	435,930	436,674	437,194	437,477	437,513
(Less) Debt Service	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)	(334,740)
NET PROJECT CASH FLOW	83,685	86,120	88,425	90,593	92,615	94,484	96,189	97,722	99,074	100,233	101,190	101,934	102,453	102,737	102,772
DEBT SERVICE COVERAGE RATIO	1.25	1.26	1.26	1.27	1.28	1.28	1.29	1.29	1.30	1.30	1.30	1.30	1.31	1.31	1.31
CASH WATERFALL															
(Less) LP Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Less) Non Profit Fee	(15,000)	(15,150)	(15,302)	(15,455)	(15,609)	(15,765)	(15,923)	(16,082)	(16,243)	(16,405)	(16,569)	(16,735)	(16,902)	(17,071)	(17,242)
Total Fees (SNHP and Partnership)	(15,000)	(15,150)	(15,302)	(15,455)	(15,609)	(15,765)	(15,923)	(16,082)	(16,243)	(16,405)	(16,569)	(16,735)	(16,902)	(17,071)	(17,242)
Remaining Cash Flow	68,685	70,970	73,123	75,138	77,006	78,719	80,266	81,640	82,831	83,828	84,621	85,199	85,551	85,666	85,530