



City of San Leandro

Meeting Date: June 6, 2016

Staff Report

File Number: 15-721

Agenda Section: ACTION ITEMS

Agenda Number: 10.A.

TO: City Council

FROM: Chris Zapata
City Manager

BY: Cynthia Battenberg
Community Development Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for a Resolution Authorizing a Loan of \$1,000,000 from the City of San Leandro to Alameda Senior Housing Associates, L.P., a California Limited Partnership (an Affiliate of BRIDGE Housing Corporation) to Assist in Financing the Construction of an Affordable Senior Rental Housing Project (San Leandro Senior Housing) Located at 525 West Juana Avenue

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council adopt the resolution 1) approving a \$1,000,000 Loan Agreement, Regulatory Agreement, Promissory Note, and Deed of Trust to assist with the construction of the San Leandro Senior Housing, also known as Phase II of the Marea Alta project; and 2) authorizing the City Manager to execute and deliver such other instruments and to take such other actions as necessary to carry out the intent of this resolution. Phase II represents the final phase of the 200-unit Marea Alta affordable mixed use development, which will provide 85 units of affordable senior rental housing in the City under the City's Housing Element, which was updated and adopted in early 2015.

BACKGROUND

In April 2009, the City Council approved a \$9.1 million Redevelopment Agency Housing Set-Aside loan to BRIDGE Housing Corporation (BRIDGE) to assist in the construction of The Alameda, a 100-unit affordable rental housing project located at 1333 Martinez Street on the west side of the Downtown BART station. The Alameda was the affordable housing component of the San Leandro Crossings Master Plan (Plan), a transit oriented development near the San Leandro BART Station in Downtown San Leandro. Due to delays related to the State's elimination of redevelopment agencies in early 2012 and the California Department of Housing and Community Development (HCD) Transit Oriented Development Housing Program (TOD) grants, the City revised its Plan in April 2012. The revised Plan moved the affordable housing component, renamed Cornerstone at San Leandro Crossings, to 1400 San Leandro Boulevard and provided for the construction of 200 affordable rental units rather than the 100 affordable units under the former project.

For feasibility and financing purposes, BRIDGE redesigned the 200-unit development into a 115-unit multifamily housing project (Marea Alta Phase I) and an 85-unit senior housing project (Marea Alta Senior Phase II). The City's \$9.1 million loan was allocated entirely for the 115-unit Marea Alta Phase I development, which is currently under construction and projected for full occupancy in Fall/Winter 2016.

BRIDGE is in the process of obtaining the necessary financing for the Phase II 85-unit senior housing project, which has a total estimated development cost of \$41 million. To date, BRIDGE has received approximately \$10.5 million for Phase II funding: \$1 million from the Federal Home Loan Bank's Affordable Housing Program, \$7.5 million in the newly created State Affordable Housing & Sustainable Communities Program (Cap & Trade Funds), \$1.1 million HCD Prop 1C funds, and \$900,000 in Alameda County HOME and Boomerang Housing Funds. BRIDGE will also be applying for State/federal low income housing tax credits (LIHTC) in late June 2016 to fill the remaining financing gap. In order to be competitive for the LIHTC funding cycle, BRIDGE must obtain local matching funds. The State will announce LIHTC awardees in Fall 2016. If BRIDGE receives LIHTC approval, it can then proceed to apply for its City building permits and begin construction of the Phase II senior housing project upon permit approvals.

Analysis

The \$1 million City loan consists of \$256,761 in federal HOME funds and \$743,239 in funds held by the City in its capacity as Housing Successor to the Redevelopment Agency. The \$256,761 reflects the City's current balance in federal HOME funds that have accumulated since FY 2012. The HOME regulations stipulate a 24-month funds commitment requirement which mandates that funds be "placed under binding commitment to affordable housing within 24 months" from when the funds are deposited in the jurisdiction's HOME Investment Trust Fund. This "uncommitted" balance of \$256,761 HOME funds are "at risk" of recapture by HUD if these funds are not committed by June 30, 2016. By providing BRIDGE with a \$1,000,000 loan, which includes a \$256,761 HOME loan, the City is able to commit these funds within HUD's commitment deadline and avoid the de-obligation of HOME funds by HUD.

The City will also commit \$743,239 in Housing Successor funds in addition to the \$256,761 HOME funds for a \$1,000,000 loan to BRIDGE. The source of these monies are the repayments of former Redevelopment Agency Housing Set-Aside loans (such as the City's former down payment assistance and owner-occupied housing rehabilitation loan programs as well as prior development loans to nonprofit developers). The re-allocation of these funds must be designated specifically for affordable housing activities, such as Marea Alta Phase II.

Loan Terms

The term of the \$1,000,000 loan will be three percent (3%) simple annual interest for fifty-five (55) years.

Predevelopment Funds

Under the loan agreement, BRIDGE will be permitted to use up to \$500,000 of its City loan for pre-development costs (i.e., architecture/design, engineering, etc.). The total pre-development costs are about \$1.5 million. BRIDGE must first expend \$250,000 of its own funds before it

can utilize any Alameda County and City funding for pre-development costs. Below is the order in which pre-development costs will be funded:

- 1) \$250,000 from BRIDGE
- 2) \$350,000 from Alameda County
- 3) \$350,000 from City
- 4) \$400,000 from BRIDGE
- 5) \$150,000 from City - The City will only release this remaining \$150,000 after BRIDGE secures permanent financing

Affordability Restrictions

The 85-unit Phase II senior residential development will be a four-story Mission style building with a community room. It will contain 77 one-bedroom, one-bath units and 8 two-bedroom, one-bath units. Forty of the 85 units consisting of 32 one-bedroom units and 8 two-bedroom units, will be designated for very low-income households (50% AMI). The remaining 45-units will be affordable as required by the State/federal LIHTC Program.

Approximately 35 parking spaces in the underground parking garage constructed in Phase I will be restricted for the Phase II senior residents in compliance with the Zoning Code, which requires 31 spaces (reflective of the reduced parking requirement for senior housing near BART).

Previous Actions

- April 6, 2009 - City Council approved the Owner Participation and Loan Agreement (OPLA) for a \$9.1 million Housing Set-Aside Loan to BRIDGE Housing for a 100-unit affordable rental housing development ("The Alameda").
- July 20, 2009 - City Council approved planning entitlements and environmental clearance under CEQA for the Cornerstone (formerly The Alameda) at 1400 San Leandro Boulevard and BART replacement parking.
- April 9, 2012 - Staff from City Community Development Department, BRIDGE Housing, Westlake Development Partners, and OSISOFT presented the revised San Leandro Crossings Master Plan at a City Council Work Session. Public comments included requests that the project developer work with City staff and key community members to put a childcare center in the Cornerstone project.
- June 18, 2012 - City Council approved the Amended and Restated Owner Participation and Loan Agreement (OPLA) with Alameda Housing Associates, L.P. and authorized the execution of all Transit Oriented Development Housing Program (TOD) Agreements required by CA State Department of Housing and Community Development (HCD).
- July 16, 2012 - City Council approved the Loan Agreement for \$650,000 HOME Loan to BRIDGE Housing for the 115-unit multifamily affordable rental housing development Marea Alta - Phase I (formerly Cornerstone).
- December 2, 2013 - City Council approved the First Amendment to the OPLA, including

changes reflecting the City's replacement as successor agency to the former Redevelopment Agency.

Applicable General Plan Policies

Policy 3.01: MIX OF UNIT TYPES

Encourage a mix of residential development types in the City, including single family homes on a variety of lot sizes, as well as townhomes, row houses, live-work units, planned unit developments, and multi-family housing.

Policy 3.02: MIX OF PRICE RANGES

Encourage a mix of price ranges to provide housing choices for San Leandro residents of all incomes and ages. Opportunities to include affordable units and market rate units within the same development projects should be pursued.

Policy 3.03: AFFORDABLE HOUSING DESIGN

Design new affordable housing to blend in with the existing fabric of the community. Affordable housing should be located in a variety of neighborhoods rather than concentrated in one particular part of the City.

Policy 3.04: PROMOTION OF INFILL

Encourage infill development on vacant or underused sites within residential areas.

Policy 3.05: MIXED USE ON TRANSIT CORRIDORS

Encourage mixed use projects containing ground floor retail and upper floor residential uses along major transit corridors. Such development should be pedestrian-oriented, respect the scale and character of the surrounding neighborhood, and incorporate architectural themes that enhance the identity of adjacent commercial districts.

Policy 3.06: HOUSING BY NON-PROFIT DEVELOPERS

Promote the participation of non-profit housing organizations in the construction of new affordable housing in San Leandro, with particular emphasis on housing for seniors and working families.

Policy 3.07: AMENITIES AND SOCIAL SERVICES WITHIN NEW HOUSING

Encourage new affordable housing development to provide amenities for future residents, such as on-site recreational facilities and community meeting space. Where feasible, consider the integration of social services such as child care within such projects.

Policy 3.10: CONVERSION OF NON-RESIDENTIAL LAND TO HOUSING & PUBLIC USES

Encourage the development of new housing on underutilized commercial and industrial sites which meet key criteria including:

- Sites on the edges of commercial or industrial areas, adjacent to established residential areas.
- Sites with adequate infrastructure, access, and road capacity.
- Sites which are not constrained by external environmental factors, including freeway, railroad, and airport noise.

- Sites where conflicts with surrounding uses would not be created in the event of re-use.

Policy 53.04: INCLUSIONARY HOUSING

Require the inclusion of affordable housing in new housing developments - both inside and outside of the redevelopment project areas.

Policy 53.06: NEW RENTAL HOUSING

Strongly encourage the development of additional rental housing in the City, including both market rate units and affordable units.

Policy 58.0: SENIOR HOUSING

In accordance with the needs analysis conducted as part of this Housing Element, encourage the production of housing targeted to San Leandro seniors.

Environmental Review

Pursuant to the National Environmental Protection Act (NEPA), the appropriate level of environmental review for the proposed San Leandro Senior Housing project was completed prior to the execution of the loan agreements.

Legal Analysis

This staff report, HOME Loan Agreement and related agreements and documents have been reviewed and approved as to form by the City Attorney's Office.

Fiscal Impacts

The City currently has a balance of \$256,761 in uncommitted HOME funds from previous years (Eden Account #166-43-062-8509). If this resolution is passed and \$256,761 in HOME funds is approved, the City will commit its entire balance of uncommitted HOME funds. There will be a remaining HOME funds balance of \$0.00.

The City will also commit \$743,239 in Housing Successor Funds (Eden Account #168-43-238-5240). These funds are formerly Redevelopment Agency Housing Set-Aside funds designated specifically for affordable housing activities such as affordable rental housing developments.

Budget Authority

Budget authority for the Resolution comes from the Federal HOME Investment Partnerships (HOME) Program (under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended).

ATTACHMENTS

Attachment to Staff Report

- Attachment 1 - Phase II Senior Housing Pro Forma

Attachment to Resolution

- Loan Agreement

PREPARED BY: Steve Hernandez, Housing Specialist, Community Development Department

ATTACHMENT 1

San Leandro Senior - Phase II

7/10/2015

Assumptions

Total Site Area (Acres)	1.12	48,787 s.f.	Density (Units per Acre):	76 DUAC	Gross Building Area	68,943
Total Number of Units	85				Residential Net Area	48,750
Special Needs Units @ 35%	0					
Number of Parking Spaces	37					

A. DEVELOPMENT BUDGET SUMMARY

Description	Total Amount	per Resid. Unit	per Resid. NSF	per Resid GSF
Acquisition & Related Holding Costs	\$5,990,000	\$70,471	\$122.87	\$86.88
subtotal	\$5,990,000	\$70,471	\$122.87	\$86.88
Construction Offsites	\$21,267,673	\$250,208	\$436.26	\$308.48
Furnishings and Equipment	\$0	\$0	\$0.00	\$0.00
Hard Cost Contingency	130,000	1,529	2.67	1.89
Escalation (1.5 years)	1,992,318	23,439	40.87	28.90
subtotal	\$25,514,484	\$300,170	\$523.37	\$370.08
Architecture/Engineering	\$1,340,500	\$15,771	\$27.50	\$19.44
Permits and Fees	2,891,700	34,020	59.32	41.94
Construction Loan Interest/Fees	1,156,210	13,602	23.72	16.77
Bond Cost of Issuance	338,682	3,984	6.95	4.91
Permanent Loan Fees/Costs	0	0	0.00	0.00
Legal	215,000	2,529	4.41	3.12
Appraisal/Market Study	25,000	294	0.51	0.36
Marketing/Lease-up	250,000	2,941	5.13	3.63
Title/Audit/Cost Certification	130,000	1,529	2.67	1.89
Insurance	243,015	2,859	4.98	3.52
Property Taxes	0	0	0.00	0.00
Soft Cost Contingency and Reserves	534,710	6,291	10.97	7.76
subtotal	\$7,124,817	\$83,821	\$146.15	\$103.34
Syndication Costs and Developer Fee	\$2,223,072	\$26,154	\$45.60	\$32.25
TOTAL DEVELOPMENT COSTS	\$40,852,373	\$480,616	\$838.00	\$592.55
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B. SOURCES AND USES

Sources of Funds	Construction Period	Permanent Period
Permanent Mortgage - Tranche A		\$1,194,190
Permanent Mortgage - Tranche B		\$4,185,756
Construction loan (residential)	50%	\$0
Cap and trade	\$4,965,047	\$7,447,808
Fee Waivers	\$0	\$0
Investor Equity - Tax Credits	\$4,530,059	\$18,120,237
City of San Leandro	\$1,000,000	\$1,000,000
Land Donation	\$5,950,000	\$5,950,000
Alameda County Boomerang	\$350,000	\$350,000
Alameda County HOME Construction Pool	\$566,066	\$566,066
HCD Prop 1C Funds - Parking Garage	\$1,092,005	\$1,092,005
AHP	\$1,000,000	\$1,000,000
TOTAL SOURCES	\$39,148,023	\$40,906,062
Uses of Funds		
Acquisition	\$5,990,000	\$5,990,000
Construction	\$25,514,484	\$25,514,484
A/E, Permits	\$4,232,200	\$4,232,200
Indirect Expenses	\$848,015	\$863,015
Financing and Carry Costs	\$1,494,892	\$1,494,892
Other (Prop. taxes + Soft Cost Contingency)	\$245,360	\$534,710
Developer Fee + Syndication Costs	\$823,072	\$2,223,072
TOTAL USES	\$39,148,023	\$40,852,373

C. FINANCING ASSUMPTIONS

CONSTRUCTION LOAN	
Lender:	
Loan Amount:	\$19,694,846
Loan Term:	20 mos
Note Rate:	4.00%
> 50% Basis plus land?	yes
PERMANENT DEBT SOURCE 1 (A Tranche)	
Lender:	
Loan Amount:	\$1,194,190
Loan Term:	15
Note Rate:	6.00%
Payment (annual):	\$122,957
DCR:	1.20
PERMANENT DEBT SOURCE 2 (B Tranche)	
Lender:	
Loan Amount:	\$4,185,756
Loan Term:	15
Note Rate:	6.00%
Payment (annual):	\$430,977
DCR:	1.20
Cap and Trade	
Grant/Loan Amount:	\$7,447,808
Investor Equity - Federal Credit	
Credit Rate (follow link below)	9%
Net Rate	1.120
Net Pay-in	\$18,120,237
Initial Pay-in	\$4,530,059
Credit Rate	9.00%
Annual Federal Credits	\$1,618,040
Investor Equity - State Credit	
Net Rate	0.600
Net Pay-in	\$0
Reduction in Basis	-\$18,300,000
AHP	
Loan Amount:	\$1,000,000
Loan Term:	15
Note Rate:	0.00%
Per BMR Unit	\$11,765
Alameda County Boomerang	
Loan Amount:	\$350,000
Loan Term:	30
Note Rate:	3.00%
Per BMR Unit	\$4,118
Alameda County HOME Construction Pool	
Loan Amount:	\$566,066
Loan Term:	30
Note Rate:	3.00%
Per BMR Unit	\$6,660
City of San Leandro	
Loan Amount:	\$1,000,000
Loan Term:	30
Note Rate:	3.00%

D. FIVE YEAR CASH FLOW

Description	Year 1	Year 2	Year 3	Year 4	Year 5
Tenant Rental Income - Affordable	\$808,198	\$824,362	\$840,849	\$857,666	\$874,819
PBV Subsidy	\$544,392	\$555,280	\$566,385	\$577,713	\$589,267
Misc. Income (Laundry)	\$4,080	\$4,162	\$4,245	\$4,330	\$4,416
Gross Scheduled Income	\$1,356,670	\$1,383,803	\$1,411,479	\$1,439,709	\$1,468,503
less Vacancy/Collection Loss	(\$67,833)	(\$69,190)	(\$70,574)	(\$71,985)	(\$73,425)
Effective Gross Income	\$1,288,836	\$1,314,613	\$1,340,905	\$1,367,723	\$1,395,078
less Operating Expenses	(\$577,966)	(\$595,305)	(\$613,164)	(\$631,559)	(\$650,506)
less Property Taxes	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
less Replacement Reserves	\$300	(\$25,500)	(\$26,265)	(\$27,053)	(\$28,700)
less CFD Fees	\$0	\$0	\$0	\$0	\$0
less Ground Lease Payment	\$0	\$0	\$0	\$0	\$0
less Annual Bond Admin Fee	\$0	\$0	\$0	\$0	\$0
Net Operating Income	\$664,517	\$693,043	\$700,688	\$708,300	\$715,871
Conventional 30 yr. Debt - Tranche A	(\$122,957)	(\$122,957)	(\$122,957)	(\$122,957)	(\$122,957)
PBV Tranche B - 15 Years	(\$430,977)	(\$430,977)	(\$430,977)	(\$430,977)	(\$430,977)
DISTRIBUTABLE CASH FLOW	\$110,583	\$139,109	\$146,754	\$154,366	\$161,937
less Partnership Management Fee	(\$25,000)	(\$25,750)	(\$26,523)	(\$27,318)	(\$28,138)
less Investor Asset Management Fee	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)
ANNUAL OPERATING EXPENSES (/UNIT)					
	6,799.60 per unit per year				Property Tax
	\$38,000 Services (incl above)				Y1 Value
	\$577,966 per year				\$32,681,898
					Y1 Prop Tax
					\$0
					100% BMR Welfare exemption
UNIT MIX AND RENTS					
	30% AMI	40% AMI	50% AMI	Manager	Total (%)
Junior 1 Bedroom					
#	0	0	0	0	0
Net Rent (incl. subsidy)	\$471	\$641	\$812	\$983	0%
1 Bedroom 1 Bath					
#	8	14	54	1	77
Net Rent (incl. subsidy)	\$499	\$682	\$865	\$1,048	91%
2 Bedroom 1 Bath					
#	5	0	3	0	8
Net Rent (incl. subsidy)	\$591	\$811	\$1,030	\$1,249	9%
2 Bedroom 2 Bath					
#	0	0	0	0	0
Net Rent (incl. subsidy)	\$591	\$811	\$1,030	\$1,249	0%
3 Bedroom 2 Bath					
#	0	0	0	0	0
Net Rent (incl. subsidy)	\$766	\$1,048	\$1,331	\$1,614	0%

San Leandro Senior - Phase II

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Unit sizes:			Affordability	Studio	One	Two	Three	total	
Studio	-	0.0%	30%	-	8	5	-	13	16%
One	77	90.6%	35%	-	-	-	-	-	0%
Two	8	9.4%	40%	-	14	-	-	14	17%
Three	-	0.0%	45%	-	-	-	-	-	0%
	85	units	50%	-	54	3	-	57	68%
			60%	-	-	-	-	-	0%
			80%	-	-	-	-	-	0%
Average Square Footage	573.53		Staff	-	1	-	-	1	1%
				-	77	8	-	85	101.3%
				0.0%	90.6%	9.4%	0.0%		

<http://www.novoco.com/products/rentincome.php>

Assumptions: Rent:

A. RENT CALCULATIONS

Unit Type	100% Rent	Utility Allowance	30% Net Rent	35% Net Rent	40% Net Rent	45% Net Rent	50% Net Rent	55% Net Rent	60% Net Rent	80% Net Rent	HA Payment Standard
Studio	1,706	41	471	556	641	727	812	897	983	1,324	1,270
1 Bedroom	1,828	49	499	591	682	774	865	956	1,048	1,413	1,531
2 Bedroom	2,194	67	591	701	811	920	1,030	1,140	1,249	1,688	1,931
2 Br/2 Ba	2,534	67	693	820	947	1,073	1,200	1,327	1,453	1,960	1,931
3 Bedroom	2,826	82	766	907	1,048	1,190	1,331	1,472	1,614	2,179	2,703
Manager's Unit	1,048										

B. UNIT MIX & RENTS - Residential Income

Unit Description	% Median Income	NSF per unit	Qty Units	Total NSF	Rent	PBV Units	FMR Rent	PBV Increment	Monthly Income	Annual Tax Credit Income	Annual PBV Rent Subsidy	Rent per SF
Studio	30%	450	-	-	\$471	-	\$1,270	\$799	-	-	-	\$1.05
Studio	35%	450	-	-	\$556	-	\$1,270	\$714	-	-	-	\$1.24
Studio	40%	450	-	-	\$641	-	\$1,270	\$629	-	-	-	\$1.43
Studio	45%	450	-	-	\$727	-	\$1,270	\$543	-	-	-	\$1.61
Studio	50%	450	-	-	\$812	-	\$1,270	\$458	-	-	-	\$1.80
Studio	60%	450	-	-	\$983	-	\$1,270	\$287	-	-	-	\$2.18
Studio	80%	450	-	-	\$1,324	-	\$1,270	-\$54	-	-	-	\$2.94
1 Bed	30%	550	8	4,400	\$499	-	\$1,531	\$1,032	3,995	47,942	-	\$0.91
1 Bed	35%	550	-	-	\$591	-	\$1,531	\$940	-	-	-	\$1.07
1 Bed	40%	550	14	7,700	\$682	-	\$1,531	\$849	9,551	114,610	-	\$1.24
1 Bed	45%	550	-	-	\$774	-	\$1,531	\$757	-	-	-	-
1 Bed	50%	550	54	29,700	\$865	54	\$1,531	\$666	46,710	\$60,520	431,568	\$1.57
1 Bed	60%	550	-	-	\$1,048	-	\$1,531	\$483	-	-	-	\$1.91
1 Bed	80%	550	-	-	\$1,413	-	\$1,531	\$118	-	-	-	\$2.57
2 Bed 1 Ba	30%	800	5	4,000	\$591	5	\$1,931	\$1,340	2,956	35,472	80,388	\$0.74
2 Bed 1 Ba	35%	800	-	-	\$701	-	\$1,931	\$1,230	-	-	-	\$0.88
2 Bed 1 Ba	40%	800	-	-	\$811	-	\$1,931	\$1,120	-	-	-	\$1.01
2 Bed 1 Ba	45%	800	-	-	\$920	-	\$1,931	\$1,011	-	-	-	-
2 Bed 1 Ba	50%	800	3	2,400	\$1,030	3	\$1,931	\$901	3,090	37,080	32,436	\$1.29
2 Bed 1 Ba	60%	800	-	-	\$1,249	-	\$1,931	\$682	-	-	-	\$1.56
2 Bed 1 Ba	80%	800	-	-	\$1,960	-	\$1,931	-\$29	-	-	-	\$2.45
2 Bed 2 Ba	30%	1,100	-	-	\$693	-	\$1,931	\$1,238	-	-	-	\$0.63
2 Bed 2 Ba	35%	1,100	-	-	\$820	-	\$1,931	\$1,111	-	-	-	\$0.75
2 Bed 2 Ba	40%	1,100	-	-	\$947	-	\$1,931	\$984	-	-	-	\$0.86
2 Bed 2 Ba	45%	1,100	-	-	\$1,073	-	\$1,931	\$858	-	-	-	\$0.98
2 Bed 2 Ba	50%	1,100	-	-	\$1,200	-	\$1,931	\$731	-	-	-	\$1.09
2 Bed 2 Ba	60%	1,100	-	-	\$1,453	-	\$1,931	\$478	-	-	-	\$1.32
2 Bed 2 Ba	80%	1,100	-	-	\$1,960	-	\$1,931	-\$29	-	-	-	\$1.78
3 Bed	30%	1,325	-	-	\$766	-	\$2,703	\$1,937	-	-	-	\$0.58
3 Bed	35%	1,325	-	-	\$907	-	\$2,703	\$1,796	-	-	-	\$0.68
3 Bed	40%	1,325	-	-	\$1,048	-	\$2,703	\$1,655	-	-	-	\$0.79
3 Bed	45%	1,325	-	-	\$1,190	-	\$2,703	\$1,513	-	-	-	\$0.90
3 Bed	50%	1,325	-	-	\$1,331	-	\$2,703	\$1,372	-	-	-	\$1.00
3 Bed	60%	1,325	-	-	\$1,614	-	\$2,703	\$1,089	-	-	-	\$1.22
3 Bed	80%	1,325	-	-	\$2,179	-	\$2,703	\$524	-	-	-	\$1.64
MGMT 1 Bed		550	1	550	\$1,048	-	-	-	1,048	12,574	-	\$1.91
TOTALS			85		48,750		62		67,350	808,198	544,392	

Mgmt office, comm rm.	2,521
Common Areas	17,672
Residential GSF	68,943
Commercial Area	0
Garage	0 Utilize Phase I Garage
Gross Area	68,943

C. UTILITY ALLOWANCE SCHEDULE - HACA 7/1/15

	0 bdrm	1 bdrm	2 bdrm	3 bdrm	4 bdrm	5 bdrm
Electric						
Cooking	3	4	5	5		
Heating	16	16	23	29		
AC	-	-	-	-		
Hot Water	-	-	-	-		
Other Electric	22	29	39	48		
Water	-					
Garbage	-					
TOTALS	41	49	67	82		

Alameda County 100%AMI Rents	
	\$1,706
	\$1,828
	\$2,194
	\$2,534
	\$2,826
	\$3,120

HACA Payment Standard	
Studio	\$1,311
1 BR	\$1,580
2 BR	\$1,998
3 BR	\$2,785

UNIT MIX AND RENTS

	30% AMI	40% AMI	50% AMI	Manager	Total (%)
Studio					
#	-	-	-	-	0
Net Rent	\$471	\$641	\$812	\$983	0%
1 Bedroom					
#	8	14	54	1	77
Net Rent	\$499	\$682	\$865	\$1,048	91%
2 Bedroom 1 Bath					
#	5	-	3	-	8
Net Rent	\$591	\$811	\$1,030	\$1,249	9%
2 Bedroom 2 Bath					
#	-	-	-	0	0
Net Rent	\$591	\$811	\$1,030	\$1,249	0%
3 Bedroom					
#	-	-	-	-	0
Net Rent	\$766	\$1,048	\$1,331	\$1,614	0%
Total	13	14	57	1	85
(%)	15%	16%	67%	1%	100%
% of Affordable	15%	17%	68%	0%	

Total Annual Scheduled Rent \$ 808,198



City of San Leandro

Meeting Date: June 6, 2016

Resolution - Council

File Number: 15-722

Agenda Section: ACTION ITEMS

Agenda Number:

TO: City Council

FROM: Chris Zapata
City Manager

BY: Cynthia Battenberg
Community Development Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: RESOLUTION Authorizing the City Manager to Execute a Loan Agreement for \$1,000,000 with Alameda Senior Housing Associates, L.P., a California Limited Partnership (an Affiliate of BRIDGE Housing Corporation) for the Financing of the Construction of an Affordable Senior Rental Housing Project (Marea Alta Phase II) Located at 525 West Juana Avenue

WHEREAS, Alameda Senior Housing Associate, L.P., a California limited partnership (“Developer”) has a lease for certain real property located at 585 West Juana Avenue in the City of San Leandro, California, known as Alameda County Assessor’s Parcel Number 075-0230-001-00 (the “Property”); and

WHEREAS, Developer intends to construct an eighty-five (85) unit senior residential development on the Property, consisting of seventy-seven (77) one-bedroom, one-bath units and eight (8) two-bedroom, one bath units (the “Project”); and

WHEREAS, Developer will restrict eight (8) one-bedroom units and five (5) two-bedroom units to extremely low-income households, and sixty-eight (68) one-bedroom units and three (3) two-bedroom units to very low-income households. The remaining one bedroom unit will be occupied by the on-site manager; and

WHEREAS, City is a participating jurisdiction in the Alameda County HOME Consortium and is a recipient of funds pursuant to the HOME Investment Partnership Act, established by the National Affordable Housing Act of 1990 (42 U.S.C. § 12471 *et seq.*, (“HOME Program”) that are subject to certain restrictions established by the United States Department of Housing and Urban Development under 24 CFR 92; and

WHEREAS, Developer applied for and requested, and City agrees to provide, financing to assist in the development of the Project in order to make the Project economically feasible and affordable to extremely low- and very low-income senior households; and

WHEREAS, City desires to provide Developer with a loan in the amount of Two Hundred Fifty-Six Thousand Seven Hundred Sixty-One Dollars (\$256,761) from HOME Program funds to assist with the construction and development of the Project (“HOME Loan”), and such loan will be provided in accordance with federal regulations governing the HOME Program; and

WHEREAS, City also desires to provide Developer with a separate loan for an amount not to exceed Seven Hundred Forty-Three Thousand Two Hundred Thirty-Nine Dollars (\$743,239) from repayments of former Redevelopment Housing Set-Aside loan funds held by the City in its capacity as Housing Successor to the Redevelopment Agency to assist with the construction and development of the Project (“City Loan”); and

WHEREAS, a loan agreement was negotiated between the City of San Leandro and the Developer establishing the terms and conditions of the HOME Loan and City Loan (the “Loan Agreement”), a copy of which is attached hereto as Exhibit A and incorporated herein; and

WHEREAS, the City and Developer also negotiated the terms of a secured promissory note for the HOME Loan and a secured promissory note for the City Loan to be executed by Developer to evidence its obligation to repay the two loans, as well as a leasehold deed of trust to provide the City with a security interest in the Project, and a regulatory agreement to restrict the occupancy of the Project to senior households with extremely low- and very low-incomes.

NOW, THEREFORE, the City Council of the City of San Leandro does RESOLVE, as follows:

Section 1. All the recitals above are true, correct and incorporated herein.

Section 2. The City Council finds that the provision of financial assistance in the amount of the HOME Loan and City Loan is necessary to make the Project financially feasible and affordable to extremely low- and very low-income senior households, and the financial assistance will help increase the supply of affordable senior housing in the City.

Section 3. The City Council approves the provision of the City Loan and HOME Loan and authorizes and directs the City Manager to execute the Loan Agreement, which is attached hereto as Exhibit A, in substantially the form attached with such changes as are deemed appropriate by the City Manager and City Attorney.

Section 4. The issuance of the HOME loan and City Loan are contingent upon the execution of a promissory note for the City Loan, a promissory note for the HOME loan, a leasehold deed of trust and regulatory agreement between the City and the Developer, and such documents shall be in a form deemed appropriate by the City Manager and City Attorney.

Section 5. The City Manager is hereby authorized to take such further actions and execute such documents as may be necessary or appropriate to carry out the City’s obligations pursuant to this Resolution.

Section 6. This Resolution shall take effect immediately upon adoption.

LOAN AGREEMENT

by and between

**THE CITY OF SAN LEANDRO,
a Municipal Corporation**

and

**San Leandro Senior Housing Associates, L.P.
a California limited partnership.**

_____, 2016

Exhibits

- A Legal Description of Property
- B Form of Memorandum of Loan Agreement
- C Form of Certificate of Completion
- D Form of Regulatory Agreement
- E Form of HOME Promissory Note
- F Form of Leasehold Deed of Trust
- G Financing Plan
- H Form of City Promissory Note
- I Security Agreement

LOAN AGREEMENT
(525 West Juana Avenue, San Leandro)

THIS AGREEMENT (this “**Agreement**”) is entered into effective as of _____, 2016 (“**Effective Date**”) by and between the City of San Leandro, a California charter city (“**City**”) and San Leandro Senior Housing Associates, a California limited partnership (“**Developer**”). City and Developer are hereinafter collectively referred to as the “**Parties.**”

RECITALS

A. Developer has a contractual right to acquire a leasehold interest in certain real property located at 525 West Juana Avenue in the City of San Leandro, California, known as Alameda County Assessor’s Parcel Number Parcel 1 Of Parcel Map 10213, as more particularly described in Exhibit A attached hereto and incorporated herein (the “**Property**”).

B. Developer intends to exercise its contractual right to acquire a leasehold interest in the Property (the “**Ground Leasehold Interest**”) and thereafter construct an eighty-five (85) unit residential development on the property, consisting of seventy-seven (77) one-bedroom, one-bath units and eight (8) two-bedroom, one bath units (the “**Project**”).

C. Developer agrees to restrict thirty-two (32) one-bedroom units and eight (8) two-bedroom units to very low-income households (“**Restricted Units**”). All of these units shall be restricted to senior households. One (1) one-bedroom unit will be reserved for an on-site staff member and is not required by the City to have age or income restrictions.

D. City is a participating jurisdiction in the Alameda County HOME Consortium and is a recipient of funds pursuant to the HOME investment Partnership Act, established by the National Affordable Housing Act of 1990 (42 U.S.C. § 12471 *et seq.*, (“**HOME Program**”) that are subject to certain restrictions established by the United States Department of Housing and Urban Development (“**HUD**”) under 24 CFR 92.

E. Developer has applied for and requested, and City has agreed to provide financing to assist in the development of the Project pursuant to the terms and conditions set forth herein in order to make the Project economically feasible and affordable to extremely low and very low-income senior households.

F. City desires to provide Developer with a loan in the amount of not to exceed Two Hundred Fifty-Six Thousand Seven Hundred Sixty-One Dollars (\$256,761) from HOME Program funds to assist with the construction and development of the Project (“**HOME Loan**”).

G. City and Developer acknowledge and agree that the commitment of the HOME Loan by the City shall be solely and exclusively paid from and contingent upon receipt of HOME funding by the City.

H. The HOME Loan will be provided by the City in accordance with federal regulations governing the HOME Program as set forth in 42 U.S.C. § 12741 *et seq.*, and 24 CFR 144\259\1892880.4

Part 92, both as amended from time to time (collectively “**HOME Program Regulations**”). Three (3) of the one (1) bedroom Restricted Units will be subject to the HOME Program Regulations (“**HOME Units**”) and Developer expressly agrees to comply with all applicable HOME Program Regulations for those HOME Units.

I. City also desires to provide Developer with a separate loan in the amount of not to exceed Seven Hundred Forty-Three Thousand Two Hundred Thirty-Nine Dollars (\$743,239) from the City’s General Fund to assist with the construction and development of the Project (“**City Loan**”).

J. A material inducement to the City to enter into this Agreement is the agreement by Developer to develop the Property within the time periods specified herein and in accordance with the provisions hereof, and the City would be unwilling to enter into this Agreement in the absence of an enforceable commitment by Developer to complete the Project in accordance with such provisions and within such time periods.

K. Concurrently herewith Developer shall execute: (i) a secured promissory note (the “**City Note**”) in the amount of the City Loan, (ii) a secured promissory note (the “**HOME Note**,” and together with the City Note, the “**Notes**”) in the amount of the HOME Loan, and (iii) an Assignment of Agreements, Plans and Specifications (the “**Security Agreement**”). Following Developer's acquisition of the Ground Leasehold Interest, Developer will execute a Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (“**Leasehold Deed of Trust**”) which shall provide City with a security interest in the Property and the Project and Developer and City shall execute a an Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants (the “**Regulatory Agreement**”) which shall be recorded against the Property and which shall restrict occupancy of the Project to senior households and require Project rents to be affordable to very low-income and extremely low-income senior households for a term of not less than 55 years. The City Note, HOME Note and Leasehold Deed of Trust are collectively hereinafter referred to as the “**City Documents**.”

L. The HOME Loan and the City Loan will be secured on a parity basis by the Leasehold Deed of Trust, and the Notes will be repaid by a parity lien on Surplus Cash, as defined in the Notes.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows.

ARTICLE I.

DEFINITIONS

1. Definitions. The following terms shall have the meanings set forth in the Sections referenced below whenever used in this Agreement and the Exhibits attached hereto. Additional terms are defined in the Recitals and text of this Agreement.

1.1 “**Certificate of Completion**” is defined in Section 3.15.

- 1.2 **“City Loan”** is defined in Section 5.1.
- 1.3 **“City Documents”** is defined in Recital F.
- 1.4 **“City Note”** is defined in Section 5.1.
- 1.5 **“Claims”** is defined in Section 3.17.
- 1.6 **“Conditions of Approval”** is defined in Section 3.2.
- 1.7 **“Construction Plans”** is defined in Section 3.11.
- 1.8 **“Environmental Laws”** is defined in Section 9.4.
- 1.9 **“Ground Leasehold Interest”** is defined in Recital B.
- 1.10 **“Hazardous Materials”** is defined in Section 9.3.
- 1.11 **“HOME Loan”** is defined in Recital F
- 1.12 **“HOME Note”** is defined in Recital K
- 1.13 **“Improvements”** is defined in Section 3.9.
- 1.14 **“Indemnitees”** is defined in Section 3.17.
- 1.15 **“Project”** is defined in Recital B and further described in Section 3.2.
- 1.16 **“Regulatory Agreement”** is defined in Recital K.
- 1.17 **“Security Agreement”** is defined in Recital K and the substantial form is attached as Exhibit I to this Agreement.

ARTICLE II.

REPRESENTATIONS; EFFECTIVE DATE AND TERM

2.1 Developer's Representations. Developer represents and warrants as follows, and Developer covenants that until the expiration or earlier termination of this Agreement, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 2.1 not to be true, Developer shall immediately give written notice of such fact or condition to City. Developer acknowledges that City shall rely upon Developer’s representations made herein notwithstanding any investigation made by or on behalf of City.

(a) Authority. Developer is a limited partnership duly organized and in good standing under the laws of the State of California. Developer has the full right, power and authority to undertake all obligations of Developer as provided herein, and Developer’s

execution, performance and delivery of this Agreement, the Regulatory Agreement, the City Documents have been, or will be prior to execution, duly authorized by all requisite actions. The person(s) executing the foregoing documents on behalf of Developer have been, or will be prior to execution, duly authorized to do so. When executed by the parties, this Agreement, the Regulatory Agreement and the City Documents constitute valid and binding obligations of Developer.

(b) No Conflict. Developer's execution, delivery and performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement or order to which Developer is a party or by which it is bound.

(c) No Litigation or Other Proceeding. No litigation or other proceeding (whether administrative or otherwise) is outstanding or has been threatened which would prevent, hinder or delay the ability of Developer to perform its obligations under this Agreement.

(d) No Developer Bankruptcy. Developer is not the subject of a bankruptcy or insolvency proceeding.

2.2 City Representations. City represents and warrants to Developer as follows, and City covenants that until the expiration or earlier termination of this Agreement, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 2.2 not to be true, City shall immediately give written notice of such fact or condition to Developer. City acknowledges that Developer shall rely upon City's representations made herein notwithstanding any investigation made by or on behalf of Developer.

(a) Authority. City is a charter city duly organized and in good standing under the laws of the State of California. City has the full right, power and authority to undertake all obligations of the City as provided herein, and the execution, performance and delivery of this Agreement, the Security Agreement and the Regulatory Agreement (once executed by the parties) by City has been duly authorized by all requisite actions. The persons executing this Agreement, the Security Agreement and Regulatory Agreement on behalf of City have been duly authorized to do so. This Agreement constitutes a valid and binding obligation City.

(b) No Conflict. City's execution, delivery and performance of its obligations under this Agreement, the Security Agreement and the Regulatory Agreement will not constitute a default or a breach under any contract, agreement or order to which City is a party or by which either is bound.

(c) No Litigation or Other Proceeding. No litigation or other proceeding (whether administrative or otherwise) is outstanding or has been threatened which would prevent, hinder or delay the ability of City to perform its obligations under this Agreement, the Security Agreement or the Regulatory Agreement.

(d) No Bankruptcy. City is not the subject of a bankruptcy or insolvency proceeding.

2.3 Effective Date; Memorandum. The obligations of Developer and City hereunder shall be effective as of the Effective Date. Concurrently with the execution of this Agreement, the Parties shall execute a Memorandum of this Agreement substantially in the form attached hereto as Exhibit B which shall be recorded in the Official Records of Alameda County upon Developer's acquisition of the Ground Leasehold Interest (“**Official Records**”).

ARTICLE III.

DEVELOPMENT OF THE PROJECT

3.1 The Property. Developer represents and warrants that as of the Effective Date: (a) Developer possesses a contractual right to obtain a leasehold interest in the Property, and (b) to the best knowledge of Developer after reasonable inquiry, the Property is subject to no covenant, condition, restriction or agreement that would hinder or prevent Developer’s performance of its obligations under this Agreement, the Regulatory Agreement or the City Documents.

3.2 Scope of Development. Developer shall develop the Project on the Property in accordance with the terms and conditions of this Agreement, the Regulatory Agreement, and the City Documents and in compliance with the terms and conditions of all approvals, entitlements and permits that the City or any other governmental body or agency with jurisdiction over the Project or the Property has granted or issued as of the date hereof or may hereafter grant or issue in connection with development of the Project, including without limitation, all mitigation measures imposed in connection with environmental review of the Property and the Project and all conditions of approval imposed in connection with any entitlements, approvals or permits (all of the foregoing approvals, entitlements, permits, mitigation measures and conditions of approval are hereafter collectively referred to as the “**Conditions of Approval**”).

The Project consists of the design, development and construction on the Property of an eighty-five (85) unit residential project, consisting of seventy-seven (77) one-bedroom, one-bath units and eight (8) two-bedroom, one bath units. Thirty-two (32) one-bedroom units and eight (8) two-bedroom units will be restricted to very low-income households. All units in the Project shall be restricted to senior households. One (1) one-bedroom unit will be reserved for an on-site staff member and is not required by the City to have age or income restrictions.

3.3 Affordable Housing. Developer covenants and agrees for itself, its successors and assigns that thirty-two (32) one-bedroom units and eight (8) two-bedroom units in the Project will be rented at an affordable rent to very low-income households. Three (3) of restricted one-bedroom units shall be HOME Units, subject to the HOME Program Regulations. All units in the Project shall be occupied by senior households in accordance with the terms hereof and the Regulatory Agreement which the Parties shall execute substantially in the form attached hereto as Exhibit D concurrently with the Developer's acquisition of the Ground Leasehold Interest which shall be recorded in the Official Records on the date that Developer acquires the Property.

3.4 Project Approvals. Developer acknowledges and agrees that execution of this Agreement by City does not constitute approval for the purpose of the issuance of building

permits for the construction of the Project, does not limit in any manner the discretion of City in such approval process, and does not relieve Developer from the obligation to obtain all necessary entitlements, approvals, and permits for its construction of the Project, including without limitation, the approval of architectural plans, the issuance of any certificates regarding historic resources required in connection with the Project (if any), and the completion of any required environmental review of the Project pursuant to _____ and the National Environmental Policy Act (NEPA).

Developer covenants that it shall: (i) obtain all necessary permits and approvals which may be required by City or any other governmental agency having jurisdiction over the construction of the Project or the development of the Property, (ii) comply with all Conditions of Approval, (iii) comply with all mitigation measures, if any, imposed in connection with any environmental review of the Property or the Project, and (iv) not commence construction of the Project prior to issuance of building permits.

3.5 Fees. Developer shall be solely responsible for, and shall promptly pay when due, all customary and usual fees and charges of City in connection with obtaining building permits and other approvals for the Project, including without limitation, those related to the processing and consideration of amendments, if any, to the current entitlements, any related approvals and permits, environmental review, architectural review, historic review, and any subsequent approvals for the Project or the development of the Property.

3.6 Development Schedule. Developer shall commence and complete construction of the Project and shall satisfy all other obligations of Developer under this Agreement within the time periods set forth herein, as such time periods may be extended upon the mutual written consent of the Parties. Developer shall commence construction of the Project no later than the date required for commencement of construction pursuant to Low-Income Housing Tax Credit (“LIHTC”) program requirements, but in no event later than January 1, 2019 and shall diligently prosecute to completion the construction of the Project in order to allow City to issue a final certificate of occupancy for the Project within twenty-four (24) months following commencement of construction. Subject to force majeure, the availability of financing, and the City's issuance of permits and approvals, Developer's failure to commence or complete construction of the Project in accordance with the foregoing schedule, as such schedule may be amended by the written consent of the Parties, shall constitute an Event of Default hereunder.

3.7 Cost of Acquisition and Construction. Except as expressly set forth herein, Developer shall be solely responsible for all direct and indirect costs and expenses incurred in connection with the acquisition of the Property, the design, development and construction of the Project and compliance with the Conditions of Approval, including without limitation the installation and construction of all off-site or on-site improvements required by City in connection therewith, and none of such costs and expenses shall be the obligation of City.

3.8 Rights of Access; Books and Records. For the purpose of ensuring that the Project is developed in compliance with this Agreement, following Developer's acquisition of the Ground Leasehold Interest, Developer shall permit representatives of the City to enter upon the Property to inspect the Project following 48-hours' written notice (except in the case of

emergency in which case such notice as may be practical under the circumstances shall be provided). Upon request, Developer shall permit the City to inspect at reasonable times and on a confidential basis those books, records and all other documents of Developer necessary to determine Developer's compliance with the terms of this Agreement. Developer shall have the right to accompany the City during any City inspection of the Project or Property.

3.9 City Disclaimer. Developer acknowledges that the City is under no obligation, and does not undertake or assume any responsibility or duty to Developer or to any third party, to in any manner review, supervise, or inspect the progress of construction or the operation of the Project. Developer and all third parties shall rely entirely upon its or their own supervision and inspection in determining the quality and suitability of the materials and work, the performance of architects, subcontractors, and material suppliers, and all other matters relating to the construction and operation of the Project. Any review or inspection undertaken by the City is solely for the purpose of determining whether Developer is properly discharging its obligations under this Agreement, and shall not be relied upon by Developer or any third party as a warranty or representation by the City as to the quality of the design or construction of the improvements constructed on the Property ("**Improvements**") or otherwise.

3.10 Financing Plan. As set forth in the attached Exhibit H, Developer has provided City with a preliminary financing plan for the Project ("**Financing Plan**") which describes (i) the estimated costs of Project Development, including acquisition costs, and hard and soft construction costs, (ii) an operating pro forma which describes projected revenue and expenses for the Project, and (iii) identification of sources of construction and permanent financing. Developer has, or anticipates that it will, submit an application to the California Tax Credit Allocation Committee ("**TCAC**") for a preliminary tax credit reservation not later than the second funding round of 2016. If Developer, using its good faith best efforts, does not receive a TCAC Preliminary Reservation following Developer's initial application, Developer shall have the right to reapply for the next three TCAC funding.

Developer may update the Financing Plan throughout the term of this Agreement, provided that Developer shall provide prior written notice to the City of any proposed modifications. City agrees not to unreasonably delay or withhold consent to proposed modifications to the Financing Plan.

Not later than sixty (60) days prior to the commencement of construction (see Section 3.6) Developer shall provide evidence to City that all sources of funds for Project construction and permanent financing have been firmly committed by Developer, equity investors or lending institutions, subject only to commercially reasonable conditions.

3.11 Construction Plans. Developer shall submit to City's Building Department detailed construction plans for the Project (the "**Construction Plans**"). As used herein "**Construction Plans**" mean all construction documents upon which Developer and Developer's contractors shall rely in building the Project and developing the Property (including the landscaping, parking, and common areas) and shall include, without limitation, the site development plan, final architectural drawings, landscaping, exterior lighting and signage plans and specifications, materials specifications, final elevations, and building plans and

specifications. The Construction Plans shall be based upon the scope of development set forth herein and upon the development approvals issued by the City for the Project, and shall not materially deviate therefrom without the express written consent of City.

3.12 Construction Pursuant to Plans. Developer shall construct the Project in accordance with the approved Construction Plans, the Conditions of Approval, and all other permits and approvals granted by the City pertaining to development of the Project. Developer shall comply with all directions, rules and regulations of any fire marshal, health officer, building inspector or other officer of every governmental agency having jurisdiction over the Property or the Project. Each element of the work shall proceed only after procurement of each permit, license or other authorization that may be required for such element by any governmental agency having jurisdiction. All design and construction work on the Project shall be performed by licensed contractors, engineers or architects, as applicable.

3.13 Change in Construction Plans. If Developer desires to make any material change in the approved Construction Plans, Developer shall submit the proposed change in writing to City in accordance with its standard review process. Approval of changes to the Construction Plans by City shall be deemed approval thereof by City. Nothing in this Section is intended to or shall be deemed to modify the City's standard plan review procedures.

3.14 Defects in Plans. The City shall be responsible to Developer or to any third party for any defect in the Construction Plans or for any structural or other defect in any work done pursuant to the Construction Plans. Developer shall indemnify, defend (with counsel approved by City) and hold harmless the Indemnitees (defined in Section 3.17 below) from and against all Claims arising out of, or relating to, or alleged to arise from or relate to defects in the Construction Plans or defects in any work done pursuant to the Construction Plans whether or not any insurance policies shall have been determined to be applicable to any such Claims. Developer's indemnification obligations set forth in this Section shall survive the expiration or earlier termination of this Agreement and the recordation of a Certificate of Completion. It is further agreed that City does not, and shall not, waive any rights against Developer which it may have by reason of this indemnity and hold harmless agreement because of the acceptance by City, or Developer's deposit with City of any of the insurance policies described in this Agreement. Developer's indemnification obligations pursuant to this Section shall not extend to Claims arising due to the gross negligence or willful misconduct of the Indemnitees. Developer's indemnification obligations set forth in this Section shall not apply to any Construction Plans that are not used by or on behalf of Developer or any entity affiliated with Developer, or BRIDGE Housing Corporation. In addition, if the City uses any of the Construction Plans (or permits a third party to use such Construction Plans), the City releases Developer from liability for Claims arising in connection with such use except to the extent any such Claim arises from the gross negligence or willful misconduct of Developer.

3.15 Certificate of Completion for Project. Promptly after completion of construction of the Project, issuance of a final Certificate of Occupancy by the City and the written request of Developer, the City will provide an instrument ("**Certificate of Completion**") so certifying. The Certificate of Completion shall be conclusive evidence that Developer has satisfied its obligations regarding the development of the Project for the purposes of this Agreement.

The Certificate of Completion shall be issued substantially in the form attached hereto as Exhibit C, and at Developer's option, shall be recorded in the Official Records. The Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any holder of a deed of trust or mortgage securing money loaned to finance the Project or any part thereof and shall not be deemed a notice of completion under the California Civil Code, nor shall such Certificate provide evidence that Developer has satisfied any obligation that survives the expiration of this Agreement, including without limitation, Developer's obligations pursuant to the Regulatory Agreement.

3.16 Equal Opportunity. During the construction of the Project, there shall be no discrimination on the basis of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the hiring, firing, promoting or demoting of any person engaged in construction of the Project, and Developer shall direct its contractors and subcontractors to refrain from discrimination on such basis.

3.17 Prevailing Wage Requirements. To the extent, and if, required by applicable federal and state laws, rules and regulations, Developer and its contractors and agents shall comply with California Labor Code Section 1720 *et seq.* and applicable federal labor laws and standards, and the regulations adopted pursuant thereto ("**Prevailing Wage Laws**"), and shall be responsible for carrying out the requirements of such provisions. Developer shall submit to City a plan for monitoring payment of prevailing wages and shall implement such plan at Developer's expense.

Developer shall indemnify, defend (with counsel approved by City) and hold the City, and its elected and appointed officers, officials, employees, agents, consultants, and contractors (collectively, the "**Indemnitees**") harmless from and against all liability, loss, cost, expense (including without limitation attorneys' fees and costs of litigation), claim, demand, action, suit, judicial or administrative proceeding, penalty, deficiency, fine, order, and damage (all of the foregoing collectively "**Claims**") which directly or indirectly, in whole or in part, are caused by, arise in connection with, result from, relate to, or are alleged to be caused by, arise in connection with, or relate to, the payment or requirement of payment of prevailing wages or the requirement of competitive bidding in the construction of the Project, the failure to comply with any state or federal labor laws, regulations or standards in connection with this Agreement, including but not limited to the Prevailing Wage Laws, or any act or omission of Developer related to this Agreement with respect to the payment or requirement of payment of prevailing wages or the requirement of competitive bidding, whether or not any insurance policies shall have been determined to be applicable to any such Claims. It is further agreed that City does not and shall not waive any rights against Developer which it may have by reason of this indemnity and hold harmless agreement because of the acceptance by City, or Developer's deposit with City of any of the insurance policies described in this Agreement. The provisions of this Section 3.17 shall survive the expiration or earlier termination of this Agreement and the issuance of a Certificate of Completion for the Project. Developer's indemnification obligations under this Section 3.17 shall not apply to any Claim which arises as a result of an Indemnitee's gross negligence or willful misconduct. Developer's indemnification obligations set forth in this Section shall only apply to work performed by or on behalf of Developer or any entity affiliated with Developer, or BRIDGE Housing Corporation.

3.18 Compliance with Laws. Developer shall carry out and shall cause its contractors to carry out the construction of the Project in conformity with all applicable federal, state and local laws, rules, ordinances and regulations, including without limitation, all applicable federal and state labor laws and standards, applicable provisions of the California Public Contracts Code, the City zoning and development standards, building, plumbing, mechanical and electrical codes, all other provisions of the City's Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation, the Americans with Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

3.19 Liens and Stop Notices. Following Developer's acquisition of the Ground Leasehold Interest, until the expiration of the term of the Regulatory Agreement and full repayment of the City Loan and HOME Loan, Developer shall not allow to be placed on the Property or any part thereof any lien or stop notice on account of materials supplied to or labor performed on behalf of Developer. If a claim of a lien or stop notice is given or recorded affecting the Project, Developer shall within thirty (30) days of such recording or service: (a) pay and discharge (or cause to be paid and discharged) the same; or (b) effect the release thereof by recording and delivering (or causing to be recorded and delivered) to the party entitled thereto a surety bond in sufficient form and amount or provide other assurance satisfactory to City that the claim of lien or stop notice will be paid or discharged.

3.20 Right of City to Satisfy Liens on the Property. If Developer fails to satisfy or discharge any lien or stop notice on the Property pursuant to Section 3.19 above, the City shall have the right, but not the obligation, to satisfy any such liens or stop notices at Developer's expense and without further notice to Developer. In such event Developer shall be liable for and shall immediately reimburse City for such paid lien or stop notice. Alternatively, the City may require Developer to immediately deposit with the City the amount necessary to satisfy such lien or claim pending resolution thereof. The City may use such deposit to satisfy any claim or lien that is adversely determined against Developer. Developer shall file a valid notice of cessation or notice of completion upon cessation of construction of the Improvements for a continuous period of thirty (30) days or more, and shall take all other reasonable steps to forestall the assertion of claims or liens against the Property or the Improvements. The City may (but has no obligation to) record any notices of completion or cessation of labor, or any other notice that the City deems necessary or desirable to protect its interest in the Property and the Improvements.

3.21 Insurance Requirements. Developer shall maintain and shall cause its contractors to maintain all applicable insurance coverage specified in Article XI.

3.22 Performance and Payment Bond(s).

(a) Prior to commencement of construction of the Project, Developer shall deliver to the City copies of payment bond(s) and performance bond(s) issued by a reputable insurance company licensed to do business in California, each in a penal sum of not less than one hundred percent (100%) of the scheduled cost of construction of the Project. The bonds shall name the City as obligee.

(b) In lieu of such performance and payment bonds, Developer may or may cause its General Contractor to provide Subguard Insurance in a form and amount acceptable to the City. Alternatively, Development may provide evidence satisfactory to the City of the Developer's ability to commence and complete construction of the Project in the form of an irrevocable letter of credit, pledge of cash deposit, certificate of deposit, or other marketable securities held by a broker or other financial institution, with signature authority of the City required for any withdrawal, or a completion guaranty in a form and from a guarantor acceptable to the City. Such evidence must be submitted in approvable form in sufficient time to allow the City to review and approve the information within prior to the scheduled construction start date.

ARTICLE IV.

FINANCIAL ASSISTANCE – HOME LOAN

4.1 HOME Loan. Using funds from the Alameda County HOME Consortium pursuant to the HOME Investment Partnership Act as established by the National Affordable Housing Act of 1990 (42 USCA § 12471, *et seq.*), in the amount of Two Hundred Fifty-Six Thousand Seven Hundred Sixty-One Dollars (\$256,761), the City shall provide a loan (“**HOME Loan**”) to Developer upon the terms and conditions and for the purposes set forth in this Agreement. The HOME Loan shall be evidenced by a promissory note (the “**HOME Note**”) in the principal amount of Two Hundred Fifty-Six Thousand Seven Hundred Sixty-One Dollars (\$256,761), executed by Developer as Borrower substantially in the form attached hereto as Exhibit H, and shall be secured by a Leasehold Deed of Trust (the “**Leasehold Deed of Trust**”) executed by Developer as Trustor following Developer's acquisition of the Ground Leasehold Interest. The Leasehold Deed of Trust shall be substantially in the form attached hereto as Exhibit F and recorded against the Property subordinate only to such liens as City shall approve in writing. The outstanding principal balance of the HOME Note will accrue three percent (3%) simple annual interest commencing upon the date of disbursement.

Provided that Developer has complied with all conditions precedent to disbursement of the HOME Loan set forth in Section 4.5, the proceeds of the HOME Loan (“**HOME Loan Proceeds**”) shall be disbursed in accordance with Section 4.4 hereof. The Parties agree that City shall disburse HOME Loan Proceeds only for the purposes set forth in Section 4.4.

4.2 Payment Dates; Maturity Date. Annual payments shall be due and payable on a residual receipts basis in accordance with the formula set forth in the HOME Note. The entire outstanding principal balance of the HOME Loan together with accrued interest and all other sums due under the City Documents shall be payable in full on the fifty-fifth (55th) anniversary of the date that City issues the final certificate of occupancy for the Project.

4.3 Security. As security for repayment of the HOME Note, Developer shall execute the Leasehold Deed of Trust when Developer acquires the Ground Leasehold Interest. Pursuant to the Leasehold Deed of Trust, the City shall be provided a lien against the leasehold interest in the Property and the Improvements. The Leasehold Deed of Trust shall be recorded in the Official Records on the date that Developer acquires the Property. The Leasehold Deed of Trust

may be subordinated only to such liens and subject only to such title exceptions as City may approve in writing. The City acknowledges that Developer's construction and permanent lender(s) may require the subordination of the Leasehold Deed of Trust, and agrees to subordinate the Memorandum of this Agreement, the Leasehold Deed of Trust and Regulatory Agreement provided that the terms of such construction and permanent loans are commercially reasonable and consistent with the Financing Plan. Developer acknowledges that the Leasehold Deed of Trust secures performance of Developer's obligations pursuant to this Agreement and the Regulatory Agreement which may survive repayment of the HOME Note, and that the Leasehold Deed of Trust shall not be reconveyed prior to Developer's satisfaction of such obligations.

4.4 Use and Disbursement of Proceeds. The Home Loan Proceeds shall be used solely to fund the construction and development of the Project.

4.5 Conditions to Disbursement of Loan Proceeds. City's obligation to fund the HOME Loan and disburse the proceeds thereof is conditioned upon the satisfaction of all of the following conditions:

(a) Developer's delivery to City of each of the following: (i) certificate of good standing, certified by the Secretary of State indicating that Developer is properly organized, in good standing, and authorized to do business in the State of California, (ii) a certified resolution indicating that Developer has authorized this transaction and that the persons executing this Agreement, the Regulatory Agreement and the City Documents on Developer's behalf have been duly authorized to do so, (iii) certified copies of Developer's articles of incorporation, bylaws, and I.R.S. tax-exemption determination letter.

(b) Developer's delivery to the City of evidence of insurance coverage in accordance with the requirements set forth in Section 11.2.

(c) Developer's delivery of the Regulatory Agreement and each of the City Documents, each fully-executed and acknowledged as applicable.

(d) Recordation of the Memorandum, the Regulatory Agreement, and the Leasehold Deed of Trust in the Official Records.

(e) The issuance by an insurer satisfactory to City of an A.L.T.A. lender's policy of title insurance ("**City Title Policy**") for the benefit of City in the amount of the HOME Loan, insuring that the lien of the Leasehold Deed of Trust is subject only to such defects, liens, conditions, encumbrances, restrictions, easements and exceptions as City may approve in writing and containing such endorsements as City may reasonably require, with the cost of the City Title Policy to be paid by Developer.

(f) Receipt by the City of evidence that Borrower has sufficient financing to construct the Project, and copies of such documents related to the construction and financing of the Project as City may reasonably request.

(g) No material adverse change as determined by City in its reasonable judgment shall have occurred in the condition of the Property or in the financial or other condition of Developer since the Effective Date that will materially impair the Developer's ability to develop the Project pursuant to this Agreement.

4.6 No Obligation to Disburse Proceeds Upon Default. Notwithstanding any other provision of this Agreement, the City shall have no obligation to disburse or authorize the disbursement of any portion of the HOME Loan Proceeds following:

(a) the failure of any of Developer's representations and warranties made in this Agreement or in connection with the HOME Loan to be true and correct in all material respects, subject to the notice and cure periods set forth in Section 10(g) below;

(b) the termination of this Agreement by mutual agreement of the Parties;

(c) the occurrence of an Event of Default under this Agreement, the Regulatory Agreement or any of the City Documents which remains uncured beyond any applicable cure period.

4.7 Prepayment; Acceleration

(a) Prepayment. Developer shall have the right to prepay the HOME Loan at any time and from time to time, without penalty or premium, provided that any prepayment of principal must be accompanied by interest accrued but unpaid to the date of prepayment. Prepayments shall be applied first to accrued but unpaid interest and then to principal. Any such prepayment shall have no effect upon Developer's obligations under the Regulatory Agreement which shall survive for the full term of the Regulatory Agreement.

(b) Due On Sale or Encumbrance. Unless City agrees otherwise in writing, the entire unpaid principal balance and all interest and other sums accrued under the HOME Note shall be due and payable upon the Transfer (as defined in Section 7.2) absent the prior written consent of City of all or any part of or interest in the Property except as otherwise permitted pursuant to this Agreement.

4.8 Nonrecourse. Except as expressly provided in this Section 4.8, Developer shall have no personal liability for payment of the principal of, or interest on the HOME Note, and the sole recourse of City with respect to the payment of the principal of, and interest on the HOME Note shall be to the Project and any other collateral held by City as security for the HOME Note under the Security Agreement or Leasehold Deed of Trust, as applicable; provided however, nothing contained in the foregoing limitation of liability shall:

(a) impair the enforcement against all such security for the HOME Loan of all the rights and remedies of the City under the Leasehold Deed of Trust and any financing statements City files in connection with the HOME Loan, as each of the foregoing may be amended, modified, or restated from time to time;

(b) impair the right of City to bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable City to enforce and realize upon the Leasehold Deed of Trust, the interest in the Property and the Improvements created thereby and any other collateral given to City in connection with the indebtedness evidenced by the HOME Note, and to name the Developer as party defendant in any such action;

(c) be deemed in any way to impair the right of the City to assert the unpaid principal amount of the HOME Loan as a demand for money within the meaning of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto;

(d) constitute a waiver of any right which City may have under any bankruptcy law to file a claim for the full amount of the indebtedness owed to City under the HOME Note or to require that the Property and the Improvements shall continue to secure all of the indebtedness owed to City in accordance with the HOME Note and the Leasehold Deed of Trust; or

(e) limit or restrict the ability of City to seek or obtain a judgment against Developer to enforce against Developer to:

(f) recover under Sections 3.14, 3.17, 9.1, 9.2, 11.1 and 12.2 hereof (pertaining to Developer's indemnification obligations), or

(g) recover from Developer compensatory damages as well as other costs and expenses incurred by City (including without limitation attorney's fees and expenses) arising as a result of the occurrence of any of the following:

(i) any fraud or material misrepresentation on the part of the Developer, or any officer, director or authorized representative of Developer in connection with the request for or creation of the HOME Loan, or in this Agreement, the Regulatory Agreement or any City Document, or in connection with any request for any action or consent by City in connection with the HOME Loan;

(ii) any failure to maintain insurance on the Property and Improvements as required pursuant to this Agreement, the Regulatory Agreement and the City Documents;

(iii) failure to pay taxes, assessments or other charges which may become liens on the Property or Improvements;

(iv) the presence of hazardous or toxic material or waste on the Developer's interest Property or other violation of the Developer's obligations under Section 9.1 hereof or those sections of the Leasehold Deed of Trust pertaining to environmental matters;

(v) the occurrence of any act or omission of Developer that results in waste to or of the Property or the Improvements and which has a material adverse effect on the value of the Property or the Improvements;

(vi) the removal or disposal of any personal property or fixtures or the retention of rents, insurance proceeds, or condemnation awards in violation of the Leasehold Deed of Trust;

(vii) the material misapplication of HOME Loan Proceeds; and

(viii) the material misapplication of the proceeds of any insurance policy or award resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property or the Improvements.

ARTICLE V.

FINANCIAL ASSISTANCE – CITY LOAN

5.1 City Loan. Using funds from the City’s General Fund, the City shall provide a loan (“**City Loan**”) to Developer in the amount of up to Seven Hundred Forty-Three Thousand Two Hundred Thirty-Nine Dollars (\$743,239) upon the terms and conditions and for the purposes set forth in this Agreement. The City Loan shall be evidenced by a promissory note (the “**City Note**”) executed by Developer as Borrower substantially in the form attached hereto as Exhibit E, and shall be secured by a Leasehold Deed of Trust (the “**Leasehold Deed of Trust**”) executed by Developer as Trustor, concurrently with Developer’s acquisition of the Ground Leasehold Interest, substantially in the form attached hereto as Exhibit F and recorded against the Property subordinate only to such liens as City shall approve in writing. The outstanding principal balance of the City Note will accrue three percent (3%) annual simple interest commencing upon the date of disbursement.

Provided that Developer has complied with all conditions precedent to disbursement of the City Loan set forth in Section 5.5, the proceeds of the City Loan (the “**City Loan Proceeds**”) shall be disbursed in accordance with Section 5.4 hereof.

Without limiting the generality of the foregoing, subject to Section 5.6, it is expressly understood by the Parties that City’s obligation to disburse City Loan Proceeds for the Construction Component (defined below) is contingent upon the closing of construction financing for the Project and Developer’s provision of evidence reasonably satisfactory to the City that Developer has obtained binding commitments for all sources of funds necessary for construction and permanent financing of the Project. City shall have the right to terminate this Agreement if Developer does not provide City with evidence reasonably satisfactory to City that Developer has obtained binding commitments for additional financing sufficient to fully fund the construction and permanent financing of the Project within thirty-eight (38) months following the Effective Date. The Parties agree that City shall disburse City Loan Proceeds only for the purposes set forth in Section 5.4.

5.2 Payment Dates; Maturity Date. Annual payments shall be due and payable on a residual receipts basis in accordance with the formula set forth in the City Note. The entire outstanding principal balance of the City Loan together with accrued interest and all other sums

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due under the City Documents shall be payable in full on the fifty-fifth (55th) anniversary of the date that City issues the final certificate of occupancy for the Project.

5.3 Security. As security for repayment of the City Note, Developer shall execute the Leasehold Deed of Trust when Developer acquires the ground Leasehold Interest. Pursuant to the Leasehold Deed of Trust, the City shall be provided a lien against the Property and the Improvements. The Leasehold Deed of Trust shall be recorded in the Official Records on the date that Developer acquires the Property. The Leasehold Deed of Trust may be subordinated only to such liens and subject only to such title exceptions as City may approve in writing. Developer acknowledges that the Leasehold Deed of Trust secures performance of Developer's obligations pursuant to this Agreement and the Regulatory Agreement which may survive repayment of the City Note, and that the Leasehold Deed of Trust shall not be reconveyed prior to Developer's satisfaction of such obligations. The City acknowledges that Developer's construction and permanent lender(s) may require the subordination of the Leasehold Deed of Trust.

5.4 Use and Disbursement of Proceeds. If the Developer secures six hundred thousand dollars (\$600,000) in funds from sources other than the City Loan Proceeds to be used for pre-development costs, either by committing its own funds and/or by obtaining a commitment of funds from other sources that may be used for pre-development costs, the City shall (subject to this Section 5.4 and 5.5) disburse up to Developer up to five hundred thousand dollars (\$500,000) of the City Loan Proceeds to fund pre-development related costs prior to the date that Developer acquires the Ground Leasehold Interest (the "Predevelopment Component") subject to the following draw procedures. After the Effective Date and prior to securing a reservation of 9% low income housing tax credits, the Developer may draw up to three hundred fifty thousand dollars (\$350,000) of the Predevelopment Component. After Developer has obtained a reservation of 9% low income housing tax credits, Developer may draw up to an additional one hundred fifty thousand dollars (\$150,000) of the Predevelopment Component. In no event shall the City be obligated to disburse more than five hundred thousand dollars (\$500,000) of the City Loan Proceeds to the Developer prior to Developer acquiring the Ground Leasehold Interest. The City Loan Proceeds disbursed following Developer's acquisition of the Ground Leasehold Interest shall be referred to as the "Construction Component".

Prior to disbursement of any Predevelopment Component funds, Developer shall provide evidence to City that Developer has expended up to (1) Three Hundred Fifty thousand dollars (\$350,000) for pre-development costs from other sources of funds (2) Developer has commitments for the remaining Two Hundred Fifty (\$250,000) in predevelopment funds.

5.5 Conditions to Disbursement of Loan Proceeds. City's obligation to fund the City Loan and disburse the proceeds thereof is conditioned upon the satisfaction of all of the following conditions:

(a) Developer's delivery to City of each of the following: (i) certificate of good standing, certified by the Secretary of State indicating that Developer is properly organized, in good standing, and authorized to do business in the State of California, (ii) a certified resolution indicating that Developer has authorized this transaction and that the persons

executing this Agreement, the Regulatory Agreement and the City Documents on Developer's behalf have been duly authorized to do so, (iii) certified copies of Developer's articles of incorporation, bylaws, and I.R.S. tax-exemption determination letter.

(b) Developer's delivery to the City of evidence of insurance coverage in accordance with the requirements set forth in Section 11.2.

(c) For the Construction Component funds only, Developer's delivery of the Regulatory Agreement and Deed of Trust fully executed and acknowledged as applicable;

(d) Developer's deliver of the City Note, HOME Note and Security Agreement, each fully-executed and acknowledged as applicable.

(e) For the Construction Component funds only recordation of the Memorandum, the Regulatory Agreement, and the Leasehold Deed of Trust in the Official Records.

(f) For the Construction Component funds only, the issuance by an insurer satisfactory to City of an A.L.T.A. lender's policy of title insurance ("**City Title Policy**") for the benefit of City in the amount of the City Loan, insuring that the lien of the Leasehold Deed of Trust is subject only to such defects, liens, conditions, encumbrances, restrictions, easements and exceptions as City may approve in writing and containing such endorsements as City may reasonably require, with the cost of the City Title Policy to be paid by Developer.

(g) For the Construction Component funds only, receipt by the City of evidence that Borrower has sufficient financing to construct the Project, and copies of such documents related to the construction and financing of the Project as City may reasonably request.

(h) No material adverse change as determined by City in its reasonable judgment shall have occurred in the condition of the Property or in the financial or other condition of Developer since the Effective Date that shall materially impair the Developer's ability to develop the Project.

5.6 No Obligation to Disburse Proceeds Upon Default. Notwithstanding any other provision of this Agreement, the City shall have no obligation to disburse or authorize the disbursement of any portion of the City Loan Proceeds following:

(a) the failure of any of Developer's representations and warranties made in this Agreement or in connection with the City Loan to be true and correct in all material respects;

(b) the termination of this Agreement by mutual agreement of the Parties;

(c) the occurrence of an Event of Default under this Agreement, any of the City Documents, the Regulatory Agreement, or any of the City Documents, which remains uncured beyond any applicable cure period.

5.7 Prepayment; Acceleration

(a) Prepayment. Developer shall have the right to prepay the City Loan at any time and from time to time, without penalty or premium, provided that any prepayment of principal must be accompanied by interest accrued but unpaid to the date of prepayment. Prepayments shall be applied first to accrued but unpaid interest and then to principal. Any such prepayment shall have no effect upon Developer's obligations under the Regulatory Agreement which shall survive for the full term of the Regulatory Agreement.

(b) Due On Sale or Encumbrance. Unless City agrees otherwise in writing, the entire unpaid principal balance and all interest and other sums accrued under the City Note shall be due and payable upon the Transfer (as defined in Section 7.2) absent the prior written consent of City of all or any part of or interest in the Property except as otherwise permitted pursuant to this Agreement.

5.8 Nonrecourse. Except as expressly provided in this Section 5.8, Developer shall have no personal liability for payment of the principal of, or interest on the City Note, and the sole recourse of City with respect to the payment of the principal of, and interest on the City Note shall be to the Project, as described in the City Note, and any other collateral held by City as security for the City Note under the Security Agreement or Leasehold Deed of Trust, as applicable; provided however, nothing contained in the foregoing limitation of liability shall:

(a) impair the enforcement against all such security for the City Loan of all the rights and remedies of the City under the Leasehold Deed of Trust and any financing statements City files in connection with the City Loan, as each of the foregoing may be amended, modified, or restated from time to time;

(b) impair the right of City to bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable City to enforce and realize upon the Leasehold Deed of Trust, the interest in the Property and the Improvements created thereby and any other collateral given to City in connection with the indebtedness evidenced by the City Note, and to name the Developer as party defendant in any such action;

(c) be deemed in any way to impair the right of the City to assert the unpaid principal amount of the City Loan as a demand for money within the meaning of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto;

(d) constitute a waiver of any right which City may have under any bankruptcy law to file a claim for the full amount of the indebtedness owed to City under the City Note or to require that the Property and the Improvements shall continue to secure all of the indebtedness owed to City in accordance with the City Note and the Leasehold Deed of Trust; or

(e) limit or restrict the ability of City to seek or obtain a judgment against Developer to enforce against Developer to:

(i) recover under Sections 3.14, 3.17, 9.1, 9.2, 11.1 and 12.2 hereof (pertaining to Developer's indemnification obligations), or

(ii) recover from Developer compensatory damages as well as other costs and expenses incurred by City (including without limitation attorney's fees and expenses) arising as a result of the occurrence of any of the following:

(iii) any fraud or material misrepresentation on the part of the Developer, or any officer, director or authorized representative of the Developer in connection with the request for or creation of the City Loan, this Agreement, the Regulatory Agreement or in any City Document, or in connection with any request for any action or consent by City in connection with the City Loan;

(iv) any failure to maintain insurance on the Property and Improvements as required pursuant to this Agreement, the Regulatory Agreement and the City Documents;

(v) failure to pay taxes, assessments or other charges which may become liens on the Property or Improvements;

(vi) the presence of hazardous or toxic material or waste on the Developer's interest in the Property or other violation of the Developer's obligations under Section 9.1 hereof or those sections of the Leasehold Deed of Trust pertaining to environmental matters;

(vii) the occurrence of any act or omission of Developer that results in waste to or of the Property or the Improvements and which has a material adverse effect on the value of the Property or the Improvements;

(viii) the removal or disposal of any personal property or fixtures or the retention of rents, insurance proceeds, or condemnation awards in violation of the Leasehold Deed of Trust;

(ix) the material misapplication of City Loan Proceeds; and

(x) the material misapplication of the proceeds of any insurance policy or award resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property or the Improvements.

5.9 No Fault Termination; Termination for Infeasibility. Provided that Developer is not in default under this Agreement, Developer may terminate this Agreement under any of the circumstances set forth below by giving written notice of such termination to the City prior to Developer's acquisition of a Ground Leasehold Interest:

(a) The Developer does not receive the governmental approvals required for the development of the Project, despite the Developer's good faith efforts to obtain such approvals;

(b) The cost to undertake remediation work with respect to hazardous materials or to address other physical conditions of the Property make development of the Project financially infeasible;

(c) The Developer does not receive commitments which guaranty disbursement of funds in accordance with the development schedule approved pursuant to this Agreement, for all financing necessary to acquire and construct the Project despite the Developer's good faith efforts to obtain such financing; or

(d) The fee owner of the Property fails to transfer a Ground Leasehold Interest to Developer, despite Developer's good faith and diligent efforts to acquire the Ground leasehold Interest.

Upon the City's receipt of notice of termination from Developer pursuant to this Section, this Agreement, the Security Agreement, the City Note and HOME Note shall terminate and neither party shall have any additional rights and obligations under this Agreement, the Security Agreement, the City Note or the HOME Note.

5.10 Forgiveness. If the Developer elects to terminate the Agreement pursuant to the preceding Section 5.9 and provided that Developer is not in default under this Agreement, upon Developer's delivery to Agency of all Assigned Documents (as defined in the Security Agreement), the City shall forgive all disbursed Predevelopment Component funds.

ARTICLE VI.

USE OF THE PROPERTY

The provisions of this Article 6 shall apply following Developer's acquisition of the Ground Leasehold Interest.

6.1 Use; Senior Affordable Housing. Developer covenants and agrees for itself and its successors and assigns that the Property shall be used for the development and operation of a senior residential rental project in accordance with the terms and conditions of this Agreement and the Regulatory Agreement.

6.2 Maintenance. Developer shall at its own expense, maintain the Property, the Improvements and related landscaping and common areas in good physical condition, in good repair, and in decent, safe, sanitary, habitable and tenantable living conditions in conformity with all applicable state, federal, and local laws, ordinances, codes, and regulations. Without limiting the foregoing, Developer agrees to maintain the Project and the Property (including without limitation, the residential units, common areas, landscaping, driveways, parking areas and walkways) in a condition free of all waste, nuisance, debris, unmaintained landscaping, graffiti, disrepair, abandoned vehicles/appliances, and illegal activity, and shall take all reasonable steps to prevent the same from occurring on the Property or at the Project. Developer shall prevent and/or rectify any physical deterioration of the Property and the Project and shall make all repairs, renewals and replacements necessary to keep the Property and the Improvements in

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good condition and repair. Developer shall provide adequate security services for occupants of the Project.

6.3 Taxes and Assessments. Developer shall pay all real and personal property taxes, assessments and charges and all franchise, income, payroll, withholding, sales, and other taxes assessed against the Property and payable by Developer, at such times and in such manner as to prevent any penalty from accruing, or any lien or charge from attaching to the Property; provided, however, that Developer shall have the right to contest in good faith, any such taxes, assessments, or charges. In the event the Developer exercises its right to contest any tax, assessment, or charge, the Developer, on final determination of the proceeding or contest, shall immediately pay or discharge any decision or judgment rendered against it, together with all costs, charges and interest. Developer shall have the right to apply for all applicable tax exemptions, including, without limitation, the welfare exemption from property tax for low-income housing.

6.4 Obligation to Refrain from Discrimination. Developer shall not restrict the rental, sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any portion thereof, on the basis of race, color, religion, creed, sex, sexual orientation, disability, marital status, ancestry, or national origin of any person. Developer covenants for itself and all persons claiming under or through it, and this Agreement is made and accepted upon and subject to the condition that there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property or part thereof, nor shall Developer or any person claiming under or through Developer establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in, of, or for the Property or part thereof. Developer shall include such provision in all deeds, leases, contracts and other instruments executed by Developer, and shall enforce the same diligently and in good faith.

ARTICLE VII.

LIMITATIONS ON CHANGE IN OWNERSHIP, MANAGEMENT AND CONTROL OF DEVELOPER

7.1 Change Pursuant to this Agreement. Developer and its principals have represented that they possess the necessary expertise, skill and ability to carry out the development of the Project on the Property pursuant to this Agreement. The qualifications, experience, financial capacity and expertise of Developer and its principals are of particular concern to the City. It is because of these qualifications, experience, financial capacity and expertise that the City have entered into this Agreement with Developer. No voluntary or involuntary successor, assignee or transferee of Developer shall acquire any rights or powers under this Agreement, except as expressly provided herein.

7.2 Prohibition on Transfer. Prior to the expiration of the term of the Regulatory Agreement, Developer shall not, except as expressly permitted by this Agreement, directly or indirectly, voluntarily, involuntarily or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or lease (collectively, “**Transfer**”) of the whole or any part of the leasehold interest in the Property, the Project, the Improvements, or this Agreement, without the prior written approval of the City, which approval shall not be unreasonably withheld. (The provisions concerning Transfer of the Property, the Project and the Improvements shall apply commencing upon Developer’s acquisition of the Ground Leasehold Interest.) Any such attempt to assign this Agreement without the City’s consent shall be null and void and shall confer no rights or privileges upon the purported assignee. In addition to the foregoing, prior to the expiration of the term of the Regulatory Agreement, except as expressly permitted by this Agreement, Developer shall not undergo any significant change of ownership without the prior written approval of City. For purposes of this Agreement, a “significant change of ownership” shall mean a transfer of the beneficial interest of more than twenty-five percent (25%) in aggregate of the present ownership and /or control of Developer, taking all transfers into account on a cumulative basis; provided however, neither the admission of an investor limited partner(s), nor the transfer by the investor limited partner(s) to subsequent limited partner(s) shall be restricted by this provision.

7.3 Permitted Transfers. Notwithstanding any contrary provision hereof, the following transfers are approved by the City: (i) the granting of temporary easements or permits to facilitate development of the Property; (ii) the dedication of any property required pursuant to this Agreement; (iii) the lease of individual residences to tenants for occupancy as their principal residence in accordance with the Regulatory Agreement; (iv) assignments creating security interests for the purpose of financing the acquisition, construction or permanent financing of the Project or the Property in accordance with the approved Financing Plan and subject to the requirements of Article VIII, or Transfers directly resulting from the foreclosure of, or granting of a deed in lieu of foreclosure of, such a security interest; (v) the admission of limited partners and any transfer of limited partnership interests in accordance with the Developer’s agreement of limited partnership (the “Partnership Agreement”), provided that the Partnership Agreement and/or the instrument of Transfer provides for development and operation of the Property and Project in a manner consistent with this Agreement; (vi) the removal of the general partner by the investor limited partner for a default under the Partnership Agreement, provided the replacement general partner is reasonably satisfactory to the City; (vii) the transfer of the General Partner’s interest to a nonprofit entity that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 as amended, provided such replacement general partner is reasonably satisfactory to the City; (vi) a transfer to an entity which is under the direct control of Developer or BRIDGE Housing Corporation, or of which Developer or an affiliate of BRIDGE Housing Corporation is the sole member or the general partner .

7.4 Requirements for Proposed Transfers. The City may, in the exercise of its sole discretion, consent to a proposed Transfer of this Agreement, the Improvements, the Property or portion thereof if all of the following requirements are met (provided however, the requirements of this Section 7.4 shall not apply to Transfers described in clauses (i) through (iv) of Section 7.3):

(a) The proposed transferee demonstrates to the City's satisfaction that it has the qualifications, experience and financial resources necessary and adequate as may be reasonably determined by the City to competently complete construction of the Project and to otherwise fulfill the obligations undertaken by the Developer under this Agreement.

(b) The Developer and the proposed transferee shall submit for City review and approval all instruments and other legal documents proposed to effect any Transfer of this Agreement, the Property or interest therein together with such documentation of the proposed transferee's qualifications and development capacity as the City may reasonably request.

(c) The proposed transferee shall expressly assume all of the rights and obligations of the Developer under this Agreement, the Regulatory Agreement and the City Documents arising after the effective date of the Transfer and all obligations of Developer arising prior to the effective date of the Transfer (unless Developer expressly remains responsible for such obligations) and shall agree to be subject to and assume all of Developer's obligations pursuant to the Conditions of Approval and all other conditions, and restrictions set forth in this Agreement and the Regulatory Agreement.

(d) The Transfer shall be effectuated pursuant to a written instrument satisfactory to the City in form recordable in the Official Records.

Consent to any proposed Transfer may be given by the City Manager unless the City Manager, in his or her sole discretion, refers the matter of approval to the City Council. If the City rejects a proposed Transfer, City shall provide the reasons for such rejection in writing within thirty (30) days following receipt of written request by Developer, and representatives of the City shall meet with Developer and the proposed transferee to discuss in good faith the reasons for the rejection and Developer's and transferee's responses thereto.

7.5 Effect of Transfer without City Consent.

(a) In the absence of specific written agreement by the City, no Transfer by Developer shall be deemed to relieve the Developer or any other party from any obligation under this Agreement or the Regulatory Agreement.

(b) Without limiting any other remedy City may have under this Agreement, or under law or equity, this Agreement may be terminated by City if without the prior written approval of the City, Developer assigns or Transfers this Agreement or the Property prior to the City's issuance of a Certificate of Completion. This Section 7.5(b) shall not apply to Transfers described in clauses (i) through (iv) of Section 7.3.

7.6 Recovery of City Costs. Developer shall reimburse City for all costs, including but not limited to attorneys' fees, incurred in reviewing instruments and other legal documents proposed to affect a Transfer under this Agreement and in reviewing the qualifications and financial resources of a proposed successor, assignee, or transferee within ten days following City's delivery to Developer of an invoice detailing such costs. This Section 7.6 shall not apply to Transfers described in Section 7.3.

ARTICLE VIII.

SECURITY FINANCING AND RIGHTS OF MORTGAGEES

8.1 Mortgages and Deeds of Trust for Development. Mortgages and deeds of trust, or any other reasonable security instrument are permitted to be placed upon the Property only for the purpose of securing loans approved pursuant to the approved Financing Plan for the purpose of financing the acquisition of the Property, the design and construction of the Improvements, other expenditures reasonably necessary for development of the Property pursuant to this Agreement, and the rehabilitation and/or refinancing of the Project. Developer shall not enter into any conveyance for such financing without the prior written approval of the City Manager or his or her designee. As used herein, the terms “mortgage” and “deed of trust” shall mean any security instrument used in financing real estate acquisition, construction and land development.

(a) Memorandum and Regulatory Agreement to be Senior to Mortgages. City agrees that pursuant to Health and Safety Code Section 33334.14(a)(4), City will not withhold consent to reasonable requests for subordination of the Leasehold Deed of Trust and Regulatory Agreement to deeds of trust provided for the benefit of lenders identified in the Financing Plan as it may be updated with City approval, provided that the instruments effecting such subordination include reasonable protections to the City in the event of default consistent with the requirement of Health and Safety Code Section 33334.14(a)(4).

8.2 Holder Not Obligated to Construct. The holder of any mortgage, deed of trust authorized by this Agreement shall not be obligated to construct or complete the Improvements or to guarantee such construction or completion. Nothing in this Agreement shall be deemed to permit or authorize any such holder to devote the Property or any portion thereof to any uses, or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

8.3 Notice of Default and Right to Cure. Whenever City delivers any notice of default hereunder, City shall concurrently deliver a copy of such notice to each holder of record of any mortgage or deed of trust secured by the Property and each investor limited partner of Developer (or Developer's successor) provided that City has been provided with the address for delivery of such notice. City shall have no liability to any such holder for any failure by the City to provide such notice to such holder. Each such holder shall have the right, but not the obligation, at its option, to cure or remedy any such default or breach within the time periods set forth in Section 10.1 below.

Without limiting the foregoing, no Mortgagee (including any Mortgagee who obtains title to Developer's interest in the Property or any part thereof as a result of foreclosure proceedings or transfer in lieu of foreclosure) shall be obligated by the provisions of this Agreement to construct the Project unless Mortgagee expressly assumes such obligation by written notice to City. Whether or not a Mortgagee elects to assume Developer's obligation to construct the Project, nothing in this Agreement shall be construed to permit such Mortgagee to construct any improvements other than the Project authorized under this Agreement. If the Mortgagee elects to

assume Developer's obligation to construct the Project, Mortgagee shall not be bound by the Developer's completion date, provided that, upon assuming such obligation. Mortgagee shall diligently proceed to completion. If, after acquiring Developer's interest in the Property, Mortgagee elects not to assume Developer's obligation to complete the Project, Mortgagee shall so notify City with 90 days after Mortgagee's acquisition of the Developer's interest in the Property, and Mortgagee shall use good faith efforts to sell such interest within six (6) months after delivery of such notice to a developer who will construct the Project.

8.4 City Right to Cure Defaults. In the event of a breach or default by Developer under a mortgage or deed of trust secured by the Property, City may cure the default, without acceleration of the subject loan, following prior notice thereof to the holder of such instrument and Developer. In such event, Developer shall be liable for, and City shall be entitled to reimbursement from Developer for all costs and expenses incurred by City associated with and attributable to the curing of the default or breach and such sum shall constitute a part of the indebtedness secured by the Leasehold Deed of Trust.

8.5 Holder to be Notified. Developer, for itself, its successors and assigns hereby warrants and agrees that each term contained herein dealing with security financing and rights of holders shall be either inserted into the relevant deed of trust or mortgage or acknowledged by the holder prior to its creating any security right or interest in the Property.

8.6 Modifications to Agreement. City shall not unreasonably withhold its consent to modifications of this Agreement, the Leasehold Deed of Trust, Security Agreement, Regulatory Agreement, HOME Note or City Note requested by Project lenders or investors provided such modifications do not alter City's substantive rights and obligations under this Agreement.

8.7 Estoppel Certificates. Any Party shall, at any time, and from time to time, within thirty (30) days after receipt of written request from the other Party, execute and deliver to such Party a written statement certifying that, to the knowledge of the certifying Party: (i) this Agreement is in full force and effect and a binding obligation of the Parties (if such be the case), (ii) this Agreement has not been amended or modified, or if so amended, identifying the amendments, and (iii) the requesting Party is not in default in the performance of its obligations under this Agreement, or if in default, describing the nature of any such defaults.

ARTICLE IX.

ENVIRONMENTAL MATTERS

9.1 No City Liability; Developer's Covenants. City shall not be responsible for the cost of any soil, groundwater or other environmental remediation or other response activities for any Hazardous Materials, if any, existing or occurring on the Property or any portion thereof, and Developer shall be solely responsible for all actions and costs associated with any such activities required by any regulatory agency with jurisdiction over the Property and/or required for the development of the Project, the Property, or any portion thereof. Upon receipt of any notice regarding the presence, release or discharge of Hazardous Materials in, on or under the Property, or any portion thereof, Developer (as long as Developer owns the property which is the subject

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of such notice) agrees to timely initiate and diligently pursue and complete all appropriate response, remediation and removal actions for the presence, release or discharge of such Hazardous Materials within such deadlines as specified by applicable Environmental Laws. Developer hereby covenants and agrees that:

(a) Following Developer's acquisition of the Ground Leasehold Interest, Developer shall not knowingly permit the Project or the Property or any portion of either to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence or release of Hazardous Materials in, on, under, about or from the Project or the Property with the exception of cleaning supplies and other materials customarily used in construction, rehabilitation, use or maintenance of residential property and used, stored and disposed of in compliance with Hazardous Materials Laws, and

(b) Upon Developer obtaining the Ground Leasehold Interest, Developer shall keep and maintain the Project and the Property and each portion thereof in compliance with, and shall not cause or permit the Project or the Property or any portion of either to be in violation of, any Hazardous Materials Laws.

9.2 Environmental Indemnification. The provisions of this Section 9.2 shall apply following Developer's interest of the Ground Leasehold Interest. Developer shall indemnify, defend (with counsel approved by City) and hold the Indemnitees harmless from and against any and all Claims including without limitation any expenses associated with the investigation, assessment, monitoring, response, removal, treatment, abatement or remediation of Hazardous Materials and administrative, enforcement or judicial proceedings resulting, arising, or based directly or indirectly in whole or in part, upon (i) the presence, release, use, generation, discharge, storage or disposal or the alleged presence, release, 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 (ii) the failure of Developer, Developer's employees, agents, contractors, subcontractors, or any person acting on behalf of any of the foregoing to comply with Hazardous Materials Laws or the covenants set forth in Section 9.1. The foregoing indemnity shall further apply to any residual contamination in, on, under or about the Property or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, treatment, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with Hazardous Materials Laws. The provisions of this Section 9.2 shall survive the issuance of a Certificate of Completion for the Project and the expiration or earlier termination of this Agreement. Developer's indemnification obligation under this Section 9.2 shall not apply to acts described in clause (i) above caused by the gross negligence or willful misconduct of an Indemnitee.

9.2.1. No Limitation. Developer hereby acknowledges and agrees that Developer's duties, obligations and liabilities under this Agreement, including, without limitation, under Section 9.2 above, are in no way limited or otherwise affected by any information the City may have concerning the Property and/or the presence in, on, under or about the Property of any Hazardous Materials, whether the City obtained such information from

the Developer or from its own investigations. It is further agreed that City does not and shall not waive any rights against Developer that they may have by reason of this indemnity and hold harmless agreement because of the acceptance by City, or the deposit with City by Developer, of any of the insurance policies described in this Agreement.

9.3 Hazardous Materials. As used herein, the term “**Hazardous Materials**” means any substance, material or waste which is or becomes regulated by any federal, state or local governmental authority, and includes without limitation (i) petroleum or oil or gas or any direct or indirect product or by-product thereof; (ii) asbestos and any material containing asbestos; (iii) any substance, material or waste regulated by or listed (directly or by reference) as a “hazardous substance”, “hazardous material”, “hazardous waste”, “toxic waste”, “toxic pollutant”, “toxic substance”, “solid waste” or “pollutant or contaminant” in or pursuant to, or similarly identified as hazardous to human health or the environment in or pursuant to, the Toxic Substances Control Act [15 U.S.C. 2601, et seq.]; the Comprehensive Environmental Response, Compensation and Liability Act [42 U.S.C. Section 9601, et seq.], the Hazardous Materials Transportation Authorization Act [49 U.S.C. Section 5101, et seq.], the Resource Conservation and Recovery Act [42 U.S.C. 6901, et seq.], the Federal Water Pollution Control Act [33 U.S.C. Section 1251], the Clean Air Act [42 U.S.C. Section 7401, et seq.], the California Underground Storage of Hazardous Substances Act [California Health and Safety Code Section 25280, et seq.], the California Hazardous Substances Account Act [California Health and Safety Code Section 25300, et seq.], the California Hazardous Waste Act [California Health and Safety Code Section 25100, et seq.], the California Safe Drinking Water and Toxic Enforcement Act [California Health and Safety Code Section 25249.5, et seq.], and the Porter-Cologne Water Quality Control Act [California Water Code Section 13000, et seq.], as they now exist or are hereafter amended, together with any regulations promulgated thereunder; (iv) any substance, material or waste which is defined as such or regulated by any “Superfund” or “Superlien” law, or any Environmental Law; or (v) any other substance, material, chemical, waste or pollutant identified as hazardous or toxic and regulated under any other federal, state or local environmental law, including without limitation, asbestos, polychlorinated biphenyls, petroleum, natural gas and synthetic fuel products and by-products.

9.4 Environmental Laws. As used herein, the term “**Environmental Laws**” means all federal, state or local statutes, ordinances, rules, regulations, orders, decrees, judgments or common law doctrines, and provisions and conditions of permits, licenses and other operating authorizations regulating, or relating to, or imposing liability or standards of conduct concerning (i) pollution or protection of the environment, including natural resources; (ii) exposure of persons, including employees and agents, to Hazardous Materials (as defined above) or other products, raw materials, chemicals or other substances; (iii) protection of the public health or welfare from the effects of by-products, wastes, emissions, discharges or releases of chemical substances from industrial or commercial activities; (iv) the manufacture, use or introduction into commerce of chemical substances, including without limitation, their manufacture, formulation, labeling, distribution, transportation, handling, storage and disposal; or (iv) the use, release or disposal of toxic or hazardous substances or Hazardous Materials or the remediation of air, surface waters, groundwaters or soil, as now or may at any later time be in effect, including but not limited to the Toxic Substances Control Act [15 U.S.C. 2601, et seq.]; the Comprehensive Environmental Response, Compensation and Liability Act [42 U.S.C. Section 9601, et seq.], the

Hazardous Materials Transportation Authorization Act [49 U.S.C. Section 5101, et seq.], the Resource Conservation and Recovery Act [42 U.S.C. 6901, et seq.], the Federal Water Pollution Control Act [33 U.S.C. Section 1251], the Clean Air Act [42 U.S.C. Section 7401, et seq.], the California Underground Storage of Hazardous Substances Act [California Health and Safety Code Section 25280, et seq.], the California Hazardous Substances Account Act [California Health and Safety Code Section 25300, et seq.], the California Hazardous Waste Act [California Health and Safety Code Section 25100, et seq.], the California Safe Drinking Water and Toxic Enforcement Act [California Health and Safety Code Section 25249.5, et seq.], and the Porter-Cologne Water Quality Control Act [California Water Code Section 13000, et seq.], as each of the foregoing now exist or are hereafter amended, together with any regulations promulgated thereunder.

ARTICLE X.

DEFAULTS, REMEDIES AND TERMINATION

10.1 Event of Developer Default. The following events shall constitute an event of default on the part of Developer (“**Event of Developer Default**”):

- (a) Developer fails to commence or complete construction of the Project within the times set forth in Section 3.6, or subject to force majeure, abandons or suspends construction of the Project prior to completion for a period of sixty (60) days or more;
- (b) Developer fails to pay when due the principal and interest (if any) payable under the City Note and such failure continues for thirty (30) days after City notifies Developer thereof in writing;
- (c) A Transfer occurs, either voluntarily or involuntarily, in violation of Article VII;
- (d) Developer fails to maintain insurance on the Developer's interest in the Property and the Project as required pursuant to this Agreement, and Developer fails to cure such default within ten (10) days;
- (e) Subject to Developer’s right to contest the following charges pursuant to Section 6.3, if Developer fails to pay prior to delinquency taxes or assessments due on the Property or the Project or fails to pay when due any other charge that may result in a lien on the Property or the Project, and Developer fails to cure such default within 30 days of date of delinquency, but in all events upon the imposition of any such tax or other lien;
- (f) Following Developer's acquisition of the Ground Leasehold Interest, a default is declared under any loan secured by a mortgage, deed of trust or other security instrument recorded against the Property and remains uncured beyond any applicable cure period such that the holder of such security instrument has the right to accelerate repayment of such loan;

(g) Any representation or warranty contained in this Agreement or in any financial statement, certificate or report submitted to the City in connection with this Agreement or Developer's request for the City Loan proves to have been false in any material and adverse respect when made and continues to be materially adverse to the City; provided however, that if a continuing representation or warranty becomes false during the term of this Agreement thereby resulting in a breach of this Agreement, Developer shall have thirty (30) days following notice from the City to cure such breach;

(h) If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors ("**Bankruptcy Law**"), Developer (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against Developer in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for Developer; (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due;

(i) A court of competent jurisdiction shall have made or entered any decree or order (1) adjudging the Developer to be bankrupt or insolvent, (2) approving as properly filed a petition seeking reorganization of the Developer or seeking any arrangement for Developer under bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (3) appointing a receiver, trustee, liquidator, or assignee of the Developer in bankruptcy or insolvency or for any of its properties, or (4) directing the winding up or liquidation of the Developer;

(j) Developer shall have assigned its assets for the benefit of its creditors (other than pursuant to a mortgage loan) or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within sixty (60) days after such event (unless a lesser time period is permitted for cure under any other mortgage on the Property, in which event such lesser time period shall apply under this subsection as well) or prior to any sooner sale pursuant to such sequestration, attachment, or execution;

(k) The Developer shall have voluntarily suspended its business or Developer shall have been dissolved or terminated;

(l) An event of default arises under this Agreement, the Regulatory Agreement, or any City Document and remains uncured beyond any applicable cure period; or

(m) Developer defaults in the performance of any term, provision, covenant or agreement contained in this Agreement other than an obligation enumerated in this Section 10.1 and unless a shorter cure period is specified for such default, the default continues for 30 days in the event of a monetary default or 60 days in the event of a nonmonetary default after the date upon which City shall have given written notice of the default to Developer; provided however, if the default is of a nature that it cannot be cured within 60 days, a Developer Event of Default shall not arise hereunder if Developer commences to cure the default within 60 days and thereafter prosecutes the curing of such default with due diligence and in good faith to

completion and in no event later than 120 days after receipt of notice of the default or such longer period as the City may allow.

10.2 City Default. An event of default on the part of City (“**Event of City Default**”) shall arise hereunder if City fails to keep, observe, or perform any of its covenants, duties, or obligations under this Agreement, and the default continues for a period of thirty (30) days after written notice thereof from Developer to City, or in the case of a default which cannot with due diligence be cured within thirty (30) days, City fails to commence to cure the default within thirty (30) days of such notice and thereafter fails to prosecute the curing of such default with due diligence and in good faith to completion.

10.3 City’s Right to Terminate Agreement. If an Event of Developer Default shall occur and be continuing beyond any applicable cure period, then City shall, in addition to other rights available to it under law or this Agreement, have the right to terminate this Agreement. If City makes such election, City shall give written notice to Developer and to any mortgagee or investor limited partner of Developer, entitled to such notice specifying the nature of the default and stating that this Agreement shall expire and terminate on the date specified in such notice, and upon the date specified in the notice, this Agreement and all rights of Developer under this Agreement, shall expire and terminate.

10.4 City’s Remedies and Rights Upon an Event of Developer Default. Upon the occurrence of an Event of Developer Default and the expiration of any applicable cure period, City shall have all remedies available to it under law or equity, including, but not limited to the following, and City may, at its election, without notice to or demand upon Developer, except for notices or demands required by law or expressly required pursuant to this Agreement, the Regulatory Agreement, or the City Documents, exercise one or more of the following remedies:

- (a) Accelerate and declare the balance of the City Note and interest accrued thereon immediately due and payable;
- (b) Seek specific performance to enforce the terms of this Agreement, the Regulatory Agreement, or the City Documents;
- (c) Foreclose on the Property pursuant to the Leasehold Deed of Trust;
- (d) Pursue any and all other remedies available under law to enforce the terms of this Agreement, the Regulatory Agreement, and the City Documents and City’s rights thereunder.

10.5 Developer’s Remedies Upon an Event of City Default. Upon the occurrence of an City Event of Default, in addition to pursuing any other remedy allowed at law or in equity or otherwise provided in this Agreement, Developer may bring an action for equitable relief seeking the specific performance of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of such terms and conditions, and/or seeking to obtain any other remedy consistent with the purpose of this Agreement.

10.6 Remedies Cumulative; No Consequential Damages. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by any Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different time, of any other rights or remedies for the same or any other default by the other Party. Notwithstanding anything to the contrary set forth herein, a party's right to recover damages in the event of a default shall be limited to actual damages and shall exclude consequential damages.

10.7 Inaction Not a Waiver of Default. No failure or delay by any Party in asserting any of its rights and remedies as to any default shall operate as a waiver of such default or of any such rights or remedies, nor deprive any Party of its rights to institute and maintain any action or proceeding which it may deem necessary to protect, assert or enforce any such rights or remedies in the same or any subsequent default.

10.8 Rights of Limited Partners. Provided that City has been given the address for such notices, whenever City delivers any notice of default hereunder, City shall concurrently deliver a copy of such notice to Developer's limited partner(s). The limited partner(s) shall have the same right as Developer to cure or remedy any default hereunder within the cure period provided to Developer, extended by an additional sixty (60) days.

10.9 Landowner's Cure Rights. Provided that City has been given the address for such notices, whenever City delivers any notice of default hereunder, City shall concurrently deliver a copy of such notice to the fee owner of the Property in accordance. The fee owner of the Property shall have the same right as Developer to cure or remedy any default hereunder within the cure period provided to Developer.

ARTICLE XI.

INDEMNITY AND INSURANCE.

11.1 Indemnity. Developer shall indemnify, defend (with counsel approved by City) and hold Indemnitees harmless from and against any and all Claims, including without limitation, Claims arising directly or indirectly, in whole or in part, as a result of or in connection with Developer's or Developer's contractors, subcontractors, agents or employees development, construction, improvement, operation, ownership or maintenance of the Project or the Property, or any part thereof or otherwise arising out of or in connection with Developer's performance under this Agreement. Developer's indemnification obligations under this Section 11.1 shall not extend to Claims resulting from the gross negligence or willful misconduct of Indemnitees. The provisions of this Section 11.1 shall survive the issuance of a Certificate of Completion for the Project and the expiration or earlier termination of this Agreement. It is further agreed that City does not and shall not waive any rights against Developer that they may have by reason of this indemnity and hold harmless agreement because of the acceptance by City, or the deposit with City by Developer, of any of the insurance policies described in this Agreement.

11.2 Liability and Workers Compensation Insurance.

(a) Following Developer's acquisition of the Ground Leasehold Interest, Developer and all contractors working on behalf of Developer on the Project shall maintain a commercial general liability policy with a per-occurrence combined single limit of not less than Five Million Dollars (\$5,000,000) per occurrence, or such other policy limit as City may require in its reasonable discretion, including coverage for bodily injury, property damage, products, completed operations and contractual liability coverage. Such policy or policies shall be written on an occurrence basis and shall name the Indemnitees as additional insureds.

(b) Following Developer's acquisition of the Ground Leasehold Interest, Developer and all contractors working on behalf of Developer shall maintain a comprehensive automobile liability coverage in the amount of One Million Dollars (\$1,000,000), combined single limit including coverage for owned and non-owned vehicles and shall furnish or cause to be furnished to City evidence satisfactory to City that Developer and any contractor with whom Developer has contracted for the performance of work on the Property or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law. Automobile liability policies shall name the Indemnitees as additional insureds.

(c) Upon commencement of construction and continuing until issuance of a Certificate of Completion, Developer and all contractors working on behalf of Developer shall maintain a policy of builder's all-risk insurance in an amount not less than the full insurable cost of the Project on a replacement cost basis naming City as loss payees.

(d) Following Developer's acquisition of the Ground Leasehold Interest, Developer shall maintain property insurance covering all risks of loss (other than earthquake), including flood (if required) for 100% of the replacement value of the Project with deductible, if any, in an amount acceptable to City, naming City as loss payees.

(e) Companies writing the insurance required hereunder shall be licensed to do business in the State of California. Insurance shall be placed with insurers with a current A.M. Best's rating of no less than A: VII. The Commercial General Liability and comprehensive automobile policies required hereunder shall name the Indemnitees as additional insureds. Builder's Risk and property insurance shall name City as loss payees as its interests may appear.

(f) Prior to closing of the HOME Loan and the City Loan, Developer shall furnish City with certificates of insurance in form acceptable to City evidencing the required insurance coverage and duly executed endorsements evidencing such additional insured status. The certificates shall contain a statement of obligation on the part of the carrier to notify City and of any material adverse change, cancellation, termination or non-renewal of the coverage at least thirty (30) days in advance of the effective date of any such material adverse change, cancellation, termination or non-renewal.

(g) If any insurance policy or coverage required hereunder is canceled or reduced, Developer shall, within fifteen (15) days after receipt of notice of such cancellation or reduction in coverage, but in no event later than the effective date of cancellation or reduction, file with City a certificate showing that the required insurance has been reinstated or provided through another insurance company or companies. Upon failure to so file such certificate, City may, without further notice and at its option, procure such insurance coverage at Developer's

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expense, and Developer shall promptly reimburse City for such expense upon receipt of billing from City.

(h) Coverage provided by Developer shall be primary insurance and shall not be contributing with any insurance, or self-insurance maintained by City, and the policies shall so provide. The insurance policies shall contain a waiver of subrogation for the benefit of the City. Developer shall furnish the required certificates and endorsements to City prior to the commencement of construction of the Project, and shall provide City with certified copies of the required insurance policies upon request of City.

ARTICLE XII.

MISCELLANEOUS PROVISIONS

12.1 HOME Program Requirements. Developer shall comply will all applicable HOME Program Requirements, as amended and in effect from time to time, of whatever nature. In the event of any conflict between this Agreement and applicable laws and regulations governing the HOME program and the use of the City Loan Proceeds or HOME Loan Proceeds, the applicable HOME Program Requirements shall govern. The Developer agrees to enter into any modification of this Agreement and/or the Regulatory Agreement reasonably required by the City to attain compliance with the HOME Program Requirements. Developer acknowledges and agrees that it has reviewed the HOME Program Requirements in effect as of the Effective Date.

12.2 No Brokers. Each Party warrants and represents to the other that no person or entity can properly claim a right to a real estate commission, brokerage fee, finder's fee, or other compensation with respect to the transactions contemplated by this Agreement. Each Party agrees to defend, indemnify and hold harmless the other Party from any claims, expenses, costs or liabilities arising in connection with a breach of this warranty and representation. The terms of this Section shall survive the expiration or earlier termination of this Agreement.

12.3 Enforced Delay; Extension of Times of Performance. Subject to the limitations set forth below, performance by any Party shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended where delays are due to: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, casualties, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, governmental restrictions or priority, litigation, including court delays, unusually severe weather, acts or omissions of the other Parties, acts or failures to act of any other public or governmental agency or entity (other than the acts or failures to act of City which shall not excuse performance by City), or any other cause beyond the affected Party's reasonable control. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Parties within thirty (30) days of the commencement of the cause and such extension is not rejected in writing by the other Parties within ten (10) days of receipt of the notice. None of the Parties shall unreasonably withhold consent to an extension of time pursuant to this Section.

Without limiting the above, all references to "force majeure" in this Agreement shall refer to this Section 12.3.

Times of performance under this Agreement may also be extended in writing by the mutual agreement of Developer and City (acting in the discretion of its City Manager unless he or she determine in his or her discretion to refer such matter to the City Council). City and Developer acknowledge that adverse changes in economic conditions, either of the affected Party specifically or the economy generally, changes in market conditions or demand, and/or inability to obtain financing to complete the work of Improvements shall not constitute grounds of enforced delay pursuant to this Section. Each Party expressly assumes the risk of such adverse economic or market changes and/or financial inability, whether or not foreseeable as of the Effective Date.

12.4 Notices. Except as otherwise specified in this Agreement, all notices to be sent pursuant to this Agreement shall be made in writing, and sent to the Parties at their respective addresses specified below or to such other address as a Party may designate by written notice delivered to the other parties in accordance with this Section. All such notices shall be sent by:

- (a) personal delivery, in which case notice is effective upon delivery;
- (b) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered on receipt if delivery is confirmed by a return receipt;
- (c) nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service;
- (d) facsimile transmission, in which case notice shall be deemed delivered upon transmittal, provided that (a) a duplicate copy of the notice is promptly delivered by first-class or certified mail or by overnight delivery, or (b) a transmission report is generated reflecting the accurate transmission thereof. Any notice given by facsimile shall be considered to have been received on the next business day if it is received after 5:00 p.m. recipient's time or on a nonbusiness day.

City: City of San Leandro
835 East 14th Street
San Leandro, CA 94577
Attention: City Manager

Developer: San Leandro Senior Housing Associates, L.P.
600 California Street, Suite 900
San Francisco, CA 94108
Attention: Rebecca Hlebasko, General Counsel

12.5 Attorneys' Fees. If any Party fails to perform any of its obligations under this Agreement, or if any dispute arises between the Parties concerning the meaning or interpretation of any provision hereof, then the prevailing party in any proceeding in connection with such

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dispute shall be entitled to the costs and expenses it incurs on account thereof and in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements.

12.6 Waivers; Modification. No waiver of any breach of any covenant or provision of this Agreement shall be deemed a waiver of any other covenant or provision hereof, and no waiver shall be valid unless in writing and executed by the waiving party. An extension of time for performance of any obligation or act shall not be deemed an extension of the time for performance of any other obligation or act, and no extension shall be valid unless in writing and executed by the waiving party. This Agreement may be amended or modified only by a written instrument executed by the Parties.

12.7 Binding on Successors. Subject to the restrictions on Transfers set forth in Article VII, this Agreement shall bind and inure to the benefit of the Parties and their respective permitted successors and assigns. Any reference in this Agreement to a specifically named party shall be deemed to apply to any permitted successor and assign of such party who has acquired an interest in compliance with this Agreement or under law.

12.8 Survival. All representations made by Developer hereunder and Developer's obligations pursuant to Sections 3.14, 3.17, 9.1, 9.2, 11.1 and 12.2, and the City's obligations pursuant to Section 12.2, shall survive the expiration or termination of this Agreement and the issuance and recordation of a Certificate of Completion.

12.9 Construction. The section headings and captions used herein are solely for convenience and shall not be used to interpret this Agreement. The Parties acknowledge that this Agreement is the product of negotiation and compromise on the part of both Parties, and the Parties agree, that since all of the Parties have participated in the negotiation and drafting of this Agreement, this Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if all Parties had prepared it.

12.10 Action or Approval. Whenever action and/or approval by City is required under this Agreement, the City Manager or his or her designee may act on and/or approve such matter unless specifically provided otherwise, or unless the City Manager determines in his or her discretion that such action or approval requires referral to the City Council for consideration.

12.11 Entire Agreement. This Agreement, including Exhibits A through H attached hereto and incorporated herein by this reference, together with the Regulatory Agreement, and the City Documents contains the entire agreement between the Parties with respect to the subject matter hereof, and supersedes all prior written or oral agreements, understandings, representations or statements between the Parties with respect to the subject matter hereof.

12.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which taken together shall constitute one instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto having additional signature pages executed by the other Parties. Any executed

counterpart of this Amendment may be delivered to the other Parties by facsimile and shall be deemed as binding as if an originally signed counterpart was delivered.

12.13 Severability. If any term, provision, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect unless an essential purpose of this Agreement is defeated by such invalidity or unenforceability.

12.14 No Third Party Beneficiaries. Nothing contained in this Agreement is intended to or shall be deemed to confer upon any person, other than the Parties and their respective successors and assigns, any rights or remedies hereunder.

12.15 Parties Not Co-Venturers. Nothing in this Agreement is intended to or shall establish the Parties as partners, co-venturers, or principal and agent with one another.

12.16 Non-Liability of Officials, Employees and Agents. No officer, official, employee or agent of City shall be personally liable to Developer or its successors in interest in the event of any default or breach by City or for any amount which may become due to Developer or its successors in interest pursuant to this Agreement.

12.17 Time of the Essence; Calculation of Time Periods. Time is of the essence for each condition, term, obligation and provision of this Agreement. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is not a business day, in which event the period shall run until the next business day. The final day of any such period shall be deemed to end at 5:00 p.m., local time at the Property. For purposes of this Agreement, a "business day" means a day that is not a Saturday, Sunday, a federal holiday or a state holiday under the laws of California.

12.18 Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of laws. Any action to enforce or interpret this Agreement shall be filed in the Superior Court of Alameda County, California or in the Federal District Court for the Northern District of California.

SIGNATURES ON FOLLOWING PAGE.

IN WITNESS WHEREOF, the Parties have entered into this Agreement effective as of the date first written above.

San Leandro Senior Housing Associates, L.P THE CITY OF SAN LEANDRO
California limited partnership

By: _____
Name: _____
City Manager

Name: _____ ATTEST:
Title: _____ By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

Exhibit A

LEGAL DESCRIPTION OF PROPERTY
(Attach legal description.)

EXHIBIT A

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

PARCEL ONE:

Parcel 1, as shown on Parcel Map 10213, filed September 26, 2014, in Book 326, Pages 79 through 87, Alameda County Records.

RESERVING THEREFROM:

A non-exclusive pedestrian easement, appurtenant to Parcels 2, 3 and 4, of said Parcel Map 10213, over that portion thereof designated as "6' Pedestrian Easement benefiting Parcels 2, 3 & 4" on said Parcel Map 10213.

ALSO RESERVING THEREFROM:

A non-exclusive driveway easement, appurtenant to Parcels 2, 3 and 4, of said Parcel Map 10213, over that portion thereof designated as "25' Driveway Easement benefiting Parcels 2, 3 & 4" on said Parcel Map 10213.

APN 075-230-001

Exhibit B

FORM OF MEMORANDUM OF Loan AGREEMENT
(Attach form of Memorandum.)

**Recording Requested by
and when Recorded, return to:**

City of San Leandro
835 East 14th Street
San Leandro, CA 94577
Attention: City Manager

EXEMPT FROM RECORDING FEES PER
GOVERNMENT CODE §§6103, 27383

(SPACE ABOVE THIS LINE RESERVED
FOR RECORDER'S USE)

MEMORANDUM OF LOAN AGREEMENT

This Memorandum of Loan Agreement (this “**Memorandum**”) dated as of _____, 20__, is entered into by and between the City of San Leandro, a municipal corporation (“**City**”) and San Leandro Senior Housing Associates, L.P., a California limited partnership (“**Developer**”). City and Developer are hereinafter collectively referred to as the “**Parties.**”

1. The Parties have entered into that certain Loan Agreement dated as of _____, 2016 (the “**Loan Agreement**”), pursuant to which Developer has agreed to develop certain real property (the “**Property**”) located within the Project Area and more particularly described in Exhibit A attached hereto and incorporated herein by this reference.
2. The Parties have executed and recorded this instrument to give notice of the Loan Agreement and the respective rights of the Parties thereunder. Copies of the unrecorded Loan Agreement are available at the offices of the City, 835 East 14th Street, San Leandro, California, 94577 and such document is incorporated by reference in its entirety in this Memorandum. This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend or supplement the Loan Agreement. In the event of any inconsistency between this Memorandum and the Loan Agreement, the Loan Agreement shall control.
5. This Memorandum shall be interpreted and enforced in accordance with California law without regard to principles of conflict of laws. This Memorandum may be executed in counterparts.
6. The Loan Agreement shall bind and inure to the benefit of the Parties and their respective successors and assigns.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum as of the date first set forth above.

CITY

CITY OF SAN LEANDRO

By: _____ **[FORM –DO NOT SIGN]**_____
City Manager

ATTEST:

By: _____ **[FORM –DO NOT SIGN]**_____
City Clerk

APPROVED AS TO FORM:

By: _____ **[FORM –DO NOT SIGN]**_____
City Attorney

DEVELOPER

San Leandro Senior Housing Associates, L.P.,
a California limited partnership

By: _____

Name: _____

Title: _____

SIGNATURES MUST BE NOTARIZED.

Exhibit A

PROPERTY

(Attach legal description.)

EXHIBIT A

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

PARCEL ONE:

Parcel 1, as shown on Parcel Map 10213, filed September 26, 2014, in Book 326, Pages 79 through 87, Alameda County Records.

RESERVING THEREFROM:

A non-exclusive pedestrian easement, appurtenant to Parcels 2, 3 and 4, of said Parcel Map 10213, over that portion thereof designated as "6' Pedestrian Easement benefiting Parcels 2, 3 & 4" on said Parcel Map 10213.

ALSO RESERVING THEREFROM:

A non-exclusive driveway easement, appurtenant to Parcels 2, 3 and 4, of said Parcel Map 10213, over that portion thereof designated as "25' Driveway Easement benefiting Parcels 2, 3 & 4" on said Parcel Map 10213.

APN 075-230-001

Exhibit C

FORM OF CERTIFICATE OF COMPLETION
(Attach form of Certificate.)

Recording requested by
and when recorded mail to:

City of San Leandro
835 East 14th Street
San Leandro, CA 94577
Attn: City Manager

EXEMPT FROM RECORDING FEES PER
GOVERNMENT CODE §§6103, 27383

Space above this line for Recorder's use.

CERTIFICATE OF COMPLETION

This Certificate of Completion (this "**Certificate**") is made by the City of San Leandro, a municipal corporation ("**City**") effective as of _____, 20__.

RECITALS

A. City and San Leandro Senior Housing Associates, L.P., a California limited partnership ("**Owner**") entered into that certain Loan Agreement (the "**Loan Agreement**") dated ____, 2016, concerning the development of certain real property located in the City of San Leandro, California and more particularly described in Exhibit A attached hereto (the "**Property**"). A Memorandum of the Loan Agreement was recorded in the Official Records of Alameda County ("**Official Records**") as Instrument No._____, Book_____, Page_____. Capitalized terms used herein without definition shall have the meaning ascribed to such terms in the Loan Agreement.

B. Pursuant to Section 3.15 of the Loan Agreement, the City is required to furnish the Owner or its successors with a Certificate of Completion upon completion of development of the Project in accordance with the Loan Agreement.

C. The City has determined that the development of the Project has been satisfactorily completed in accordance with the Loan Agreement.

NOW, THEREFORE, City hereby certifies as follows:

1. Development of the Project has been satisfactorily completed in conformance with the Loan Agreement.

2. All use, maintenance and nondiscrimination covenants contained in the Loan Agreement shall remain in effect and enforceable in accordance with the Loan Agreement. This Certificate does not constitute evidence of Owner's compliance with those covenants in the Loan Agreement that survive the issuance of this Certificate, including without limitation, compliance with the Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants

entered into pursuant to the Loan Agreement and recorded in the Official Records as Instrument No. ___ Book___, Page___.

3. This Certificate does not constitute evidence of compliance with or satisfaction of any obligation of Owner to any holder of a deed of trust securing money loaned to finance the Improvements or any part thereof and does not constitute a notice of completion under California Civil Code Section 3093.

4. Nothing contained in this instrument shall modify any provisions of the Loan Agreement or any other document executed in connection therewith.

IN WITNESS WHEREOF, City has executed and issued this Certificate of Completion as of the date first written above.

CITY OF SAN LEANDRO

By: ***FORM-DO NOT SIGN***

Name: _____
 City Manager

ATTEST:

By: ***FORM- DO NOT SIGN***
 City Clerk

APPROVED AS TO FORM:

By: ***FORM-DO NOT SIGN***
 City Attorney

SIGNATURES MUST BE NOTARIZED.

Exhibit A

PROPERTY

(Attach legal description.)

EXHIBIT A

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

PARCEL ONE:

Parcel 1, as shown on Parcel Map 10213, filed September 26, 2014, in Book 326, Pages 79 through 87, Alameda County Records.

RESERVING THEREFROM:

A non-exclusive pedestrian easement, appurtenant to Parcels 2, 3 and 4, of said Parcel Map 10213, over that portion thereof designated as "6' Pedestrian Easement benefiting Parcels 2, 3 & 4" on said Parcel Map 10213.

ALSO RESERVING THEREFROM:

A non-exclusive driveway easement, appurtenant to Parcels 2, 3 and 4, of said Parcel Map 10213, over that portion thereof designated as "25' Driveway Easement benefiting Parcels 2, 3 & 4" on said Parcel Map 10213.

APN 075-230-001

Exhibit D

FORM OF REGULATORY AGREEMENT
(Attach form of Regulatory Agreement.)

**Recording requested by and
when recorded mail to:**

City of San Leandro
835 East 14th Street
San Leandro, CA 94577
Attention: City Manager

EXEMPT FROM
RECORDING FEES PER
GOVERNMENT CODE
§§6103, 27383

Space above this line for Recorder's use.

AFFORDABLE HOUSING REGULATORY AGREEMENT

AND

DECLARATION OF RESTRICTIVE COVENANTS

by and between

**THE CITY OF SAN LEANDRO,
a municipal corporation**

and

**San Leandro Senior Housing Associates, L.P.,
a California Limited Partnership**

This Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants (this “**Agreement**”) is entered into effective as of _____, 2016 (“**Effective Date**”) by and between the City of San Leandro, a California municipal corporation (the “**City**”) and San Leandro Senior Housing Associates, a California limited partnership (“**Owner**”). City and Owner are hereinafter collectively referred to as the “**Parties.**”

RECITALS

A. Owner has a lease for the possession of certain real property located at 525 West Juana Ave, San Leandro, CA 94577 in the City of San Leandro, California, known as Alameda County Assessor’s Parcel Number Parcel 1 Of Parcel Map 10213, as more particularly described in Exhibit A attached hereto and incorporated herein (the “**Property**”). The person or entity with fee title simple to the Property has provided Owner with permission to build upon the Property

B. Owner intends to construct, own and operate on the Property an eighty-five (85) unit residential housing development for very low-income senior households (the “**Project**”) in accordance with that certain loan agreement between City and Owner dated _____, 2016 (the “**Loan Agreement**”).

C. The project consists of seventy-seven (77) one-bedroom, one-bath units and eight (8) two-bedroom, one bath units. 40 units in the Project will be restricted by the City to very low-income senior households. Such occupancy restrictions shall remain in effect for a period of not less than 55 years.

D. City is a participating jurisdiction in the Alameda County HOME Consortium (“**Consortium**”) and is a recipient of funds pursuant to the HOME investment Partnership Act, established by the National Affordable Housing Act of 1990 (42 U.S.C. § 12471 *et seq.*, (“**HOME Program**”) that are subject to certain restrictions established by the United States Department of Housing and Urban Development (“**HUD**”) under 24 CFR 92 (“**HOME Restrictions**”).

E. City has agreed to provide to Owner a loan in the amount of not to exceed Two Hundred Fifty-Six Thousand Seven Hundred Sixty-One Dollars (\$256,761) from the HOME Program funds (“**HOME Loan**”) in order to provide partial financing for the construction and development of the Project. The HOME Loan will be provided by the City in accordance with federal regulations governing the HOME Program as set forth in 42 U.S.C. § 12741 *et seq.*, and 24 CFR Part 92, both as amended from time to time (collectively “Home Program Regulations”). The HOME Loan is evidenced by a Secured Promissory Note (“**Home Note**”) executed by Owner and dated _____, 2016, and is secured by a Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (“**Leasehold Deed of Trust**”) dated as of the date hereof and executed by Owner for the benefit of City. The Leasehold Deed of Trust will be recorded in the Official Records of Alameda County (“**Official Records**”) substantially concurrently herewith.

F. City has also agreed to provide to Owner a loan in the amount of not to exceed Seven Hundred Forty-Three Thousand Two Hundred Thirty-Nine Dollars (\$743,239)(“**City Loan**”) in order to provide partial financing for the construction and development of the Project.

The City Loan is evidenced by a Secured Promissory Note (“**City Note**”) executed by Owner and dated _____, 2016, and is secured by a Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (“**Leasehold Deed of Trust**”) dated as of the date hereof and executed by Owner for the benefit of City. The Leasehold Deed of Trust will be recorded in the Official Records substantially concurrently herewith.

G. As a condition to their agreement to provide financing for the Project, City requires the Project to be subject to the HOME Restrictions and the other conditions, restrictions, reservations and rights of the City set forth herein.

H. The Parties have agreed to enter into and record this Agreement in order to satisfy the conditions described in the foregoing Recitals. The purpose of this Agreement is to regulate and restrict the occupancy and rents of the Project’s Restricted Units for the benefit of the Project occupants. The Parties intend the covenants set forth in this Agreement to run with the land and to be binding upon Owner and Owner’s successors and assigns for the full term of this Agreement.

NOW THEREFORE, in consideration of the foregoing, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

1. Definitions. The following terms have the meanings set forth in this Section wherever used in this Agreement or the attached exhibits.

(a) **"Area Median Income" or "AMI"** means the area median income for Alameda County, California, adjusted for household size, determined periodically by the California Department of Housing and Community Development (“**HCD**”) as published in Section 6932 of Title 25 of the California Code of Regulations or successor provision published pursuant to California Health and Safety Code Section 50093(c). If HCD ceases to make such determination, Area Median Income shall be the median income applicable to Alameda County, with adjustments for household size, as determined from time to time by the U.S. Department of Housing and Urban Development (“**HUD**”) pursuant to the United States Housing Act of 1937 as amended, or such other method of median income calculation applicable to the City of San Leandro that HUD may hereafter adopt in connection with such Act.

(b) **"Eligible Household"** means a household for which gross household income upon initial occupancy does not exceed the maximum income level for a Restricted Unit as specified in Section 2.3 and that meets the requirements set forth in Section 2.1.

(c) **"HOME Assisted Unit"** means the meaning set forth in Section 2.1(b).

(d) **"Qualifying Rent"** means rent published by TCAC for units occupied by a 50% Income Household in Alameda County, for the applicable unit size, but in no event less than the rents published by TCAC for a 50% Income Household in Alameda County, for the applicable unit size as of the date of recordation of this Agreement. Notwithstanding the preceding sentence, for HOME-assisted units as described in Section 2.1a below, annual rents shall not exceed the “Low HOME Rent Limits” for the applicable unit size as published annually by the U.S. Department of Housing and Urban Development (HUD).

(e) **"Restricted Unit"** means a dwelling unit which is reserved for occupancy at a Qualifying Rent by a Very Low-Income household in accordance with and as set forth in Sections 2.1 and 2.2.

(f) **"Very Low-Income Household"** means a household whose income does not exceed the qualifying income limit for a 50% Income Household as published by TCAC; provided, however, that for the HOME-Assisted Units, Very Low-Income means a household whose income does not exceed the income for a Very Low-Income Household as defined in the HOME Regulations.

(g) **"TCAC"** means the California Tax Credit Allocation Committee.

2. Use and Affordability Restrictions.

(a) Owner hereby covenants and agrees, for itself and its successors and assigns, that the Property shall be used solely for the construction and operation of an eighty-five (85)-unit senior rental housing development in compliance with the development approvals granted by the City of San Leandro, and the requirements set forth herein. Owner represents and warrants that it has not entered into any agreement that would restrict or compromise its ability to comply with the occupancy and affordability restrictions set forth in this Agreement, and Owner covenants that it shall not enter into any agreement that is inconsistent with such restrictions without the express written consent of City. Notwithstanding the foregoing or anything to the contrary contained herein, if the terms of financing for the Project require greater affordability restrictions than those imposed hereby, the requirements of such other financing shall prevail for the term thereof.

(b) For a term of fifty-five (55) years commencing upon the date of City's issuance of a final certificate of occupancy for the Project, the Project shall include three floating residential units for very low income households as defined by and in accordance with and regulated by 24 CFR Part 92 (the "**HOME Assisted Units**"). Any residential unit in the Project may be substituted for another residential unit in the Project designated as a HOME Assisted Unit in order to maintain compliance with this Section. Owner shall comply with lease terms for HOME Assisted Units as governed by 24 CFR Part 92.253, and with all other applicable federal HOME requirements set forth in 24 CFR Part 92.350-358. Rents for HOME Assisted Units shall not exceed the Low Home Rent Limits published annually by HUD. Units that qualify as HOME Assisted Units shall count toward satisfaction of the number of Rent-Restricted Units required pursuant to Section 2.2.

2.1 Senior Housing. For a term of fifty-five (55) years commencing upon the date of issuance of a final certificate of occupancy for the Project eighty-four (84) of the dwelling units in the Project shall be operated as lawful senior housing, as more particularly described in the Management Plan as may be amended from time to time.

2.2 Affordability Requirements. For a term of fifty-five (55) years commencing upon the date of issuance of a final certificate of occupancy for the Project, forty (40) of the dwelling units in the Project shall be both Rent-Restricted (as defined below) and occupied (or if vacant, available for occupancy) by Eligible Households whose income does not exceed Very Low-

Income ("Affordable Units"). Three of the Affordable Units shall be Home-Assisted Units pursuant to Section 2(b) above. A dwelling unit shall qualify as "**Rent-Restricted**" if the gross rent charged for such unit does not exceed the Qualifying Rent as adjusted for assumed household size in accordance with the applicable provisions of the federal HOME Program restrictions, and TCAC guidelines, as applicable.

2.3 Rents for Restricted Units. Rents for Restricted Units shall be limited to Qualifying Rents. Notwithstanding the foregoing, no tenant qualifying for a Restricted Unit shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's adjusted income increases to exceed the qualifying limit for such Restricted Unit. A household which at initial occupancy qualifies as Very Low-Income shall be treated as continuing to be of Very Low-Income. In the Event that TCAC no longer publishes income and rent limits for 50% Income Households, the City shall calculate the qualifying rents and income limits in a manner that is reasonably similar to the method used by TCAC.

2.4 Unit Sizes and Design. The Restricted Units shall consist of 32 one-bedroom units and 8 two-bedroom units for Very Low-Income households.

2.5 Manager's Unit. One dwelling unit in the Project may be used as a resident manager's unit, and shall be exempt from the occupancy and rent restrictions set forth in this Agreement.

2.6 No Condominium Conversion. Owner shall not convert the Project to condominium or cooperative ownership or sell condominium or cooperative rights to the Project during the term of this Agreement.

2.7 HOME Restrictions. Owner shall comply will all applicable HOME Restrictions as they pertain to the HOME-Assisted Units, as amended and in effect from time to time, of whatever nature. Owner agrees to enter into any modification of this Agreement and/or the Loan Agreement reasonably required by the City to attain compliance with the HOME Restrictions. Developer acknowledges and agrees that it has reviewed the HOME Restrictions in effect as of the execution of this Agreement. From and after the date that is 20 years from the Project Certificate of Occupancy, (a) all HOME Assisted Units shall be considered only Affordable Units and not Home Assisted Units and (b) any and all requirements pertaining to or arising from the HOME funds shall terminate and expire (excepting any record retention requirements).

2.8 Non-Discrimination; Compliance with Fair Housing Laws.

(a) Fair Housing. Owner shall comply with state and federal fair housing laws in the marketing and rental of the units in the Project. Owner shall accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing Section 8 program or any successor thereto.

(b) Non-Discrimination. Owner covenants for itself and all persons claiming under or through it, and this Agreement is made and accepted upon and subject to the condition that there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of

subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property or part thereof, nor shall Owner or any person claiming under or through Owner establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in, of, or for the Property or part thereof. Owner shall include such provision in all deeds, leases, contracts and other instruments executed by Owner, and shall enforce the same diligently and in good faith.

Notwithstanding the foregoing, with respect to familial status, nothing herein shall be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code nor shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to this Section.

3. Reporting Requirements.

3.1 Tenant Certification. Owner or Owner's authorized agent shall obtain from each household prior to initial occupancy of each Restricted Unit, and on every anniversary thereafter, a written certificate containing all of the following in such format and with such supporting documentation as City may reasonably require:

- (a) The identity and age of the residents in the dwelling unit or such other information reasonably required to demonstrate compliance with Section 2.1 above; and
- (b) Total household income.

Owner shall retain such certificates for not less than three (3) years, and upon City's request, shall make the originals available for inspection by City and shall provide copies of such certificates to City.

3.2 Annual Report; Inspections. Owner shall submit an annual report ("**Annual Report**") to the City in form satisfactory to City, together with a certification that the Project is in compliance with the requirements of this Agreement. The Annual Report shall, at a minimum, include the following information for each dwelling unit in the Project: (i) unit number; (ii) number of bedrooms; (iii) current rent and other charges; (iv) dates of any vacancies during the previous year; (v) number of people residing in the unit; (vi) total household income of residents; (vii) documentation of source of household income; and (viii) the information required by Section 3.1.

Upon City's request, Owner shall include with the Annual Report, an income recertification for each household, documentation verifying tenant eligibility, and such additional information as City may reasonably request from time to time in order to demonstrate compliance with this Agreement. The Annual Report shall conform to the format requested by City; provided however, during such time that the Project is subject to a regulatory agreement restricting occupancy and/or rents pursuant to requirements imposed in connection with the use of federal low-income housing tax credits or tax-exempt financing, Owner may satisfy the

requirements of this Section by providing City with a copy of compliance reports required in connection with such financing.

Owner shall permit representatives of City to enter and inspect the Property and the Project during reasonable business hours in order to monitor compliance with this Agreement upon forty-eight (48) hours advance notice of such visit to Owner or to Owner's management agent.

4. Term of Agreement.

4.1 Term of Restrictions. This Agreement shall remain in effect through the 55th anniversary of the issuance of the final certificate of occupancy for the Project.

4.2 Effectiveness Succeeds Conveyance of Property and Repayment of Loan. This Agreement shall remain effective and fully binding for the full term hereof regardless of (i) any sale, assignment, transfer, or conveyance of the Property or the Project or any part thereof or interest therein, (ii) any payment, prepayment or extinguishment of the HOME Loan or HOME Note or the City Loan or City Note, or (iii) any reconveyance of the Leasehold Deed of Trust, unless this Agreement is terminated earlier by City in a recorded writing.

4.3 Reconveyance. Upon the termination of this Agreement, the Parties agree to execute and record appropriate instruments to release and discharge this Agreement; provided, however, the execution and recordation of such instruments shall not be necessary or a prerequisite to the termination of this Agreement upon the expiration of the term specified in Section 4.1.

5. Binding Upon Successors; Covenants to Run with the Land. Owner hereby subjects its interest in the Property and the Project to the covenants and restrictions set forth in this Agreement. The City and Owner hereby declare their express intent that the covenants and restrictions set forth herein shall be deemed covenants running with the land and shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, transferees, and assigns of Owner and City, regardless of any sale, assignment, conveyance or transfer of the Property, the Project or any part thereof or interest therein. Any successor-in-interest to Owner, including without limitation any purchaser, transferee or lessee of the Property or the Project (other than the tenants of the individual dwelling units within the Project) shall be subject to all of the duties and obligations imposed hereby for the full term of this Agreement. Each and every contract, deed, ground lease or other instrument affecting or conveying the Property or the Project or any part thereof, shall conclusively be held to have been executed, delivered and accepted subject to the covenants, restrictions, duties and obligations set forth herein, regardless of whether such covenants, restrictions, duties and obligations are set forth in such contract, deed, ground lease or other instrument. If any such contract, deed, ground lease or other instrument has been executed prior to the date hereof, Owner hereby covenants to obtain and deliver to City an instrument in recordable form signed by the parties to such contract, deed, ground lease or other instrument pursuant to which such parties acknowledge and accept this Agreement and agree to be bound hereby.

Owner agrees for itself and for its successors that in the event that a court of competent jurisdiction determines that the covenants herein do not run with the land, such covenants shall be enforced as equitable servitudes against the Property and the Project in favor of City.

6. Property Management; Repair and Maintenance; Marketing.

6.1 Management Responsibilities. Owner shall be responsible for all management functions with respect to the Property and the Project, including without limitation the selection of tenants, certification and recertification of household income and eligibility, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. City shall have no responsibility for management or maintenance of the Property or the Project.

6.2 Management Entity. City shall have the right to review and approve the qualifications of the management entity proposed by Owner for the Project. The contracting of management services to a management entity shall not relieve Owner of its primary responsibility for proper performance of management duties. City approves BRIDGE Property Management Company as the initial property management entity for the Project.

No later than six (6) months following commencement of Project construction, Owner shall submit for City review and approval, a proposed management contract (“**Management Contract**”). The Management Contract shall describe the services to be provided by the management entity, including without limitation, marketing, tenant qualification and certification, maintenance, and repairs. During the term of this Agreement, City shall have the right to review and approve any proposed amendments to the Management Contract, any new management contracts, and any new management entity proposed for the Project. If City has not responded to any submission of the Management Contract, the proposed management entity, or a proposed amendment or change to any of the foregoing within 20 business days following City’s receipt of such plan, contract, amendment, or proposal the plan, contract, amendment or proposal shall be deemed approved.

6.3 Repair, Maintenance and Security. Throughout the term of this Agreement, Owner shall at its own expense, maintain the Property and the Project in good physical condition, in good repair, and in decent, safe, sanitary, habitable and tenantable living conditions in conformity with all applicable state, federal, and local laws, ordinances, codes, and regulations. Without limiting the foregoing, Owner agrees to maintain the Project and the Property (including without limitation, the residential units, common areas, landscaping, driveways, parking areas and walkways) in a condition free of all waste, nuisance, debris, unmaintained landscaping, graffiti, disrepair, abandoned vehicles/appliances, and illegal activity, and shall take all reasonable steps to prevent the same from occurring on the Property or at the Project. Owner shall prevent and/or rectify any physical deterioration of the Property and the Project and shall make all repairs, renewals and replacements necessary to keep the Property and the improvements located thereon in good condition and repair. Owner shall provide adequate security services for occupants of the Project.

(a) Rights of City to Perform Maintenance. In the event that Owner breaches any of the covenants contained in Section 6.3, and such default continues for a period of ten (10)

business days after written notice from City (with respect to graffiti, debris, and waste material) or thirty (30) days after written notice from City (with respect to landscaping, building improvements and general maintenance), then City, in addition to any other remedy it may have under this Agreement or at law or in equity, shall have the right, but not the obligation, to enter upon the Property and perform all acts and work necessary to protect, maintain, and preserve the improvements and the landscaped areas on the Property. All costs expended by City in connection with the foregoing, shall constitute an indebtedness secured by the Leasehold Deed of Trust, and shall be paid by Owner to City upon demand. All such sums remaining unpaid thirty (30) days following delivery of City's invoice therefor shall bear interest at the rate of 10% per annum. Notwithstanding anything to the contrary set forth in this Section, City agrees that it will provide Owner with not less than thirty (30) days' written notice prior to undertaking any work for which Owner will incur a financial obligation.

6.4 Marketing and Management Plan. Not later than one hundred eighty (180) days prior to completion of Project construction, Owner shall submit for City review and approval, a plan for marketing and managing the Property ("**Marketing and Management Plan**"). The Marketing and Management Plan shall address in detail how Owner plans to market the Restricted Units to prospective Eligible Households in accordance with fair housing laws and this Agreement, Owner's tenant selection criteria, and how Owner plans to certify the eligibility of Eligible Households. The Plan shall also describe the management team and shall address how the Owner and the management entity plan to manage and maintain the Property and the Project. The Plan shall include the proposed management agreement and the form of rental agreement that Owner proposes to enter into with Project tenants. Owner shall abide by the terms of the Marketing and Management Plan in marketing, managing, and maintaining the Property and the Project, and throughout the term of this Agreement, shall submit proposed modifications to City for their review and approval. The City shall allow senior households to be any household that complies with senior housing laws, so long as Owner provides advance written notice (via the Management Plan to otherwise) to the City.

6.5 Approval of Amendments. If City has not responded to any submission of the Management and Marketing Plan, the proposed management entity, or a proposed amendment or change to any of the foregoing within 30 days following City's receipt of such plan, proposal or amendment, the plan, proposal or amendment shall be deemed approved by City.

6.6 Fees, Taxes, and Other Levies. Owner shall be responsible for payment of all fees, assessments, taxes, charges, liens and levies, including without limitation possessory interest taxes, if applicable, imposed by any public entity, authority or utility company with respect to the Property or the Project, and shall pay such charges prior to delinquency. However, Owner shall not be required to pay any such charge so long as (a) Owner is contesting such charge in good faith and by appropriate proceedings, (b) Owner maintains reserves adequate to pay any contested liabilities, and (c) on final determination of the proceeding or contest, Owner immediately pays or discharges any decision or judgment rendered against it, together with all costs, charges and interest. Nothing in this Section 6.6 shall prevent Owner from applying for all applicable tax exemptions including the welfare exemption from property tax for low-income housing.

6.7 Insurance Coverage. Prior to issuance of building permits for the Project, and continuing throughout the term of this Agreement Owner shall comply with the insurance requirements set forth in Article 11 of the Loan Agreement and shall, at Owner's expense, maintain in full force and effect insurance coverage as specified in the Loan Agreement; provided however, during such time that lenders or low-income housing tax credit investors providing financing for the Project impose insurance requirements that are inconsistent with the requirements set forth in the Loan Agreement, Owner may satisfy the requirements of this Section by meeting the requirements of such lenders or investors. Notwithstanding the foregoing, throughout the term hereof, Owner shall comply with the provisions of the Loan Agreement pertaining to (i) provision to City of proof of insurance for the Project, (ii) naming of City as additional insureds, and (iii) provision to City of notice of cancellation or reduction in coverage.

6.8 Property Damage or Destruction. If any part of the Project is damaged or destroyed, Owner shall repair or restore the same, consistent with the occupancy and rent restriction requirements set forth in this Agreement. Such work shall be commenced within 120 days after the damage or loss occurs and shall be completed within one year thereafter (or such longer time as the City may approve with respect to commencement or completion) provided that insurance proceeds are available to be applied to such repairs or restoration within such period and the repair or restoration is financially feasible. During such time that lenders or low-income housing tax credit investors providing financing for the Project impose requirements that differ from the requirements of this Section the requirements of such lenders and investors shall prevail.

7. Recordation; No Subordination. This Agreement shall be recorded in the Official Records of Alameda County. Owner hereby represents, warrants and covenants that with the exception of the City Documents (as defined in the Loan Agreement) and easements of record, absent the written consent of City, this Agreement shall not be subordinated in priority to any lien (other than those pertaining to taxes or assessments), encumbrance, or other interest in the Property or the Project. If at the time this Agreement is recorded, any interest, lien, or encumbrance has been recorded against the Project in position superior to this Agreement, upon the request of City, Owner hereby covenants and agrees to promptly undertake all action necessary to clear such matter from title or to subordinate such interest to this Agreement consistent with the intent of and in accordance with this Section 7, and to provide such evidence thereof as City may reasonably request. City agree that this Agreement may be subordinated to a first deed of trust securing Project construction financing and a first deed of trust securing permanent financing for the Project pursuant to subordination agreements that provide the City with reasonably adequate notice and cure rights and protections consistent with the requirements of California Health and Safety Code Section 33334.14(a)(4).

8. Transfer and Encumbrance.

8.1 Restrictions on Transfer and Encumbrance. During the term of this Agreement, except as permitted pursuant to the Loan Agreement or this Agreement, Owner shall not directly or indirectly, voluntarily, involuntarily or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or lease (collectively, "**Transfer**") of the whole or any

part of the Property, the Project, or the Improvements, without the prior written consent of the City.

8.2 Permitted Transfers. Notwithstanding any contrary provision hereof, the prohibitions on Transfer set forth herein shall not be deemed to prevent: (i) the granting of temporary easements or permits to facilitate development of the Property; (ii) the dedication of any property required pursuant to the Loan Agreement ; (iii) the lease of individual residents to tenants for occupancy as their principal residence in accordance with this Agreement; (iv) assignments creating security interests for the purpose of financing the acquisition, construction or permanent financing of the Project or the Property in accordance with the Loan Agreement , or Transfers directly resulting from the foreclosure of, or granting of a deed in lieu of foreclosure of, such a security interest; (v) the transfer of to an affiliate of Owner's.

In addition, City shall not withhold their consent to the sale, transfer or other disposition of the Project, in whole or in part, provided that (1) the Project is and shall continue to be operated in compliance with this Agreement; (2) the transferee expressly assumes all obligations of Owner imposed by this Agreement; (3) the transferee executes all documents reasonably requested by the City with respect to the assumption of the Owner's obligations under this Agreement, and upon City's request, delivers to the City an opinion of its counsel to the effect that such document and this Agreement are valid, binding and enforceable obligations of such transferee; and (4) either (A) the transferee has at least three years' experience in the ownership, operation and management of low-income rental housing projects of similar size to that of the Project, without any record of material violations of nondiscrimination provisions or other state or federal laws or regulations applicable to such projects, or (B) the transferee agrees to retain a property management firm with the experience and record described in subclause (A).

Consent to any proposed Transfer may be given by the City Manager, unless the City Manager, in his or her discretion, refers the matter of approval to the City Council. The proposed Transfer shall be approved or disapproved by City in writing within thirty (30) days following City's receipt of written request by Owner. If rejected, City representatives shall meet with Owner and the proposed transferee in good faith to discuss the reasons for the disapproval.

8.3 Encumbrances. Owner agrees to use commercially reasonable efforts to ensure that any deed of trust secured by the Project for the benefit of a lender other than City ("**Third-Party Lender**") shall contain each of the following provisions: (i) Third-Party Lender shall use its best efforts to provide to City a copy of any notice of default issued to Owner concurrently with provision of such notice to Owner (provided however, the failure to do so shall not impair such Third-Party Lender's rights and remedies); (ii) City shall have the reasonable right, but not the obligation, to cure any default by Owner within the same period of time provided to Owner for such cure extended by an additional 60 days; Owner agrees to provide to City a copy of any notice of default Owner receives from any Third-Party Lender within three (3) business days following Owner's receipt thereof.

8.4 Mortgagee Protection. No violation of any provision contained herein shall defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value upon all or any portion of the Project or the Property, and the purchaser at any trustee's sale or foreclosure sale shall not be liable for any violation of any provision hereof occurring prior to the

acquisition of title by such purchaser. Such purchaser shall be bound by and subject to this Agreement from and after such trustee's sale or foreclosure sale. Promptly upon determining that a violation of this Agreement has occurred, City shall give written notice to the holders of record of any mortgages or deeds of trust encumbering the Project or the Property that such violation has occurred.

9. Default and Remedies.

9.1 Events of Default. The occurrence of any one or more of the following events shall constitute an event of default hereunder ("**Event of Default**"):

- (a) The occurrence of a Transfer in violation of Section 8 hereof;
- (b) Owner's failure to maintain insurance on the Owner's interest in the Property and the Project as required hereunder, and the failure of Owner to cure such default within 10 days.
- (c) Subject to Owner's right to contest the following charges, Owner's failure to pay taxes or assessments due on the Property or the Project or failure to pay any other charge that may result in a lien on the Property or the Project, and Owner's failure to cure such default within thirty (30) days.
- (d) Owner's default in the performance of any term, provision or covenant under this Agreement or under any other City Document (other than an obligation enumerated in this Subsection 9.1), and unless such provision specifies a shorter cure period for such default, the continuation of such default for ten (10) days in the event of a monetary default or sixty (60) days in the event of a non-monetary default following the date upon which City shall have given written notice of the default to Owner, or if the nature of any such non-monetary default is such that it cannot be cured within sixty (60) days, Owner's failure to commence to cure the default within sixty (60) days and thereafter prosecute the curing of such default with due diligence and in good faith, but in no event longer than one hundred twenty (120) days from receipt of the notice of default.

The limited partners of Owner shall have the right to cure any default of Owner hereunder upon the same terms and conditions afforded to Owner. Provided that City has been given written notice of the address for delivery of notices to the limited partners, City shall provide any notice of default hereunder to the limited partners concurrently with the provision of such notice to Owner, and as to the limited partners, the cure periods specified herein shall commence upon the date of delivery of such notice in accordance with Subsection 11.3.

9.2 Remedies. If within the applicable cure period, Owner fails to cure a default or fails to commence to cure and diligently pursue completion of a cure, as applicable, or if a cure is not possible, City may proceed with any of the following remedies:

- (a) Bring an action for equitable relief seeking the specific performance of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of such terms and conditions, and/or seeking declaratory relief;

(b) Pursuant to the City Documents, accelerate and declare the balance of the HOME Note and City Note and interest accrued thereon immediately due and payable;

(c) For violations of obligations with respect to rents for Restricted Units, impose as liquidated damages a charge in an amount equal to the actual amount collected in excess of the Qualifying Rent;

(d) Pursue any other remedy allowed at law or in equity.

Each of the remedies provided herein is cumulative and not exclusive. The City may exercise from time to time any rights and remedies available to them under applicable law or in equity, in addition to, and not in lieu of, any rights and remedies expressly provided in this Agreement.

10. Indemnity. Owner shall indemnify, defend (with counsel approved by City) and hold City, and their respective elected and appointed officers, officials, employees, agents, and representatives (collectively, the “**Indemnitees**”) harmless from and against all liability, loss, cost, expense (including without limitation attorneys’ fees and costs of litigation), claim, demand, action, suit, judicial or administrative proceeding, penalty, deficiency, fine, order, and damage (all of the foregoing collectively “**Claims**”) arising directly or indirectly, in whole or in part, as a result of or in connection with Owner’s development or management of the Property and the Project. Owner’s indemnification obligations under this Section 10 shall not extend to Claims resulting from the gross negligence or willful misconduct of Indemnitees. The provisions of this Section 10 shall survive the expiration or earlier termination of this Agreement. It is further agreed that City does not and shall not waive any rights against Owner that they may have by reason of this indemnity and hold harmless agreement because of the acceptance by City, or the deposit with City by Owner, of any of the insurance policies described in this Agreement or the Loan Agreement .

11. Miscellaneous.

11.1 Amendments. This Agreement may be amended or modified only by a written instrument signed by the Parties.

11.2 No Waiver. Any waiver by City of any term or provision of this Agreement must be in writing. No waiver shall be implied from any delay or failure by City to take action on any breach or default hereunder or to pursue any remedy allowed under this Agreement or applicable law. No failure or delay by City at any time to require strict performance by Owner of any provision of this Agreement or to exercise any election contained herein or any right, power or remedy hereunder shall be construed as a waiver of any other provision or any succeeding breach of the same or any other provision hereof or a relinquishment for the future of such election.

11.3 Notices. Except as otherwise specified herein, all notices to be sent pursuant to this Agreement shall be made in writing, and sent to the Parties at their respective addresses specified below or to such other address as a Party may designate by written notice delivered to the other parties in accordance with this Section. All such notices shall be sent by:

- (a) personal delivery, in which case notice is effective upon delivery;
- (b) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered upon receipt if delivery is confirmed by a return receipt;
- (c) nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service;
- (d) facsimile transmission, in which case notice shall be deemed delivered upon transmittal, provided that (a) a duplicate copy of the notice is promptly delivered by first-class or certified mail or by overnight delivery, or (b) a transmission report is generated reflecting the accurate transmission thereof. Any notice given by facsimile shall be considered to have been received on the next business day if it is received after 5:00 p.m. recipient's time or on a nonbusiness day.

City: City of San Leandro
835 East 14th Street
San Leandro, CA 94577
Attention: City Manager

Owner: San Leandro Senior Housing Associates, L.P.
600 California Street, Suite 900
San Francisco, CA 94108
Attention: Rebecca Hlebasko, General Counsel

11.4 Further Assurances. The Parties shall execute, acknowledge and deliver to the other such other documents and instruments, and take such other actions, as either shall reasonably request as may be necessary to carry out the intent of this Agreement.

11.5 Parties Not Co-Venturers. Nothing in this Agreement is intended to or shall establish the Parties as partners, co-venturers, or principal and agent with one another.

11.6 Action by the City. Except as may be otherwise specifically provided herein, whenever any approval, notice, direction, consent or request by the City is required or permitted under this Agreement, such action shall be in writing, and such action may be given, made or taken by the City Manager or by any person who shall have been designated by the City Manager, without further approval by the city council.

11.7 Non-Liability of City and City Officials, Employees and Agents. No member, official, employee or agent of the City shall be personally liable to Owner or any successor in interest, in the event of any default or breach by the City, or for any amount of money which may become due to Owner or its successor or for any obligation of City under this Agreement.

11.8 Headings; Construction. The headings of the sections and paragraphs of this Agreement are for convenience only and shall not be used to interpret this Agreement. The

language of this Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any Party.

11.9 Time is of the Essence. Time is of the essence in the performance of this Agreement.

11.10 Governing Law. This Agreement shall be construed in accordance with the laws of the State of California without regard to principles of conflicts of law.

11.11 Attorneys' Fees and Costs. If any legal or administrative action is brought to interpret or enforce the terms of this Agreement, the prevailing party shall be entitled to recover all reasonable attorneys' fees and costs incurred in such action.

11.12 Severability. If any provision of this Agreement is held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not be affected or impaired thereby.

11.13 Entire Agreement; Exhibits. This Agreement, together with the City Documents contains the entire agreement of Parties with respect to the subject matter hereof, and supersedes all prior oral or written agreements between the Parties with respect thereto. The exhibits attached hereto are incorporated herein by this reference.

11.14 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one agreement.

SIGNATURES ON FOLLOWING PAGE.

IN WITNESS WHEREOF, the Parties have executed this Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants as of the date first written above.

Alameda Housing Associates, L.P..

**THE CITY OF SAN LEANDRO,
a California charter city**

By: _____

By: _____
City Manager

Name: _____

ATTEST:

Title: _____

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

SIGNATURES MUST BE NOTARIZED.

Exhibit A

PROPERTY

(Attach legal description.)

EXHIBIT A

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

PARCEL ONE:

Parcel 1, as shown on Parcel Map 10213, filed September 26, 2014, in Book 326, Pages 79 through 87, Alameda County Records.

RESERVING THEREFROM:

A non-exclusive pedestrian easement, appurtenant to Parcels 2, 3 and 4, of said Parcel Map 10213, over that portion thereof designated as "6' Pedestrian Easement benefiting Parcels 2, 3 & 4" on said Parcel Map 10213.

ALSO RESERVING THEREFROM:

A non-exclusive driveway easement, appurtenant to Parcels 2, 3 and 4, of said Parcel Map 10213, over that portion thereof designated as "25' Driveway Easement benefiting Parcels 2, 3 & 4" on said Parcel Map 10213.

APN 075-230-001

Exhibit E

FORM OF HOME PROMISSORY NOTE
(Attach form of HOME Promissory Note.)

SECURED PROMISSORY NOTE

(HOME Note)

\$256,761

San Leandro, California
_____, 2016

FOR VALUE RECEIVED, San Leandro Senior Housing Associates, L.P., a California limited partnership ("**Borrower**"), promises to pay to the City of San Leandro, a municipal corporation ("**City**"), in lawful money of the United States of America, the principal sum of Two Hundred Fifty-Six Thousand Seven Hundred Sixty-One Dollars (\$256,761) (the "**HOME Loan**") or so much thereof as may be advanced by City from the City's HOME Program funds pursuant to the Loan Agreement referred to below, together with interest on the outstanding principal balance in accordance with the terms and conditions described herein. Interest shall accrue on the outstanding principal balance at a rate equal to three percent (3%) simple interest per annum, commencing upon the date of disbursement thereof. Interest shall be calculated on the basis of a year of 365 days, and charged for the actual number of days elapsed.

This Secured Promissory HOME Note (this "**HOME Note**") has been executed and delivered pursuant to and in accordance with a Loan Agreement executed by and between Borrower, and the City dated as of _____, 2016 (the "**Loan Agreement**"), and is subject to the terms and conditions of the Loan Agreement, which is by this reference incorporated herein and made a part hereof. Capitalized terms used but not defined in this HOME Note shall have the meaning ascribed to such terms in the Loan Agreement.

This HOME Note will be secured by a Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing ("**Leasehold deed of Trust**") dated as of the date Borrower acquires the Ground Leasehold Interest and to be executed by Borrower for the benefit of City and encumbering the property described therein. Following Borrower's acquisition of the Ground Leasehold Interest, City shall be entitled to the benefits of the security provided by the Leasehold Deed of Trust and shall have the right to enforce the covenants and agreements contained herein, in the Regulatory Agreement once that agreement is executed by the Parties, and the Loan Agreement. The Regulatory Agreement, once executed by the Parties, shall remain effective for the full term thereof and shall survive the repayment of this HOME Note.

1. PAYMENTS

1.1. **PAYMENT DATES; MATURITY DATE.** Annual payments on this HOME Note shall be payable on a residual receipts basis with the City's proportionate share of fifty percent (50%) of all Surplus Cash (defined below) payable to City toward principal and accrued interest. The City's proportionate share of 50% of Surplus Cash shall be equal to 50% of Surplus cash times the ratio of the City's HOME Loan over the sum of all other residual receipts loans to the Project ("**City's Share of Residual Receipts**"). Payments shall be credited first to any unpaid late charges and other costs and fees then due, then to accrued interest, and then to principal. In no event shall any amount due under this HOME Note become subject to any rights, offset, deduction or counterclaim on the part of Borrower. The entire outstanding principal balance of this HOME Note, together with interest accrued

thereon and any other sums accrued hereunder shall be payable in full on the fifty-fifth (55th) anniversary of the date upon which City issues a final certificate of occupancy for the Project (“**Maturity Date**”).

1.2. ANNUAL PAYMENTS FROM SURPLUS CASH. By no later than June 1 of each year following the issuance of a final certificate of occupancy for the Project, Borrower shall pay to City the City's Share of Residual Receipts generated by the Project during the previous calendar year to reduce the indebtedness owed under this HOME Note. No later than May 1 of each year following the issuance of a final certificate of occupancy for the Project, Borrower shall provide to City Borrower’s calculation of Surplus Cash for the previous calendar year, accompanied by such supporting documentation as City may reasonably request, including without limitation, an independent audit prepared for the Project by a certified public accountant in accordance with generally accepted accounting principles. No later than November 1 of each year following issuance of the final certificate of occupancy for the Project, Borrower shall provide to City a projected budget for the following calendar year which shall include an estimate of Surplus Cash.

1.2.1. "**Surplus Cash**" shall mean for each calendar year during the term hereof, the amount by which Gross Revenue (defined below) exceeds Annual Operating Expenses (defined below) for the Project. Surplus Cash shall also include net cash proceeds realized from any refinancing of the Project, less fees and closing costs reasonably incurred in connection with such refinancing, and any City-approved uses of the net cash proceeds of the refinancing including but not limited to the costs of rehabilitation.

1.2.2. "**Gross Revenue**" shall mean for each calendar year during the term hereof, all revenue, income, receipts and other consideration actually received by Borrower from the operation and leasing of the Project. Gross Revenue shall include, but not be limited to: all rents, fees and charges paid by tenants; Section 8 payments or other rental subsidy payments received for the dwelling units; deposits forfeited by tenants; all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance not paid to a senior lender; the proceeds of casualty insurance not paid to a senior lender or used for repairs; condemnation awards for a taking of part or all of the Property or the Improvements for a temporary period not paid to a senior lender; and the fair market value of any goods or services provided to Borrower in consideration for the leasing or other use of any part of the Project. Gross Revenue shall include any release of funds from replacement and other reserve accounts to Borrower other than for costs associated with the Project. Gross Revenue shall not include tenant security deposits, loan proceeds, capital contributions or similar advances.

1.2.3. "**Annual Operating Expenses**" shall mean for each calendar year during term hereof, the following costs reasonably and actually incurred for the operation and maintenance of the Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property taxes and assessments; debt service currently due and payable on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Project) on loans which have been approved by the City and which are secured by deeds of trust senior in priority to the Leasehold Deed of Trust ("**Approved Senior Loans**"); property management fees consistent with the industry standard (or such higher amount as may be required by the holder of an Approved Senior Loan or pursuant to a City-approved property management contract executed by Borrower for the Project), increasing annually at the rate of

the net percentage change in the Consumer Price Index, All Urban Consumers (All Items), for the San Francisco/Oakland Metropolitan Area as published by the U.S. Department of Labor Statistics (“**Index**”) based upon the published index value for January of the year in which the adjustment is to be made; property management staff salaries; premiums for property damage, liability and other insurance; utility service costs not paid for directly or indirectly by tenants; maintenance and repair costs; fees for licenses and permits required for the operation of the Project; organizational costs (e.g., annual franchise tax payments) and costs associated with accounting, tax preparation and legal fees of Borrower incurred in the ordinary course of business; expenses for security services; advertising and marketing costs; payment of deductibles in connection with casualty insurance claims not paid from reserves; tenant services and activities; the amount of uninsured losses actually replaced, repaired or restored and not paid from reserves; cash deposits into reserves for capital replacements in an amount no more than \$350 per unit per year or such greater amount as reasonably required the holder of an Approved Senior Loan or by Borrower with the written approval of City; cash deposits into operating reserves or other reserves in the amount (if any) required by the holder of an Approved Senior Loan or reasonably required by Borrower and approved in writing by City; lender fees and costs, developer fees not yet paid and consistent with the Financing Plan or otherwise approved by the City, partnership management fees equal to \$30,000 per year, increasing by 3.5% annually, and asset management fees equal to \$7,500 per year, increasing by 3.5% annually and other ordinary and reasonable operating expenses; and extraordinary operating costs approved in writing by the City. Subject to Section 1.3, payments to Borrower, its partners or affiliates in excess of the limitations set forth in this Section shall not be counted toward Annual Operating Expenses for the purpose of calculating Surplus Cash.

1.3. EXCLUSIONS FROM ANNUAL OPERATING EXPENSES. Annual Operating Expenses shall exclude the following: developer fees and interest on any deferred developer fees (except as permitted pursuant to Section 1.2.3); contributions to Project operating reserves (except as permitted pursuant to Section 1.2.3); debt service payments on any loan which is not an Approved Senior Loan, including without limitation, unsecured loans or loans secured by deeds of trust which are subordinate to the Leasehold Deed of Trust; depreciation, amortization, depletion or other non-cash expenses; expenses paid for with disbursements from any reserve account; distributions to partners; any amount paid to Borrower, any general partner of Borrower, or any entity controlled by the persons or entities in control of Borrower or any general partner of Borrower. Notwithstanding the foregoing limitation regarding payments to Borrower and related parties, the following fees shall be included in Annual Operating Expenses in accordance with the limitations set forth in Section 1.2.3 above even if paid to an affiliate of Borrower or a partner of Borrower: fees paid to a property management agent or resident services agent, partnership management fees, and asset management fees. . In addition, repayment of cash advances by the partnership or the partners to cover operating expense deficits or emergency cash needs of the Project or to cover indemnities or other expenses permitted pursuant to Section 1.2.3 and any tax credit adjustors paid or owed shall be permitted operating expenses.

1.4. DUE ON SALE. The entire unpaid principal balance and all interest and other sums accrued hereunder shall be due and payable upon the Transfer (as defined in Section 7.2 of the Loan Agreement) absent City consent, of all or any part of the Project or the Property or any interest therein other than a Transfer permitted without City consent pursuant to the Loan Agreement. Without limiting the generality of the foregoing, this HOME Note shall not be assumable without City’s prior written consent, which consent may be granted or denied

in City's sole discretion; provided however, this HOME Note may be assumed in connection with a Transfer to an affiliate of the Borrower as described in Section 7.3 of the Loan Agreement.

1.5. PREPAYMENT. Borrower may, without premium or penalty, at any time and from time to time, prepay all or any portion of the outstanding principal balance due under this HOME Note, provided that each such prepayment is accompanied by accrued interest on the amount of principal prepaid calculated to the date of such prepayment. Prepayments shall be applied first to any unpaid late charges and other costs and fees then due, then to accrued but unpaid interest, and then to principal.

1.6. MANNER OF PAYMENT. All payments of principal and interest on this HOME Note shall be made to City at 835 East 14th Street, San Leandro, California 94577 or such other place as City shall designate to Borrower in writing, or by wire transfer of immediately available funds to an account designated by City in writing.

2. DEFAULTS AND REMEDIES.

2.1. EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an event of default hereunder ("**Event of Default**"):

(A) Borrower fails to pay when due the principal and interest payable hereunder and such failure continues for thirty (30) days after City notifies Borrower thereof in writing.

(B) Pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors ("**Bankruptcy Law**"), Borrower or any general partner thereof (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against Borrower or any general partner thereof in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for Borrower or any general partner thereof; (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due.

(C) A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against Borrower or any general partner thereof in an involuntary case, (ii) appoints a trustee, receiver, assignee, liquidator or similar official for Borrower or any general partner thereof or substantially all of such entity's assets, (iii) orders the liquidation of Borrower or any general partner thereof, or (iv) issues or levies a judgment, writ, warrant of attachment or similar process against the Property or the Project, and in each case the order or decree is not released, vacated, dismissed or fully bonded within 60 days after its issuance.

(D) The occurrence of a Transfer in violation of Article VII of the Loan Agreement.

(E) A default is declared under any debt instrument secured by a mortgage or deed of trust on the Project or the Property and remains uncured beyond any applicable cure period such that the holder of such instrument has the right to accelerate payment thereunder.

(F) Borrower fails to maintain insurance on the Borrower's interest in the Property and the Project as required pursuant to the City Documents and Borrower fails to cure such default within 10 days.

(G) Subject to Borrower's right to contest the following charges pursuant to the City Documents, if Borrower fails to pay taxes or assessments due on the Property or the Project or fails to pay any other charge that may result in a lien on the Property or the Project, and Borrower fails to cure such default within 10 days.

(H) If any representation or warranty contained in any City Document, or any certificate furnished in connection therewith, or in connection with any request for disbursement of the proceeds of the HOME Loan (the "**HOME Loan Proceeds**") proves to have been false or misleading in any material adverse respect when made and continues to be materially adverse to the City, subject to the notice and cure provisions set forth in Section 10.1(g) of the Loan Agreement.

(I) An Event of Default shall have been declared under the Regulatory Agreement or any City Document, and remains uncured beyond the expiration of any applicable cure period.

2.2. **REMEDIES.** Upon the occurrence of an Event of Default hereunder, City may, at its option (i) by written notice to Borrower, declare the entire unpaid principal balance of this HOME Note, together with all accrued interest thereon and all sums due hereunder, immediately due and payable regardless of any prior forbearance, (ii) exercise any and all rights and remedies available to it under applicable law, and (iii) exercise any and all rights and remedies available to City under this HOME Note and the other City Documents, including without limitation the right to pursue foreclosure under the Leasehold Deed of Trust. Borrower shall pay all reasonable costs and expenses incurred by or on behalf of City including, without limitation, reasonable attorneys' fees, incurred in connection with City's enforcement of this HOME Note and the exercise of any or all of its rights and remedies hereunder and all such sums shall be a part of the indebtedness secured by the Leasehold Deed of Trust. The rights and remedies of City under this HOME Note shall be cumulative and not alternative.

2.3. **DEFAULT RATE.** Upon the occurrence of an Event of Default, interest shall automatically be increased without notice to the rate of ten percent (10%) per annum (the "**Default Rate**"); provided however, if any payment due hereunder is not paid when due, the Default Rate shall apply commencing upon the due date for such payment. When Borrower is no longer in default, the Default Rate shall no longer apply, and the interest rate shall once again be the rate specified in the first paragraph of this HOME Note. Notwithstanding the foregoing provisions, if the interest rate charged exceeds the maximum legal rate of interest, the rate shall be the maximum rate permitted by law. The imposition or acceptance of the Default Rate shall in no event constitute a waiver of a default under this HOME Note or prevent City from exercising any of its other rights or remedies.

3. **MISCELLANEOUS**

3.1. **WAIVERS; BORROWER'S WAIVERS.** No waiver by City of any right or remedy under this HOME Note shall be effective unless in a writing signed by City. Neither the failure nor any delay in exercising any right, power or privilege under this HOME Note will operate as a waiver of such right, power or privilege, and no single or partial exercise of

any such right, power or privilege by City will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. No waiver that may be given by City will be applicable except in the specific instance for which it is given. No notice to or demand on Borrower will be deemed to be a waiver of any obligation of Borrower or of the right of City to take further action without notice or demand as provided in this HOME Note.

To the maximum extent permitted by applicable law Borrower hereby waives presentment, demand, protest, notices of dishonor and of protest and all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this HOME Note, in whole or in part, whether before or after maturity and with or without notice.

3.2. NOTICES. Any notice required or permitted to be given hereunder shall be given in accordance with Section 12.4 of the Loan Agreement.

3.3. SEVERABILITY. If any provision in this HOME Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this HOME Note will remain in full force and effect. Any provision of this HOME Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

3.4. GOVERNING LAW; VENUE. This HOME Note shall be governed by the laws of the State of California without regard to principles of conflicts of laws. Any legal action filed in connection with this HOME Note shall be filed in the Superior Court of Alameda County, California, or in the Federal District Court for the Northern District of California.

3.5. PARTIES IN INTEREST. This HOME Note shall bind Borrower and its successors and assigns and shall accrue to the benefit of City and its successors and assigns.

3.6. SECTION HEADINGS, CONSTRUCTION. The headings of Sections in this HOME Note are provided for convenience only and will not affect its construction or interpretation.

3.7. RELATIONSHIP OF THE PARTIES. The relationship of Borrower and City under this HOME Note is solely that of borrower and lender, and the loan evidenced by this HOME Note and secured by the Leasehold Deed of Trust will in no manner make City the partner or joint venturer of Borrower.

3.8. TIME IS OF THE ESSENCE. Time is of the essence with respect to every provision of this HOME Note.

3.9. NONRECOURSE. Except as expressly provided in this Section 3.9, neither Borrower nor its partners shall have personal liability for payment of the principal of, or interest on, this HOME Note, and the sole recourse of City with respect to the payment of the principal of, and interest on, this HOME Note shall be to the Project, the leasehold interest in the Property and any other collateral held by City as security for this HOME Note; provided however, nothing contained in the foregoing limitation of liability shall:

(A) impair the enforcement against all such security for the HOME Loan of all the rights and remedies of the City under the Leasehold Deed of Trust and any financing statements City files in connection with the HOME Loan as each of the foregoing may be amended, modified, or restated from time to time;

(B) impair the right of City to bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable City to enforce and realize upon the Leasehold Deed of Trust, the interest in the Project and the Property created thereby and any other collateral given to City in connection with the indebtedness evidenced hereby and to name the Borrower as party defendant in any such action;

(C) be deemed in any way to impair the right of the City to assert the unpaid principal amount of the HOME Loan as a demand for money within the meaning of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto;

(D) constitute a waiver of any right which City may have under any bankruptcy law to file a claim for the full amount of the indebtedness owed to City hereunder or to require that the Project and the Property shall continue to secure all of the indebtedness owed to City hereunder in accordance with this HOME Note and the Leasehold Deed of Trust; or

(E) limit or restrict the ability of City to seek or obtain a judgment against Borrower to enforce against Borrower and its general partners to:

(1) recover under Sections 3.14, 3.17, 9.1, 9.2, 11.1, and 12.2 of the Loan Agreement (pertaining to Borrower's indemnification obligations), or

(2) recover from Borrower and its general partners compensatory damages as well as other costs and expenses incurred by City (including without limitation attorney's fees and expenses) arising as a result of the occurrence of any of the following:

(a) any fraud or material misrepresentation on the part of the Borrower, any general partner thereof, or any officer, director or authorized representative of Borrower or any general partner thereof in connection with the request for or creation of the HOME Loan, or in any City Document, or in connection with any request for any action or consent by City in connection with the HOME Loan;

(b) any failure to maintain insurance on the Property and the Project as required pursuant to the City Documents;

(c) failure to pay taxes, assessments or other charges which may become liens on the Property or the Project;

(d) the presence of hazardous or toxic material or waste on the Borrower's interest in the Property or other violation of the Borrower's obligations under Section 9.1 of the Loan Agreement or Section 7.9 of the Deed of Trust (pertaining to environmental matters);

(e) the occurrence of any act or omission of Borrower that results in waste to or of the Project or the Property and which has a material adverse effect on the value of the Project or the Property;

(f) the material misapplication of the HOME Loan Proceeds;

(g) the removal or disposal of any personal property or fixtures or the retention of rents, insurance proceeds, or condemnation awards in violation of the Leasehold Deed of Trust; and

(h) the material misapplication of the proceeds of any insurance policy or award resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Project or the Property.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, Borrower has executed and delivered this HOME Note as of the date first written above.

BRIDGE Senior Housing Associates, L.P., a California limited partnership

San Leandro Senior Housing Associates, L.P.
a California limited partnership

By: _____

Name: _____

Title: _____

Exhibit F

FORM OF LEASEHOLD DEED OF TRUST
(Attach form of Leasehold Deed of Trust.)

Recording requested by and when recorded mail to:

City of San Leandro
835 East 14th Street
San Leandro, CA 94577
Attn: Executive Director

EXEMPT FROM RECORDING FEES
PER
GOVERNMENT CODE §§6103, 27383

Space above this line for Recorder's use.

**LEASEHOLD DEED OF TRUST, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

THIS LEASEHOLD DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "**Leasehold Deed of Trust**") is made as of _____, 2016, by San Leandro Senior Housing Associates, L.P. , a California Limited Liability Company ("**Trustor**") to _____ as trustee ("**Trustee**"), for the benefit of the City of San Leandro, a California Charter City ("**Beneficiary**").

RECITALS

A. Trustor has a lease for the possession of certain real property located at 525 West Juana Ave, San Leandro, CA 94577 in the City of San Leandro, California, known as Alameda County Assessor's Parcel Number Parcel 1 Of Parcel Map 10213, and more particularly described in Exhibit A attached hereto and incorporated herein (the "**Land**"). The person or entity with fee title simple to the Property has provided Trustor with permission to build upon the Property. Trustor intends to construct an 85-unit senior rental housing development on the Land and related improvements (the "**Project**").

B. City is a participating jurisdiction in the Alameda County HOME Consortium ("**Consortium**") and is a recipient of funds pursuant to the HOME investment Partnership Act, established by the National Affordable Housing Act of 1990 (42 U.S.C. § 12471 *et seq.*, ("**HOME Program**") that are subject to certain restrictions established by the United States Department of Housing and Urban Development ("**HUD**") under 24 CFR 92.

C. Beneficiary and Trustor have entered into a Loan Agreement dated as of _____, 2016 (the "**Loan Agreement**") pursuant to which Beneficiary will provide a loan to Trustor in the amount of up to Two Hundred Fifty-Six Thousand Seven Hundred Sixty-One Dollars (\$256,761) from HOME Program Funds ("**HOME Loan**") for the purpose of partially financing the Project. Trustor has issued to Beneficiary a secured promissory note dated as of the date hereof (the "**HOME Note**") to evidence Trustor's obligation to repay the HOME Loan. Pursuant to the Loan Agreement Beneficiary will also provide a loan to Trustor in

the amount of up to Seven Hundred Forty-Three Thousand Two Hundred Thirty-Nine Dollars (\$743,239) from the City of San Leandro's General Fund ("City Loan") for the purpose of partially financing the Project. Trustor has issued to Beneficiary a secured promissory note dated as of the date hereof (the "City Note") to evidence Trustor's obligation to repay the City Loan.

D. A Memorandum of the Loan Agreement will be recorded in the Official Records of Alameda County concurrently herewith. This Leasehold Deed of Trust, the HOME Note, the City Note and the Regulatory Agreement (defined below) are collectively referred to herein as the "City Documents."

E. As a condition precedent to the making of the City Loan and HOME Loan, Beneficiary has required that Trustor enter into this Leasehold Deed of Trust and grant to Trustee for the benefit of Beneficiary, a lien and security interest in the Project and in Trustor's leasehold interest in the Land to secure repayment of the City Note and Home Note, and performance of Trustor's obligations under the Loan Agreement and the other City Documents.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows.

1. Grant in Trust. In consideration of the foregoing and for the purpose of securing payment and performance of the Secured Obligations defined and described in Section 2, Trustor hereby irrevocably and unconditionally grants, conveys, transfers and assigns to Trustee, in trust for the benefit of Beneficiary, with right of entry and possession, all estate, right, title and interest which Trustor now has or may later acquire in and to the Land, and all of the following, whether presently leased or hereafter acquired:

a. All buildings, structures, and improvements, now or hereafter located or constructed on the Land ("**Improvements**");

b. All appurtenances, easements, rights of way, pipes, transmission lines or wires and other rights used in connection with the Land or the Improvements or as a means of access thereto, whether now or hereafter owned or constructed or placed upon or in the Land or Improvements and all existing and future privileges, rights, franchises and tenements of the Land, including all minerals, oils, gas and other commercially valuable substances which may be in, under or produced from any part of the Land, and all water rights, rights of way, gores or strips of land, and any land lying in the streets, ways, and alleys, open or proposed, in front of or adjoining the Land and Improvements (collectively, "**Appurtenances**");

c. All machinery, equipment, fixtures, goods and other personal property of the Trustor, whether moveable or not, now owned or hereafter acquired by the Trustor and now or hereafter located at or used in connection with the Land, the Improvements or Appurtenances, and all improvements, restorations, replacements, repairs, additions or substitutions thereto (collectively, "**Equipment**");

d. All existing and future leases, subleases, licenses, and other agreements relating to the use or occupancy of all or any portion of the Land or Improvements (collectively, "**Leases**"), all amendments, extensions, renewals or modifications thereof, and all rent, royalties, or other

payments which may now or hereafter accrue or otherwise become payable thereunder to or for the benefit of Trustor, including but not limited to security deposits (collectively, “**Rents**”);

e. All insurance proceeds and any other proceeds from the Land, Improvements, Appurtenances, Equipment, Leases, and Rents, including without limitation, all deposits made with or other security deposits given to utility companies, all claims or demands relating to insurance awards which the Trustor now has or may hereafter acquire, including all advance payments of insurance premiums made by Trustor, and all condemnation awards or payments now or later made in connection with any condemnation or eminent domain proceeding (“**Proceeds**”);

f. All revenues, income, rents, royalties, payments and profits produced by the Land, Improvements, Appurtenances and Equipment, whether now owned or hereafter acquired by Trustor (“**Gross Revenues**”);

g. All architectural, structural and mechanical plans, specifications, design documents and studies produced in connection with development of the Land and construction of the Improvements (collectively, “**Plans**”); and

h. All interests and rights in any private or governmental grants, subsidies, loans or other financing provided in connection with development of the Land and construction of the Improvements (collectively, “**Financing**”).

All of the above-referenced interests of Trustor in the Land, Improvements, Appurtenances, Equipment, Leases, Rents, Proceeds, Gross Revenues, Plans and Financing as hereby conveyed to Trustee or made subject to the security interest herein described are collectively referred to herein as the “**Property**.”

2. Obligations Secured. This Leasehold Deed of Trust is given for the purpose of securing payment and performance of the following (collectively, the “**Secured Obligations**”): (i) all present and future indebtedness evidenced by the City Note and HOME Note (together the “**Notes**”) and any amendment thereof, including principal, interest and all other amounts payable under the terms of the Note; (ii) all present and future obligations of Trustor to Beneficiary under the Loan Agreement, the Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants dated as of the date hereof, executed by and among City and Trustor and recorded substantially concurrently herewith (the “**Regulatory Agreement**”) or the other City Documents; (iii) all additional present and future obligations of Trustor to Beneficiary under any other agreement or instrument acknowledged by Trustor (whether existing now or in the future) which states that it is or such obligations are, secured by this Leasehold Deed of Trust; (iv) all obligations of Trustor to Beneficiary under all modifications, supplements, amendments, renewals, or extensions of any of the foregoing, whether evidenced by new or additional documents; and (v) reimbursement of all amounts advanced by or on behalf of Beneficiary to protect Beneficiary’s interests under this Leasehold Deed of Trust or any other City Document as such may be modified, supplemented, amended, renewed or extended.

3. Assignment of Rents, Issues, and Profits. Trustor hereby irrevocably, absolutely, presently and unconditionally assigns to Beneficiary the Rents, royalties, issues, profits, revenue,

income and proceeds of the Property. This is an absolute assignment and not an assignment for security only. Beneficiary hereby confers upon Trustor a license to collect and retain such Rents, royalties, issues, profits, revenue, income and proceeds as they become due and payable prior to any Event of Default hereunder. Upon the occurrence of any such Event of Default, Beneficiary may terminate such license without notice to or demand upon Trustor and without regard to the adequacy of any security for the indebtedness hereby secured, and may either in person, by agent, or by a receiver to be appointed by a court, enter upon and take possession of the Property or any part thereof, and sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, to any indebtedness secured hereby, and in such order as Beneficiary may determine. Beneficiary's right to the rents, royalties, issues, profits, revenue, income and proceeds of the Property does not depend upon whether or not Beneficiary takes possession of the Property. The entering upon and taking possession of the Property, the collection of such rents, issues, and profits, and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. If an Event of Default occurs while Beneficiary is in possession of all or part of the Property and/or is collecting and applying Rents as permitted under this Leasehold Deed of Trust, Beneficiary, Trustee and any receiver shall nevertheless be entitled to exercise and invoke every right and remedy afforded any of them under this Leasehold Deed of Trust and at law or in equity, including the right to exercise the power of sale granted hereunder. Regardless of whether or not Beneficiary, in person or by agent, takes actual possession of the Land or the Improvements, Beneficiary shall not be deemed to be a "mortgagee in possession," shall not be responsible for performing any obligation of Trustor under any Lease, shall not be liable in any manner for the Property, or the use, occupancy, enjoyment or operation of any part of it, and shall not be responsible for any waste committed by Trustor, lessees or any third parties, or for dangerous or defective condition of the Property or any negligence in the management, repair or control of the Property. Absent Beneficiary's written consent, Trustor shall not accept prepayment of Rents for any rental period exceeding one month.

4. Security Agreement. The parties intend for this Leasehold Deed of Trust to create a lien on the Property, and an absolute assignment of the Rents and Leases, all in favor of Beneficiary, subject to the rights of any beneficiaries under deeds of trust senior in priority to this Leasehold Deed of Trust ("**Senior Deeds of Trust**"). The parties acknowledge that some of the Property may be determined under applicable law to be personal property or fixtures. To the extent that any Property may be or be determined to be personal property, Trustor as debtor hereby grants to Beneficiary as secured party a security interest in all such Property to secure payment and performance of the Secured Obligations. This Leasehold Deed of Trust constitutes a security agreement under the California Uniform Commercial Code, as amended or recodified from time to time (the "**UCC**"), covering all such Property. To the extent such Property is not real property encumbered by the lien granted above, and is not absolutely assigned by the assignment set forth above, it is the intention of the parties that such Property shall constitute "proceeds, products, offspring, rents, or profits" (as defined in and for the purposes of Section 552(b) of the United States Bankruptcy Code, as such section may be modified or supplemented) of the Land and Improvements.

5. Financing Statements. Pursuant to the UCC, Trustor, as debtor, hereby authorizes Beneficiary, as secured party, to file such financing statements and amendments thereof and such

continuation statements with respect thereto as Beneficiary may deem appropriate to perfect and preserve Beneficiary's security interest in the Property and Rents, without requiring any signature or further authorization by Trustor. If requested by Beneficiary, Trustor shall pay all fees and costs that Beneficiary may incur in filing such documents in public offices and in obtaining such record searches as Beneficiary may reasonably require. If any financing statement or other document is filed in the records normally pertaining to personal property, that filing shall not be construed as in any way derogating from or impairing this Leasehold Deed of Trust or the rights or obligations of the parties under it.

Everything used in connection with the Property and/or adapted for use therein and/or which is described or reflected in this Leasehold Deed of Trust is, and at all times and for all purposes and in all proceedings both legal or equitable shall be regarded as part of the estate encumbered by this Leasehold Deed of Trust irrespective of whether (i) any such item is physically attached to the Improvements, (ii) serial numbers are used for the better identification of certain equipment items capable of being thus identified in a recital contained herein or in any list filed with Beneficiary, or (iii) any such item is referred to or reflected in any such financing statement so filed at any time. Similarly, the mention in any such financing statement of (1) rights in or to the proceeds of any fire and/or hazard insurance policy, or (2) any award in eminent domain proceedings for a taking or for lessening of value, or (3) Trustor's interest as lessor in any present or future lease or rights to income growing out of the use and/or occupancy of the property conveyed hereby, whether pursuant to lease or otherwise, shall not be construed as in any way altering any of the rights of Beneficiary as determined by this instrument or impugning the priority of Beneficiary's lien granted hereby or by any other recorded document. Such mention in any financing statement is declared to be solely for the protection of Beneficiary in the event any court or judge shall at any time hold, with respect to the matters set forth in the foregoing clauses (1), (2), and (3), that notice of Beneficiary's priority of interest is required in order to be effective against a particular class of persons, including but not limited to the federal government and any subdivisions or entity of the federal government.

6. Fixture Filing. Subject to the rights of beneficiaries under Senior Deeds of Trust, this Leasehold Deed of Trust is intended to be and constitutes a fixture filing pursuant to the provisions of the UCC with respect to all of the Property constituting fixtures, is being recorded as a fixture financing statement and filing under the UCC, and covers property, goods and equipment which are or are to become fixtures related to the Land and the Improvements. Trustor covenants and agrees that this Leasehold Deed of Trust is to be filed in the real estate records of Alameda County and shall also operate from the date of such filing as a fixture filing in accordance with Section 9502 and other applicable provisions of the UCC. This Leasehold Deed of Trust shall also be effective as a financing statement covering minerals or the like (including oil and gas) and accounts subject to the UCC, as amended. Trustor shall be deemed to be the "debtor" and Beneficiary shall be deemed to be the "secured party" for all purposes under the UCC.

7. Trustor's Representations, Warranties and Covenants; Rights and Duties of the Parties.

7.1 Representations and Warranties. Trustor represents and warrants that: (i) Trustor lawfully possesses and holds a leasehold interest in the Land and the Improvements; (ii) Trustor has the full and unlimited power, right and authority to encumber the Property and assign the

Rents; (iii) subject only to encumbrances of record and senior liens permitted pursuant to the City Documents or otherwise approved in writing by Beneficiary (“**Permitted Encumbrances**”), this Leasehold Deed of Trust creates a valid lien on Trustor’s entire interest in the Property; (iv) except with respect to Permitted Encumbrances, Trustor leases the Property free and clear of any deeds of trust, mortgages, security agreements, reservations of title or conditional sales contracts, (v) there is no financing statement affecting the Property on file in any public office other than as disclosed in writing to Beneficiary; and (vi) the correct address of Trustor’s chief executive office is specified in Section 10.2.

Trustor further represents and warrants that this Leasehold Deed of Trust and all other documents delivered or to be delivered by Trustor in connection herewith: (a) have been duly authorized, executed, and delivered by Trustor; (b) are binding obligations of Trustor; and (c) do not violate the provisions of any agreement to which Trustor is a party or which affects the Property. Trustor further represents and warrants that there are no pending, or to Trustor’s knowledge, threatened actions or proceedings before any court or administrative agency which may adversely affect Trustor’s ownership of the Property.

7.2 Payment and Performance of Secured Obligations. Trustor shall promptly pay when due the principal and any interest due on the indebtedness evidenced by the Notes, and shall promptly pay and perform all other obligations of Trustor arising in connection with the Secured Obligations or the City Documents in accordance with the respective terms thereof.

7.3 Use of Loan Proceeds; Preservation and Maintenance of Property; Compliance with Laws. Trustor covenants that it shall use the proceeds of the City Loan (the “**City Loan Proceeds**”) and the proceeds of the HOME Loan (the “**HOME Loan Proceeds**”) solely for purposes authorized by the City Documents. Trustor shall keep the Land and Improvements in good repair and condition, and from time to time shall make necessary repairs, renewals and replacements thereto so that the Property shall be preserved and maintained. Trustor covenants to comply with all federal, state and local laws, regulations, ordinances and rules applicable to the Property and the Project, including without limitation all applicable requirements of state and local building codes and regulations, and all applicable statutes and regulations relating to accessibility for the disabled. Trustor shall not remove, demolish or materially alter any Improvement without Beneficiary’s consent, shall complete or restore promptly and in good and workmanlike manner any building, fixture or other improvement which may be constructed, damaged, or destroyed thereon, and shall pay when due all claims for labor performed and materials furnished therefor. Trustor shall use the Land and Improvements solely for purposes authorized by the City Documents, shall not commit or allow waste of the Property, and shall not commit or allow any act upon or use of the Property which would violate any applicable law or order of any governmental authority, nor shall Trustor bring on or keep any article on the Property or cause or allow any condition to exist thereon which could invalidate or which would be prohibited by any insurance coverage required to be maintained on the Property pursuant to the City Documents.

7.4 Restrictions on Conveyance and Encumbrance; Acceleration. It shall be an Event of Default hereunder if any Transfer (as defined in the Loan Agreement) of the Property, any part thereof or any interest therein occurs in violation of the requirements of the City Documents, including the Loan Agreement. If any such Transfer occurs in violation of such requirements,

without limiting the provisions of Section 8 hereof, all obligations secured by this Leasehold Deed of Trust, irrespective of the maturity dates of such obligations, shall at the option of Beneficiary, and without demand, immediately become due and payable, subject to any applicable cure period.

7.5 Inspections; Books and Records. Beneficiary and its agents and representatives shall have the right at any reasonable time upon reasonable notice to enter upon the Land and inspect the Property to ensure compliance with the City Documents. Trustor shall maintain complete and accurate books of account and other records (including copies of supporting bills and invoices) adequate to document the use of the City Loan Proceeds and HOME Loan Proceeds and the operation of the Property, together with copies of all written contracts, Leases and other instruments which affect the Property. The books, records, contracts, Leases and other instruments shall be subject to examination and inspection at any reasonable time by Beneficiary following two business days prior notice.

7.6 Charges, Liens, Taxes and Assessments. Trustor shall pay before delinquency all taxes, levies, assessments and other charges affecting the Property that are (or if not paid may become) a lien on all or part of the Property, or shall ensure such charges are paid by a third party. Trustor may, at Trustor's expense, contest the validity or application of any tax, levy, assessment or charge affecting the Property by appropriate legal proceedings promptly initiated and conducted in good faith and with due diligence, provided that (i) Beneficiary is reasonably satisfied that neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, or lost as a result of such contest, and (ii) Trustor shall have posted a bond or furnished other security as may reasonably be required from time to time by Beneficiary; and provided further that Trustor shall timely make any payment necessary to prevent a lien foreclosure, sale, forfeiture or loss of the Property.

7.7 Subrogation. Beneficiary shall be subrogated to the liens of all encumbrances, whether released of record or not, which are discharged in whole or in part by Beneficiary in accordance with this Leasehold Deed of Trust.

7.8 Hazard, Liability and Workers' Compensation Insurance. At all times during the term hereof, Trustor shall at Trustor's expense, maintain insurance policies in accordance with the requirements set forth in the City Documents. Trustor shall file with Beneficiary prior to the commencement of the term hereof, certificates (or such other proof as Beneficiary may reasonably require, including without limitation copies of the required insurance policies) evidencing each of the insurance policies and endorsements thereto as required pursuant to the City Documents, and such certificates (or policies) shall provide that at least thirty (30) days' prior written notice shall be provided to Beneficiary prior to the expiration, cancellation or change in coverage under each such policy. If any insurance policy required pursuant to the City Documents is canceled or the coverage provided thereunder is reduced, Trustor shall, within twenty one (21) days after receipt of written notice of such cancellation or reduction in coverage, but in no event later than the effective date of cancellation or reduction, file with Beneficiary a certificate showing that the required insurance has been reinstated or provided through another insurance company or companies. Upon failure to so file such certificate, Beneficiary may, without further notice and at its option, procure such insurance coverage at Trustor's expense, and Trustor shall promptly reimburse Beneficiary for such expense upon receipt of billing from

Beneficiary.

7.9 Condition of Property. Trustor represents and warrants as of the date hereof that except as disclosed to Beneficiary in writing, as of the date hereof: (i) Trustor has not received any notice from any governmental authority of any threatened or pending zoning, building, fire, or health code violation or violation of other governmental regulations concerning the Land that has not previously been corrected, and no condition on the Land violates any health, safety, fire, environmental, sewage, building, or other federal, state or local law, ordinance or regulation; (ii) no contracts, licenses, leases or commitments regarding the maintenance or use of the Property or allowing any third party rights to use the Property are in force; (iii) there are no threatened or pending actions, suits, or administrative proceedings against or affecting the Property or any portion thereof or the interest of Trustor in the Property; (iv) there are no threatened or pending condemnation, eminent domain, or similar proceedings affecting the Land or any portion thereof; (v) Trustor has not received any notice from any insurer of defects of the Property which have not been corrected; (vi) there are no natural or artificial conditions upon the Land or any part thereof that could result in a material and adverse change in the condition of the Land; (vii) all information that Trustor has delivered to Beneficiary, either directly or through Trustor's agents, is accurate and complete; and (viii) Trustor or Trustor's agents have disclosed to Beneficiary all material facts concerning the Property.

7.10 Hazardous Materials. Trustor represents and warrants that except as disclosed to Beneficiary in writing, as of the date hereof to the best knowledge of Trustor: (i) the Land is free and has always been free of Hazardous Materials (as defined below) and is not and has never been in violation of any Environmental Law (as defined below); (ii) there are no buried or partially buried storage tanks located on the Land; (iii) Trustor has received no notice, warning, notice of violation, administrative complaint, judicial complaint, or other formal or informal notice alleging that conditions on the Land are or have ever been in violation of any Environmental Law or informing Trustor that the Land is subject to investigation or inquiry regarding Hazardous Materials on the Land or the potential violation of any Environmental Law; (iv) there is no monitoring program required by the Environmental Protection Agency or any other governmental agency concerning the Land; (v) no toxic or hazardous chemicals, waste, or substances of any kind have ever been spilled, disposed of, or stored on, under or at the Land, whether by accident, burying, drainage, or storage in containers, tanks, holding areas, or any other means; (vi) the Land has never been used as a dump or landfill; and (vii) Trustor has disclosed to Beneficiary all information, records, and studies in Trustor's possession or reasonably available to Trustor relating to the Land concerning Hazardous Materials.

Trustor shall not cause or permit any Hazardous Material (as defined in Section 9.3 of the Loan Agreement) to be brought upon, kept, stored or used in, on, under, or about the Land by Trustor, its agents, employees, contractors or invitees except for incidental supplies ordinarily used in the construction and operation of residential developments in compliance with all applicable laws, and shall not cause any release of Hazardous Materials into, onto, under or through the Land. If any Hazardous Material is discharged, released, dumped, or spilled in, on, under, or about the Land and results in any contamination of the Land or adjacent property, or otherwise results in the release or discharge of Hazardous Materials in, on, under or from the Land, Trustor shall promptly take all actions at its sole expense as are necessary to comply with all Environmental Laws (as defined below).

Trustor shall indemnify, defend (with counsel reasonably acceptable to Beneficiary), and hold Beneficiary and its elected and appointed officials, officers, agents and employees (collectively, “**Indemnitees**”) harmless from and against any and all loss, claim, liability, damage, demand, judgment, order, penalty, fine, injunctive or other relief, cost, expense (including reasonable fees and expenses of attorneys, expert witnesses, and other professionals advising or assisting Beneficiary), action, or cause of action (all of the foregoing, hereafter individually “**Claim**” and collectively “**Claims**”) arising in connection with the breach of Trustor’s covenants and obligations set forth in this Section 7.10 or otherwise arising in connection with the presence or release of Hazardous Materials in, on, under, or from the Property. The foregoing indemnity includes, without limitation, all costs of investigation, assessment, containment, removal, remediation of any kind, and disposal of Hazardous Materials, all costs of determining whether the Land is in compliance with Environmental Laws, all costs associated with bringing the Land into compliance with all applicable Environmental Laws, and all costs associated with claims for damages or injury to persons, property, or natural resources.

Without limiting the generality of the foregoing, Trustor shall, at Trustor’s own cost and expense, do all of the following:

- a. pay or satisfy any judgment or decree that may be entered against any Indemnitee or Indemnitees in any legal or administrative proceeding incident to any matters against which Indemnitees are entitled to be indemnified under this Leasehold Deed of Trust;
- b. reimburse Indemnitees for any expenses paid or incurred in connection with any matters against which Indemnitees are entitled to be indemnified under this Leasehold Deed of Trust; and
- c. reimburse Indemnitees for any and all expenses, including without limitation out-of-pocket expenses and fees of attorneys and expert witnesses, paid or incurred in connection with the enforcement by Indemnitees of their rights under this Leasehold Deed of Trust, or in monitoring and participating in any legal or administrative proceeding.

Trustor’s obligation to indemnify the Indemnitees shall not be limited or impaired by any of the following, or by any failure of Trustor to receive notice of or consideration for any of the following: (i) any amendment or modification of any City Document; (ii) any extensions of time for performance required by any City Document; (iii) any provision in any of the City Documents limiting Beneficiary’s recourse to property securing the Secured Obligations, or limiting the personal liability of Trustor, or any other party for payment of all or any part of the Secured Obligations; (iv) the accuracy or inaccuracy of any representation and warranty made by Trustor under this Leasehold Deed of Trust or by Trustor or any other party under any City Document, (v) the release of Trustor or any other person, by Beneficiary or by operation of law, from performance of any obligation under any City Document; (vi) the release or substitution in whole or in part of any security for the Secured Obligations; and (vii) Beneficiary’s failure to properly perfect any lien or security interest given as security for the Secured Obligations.

The provisions of this Section 7.10 shall be in addition to any and all other obligations and liabilities that Trustor may have under applicable law, and each Indemnitee shall be entitled to indemnification under this Section without regard to whether Beneficiary or that Indemnitee

has exercised any rights against the Property or any other security, pursued any rights against any guarantor or other party, or pursued any other rights available under the City Documents or applicable law. The obligations of Trustor to indemnify the Indemnitees under this Section shall survive any repayment or discharge of the Secured Obligations, any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the lien of this Leasehold Deed of Trust.

Without limiting any of the remedies provided in this Leasehold Deed of Trust, Trustor acknowledges and agrees that each of the provisions in this Section 7.10 is an environmental provision (as defined in Section 736(f)(2) of the California Code of Civil Procedure) made by Trustor relating to real property security (the “**Environmental Provisions**”), and that Trustor's failure to comply with any of the Environmental Provisions will be a breach of contract that will entitle Beneficiary to pursue the remedies provided by Section 736 of the California Code of Civil Procedure (“**Section 736**”) for the recovery of damages and for the enforcement of the Environmental Provisions. Pursuant to Section 736, Beneficiary's action for recovery of damages or enforcement of the Environmental Provisions shall not constitute an action within the meaning of Section 726(a) of the California Code of Civil Procedure or constitute a money judgment for a deficiency or a deficiency judgment within the meaning of Sections 580a, 580b, 580d, or 726(b) of the California Code of Civil Procedure.

“**Environmental Law**” means all federal, state or local statutes, ordinances, rules, regulations, orders, decrees, judgments or common law doctrines, and provisions and conditions of permits, licenses and other operating authorizations regulating, or relating to, or imposing liability or standards of conduct concerning (i) pollution or protection of the environment, including natural resources; (ii) exposure of persons, including employees and agents, to any Hazardous Material (as defined above) or other products, raw materials, chemicals or other substances; (iii) protection of the public health or welfare from the effects of by-products, wastes, emissions, discharges or releases of chemical substances from industrial or commercial activities; (iv) the manufacture, use or introduction into commerce of chemical substances, including without limitation, their manufacture, formulation, labeling, distribution, transportation, handling, storage and disposal; or (iv) the use, release or disposal of toxic or hazardous substances or Hazardous Materials or the remediation of air, surface waters, groundwaters or soil, as now or may at any later time be in effect, including but not limited to the Toxic Substances Control Act [15 U.S.C. 2601, et seq.]; the Comprehensive Environmental Response, Compensation and Liability Act [42 U.S.C. Section 9601, et seq.], the Hazardous Materials Transportation Authorization Act [49 U.S.C. Section 5101, et seq.], the Resource Conservation and Recovery Act [42 U.S.C. 6901, et seq.], the Federal Water Pollution Control Act [33 U.S.C. Section 1251], the Clean Air Act [42 U.S.C. Section 7401, et seq.], the California Underground Storage of Hazardous Substances Act [California Health and Safety Code Section 25280, et seq.], the California Hazardous Substances Account Act [California Health and Safety Code Section 25300, et seq.], the California Hazardous Waste Act [California Health and Safety Code Section 25100, et seq.], the California Safe Drinking Water and Toxic Enforcement Act [California Health and Safety Code Section 25249.5, et seq.], and the Porter-Cologne Water Quality Control Act [California Water Code Section 13000, et seq.], as they now exist or are hereafter amended, together with any regulations promulgated thereunder.

7.11 Notice of Claims; Defense of Security; Reimbursement of Costs.

a. Notice of Claims. Trustor shall provide written notice to Beneficiary of any uninsured or partially uninsured loss affecting the Property through fire, theft, liability, or property damage in excess of an aggregate of Fifty Thousand Dollars (\$50,000) within five (5) business days of the occurrence of such loss. Trustor shall ensure that Beneficiary shall receive timely notice of, and shall have a right to cure, any default under any other financing document or other lien affecting the Property and shall use best efforts to ensure that provisions mandating such notice and allowing such right to cure shall be included in all such documents. Within three business days of Trustor's receipt thereof, Trustor shall provide Beneficiary with a copy of any notice of default Trustor receives in connection with any financing document secured by the Property or any part thereof.

b. Defense of Security. At Trustor's sole expense, Trustor shall protect, preserve and defend the Property and title to and right of possession of the Property, the security of this Leasehold Deed of Trust and the rights and powers of Beneficiary and Trustee created under it, against all adverse claims.

c. Compensation; Reimbursement of Costs. Trustor agrees to pay all reasonable fees, costs and expenses charged by Beneficiary or Trustee for any service that Beneficiary or Trustee may render in connection with this Leasehold Deed of Trust, including without limitation, fees and expenses related to provision of a statement of obligations or related to a reconveyance. Trustor further agrees to pay or reimburse Beneficiary for all costs, expenses and other advances which may be incurred or made by Beneficiary or Trustee in any efforts to enforce any terms of this Leasehold Deed of Trust, including without limitation any rights or remedies afforded to Beneficiary or Trustee or both of them under Sections 7.17 and 8.2, whether or not any lawsuit is filed, or in defending any action or proceeding arising under or relating to this Leasehold Deed of Trust, including reasonable attorneys' fees and other legal costs, costs of any disposition of the Property under the power of sale granted hereunder or any judicial foreclosure, and any cost of evidence of title.

d. Notice of Changes. Trustor shall give Beneficiary prior written notice of any change in the address of Trustor and the location of any Property, including books and records pertaining to the Property.

7.12 Indemnification. Trustor shall indemnify, defend (with counsel reasonably acceptable to Beneficiary), and hold harmless the Indemnitees (as defined in Section 7.10) from and against all Claims arising directly or indirectly in any manner in connection with or as a result of (a) any breach of Trustor's covenants under any City Document, (b) any representation by Trustor in any City Document which proves to be false or misleading in any material respect when made, (c) injury or death to persons or damage to property or other loss occurring on the Land or in any improvement located thereon, whether caused by the negligence or any other act or omission of Trustor or any other person or by negligent, faulty, inadequate or defective design, building, construction or maintenance or any other condition or otherwise, (d) any claim, demand or cause of action, or any action or other proceeding, whether meritorious or not, brought or asserted against any Indemnitee which relates to or arises out of the Property, or any City Document or any transaction contemplated thereby, or any failure of Trustor to comply with

all applicable state, federal and local laws and regulations applicable to the Property, provided that no Indemnitee shall be entitled to indemnification under this Section for matters caused by such Indemnitee's gross negligence or willful misconduct. The obligations of Trustor under this Section shall survive the repayment of the Loan and shall be secured by this Leasehold Deed of Trust. Notwithstanding any contrary provision contained herein, the obligations of Trustor under this Section shall survive any foreclosure proceeding, any foreclosure sale, any delivery of a deed in lieu of foreclosure, and any release or reconveyance of this Leasehold Deed of Trust.

7.13. Limitation of Liability. Beneficiary shall not be directly or indirectly liable to Trustor or any other person as a consequence of any of the following: (i) Beneficiary's exercise of or failure to exercise any rights, remedies or powers granted to Beneficiary in this Leasehold Deed of Trust; (ii) Beneficiary's failure or refusal to perform or discharge any obligation or liability of Trustor under any agreement related to the Property or under this Leasehold Deed of Trust; (iii) any waste committed by Trustor, the lessees of the Property or any third parties, or any dangerous or defective condition of the Property; or (iv) any loss sustained by Trustor or any third party resulting from any act or omission of Beneficiary in managing the Property after an Event of Default, unless the loss is caused by the willful misconduct, gross negligence, or bad faith of Beneficiary. Trustor hereby expressly waives and releases all liability of the types described in this Section 7.13, and agrees that Trustor shall assert no claim related to any of the foregoing against Beneficiary.

7.14 Insurance and Condemnation Proceeds. Subject to the rights of any senior lienholders, and notwithstanding anything contained in any of the City Documents, unless Beneficiary and Trustor otherwise agree in writing, any award of damages in connection with any condemnation for public use of, or injury to the Property or any part thereof shall be applied to restoration or repair of the Property, provided Trustor determines that such restoration or repair is economically feasible and there is no default under any City Document that is continuing beyond the expiration of all applicable cure periods. If Trustor determines that such restoration or repair is not economically feasible or if a default exists after expiration of all applicable cure periods, the insurance proceeds shall be applied to the sums secured by this Leasehold Deed of Trust, with the excess, if any, paid to Trustor. In the event funds for such work are insufficient, Beneficiary may, in its sole discretion and subject to the approval of Beneficiary's governing board, advance such additional funds as may be necessary to allow the Property to be repaired or restored, and may add the amount thereof to the principal balance of the Notes. If the Property is abandoned by Trustor, or if Trustor fails to respond to Beneficiary within 30 days from the date notice is mailed by Beneficiary to Trustor that the insurance carrier offers to settle a claim for insurance benefits, Beneficiary is authorized to collect and apply the insurance proceeds at Beneficiary's option either to restoration or repair of the Property or to the sums secured by this Leasehold Deed of Trust

7.15 Release, Extension, Modification. At any time and from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Leasehold Deed of Trust and the Notes for endorsement, Trustee may release or reconvey all or any part of the Property, consent to the making of any map or plat of the Land or part thereof, join in granting any easement or creating any restriction affecting the Property, or join in any extension agreement or other agreement affecting the lien or charge hereof. At any time and from time to time, without liability therefor and without notice, Beneficiary may (i) release any

person liable for payment of any Secured Obligation, (ii) extend the time for payment or otherwise alter the terms of payment of any Secured Obligation; (iii) accept additional real or personal property of any kind as security for any Secured Obligation, or (iv) substitute or release any property securing the Secured Obligations.

7.16 Reconveyance. Upon written request of Beneficiary stating that all of the Secured Obligations have been satisfied in full, and upon surrender of this Leasehold Deed of Trust, and the Notes, Trustee shall reconvey, without warranty, the Property or so much of it as is then held under this Leasehold Deed of Trust. The recitals in any reconveyance executed under this Leasehold Deed of Trust of any matters or facts shall be conclusive proof of the truthfulness thereof. Trustor shall pay all fees of Trustee and all recordation fees related to such reconveyance.

7.17 Cure; Protection of Security. Beneficiary may cure any breach or default of Trustor, and if it chooses to do so in connection with any such cure, Beneficiary may also enter the Property and/or do any and all other things which it may in its reasonable discretion consider necessary and appropriate to protect the security of this Leasehold Deed of Trust. Such other things may include: appearing in and/or defending any action or proceeding which purports to affect the security of, or the rights or powers of Beneficiary or Trustee under, this Leasehold Deed of Trust; paying, purchasing, contesting or compromising any encumbrance, charge, lien or claim of lien which in Beneficiary's sole judgment is or may be senior in priority to this Leasehold Deed of Trust, such judgment of Beneficiary to be conclusive as among Beneficiary, Trustee and Trustor; obtaining insurance and/or paying any premiums or charges for insurance required to be carried hereunder; otherwise caring for and protecting any and all of the Property; and/or employing counsel, accountants, contractors and other appropriate persons to assist Beneficiary. Beneficiary may take any of the actions permitted under this Section 7.17 either with or without giving notice, except for notices required under applicable law. Any amounts disbursed by Beneficiary pursuant to this paragraph shall become additional indebtedness secured by this Leasehold Deed of Trust.

8. Default and Remedies.

8.1 Events of Default. Trustor acknowledges and agrees that an Event of Default shall occur under this Leasehold Deed of Trust upon the occurrence of any one or more of the following events:

a. Beneficiary's declaration of an Event of Default under any City Document, subject to the expiration of any applicable cure period set forth in such document;

b. Trustor fails to perform any monetary obligation which arises under this Leasehold Deed of Trust, and does not cure that failure within 30 days following written notice from Beneficiary or Trustee;

c. If Trustor's interest in the Property or any part thereof is voluntarily or involuntarily sold, transferred, leased, encumbered, or otherwise conveyed in violation of Section 7.4 hereof or if any other Transfer occurs in violation of the Loan Agreement ;

d. Trustor fails to maintain the insurance coverage required under the City

Documents or otherwise fails to comply with the requirements of Section 7.8 hereof and Trustor fails to cure such default within the time specified in Section 10.1(d) of the Loan Agreement;

e. Subject to Trustor's right to contest such charges as provided herein, Trustor fails to pay taxes or assessments due on the Land or the Improvements or fails to pay any other charge that may result in a lien on the Land or the Improvements, and Trustor fails to cure such default within ten (10) days.

f. Any representation or warranty of Trustor contained in or made in connection with the execution and delivery of this Leasehold Deed of Trust or in any certificate or statement furnished pursuant hereto or in any other City Document proves to have been false or misleading in any material adverse respect when made;, subject to the notice and cure provisions in Section 10(g) of the Loan Agreement.

g. If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors ("**Bankruptcy Law**"), Trustor or any general partner thereof (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against Trustor or any general partner thereof in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for Trustor or any general partner thereof; (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due.

h. If a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against Trustor or any general partner thereof in an involuntary case, (ii) appoints a trustee, receiver, assignee, liquidator or similar official for Trustor or any general partner thereof or substantially all of such entity's assets, (iii) orders the liquidation of Trustor or any general partner thereof, or (iv) issues or levies a judgment, writ, warrant of attachment or similar process against the Property or the Project, and in each case the order or decree is not released, vacated, dismissed or fully bonded within 60 days after its issuance.

i. The holder of any other debt instrument secured by a mortgage or deed of trust on the Property or part thereof declares an event of default thereunder and exercises a right to declare all amounts due under that debt instrument immediately due and payable, subject to the expiration of any applicable cure period set forth in such holder's documents; or

j. Trustor fails to perform any obligation arising under this Leasehold Deed of Trust other than one enumerated in this Section 8.1, and does not cure that failure either within 30 days after written notice from Beneficiary or Trustee in the event of a monetary default, or within 60) days after such written notice in the event of a nonmonetary default, provided that in the case of a nonmonetary default that in Beneficiary's reasonable judgment cannot reasonably be cured within 60days, an Event of Default shall not arise hereunder if Trustor commences to cure such default within 60 days and thereafter prosecutes such cure to completion with due diligence and in good faith and in no event later than 120 days, or such longer period as the City may approve, following receipt of notice of default.

8.2 Remedies. Subject to the applicable notice and cure provisions set forth herein, at

any time after an Event of Default, Beneficiary and Trustee shall be entitled to invoke any and all of the rights and remedies described below, and may exercise any one or more or all, of the remedies set forth in any City Document, and any other remedy existing at law or in equity or by statute, subject to the nonrecourse provisions set forth in the Notes. All of Beneficiary's rights and remedies shall be cumulative, and the exercise of any one or more of them shall not constitute an election of remedies. Beneficiary shall be entitled to collect all expenses incurred in pursuing the remedies provided hereunder, including without limitation reasonable attorneys' fees and costs.

a. Acceleration. Beneficiary may declare any or all of the Secured Obligations, including without limitation all sums payable under the Notes and this Leasehold Deed of Trust, to be due and payable immediately.

b. Receiver. Beneficiary may apply to any court of competent jurisdiction for, and obtain appointment of, a receiver for the Property.

c. Entry. Beneficiary, in person, by agent or by court-appointed receiver, may enter, take possession of, manage and operate all or any part of the Property, and may also do any and all other things in connection with those actions that Beneficiary may in its sole discretion consider necessary and appropriate to protect the security of this Leasehold Deed of Trust. Such other things may include: taking and possessing copies of all of Trustor's or the then owner's books and records concerning the Property; entering into, enforcing, modifying, or canceling Leases on such terms and conditions as Beneficiary may consider proper; obtaining and evicting tenants; fixing or modifying Rents; collecting and receiving any payment of money owing to Trustor; completing any unfinished construction; and/or contracting for and making repairs and alterations. If Beneficiary so requests, Trustor shall assemble all of the Property that has been removed from the Land and make all of it available to Beneficiary at the site of the Land. Trustor hereby irrevocably constitutes and appoints Beneficiary as Trustor's attorney-in-fact to perform such acts and execute such documents as Beneficiary in its sole discretion may consider to be appropriate in connection with taking these measures, including endorsement of Trustor's name on any instruments.

d. UCC Remedies. Beneficiary may exercise any or all of the remedies granted to a secured party under the UCC.

e. Judicial Action. Beneficiary may bring an action in any court of competent jurisdiction to foreclose this Leasehold Deed of Trust in the manner provided by law for foreclosure of mortgages on real property and/or to obtain specific enforcement of any of the covenants or agreements of this Leasehold Deed of Trust.

f. Power of Sale. Under the power of sale hereby granted, Beneficiary shall have the discretionary right to cause some or all of the Property, including any Property which constitutes personal property, to be sold or otherwise disposed of in any combination and in any manner permitted by applicable law.

8.3 Reserved.

8.4 Trustor's Right to Reinstate. Notwithstanding Beneficiary's acceleration of the

sums secured by this Leasehold Deed of Trust, Trustor shall have the right to have any proceedings begun by Beneficiary to enforce this Leasehold Deed of Trust discontinued at any time prior to five days before sale of the Property pursuant to the power of sale contained in this Leasehold Deed of Trust or at any time prior to entry of a judgment enforcing this Leasehold Deed of Trust if: (a) Trustor pays Beneficiary all sums which would be then due under the Loan Documents if the Secured Obligations had no acceleration provision; (b) Trustor cures all breaches of any other covenants or agreements of Trustor contained in this Leasehold Deed of Trust; (c) Trustor pays all reasonable expenses incurred by Beneficiary and Trustee in enforcing the covenants and agreements of Trustor contained in this Leasehold Deed of Trust, and in enforcing Beneficiary's and Trustee's remedies as provided herein, including, but not limited to, reasonable attorney's fees; and (d) Trustor takes such action as Beneficiary may reasonably require to assure that the lien of this Leasehold Deed of Trust, Beneficiary's interest in the Property and Trustor's obligation to pay the sums secured by this Leasehold Deed of Trust shall continue unimpaired. Upon such payment and cure by Trustor, this Leasehold Deed of Trust and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

Nothing contained in Sections 8.2 and 8.4 is intended to expand upon or limit the rights of Trustor and Beneficiary under California law regarding Beneficiary's exercise of the power of sale or Trustor's reinstatement rights.

9. Trustor's Waivers. To the fullest extent permitted by law, Trustor waives: (a) all statutes of limitations as a defense to any action or proceeding brought against Trustor by Beneficiary; (b) the benefit of all laws now existing or which may hereafter be enacted providing for any appraisal, valuation, stay, extension, redemption or moratorium; (c) all rights of marshalling in the event of foreclosure; and (d) all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, notices of acceptance of this Leasehold Deed of Trust and of the existence, creation, or incurring of new or additional indebtedness, and demands and notices of every kind.

10. Miscellaneous Provisions.

10.1 Additional Provisions. The City Documents grant further rights to Beneficiary and contain further agreements and affirmative and negative covenants by Trustor which apply to this Leasehold Deed of Trust and the Property.

10.2 Notices. Trustor requests that a copy of notice of default and notice of sale be mailed to Trustor at the address set forth below. That address is also the mailing address of Trustor as debtor under the UCC. Beneficiary's address set forth below is the address for Beneficiary as secured party under the UCC. Except for any notice required under applicable law to be given in another manner, all notices to be sent pursuant to this Leasehold Deed of Trust shall be made in writing, and sent to the parties at their respective addresses specified below or to such other address as a party may designate by written notice delivered to the other parties in accordance with this Section. All such notices shall be sent by:

- a. personal delivery, in which case notice shall be deemed delivered upon

receipt;

b. certified or registered mail, return receipt requested, in which case notice shall be deemed delivered two (2) business days after deposit, postage prepaid in the United States mail;

c. nationally recognized overnight courier, in which case notice shall be deemed delivered one (1) day after deposit with such courier; or

d. facsimile transmission, in which case notice shall be deemed delivered on transmittal, provided that a transmission report is generated reflecting the accurate transmission thereof.

Beneficiary: City of San Leandro
835 East 14th Street
San Leandro, CA 94577
Attention: City Manager

Trustor: San Leandro Senior Housing Associates, L.P.
600 California Street, Suite 900
San Francisco, CA 94108
Attention: Rebecca Hlebasko, General Counsel

Trustee:

10.3 Binding on Successors. The terms, covenants and conditions of this Leasehold Deed of Trust shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, transferees, and assigns of the Trustor, Beneficiary and Trustee; provided however this Section 10.3 does not waive the provisions of Section 7.4.

10.4 Substitution of Trustee. Beneficiary may from time to time or at any time substitute a trustee or trustees to execute the trust hereby created, and when any such substitution has been filed for record in the office of the Recorder of Alameda County, it shall be conclusive evidence of the appointment of such trustee or trustees, and such new trustee or trustees shall succeed to all of the powers and duties of the Trustee named herein.

10.5 Attorneys' Fees and Costs. In any action or proceeding to foreclose this Leasehold Deed of Trust or to enforce any right of Beneficiary or of Trustee, Trustor shall pay to Beneficiary and Trustee all costs of such action or proceeding, including reasonable attorneys' fees.

10.6 Governing Law; Severability; Interpretation. This Leasehold Deed of Trust shall be governed by the laws of the State of California without regard to principles of conflicts of laws. Trustor agrees that any controversy arising under or in relation to this Leasehold Deed of

Trust shall be litigated exclusively in the jurisdiction where the Land is located (the “**Property Jurisdiction**”). The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have exclusive jurisdiction over all controversies which shall arise under or in relation to the City Documents. Trustor irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation, and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise. If any provision of this Leasehold Deed of Trust is held unenforceable or void, that provision shall be deemed severable from the remaining provisions, and shall in no way affect the validity of this Leasehold Deed of Trust. The captions used in this Leasehold Deed of Trust are for convenience only and are not intended to affect the interpretation or construction of the provisions herein contained. In this Leasehold Deed of Trust, whenever the context so requires, the singular number includes the plural.

10.7 Waiver, Modification and Amendment. Any waiver by Beneficiary of any obligation of Trustor hereunder must be in writing, and no waiver shall be construed as a continuing waiver. No waiver shall be implied from any delay or failure by Beneficiary or Trustee to take action on account of any default of Trustor. Consent by Beneficiary or Trustee to any act or omission by Trustor shall not be construed as a consent to any other or subsequent act or omission or to waive the requirement for Beneficiary’s or Trustee’s consent to be obtained in any future or other instance. No amendment to or modification of this Leasehold Deed of Trust shall be effective unless and until such amendment or modification is in writing, executed by Trustor and Beneficiary. Without limiting the generality of the foregoing, Beneficiary’s acceptance of payment of any sum secured hereby after its due date shall not constitute a waiver by Beneficiary of its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

10.8 Action By Beneficiary. Except as may be otherwise specifically provided herein, whenever any approval, notice, direction, or consent by the Beneficiary is required or permitted under this Agreement, such action shall be in writing, and such action may be given, made or taken by Beneficiary’s City Manager or by any person who shall have been designated by Beneficiary’s City Manager, without further approval by the City Council of Beneficiary. Beneficiary shall use reasonable best efforts to respond to requests for any such approval, notice, direction, or consent in a timely manner. In any approval, consent, or other determination by Beneficiary required hereunder, Beneficiary shall act reasonably and in good faith.

10.9 Joint and Several Liability. If Trustor consists of more than one person or entity, each shall be jointly and severally liable for the faithful performance of all of Trustor’s obligations under this Leasehold Deed of Trust.

10.10 Time is of the Essence. Time is of the essence for each provision of this Leasehold Deed of Trust.

10.11 Partial Subordination to Extended Use Agreement. This section shall apply if Trustor or Trustor’s successor in interest and the California Tax Credit Allocation Committee enter into a Regulatory Agreement (“**TCAC Regulatory Agreement**”), that constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Internal Revenue Code, as amended (the “**Code**”). In the event of a foreclosure of Beneficiary’s interest

under this Leasehold Deed of Trust or delivery by the Trustor of a deed in lieu thereof (collectively, a “**Foreclosure**”), the following rule shall apply:

In the event of a Foreclosure, throughout the extended use period specified in the TCAC Regulatory Agreement, with respect to any unit that had been regulated by the TCAC Regulatory Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants’ ineligibility pursuant to regulations of the HOME Program or Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

10.12 Rights of Limited Partners. Provided that Beneficiary has been given the address for such notices, whenever Beneficiary delivers any notice of default hereunder, Beneficiary shall concurrently deliver a copy of such notice to Trustor's limited partner(s). The limited partner(s) shall have the same right as Trustor to cure or remedy any default hereunder within the cure period provided to Trustor, extended by an additional sixty (60) days.

10.13 Landowner's Cure Rights. Provided that Beneficiary has been given the address for such notices, whenever Beneficiary delivers any notice of default hereunder, Beneficiary shall concurrently deliver a copy of such notice to the fee owner of the Land in accordance. The fee owner of the Land shall have the same right as Trustor to cure or remedy any default hereunder within the cure period provided to Trustor.

IN WITNESS WHEREOF, Trustor has executed this Leasehold Deed of Trust as of the date first written above.

**San Leandro Senior Housing Associates, L.P.,
a California Limited Partnership**

By: _____

Name: _____

Title: _____

SIGNATURES MUST BE NOTARIZED.

Exhibit A

LAND

(Attach legal description.)

EXHIBIT A

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

PARCEL ONE:

Parcel 1, as shown on Parcel Map 10213, filed September 26, 2014, in Book 326, Pages 79 through 87, Alameda County Records.

RESERVING THEREFROM:

A non-exclusive pedestrian easement, appurtenant to Parcels 2, 3 and 4, of said Parcel Map 10213, over that portion thereof designated as "6' Pedestrian Easement benefiting Parcels 2, 3 & 4" on said Parcel Map 10213.

ALSO RESERVING THEREFROM:

A non-exclusive driveway easement, appurtenant to Parcels 2, 3 and 4, of said Parcel Map 10213, over that portion thereof designated as "25' Driveway Easement benefiting Parcels 2, 3 & 4" on said Parcel Map 10213.

APN 075-230-001

Exhibit G

FINANCING PLAN

(Attach Financing Plan, including itemization of Predevelopment Costs.)

San Leandro Senior - Phase II

7/10/2015

Assumptions							
Total Site Area (Acres)	1.12	48,787	s.f.	Density (Units per Acre):	76 DU/AC	Gross Building Area	68,943
Total Number of Units	85					Residential Net Area	48,750
Special Needs Units @ 35%	0						
Number of Parking Spaces	37						

A. DEVELOPMENT BUDGET SUMMARY

Description	Total Amount	per Resid. Unit	per Resid. NSF	per Resid GSF
Acquisition & Related	\$5,990,000	\$70,471	\$122.87	\$86.88
Holding Costs	0	0	0.00	0.00
subtotal	\$5,990,000	\$70,471	\$122.87	\$86.88
Construction	\$21,267,673	\$250,208	\$436.26	\$308.48
Offsites	\$0	\$0	\$0.00	\$0.00
Furnishings and Equipment	130,000	1,529	2.67	1.89
Hard Cost Contingency	1,992,318	23,439	40.87	28.90
Escalation (1.5 years)	2,124,493	24,994	43.58	30.82
subtotal	\$25,514,484	\$300,170	\$523.37	\$370.08
Architecture/Engineering	\$1,340,500	\$15,771	\$27.50	\$19.44
Permits and Fees	2,891,700	34,020	59.32	41.94
Construction Loan Interest/Fees	1,156,210	13,602	23.72	16.77
Bond Cost of Issuance	338,682	3,984	6.95	4.91
Permanent Loan Fees/Costs	0	0	0.00	0.00
Legal	215,000	2,529	4.41	3.12
Appraisal/Market Study	25,000	294	0.51	0.36
Marketing/Lease-up	250,000	2,941	5.13	3.63
Title/Audit/Cost Certification	130,000	1,529	2.67	1.89
Insurance	243,015	2,859	4.98	3.52
Property Taxes	0	0	0.00	0.00
Soft Cost Contingency and Reserves	534,710	6,291	10.97	7.76
subtotal	\$7,124,817	\$83,821	\$146.15	\$103.34
Syndication Costs and Developer Fee	\$2,223,072	\$26,154	\$45.60	\$32.25
TOTAL DEVELOPMENT COSTS	\$40,852,373	\$480,616	\$838.00	\$592.55
check 5	-			

B.

SOURCES AND USES	Construction Period	Permanent
Sources of Funds		
Permanent Mortgage - Tranche A	\$1,194,190	\$4,185,756
Permanent Mortgage - Tranche B		\$0
Construction loan (residential)	50%	\$19,694,846
Cap and trade	\$4,965,047	\$7,447,808
Fee Waivers	\$0	\$0
Investor Equity - Tax Credits	\$4,530,059	\$18,120,237
City of San Leandro	\$1,000,000	\$1,000,000
Land Donation	\$5,950,000	\$5,950,000
Alameda County Boomerang	\$350,000	\$350,000
Alameda County HOME Construction Pool	\$566,066	\$566,066
HCD Prop 1C Funds - Parking Garage	\$1,092,005	\$1,092,005
AHP	\$1,000,000	\$1,000,000
TOTAL SOURCES	\$39,148,023	\$40,906,062
Uses of Funds		
Acquisition	\$5,990,000	\$5,990,000
Construction	\$25,514,484	\$25,514,484
A/E, Permits	\$4,232,200	\$4,232,200
Indirect Expenses	\$848,015	\$863,015
Financing and Carry Costs	\$1,494,892	\$1,494,892
Other (Prop. taxes + Soft Cost Contingency)	\$245,360	\$534,710
Developer Fee + Syndication Costs	\$823,072	\$2,223,072
TOTAL USES	\$39,148,023	\$40,852,373

C. FINANCING ASSUMPTIONS

CONSTRUCTION LOAN	
Lender:	
Loan Amount:	\$19,694,846
Loan Term:	20 mos
Note Rate:	4.00%
> 50% Basis plus land?	yes
PERMANENT DEBT SOURCE 1 (A Tranche)	
Lender:	
Loan Amount:	\$1,194,190
Loan Term:	15
Note Rate:	6.00%
Payment (annual):	\$122,957
DCR:	1.20
PERMANENT DEBT SOURCE 2 (B Tranche)	
Lender:	
Loan Amount:	\$4,185,756
Loan Term:	15
Note Rate:	6.00%
Payment (annual):	\$430,977
DCR:	1.20
Cap and Trade	
Grant/Loan Amount:	\$7,447,808
Investor Equity - Federal Credit	
Credit Rate (follow link below)	9%
Net Rate	\$1.120
Net Pay-in	\$18,120,237
Initial Pay-in	\$4,530,059
Credit Rate	9.00%
Annual Federal Credits	\$1,618,040
Investor Equity - State Credit	
Net Rate	\$0.600
Net Pay-in	\$0
Reduction in Basis	-\$18,300,000
AHP	
Loan Amount:	\$1,000,000
Loan Term:	15
Note Rate:	0.00%
Per BMR Unit	\$11,765
Alameda County Boomerang	
Loan Amount:	\$350,000
Loan Term:	30
Note Rate:	3.00%
Per BMR Unit	\$4,118
Alameda County HOME Construction Pool	
Loan Amount:	\$566,066
Loan Term:	30
Note Rate:	3.00%
Per BMR Unit	\$6,660
City of San Leandro	
Loan Amount:	\$1,000,000
Loan Term:	30
Note Rate:	3.00%

D. FIVE YEAR CASH FLOW

Description	Year 1	Year 2	Year 3	Year 4	Year 5
Tenant Rental Income - Affordable	\$808,198	\$824,362	\$840,949	\$857,666	\$874,819
PBV Subsidy	\$544,392	\$555,280	\$566,385	\$577,713	\$589,267
Misc. Income (Laundry)	\$4,080	\$4,162	\$4,245	\$4,330	\$4,416
Gross Scheduled Income	\$1,356,670	\$1,383,803	\$1,411,479	\$1,439,709	\$1,468,503
less Vacancy/Collection Loss	(\$67,833)	(\$69,190)	(\$70,574)	(\$71,985)	(\$73,425)
Effective Gross Income	\$1,288,836	\$1,314,613	\$1,340,905	\$1,367,723	\$1,395,078
less Operating Expenses	(\$577,966)	(\$595,305)	(\$613,164)	(\$631,559)	(\$650,506)
less Property Taxes	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
less Replacement Reserves	(\$25,500)	(\$26,265)	(\$27,053)	(\$27,865)	(\$28,700)
less CFD Fees	\$0	\$0	\$0	\$0	\$0
less Ground Lease Payment	\$0	\$0	\$0	\$0	\$0
less Annual Bond Admin Fee	\$0	\$0	\$0	\$0	\$0
Net Operating Income	\$664,517	\$699,043	\$700,688	\$708,300	\$715,871
Conventional 30 yr. Debt - Tranche A	(\$122,957)	(\$122,957)	(\$122,957)	(\$122,957)	(\$122,957)
PBV Tranche B - 15 Years	(\$430,977)	(\$430,977)	(\$430,977)	(\$430,977)	(\$430,977)
DISTRIBUTABLE CASH FLOW	0	\$139,109	\$146,754	\$154,366	\$161,937
less Partnership Management Fee	(\$25,000)	(\$25,750)	(\$26,523)	(\$27,318)	(\$28,138)
less Investor Asset Management Fee	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)

F. ANNUAL OPERATING EXPENSES (/UNIT)

	6,799.60 per unit per year	Property Tax
\$38,000 Services (incl above)		Y1 Value
\$577,966 per year		Y1 Prop Tax
		\$32,681,898
		\$0
		100% BMR Welfare exemption
UNIT MIX AND RENTS		
	30% AMI	40% AMI
	50% AMI	Manager
		Total (%)
Junior 1 Bedroom		
#	0	0
Net Rent (incl. subsidy)	\$471	\$641
1 Bedroom 1 Bath		
#	8	14
Net Rent (incl. subsidy)	\$499	\$682
2 Bedroom 1 Bath		
#	5	0
Net Rent (incl. subsidy)	\$591	\$811
2 Bedroom 2 Bath		
#	0	0
Net Rent (incl. subsidy)	\$591	\$811
3 Bedroom 2 Bath		
#	0	0
Net Rent (incl. subsidy)	\$766	\$1,048

San Leandro Senior - Phase II

Development Budget Assumptions - Total		Land Acquisition Allocation	% of Commercial to Residential sq. ft.:	Lease up Period	5.0
Construction Period	8 mos	Total Acquisition	Draw Down Rate (Const /period)	Months to Perm. Close	7.0
Prevailing Wage/Davis Bacon			Construction Loan Fees		0.75%

Description	Subtotal	Total	Description	Subtotal	Total	Description	Subtotal	Total
A. TOTAL ACQUISITION COSTS								
Land Cost	\$	5,950,000	D. INDIRECT DEVELOPMENT COSTS (continued)					
Existing Improvements Cost	\$	-	Legal			F. CARRYING CHARGES AND FINANCING		
Title and Escrow	\$	40,000	Legal, Acquisition	\$	100,000	Insurance		
Holding Period Expense (2 yrs prop. Tax + Maint.)	\$	-	Legal, Construction	\$	100,000	BR - Const @ 100%	0.5000	/5100 /mo \$ 118,255
Demolition (Included in Haz Mat Removal below)	\$	-	Legal, Conversion	\$	15,000	BR - Soft Costs @ 30%	0.5000	/5100 /mo \$ 30,156
Relocation	\$	-	Total Legal	\$	215,000	General Liability	2.00	/51000 \$ 47,302
OTHER: Broker	\$	-	Marketing & Start Up Costs			Umbrella Liability	2.00	/51000 \$ 47,302
OTHER: Prepaid CFDs	\$	-	Market Study	\$	15,000	Total Insurance		\$ 243,015
TOTAL ACQUISITION COSTS	\$	5,990,000	Marketing & Lease Up	\$	200,000	Property Taxes	0.00%	\$ -
			Leaseup startup expenses	\$	50,000	Predevelopment Interest	6.00%	\$669,478 \$ 40,169 \$ 40,169
			Total Marketing & Start Up	\$	265,000	Construction Financing		
			Total Appraisal	\$	10,000	Fees (Included in COI)	0.75%	\$ 147,711
			Miscellaneous			Lender Expenses (Included in COI)		\$ 75,000
			Community Outreach	\$	-	Interest During Construction	8	70% \$ 367,637
			OTHER:	\$	-	Interest During Lease-Up	12	95% \$ 748,404
			OTHER:	\$	-	City Issuer Fee	0.125%	\$ -
			OTHER:	\$	-	Issuer Monitoring Fee		\$ -
			Total Misc	\$	-	OTHER:		\$ -
			Title			Total Construction Financing		\$ 1,338,753
			Title (Construction)	\$	40,000	Cost of issuance (COI) /Perm Loan Fees		
			Title (Permanent)	\$	15,000	Issuer Fee or Origination Fee	0.50%	\$ 5,971
			Total Title	\$	55,000	Issuer/Lender Counsel		\$ 100,000
			Furnishings & Equipment			Annual Administration Fee (pro-rated 1/2 yr.) N/A	0.125%	\$ -
			Furnishings	\$	100,000	Bond Counsel		\$ -
			Services	\$	-	LC Origination Fee	0.50%	\$ -
			Operations Equipment	\$	30,000	LC Origination bank reimbursables		\$ -
			Total Furnishings and Equip.	\$	130,000	LC Origination Bank Counsel		\$ -
			Permits and Fees			CDLAC fee (1.00050 of allocation amount)	0.00050	\$ -
			Planning Fees/Environmental Apps./EIR	\$	80,000	Borrower Counsel		\$ -
			Parcel Map	\$	-	Borrower Financial Advisor		\$ -
			Building Permit Fees	\$	90,000	Printing		\$ 10,000
			Plancheck Fees	\$	130,000	OTHER:		\$ -
			Development Impact Fees	\$	650,000	OTHER:		\$ -
			School District Fees	\$	235,000	Total Cost of Issuance	0.59%	\$ 115,971
			Water and Sewer	\$	285,000	Local Lender Fees		
			Public Works and Engineering	\$	35,000	Fees	1.00%	\$ -
			PG&E/Cable/ Pac Bell	\$	50,000	Lender Expenses		\$ -
			OTHER: EBMUD	\$	1,280,000	Construction Loan Interest (Accrued)	3.00%	\$ -
			OTHER:	\$	-	Total Local Lender Charges		\$ -
			Fee Contingency	2.0%	\$ 56,700	TOTAL CARRYING CHARGES/FINANCING		\$ 1,737,907
			Total Fees	34,020	per unit	\$ 2,891,700	G. SYNDICATION COSTS/DEVELOPER FEE	
			TOTAL INDIRECT COSTS			\$ 4,907,200	Syndication - Consultant	\$ 65,000
			E. CONTINGENCY & RESERVES					
			Soft Cost Contingency	5%	\$ 245,360.00	Syndication - Legal	\$ 50,000	
			Operating Resrv (Opert'ng + DS)	3.0	\$ 289,350	TCAC App & Allocation Fees	\$ 100,572	
			Rent Transition Reserve		\$ -	Organizational Expenses	\$ 7,500	
			OTHER:		\$ -	Developer Fee	\$ 2,000,000	
			TOTAL CONTINGENCY & RESERVES			CIP, TCAC Audit	\$ 60,000	
			\$ 534,710			Cost Cert, first yr tax return	\$ 15,000	
			F. TOTAL DEVELOPMENT BUDGET					
						\$ 40,852,373	OTHER:	\$ -
							OTHER:	\$ -
							TOTAL MISCELLANEOUS/DEVELOPER FEE COSTS	\$ 2,298,072
							TOTAL DEVELOPMENT BUDGET	\$ 40,852,373
							TDC/unit: \$ 480,616.15	

TDC/unit: \$ 480,616.15

San Leandro Senior - Phase II

5/20/2016 16:08

Unit class:	Affordability	Studio	One	Two	Three	total	
Studio	0.0%	30%	8	5	-	13	16%
One	77 90.6%	35%	-	-	-	-	0%
Two	8 9.4%	40%	14	-	-	14	17%
Three	- 0.0%	45%	-	-	-	-	0%
	85 units	50%	54	3	-	57	68%
		60%	-	-	-	-	0%
Average Square Footage	573.53	80%	-	-	-	-	0%
		Staff	1	-	-	1	1%
			77	8	-	85	101.3%
			0.0%	90.6%	9.4%	0.0%	

<http://www.novoco.com/products/rentincome.php>

Assumptions: Rent:

A. RENT CALCULATIONS

Unit Type	100% Rent	Utility Allowance	30% Net Rent	35% Net Rent	40% Net Rent	45% Net Rent	50% Net Rent	55% Net Rent	60% Net Rent	80% Net Rent	HA Payment Standard
Studio	1,706	41	473	556	641	727	813	897	983	1,324	1,270
1 Bedroom	1,828	49	499	591	682	774	865	956	1,048	1,413	1,531
2 Bedroom	2,194	67	591	701	811	920	1,030	1,140	1,249	1,688	1,931
2 Br/2 Ba	2,534	67	693	820	947	1,073	1,200	1,327	1,453	1,960	1,931
3 Bedroom	2,826	82	766	907	1,048	1,190	1,331	1,472	1,614	2,179	2,703
Manager's Unit	1,048	-	-	-	-	-	-	-	-	-	-

B. UNIT MIX & RENTS - Residential Income

Unit Description	% Median Income	NSF per unit	Qty Units	Total NSF	Rent	PBV Units	FMR Rent	PBV Increment	Monthly Income	Annual Tax Credit Income	Annual PBV Rent Subsidy	Rent per SF
Studio	30%	450	-	-	\$471	-	\$1,270	\$799	-	-	-	\$1.05
Studio	35%	450	-	-	\$556	-	\$1,270	\$714	-	-	-	\$1.24
Studio	40%	450	-	-	\$641	-	\$1,270	\$629	-	-	-	\$1.43
Studio	45%	450	-	-	\$727	-	\$1,270	\$543	-	-	-	\$1.61
Studio	50%	450	-	-	\$812	-	\$1,270	\$458	-	-	-	\$1.80
Studio	60%	450	-	-	\$983	-	\$1,270	\$287	-	-	-	\$2.18
Studio	80%	450	-	-	\$1,324	-	\$1,270	-\$54	-	-	-	\$2.94
1 Bed	30%	550	8	4,400	\$489	5	\$1,931	\$1,032	3,995	47,942	-	\$0.91
1 Bed	35%	550	-	-	\$591	-	\$1,931	\$940	-	-	-	\$1.07
1 Bed	40%	550	14	7,700	\$682	-	\$1,931	\$849	9,551	114,610	-	\$1.24
1 Bed	45%	550	-	-	\$774	-	\$1,931	\$757	-	-	-	\$1.24
1 Bed	50%	550	54	29,700	\$865	54	\$1,931	\$666	46,710	560,520	431,568	\$1.57
1 Bed	60%	550	-	-	\$1,048	-	\$1,931	\$483	-	-	-	\$1.91
1 Bed	80%	550	-	-	\$1,413	-	\$1,931	\$118	-	-	-	\$2.57
2 Bed 1 Ba	30%	800	5	4,000	\$591	5	\$1,931	\$1,340	2,956	35,472	80,388	\$0.74
2 Bed 1 Ba	35%	800	-	-	\$701	-	\$1,931	\$1,230	-	-	-	\$0.88
2 Bed 1 Ba	40%	800	-	-	\$811	-	\$1,931	\$1,120	-	-	-	\$1.01
2 Bed 1 Ba	45%	800	-	-	\$920	-	\$1,931	\$1,011	-	-	-	\$1.12
2 Bed 1 Ba	50%	800	3	2,400	\$1,030	3	\$1,931	\$901	3,090	37,080	32,436	\$1.29
2 Bed 1 Ba	60%	800	-	-	\$1,249	-	\$1,931	\$682	-	-	-	\$1.56
2 Bed 1 Ba	80%	800	-	-	\$1,960	-	\$1,931	-\$29	-	-	-	\$2.45
2 Bed 2 Ba	30%	1,100	-	-	\$693	-	\$1,931	\$1,238	-	-	-	\$0.63
2 Bed 2 Ba	35%	1,100	-	-	\$820	-	\$1,931	\$1,111	-	-	-	\$0.75
2 Bed 2 Ba	40%	1,100	-	-	\$947	-	\$1,931	\$984	-	-	-	\$0.86
2 Bed 2 Ba	45%	1,100	-	-	\$1,073	-	\$1,931	\$858	-	-	-	\$0.98
2 Bed 2 Ba	50%	1,100	-	-	\$1,200	-	\$1,931	\$731	-	-	-	\$1.09
2 Bed 2 Ba	60%	1,100	-	-	\$1,453	-	\$1,931	\$478	-	-	-	\$1.32
2 Bed 2 Ba	80%	1,100	-	-	\$1,960	-	\$1,931	-\$29	-	-	-	\$1.78
3 Bed	30%	1,325	-	-	\$766	-	\$2,703	\$1,937	-	-	-	\$0.58
3 Bed	35%	1,325	-	-	\$907	-	\$2,703	\$1,796	-	-	-	\$0.68
3 Bed	40%	1,325	-	-	\$1,048	-	\$2,703	\$1,655	-	-	-	\$0.79
3 Bed	45%	1,325	-	-	\$1,190	-	\$2,703	\$1,513	-	-	-	\$0.90
3 Bed	50%	1,325	-	-	\$1,331	-	\$2,703	\$1,372	-	-	-	\$1.00
3 Bed	60%	1,325	-	-	\$1,614	-	\$2,703	\$1,089	-	-	-	\$1.22
3 Bed	80%	1,325	-	-	\$2,179	-	\$2,703	-\$524	-	-	-	\$1.64
MGMT 1 Bed		550	1	550	\$1,048	-	-	-	1,048	12,574	-	\$1.91
TOTALS		85		48,750		62		67,350	808,198	544,392		

Mgmt office, comm rm. 2,521
 Common Areas 10% 17,672
 Residential GSF 68,943
 Commercial Area 0
 Garage 0 Utilize Phase I Garage
 Gross Area 68,943

C UTILITY ALLOWANCE SCHEDULE - MACA 7/1/15

	0 bdrm	1 bdrm	2 bdrm	3 bdrm	4 bdrm	5 bdrm
Electric	-	-	-	-	-	-
Cooking	3	4	5	5	-	-
Heating	16	16	23	29	-	-
AC	-	-	-	-	-	-
Hot Water	-	-	-	-	-	-
Other Electric	22	29	39	48	-	-
Water	-	-	-	-	-	-
Garbage	-	-	-	-	-	-
TOTALS	41	49	67	82	-	-

Alameda County 100%AMI Rents	
Studio	\$1,706
1 BR	\$1,828
2 BR	\$2,194
3 BR	\$2,534
4 BR	\$2,826
5 BR	\$3,120

MACA Payment Standard	
Studio	\$1,311
1 BR	\$1,589
2 BR	\$1,998
3 BR	\$2,781

UNIT MIX AND RENTS

	30% AMI	40% AMI	50% AMI	Manager	Total (%)
Studio					
#	-	-	-	-	0
Net Rent	\$471	\$641	\$812	\$983	0%
1 Bedroom					
#	8	14	54	1	77
Net Rent	\$499	\$682	\$865	\$1,048	91%
2 Bedroom 1 Bath					
#	5	-	3	-	8
Net Rent	\$591	\$811	\$1,030	\$1,249	9%
2 Bedroom 2 Bath					
#	-	-	-	0	0
Net Rent	\$591	\$811	\$1,030	\$1,249	0%
3 Bedroom					
#	-	-	-	-	0
Net Rent	\$766	\$1,048	\$1,331	\$1,614	0%
Total	13	14	57	1	85
(%)	15%	16%	67%	1%	100%
% of Affordable	15%	17%	68%	0%	
Total Annual Scheduled Rent	\$ 808,198				

Exhibit H

FORM OF CITY PROMISSORY NOTE

(Attach form of City Promissory Note.)

SECURED PROMISSORY NOTE

(City Note)

\$743,239

San Leandro, California
_____, 2016

FOR VALUE RECEIVED, San Leandro Senior Housing Associates, L.P. , a California limited partnership (“**Borrower**”), promises to pay to the City of San Leandro, a municipal corporation (“**City**”), in lawful money of the United States of America, the principal sum of Seven Hundred Forty-Three Thousand Two Hundred Thirty-Nine Dollars (\$743,239) (the “**City Loan**”) or so much thereof as may be advanced by City from the City’s General Fund pursuant to the Loan Agreement referred to below, together with interest on the outstanding principal balance in accordance with the terms and conditions described herein . Interest shall accrue on the outstanding principal balance at a rate equal to three percent (3%) simple interest per annum, commencing upon the date of disbursement thereof. Interest shall be calculated on the basis of a year of 365 days, and charged for the actual number of days elapsed.

This Secured Promissory City Note (this “**City Note**”) has been executed and delivered pursuant to and in accordance with an Loan Agreement executed by and between Borrower, and the City dated as of _____, 2016 (the “**Loan Agreement**”), and is subject to the terms and conditions of the Loan Agreement, which is by this reference incorporated herein and made a part hereof. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Loan Agreement.

This City Note is secured by the Security Agreement dated as of the date hereof and will be secured by a Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (“**Leasehold deed of Trust**”) following the Developer's acquisition of the Ground Leasehold Interest, executed by Borrower for the benefit of City and encumbering the property described therein. City shall be entitled to the benefits of the security provided by the Security Agreement and Leasehold Deed of Trust and shall have the right to enforce the covenants and agreements contained herein, in the Regulatory Agreement upon execution of that agreement, and the Loan Agreement. Following execution of the Regulatory Agreement by the parties, the Regulatory Agreement shall remain effective for the full term thereof and shall survive the repayment of this City Note.

1. PAYMENTS

1.1. PAYMENT DATES; MATURITY DATE. Annual payments on this City Note shall be payable on a residual receipts basis with the City's proportionate share of fifty percent (50%) of all Surplus Cash (defined below) payable to City toward principal and accrued interest. The City's proportionate share of 50% of Surplus Cash shall be equal to 50% of Surplus cash times the ratio of the City Loan over the sum of all other residual receipts loans to the Project (“**City's Share of Residual Receipts**”). Payments shall be credited first to any unpaid late charges and other costs and fees then due, then to accrued interest, and then to principal. In no event shall any amount due under this City Note become subject to any rights, offset, deduction or counterclaim on the part of Borrower. The entire outstanding principal balance of this City Note, together with interest accrued thereon and

any other sums accrued hereunder shall be payable in full on the fifty-fifth (55th) anniversary of the date upon which City issues a final certificate of occupancy for the Project (“**Maturity Date**”).

1.2. ANNUAL PAYMENTS FROM SURPLUS CASH. By no later than June 1 of each year following the issuance of a final certificate of occupancy for the Project, Borrower shall pay to City the City's Share of Residual Receipts generated by the Project during the previous calendar year to reduce the indebtedness owed under this City Note. No later than May 1 of each year following the issuance of a final certificate of occupancy for the Project, Borrower shall provide to City Borrower’s calculation of Surplus Cash for the previous calendar year, accompanied by such supporting documentation as City may reasonably request, including without limitation, an independent audit prepared for the Project by a certified public accountant in accordance with generally accepted accounting principles. No later than November 1 of each year following issuance of the final certificate of occupancy for the Project, Borrower shall provide to City a projected budget for the following calendar year which shall include an estimate of Surplus Cash.

1.2.1 "**Surplus Cash**" shall mean for each calendar year during the term hereof, the amount by which Gross Revenue (defined below) exceeds Annual Operating Expenses (defined below) for the Project. Surplus Cash shall also include net cash proceeds realized from any refinancing of the Project, less fees and closing costs reasonably incurred in connection with such refinancing, and any City-approved uses of the net cash proceeds of the refinancing, including but not limited to the costs of rehabilitation.

1.2.2 "**Gross Revenue**" shall mean for each calendar year during the term hereof, all revenue, income, receipts and other consideration actually received by Borrower from the operation and leasing of the Project. Gross Revenue shall include, but not be limited to: all rents, fees and charges paid by tenants; Section 8 payments or other rental subsidy payments received for the dwelling units; deposits forfeited by tenants; all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance not paid to a senior lender; the proceeds of casualty insurance not used to repair the Property or paid to a senior lender; condemnation awards for a taking of part or all of the Property or the Improvements for a temporary period not paid to a senior lender; and the fair market value of any goods or services provided to Borrower in consideration for the leasing or other use of any part of the Project. Gross Revenue shall include any release of funds from replacement and other reserve accounts to Borrower other than for costs associated with the Project. Gross Revenue shall not include tenant security deposits, loan proceeds, capital contributions or similar advances.

1.2.3 "**Annual Operating Expenses**" shall mean for each calendar year during term hereof, the following costs reasonably and actually incurred for the operation and maintenance of the Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property taxes and assessments; debt service currently due and payable on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Project) on loans which have been approved by the City and which are secured by deeds of trust senior in priority to the Leasehold Deed of Trust ("**Approved Senior Loans**"); property management fees consistent with the industry standard (or such higher amount as may be required by the holder of an Approved Senior Loan or pursuant to a City-approved property management contract executed by Borrower for the Project), increasing annually at the rate of

the net percentage change in the Consumer Price Index, All Urban Consumers (All Items), for the San Francisco/Oakland Metropolitan Area as published by the U.S. Department of Labor Statistics (“**Index**”) based upon the published index value for January of the year in which the adjustment is to be made; property management staff salaries; premiums for property damage, liability and other insurance; utility service costs not paid for directly or indirectly by tenants; maintenance and repair costs; fees for licenses and permits required for the operation of the Project; organizational costs (e.g., annual franchise tax payments) and costs associated with accounting, tax preparation and legal fees of Borrower incurred in the ordinary course of business; expenses for security services; advertising and marketing costs; payment of deductibles in connection with casualty insurance claims not paid from reserves; tenant services and activities; the amount of uninsured losses actually replaced, repaired or restored and not paid from reserves; cash deposits into reserves for capital replacements in an amount no more than \$350 per unit per year or such greater amount as reasonably required the holder of an Approved Senior Loan or by Borrower with the written approval of City; cash deposits into operating or other reserves in the amount (if any) required by the holder of an Approved Senior Loan or reasonably required by Borrower and approved in writing by City; lender fees and costs, developer fees consistent with the Financing Plan or otherwise approved by the City, partnership management fees equal to \$30,000 per year, increasing by 3.5% annually, and asset management fees equal to \$7,500 per year, increasing by 3.5% annually and other ordinary and reasonable operating expenses; and extraordinary operating costs approved in writing by the City. Subject to Section 1.3, payments to Borrower, its partners or affiliates in excess of the limitations set forth in this Section shall not be counted toward Annual Operating Expenses for the purpose of calculating Surplus Cash.

1.3. EXCLUSIONS FROM ANNUAL OPERATING EXPENSES. Annual Operating Expenses shall exclude the following: developer fees and interest on any deferred developer fees (except as permitted pursuant to Section 1.2.3); contributions to Project operating reserves (except as permitted pursuant to Section 1.2.3); debt service payments on any loan which is not an Approved Senior Loan, including without limitation, unsecured loans or loans secured by deeds of trust which are subordinate to the Leasehold Deed of Trust; depreciation, amortization, depletion or other non-cash expenses; expenses paid for with disbursements from any reserve account; distributions to partners; any amount paid to Borrower, any general partner of Borrower, or any entity controlled by the persons or entities in control of Borrower or any general partner of Borrower. Notwithstanding the foregoing limitation regarding payments to Borrower and related parties, the following fees shall be included in Annual Operating Expenses in accordance with the limitations set forth in Section 1.2.3 above even if paid to an affiliate of Borrower or a partner of Borrower: fees paid to a property management agent or resident services agent, partnership management fees, and asset management fees. In addition, repayment of cash advances by the partnership or the partners to cover operating expense deficits or emergency cash needs of the Project or to cover indemnities or other expenses permitted pursuant to Section 1.2.3 and any tax credit adjustors paid or owed shall be permitted Annual Operating Expenses.

1.4. DUE ON SALE. The entire unpaid principal balance and all interest and other sums accrued hereunder shall be due and payable upon the Transfer (as defined in Section 7.2 of the Loan Agreement) absent City consent, of all or any part of the Project or the Property or any interest therein other than a Transfer permitted without City consent pursuant to the Loan Agreement. Without limiting the generality of the foregoing, this City Note shall not be assumable without City’s prior written consent, which consent may be granted or denied in

City's sole discretion; provided however, this City Note may be assumed in connection with a Transfer to an affiliate of Borrower as described in Section 7.3 of the Loan Agreement.

1.5. PREPAYMENT. Borrower may, without premium or penalty, at any time and from time to time, prepay all or any portion of the outstanding principal balance due under this City Note, provided that each such prepayment is accompanied by accrued interest on the amount of principal prepaid calculated to the date of such prepayment. Prepayments shall be applied first to any unpaid late charges and other costs and fees then due, then to accrued but unpaid interest, and then to principal.

1.6. MANNER OF PAYMENT. All payments of principal and interest on this City Note shall be made to City at 835 East 14th Street, San Leandro, California 94577 or such other place as City shall designate to Borrower in writing, or by wire transfer of immediately available funds to an account designated by City in writing.

2. DEFAULTS AND REMEDIES.

2.1. EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an event of default hereunder ("**Event of Default**"):

(A) Borrower fails to pay when due the principal and interest payable hereunder and such failure continues for thirty (30) days after City notifies Borrower thereof in writing.

(B) Pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors ("**Bankruptcy Law**"), Borrower or any general partner thereof (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against Borrower or any general partner thereof in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for Borrower or any general partner thereof; (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due.

(C) A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against Borrower or any general partner thereof in an involuntary case, (ii) appoints a trustee, receiver, assignee, liquidator or similar official for Borrower or any general partner thereof or substantially all of such entity's assets, (iii) orders the liquidation of Borrower or any general partner thereof, or (iv) issues or levies a judgment, writ, warrant of attachment or similar process against the Property or the Project, and in each case the order or decree is not released, vacated, dismissed or fully bonded within 60 days after its issuance.

(D) The occurrence of a Transfer in violation of Article VII of the Loan Agreement.

(E) A default is declared under any debt instrument secured by a mortgage or deed of trust on the Project or the Property and remains uncured beyond any applicable cure period such that the holder of such instrument has the right to accelerate payment thereunder.

(F) Borrower fails to maintain insurance on the Borrower's interest in the Property and the Project as required pursuant to the City Documents and Borrower fails to cure such default within 10 days.

(G) Subject to Borrower's right to contest the following charges pursuant to the City Documents, if Borrower fails to pay taxes or assessments due on the Property or the Project or fails to pay any other charge that may result in a lien on the Property or the Project, and Borrower fails to cure such default within 10 days.

(H) If any representation or warranty contained in any City Document, or any certificate furnished in connection therewith, or in connection with any request for disbursement of the proceeds of the City Loan (the "**City Loan Proceeds**") proves to have been false or misleading in any material adverse respect when made and continues to be materially adverse to the City, subject to the applicable notice and cure periods in Section 10.1(g) of the Loan agreement.

(I) An Event of Default shall have been declared under the Regulatory Agreement or any City Document, and remains uncured beyond the expiration of any applicable cure period.

2.2. **REMEDIES.** Upon the occurrence of an Event of Default hereunder, City may, at its option (A) by written notice to Borrower, declare the entire unpaid principal balance of this City Note, together with all accrued interest thereon and all sums due hereunder, immediately due and payable regardless of any prior forbearance, (B) exercise any and all rights and remedies available to it under applicable law, and (C) exercise any and all rights and remedies available to City under this City Note and the other City Documents, including without limitation the right to pursue foreclosure under the Leasehold Deed of Trust. Borrower shall pay all reasonable costs and expenses incurred by or on behalf of City including, without limitation, reasonable attorneys' fees, incurred in connection with City's enforcement of this City Note and the exercise of any or all of its rights and remedies hereunder and all such sums shall be a part of the indebtedness secured by the Leasehold Deed of Trust. The rights and remedies of City under this City Note shall be cumulative and not alternative.

2.3. **DEFAULT RATE.** Upon the occurrence of an Event of Default, interest shall automatically be increased without notice to the rate of ten percent (10%) per annum (the "**Default Rate**"); provided however, if any payment due hereunder is not paid when due, the Default Rate shall apply commencing upon the due date for such payment. When Borrower is no longer in default, the Default Rate shall no longer apply, and the interest rate shall once again be the rate specified in the first paragraph of this City Note. Notwithstanding the foregoing provisions, if the interest rate charged exceeds the maximum legal rate of interest, the rate shall be the maximum rate permitted by law. The imposition or acceptance of the Default Rate shall in no event constitute a waiver of a default under this City Note or prevent City from exercising any of its other rights or remedies.

3. **MISCELLANEOUS**

3.1. **WAIVERS; BORROWER'S WAIVERS.** No waiver by City of any right or remedy under this City Note shall be effective unless in a writing signed by City. Neither the failure nor any delay in exercising any right, power or privilege under this City Note will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege by City will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. No waiver that may be given by City will be applicable except in the specific instance for which it is given. No notice to or demand on Borrower will be deemed to be a waiver of any obligation of

Borrower or of the right of City to take further action without notice or demand as provided in this City Note.

To the maximum extent permitted by applicable law Borrower hereby waives presentment, demand, protest, notices of dishonor and of protest and all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this City Note, in whole or in part, whether before or after maturity and with or without notice.

3.2. NOTICES. Any notice required or permitted to be given hereunder shall be given in accordance with Section 12.4 of the Loan Agreement.

3.3. SEVERABILITY. If any provision in this City Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this City Note will remain in full force and effect. Any provision of this City Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

3.4. GOVERNING LAW; VENUE. This City Note shall be governed by the laws of the State of California without regard to principles of conflicts of laws. Any legal action filed in connection with this City Note shall be filed in the Superior Court of Alameda County, California, or in the Federal District Court for the Northern District of California.

3.5. PARTIES IN INTEREST. This City Note shall bind Borrower and its successors and assigns and shall accrue to the benefit of City and its successors and assigns.

3.6. SECTION HEADINGS, CONSTRUCTION. The headings of Sections in this City Note are provided for convenience only and will not affect its construction or interpretation.

3.7. RELATIONSHIP OF THE PARTIES. The relationship of Borrower and City under this City Note is solely that of borrower and lender, and the loan evidenced by this City Note and secured by the Leasehold Deed of Trust will in no manner make City the partner or joint venturer of Borrower.

3.8. TIME IS OF THE ESSENCE. Time is of the essence with respect to every provision of this City Note.

3.9. NONRECOURSE. Except as expressly provided in this Section 3.9, neither Borrower nor its partners shall have personal liability for payment of the principal of, or interest on, this City Note, and the sole recourse of City with respect to the payment of the principal of, and interest on, this City Note shall be to the Project, the leasehold interest in the Property and any other collateral held by City as security for this City Note; provided however, nothing contained in the foregoing limitation of liability shall:

(A) impair the enforcement against all such security for the City Loan of all the rights and remedies of the City under the Leasehold Deed of Trust and any financing statements City files in connection with the City Loan as each of the foregoing may be amended, modified, or restated from time to time;

(B) impair the right of City to bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable City to enforce and realize

upon the Leasehold Deed of Trust, the interest in the Project and the Property created thereby and any other collateral given to City in connection with the indebtedness evidenced hereby and to name the Borrower as party defendant in any such action;

(C) be deemed in any way to impair the right of the City to assert the unpaid principal amount of the City Loan as a demand for money within the meaning of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto;

(D) constitute a waiver of any right which City may have under any bankruptcy law to file a claim for the full amount of the indebtedness owed to City hereunder or to require that the Project and the Property shall continue to secure all of the indebtedness owed to City hereunder in accordance with this City Note and the Leasehold Deed of Trust; or

(E) limit or restrict the ability of City to seek or obtain a judgment against Borrower to enforce against Borrower and its general partners to:

(1) recover under Sections 3.14, 3.17, 9.1, 9.2, 11.1, and 12.2 of the Loan Agreement (pertaining to Borrower's indemnification obligations), or

(2) recover from Borrower and its general partners compensatory damages as well as other costs and expenses incurred by City (including without limitation attorney's fees and expenses) arising as a result of the occurrence of any of the following:

(a) any fraud or material misrepresentation on the part of the Borrower, any general partner thereof, or any officer, director or authorized representative of Borrower or any general partner thereof in connection with the request for or creation of the City Loan, or in any City Document, or in connection with any request for any action or consent by City in connection with the City Loan;

(b) any failure to maintain insurance on the Property and the Project as required pursuant to the City Documents;

(c) failure to pay taxes, assessments or other charges which may become liens on the Property or the Project;

(d) the presence of hazardous or toxic material or waste on the Borrower's interest in the Property or other violation of the Borrower's obligations under Section 9.1 of the Loan Agreement or Section 7.9 of the Deed of Trust (pertaining to environmental matters);

(e) the occurrence of any act or omission of Borrower that results in waste to or of the Project or the Property and which has a material adverse effect on the value of the Project or the Property;

(f) the material misapplication of the City Loan Proceeds;

(g) the removal or disposal of any personal property or fixtures or the retention of rents, insurance proceeds, or condemnation awards in violation of the Leasehold Deed of Trust; and

(h) (h) the material misapplication of the proceeds of any insurance policy or award resulting from condemnation or the exercise of the power of

eminent domain or by reason of damage, loss or destruction to any portion of the Project or the Property.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, Borrower has executed and delivered this City Note as of the date first written above.

San Leandro Senior Housing Associates, L.P.
a California limited partnership

By: _____

Name: _____

Title: _____

Exhibit I

FORM OF SECURITY AGREEMENT

(Attach form of Security Agreement.)

ASSIGNMENT OF AGREEMENTS, PLANS AND SPECIFICATIONS

FOR VALUE RECEIVED, effective as of _____, 2016 (the “**Effective Date**”), San Leandro Senior Housing Associates, L.P., a California limited partnership (“**Assignor**”) hereby assigns to the City of San Leandro (“**City**”) and grants to City a security interest in all of its right, title and interest in and to the contracts and agreements listed in Exhibit A attached hereto and incorporated herein by reference and all of the items listed in the following paragraphs (A) and (B) (all of which hereafter shall collectively be referred to as the “**Assigned Documents**”). Capitalized terms used without definition herein shall have the meaning ascribed to such terms in the Loan Agreement (defined below).

- (A) All architectural, design, engineering, consulting and construction contracts, and any and all amendments, modifications, supplements, addenda and general conditions thereto, which are in excess of \$20,000 (collectively “**Agreements**”), heretofore or hereafter entered into by Assignor and any architect, engineer, analyst, consultant, contractor or other person or entity (“**Contractor**”) in connection with the preparation of plans, specifications, studies, assessments, analyses, drawings or any other similar service related to the Property, the Project, or the improvements existing or to be installed or constructed on the Property (the “**Improvements**”); and
- (B) All permits, reports, analyses, studies, plans and specifications, shop drawings, working drawings, amendments, modifications, changes, supplements, general conditions and addenda thereto, which cost in excess of \$20,000 (collectively “**Reports, Plans and Specifications**”) heretofore or hereafter obtained or prepared by or for Assignor or its agents, employees or any Contractor with respect to the Property, the Project or the Improvements.

In addition, the parties hereto agree as follows:

1. This Assignment of Agreements, Plans, and Specifications (this “**Assignment Agreement**”) is made pursuant to that certain Loan Agreement executed by and between Assignor and City dated as of the date hereof (the “**Loan Agreement**”).
2. This Assignment Agreement is made to secure payment to the City of all sums now or hereafter owing under the City Note dated as of the date hereof made by Assignor for the benefit of City, and any and all advances, modifications, extensions, renewals and amendments thereof.
3. Assignor hereby irrevocably appoints City as its attorney-in-fact (which agency is coupled with an interest) upon the occurrence of an Event of Developer Default (and following the expiration of any applicable cure periods) under the Loan Agreement, to demand, receive, and enforce any and all of Assignor’s rights with respect to the Assigned Documents, and to perform any and all acts in the name of Assignor or in the name of the City with the same force and effect as if performed by Assignor in the absence of this Assignment Agreement.

4. Assignor agrees to obtain from each Contractor, whose contract is in excess of Twenty Thousand Dollars (\$20,000), and deliver to City a duly executed Consent substantially in the form attached hereto as Exhibit B.

5. Assignor represents and warrants to City that no previous assignment of its respective rights or interest in or to any of the Assigned Documents has been made. So long as the City holds or retains any interest under the Loan Agreement or the City Note, Assignor agrees not to assign, sell, pledge, transfer, mortgage, or hypothecate its respective rights or interest in any of the Assigned Documents without prior written approval of the City; provided, however, that the City approves the Assignor's assignment of such rights and interests to the lenders of financing contemplated by the Financing Plan, as it may be updated.

6. This Assignment Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, assigns, and successors-in-interest of Assignor and the City.

7. Unless an Event of Developer Default (following the expiration of all applicable notice and cure periods) (as defined in the Loan Agreement) shall have occurred, Assignor shall be entitled (subject to the provisions of Section 5 above) to enjoy and enforce all of its rights under the Assigned Documents. If such an Event of Developer Default occurs, City may give written notice to any Contractor who is a party to any Assigned Document referring to this Assignment Agreement and stating that such an Event of Developer Default has occurred and that City intends to exercise its rights hereunder (an “**Exercise Notice**”). The City shall be entitled thereafter to enjoy and enforce all of the rights of Assignor under such Assigned Document and shall become bound to perform all future obligations of Assignor thereunder, it being understood that in no event shall City be liable for payments or costs relating to any work which any Contractor has performed prior to the date of City's delivery of such Exercise Notice. Unless and until such Exercise Notice is given, City shall not be obliged to perform any of the obligations of Assignor under the Assigned Documents.

8. Assignor represents and warrants that to the best of its knowledge after reasonable inquiry, there are no defaults under any Assigned Document by any party thereto.

9. Assignor further represents and warrants that all sums due and owing to any Contractor to date under any Assigned Document have been duly paid in full, except to the extent deferral of such sums is allowed pursuant to such Assigned Document.

10. As provided in this Section 10, City may assign its rights under this Assignment Agreement, and the Assigned Documents, and the rights and obligations of any assignee of City shall be the same as provided herein as to City. If the City assigns this document to a third prior to an Event of Developer Default, the City shall also obtain the consent of Assignor, provided such consent shall not be unreasonably withheld, conditioned or delayed.

11. This Assignment Agreement shall not be deemed to release or affect in any way the obligations of Assignor to any Contractor under the Assigned Documents.

12. Assignor is executing this Assignment Agreement to induce City to enter into and disburse funds pursuant to the Loan Agreement, and Assignor understands that City would not do so but for the execution and delivery of this Assignment Agreement by Assignor.

13. Notices. Except as otherwise specified herein, all notices to be sent pursuant to this Assignment Agreement shall be made in writing, and sent to the parties at their respective addresses specified below (or in the case of Contractor, to the address specified in the Consent attached hereto) or to such other address as a party may designate by written notice delivered to the other parties in accordance with this Section. All such notices shall be sent by:

- (i) personal delivery, in which case notice is effective upon delivery;
- (ii) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered on receipt if delivery is confirmed by a return receipt;
- (iii) nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service;
- (iv) facsimile transmission, in which case notice shall be deemed delivered upon transmittal, provided that (a) a duplicate copy of the notice is promptly delivered by first-class or certified mail or by overnight delivery, or (b) a transmission report is generated reflecting the accurate transmission thereof. Any notice given by facsimile shall be considered to have been received on the next business day if it is received after 5:00 p.m. recipient's time or on a nonbusiness day.

CITY:

City of San Leandro
835 East 14th Street
San Leandro, CA 94577
Attention: City Manager
Facsimile: (510) 577-6007

ASSIGNOR:

San Leandro Senior Housing Associates, L.P.
345 Spear Street, Suite 700
San Francisco, CA 94105
Attn: President
Facsimile: (415) 495-4898

14. Amendments. This Assignment Agreement may be modified only by a written instrument signed by the Parties.

15. Further Assurances; Consents. The Parties shall execute, acknowledge and deliver to the other such other documents and instruments, and take such other actions, as

either shall reasonably request as may be necessary to carry out the intent of this Assignment Agreement.

16. Parties Not Co-Venturers. Nothing in this Assignment Agreement is intended to or shall establish the Parties as partners, co-venturers, or principal and agent with one another.

17. Action by the City. Except as may be otherwise specifically provided herein, whenever any approval, notice, direction, consent or request by the City is required or permitted under this Agreement, such action shall be in writing, and such action may be given, made or taken by the City Manager or by any person who shall have been designated by the City Manager, without further approval by the City Manager's governing board unless the City Manager determines that such matter requires the consent of such governing board.

18. Non-Liability of City and City Officials, Employees and Agents. No member, official, employee or agent of the City shall be personally liable to Assignor, or any successor in interest, in the event of any default or breach by the City, or for any amount of money which may become due to Assignor or its successor or for any obligation of City under this Assignment Agreement.

19. No Third Party Beneficiaries. There shall be no third party beneficiaries to this Assignment Agreement.

20. Headings; Construction. The headings of the sections and paragraphs of this Assignment Agreement have been inserted for convenience only and shall not be used to construe this Assignment Agreement. The language of this Assignment Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any Party. Time is of the essence in the performance of this Assignment Agreement.

21. Governing Law; Venue. This Assignment Agreement shall be construed in accordance with the laws of the State of California without regard to principles of conflicts of law. The Parties consent to the jurisdiction of any federal or state court in the jurisdiction in which the Property is located (the “**Property Jurisdiction**”). Assignor agrees that any controversy arising under or in relation to this Assignment Agreement, the City Note or the Loan Agreement shall be litigated exclusively in courts having jurisdiction in the Property Jurisdiction. Assignor irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

22. Attorneys' Fees. If any claim, at law or otherwise is made by either Party, the prevailing party or the nondefaulting party, as the case may be, shall be entitled to its costs and reasonable attorneys' fees.

23. Severability. If any term of this Assignment Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the Parties are materially altered or abridged by such invalidation, voiding or unenforceability.

24. Counterparts. This Assignment Agreement may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one agreement.

SIGNATURES ON FOLLOWING PAGE.

Exhibit A

CONTRACTS AND AGREEMENTS

(Attach List.)

Exhibit B

CONSENT

This Consent (“**Consent**”) is executed effective as of _____, 2016, pursuant to that certain Assignment of Agreements, Plans and Specifications (“**Assignment Agreement**”) executed by and between San Leandro Senior Housing Associates, L.P., a California limited partnership (“**Assignor**”) and the City of San Leandro (“**City**”) dated as of _____, 2016. Unless otherwise defined herein, capitalized terms used in this Consent shall have the meanings given them in the Assignment Agreement.

The undersigned consultant, architect, engineer, and/or contractor (“**Contractor**”) hereby consents to the Assignment Agreement and the assignments contemplated thereby, and hereby waives all provisions in the Assigned Documents to which Contractor is a party which would impair, hinder or prevent the making of any such assignment by Assignor to City or the enforcement thereof by City.

Contractor agrees that if at any time, the City shall, pursuant to its rights under the Assignment Agreement, deliver an Exercise Notice to Contractor, then provided that Contractor has received, receives or continues to receive the compensation called for under the Assigned Documents to which Contractor is a party, the City may, at its option, use and rely upon the Reports, Plans and Specifications for the purposes for which they were prepared, and Contractor will continue to perform its obligations under the Assigned Documents to which Contractor is a party for the benefit and account of the City in the same manner as if performed for the benefit or account of Assignor in the absence of the Assignment Agreement. Contractor agrees that it shall rely conclusively upon any Exercise Notice given to Contractor by City, and Contractor agrees to be bound by such Exercise Notice.

By its execution of this Consent, Contractor agrees to look solely to Assignor and its successors in interest for performance of Assignor’s obligations under the Assigned Documents to which Contractor is a party unless and until Contractor shall have received an Exercise Notice from City.

Contractor agrees that, after the occurrence of an Event of Developer Default under the Loan Agreement and the giving of an Exercise Notice by City, and provided that Contractor has received, receives and continues to receive the compensation called for under the Assigned Documents to which Contractor is a party, Contractor will perform all of its obligations under the Assigned Documents to which Contractor is a party.

Contractor agrees that, notwithstanding anything hereinabove contained or contained in the Assigned Documents to the contrary, and provided that Contractor has received, receives and continues to receive the compensation called for under the Assigned Documents to which Contractor is a party, City will have the right to receive and to use any and all Reports, Plans and Specifications relating to the Property, the Project or the Improvements, as the same may be amended or modified from time to time, which Contractor may own or have the right to use and to grant others the right to use. Contractor further agrees that, upon the written request of City (whether or not any Event of Developer Default has occurred), it will execute and deliver a certification confirming City’s rights with respect to such Reports, Plans, and Specifications as City from time to time may reasonably request.

Contractor agrees that for so long as the Assignment Agreement is effective, if Assignor defaults in making any required payment or in performing any other obligation under any Assigned Document to which Contractor is a party, Contractor shall give prompt written notice thereof to City. Unless and until such notice is given to City, and for a period of 15 business days thereafter, Contractor shall not exercise any of its rights or remedies against Assignor under the Assigned Documents (including, without

limitation, the right to terminate any Assigned Document or to stop work thereunder). After such notice is given and for a period of 15 business days thereafter, City may, at its option, cure (but shall have no obligation to cure) any such default by Assignor and, if such default is so cured during such notice period, Contractor shall continue performance under the Assigned Documents to which such Contractor is a party.

Contractor represents and warrants that (i) the Assigned Documents to which Contractor is a party are in full force and effect, and to Contractor's knowledge there are no defaults thereunder by any party thereto; (ii) Contractor has made no assignment of any Assigned Document to which Contractor is a party or of its rights thereunder (other than to City); and (iii) there presently exists no unpaid claims presently due to Contractor, except as disclosed in writing to the City, arising in connection with the performance of Contractor's obligations under the Assigned Documents to which Contractor is a party. Contractor agrees that for so long as the Assignment Agreement is effective, absent the prior written consent of City, Contractor shall not assign its rights or interest in any of the Assigned Documents to any entity other than a lender whose loan is secured by the Property, the Project or the Improvements with the prior written approval of the City; provided, however, that the City approves of any assignment to the lender of financing contemplated in the Financing Plan, as it may be updated.

IN WITNESS WHEREOF, Contractor has duly executed this Consent as of the date first written above.

CONTRACTOR

By: _____

Contractor's Address:

Its: _____

Telephone:

Facsimile: