



# OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER SAN MARCOS REDEVELOPMENT AGENCY

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## AGENDA REGULAR MEETING

Friday, June 6, 2014, 9:00 am  
City of San Marcos – City Council Chamber  
1 Civic Center Drive, San Marcos, CA 92069

**Cell Phones:** As a courtesy to others, please silence your cell phone or pager during the meeting and engage in conversations outside the building.

**Americans with Disabilities Act:** If you need special assistance to participate in this meeting, please contact the City Clerk at (760) 744-1050, ext. 3145.

**Public Comment:** If you wish to address the Board, please complete a "Request to Speak" form. Comments are limited to THREE minutes. The Oral Communication segment of the agenda is for the purpose of allowing the public to address the Board on any matter NOT listed on the agenda. The Board is prohibited by state law from taking action on items NOT listed on the Agenda. However, they may refer the matter to staff for a future report and recommendation. Speakers are asked to fill out a "Request to Speak" form and hand it to staff, although provision of a name, address, or other identifying information is optional.

**Agendas:** State law requires that the agenda for regular meetings be posted a minimum of 72 hours prior to the meeting and for special meetings a minimum of 24 hours prior to the meeting. The agenda and supporting material (agenda packet) will be available at the City Clerk Department located on the second floor of City Hall, 1 Civic Center Drive, San Marcos, during normal business hours and an electronic version will also be posted online at [www.san-marcos.net](http://www.san-marcos.net).

Agenda-related writings or documents provided to a majority of the Board will be available for public inspection at the time of distribution in the City Clerk Department located on the second floor of City Hall, 1 Civic Center Drive, San Marcos, CA during normal business hours. The same materials are also posted online at [www.san-marcos.net](http://www.san-marcos.net) as time permits.

### CALL TO ORDER

### PLEDGE OF ALLEGIANCE

### ROLL CALL

### ORAL COMMUNICATIONS

**ACTION ITEMS**

	<b><u>ACTION</u></b>
1. <b>APPROVAL OF MINUTES</b> – April 4, 2014 Regular Meeting.	APPROVE
2. <b>DEVELOPMENT AND LOAN AGREEMENT WITH AFFIRMED HOUSING FOR AN AFFORDABLE HOUSING PROJECT IN THE CREEK DISTRICT</b>	APPROVE

**STAFF COMMENTARY**

**BOARD MEMBER COMMENTARY**

**ADJOURNMENT**

**AFFIDAVIT OF POSTING**

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

I, Phillip Scollick, Clerk of the Oversight Board of the Successor Agency to the Former San Marcos Redevelopment Agency, hereby certify that I caused the posting of this agenda in the glass display case at the north entrance of City Hall on June 3, 2014, at 9:00 a.m.

  
\_\_\_\_\_  
PHILLIP SCOLICK, BOARD CLERK



# OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER SAN MARCOS REDEVELOPMENT AGENCY

## MINUTES REGULAR MEETING

Friday, April 4, 2014  
City of San Marcos – City Council Chamber  
1 Civic Center Drive, San Marcos, CA 92069

**CALL TO ORDER** – Vice Chair Newman called the meeting to order at 9:00 a.m.

**PLEDGE OF ALLEGIANCE** – Vice Chair Newman led the pledge.

### ROLL CALL

PRESENT:	BOARD MEMBERS:	JONES, MALONE, NEWMAN, SIMMONS
ABSENT:	BOARD MEMBERS:	GITTINGS, PEREZ, HAMELS

### ORAL COMMUNICATIONS

No members of the public requested to speak.

### ACTION ITEMS

#### 1. APPROVAL OF MINUTES – March 3, 2014 Special Meeting.

**MOVED BY SIMMONS, SECONDED BY MALONE, TO ACCEPT MINUTES OF THE MARCH 3, 2014, SPECIAL OVERSIGHT BOARD MEETING AS PRESENTED.**

AYES:	BOARD MEMBERS:	JONES, MALONE, NEWMAN, SIMMONS
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARDMEMBERS:	GITTINGS, PEREZ, HAMELS

#### 2. LONG RANGE PROPERTY MANAGEMENT PLAN AMENDMENT

ROMERO provided the staff report dated 4/4/14 and recommended adoption of the amended Long Range Property Management Plan.

**BOARDMEMBER COMMENTS INCLUDED:** clarification of right of way land parcels for street improvements, realignments and widening; and future development projects.

No members of the public commented on this item.

**MOVED BY SIMMONS, SECONDED BY JONES, TO APPROVE THE LONG RANGE PROPERTY MANAGEMENT PLAN AMENDMENT RESOLUTION AS PRESENTED.**

AYES:      BOARD MEMBERS:      JONES, MALONE, NEWMAN, SIMMONS  
NOES:      BOARD MEMBERS:      NONE  
ABSENT:      BOARDMEMBERS:      GITTINGS, PEREZ, HAMELS

**STAFF COMMENTARY**

ROMERO provided an update on upcoming 2014 meeting dates and those related to the final and conclusive meetings needed to wrap up redevelopment matters.

**BOARD MEMBER COMMENTARY**

SIMMONS congratulated Chief Newman on his upcoming retirement and expressed his support of continued negotiations between the Building Industry Association (BIA) and the City of San Marcos on fees associated to development.

**ADJOURNMENT** – Vice Chair Newman adjourned the meeting at 9:10 a.m.

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TODD NEWMAN, VICE CHAIR  
Oversight Board of the Successor Agency to  
the Former San Marcos Redevelopment Agency

ATTEST:

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PHILLIP SCOLICK, BOARD CLERK  
Oversight Board of the Successor Agency to  
the Former San Marcos Redevelopment Agency



# OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER SAN MARCOS REDEVELOPMENT AGENCY

## STAFF REPORT

**MEETING DATE:** June 6, 2014

**SUBJECT:** A Development and Loan Agreement with Affirmed Housing for an affordable housing project in the Creek District

### **Recommendation**

That the Oversight Board adopt the attached resolution approving the Development and Loan Agreement (DLA) and project loan with Affirmed Housing (the developer) for an affordable housing project in the San Marcos Creek Specific Plan Area

### **City Council/Successor Agency/Successor Housing Agency Action**

The City Council in its capacity as the Successor Agency (SA) and in its capacity as the Successor Housing Agency (SHA) adopted Resolutions No. SA 2014-010 and SHA 2014-007 on May 13, 2014 approving the DLA and project loan with the developer for an affordable housing project in the San Marcos Creek Specific Plan Area. At the same time, the Council also approved the Section 33433 Report. Additionally, a \$150,160 increase to the developer's pre-development loan was authorized via Resolution No. 2014-7917.

### **Background**

One of the City Council's goals is the revitalization of the Creek District. On October 12, 2010, the Redevelopment Agency Board (RDA) approved an Exclusive Negotiating Agreement and a \$349,840 predevelopment loan to develop an affordable housing project in the eastern end of the Creek District along Grand Avenue. The developer moved forward promptly with appropriate predevelopment activities until the demise of the RDA. The project then became stalled amid the turbulence and uncertainty engendered by the State government's dissolution of the RDA. To enable the developer to continue to keep the project moving forward after the unavoidable delay, the City Council extended a second predevelopment loan of \$100,000 on April 24, 2012 from the City affordable housing in-lieu fund (in-lieu fund). This fund was used because it was immediately deployable and was not subject to subsequent entanglement and delay within the opaque RDA dissolution process. The developer persistently kept the project moving forward to the point where application for a project loan and subsequent application for low income housing tax credits is now feasible. Therefore, on May 13, 2014, the City Council, in its capacity as the SA and in its capacity as the SHA, approved a DLA and funding package totaling \$6,900,000 inclusive of an additional \$3,100,000 from the SHA 2010 housing bond proceeds fund (bond fund). In the same action,

approval was granted for the transfer of real property from the City as SHA to the developer as an integral part of the funding package in accordance with Section 33433 of the Health and Safety Code. Also, concurrent approval was granted via Resolution No. 2014-7917 for an additional funding increment of \$150,160 from the in-lieu fund.

### **Discussion**

Eastgate will be a mixed-use, multi-family, new construction affordable housing community consisting of 42 residential units, approximately 11,600 square feet of commercial space and a community room. In addition to the obvious on-site development, the project will also provide critical Creek District infrastructure, including, but not limited to, partial construction of Creekside Drive and partial construction of Main Street. The development will be built in one phase.

Because this is one of the first new projects in the Creek District where minimal infrastructure exists, Eastgate will be required to assist with significant infrastructure development in the immediate area of the development site. The developer's budget reflects the infrastructure requirements.

The developer will apply to the California Tax Credit Allocation Committee (CTCAC) for low income housing tax credits as soon as feasible. The City Council and the City Council in its capacities as the SA and the SHA recently authorized up to \$6,900,000 as a funding package. This includes a loan of \$3,200,000 representing the value of the City land to be deeded to the project; a \$600,000 predevelopment loan, \$449,840 of which has been previously authorized and disbursed; and an additional project loan of up to \$3,100,000 from the bond fund. All but an additional \$150,160 for the predevelopment loan round-out and the \$3,100,000 from the bond fund are sunk costs. In other words, the only additional SHA "out-of-pocket" financial assistance authorized by the City as SHA is for the additional \$3,100,000 from the bond fund.

The land to be transferred to the developer within the DLA process consists of approximately 2.85 acres (APN 219-270-45 and APN 219-270-61) in the east end of the Creek District. This property is currently owned by the City as SHA and was purchased by the RDA with Low/Mod housing increment funds because it was intended for a future affordable housing development.

As a part of the RDA dissolution process on August 1, 2012, the City duly submitted its Housing Assets List to the State of California Department of Finance (DOF) for "City of San Marcos as Successor Housing Agency". The real property assets associated with East gate were identified in Exhibit A "Real Property" as Item 5.

The additional \$3,100,000 from the bond fund will be reflected on Recognized Obligation Payment Schedule (ROPS) 2014-15 B covering the period January - June 2015 to be submitted to the City Council for consideration in the September 2014 time frame. Approval of this \$3,100,000 is also conditioned on subsequent approval by the SA of Recognized Obligation Payment Schedule (ROPS) 2014-15 B and the subsequent approval by both the San Marcos Oversight Board (OB) and DOF.

The City Council in its capacity as SA and in its capacity as SHA approved the additional \$3,100,000 funding from the bond fund on May 13, 2014 in order to meet a separate deadline related to a Federal HOME fund application with the County of San Diego which is an essential component of the developer's layered funding strategy under the 4% low income housing tax credit scenario.

The total cost of the Eastgate development is estimated at approximately \$18,697,000. The total funding assistance package of up to \$6,900,000 from the City in its various capacities does not exceed 50% of the total cost; therefore, Health and Safety Code Section 33334.3(j) is not triggered. Health and Safety Code Section 33334.3(j) is invoked if the agency is funding more than 50% of the entire project cost and requires that the agency finds that if the use of the funds is necessary because both the developer and the agency have made a good faith attempt to obtain commercial or private means of financing at the same level of affordability and quantity.

Because the land required for the project site was formerly owned by the RDA, Health and Safety Code Section 33433 is triggered. Approval of a "Section 33433 Report" and the property transfer is required to deed SHA land to the developer. The City Council, in its capacities as the SA and the SHA, approved the Section 33433 Report and the property transfer on May 13, 2014.

### **Fiscal Impact**

Fiscal impact is up to an additional \$3,100,000 from the SHA bond fund. The current balance in the bond fund is approximately \$3.2 million after previously authorized funding for the Promenade at Creekside project is deducted. A residue of about \$100,000 will remain after both Promenade at Creekside and Eastgate are funded. All other project costs in the \$6,900,000 funding package are sunk costs, including land appraised at \$3,200,000 and all but \$150,160 of the \$600,000 predevelopment loan from the City in-lieu fund.

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### **Attachment(s)**

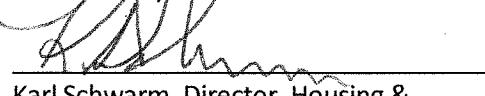
1. Oversight Board Resolution No. 2014-XXX
2. Resolution No. SA 2014-010
3. Resolution No. SHA 2014-007
4. Resolution No. 2014-7917
5. Development and Loan Agreement
6. GIS exhibit depicting the project site
7. Letter from Bond Counsel
8. Letter from Trustee

Prepared by:



Harry Williams, Housing Programs Manager

Submitted by:



Karl Schwarm, Director, Housing & Neighborhood Services Division

Approved by:

  
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Lydia Romero, Deputy City Manager

RESOLUTION NO. OBRDA 2014-XXX

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF  
THE FORMER SAN MARCOS REDEVELOPMENT AGENCY AFFIRMING THE  
EXPENDITURE OF \$3,100,000 FOR A PROJECT LOAN FOR AN AFFORDABLE  
HOUSING PROJECT IN THE CREEK DISTRICT FROM 2010 TAX ALLOCATION  
BOND PROCEEDS

WHEREAS, the City Council of the City of San Marcos ("City") adopted the Redevelopment Plan for Project Area No. 1 of the San Marcos Redevelopment Agency ("Agency") on or about July 12, 1983, the Redevelopment Plan for Project Area No. 2 on or about July 19, 1985, and the Redevelopment Plan for Project Area No. 3 on or about July 11, 1989, for the purpose of considering and pursuing redevelopment activities in the community pursuant to the Community Redevelopment Law, California Health & Safety Code Sections 33000, et. seq. ("CRL"); and

WHEREAS, pursuant to Assembly Bill X1 26 ("AB X1 26"), as supplemented in the decision of the California Supreme Court entitled *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Supreme Court matter S194861, which decision was issued on December 29, 2011, redevelopment agencies have been dissolved by the State as of February 1, 2012 and no longer exist as public bodies, corporate or politic, successor agencies were designated to provide for the payment of enforceable obligations of each redevelopment agency and the administration of the wind-down of each such redevelopment agency; and

WHEREAS, pursuant to Resolution No. 2012-7607, approved and adopted by the City on January 10, 2012, the City elected to serve as the Successor Agency to the Agency following its dissolution; and

WHEREAS, the Redevelopment Agency previously authorized an exclusive negotiation agreement and a predevelopment loan of \$349,840 from the Agency's Low/Mod Housing Increment Fund to the Developer for this Project on October 13, 2010; and

WHEREAS, the City previously authorized an agreement to make an extended predevelopment loan and property development plan and a predevelopment loan of \$100,000 from the City's Affordable Housing In-Lieu Fund to the Developer for this Project on April 24, 2012; and

WHEREAS, the 2.85 acre project site consisting of APN 219-270-45 and APN 219-270-61 is currently owned by the Successor Housing Agency and was identified on the Housing Asset List submitted to the Department of Finance on August 1, 2012; and,

WHEREAS, pursuant to Health and Safety Code section 34191.4(c), the San Marcos Successor Agency received "Finding of Completion" from the Department of Finance; and

WHEREAS, under HSC section 34191.4(c), when a "Finding of Completion" is issued to a successor agency, the agency may use any remaining bond funds that were issued prior to January 1, 2011, in a manner consistent with the original bond covenants; and

WHEREAS, under HSC section 34176(g), the agency must request the use of the bond funds that were issued prior to January 1, 2011, in a manner consistent with the original bond covenants; and

WHEREAS, the San Marcos Successor Agency has remaining bond proceeds from Agency issued Housing Set-Aside Tax Allocation Bonds, Series 2010 ("Bond"); and

NOW, THEREFORE, the Oversight Board of the Successor Agency to the former San Marcos Redevelopment Agency (also referred to as the Redevelopment Agency of the City of San

Marcos), finds that the \$3,100,000 project loan is consistent with the Bond covenants and serves a legitimate redevelopment purpose, and affirms the use of these funds for said project.

PASSED, APPROVED AND ADOPTED by the Oversight Board of the Successor Agency to the former San Marcos Redevelopment Agency at a meeting held on the 6th day of June, 2014, by the following roll call vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

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Gary Hamels, Oversight Board Chair

ATTEST:

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Phillip Scollick, Clerk of the Board

RESOLUTION NO. SA 2014-010

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN MARCOS, AS THE SUCCESSOR AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY AUTHORIZING A DEVELOPMENT AND LOAN AGREEMENT WITH AFFIRMED HOUSING GROUP FOR AN AFFORDABLE HOUSING PROJECT IN THE CREEK DISTRICT AND AUTHORIZING THE TRANSFER OF REAL PROPERTY IN ACCORDANCE WITH SECTION 33433 OF THE HEALTH AND SAFETY CODE

WHEREAS, on January 10, 2012 the City Council adopted Resolution No. 2012-7607 appointing itself as the Successor Agency to the former San Marcos Redevelopment Agency ("Successor Agency"); and

WHEREAS, the Successor Housing Agency and the City of San Marcos ("City") both have a state mandate to construct affordable housing; and

WHEREAS, Affirmed Housing Group ("Developer"), has approached the Successor Housing Agency about development of affordable housing within the San Marcos Creek Specific Plan ("Project"); and

WHEREAS, this Project will assist in meeting the City Council's goal of neighborhood revitalization in the Creek District by expanding the stock of decent, safe and affordable housing; and

WHEREAS, the former Redevelopment Agency Board previously authorized an Exclusive Negotiating Agreement and a predevelopment loan of \$349,840 to the Developer for this Project on October 12, 2010; and

WHEREAS, the City Council authorized a \$100,000 increase to the predevelopment loan of \$100,000 on April 24, 2012; and

WHEREAS, the Successor Agency and the Successor Housing Agency desire to provide financial assistance to the Developer using funds from the Successor Agency's Housing Bond Fund for Project funding to develop real property located in the eastern end of the San Marcos Creek Specific Plan encompassing APN 219-270-4 and APN 219-270-61 within the City; and

WHEREAS, the 2.85 acre project site consisting of APN 219-270-4 and APN 219-270-61 is currently owned by the Successor Housing Agency and identified as such on the Housing Asset List submitted to the Department of Finance on August 1, 2012; and

WHEREAS, the Successor Housing Agency and Developer desire to negotiate a Development and Loan Agreement pursuant to which the agency would provide financial assistance to the

Developer for the development of the above-described property for affordable housing purposes in a Project; and

WHEREAS, a component of the assistance to the Developer will be the transfer of the Project site, currently owned by the Successor Housing Agency, from that agency to the Developer upon successful award of tax credits; and

WHEREAS, the City Council as the SHA is required to authorize the sale of the 2.85 acre property consisting of APN 219-270-4 and APN 219-270-61 as per Section 33433 of the Health and Safety Code; and

WHEREAS, the decision of the Successor Agency and the Successor Housing Agency is subject to subsequent approval by the Oversight Board and the Department of Finance; and

WHEREAS, the decision of the Successor Agency and the Successor Housing Agency is based on the following findings and determinations.

NOW, THEREFORE BE IT RESOLVED, by the Successor Agency of the City of San Marcos and the Successor Housing Agency of the City of San Marcos:

1. The foregoing recitals are true and correct, and are incorporated herein by reference.

2. There are unique and extraordinary circumstances applicable to the Project that have not generally applied to previous affordable housing projects built in other, more developed areas of the City. This is the first development in this part of the Creek District, where established infrastructure does not exist. The project will also be built to the higher design standards required by the San Marcos Creek Specific Plan.

3. Due to the prevailing conditions in the public and private sectors of the economy, other sources of additional financing, including commercial and private sources, are currently available, but in a relatively constrained manner. The net effect is to increase the amount of the local agency's financing in order to complete the Project.

4. The Project site consisting of APN 219-270-45 and APN 219-270-61 is currently owned by the Successor Housing Agency and has been recognized as a housing asset.

5. The use of the Successor Agency's Housing Bond Fund to fund an adjacent affordable housing project has been previously approved by both the Oversight Board to the Successor Agency and the Department of Finance, therefore, use of these funds for this project is considered to be allowable and appropriate.

6. The use of bond funds is consistent with the bond covenants.

7. The use of bond funds is consistent with any tax-related requirements.

8. The use of bond funds for this project is consistent with previous approval from both the Oversight Board to the Successor Agency and the Department of Finance.

9. There are sufficient bond funds remaining for an additional Project loan authorization of up to \$3,100,000.

10. The Successor Agency and the Successor Housing Agency hereby approve a loan to Affirmed Housing Group in an amount not to exceed \$6,900,000 for the entire Project, one portion reflecting \$3,200,000 for the appraised value of the Project site to be transferred from the Successor Housing Agency to the Developer in accordance with the terms of the Disposition and Loan Agreement; one portion reflecting an additional amount of up to \$3,100,000 for a Project loan and the final portion including a total Predevelopment Loan of \$600,000, of which \$449,840 was previously authorized on October 12, 2010 and April 24, 2012, respectively.

11. Approves the attached Section 33433 Report and the transfer and sale of the Property to the Developer subject to (i) the Developer obtaining low income housing tax credits from the California Tax Credit Allocation Committee (ii) the Developer and the City agreeing on terms and the purchase price of the Property and the financing and development of the Project and (iii) any and all approvals necessitated by AB 1x26 and/or AB 1484 and the expiration of all applicable review periods, and

12. Authorizes the City Manager to finalize and conclude all required regulatory agreements and financing arrangements consistent with the parameters set forth herein.

13. Authorizes the City budget to be amended, as required.

14. Pursuant to Section 34176(g) of the Health and Safety Code, the Project is eligible for the use of bond proceeds and is an enforceable obligation and shall be placed on the Recognized Obligation Payment Schedule (ROPS) 2013-14B.

PASSED, APPROVED AND ADOPTED by the City Council of the City of San Marcos acting solely in its capacity as designated Successor Agency to the former San Marcos Redevelopment Agency this 13th day May 2014, by the following roll call vote:

AYES: COUNCIL MEMBERS: JABARA, JENKINS, JONES, ORLANDO, DESMOND

NOES: COUNCIL MEMBERS: NONE

ABSENT: COUNCIL MEMBERS: NONE

  
James M. Desmond, Mayor  
City of San Marcos

ATTEST:

  
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Phillip Scollard, City Clerk  
City of San Marcos

RESOLUTION NO. SHA 2014-007

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN MARCOS, AS THE SUCCESSOR HOUSING AGENCY TO THE SAN MARCOS REDEVELOPMENT AGENCY AUTHORIZING A DEVELOPMENT AND LOAN AGREEMENT WITH AFFIRMED HOUSING GROUP FOR AN AFFORDABLE HOUSING PROJECT IN THE CREEK DISTRICT AND AUTHORIZING THE TRANSFER OF REAL PROPERTY IN ACCORDANCE WITH SECTION 33433 OF THE HEALTH AND SAFETY CODE

WHEREAS, on January 10, 2012 the City Council adopted Resolution No. 2012-7607 appointing itself as the Successor Housing Agency to the former San Marcos Redevelopment Agency ("Successor Housing Agency"); and

WHEREAS, the Successor Housing Agency and the City of San Marcos ("City") both have a state mandate to construct affordable housing; and

WHEREAS, Affirmed Housing Group ("Developer"), has approached the Successor Housing Agency about development of affordable housing within the San Marcos Creek Specific Plan ("Project"); and

WHEREAS, this Project will assist in meeting the City Council's goal of neighborhood revitalization in the Creek District by expanding the stock of decent, safe and affordable housing; and

WHEREAS, the former Redevelopment Agency Board previously authorized an Exclusive Negotiating Agreement and a predevelopment loan of \$349,840 to the Developer for this Project on October 12, 2010; and

WHEREAS, the City Council authorized a \$100,000 increase to the predevelopment loan of \$100,000 on April 24, 2012; and

WHEREAS, the Successor Agency and the Successor Housing Agency desire to provide financial assistance to the Developer using funds from the Successor Agency's Housing Bond Fund for Project funding to develop real property located in the eastern end of the San Marcos Creek Specific Plan encompassing APN 219-270-4 and APN 219-270-61 within the City; and

WHEREAS, the 2.85 acre project site consisting of APN 219-270-4 and APN 219-270-61 is currently owned by the Successor Housing Agency and identified as such on the Housing Asset List submitted to the Department of Finance on August 1, 2012; and

WHEREAS, the Successor Housing Agency and Developer desire to negotiate a Development and Loan Agreement pursuant to which the agency would provide financial assistance to the

Developer for the development of the above-described property for affordable housing purposes in a Project; and

WHEREAS, a component of the assistance to the Developer will be the transfer of the Project site, currently owned by the Successor Housing Agency, from that agency to the Developer upon successful award of tax credits; and

WHEREAS, the City Council as the SHA is required to authorize the sale of the 2.85 acre property consisting of APN 219-270-4 and APN 219-270-61 as per Section 33433 of the Health and Safety Code; and

WHEREAS, the decision of the Successor Agency and the Successor Housing Agency is subject to subsequent approval by the Oversight Board and the Department of Finance; and

WHEREAS, the decision of the Successor Agency and the Successor Housing Agency is based on the following findings and determinations.

NOW, THEREFORE BE IT RESOLVED, by the Successor Agency of the City of San Marcos and the Successor Housing Agency of the City of San Marcos:

1. The foregoing recitals are true and correct, and are incorporated herein by reference.

2. There are unique and extraordinary circumstances applicable to the Project that have not generally applied to previous affordable housing projects built in other, more developed areas of the City. This is the first development in this part of the Creek District, where established infrastructure does not exist. The project will also be built to the higher design standards required by the San Marcos Creek Specific Plan.

3. Due to the prevailing conditions in the public and private sectors of the economy, other sources of additional financing, including commercial and private sources, are currently available, but in a relatively constrained manner. The net effect is to increase the amount of the local agency's financing in order to complete the Project.

4. The Project site consisting of APN 219-270-45 and APN 219-270-61 is currently owned by the Successor Housing Agency and has been recognized as a housing asset.

5. The use of the Successor Agency's Housing Bond Fund to fund an adjacent affordable housing project has been previously approved by both the Oversight Board to the Successor Agency and the Department of Finance, therefore, use of these funds for this project is considered to be allowable and appropriate.

6. The use of bond funds is consistent with the bond covenants.

7. The use of bond funds is consistent with any tax-related requirements.

8. The use of bond funds for this project is consistent with previous approval from both the Oversight Board to the Successor Agency and the Department of Finance.

9. There are sufficient bond funds remaining for an additional Project loan authorization of up to \$3,100,000.

10. The Successor Agency and the Successor Housing Agency hereby approve a loan to Affirmed Housing Group in an amount not to exceed \$6,900,000 for the entire Project, one portion reflecting \$3,200,000 for the appraised value of the Project site to be transferred from the Successor Housing Agency to the Developer in accordance with the terms of the Disposition and Loan Agreement; one portion reflecting an additional amount of up to \$3,100,000 for a Project loan and the final portion including a total Predevelopment Loan of \$600,000, of which \$449,840 was previously authorized on October 12, 2010 and April 24, 2012, respectively.

11. Approves the attached Section 33433 Report and the transfer and sale of the Property to the Developer subject to (i) the Developer obtaining low income housing tax credits from the California Tax Credit Allocation Committee (ii) the Developer and the City agreeing on terms and the purchase price of the Property and the financing and development of the Project and (iii) any and all approvals necessitated by AB 1x26 and/or AB 1484 and the expiration of all applicable review periods, and

12. Authorizes the City Manager to finalize and conclude all required regulatory agreements and financing arrangements consistent with the parameters set forth herein.

13. Authorizes the City budget to be amended, as required.

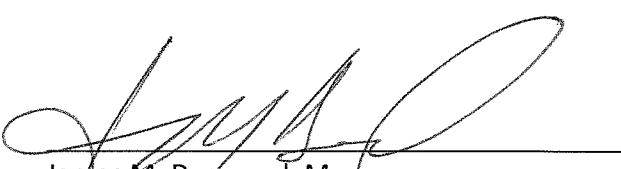
14. Pursuant to Section 34176(g) of the Health and Safety Code, the Project is eligible for the use of bond proceeds and is an enforceable obligation and shall be placed on the Recognized Obligation Payment Schedule (ROPS) 2013-14B.

PASSED, APPROVED AND ADOPTED by the City Council of the City of San Marcos acting solely in its capacity as designated Successor Housing Agency to the former San Marcos Redevelopment Agency this 13th day May 2014, by the following roll call vote:

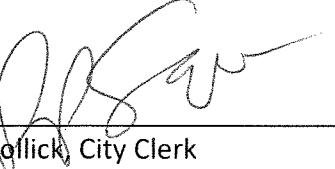
AYES: COUNCIL MEMBERS: JABARA, JENKINS, JONES, ORLANDO, DESMOND

NOES: COUNCIL MEMBERS: NONE

ABSENT: COUNCIL MEMBERS: NONE

  
James M. Desmond, Mayor  
City of San Marcos

ATTEST:

  
\_\_\_\_\_  
Phillip Scollick, City Clerk  
City of San Marcos

RESOLUTION NO. 2014-7917

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN MARCOS  
AUTHORIZING PREDEVELOPMENT LOAN ASSISTANCE TO AFFIRMED HOUSING  
GROUP FOR AN AFFORDABLE HOUSING PROJECT IN THE CREEK DISTRICT OF  
THE CITY OF SAN MARCOS

WHEREAS, the Successor Housing Agency and the City of San Marcos ("City") both have a state mandate to construct affordable housing; and

WHEREAS, Affirmed Housing Group ("Developer"), has approached the Successor Housing Agency about development of affordable housing within the San Marcos Creek Specific Plan ("Project"); and

WHEREAS, this Project will assist in meeting the City Council's goal of neighborhood revitalization in the Creek District by expanding the stock of decent, safe and affordable housing; and

WHEREAS, the former Redevelopment Agency Board previously authorized an Exclusive Negotiating Agreement and a predevelopment loan of \$349,840 to the Developer for this Project on October 12, 2010; and

WHEREAS, the City Council authorized a \$100,000 increase to the predevelopment loan on April 24, 2012; and

WHEREAS, the City desires to provide financial assistance to the Developer using funds from the City's Affordable Housing In-Lieu Fund for predevelopment loan funding to develop real property located in the eastern end of the San Marcos Creek Specific Plan encompassing APN 219-270-4 and APN 219-270-61 within the City; and

WHEREAS, this project will assist in meeting the City Council's goal of development in the Creek District by expanding the stock of decent, safe and affordable housing.

NOW, THEREFORE BE IT RESOLVED that the City Council:

1. Approves a predevelopment loan increase to the developer in an amount not to exceed \$150,160 from the City's Affordable Housing In-Lieu Fund.
2. Authorizes the City Manager to finalize and conclude all required regulatory agreements and financing arrangements.
3. Authorizes the City budget to be amended, as required.

PASSED, APPROVED AND ADOPTED by the City Council of the City of San Marcos this 13th day May 2014, by the following roll call vote:

AYES: COUNCIL MEMBERS: JABARA, JENKINS, JONES, ORLANDO, DESMOND  
NOES: COUNCIL MEMBERS: NONE  
ABSENT: COUNCIL MEMBERS: NONE



James M. Desmond, Mayor  
City of San Marcos

ATTEST:



Phillip Scollieck, City Clerk  
City of San Marcos

## **DEVELOPMENT AND LOAN AGREEMENT (Eastgate)**

**THIS DEVELOPMENT AND LOAN AGREEMENT** (“Agreement”) is dated as of the 13<sup>th</sup> day of May, 2014, by and between the City of San Marcos in its capacity as the successor housing agency to the former San Marcos Redevelopment Agency (“SHA”) and Eastgate Family Housing, LLC, a California limited liability company (“Developer”).

### **RECITALS**

A. In furtherance of the objectives of the California Community Redevelopment Law, Developer desires to redevelop certain real property (“Site”) in the City of San Marcos Redevelopment Project (the “Project”). The Site is comprised of the real property which is currently owned by the SHA and described on the Site Legal Description.

B. SHA and Developer desire by this Agreement for: (i) the SHA to agree to sell the Site to Developer; (ii) Developer to agree to construct a mixed use (commercial and residential) development on the Site that shall include, the “Affordable Units,” the “Commercial Component” (as such terms are defined below) and certain on and off-site improvements; and (iii) the Developer to grant an option to the SHA to acquire the “Affordable Units” and the Commercial Component. All development of the Site shall be subject to the review and approval of the SHA.

C. Developer’s construction of the Improvements on the Site pursuant to the terms of this Agreement, is in the vital and best interest of the City and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements under which the Redevelopment Project has been undertaken. The Project, including without limitation the Affordable Units and the manager’s unit, shall be smoke-free.

D. The qualifications and identity of Developer, and its principals, are of particular concern to the community and SHA. Developer further recognizes that it is because of such qualifications and identity that SHA is entering into the Agreement with Developer. No voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement except as expressly set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, SHA and Developer hereby agree as follows:

100. Definitions.

“Affordable Units” shall mean the forty-one (41) smoke-free rental dwelling units to be constructed on the Site by Developer whose rent and occupancy are restricted to low income households pursuant to the Declaration. One additional dwelling unit will be constructed on the Site by Developer, which unit will be occupied by a manager and will not be rent restricted.

“Agreement” means this Development and Loan Agreement between SHA and Developer.

“Area Median Income” shall mean the area median income defined by the Department of Housing and Urban Development (HUD), as adjusted in order to comply with the California Community Redevelopment Law (Health & Safety Code Section 33000, et seq.) and published by the California Tax Credit Allocation Committee (TCAC), as the then current area median income for the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area, established periodically by HUD and published in the Federal Register, as adjusted for family size. In the event HUD and/or TCAC ceases to publish an established area median income as aforesaid, SHA may, in its sole discretion, use any other reasonably comparable method of computing area median income.

“City” means the City of San Marcos, a California municipal corporation.

“CFD’s” means any and all community facility district fees applicable to the Site, including without limitation, CFD 98-01 Police only, CFD 98-02 Lighting, Landscaping, Traffic, CFD 2001-01 Fire/Paramedic and CFD 2011-01 Congestion Management. Furthermore, the Site shall be subject to the annexation to the City’s Community Facility Districts which shall include the formation a Special Improvement Area (“SIA”) within Community Facilities District No. 98-02 (Lighting, Landscaping, Open Space and Preserve Maintenance) (“New CFD”). The Site shall act as a “core” formation of a SIA that will ultimately include the entire Creekside Specific Plan Area. The Developer shall pay any special assessment of the City’s CFD’s including assessments within the New CFD and the SIA (which shall not exceed \$562 per unit with an annual increase and an annexation fee of \$3,000.00) created by the development or as modified by this Agreement.

“Closing” means the close of Escrow for the Developer’s acquisition of the Site from the SHA, which shall occur concurrently with the closing of Developer’s financing for construction of the Improvements.

“Closing Deadline” means December 1, 2017, subject to extension in writing signed by the City Manager and the Developer.

“Commercial Component” means the retail component of the Site totaling approximately 11,600 square feet, to be designed by Developer and constructed on the Site, as part of the Improvements, pursuant to Section 301.2 hereof.

“Concept Drawings” means the plans and drawings to be submitted and approved by SHA, as set forth in Section 302.1 hereof.

“Construction Deed of Trust” means a deed of trust recorded against the Site for purposes of obtaining construction financing for the Improvements.

“Construction Drawings” means the plans and drawings to be submitted and approved by SHA, as set forth in Section 302.3 hereof.

“Construction Lender” means the beneficiary under the Construction Deed of Trust.

“Construction Tranche” means \$3,100,000.00, of the SHA Loan, which amount does not include the Predevelopment Loan.

“Declaration” shall mean a declaration of covenants, conditions and restrictions, in a form agreed to by the SHA and the Developer, to be executed by Developer and recorded against the Site at the Closing, senior to all monetary encumbrances and liens on the Site. The Declaration shall require Developer to pay the set-up fee and annual monitoring fees imposed by the SHA. The Declaration shall provide that: (i) households which are displaced from their primary residence as a result of an action of City or SHA; (ii) honorably discharged veterans of the U.S. armed forces, especially combat disabled veterans; (iii) households with at least one member who resides within the City, as that person’s primary place of residence; and (iv) households with at least one member who works or has been hired to work within the City, as that person’s principal place of full-time employment or is expected to work within the City as a result of a bona fide offer of employment within the City, shall be given priority when potential tenants are selected for the Affordable Units, to the maximum extent allowed by law.

“Default” means the failure of a party to perform any action or covenant required by this Agreement within the time periods provided herein following notice and opportunity to cure, as set forth in Section 501 hereof.

“Developer” means Eastgate Family Housing, LLC, a California limited liability company. Where the term Developer is used herein, such term shall include any permitted nominee, assignee or successor in interest as herein provided.

“Developer Deed of Trust” means the deed of trust securing the Developer Note, in a form agreed to by the SHA and the Developer, to be executed by Developer and recorded as an encumbrance against the Site at the Closing. Provided all conditions of this Agreement are satisfied by the Closing Deadline, the Developer Deed of Trust may be subordinated to the Construction Deed of Trust and Permanent Deed of Trust. Any such subordination shall be in a form acceptable to the SHA in its reasonable discretion.

“Developer Note” means a promissory note, in a form agreed to by the SHA and the Developer, in an original principal amount equal to the amount of the SHA Loan, to be executed by Developer at the Closing.

“Developer Title Policy” means an American Land Title Association owner’s policy issued to the Developer, with endorsements satisfactory to Developer in the amount of the Purchase Price, insuring that title to the Site is vested in Developer subject only to exceptions to coverage that are acceptable to the Developer.

“Eligible Tenants” shall mean those persons defined as “Eligible Tenants” in the Declaration.

“Environmental Indemnity” shall mean an unsecured environmental indemnity agreement, in a form agreed to by the SHA and the Developer, to be executed by Developer and SHA at the Closing.

“Environmental Laws” means any federal, state or local law, statute, ordinance or regulation pertaining to environmental regulation, contamination or cleanup of any Hazardous Materials, including, without limitation, (i) the California Hazardous Waste Control Act (California Health and Safety Code §25100 *et seq.*), (ii) the Carpenter-Presley-Tanner Hazardous Substance Account Act (California Health and Safety Code §25300 *et seq.*), (iii) the Hazardous Materials Release Response Plans and Inventory (California Health and Safety Code §25500 *et seq.*), (iv) Underground Storage of Hazardous Substances (California Health and Safety Code, §25280 *et seq.*), (v) Article 9 or Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (vi) the Safe Drinking Water and Toxic Enforcement Act (California Health and Safety Code, §25249 *et seq.*), (vii) the Porter-Cologne Water Quality Control Act (California Water Code, §13000 *et seq.*), (viii) the Federal Water Pollution Control Act (33 U.S.C. §1271 *et seq.*), (ix) the Resource Conservation and Recovery Act (42 U.S.C. §6901 *et seq.*), (x) the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §9601 *et seq.*), (xi) the Safe Drinking Water Act (44 U.S.C. §300f *et seq.*), (xii) the Hazardous Materials Transportation Act (49 U.S.C. §5101 *et seq.*), (xiii) the Toxic Substances Control Act (15 U.S.C. §2601 *et seq.*), (xiv) the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. §136, *et seq.*), (xv) the Clean Air Act, 42 U.S.C. (§7401 *et seq.*) or (xvi) any state or federal lien or “superlien” law, any environmental cleanup statute or regulation, or any permit, approval, authorization, license, variance or permission required by any governmental authority having jurisdiction.

“Escrow” is defined in Section 202 hereof.

“Escrow Agent” means First American Title Insurance Company, or such other title insurance company as shall be mutually selected by the parties hereto.

“Escrow Instructions” shall mean the Escrow Instructions, in a form agreed to by the SHA and the Developer, to be executed by Developer and SHA as set forth in Section 202 hereof.

“Governmental Requirements” means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the City, or any other political subdivision in which the Site is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over SHA, Developer or the Site.

“Grant Deed” means a duly executed and acknowledged grant deed, in a form mutually acceptable to the SHA and Developer in each of their sole discretions, conveying fee simple title to the Site from the SHA to the Developer.

“Gross Income” shall mean the gross income of the Developer from all components of the Site, including, without limitation, all income to Developer derived from the ownership, operation and management of the Site. Provided however that Gross Income shall not include (i) insurance proceeds or condemnation proceeds; (ii) security deposits or other tenant deposits; or (iii) interest earned on project reserves. Interest earned (if any) on project reserves shall accrue to the applicable project reserve account and shall only be used for the purpose for which the reserve was established.

“Hazardous Materials” means:

(a) Those substances included within the definitions of “hazardous substance,” “hazardous waste,” “hazardous material,” “toxic substance,” “solid waste,” “pollutant” or “contaminant” in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. §9601 *et seq.*); the Resource Conservation and Recovery Act (42 U.S.C. §6901 *et seq.*); the Clean Water Act (33 U.S.C. §2601 *et seq.*); the Toxic Substances Control Act (15 U.S.C. §9601 *et seq.*); the Hazardous Materials Transportation Act (49 U.S.C. §1801 *et seq.*); or under any other Environmental Laws;

(b) Those substances included within the definitions of “Extremely Hazardous Waste,” “Hazardous Waste,” or “Restricted Hazardous Waste,” under §§25115, 25117 or 25122.7 of the California Health and Safety Code, or is listed or identified pursuant to §§25140 or 44321 of the California Health and Safety Code;

(c) Those substances included within the definitions of “Hazardous Material”, “Hazardous Substance”, “Hazardous Waste”, “Toxic Air Contaminant”, or “Medical Waste” under §§25281, 25316, 25501, 25501.1, 25023.2 or 39655 of the California Health and Safety Code;

(d) Those substances included within the definitions of “Oil” or a “Hazardous Substance” listed or identified pursuant to §311 of the Federal Water Pollution Control Act, 33 U.S.C. §1321, as well as any other hydrocarbonic substance or by-product;

(e) Those substances included within the definitions of “Hazardous Waste,” “Extremely Hazardous Waste,” or an “Acutely Hazardous Waste” pursuant to Chapter 11 of Title 22 of the California Code of Regulations;

(f) Those substances listed by the State of California as a chemical known by the State to cause cancer or reproductive toxicity pursuant to §25249.9(a) of the California Health and Safety Code;

(g) Those substances or defined as a “Hazardous Waste,” Extremely Hazardous Waste,” or an “Acutely Hazardous Waste” pursuant to Chapter 11 of Title 22 of the California Code of Regulations;

(h) Any material which due to its characteristics or interaction with one or more other substances, chemical compounds, or mixtures, damages or threatens to damage, health, safety, or the environment, or is required by any law or public agency to be remediated, including remediation which such law or public agency requires in order for the Site to be put to any lawful purpose;

(i) Any material whose presence would require remediation pursuant to the guidelines set forth in the State of California Leaking Underground Fuel Tank Field Manual, whether or not the presence of such material resulted from a leaking underground fuel tank;

(j) Pesticides regulated under the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. §136 *et seq.*;

(k) Asbestos, PCBs, and other substances regulated under the Toxic Substances Control Act, 15 U.S.C. §2601 *et seq.*;

(l) Any radioactive material including, without limitation, any “source material,” “special nuclear material,” “by-product material,” “low-level wastes,” “high-level radioactive waste,” “spent nuclear fuel” or “transuranic waste,” and any other radioactive materials or radioactive wastes, however produced, regulated under the Atomic Energy Act, 42 U.S.C. §§2011 *et seq.*, the Nuclear Waste Policy Act, 42 U.S.C. §§10101 *et seq.*, or pursuant to the California Radiation Control Law, California Health and Safety Code §§25800 *et seq.*;

(m) Any material regulated under the Occupational Safety and Health Act, 29 U.S.C. §§651 *et seq.*, or the California Occupational Safety and Health Act, California Labor Code §§6300 *et seq.*;

(n) Any material regulated under the Clean Air Act, 42 U.S.C. §§7401 *et seq.* or pursuant to Division 26 of the California Health and Safety Code;

(o) Those substances listed in the United States Department of Transportation Table (49 CFR Part 172.101), or by the Environmental Protection SHA, or any successor agency, as hazardous substances (40 CFR Part 302);

(p) Other substances, materials, and wastes that are or become regulated or classified as hazardous or toxic under federal, state or local laws or regulations; and

(q) Any material, waste or substance that is:

- (i) a petroleum or refined petroleum product;
- (ii) asbestos;
- (iii) polychlorinated biphenyl;
- (iv) designated as a hazardous substance pursuant to 33 U.S.C. §1321 or listed pursuant to 33 U.S.C. §1317;
- (v) a flammable explosive; or

(vi) a radioactive material.

Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities as are customarily used in the construction, maintenance, rehabilitation or management of residential or commercial developments or associated buildings and grounds, or typically used in residential or commercial activities in a manner typical of other comparable developments, or substances commonly ingested by a significant population living within the Project, including without limitation alcohol, aspirin, tobacco and saccharine.

"Improvements" means the new improvements to be constructed by Developer upon the Site, which shall include the smoke-free Affordable Units, Commercial Component and certain on and off-site improvements. Developer shall obtain all approvals and permits required for completion of the Improvements, all subject to the review and approval of the SHA in its sole discretion.

"Landscape and Grading Plans" means the plans and drawings to be submitted and approved by SHA, as set forth in Section 302.2 hereof.

"Low Income Household" means persons and families whose income does not exceed sixty percent (60%) of the then current Area Median Income.

"Memorandum of Option" means a memorandum of option, in a form agreed to by the SHA and the Developer, to be executed by Developer and the SHA and recorded as an encumbrance against the Site at the Closing.

"Notice" shall mean a notice in the form prescribed by Section 601 hereof.

"Notice of Affordability Restrictions on Transfer of Property" means a notice of affordability restrictions on transfer of property, in a form agreed to by the SHA and the Developer, to be executed by Developer and the SHA and recorded as an encumbrance against the Site at the Closing.

"Operating Expenses" shall mean actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, taxes and management of all residential and commercial components of the Site, to the extent approved by SHA in Developer's annual operating budget, expressly including, but not limited to, the following: CFD's, required debt service payments on any loan permitted to be secured by the Site that is senior to the Developer Deed of Trust, repayment of any deferred developer fee approved by the SHA, scheduled deposits to reserves, as approved by SHA, a reasonable property management fee in an amount not to exceed 6% of Gross Income in any one year, an asset management fee and a partnership management fee as approved by the SHA.

"Permanent Deed of Trust" means a deed of trust recorded against the Site for purposes of permanently financing for the Improvements.

“Predevelopment Loan” means predevelopments loans from the SHA to the Developer in the current aggregate amount of \$449,840.00, as set forth in more detail in: (i) that certain Exclusive Negotiating Agreement dated October 13, 2010, between the San Marcos Redevelopment Agency and Affirmed Housing Group, Inc., as amended by that certain Amendment to Exclusive Negotiating Agreement dated April 13, 2011, between the San Marcos Redevelopment Agency and Affirmed Housing Group, Inc.; and (ii) that certain Agreement to Make Extended Predevelopment Loan and Property Development Plan dated April 24, 2012, between the SHA and Affirmed Housing Group, Inc. Upon execution of this Agreement, the Predevelopment Loan amount shall be increased by \$150,160.00 to an aggregate amount of \$600,000.00 to cover additional predevelopment expenses incurred by Developer prior to the Closing to facilitate predevelopment activities of the Project. The additional Predevelopment Loan funds shall remain in the control of Housing & Neighborhood Services and disbursements shall be made to the Developer based upon reasonable requests for funding by the Developer to Senior Administrative Analyst, Harry Williams, Housing & Neighborhood Services. Requests for the additional Predevelopment Loan funds by the Developer shall include expense projections sufficiently detailed to allow Housing & Neighborhood Services to evaluate the Developer’s funding needs. Housing & Neighborhood Services shall not unreasonably deny requests for the additional Predevelopment Loan funds and shall ensure that funding requests and disbursements are expeditiously processed. Such written draw requests shall be supported by such back up documentation as the City requires, including without limitation submission of conditional lien releases. At the Closing, the Predevelopment Loan, including all interest accrued thereon shall be, become part of and added to the amount of the SHA Loan.

“Project Proforma” means the proforma attached hereto as Exhibit C. Developer represents and warrants to SHA that the amounts shown on the Project Proforma are accurate and will be the amounts for which Developer is able to and shall design and construct the Improvements in a workmanlike and defect-free manner in accordance with the Scope of Development.

“Purchase Price” means the price to be paid by Developer to the SHA in consideration for the conveyance of fee title to the Site from the SHA to Developer, which is \$3,200,000.00. The Purchase Price shall be included as part of the original principal amount of the SHA Loan and payable as set forth in the Developer Note.

“Purchase Price Tranche” means a portion of the SHA Loan equal to the Purchase Price.

“Redevelopment Plan” means the Redevelopment Plan for the San Marcos Redevelopment Project incorporated herein by reference.

“Redevelopment Project” means the San Marcos Redevelopment Project, adopted by SHA pursuant to the Redevelopment Plan.

“Release of Construction Covenants” means the document which evidences Developer’s satisfactory completion of construction of the Improvements, as set forth in Section 311 hereof, in a form approved by the SHA in its sole discretion.

“Residual Receipts” shall mean Gross Income less Operating Expenses, calculated on a calendar year basis, as provided herein. All calculations of Residual Receipts shall be subject to verification and approval by the SHA.

“Schedule of Performance” means a schedule of performance attached hereto as Exhibit B. The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing between Developer and the City Manager, and the City Manager is authorized to make such revisions as he or she deems reasonably necessary.

“Scope of Development” means a scope of development approved by the SHA in its reasonable discretion pursuant to Section 301.2 which shall include, without limitation, a description of the scope, amount and quality of Improvements to be constructed by Developer pursuant to the terms and conditions of this Agreement and Developer’s agreement to design and construct the Improvements to meet, and Developer’s agreement to operate the Site (after completion of the Improvements) in a manner that meets the Leadership in Energy and Environmental Design Silver Level standard of the U.S. Green Building Council.

“Security Agreement” shall mean a security agreement, in a form agreed to by the SHA and the Developer, to be executed by Developer and SHA at the Closing.

“SHA” means the City of San Marcos in its capacity as the successor housing agency to the former San Marcos Redevelopment Agency, and any assignee of or successor to its rights, powers and responsibilities.

“SHA Loan” means the Predevelopment Loan, plus the Construction Tranche and acquisition loan both expected to be funded from the SHA’s Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the California Health and Safety Code to Developer in the amount of up to Seven Million Four Hundred Thousand and No/100 Dollars (\$7,400,000.00), as more particularly described herein, which amount includes the Purchase Price, Construction Tranche and the \$600,000.00 Predevelopment Loan, which at closing shall become part of the SHA Loan, all as shall be approved by the California Department of Finance. The SHA shall not have any obligation to increase the amount of the SHA Loan for any reason.

“SHA Title Policy” means an American Land Title Association lender’s policy issued to the SHA, with endorsements satisfactory to SHA in the amount of the SHA Loan, insuring that title to the Site is vested in Developer and that the Developer Deed of Trust is an encumbrance against the Site that is subject and subordinate only to exceptions to coverage that are acceptable to the SHA.

“Site” means the real property described on the Site Legal Description.

“Site Legal Description” means the legal description of the property that comprises the Site, as described on Exhibit A.

“Site Plan” has the meaning set forth in Section 301.1 hereof.

“Title Company” means First American Title Insurance Company, or such other title insurance company as shall be mutually selected by the parties hereto.

200. Acquisition of the Site by Developer; SHA Loan.

201. Acquisition of the Site by Developer.

(a) Closing and Purchase Price. Subject to all of the terms and conditions of this Agreement, the SHA shall sell the Site to Developer, and Developer shall purchase the Site from the SHA for an amount equal to the Purchase Price (i.e., \$3,200,000.00) at the Closing. The Purchase Price shall not be paid by the Developer to the SHA at the Closing, but shall be added to the original principal amount of the SHA Loan and shall be payable as set forth in the Developer Note.

(b) Due Diligence. The due diligence period under this Agreement shall commence on the date of this Agreement and shall continue until May 1, 2014 (the “Due Diligence Period”), subject to Developer’s right to approve or disapprove environmental conditions after the Due Diligence Period as provided in Section 207 below. The Developer may terminate this Agreement for any reason or no reason at all at any time during the Due Diligence Period by delivering written notice (“Termination Notice”) to the SHA as set forth in Section 601, below. If the Developer fails to deliver the Termination Notice to the SHA during the Due Diligence Period in accordance with the immediately preceding sentence, then the Developer shall have waived its right to terminate this Agreement. During the Due Diligence Period, the Developer may investigate and research the condition of the Site. In order to facilitate the Developer’s investigation and analysis under this Section 201(b), the SHA grants the Developer the right to enter the Site at any time during normal business hours after forty-eight hours prior written notice to the SHA, to conduct such inspections, reviews, examinations, and tests on the Site as the Developer deems necessary or desirable to investigate the physical condition of the Site. The SHA reserves the right to be present at any investigation or testing conducted by the Developer. Notwithstanding the foregoing, the Developer shall not perform any subsurface or destructive testing of any kind at the Site without first obtaining the SHA’s prior written consent. Such consent may be conditioned upon such conditions as the SHA may reasonably impose, including without limitation the SHA’s approval of any third party contracted by the Developer to perform such testing, evidence that such third party contractor has, in the SHA’s determination adequate liability insurance coverage, and restrictions upon the locations, scheduling, and conduct of such testing.

202. Escrow. Prior to the Closing Deadline, Developer and the SHA shall open an escrow (“Escrow”) with Escrow Agent to facilitate the Closing, conveyance of the Site and the making of the SHA Loan to the Developer. The parties will execute the Escrow Instructions prior to the Closing, which shall provide for the order of recordation, distribution of original documents and other provisions customarily contained in escrow instructions. Developer shall pay all fees, charges, and costs which arise from Escrow, including without limitation the

premiums for the Developer Title Policy and the SHA Title Policy, as well as all documentary transfer taxes, if any, due with respect to Developer's acquisition of the Site.

203. Conditions to Closing.

203.1 Closing Conditions in Favor of Both Developer and SHA. The Closing is conditioned upon satisfaction (or waiver) of each and all of the conditions set forth in this Section 203.1 on or before the Closing Deadline. In the event that one or more of the conditions set forth in this Section 203.1, are not satisfied on or before the Closing Deadline then this Agreement shall be terminated unless the SHA and Developer waive satisfaction of such condition or conditions in writing, in which event the Closing shall proceed and both parties waive any right to damages or compensation with respect to the unsatisfied condition. The Developer acknowledges that events outside of the control of the SHA could prevent the SHA from making the SHA Loan. Therefore, notwithstanding anything to the contrary contained herein, if prior to Closing, the State of California, County of San Diego, or the Oversight Board to the Successor Agency of the former San Marcos Redevelopment Agency determines that this Agreement is not valid, that the SHA cannot fund the SHA Loan using monies from the SHA's Low and Moderate Income Housing fund, or that the SHA Loan cannot be made for any other reason, then this Agreement shall be rescinded and the SHA and Developer shall have no further obligations hereunder.

(a) Scope of Development. Developer shall have obtained approval by SHA of the Scope of Development and Site Plan as set forth in Section 301 hereof.

(b) Design Approvals. Developer shall have obtained approval by SHA of the Concept Drawings, Landscape and Grading Plans and Construction Drawings as set forth in Section 302 hereof.

(c) TCAC and CDLAC Awards. Developer shall have obtained an allocation or reservation from the California Debt Limit Allocation Committee for tax exempt bonds and the accompanying 4% low income housing tax credits from the California Tax Credit Allocation Committee ("TCAC"), or if mutually agreed by SHA and Developer in their sole discretion, an allocation of 9% low income housing tax credits from TCAC, sufficient (along with all other sources) to construct the Improvements.

(d) Performance and Payment Bond. If Developer obtains tax credit financing for the Site which is approved by the SHA, Developer shall not be required to post the performance and payment bond described in this Section 203.1(e). If Developer does not obtain tax credit financing for the Site, as set forth in the immediately foregoing sentence, Developer shall have posted security in the form of a performance and payment bond in an amount and in a form acceptable to the SHA in its reasonable discretion, to assure the design and construction of the Improvements in accordance with the Construction Drawings approved by the SHA pursuant to Section 302.3 below. The performance and payment bond shall insure that construction of the Improvements is

timely accomplished, free and clear of mechanic's liens, stop notices and other encumbrances, concerning the provision of material, labor and supplies. Upon a failure of Developer to timely perform its requirements under the terms of this Agreement, the SHA may resort to the security to ensure performance of this Agreement, by either requiring the bonding company, or its designees, to comply with the terms of this Agreement, or at the election of the SHA, by requiring the bonding company to pay all costs necessary for the SHA, to take over and complete construction of the Improvements at the cost and expense of the bonding company.

(e) Construction Contract. The construction contract for the grading of the Site, acceptable to the SHA, shall have been executed by the Developer and the general contractor who has been selected to do the work.

(f) Entitlements. Developer shall have secured any and all land use and other entitlements, permits and approvals which may be required for the Improvements by the City or any other governmental agency affected by such construction or work and Developer shall have paid any and all applicable fees (including, without limitation, communities facility district fees and public facilities fees imposed by the City or any other governmental agency having jurisdiction with respect to the same), or shall pay such fees concurrently with Closing. The SHA shall not be responsible in any way for, the processing of Developer's building permits or other permit applications with the City. The execution of this Agreement does not constitute the granting of or a commitment to obtain any required land use permits, entitlements or approvals.

(g) Leases. There exists no lease, tenancy or occupancy agreement affecting the Site that is not acceptable to the Developer.

(h) Title Policies. Title Company is prepared and irrevocably obligated to issue the Developer Title Policy and the SHA Title Policy.

(i) DOF Approval. All approvals, if any, required to be obtained from the California Department of Finance in order for the SHA to convey the Site and or make the SHA Loan have been obtained.

**203.2 Closing Conditions for the Benefit of the SHA.** The SHA's obligation to close is conditioned upon satisfaction (or waiver) of each and all of the conditions set forth in this Section 203.2 on or before the Closing Deadline. Any such waiver shall be effective only if the same is (i) expressly waived in writing signed by the SHA or by email from the SHA, and (ii) delivered or emailed to the Developer and Escrow Agent. In the event that one or more of the conditions set forth in this Section 203.2 are not satisfied or expressly waived on or before the Closing Deadline, the SHA (provided the SHA is not in default hereunder) may unilaterally terminate this Agreement by mailing or emailing notice of conditional termination to the Developer and Escrow Agent. After receipt of such notice of conditional termination, the Developer shall have fifteen (15) business days to cure any non-satisfaction of a condition or

other default specified in the notice of conditional termination. If such matter is unsatisfied or cured prior to the expiration of such fifteen (15) day period, then the Closing shall proceed and the SHA waives any right to damages or compensation with respect to the unsatisfied condition. If such matter remains unsatisfied or the default remains uncured after the expiration of such fifteen (15) day period, then this Agreement shall terminate at the close of business on such fifteenth (15<sup>th</sup>) day. Any such termination of this Agreement shall not release the Developer from liability under this Agreement.

(a) No Default. Developer is not in default in any of its obligations under the terms of this Agreement and all representations and warranties of the SHA contained herein shall be true and correct in all material respects.

(b) Insurance. Developer shall have provided proof of insurance as required by Section 307 hereof.

(c) Attorneys' Fees. The Developer has paid prior to or will pay concurrently with the Closing and all attorneys' fees incurred by the SHA with respect to the same.

203.3 Closing Conditions for the Benefit of the Developer. The Developer's obligation to close is conditioned upon satisfaction (or waiver) of each and all of the conditions set forth in this Section 203.3 on or before the Closing Deadline. Any such waiver shall be effective only if the same is (i) expressly waived in writing signed by the Developer or by email from the Developer, and (ii) delivered or emailed to the SHA and Escrow Agent. In the event that one or more of the conditions set forth in this Section 203.3 are not satisfied or expressly waived on or before the Closing Deadline, the Developer (provided the Developer is not in default hereunder) may unilaterally terminate this Agreement by mailing or emailing notice of conditional termination to the SHA and Escrow Agent. After receipt of such notice of conditional termination, the SHA shall have three (3) business days to cure any non-satisfaction of a condition or other default specified in the notice of conditional termination. If such matter is unsatisfied or cured prior to the expiration of such three (3) day period, then the Closing shall proceed and the Developer waives any right to damages or compensation with respect to the unsatisfied condition. If such matter remains unsatisfied or the default remains uncured after the expiration of such three (3) day period, then this Agreement shall terminate at the close of business on such third (3<sup>rd</sup>) day. Any such termination of this Agreement shall not release the SHA from liability under this Agreement.

(a) No Default. The SHA is not in default in any of its obligations under the terms of this Agreement and all representations and warranties of the SHA contained herein shall be true and correct in all material respects.

(b) Grant Deed. The SHA has deposited the duly executed and acknowledged Grant Deed into Escrow.

(c) Additional Documents. The deposit by the SHA into Escrow of all other documents and instruments reasonably required by Escrow.

(d) FIRPTA. The deposit by Developer into Escrow of Developer's affidavit that Developer is not a foreign person and is a "United States Person" as such term is defined in Section 7761(a)(30) of the Internal Revenue Code of 1986, in the form prescribed by federal regulations.

(e) FTB Form 590. The deposit by Developer into Escrow of a duly executed FTB Form 590 or other evidence that withholding of any portions of the Purchase Price is not required by the Revenue and Taxation Code of California.

(f) Diligence Matters. Title Company shall have unconditionally committed to issue an owner's policy of title insurance to Developer for the Site, insuring Developer in the amount of the Purchase Price that title to the Site is vested in Developer at the Closing, subject only to the Exceptions approved or deemed approved by Developer pursuant to Section 207.1, below.

(g) Approvals. Developer shall have obtained from the City all required approvals and permits (except for permit ready letters in lieu of building permits), including site plan review, conditional use, subdivision, building, grading, landscaping, and others for the grading, installation of utilities and construction of Creekside Drive. Nothing contained herein or in any other document, resolution or approval with respect to the this Agreement, the SHA Loan or the Property, regardless of whether the SHA or the City is a party thereto, shall be deemed an approval of, or an agreement to approve, development of the Site as contemplated under this Agreement or any other entitlements with respect to the Site. Any and all such entitlements shall be granted or denied in accordance with the laws, regulations, policies and procedures applicable to the agency granting or denying the same. Developer acknowledges and agrees that the City is under no obligation to (and has not agreed to) approve development of the Site as contemplated under this Agreement or any other entitlements with respect to the Site.

(h) Financing. Concurrently with the Closing, the Developer shall have obtained all financing necessary to construct the Improvements.

204. SHA Loan. The SHA will fund the SHA Loan to Developer in the total amount (aggregated with the Predevelopment Loan, Construction Tranche and the Purchase Price) of up to Six Million Nine Hundred Thousand and No/100 Dollars (\$6,900,000.00), according to and upon the terms and conditions set forth in this Agreement. The proceeds of the SHA Loan shall be allocated solely and exclusively to eligible costs directly attributable to the Affordable Units and not to the commercial portion of the Site. SHA and Developer agree that the eligible costs allocable to the Affordable Units exceed the amount of the SHA Loan, and upon SHA's written request delivered to Developer at any time no later than one (1) year after SHA's execution of the

Release of Construction Covenants for the Site, Developer shall provide to SHA written proof that such is the case.

204.1 Disbursement of the SHA Loan. The balance of the SHA Loan, i.e., the Construction Tranche, shall be disbursed by the SHA after satisfaction of the items described in Sections 204.1(a)-(e), below, which shall occur on or before the Closing Deadline, and during the course of construction to fund construction of the Improvements, which disbursements shall be made first, prior to funding by the Construction Lender. In the event the Developer fails to satisfy all of the items described in Sections 204.1(a)-(e), below, on or before the Closing Deadline, Developer irrevocably agrees to assign to the SHA, all of the Developer's interest in the Concept Drawings, Landscape and Grading Plans, Construction Drawings and any and all other architectural and/or engineers reports, drawings, studies and plans pertaining to the Site and/or the Improvements. Such assignment shall be subject to any applicable third party rights in such materials so assigned. Disbursement of SHA Loan proceeds is contingent upon the Developer's submission of satisfactory written draw requests to Senior Administrative Analyst, Harry Williams, Housing & Neighborhood Services. Such written draw requests shall be supported by such back up documentation as the SHA and the lender making the Construction Loan require, including without limitation submission of conditional lien releases.

(a) Other Financing. Developer shall have obtained commitments for tax credit equity contributions and financing sources which meet the requirements this Agreement, and from all other financing sources to be used for financing the construction of the Improvements, which are sufficient to complete construction of the Improvements. SHA shall have the right and power to review and approve any and all agreements entered into by and between Developer and any tax credit investor(s)/tax credit limited partner, including, but not limited to: (A) the limited partnership agreement and any amendments thereto; (B) the equity commitment letter and any amendments thereto; (C) any ancillary partnership documents signed concurrently with the limited partnership agreement. The SHA shall not unreasonably disapprove, reject or object to any of the foregoing documents. In addition, the Developer shall provide to the SHA, before such documents are finalized, (1) the final cost certification and any amendments thereto; and (2) the placed in service application and any amendments thereto.

(b) Construction Contract. The construction contract for the Improvements, acceptable to the SHA, shall have been executed by the Developer and the general contractor who has been selected to do the work.

(c) Building Permits. The Developer shall have pulled any and all grading and building permits which may be required by the City or any other governmental agency for construction of the Improvements. However, Developer may use a portion of the SHA Loan proceeds to pay for any grading or building permits required at Closing.

(d) Attorneys' Fees. The Developer has paid all attorneys' fees incurred by the SHA with respect to the Site.

(e) Development Fees. The Developer has paid prior to or will pay concurrently with Closing, any and all applicable fees imposed by the City or any other governmental agency having jurisdiction with respect to the same. However, Developer may use a portion of the SHA Loan proceeds to pay for any applicable fees required at Closing.

204.2 Promissory Note.

(a) The SHA Loan shall be evidenced by the Developer Note executed by the Developer, in favor of the SHA, in the amount not to exceed Six Million Nine Hundred Thousand and No/100 Dollars (\$6,900,000.00). The Predevelopment Loan will be cancelled by the SHA upon delivery of the executed Developer Note. The SHA Loan and the Developer Note shall be recourse until the timely completion of construction of the Improvements and issuance of a certificate of occupancy for all units at the Site. Upon completion of such construction and issuance of the certificate of occupancy in connection therewith the SHA Loan shall become a nonrecourse obligation of Developer, except that Developer shall indemnify, defend, protect and hold SHA harmless from and against any and all loss, damage, liability, action, cause of action, cost or expense (including, without limitation, reasonable attorneys' fees and expenses) incurred by SHA as a result of any (i) fraud or material misrepresentation under or in connection with the SHA Loan or any document executed by Developer with respect to the SHA Loan; (ii) intentional bad faith waste of the Site; (iii) losses resulting from Maker's failure to maintain insurance as required by any document executed by Developer with respect to the SHA Loan; and (iv) misapplication of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security in a manner prohibited by any document executed by Developer with respect to the SHA Loan.

(b) The SHA Loan shall bear simple interest at three percent (3%) per annum commencing on the date of disbursement. However, in the event of a Default, the Developer Note shall bear interest at the rate of ten percent (10%) per annum from the date of disbursement and all of the principal and accrued interest on the Developer Note shall be immediately due and payable by Developer to the SHA. Beginning on the May 1, immediately following the calendar year in which the Affordable Units are completed (as evidenced by a certificate of occupancy), and annually on May 1 of each year thereafter during the term of the Developer Note, Developer shall deliver financial statements to the SHA. Beginning on the May 1, immediately following the calendar year in which the Affordable Units are completed (as evidenced by a certificate of occupancy), and annually on May 1 of each year thereafter during the term of the Developer Note, Developer shall pay fifty percent (50%) of such Residual Receipts to the SHA in the manner provided in the Developer Note and retain fifty percent (50%) of such Residual Receipts. Notwithstanding the foregoing, in the event the Developer obtains a loan of U.S. Department of Housing and Urban Development HOME funds from the County of San Diego, Residual Receipts shall be split as follows (until such time as the County of San Diego HOME loan has been paid in full): 1/3 to the SHA, 1/3 to the County of San Diego and 1/3 to the Developer. In such event, after the County of San Diego HOME loan has been paid in full, Residual Receipts shall be split as follows: 1/2 to the SHA, 1/2 to the Developer. The principal and interest of the Developer Note may be prepaid in whole or in part at any time and

from time to time, without notice or penalty. Any prepayment shall be allocated first to unpaid interest and then to principal.

(c) The parties acknowledge that the Developer Note and Developer Deed of Trust do not constitute a purchase money mortgage for purposes of Code of Civil Procedure Section 580b.

(d) Should Developer agree to or actually sell, convey, transfer, further encumber or dispose of the Site or any interest in it, except for any Permitted Transfer as defined in Section 603.2, below (or obtain any other secured debt with respect to the Site or Developer's activities at the Site, regardless of whether the source, including without limitation, any funds for special needs populations), without first obtaining the written consent of the holder of the Developer Note (the SHA), then all obligations secured by the Developer Note may be declared due and payable at the option of SHA. The consent of the executive director of the SHA (without the requirement for further formal SHA approval) shall be required for Developer to obtain any other subordinate mortgage loan financing on the Site, provided that all security for any such other subordinate loan financing shall be subordinate to the SHA Declaration and SHA Deed of Trust. The consent to one transaction of this type will not constitute a waiver of the right to require consent to future or successive transactions. The resident tenant restrictions referenced in this Agreement and the Declaration shall remain in place whether or not SHA approves or disapproves a successor-in-interest, commencing on completion of construction of the Improvements and continuing for a term of fifty five (55) years.

#### 204.3 Security.

(a) Deed of Trust. Developer shall execute, acknowledge and deliver the Developer Deed of Trust and shall cause the Developer Deed of Trust to be recorded at the Closing, as security for the SHA Loan, this Agreement, the Declaration, the Commercial Option and the Residential Option. A copy of this Agreement shall not be attached to and recorded as part of such Developer Deed of Trust but any breach of or misrepresentation under this Agreement shall, upon the expiration of any applicable cure period(s), constitute an event of default under such Developer Deed of Trust.

(b) Additional Security. Developer shall execute and deliver to SHA such separate security agreements, UCC-1 financing statements, consents or certificates, assignments and other documents or instruments as SHA may require (the "Security Agreement") and reflecting security interests in the personality used in connection with the operation of the Site as SHA may require. In addition thereto, Developer shall execute and deliver such security agreements, and the like, as required by the SHA in connection with the Developer Deed of Trust.

204.4 Subsequent Financing. No further secured loan, deed of trust, or encumbrance, except for the Construction Deed of Trust and Permanent Deed of Trust shall be placed by Developer upon any portion of the Site or Improvements, whether by refinancing or otherwise, without first obtaining the express written consent of SHA, except for any Permitted

Transfer as defined in Section 603.2, below. Further, during any SHA approved refinancing or subsequent encumbrance, SHA shall be provided American Land Title Association (“ALTA”) title insurance or endorsements acceptable to it, at the cost and expense of Developer. Said written consent shall be at SHA’s sole discretion, failure to obtain such consent shall be a default hereunder. Except for refinancing allowed by this Section 204.4, if Developer refinances the Site, the SHA shall receive one hundred percent (100%) of the net amount of the refinancing, unless otherwise agreed by the SHA in its sole discretion, provided that the SHA shall not be entitled to receive any amounts in excess of the amount owed under the Developer Note. Notwithstanding the foregoing, the SHA shall have no right to receive amounts from any SHA-approved financing obtained by Developer in order to satisfy the financing requirements of this Agreement or from any refinancing of the same.

**204.5 Funding.** SHA’s obligation to fund the SHA Loan shall be and is specifically conditioned upon SHA approving the preliminary title reports concerning the Site, payment of all taxes due and payable on the Site as of the date of the Closing, issuance of an ALTA Lender’s policy insuring the SHA Loan satisfactory to the SHA and satisfaction of all conditions precedent to SHA’s obligation to make the SHA Loan.

**205. Default.** After the Closing and notwithstanding anything contained herein to the contrary, in the event of any material default, beyond any applicable cure period, in the performance of any of the terms, covenants and conditions contained in: (i) this Agreement (subject to a 30 days cure period); (ii) any document or instrument executed by the Developer in conjunction with this Agreement or the SHA Loan; (iii) any prior or junior note secured by an encumbrance on the Site or any portion of it; (iv) any note or deed of trust given in conjunction herewith; (v) in the event of the filing of a bankruptcy proceeding by Developer; or (vi) in the event of the filing of a bankruptcy against Developer which is not dismissed within ninety (90) days of filing, then (a) all sums owing by Developer to the SHA shall at the option of SHA immediately become due and payable; (b) SHA shall have no obligation to disburse any further funds to Developer or any other person; and (c) SHA shall be released from any and all obligations to Developer under the terms of this Agreement. These remedies shall be in addition to any and all other rights and remedies available to SHA, either at law or in equity. Further, default interest shall accrue on the principal balance of the Developer Note from the date of the Developer Note at the rate of ten percent (10%) simple interest per annum or the maximum rate than allowed by law, whichever is less.

**206. Representations and Warranties.**

**206.1 SHA Representations and Warranties.** SHA represents and warrants to Developer that SHA is a public body, corporate and politic, existing pursuant to the California Community Redevelopment Law (California Health and Safety Code Section 33000), which has been authorized to transact business pursuant to action of the City. SHA has full right, power and lawful authority to grant, sell and convey the Site as provided herein and the execution, performance and delivery of this Agreement by SHA has been fully authorized by all requisite actions on the part of SHA.

206.2 Developer's Representations and Warranties. Developer represents and warrants to SHA as follows:

(a) Authority. Developer is a California limited liability company. The persons executing this Agreement, and all other documents executed by Developer in conjunction herewith, on behalf of Developer have all necessary authority to do so and this Agreement is a binding obligation of Developer. Execution of this Agreement shall not result with the passage of time or the giving of notice or both in breach of or in acceleration of performance under any contract or document to which Developer may be a party. Copies of a certificate of good standing, issued by the California Secretary of State shall have been delivered to SHA prior to the Closing. These copies will be true, complete and fully-executed copies of the originals, as amended to the date of the Closing. Developer has the full right, power and lawful authority to purchase and accept the conveyance of the Site and to undertake all obligations as provided herein and the execution, performance and delivery of this Agreement by Developer has been fully authorized by resolution of and all requisite actions on the part 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 Bankruptcy. Developer is not the subject of a bankruptcy proceeding.

(d) Use of Funds. Developer agrees to use the SHA Loan funds solely for the purposes of acquiring the Site, constructing the Improvements and paying for predevelopment expenses related thereto. Funds advanced by SHA pursuant to the SHA Loan are advanced wholly or in part for the benefit of the Site.

(e) Acknowledgement of Agreement. The principal and interest due and payable under the SHA Loan are subject to the terms and conditions of this Agreement, any other security documents or instruments provided for herein.

(f) Rent and Occupancy Restrictions. Developer shall at all times after the Closing during the 55-year term comply with the requirements of the Declaration.

207. Title Matters; Hazardous Materials.

207.1 Title Exceptions. Developer shall obtain from Title Company a preliminary title report or reports (collectively, the "Title Report") with respect to the title to the Site, together with legible copies of the documents underlying the exceptions ("Exceptions") set forth in the Title Report. The Developer shall have the right to reasonably approve or disapprove the Exceptions; provided, however, that the Developer hereby approves the following Exceptions: (i) the Redevelopment Plan (ii) the lien of any non-delinquent property taxes and assessments; and (iii) standard pre-printed exceptions. The Developer shall have thirty (30) days from the date this Agreement is executed by the SHA to give written Notice to the SHA and the Title Company of the Developer's disapproval of any of such Exceptions set forth in the Title

Report, within its reasonable discretion. Developer's failure to provide Notice of its disapproval of any Exception to the Title Report within such time limit shall be deemed approval of such Exceptions and a waiver of Developer's right to object to such Exceptions. If the Developer delivers written notice to the SHA of its disapproval of any Exceptions in the Title Report, the SHA shall have the right, but not the obligation, to elect to remove any disapproved Exceptions within thirty (30) days after receiving written notice of the Developer's disapproval or to deliver notice to the Developer providing assurances satisfactory to the Developer within said time period that such Exception(s) will be removed on or before the Closing. If the SHA cannot or does not elect to remove any of the disapproved Exceptions within that period, SHA shall provide written notice of such fact to Developer and Developer shall have thirty (30) days after receiving such written notice to either give the SHA written notice that the Developer elects to proceed with the purchase of the Site subject to the disapproved Exceptions or to give the SHA written notice that the Developer elects to terminate this Agreement and the Developer's failure to give timely written notice shall be deemed a waiver of Developer's right to terminate this Agreement. Fee simple title subject only to the Exceptions to title approved or deemed approved by the Developer as provided herein. The Developer shall have the right to approve or disapprove any further Exceptions reported by the Title Company after the Developer has approved the condition of title for the Site (which are not created by the Developer).

**207.2 Environmental Condition.** Except as set forth herein, the Site shall be conveyed to the Developer in an "as is" physical and environmental condition, with no warranty, express or implied, by the SHA as to the condition of any existing improvements, the soil, its geology, the presence of known or unknown faults or Hazardous Materials or toxic substances, and it shall be the sole responsibility of the Developer at its expense to investigate and determine the physical and environmental conditions. The Developer shall have the right to engage its own environmental consultant (the "Environmental Consultant") and other consultants to make such investigations of the Site as the Developer deems necessary, including any soils, geotechnical and other testing of the Site, and the SHA shall promptly be provided a copy of all reports and test results provided to the Developer by the Environmental Consultant (collectively, the "Environmental Report"). The Developer shall reasonably approve or disapprove of the physical and environmental condition of the Site no later than forty-five (45) days from the date from the date this Agreement is executed by the SHA, provided that the Developer shall have the right to approve or disapprove any further environmental conditions that first occur after such deadline for Developer's approval of the Site (which are not created by the Developer). The Developer's failure to deliver written notice of its disapproval within such time limit shall be deemed approval of the physical and environmental condition of the Site and a waiver of Developer's right to object to the physical and environmental condition of the Site. If the Developer approves or is deemed to approve the physical and environmental condition of the Site, then, as between Developer, City and SHA, it shall be the sole responsibility and obligation of the Developer to take such action as may be necessary to place the physical and environmental conditions of the Site in a condition entirely suitable for the purposes set forth in this Agreement.

**207.3 Hazardous Materials.** From and after the Closing, Developer shall take all necessary precautions to prevent the release in, on or under the Site of any Hazardous Materials. Such precautions shall include compliance with all Environmental Laws and Governmental

Requirements with respect to Hazardous Materials. In addition, Developer shall install and utilize such equipment and implement and adhere to such procedures as are consistent with commercially reasonable standards as respects the disclosure, storage, use, removal and disposal of Hazardous Materials.

207.4 Predevelopment Loan. If Developer terminates this Agreement prior to the Closing pursuant to the terms of this Section 207 or if the Closing is not achieved on or before the Closing Deadline for any reason other than Developer's uncured, material default hereunder (which default shall not include Developer's failure to satisfy the closing conditions set forth in Sections 203.1(a)-(i) and 204.1(a)-(e) above, so long as Developer makes a good faith attempt to satisfy the conditions), then the amount of the Predevelopment Loan shall be deemed to have paid for all work funded by such Predevelopment Loan. In this event, upon an assignment of any tangible work product to the SHA, the Developer's obligations under this Agreement and any such Predevelopment Loan, the Predevelopment Loan shall be deemed paid in full and this Agreement and the Predevelopment Loan documents shall be terminated.

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

209. Developer Indemnity. Developer shall indemnify, defend and hold SHA and/or City harmless from and against any claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense (including, without limitation, attorneys' fees), resulting from, arising out of, or based upon any of the following: (i) the presence, release, use, generation, discharge, storage or disposal of any Hazardous Materials on, under, in or about, or the transportation of any such Hazardous Materials to or from, the Site, or (ii) the violation, or alleged violation, of any statute, ordinance, order, rule, regulation, permit, judgment or license relating to the use, generation, release, discharge, storage, disposal or transportation of Hazardous Materials on, under, in or about, to or from, the Site. This indemnity shall include, without limitation, any damage, liability, fine, penalty, parallel indemnity after closing cost or expense arising from or out of any claim, action, suit or proceeding for personal injury (including sickness, disease or death), tangible or intangible property damage, compensation for lost wages, business income, profits or other economic loss, damage to the natural resource or the

environment, nuisance, contamination, leak, spill, release or other adverse effect on the environment. This indemnity does not include any condition arising solely as a result of the negligence or willful misconduct of the SHA or its employees, agents, representatives, successors or assigns; provided, however that nothing in this Section 209 shall release the Developer from liability for any losses, liabilities, damages, injuries, costs, expenses, or claims proximately caused by the Developer.

**210. SHA Option to Acquire the Residential Component.**

**210.1 Grant of the Residential Option.** Effective upon the Closing, Developer grants to the SHA the exclusive option to purchase all portions of the Site and all of the Improvements other than the Commercial Component (“Residential Option”), on the terms and conditions set forth in this Section 210. The Residential Option shall commence upon the earlier of: (i) cancellation, redemption or termination, for any reason, of the low income housing tax credits allocated to the Developer from the California Tax Credit Allocation Committee; or (ii) on the first day of the taxable year in which the “compliance period” (within the meaning of section 42(i)(1) of the Internal Revenue Code) terminates for the structure containing the Affordable Units (“Residential Option Commencement Date”), and shall expire one (1) year after the Residential Option Commencement Date (“Residential Option Term”).

**210.2 Consideration for the Residential Option.** The execution of this Agreement and the making of the SHA Loan by the SHA to the Developer shall be the consideration for entering into the Residential Option. The Developer hereby acknowledges that the SHA would not enter into this Agreement or agree to or make the SHA Loan without the Developer granting the Residential Option to the SHA.

**210.3 Project Related Tax Liability of the Limited Partner.** On the Residential Option Commencement Date the Developer shall provide written notice to the SHA, which notice shall state the total amount of the tax liability of the general partner and the limited partner of the Developer (“Limited Partner Project Related Tax Liability”) that would be incurred upon exercise by the SHA of the Residential Option and shall further provide to the SHA such back-up documentation necessary, as determined by the SHA in its sole discretion, to show the calculation and verification of the same.

**210.4 Exercise of the Residential Option.** During the Residential Option Term, the SHA may exercise its Residential Option by delivering written notice of the same to the Developer.

**210.5 Purchase Price.** If the SHA exercises the Residential Option, the total consideration payable by the SHA to the Developer for all portions of the Site and all of the Improvements other than the Commercial Component, shall be the greater of: (i) the Fair Market Value (as defined in Section 210.6, below) of the Site and all of the Improvements other than the Commercial Component; or (ii) the sum of: (w) the Limited Partner Project Related Tax Liability; plus (x) the then principal of and all accrued interest on the SHA Loan, plus (y) principal of and all accrued interest on the loan secured by the Permanent Deed of Trust plus (z)

the principal of and all accrued interest on any other secured loans encumbering the Site (other than the Commercial Component) which were expressly approved by the SHA. In the event the SHA exercises the Residential Option, all of the then principal and interest of the SHA Loan shall be forgiven and such amount shall be credited against the purchase price payable by the SHA, as determined pursuant to the immediately preceding sentence.

**210.6 Fair Market Value Defined.** Fair Market Value of the Site and all of the Improvements other than the Commercial Component is the amount which a buyer would pay for the same in an arm's-length transaction as determined by an appraiser selected by the SHA (with the Developer's written consent, which shall not be unreasonably, conditioned, delayed or withheld) that holds a MAI designation from the Appraisal Institute that has experience in the geographic area in which the Site is located. The appraisal shall take into account the following factors and restrictions, but only to the extent that such factors and/or restrictions are true or in effect (as the case may be) as of the date on which such Fair Market Value is being determined: (i) the requirement that the dwelling units at the Site remain dedicated for the use of low income persons; (ii) any restrictions under any loan agreements or regulatory agreements pertaining to the Site and all of the Improvements; (iii) the requirements of 26 U.S.C. §42; and (iv) the terms of any assumable financing.

**210.7 Escrow.** Within ten (10) days following the SHA's exercise of the Residential Option pursuant to Section 210.4 of this Agreement, the Developer and SHA shall open an escrow at a reputable escrow company in San Diego County, California. The parties shall sign the escrow instructions prepared by the escrow holder within ten (10) days of receipt thereof, so long as the instructions (i) state that it is the sole purpose of the escrow holder to comply with and carry out the terms and conditions of this Section 210 of this Agreement, and (ii) contain such other general provisions as are then customarily found in such escrow holder's escrow instructions. Either party failing to sign the escrow holder's escrow instructions as provided above shall be deemed to be in breach of this Agreement. The escrow shall provide for a closing on or before ninety (90) days after it is opened. The escrow holder's escrow instructions signed by the parties shall state the date escrow was opened.

**210.8 Memorandum of Option.** The Developer shall execute, acknowledge, deliver and cause the Memorandum of Option to be recorded at the Closing.

## **211. SHA Option to Acquire the Commercial Component.**

**211.1 Grant of Commercial Option.** Effective upon the Closing, Developer grants to the SHA the exclusive option to purchase the Commercial Component ("Commercial Option"), for a total purchase price equal to the fair market value of the Commercial Component. The term of the Commercial Option shall commence upon completion of construction of the Commercial Component and shall expire three (3) years thereafter ("Commercial Option Term").

**211.2 Consideration for the Commercial Option.** The execution of this Agreement and the making of the SHA Loan by the SHA to the Developer shall be the consideration for entering into the Commercial Option. The Developer hereby acknowledges

that the SHA would not enter into this Agreement or agree to or make the SHA Loan without the Developer granting the Commercial Option to the SHA.

211.3 Exercise of the Commercial Option. During the Commercial Option Term, the SHA may exercise its Commercial Option by delivering written notice of the same to the Developer.

211.4 Fair Market Value Defined. Fair Market Value of the Commercial Component is the amount which a buyer would pay for the same in an arm's-length transaction as determined by an appraiser selected by the SHA (with the Developer's written consent, which shall not be unreasonably, conditioned, delayed or withheld) that holds a MAI designation from the Appraisal Institute that has experience in the geographic area in which the Site is located.

211.5 Escrow. Within ten (10) days following the SHA's exercise of the Commercial Option pursuant to Section 211.3 of this Agreement, the Developer and SHA shall open an escrow at a reputable escrow company in San Diego County, California. The parties shall sign the escrow instructions prepared by the escrow holder within ten (10) days of receipt thereof, so long as the instructions (i) state that it is the sole purpose of the escrow holder to comply with and carry out the terms and conditions of this Section 211 of this Agreement, and (ii) contain such other general provisions as are then customarily found in such escrow holder's escrow instructions. Either party failing to sign the escrow holder's escrow instructions as provided above shall be deemed to be in breach of this Agreement. The escrow shall provide for a closing on or before ninety (90) days after it is opened. The escrow holder's escrow instructions signed by the parties shall state the date escrow was opened.

211.6 Memorandum of Option. The Developer shall execute, acknowledge, deliver and cause the Memorandum of Option to be recorded at the Closing.

300. Development of the Site. Developer shall satisfy all of the conditions set forth in Section 204.1(a)-(e), above, on or before the Closing Deadline, failure to do so shall be a material, non-curable default by Developer, unless such failure has been caused by SHA's prior, uncured breach of this Agreement. Developer hereby acknowledges and agrees that Developer's failure to satisfy all of the conditions set forth in Section 204.1(a)-(e), above, on or before the Closing Deadline, materially impairs the SHA's security for the SHA Loan, will be a non-curable breach and the SHA shall have the right to accelerate the loan and foreclose on the Site as provided herein (to the extent the Closing has occurred). In such event, Developer shall not have the right to cure the breach and reinstate the SHA Loan or the Developer Deed of Trust. Developer hereby knowingly waives and relinquishes any and all legal and/or contractual rights Borrower may have to cure or otherwise reinstate the Developer Deed of Trust and the SHA Loan, in the event Developer fails to satisfy all of the conditions set forth in Section 204.1(a)-(e), above, on or before the Closing Deadline.

301. Site Plan and Scope of Development.

301.1 Site Plan. Developer has prepared and submitted to SHA and SHA has approved the site plan (“Site Plan”) which shows the location of all improvements to be constructed on the Site, including without limitation the Affordable Units and the Commercial Component.

301.2 Scope of Development. Not less than ninety (90) days before the Closing Deadline, Developer shall prepare and submit to SHA for SHA’s review and approval, in SHA’s sole discretion, a Scope of Development which shall describe the scope, amount and quality of development of the Improvements to be constructed by Developer pursuant to the terms and conditions of this Agreement, including without limitation the Commercial Component. SHA shall have thirty (30) days after receipt of a Scope of Development to approve the Scope of Development or give Developer notice of any objections to the Scope of Development. If SHA gives Developer notice of any objections to the Scope of Development, Developer shall cause the Scope of Development to be revised accordingly and submit the revised Scope of Development to the SHA for review and approval as set forth in this Section 301.2. Approval of progressively more detailed drawings and specifications will be granted by the SHA if developed as a logical evolution of drawings or specifications theretofore approved. Developer shall develop the Improvements in accordance with the Scope of Development and the plans, drawings and documents submitted by Developer and approved by SHA as set forth herein. Developer shall incorporate universal design standards into the Improvements to the maximum extent feasible. Developer shall design and construct the Improvements to meet, and shall operate the Site in a manner that meets the Leadership in Energy and Environmental Design Silver Level certification standard of the U.S. Green Building Council and shall obtain certification of the same within the normal and customary time for similarly situated development projects. Furthermore, Developer shall employ a solar photovoltaic cell (“PV”) system in the Site and said PV system will provide a significant portion of the electrical power needs of the common areas, as determined by the SHA in its reasonable discretion. Careful consideration shall be given to the maximum extent feasible for features which include, but are not limited to (i) water conserving features; (ii) appropriate landscaping; (iii) high efficiency/low flow fixtures and appliances; (iv) indoor and outdoor lighting designed to reduce energy use; (v) recycling, including recycling of construction waste; and (vi) use of San Marcos local labor, contractors, vendors, suppliers and materials.

302. Design Review.

302.1 Concept Drawings. Within thirty (30) days of SHA approval of the Site Plan and Scope of Development, Developer shall prepare and submit conceptual drawings for the Improvements, including a site plan, floor plans, exterior elevations, materials, color board, and elevations of all four sides of Improvements (collectively, the “Concept Drawings”). SHA shall have thirty (30) days after receipt of the Concept Drawings to approve the Concept Drawings or give Developer notice of any objections to the Concept Drawings. If SHA gives Developer notice of any objections to the Concept Drawings, Developer shall cause the Concept Drawings to be revised accordingly and submit the revised Concept Drawings to the SHA for review and

approval as set forth in this Section 302.1. Approval of progressively more detailed drawings and specifications will be granted by the SHA if developed as a logical evolution of drawings or specifications theretofore approved.

**302.2 Landscape and Grading Plans.** Within thirty (30) days of SHA approval of the Site Plan and Scope of Development, Developer shall prepare and submit to the SHA preliminary and final landscaping and preliminary and finish grading plans for the Site (collectively, the “Landscape and Grading Plans”). SHA shall have thirty (30) days after receipt of the Landscape and Grading Plans to approve the Landscape and Grading Plans or give Developer notice of any objections to the Landscape and Grading Plans. If SHA gives Developer notice of any objections to the Landscape and Grading Plans, Developer shall cause the Landscape and Grading Plans to be revised accordingly and submit the revised Landscape and Grading Plans to the SHA for review and approval as set forth in this Section 302.2. Approval of progressively more detailed drawings and specifications will be granted by the SHA if developed as a logical evolution of drawings or specifications theretofore approved.

**302.3 Construction Drawings.** Within thirty (30) days of SHA approval of the Site Plan and Scope of Development, Developer shall prepare and submit to the SHA 50% and final construction drawings and related documents (collectively called the “Construction Drawings”) to the SHA for review (including but not limited to architectural review). SHA shall have thirty (30) days after receipt of the Construction Drawings to approve the Construction Drawings or give Developer notice of any objections to the Construction Drawings. If SHA gives Developer notice of any objections to the Construction Drawings, Developer shall cause the Construction Drawings to be revised accordingly and submit the revised Construction Drawings to the SHA for review and approval as set forth in this Section 302.3. Approval of progressively more detailed drawings and specifications will be granted by the SHA if developed as a logical evolution of drawings or specifications theretofore approved. Final construction drawings are hereby defined as those in sufficient detail to obtain a building permit.

**303. SHA Review and Approval.** SHA shall have the right to review and approve or disapprove in its sole discretion all aspects of the Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans and Construction Drawings. Developer acknowledges and agrees that SHA is entitled to approve or disapprove the Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans or Construction Drawings in order to satisfy SHA’s obligation to promote the sound development and redevelopment of land within the Site, to promote a high level of design which will impact the surrounding development, and to provide an environment for the social, economic and psychological growth and well-being of the citizens of the City and the Site. Provided, however, the SHA shall approve progressively more detailed drawings and specifications if developed as a logical evolution of drawings or specifications theretofore approved. SHA and Developer agree to work together in good faith to resolve any disagreements and disputes regarding the Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans or Construction Drawings. Developer shall not be entitled to any monetary damages or compensation as a result of SHA’s disapproval or failure to approve or disapprove the Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans or Construction Drawings.

303.1 Revisions. If Developer desires to propose any material revisions to SHA-approved Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings or Project Proforma after approval, it shall submit such proposed changes to SHA, and shall also proceed in accordance with any and all State and local laws and regulations regarding such revisions, within the time frame set forth in the Schedule of Performance. The City Manager is authorized to approve changes to SHA-approved Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings and Project Proforma. Provided, however, the SHA shall have no obligation to approve any change from the basic use of the Site for anything other than a mixed-use, family, affordable housing project.

303.2 Defects in Plans. SHA shall not be responsible or liable in any way, either to Developer or to any third parties, for any defects in the Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings or Project Proforma, or for any structural or other defects in any work done according to the approved Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings or Project Proforma. Developer shall hold harmless and indemnify SHA, the City and their officers, employees, agents and representatives from and against any and all claims, demands and suits for damages to property or injuries to persons arising out of or in any way relating to the Site, including without limitation any defects in the Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings or Project Proforma, violation of any laws, and for defects in any work done according to the approved Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings or Project Proforma or for defects in work performed by Developer or any contractor or subcontractor of Developer.

304. Land Use Approvals. Before commencement of construction of the Improvements or other works of improvement upon the Site, Developer shall, at Developer's sole expense, secure or cause to be secured any and all land use and other entitlements, permits and approvals which may be required for the Improvements by the City or any other governmental agency affected by such construction or work. The SHA will reasonably cooperate with Developer in processing Developer's building and other permit applications, but shall not be responsible in any way for, the processing of Developer's building permits or other permit applications with the City. The execution of this Agreement does not constitute the granting of or a commitment to obtain any required land use permits, entitlements or approvals.

305. Deadline for Completion of Improvements. All of the Improvements shall be completed in accordance with the Schedule of Performance. Failure to complete all of the Improvements in accordance with the Schedule of Performance, shall, inter alia, be a default under the Developer Note entitling the SHA to exercise all of its rights and remedies, including without limitation foreclosure of the Developer Deed of Trust.

306. Cost of Construction. All costs whatsoever shall be borne by Developer, including without limitation the cost of planning, designing, developing and constructing of all of the Improvements, as well as site preparation and grading. Provided, however, the SHA shall bear its share of the costs of Escrow, as provided above, all costs associated with compliance with all applicable federal and state relocation laws and regulations prior to the Closing, and predevelopment and acquisition costs funded under the Predevelopment Loan and/or SHA Loan.

307. Insurance Requirements. Developer shall take out and maintain during the term of the Declaration, and shall cause its contractor and subcontractors to take out and maintain until the issuance of the Release of Construction Covenants pursuant to Section 311 of this Agreement, a comprehensive general liability policy in the amount of not less than \$2,000,000 combined single limit policy for the contractor and not less than \$1,000,000 combined single limit policy for subcontractors, and a comprehensive automobile liability policy in the amount of \$2,000,000 combined single limit for the contractor and not less than \$1,000,000 combined single limit policy for subcontractors, or such other policy limits as SHA may approve at its discretion, including contractual liability, as shall protect Developer, City and SHA from claims for such damages. Such policy or policies shall be written on an occurrence form. Developer shall also furnish or cause to be furnished to SHA evidence satisfactory to SHA that Developer, and any contractor with whom it has contracted for the performance of work on the Site or otherwise pursuant to this Agreement, carries workers' compensation insurance as required by law. Developer shall furnish a notarized certificate of insurance countersigned by an authorized agent of the insurance carrier on a form approved by SHA setting forth the general provisions of the insurance coverage. This countersigned certificate shall name the City and SHA and their respective officers, agents, and employees as additionally insured parties under the policy, and the certificate shall be accompanied by a duly executed endorsement evidencing such additional insured status. The certificate and endorsement by the insurance carrier shall contain a statement of obligation on the part of the carrier to notify City and SHA of any material change, cancellation or termination of the coverage at least thirty (30) days in advance of the effective date of any such material change, cancellation or termination. Coverage provided hereunder by Developer shall be primary insurance and not be contributing with any insurance maintained by SHA or City, and the policy shall contain such an endorsement. The insurance policy or the endorsement shall contain a waiver of subrogation for the benefit of the City and SHA. The required certificate shall be furnished by Developer at the time set forth therefor in the Schedule of Performance.

308. Developer's Indemnity. Developer shall be responsible for all injuries to persons and/or all damages to real or personal property of SHA, the City, or others, caused by or resulting from the sale, rental, ownership or operation of the Site, the negligence and/or material breach of this Agreement, of itself, its employees, subcontractors and/or its agents during the construction of or arising out of the construction of the Improvements. Developer shall defend and hold harmless and indemnify SHA, the City, and all of their officers and employees from and against all claims, liens, claims of lien, losses, damages, judgments, costs, and expenses, whether direct or indirect, arising in any way from (i) the sale, rental, ownership or operation of the Site, including without limitation the Improvements; (ii) Developer's negligence; (iii) material breach of this Agreement, by Developer, its employees, subcontractors and/or its agents; and/or (iv)

arising out of the construction of the Improvements, except those arising from the sole or gross negligence or willful misconduct of SHA or the City, or any of their officers, employees or agents.

309. Rights of Access. SHA and its representatives shall have the right of reasonable access to the Site upon prior notice to Developer, without charges or fees, for the purposes of inspection of the work being performed in constructing the Improvements and monitoring compliance with this Agreement.

310. Compliance With Laws. Developer represents and warrants that during the term of this Agreement that it will comply with all State and Federal prevailing wage requirements to the extent the same are applicable to the work. Developer shall carry out the design and construction of the Improvements in conformity with all applicable laws, including all applicable state labor standards, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the Title 24 of the California Code of Regulations, 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.* Developer hereby agrees to carry out development, construction (as defined by applicable law) and operation of the Improvements on the Site, including, without limitation, any and all public works (as defined by applicable law), in conformity with all applicable local, state and federal laws, including, without limitation, all applicable federal and state labor laws (including, without limitation, any requirement to pay state prevailing wages). Developer hereby expressly acknowledges and agrees that neither City nor SHA has ever previously affirmatively represented to the Developer or its contractor(s) for the Improvements in writing or otherwise, in a call for bids or otherwise, that the work to be covered by the bid or contract is or is not a "public work," as defined in Section 1720 of the Labor Code. Developer hereby agrees that Developer shall have the obligation to provide any and all disclosures, representations, statements, rebidding, and/or identifications which may be required by Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. Developer hereby agrees that Developer shall have the obligation to provide and maintain any and all bonds to secure the payment of contractors (including the payment of wages to workers performing any public work) which may be required by the Civil Code, Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. The Developer hereby agrees that the Developer shall have the obligation, at the Developer's sole cost, risk and expense, to obligate any party as may be required by Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. Developer shall indemnify, protect, defend and hold harmless the SHA, City and their respective officers, employees, contractors and agents, with counsel reasonably acceptable to SHA and City, from and against any and all loss, liability, damage, claim, cost, expense, and/or "increased costs" (including labor costs, penalties, reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Improvements, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the

following: (i) the noncompliance by Developer of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state prevailing wages); (ii) the implementation of Sections 1726 and 1781 of the Labor Code, as the same may be enacted, adopted or amended from time to time, or any other similar law; (iii) failure by Developer to provide any required disclosure, representation, statement, rebidding and/or identification which may be required by Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law; (iv) failure by Developer to provide and maintain any and all bonds to secure the payment of contractors (including the payment of wages to workers performing any public work) which may be required by the Civil Code, Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law; and/or (v) failure by the Developer to obligate any party as may be required by Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. It is agreed by the parties that, in connection with the development, construction (as defined by applicable law) and operation of the Improvements, including, without limitation, any public work (as defined by applicable law), Developer shall bear all risks of payment or non-payment of state prevailing wages and/or the implementation of Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, and/or any other provision of law. "Increased costs" as used in this Section shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time. The foregoing indemnity shall survive termination of this Agreement and shall continue after recordation of the Release of Construction Covenants.

310.1 Nondiscrimination in Employment. Developer certifies and agrees that all persons employed or applying for employment by it, its affiliates, subsidiaries, or holding companies, and all subcontractors, bidders and vendors, are and will be treated equally by it without regard to, or because of race, color, religion, ancestry, national origin, sex, age, pregnancy, childbirth or related medical condition, medical condition (cancer related) or physical or mental disability, and in compliance with Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000, *et seq.*, the Federal Equal Pay Act of 1963, 29 U.S.C. Section 206(d), the Age Discrimination in Employment Act of 1967, 29 U.S.C. Section 621, *et seq.*, the Immigration Reform and Control Act of 1986, 8 U.S.C. Section 1324b, *et seq.*, 42 U.S.C. Section 1981, the California Fair Employment and Housing Act, Cal. Government Code Section 12900, *et seq.*, the California Equal Pay Law, Cal. Labor Code Section 1197.5, Cal. Government Code Section 11135, the Americans with Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, and all other anti-discrimination laws and regulations of the United States and the State of California as they now exist or may hereafter be amended. Developer shall allow representatives of SHA access to its employment records related to this Agreement during regular business hours to verify compliance with these provisions when so requested by SHA.

310.2 Taxes and Assessments. Developer shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Site. Developer shall remove or have removed any levy or attachment on any of the Site or any part thereof, or assure the satisfaction thereof within a reasonable time. If the terms and conditions of this Agreement are deemed to create a possessory interest in Developer such as to subject Developer to a Possessory Interest Tax

pursuant to Revenue and Tax Code Section 107.6, then Developer shall be solely responsible for satisfying that obligation, and Developer shall not look to SHA or the City for reimbursement or set off.

310.3 Liens and Stop Notices. Developer shall not allow to be placed on the Site or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Improvements, Developer shall, within thirty (30) days of such recording or service or within ten (10) days of SHA's demand, whichever last occurs:

(a) pay and discharge the same;

(b) effect the release thereof by recording and delivering to SHA a surety bond in sufficient form and amount as approved by SHA in its sole discretion; or

(c) provide SHA with other assurance which SHA deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of SHA from the effect of such lien or bonded stop notice.

311. Release of Construction Covenants. Promptly after completion of the Improvements in conformity with this Agreement, SHA shall furnish Developer with the Release of Construction Covenants, for the entire Site upon written request therefor by the Developer. The SHA shall not unreasonably withhold, delay or condition any such Release of Construction Covenants. The Release of Construction Covenants shall be a conclusive determination of satisfactory completion of the Improvements and the Release of Construction Covenants shall so state. Any party then owning or thereafter purchasing, leasing or otherwise acquiring any interest in the Site shall not (because of such ownership, purchase, lease or acquisition) incur any obligation or liability under this Agreement except for those continuing covenants as set forth in Sections 401 through 406 of this Agreement. If SHA refuses or fails to furnish the Release of Construction Covenants, after written request from Developer, SHA shall, within thirty (30) days of written request therefor, provide Developer with a written statement of the reasons SHA refused or failed to furnish the Release of Construction Covenants or partial reconveyance. The statement shall also delineate the actions Developer must take to obtain the Release of Construction Covenants or partial reconveyance. The Release of Construction Covenants shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any holder of any mortgage, or any insurer of a mortgage securing money loaned to finance the Improvements, or any part thereof. The Release of Construction Covenants is not a notice of completion as referred to in Section 3093 of the California Civil Code.

312. Financing of the Improvements.

312.1 No Encumbrances Except Mortgages or Deeds of Trust. Except as otherwise provided herein, mortgages and deeds of trust may be permitted only with SHA's prior written approval, and only for the purpose of securing loans of funds to be used for financing the acquisition of the Site, construction of the Improvements (including architecture, engineering,

legal, and related direct costs as well as indirect costs) on or in connection with the Site, and any other purposes necessary and appropriate in connection with development under this Agreement. Developer shall notify SHA in advance of any mortgage or deed of trust, if Developer proposes to enter into the same before completion of the construction of the Improvements. Except as otherwise provided herein, Developer shall not enter into any such mortgage or deed of trust for financing without the prior written approval of SHA, which approval SHA agrees to give if any such mortgage or deed of trust for financing is given to a responsible financing lending institution or person or entity, as determined by SHA in its reasonable discretion. If SHA shall disapprove any such evidence of financing, SHA shall do so by Notice to Developer stating the reasons for such disapproval and Developer may elect either to obtain and submit to SHA new evidence of financing or to terminate this Agreement. SHA agrees that the Developer Deed of Trust shall be subordinated to the Construction Deed of Trust and Permanent Deed of Trust, such subordination shall be in a form acceptable to the SHA in its reasonable discretion. Furthermore, the SHA shall subordinate the Declaration, Notice of Affordability Restrictions and Memorandum of Option, to the Construction Deed of Trust and Permanent Deed of Trust, to the extent necessary to obtain construction and permanent financing for the Improvements. Any such subordination shall be in a form acceptable to the SHA in its reasonable discretion.

312.2 Right of SHA to Cure Mortgage or Deed of Trust Default. In the event of a mortgage or deed of trust default or breach by Developer prior to the issuance of a Release of Construction Covenants pursuant to Section 311 of this Agreement, Developer shall immediately deliver to SHA a copy of any mortgage holder's notice of default. SHA shall have the right but not the obligation to cure the default. In such event, SHA shall be entitled to reimbursement from Developer of all costs and expenses incurred by SHA in curing such default, including without limitation attorneys' fees.

313. Monitoring and Inspection Fees. Each year during the term of the Declaration, the Developer shall pay to the SHA an affordable housing occupancy monitoring and inspection fee in the amount of \$60 per affordable unit in the first year after the Improvements are placed in service, and increased by 2% each year thereafter.

400. Covenants and Restrictions.

401. Use in Accordance with Redevelopment Plan. Developer covenants and agrees for itself, its successors, assigns, and every successor in interest to the Site or any part thereof, that upon the Closing and during construction and thereafter, Developer shall devote the Site to the uses specified in the Redevelopment Plan, Declaration and this Agreement for the periods of time specified herein. All uses conducted on the Site, including, without limitation, all activities undertaken by Developer pursuant to this Agreement, shall conform to the Redevelopment Plan and all applicable provisions of the San Marcos Municipal Code. The foregoing covenants shall run with the land.

402. Affordable Units.

402.1 Developer Covenants Concerning Affordable Units. Developer

acknowledges that the SHA is funding the SHA Loan from the SHA's Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the California Health and Safety Code. Developer agrees that all of the SHA Loan shall be used for purposes that are eligible under the applicable provisions of the California Health and Safety Code. The number of Affordable Units, the bedroom composition and affordability levels shall be generally as set forth in the table below, subject to the agreement of the Developer and City Manager, but shall not exceed the affordability levels set forth in the table below. At the Closing, the Developer shall execute the Declaration and cause it to be recorded against the Site. The Declaration will prohibit smoking at the Site and will set forth the applicable rent and occupancy restriction in more detail. Developer further covenants and agrees that the Affordable Units will be rented only to Low Income Households, at rents affordable to the same. The parties acknowledge that the rents contained herein and in the Declaration are the rents specified in the Leitch stipulated judgment, a copy of which has been provided by the SHA to Developer. One (1) two-bedroom unit is not shown in the table below and will be used as a manager's unit.

TABLE 1: RENT AND INCOME RESTRICTION CRITERIA

1	2	3	4	5
NUMBER OF AFFORDABLE UNITS	UNIT SIZE	MAXIMUM %AGE OF AREA MEDIAN INCOME OF ELIGIBLE TENANTS	MAXIMUM MONTHLY RENTS AS PERCENTAGE OF AREA MEDIAN INCOME ADJUSTED FOR FAMILY SIZE APPROPRIATE FOR THE UNIT AND UTILITY ALLOWANCE APPROPRIATE FOR THE UNIT	YEARS OF RENT RESTRICTION
3	Studio	60%	1/12 <sup>th</sup> of 30% of 60% of AMI	55
1	One Bedroom	50%	1/12 <sup>th</sup> of 30% of 50% of AMI	55
7	One Bedroom	60%	1/12 <sup>th</sup> of 30% of 60% of AMI	55
2	Two Bedroom	50%	1/12 <sup>th</sup> of 30% of 50% of AMI	55
16	Two Bedroom	60%	1/12 <sup>th</sup> of 30% of 60% of AMI	55

2	Three Bedroom	50%	1/12 <sup>th</sup> of 30% of 50% of AMI	55
10	Three Bedroom	60%	1/12 <sup>th</sup> of 30% of 60% of AMI	55
<b>Total 41</b>				

402.2 Timing. Completion of construction of all of the Improvements, including all of the Affordable Units, shall occur on or before the deadline set forth in the Schedule of Performance.

402.3 Declaration. The obligation of SHA to make and fund the SHA Loan hereunder is subject to the execution and recordation of the Declaration. Developer hereby covenants and agrees to pay the property tax applicable to the Property during the term of the Declaration. Developer agrees not to obtain any property tax exemption during the term of the Declaration, including without limitation the welfare exemption set forth in California Revenue and Taxation Code Section 214(g).

403. Maintenance Covenants. Developer shall maintain the Site and all Improvements, in compliance with the terms of the Redevelopment Plan, all applicable provisions of the San Marcos Municipal Code and all housing quality standards contained within 24 CFR §92.251 (regardless of whether such section would apply to the Site without the foregoing provision). Developer hereby consents to periodic inspection by SHA's designated inspectors and/or designees during regular business hours, including the Code Enforcement Agents of the City, to assure compliance with said zoning, building codes, regulations, and housing quality standards.

404. Obligation to Refrain from Discrimination.

404.1 State and Federal Requirements. Developer shall, at all times during the term of this Agreement, comply with all of the affirmative marketing procedures adopted by SHA. Developer shall maintain records to verify compliance with the applicable affirmative marketing procedures and compliance. Such records are subject to inspection by SHA during regular business hours upon five (5) days written notice. Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income or disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Developer or any person claiming under or through it establish or permit any such practice or practices of discrimination 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, with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site or the rental, lease, sale of the Site. The foregoing covenants shall run with the Site.

404.2 Additional Requirements. Developer hereby agrees to comply with the Title VII of the Civil Rights Act of 1964, as amended, the California Fair Employment Practices Act, and any other applicable Federal and State laws and regulations.

404.3 Fair Housing Laws. All activities carried out by Developer and/or agents of Developer shall be in accordance with the requirements of the Federal Fair Housing Act. The Fair Housing Amendments Act of 1988 became effective on March 12, 1989. The Fair Housing Amendments Act of 1988 and Title VIII of the Civil Rights Act of 1968, taken together, constitute the Fair Housing Act. The Fair Housing Act provides protection against the following discriminatory housing practices if they are based on race, sex, religion, color, handicap, familial status, or national origin: denying or refusing to rent housing, denying or refusing to sell housing, treating differently applicants for housing, treating residents differently in connection with terms and conditions, advertising a discriminatory housing preference or limitation, providing false information about the availability of housing, harassing, coercing or intimidating people from enjoying or exercising their rights under the Fair Housing Act, blockbusting for profit, persuading owner to sell or rent housing by telling them that people of a particular race, religion, etc., are moving into the neighborhood, imposing different terms for loans for purchasing, constructing, improving, repairing, or maintaining a home, or loans secured by housing; denying use or participation in real estate services, e.g., brokers' organizations, multiple listing services, etc., The Fair Housing Act gives HUD the authority to hold administrative hearings unless one of the parties elects to have the case heard in U.S. District Court and to issue subpoenas. Both civil and criminal penalties are provided. The Fair Housing Act also provides protection for people with disabilities and proscribes those conditions under which senior citizen housing is exempt from the prohibitions based on familial status. The following State of California Laws also govern housing discrimination and shall be complied with by Developer: Fair Employment and Housing Act, Unruh Civil Rights Act of 1959, Ralph Civil Rights Act of 1976, and Civil Code Section 54.1.

405. Nondiscrimination Covenants. Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of, any person or group of persons on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income or disability of any person in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Developer or any person claiming under or through it establish or permit any such practice or practices of discrimination 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, with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site. The foregoing covenants shall run with the land. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) Deeds. In deeds "The grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, religion, sex,

sexual orientation, disability, medical condition, familial status, source of income, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee itself or any person claiming under or through it, 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 the land herein conveyed. The foregoing covenants shall run with the land.”

(b) Leases. In leases “The lessee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, religion, sex, sexual orientation, disability, medical condition, familial status, source of income, marital status, national origin or ancestry in the leasing, subleasing, renting, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall lessee itself, or any person claiming under or through it, establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the land herein leased.”

(c) Contracts. In contracts for the rental, lease or sale of the Site or any dwelling unit “There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, sexual orientation, disability, medical condition, familial status, source of income, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee itself or any person claiming under or through it, 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 of the land.”

406. Effect of Violation of the Terms and Provisions of this Agreement After Completion of Construction. SHA is deemed the beneficiary of the terms and provisions of this Agreement and of the covenants running with the land, for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Agreement and the covenants running with the land have been provided, without regard to whether SHA has been, remains or is an owner of any land or interest therein in the Site. SHA shall have the right, if this Agreement or its covenants are breached, to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this Agreement and covenants may be entitled.

500. Defaults and Remedies.

501. Default Generally. Subject to the extensions of time set forth in Section 602 of this Agreement, failure by either party to perform any action or covenant required by this Agreement within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a "Default" under this Agreement. A party claiming a Default shall give written notice of Default to the other party specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against any other party, and the other party shall not be in Default if such party within thirty (30) days from receipt of such notice immediately, with due diligence, commences to cure, correct or remedy such failure or delay and shall complete such cure, correction or remedy with diligence.

502. Institution of Legal Actions. In addition to any other rights or remedies and subject to the restrictions otherwise set forth in this Agreement, either party may institute an action at law or equity to seek specific performance of the terms of this Agreement, or to cure, correct or remedy any Default, to recover damages for any Default, or to obtain any other remedy consistent with the purpose of this Agreement. Such legal actions must be instituted in the County of San Diego, State of California, in an appropriate court in that county, or in the District of the United States District Court in which such county is located.

503. Termination by SHA. In the event that SHA is not in Default under this Agreement and Developer is in Default of this Agreement and Developer fails to cure such Default within the time set forth in Section 501 hereof, including without limitation if Developer assigns or attempts to assign this Agreement or any rights therein or in the Site in violation of this Agreement, one or more of the closing conditions set forth in Section 203 is not fulfilled by the Developer or waived by the SHA on or before the Closing Deadline or Developer fails to complete any items set forth in the Schedule of Performance prior to the time set forth therein (as such times may be extended with SHA approval); then: (i) this Agreement and any rights of Developer or any assignee or transferee with respect to or arising out of the Agreement or the Site, shall, at the option of SHA, be terminated by SHA by written notice thereof to Developer in addition to all other rights and remedies available to SHA; and (ii) the SHA shall have the right, at its election, to enter and take possession of the Site, with all improvements thereon, and vest title to the Site in the SHA by foreclosing on the Developer Deed of Trust. From the date of the written notice of termination of this Agreement by SHA to Developer and thereafter this Agreement shall be terminated and there shall be no further rights or obligations between the parties, except that the parties may pursue any other remedies they may have hereunder.

504. Entry and Vesting of Title in SHA Prior to Completion of Construction.

504.1 Right of Entry. In addition to all other rights and remedies the SHA may have at law or in equity, the SHA has the right, at its election, to enter and take possession of the Site, with all improvements thereon, and vest title to the Site in the SHA by foreclosing on the Developer Deed of Trust, if after the Closing, Developer:

- (a) fails to start the construction of the Improvements as required by this Agreement for a period of thirty (30) days after written notice thereof from SHA (unless otherwise extended with SHA approval); or
- (b) abandons or substantially suspends construction of the Improvements required by this Agreement for a period of sixty (60) days after written notice thereof from SHA (unless otherwise extended with SHA approval); or
- (c) transfers or suffers any involuntary transfer of the Site or any part thereof in violation of contrary to the provisions of Section 603 or any other section of this Agreement.

**504.2 Limitations on Right of Entry.** Such right to enter and vest shall be subject to and be limited by and shall not defeat, render invalid or limit any mortgage or deed of trust permitted by this Agreement that is senior to the Developer Deed of Trust.

**504.3 Right of Entry Referenced in Developer Deed of Trust.** The Developer Deed of Trust shall contain appropriate reference and provision to give effect to SHA's rights as set forth in this Section 504, to enter and take possession of the Site, with all improvements thereon, and to vest in SHA the Site.

**504.4 Resale By SHA After Vesting.** Upon the vesting in SHA of title to the Site as provided in this Section 504, SHA shall, pursuant to its responsibilities under state law, use its reasonable efforts to resell the Site as soon and in such manner as SHA shall find feasible and consistent with the objectives of such law and of the Redevelopment Plan, as it exists or may be amended, to a qualified and responsible party or parties (as determined by SHA) who will assume the obligation of making or completing the Improvements, or such improvements in their stead as shall be satisfactory to SHA and in accordance with the uses specified for the Site or part thereof in the Redevelopment Plan.

**504.5 Application of Sale Proceeds.** Upon such sale of the Site by SHA, the net proceeds thereof after repayment of any mortgage or deed of trust encumbering the Site which is permitted by this Agreement, shall be applied:

- (a) First, to reimburse SHA, on its own behalf or on behalf of the City, all costs and expenses incurred by SHA or the City, including, but not limited to: any expenditures by SHA or the City in connection with the recapture, management and resale of the Site or part thereof (but less any income derived by SHA or the City from the Site or part thereof in connection with such management); all taxes, assessments and water or sewer charges with respect to the Site or part thereof which Developer has not paid (or, in the event that Site is exempt from taxation or assessment of such charges during the period of ownership thereof by SHA, an amount, if paid, equal to such taxes, assessments, or charges as would have been payable if the Site were not so exempt); any payments made or necessary to be made to discharge any encumbrances or liens existing

on the Site or part thereof at the time of re vesting of title thereto in SHA, or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults or acts of Developer, its successors or transferees; any expenditures made or obligations incurred with respect to the making or completion of the improvements or any part thereof on the Site, or part thereof; and any amounts otherwise owing SHA, and in the event thereafter available; and

(b) Second, to reimburse Developer, its successor or transferee, up to the amount equal to the sum of (i) the costs incurred for the acquisition and development of the Site and for the improvements existing on the Site at the time of the entry and possession, less (ii) any gains or income withdrawn or made by Developer from the Site or the improvements thereon.

Any balance remaining after such reimbursements shall be retained by SHA as its property. The rights established in this Section 504 are not intended to be exclusive of any other right, power or remedy, but each and every such right, power, and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy authorized herein or now or hereafter existing at law or in equity. The rights are to be interpreted in light of the fact that SHA will have conveyed the Site to Developer for redevelopment purposes, particularly for development of the Site and not for speculation.

505. Acceptance of Service of Process. In the event that any legal action is commenced by Developer against SHA, service of process on SHA shall be made by personal service upon the City Manager or in such other manner as may be provided by law. In the event that any legal action is commenced by SHA against Developer, service of process on Developer shall be made by personal service upon Developer or in such other manner as may be provided by law.

506. Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

507. Inaction Not a Waiver of Default. Any failures or delays by either party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies shall govern the interpretation and enforcement of this Agreement.

600. General Provisions.

601. Notices, Demands and Communications Between the Parties. Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Agreement must be in writing and may be given by any commercially acceptable means to the party to whom the Notice is directed at the address of the party as set forth below, or at any other address as that party may later designate by Notice.

To SHA:                   City of San Marcos  
                                 Attn. City Manager  
                                 1 Civic Center Drive  
                                 San Marcos, CA 92069

To Developer:            Eastgate Family Housing, LLC  
                                 13520 Evening Creek Drive North, Suite 160  
                                 San Diego, CA 92128  
                                 Attn: James Silverwood, President

With a Copy to:            Joel L. Incorvaia, Esq.  
                                 Incorvaia & Associates  
                                 445 Marine View Avenue, Suite 295  
                                 Del Mar, CA 92014

Any written notice, demand or communication shall be deemed received immediately if delivered by hand and shall be deemed received on the third day from the date it is postmarked if delivered by registered or certified mail.

602. Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Agreement, performance by either party hereunder shall not be deemed to be in Default, and all performance and other dates specified in this Agreement shall be extended, where delays or Defaults 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; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; acts or omissions of the other party; or any other causes beyond the control and without the fault of the party claiming an extension of time to perform. Notwithstanding anything to the contrary in this Agreement, an extension of time for any such cause shall be for the period of the delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within five (5) days of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by the mutual agreement of the City Manager and Developer.

603. Transfers of Interest in Site or Agreement.

603.1 Prohibition. The qualifications and identity of Developer are of particular concern to SHA. It is because of those qualifications and identity that SHA has entered into this Agreement with Developer. For the period commencing upon the date of this Agreement and during the fifty five (55) year term of the Declaration, no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement, nor shall Developer make any total or partial sale, transfer, conveyance, assignment, subdivision, refinancing or lease of the whole or any part of the Site or the Improvements thereon without prior written approval of SHA, except as expressly set forth herein. Any proposed total or partial sale, transfer, conveyance, assignment, subdivision, refinancing or lease of the whole or any part of the Site or the Improvements, other than those permitted in Section 603.2, will entitle SHA to its right of reentry and revesting as set forth in Section 504 hereof.

For the reasons cited above, Developer represents and agrees for itself, each member and any successor in interest of itself and each member that prior to issuance by SHA of a Release of Construction Covenants and without the prior written approval of SHA, there shall be no significant change in the ownership of Developer or in the relative proportions thereof, or with respect to the identity of the parties in control of Developer or the degree thereof, by any method or means; provided, however, that a change in one or more constituent members of Developer is permitted so long as Developer remains controlled as to day to day matters by one of the members of Developer as of the date of this Agreement.

Developer shall promptly notify SHA of any and all changes whatsoever in the identity of the parties in control of Developer or the degree thereof, of which it or any of its officers have been notified or otherwise have knowledge or information. This Agreement may be terminated by SHA if there is any significant change (voluntary or involuntary) in membership, management or control, of Developer or its associates (other than such changes occasioned by the death or incapacity of any individual prior to issuance of the Release of Construction Covenants).

603.2 Permitted Transfers. Notwithstanding any other provision of this Agreement to the contrary, SHA approval of an assignment of this Agreement or conveyance of the Site or Improvements, or any part thereof, will be granted in connection with any of the following, subject to SHA and Developer executing appropriate documents of transfer which contain any exceptions or reservation of rights permitted under this Agreement:

- (a) the leasing of one or more Affordable Units to an occupant in compliance with the Declaration;
- (b) transfer of this Agreement and/or the Site to a limited partnership in which Developer or its affiliate is the Co-General Partner, and the transferee entity executes an agreement reasonably acceptable to SHA assuming all of Developer's obligations under this Agreement.

(c) transfer of up to a Ninety-Nine and Ninety Nine Hundredths Percent (99.99%) limited interest in limited partnership referenced in (b) above to a tax credit investor partner in connection with the tax credit syndication;

(d) transfer by the tax credit investor partner of its interest in limited partnership referenced in (b) above to an entity in which the tax credit investor partner or its affiliate manages and controls, directly or indirectly, the management decisions of such entity in connection with the tax credit syndication;

(e) Developer granting an option to purchase the Site after the expiration of the 15-year tax credit compliance period to an entity in which Developer or its affiliate manages and controls, directly or indirectly, the management decisions of such entity, provided that any such option shall be subject and subordinate to the SHA's Option;

(f) the conveyance or dedication of any portion of the Site to the City or other appropriate governmental agency, or the granting of easements or permits to facilitate construction of the Improvements (as defined herein);

(g) any requested assignment for financing purposes (subject to such financing being reasonably approved by SHA), including the grant of a deed of trust to secure the funds necessary for construction of the Improvements; or

(h) any deed of trust or related document recorded against the Site in connection with financing approved by the SHA.

**603.3 Successors and Assigns.** All of the terms, covenants and conditions of this Agreement shall be binding upon Developer and its permitted successors and assigns. Whenever the term "Developer" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

**603.4 Assignment by SHA.** SHA may assign or transfer this Agreement in its entirety, or any of its rights or obligations hereunder.

**604. Non-Liability of Officials and Employees of SHA.** No member, official or employee of SHA or the City shall be personally liable to Developer, or any successor in interest, in the event of any Default or breach of this Agreement or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this Agreement.

**605. Relationship Between SHA and Developer.** It is hereby acknowledged that the relationship between SHA and Developer is that of independent contractors and not that of a partnership or joint venture and that SHA and Developer shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, except as expressly provided herein, SHA shall have no rights, powers, duties or obligations with respect to the operation, maintenance or management of the Improvements. Developer agrees to indemnify, hold harmless and defend

SHA from any claim made against SHA arising from a claimed relationship of partnership or joint venture between SHA and Developer.

606. SHA Approvals and Actions. Whenever a reference is made herein to an action or approval to be undertaken by SHA, the City Manager or his or her designee is authorized to act on behalf of SHA, unless specifically provided otherwise.

607. Counterparts. This Agreement may be signed in multiple counterparts which, when signed by all parties, shall constitute a binding agreement.

608. Integration. This Agreement contains the entire understanding between the parties relating to the subject matter of this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral and written, are merged in this Agreement and shall be of no further force or effect. Each party is entering this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

609. No Real Estate Brokerage Commissions. SHA and Developer each represent and warrant to the other that no broker or finder is entitled to any commission or finder's fee in connection with Developer's acquisition of the Site from SHA. SHA and Developer each agrees to defend and hold harmless the other from any claim by any broker, agent or finder with respect to Site.

610. Attorneys' Fees. The parties agree that the prevailing party in litigation for the breach and/or interpretation and/or enforcement of the terms of this Agreement shall be entitled to their expert witness fees, if any, as part of their costs of suit, and reasonable attorneys' fees as may be awarded by the court, pursuant to California Code of Civil Procedure ("CCP") Section 1033.5 and any other applicable provisions of California law, including, without limitation, the provisions of CCP Section 998. In addition, in the event Developer requests any future amendments to this Agreement or any further agreements, documents or instruments are to be executed by the SHA or the City, the Developer shall pay any and all reasonable attorneys' fees incurred by the SHA with respect to the same.

611. Titles and Captions. Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of this Agreement or of any of its terms. References to section numbers are to sections in this Agreement, unless expressly stated otherwise.

612. Interpretation. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall be deemed to include the others where and when the context so dictates. The word "including" shall be construed as if followed by the words "without limitation." This Agreement shall be interpreted as though prepared jointly by both parties.

613. No Waiver. A waiver by either party of a breach of any of the covenants, conditions or agreements under this Agreement to be performed by the other party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Agreement.

614. Modifications. Any amendment, alteration, change or modification of or to this Agreement, in order to become effective, shall be made in writing and in each instance signed by the Developer and the SHA (any amendment, alteration, change or modification of this Agreement on behalf of the SHA, including without limitation changes to the economic terms of this Agreement and its attachments, shall be made by the City Manager in his sole discretion).

615. Severability. If any term, provision, condition or covenant of this Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

616. Computation of Time. The time in which any act is to be done under this Agreement is computed by excluding the first day (such as the day escrow opens), and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

617. Legal Advice. Each party represents and warrants to the other the following: they have carefully read this Agreement, and in signing this Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Agreement; and, they have freely signed this Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other party, or their respective agents, employees, or attorneys, except as specifically set forth in this Agreement, and without duress or coercion, whether economic or otherwise.

618. Time of Essence. Time is expressly made of the essence with respect to the performance by SHA and Developer of each and every obligation and condition of this Agreement.

619. Cooperation. Each party agrees to cooperate with the other in this transaction and, in that regard, to sign any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Agreement including, but not limited to, releases or additional agreements.

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

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

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

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

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

**SHA:**

City of San Marcos in its capacity as the successor housing agency to the former San Marcos Redevelopment Agency

By:

Jack Griffin, City Manager

**APPROVED AS TO FORM:**

Christensen & Spath LLP

By:

Walter F. Spath III  
Special Counsel to the SHA

**[SIGNATURES CONTINUED ON FOLLOWING PAGE]**

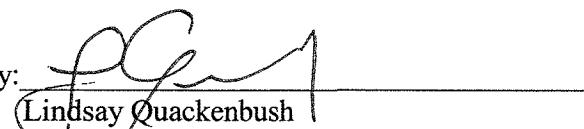
**DEVELOPER:**

Eastgate Family Housing, LLC, a California limited liability company

By: Affirmed Housing Group, Inc.

Its: Manager

By:



Lindsay Quackenbush  
Vice-President of Development

**Exhibit A**  
**Site Legal Description**

All that certain real property located in the City of San Marcos, County of San Diego, State of California, more particularly described as follows:

PARCEL 1 OF PARCEL MAP NO. 20939, IN THE CITY OF SAN MARCOS, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 23, 2011 AS INSTRUMENT NO. 2011-0694518 OF OFFICIAL RECORDS.

APN: 219-270-64

**Exhibit B**  
**Schedule of Performance**

**Schedule of Performance based on an October 2014 CTCAC 4% LIHTC award**

Oct 2014	TCAC 4% LIHTC award
Jan 2015	Ground breaking
Mar 2016	Substantial completion
Spring 2016	Residential lease-up

**Exhibit C**

**Project Proforma**

**Eastgate**  
 San Marcos, CA  
 42 Unit Mixed-Use  
 4% LIHTC

**SOURCES**

	Per Unit	% Total
Perm Debt - Residential	\$ 2,537,000	
Perm Debt - Commercial	\$ 750,000	
San Marcos Housing Funds	\$ 3,100,000	
San Marcos Predevelopment Funds	\$ 600,000	
San Marcos Land Contribution	\$ 3,200,000	
County HOME Funds	\$ 1,940,000	
Developer Equity	\$ -	
Deferred Developer Fee	\$ 312,520	
	\$ -	
Tax Credit Equity	\$ 6,227,480	
	\$ -	
<b>TOTAL SOURCES</b>	<b>\$ 18,667,000</b>	

**USES**

	Per Unit	% Total
Property Acquisition Cost	\$ 3,200,000	
Total Relocation Expenses	\$ -	
Abatement/Demolition	\$ -	
Total Rehabilitation Costs	\$ -	
Total New Construction Costs	\$ 9,137,000	
Hard Cost subtotal	\$ 9,137,000	
Construction Contingency	\$ 457,000	
Architecture & Engineering	\$ 945,000	
Construction Interest & Fees	\$ 272,000	
Capitalized Reserves	\$ 125,000	
Taxes & Insurance	\$ 55,000	
General Liability Insurance	\$ -	
Escrow & Title	\$ 25,000	
Legal Fees	\$ 125,000	
Devel Impact Fees & Permits	\$ 1,890,000	
Tax Credit Fees	\$ 45,000	
Misc. Soft Costs	\$ 416,000	
<b>Soft Cost subtotal</b>	<b>\$ 3,898,000</b>	
Soft Cost Contingency	\$ 175,000	
Developer Fee	\$ 1,800,000	
	\$ -	
<b>TOTAL USES</b>	<b>\$ 18,667,000</b>	

**FINANCING ASSUMPTIONS**

Permanent Loan Amount	\$3,287,000
Permanent Loan Interest Rate	5.50%
Permanent Loan Term (mo.)	360
Net Operating Income	\$255,592
Debt Service	\$40,414
Debt Coverage Ratio	1.198
Construction Loan Amount	\$7,627,104
Construction Loan Interest Rate	2.25%
Construction Loan Term (mo.)	24
Loan to Value	40.86%
Loan to Basis	54.48%

**INCOME**

Type	Qty.	Sub-total	% AMI	Rental Income	
				Net	Total
Studio	0		40%	\$ 546	\$ -
Studio	0		50%	\$ 684	\$ -
Studio	3	3	60%	\$ 822	\$ 2,467
1BR	0		40%	\$ 586	\$ -
1BR	1		50%	\$ 734	\$ 734
1BR	7	8	60%	\$ 882	\$ 6,173
2BR	0		30%	\$ 518	\$ -
2BR	0		40%	\$ 696	\$ -
2BR	2		50%	\$ 873	\$ 1,747
2BR	16		60%	\$ 1,051	\$ 16,824
2BR Mgr	1	19	MKT	\$ -	\$ -
3BR	0		30%	\$ 595	\$ -
3BR	0		40%	\$ 801	\$ -
3BR	2		50%	\$ 1,006	\$ 2,012
3BR	10	12	60%	\$ 1,211	\$ 12,108
<b>TOTAL</b>	<b>42</b>	<b>42</b>			<b>\$ 42,065</b>
Annual Residential Income					\$ 504,783
PBV Income:					\$ -
Other Income					\$ 5,040
Commercial Income					\$ 60,000
<b>Total Gross Annual Income</b>					<b>\$ 569,823</b>
Vacancy @ 5.0%					\$ (28,491)
<b>TOTAL NET ANNUAL INCOME</b>					<b>\$ 541,332</b>

**EXPENSES**

	per unit
Administrative	\$ 571
Management	\$ 714
Utilities	\$ 452
Payroll	\$ 1,429
Insurance	\$ 238
Maintenance	\$ 714
Other:	\$ 1,107
<b>Subtotal</b>	<b>\$ 5,226</b>
	\$ 219,500
Resident Services	\$ 238
Replacement Reserves	\$ 720
Real Estate Taxes	\$ 619
Other:	\$ -
<b>ANNUAL EXPENSES</b>	<b>\$ 6,803</b>
	\$ 285,740

**TAX CREDIT ASSUMPTIONS**

9% Tie Breaker Score	NA
Tax Credits Requested	\$610,537
Equity Pricing	\$1,030
LP Interest	99%
Tax Credit Factor	\$1,020
Applicable Rate - 9%	NA
Applicable Rate - 4%	3.36%

**TCAC TIE BREAKER SELF-SCORE**  
Eastgate

**Final Tie Breaker Formula:**

$$a. \frac{\text{Committed permanent public funds defraying residential costs}}{\text{Total residential project development costs}} + b. \frac{\left( (1 - \frac{\text{Requested unadjusted eligible basis}}{\text{Total residential project development costs}}) / 3 \right)}{}$$

**Self Scoring Calculation:**

a.	Perm Debt - Commercial	\$ 750,000	resulting from HACLA + SPC PBV commitments
	San Marcos Housing Funds	\$ 3,100,000	
	County HOME Funds	\$ 1,940,000	
		\$ -	
		\$ -	
	<b>Committed Permanent Public Funds</b>	<b>\$ 5,790,000</b>	

$$+ 18.75\% \text{ PBV boost equal to } 25\% \times \frac{\text{no. of units with PBVs}}{\text{total affordable units}}$$

$$\frac{\text{Adj. Committed Permanent Public Funds}}{\text{Total Residential Development Costs}} = \frac{\$ 6,875,625}{\$ 17,567,000}$$

$$= 39.14\%$$

$$b. \frac{\text{Requested Unadjusted Eligible Basis}}{\text{Total Residential Development Costs}} = \frac{\$ 13,977,500}{\$ 17,567,000}$$

$$= 6.81\%$$

**45.95% TIE BREAKER SELF-SCORE**

CONFIDENTIAL

**PROPOSED BASIS LIMITS CALCULATIONS AND BOOSTS**

**Eastgate**

**Application Type:**

**Basis Limits Used:**

<u>Unit Size</u>	<u>Unit Basis Limit</u>	<u>No. of Units</u>	<u>(Basis) X (No. of Units)</u>
SRO/STUDIO	\$192,692	3	\$578,076
1	\$222,172	8	\$1,777,376
2	\$268,000	19	\$5,092,000
3	\$343,040	12	\$4,116,480
4+	\$0	0	\$0
<b>TOTAL UNADJUSTED THRESHOLD BASIS LIMIT:</b>	<b>\$11,563,932</b>		
		<b>Yes/No</b>	
(a) Plus (+) 20% basis adjustment for projects required to pay state or federal prevailing wages.	<input type="checkbox"/> No	\$0	
(b) Plus (+) 7% basis adjustment for new construction projects which are required to provide parking beneath residential units (but not "tuck under" parking).	<input type="checkbox"/> No	\$0	
(c) Plus (+) 2% basis adjustment for projects where a day care center is part of the development.	<input type="checkbox"/> No	\$0	
(d) Plus (+) 2% basis adjustment for projects where 100 percent of the units are for Special Needs populations.	<input type="checkbox"/> No	\$0	
(e) Plus (+) up to 10% basis adjustment for projects applying under Section 10325 or Section 10326 of these regulations that includes Item (e) Features.	<input type="checkbox"/> No	\$0	
(f) Plus (+) the lesser of the associated costs or up to a 15% basis adjustment for projects requiring seismic upgrading of existing structures, and/or projects requiring toxic or other environmental mitigation as certified by the project architect/ engineer +costs. If Yes, select type: <input type="text" value="Seismic Upgrading"/>	<input type="checkbox"/> No	\$0	
(g) Plus (+) local development impact fees required to be paid to local government entities. Certification from local entities assessing fees also required.	<input type="checkbox"/> Yes Please Enter Amount:	\$1,830,000	
(h) Plus (+) 10% basis adjustment for projects wherein at least 95% of the project's upper floor units are serviced by an elevator.	<input type="checkbox"/> No	\$0	
<b>4% Only</b>			
(i) Plus (+) 1% basis adjustment for each 1% of units income-targeted to 50% to 36% AMI Affordable Units: <input type="text" value="41"/> Total Affordable Units @ 50% to 36% of AMI: <input type="text" value="5"/>	<input type="checkbox"/> 12%	\$1,410,236	
(j) Plus (+) 1% basis adjustment for each 1% of units income-targeted to 36% AMI or below Affordable Units: <input type="text" value="41"/> Total Affordable Units @ 36% of AMI or Below: <input type="text" value="0"/>	<input type="checkbox"/> 0%	\$0	
<b>TOTAL ADJUSTED THRESHOLD BASIS LIMIT:</b>	<b>\$14,804,168</b>		
		\$16,073,865	

**HIGH COST TEST**

Total Eligible Basis

Percentage of the Adjusted Threshold Basis Limit

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**PROJECT FINANCING: INCOME INFORMATION**

**Eastgate**

<i>Construction Financing</i>				
<i>Name of Lender/Source</i>	<i>Term (months)</i>	<i>Interest Rate</i>	<i>Amount of Funds</i>	<i>Int. Reserve</i>
Lender	24	2.25%	7,331,470	180,000
Tax Credit Equity			3,114,530	
San Marcos Housing Funds			2,480,000	
San Marcos Land Contribution			3,200,000	
San Marcos Predevelopment Funds			600,000	
County HOME Funds			1,940,000	
			-	
Deferred Developer Fee			-	
Construction Loan Buy-Down				
<i>Total Funds for Construction</i>			<b>18,666,000</b>	

<i>Permanent Financing</i>				
<i>Name of Lender/Source</i>	<i>Term (months)</i>	<i>Interest Rate</i>	<i>Amount of Funds</i>	<i>Debt Service</i>
Perm Debt - Residential	360	5.50%	2,537,000	172,858
Perm Debt - Commercial	360	3.50%	750,000	40,414
San Marcos Housing Funds	660	3.00%	3,100,000	
San Marcos Land Contribution	660	3.00%	3,200,000	
San Marcos Predevelopment Funds		3.00%	600,000	
County HOME Funds	660	3.00%	1,940,000	
Developer Equity			-	
Deferred Developer Fee		3.00%	312,520	
			-	
<i>Total Permanent Financing</i>			<b>12,439,520</b>	
<i>Tax Credit Equity</i>			<b>6,227,480</b>	
<i>Total Sources of Project Funds</i>			<b>18,667,000</b>	

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## DEVELOPMENT BUDGET

## Eastgate

			PERMANENT SOURCES							
	TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	Perm Debt - Residential	Perm Debt - Commercial	San Marcos Housing Funds	Deferred Developer Fee	San Marcos Land Contribution	70% PVC for New Construction/ Rehabilitation	30% PVC for Acquisition
<b>LAND COST/ACQUISITION</b>										
Land Cost or Value	3,200,000	3,200,000	-	-	-	-	-	-	-	-
Land Carry Cost	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-
Total Land Cost or Value	3,200,000	3,200,000	-	-	-	-	-	-	-	-
Existing Improvements Value	-	-	-	-	-	-	-	-	-	-
Off-Site Improvements	-	-	-	-	-	-	-	-	-	-
Total Acquisition Cost	-	-	-	-	-	-	-	-	-	-
<b>Total Land Cost / Acquisition Cost</b>	<b>3,200,000</b>	<b>3,200,000</b>								
<b>REHABILITATION</b>										
Abatement/Demolition	-	-	-	-	-	-	-	-	-	-
Structures	-	-	-	-	-	-	-	-	-	-
General Requirements	-	-	-	-	-	-	-	-	-	-
Contractor Overhead	-	-	-	-	-	-	-	-	-	-
Contractor Profit	-	-	-	-	-	-	-	-	-	-
Prevailing Wages	-	-	-	-	-	-	-	-	-	-
General Liability Insurance	-	-	-	-	-	-	-	-	-	-
Contractor Contingency	-	-	-	-	-	-	-	-	-	-
<b>Total Rehabilitation Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Relocation Expenses</b>										
<b>NEW CONSTRUCTION</b>										
Site Work	1,800,000	1,800,000	-	-	-	-	-	-	1,800,000	-
Commercial	1,000,000	-	1,000,000							
Structures	5,000,000	5,000,000	-	-	-	-	-	-	5,000,000	-
General Requirements	546,000	546,000	-	-	-	-	-	-	546,000	-
Contractor Overhead	-	-	-	-	-	-	-	-	-	-
Contractor Profit	390,000	390,000	-	-	-	-	-	-	390,000	-
Prevailing Wages	-	-	-	-	-	-	-	-	-	-
GL Insurance and P&P Bond	201,000	201,000	-	-	-	-	-	-	201,000	-
Solar	200,000	200,000							200,000	
Other:	-	-	-	-	-	-	-	-	-	-
<b>Total New Construction Costs</b>	<b>9,137,000</b>	<b>8,137,000</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,137,000</b>	<b>-</b>

Total Construction Costs

9,137,000

## DEVELOPMENT BUDGET

## Eastgate

	TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	Perm Debt - Residential	Perm Debt - Commercial	San Marcos Housing Funds	Deferred Developer Fee	San Marcos Land Contribution	70% PVC for NC/Rehab or 30% PVC for Fed Subsidized NC/Rehab	30% PVC for Acquisition
<b>ARCHITECTURAL FEES</b>										
Design Supervision	630,000	630,000	-	-	-	-	-	-	630,000	-
Total Architectural Costs	630,000	630,000	-	-	-	-	-	-	630,000	-
Total Survey and Engineering	315,000	315,000	-	-	-	-	-	-	315,000	-
<b>CONST. INTEREST &amp; FEES</b>										
Construction Loan Interest	180,000	180,000	-	-	-	-	-	-	108,000	-
Origination Fee	80,000	80,000	-	-	-	-	-	-	80,000	-
Credit Enhancement/Application Fee										
Bond Premium										
Taxes	5,000	5,000	-	-	-	-	-	-	5,000	-
Insurance	50,000	50,000	-	-	-	-	-	-	50,000	-
Title and Recording	25,000	25,000	-	-	-	-	-	-	25,000	-
Construction Services	12,000	12,000	-	-	-	-	-	-	12,000	-
General Liability Insurance	-	-							-	
<b>Total Const. Interest &amp; Fees</b>	<b>352,000</b>	<b>352,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280,000</b>	<b>-</b>
<b>PERMANENT FINANCING</b>										
Loan Origination Fee	-	-	-	-	-	-	-	-	-	-
Credit Enhancement/Application Fee	-	-	-	-	-	-	-	-	-	-
Title and Recording	-	-	-	-	-	-	-	-	-	-
Taxes										
Insurance										
Cost of Issuance	200,000	100,000								
Other: (Specify)	-	-	-	-	-	-	-	-	-	-
<b>Total Perm. Financing Costs</b>	<b>200,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LEGAL FEES</b>										
Lender Legal Pd. by Applicant	75,000	75,000	-	-	-	-	-	-	75,000	-
Other: Partnership	50,000	50,000	-	-	-	-	-	-	50,000	-
<b>Total Attorney Costs</b>	<b>125,000</b>	<b>125,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,000</b>	<b>-</b>
<b>RESERVES</b>										
Rent Reserves	-	-	-	-	-	-	-	-	-	-
Capitalized Rent Reserves	-	-	-	-	-	-	-	-	-	-
*3- Month Operating Reserve	125,000	125,000	-	-	-	-	-	-	-	-
Other: (Specify)										
<b>Total Reserve Costs</b>	<b>125,000</b>	<b>125,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## DEVELOPMENT BUDGET

## Eastgate

	TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	Perm Debt - Residential	Perm Debt - Commercial	San Marcos Housing Funds	Deferred Developer Fee	San Marcos Land Contribution	70% PVC for NC/Rehab or 30% PVC for Fed Subsidized NC/Rehab	30% PVC for Acquisition	
Total Appraisal Costs	10,000	10,000	-	-	-	-	-	-	10,000	-	
Total Contingency Cost	457,000	457,000	-	-	-	-	-	-	457,000	-	
<b>OTHER PROJECT COSTS</b>											
TCAC App/Allocation/Monitoring	45,000	45,000	-	-	-	-	-	-	45,000	-	
Environmental Audit	17,000	17,000	-	-	-	-	-	-	17,000	-	
Local Dev. Impact Fees	1,830,000	1,830,000	-	-	-	-	-	-	1,830,000	-	
Permit Processing Fees	60,000	60,000	-	-	-	-	-	-	60,000	-	
Capital Fees	-	-	-	-	-	-	-	-	-	-	
Marketing	25,000	25,000	-	-	-	-	-	-	25,000	-	
FF&E, security, signage	126,000	126,000	-	-	-	-	-	-	126,000	-	
Market Study	10,000	10,000	-	-	-	-	-	-	10,000	-	
Accounting/Reimbursables	25,000	25,000	-	-	-	-	-	-	25,000	-	
<b>Soft Cost Contingency</b>	<b>175,000</b>	<b>175,000</b>	-	-	-	-	-	-	<b>175,000</b>	-	
Other: HCD Cost Review	3,000	3,000	-	-	-	-	-	-	3,000	-	
Other: (Specify)	-	-	-	-	-	-	-	-	-	-	
Other: (Specify)	-	-	-	-	-	-	-	-	-	-	
Other: (Specify)	-	-	-	-	-	-	-	-	-	-	
Other: (Specify)	-	-	-	-	-	-	-	-	-	-	
<b>Total Other Costs</b>	<b>2,316,000</b>	<b>2,316,000</b>	-	-	-	-	-	-	<b>2,246,000</b>	-	
<b>SUBTOTAL PROJECT COST</b>	<b>16,867,000</b>	<b>15,767,000</b>	<b>1,000,000</b>	-	-	-	-	-	<b>12,200,000</b>	-	
	<b>Total Project Cost</b>	<b>Total Residential</b>	<b>Total Commercial</b>	<b>Subtotal Eligible Basis</b>						<b>12,200,000</b>	-
<b>DEVELOPER COSTS</b>											
Developer Overhead/Profit	1,800,000	1,800,000	-	-	-	-	-	-	1,800,000	-	
Consultant/Processing Agent	-	-	-	-	-	-	-	-	-	-	
Project Administration	-	-	-	-	-	-	-	-	-	-	
Broker Fees Paid to a Related Party	-	-	-	-	-	-	-	-	-	-	
Construction Oversight by Developer	-	-	-	-	-	-	-	-	-	-	
Other: (Specify)	-	-	-	-	-	-	-	-	-	-	
<b>Total Developer Costs</b>	<b>1,800,000</b>	<b>1,800,000</b>	-	-	-	-	-	-	<b>1,800,000</b>	-	
<b>TOTAL PROJECT COSTS</b>	<b>18,667,000</b>	<b>17,567,000</b>	<b>1,000,000</b>	-	-	-	-	-	<b>14,000,000</b>	-	
	Bridge Loan Expense During Construction								<b>Total Eligible Basis</b>		
									<b>14,000,000</b>		

**ELIGIBLE AND QUALIFIED BASIS**

**Eastgate**

	70% PVC for New Construction/ Rehabilitation	30% PVC for Acquisition
<b>Total Eligible Basis:</b>	\$ 14,000,000	\$ -
<b>Ineligible Amounts</b>		
Subtract all Grant Proceeds Used to Finance Costs in Eligible Basis:	-	-
Subtract Non-Qualified Non-Recourse Financing:	-	-
Subtract Non-Qualifying Portion of Higher Quality Units:	-	-
Subtract Photovoltaic Credit (as applicable):	22,500	-
Subtract Historic Credit (residential portion only):	-	-
<b>Total Ineligible Amounts:</b>	<b>22,500</b>	-
<b>Total Eligible Amount Voluntarily Excluded:</b>	-	-
<b>Total Basis Reduction:</b>	<b>22,500</b>	-
<b>Total Requested Unadjusted Eligible Basis:</b>	<b>13,977,500</b>	-
*Qualified Census Tract (QCT) or Difficult to Develop Area (DDA) Adjustment:	130%	100%
<b>Total Adjusted Eligible Basis:</b>	<b>18,170,750</b>	-
Applicable Fraction:	100%	100%
<b>Qualified Basis</b>	<b>18,170,750</b>	-
<b>Total Qualified Basis</b>	<b>18,170,750</b>	0%
<b>**Total Credit Reduction:</b>	-	-
<b>Total Adjusted Qualified Basis:</b>	<b>18,170,750</b>	

\*130% boost if your project is located in a DDA or QCT

\*\*to be calculated in "Points System"

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BASIS AND CREDITS: FEDERAL

Eastgate

	New Construction /Rehabilitation	Acquisition
Adjusted Qualified Basis, After Credit Reduction:	18,170,750	-
*Applicable Percentage:	3.36%	3.36%
Subtotal Annual Federal Credit:	610,537	-
Total Combined Annual Federal Credit:	610,537	<--- \$2.5M Max

Determination of Minimum Federal Credit Necessary For Feasibility

Total Project Cost	18,667,000	
Permanent Financing	12,439,520	
Funding Gap	6,227,480	1.0303 Equity Pricing
Federal Tax Credit Factor **	1.0200	99.0% LP Interest
Total Credits Necessary for Feasibility	6,105,373	
Annual Federal Credit Necessary for Feasibility	\$ 610,537	
Maximum Annual Federal Credits	\$ 610,537	
Equity Raised From Federal Credit	\$ 6,227,480	
Remaining Funding Gap	\$ -	

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Property of Affirmed Housing Group

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**PROJECT INCOME INFORMATION**  
**Eastgate**

(a) # of Bedrooms	(b) # of Units	(c) Proposed Monthly Rent (Less Utilities)	(d) Total Monthly Rents (b x c)	(e) Monthly Utility Allow.	(f) Monthly Rent Plus Utilities (c + e)	(g) % of Area Median Income	PBVs Rents	PBV Add Mo. Rent Above TCAC	Total Add. Mo. Rents
<b>Low-Income Units</b>									
Studio	-	\$ 546	-	7	\$ 553	40%	\$ -	\$ -	
Studio	-	\$ 684	-	7	\$ 691	50%	\$ -	\$ -	
Studio	3	\$ 822	2,467	7	\$ 829	60%	\$ -	\$ -	
1BR	-	\$ 438	-	6	\$ 444	30%	\$ -	\$ -	\$ -
1BR	-	\$ 586	-	6	\$ 592	40%	\$ -	\$ -	\$ -
1BR	1	\$ 734	734	6	\$ 740	50%	\$ -	\$ -	
1BR	7	\$ 882	6,173	6	\$ 888	60%	\$ -	\$ -	
2BR	-	\$ 518	-	15	\$ 533	30%	\$ -	\$ -	
2BR	-	\$ 696	-	15	\$ 711	40%	\$ -	\$ -	
2BR	2	\$ 873	1,747	15	\$ 888	50%	\$ -	\$ -	
2BR	16	\$ 1,051	16,824	15	\$ 1,066	60%	\$ -	\$ -	
3BR	-	\$ 595	-	20	\$ 615	30%	\$ -	\$ -	
3BR	-	\$ 801	-	20	\$ 821	40%	\$ -	\$ -	
3BR	2	\$ 1,006	2,012	20	\$ 1,026	50%	\$ -	\$ -	
3BR	10	\$ 1,211	12,108	20	\$ 1,231	60%	\$ -	\$ -	
Total # Units	41	Total	\$ 42,065				Total Tranche B:	\$ -	

<b>Managers' Units</b>	
1BR Mgr	-
2BR Mgr	1
3BR Mgr	-
Total # Units	1

Total Affordable Plus Manager Units:

42

Annual Income from Laundry Facilities

\$ 5,040

10.00 per unit per month

Annual Income from Vending Machines

-

Annual Interest Income

-

Annual Commercial Income

60,000

10,000 net SF @ \$ 0.50 per mo.

Total Other Income:

65,040

Total Annual Potential Gross Income:

\$ 569,823

PBV Income:

\$ -

Total Gross Annual Income

\$ 569,823

**Utility Allowances**

	SRO/STUDIO	1 BR	2 BR	3 BR	4 BR
Space Heating:	-	-	-	-	-
Water Heating:	-	-	-	-	-
Cooking:	-	-	-	-	-
Lighting:	-	-	-	-	-
Electricity:	-	-	-	-	-
Water:*	-	-	-	-	-
AC	-	-	-	-	-
other	-	-	-	-	-
Total:	7	6	15	20	-

PHA or California Energy Commission Providing Utility Allowances: est. CUAC allowances

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**ANNUAL RESIDENTIAL OPERATING EXPENSES**  
**Eastgate**

		Per Unit
<b>Administrative</b>	Advertising:	2,000
	Legal:	5,000
	Accounting/Audit:	7,000
	Security:	4,000
	Other: Miscellaneous Admin	6,000
	<b>Total Administrative:</b>	<b>24,000</b>
		571
<b>Management</b>	<b>Total Management:</b>	<b>30,000</b>
		714
<b>Utilities</b>	Fuel:	-
	Gas:	3,000
	Electricity:	4,000
	Water/Sewer:	12,000
	<b>Total Utilities:</b>	<b>19,000</b>
		452
<b>Payroll</b> <b>/ Payroll Taxes</b>	On-site Manager(s):	30,000
	Maintenance Personnel:	20,000
	Other: Payroll Burden	10,000
	<b>Total Payroll/Payroll Taxes:</b>	<b>60,000</b>
	<b>Total Insurance:</b>	<b>10,000</b>
		238
<b>Maintenance</b>	Painting:	6,000
	Repairs:	6,000
	Trash Removal:	6,000
	Exterminating:	2,000
	Grounds:	9,000
	Other: Fire Monitoring Service	1,000
	Other: Elevator	-
	<b>Total Maintenance:</b>	<b>30,000</b>
		714
<b>Other Expenses</b>	Other: NP Partner	-
	Other: City Monitoring Fee	2,500
	CFDs Annual Assessments	41,000
	Other:	-
	Other: HCD Monitoring Fee	3,000
	<b>Total Other:</b>	<b>46,500</b>
		1,107
<b>Total Expenses</b>		
	<b>Total Annual Residential Operating Expenses:</b>	<b>219,500</b>
	<b>Total Number of Units in the Project:</b>	<b>42</b>
	<b>Total Annual Operating Expenses Per Unit:</b>	<b>5,226</b>
	<b>Total 3-Month Operating Reserve:</b>	<b>125,000</b>
	<b>Total Annual Internet Expense (site amenity election):</b>	<b>-</b>
	<b>Total Annual Service Amenities Budget (from project expenses):</b>	<b>10,000</b>
	<b>Total Annual Reserve for Replacement:</b>	<b>30,240</b>
	<b>Annual Real Estate Taxes:</b>	<b>26,000</b>
	<b>Other:</b>	<b>-</b>
	<b>TOTAL:</b>	<b>285,740</b>
<b>Commercial Income</b>	Total Annual Commercial/Non Residential Revenue:	-
	Total Annual Commercial/Non Residential Expenses:	-
	Total Annual Commercial/Non Residential Debt Service:	-
	<b>Total Annual Commercial/Non Residential Net Income:</b>	<b>-</b>

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Eastgate 4% 14-0430 \$3.7M City \$1.94M CO \$3.2M Property of Affirmed Housing Group

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\$ 4,600 TCAC min  
2014

238 per unit

720 per unit\*

no non-profit

\*500/HOME unit

\$6,803 per unit  
567 per month

**Borrower:** TBD  
**Project Name:** Eastgate  
**Proforma Type:**  
**Location:** 42 Unit Mixed-Use  
 San Marcos, CA

**Maximum RDA Loan Amount** \$3,100,000  
**RDA LTC** 16.61%

**PROJECTED CONSTRUCTION LOAN:** \$ 7,627,104  
**Loan to Value** 40.86%  
**Interest Rate Construction** 2.25%  
**Loan to Basis** 54.479%

	Total Budget	Loan Closing												50% Completion				75% Completion				Const. Compl	Final Pmnt
		1 Mar-14	2 Apr-14	3 May-14	4 Jun-14	5 Jul-14	6 Aug-14	7 Sep-14	8 Oct-14	9 Nov-14	10 Dec-14	11 Jan-15	12 Feb-15	13 Mar-15	14 Apr-15	15 May-15							
<b>CONSTRUCTION USES:</b>																							
Land Acquisition	3,200,000	3,200,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Environmental Studies & Remediation	17,000	17,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Direct Costs	9,137,000	0	0	228,425	456,850	456,850	913,700	913,700	1,370,550	1,370,550	685,275	685,275	456,850	456,850	456,850	456,850	456,850	456,850	456,850	456,850	685,275		
Constr. Contingency @ 5.0%	457,000	0	0	11,425	22,850	22,850	45,700	45,700	68,550	68,550	34,275	34,275	22,850	22,850	22,850	22,850	22,850	22,850	22,850	22,850	34,275		
Interest Reserve – Bank	180,000	0	0	0	0	0	0	561	2,444	5,237	8,019	9,438	11,202	12,305	13,393	14,499	14,499	14,499	14,499	14,499	14,499		
Bank Loan Fee	80,000	80,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Appraisal	10,000	10,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Construction Services	12,000	3,600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600		
Legal Fees (Bank & Other)	125,000	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Arch. & Eng.	945,000	708,750	47,250	47,250	47,250	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	0		
Taxes & Insurance	55,000	38,500	0	0	0	0	0	8,250	0	0	0	0	0	0	0	0	0	0	0	0	0		
General Liability Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Gov't Impact & Permit Fees	1,890,000	1,323,000	0	567,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Title & Recording	25,000	17,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Market Study/Marketing/FF&E/Misc.	361,000	10,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Security	3,000	0	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	75		
Developer Fee	1,800,000	540,000	0	0	0	0	0	0	0	0	0	0	0	180,000	0	0	0	0	0	0	180,000		
TCAC Fees	45,000	45,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Accounting/Reimbursables	25,000	5,000	0	0	0	0	0	0	2,500	0	0	0	0	0	0	0	0	0	0	0	0		
Capitalized Reserves	125,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Soft Cost Cont. @ 5.0%	175,000	0	0	26,250	26,250	26,250	26,250	17,500	17,500	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	0	0	0		
<b>TOTAL BUDGET</b>	<b>18,667,000</b>																						
Total Monthly Uses	6,098,350	48,075	881,175	554,025	516,225	1,004,175	990,236	1,469,319	1,463,362	746,594	928,013	580,127	572,480	581,818	984,924								
Developer Fee Payment Percentages		30%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	10%		
<b>SOURCES:</b>																							
Perm Debt - Residential	2,537,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Perm Debt - Commercial	750,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
San Marcos Housing Funds	3,100,000	58,723	48,075	881,175	554,025	516,225	421,777	0	0	0	0	0	0	0	0	0	0	0	0	0	310,000		
San Marcos Land Contribution	3,200,000	3200000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
San Marcos Predevelopment Funds	600,000	600000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
County HOME Funds	1,940,000	970,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	970,000		
Developer Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Deferred Developer Fee	312,520	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Tax Credit Equity	6,227,480	1,556,870	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	934,122		
<b>Total Monthly Sources</b>	<b>18,667,000</b>	<b>6,385,593</b>	<b>48,075</b>	<b>881,175</b>	<b>554,025</b>	<b>516,225</b>	<b>421,777</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,214,122</b>		
<b>LOAN BALANCE:</b>																							
Cumulative Monthly Constr. Loan Balance	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	(287,243)	6,397,906		

**Borrower:** TBD  
**Project Name:** Eastgate  
**Proforma Type:**  
**Location:** 42 Unit Mixed-Use  
 San Marcos, CA

**Maximum RDA Loan Amount** \$3,100,000  
**RDA LTC** 16.61%

**PROJECTED CONSTRUCTION LOAN:** \$ 7,627,104  
**Loan to Value** 40.86%  
**Interest Rate Construction** 2.25%  
**Loan to Basis** 54.479%

	100% Occupancy	90 day Stabilization			Conversion to Perm			Final Dev Fee Pmt			<b>TOTAL</b>
		16 Jun-15	17 Jul-15	18 Aug-15	19 Sep-15	20 Oct-15	21 Nov-15	22 Dec-15	23 Jan-16		
<b>CONSTRUCTION USES:</b>											
Land Acquisition	3,200,000	0	0	0	0	0	0	0	0	3,200,000	100%
Environmental Studies & Remediation	17,000	0	0	0	0	0	0	0	0	17,000	100%
Direct Costs	9,137,000	0	0	0	0	0	0	0	0	9,137,000	100%
Constr. Contingency @ 5.0%	457,000	0	0	0	0	0	0	0	0	457,000	100%
Interest Reserve – Bank	180,000	12,163	12,319	12,343	12,366	12,343	10,979	192	192	149,996	83%
Bank Loan Fee	80,000	0	0	0	0	0	0	0	0	80,000	100%
Appraisal	10,000	0	0	0	0	0	0	0	0	10,000	100%
Construction Services	12,000	0	0	0	0	0	0	0	0	12,000	100%
Legal Fees (Bank & Other)	125,000	0	0	0	0	0	25,000	0	0	125,000	100%
Arch. & Eng.	945,000	0	0	0	0	0	0	0	0	945,000	100%
Taxes & Insurance	55,000	0	0	0	0	0	0	0	0	55,000	100%
General Liability Insurance	0	0	0	0	0	0	0	0	0	0	NA
Gov't Impact & Permit Fees	1,890,000	0	0	0	0	0	0	0	0	1,890,000	100%
Title & Recording	25,000	0	0	0	0	0	0	0	0	25,000	100%
Market Study/Marketing/FF&E/Misc.	361,000	70,200	0	0	0	0	7,500	0	0	361,000	100%
Security	3,000	0	0	0	0	0	0	0	0	3,000	100%
Developer Fee	1,800,000	0	0	0	180,000	0	540,000	0	180,000	1,800,000	100%
TCAC Fees	45,000	0	0	0	0	0	0	0	0	45,000	100%
Accounting/Reimbursables	25,000	0	0	0	0	0	17,500	0	0	25,000	100%
Capitalized Reserves	125,000	0	0	0	0	0	125,000	0	0	125,000	100%
Soft Cost Cont. @ 5.0%	175,000	0	0	0	0	0	0	0	0	175,000	100%
<b>TOTAL BUDGET</b>	<b>18,667,000</b>										
Total Monthly Uses	82,363	12,319	12,343	192,366	12,343	725,979	192	180,192	18,636,996	30,004	
Developer Fee Payment Percentages	0%	0%	0%	10%	0%	30%	0%	10%	100%		
<b>SOURCES:</b>											
Perm Debt - Residential	2,537,000	0	0	0	0	0	2,537,000	0	0	2,537,000	100%
Perm Debt - Commercial	750,000	0	0	0	0	0	750,000	0	0	750,000	100%
San Marcos Housing Funds	3,100,000	0	0	0	0	0	310,000	0	0	3,100,000	100%
San Marcos Land Contribution	3,200,000	0	0	0	0	0	-	0	0	3,200,000	100%
San Marcos Predevelopment Funds	600,000										
County HOME Funds	1,940,000	0	0	0	0	0	0	0	0	1,940,000	100%
Developer Equity	0										
Deferred Developer Fee	312,520	0	0	0	0	0	312,520	0	0	312,520	100%
Tax Credit Equity	6,227,480	0	0	0	0	0	-	0	0	0	NA
Equity Payment Percentages	0%	0%	0%	15%	0%	40%	0%	5%	100%		
<b>Total Monthly Sources</b>	<b>18,667,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>934,122</b>	<b>0</b>	<b>6,400,512</b>	<b>0</b>	<b>311,374</b>	<b>18,067,001</b>	<b>0</b>
<b>LOAN BALANCE:</b>											
Cumulative Monthly Constr. Loan Balance	6,480,269	6,492,588	6,504,931	5,763,175	5,775,517	100,985	101,177	(30,005)			

**15-YEAR CASH FLOW PROJECTION**
**Eastgate**

	Inflation Factor	Year 1 <u>2015</u>	Year 2 <u>2016</u>	Year 3 <u>2017</u>	Year 4 <u>2018</u>	Year 5 <u>2019</u>
Rental Income	2.0%	504,783	514,879	525,176	535,680	546,393
Laundry Income	2.5%	5,040	5,166	5,295	5,428	5,563
Interest Income	2.5%	0	0	0	0	0
Commercial Income	2.5%	60,000	61,500	63,038	64,613	66,229
<b>TOTAL GROSS POTENTIAL REVENUE</b>		<b>569,823</b>	<b>581,545</b>	<b>593,509</b>	<b>605,721</b>	<b>618,185</b>
Vacancy @	5.0%	28,491	29,077	29,675	30,286	30,909
<b>TOTAL NET RENTAL INCOME</b>		<b>541,332</b>	<b>552,467</b>	<b>563,833</b>	<b>575,435</b>	<b>587,276</b>
Advertising	3.0%	2,000	2,060	2,122	2,185	2,251
Legal	3.0%	5,000	5,150	5,305	5,464	5,628
Accounting	3.0%	7,000	7,210	7,426	7,649	7,879
Security	3.0%	4,000	4,120	4,244	4,371	4,502
Other Admin	3.0%	6,000	6,180	6,365	6,556	6,753
Management Fee	3.5%	30,000	31,050	32,137	33,262	34,426
Gas	3.0%	3,000	3,090	3,183	3,278	3,377
Electricity	3.0%	4,000	4,120	4,244	4,371	4,502
Water & Sewer	3.0%	12,000	12,360	12,731	13,113	13,506
On-Site Manager	3.0%	30,000	30,900	31,827	32,782	33,765
Maintenance Personnel	3.0%	20,000	20,600	21,218	21,855	22,510
Other Payroll	3.0%	10,000	10,300	10,609	10,927	11,255
Insurance	3.0%	10,000	10,300	10,609	10,927	11,255
Painting	3.0%	6,000	6,180	6,365	6,556	6,753
Repairs	3.0%	6,000	6,180	6,365	6,556	6,753
Trash Removal	3.0%	6,000	6,180	6,365	6,556	6,753
Exterminating	3.0%	2,000	2,060	2,122	2,185	2,251
Grounds	3.0%	9,000	9,270	9,548	9,835	10,130
Fire Monitoring/Elevator	3.0%	1,000	1,030	1,061	1,093	1,126
Other: NP Partner	3.0%	0	0	0	0	0
Other: City Monitoring Fee	3.0%	2,500	2,575	2,652	2,732	2,814
CFDs Annual Assessments	3.0%	41,000	42,230	43,497	44,802	46,146
Other:	3.0%	3,000	3,090	3,183	3,278	3,377
Service Amenities Budget	3.0%	10,000	10,300	10,609	10,927	11,255
Other:	2.0%	0	0	0	0	0
Real Estate Taxes	2.0%	26,000	26,520	27,050	27,591	28,143
Replacement Reserve	0.0%	30,240	30,240	30,240	30,240	30,240
<b>TOTAL EXPENSES</b>		<b>285,740</b>	<b>293,295</b>	<b>301,077</b>	<b>309,092</b>	<b>317,348</b>
<b>NET OPERATING RENTAL INCOME</b>		<b>255,592</b>	<b>259,172</b>	<b>262,757</b>	<b>266,343</b>	<b>269,928</b>
DEBT SERVICE - Residential		172,858	172,858	172,858	172,858	172,858
DEBT SERVICE - Commercial		40,414	40,414	40,414	40,414	40,414
Debt Coverage Ratio		1.198	1.215	1.232	1.249	1.266
<b>FORECASTED CASH AVAILABLE</b>		<b>42,320</b>	<b>45,901</b>	<b>49,485</b>	<b>53,071</b>	<b>56,656</b>
Partnership Management Fee	2.0%	5,000	5,100	5,202	5,306	5,412
Asset Management Fee	2.0%	20,000	20,400	20,808	21,224	21,649
<b>Cash Available for Distribution</b>		<b>17,320</b>	<b>20,401</b>	<b>23,475</b>	<b>26,541</b>	<b>29,596</b>
Deferred Developer Fee	312,520 3.0% balance	17,320 8,856 304,056	20,401 8,510 292,165	23,475 8,061 276,751	26,541 7,506 257,716	29,596 6,844 234,965
<b>CASH FLOW FOR DISTRIBUTION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Residual receipts to Affirmed to City to County	0.333% 0.333% 0.333%	- - -	- - -	- - -	- - -	- - -

**15-YEAR CASH FLOW PROJECTION**
**Eastgate**

	Inflation Factor	Year 6 <u>2020</u>	Year 7 <u>2021</u>	Year 8 <u>2022</u>	Year 9 <u>2023</u>	Year 10 <u>2024</u>
Rental Income	2.0%	557,321	568,468	579,837	591,434	603,262
Laundry Income	2.5%	5,702	5,845	5,991	6,141	6,294
Interest Income	2.5%	0	0	0	0	0
Commercial Income	2.5%	67,884	69,582	71,321	73,104	74,932
<b>TOTAL GROSS POTENTIAL REVENUE</b>		<b>630,908</b>	<b>643,894</b>	<b>657,149</b>	<b>670,679</b>	<b>684,488</b>
Vacancy @	5.0%	31,545	32,195	32,857	33,534	34,224
<b>TOTAL NET RENTAL INCOME</b>		<b>599,362</b>	<b>611,699</b>	<b>624,292</b>	<b>637,145</b>	<b>650,264</b>
Advertising	3.0%	2,319	2,388	2,460	2,534	2,610
Legal	3.0%	5,796	5,970	6,149	6,334	6,524
Accounting	3.0%	8,115	8,358	8,609	8,867	9,133
Security	3.0%	4,637	4,776	4,919	5,067	5,219
Other Admin	3.0%	6,956	7,164	7,379	7,601	7,829
Management Fee	3.5%	35,631	36,878	38,168	39,504	40,887
Gas	3.0%	3,478	3,582	3,690	3,800	3,914
Electricity	3.0%	4,637	4,776	4,919	5,067	5,219
Water & Sewer	3.0%	13,911	14,329	14,758	15,201	15,657
On-Site Manager	3.0%	34,778	35,822	36,896	38,003	39,143
Maintenance Personnel	3.0%	23,185	23,881	24,597	25,335	26,095
Other Payroll	3.0%	11,593	11,941	12,299	12,668	13,048
Insurance	3.0%	11,593	11,941	12,299	12,668	13,048
Painting	3.0%	6,956	7,164	7,379	7,601	7,829
Repairs	3.0%	6,956	7,164	7,379	7,601	7,829
Trash Removal	3.0%	6,956	7,164	7,379	7,601	7,829
Exterminating	3.0%	2,319	2,388	2,460	2,534	2,610
Grounds	3.0%	10,433	10,746	11,069	11,401	11,743
Fire Monitoring/Elevator	3.0%	1,159	1,194	1,230	1,267	1,305
Other: NP Partner	3.0%	0	0	0	0	0
Other: City Monitoring Fee	3.0%	2,898	2,985	3,075	3,167	3,262
CFDs Annual Assessments	3.0%	47,530	48,956	50,425	51,938	53,496
Other:	3.0%	3,478	3,582	3,690	3,800	3,914
Service Amenities Budget	3.0%	11,593	11,941	12,299	12,668	13,048
Other:	2.0%	0	0	0	0	0
Real Estate Taxes	2.0%	28,706	29,280	29,866	30,463	31,072
Replacement Reserve	0.0%	30,240	30,240	30,240	30,240	30,240
<b>TOTAL EXPENSES</b>		<b>325,852</b>	<b>334,611</b>	<b>343,634</b>	<b>352,928</b>	<b>362,502</b>
<b>NET OPERATING RENTAL INCOME</b>		<b>273,511</b>	<b>277,088</b>	<b>280,657</b>	<b>284,217</b>	<b>287,762</b>
DEBT SERVICE - Residential		172,858	172,858	172,858	172,858	172,858
DEBT SERVICE - Commercial		40,414	40,414	40,414	40,414	40,414
Debt Coverage Ratio		<b>1.282</b>	<b>1.299</b>	<b>1.316</b>	<b>1.333</b>	<b>1.349</b>
<b>FORECASTED CASH AVAILABLE</b>		<b>60,239</b>	<b>63,816</b>	<b>67,386</b>	<b>70,945</b>	<b>74,491</b>
Partnership Management Fee	2.0%	5,520	5,631	5,743	5,858	5,975
Asset Management Fee	2.0%	22,082	22,523	22,974	23,433	23,902
<b>Cash Available for Distribution</b>		<b>32,637</b>	<b>35,662</b>	<b>38,669</b>	<b>41,653</b>	<b>44,613</b>
Deferred Developer Fee		312,520	32,637	35,662	38,669	41,653
	3.0%	6,070	5,182	4,177	3,053	1,806
	balance	208,397	177,917	143,426	104,826	62,019
<b>CASH FLOW FOR DISTRIBUTION</b>		-	-	-	-	-
Residual receipts to Affirmed	0.333%	-	-	-	-	-
to City	0.333%	-	-	-	-	-
to County	0.333%	-	-	-	-	-

**15-YEAR CASH FLOW PROJECTION**
**Eastgate**

	Inflation Factor	Year 11 2025	Year 12 2026	Year 13 2027	Year 14 2028	Year 15 2029
Rental Income	2.0%	615,328	627,634	640,187	652,990	666,050
Laundry Income	2.5%	6,452	6,613	6,778	6,948	7,121
Interest Income	2.5%	0	0	0	0	0
Commercial Income	2.5%	76,805	78,725	80,693	82,711	84,778
<b>TOTAL GROSS POTENTIAL REVENUE</b>		<b>698,584</b>	<b>712,972</b>	<b>727,658</b>	<b>742,649</b>	<b>757,950</b>
Vacancy @	5.0%	34,929	35,649	36,383	37,132	37,898
<b>TOTAL NET RENTAL INCOME</b>		<b>663,655</b>	<b>677,324</b>	<b>691,275</b>	<b>705,516</b>	<b>720,053</b>
Advertising	3.0%	2,688	2,768	2,852	2,937	3,025
Legal	3.0%	6,720	6,921	7,129	7,343	7,563
Accounting	3.0%	9,407	9,690	9,980	10,280	10,588
Security	3.0%	5,376	5,537	5,703	5,874	6,050
Other Admin	3.0%	8,063	8,305	8,555	8,811	9,076
Management Fee	3.5%	42,318	43,799	45,332	46,919	48,561
Gas	3.0%	4,032	4,153	4,277	4,406	4,538
Electricity	3.0%	5,376	5,537	5,703	5,874	6,050
Water & Sewer	3.0%	16,127	16,611	17,109	17,622	18,151
On-Site Manager	3.0%	40,317	41,527	42,773	44,056	45,378
Maintenance Personnel	3.0%	26,878	27,685	28,515	29,371	30,252
Other Payroll	3.0%	13,439	13,842	14,258	14,685	15,126
Insurance	3.0%	13,439	13,842	14,258	14,685	15,126
Painting	3.0%	8,063	8,305	8,555	8,811	9,076
Repairs	3.0%	8,063	8,305	8,555	8,811	9,076
Trash Removal	3.0%	8,063	8,305	8,555	8,811	9,076
Exterminating	3.0%	2,688	2,768	2,852	2,937	3,025
Grounds	3.0%	12,095	12,458	12,832	13,217	13,613
Fire Monitoring/Elevator	3.0%	1,344	1,384	1,426	1,469	1,513
Other: NP Partner	3.0%	0	0	0	0	0
Other: City Monitoring Fee	3.0%	3,360	3,461	3,564	3,671	3,781
CFDs Annual Assessments	3.0%	55,101	56,754	58,456	60,210	62,016
Other:	3.0%	4,032	4,153	4,277	4,406	4,538
Service Amenities Budget	3.0%	13,439	13,842	14,258	14,685	15,126
Other:	2.0%	0	0	0	0	0
Real Estate Taxes	2.0%	31,694	32,328	32,974	33,634	34,306
Replacement Reserve	0.0%	30,240	30,240	30,240	30,240	30,240
<b>TOTAL EXPENSES</b>		<b>372,363</b>	<b>382,521</b>	<b>392,986</b>	<b>403,765</b>	<b>414,869</b>
<b>NET OPERATING RENTAL INCOME</b>		<b>291,292</b>	<b>294,802</b>	<b>298,290</b>	<b>301,751</b>	<b>305,184</b>
DEBT SERVICE - Residential		172,858	172,858	172,858	172,858	172,858
DEBT SERVICE - Commercial		40,414	40,414	40,414	40,414	40,414
Debt Coverage Ratio		<b>1.366</b>	<b>1.382</b>	<b>1.399</b>	<b>1.415</b>	<b>1.431</b>
<b>FORECASTED CASH AVAILABLE</b>		<b>78,020</b>	<b>81,530</b>	<b>85,018</b>	<b>88,480</b>	<b>91,912</b>
Partnership Management Fee	2.0%	6,095	6,217	6,341	6,468	6,597
Asset Management Fee	2.0%	24,380	24,867	25,365	25,872	26,390
<b>Cash Available for Distribution</b>		<b>47,545</b>	<b>50,446</b>	<b>53,312</b>	<b>56,140</b>	<b>58,925</b>
Deferred Developer Fee	312,520	47,545	14,908	-	-	-
	3.0%	434	-	-	-	-
	balance	14,908	-	-	-	-
<b>CASH FLOW FOR DISTRIBUTION</b>		<b>-</b>	<b>35,538</b>	<b>53,312</b>	<b>56,140</b>	<b>58,925</b>
Residual receipts to Affirmed	0.333%	-	118	178	187	196
to City	0.333%	-	118	178	187	196
to County	0.333%	-	118	178	187	196

**Eastgate**  
 San Marcos, CA  
 42 Unit Mixed-Use  
 9% LIHTC

**SOURCES**

	Per Unit	% Total
Perm Debt - Residential	\$ 1,550,000	36,905 8.4%
Perm Debt - Commercial	\$ 750,000	17,857 4.1%
San Marcos Housing Funds	\$ 3,100,000	73,810 16.9%
San Marcos Land Contribution	\$ 3,200,000	76,190 17.4%
San Marcos Predevelopment Funds	\$ 600,000	14,286 3.3%
	\$ -	0.0%
	\$ -	0.0%
Deferred Developer Fee	\$ 150,000	3,571 0.8%
	\$ -	0.0%
Tax Credit Equity	\$ 9,009,000	214,500 49.1%
<b>TOTAL SOURCES</b>	<b>\$ 18,359,000</b>	<b>437,119 100.0%</b>

**USES**

	Per Unit	% Total
Property Acquisition Cost	\$ 3,200,000	76,190 17.4%
Total Relocation Expenses	\$ -	- 0.0%
Abatement/Demolition	\$ -	- 0.0%
Total Rehabilitation Costs	\$ -	- 0.0%
Total New Construction Costs	\$ 9,137,000	217,548 49.8%
Hard Cost subtotal	\$ 9,137,000	217,548 49.8%
Construction Contingency	\$ 457,000	10,881 2.5%
Architecture & Engineering	\$ 945,000	22,500 5.1%
Construction Interest & Fees	\$ 283,000	6,738 1.5%
Capitalized Reserves	\$ 105,000	2,500 0.6%
Taxes & Insurance	\$ 55,000	1,310 0.3%
General Liability Insurance	\$ -	- 0.0%
Escrow & Title	\$ 25,000	595 0.1%
Legal Fees	\$ 125,000	2,976 0.7%
Devel Impact Fees & Permits	\$ 1,890,000	45,000 10.3%
Tax Credit Fees	\$ 52,000	1,238 0.3%
Misc. Soft Costs	\$ 206,000	4,905 1.1%
<b>Soft Cost subtotal</b>	<b>\$ 3,686,000</b>	<b>87,762 20.1%</b>
Soft Cost Contingency	\$ 179,000	4,262 1.0%
Developer Fee	\$ 1,700,000	40,476 9.3%
<b>TOTAL USES</b>	<b>\$ 18,359,000</b>	<b>437,119 100.0%</b>

**FINANCING ASSUMPTIONS**

Permanent Loan Amount	\$2,300,000
Permanent Loan Interest Rate	6.00%
Permanent Loan Term (mo.)	360
Net Operating Income	\$198,591
Debt Service	\$53,960
Debt Coverage Ratio	1.200
Construction Loan Amount	\$7,746,281
Construction Loan Interest Rate	2.25%
Construction Loan Term (mo.)	24
Loan to Value	42.19%
Loan to Basis	56.96%

**INCOME**

Type	Qty.	Sub-total	% AMI	Rental Income	
				Net	Total
Studio	1		40%	\$ 546	\$ 546
Studio	1		45%	\$ 615	\$ 615
Studio	1		50%	\$ 684	\$ 684
Studio	0	3	60%	\$ 822	\$ -
1BR	1		30%	\$ 438	\$ 438
1BR	1		40%	\$ 586	\$ 586
1BR	2		45%	\$ 660	\$ 1,320
1BR	2		50%	\$ 734	\$ 1,468
1BR	2	8	60%	\$ 882	\$ 1,764
2BR	2		30%	\$ 518	\$ 1,036
2BR	2		40%	\$ 696	\$ 1,392
2BR	3		45%	\$ 784	\$ 2,352
2BR	5		50%	\$ 873	\$ 4,365
2BR	5		60%	\$ 1,051	\$ 5,255
2BR Mgr	1	18	MKT	\$ -	\$ -
3BR	2		30%	\$ 595	\$ 1,190
3BR	1		40%	\$ 801	\$ 801
3BR	2		45%	\$ 903	\$ 1,806
3BR	5		50%	\$ 1,006	\$ 5,030
3BR	3	13	60%	\$ 1,211	\$ 3,633
<b>TOTAL</b>	<b>42</b>	<b>42</b>			<b>\$ 34,281</b>

Annual Residential Income	\$ 411,372
PBV Income:	\$ -
Other Income	\$ 5,040
Commercial Income	\$ 60,000
<b>Total Gross Annual Income</b>	<b>\$ 476,412</b>
Vacancy @ 5.0%	\$ (23,821)
<b>TOTAL NET ANNUAL INCOME</b>	<b>\$ 452,591</b>

**EXPENSES**

	per unit
Administrative	\$ 571
Management	\$ 595
Utilities	\$ 452
Payroll	\$ 1,429
Insurance	\$ 238
Maintenance	\$ 714
Other:	\$ 1,036
<b>Subtotal</b>	<b>\$ 5,036</b>
Resident Services	\$ 238
Replacement Reserves	\$ 250
Real Estate Taxes	\$ 524
Other:	\$ -
<b>ANNUAL EXPENSES</b>	<b>\$ 6,048</b>
	\$ 254,000

**TAX CREDIT ASSUMPTIONS**

9% Tie Breaker Score	56.01%
Tax Credits Requested	\$883,235
Equity Pricing	\$1.03
LP Interest	99%
Tax Credit Factor	1.02
Applicable Rate - 9%	7.70%
Applicable Rate - 4%	NA

**TCAC TIE BREAKER SELF-SCORE**  
Eastgate

**Final Tie Breaker Formula:**

$$a. \frac{\text{Committed permanent public funds defraying residential costs}}{\text{Total residential project development costs}} + b. \left( \left( 1 - \frac{\text{Requested unadjusted eligible basis}}{\text{Total residential project development costs}} \right) / 3 \right)$$

**Self Scoring Calculation:**

a.				\$
	San Marcos Housing Funds			\$ 3,100,000
	San Marcos Land Contribution			\$ 3,200,000
	San Marcos Predevelopment Funds			\$ 600,000
				\$
	<b>Committed Permanent Public Funds</b>			<b>\$ 6,900,000</b>

$$+ 0.00\% \text{ PBV boost equal to } 25\% \times \frac{\text{no. of units with PBVs}}{\text{total affordable units}}$$

$$\frac{\text{Adj. Committed Permanent Public Funds}}{\text{Total Residential Development Costs}} = \frac{\$ 6,900,000}{\$ 17,459,000}$$

$$= 39.52\%$$

$$b. \frac{\text{Requested Unadjusted Eligible Basis}}{\text{Total Residential Development Costs}} = \frac{\$ 8,823,529}{\$ 17,459,000}$$

$$= 16.49\%$$

**56.01% TIE BREAKER SELF-SCORE**

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**PROPOSED BASIS LIMITS CALCULATIONS AND BOOSTS**

**Eastgate**

**Application Type:**

**9%**

**Basis Limits Used:**

**TCAC 2013**

<u>Unit Size</u>	<u>Unit Basis Limit</u>	<u>No. of Units</u>	<u>(Basis) X (No. of Units)</u>
SRO/STUDIO	\$172,560	3	\$517,680
1	\$198,960	8	\$1,591,680
2	\$240,000	19	\$4,560,000
3	\$307,200	12	\$3,686,400
4+	\$0	0	\$0
<b>TOTAL UNADJUSTED THRESHOLD BASIS LIMIT:</b>		<b>\$10,355,760</b>	
<b>Yes/No</b>			
(a) Plus (+) 20% basis adjustment for projects required to pay state or federal prevailing wages.	<input type="checkbox"/> No	\$0	
(b) Plus (+) 7% basis adjustment for new construction projects which are required to provide parking beneath residential units (but not "tuck under" parking).	<input type="checkbox"/> No	\$0	
(c) Plus (+) 2% basis adjustment for projects where a day care center is part of the development.	<input type="checkbox"/> No	\$0	
(d) Plus (+) 2% basis adjustment for projects where 100 percent of the units are for Special Needs populations.	<input type="checkbox"/> No	\$0	
(e) Plus (+) up to 10% basis adjustment for projects applying under Section 10325 or Section 10326 of these regulations that includes Item (e) Features.	<input type="checkbox"/> No	\$0	
(f) Plus (+) the lesser of the associated costs or up to a 15% basis adjustment for projects requiring seismic upgrading of existing structures, and/or projects requiring toxic or other environmental mitigation as certified by the project architect/ engineer +costs. If Yes, select type: <input type="checkbox"/> Seismic Upgrading	<input type="checkbox"/> No	\$0	
(g) Plus (+) local development impact fees required to be paid to local government entities. Certification from local entities assessing fees also required.	<input type="checkbox"/> Yes	Please Enter Amount:	\$1,830,000
(h) Plus (+) 10% basis adjustment for projects wherein at least 95% of the project's upper floor units are serviced by an elevator.	<input type="checkbox"/> No	\$0	
<b>4% Only</b>			
(i) Plus (+) 1% basis adjustment for each 1% of units income-targeted to 50% to 36% AMI Affordable Units: <input type="checkbox"/> 41 Total Affordable Units @ 50% to 36% of AMI: <input type="checkbox"/> 25	<input type="checkbox"/> 61%	\$0	
(j) Plus (+) 1% basis adjustment for each 1% of units income-targeted to 36% AMI or below Affordable Units: <input type="checkbox"/> 41 Total Affordable Units @ 36% of AMI or Below: <input type="checkbox"/> 5	<input type="checkbox"/> 12%	\$0	
<b>TOTAL ADJUSTED THRESHOLD BASIS LIMIT:</b>		<b>\$12,185,760</b>	
			\$14,394,506

**HIGH COST TEST**

Total Eligible Basis

Percentage of the Adjusted Threshold Basis Limit

**112%**

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**PROJECT FINANCING: INCOME INFORMATION**

**Eastgate**

<i>Construction Financing</i>				
<i>Name of Lender/Source</i>	<i>Term (months)</i>	<i>Interest Rate</i>	<i>Amount of Funds</i>	<i>Int. Reserve</i>
Lender	24	2.25%	7,746,281	191,000
Tax Credit Equity			4,954,950	
San Marcos Housing Funds			2,480,000	
San Marcos Land Contribution			3,200,000	
San Marcos Predevelopment Funds			600,000	
			-	
Deferred Developer Fee				
Construction Loan Buy-Down			(622,231)	
<i>Total Funds for Construction</i>			<b>18,359,000</b>	

<i>Permanent Financing</i>				
<i>Name of Lender/Source</i>	<i>Term (months)</i>	<i>Interest Rate</i>	<i>Amount of Funds</i>	<i>Debt Service</i>
Perm Debt - Residential	360	6.00%	1,550,000	111,516
Perm Debt - Commercial	360	6.00%	750,000	53,960
San Marcos Housing Funds	660	3.00%	3,100,000	
San Marcos Land Contribution	660	3.00%	3,200,000	
San Marcos Predevelopment Funds		3.00%	600,000	
			-	
			-	
Deferred Developer Fee	168	3.00%	150,000	
	0	0.00%	-	
<i>Total Permanent Financing</i>			<b>9,350,000</b>	
<i>Tax Credit Equity</i>			<b>9,009,000</b>	
<i>Total Sources of Project Funds</i>			<b>18,359,000</b>	

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Eastgate 9% 14-0430 \$3.7M City 55.50% TB Iq Property of Affirmed Housing Group

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## DEVELOPMENT BUDGET

## Eastgate

			PERMANENT SOURCES							
	TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	Perm Debt - Residential	Perm Debt - Commercial	San Marcos Housing Funds	Deferred Developer Fee	San Marcos Land Contribution	70% PVC for New Construction/ Rehabilitation	30% PVC for Acquisition
<b>LAND COST/ACQUISITION</b>										
Land Cost or Value	3,200,000	3,200,000	-	-	-	-	-	-	-	-
Land Carry Cost	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-
<b>Total Land Cost or Value</b>	<b>3,200,000</b>	<b>3,200,000</b>	-	-	-	-	-	-	-	-
Existing Improvements Value	-	-	-	-	-	-	-	-	-	-
Off-Site Improvements	-	-	-	-	-	-	-	-	-	-
<b>Total Acquisition Cost</b>	<b>-</b>	<b>-</b>	-	-	-	-	-	-	-	-
<b>Total Land Cost / Acquisition Cost</b>	<b>3,200,000</b>	<b>3,200,000</b>	-	-	-	-	-	-	-	-
<b>REHABILITATION</b>										
Abatement/Demolition	-	-	-	-	-	-	-	-	-	-
Structures	-	-	-	-	-	-	-	-	-	-
General Requirements	-	-	-	-	-	-	-	-	-	-
Contractor Overhead	-	-	-	-	-	-	-	-	-	-
Contractor Profit	-	-	-	-	-	-	-	-	-	-
Prevailing Wages	-	-	-	-	-	-	-	-	-	-
General Liability Insurance	-	-	-	-	-	-	-	-	-	-
Contractor Contingency	-	-	-	-	-	-	-	-	-	-
<b>Total Rehabilitation Costs</b>	<b>-</b>	<b>-</b>	-	-	-	-	-	-	-	-
<b>Total Relocation Expenses</b>	<b>-</b>	<b>-</b>	-	-	-	-	-	-	-	-
<b>NEW CONSTRUCTION</b>										
Site Work	1,800,000	1,800,000	-	-	-	-	-	-	1,800,000	-
Commercial	1,000,000	-	1,000,000	-	-	-	-	-	-	-
Structures	5,000,000	5,000,000	-	-	-	-	-	-	5,000,000	-
General Requirements	546,000	546,000	-	-	-	-	-	-	546,000	-
Contractor Overhead	-	-	-	-	-	-	-	-	-	-
Contractor Profit	390,000	390,000	-	-	-	-	-	-	390,000	-
Prevailing Wages	-	-	-	-	-	-	-	-	-	-
General Liability Insurance	201,000	201,000	-	-	-	-	-	-	201,000	-
Solar	200,000	200,000	-	-	-	-	-	-	200,000	-
Other: Site Security	-	-	-	-	-	-	-	-	-	-
<b>Total New Construction Costs</b>	<b>9,137,000</b>	<b>8,137,000</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,137,000</b>	<b>-</b>
<b>Total Construction Costs</b>	<b>9,137,000</b>									

## DEVELOPMENT BUDGET

## Eastgate

	TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	Perm Debt - Residential	Perm Debt - Commercial	San Marcos Housing Funds	Deferred Developer Fee	San Marcos Land Contribution	70% PVC for NC/Rehab or 30% PVC for Fed Subsidized NC/Rehab	30% PVC for Acquisition
<b>ARCHITECTURAL FEES</b>										
Design Supervision	630,000	630,000	-	-	-	-	-	-	630,000	-
Total Architectural Costs	-	-	-	-	-	-	-	-	-	-
Total Survey and Engineering	630,000	630,000	-	-	-	-	-	-	630,000	-
<b>CONST. INTEREST &amp; FEES</b>	315,000	315,000	-	-	-	-	-	-	315,000	-
Construction Loan Interest	191,000	191,000	-	-	-	-	-	-	114,600	-
Origination Fee	80,000	80,000	-	-	-	-	-	-	80,000	-
Credit Enhancement/Application Fee										
Bond Premium										
Taxes	5,000	5,000	-	-	-	-	-	-	5,000	-
Insurance	50,000	50,000	-	-	-	-	-	-	50,000	-
Title and Recording	25,000	25,000	-	-	-	-	-	-	25,000	-
Construction Services	12,000	12,000	-	-	-	-	-	-	12,000	-
General Liability Insurance	-	-							-	
<b>Total Const. Interest &amp; Fees</b>	363,000	363,000	-	-	-	-	-	-	286,600	-
<b>PERMANENT FINANCING</b>										
Loan Origination Fee	-	-	-	-	-	-	-	-	-	-
Credit Enhancement/Application Fee	-	-	-	-	-	-	-	-	-	-
Title and Recording	-	-	-	-	-	-	-	-	-	-
Taxes										
Insurance										
Cost of Issuance	100,000									
Other: (Specify)	-	-	-	-	-	-	-	-	-	-
<b>Total Perm. Financing Costs</b>	-	100,000	-	-	-	-	-	-	-	-
<b>LEGAL FEES</b>										
Lender Legal Pd. by Applicant	75,000	75,000	-	-	-	-	-	-	75,000	-
Other : Partnership	50,000	50,000	-	-	-	-	-	-	50,000	-
<b>Total Attorney Costs</b>	125,000	125,000	-	-	-	-	-	-	125,000	-
<b>RESERVES</b>										
Rent Reserves	-	-	-	-	-	-	-	-	-	-
Capitalized Rent Reserves	-	-	-	-	-	-	-	-	-	-
*3- Month Operating Reserve	105,000	105,000	-	-	-	-	-	-	-	-
Other: (Specify)										
<b>Total Reserve Costs</b>	105,000	105,000	-	-	-	-	-	-	-	-

## DEVELOPMENT BUDGET

## Eastgate

	TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	Perm Debt - Residential	Perm Debt - Commercial	San Marcos Housing Funds	Deferred Developer Fee	San Marcos Land Contribution	70% PVC for NC/Rehab or 30% PVC for Fed Subsidized NC/Rehab	30% PVC for Acquisition
Total Appraisal Costs	10,000	10,000	-	-	-	-	-	-	10,000	-
Total Contingency Cost	457,000	457,000	-	-	-	-	-	-	457,000	-
<b>OTHER PROJECT COSTS</b>										
TCAC App/Allocation/Monitoring	52,000	52,000	-	-	-	-	-	-	52,000	-
Environmental Audit	10,000	10,000	-	-	-	-	-	-	10,000	-
Local Dev. Impact Fees	1,830,000	1,830,000	-	-	-	-	-	-	1,830,000	-
Permit Processing Fees	60,000	60,000	-	-	-	-	-	-	60,000	-
Capital Fees	-	-	-	-	-	-	-	-	-	-
Marketing	25,000	25,000	-	-	-	-	-	-	25,000	-
FF&E, security, signage	126,000	126,000	-	-	-	-	-	-	126,000	-
Market Study	10,000	10,000	-	-	-	-	-	-	10,000	-
Accounting/Reimbursables	25,000	25,000	-	-	-	-	-	-	25,000	-
Soft Cost Contingency	179,000	179,000	-	-	-	-	-	-	179,000	-
Other: (Specify)	-	-	-	-	-	-	-	-	-	-
Other: (Specify)	-	-	-	-	-	-	-	-	-	-
Other: (Specify)	-	-	-	-	-	-	-	-	-	-
Other: (Specify)	-	-	-	-	-	-	-	-	-	-
Other: (Specify)	-	-	-	-	-	-	-	-	-	-
Total Other Costs	2,317,000	2,317,000	-	-	-	-	-	-	2,240,000	-
<b>SUBTOTAL PROJECT COST</b>	<b>16,659,000</b>	<b>15,759,000</b>	<b>1,000,000</b>						<b>12,200,600</b>	
	<b>Total Project Cost</b>	<b>Total Residential</b>	<b>Total Commercial</b>	<b>Subtotal Eligible Basis</b>						<b>12,200,600</b>
<b>DEVELOPER COSTS</b>										
Developer Overhead/Profit	1,700,000	1,700,000	-	-	-	-	-	-	1,400,000	-
Consultant/Processing Agent	-	-	-	-	-	-	-	-	-	-
Project Administration	-	-	-	-	-	-	-	-	-	-
Broker Fees Paid to a Related Party	-	-	-	-	-	-	-	-	-	-
Construction Oversight by Developer	-	-	-	-	-	-	-	-	-	-
Other: (Specify)	-	-	-	-	-	-	-	-	-	-
Total Developer Costs	1,700,000	1,700,000	-	-	-	-	-	-	1,400,000	-
<b>TOTAL PROJECT COSTS</b>	<b>18,359,000</b>	<b>17,459,000</b>	<b>1,000,000</b>						<b>13,600,600</b>	
	Bridge Loan Expense During Construction						<b>Total Eligible Basis</b>			
									<b>13,600,600</b>	

**ELIGIBLE AND QUALIFIED BASIS**

**Eastgate**

	<b>70% PVC for New Construction/ Rehabilitation</b>	<b>30% PVC for Acquisition</b>
<b>Total Eligible Basis:</b>	<b>\$ 13,600,600</b>	<b>\$ -</b>
<b>Ineligible Amounts</b>		
Subtract all Grant Proceeds Used to Finance Costs in Eligible Basis:	-	-
Subtract Non-Qualified Non-Recourse Financing:	-	-
Subtract Non-Qualifying Portion of Higher Quality Units:	-	-
Subtract Photovoltaic Credit (as applicable):	22,500	-
Subtract Historic Credit (residential portion only):	-	-
<b>Total Ineligible Amounts:</b>	<b>22,500</b>	<b>-</b>
<b>Total Eligible Amount Voluntarily Excluded:</b>	<b>4,754,571</b>	<b>-</b>
<b>Total Basis Reduction:</b>	<b>4,777,071</b>	<b>-</b>
<b>Total Requested Unadjusted Eligible Basis:</b>	<b>8,823,529</b>	<b>-</b>
*Qualified Census Tract (QCT) or Difficult to Develop Area (DDA) Adjustment:	130%	100%
<b>Total Adjusted Eligible Basis:</b>	<b>11,470,588</b>	<b>-</b>
Applicable Fraction:	100%	100%
<b>Qualified Basis</b>	<b>11,470,588</b>	<b>-</b>
<b>Total Qualified Basis</b>	<b>11,470,588</b>	<b>-</b>
<b>**Total Credit Reduction:</b>	<b>-</b>	<b>-</b>
<b>Total Adjusted Qualified Basis:</b>	<b>11,470,588</b>	<b>0%</b>

\*130% boost if your project is located in a DDA or QCT

\*\*to be calculated in "Points System"

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Eastgate 9% 14-0430 \$3.7M City 55.50% TB lProperty of Affirmed Housing Group

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**BASIS AND CREDITS: FEDERAL**

Eastgate

	New Construction /Rehabilitation	Acquisition
Adjusted Qualified Basis, After Credit Reduction:	11,470,588	-
*Applicable Percentage:	7.70%	3.20%
Subtotal Annual Federal Credit:	883,235	-
Total Combined Annual Federal Credit:	883,235	<--- \$2.5M Max

Determination of Minimum Federal Credit Necessary For Feasibility

Total Project Cost	18,359,000	
Permanent Financing	9,350,000	
Funding Gap	9,009,000	1.0303 Equity Pricing
Federal Tax Credit Factor **	1.0200	99% LP Interest
 Total Credits Necessary for Feasibility	 8,832,353	
Annual Federal Credit Necessary for Feasibility	\$ 883,235	
Maximum Annual Federal Credits	\$ 883,235	
Equity Raised From Federal Credit	\$ 9,009,000	
 Remaining Funding Gap	 \$ -	

**PROJECT INCOME INFORMATION**  
**Eastgate**

(a) # of Bedrooms	(b) # of Units	(c) Proposed Monthly Rent (Less Utilities)	(d) Total Monthly Rents (b x c)	(e) Monthly Utility Allow.	(f) Monthly Rent Plus Utilities (c + e)	(g) % of Area Median Income	PBVs Rents	PBV Add Mo. Rent Above TCAC	Total Add. Mo. Rents
<b><i>Low-Income Units</i></b>									
Studio	1	\$ 546	546	7	\$ 553	40%	\$ -	\$ -	
Studio	1	\$ 615	615	7	\$ 622	45%			
Studio	1	\$ 684	684	7	\$ 691	50%	\$ -	\$ -	
Studio	-	\$ 822	-	7	\$ 829	60%	\$ -	\$ -	
1BR	1	\$ 438	438	6	\$ 444	30%	\$ -	\$ -	\$ -
1BR	1	\$ 586	586	6	\$ 592	40%	\$ -	\$ -	\$ -
1BR	2	\$ 660	1,320	6	\$ 666	45%			
1BR	2	\$ 734	1,468	6	\$ 740	50%	\$ -	\$ -	
1BR	2	\$ 882	1,764	6	\$ 888	60%	\$ -	\$ -	
2BR	2	\$ 518	1,036	15	\$ 533	30%	\$ -	\$ -	
2BR	2	\$ 696	1,392	15	\$ 711	40%	\$ -	\$ -	
2BR	3	\$ 784	2,352	15	\$ 799	45%			
2BR	5	\$ 873	4,365	15	\$ 888	50%	\$ -	\$ -	
2BR	5	\$ 1,051	5,255	15	\$ 1,066	60%	\$ -	\$ -	
3BR	2	\$ 595	1,190	20	\$ 615	30%	\$ -	\$ -	
3BR	1	\$ 801	801	20	\$ 821	40%	\$ -	\$ -	
3BR	2	\$ 903	1,806	20	\$ 923	45%			
3BR	5	\$ 1,006	5,030	20	\$ 1,026	50%	\$ -	\$ -	
3BR	3	\$ 1,211	3,633	20	\$ 1,231	60%	\$ -	\$ -	
Total # Units	41	Total	\$ 34,281				Total Tranche B:	\$ -	

Aggregate Monthly Rents for All Units:	\$ 34,281
Aggregate Annual Rents for All Units:	\$ 411,372

Managers' Units	
1BR Mgr	-
2BR Mgr	1
3BR Mgr	-

Total Affordable Plus Manager Units:	42	Total # Units	1
--------------------------------------	----	---------------	---

Annual Income from Laundry Facilities      \$ 5,040      10.00 per unit per month

Annual Income from Vending Machines      -

Annual Interest Income      -

Annual Commercial Income      60,000

10,000 net SF @ \$ 0.50 per mo.

Total Other Income:      65,040

Total Annual Potential Gross Income:      \$ 476,412

PBV Income:

\$ -

Total Gross Annual Income      \$ 476,412

Utility Allowances					
	SRO/STUDIO	1 BR	2 BR	3 BR	4 BR
Space Heating:	-	-	-	-	-
Water Heating:	-	-	-	-	-
Cooking:	-	-	-	-	-
Lighting:	-	-	-	-	-
Electricity:	-	-	-	-	-
Water:*	-	-	-	-	-
AC	-	-	-	-	-
other					
Total:	7	6	15	20	-

CONFIDENTIAL

PHA or California Energy Commission Providing Utility Allowances: est. CUAC allowances

**ANNUAL RESIDENTIAL OPERATING EXPENSES**  
**Eastgate**

		Per Unit
<b>Administrative</b>	Advertising:	2,000
	Legal:	5,000
	Accounting/Audit:	7,000
	Security:	4,000
	Other: Miscellaneous Admin	6,000
	<b>Total Administrative:</b>	<b>24,000</b>
<b>Management</b>	<b>Total Management:</b>	<b>595</b>
<b>Utilities</b>	Fuel:	-
	Gas:	3,000
	Electricity:	4,000
	Water/Sewer:	12,000
	<b>Total Utilities:</b>	<b>19,000</b>
<b>Payroll / Payroll Taxes</b>	On-site Manager(s):	30,000
	Maintenance Personnel:	20,000
	Other: Payroll Burden	10,000
	<b>Total Payroll/Payroll Taxes:</b>	<b>60,000</b>
	<b>Total Insurance:</b>	<b>10,000</b>
<b>Maintenance</b>	<b>Total Maintenance:</b>	<b>714</b>
<b>Other Expenses</b>	Painting:	6,000
	Repairs:	6,000
	Trash Removal:	6,000
	Exterminating:	2,000
	Grounds:	9,000
	Other: Fire Monitoring, Misc	1,000
<b>Total Expenses</b>	Other: Elevator	-
	<b>Total Maintenance:</b>	<b>30,000</b>
	Other: NP Partner	-
	Other: City Monitoring Fee	2,500
	CFDs Annual Assessments	41,000
	Other:	-
<b>Total Expenses</b>	Other:	-
	<b>Total Other:</b>	<b>43,500</b>
		1,036

**Total Expenses**

<b>Total Annual Residential Operating Expenses:</b>	<b>211,500</b>	
<b>Total Number of Units in the Project:</b>	<b>42</b>	
<b>Total Annual Operating Expenses Per Unit:</b>	<b>5,036</b>	\$ 4,600 TCAC min
<b>Total 3-Month Operating Reserve:</b>	<b>105,000</b>	2013
<b>Total Annual Internet Expense (site amenity election):</b>	<b>-</b>	
<b>Total Annual Service Amenities Budget (from project expenses):</b>	<b>10,000</b>	238 per unit
<b>Total Annual Reserve for Replacement:</b>	<b>10,500</b>	250 per unit
<b>Annual Real Estate Taxes:</b>	<b>22,000</b>	no non-profit
<b>Other:</b>	<b>-</b>	
<b><i>TOTAL:</i></b>	<b><i>254,000</i></b>	\$6,048 per unit 504 per month

**Commercial Income**

Total Annual Commercial/Non Residential Revenue:	-
Total Annual Commercial/Non Residential Expenses:	-
Total Annual Commercial/Non Residential Debt Service:	-
<b>Total Annual Commercial/Non Residential Net Income:</b>	<b>-</b>

CONFIDENTIAL

Borrower: TBD  
 Project Name: Eastgate  
 Proforma Type:  
 Location: 42 Unit Mixed-Use  
 San Marcos, CA

Maximum RDA Loan Amount: \$3,100,000  
 RDA LTC 16.89%

PROJECTED CONSTRUCTION LOAN: \$ 7,746,281  
 Loan to Value 42.19%  
 Interest Rate Construction 2.25%  
 Loan to Basis 56.955%

CONSTRUCTION USES:	Total Budget	Loan Closing												50% Completion			75% Completion			Const. Compl	Final Pmt
		1 Mar-14	2 Apr-14	3 May-14	4 Jun-14	5 Jul-14	6 Aug-14	7 Sep-14	8 Oct-14	9 Nov-14	10 Dec-14	11 Jan-15	12 Feb-15	13 Mar-15	14 Apr-15	15 May-15					
Land Acquisition	3,200,000	3,200,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Environmental Studies & Remediation	10,000	10,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Direct Costs	9,137,000	0	0	228,425	456,850	456,850	913,700	913,700	1,370,550	1,370,550	685,275	685,275	456,850	456,850	456,850	456,850	456,850	456,850	456,850		
Constr. Contingency @ 5.0%	457,000	0	0	11,425	22,850	22,850	45,700	45,700	68,550	68,550	34,275	34,275	22,850	22,850	22,850	22,850	22,850	22,850	22,850		
Interest Reserve -- Bank	191,000	0	0	0	0	0	0	1,029	2,912	5,707	8,489	9,910	11,656	12,683	13,696	14,726	14,726	14,726	14,726		
Bank Loan Fee	80,000	80,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Appraisal	10,000	10,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Construction Services	12,000	3,600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600		
Legal Fees (Bank & Other)	125,000	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Arch. & Eng.	945,000	708,750	47,250	47,250	47,250	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450		
Taxes & Insurance	55,000	38,500	0	0	0	0	0	8,250	0	0	0	0	0	0	0	0	0	0	0		
General Liability Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Gov't Impact & Permit Fees	1,890,000	1,323,000	0	567,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Title & Recording	25,000	17,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Market Study/Marketing/FF&E/Misc.	161,000	10,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Security	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Developer Fee	1,700,000	510,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
TCAC Fees	52,000	52,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Accounting/Reimbursables	25,000	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Capitalized Reserves	105,000	0	0	0	0	0	0	0	2,500	0	0	0	0	0	0	0	0	0	0		
Soft Cost Cont. @ 5.0%	179,000	0	0	26,850	26,850	26,850	26,850	17,900	17,900	8,950	8,950	8,950	8,950	8,950	8,950	8,950	0	0	0		
<b>TOTAL BUDGET</b>	<b>18,359,000</b>																				
Total Monthly Uses	6,068,350	47,850	881,550	554,400	516,600	1,004,550	990,879	1,469,962	1,463,807	747,039	918,460	540,556	532,633	541,896	935,076						
Developer Fee Payment Percentages		30%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	10%	0%	0%	0%	10%			
<b>SOURCES:</b>																					
Perm Debt - Residential	1,550,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Perm Debt - Commercial	750,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
San Marcos Housing Funds	3,100,000	127,600	47,850	881,550	554,400	516,600	352,000	0	0	0	0	0	0	0	0	0	0	0	0		
San Marcos Land Contribution	3,200,000	3200000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	310,000		
San Marcos Predevelopment Funds	600,000	600000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Deferred Developer Fee	150,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Tax Credit Equity	9,008,000	2,252,250	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Equity Payment Percentages		25%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1,351,350		
<b>Total Monthly Sources</b>	<b>18,359,000</b>	<b>6,179,850</b>	<b>47,850</b>	<b>881,550</b>	<b>554,400</b>	<b>516,600</b>	<b>352,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,661,350</b>								
<b>LOAN BALANCE:</b>																					
Cumulative Monthly Constr. Loan Balance	(111,500)	(111,500)	(111,500)	(111,500)	(111,500)	(111,500)	541,050	1,531,926	3,001,891	4,465,697	5,212,737	6,131,196	6,671,752	7,204,385	7,746,281	7,020,007					

**Borrower:** TBD  
**Project Name:** Eastgate  
**Proforma Type:**  
**Location:** 42 Unit Mixed-Use  
 San Marcos, CA

**Maximum RDA Loan Amount** \$3,100,000  
**RDA LTC** 16.89%

**PROJECTED CONSTRUCTION LOAN:** \$ 7,746,281  
**Loan to Value** 42.19%  
**Interest Rate Construction** 2.25%  
**Loan to Basis** 56.95%

	100% Occupancy	90 day Stabilization			Conversion to Perm			Final Dev Fee Pmnt			<b>TOTAL</b>
		16 Jun-15	17 Jul-15	18 Aug-15	19 Sep-15	20 Oct-15	21 Nov-15	22 Dec-15	23 Jan-16		
<b>CONSTRUCTION USES:</b>											
Land Acquisition	3,200,000	0	0	0	0	0	0	0	0	3,200,000	100%
Environmental Studies & Remediation	10,000	0	0	0	0	0	0	0	0	10,000	100%
Direct Costs	9,137,000	0	0	0	0	0	0	0	0	9,137,000	100%
Constr. Contingency @ 5.0%	457,000	0	0	0	0	0	0	0	0	457,000	100%
Interest Reserve - Bank	191,000	13,345	13,428	13,454	13,479	13,454	11,285	473	474	160,198	84%
Bank Loan Fee	80,000	0	0	0	0	0	0	0	0	80,000	100%
Appraisal	10,000	0	0	0	0	0	0	0	0	10,000	100%
Construction Services	12,000	0	0	0	0	0	0	0	0	12,000	100%
Legal Fees (Bank & Other)	125,000	0	0	0	0	0	25,000	0	0	125,000	100%
Arch. & Eng.	945,000	0	0	0	0	0	0	0	0	945,000	100%
Taxes & Insurance	55,000	0	0	0	0	0	0	0	0	55,000	100%
General Liability Insurance	0	0	0	0	0	0	0	0	0	0	NA
Gov't Impact & Permit Fees	1,890,000	0	0	0	0	0	0	0	0	1,890,000	100%
Title & Recording	25,000	0	0	0	0	0	7,500	0	0	25,000	100%
Market Study/Marketing/FF&E/Misc.	161,000	30,200	0	0	0	0	0	0	0	161,000	100%
Security	0	0	0	0	0	0	0	0	0	0	NA
Developer Fee	1,700,000	0	0	0	170,000	0	510,000	0	170,000	1,700,000	100%
TCAC Fees	52,000	0	0	0	0	0	0	0	0	52,000	100%
Accounting/Reimbursables	25,000	0	0	0	0	0	17,500	0	0	25,000	100%
Capitalized Reserves	105,000	0	0	0	0	0	105,000	0	0	105,000	100%
Soft Cost Cont. @ 5.0%	179,000	0	0	0	0	0	0	0	0	179,000	100%
<b>TOTAL BUDGET</b>	<b>18,359,000</b>										
Total Monthly Uses		43,545	13,428	13,454	183,479	13,454	676,285	473	170,474	18,328,198	30,802
Developer Fee Payment Percentages		0%	0%	0%	10%	0%	30%	0%	10%	100%	
<b>SOURCES:</b>											
Perm Debt - Residential	1,550,000	0	0	0	0	0	1,550,000	0	0	1,550,000	100%
Perm Debt - Commercial	750,000	0	0	0	0	0	750,000	0	0	750,000	100%
San Marcos Housing Funds	3,100,000	0	0	0	0	0	310,000	0	0	3,100,000	100%
San Marcos Land Contribution	3,200,000	0	0	0	0	0	-	0	0	3,200,000	100%
San Marcos Predevelopment Funds	600,000	0	0	0	0	0	0	0	0	0	NA
		0	0	0	0	0	0	0	0	0	-
Deferred Developer Fee	150,000	0	0	0	0	0	150,000	0	0	150,000	100%
		0	0	0	0	0	0	0	0	0	-
Tax Credit Equity	9,009,000	0	0	0	1,351,350	0	3,603,600	0	450,450	9,009,000	100%
Equity Payment Percentages		0%	0%	0%	15%	0%	40%	0%	5%	100%	
<b>Total Monthly Sources</b>	<b>18,359,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,351,350</b>	<b>0</b>	<b>6,363,600</b>	<b>0</b>	<b>450,450</b>	<b>17,759,001</b>	<b>0</b>
<b>LOAN BALANCE:</b>											
Cumulative Monthly Constr. Loan Balance	7,063,552	7,076,980	7,090,434	5,922,563	5,936,017	248,701	249,174	(30,802)			

### 15-YEAR CASH FLOW PROJECTION

Eastgate

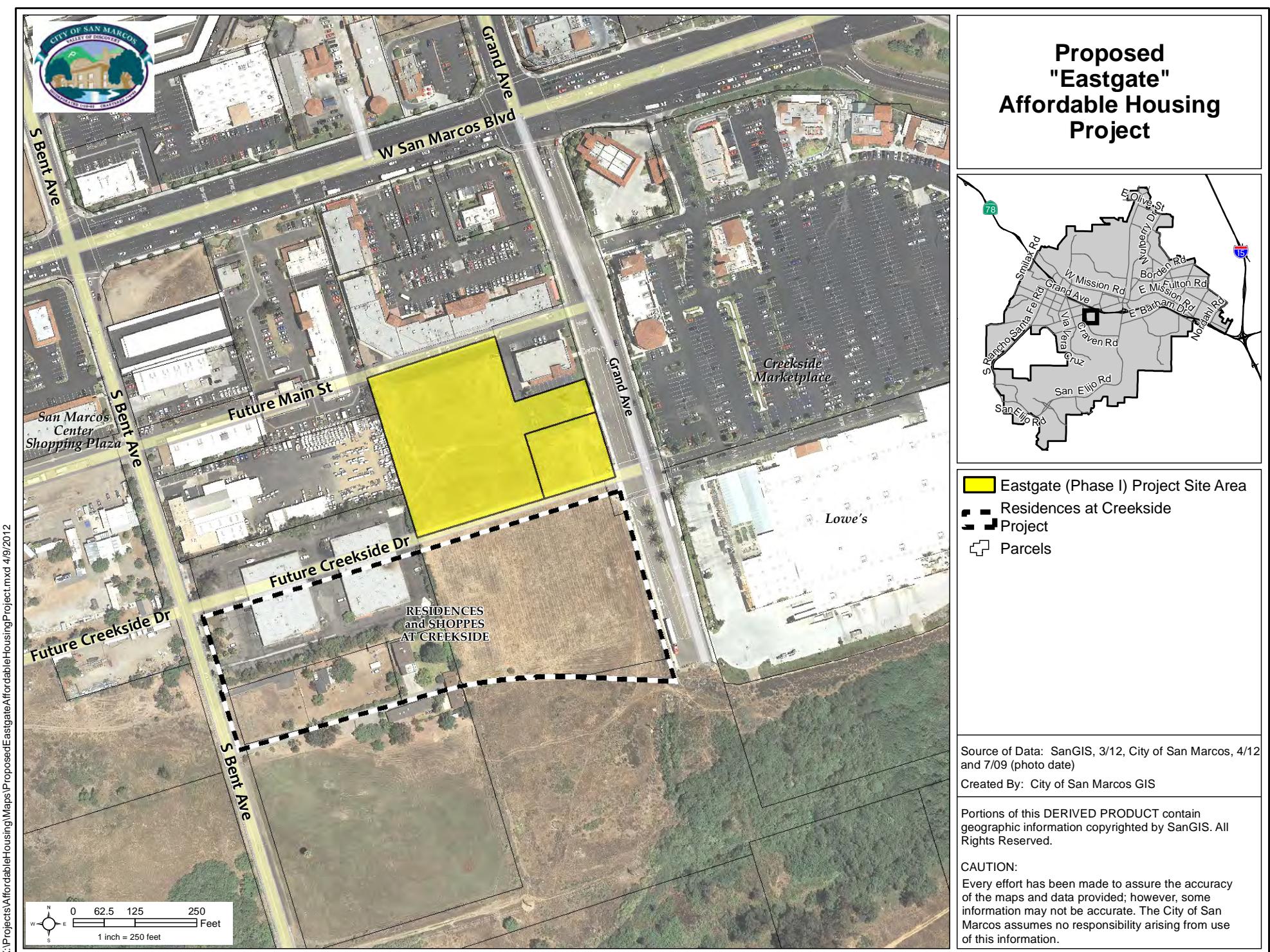
	Inflation Factor	Year 1 <u>2015</u>	Year 2 <u>2016</u>	Year 3 <u>2017</u>	Year 4 <u>2018</u>	Year 5 <u>2019</u>
Rental Income	2.0%	411,372	419,599	427,991	436,551	445,282
Laundry Income	2.5%	5,040	5,166	5,295	5,428	5,563
Interest Income	2.5%	0	0	0	0	0
Commercial Income	2.5%	60,000	61,500	63,038	64,613	66,229
<b>TOTAL GROSS POTENTIAL REVENUE</b>		<b>476,412</b>	<b>486,265</b>	<b>496,324</b>	<b>506,592</b>	<b>517,074</b>
Vacancy @	5.0%	23,821	24,313	24,816	25,330	25,854
<b>TOTAL NET RENTAL INCOME</b>		<b>452,591</b>	<b>461,952</b>	<b>471,508</b>	<b>481,263</b>	<b>491,221</b>
Advertising	3.0%	2,000	2,060	2,122	2,185	2,251
Legal	3.0%	5,000	5,150	5,305	5,464	5,628
Accounting	3.0%	7,000	7,210	7,426	7,649	7,879
Security	3.0%	4,000	4,120	4,244	4,371	4,502
Other Admin	3.0%	6,000	6,180	6,365	6,556	6,753
Management Fee	3.5%	25,000	25,875	26,781	27,718	28,688
Gas	3.0%	3,000	3,090	3,183	3,278	3,377
Electricity	3.0%	4,000	4,120	4,244	4,371	4,502
Water & Sewer	3.0%	12,000	12,360	12,731	13,113	13,506
On-Site Manager	3.0%	30,000	30,900	31,827	32,782	33,765
Maintenance Personnel	3.0%	20,000	20,600	21,218	21,855	22,510
Other Payroll	3.0%	10,000	10,300	10,609	10,927	11,255
Insurance	3.0%	10,000	10,300	10,609	10,927	11,255
Painting	3.0%	6,000	6,180	6,365	6,556	6,753
Repairs	3.0%	6,000	6,180	6,365	6,556	6,753
Trash Removal	3.0%	6,000	6,180	6,365	6,556	6,753
Exterminating	3.0%	2,000	2,060	2,122	2,185	2,251
Grounds	3.0%	9,000	9,270	9,548	9,835	10,130
Fire Monitoring/Elevator	3.0%	1,000	1,030	1,061	1,093	1,126
Other: NP Partner	3.0%	0	0	0	0	0
Other: City Monitoring Fee	3.0%	2,500	2,575	2,652	2,732	2,814
CFDs Annual Assessments	3.0%	41,000	42,230	43,497	44,802	46,146
Other:	3.0%	0	0	0	0	0
Service Amenities Budget	3.0%	10,000	10,300	10,609	10,927	11,255
Other:	2.0%	0	0	0	0	0
Real Estate Taxes	2.0%	22,000	22,440	22,889	23,347	23,814
Replacement Reserve	0.0%	10,500	10,500	10,500	10,500	10,500
<b>TOTAL EXPENSES</b>		<b>254,000</b>	<b>261,210</b>	<b>268,636</b>	<b>276,285</b>	<b>284,164</b>
<b>NET OPERATING RENTAL INCOME</b>		<b>198,591</b>	<b>200,742</b>	<b>202,872</b>	<b>204,977</b>	<b>207,056</b>
DEBT SERVICE - Residential		111,516	111,516	111,516	111,516	111,516
DEBT SERVICE - Commercial		53,960	53,960	53,960	53,960	53,960
Debt Coverage Ratio		1.200	1.213	1.226	1.239	1.251
<b>FORECASTED CASH AVAILABLE</b>		<b>33,115</b>	<b>35,266</b>	<b>37,396</b>	<b>39,501</b>	<b>41,581</b>
Partnership Management Fee	2.0%	5,000	5,100	5,202	5,306	5,412
Asset Management Fee	2.0%	20,000	20,400	20,808	21,224	21,649
<b>Cash Available for Distribution</b>		<b>8,115</b>	<b>9,766</b>	<b>11,386</b>	<b>12,971</b>	<b>14,520</b>
Deferred Developer Fee	150,000	8,115	9,766	11,386	12,971	14,520
	3.0%	4,257	4,091	3,872	3,599	3,272
	balance	146,141	140,466	132,953	123,581	112,333
<b>CASH FLOW FOR DISTRIBUTION</b>		-	-	-	-	-
Residual receipts to Affirmed	0.333%	-	-	-	-	-
to City	0.333%	-	-	-	-	-
to County	0.333%	-	-	-	-	-

**15-YEAR CASH FLOW PROJECTION**
**Eastgate**

	Inflation Factor	Year 6 <u>2020</u>	Year 7 <u>2021</u>	Year 8 <u>2022</u>	Year 9 <u>2023</u>	Year 10 <u>2024</u>
Rental Income	2.0%	454,188	463,272	472,537	481,988	491,628
Laundry income	2.5%	5,702	5,845	5,991	6,141	6,294
Interest Income	2.5%	0	0	0	0	0
Commercial Income	2.5%	67,884	69,582	71,321	73,104	74,932
<b>TOTAL GROSS POTENTIAL REVENUE</b>		<b>527,775</b>	<b>538,698</b>	<b>549,849</b>	<b>561,233</b>	<b>572,854</b>
Vacancy @	5.0%	26,389	26,935	27,492	28,062	28,643
<b>TOTAL NET RENTAL INCOME</b>		<b>501,386</b>	<b>511,763</b>	<b>522,357</b>	<b>533,171</b>	<b>544,211</b>
Advertising	3.0%	2,319	2,388	2,460	2,534	2,610
Legal	3.0%	5,796	5,970	6,149	6,334	6,524
Accounting	3.0%	8,115	8,358	8,609	8,867	9,133
Security	3.0%	4,637	4,776	4,919	5,067	5,219
Other Admin	3.0%	6,956	7,164	7,379	7,601	7,829
Management Fee	3.5%	29,692	30,731	31,807	32,920	34,072
Gas	3.0%	3,478	3,582	3,690	3,800	3,914
Electricity	3.0%	4,637	4,776	4,919	5,067	5,219
Water & Sewer	3.0%	13,911	14,329	14,758	15,201	15,657
On-Site Manager	3.0%	34,778	35,822	36,896	38,003	39,143
Maintenance Personnel	3.0%	23,185	23,881	24,597	25,335	26,095
Other Payroll	3.0%	11,593	11,941	12,299	12,668	13,048
Insurance	3.0%	11,593	11,941	12,299	12,668	13,048
Painting	3.0%	6,956	7,164	7,379	7,601	7,829
Repairs	3.0%	6,956	7,164	7,379	7,601	7,829
Trash Removal	3.0%	6,956	7,164	7,379	7,601	7,829
Exterminating	3.0%	2,319	2,388	2,460	2,534	2,610
Grounds	3.0%	10,433	10,746	11,069	11,401	11,743
Fire Monitoring/Elevator	3.0%	1,159	1,194	1,230	1,267	1,305
Other: NP Partner	3.0%	0	0	0	0	0
Other: City Monitoring Fee	3.0%	2,898	2,985	3,075	3,167	3,262
CFDs Annual Assessments	3.0%	47,530	48,956	50,425	51,938	53,496
Other:	3.0%	0	0	0	0	0
Service Amenities Budget	3.0%	11,593	11,941	12,299	12,668	13,048
Other:	2.0%	0	0	0	0	0
Real Estate Taxes	2.0%	24,290	24,776	25,271	25,777	26,292
Replacement Reserve	0.0%	10,500	10,500	10,500	10,500	10,500
<b>TOTAL EXPENSES</b>		<b>292,279</b>	<b>300,638</b>	<b>309,248</b>	<b>318,117</b>	<b>327,252</b>
<b>NET OPERATING RENTAL INCOME</b>		<b>209,107</b>	<b>211,125</b>	<b>213,108</b>	<b>215,054</b>	<b>216,959</b>
DEBT SERVICE - Residential		111,516	111,516	111,516	111,516	111,516
DEBT SERVICE - Commercial		53,960	53,960	53,960	53,960	53,960
Debt Coverage Ratio		1.264	1.276	1.288	1.300	1.311
<b>FORECASTED CASH AVAILABLE</b>		<b>43,631</b>	<b>45,649</b>	<b>47,633</b>	<b>49,578</b>	<b>51,483</b>
Partnership Management Fee	2.0%	5,520	5,631	5,743	5,858	5,975
Asset Management Fee	2.0%	22,082	22,523	22,974	23,433	23,902
<b>Cash Available for Distribution</b>		<b>16,029</b>	<b>17,495</b>	<b>18,915</b>	<b>20,287</b>	<b>21,605</b>
Deferred Developer Fee	150,000	16,029	17,495	18,915	20,287	21,605
	3.0%	2,889	2,451	1,957	1,407	801
	balance	99,194	84,150	67,191	48,312	27,508
<b>CASH FLOW FOR DISTRIBUTION</b>		-	-	-	-	-
Residual receipts to Affirmed to City	0.333%	-	-	-	-	-
to County	0.333%	-	-	-	-	-
	0.333%	-	-	-	-	-

**15-YEAR CASH FLOW PROJECTION**
**Eastgate**

	Inflation Factor	Year 11 2025	Year 12 2026	Year 13 2027	Year 14 2028	Year 15 2029
Rental Income	2.0%	501,460	511,489	521,719	532,154	542,797
Laundry income	2.5%	6,452	6,613	6,778	6,948	7,121
Interest Income	2.5%	0	0	0	0	0
Commercial Income	2.5%	76,805	78,725	80,693	82,711	84,778
<b>TOTAL GROSS POTENTIAL REVENUE</b>		<b>584,717</b>	<b>596,827</b>	<b>609,191</b>	<b>621,812</b>	<b>634,696</b>
Vacancy @	5.0%	29,236	29,841	30,460	31,091	31,735
<b>TOTAL NET RENTAL INCOME</b>		<b>555,481</b>	<b>566,986</b>	<b>578,731</b>	<b>590,721</b>	<b>602,962</b>
Advertising	3.0%	2,688	2,768	2,852	2,937	3,025
Legal	3.0%	6,720	6,921	7,129	7,343	7,563
Accounting	3.0%	9,407	9,690	9,980	10,280	10,588
Security	3.0%	5,376	5,537	5,703	5,874	6,050
Other Admin	3.0%	8,063	8,305	8,555	8,811	9,076
Management Fee	3.5%	35,265	36,499	37,777	39,099	40,467
Gas	3.0%	4,032	4,153	4,277	4,406	4,538
Electricity	3.0%	5,376	5,537	5,703	5,874	6,050
Water & Sewer	3.0%	16,127	16,611	17,109	17,622	18,151
On-Site Manager	3.0%	40,317	41,527	42,773	44,056	45,378
Maintenance Personnel	3.0%	26,878	27,685	28,515	29,371	30,252
Other Payroll	3.0%	13,439	13,842	14,258	14,685	15,126
Insurance	3.0%	13,439	13,842	14,258	14,685	15,126
Painting	3.0%	8,063	8,305	8,555	8,811	9,076
Repairs	3.0%	8,063	8,305	8,555	8,811	9,076
Trash Removal	3.0%	8,063	8,305	8,555	8,811	9,076
Exterminating	3.0%	2,688	2,768	2,852	2,937	3,025
Grounds	3.0%	12,095	12,458	12,832	13,217	13,613
Fire Monitoring/Elevator	3.0%	1,344	1,384	1,426	1,469	1,513
Other: NP Partner	3.0%	0	0	0	0	0
Other: City Monitoring Fee	3.0%	3,360	3,461	3,564	3,671	3,781
CFDs Annual Assessments	3.0%	55,101	56,754	58,456	60,210	62,016
Other:	3.0%	0	0	0	0	0
Service Amenities Budget	3.0%	13,439	13,842	14,258	14,685	15,126
Other:	2.0%	0	0	0	0	0
Real Estate Taxes	2.0%	26,818	27,354	27,901	28,459	29,029
Replacement Reserve	0.0%	10,500	10,500	10,500	10,500	10,500
<b>TOTAL EXPENSES</b>		<b>336,662</b>	<b>346,355</b>	<b>356,340</b>	<b>366,625</b>	<b>377,220</b>
<b>NET OPERATING RENTAL INCOME</b>		<b>218,819</b>	<b>220,631</b>	<b>222,391</b>	<b>224,096</b>	<b>225,742</b>
DEBT SERVICE - Residential		111,516	111,516	111,516	111,516	111,516
DEBT SERVICE - Commercial		53,960	53,960	53,960	53,960	53,960
Debt Coverage Ratio		<b>1.322</b>	<b>1.333</b>	<b>1.344</b>	<b>1.354</b>	<b>1.364</b>
<b>FORECASTED CASH AVAILABLE</b>		<b>53,343</b>	<b>55,155</b>	<b>56,915</b>	<b>58,620</b>	<b>60,266</b>
Partnership Management Fee	2.0%	6,095	6,217	6,341	6,468	6,597
Asset Management Fee	2.0%	24,380	24,867	25,365	25,872	26,390
<b>Cash Available for Distribution</b>		<b>22,868</b>	<b>24,070</b>	<b>25,209</b>	<b>26,280</b>	<b>27,279</b>
Deferred Developer Fee	150,000	22,868	4,779	-	-	-
	3.0%	139	-	-	-	-
	balance	4,779	-	-	-	-
<b>CASH FLOW FOR DISTRIBUTION</b>		-	19,291	25,209	26,280	27,279
Residual receipts to Affirmed	0.333%	-	64	84	88	91
to City	0.333%	-	64	84	88	91
to County	0.333%	-	64	84	88	91



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[warren.diven@bbklaw.com](mailto:warren.diven@bbklaw.com)

September 19, 2013

Laura Rocha  
City of San Marcos Successor Agency  
San Marcos City Hall  
1 Civic Center Drive  
San Marcos, CA 92069

Re: City of San Marcos as Successor Agency to the San Marcos  
Redevelopment Agency -  
Enforceable Obligation Listed on ROPS 13.14B  
Use of Bond Proceeds

Dear Ms. Rocha:

This letter is written in our capacity as bond counsel for the \$52,805,000 San Marcos Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2010 (Taxable) (the "Bonds") at the request of the City of San Marcos, as Successor Agency to the San Marcos Redevelopment Agency ("Agency"). The Successor Agency has requested that we review certain designated uses of the proceeds of the Series 2010 Bonds, determine if such uses are consistent with the covenants of the Agency related to the use of such proceeds and report the results of our review to you.

The uses of the proceeds of the Bonds (the "Specified Uses") that we were asked to review and have reviewed were described to us as follow:

- Promenade at Creekside (property acquisition, and construction loan and related consultant and expert costs, incurred and/or obligated prior to the dissolution date).

The Bonds were issued by the Agency pursuant to a Trust Indenture, dated as of December 1, 2010 (the "Trust Indenture"), by and between the Agency and Union Bank, N.A., as trustee. Section 6.11 of the Trust Indenture, entitled "Use of Proceeds" provides that:



Laura Rocha  
September 19, 2013  
Page 2

“The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in this Indenture and the Law.”<sup>1</sup>

Section 3.06 of the Trust Indenture provides for the establishment of the San Marcos Redevelopment Agency 2010 Housing Projects Fund (“Housing Projects Fund”). Proceeds of the 2010 Bonds in the amount of \$45,291,893.00 were deposited in the 2010 Housing Projects Fund pursuant to Section 3.01 of the Trust Indenture. Section 3.06 of the Trust Indenture provides in pertinent part that:

“The moneys deposited in the Housing Projects Fund shall remain therein until requisitioned from time to time by one or more Written Requests of the Agency to the Trustee, which requisitions shall state the amount being requisitioned and that it will be used by the Agency in accordance with the provisions of this Section 3.06. All moneys so requisitioned by the Agency shall be expended from time to time for the purpose of paying any portion of the costs of low and moderate income housing projects within or of benefit to the Redevelopment Projects<sup>2</sup> and permitted by Section 33334.2 and following of the Law, and other costs related thereto.” (Underlining added.)

Based upon our review of the Specified Uses, the pertinent provisions of the Trust Indenture and the applicable provisions of the Law, it is our conclusion that the Specified Uses of the proceeds of the Bonds is consistent and in compliance with the covenant of the Agency pertaining to the use of the Bond proceeds contained in Section 6.11 of the Trust Indenture.

<sup>1</sup> “Law” is defined in Section 1.01 of the Trust Indenture to mean “the Community Redevelopment Law of the State of California, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California, and the acts amendatory thereof and supplemental thereto.”

<sup>2</sup> “Redevelopment Projects” is defined in Section 1.01 of the Trust Indenture to mean the undertaking of the Agency pursuant to the Redevelopment Plans, as amended, and the Law for the redevelopment of the Redevelopment Project Areas.

“Redevelopment Project Areas” is defined in Section 1.01 to mean the Redevelopment Project Areas described in the Redevelopment Plans.

“Redevelopment Plans” is defined in Section 1.01 to mean, individually, (a) the Redevelopment Plan for the San Marcos Redevelopment Project Area No. 1 approved and adopted by the City by Ordinance No. 83-604 on July 12, 1983, together with any amendments thereto duly enacted pursuant to the Law; (b) Redevelopment Plan for the San Marcos Redevelopment Project Area No. 2 approved and adopted by the City by Ordinance No. 85-662 on July 19, 1985, together with any amendments thereto duly enacted pursuant to the Law; or (c) Redevelopment Plan for the San Marcos Redevelopment Project Area No. 3 approved and adopted by the City by Ordinance No. 89-820 on July 11, 1989, together with any amendments thereto duly enacted pursuant to the Law. “Redevelopment Plans” or “Plans” is defined in Section 1.01 to mean, collectively, each of the foregoing Redevelopment Plans.



Laura Rocha  
September 19, 2013  
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Please feel free to call should you have any questions regarding this letter.

Respectfully submitted,

A handwritten signature in black ink that reads "Warren B. Diven".

Warren B. Diven  
Partner  
of BEST BEST & KRIEGER LLP



September 18, 2013

Ms. Laura Rocha  
Finance Director  
City of San Marcos  
1 Civic Center Drive  
San Marcos, CA 92069

Re: San Marcos Redevelopment Agency Housing Set-Aside  
Tax Allocation Bonds, Series 2010 (Taxable)  
Housing Projects Fund

Dear Laura:

Union Bank, N.A., as Trustee for the above noted bonds, certifies that as of June 30, 2013 the Housing Projects Fund, which we hold, has a balance of \$9,127,854.94.

If you have any questions please don't hesitate to call me at (213) 972-5675.

Sincerely,

A handwritten signature in black ink that reads "Lorraine McIntire".

Lorraine McIntire  
Vice President