REPORT OF THE PRESIDENT AND CEO

January 23, 2020

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO ENTER INTO DISPOSITION AND DEVELOPMENT AGREEMENTS AND SUBSEQUENTLY TO ENTER INTO GROUND LEASES AND ALL RELATED DOCUMENTS, AGREEMENTS AND CERTIFICATIONS WITH ROSE HILL COURTS I HOUSING PARTNERS, L.P. AND ROSE HILL COURTS II HOUSING PARTNERS, L.P. IN CONNECTION WITH THE DEVELOPMENT OF ROSE HILL COURTS PHASE I, AN 89 UNIT AFFORDABLE HOUSING RESIDENTIAL DEVELOPMENT AND THE DEVELOPMENT OF ROSE HILL COURTS PHASE II, A 96 UNIT AFFORDABLE HOUSING RESIDENTIAL DEVELOPMENT RESPECTIVELY; AUTHORIZING THE BIFURCATION AND ASSIGNMENT OF THE EXISTING PREDEVELOPMENT LOAN AGREEMENT WITH THE RELATED COMPANIES OF CALIFORNIA, LLC TO ROSE HILL COURTS I HOUSING PARTNERS, L.P. AND ROSE HILL COURTS II HOUSING PARTNERS, L.P.; AUTHORIZING UP TO $5,500,000 FOR PHASE I AND UP TO $2,500,000 FOR PHASE II IN GAP FUNDING OF WHICH UP TO $1,410,000 FOR PHASE I AND UP TO $1,382,484 FOR PHASE II WILL BE PROVIDED AS PREDEVELOPMENT FUNDING TO FUND ADDITIONAL DESIGN, TECHNICAL WORK NECESSARY TO FINANCE AND DEVELOP THE PROPOSED PHASE I AND PHASE II PROJECTS; AUTHORIZING EXECUTION OF A CONSULTING AGREEMENT WITH THE RELATED COMPANIES OF CALIFORNIA, LLC TO REIMBURSE UP TO $500,000 IN MASTER PLANNING AND PREDEVELOPMENT SERVICES; AND UNDERTAKING VARIOUS ACTIONS IN CONNECTION THEREWITH

Douglas Guthrie
President and CEO

Jenny Spanlin
Chief Development Officer

PURPOSE:
To authorize the President and CEO to enter into a Disposition and Development Agreement ("DDA"), a long term Ground Lease and Predevelopment Loan documents with both Rose Hill Courts I Housing Partners, L.P. and Rose Hill Courts II Housing Partners, L.P. (the "Developers" or "Owners") for the development of an 89 unit affordable housing residential development in Phase I of the Rose Hill Courts redevelopment and a 96 unit affordable housing residential development in Phase II of the Rose Hill Courts redevelopment (the "Projects") respectively.

To authorize up to $5,500,000 for Phase I and up to $2,500,000 for Phase II in gap funding of which $1,410,000 for Phase I and $1,382,484 for Phase II will be allocated for predevelopment funding for additional design and technical work necessary to finance and develop the proposed Projects.

To enter into a Consulting Services Agreement with The Related Companies of California, LLC ("Related") to reimburse up to $500,000 in master planning and predevelopment services.

Regarding:
On November 20, 2014, by Resolution 9171, the BOC authorized the President and CEO to award an Exclusive Right to Negotiate an MOU between the Housing Authority of the City of Los Angeles ("the Authority" or "HACLA") and Related for a period of ninety (90) days in accordance with the RFQ for the Rose Hill Courts project to define the terms and conditions under which Related would perform the
scope of work.

On March 26, 2015, by Resolution 9203, the BOC authorized the President and CEO to enter into a Memorandum of Understanding ("MOU") between the Authority and Related, for undertaking planning studies and analyzing the rehabilitation or new construction redevelopment of the Site and creation of a Revitalization Plan for the Site. During the term of this MOU, the Authority provided $180,000 in funding for preliminary studies and design concepts necessary to develop an informed recommendation on how to best address the needs of the physical site, current residents and surrounding community.

On October 29, 2015, by Resolution 9237, the BOC authorized the President and CEO to proceed with Substantial Rehabilitation as the recommended option for the revitalization of Rose Hill Courts and authorized the President and CEO to enter into an Exclusive Right to Negotiate a DDA ("Original DDA ERN") between the Authority and Related with terms approved by legal counsel.

On February 25, 2016, by Resolution 9265, the Board of Commissioners authorized the Authority and Related to enter into the First Amended and Restated Exclusive Right to Negotiate a DDA authorizing the expenditure of Housing Authority funds in an amount not to exceed $450,000 to support the planning and pre-development work for the rehabilitation of the Site and to undertake any environmental analysis necessary under the California Environmental Quality Act ("CEQA") for the purpose of considering the execution of a Disposition and Development Agreement ("DDA").

On September 28, 2017, by Resolution 9382, the Board of Commissioners authorized the President and CEO to enter into a Second Amended and Restated Exclusive Right to Negotiate a Disposition & Development Agreement ("DDA ERN") between HACLA and Related for the Project to extend and restate the term of the agreement and to expand redevelopment options to include New Construction in addition to Substantial Rehabilitation. The resolution also authorized the President and CEO to enter into a Predevelopment Loan Agreement with Related for up to $1,638,773 to fund predevelopment expenses necessary to design, evaluate and entitle the Project. The DDA ERN also memorialized terms to govern the predevelopment work at the Site, address expectations, roles and responsibilities concerning this work and to authorize the Developer to continue with pre-development work at the Site until a DDA is executed by both Parties ("ERN Period").

On November 26, 2019, by Resolution 9543, the Board of Commissioners certified the Environmental Impact Report ("EIR") prepared in full compliance with California Environmental Quality Act ("CEQA") and the State CEQA Guidelines for the teardown of the existing 100-unit Rose Hill Courts public housing site and its redevelopment into 185 units with supporting amenities. Further, the BOC adopted CEQA Findings of Fact, a Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program ("MMRP") and approved the Project. The BOC also authorized additional predevelopment funding authority of up to $375,000 under the current Predevelopment Loan Agreement with Related to continue to fund design and engineering expenditures necessary to make Plan check submissions to the City of Los Angeles by December 2019 for Phase I of the Project, and other City Fees necessary for the entitlements in order to keep
this Project on schedule.

On November 26, 2019, by Resolution 9544, the Board of Commissioners approved the Relocation Plan for the Projects that was prepared in accordance with the requirements of the Uniform Relocation and Real Property Acquisition Policies Act of 1970, as Amended and Corresponding Relocation Requirements at 49 CFR Part 24, HUD Handbook 1378, California Government Code 7260, and Title 25 of the California Code of Regulations.

On December 12th, 2019, the Los Angeles City Planning Commission as the Responsible Agency under CEQA, considered the EIR and adopted the CEQA Findings of Fact and Statement of Overriding Considerations, and acknowledged the Mitigation Monitoring and Reporting Program, adopted Conditions of Approval, and approved the entitlement requests including public benefit project with alternate compliance and density bonus project with off-menu incentives.

Issues:

The Projects and the business terms represented to the Board of Commissioners today represents the culmination of negotiations for the redevelopment of the Projects that encompassed over five years of work carried out by HACLA along with Related in coordination with its consultants, residents of Rose Hill Courts and the broader community to finalize the development program, architectural designs and plans, entitlements, project schedules, financial analyses, and development of the Projects.

Property Background

The 100 unit Rose Hill Courts public housing project is located on a 5.24-acre site at 4446 Florizel Street, within the Northeast Community Plan Area, in the El Sereno Community of the City of Los Angeles, bounded by Florizel Street to the north, McKenzie Avenue to the east, Mercury Avenue to the south, and Boundary Avenue to the west (see Attachment 2, Site Maps). The existing site consists of 14 two-story, wood-frame buildings with townhouse and flat style apartments comprising 100 units and an administration building.

Proposed Project

The Project would demolish the existing 15 structures and construct a total of 185 residential housing units (183 affordable housing units onsite plus two market-rate managers’ units) in two phases. The Project includes 88 one-bedroom units, 59 two-bedroom units, 30 three-bedroom units, and eight four-bedroom units, a 6,300 square-foot Management Office/Community Building and a “Central Park” green space, creating a park-like setting for residents. The Project includes ample open space and recreational amenities to promote continued community outdoor use such as outdoor communal space with shaded seating and grills, children’s play areas with tot lots, paved surfaces, and several courtyards. The Project would provide a total of 174 parking spaces onsite, with at-grade and tuck-under parking; upgraded lighting, fencing, signage, and security features; and storm drain and utility improvements. The new sustainably designed buildings would be energy efficient and the landscaping would include water-efficient irrigation.
### Proposed Housing Units and Bedroom Sizes by Phase

<table>
<thead>
<tr>
<th>No. of Bedrooms</th>
<th>One</th>
<th>Two</th>
<th>Three</th>
<th>Four</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>51</td>
<td>26</td>
<td>8</td>
<td>4</td>
<td>89</td>
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<tr>
<td>Phase II</td>
<td>37</td>
<td>33</td>
<td>22</td>
<td>4</td>
<td>96</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>88</td>
<td>59</td>
<td>30</td>
<td>8</td>
<td>185</td>
</tr>
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</table>

The Project's first phase will be developed on land that includes the Administrative Hall and 5 vacant units and was designed to have the least impact on existing residents and allow for a partial Build First approach. The Project would involve temporarily relocating a few current households while the demolition and new construction occurs. A two-phased approach to the redevelopment minimizes the amount of time offsite for residents who must be temporarily relocated. Phase I involves the demolition of 20 units, 15 of which are currently occupied. Once the existing buildings on the Phase II portion of the site are vacated, demolition and construction of Phase II would begin.

Phase I includes 89 units developed in two four-story elevator buildings with flats, in order to provide the maximum level of accessibility for the existing tenant population (many of whom are elderly/disabled) who would move into Phase I once it is completed. Phase I would include a community and an onsite leasing office that would ultimately be relocated to the Management Office/Community Building, once Phase II is complete. Phase II includes 96 units developed on the remainder of the Project site and steps down in massing and height to provide a residential scale appropriate for the adjacent land uses, comprising 3 and 2 story buildings.

### Affordable/Replacement Units

All 183 apartment units (excluding the manager units) in both phases of the Project would remain affordable to existing and new tenants. HACLA would remain the fee owner of the underlying land and would ensure affordability restrictions will be in place throughout the term of the ground lease. Phase I would include 11 Rental Assistance Demonstration (RAD) units and is anticipated to include 77 non-RAD Section 8 PBV units to create 88 replacement units for the original 100 on site. These 88 units will be made available to tenants of Rose Hill Courts based on seniority and preference for those households required to move off-site in order to construct Phase I. Phase II will include 95 Section 8 non-RAD PBV units that will include 12 replacement units.

#### Phase I - PBV/RAD Replacement Units

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Total</th>
<th>RAD</th>
<th>PBV</th>
<th>MGR</th>
</tr>
</thead>
<tbody>
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<td>Three Bedroom</td>
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<td>3</td>
<td></td>
</tr>
<tr>
<td>Four Bedroom</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>89</td>
<td>11</td>
<td>77</td>
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</table>
Phase II - PBV Replacement & Non-Replacement Units

<table>
<thead>
<tr>
<th>Unit Size</th>
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<th>PBV</th>
<th>MGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Bedroom</td>
<td>37</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>33</td>
<td>32</td>
<td>1</td>
</tr>
<tr>
<td>Three Bedroom</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>96</strong></td>
<td><strong>95</strong></td>
<td><strong>1</strong></td>
</tr>
</tbody>
</table>

In a separate action, BOC approval will be sought for the non-competitive dedication of 172 Section 8 PBV Units. Subject to BOC approval, all Section 8 PBV Units in Phase I and Phase II will be subject to HUD affordability requirements for 20 years under a Housing Assistance Payment ("HAP") contract. As allowed by PBV regulations, the Authority would provide a 20-year extension subject to the future availability of appropriated funds, HUD regulations, the requirements of the Authority’s Section 8 Administrative Plan and the Owner’s continued compliance with the HAP Contract.

All 11 RAD Units will be subject to HUD affordability requirements for 20 years under a separate RAD HAP contract. The Authority will provide an automatic 20-year extension, as permitted under HUD’s RAD Notice and the PBV HUD regulations. A HUD RAD Use Agreement will be recorded against the Property in favor of HUD. The RAD Use Agreement will be recorded superior to all other liens on the Property, run for the same term as the initial term of the RAD HAP contract, automatically renew upon each extension or renewal of the RAD HAP contract for a term that runs with each renewal term of the RAD HAP contract, and remain in effect even in the case of abatement or termination of the RAD HAP contract.

Relocation Plan

In order to begin construction on Phase I of the new development, 20 units will have to be demolished. Although some of these units are considered uninhabitable and have been removed from the PIC system, approximately 15 units are still occupied and tenants will need to be relocated off-site during construction of the first phase using tenant-based Section 8 vouchers or relocation assistance payments. Alternatively, tenants will have the option of staying with friends and/or family and receiving a relocation stipend equal to the value of subsidy for the eligible bedroom size. After construction of Phase I is complete, households moved off-site will have first priority to relocate back to Rose Hill Courts into one of the 89 newly constructed units. Based on seniority (by term of lease) and household size, the balance of remaining units will be made available to tenants remaining at Rose Hill Courts in Phase II footprint area as a replacement unit under a move-once scenario. Any tenants remaining after all replacement units in Phase I are filled will be required to move off-site temporarily. Construction of Phase II, which will build an additional 95 affordable units in 7 different buildings, will begin only after all Rose Hill Courts residents are relocated to Phase I or have found another permanent or temporary unit off-site or at another public housing community. Any tenants who were unable to be offered permanent relocation to Phase I will have the right to return to a new unit in Phase II, ensuring full
satisfaction of all tenant’s rights to return.

Affordability

All 183 housing units except for the manager’s unit, will be subject to occupancy and affordability restrictions imposed by CDLAC, CTCAC, RAD and Section 8 regulations, the California Housing and Community Development Department, the City’s Density Bonus, restrictions applicable from other financing sources and lenders, HACLA’s Ground Lease and other statutory or regulatory restrictions. The Developer and the Authority intend that all residential units within the Project (other than the one manager’s unit) will be restricted for occupancy by households of low, very low and extremely low-income (“Restricted Units”) in accordance with the following:

### Phase I - Affordability Restrictions – Bedroom Size

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>30% AMI</th>
<th>40% AMI</th>
<th>50% AMI</th>
<th>60% AMI</th>
<th>80% AMI</th>
<th>Unrestricted non-tax credit</th>
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<td>Four Bedroom</td>
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<td>1</td>
<td>-</td>
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<td></td>
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<tr>
<td><strong>Total</strong></td>
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<td>22</td>
<td>22</td>
<td>11</td>
<td>7</td>
<td>4</td>
<td>1</td>
<td>89</td>
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### Phase II - Affordability Restrictions – Bedroom Size

<table>
<thead>
<tr>
<th></th>
<th>30% AMI</th>
<th>40% AMI</th>
<th>50% AMI</th>
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<tbody>
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<tr>
<td>Four Bedroom</td>
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<td>1</td>
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<td>4</td>
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<tr>
<td><strong>Total</strong></td>
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<td>24</td>
<td>23</td>
<td>22</td>
<td>0</td>
<td>1</td>
<td>96</td>
</tr>
</tbody>
</table>

Various sources of funding are proposed to be utilized for the Projects, including 4% tax credits, conventional and soft loans as well as grants, and capital contributions to assist with construction financing. Long-term rent subsidies like RAD and PBV are essential to the permanent financing plan and instrumental in obtaining the capital necessary to realize the vision of new construction. All subsidies require rent restrictions and as such will require that regulatory covenants on the fee or ground lease be recorded for terms up to fifty-five years and in perpetuity for the RAD component.

The chart below provides a breakdown of the affordability restrictions by subsidy program by each phase:

6
Phase I - Affordability Restrictions – Subsidy Program

<table>
<thead>
<tr>
<th></th>
<th>30% AMI</th>
<th>40% AMI</th>
<th>50% AMI</th>
<th>60% AMI</th>
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<th>Unrestricted non-tax credit</th>
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<th>Total</th>
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<tbody>
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<td>-</td>
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<tr>
<td>PBV</td>
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Affordability Restrictions – Subsidy Program

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<th>40% AMI</th>
<th>50% AMI</th>
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<td>23</td>
<td>22</td>
<td>-</td>
<td>1</td>
<td>96</td>
</tr>
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</table>

The monthly rent charged to tenants of the Restricted Units shall not exceed one-twelfth of thirty percent (30%) of the maximum yearly qualifying income, adjusted for household size. The Authority will require that the affordability restrictions by household size and income included here, shall remain in place for the term of the Ground Lease and cannot be modified, except in limited circumstances following termination or expiration of subsidies, without prior authorization of the Authority after consideration of a Feasibility Plan submitted by the Developer, which shall propose how to maintain affordability and ensure property operations and obligations can be supported.

**Developer**

For Phase I, Related/Rose Hill Courts I Development Co, LLC, a California limited liability company, a Single Purpose Entity with Related as Majority Owner, will serve as the Administrative General Partner (“AGP”) of Rose Hill Courts I Housing Partners, L.P., a California limited partnership. For Phase II, Related/Rose Hill Courts II Development Co, LLC, a California limited liability company, a Single Purpose Entity with Related as Majority Owner will serve as the Administrative General Partner (“AGP”) of Rose Hill Courts II Housing Partners, L.P. La Cienega LOMOD Inc. (“LCL”), a HACLA instrumentality and a California nonprofit public benefit corporation, or a Single Purpose Entity with LCL as the Sole Member, will serve as the Managing General Partner (“MGP”) for each phase. At the closing of each phase, a tax credit equity provider will be admitted as the Investor Limited Partner for that phase and will receive a 99.99% share of the Partnership.

**Ground Lease**

Under the terms of the Ground Lease, at closing, the Authority will lease 1.79 acres of land associated with Phase I for the Fair Market Value of $7,100,000 to the Phase I Developer/Owner for a period of 66 years with three options at HACLA’s discretion to extend by another 11 years for each option, for a total extension of 33 years. Upon HUD approval of the RAD transaction and Section 18 Demolition/Disposition, HUD will allow for the release of the public housing Declaration of Trust on the portion of the public housing property that will be replaced by the RAD Use Agreement. For Phase II, the Authority will lease 3.45 acres of land for the Fair Market Value of $11,500,000 to the Phase II Developer/Owner for the same terms. Subject to Section 18 Demolition/Disposition.
Approval, the Authority will dispose of the land under Phase II to the Developer/Owner in return for developing affordable units.

Due to lack of proceeds, the Developer cannot afford to make the ground lease payment upfront, requiring the Authority to provide the respective Owner with an Acquisition Loan and Note for the appraised value of the conveyed land. The Acquisition Loans shall have a 55-year term starting at permanent conversion. The loan carries a 3% simple interest rate and will be repaid from 50% of the applicable Project’s residual receipt cash flow in proportion to its share of the total soft loans amount until all principal and interest is repaid.

For thirty-six months starting at end of 15 year tax credit compliance period, HACLA and the AGP for each Phase will have a Purchase Option to acquire the Development. The Purchase Option price will be greater of (i) fair market value of the Development or the Investor’s partnership interest and (b) the debt encumbering the Development, plus the tax liability of the Investor resulting from the sale. After expiration of the option term, HACLA or the MGP, a HACLA instrumentality, will have a right of first refusal (“ROFR”) for one year. Under the ROFR, HACLA would have the choice to acquire the property if the Developer receives a Bona Fide Offer which the Developer is prepared to accept in accordance with the Limited Partnership Agreement.

Based on the preliminary Financial Plan included within Attachment #5, the Authority shall provide additional financial participation in the form of gap financing of up to $5,500,000 for Phase I and up to $2,500,000 for Phase II. Up to $1,410,000 for Phase I and up to $1,382,484 for Phase II will be available from this funding for additional pre-development design and technical work. The Authority will continue to carry out its due diligence on the design, financing, and pre-development activities for each phase to reduce the Authority’s Gap Loan funding to the extent feasible by ensuring that the development costs are reasonable and that competitive terms for the Tax Credit and Permanent loans are achieved. The Final Financing Plan will require HACLA approval.

The Authority will negotiate loan documents secured by deed of trusts. The loan will come from non-federal and unrestricted proceeds generated by the HACLA-owned non-public housing portfolio. The gap loan funds will be allowed to be drawn first in order to save interest carry on the conventional construction loan. It is anticipated that the majority of these funds will be spent at construction closing for various approved soft costs. Any balance will be drawn at the start of construction. The loan will be a 55-year residual receipts loan, bearing 3% simple annual interest and will be payable from 50% of net cash flow proceeds pari-passu with other soft loans.

The DDA requires the Developer to make good faith efforts to apply for and obtain funding to minimize Authority gap funding. The Developer shall make good faith efforts to apply for a pre-selected list of sources including the Infill Infrastructure Grants and the Affordable Housing Sustainable Communities (AHSC) funding from the State’s HCD and the Affordable Housing Program (AHP) loan. If a new viable funding source becomes available at a later date, the Authority and the Developer will mutually agree whether to modify the list of sources to which the respective Owner must apply. HACLA shall be provided a copy of the applications as records of the submission.
**Consulting Agreement**

HACLA and Related will enter into a Consulting Services Agreement to reimburse Related for its master planning and predevelopment services for the redevelopment of Rose Hill Courts undertaken since November 2015, amounting to $500,000. Of this amount, $375,000 was paid to Related under the existing predevelopment loan agreement wherein HACLA funded 75% of predevelopment costs incurred by Related. Of the remaining $125,000 in master planning and predevelopment services incurred by Related, $62,500 will be payable upon execution of the Disposition and Development Agreement for Phase I and $62,500 will be payable upon closing of Phase I construction loan. The Authority shall receive priority payments from net cash flow proceeds from each phase totaling $500,000 after the deferred developer fee payments have been made in full.

**Predevelopment Loan**

Pursuant to prior BOC approval, HACLA and Related have previously entered into a Predevelopment Loan wherein HACLA agreed to lend Related up to $2,013,773 to fund 75% of predevelopment costs incurred by the Developer. HACLA seeks BOC approval to amend the Predevelopment Loan Agreement to (i) fund 100% of any further Third-Party Costs in the predevelopment budget for Phase I and Phase II, (ii) to increase the Predevelopment Loan by up to $1,410,000 and $1,382,484 for the additional design, technical work necessary to finance and develop the proposed Projects, respectively, and (iii) reduce the outstanding balance of the current Predevelopment Loan by $375,000 that funded the Developer Overhead expenses and bifurcate the current Predevelopment Loan between Phase I and Phase II pursuant to separate Predevelopment Loan documents for each phase. All unpaid principal amount of advances shall bear 3% simple interest. The portion of the Predevelopment Loan attributable to each Phase will be repaid at Closing unless converted into a portion of the Gap Loan at Closing. Since the Authority is funding 100% of predevelopment costs for 3rd parties, Related will not be charging additional Developer Overheads to the two Phases.

**Management & Operations**

Each Ground Lease and related loan documents carries with it strong provisions for the Authority’s oversight of the Projects, its management and operations during the term of the leases. The Authority must approve each Project’s Annual Operating Budget and will review and monitor all management practices regularly to ensure they are consistent with the affordability restrictions, prioritization of Rose Hill Court residents for occupancy of replacement units, support of resident leadership, tenant protections and application of grievance procedures. Subject to HACLA’s approval and prior to Closing, the Owner will prepare, for each Phase, a Property Management and Re-Occupancy Plan, which will set forth the referral process and require Lessee to rent all vacant RAD Units and PBV Units to eligible families referred by HACLA.

Related Management Company, L.P. will be the Property Manager for both phases. Each management contract shall contain a provision that HACLA may terminate the contract upon 30 days’ notice. Subject to HACLA obtaining lender/investor approval and upon approval by Related, HACLA shall have the option to take over property management after 5 years of operation at which point
HACLA will become the guarantor for all outstanding guarantees to the investor and lender.

**Horizontal Development**
The Authority will be responsible for relocating tenants, the environmental remediation and demolition of the vacant buildings for each phase prior to financial closing after obtaining HUD approval for Section 18 demolition/disposition and/or RAD conversion. Third party costs for relocation, remediation and demolition will be included in the Project costs for each Phase.

**Development Structure & Obligations**
A number of the deal terms under the DDA and Ground Lease are technical in nature and intended to ensure that there are sufficient guarantees during construction of the development; protection of the Authority's rights and remedies in the Project; and provide a means for the Authority to ensure the property is well-managed, insured and maintained during the ground lease term. The deal structure strongly protects the Authority as fee owner of the land and the covenants and restrictions of both the Authority and HUD retain long-term, deep affordability for the Projects. The Projects shall be subject to the BOC adopted Mitigation Monitoring and Reporting Program under the CEQA approval and related conditions of approval adopted by the City or the Authority.

**Authority/MGP Returns/Deal Structure**
The Authority or the MGP (at HACLA’s direction) shall receive 15% of the Developer Fee. The Developer Fee shall be the maximum allowed by TCAC subject to any limits imposed by the applicable funding sources. Any deferred Developer Fee payable from Net Cash Flow shall bear interest at an annual rate of one-half percent (0.5%).

The MGP shall receive annual Partnership Management Fees starting at $5,000 from Cash Flow increased annually by CPI.

Of the remaining Net Cash Flow payable to the General Partners, after the payment of annual Partnership Management Fees, the MGP shall receive 25%.

The MGP shall receive 50% of Net Sale Proceeds from any Capital Event.

If both the Authority and the AGP participate in the purchase and any subsequent resyndication of the Project, any developer fee associated with such resyndication will be shared, with 60% to Related and 40% to the Authority; and any net cash flow or net capital proceeds payable to the general partners following such resyndication will be shared with 70% to Authority and 30% to Related.

**Next Steps**
After the BOC takes various actions relating to this Project, staff anticipates bringing future recommendations to the BOC such as submission of HUD Section 18 Demo/Disposition applications, execution of various agreements including the Authority Acquisition and Gap Loan Documents, any applicable tax-exempt
financing bond documents, the Purchase Offer/ROFR, the RAD Use Agreement, if applicable, prior to closings of each Phase in order to implement the Projects.

The final draft versions of the DDA, Ground Lease and predevelopment loan documents attached hereto, may require finalization of non-key provisions which the President and CEO, with the support of the Authority's senior staff attorneys, outside legal counsel and staff, will finalize prior to their execution. Examples of such non-key provisions include compilation and insertion of various supporting exhibits and documents, selection of specific terminology to appropriately refer and identify parties, events and periods and clarification of other references and concepts. The final language of such non-key provisions will not materially impact the spirit of the negotiated documents or other ancillary documents or key business terms.

This transaction will have a positive impact on the community, lead to the addition of much needed affordable rental housing in the City of Los Angeles and will improve the lives of residents of Rose Hill Courts and the surrounding community.

**Vision Plan:**

**PLACE Strategy #1: Stabilize the physical and financial viability of the conventional public housing portfolio.**

The Rose Hill Courts redevelopment will allow for the construction of 185 new housing units, 183 of which will be deeply affordable and 100 of which are replacement units. This development will further HACLA’s goals of improving its affordable housing stock as well as improved ADA-compliant, modern, sustainably designed, and amenitized units. This action will help HACLA extend the life of critical, deeply affordable housing in the City of Los Angeles to serve existing public housing residents and future income-qualified households within the city.

**Funding:**

The Chief Administrative Officer confirms the following:

*Source of Funds:* Per the Preliminary Financing Plan, the Projects will be applying for the competitive Affordable Housing and Sustainable Communities Program (AHSC). This Preliminary Financing Plan assumes that the Project will request an Affordable Housing Development (AHD) loan in the amount of $20,000,000 of which $11,000,000 will be allocated to Phase I and $9,000,000 to Phase II. The Projects will be applying for the competitive Infill Infrastructure Grant Program (IIG) for $10,000,000 total for both phases, of which $4,200,000 will be allocated to Phase I and $5,800,000 to Phase II. The Projects will also be applying for 4% Low Income Housing Tax Credits (LIHTC) and Tax Exempt Bonds and the permanent financing will be supported by subsidies from Section 8 PBVs and RAD vouchers.

Subject to the BOC’s approval, the Authority will be providing the Phase I Project with up to $5,500,000 and Phase II Project with up to $2,500,000 as gap loans. Of these cash commitments, up to $1,410,000 and $1,382,484 will be advanced to the respective Developer as predevelopment funding for completing the additional design, technical work necessary to finance and develop the proposed Projects. The Authority shall also provide a carryback note in the amount of the Fair Market Value of the leased property estimated at $7,100,000 for Phase I and $11,500,000 for Phase II.
Rose Hill Courts Phase I
<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HACLA Gap Loan- Non-Federal Funding</td>
<td>$5,500,000</td>
</tr>
<tr>
<td>Acquisition Loan / Carryback Note</td>
<td>$7,100,000</td>
</tr>
<tr>
<td><strong>Request</strong></td>
<td><strong>$12,600,000</strong></td>
</tr>
</tbody>
</table>

Rose Hill Courts Phase II
<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HACLA Gap Loan- Non-Federal Funding</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>Acquisition Loan / Carryback Note</td>
<td>$11,500,000</td>
</tr>
<tr>
<td><strong>Request</strong></td>
<td><strong>$14,000,000</strong></td>
</tr>
</tbody>
</table>

**Funding Source: 1 - Harbor Village Resyndication Proceeds**

Consulting Services Agreement
<table>
<thead>
<tr>
<th>Amount paid</th>
<th>New Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>$375,000</td>
<td>$125,000</td>
</tr>
<tr>
<td><strong>Request</strong></td>
<td><strong>$500,000</strong></td>
</tr>
</tbody>
</table>

**Funding Source: 2 - Rent Subsidy Proceeds**

The Chief Administrative Officer confirms that $8,125,000 in funds are available from proceeds realized through the acquisition/rehab of Harbor Village resyndication and uncommitted Rent Subsidy proceeds.

**Budget and Program Impact:** The transaction incorporates payments to the Authority for 15% of the total developer fee, which will be disbursed partially at the financial closing, at permanent loan conversion of each Project and remainder as Deferred Developer Fee paid from net cash flow. The Authority will also receive reimbursement of 3rd party costs expended on the applicable Project to the extent supported by that Project. A pay-off of the outstanding Predevelopment Loans including interest earned will be made at construction closing unless converted into a portion of the Gap Loan at Closing. Staff have negotiated prioritizing reduction of the Gap Loans if additional AHP funding is received during construction unless additional HACLA approved costs arise during construction and proceeds will be used to fund these costs. The Gap Loan and Acquisition Loan repayments will be made from 50% of net cash flow proceeds pari-passu with other soft loans until paid in full. Developer shall bear the cost of resources necessary to track compliance with Local Hiring and Section 3 Contracting Requirements incurred by the Authority by paying to the Authority a one-time fee of $40,000 per phase. The Authority will also receive the applicable Davis Bacon/Labor Compliance Monitoring Fee during the construction period.

**Environmental Review:**

**CEQA**

The Authority is the lead agency for the Rose Hill Courts Redevelopment for purposes of the California Environmental Quality Act (CEQA). On November 26, 2019, the Authority certified the Environmental Impact Report (SCH 2018091035) and Errata, dated November 2019 for the Rose Hill Courts Redevelopment Project and approved the Redevelopment Project.

The Disposition and Development Agreements and Ground Leases are consistent with the certified EIR and will be subject to the imposition of various measures contained in the EIR's MMRP and City and the Authority's conditions of approval.
No further environmental review is required for the Authority's recommended actions because there has been no change to the Rose Hill Courts redevelopment or substantial changes in circumstances or new information that would warrant subsequent environmental analysis in accordance with CEQA, including but not limited to Public Resources Code section 21166 and State CEQA Guidelines sections 15162, 15163 and 15164. Based on this, the Authority will file a Notice of Determination after the Board of Commissioners has acted on this item. The mitigation measures and related conditions of approval applicable to the Rose Hill Courts redevelopment have been reviewed and will be monitored for compliance.

NEPA

The Authority is working with the Housing & Community Investment Department (HCID/LA), the Responsible Entity, on a Part 58 NEPA review for the Project and has prepared a Final Environmental Impact Statement (FEIS). The FEIS is currently in the midst of a public review period. Any comments received will be included in HCID/LA's Environmental Review Record (ERR). HCID/LA will publish a Record of Decision and Request for Release of Funds (RROF) for a 15 day public comment period following which the RROF will be executed.

Section 3:

The Developer of each phase will comply with Section 3 requirements and ensure that employment and other economic opportunities generated by the HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, be directed toward qualified low and very low-income persons, and to business concerns which provide economic opportunities to low and very low-income persons and will comply with the implementing regulations at 24 CFR Part 135 as well as the terms negotiated in the operative agreements herein. The Developer of each phase will set aside at least thirty percent (30%) of all new predevelopment, construction and post-construction jobs generated by the re-syndication first for current residents of Rose Hill Courts, second to qualified Section 3 residents of the North East Los Angeles neighborhood, third to participants in HUD’s Youthbuild programs in the City of Los Angeles; and fourth to residents of the City of Los Angeles who meet Section 3 eligibility requirements. Furthermore, the Partnerships will strive to provide at least ten percent (10%) of all construction work hours to Section 3 Residents according to the hiring priorities set forth above. A Construction and Post-Construction Section 3 Hiring Plan will be submitted to the Authority prior to commencement of activities for review and approval. The Hiring Plans will discuss strategies and investments that will assist in enabling their contractors and consultants to hire and train Section 3 residents during the construction and post-construction stages.

Attachments:

1. Resolution
2. Site Plans
3. Summary of Key Business Terms – Rose Hill Courts Phase I
4. Summary of Key Business Terms – Rose Hill Courts Phase II
5. Draft Evidentiary documents
   a. DDA and exhibits – Phase I
i. Prelim. Development & Financing Plan – Phase I/Phase II
ii. Schedule of Performance
iii. Authority Section 3 Requirements
iv. Form of the Ground Lease
v. Completion Guaranty

b. Predevelopment Loan Documents
c. Consulting Services Agreement
ATTACHMENT 1

RESOLUTION
RESOLUTION NO. __________

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO ENTER INTO DISPOSITION AND DEVELOPMENT AGREEMENTS AND SUBSEQUENTLY TO ENTER INTO GROUND LEASES AND ALL RELATED DOCUMENTS, AGREEMENTS AND CERTIFICATIONS WITH ROSE HILL COURTS I HOUSING PARTNERS, L.P., A CALIFORNIA LIMITED PARTNERSHIP AND ROSE HILL COURTS II HOUSING PARTNERS, L.P., A CALIFORNIA LIMITED PARTNERSHIP IN CONNECTION WITH THE DEVELOPMENT OF ROSE HILL COURTS PHASE I, AN 89 UNIT AFFORDABLE HOUSING RESIDENTIAL DEVELOPMENT AND THE DEVELOPMENT OF ROSE HILL COURTS PHASE II, A 96 UNIT AFFORDABLE HOUSING RESIDENTIAL DEVELOPMENT RESPECTIVELY; AUTHORIZING THE BIFURCATION AND ASSIGNMENT OF THE EXISTING PREDEVELOPMENT LOAN AGREEMENT WITH THE RELATED COMPANIES OF CALIFORNIA, LLC TO ROSE HILL COURTS I HOUSING PARTNERS, L.P. AND ROSE HILL COURTS II HOUSING PARTNERS, L.P.; AUTHORIZING UP TO $5,500,000 FOR PHASE I AND UP TO $2,500,000 FOR PHASE II IN GAP FUNDING OF WHICH UP TO $1,410,000 FOR PHASE I AND UP TO $1,382,484 FOR PHASE II WILL BE PROVIDED AS PREDEVELOPMENT FUNDING TO FUND ADDITIONAL DESIGN, TECHNICAL WORK NECESSARY TO FINANCE AND DEVELOP THE PROPOSED PHASE I AND PHASE II PROJECTS; AUTHORIZING EXECUTION OF A CONSULTING AGREEMENT WITH THE RELATED COMPANIES OF CALIFORNIA, LLC TO REIMBURSE UP TO $500,000 IN MASTER PLANNING AND PREDEVELOPMENT SERVICES; AND UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Housing Authority and the Related Companies of California, LLC ("Developer") desire to redevelop the existing 100 unit 5.24-acre Rose Hill Courts ("RHC") public housing project ("Project") located within the Northeast Los Angeles community of El Sereno to 183 affordable multifamily units and two market rate manager's units, 174-parking spaces and a Management Office/Community Building; and

WHEREAS, On September 28, 2017, by Resolution 9382, the Board of Commissioners authorized the President and CEO to enter into a Second Amended and Restated Exclusive Right to Negotiate a Disposition & Development Agreement and to enter into a Predevelopment Loan Agreement with Related to fund predevelopment expenses necessary to design, evaluate and entitle the Project; and

WHEREAS, On November 26, 2019, by Resolution 9543, as the lead agency under California Environmental Quality Act (CEQA) for the Rose Hill Courts Redevelopment, the Authority certified the Environmental Impact Report (SCH 2018091035) and Errata, dated November 2019 for the teardown of the existing 100-unit Rose Hill Courts public housing site and its redevelopment into 185 units with supporting amenities, adopted CEQA Findings of Fact, a Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program (MMRP) and approved the Redevelopment Project; and

WHEREAS, the redevelopment is comprised of two Phases with Phase I containing 89 units in two four-story elevator buildings with flats, that will provide the maximum level of accessibility for the existing tenant population and with Phase II containing 96 units that step down in massing and height to provide a residential scale appropriate for the adjacent land uses, and developed as 3 and 2 story buildings; and
WHEREAS, all residential units within the two Phases (other than the manager's unit) will be restricted for occupancy by households of moderate, low, very low and extremely low-income and will receive supportive services; and

WHEREAS, the Housing Authority and the Developer have successfully negotiated a DDA, a Ground Lease, predevelopment loan agreements and other ancillary documents for each phase, subject to non-material editorial revisions, for Board consideration and recommended approval at this time; and

WHEREAS, Summaries of Key Business Terms for Phase I and Phase II and forms of the following major transaction documents for Phase I have been presented at this meeting:

1. Disposition and Development Agreement (with all Exhibits)
2. Form of the Ground Lease
3. Disposition and Development Agreement
4. Predevelopment Loan Documents
5. Consulting Agreement

WHEREAS, the Disposition and Development Agreements and Ground Leases are consistent with the certified EIR and will be subject to the imposition of various measures contained in the EIR's MMRP and City and the Authority's conditions of approval; no further environmental review is required for the Authority's recommended actions because there has been no change to the Rose Hill Courts redevelopment or substantial changes in circumstances or new information that would warrant subsequent environmental analysis in accordance with CEQA, including but not limited to Public Resources Code section 21166 and State CEQA Guidelines sections 15162, 15163 and 15164.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Housing Authority of the City of Los Angeles does hereby authorize and approve as follows:

A. The Summaries of Key Business Terms for Phase I and Phase II are hereby approved, the form and content of the DDA, the Ground Lease, and the Predevelopment Loan documents for Phase I, are hereby approved for execution with Rose Hill Courts I Housing Partners, L.P. and subsequently with Rose Hill Courts II Housing Partners, L.P. according to the Key Business Terms for Phase II. The President and Chief Executive Officer or his authorized designee is hereby authorized and directed, for and on behalf of and in the name of the Authority, to execute and attest these documents and any other documents, agreements and certificates necessary to accomplish the transaction contemplated by this Resolution, with such changes therein as approved with the advice of legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof; and

B. The Gap Funding commitment and expenditure of up to $5,500,000 for Rose Hill Courts Phase I and up to $2,500,000 for Rose Hill Courts Phase II from non-federal unrestricted proceeds generated by the HACLA or its instrumentality-owned non-public housing portfolio and a carryback note in the amount of the Fair Market Value of the leased property estimated at $7,100,000 for Phase I and $11,500,000 for Phase II; and

C. Amend the Predevelopment Loan Agreement to (i) fund 100% of the Third-Party Costs in the predevelopment budget for Phase I and Phase II, (ii) to increase the Predevelopment Loan by up to $1,410,000 and $1,382,484 for the additional design, technical work necessary to finance and develop the proposed Projects, and (iii) reduce the outstanding balance of the
current Predevelopment Loan by $375,000 that funded the Developer Overhead expenses and bifurcate the current Predevelopment Loan between Phase I and Phase II pursuant to separate Predevelopment Loan documents for each phase; and

D. The form and content of the Consulting Services Agreement to reimburse the Developer for its master planning and predevelopment services for the redevelopment of Rose Hill Courts undertaken over the past three years of up to $500,000.

BE IT FURTHER RESOLVED that The Board directs staff to prepare and file a Notice of Determination with the Los Angeles County Clerk and the State Clearinghouse within five (5) working days of the approval of these actions.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

PASSED AND ADOPTED by the Housing Authority of the City of Los Angeles this 23rd day of January 2020.

APPROVED AS TO FORM:

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

BY: ___________________________ BY: ___________________________
GENERAL COUNSEL CHAIRPERSON

DATE: __________________________

ADOPTED: __________________________
ATTACHMENT 2

SITE PLANS
Rose Hill Courts - Overall Development Site Plan
ATTACHMENT 3

SUMMARY OF KEY BUSINESS TERMS – ROSE HILL COURTS PHASE I
# ROSE HILL COURTS PHASE I – Disposition and Development Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF DDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Term</td>
<td>• DDA remains in place until the leasehold interest in the Phase II Site</td>
</tr>
<tr>
<td>2. Parties</td>
<td>• Parties to DDA are HACLA and Rose Hill Courts I Housing Partners, L.P. (the &quot;Developer&quot;)</td>
</tr>
<tr>
<td></td>
<td>• At Closing, Developer will be comprised of:</td>
</tr>
<tr>
<td></td>
<td>o LOMOD RHC LLC as managing general partner (an affiliate of La Cienega LOMOD, Inc.) (the &quot;MGP&quot;)</td>
</tr>
<tr>
<td></td>
<td>o Related/Rose Hill Courts II Development Co., LLC as administrative general partner (an affiliate of The Related Companies of California, LLC) (the &quot;AGP&quot;)</td>
</tr>
<tr>
<td></td>
<td>o The limited partner investor</td>
</tr>
<tr>
<td></td>
<td>• The Related Companies, L.P. is the guarantor</td>
</tr>
<tr>
<td>3. Development</td>
<td>• Developer will construct the Improvements to provide 88 RAD and PBV assisted, of which 84 will be LIHTC assisted rental units</td>
</tr>
<tr>
<td></td>
<td>• The Phase I site includes a new 6,000 square foot leasing office, community building</td>
</tr>
<tr>
<td></td>
<td>• The Los Angeles City Planning Commission issued a Notice of Determination for the entitlements for the Development on 01/13/2020.</td>
</tr>
<tr>
<td>4. Environmental Review</td>
<td>• Developer will comply with NEPA prior to commencing the Development or any improvements on the Phase I site</td>
</tr>
<tr>
<td></td>
<td>• The Board approved the Final Environmental Impact Report for the Development at its 11/26/2019 meeting.</td>
</tr>
<tr>
<td>5. Phase II Site</td>
<td>• HACLA owns the existing project site in fee. The existing site includes 20 public housing units and an Administrative Building in Phase I and 80 public housing units in Phase II.</td>
</tr>
<tr>
<td>6. HACLA Disposition of Land and Development</td>
<td>• HACLA with the assistance of the Developer is responsible for obtaining a Section 18 demolition/disposition approval from HUD</td>
</tr>
<tr>
<td></td>
<td>• Lessee will pay HACLA the fair market value of the Phase I site, as determined by an appraisal commissioned by HACLA. HACLA will provide an Acquisition Loan for the value of the Leased Premises secured by the Authority</td>
</tr>
</tbody>
</table>
## ROSE HILL COURTS PHASE I – Disposition and Development Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF DDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Note.</td>
<td>The Developer is acquiring the property as-is, after HACLA completes any necessary relocation, demolition and remediation</td>
</tr>
</tbody>
</table>

1. **Mutual Conditions Precedent to Closing**
   - Closing will only occur after:
     - Developer has completed site investigations
     - The Ground Lease and the Memorandum of Ground Lease have been executed
     - Additional agreements have been executed, including conventional loan document, purchase option/ROFR, HAP contracts, management agreement and management plan, Section 18 approvals, RAD approvals, ground lease
     - The Partnership Agreement has been executed with the investor
     - Receipt of tax credits and tax exempt bond allocation
     - HUD has approved the RAD Conversion and Section 18 demolition/disposition
     - Funding commitments from other funding sources have been obtained
     - Final Financing Plan has been approved
     - Investors and lenders are prepare to fund their loan and equity commitments

2. **HACLA's Conditions to Closing**
   - No defaults
   - Construction plans, budget, schedule, and contract have been prepared
   - Construction bonds have been delivered into escrow
   - Accessibility design compliance report has been completed
   - HACLA has approved financing documents
   - Developer has executed the Acquisition and Gap loan documents
   - Completion guaranties have been provided
   - The Acquisition and Gap Loan Documents (discussed below) have been executed
   - Permits and approvals for the Development have been issued or are ready to issue
   - HACLA has approved the management plan and property management agreement
<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF DDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Developer's Conditions to Closing</td>
<td>• No litigation materially affecting project/property</td>
</tr>
<tr>
<td></td>
<td>• No defaults</td>
</tr>
<tr>
<td></td>
<td>• No material adverse change to the condition of the Site</td>
</tr>
<tr>
<td></td>
<td>• HACLA has relocated the residents and has completed demolition and remediation in accordance with the Demolition and Remediation Specifications</td>
</tr>
<tr>
<td></td>
<td>• HACLA has approved construction and financing documents</td>
</tr>
<tr>
<td></td>
<td>• HACLA has executed and delivered the Ground Lease</td>
</tr>
<tr>
<td></td>
<td>• RAD and PBV HAP contracts have been executed</td>
</tr>
<tr>
<td></td>
<td>• A title company has committed to issuing an ALTA extended coverage policy of title insurance</td>
</tr>
<tr>
<td></td>
<td>• Authority shall have delivered Notice to Proceed</td>
</tr>
<tr>
<td></td>
<td>• Required governmental approvals have been received</td>
</tr>
<tr>
<td>4. Ground Lease Terms</td>
<td>• Term: 66 years with three (3) options for HACLA to extend, each for eleven (11) years.</td>
</tr>
<tr>
<td>5. Purchase Option and Right of First Refusal</td>
<td>• For thirty-six (36) months starting at end of 15 year tax credit compliance period, HACLA and the AGP will have an option (the &quot;Purchase Option&quot;) to acquire the Development</td>
</tr>
<tr>
<td></td>
<td>• Purchase Option price greater of (i) fair market value of the Development or the Investor’s partnership interest and (b) the debt encumbering the Development, plus the tax liability of the Investor resulting from the sale</td>
</tr>
<tr>
<td></td>
<td>• After expiration of the option term, HACLA or the MGP will have a right of first refusal (&quot;ROFR&quot;) for one year</td>
</tr>
<tr>
<td></td>
<td>• Under the ROFR, HACLA would have the choice to acquire the property if the Developer receives a Bona Fide Offer which the Developer is prepared to accept in accordance with the Partnership Agreement</td>
</tr>
<tr>
<td>6. Preliminary Financing Plan</td>
<td>• Exhibit B to DDA</td>
</tr>
<tr>
<td></td>
<td>• Includes initial development budget, sources and uses for construction, 20 year cash flow projections, and initial rent schedule, initial operating budget</td>
</tr>
<tr>
<td></td>
<td>• Amendments and the Final Financing Plan require HACLA approval</td>
</tr>
<tr>
<td>7. Predevelopment Funding</td>
<td>• HACLA and the Related have previously entered into a</td>
</tr>
</tbody>
</table>
## ROSE HILL COURTS PHASE I – Disposition and Development Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
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<tbody>
<tr>
<td></td>
<td>Predevelopment Loan pursuant to which the HACLA agreed to lend Related up to $2,013,773.00 to fund seventy-five percent (75%) of Third-Party Costs incurred by the Developer prior to the execution of this Agreement. HACLA will amend the Predevelopment Loan Agreement to (i) fund one hundred percent (100%) of the Third-Party Costs in the predevelopment budget for Phase I and Phase II, (ii) to increase the Predevelopment Loan, and (iii) bifurcate the Predevelopment Loan between Phase I and Phase II pursuant to separate Predevelopment Loan documents for each phase. The portion of the Predevelopment Loan attributable to each Phase will be repaid at Closing unless converted into a portion of the Gap Loan at Closing.</td>
</tr>
</tbody>
</table>

### 8. Development Funding Sources
- RAD and PBV HAP contracts to provide operational revenue to allow deferred developer fees, Acquisition Loan, HACLA gap loan and other soft loans to be repaid from net cash flow
- HACLA to issue tax exempt bonds
- 4% LIHTC tax credit equity to be provided
- Conventional construction and permanent loans anticipated
- HACLA will make the Acquisition and Gap Loans (described below)

### 9. Acquisition and Gap Loans
- The Acquisition Loan will be a seller carry-back loan in the amount of the Fair Market Value of the leased premises.
- In addition, HACLA will provide a Gap Loan of $5.5 million for Phase I
- Both are non-recourse loans secured by a deeds of trust to the Development and the Developer’s leasehold interest in the land
- Subordinate to other financing
- Maturity: 55 years
- Interest: 3% simple
- Paid from cash flow in priority indicated below

### 10. HAP Contracts
- Subject to HUD approval, the 100 existing public housing units within the existing Rental Development will be
<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
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</tr>
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<tbody>
<tr>
<td>Subject to applicable laws, including nondiscrimination, accessible design</td>
<td>converted to 11 RAD units, per a RAD HAP contract between Developer and HACLA. The RAD units will be located in Phase I</td>
</tr>
<tr>
<td>requirements, and prevailing wage obligations</td>
<td>• HACLA is committing Project Based Vouchers for 77 units for Phase I and 95 units for Phase II</td>
</tr>
<tr>
<td>11. No Subordination of HACLA Interest; Post-Foreclosure Rental Restrictions</td>
<td>• HACLA will not subordinate its fee interest in the land to any financing for the Development Site, other than any restrictive covenant associated with the HCD Infill Infrastructure Grant if required by HCD</td>
</tr>
<tr>
<td></td>
<td>• Notwithstanding any other subordination that may be allowed, following any foreclosure on financing the property will still be subject to a RAD Use Agreement and a Post-Foreclosure Rent Restriction</td>
</tr>
<tr>
<td></td>
<td>• The Post-Foreclosure Rent Restriction will restrict gross rents based upon 30% of 80% of AMI</td>
</tr>
<tr>
<td>12. Construction</td>
<td>• Development of the project will be subject to applicable laws, including nondiscrimination, accessible design requirements, and prevailing wage obligations</td>
</tr>
<tr>
<td></td>
<td>• The Developer shall require the contractor to provide payment and performance bonds for 100% of the cost of the work</td>
</tr>
<tr>
<td></td>
<td>• HACLA to approve construction plans and contract</td>
</tr>
<tr>
<td>13. Guaranties</td>
<td>• Guaranties to be provided by The Related Companies, L.P.</td>
</tr>
<tr>
<td></td>
<td>• Guaranties will be limited to up to 25% of construction loan repayment, to be reflected in any project loan solicitations</td>
</tr>
<tr>
<td>14. Cash Flow</td>
<td>• A commercially reasonable Investor partner management fee</td>
</tr>
<tr>
<td></td>
<td>• MGP partner management fee: $5,000</td>
</tr>
<tr>
<td></td>
<td>• AGP partner management fee: $10,000</td>
</tr>
<tr>
<td></td>
<td>• Deferred developer fee (85% to AGP, 15% to MGP) + 0.5% annually, until paid in full</td>
</tr>
<tr>
<td></td>
<td>• HACLA then receives a priority payment of $312,500 for Phase I and $187,500 for Phase II, until paid in full</td>
</tr>
<tr>
<td></td>
<td>• 50% of remainder to ratably repay the Acquisition Loan,</td>
</tr>
</tbody>
</table>
### ROSE HILL COURTS PHASE I – Disposition and Development Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF DDA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>the Gap Loan and other residual receipt loans</td>
</tr>
<tr>
<td></td>
<td>• 50% of the remainder to repay the Partnership</td>
</tr>
<tr>
<td></td>
<td>• Of Partnership share not paid to investor limited partner: 75% to AGP, 25% to MGP</td>
</tr>
<tr>
<td></td>
<td>• the proceeds of any Capital Transaction payable to the general partners of Developer shall be payable fifty percent (50%) to AGP and fifty percent (50%) to MGP, provided all Project Loans have been fully repaid.</td>
</tr>
<tr>
<td><strong>15. Operation and Management</strong></td>
<td>• The property manager will require HACLA’s prior written approval</td>
</tr>
<tr>
<td></td>
<td>• Initial property manager approved to be Related Management Company, LP</td>
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<tr>
<td></td>
<td>• HACLA may require removal of property manager, subject to notice and cure rights</td>
</tr>
<tr>
<td></td>
<td>• Beginning 5 years after permanent loan conversion, HACLA or an affiliate may manage the property with approval from the investor limited partner and The Related Companies of California, LLC</td>
</tr>
<tr>
<td></td>
<td>• The management fee will be capped at the lesser of 6% of gross revenues, or the per unit management fee under the Section 8 program</td>
</tr>
<tr>
<td></td>
<td>• The Developer will be subject to ongoing nondiscrimination requirements, and will be required to maintain the property in a neat and orderly condition on an ongoing basis</td>
</tr>
<tr>
<td><strong>16. Affordability Restrictions</strong></td>
<td>• Affordability will be restricted on an ongoing basis by the most restrictive of the obligations imposed by HUD (for HAP contracts), CDLAC (for tax exempt bonds), or TCAC (for tax credit financing)</td>
</tr>
<tr>
<td><strong>17. Default</strong></td>
<td>• A default may result in termination in the DDA and other remedies available at law or in equity</td>
</tr>
<tr>
<td></td>
<td>• Developer Events of Default include:</td>
</tr>
<tr>
<td></td>
<td>o Lack of diligence in complying substantially with the Schedule of Performance (not including force majeure delays)</td>
</tr>
</tbody>
</table>
|               |   o Material breach of DDA following notice and an
# ROSE HILL COURTS PHASE I – Disposition and Development Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
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<tbody>
<tr>
<td></td>
<td>opportunity to cure</td>
</tr>
<tr>
<td></td>
<td>- Fraud or willful misconduct of the Developer or of the AGP</td>
</tr>
<tr>
<td></td>
<td>- Bankruptcy, insolvency, or similar circumstances as specified on the part of the Developer or the AGP, or conviction of a criminal offense or violation of the law</td>
</tr>
<tr>
<td></td>
<td>- HACLA Events of Default include:</td>
</tr>
<tr>
<td></td>
<td>- Any failure to perform obligations after notice and an opportunity to cure (not including force majeure delays)</td>
</tr>
<tr>
<td></td>
<td>- Fraud or willful misconduct</td>
</tr>
<tr>
<td></td>
<td>- Where notice and an opportunity to cure is required before an Event of Default will be declared:</td>
</tr>
<tr>
<td></td>
<td>- The defaulting party typically will have 30 days to effectuate a cure</td>
</tr>
<tr>
<td></td>
<td>- If a cure cannot be effectuated in 30 day, the party will begin to effectuate a cure within 30 days and will cure the breach as soon as possible, not to exceed 180 days</td>
</tr>
<tr>
<td></td>
<td>- Pre-Closing breaches must be cured by Closing</td>
</tr>
</tbody>
</table>

## 18. Insurance

- The Developer will carry (and shall cause contractors to carry) insurance in the following types and amounts:
  - Commercial General Liability: $2 million per occurrence
  - Workers Compensation: $1 million per occurrence
  - Automobile Liability: $1 million combined single limit per aggregate
  - Builder's Risk: Replacement value of completed Rental Development

## 19. Indemnities

- The Developer will indemnify HACLA, the City, and their commissioners, directors, officers, employees, agents, instrumentalities, and affiliates for liability arising from acts and omissions of the Developer (unless caused by the gross negligence or willful misconduct of HACLA)
- Indemnity obligations will survive termination of the DDA

## 20. Schedule of Performance

- Within 3 months after completion of NEPA: Authority to
<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
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</tr>
</thead>
<tbody>
<tr>
<td>submit Section 18 application to HUD and Authority and Developer request concept call with HUD for RAD</td>
<td></td>
</tr>
<tr>
<td>• Within 60 days of formal invitation from HUD, Authority submits RAD financing plan to HUD</td>
<td></td>
</tr>
<tr>
<td>• Developer applies to TCAC/CDLAC within 90 days of receipt of the commitments from all leveraging soft sources in the Preliminary Financing Plan, or as the Parties may mutually agree, subject to availability of 4% tax credit allocations and State bond volume cap application cycles</td>
<td></td>
</tr>
<tr>
<td>• Construction closing by later of 180 days after CDLAC and TCAC allocations or 90 days after RAD Conversion Commitment (subject to force majeure)</td>
<td></td>
</tr>
<tr>
<td>• Events to precede construction closing:</td>
<td></td>
</tr>
<tr>
<td>• 6 months before: submission to Authority of 60% construction drawings</td>
<td></td>
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<tr>
<td>• 3 months before: the Authority relocates the residents of the Phase I site</td>
<td></td>
</tr>
<tr>
<td>• 90 days before: RAD Conversion Commitment and Developer obtains Demolition permits; Developer submits Property Management and Re-occupancy plan to Authority for review</td>
<td></td>
</tr>
<tr>
<td>• 90 days before: Developer submits to Authority property management and re-occupancy plan</td>
<td></td>
</tr>
<tr>
<td>• 2 months before: submission to Authority of 90% construction drawings</td>
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<tr>
<td>• 2 months before: Developer submits plan for Resident and Local hiring</td>
<td></td>
</tr>
<tr>
<td>• 90 days before: Authority obtains HUD RAD Conversion Commitment</td>
<td></td>
</tr>
<tr>
<td>• 90 days before: Developer obtains demo permits and approvals</td>
<td></td>
</tr>
<tr>
<td>• 45 days before: Authority completes environmental remediation and demolition</td>
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<tr>
<td>• 30 days before: Developer submits Final Financing Plan due to Authority for review; HACLA to review in two weeks</td>
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</table>
# ROSE HILL COURTS PHASE I – Disposition and Development Agreement

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<td></td>
<td>o 30 days before: Developer submits construction contract, supportive services plan to Authority for review</td>
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<tr>
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<td>o 1 week before; Developer obtains building permit or ready to issue letter</td>
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<tr>
<td></td>
<td>o 5 days before: all entitlements and other entitlements received</td>
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<tr>
<td></td>
<td>• At least 90 days before completion: Developer to submit final Post construction Section 3 plan</td>
</tr>
<tr>
<td></td>
<td>• Construction to take 22 months; lease-up to occur within 6 months after completion, and permanent closing to occur within 9 months thereafter</td>
</tr>
<tr>
<td></td>
<td>• Within 2 months after completion: Developer to submit final Section 3 report</td>
</tr>
</tbody>
</table>

<p>| 21. Miscellaneous Provisions | • Each party will pay its own attorneys' fees in the event of litigation |
|                            | • The DDA cannot be assigned without HACLA's approval |</p>
<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF GROUND LEASE PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Term</td>
<td>• The Lease term is sixty-six (66) years, with three (3) options for HACLA to extend, each for eleven (11) years.</td>
</tr>
</tbody>
</table>
| 2. Use Restrictions   | • Lessee will limit use of the premises to the lease of the Residential Units, to provide low-income rental housing and related services.  
• Lessee will use reasonable efforts to prevent any actions by tenants that would result in a violation of the use restrictions covenants and conditions (including any restrictions in the Tax Credit Regulatory Agreement and RAD Use Agreement).               |
| 3. New Construction   | • The new construction will be conducted in compliance with all applicable Legal Requirements and the Authority Gap Loan Agreement.  
• Lessee shall cause the Improvements to be constructed in substantial compliance with the plans and specifications that have been approved by HACLA                                                                                     |
| 4. Title of the Project| • During Lease term, Lessee will hold fee title to the Improvements and any improvements later added, all of which will revert to HACLA after the term of the Lease.                                                                                                                                             |
| 5. Tax Credits        | • Lessee agrees to operate all Tax Credit Units in accordance with the Tax Credit Regulatory Agreement.                                                                                                                                                                                                                           |
| 6. Rent               | • Lessee will pay HACLA the fair market value of the Leased Premises, as determined by an appraisal commissioned by HACLA.  
HACLA will provide an Authority Acquisition Loan for the value of the Leased Premises secured by the Authority Acquisition Note.                                                                                                                                               |
| 7. Annual Documentation| Lessee agrees to provide the following documentation annually:  
• Operating Budget: By Nov. 1, Lessee must submit to HACLA an Operating Budget. This budget will be subject to the written approval of HACLA, who is authorized to review line items.  
• Annual Statement: Within 120 days after each calendar year, Lessee will give HACLA a statement showing the total Net Cash Flow received during the calendar year, itemizing all revenues and expenditures and specifying Rent to be paid from Net Cash Flow.  
• Annual Audit: Concurrent with delivery of each Annual Statement, Tenant shall also deliver to Landlord the audited financial statements of Tenant, as of the end of the prior year, with the report of Tenant’s accountants thereon stating that the audit of |
such financial statements has been made in accordance with generally accepted audit standards.

<table>
<thead>
<tr>
<th>8. Maintenance</th>
<th>Maintenance is the responsibility of the Lessee.</th>
</tr>
</thead>
</table>
| 9. Indemnification | • Lessee agrees to indemnify HACLA and its employees, commissioners, etc. against claims arising from Lessee’s obligations under the Lease, the construction or the operations of the Rental Development, certain hazardous conditions on the Leased Premises, except to the extent caused by HACLA’s negligence or misconduct, or by an act or omission occurring before the Lease term began. Lessee’s indemnification obligations are not limited by insurance limits.  
  • The indemnification provisions survive the Lease. |
| 10. Management | • The Leased Premises will be managed by a Management Agent approved by HACLA. Each management contract shall provide that HACLA may terminate the contract upon 30 days’ notice of termination of the Lease. |
| 11. Management and Operation of Residential Units | • Subject to HACLA’s countersignature, prior to Closing Lessee will prepare a Property Management and Re-Occupancy Plan, which will set forth the referral process and require Lessee to rent all vacant RAD Units and PBV Units to eligible families referred by HACLA.  
  • Occupancy of Tax Credit Units must comply with requirements of HUD, TCAC, CDLAC, HCD, if applicable, investor, and lenders. HACLA will refer only those tenants who meet those requirements.  
  • HACLA has the right to inspect, monitor and audit the operations of Lessee with respect to the units’ operation and maintenance. |
| 12. Additional Encumbrances | • Lessee has the right to encumber, through a Mortgage or Regulatory Agreement, all of the Lessee’s right, title and interest in the Leased Premises, so long as HACLA’s approval is granted.  
  • Subject to the prior written approval of the Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, the Lessee may refinance the Approved Financing loans.  
  • Lessee has no right or power to bind HACLA or any of HACLA’s interest in the Leased Premises, for any claim for labor or for any other lien incurred in connection with the Improvements. Lessee must keep the Leased Premises clear of all mechanic’s liens. |
| 13. As-Is Conveyance | • Lessee acknowledges that it is leasing the Premises “As-is”. |
| 14. Events of default | Events of default include:  
  • Failure by Lessee to pay any Rents, taxes, insurance premiums, or |
| **15. HACLA’s Rights and Remedies** | • In case of a default by the Lessee, HACLA must provide a 30 day notice of termination. After that period, HACLA may terminate the Lease, and may re-enter and take possession of the Leased Premises and the Improvements.  
• Upon an event of default, HACLA’s rights to collect judgment or enforce Lessee’s obligations is limited to terminating the Lease and enforcing rights granted to HACLA in this Lease (except in case of fraud or misappropriation of funds). HACLA is not entitled to seek any personal judgments against Lessee or its partners. |
| **16. Default by HACLA** | • HACLA will be in default of the Lease if it fails to perform any provision of the Lease it is obligated to perform.  
• HACLA will have 30 days to cure any default.  
• Lessee may seek specific performance of any obligation of HACLA, may cure the default at HACLA’s cost, or may choose to terminate the Lease. HACLA will pay, with interest, any reasonable costs incurred by Lessee for such remedial actions. |
| **17. Section 3, Equal Opportunity, Accessibility, Prevailing Wages** | • Lessee will pay Davis-Bacon wages and comply with all State prevailing wage requirements and applicable provisions of Section 3, Section 504 Accessibility, and equal opportunity requirements. |
## Rose Hill Courts Phase II —Amended and Restated Predevelopment Loan Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF PLA PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parties</td>
<td>• Parties to PLA are HACLA, Rose Hill Courts I Housing Partners, L.P. (the “Borrower”), The Related Companies of California, LLC (&quot;Prior Borrower&quot;)</td>
</tr>
<tr>
<td>2. Authority Funds</td>
<td>• HACLA agrees to lend $2,229,387 to cover predevelopment costs incurred by the Borrower to third-parties not affiliated with the Borrower or Lender and related to Rose Hill Courts Phase II</td>
</tr>
<tr>
<td>3. Predevelopment Costs</td>
<td>• Costs of the Project that need to be incurred prior to Closing and are part of the overall development budget for this Project.</td>
</tr>
<tr>
<td>4. Interest Rate</td>
<td>• Interest Rate: 3% simple interest annually, on all advances made pursuant to the Note, from the date of disbursement until the Maturity Date</td>
</tr>
<tr>
<td>5. Maturity Date</td>
<td>• The earlier of: (a) Closing of the Project’s Construction Loan or (b) December 31, 2021, which may be extended at Lender’s discretion</td>
</tr>
<tr>
<td>6. Repayment</td>
<td>• The Borrower shall repay the outstanding principal and accrued interest according to the terms outlined in the Note.</td>
</tr>
<tr>
<td>7. Disbursements</td>
<td>• Borrower shall submit draw requests to HACLA no more than once a month. HACLA will disburse the proceeds under each properly submitted draw request within twenty (20) calendar days after receipt of the request.</td>
</tr>
<tr>
<td></td>
<td>• HACLA is not obligated to make disbursement if HACLA in its reasonable judgement that conditions necessary to making disbursement are not satisfied</td>
</tr>
<tr>
<td></td>
<td>• HACLA may withhold disbursements if:</td>
</tr>
<tr>
<td></td>
<td>• Contractor’s, mechanic’s lien are recorded or filed against the property</td>
</tr>
<tr>
<td></td>
<td>• Predevelopment Work is not done in accordance with the loan documents</td>
</tr>
<tr>
<td></td>
<td>• Borrower is in default</td>
</tr>
<tr>
<td>8. Performance of Work</td>
<td>• The Predevelopment Work will be conducted by the Borrower in accordance with the DDA, Predevelopment Budget, the Predevelopment Schedule, all applicable permits and approvals, and any title or other restrictions or conditions affecting the Project.</td>
</tr>
<tr>
<td></td>
<td>• Work product, including, reports, drawings, tracings, plans, permits, studies, approvals etc., are assigned to Lender</td>
</tr>
</tbody>
</table>

9. Default

Each of the following constitutes an Event of Default, whereby Borrower can terminate the PLA, declare the Note due and payable, and institute action against Borrower:

- Failure of Borrower to pay the Note
- Failure by Borrower to make any other required payment under the Loan Agreement with 30 days of notice
- Failure by Borrower to perform covenants under the Loan Agreement within 60 days of notice, which may be extended if not reasonable to cure within 60 days
- Borrower abandons or ceases work for 30 days
- Borrower defaults under the Entry Agreement
- If any representation or warranty proves to be false, after 60 days to make such statement accurate
- Borrower or its members/partners declares bankruptcy
- Borrower or its members/partners default under the DDA
- A change in Borrower’s ownership interests without HACLA’s prior approval
- Borrower fails to maintain insurance

10. Release

The Parties agree that Prior Borrower shall be released from all liability for obligations to be performed under the Prior Loan Documents and Prior Borrower shall not be liable for repayment of any principal or interest on the Prior Predevelopment Loan or the Phase I Predevelopment Loan.

---

**Rose Hill Courts Phase I — Second Amended And Restated Non-Negotiable Predevelopment Loan Promissory Note**

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF NOTE PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parties</td>
<td>Rose Hill Courts I Housing Partners, L.P. (the &quot;Maker&quot;) for the benefit of HACLA</td>
</tr>
<tr>
<td>2. Amount, Interest Rate</td>
<td>Amount:</td>
</tr>
</tbody>
</table>
| 3. Prepayment | • Interest Rate: 3% simple annually.  
• The Note may be prepaid in whole or in part at any time, and from time to time without premium or penalty. |
ATTACHMENT 4

SUMMARY OF KEY BUSINESS TERMS – ROSE HILL COURTS PHASE II
# ROSE HILL COURTS PHASE II — Disposition and Development Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF DDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Term</td>
<td>• DDA remains in place until closing on the leasehold interest in the Phase II Site</td>
</tr>
<tr>
<td>2. Parties</td>
<td>• Parties to DDA are HACLA and Rose Hill Courts II Housing Partners, L.P. (the &quot;Developer&quot;)</td>
</tr>
<tr>
<td></td>
<td>• At Closing, Developer will be comprised of:</td>
</tr>
<tr>
<td></td>
<td>o LOMOD RHC LLC as managing general partner (an affiliate of La Cienega LOMOD, Inc.) (the &quot;MGP&quot;)</td>
</tr>
<tr>
<td></td>
<td>o Related/Rose Hill Courts II Development Co., LLC as administrative general partner (an affiliate of The Related Companies of California, LLC) (the &quot;AGP&quot;)</td>
</tr>
<tr>
<td></td>
<td>o The limited partner investor</td>
</tr>
<tr>
<td></td>
<td>• The Related Companies, L.P. is the guarantor</td>
</tr>
<tr>
<td>3. Development</td>
<td>• Developer will construct the Improvements to provide 96 LIHTC assisted rental units</td>
</tr>
<tr>
<td></td>
<td>• The Phase II site includes a new 6,000 square foot leasing office, community building</td>
</tr>
<tr>
<td></td>
<td>• The Los Angeles City Planning Commission issued a Notice of Determination for the entitlements for the Development on 01/13/2020.</td>
</tr>
<tr>
<td>4. Environmental Review</td>
<td>• Developer will comply with NEPA prior to commencing the Development or any improvements on the Phase II site</td>
</tr>
<tr>
<td></td>
<td>• The Board approved the Final Environmental Impact Report for the Development at its 11/26/2019 meeting.</td>
</tr>
<tr>
<td>5. Phase II Site</td>
<td>• HACLA owns the existing project site in fee. The existing site includes 20 public housing units and an Administrative Building in Phase I and 80 public housing units in Phase II.</td>
</tr>
<tr>
<td>6. HACLA Disposition of Land and Development</td>
<td>• HACLA with the assistance of the Developer is responsible for obtaining a Section 18 demolition/disposition approval from HUD</td>
</tr>
<tr>
<td></td>
<td>• Lessee will pay HACLA the fair market value of the Phase II site, as determined by an appraisal commissioned by HACLA. HACLA will provide an Acquisition Loan for the value of the Leased Premises secured by the Authority Acquisition Note.</td>
</tr>
<tr>
<td>BUSINESS TERM</td>
<td>SUMMARY OF DDA</td>
</tr>
<tr>
<td>--------------</td>
<td>---------------</td>
</tr>
</tbody>
</table>
| **1. Mutual Conditions Precedent to Closing** | Closing will only occur after:  
- Developer has completed site investigations  
- The Ground Lease and the Memorandum of Ground Lease have been executed  
- Additional agreements have been executed, including conventional loan document, purchase option/ROFR, HAP contracts, management agreement and management plan, Section 18 approvals, RAD approvals, ground lease  
- The Partnership Agreement has been executed with the investor  
- Receipt of tax credits and tax exempt bond allocation  
- HUD has approved the RAD Conversion and Section 18 demolition/disposition  
- Funding commitments from other funding sources have been obtained  
- Final Financing Plan has been approved  
- Investors and lenders are prepare to fund their loan and equity commitments |
| **2. HACLA's Conditions to Closing** |  
- No defaults  
- Construction plans, budget, schedule, and contract have been prepared  
- Construction bonds have been delivered into escrow  
- Accessibility design compliance report has been completed  
- HACLA has approved financing documents  
- Developer has executed the Acquisition and Gap loan documents  
- Completion guaranties have been provided  
- The Acquisition and Gap Loan Documents (discussed below) have been executed  
- Permits and approvals for the Development have been issued or are ready to issue  
- HACLA has approved the management plan and property management agreement |
### ROSE HILL COURTS PHASE II – Disposition and Development Agreement

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</thead>
</table>
| 3. Developer’s Conditions to Closing | • No litigation materially affecting project/property  
• No defaults  
• No material adverse change to the condition of the Site  
• HACLA has relocated the residents and has completed demolition and remediation in accordance with the Demolition and Remediation Specifications  
• HACLA has approved construction and financing documents  
• HACLA has executed and delivered the Ground Lease  
• RAD and PBV HAP contracts have been executed  
• A title company has committed to issuing an ALTA extended coverage policy of title insurance  
• Authority shall have delivered Notice to Proceed  
• Required governmental approvals have been received |
| 4. Ground Lease Terms | • Term: 66 years with three (3) options for HACLA to extend, each for eleven (11) years. |
| 5. Purchase Option and Right of First Refusal | • For thirty-six (36) months starting at end of 15 year tax credit compliance period, HACLA and the AGP will have an option (the "Purchase Option") to acquire the Development  
• Purchase Option price greater of (i) fair market value of the Development or the investor’s partnership interest and (b) the debt encumbering the Development, plus the tax liability of the investor resulting from the sale  
• After expiration of the option term, HACLA or the MGP will have a right of first refusal ("ROFR") for one year  
• Under the ROFR, HACLA would have the choice to acquire the property if the Developer receives a Bona Fide Offer which the Developer is prepared to accept in accordance with the Partnership Agreement |
| 6. Preliminary Financing Plan | • Exhibit B to DDA  
• Includes initial development budget, sources and uses for construction, 20 year cash flow projections, and initial rent schedule, initial operating budget  
• Amendments and the Final Financing Plan require HACLA approval |
| 7. Predevelopment Funding | • HACLA and the Related have previously entered into a |
### ROSE HILL COURTS PHASE II – Disposition and Development Agreement

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<tr>
<td></td>
<td>Predevelopment Loan pursuant to which the HACLA agreed to lend Related up to $2,013,773.00 to fund seventy-five percent (75%) of Third-Party Costs incurred by the Developer prior to the execution of this Agreement. HACLA will amend the Predevelopment Loan Agreement to (i) fund one hundred percent (100%) of the Third-Party Costs in the predevelopment budget for Phase I and Phase II, (ii) to increase the Predevelopment Loan, and (iii) bifurcate the Predevelopment Loan between Phase I and Phase II pursuant to separate Predevelopment Loan documents for each phase. The portion of the Predevelopment Loan attributable to each Phase will be repaid at Closing unless converted into a portion of the Gap Loan at Closing.</td>
</tr>
</tbody>
</table>

8. Development Funding Sources
- RAD and PBV HAP contracts to provide operational revenue to allow deferred developer fees, Acquisition Loan, HACLA gap loan and other soft loans to be repaid from net cash flow
- HACLA to issue tax exempt bonds
- 4% LIHTC tax credit equity to be provided
- Conventional construction and permanent loans anticipated
- HACLA will make the Acquisition and Gap Loans (described below)

9. Acquisition and Gap Loans
- The Acquisition Loan will be a seller carry-back loan in the amount of the Fair Market Value of the leased premises.
- In addition, HACLA will provide a Gap Loan of $2.5 million for Phase II
- Both are non-recourse loans secured by a deeds of trust to the Development and the Developer's leasehold interest in the land
- Subordinate to other financing
- Maturity: 55 years
- Interest: 3% simple
- Paid from cash flow in priority indicated below

10. HAP Contracts
- HACLA is committing Project Based Vouchers for 77 units for Phase I and 96 units for Phase II
## ROSE HILL COURTS PHASE II – Disposition and Development Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF DDA</th>
</tr>
</thead>
</table>
| **11. No Subordination of HACLA Interest; Post-Foreclosure Rental Restrictions** | • HACLA will not subordinate its fee interest in the land to any financing for the Development Site, other than any restrictive covenant associated with the HCD Infill Infrastructure Grant if required by HCD  
• Notwithstanding any other subordination that may be allowed, following any foreclosure on financing the property will still be subject to a RAD Use Agreement and a Post-Foreclosure Rent Restriction  
• The Post-Foreclosure Rent Restriction will restrict gross rents based upon 30% of 80% of AMI |
| **12. Construction** | • Development of the project will be subject to applicable laws, including nondiscrimination, accessible design requirements, and prevailing wage obligations  
• The Developer shall require the contractor to provide payment and performance bonds for 100% of the cost of the work  
• HACLA to approve construction plans and contract |
| **13. Guaranties** | • Guaranties to be provided by The Related Companies, L.P.  
• Guaranties will be limited to up to 25% of construction loan repayment, to be reflected in any project loan solicitations |
| **14. Cash Flow** | • A commercially reasonable investor partner management fee  
• MGP partner management fee: $5,000  
• AGP partner management fee: $10,000  
• Deferred developer fee (85% to AGP, 15% to MGP) + 0.5% annually, until paid in full  
• HACLA then receives a priority payment of $312,500 for Phase I and $187,500 for Phase II, until paid in full  
• 50% of remainder to ratably repay the Acquisition Loan, the Gap Loan and other residual receipt loans  
• 50% of the remainder to repay the Partnership  
• Of Partnership share not paid to investor limited partner: 75% to AGP, 25% to MGP  
• the proceeds of any Capital Transaction payable to the
### ROSE HILL COURTS PHASE II — Disposition and Development Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF DDA</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>general partners of Developer shall be payable fifty percent (50%) to AGP and</td>
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<tr>
<td></td>
<td>fifty percent (50%) to MGP, provided all Project Loans have been fully paid.</td>
</tr>
<tr>
<td>15. Operation and Management</td>
<td>• The property manager will require HACLA's prior written approval</td>
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<td></td>
<td>• Initial property manager approved to be Related Management Company, LP</td>
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<tr>
<td></td>
<td>• HACLA may require removal of property manager, subject to notice and cure</td>
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<td></td>
<td>rights</td>
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<td></td>
<td>• Beginning 5 years after permanent loan conversion, HACLA or an affiliate</td>
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<td>may manage the property with approval from the investor limited partner</td>
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<td>and The Related Companies of California, LLC</td>
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<td>• The management fee will be capped at the lesser of 6% of gross revenues,</td>
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<td>or the per unit management fee under the Section 8 program</td>
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<td>• The Developer will be subject to ongoing nondiscrimination requirements,</td>
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<td>and will be required to maintain the property in a neat and orderly</td>
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<td>condition on an ongoing basis</td>
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<tr>
<td>16. Affordability Restrictions</td>
<td>• Affordability will be restricted on an ongoing basis by the</td>
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<td>most restrictive of the obligations imposed by HUD (for HAP contracts),</td>
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<td>CDLAC (for tax exempt bonds), or TCAC (for tax credit financing)</td>
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<tr>
<td>17. Default</td>
<td>• A default may result in termination in the DDA and other remedies available</td>
</tr>
<tr>
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<td>at law or in equity</td>
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<tr>
<td></td>
<td>• Developer Events of Default include:</td>
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<td>o Lack of diligence in complying substantially with the Schedule of</td>
</tr>
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<td>Performance (not including force majeure delays)</td>
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<td>o Material breach of DDA following notice and an opportunity to cure</td>
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<td>o Fraud or willful misconduct of the Developer or of the AGP</td>
</tr>
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<td>o Bankruptcy, insolvency, or similar circumstances as specified on the</td>
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<td>part of the Developer or the AGP, or</td>
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</table>
### ROSE HILL COURTS PHASE II — Disposition and Development Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
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<tbody>
<tr>
<td></td>
<td>conviction of a criminal offense or violation of the law</td>
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<td>• HACLA Events of Default include:</td>
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<td>○ Any failure to perform obligations after notice and an opportunity to cure (not including force majeure delays)</td>
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<td></td>
<td>○ Fraud or willful misconduct</td>
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<td></td>
<td>• Where notice and an opportunity to cure is required before an Event of Default will be declared:</td>
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<tr>
<td></td>
<td>○ The defaulting party typically will have 30 days to effectuate a cure</td>
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<td>○ If a cure cannot be effectuated in 30 day, the party will begin to effectuate a cure within 30 days and will cure the breach as soon as possible, not to exceed 180 days</td>
</tr>
<tr>
<td></td>
<td>○ Pre-Closing breaches must be cured by Closing</td>
</tr>
</tbody>
</table>

#### 18. Insurance

- The Developer will carry (and shall cause contractors to carry) insurance in the following types and amounts:
  - Commercial General Liability: $2 million per occurrence
  - Workers Compensation: $1 million per occurrence
  - Automobile Liability: $1 million combined single limit per aggregate
  - Builder's Risk: Replacement value of completed Rental Development

#### 19. Indemnities

- The Developer will indemnify HACLA, the City, and their commissioners, directors, officers, employees, agents, instrumentalities, and affiliates for liability arising from acts and omissions of the Developer (unless caused by the gross negligence or willful misconduct of HACLA)
- Indemnity obligations will survive termination of the DDA

#### 20. Schedule of Performance

- Within 3 months after completion of NEPA: Authority to submit Section 18 application to HUD and Authority and Developer request concept call with HUD for RAD
- Within 60 days of formal invitation from HUD, Authority submits RAD financing plan to HUD
- Developer applies to TCAC/CDLAC within 90 days of
<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF DDA</th>
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<tr>
<td></td>
<td>receipt of the commitments from all leveraging soft sources in the Preliminary Financing Plan, or as the Parties may mutually agree, subject to availability of 4% tax credit allocations and State bond volume cap application cycles</td>
</tr>
<tr>
<td></td>
<td>• Construction closing by later of 180 days after CDLAC and TCAC allocations or 90 days after RAD Conversion Commitment (subject to force majeure)</td>
</tr>
<tr>
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<td>• Events to precede construction closing:</td>
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<td>o 6 months before: submission to Authority of 60% construction drawings</td>
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<td>o 3 months before: the Authority relocates the residents of the Phase I site</td>
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<td>o 90 days before: RAD Conversion Commitment and Developer obtains Demolition permits; Developer submits Property Management and Re-occupancy plan to Authority for review</td>
</tr>
<tr>
<td></td>
<td>o 90 days before: Developer submits to Authority property management and re-occupancy plan</td>
</tr>
<tr>
<td></td>
<td>o 2 months before: submission to Authority of 90% construction drawings</td>
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<tr>
<td></td>
<td>o 2 months before: Developer submits plan for Resident and Local hiring</td>
</tr>
<tr>
<td></td>
<td>o 90 days before: Authority obtains HUD RAD Conversion Commitment</td>
</tr>
<tr>
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<td>o 90 days before: Developer obtains demo permits and approvals</td>
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<tr>
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<td>o 45 days before: Authority completes environmental remediation and demolition</td>
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<td>o 30 days before: Developer submits Final Financing Plan due to Authority for review; HACLA to review in two weeks</td>
</tr>
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<td>o 30 days before: Developer submits construction contract, supportive services plan to Authority for review</td>
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<td>o 1 week before; Developer obtains building permit or ready to issue letter</td>
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<tr>
<td>BUSINESS TERM</td>
<td>SUMMARY OF DDA</td>
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</tbody>
</table>
| 5 days before: all entitlements and other entitlements received | • At least 90 days before completion: Developer to submit final Section 3 plan  
• Construction to take 22 months; lease-up to occur within 6 months after completion, and permanent closing to occur within 9 months thereafter  
• Within 2 months after completion: Developer to submit final Section 3 report |

| 21. Miscellaneous Provisions | • Each party will pay its own attorneys' fees in the event of litigation  
• The DDA cannot be assigned without HACLA's approval |
# ROSE HILL COURTS PHASE II - GROUND LEASE

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF GROUND LEASE PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Term</strong></td>
<td>• The Lease term is sixty-six (66) years, with three (3) options for HACLA to extend, each for eleven (11) years.</td>
</tr>
</tbody>
</table>
| **2. Use Restrictions** | • Lessee will limit use of the premises to the lease of the Residential Units, to provide low-income rental housing and related services.  
                                 • Lessee will use reasonable efforts to prevent any actions by tenants that would result in a violation of the use restrictions covenants and conditions (including any restrictions in the Tax Credit Regulatory Agreement and RAD Use Agreement). |
| **3. New Construction** | • The new construction will be conducted in compliance with all applicable Legal Requirements and the Authority Gap Loan Agreement.  
                                 • Lessee shall cause the Improvements to be constructed in substantial compliance with the plans and specifications that have been approved by HACLA |
| **4. Title of the Project** | • During Lease term, Lessee will hold fee title to the Improvements and any improvements later added, all of which will revert to HACLA after the term of the Lease. |
| **5. Tax Credits**   | • Lessee agrees to operate all Tax Credit Units in accordance with the Tax Credit Regulatory Agreement. |
| **6. Rent**          | • Lessee will pay HACLA the fair market value of the Leased Premises, as determined by an appraisal commissioned by HACLA. HACLA will provide an Authority Acquisition Loan for the value of the Leased Premises secured by the Authority Acquisition Note. |
| **7. Annual Documentation** | Lessee agrees to provide the following documentation annually:  
                                 • **Operating Budget**: By Nov. 1, Lessee must submit to HACLA an Operating Budget. This budget will be subject to the written approval of HACLA, who is authorized to review line items.  
                                 • **Annual Statement**: Within 120 days after each calendar year, Lessee will give HACLA a statement showing the total Net Cash Flow received during the calendar year, itemizing all revenues and expenditures and specifying Rent to be paid from Net Cash Flow.  
                                 • **Annual Audit**: Concurrent with delivery of each Annual Statement, Tenant shall also deliver to Landlord the audited financial statements of Tenant, as of the end of the prior year, with the report of Tenant’s accountants thereon stating that the audit of
<table>
<thead>
<tr>
<th>8. Maintenance</th>
<th>• Maintenance is the responsibility of the Lessee.</th>
</tr>
</thead>
</table>
| 9. Indemnification | • Lessee agrees to indemnify HACLA and its employees, commissioners, etc. against claims arising from Lessee’s obligations under the Lease, the construction or the operations of the Rental Development, certain hazardous conditions on the Leased Premises, except to the extent caused by HACLA’s negligence or misconduct, or by an act or omission occurring before the Lease term began. Lessee’s indemnification obligations are not limited by insurance limits.  
• The indemnification provisions survive the Lease. |
| 10. Management | • The Leased Premises will be managed by a Management Agent approved by HACLA. Each management contract shall provide that HACLA may terminate the contract upon 30 days’ notice of termination of the Lease. |
| 11. Management and Operation of Residential Units | • Subject to HACLA’s countersignature, prior to Closing Lessee will prepare a Property Management and Re-Occupancy Plan, which will set forth the referral process and require Lessee to rent all vacant RAD Units and PBV Units to eligible families referred by HACLA.  
• Occupancy of Tax Credit Units must comply with requirements of HUD, TCAC, CDLAC, HCD, if applicable, Investor, and lenders. HACLA will refer only those tenants who meet those requirements.  
• HACLA has the right to inspect, monitor and audit the operations of Lessee with respect to the units’ operation and maintenance. |
| 12. Additional Encumbrances | • Lessee has the right to encumber, through a Mortgage or Regulatory Agreement, all of the Lessee’s right, title and interest in the Leased Premises, so long as HACLA’s approval is granted.  
• Subject to the prior written approval of the Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, the Lessee may refinance the Approved Financing loans.  
• Lessee has no right or power to bind HACLA or any of HACLA’s interest in the Leased Premises, for any claim for labor or for any other lien incurred in connection with the Improvements. Lessee must keep the Leased Premises clear of all mechanic’s liens. |
| 13. As-Is Conveyance | • Lessee acknowledges that it is leasing the Premises “As-Is”. |
| 14. Events of default | Events of default include:  
• Failure by Lessee to pay any Rents, taxes, insurance premiums, or
other sums of money required under the Lease, if the failure continues after a 60-day cure period.

- Failure by Lessee to perform or observe any of the provisions in the Lease, if such failure continues 90 days after HACLA sends Lessee written notice.
- Lessee’s failure to timely cure any declaration of default by a Mortgagee, Applicable CC&Rs and Easements or any breach of any Approved Financing Document.
- The filing by or against Lessee of bankruptcy, if not vacated or stayed within 90 days; a general assignment by Lessee for the benefit of creditors; or Lessee’s written admittance of insolvency, as well as certain other bankruptcy defaults.
- Violation of the RAD Use Agreement if such failure continues 60 days after HACLA sends Lessee written notice thereof.

15. HACLA’s Rights and Remedies

- In case of a default by the Lessee, HACLA must provide a 30 day notice of termination. After that period, HACLA may terminate the Lease, and may re-enter and take possession of the Leased Premises and the Improvements.
- Upon an event of default, HACLA’s rights to collect judgment or enforce Lessee’s obligations is limited to terminating the Lease and enforcing rights granted to HACLA in this Lease (except in case of fraud or misappropriation of funds). HACLA is not entitled to seek any personal judgments against Lessee or its partners.

16. Default by HACLA

- HACLA will be in default of the Lease if it fails to perform any provision of the Lease it is obligated to perform.
- HACLA will have 30 days to cure any default.
- Lessee may seek specific performance of any obligation of HACLA, may cure the default at HACLA’s cost, or may choose to terminate the Lease. HACLA will pay, with interest, any reasonable costs incurred by Lessee for such remedial actions.

17. Section 3, Equal Opportunity, Accessibility, Prevailing Wages

- Lessee will pay Davis-Bacon wages and comply with all State prevailing wage requirements and applicable provisions of Section 3, Section 504 Accessibility, and equal opportunity requirements.
# Rose Hill Courts Phase II — Predevelopment Loan Agreement

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF PLA PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parties</td>
<td>• Parties to PLA are HACLA and Rose Hill Courts II Housing Partners, L.P. (the &quot;Borrower&quot;)</td>
</tr>
<tr>
<td>2. Authority Funds</td>
<td>• HACLA agrees to lend $2,201,871 to cover predevelopment costs incurred by the Borrower to third-parties not affiliated with the Borrower or Lender and related to Rose Hill Courts Phase II</td>
</tr>
<tr>
<td>3. Predevelopment Costs</td>
<td>• Costs of the Project that need to be incurred prior to Cosing and are part of the overall development budget for this Project.</td>
</tr>
<tr>
<td>4. Interest Rate</td>
<td>• Interest Rate: 3% annually, on all advances made pursuant to the Note, from the date of disbursement until the Maturity Date</td>
</tr>
<tr>
<td>5. Maturity Date</td>
<td>• The earlier of: (a) Closing of the Project’s Construction Loan or (b) an outside date to be set based an anticipated closing, which may be extended at Lender’s discretion</td>
</tr>
<tr>
<td>6. Repayment</td>
<td>• The Borrower shall repay the outstanding principal and accrued interest according to the terms outlined in the Note.</td>
</tr>
<tr>
<td>7. Disbursements</td>
<td>• Borrower shall submit draw requests to HACLA no more than once a month. HACLA will disburse the proceeds under each properly submitted draw request within thirty (30) calendar days after receipt of the request.</td>
</tr>
<tr>
<td></td>
<td>• HACLA is not obligated to make disbursement if HACLA in its reasonable judgement that conditions necessary to making disbursement are not satisfied</td>
</tr>
<tr>
<td></td>
<td>• HACLA may withhold disbursements if:</td>
</tr>
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<td>• Contractor’s, mechanic’s lien are recorded or filed against the property</td>
</tr>
<tr>
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<td>• Predevelopment Work is not done in accordance with the loan documents</td>
</tr>
<tr>
<td></td>
<td>• Borrower is in default</td>
</tr>
<tr>
<td>8. Performance of Work</td>
<td>• The Predevelopment Work will be conducted by the Borrower in accordance with the DDA, Predevelopment Budget, the Predevelopment Schedule, all applicable permits and approvals, and any title or other restrictions or conditions affecting the Project.</td>
</tr>
<tr>
<td></td>
<td>• Work product, including, reports, drawings, tracings, plans, permits, studies, approvals etc., are assigned to Lender</td>
</tr>
</tbody>
</table>
9. Default

Each of the following constitutes an Event of Default, whereby Borrower can terminate the PLA, declare the Note due and payable, and institute action against Borrower:

- Failure of Borrower to pay the Note
- Failure by Borrower to make any other required payment under the Loan Agreement with 30 days of notice
- Failure by Borrower to perform covenants under the Loan Agreement within 60 days of notice, which may be extended if not reasonable to cure within 60 days
- Borrower abandons or ceases work for 30 days
- Borrower defaults under the Entry Agreement
- If any representation or warranty proves to be false, after 60 days to make such statement accurate
- Borrower or its members/partners declares bankruptcy
- Borrower or its members/partners default under the DDA
- A change in Borrower’s ownership interests without HACLA’s prior approval
- Borrower fails to maintain insurance

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### Rose Hill Courts Phase II — Promissory Note

<table>
<thead>
<tr>
<th>BUSINESS TERM</th>
<th>SUMMARY OF NOTE PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parties</td>
<td>Rose Hill Courts II Housing Partners, L.P. (the &quot;Maker&quot;) for the benefit of HACLA</td>
</tr>
<tr>
<td>2. Amount, Interest Rate</td>
<td>Amount: $2,201,871</td>
</tr>
<tr>
<td></td>
<td>Interest Rate: 3% simple interest annually.</td>
</tr>
<tr>
<td>3. Prepayment</td>
<td>The Note may be prepaid in whole or in part at any time, and from time to time without premium or penalty.</td>
</tr>
</tbody>
</table>
ATTACHMENT 5

DRAFT EVIDENTIARY DOCUMENTS
DISPOSITION AND DEVELOPMENT AGREEMENT

for

ROSE HILL COURTS PHASE I

between the

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES,
a public body, corporate and politic

and

ROSE HILL COURTS I HOUSING PARTNERS, L.P.,
a California limited partnership
DISPOSITION AND DEVELOPMENT AGREEMENT
FOR ROSE HILL COURTS – PHASE I

This Disposition and Development Agreement for Rose Hill Courts Phase I (this "Agreement") is entered into as of the _____ day of _________, 2020, between the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic (the "Authority") and ROSE HILL COURTS I HOUSING PARTNERS, L.P., a California limited partnership (the "Developer"). The Authority and the Developer are referred to herein, collectively, as the "Parties".

RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in Section 1.1 of this Agreement. The Parties intend to refer to those definitions in connection with their use in these Recitals.

B. The Authority is the owner of that certain one hundred (100) unit public housing apartment Development located at 4466 E. Florizel Street, Los Angeles, California known as Rose Hill Courts more particularly described at Exhibit A-1 hereto ("Rose Hill Courts").

C. On September 2, 2014, the Authority issued Request for Qualifications No. 7600 ("RFQ") to solicit a qualified developer of affordable housing to evaluate the viability of redeveloping Rose Hill Courts by either rehabilitating the existing buildings ("Rehabilitation Option") or demolishing the existing units and building new housing ("New Construction Option") and if viable, to undertake associated planning, entitlements, community outreach, funding, and other related development activities.

D. The Related Companies of California, LLC ("Related") was the number one respondent and was selected as the initial awardee, which selection was approved by the Authority's Board of Commissioners ("Authority Board") on November 20, 2014.

E. The Authority and Related executed an Offer for the Exclusive Right to Negotiate a Memorandum of Understanding dated as of December 30, 2014 ("MOU ERN"), which gave the Parties ninety (90) days to negotiate a Memorandum of Understanding ("MOU") to govern their respective roles and responsibilities for the assessment of the redevelopment options for Rose Hill Courts.

F. Pursuant to the resulting MOU dated as of April 1, 2015, the Parties analyzed and evaluated the rehabilitation and new construction options for Rose Hill Courts.

G. By Resolution No. 9237, the Authority Board authorized the execution of a Disposition and Development Agreement Exclusive Right to Negotiate on October 29, 2015 ("Original DDA ERN") and determined to change course and pursue the New Construction Option.

H. The Parties entered into the Amended and Restated DDA ERN on February 25, 2016 ("Amended and Restated DDA ERN") to amend the Original DDA ERN to continue planning the development of Rose Hill Courts as set forth herein and to undertake any environmental analysis necessary under the California Environmental Quality Act ("CEQA") for the purpose of considering the execution of a Disposition and Development Agreement ("DDA") for each development phase of Rose Hill Courts.
I. Pursuant to Section 1.3 of the Amended and Restated DDA ERN, the term of the ERN Period commenced as of February 25, 2016, and continued until December 31, 2016 ("Initial ERN Period").

J. Pursuant to that certain First Amendment to the Amended and Restated DDA ERN dated January 1, 2017, the Parties agreed to extend the Initial ERN Period through March 31, 2017.

K. Pursuant to that certain Second Amendment to the Amended and Restated DDA ERN dated April 1, 2017, the Parties agreed to extend the Initial ERN Period through June 30, 2017.

L. Pursuant to the Third Amendment to the Amended and Restated DDA ERN dated July 1, 2017, the Parties agreed to extend the Initial ERN Period through September 30, 2017.

M. On September 30, 2017, the Authority and Related entered into that certain Second Amended and Restated Exclusive Right to Negotiate a Disposition and Development Agreement for the Rose Hill Courts Development ("Second Amended and Restated DDA ERN") to advance the New Construction Option, entitle Rose Hill Courts for new construction, and incorporate additional roles and responsibilities of both Parties.

N. The Second Amended and Restated DDA ERN was extended to (i) September 30, 2019 by a letter from the Authority dated May 23, 2019, (ii) December 31, 2019 by a letter from the Authority dated September 25, 2019, and (iii) March 31, 2020 by a letter from the Authority dated December 18, 2019.

O. The Authority and Related have determined to (i) redevelop Rose Hill Courts in two (2) phases, including "Phase I" which will include eighty-nine (89) Units and "Phase II" which will include ninety-six (96) units, as described in further detail in this Agreement and (ii) jointly develop and own each phase with an affiliate of Related serving as the administrative general partner and an affiliate of the La Cienega LOMOD, a California nonprofit public benefit corporation and affiliate of the Authority ("LOMOD"), serving as the managing general partner.

P. The Authority and the Developer desire to enter into this Agreement to set forth their respective rights and obligations with respect to the Phase I Site, as further defined herein.

Q. The Authority finds the Development is in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and consistent with the public purposes and provisions of the applicable federal, state and local laws and requirements.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions herein contained, the Authority and the Developer agree as follows:

ARTICLE 1.
DEFINITIONS

Section 1.1 Definitions. This Article I contains definitions for certain capitalized terms used herein. Certain other capitalized terms are defined where they first appear in the text of this Agreement.
(a) "Act" means the United States Housing Act of 1937 (42 U.S.C. § 1437, et seq.), as amended from time to time, any successor legislation, and all implementing regulations issued thereunder or in furtherance thereof.

(b) "Acquisition Loan" means a nonrecourse loan made by the Authority to the Developer for the acquisition of the Phase I Site in the amount set forth in the approved Financing Plan. The Acquisition Loan will be evidenced and secured by the Acquisition Loan Documents.

(c) "Acquisition Loan Documents" means, collectively, the documents evidencing and securing the Acquisition Loan and executed by the Developer at Closing, including: (i) a nonrecourse promissory note, (ii) a deed of trust which shall be subordinated to the liens of any deeds of trust in favor of institutional lenders of Project Loans and any deeds of trust in favor of HCD, if required in accordance with HCD requirements, and (iii) other ancillary and customary loan documents.

(d) "Administrative General Partner" means Related/Rose Hill Courts I Development Co., LLC, a California limited liability company, the administrative general partner of the Developer.

(e) "Affiliate" means, with respect to the Developer, (1) any entity which has the power to direct Developer's management and operation, or any entity whose management and operation is controlled by Developer; or (2) any entity in which an entity described in (1) has a controlling interest; or (3) any entity a majority of whose voting equity is owned by Developer, or for which Developer serves as the managing member or general partner; or (4) any entity in which, or with which, Developer, its successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation, so long as the liabilities of the entities participating in such merger or consolidation are assumed by the entity surviving such merger or created by such consolidation. "Affiliate" means, with respect to the Authority, an entity a majority of whose directors are appointed by members of the Authority Board or that serve ex officio on behalf of the Authority or that is considered an instrumentality of the Authority under state and local laws, as well as pursuant to regulations and guidance issued by HUD. The Parties acknowledge and agree that the Managing General Partner is an Affiliate of the Authority.

(f) "Agreement" means this Agreement (including all Exhibits attached hereto and made a part hereof).

(g) "AHSC Program" has the meaning set forth in Section 4.2(e).

(h) "Authority" means the Housing Authority of the City of Los Angeles, a public body, corporate and politic, including any successor in interest or assigns, by act of the Authority, or by operation of law, or otherwise.

(i) "Authority Board" means the Board of Commissioners of the Authority.

(j) "California State Housing Tax Credits" means the credits available under Section 23610.5 of the California Revenue and Taxation Code.

(k) "Capital Transaction" means any transaction out of the ordinary course of the Developer's business which is capital in nature, including without limitation, the disposition,
whether by sale, casualty or condemnation of the Development, proceeds received under the a
title policy pursuant a title insurance claim, refinancing or similar event of any part or all of the
Development.

(l) "Capitalized Lease Payment" has the meaning set forth in Section 2.12(a).

(m) "CDLAC" means the California Debt Limit Allocation Committee.

(n) "City" means the City of Los Angeles, California.

(o) "Closing" means the date on which the leasehold interest in the Phase I Site is
conveyed to the Developer.

(p) "Closing Documents" has the meaning provided in Section 3.1(a)(5).

(q) "Code" means the United States Internal Revenue Code of 1986, as amended.

(r) "Completion Guaranty" means the completion guaranty to be executed by the
Guarantor in favor of the Authority at Closing, substantially in the form attached hereto as
Exhibit F.

(s) "Construction Documents" means, collectively, all design and construction
documentation upon which the Developer and the Contractor shall rely in building all the
improvements on the Phase I Site (including the buildings, landscaping, parking, park, and
common areas), and shall include, but not necessarily be limited to, (i) final architectural
drawings, (ii) landscaping plans and specifications, (iii) final elevations, (iv) building Plans and
Specifications (also known as "working drawings"), (v) the construction contract(s) and the
general, special, and supplemental conditions to such contract(s); (vi) the purchase orders for
materials and equipment, (vii) site surveys and any tests, examinations or documents prepared
from time to time in connection with the Development, and (viii) all material written or graphic
interpretations, clarifications, amendments, shop drawings and changes of any of the foregoing.

(t) "Contractor" means any person or entity who or which performs a portion of the
construction of the Development or supplies labor, materials, or equipment for use in connection
with the construction of the Development. The Parties have agreed that Portrait Construction,
Inc will be retained for predevelopment cost estimation.

(u) "Demolition and Remediation Specifications" mean the plans and
specifications for the demolition of improvements, site clearance, and any required
environmental remediation of the Phase I Site, which plans and specifications shall be agreed to
in writing by both Parties.

(v) "Deferred Developer Fee" means the portion of the Developer Fee to be paid
from Net Cash Flow.

(w) "Developer" means Rose Hill Courts I Housing Partners, L.P., a California limited
partnership having as of Closing (i) the Managing General Partner, as its managing general
partner, (ii) the Administrative General Partner, as its administrative general partner, and (iii) the
Investor, as its initial limited partner.

(x) "Developer Fee" has the meaning provided in Section 4.3(e).
(y) "Development" means the activities required to carry out the New Construction Option for the Phase I Site in accordance with the Phase I Development Plan and Financing Plan.

(z) "Development Budget" means the budget of Total Development Costs included in the Financing Plan attached hereto as Exhibit B, as may be amended by mutual agreement of the Parties from time to time.

(aa) "Development Contingencies" has the meaning provided in Section 3.1(a)

(bb) "Event of Default" has the meaning provided in Section 10.1 with respect to Developer and the meaning provided in Section 10.2 with respect to Authority.

(cc) "Financing Documents" has the meaning provided in Section 3.2(a)(5).

(dd) "Financing Plan" means the plan for financing the Development Budget including the Development Budget and sources and uses analysis, as further detailed in Section 4.1 and attached hereto as Exhibit B, as may be amended by mutual agreement of the Parties from time to time and in all events as amended at or prior to Closing, which plan shall reflect a 1.20 debt service coverage ratio for the permanent Project Loans with mandatory debt service.

(ee) "Funding Programs" has the meaning provided in Section 4.2(e).

(ff) "Gap Loan" means a loan made by the Authority (or its affiliate) to Developer in accordance with the terms and conditions described in Section 4.2 of this Agreement and loan documents to be mutually negotiated by the Parties.

(gg) "Gap Loan Documents" means, collectively, the documents evidencing and securing the Gap Loan and executed by the Developer at Closing, including: (i) a loan agreement, (ii) a non-recourse promissory note, (iii) a deed of trust which shall be subordinated to the liens of any deeds of trust in favor of institutional lenders of Project Loans and any deeds of trust in favor of HCD, if required in accordance with HCD requirements and (iv) other ancillary and customary loan documents.

(hh) "Ground Lease" has the meaning provided in Section 2.12.

(ii) "Guarantor" means The Related Companies, L.P., a New York limited partnership.

(jj) "Hazardous Materials" means: (i) any "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14)) or Section 25281(d) or 25316 of the California Health and Safety Code at such time; (ii) any "hazardous waste," "infectious waste," or "hazardous material," as defined in Section 25117, 25117.5 or 25501(j) of the California Health and Safety Code at such time; (iii) any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. Section 6901 et seq.), CERCLA Federal Water Pollution Control Act (33 U.S.C. Section 1521 et seq.), Safe Drinking Water Act (42 U.S.C. Section 3000(f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clear Air Act (42 U.S.C. Section 7401 et seq.), California Health and Safety Code (Section 25100 et seq., Section 3900 et seq.), or California Water Code.
(Section 1300 et seq.) at such time; and (iv) any additional wastes, substances or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Development. The term "Hazardous Materials" shall not include: construction materials, gardening materials, household products, office supply products or janitorial supply products customarily used in the construction, maintenance, rehabilitation, or management of commercial property, or commonly used or sold by hardware, home improvement stores, pharmacies or medical clinics and which are used and stored in accordance with all applicable environmental, ordinances and regulations.

(kk) "Hazardous Materials Laws" means all federal, state, and local laws, ordinances, regulations, orders, and directives pertaining to Hazardous Materials in, on or under the Development or any portion thereof.

(ll) "HCD" means the California Department of Housing and Community Development.

(mm) "HUD" means the U.S. Department of Housing and Urban Development.

(nn) "Investor" means the entity selected pursuant to this Agreement to invest in the Developer for purposes of receiving LIHTC generated by the Development.

(oo) "LOMOD" means La Cienega LOMOD, Inc., a California nonprofit public benefit corporation, an affiliate of the Authority.

(pp) "Low-Income Housing Tax Credit" or "LIHTC" means the credit available under Section 42 of the Internal Revenue Code of 1986, as amended.

(qq) "Managing General Partner" means a California limited liability company affiliate of LOMOD, the managing general partner of the Developer. Prior to Closing, the Managing General Partner shall obtain and thereafter maintain an organizational clearance certificate from the California Board of Equalization and LOMOD shall be the sole member of the Managing General Partner.

(rr) "Net Cash Flow" has the meaning set forth in the Partnership Agreement of Developer so long as the definition of such term, and any amendments thereto, is consistent with this Agreement or are otherwise approved by the Authority.

(ss) "Official Records" means the official records of the County of Los Angeles, California.

(tt) "Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Developer, which will be executed at Closing and will admit the Investor as a limited partner of Developer.

(uu) "PBV HAP Contract" has the meaning provided in Section 2.8.

(vv) "Permitted Exceptions" means the following exceptions to title with respect to the Phase I Site: (i) applicable building and zoning laws and regulations; (ii) the provisions of this Agreement; (iii) the encumbrances resulting from the recorded Closing Documents; (iv) any lien for current taxes or taxes accrued subsequent to Closing; (v) the exceptions to title set forth
in the Title Insurance Policy approved by Developer; (vi) any other conditions or exceptions caused by the Developer; and (vii) such other conditions, covenants, restrictions or easements of record as may be approved by the Developer under Section 3.4.

(ww) "Phase I Development Plan" means the description of the work to be undertaken as part of the Development, including the Financing Plan and architectural plans, as attached hereto as Exhibit B, as may be amended by mutual agreement of the Parties from time to time.

(xx) "Phase I Site" means the section of Rose Hill Courts identified as the area for the Development and more particularly described at Exhibit A-3 hereto.

(yy) "Plans and Specifications" has the meaning provided in Section 5.1.

(zz) "Post-Foreclosure Rent Restriction" means, following foreclosure or deed in lieu of foreclosure of Developer's interest in the Development by any mortgagee permitted in accordance with the Ground Lease, the gross rent with respect to a Unit does not exceed thirty percent (30%) of the imputed income limitation applicable to such Unit as calculated pursuant to 26 U.S.C. 42(g)(2). For purposes of this definition, the income imputed limitation applicable to any Unit shall be deemed to be eighty percent (80%) of area median income. The Parties acknowledge that the RAD Requirements and Section 18 Requirements survive foreclosure.

(aaa) "Predevelopment Loan" has the meaning provided in Section 4.2(a).

(bbb) "Project Loans" means the loan(s) to be made to the Developer or its Affiliate to complete the Development.

(ccc) "Purchase Option" has the meaning provided in Section 7.3.

(ddd) "PO/ROFR Agreement" has the meaning provided in Section 7.3.

(eee) "RAD HAP Contract" has the meaning provided in Section 2.9.

(fff) "RAD Requirements" means, without limitation: (i) the RAD program authorized by the Consolidated and Further Continuing Appropriations Act of 2012 as amended by the Consolidated Appropriations Act, 2014 (Pub. L. No. 113-76, approved January 17, 2014), the Consolidated and Further Continuing Appropriations Act, 2015 (Pub. L. No. 114-235, approved December 6, 2014), and Division L, Title II, Section 237 of the Consolidated Appropriations Act (Pub. L. No. 114-113, enacted December 18, 2015), (ii) HUD Notice H-2019-09 PIH-2019-23 (HA) (September 5, 2019), as may be further amended (the "RAD Notice"), as may be amended, (iii) all applicable statutes and any regulations issued by HUD for the RAD program, (iv) all current requirements in HUD handbooks and guides, notices, and mortgagee letters (if any) for the RAD program and (v) all future updates, changes, and amendments to (i) through (iv), as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and provided that such future updates, changes, and amendments shall be applicable to the Phase I Site and the Development only to the extent that they interpret, clarify, and implement terms in the applicable Closing Document rather than add or delete provisions from such document.

(ggg) "RAD Use Agreement" means that certain use restriction required to be filed in the Official Records to implement the RAD Requirements and survives foreclosure.
"Schedule of Performance" means the development schedule attached hereto as Exhibit C, as may be amended by mutual agreement of the Parties from time to time.

"Section 18 Approval" has the meaning provided in Section 2.10.

"State and Federal Accessibility Requirements" means all applicable State and Federal requirements concerning accessibility including but not limited to Section 504 of the Rehabilitation Act of 1973, as amended and the Americans with Disabilities Act of 1990, as amended.

"Third-Party Costs" means costs for work to be performed by parties that are not Affiliates as such costs are contemplated in the predevelopment budget.

"Tax Credit Compliance Period" means the fifteen (15) year compliance period as described in Section 42(i)(1) of the Internal Revenue Code of 1986 starting with the first year of the credit period.

"TCAC" means the California Tax Credit Allocation Committee.

"Title Company" has the meaning provided in Section 3.4(a).

"Title Insurance Policy" means that certain ALTA extended coverage title insurance policy to be issued by the Title Company at Closing as set forth in Section 3.4.

"Total Development Costs" means the projected costs of acquisition and development of the Development, as set forth on the Development Budget.

"Units" has the meaning provided in Section 2.2.

Section 1.2 List of Exhibits.

Exhibit A-1: Rose Hill Courts Legal Description
Exhibit A-2: Site Plan, Elevations and Architectural and Engineering Plans
Exhibit A-3: Phase I Site Legal Description
Exhibit B: Phase I Development Plan (Including Financing Plan)
Exhibit C: Schedule of Performance
Exhibit D: Form of Ground Lease
Exhibit E: Notice to Proceed
Exhibit F: Form of Completion Guaranty
Exhibit G: Right of Entry Agreement
Exhibit H: Form of Certificate of Completion
Exhibit I: Section 3, Local Hire, Nondiscrimination and Equal Opportunity Requirements

ARTICLE 2.
DEVELOPMENT

Section 2.1 Redevelopment Plan. The Parties have agreed to a redevelopment plan pursuant to which the existing fifteen (15) structures will be demolished to make way for (a) the development of one hundred eighty-five (185) residential units (183 affordable housing units on-
site plus two market-rate managers' units) in two (2) phases, (b) a 6,366 square-foot Management Office/Community Building, (c) a "Central Park" green space, creating a park-like setting for residents, (d) one hundred seventy-four (174) parking spaces on-site, with at grade and tuck-under parking, (e) upgraded lighting, fencing, signage, and security features, and (f) storm drain and utility improvements. The new sustainably designed buildings will be energy efficient and the landscaping will include water-efficient irrigation. The redevelopment of Rose Hill Courts is depicted on the site plan attached hereto at Exhibit A-2 ("Site Plan"), which also shows the locations and components of Phase I and Phase II. This Agreement governs the development of Phase I. Phase II will be governed by a separate Disposition and Development Agreement.

Section 2.2  Phase I Development Plan. Phase I, as depicted on the Site Plan ("Phase I Site") includes (a) the demolition of seven (7) buildings (20 units comprising approximately 19,573 square feet) and the existing administrative building (comprising approximately 2,611 square feet) and (b) the construction of eighty-nine (89) new residential units ("Units"), including one (1) manager unit, on the northeast corner of Rose Hill Courts in two (2) residential buildings (Buildings A and B comprising approximately 104,384 square feet). The Authority and Developer intend for eleven (11) Units (the "RAD Units") to be converted under the HUD Rental Assistance Demonstration ("RAD") program and seventy-seven (77) Units (the "PBV Units") to be assisted under the HUD Section 8 Project Based-Voucher ("PBV") program. Eighty-four (84) Units will be operated and maintained as qualified low-income units under the LIHTC program and all of the Units (excluding the one (1) manager unit) will be considered "replacement housing units" for units demolished at Rose Hill Courts. Two (2) RAD Units and Two (2) PBV Units will not be operated and maintained under the LIHTC program. Generally, as between the Parties, Related will be responsible for determining construction scope, cost estimating, obtaining permits, selecting and managing consultants, obtaining all financing for the Development, and overseeing construction and the Authority shall be responsible for obtaining required HUD approvals pursuant to RAD and Section 18 of the Act; completing demolition, remediation and abatement; and for relocation of residents from the Phase I Site in accordance with this Agreement.

Section 2.3  Phase II Development Plan. Phase II includes (a) the demolition of eight buildings (80 units comprising approximately 62,819 square feet) and (b) the construction of ninety-six (96) units and a new community center on the remainder of Rose Hill Courts.

Section 2.4  Scope of Development. Following Developer's acquisition of a leasehold interest in the Phase I Site, Developer shall construct the Development substantially in accordance with the Phase I Development Plan and the Construction Documents approved by the Authority prior to Closing. Phase I shall be financed, in part, by the LIHTC and restricted to families eligible thereunder; provided, however, following foreclosure or deed in lieu of foreclosure of Developer's interest in the Development by any mortgagee permitted in accordance with the terms of the Ground Lease, the Development shall thereafter be subject to the Post-Foreclosure Rent Restriction, the RAD Use Agreement, and Section 18 Approval.

Section 2.5  Conveyance of Interests. The Developer shall acquire a leasehold estate in the Phase I Site in accordance with the Schedule of Performance attached hereto as Exhibit C.

Section 2.6  Budgetary Controls. The preliminary Development Budget is included in the preliminary Financing Plan attached Exhibit B. Except for its obligation to fund the Predevelopment Loan, the Acquisition Loan, and the Gap Loan as described in Section 4.2
below and its obligation to fund the demolition, remediation and relocation of the Phase I Site, the Authority shall have no contractual liability to pay or provide any amount to Developer for the Development under this Agreement. The Parties recognize that financial needs may arise which require budget revisions so that the Development may be accomplished, and each will reasonably consider and pursue such revisions in good faith. Without limiting the generality of the foregoing, if the Authority is unable to provide the PBV HAP Contract and the RAD HAP Contract on substantially the terms contemplated by this Agreement, the Developer and the Authority will mutually use best efforts to revise the Financing Plan in a manner reasonably acceptable to both Parties; provided, that approval of the final Financing Plan shall be a Development Contingency under this Agreement.

Section 2.7 Schedule of Performance: Developer Designation. Subject to events of Force Majeure as defined in Section 10.1(b), Developer will plan, finance and build the Development in substantial accordance with the Schedule of Performance attached hereto as Exhibit C. Developer will perform the Development in its own name and for its own account, and not as agent or contractor of the Authority.

Section 2.8 Project-Based Voucher HAP Contract. On or before Closing, the Authority shall enter into a Section 8 Project-Based Voucher Program Agreement to Enter into a Housing Assistance Payments Contract (HUD 52531A) ("AHAP") that will provide for the execution of a Section 8 Project-Based Voucher Program Housing Assistance Payments Contract (HUD 52530A) ("PBV HAP Contract") following completion of the Development in accordance with the AHAP. The PBV HAP Contract shall provide rental assistance for seventy-seven (77) PBV Units. The PBV HAP Contract shall have an initial term of no less than twenty (20) years. The Authority may enter into one (1) twenty (20) year extension of the PBV HAP Contract any time prior to the expiration of the initial twenty (20) year term, provided that (i) the Developer requests such extension and (ii) such commitment is subject to (a) the future availability of appropriated funds, (b) HUD regulations (including, without limitation, 24 CFR part 983), (c) the requirements of the Authority's Section 8 Administrative Plan, as amended, and (d) the Developer's continued compliance with the PBV HAP Contract. Concurrent with the PBV HAP Contract, the Authority shall execute a letter agreement with the Developer committing the Authority to enter into a twenty (20) year extension of the PBV HAP Contract upon the expiration of the initial twenty (20) year term described above, provided that such commitment shall be subject to section (ii)(a) – (d) above. All PBV Units in the Development shall be indistinguishable from the other Units in the Development of the same type.

Section 2.9 RAD HAP Contract. Subject to all RAD Requirements, the Authority shall prepare and submit with assistance from the Developer all RAD or other HUD required documentation, including, but not limited to, (i) a RAD financing plan, (ii) RAD closing documents and (ii) any supporting documents. The Developer shall assist the Authority in preparing or coordinating all documents necessary for the closing of the financing in accordance with RAD Requirements. Subject to all RAD Requirements, at Closing or, if required by HUD in connection with a RAD Delayed Conversion Agreement or similar document, prior to occupancy of the Development, the Authority shall enter into a Rental Assistance Demonstration (RAD) for Conversion of Public Housing to the Section 8 Project-Based Voucher (PBV) Program Housing Assistance Payments Contract (HUD 52530A and HUD 52621) ("RAD HAP Contract"). The RAD HAP Contract shall provide assistance for eleven (11) RAD Units. The RAD HAP Contract shall have an initial term of no less than twenty (20) years. In accordance with the RAD Requirements, the Authority shall offer a renewal of the RAD HAP Contract prior to the expiration of the initial term and upon such renewal offer, the Developer shall be obligated to accept such renewal.
Section 2.10 **HUD Section 18 Application.** The Authority with assistance from the Developer shall submit a demolition and disposition application for the Phase I Site to HUD in accordance with Section 18 of the Act, 24 CFR part 970 and HUD Notice PIH 2018-04 ("Section 18 Application"). The Section 18 Application shall request HUD approval to demolish the existing improvements and to dispose of the Phase I Site to the Developer pursuant to the Ground Lease. Upon approval of the Section 18 Application, the Phase I Site will be subject to affordability requirements set forth in the Section 18 Application approval letter issued by HUD ("Section 18 Approval"), which affordability requirements shall be included in the Ground Lease or, if required by HUD, a separate restrictive covenant acceptable to HUD.

Section 2.11 **Affordability.** Affordability and rent restrictions will be based upon the requirements of (i) TCAC, (ii) Section 42 of the Code, (iii) RAD Requirements and RAD HAP Contract, (iv) the Section 18 Approval, (v) the PBV HAP Contract, (vi) the City with respect to any density bonus (if any) and (vii) Funding Programs. Affordability requirements imposed by the Authority shall be set forth in the Ground Lease. Following foreclosure, deed in lieu of foreclosure or similar proceedings, the Phase I Site shall be subject to any remaining affordability and rent restrictions set forth above and not eliminated or released by such foreclosure or deed in lieu of foreclosure, and the Post-Foreclosure Rent Restrictions.

Section 2.12 **Ground Lease.** Upon the Developer’s performance of all of its pre-Closing obligations under this Agreement and subject to the satisfaction of all Development Contingencies set forth in Section 3.1 and Section 3.2 of this Agreement, and the satisfaction of the RAD Requirements and the Section 18 Approval conditions, at Closing, the Authority shall enter into a ground lease ("Ground Lease") with the Developer, substantially in the form attached hereto as Exhibit D.

(a) The Ground Lease will include a capitalized ground lease payment ("Capitalized Lease Payment"). To establish the amount of the Capitalized Lease Payment, the Authority has commissioned an independent appraiser to arrive at the fair market value ("FMV") of the leasehold estate for the Phase I Site. Such appraisal shall be updated on an approximately annual basis until such time as the Phase I Site receives a tax-credit award from TCAC or CDLCAB, but each event no earlier than three (3) months before a LIHTC application for the Phase I Site is submitted to TCAC; provided, however, the parties agree that if any funding source for the Phase I Site requires that the appraised value be limited to the value set forth in the existing appraisal, such value shall be used. The independent appraiser shall be selected by the Authority and shall have at least five (5) years of experience appraising multifamily housing in Los Angeles County. The Authority shall prepare instructions to the appraiser, which shall be subject to the reasonable approval of the Developer whose appraisal shall not be unreasonably withheld. The Developer shall have fifteen (15) days to review and approve the FMV at the expiration of which, if the Developer has not responded, the FMV shall be deemed approved. If the Developer disapproves the FMV and the Developer and the Authority are unable to agree upon the FMV by the end of an additional fifteen (15) day period, the Developer shall have the right to retain a separate appraiser. If the Developer retains a separate appraiser in accordance with the foregoing, the Authority and the Developer shall share the appraisals prepared by their respective appraisers and, if the FMV determined by the two appraisers is within ten percent (10%) of each other, the FMV shall be deemed to be the average of the FMVs determined by the two appraisers. If the FMV as determined by the two appraisers deviates by more than ten percent (10%), the two appraisers shall select a third appraiser to determine the FMV, and the appraisal of such third appraiser shall be binding on the Authority and the Developer as the Capitalized Lease Payment.
(b) The Ground Lease shall provide for, without limitation, subject to final negotiations with lenders and the Investor, a term commencing on the date of Closing and expiring approximately sixty-six (66) years after recordation of the Memorandum of Ground Lease (as defined below), with three (3) options to extend, each for an additional eleven (11) years, in the Authority's sole discretion.

(c) Concurrent with the execution and delivery of the Ground Lease, the Authority and Developer shall execute and deliver a memorandum of the Ground Lease ("Memorandum of Ground Lease") which shall be recorded in the Official Records.

(d) The Ground Lease shall provide that upon expiration or earlier termination of the Ground Lease, the Phase I Site and improvements and fixtures on the Phase I Site shall automatically revert to the Authority.

(e) The Ground Lease shall require the Developer to make the Capitalized Lease Payment. Any portion of the Capitalized Lease Payment not paid at Closing, shall be paid by delivery of a nonrecourse promissory note payable to the order of the Authority and other Acquisition Loan Documents (the "Acquisition Loan"). The Acquisition Loan shall have a term of fifty-five (55) years and bear simple interest at three percent (3%). Principal and accrued interest on the Acquisition Loan shall be paid from a 50% ratable share of Net Cash Flow, subject to applicable HCD requirements. At Closing, the Developer shall (i) execute and deliver the Acquisition Loan Documents to evidence the Acquisition Loan, and (ii) cause the deed of trust securing the Acquisition Loan to be recorded against Developer's leasehold estate governed by the Ground Lease. The Acquisition Loan shall be subordinate to (A) any loan funded with the proceeds of tax-exempt bonds and such other institutional financing as approved by the Authority in accordance with this Agreement and (B) any loan from HCD, if required in accordance with HCD requirements.

ARTICLE 3.
CONDITIONS PRECEDENT TO PERFORMANCE AT CLOSING

Section 3.1 Mutual Conditions Precedent to Closing.

(a) The Parties' ability to perform responsibilities hereunder is substantially contingent upon actions by third parties over which the Developer and the Authority have limited control, upon factual circumstances which cannot be fully determined as of the date of this Agreement, and upon the negotiation of additional agreements (collectively, "Development Contingencies"). The following Development Contingencies are conditions precedent to the obligations of the Parties to close escrow under Section 3.4:

1. Site Investigation. By the time set forth in the Schedule of Performance, Developer (and its actual and prospective Investor and lenders) may make such investigations regarding the Phase I Site as the Developer deems appropriate.

2. Ground Lease. The Ground Lease and the Memorandum of Ground Lease required by Section 2.12 shall have been executed and delivered by Authority and the Developer.

3. Additional Agreements to be Negotiated. The following agreements (collectively, "Closing Documents") shall have been negotiated in substance and form
reasonably satisfactory to the Authority and the Developer and, with the exception of the permanent lender loan documents, executed by the respective parties thereto:

(A) conventional lender loan documents for the Project Loans and tax-exempt bond documents;

(B) LIHTC and syndication documents, including, but not limited to the Partnership Agreement, which shall, among other things, include the terms set forth in Section 3.1(a)(6);

(C) PO/ROFR Agreement;

(D) any RAD documents to be executed by the Developer, the Authority and/or HUD including, but not limited to, the RAD Use Agreement and the RAD HAP Contract;

(E) AHAP and PBV HAP Contract;

(F) Ground Lease;

(G) any documents required to be executed pursuant to the Section 18 Approval;

(H) property management agreement; and

(I) management plan.

(4) Partnership Agreement. The Partnership Agreement negotiated with the Investor shall, among other things, provide:

(A) the Investor shall receive a commercially reasonable asset management fee;

(B) after payment of (A) above, (i) the Administrative General Partner shall earn a partnership management fee of $10,000 per year and (ii) the Managing General Partner shall earn a partnership management fee of $5,000 per year, each paid pari passu and adjusted annually by the Consumer Price Index (as defined by the U.S. Bureau of Labor Statistics), payable out of Net Cash Flow;

(C) the Administrative General Partner shall be entitled to eighty-five percent (85%) of the Developer Fee and the Managing General Partner shall be entitled to fifteen percent (15%) of the Developer Fee, each paid on a pari passu basis;

(D) any deferred Developer Fee shall accrue interest at one-half percent (0.5%), will be in first priority out of Net Cash Flow after (A) – (C) above, and will receive 100% of Net Cash Flow until paid in full;

(E) after payment of (A) – (D) above, the Managing General Partner will receive 100% of Net Cash Flow until it receives $312,500;
(F) after payment of items (A) – (E) above, payment of principal and interest on the Acquisition Loan, the Gap Loan and all other soft loans, including without limitation any HCD soft loan, shall be paid from ratable shares of fifty percent (50%) of Net Cash Flow, subject to applicable HCD requirements for the prorated payment of soft debt;

(G) after payment of items (A) – (F) above, seventy-five percent (75%) of the Net Cash Flow payable to the general partners of Developer shall be paid to the Administrative General Partner and twenty-five percent (25%) of the Net Cash Flow payable to the general partners of Developer shall be paid to the Managing General Partner;

(H) the Investor shall receive its participation in the remaining Net Cash Flow; and

(I) the proceeds of any Capital Transaction payable to the general partners of Developer shall be payable fifty percent (50%) to Administrative General Partner and fifty percent (50%) to Managing General Partner, provided all Project Loans have been fully repaid.

(5) **Tax Credit and Tax-Exempt Bonds Allocation.** Developer shall have (a) obtained from issuing agencies in accordance with the Schedule of Performance such allocations of federal tax-exempt bonds, Low-Income Housing Tax Credits, and/or California State Housing Tax Credits to raise equity investments at least in the amount shown on the Development Budget for the Development, and (b) ensured that any allocations were preserved through the Closing. Developer shall confer and consult with the Authority before submitting any application for Low-Income Housing Tax Credits and shall submit budgets and financial information and any other available components of such application reasonably requested by the Authority at least ten (10) business days prior to the submission date. The Authority shall assist in preparing all attachments needed from the City or the Authority for such submissions.

(6) **RAD Conversion.** HUD shall have approved conversion of the RAD Units at the Development under the RAD Requirements and shall have delivered all documents to be executed by HUD in connection with the RAD conversion to the Authority.

(7) **Section 18 Approval.** HUD shall have approved the Section 18 Application and delivered the Section 18 Approval to the Authority. Any prerequisites to the execution of the AHAP shall be satisfied in accordance with the requirements of the PBV program.

(8) **Funding Commitments for Closing.** The Developer shall have received commitments of all the sources of projected assistance as enumerated in the Financing Plan, as may be modified at or prior to Closing with the approval of the Parties, for the Development, or substitutions mutually acceptable to Authority and Developer therefor, including but not limited to the commitments described below, and, at Closing, all construction loan(s) and funding sources necessary to begin the Development shall be in a position to close concurrently with the Closing under this Agreement:

(A) The commitment of an equity investment from the Investor at projected or other commercially reasonable rates within three (3)
months of an award of LIHTCs;

(B) The commitment of private loan(s) and other financing sources under projected or other commercially reasonable terms and conditions within three (3) months of award of LIHTCs or earlier if required for the submission of a RAD financing plan; and

(C) The commitment of all projected assistance or reasonable substitutions therefor, including grants and loans, if any, from other governmental bodies by the time of the Developer's or its Affiliate's application for LIHTCs.

(9) **Financing Plan.** The Developer and Authority shall have approved the final Financing Plan.

(10) **Other Necessary Approvals.** The Development shall have received all other necessary government approvals and permits.

(11) **Financing.** Developer's Investor(s) and lenders are prepared to fund their respective loan and equity amounts into escrow and permit the close thereof.

(b) The conditions set forth in this Section 3.1 shall be satisfied by the Closing or such other dates as may be agreed upon by the Developer and the Authority unless both the Developer and the Authority waive the condition in writing. If a Development Contingency does not occur, so long as Developer is in full compliance with this Agreement and has in good faith used its best efforts to cause it to occur, in a manner generally consistent with the proposed Development and in a manner which reasonably permits the accomplishment of the proposed Development in accordance with this Agreement, the Parties will attempt to revise the proposed Development in a mutually acceptable fashion by extending deadlines, revising goals, or otherwise. If the Parties cannot, within sixty (60) days after the failure of a Development Contingency to occur, agree to amend the proposed Development, then the Authority or the Developer may terminate this Agreement upon written notice to the other party without further liability, except for such liability as may be provided for under the Predevelopment Loan or separate contracts entered into pursuant to this Agreement and except as provided in Section 11.2 below or for continuing indemnities provided elsewhere in this Agreement.

**Section 3.2 Conditions Precedent to Authority Performance at Closing.**

(a) The following are conditions precedent to Authority's obligation to enter into the Ground Lease and close escrow:

(1) **No Defaults.** No Event of Default on the part of Developer exists and is continuing under this Agreement, and Developer shall have completed all its preddevelopment obligations required to be completed prior to Closing.

(2) **Construction Documents.** The Developer will have prepared or will have caused the preparation of the Construction Documents, budgets, schedules and a construction contract as provided in Article 5.

(3) **Accessibility Design Compliance Report.** The Developer shall have provided the Authority with a written report from its Architect or an independent professional
certifying and/or confirming that (i) he/she has reviewed the Plans and Specifications, (ii) the Plans and Specifications comply with all State and Federal Accessibility Requirements and (ili) identifies the number and type of units that will be accessible in accordance with such State and Federal Accessibility Requirements ("Accessibility Design Compliance Report").

(4) **Construction Bonds.** The Developer shall have delivered, or concurrent with the close of escrow the Developer shall deliver, to the Authority payment and performance bonds meeting the requirements of Section 6.4.

(5) **Financing Documents.** The Developer shall have provided the Authority, for its review and reasonable approval, each iteration of all legal documents required by lenders and the Investor for the Development as such iterations are circulated to the financing participants, including, without limitation, all loan agreements, deeds of trust, mortgages, security instruments, covenants or restrictions to be recorded, promissory notes and partnership and/or operating agreements (collectively, "Financing Documents"); provided, that the Authority’s failure to approve or disapprove the final iteration of the Financing Documents prior to the Closing scheduled by Developer shall be deemed to constitute the Authority’s approval thereof, provided that the Authority is provided with such iteration at least three (3) business days prior to the Closing. Developer and the Authority shall each work together in good faith and use best efforts to coordinate meeting schedules with the finalization of the Financing Documents.

(6) **Acquisition Loan and Gap Loan.** The Developer shall have executed the Acquisition Loan Documents and the Gap Loan Documents.

(7) **Completion Guaranty.** The Guarantor shall have provided a Completion Guaranty substantially in the form attached hereto as Exhibit F.

(8) **Permits and Approvals.** To the extent necessary for Closing, the Developer shall have obtained all building and construction permits, licenses, easements, zoning, and approvals, including, if applicable, commitments to provide the utilities necessary for the Development or ready to issue letters, as applicable.

(9) **Management Agreement and Plan.** The Developer shall have provided to the Authority, for its review and approval, a management agreement and management plan, for the Development.

(b) The conditions set forth in this Section 3.2 shall have been satisfied as of the Closing unless the Authority waives them in writing. If a Development Contingency does not occur, so long as Developer is in full compliance with this Agreement and has in good faith used its best efforts to cause it to occur, in a manner generally consistent with the proposed Development and in a manner which reasonably permits the accomplishment of the proposed Development in accordance with this Agreement, the Parties will attempt to revise the proposed Development in a mutually acceptable fashion by extending deadlines, revising goals, or otherwise. If the Parties cannot, within thirty (30) days after the failure of a Development Contingency to occur, agree to amend the proposed Development, then the Authority or the Developer may terminate this Agreement upon written notice to the other party without further liability, except for such liability as may be provided for under the Predevelopment Loan or separate contracts entered into pursuant to this Agreement and except as provided in Section 11.2 below or for continuing indemnities provided elsewhere in this Agreement.
Section 3.3  Conditions Precedent to Developer's Performance at Closing.

(a)  Conditions Precedent in General. The following are conditions precedent to the Developer's obligation to lease the Phase I Site from the Authority and close escrow:

(1)  Property Condition. There shall have been no material adverse change in the condition of the Phase I Site or discovery of a physical condition that would materially adversely interfere with the Development or the financing thereof.

(2)  Relocation of Residents. The Authority shall have relocated residents from the Phase I Site.

(3)  Demolition & Environmental Remediation. The Authority shall have demolished the structures on the Phase I Site and carried out any required environmental remediation in accordance with the Demolition and Remediation Specifications.

(4)  Construction Documents. The Authority shall have approved the Construction Documents required to be approved up to the time of Closing.

(5)  Financing Documents. The Authority and the Developer shall have approved (or shall be deemed to have approved) the Financing Documents.

(6)  Ground Lease. The Authority shall have executed and delivered the Ground Lease.

(7)  Title Insurance. The Title Company is prepared to issue to the Developer all Title Insurance Policies required by Section 3.4 to be delivered to Developer.

(8)  HAP Contracts. The Authority shall have executed the AHAP and the RAD HAP Contract (or a RAD Delayed Conversion Agreement providing for the execution of the RAD HAP Contract following construction completion).

(9)  Government Approvals. The Development shall have received all necessary governmental approvals and permits, all building and construction permits, licenses, easements, zoning and approvals necessary for the commencement of the Development, including commitments to provide the utilities necessary for the Development.

(10)  No Litigation. No litigation or claim with any governmental entity shall have been filed and be pending which may have a material, adverse impact on the Development.

(11)  No Authority Default. No Event of Default on the part of the Authority exists and is continuing under this Agreement.

(12)  Notice to Proceed. The Authority shall have delivered to the Developer a Notice to Proceed in the form attached hereto as Exhibit E.

(b)  The conditions set forth in this Section 3.3 shall be satisfied as of the Closing unless the Developer waives them in writing. If a Development Contingency does not occur, so long as Developer is in full compliance with this Agreement and has in good faith used its best efforts to cause it to occur, in a manner generally consistent with the proposed Development
and in a manner which reasonably permits the accomplishment of the proposed Development in accordance with this Agreement, the Parties will attempt to revise the proposed Development in a mutually acceptable fashion by extending deadlines, revising goals, or otherwise. If the Parties cannot, within thirty (30) days after the failure of a Development Contingency to occur, agree to amend the proposed Development, then the Authority or the Developer may terminate this Agreement upon written notice to the other party without further liability, except for such liability as may be provided for under the Predevelopment Loan or separate contracts entered into pursuant to this Agreement and except as provided in Section 11.2 below or for continuing indemnities provided elsewhere in this Agreement.

Section 3.4  Delivery of Phase I Site.

(a) Authority's Conveyance Obligations. Provided that the conditions precedent in Sections 3.1, 3.2 and 3.3 have been satisfied or expressly waived, the Authority and the Developer shall instruct a title company ("Title Company") selected by mutual agreement of the Parties to complete the Closing as set forth below. Upon the Closing, the Authority shall deliver the Phase I Site to the Developer pursuant to the Ground Lease.

(b) Steps for Closing. The Closing shall be completed as follows:

(1) On or before the Closing, the Authority shall obtain approval from the Authority Board for the RAD conversion, the allocation of assistance to the PBV Units, the disposition of a leasehold interest in the for the Development to occur, as provided herein, and for the Acquisition and Gap Loan.

(2) On or before the Closing, the Authority shall execute, acknowledge, deposit and deliver to the Title Company, as necessary and appropriate, the Ground Lease and the Memorandum of the Ground Lease in form and substance acceptable to Authority and Developer, and the Closing Documents.

(3) On or before the Closing, the Developer shall execute, acknowledge, deposit and deliver to the Title Company, as necessary and appropriate, the Ground Lease, the Memorandum of Ground Lease, and the Closing Documents.

(4) The Authority and the Developer shall instruct the Title Company to consummate the escrow and upon Closing, the Title Company shall record in the Official Records the RAD Use Agreement, the Memorandum of Ground Lease, and any other documents required to be recorded under the terms of this Agreement.

(5) The Title Company shall issue a Title Insurance Policy to the Developer as required below.

(c) Effect of Closing. Once Closing has occurred, this Agreement will continue to remain in effect for the term set forth in Section 13.1. In the event of any conflict between the Ground Lease, and/or the Closing Documents and this Agreement, the provisions of the Ground Lease, and/or Closing Documents will govern. No termination of this Agreement, in and of itself, shall release the other party from the obligations it has undertaken in the Ground Lease or the Closing Documents nor increase the rights and remedies it may have under such documentation.

Section 3.5  Title Insurance Policy to be Issued at Closing. At Closing, the Title
Company shall issue to the Developer Title Insurance Policy with such coinsurance or reinsurance and direct access agreements as the Developer may request reasonably, in an amount designated by the Developer insuring that the leasehold estate in the Phase I Site and fee title to the Improvements is vested in the Developer subject only to the Permitted Exceptions, and with such endorsements as may be requested reasonably by the Developer.

ARTICLE 4.
FINANCING ARRANGEMENTS

Section 4.1 Financing Plan and Financial Commitments. The Parties acknowledge that subject to financing commitments and other requirements, the Developer shall use diligent efforts to comply with the Financing Plan approved by the Authority. The Financing Plan shall consist of the information set forth in subsection (a) below. The preliminary projections set forth in subsection (a) shall be included in the Financing Plan at Exhibit B.

(a) Financing Plan. The Financing Plan for the Development shall include, without limitation: (i) the preliminary Development Budget; (ii) the sources and uses analysis for the construction period of the Development; (iii) the sources and uses analysis from the date of the origination of the permanent loan; (iv) the twenty (20)-year cash flow projections of the Development; (v) the initial operating budget for the Development, including without limitation an operating reserve fund and capital replacement reserve fund; (vi) all underlying assumptions for each of the above, including terms, conditions, and pricing of all debt and equity, and rent amount; and (vii) a rent schedule showing the number of units by bedroom size.

(b) Approvals. The Developer shall also submit to the Authority for its reasonable approval any revisions to the Financing Plan for the Development. The Developer shall submit to the Authority for review any and all commitments for financing necessary to undertake the Development and for permanent financing necessary for the Development. The Developer shall perform an open and competitive solicitation for any lender or equity investor and shall jointly develop the solicitation documents for same with the Authority. The Authority shall reasonably approve the final section of any lender or equity investor. If an affiliate of the Developer desires to bid to serve as the equity investor or syndicator for the Development, the Authority shall conduct the Investor solicitation at the Developer's cost and expense. The Developer shall further submit to the Authority for its approval copies of any proposed partnership agreements and funding agreements between the Developer and the Investor; any documents proposed to be entered by Developer with respect to any subsidies; and loan agreements and all other documents which Developer and its proposed construction lender(s) and permanent lender(s) propose to execute in connection with such financing for the Development. If the Developer does not receive approval or disapproval of any document submitted pursuant to this paragraph within fifteen (15) business days, including the notice period required by Section 13.24, such documents may be deemed approved by the Authority as further provided in, and subject to the requirements of Section 13.24.

(c) No Subordination. The Authority will not approve any subordination of its fee interest in the Phase I Site to the interests of any lender or other funder; provided, however, if required by HCD, any restrictive covenant associated with the HCD Infill Infrastructure Grant Program may encumber the Authority's fee interest in the Phase I Site and the Authority agrees to execute any documents required by HCD, subject to the Authority's review and approval of such documents, in connection therewith. Notwithstanding the foregoing, the Gap Loan Documents, Acquisition Loan Documents, PO/ROFR Agreement shall be subordinate to Developer's institutional construction and permanent financing pursuant to commercially
reasonable terms to be negotiated in good faith.

Section 4.2 Predevelopment Expenses and Project Loans.

(a) Predevelopment Loans to Developer. The Authority and the Developer have entered into that certain Predevelopment Loan Agreement for the Redevelopment of Rose Hill Courts effective as of September 30, 2017 ("Predevelopment Loan Agreement") and Non-Negotiable Predevelopment Loan Promissory Note for Rose Hill Courts dated September 30, 2017 ("Predevelopment Note"), as amended, pursuant to which the Authority agreed to lend the Developer up to $2,013,773.00 to fund seventy-five percent (75%) of certain eligible Third-Party Costs incurred by the Developer prior to the execution of this Agreement. The Predevelopment Loan Agreement and Predevelopment Note address both Phase I and Phase II. Upon the execution of this Agreement, the Parties intend to amend the Predevelopment Loan Agreement to (i) fund one hundred percent (100%) of the Third-Party Costs in the predevelopment budget for Phase I and Phase II, (ii) to increase the Predevelopment Loan to $4,431,258, and (iii) bifurcate the Predevelopment Loan between Phase I and Phase II pursuant to separate Predevelopment Loan documents for each phase. The portion of the Predevelopment Loan attributable to Phase I will be repaid at Closing unless converted into a portion of the Gap Loan at Closing.

(b) Authority Predevelopment Costs. The Authority will advance the costs for relocating residents from the Phase I Site and for the costs of carrying out the work required in the Demolition and Remediation Specifications pre-Closing, which costs shall be included in the Development Budget and either repaid at Closing or reflected within the Gap Loan amount. At Closing, the Developer shall reimburse the Authority for its Third-Party Costs for the Development, including, but not limited to, attorneys' fees, in accordance to with the final Financing Plan.

(c) Acquisition Loan. The Acquisition Loan shall bear simple interest at three percent (3%) and shall be paid from Net Cash Flow as described in Section 3(a)(6) herein.

(d) Gap Loan. The Gap Loan shall be in the original principal amount of up to [$5,500,000] inclusive of any amount of the Predevelopment Loan converted into the Gap Loan and the costs of completing the work required in the Demolition and Remediation Specifications and subject to adjustment pursuant to Section 4.2(e). The Gap Loan shall bear simple interest at three percent (3%) and shall be the first funds utilized at Closing and during construction. The Gap Loan may be converted to permanent financing in accordance with the final Financing Plan.

(e) Additional Sources. Developer shall submit (or cause to be submitted) applications for Development funding under (i) the HCD Affordable Housing and Sustainable Communities ("AHSC Program") for the anticipated February 2020 funding round, (ii) the Federal Home Loan Bank Board ("FHLB") Affordable Housing Program (the "AHP Program") for the anticipated applicable funding round, and (iii) the HDC Infill Infrastructure Grant program (collectively (i) through (iii) are the "Funding Programs"). If a new viable Funding Program becomes available at a later date, the Authority and the Developer shall meet and confer and mutually agree whether to modify the list of Funding Programs to which the Developer must apply. The Developer shall make good faith efforts to apply for available Funding Programs. If the Authority is required to be a co-applicant for any Funding Program, the Developer shall provide an indemnity of the Authority acceptable to the Authority in the Authority’s sole discretion. If the Developer decides not to apply for an available Funding Program, the
Developer shall provide a written justification for such non-application to the Authority for its approval. The Authority will be provided a copy of all applications for Funding Programs as a record of submission within a reasonable amount of time. Developer and the Authority acknowledge that applications to the FHLB for the AHP Program may only be submitted by a member institution, and Developer will use commercially reasonable efforts to identify a member institution of the FHLB to submit an application for the AHP Program with respect to the Development. If set forth in the final Financing Plan, subject to the requirements of the Funding Program, the Developer shall use the proceeds thereof to reduce the amount of the Gap Loan. If additional costs arise during construction that are not reflected in the final Financing Plan, only those costs approved by the Authority in its sole discretion shall be removed from the amount of any AHP Program loan that reduces the amount of the Gap Loan. The Developer shall prepare Funding Program applications with the assistance of the Authority and shall provide complete applications for Authority review and approval no less than fifteen (15) days before the applicable Funding Program application deadline. If Developer is negligent in its application for funding under the Funding Programs, the Developer shall reapply in future available funding rounds for which the Development is eligible.

Section 4.3 Financing for Development.

(a) Development Cost and Sources. The Total Development Costs currently are projected to be $57,875,265. The Parties are projecting receipt by the Developer of an award of Low-income Housing Tax Credits in the approximate amount of $1,392,148. Except for the financing to be provided by the Authority as described in this Agreement, the Developer is to raise the balance of the financing required for the Development, if any.

(b) Developer Financial Information. The Developer shall provide, and the Developer shall cause the Guarantor to provide, financial statements demonstrating the ability of the Guarantor to issue the Completion Guaranty.

(c) Authority Assistance. The Authority will assist and support in good faith Developer's effort to obtain other public and private financing for the Development if any. Notwithstanding the foregoing, the Developer shall be primarily responsible for seeking all financing for the Development, except for the financing to be provided by the Authority as described in this Agreement.

(d) Guaranties. The Guarantor or another affiliate of Related shall provide all guaranties required by the Investor and lenders, including, but not limited to, completion (development deficit), operating deficit, and tax credit recapture guaranties.

(e) Developer Fee. The Developer shall pay a developer fee ("Developer Fee") from available sources in the amounts and at times to be shown on the final Financing Plan and on draw schedules to be entered into between the Developer and its Investor and lenders. Any deferred Developer Fee payable from Net Cash Flow shall bear interest at an annual rate of one-half percent (0.5%). The Developer Fee will be paid solely out of Developer's equity, private debt, or cash flow and capital proceeds. The Parties recognize that the amount and timing of fees will require the agreement of the lenders and the Investor, and must be consistent with TCAC and CDLAC limitations if any. The Developer Fee shall be the maximum allowed by TCAC and shall be payable to the Administrative General Partner (or its Affiliate) and the Managing General Partner (or its Affiliate) in accordance with Section 3(a)(6) herein. The Developer Fee shall be in an aggregate amount of not less than $3,500,000 and the nondeferred cash portion of the Developer Fee shall be in an aggregate amount of not less than

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$2,300,000.

(f) **Affiliate Services.** Except with respect to a property management fee payable to Related Management Company, L.P., the Developer Fee payable to the developers of the Development who will be affiliated with the general partners of Developer, and partnership management, supervision and audit fees payable to the partners of the Developer, all of which are hereby approved by the Authority, and as otherwise expressly provided elsewhere herein, Developer (or its Affiliate) shall not receive any additional payment for providing goods or services to the Development unless it is with the written consent of the Authority. Developer will disclose any such proposed relationship to the Authority and will provide the Authority sufficient terms, information about the terms and conditions of the proposed relationship to enable the Authority to evaluate its propriety and commercial reasonableness.

(g) **Equity Solicitations.** Developer shall select the equity investor to act as Investor Limited Partner, but such selection shall be subject to the approval of the Authority, which approval shall not be unreasonably withheld, conditioned or delayed. The Developer shall solicit proposals from no fewer than three (3) equity investors. The Authority shall participate in the development of the solicitation documents and the determination of the pool of investors to be invited to bid in the Development. Upon receipt of bids from investors, the Developer shall prepare a chart in a format approved by the Authority to allow for effective comparison of the bids received and shall, based on the analysis of the factors identified in the solicitation, select an Investor, subject to the reasonable approval of the Authority.

(h) **Project Loan Solicitations.** The Developer shall solicit proposals from no fewer than three (3) construction and permanent lenders. The Authority shall participate in the development of the solicitation documents and the determination of the pool of lenders to be invited to bid to lend to the Development. Upon receipt of proposals from lenders, Developer shall prepare a chart in a format approved by the Authority to allow for effective comparison of the proposals received and shall, based on the analysis of the factors identified in the solicitation, select lenders, subject to the reasonable approval of the Authority. Developer and Authority expressly acknowledge and agree that (x) pursuant to Developer's corporate policy, Guarantor will guarantee only twenty-five percent (25%) of construction loan repayment, and (y) such 25% cap on any construction loan repayment guaranty shall be included in all Project Loan solicitations. Developer shall select the lender(s) to act as the construction and permanent lenders for the Development, but such selection shall be subject to the approval of the Authority, which approval shall not be unreasonably withheld, conditioned or delayed.

(i) **Tax-Exempt Bonds.** The Authority will be the issuer of tax-exempt bonds for the Development, subject to the reasonable approval of tax counsel. The Developer shall comply with all requirements of the Authority for the issuance of tax-exempt bonds, including, but not limited to, the requirements of the Housing Authority of the City of Los Angeles Housing Conduit Bond Policy, dated December 13, 2018, as may be amended.

**ARTICLE 5. DESIGN & PREDEVELOPMENT ACTIVITIES**

Section 5.1 **Design.** In designing the Development and performing the Development, the Developer shall cause all subsequent documents prepared to implement the Phase I Development Plan attached as Exhibit B. The Phase I Development Plan shall establish the baseline design standards from which the Developer shall prepare all subsequent documents. The design and the operation of the Development shall meet State and Federal Accessibility
Requirements. The Developer shall be responsible for the preparation of the design documents, building plans and specifications ("Plans and Specifications") prior to the Closing in accordance with this Agreement. Such Plans and Specifications must be approved by the Authority, and, if required, HUD. The design documents must be submitted for Authority review and approval at the concept stage, design development, thirty percent (30%), and sixty percent (60%) and ninety percent (90%) construction document stages. In each instance, the Authority shall use diligent and good faith efforts to respond within four (4) weeks. The Authority acknowledges that it has approval the concept and design development stage documents for Phase I. The Developer shall furnish the Authority two (2) reproductions of final drawings of record and data sheets; results of civil, structural, mechanical and hydraulic design calculations; loading diagrams, equipment manufacturers’ drawings, and data, including construction data and parts lists; and final specifications.

Section 5.2 Compliance with State and Federal Accessibility Requirements. The design and operation of the Development shall comply with State and Federal Accessibility Requirements. As described in Section 3.2(a)(3), the Developer shall produce an Accessibility Design Compliance Report as a condition to Closing. If the certified access specialist ("CAS") conducting the review of compliance of the design with the State and Federal Accessibility Requirements identifies corrections required, if any, for the Development to be in compliance with the Accessibility Requirements in order to comply with applicable law, the Developer shall revise the design and, as applicable, the Phase I Development Plan to include such corrections, if any, identified in the CAS report. Similarly, at the completion of the Development and prior to the execution of the RAD HAP Contract and PBV HAP Contract, the Developer shall require the CAS or Contractor to provide a certification of compliance with the State and Federal Accessibility Requirements that confirms the identification of accessible Units and features, which shall be included as an exhibit or attachment to the Certificate of Completion pursuant to Section 6.2 herein.

Section 5.3 Development Approvals. Within the times set forth in Section 5.5, the Authority shall have the right to review and approve material revisions to the Phase I Development Plan. The purpose of the Authority's review of material revisions to the Phase I Development Plan is to ensure consistency with the Phase I Development Plan and the provisions of this Agreement. The Authority shall be required to approve those material revisions to the Phase I Development Plan which are logical progressions from concepts set forth in previously approved Phase I Development Plan. For purposes of this Article 5, "approval" means approval of the Authority President and Chief Executive Officer or his or her designee.

Section 5.4 New Material Concerns. If the Authority determines that there are material changes which are not logical progressions from the previously approved Phase I Development Plan or that raise material concerns that were not reviewable in the previously approved Phase I Development Plan, then in approving or disapproving such material revisions to the Phase I Development Plan, the Authority will act in its reasonable discretion.

Section 5.5 Approval Process. The Authority shall approve or disapprove submittals under this Article 5 within twenty (20) business days after receipt of the submittal from the Developer. If the Authority disapproves the submittal of material revisions to the Phase I Development Plan pursuant to Section 5.3, the Authority shall submit a list of reasons for such disapproval to the Developer, together with its notice of disapproval. Upon receipt of such a list, the Developer shall have twenty (20) business days to resubmit a revised submission. Upon its receipt of a revised submission, the Authority shall have five (5) business days (or if Authority
Board action is required as soon as reasonably possible) to approve or disapprove of the revised material revisions.

Section 5.6 No Change in Phase I Plan. Once the Authority has approved the Phase I Development Plan, the Developer shall not make any changes in those documents which would materially revise the final Phase I Development Plan, excluding any change required for compliance with building codes or other government health and safety requirements, without the prior written approval of the Authority, which approval shall be granted in the Authority’s reasonable discretion and within the time periods set out in Section 5.5. The Developer shall not make any material change required for compliance with building codes or other government health and safety requirements without giving prior notice to the Authority.

Section 5.7 Submittal and Review of Construction Contract. Within the times set forth in the Schedule of Performance, the Developer shall submit to the Authority for its approval the proposed construction contract and other Construction Documents for the Development.

Section 5.8 Additional Permits and Approvals. Within the times specified in the Schedule of Performance, Developer shall obtain all permits and approvals necessary to undertake the Phase I Development Plan, including building permits to the extent required by law. All applications for such permits and approvals shall be consistent with the approved Phase I Development Plan. The Developer shall not commence the Development under a building or site permit until the Authority has approved the final Phase I Development Plan, which approval shall be deemed given if the Authority proceeds with Closing. The Developer acknowledges that execution of this Agreement by the Authority does not constitute approval by the City of any required permits, applications, or allocations, and in no way limits the discretion of the City in the permit, allocation and approval process. Notwithstanding the foregoing, the Authority agrees to cooperate fully with the Developer’s efforts to obtain any necessary governmental approvals necessary to conduct the Development.

Section 5.9 Authority Review. The Developer shall be solely responsible for all aspects of Developer’s conduct in connection with the Development, including, but not limited to, the quality and suitability of the plans and specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by the Authority with reference to the Development is solely for the purpose of determining whether the Developer is properly discharging its obligations to the Authority, and should not be relied upon by the Developer or by any third parties as a warranty or representation by the Authority as to the quality of the design or performance of the Development.

Section 5.10 Assistance with RAD Conversion Requirements. Developer shall provide reasonable and necessary assistance to the Authority in applying for and obtaining HJD approval for the RAD Conversion.

Section 5.11 Informational Meetings with Residents. Prior to Closing, the Developer shall invite residents of the Development and other stakeholders associated therewith to an informational meeting regarding the Development.

Section 5.12 Tenant Selection. The Parties acknowledge that current residents of Rose Hill Courts have the right to return to the Development pursuant to HUD requirements for projects that combine RAD and Section 18 Approval, if such residents are determined to be in
good standing by the Authority. New residents for the Development (excluding existing tenants of Rose Hill Courts with a right to return to the Development) will be referred to the Developer in accordance with the Authority's Section 8 Administrative Plan. The Authority will be responsible for verifying applicant and resident income for purposes of the RAD and the PBV programs. The Developer shall be responsible for verifying applicant and resident income for purposes of the LIHTC program and any other applicable lender requirements. The Developer shall screen non-returning residents in accordance with a marketing and tenant selection plan and/or property management and re-occupancy plan for the Development ("Tenant Selection Plan") which shall include applicable federal, state, and local regulations and Authority policies. The Tenant Selection Plan shall be prepared by the Developer and be subject to the Authority's approval in the Authority's sole but reasonable discretion; provided, that, the Authority shall not deny or condition its approval to any aspect of the Tenant Selection Plan necessary to comply with federal, state or local fair housing laws, rules or regulations. The Tenant Selection Plan shall not include any local preferences unless later permitted by applicable law or a written waiver thereof by the appropriate federal, state or local agencies, if any.

Section 5.13 Relocation and Rehousing. The Authority adopted and will implement a relocation plan for the existing residents of the Development, which complies with federal, state and local relocation laws and the Uniform Relocation Act (to the extent required), for approval by HUD ("Relocation Plan"). The Developer will cooperate with the Authority's relocation and rehousing activities. Relocation expenses will be paid by the Authority prior to Closing and will be reimbursed at Closing or, subject to applicable total development costs, included in the Gap Loan amount in accordance with the final Financing Plan. As described in Section 5.12, relocated residents and residents of Rose Hill Courts shall have a right to return to the Development in accordance with the RAD Requirements, if such returning residents are determined to be in good standing by the Authority.

Section 5.14 Compliance with RAD Requirements. Developer and the Authority shall fully comply with all applicable RAD Requirements. The RAD Units shall comply with the RAD Requirements, regardless of funding source.

Section 5.15 Section 18 Approval Requirements. The Developer and the Authority shall fully comply with all the requirements of the Section 18 Approval, the AHAP and the PBV HAP Contract.

Section 5.16 Site Access. Simultaneously with the execution and delivery hereof, the Authority and the Developer shall execute an access agreement in the form attached hereto as Exhibit G.

ARTICLE 6
CONSTRUCTION

Section 6.1 Commencement of Development. Subject to events of Force Majeure as defined in Section 10.1(b), the Developer shall commence or cause to be commenced the Development after the Closing and otherwise in accordance with the Schedule of Performance.

Section 6.2 Completion of Development. The Developer shall diligently prosecute or cause to be prosecuted to completion the Development and shall complete or cause to be completed the Development no later than the time specified in the Schedule of Performance, subject to events of Force Majeure as defined in Section 10.1(b). Upon completion of the Development, the Developer shall deliver to the Authority a Certificate of Completion in the form
attached hereto as Exhibit H and as required by the RAD Requirements and, if applicable, the mitigation monitoring plan.

Section 6.3 Development Pursuant to Phase I Development Plan.

(a) The Developer shall cause the Development to be performed substantially in accordance with the final Phase I Development Plan and the terms and conditions of all City and other governmental approvals.

(b) Subject to Section 5.5 above, the Developer shall submit or cause to be submitted for Authority approval any proposed material change in the final Phase I Development Plan which materially changes the size, location or elevation of the Development or which would require an amendment to any approval or permits obtained from the City or other governmental agencies.

(c) No change which is required for compliance with building codes or other laws, codes or regulations shall be deemed material. However, subject to Section 5.5 above, the Developer must submit or cause to be submitted to the Authority, in writing, any change that is required for such compliance within ten (10) business days after making such change, and such change shall become a part of the approved final Phase I Development Plan, binding on the Developer.

Section 6.4 Construction Bonds. The Developer shall require its contractor to procure and deliver to the Authority copies of labor and material (payment) bonds and performance bonds, or a dual bond which covers both payment and performance obligations, in a penal sum each of not less than one hundred percent (100%) of the scheduled cost of the Development, and one hundred percent (100%) payment bond. Said bonds shall be issued by an insurance company that is licensed to do business in California and has a rating equivalent to AAA or AA+ by an insurance company listed in the current year's Federal Register or as otherwise approved by the Authority. The labor and materials (payment) bond shall name the Authority as a co-obligee or assignee.

Section 6.5 Compliance with Applicable Law. The Developer shall cause all work performed in connection with the Development to be performed in compliance with (a) all applicable laws, ordinances, rules, and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, (including, without limitation, the federal Davis-Bacon and Related Acts and Section 3 of the Housing and Community Development Act of 1974, as amended, as applicable) and (b) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and the Developer shall be responsible to the Authority for the procurement and maintenance thereof, as may be required of the Developer and all entities engaged in work on the Development.

Section 6.6 Non-Discrimination During Development; Equal Opportunity. The Developer, for itself and its successors and assigns, and transferees agrees that with respect to the Development provided for in this Agreement:

(a) It will not discriminate against any employee or applicant for employment because of race, color, creed, religion, national origin, ancestry, disability, medical condition,
age, marital status, gender identity status, sex, sexual orientation, HIV status or Acquired Immune Deficiency Syndrome (AIDS) condition or perceived condition, or retaliation for having filed a discrimination complaint ("Nondiscrimination Factors"). The Developer will take affirmative action to ensure that applicants are considered for employment by the Developer without regard to the Nondiscrimination Factors, and that Developer's employees are treated without regard to the Nondiscrimination Factors during employment including, but not limited to, activities of upgrading, demotion or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Developer agrees to post in conspicuous places, available to its employees and applicants for employment, the applicable nondiscrimination clause set forth herein;

(b) It will ensure that its solicitations or advertisements for employment are in compliance with the aforementioned Nondiscrimination Factors;

(c) It will cause the foregoing provisions to be inserted in all contracts for the performance of the Development entered into after the effective date of this Agreement; provided, however, that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials;

(d) it will comply with, to the extent required by law, the purpose of Section 3 of the Housing and Urban Development Act of 1968, as amended by Section 915 of the Housing and Community Development Act of 1992, which is to "ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons" and will comply with the implementing regulations at 24 CFR Part 135 or any applicable successor regulations;

(e) it shall cause all contracts it enters into with respect to the Development to contain the clause attached hereto as Exhibit I; and

(f) it shall fulfill local hiring commitments as further described in the local hire and Section 3 requirements attached hereto as Exhibit I to the maximum extent feasible.

Section 6.7 Equal Opportunity/Non-Discrimination in Employment and Contracting Procedures. The Developer and the Authority acknowledge and agree that it is the policy of the Authority to promote and ensure equal opportunity through employment and in the award of contracts and subcontracts for the Development. During the period of this Agreement, the Developer shall not discriminate on the basis of race, color, creed, religion, national origin, ancestry, disability, medical condition, age, marital status, gender identity status, sex, sexual orientation, HIV status or Acquired Immune Deficiency Syndrome (AIDS) condition or perceived condition, in the hiring, firing, promoting or demoting of any person. Subject to the foregoing, the Developer shall employ or select employees, contractors and subcontractors in accordance with the Authority's Local Hire, Section 3, and Equal Opportunity Requirements attached hereto as Exhibit I.

(a) During the Development, the Developer shall provide to the Authority such information and documentation as reasonably requested by the Authority related to the equal opportunity requirements imposed by this Agreement.
(b) The Developer shall use reasonable efforts to monitor and enforce, or shall cause its general contractor to monitor and enforce, the equal opportunity requirements imposed by this Agreement. If, after notice from the Authority and an opportunity to cure such failure as set forth in Article 10 of this Agreement, the Developer fails to use reasonable efforts to monitor or enforce these requirements, the Authority may declare the Developer in default of this Agreement and pursue any of the remedies available under this Agreement.

(c) As requested, the Authority shall provide such technical assistance necessary to implement this Section 6.7.

Section 6.8 State Prevailing Wages and Federal Davis-Bacon and Related Acts Compliance. This development project is a public works project, as defined in Labor Code section 1720, and must be performed in accordance with the requirements of Labor Code sections 1720 to 1815, inclusive, and sections 16000 to 17270 of Title 8 of the California Code of Regulations, which govern the payment of prevailing wage rates on public works projects. The project is also subject to the federal Davis-Bacon and Related Acts (29 CFR 1 et seq., 29 CFR 3 et seq., and 29 CFR 5-7 et seq.) and all other applicable federal and state laws, regulations, policies, as amended, including those regarding discrimination, unfair labor practices, anti-kickback, collusion, the Fair Labor Standards Act, and where triggered, the Contract Work Hours and Safety Standards Act.

(a) Public Works Compliance. Developer shall pay and assure that all contractors and subcontractors working on the Development pay no less than federal and state prevailing wages; and comply with all applicable reporting and recordkeeping requirements. Developer, as an "Awarding Body", shall also pay any and all applicable labor compliance monitoring fees.

(1) State Prevailing Wages. Developer shall and shall cause its contractors and subcontractors to pay prevailing wages in the construction of the Development as those wages are determined pursuant to Labor Code Sections 1720 et seq. and the implementing regulations of the Department of Industrial Relations ("DIR"), to employ apprentices as required by Labor Code Sections 1777.5 et seq., and the implementing regulations of the DIR and comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., 1810-1815 and implementing regulations of the DIR. All calls for bids, bidding materials and the construction documents for the Development must specify that (i): no contractor or subcontractor may be listed on a bid proposal nor be awarded a contract for the Development unless registered with the DIR pursuant to Labor Code Section 1725.5; and (ii) the Development is subject to compliance monitoring and enforcement by the Authority.

(a) Developer, as the "awarding body", shall register the Development as required by Labor Code Section 1773.3 as set forth in the DIR's online form PWC-100 within 30 days of project award or prior to the start of construction (whichever comes first) and provide evidence of such registration to the Authority upon request and any additional registration reporting to the DIR.

(b) In accordance with Labor Code Sections 1725.5 and 1771.1, Developer shall require that its contractors and subcontractors be registered with the DIR, and maintain such registration as required by the DIR.

(c) Pursuant to Labor Code Section 1771.4, the Development is subject to compliance monitoring and enforcement by the DIR. Developer shall require its contractors and
subcontractors to submit payroll and other records electronically to the DIR and the Authority pursuant to Labor Code Sections 1771.4 and 1776 et seq, or in such other format as required by the DIR and the Authority.

(d) Developer shall and shall cause its contractors and subcontractors to keep and retain such records as are necessary to determine if prevailing wages have been paid as required pursuant to Labor Code Sections 1720 et seq., and that apprentices have been employed as required by Labor Code Section 1777.5 et seq., and shall, from time to time upon the request to provide to the Authority such records and other documentation reasonably requested by the Authority.

(e) Developer shall and shall cause its respective contractors and subcontractors to comply with all other applicable provisions of Labor Code, including without limitation, Labor Code Sections 1720 et seq., 1725.5, 1771, 1771.1, 1771.4, 1776, 1777.5 et seq., 1810-1815 and implementing regulations of the DIR in connection with construction of the Development or any other work undertaken or in connection with the Development.

(f) Copies of the currently applicable current per diem prevailing wages are available from the DIR website, www.dir.ca.gov. Developer shall cause its respective contractors to post the applicable prevailing rates of per diem wages at the Phase I Site and to post job site notices, in compliance with Title 8 California Code of Regulations 16451(d) or as otherwise as required by the DIR.

(g) Developer shall indemnify, hold harmless and defend (with counsel reasonably selected by the Authority), to the extent permitted by applicable law, the Authority, its councilmembers, commissioners, officials, employees and agents, against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Developer, or its contractors or subcontractors) to pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq., to hire apprentices in accordance with Labor Code Sections 1777.5 et seq., or to comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1725.5, 1771, 1771.1, 1771.4, 1776, 1777.5 et seq., 1810-1815 and the implementing regulations of the DIR in connection with the work performed pursuant to this Agreement.

(2) Davis Bacon and the Related Acts. The Developer shall adhere and ensure contractor and subcontractor adherence to the Davis Bacon and Related Acts and all other applicable federal labor standards. All contracts and subcontracts must include, as provided in the "AHAP" contract, the Davis Bacon wages, and located at Part II of the contract, Section 2.4 titled "The Federal Labor Standards Provisions". Any further construction activity performed in connection to the "HAP" contract is subject to the Davis Bacon wages and requirements and other applicable federal labor standards as set forth in the contract.

Section 6.9 Progress Reports. Until such time as the completion of the Development, the Developer shall provide the Authority with periodic progress reports, as reasonably requested in writing by the Authority, regarding the status of the Development.

Section 6.10 Entry by the Authority. The Developer shall permit the Authority, through its officers, agents, or employees, to enter the Phase I Site with advance written notice, at all reasonable times during normal business hours and in a safe, unobtrusive manner to review the
work of construction to determine that such work is in conformity with the approved final Plans and Specifications or to inspect the Development for compliance with this Agreement. The Authority is under no obligation to (a) supervise construction, (b) inspect the Development, or (c) inform the Developer of information obtained by the Authority during any review or inspection, and the Developer shall not rely upon the Authority for any supervision, inspection, or information.

Section 6.11 Taxes. The Authority shall cause the Managing General Partner to qualify the Development for a full property tax exemption pursuant to Section 214 of the California Revenue and Taxation Code. At all times after the Managing General Partner obtains any applicable property tax exemptions, the Developer shall pay prior to delinquency all real property taxes and assessments assessed and levied on the Phase I Site after the Developer takes leasehold title to the Phase I Site or portions thereof, and shall remove any levy or attachment made on the Phase I Site. The Developer may, however, contest the validity or amount of any tax, assessment, levy, attachment or lien on the Phase I Site.

Section 6.12 Hazardous Materials.

(a) Certain Covenants and Agreements. The Developer hereby covenants and agrees that:

(1) The Developer shall not knowingly permit the Development or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Development in violation of any applicable law;

(2) The Developer shall keep and maintain the Development and each portion thereof in compliance with, and shall not cause or permit the Development or any portion thereof to be in violation of, any Hazardous Materials Laws;

(3) Upon receiving actual knowledge of the same the Developer shall immediately advise the Authority in writing: (A) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Developer or the Development pursuant to any applicable Hazardous Materials Laws; (B) any and all claims made or threatened by any third party against the Developer or the Development relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as "Hazardous Materials Claims"); (C) the presence of any Hazardous Materials in, on or under the Development in such quantities which require reporting to a government agency; or (D) the Developer's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Development classified as "border zone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Development under any Hazardous Materials Laws. If the Authority reasonably determines that the Developer is not adequately responding to a Hazardous Material Claim, the Authority shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and to have its reasonable attorney's fees in connection therewith paid by the Developer.

(4) Without the Authority's prior written consent, which shall not be
unreasonably withheld, conditioned or delayed, the Developer shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Development (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(b) Developer Indemnity. Without limiting the generality of any other indemnification set forth herein, the Developer hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Authority) the Authority, the Authority’s affiliates, the City, their board members, directors, officers, and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorney’s fees and expenses), arising directly or indirectly, in whole or in part, out of: (1) the failure of the Developer to comply with any Hazardous Materials Law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Development subsequent to the conveyance of the Phase I Site to the Developer; (2) the presence in, on or under the Phase I Site of any Hazardous Materials or any releases or discharges of any Hazardous Materials into, on, under or from the Development that arises during the term of the Ground Lease; or (3) any activity carried on or undertaken on or adjacent to the Development, subsequent to the conveyance of the Phase I Site to the Developer and during the term of the Ground Lease, and whether by the Developer or any of its affiliates, employees, agents, contractors or subcontractors, or any third persons at any time occupying or present on the Development, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials at any time located or present on or under the Development. The foregoing indemnity shall further apply to any residual contamination on or under the Development, or affecting any natural resources, and to any contamination of any Phase I Site or natural resources arising in connection with the generation, use, handling, treatment, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with Hazardous Materials Laws. The provisions of this subsection shall survive expiration of the term of this Agreement or other termination of this Agreement, and shall remain in full force and effect, except that this indemnity shall not apply to (i) contamination first arising after termination of this Agreement and not caused during the term of the Ground Lease, or (ii) caused by the gross negligence or willful misconduct of the Authority, or (iii) caused by the acts or omissions of LOMOD.

(1) No Limitation. The Developer hereby acknowledges and agrees that the Developer’s duties, obligations and liabilities under this Agreement, including, without limitation, under subsection (b) above, are in no way limited or otherwise affected by any information the Authority may have concerning the Development and/or the presence within the Development of any Hazardous Materials, whether the Authority obtained such information from the Developer or from its own investigations, unless the Authority shall intentionally and knowingly withhold such information.

(c) Environmental Work. Except as otherwise set forth on the Phase I Development Plan, prior to Closing the Authority shall be responsible for performing the work of any investigation and remediation which may be required by applicable law on the Phase I Site and shall coordinate environmental clearance reviews under 24 CFR part 50 or 24 CFR part 58, if and as applicable. The Developer shall assist the Authority with any required environmental
review or approval. The determination as to whether any such remediation is needed, and as to the scope and methodology thereof, shall be made by mutual agreement of the governmental agency with responsibility for monitoring such remediation and the Authority and the Developer. During the term of the Ground Lease, the Developer shall notify the Authority promptly upon discovery of any actionable levels of Hazardous Materials, and upon any release thereof, and shall consult with the Authority in order to establish the extent of remediation to be undertaken and the procedures by which remediation thereof shall take place. The Developer shall comply with, and shall cause its agents and contractors to comply with, all laws regarding the use, removal, storage, transportation, disposal and remediation of Hazardous Materials. The investigation and remediation work shall be carried out in accordance with all applicable laws (including Hazardous Materials Laws) and such other procedures and processes as may be described in this Agreement.

Section 6.13 **As-Is Conveyance.** Subject to the Authority's obligation to complete the work required under the Demolition and Remediation Specifications, the Ground Lease shall be made "AS IS," with no warranties or representations by the Authority concerning the condition of the Phase I Site, including the presence or absence of any Hazardous Materials except as provided in Section 6.12. Developer hereby agrees and acknowledges that except in the event of any fraud, misrepresentation, or withholding of information by Authority: (i) neither Authority, nor anyone acting for or on behalf of Authority, has made any representation, statement, warranty or promise to Developer concerning the development potential or condition of the Phase I Site; (ii) in entering into this Agreement, Developer has not relied on any representation, statement or warranty of Authority, or anyone acting for or on behalf of Authority, other than as may expressly be contained in writing in this Agreement; (iii) all matters concerning the Phase I Site have been or shall be independently verified by Developer and that Developer shall purchase or lease the Phase I Site on Developer's own prior examination thereof; and (iv) THAT DEVELOPER IS LEASING THE PHASE I SITE, AS APPLICABLE, IN AN "AS IS" PHYSICAL CONDITION AND IN AN "AS IS" STATE OF REPAIR.

Section 6.14 **City and Other Governmental Authority Permits.** Before the commencement of the Development or other work of improvement upon the Phase I Site, the Developer shall secure or cause to be secured any and all permits or other authorizations, which may be required by the City or any other governmental agency regulating such construction, development or work; provided, however, the Housing and Community Investment Department Authority of the City shall seek and obtain approval under the National Environmental Policy Act, 42 U.S.C. § 4321 et seq. and the Authority has adopted an Environmental Report satisfying the obligations of the California Environmental Quality Act, California Public Resources Code § 21000 et seq. The Authority shall provide all assistance deemed appropriate by the Authority to the Developer in securing other permits. Costs and fees associated with Developer's performance under this Section shall be a cost of the Development.

Section 6.15 **Planning/Zoning Approvals for the Phase I Site.** It shall be the responsibility of the Developer to ensure that the zoning of the Phase I Site shall be such as to permit the development and use of the Phase I Site in accordance with the provisions of this Agreement. The Authority shall cooperate with the Developer in seeking any variances, conditional use permits, parcel maps or other discretionary approvals needed to implement this Agreement. Costs and fees associated with Developer's performance under this Section shall be a cost of the Development.

Section 6.16 **General Contractor.** The Developer and the Authority have agreed that the Contractor for predevelopment cost estimation for the Development is Portrait Construction,
Inc. ("Portait"). The Authority and the Developer will jointly decide to (a) retain Portrait as to Contractor for the construction of the Development by a negotiated bid or (b) pay portrait for its predevelopment services and bid the construction contract to a pre-selected list of Contractors approved by the Developer and the Authority. The Authority shall have the right to approve the construction Contract and to perform an independent cost review with respect to the construction contract. Developer shall cause the construction Contractor to comply with the terms set forth on Exhibit I. All subcontracts will be competitively bid.

Section 6.17 Mitigation Monitoring Plan. The Developer shall comply with any mitigation monitoring plan mandated by any regulatory body.

ARTICLE 7
OWNERSHIP, OPERATION, AND DISPOSITION OF DEVELOPMENT

Section 7.1 Ownership. Units developed and constructed hereunder shall be owned by the Developer and all net income therefrom shall be subject to the terms and provisions of the documents governing the operation of the Development. At Closing, the Developer will remain a limited partnership in which the Managing General Partner will be a California limited liability company in which LOMOD is the sole member, and the Administrative General Partner will be Related/Rose Hill Courts I Development Co., LLC, a California limited liability company, subject to tax structuring requirements. The Authority shall cause LOMOD to obtain an Organizational Clearance Certificate and a Supplemental Clearance Certificate from the California Board of Equalization and to apply for a full property tax exemption.

Section 7.2 Property Management. The Developer, through a professional property manager or property management company, shall manage the Development or cause it to be managed. Any manager or management company retained to act as agent for Developer in meeting the obligation of providing a property manager shall be subject to prior written approval of the Authority which approval shall not be unreasonably withheld or delayed. Related Management Company, L.P. ("RMC") is hereby approved by the Authority as the initial property manager. Subject to the approval of Investor, the management fee payable to RMC shall be the lesser of (a) six percent (6%) of effective gross income or (b) the per-unit management fee payable under the applicable local project-based Section 8 program. In exercising its approval rights hereunder, the Authority may require proof of ability and qualifications of the management company based upon (i) prior experience, (ii) assets, (iii) insurance coverage, and (iv) other factors determined by the Authority as reasonably necessary. Furthermore, upon sixty (60) days prior written demand from the Authority for cause in the Authority's reasonable discretion, Developer shall remove and replace a property management company. In any agreement with a property management company ("Management Agreement"), the Developer shall expressly reserve the right to terminate such agreement with cause. Notwithstanding the foregoing sentence, the Authority agrees that RMC shall be entitled to a sixty (60)-day notice of default and a reasonable opportunity to cure before any such termination. Subject to lender, Investor and Related approval, the Authority shall have the option to take over property management for the Development five (5) years after the effective date of the PBV HAP Contract, provided the Authority shall replace the Guarantor, Related or its Affiliate as guarantor under any outstanding lender or Investor guarantees.

Section 7.3 Purchase Option and Right of First Refusal.

(a) Following the close of the Tax Credit Compliance Period and continuing for a period of not less than thirty-six (36) months ("Option Term"), the Authority and the
Administrative General Partner (in either case directly or through an Affiliate) (collectively, "Optionee") shall have an option ("Purchase Option") to acquire the Development for the greater of (i) fair market value of the Development (taking into account any restrictions which will continue to encumber the Development following completion of the sale) or the Investor's partnership interest and (b) the debt encumbering the Development, plus the tax liability of the Investor resulting from the sale. Developer and the Optionee shall make diligent efforts to structure the transaction with Investor to minimize the exit tax liability, with a target level of such taxes mutually established by the Authority and the Developer that the Developer will make reasonable efforts not to exceed. The Developer shall be responsible for tax credit shortfalls and deficiencies required by the Investor to be paid upon exercise of the Purchase Option. The terms of the Purchase Option shall be negotiated between the Parties prior and as a condition precedent to the Closing, and shall be set forth in a Purchase Option and Right of First Refusal Agreement ("PO/ROFR Agreement"), which terms shall include, without limitation, that if either the Administrative General Partner or the Authority wishes to exercise the option it shall send written notice of its intent to the other party no later than three months prior to the expiration of the option term, and the other party shall have sixty (60) days from the date of such notice to elect whether or not to participate in the purchase. If the other party does not wish to participate in the purchase, the party sending the notice may exercise the option and purchase the Development or the Investor's partnership interests on its own. If both parties wish to participate in the purchase, they will jointly participate in the purchase and any subsequent re-syndication of the Development, on the following terms: (1) any developer fee associated with such re-syndication will be shared sixty percent (60%) to the Administrative General Partner and forty percent (40%) to the Authority; and (2) any net cash flow or net capital proceeds payable to the general partners following such re-syndication will be shared seventy percent (70%) to the Authority and thirty percent (30%) to the Administrative General Partner. The Developer may entertain an offer for the Development from an independent third party (unaffiliated with the Partnership or any of its constituent partners) ("Bona Fide Offer") during this period only if both the Managing General Partner and Administrative General Partner jointly agree to entertain such offer.

(b) In addition to the Purchase Option, the Managing General Partner or the Authority shall receive a right of first refusal to purchase the Development during the period of time commencing upon the expiration of the Option Term and expiring one (1) year thereafter ("ROFR") on the following terms: (a) the ROFR will be deemed triggered if the Developer receives a Bona Fide Offer which the Developer is prepared to accept in accordance with the Partnership Agreement, (b) if the Managing General Partner or the Authority exercises its right to purchase the Development under the ROFR, the Authority shall purchase the Development for the purchase price set forth in Section 42(i)(7) of the Code, (c) if either or both of Administrative General Partner or the Managing General Partner (or the Authority) purchase the Development pursuant to the Purchase Option, the ROFR shall immediately terminate.

(c) The Purchase Option and the ROFR shall, in each instance, be subordinated to each and every deed of trust or mortgage obtained by Developer in accordance with the terms of the Ground Lease.

**ARTICLE 8. OBLIGATIONS WHICH CONTINUE THROUGH AND BEYOND THE COMPLETION OF CONSTRUCTION**

Section 8.1 **Maintenance.** The Developer hereby agrees that, from and after Closing, and prior to completion of the Development, the Phase I Site shall be maintained in a neat and
orderly condition to the extent practicable and in accordance with industry health and safety standards.

Section 8.2 Non-Discrimination. The Developer covenants by and for itself and its successors and assigns acting as Developer that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Phase I Site or of the Development by the Developer, nor shall the Developer or any person claiming under or through the Developer establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Phase I Site or of the Development.

Section 8.3 Mandatory Language in All Subsequent Deeds, Leases, and Contracts. All deeds, leases, subleases or contracts entered into by the Developer on or after the date of execution of this Agreement as to any portion of the Development or Phase I Site shall contain the following language:

(a) In deeds: "Grantee herein covenants by and for itself, its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee 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 property herein conveyed. The foregoing covenant shall run with the land."

(b) In leases and subleases (except for leases from the Developer to a residential tenant): "The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns and all persons claiming under the lessee or through the lessee that the lessee's lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the lessee or any person claiming under or through the lessee 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, sublessees, subtenants, or vendees in the land herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee 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."

Section 8.4 Employment Opportunity. During the operation of the Development, there shall be no discrimination by the Developer on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry, or handicap in the hiring, firing,
promoting, or demoting of any person engaged in the operation of the Development.

**ARTICLE 9. INSURANCE**

Section 9.1 Developer. Developer shall maintain and keep in full force and effect, and shall cause all of its Contractors to maintain and keep in full force and effect, during the term of this Agreement, the following insurance:

(a) Commercial General Liability insurance, insuring for legal liability of the Developer, and caused by bodily injury, property damage, personal injury or advertising injury, arising out of the ownership or management of the Development and including the costs to defend such actions brought against the Developer. Limits of the policy shall be Two Million Dollars ($2,000,000) per occurrence;

(b) Worker's Compensation insurance, insuring for occupational disease or injury and employer's liability and covering the Developer's full liability for statutory compensation to any person or persons who perform work for the Developer or perform duties on the Phase I Site, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state of California. Worker's Compensation limits shall be One Million Dollars ($1,000,000) per occurrence;

(c) Automobile Liability insurance, insuring for the legal liability of the Developer and caused by bodily injury, property damage, or personal injury arising out of the ownership or use of motor vehicles, including uninsured motorist liability, and including the costs to defend such actions brought against the Developer. Limits of the policy shall be One Million Dollars ($1,000,000) combined single limits per accident; and

(d) Builder's Risk insurance, that insures for all risks of physical loss of or damage (including the perils of fire, vandalism and malicious mischief, excluding the perils of earthquake, and excluding the perils of flood unless the Development is located in the 100 year flood plain) to the Development, and personal property of the Developer used to maintain or service the Development construction. Limits of policy will be the estimated replacement value of the completed Development.

Section 9.2 Indemnification and Defense. Developer shall defend, indemnify, and hold harmless the Authority, the City of Los Angeles, their commissioners, directors, officers, employees, agents, instrumentalities and affiliates from and against all liability, loss, damage, cost, and expense, including all attorneys' fees, and all liens, claims, suits, and demands therefor (collectively, "Claims"), arising out of or resulting from the acts or omissions of the Developer, its member entities or their partners, employees, officers, agents, affiliates, consultants or subcontractors under this Agreement or in connection with the Development except that this indemnity shall not apply to any Claims (a) caused by the gross negligence or willful misconduct of the Authority. The provisions of this Section 9.2 shall survive and remain in full force and effect notwithstanding the expiration or early termination of this Agreement.

**ARTICLE 10. TERMINATION FOR CAUSE**

Section 10.1 Events of Default by the Developer.
(a) The following shall constitute an Event of Default by the Developer:

(1) if Developer shall fail to use diligent efforts to substantially comply with the Schedule of Performance (other than due to Force Majeure as defined in Section 10.1(b)) and such failure (i) is not caused, in whole or in part, by the Managing General Partner, and (ii) shall continue after expiration of the notice and cure period set forth in Section 10.3(a); or

(2) if Developer shall materially breach or fail to diligently pursue its obligations under this Agreement (other than due to Force Majeure as defined in Section 10.1(b)) and such failure shall continue after expiration of the notice and cure period set forth in Section 10.3(a); or

(3) any fraud or willful misconduct on the part of the Developer or the Administrative General Partner with respect to this Agreement; or

(4) if the Developer or the Administrative General Partner (i) is or becomes insolvent or bankrupt or otherwise ceases to pay its debts as they mature or makes any arrangement with or for the benefit of its creditors or consents to or acquiesces in the appointment of a receiver, trustee or liquidator for the Development or for any substantial part of it; (ii) institutes any bankruptcy, winding up, reorganization, insolvency, arrangement or similar proceeding under the laws of any jurisdiction, or any such proceeding is instituted against the Developer in any jurisdiction which is not stayed or dismissed within 90 days after its institution; (iii) files any action or answer admitting, approving or consenting to any such proceeding; (iv) becomes subject to levy of any distress, execution or attachment upon its property which interferes with its performance hereunder, and the Developer fails within 90 days to discharge such levy, execution or attachment, or to substitute another entity (whether or not an Affiliate) acceptable to the Authority to perform the obligations of the Developer without material delay in performance; or (v) is convicted of any criminal offense or violation of law.

(b) For purposes hereof, "Force Majeure" shall mean causes beyond the control and without the fault or negligence of the Developer. Such causes shall include without limitation: (i) acts of God, or of the public enemy, (ii) court order, acts, delays, failure or refusal to act on the part of a governmental entity in either its sovereign or contractual capacity, (iii) acts of a contractor other than Developer, or subcontractor, in the performance of an agreement with the Authority (and not pursuant to a contract with the Developer), (iv) riots, civil disturbances, uprisings, war or acts of terrorism, (v) fires, (vi) floods or earthquakes, (vii) epidemics, (viii) quarantine restrictions, (ix) strikes or lockouts, (x) freight embargoes, (xi) litigation, (xii) non-issuance of permits, (xiii) lack of HUD approval, if required, without the fault or negligence of the Developer (xiv) unusually severe weather, (xv) the presence of hazardous materials or archeological, tribal or PaleoLithic finds on the Phase I Site, or (xvi) delays of subcontractors or suppliers at any tier arising from unforeseeable causes.

(c) Notwithstanding anything to the contrary in this Agreement, in no event shall the Developer or the Administrative General Partner be deemed to have committed an Event of Default hereunder (or a breach which could mature into an Event of Default hereunder), if the event(s) or occurrence(s) giving rise to such alleged Event of Default were the result of acts or omissions of the Managing General Partner.

Section 10.2 Events of Default by the Authority.

(a) The following shall constitute an Event of Default by the Authority:
(1) if the Authority shall fail to perform its obligations under this Agreement and such failure shall continue after expiration of notice and cure periods set forth in Section 10.3(a); or

(2) any fraud or willful misconduct on the part of the Authority.

(b) It shall not be an Event of Default if any failure by Authority arises due to Force Majeure. For purposes hereof, "Force Majeure" shall mean causes beyond the control and without the fault or negligence of Authority. Such causes shall include without limitation: (i) acts of God, or of the public enemy, (ii) court order, acts, refusal, delay or failure to act on the part of a governmental entity (other than the Authority) in either its sovereign or contractual capacity, (iii) acts of another contractor or subcontractor in the performance of an agreement with the Developer (and not pursuant to a contract with the Authority or an Affiliate of Authority), (iv) riots, war or acts of terrorism, (v) fires, (vi) floods or earthquakes, (vii) epidemics, (viii) quarantine restrictions, (ix) strikes or lockouts, (x) freight embargoes, (xi) litigation, (xii) non-issuance of permits, (xiii) lack of HUD approval without the fault or negligence of Authority, (xiv) unusually severe weather, (xv) the presence of hazardous materials of archeological, tribal or Paleolithic finds on the Phase I Site, or (xvi) delays of subcontractors or suppliers at any tier arising from unforeseeable causes.

Section 10.3 Procedure for Termination For Cause/Remedies.

(a) The occurrence of any event described in Sections 10.1(a)(1) or 10.2(a)(1) shall not constitute an Event of Default unless the non-defaulting party has delivered written notice of default to the defaulting party, and such defaulting party shall fail to cure the default within thirty (30) days of its receipt of such notice or, if such cure cannot reasonably be completed within such thirty (30) day period, fails to commence such cure or having commenced, does not prosecute such cure with diligence and dispatch to completion within a reasonable time period thereafter, provided that such time period does not exceed 180 days. Notwithstanding the foregoing, if any event described in Sections 10.1(a)(1) or 10.2(a)(1) occurs within thirty (30) days prior to Closing, the defaulting party shall have only until Closing to cure such default.

(b) Upon the occurrence of an Event of Default by either party, the non-defaulting party shall be entitled to all remedies permitted by law or at equity, including but not limited to specific performance.

(c) Except with respect to any rights and remedies and expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties, whether provided by law, in equity or by this Agreement, are cumulative, and not in derogation of other rights and remedies found in this Agreement and, after Closing, in the Ground Lease. The exercise by either party of any one or more of such remedies will not preclude the exercise by it at the same or a different time of any other such remedies for the same default or breach or of any of its remedies for any other default or breach by the other party. No waiver made by either party with respect to the performance, or manner or time of performance, or any obligation of the other party or any condition to its own obligation under this Agreement will be considered a waiver with respect to the particular obligation of the other party or condition to its own obligation beyond those expressly waived to the extent of such waiver, or a waiver in any respect in regard to any other rights of the party making the waiver or any other obligations of the other party.
ARTICLE 11.
TERMINATION FOR WITHOUT FAULT

Section 11.1 Termination for Convenience. At any time prior to the Closing, the Authority may terminate this Agreement in whole, or in part, whenever the Authority determines that such termination is in the best interest of the Authority. Any such termination shall be effected by written notice to the Developer specifying the extent to which the performance hereunder is terminated, and the date upon which such termination becomes effective.

Section 11.2 Remedy Upon Termination for Convenience. If this Agreement is terminated, either in whole or in part, pursuant to Section 11.1 and this Section 11.2, the Authority shall be liable to the Developer for reasonable and proper costs resulting from such termination which costs shall be paid to the Developer within ninety (90) days of receipt by the Authority of a properly documented and presented claim setting out in detail: (a) total cost of all third-party costs incurred to date of termination, provided such costs are consistent with the Development Budget, less the total amount of reimbursements previously made to the Developer; (b) the cost of settling and paying claims (including reasonable profit) under subcontracts, third-party consultant contracts, and material orders for work performed and materials and supplies delivered to the Development, payment for which has not been made by the Authority to the Developer; (c) the cost of preserving and protecting the Development already performed until the Authority or assignee takes possession thereof or assumes responsibility therefor, and (d) the lesser of (i) fifteen percent (15%) of the total Developer compensation required to be paid under the Development Budget, less the total amount of such development compensation previously paid to the Developer, or (ii) Two Hundred Thousand and 00/100 Dollars ($200,000.00). Upon full payment as provided in this Section, all Construction Documents and documents related to the design of the Development shall be the property of or otherwise properly assigned to the Authority. In no event under this Agreement, will either party be entitled to any special, consequential, lost opportunity or lost profits damages as a remedy for the event of a default by the other party.

Section 11.3 Feasibility Contingencies. The Parties agree that the following matters are conditions precedent to the Authority's and Developer's ability to proceed with the Development and to fulfill the terms and conditions of this Agreement. The Parties' ability to perform responsibilities hereunder is substantially contingent upon actions by third parties over which Developer and Authority have limited control, or upon factual circumstances which cannot be fully determined as of the date of this Agreement ("Feasibility Contingencies"). By the times set forth in the Schedule of Performance, respectively (which may be amended, by agreement of the Parties), the Parties shall determine if the following Feasibility Contingencies have occurred or are likely to occur as stated below. If either Authority or Developer shall disagree that a Feasibility Contingency set forth below can be or has been met, the dissenting party shall provide to the other Party written information which reasonably supports such dissent:

(a) Receipt of all necessary governmental approvals for the Development, including, but not limited to, all HUD, state and local entitlements, permits and approvals, or agreement by the Parties that the receipt of such approvals is likely to occur when required;

(b) Developer's completion of the investigation of the Phase I Site and title to the Phase I Site pursuant to this Agreement, with results that meet the reasonable satisfaction of the Developer;
(c) Agreement by the Parties that LIHTC or tax-exempt bond financing allocations in commercially reasonable amounts for the Development are likely to be available when required;

(d) The reaching of a Closing for the Development in accordance with the Schedule of Performance as such schedule may be modified by the mutual agreement of the Parties or as otherwise contemplated herein; and

(e) Agreement by the Parties that all funds and projected assistance or reasonable substitutions therefor, including grants, loans and land transfers, for the Development are likely to be available when required, including as necessary to fund the cost of any required remediation of Hazardous Materials or other physical condition of the Phase I Site.

Section 11.4 Termination for Infeasibility. In the event that a Feasibility Contingency does not occur, provided Developer is in full compliance with this Agreement and has used diligent and good faith efforts to cause such contingency to occur in accordance with this Agreement, the Parties may attempt to address the failed Feasibility Contingency in a mutually acceptable fashion by extending deadlines, revising goals, or otherwise. If the Parties agree, within thirty (30) additional days after either party provides the other with notice that a Feasibility Contingency has not occurred, that such Feasibility Contingency cannot be satisfied, the Developer or the Authority may mutually agree to terminate this Agreement. In such event, so long as Developer is not in material default under this Agreement, neither party shall have any liability to the other; except that at the time of such termination the Authority shall pay to the Developer the amounts set forth in Section 11.2 above and the Developer shall transfer and assign the Work Product to the Authority.

Section 11.5 Release; Survival. Developer will provide the Authority with a release of claims in form acceptable to the Authority upon payment of the costs described in this Article 11. The liability of either party for failure to comply with the provisions of this Article shall survive the termination of this Agreement.

ARTICLE 12.
REPRESENTATIONS AND WARRANTIES

Section 12.1 Developer's Warranty of Good Standing and Authority. The Developer represents and warrants to the Authority as follows:

(a) Organization. Developer is duly organized and validly existing and is in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted. Developer shall provide a Certificate of Good Standing issued by the California Secretary of State no more than thirty (30) days prior to the date of this Agreement.

(b) Authority of Developer. Developer has full power and authority to execute and deliver this Agreement, and to execute and deliver all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and all other documents or instruments executed and delivered pursuant to it have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf
of Developer, and all actions required under Developer's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken (to the extent such actions are required as of the date of execution and delivery of the above-named documents).

(d) **Valid and Binding Agreements.** This Agreement and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Developer enforceable against it in accordance with their respective terms, subject to the laws affecting creditors rights and principles of equity.

(e) **No Breach of Law or Agreement.** Neither the execution nor delivery of this Agreement or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on Developer, or any provision of the organizational documents of Developer, or will conflict with or constitute a breach of or a default under any agreement to which Developer is a party, or will result in the creation or imposition of any lien upon any assets or property of Developer, other than liens established pursuant hereto.

(f) **Pending Proceedings.** Except as disclosed in writing to Authority prior to execution of this Agreement, Developer is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and, to the best of its knowledge, there are no claims, actions, suits or proceedings pending or, to the knowledge of Developer, threatened against or affecting Developer or the Development, at law or in equity, before or by any court, board, commission or agency whatsoever.

(g) **Financial Statements.** The financial statements of Developer and other financial data and information furnished by Developer to the Authority fairly present the information contained therein. As of the date of this Agreement, there has not been any adverse, material change in the financial condition of Developer from that shown by such financial statements and other data and information.

Section 12.2 **Authority's Warranty of Good Standing and Authority.** The Authority represents and warrants to Developer that (i) the Authority is a duly organized, validly existing, public body, corporate and politic, and is in good standing under the laws of California, (ii) the Authority has all necessary power and authority under California law, including Article 34 of the California Constitution, to execute and deliver this Agreement, and to execute and deliver all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all such documents, (iii) this Agreement is duly authorized and has been duly entered into and is the legally binding obligation of the Authority, (iv) this Agreement will not violate any judgment, law, consent decree, or agreement to which the Authority is a party or is subject to and will not violate any law or ordinance under which the Authority is organized, and (v) there is no claim pending, or to the best knowledge of the Authority, threatened, that would impede the Authority's ability to perform its obligations hereunder.
ARTICLE 13.
MISCELLANEOUS

Section 13.1 Term. This Agreement shall commence with the execution hereof and shall terminate upon Closing, unless sooner terminated in accordance with provisions herein. Notwithstanding the foregoing, the Authority and the Developer agree that the Developer’s construction and compliance obligations hereunder shall be incorporated in the loan documents from the Authority to Developer to be executed at Closing, to the Authority’s satisfaction.

Section 13.2 Notices. Any notice or other communication given or made pursuant to this Agreement shall be in writing and shall be deemed given if (i) delivered personally or by courier, (ii) sent by overnight express delivery, or (iii) mailed by registered or certified mail (return receipt requested), postage prepaid, to a party at its respective address set forth below (or at such other address as shall be specified by the party by like notice given to the other party):

If to Authority: Housing Authority of the City of Los Angeles
2600 Wilshire Boulevard
Los Angeles, CA 90057
Attn: Doug Guthrie, President and Chief Executive Officer

With a copy to: Reno & Cavanaugh, PLLC
455 Massachusetts Ave., NW, Suite 400
Washington, D.C. 20001
Attn: Megan Glasheen, Esq.

And a copy to: Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057
Attn: Becky Churchill Clark, Esq., Senior Staff Attorney

If to Developer: Rose Hill Courts I Housing Partners, L.P.
c/o The Related Companies of California, LLC
18201 Von Karman Avenue, Suite 900
Irvine, California 92612
Attn: Frank Cardone

With a copy to: Bocarsly Emden Cowan Esmail & Arndt, LLP
633 W. Fifth Street, 64th Floor
Los Angeles, California 90071
Attn: Lance Bocarsly, Esq.

All such notices and other communications shall be deemed given on the date of personal or local courier delivery, telecopy transmission, delivery to overnight courier or express delivery service, or deposit in the United States Mail, and shall be deemed to have been received (i) in the case of personal or local courier delivery, on the date of such delivery, (ii) in
the case of delivery by overnight courier or express delivery service, on the date following dispatch, and (iii) in the case of mailing, on the date specified in the return receipt therefor.

Section 13.3 Representatives. To facilitate communication, the Parties shall designate a representative with responsibility for the routine administration of each party’s obligations under this Agreement. The Parties initially appoint the following as representatives:

The Authority: Jenny Scanlin
Developer: Frank Cardone

Section 13.4 Further Assurances. Each party hereto will promptly execute and deliver without further consideration such additional agreements and other documents as the other party hereto may reasonably request to carry out the transactions contemplated herein, so long as the Parties' rights and obligations hereunder are not substantively affected, modified or otherwise altered by such additional agreements and other documents, except as mutually agreed to between the Parties.

Section 13.5 Restrictions on Transfers and Assignments. Except as otherwise expressly provided to the contrary in this Agreement, Developer shall not assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the Authority, which consent may be withheld in its reasonable discretion. Any such assignment or delegation without such consent shall, at Authority’s option, be void.

Section 13.6 Authorized Transfers. Notwithstanding the prohibition on assignment set forth above, Developer shall have the right, prior to the Closing and subject to the conditions set forth below, to assign Developer’s rights under this Agreement to a California limited partnership ("Assignee") in which the Administrative General Partner and the Managing General Partner (or their respective Affiliates) act as the general partners. The conditions, for the benefit of Authority, to Developer’s right so to assign are as follows:

(a) the Assignee shall have executed and delivered to the Authority, in form and substance satisfactory to the Authority and for the benefit of Authority as an intended third-party beneficiary, an assumption of Developer’s covenants and obligations under this Agreement;

(b) the representations and warranties of Developer contained in this Agreement shall be correct as of the date of the assignment and assumption as though made on and as of that date and, if requested by the Authority, the Authority shall have received a certificate to that effect signed by an officer of Developer;

(c) no Event of Default by Developer under this Agreement shall then exist, and no event shall then exist which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer under this Agreement and, if requested by the Authority, the Authority shall have received a certificate to that effect signed by an officer of Developer;

(d) such other conditions as the Authority may reasonably require that are germane to the assignment.

If such an assignment is made, then Developer shall be released from any liability under this Agreement arising from and after the date of such assignment.
Section 13.7 Counterparts. This Agreement may be executed on one or more counterparts (including in PDF format), each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same instrument.

Section 13.8 Interpretation and Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

Section 13.9 Severability. If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid such invalidity, illegality, or unenforceability or, if that is not possible, such provision shall, to the extent of such invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

Section 13.10 Final Agreement. This Agreement represents the final agreement between the Parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the Parties. There are no unwritten oral agreements between the Parties.

Section 13.11 Developer Employees and Liabilities. Except as may be expressly set forth herein, no present or future member, partner, shareholder, participant, employee, agent, or officer of or in Developer or any transferee shall have any personal liability, directly or indirectly, under or in connection with this Agreement; provided, however, that the foregoing shall not void or diminish the obligations of Developer under this Agreement.

Section 13.12 Developer Not an Agent. Neither anything in this Agreement contained nor any acts of the Parties shall be deemed or construed by the Parties, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or of any association between the Parties.

Section 13.13 Conflict of Interest. Developer represents and warrants that to its actual knowledge, no member, official, employee, agent, consultant or contractor of the Authority, the Authority’s affiliates or the City has any direct or indirect personal interest in this Agreement or participated in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership or other entity in which he or she is, directly or indirectly, interested. Developer further represents and warrants to the Authority that it has not paid or given, and will not pay or give, to any third party (other than as specifically set forth in this Agreement) any money or other consideration for obtaining this Agreement.

Section 13.14 Waivers. All waivers of the provisions of this Agreement shall be in writing and signed by the appropriate authorities of the Authority and Developer, as applicable.

Section 13.15 Successors. This Agreement shall be binding upon and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of the Parties.

Section 13.16 Headings: Exhibits. The headings contained in this Agreement are inserted as a matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions. The Exhibits attached hereto are hereby incorporated into this Agreement by this reference.
Section 13.17 Construction. Whenever the context of any provisions hereof shall require it, words in the singular shall include the plural, words in the plural shall include the singular, and pronouns of any gender shall include the other genders. The terms "herein", "hereof", "hereto", "hereunder" and similar terms refer to this Agreement and not to any particular section or subsection of this Agreement. The terms "include" and "including" shall be interpreted as if followed by the words "without limitation". All references in this Agreement to sums denominated in dollars or with the symbol "$" refer to the lawful currency of the United States of America unless such reference specifically identifies another currency.

Section 13.18 Cumulative Rights. The rights, powers, options, and remedies given to the Parties under this Agreement shall be cumulative, except as otherwise specifically provided for in this Agreement.

Section 13.19 Business Licenses. The Developer has obtained or will obtain all licenses required to conduct its business in the City and is not in default of any fees or taxes due to the City.

Section 13.20 Time of Performance.

(a) Expiration. All performance dates (including cure dates) expire at 5:00 p.m., Los Angeles, California time, on the performance or cure day, subject to subsection (b).

(b) Weekends and Holidays. A performance date that falls on a Saturday, Sunday or Authority holiday is deemed extended to the next working day.

(c) Days for Performance. All periods for performance specified in this Agreement in terms of days shall be calendar days, and not business days, unless otherwise expressly provided in this Agreement.

Section 13.21 Amendment. Neither this Agreement nor any of its terms may be terminated, amended or modified except by a written instrument executed by the Parties.

Section 13.22 Inspection of Books and Records. The Authority shall have the right, at its own expense from time to time, upon at least five business days' prior notice to Developer, to inspect and audit the Developer's books and records regarding the Development as pertinent to the purposes of this Agreement and to ascertain the accuracy of all payments to be made to the Authority under this Agreement. The Authority agrees to use its best efforts to conduct such inspections and audits in an orderly, non-disruptive manner.

Section 13.23 Attorneys' Fees. In the event that any action, suit or proceeding is brought for the enforcement of, or the declaration of, any right or obligation pursuant to this Agreement or as a result of any alleged breach of any provision of this Agreement, each party shall bear its own costs and expenses, including attorneys' fees, and any judgment or decree rendered in such a proceeding shall not include an award thereof.

Section 13.24 Authority Approvals.

(a) For all actions requiring Authority approval, Developer shall submit the request for approval and supporting information with a notice that bears a bold-face legend substantially as follows: "Important: Your Response is Required in ___ [insert number of days from applicable provision of this Agreement] Days."
(b) The Authority shall have a specified number of days to respond in writing. Authority's response, if not an approval, must include the basis for any objection in reasonable detail and suggested modifications to obtain approval. For issues identified in this Agreement, this Agreement identifies the number of days that Authority shall have to respond. For issues not specified, the amount of response time shall be stated in the notice and shall be proportionate to the type and magnitude of the decision. For example, but not in limitation, the decision time for emergency situations shall be shorter than the time for review and approval of budgets.

(c) If the Developer does not receive a response within the specified number of days, it may send the Authority a notice of non-response, which shall be delivered to the President and Chief Executive Officer of the Authority in accordance with the formal notice provisions hereof and which shall bear the bold-faced legend, "Important: Notice of Non-response." Following the giving of this notice, the Authority will have five (5) days in which to respond. If the Authority does not respond within such five (5) days, the Authority shall be deemed to have approved the action.

(d) Whenever this Agreement calls for Authority approval, consent, or waiver, the written approval, consent, or waiver of the President and Chief Executive Officer of the Authority shall constitute the approval, consent, or waiver of the Authority, without further authorization required from the Authority Board. The Authority hereby authorizes the President and Chief Executive Officer to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of the Authority. Any consents or approvals required under this Agreement shall not be unreasonably withheld or made, except where it is specifically provided that a sole discretion standard applies. The President and Chief Executive Officer is also hereby authorized to approve, on behalf of the Authority, requests by Developer for reasonable extensions of time deadlines set forth in this Agreement. The Authority shall not unreasonably delay in reviewing and approving or disapproving any proposal by Developer made in connection with this Agreement.

[signature pages follow]
IN WITNESS WHEREOF, the Parties have duly executed this Agreement by their duly authorized signatories effective on or as of the date written at the commencement of this Agreement.

DEVELOPER:

ROSE HILL COURTS I HOUSING PARTNERS, L.P.,
a California limited partnership

By: Related/Rose Hill Courts I Development Co., LLC,
a California limited liability company
its administrative general partner

By: ___________________________

Frank Cardone
President

[signatures continue on the following page]
AUTHORITY:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES,
a public body, corporate and politic

By: ________________________________

Douglas Guthrie
President and Chief Executive Officer

APPROVED AS TO FORM:

By: ________________________________

Becky Churchill Clark, Esq.,
Authority Senior Staff Attorney

APPROVED AS TO FORM AND LEGALITY:

RENO & CAVANAUGH, PLLC,
Authority Special Counsel

By: ________________________________

Megan Glasheen, Esq.
EXHIBIT A-1

Rose Hill Courts Legal Description

[see attached]
EXHIBIT A  
APN 5305-011-900  
PHASE 2  
LEGAL DESCRIPTION

THOSE PORTIONS OF LOTS 1, 2 AND 3 OF TRACT NO. 13089, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 308, PAGE 21 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID LOT 1;

THENCE ALONG THE NORTHERLY LINE OF SAID LOT 1, NORTH 89°59'22" WEST, 451.00 FEET;
THENCE SOUTH 00°00'38" WEST, 174.46 FEET;
THENCE SOUTH 89°59'22" EAST, 451.04 FEET TO THE EASTERLY LINE OF SAID LOT 3;
THENCE ALONG THE EASTERLY LINE OF SAID LOTS 3 AND 1 NORTH 00°00'15" EAST, 174.46 FEET TO THE POINT OF BEGINNING.

CONTAINING 78,680 SQUARE FEET, MORE OR LESS.

ALL AS SHOWN ON EXHIBIT B, ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.

THIS DESCRIPTION WAS PREPARED BY ME, OR UNDER MY DIRECTION.

KURT R. TROXELL, P.L.S. 7854  
DATED THIS 10th DAY OF JANUARY, 2020
EXHIBIT A
APN 5305-011-900
PHASE 2
LEGAL DESCRIPTION

LOTS 1, 2, 3, 4, 5 AND 6 OF TRACT NO. 13089, IN THE CITY OF LOS ANGELES, COUNTY
OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 308, PAGE 21 OF
MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, EXCEPT THOSE
PORTIONS OF LOTS 1, 2 AND 3 DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID LOT 1;
THENCE ALONG THE NORTHERLY LINE OF SAID LOT 1, NORTH 89°59'22" WEST, 451.00
FEET;
THENCE SOUTH 00°00'38" WEST, 174.46 FEET;
THENCE SOUTH 89°59'22" EAST, 451.04 FEET TO THE EASTERLY LINE OF SAID LOT 3;
THENCE ALONG THE EASTERLY LINE OF SAID LOTS 3 AND 1 NORTH 00°00'15" EAST,
174.46 FEET TO THE POINT OF BEGINNING.

CONTAINING 149,640 SQUARE FEET, MORE OR LESS.

ALL AS SHOWN ON EXHIBIT B, ATTACHED HERETO AND BY THIS REFERENCE MADE A
PART HEREOF.

THIS DESCRIPTION WAS PREPARED BY ME, OR UNDER MY DIRECTION.

KURT R. TROXELL, P.L.S. 7854
DATED THIS 10th DAY OF JANUARY , 2020
EXHIBIT A-2

Site Plan, Elevations and Architectural and Engineering Plans

[see attached]
Rendering of Phase 1 - Building A (facing Florizel and McKenzie)
Rendering of Phase 1 - Building B (facing Florizel)
EXHIBIT A-3

Phase I Site Legal Description

[see attached]
EXHIBIT A
APN 5305-011-900
PHASE 2
LEGAL DESCRIPTION

THOSE PORTIONS OF LOTS 1, 2 AND 3 OF TRACT NO. 13089, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 308, PAGE 21 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID LOT 1;

THENCE ALONG THE NORTHERLY LINE OF SAID LOT 1, NORTH 89°59'22" WEST, 451.00 FEET;
THENCE SOUTH 00°00'38" WEST, 174.46 FEET;
THENCE SOUTH 89°59'22" EAST, 451.04 FEET TO THE EASTERLY LINE OF SAID LOT 3;
THENCE ALONG THE EASTERLY LINE OF SAID LOTS 3 AND 1 NORTH 00°00'15" EAST, 174.46 FEET TO THE POINT OF BEGINNING.

CONTAINING 78,680 SQUARE FEET, MORE OR LESS.

ALL AS SHOWN ON EXHIBIT B, ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.

THIS DESCRIPTION WAS PREPARED BY ME, OR UNDER MY DIRECTION.

KURT R. TROXELL, P.L.S. 7854
DATED THIS 10th DAY OF JANUARY, 2020
EXHIBIT B

Phase I Development Plan
(including Financing Plan)

[see attached]
Rose Hill Courts Phase I

4466 Florizel Street, Los Angeles, CA 90032
89 Unit New Construction Housing Project

Development Plan
(Including Preliminary Financing Plan)
(Version 4)
January 2020

RELATED
DEVELOPMENT PLAN

INTRODUCTION

The Project proposes to redevelop the existing 5.24-acre (228,255 square feet) Rose Hill Courts (RHC) public housing site (Project Site) located within the Northeast Los Angeles Community Plan (Community Plan), in the El Sereno Community of the City of Los Angeles (City). Rose Hill Courts is a low-income public housing project constructed in 1942 by the Housing Authority of the City of Los Angeles (HACLA). Rose Hill Courts was formally determined eligible for the National Historic Register of Historic Places and is therefore listed in the California Register of Historical Resources. The Project proposes to build 185 new multi-family units, 174 parking spaces and a Management Office/Community Building. The existing 15 structures onsite, which currently have significant capital needs due to their age, would be demolished.

The Project would be completed in two phases. Phase I, located on the northeast corner of the site at McKenzie and Florizel, would include 89 units (replacing seven buildings consisting of 20 units and the existing administration building). Phase II, on the balance of the site, would include 96 new units (replacing eight buildings consisting of 80 units). The Project proposes nine buildings that would include a total of 88 one-bedroom units, 59 two-bedroom units, 30 three-bedroom units, and eight four-bedroom units. The Project would also include a 6,366-square-foot Management Office/Community Building and a “Central park” green space, creating a park-like setting for residents. The Project would provide a total of 174 parking spaces onsite, with at-grade and tuck-under parking; upgraded lighting, fencing, signage, and security features; and storm-drain and utility improvements. The new sustainably designed buildings would be energy efficient and the landscaping would include water-efficient irrigation.

The Project Site is zoned by the City of Los Angeles Municipal Code (LAMC) as [Q]R1-1D (Qualified One-Family Dwelling, Height District 1D) and has a Community Plan designation of Low Residential. The Qualified zone classification “Q” reflects the Northeast Los Angeles Hillside Ordinance.

EXISTING CONDITIONS

The Project Site is currently developed with 100 units of low-income public housing. There are 15 buildings onsite currently, including 14 multi-family residential buildings, containing townhomes and flats, and one administration building with offices, a common room, a kitchen, pantry, and two bathrooms. Buildings throughout the Project Site are rectangular in shape and are generally arranged in parallel groupings. Generally, there are five different building types located onsite, all of which are either one or two stories in height, and consist of wood-frame construction, concrete slab foundations, and composition roofing. Parking for the complex consists of paved surface parking areas located along both sides of a private driveway that
bisects the northern and southern blocks of the Project Site. Trees within the Project Site consist of various non-native species, including Eucalyptus, Jacaranda, Chinese elm and Avocado trees that are not subject to the City’s Protected Tree Regulations.

PROJECT DESIGN

Based on extensive outreach to the residents on the site and the community at large, the Project has been designed to provide high quality, multi-family housing, at a scale that is contextual and appropriate for the site and the community.

The architectural plan is based on creating a development with multiple building and unit types with shared amenities. The first phase of the Project is located in the northeast corner of the site, and is located so as to minimize the number of residents that will need to be temporarily relocated during the construction of Phase I. Of the 20 units in the footprint of Phase I, only 15 are currently occupied. Phase I includes two four-story elevator buildings (Buildings A and B) with flats, in order to provide the maximum level of accessibility for the existing tenant population (many of whom are elderly/disabled) who will move into Phase I once it is completed. Building A would be 56 feet in height and Building B would be 47 feet in height. Building A in Phase I will include community spaces for residents of both Buildings A and B and an onsite leasing office that will ultimately be relocated to the Management Office/Community Building, once Phase II is complete.

The proposed buildings would be designed in a contemporary style. Projecting balcony decks, horizontal overhangs and canopies would be integrated with other architectural elements, such as balcony railings and shading devices. These architectural elements would provide horizontal and vertical articulations that would serve to break up the building planes and modulate building massing. The buildings are designed with a variety of exterior finishes, including stucco, composite siding, storefront windows, simulated wood accents, metal railings, integrated signage and lighting.

The components of the Project are listed below in Table 1.

<p>| TABLE 1 |
| PROJECTION SUMMARY |
| Address | 4446 Florizel Street |
| | Los Angeles, CA 90032 |
| Assessor’s Parcel Number | 5305-011-900 |
| Approximate Acreage Phase I | 1.79 |
| Phase I Units | 89 |
| Estimated Total Population of Proposed | 656 persons (a net increase of 435 persons from existing conditions) |
| Approximate Lot Coverage | Phase I: 32 % |</p>
<table>
<thead>
<tr>
<th>Approximate Floor Area Ratio</th>
<th>Phase I: 1.29</th>
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</thead>
<tbody>
<tr>
<td>Total Number of 1-bedroom units</td>
<td>51</td>
</tr>
<tr>
<td>Total Number of 2-bedroom units</td>
<td>26</td>
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<tr>
<td>Total Number of 3-bedroom units</td>
<td>8</td>
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<td>Total Number of 4-bedroom units</td>
<td>4</td>
</tr>
<tr>
<td><strong>Open Space/Amenity Summary:</strong></td>
<td></td>
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<tr>
<td>- Open Outdoor Space (usable)</td>
<td>Phase I: 10,708 square feet</td>
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<tr>
<td>- Open Indoor Space</td>
<td>Phase I: 1,641 square feet</td>
</tr>
<tr>
<td>- Private Open Space</td>
<td>Phase I: 4,550 square feet</td>
</tr>
<tr>
<td>- Total Open Space</td>
<td>Phase I: 16,899 square feet</td>
</tr>
<tr>
<td>- Total Landscape Area</td>
<td>Phase I: 13,826 square feet</td>
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<tr>
<td><strong>Building Height</strong></td>
<td>Buildings A &amp; B would be 4-story buildings and would be no more than 56 feet above the proposed grade.</td>
</tr>
<tr>
<td><strong>Density</strong></td>
<td>185 units (Total Phase I &amp; Phase II) on a 5.24-acre (Total Phase I &amp; Phase II) site equates to approximately 35.31 dwelling units /acre</td>
</tr>
<tr>
<td><strong>Parking Spaces</strong></td>
<td>Total Spaces: 55 Phase I will have 55 spaces, of which four will be handicapped accessible.</td>
</tr>
</tbody>
</table>

**ACCESS, CIRCULATION, AND PARKING**

As previously described, the proposed buildings would be organized around an outdoor green space that would run east-west through the center of the Project Site. The green space would extend to the proposed Phase II Management Office/Community Building along the eastern portion of the Project Site, which serves as the central gathering space for the residents. Pathways onsite connect each group of buildings to the central green space and to the Phase II Management Office/Community Building.

Vehicular access to the Project Site would be provided via six driveways, including one entry driveway located along McKenzie Avenue (serving the Phase II Management Office/Community Building and Building I). Three entry/exit driveways along Florizel Avenue serve the parking lots of Buildings A, B and C (Phase II). Trash collection trucks would access the Project Site using these driveways and the trash collection areas would be enclosed and not visible to the surrounding uses.

New pedestrian access points would be created throughout the Project Site via pedestrian walkways connecting to the interior central green space between the individual buildings. The
main public entry to the site is via the new Phase I Management Office/Community Building, which will include onsite office space for Property Management, leasing, and social service providers. The central green space of the site is connected to Rose Hill Park to the north via a pedestrian walkway between Buildings A and B. Bicycle storage areas would be included in the basement level of Building A. All buildings either connect directly to perimeter streets, or, in the case of Buildings E and F (Phase II), through walkways connecting south to Mercury Avenue. In accordance with the requirements of the LAMC approximately 60 long-term spaces and six short term bicycle parking spots would be provided for the proposed residential uses.

As described above, the proposed uses would be supported by 55 automobile parking spaces, which meet the parking requirements as set forth in the LAMC, that would be distributed throughout the Project Site in a combination of surface parking lots. Parking areas were located to provide minimal walking distance from parking space to entry lobbies, to accommodate the existing disabled/elderly population. Parking areas are broken into discrete parking lots, to eliminate “drive through” and so residents can clearly identify non-resident vehicles and report them to Management. Management will enforce resident-only parking onsite with the exception of spaces dedicated to management staff and visitors (adjacent to the Management Office/Community Building). The Project would comply with City requirements for providing electric vehicle charging capabilities and electric vehicle charging stations within the proposed parking areas.

**LANDSCAPING AND OPEN SPACE**

The central green space includes several discrete activity areas, each with a unique design theme and use. Outdoor space adjacent to the Community Building offers places for social gatherings, and special events and celebrations, with shaded seating areas and BBQ grills for outdoor dining. Areas designed for use by children would feature tot lots for children from 2-12 years of age, teen hard surface play areas, open grassy areas, and experiential play elements that encourage interaction and group play. Other amenities include a community/recreation room, picnic tables, lounge seating, bocce ball area, vegetable garden, adult exercise area, and overlook deck with seating. The landscape design would create a park-like setting for residents. The Project would include the Project Design Feature (PDF) listed below.

**Project Design Feature**

Not less than 90 days prior to the anticipated construction completion the Project Applicant will reach out to the City of Los Angeles Department of Recreation and Parks staff responsible for the programming (if any) at various neighborhood, community, and regional parks located within a 2-mile radius of the Project site to consider mutually beneficial partnership between park programs, operations, and improvements. These parks and recreation facilities include, but are not limited to, El Sereno Arroyo Playground, El Sereno Community Gardens, Henry Alvarez Memorial Park, Hermon Dog Park, Hermon Park, Arroyo Seco Park, Carlin G. Smith Recreation Center, Cypress Recreation Center, Cypress Recreation Center, Downey Recreation Center, Ascot Hills Park and Charles F. Lummis Home.

As detailed in the Preliminary Landscape Plan for the Project, the landscape design theme would complement the architectural style and would be California Eclectic with a selection of drought
tolerant and low maintenance plant materials. The plants would be in conformance with the requirements of the high Fire Hazard Severity Zone. Plant selections are based on their aesthetic/horticultural value, durability, low water use, low maintenance, and fire-retardant characteristics. Tree selections are London Plane trees, Fern Pine, Palo Verde, Olive, Mesquite, African Sumac, Marina Strawberry Tree. Crape Myrtle, Jacaranda and Gold Medallion trees were selected for visual accent. All landscape areas would conform to the City of Los Angeles Landscape Ordinance.

Water-efficient irrigation, such as dripline emitter tubing, would be used in planting areas and dedicated low-flow bubblers would be utilized for irrigation of trees. Irrigation system improvements would include new weather based “Smart’ controller” and a dedicated irrigation water meter. The irrigation methods for the Project would meet and exceed the City of Los Angeles Landscape Ordinance for water conservation. The water delivery systems have been designed in conformance with Hydrozone requirements for accurate calibration of water conservation design methods.

LIGHTING AND SIGNAGE

The Project will include low-level exterior lighting that will be located on the buildings, and along pathways for security and wayfinding purposes. In addition, low-level lighting to accent signage, architectural features, and landscaping elements would be incorporated throughout the Project Site. All lighting would comply with current energy standards and codes as well as design requirements while providing appropriate light levels. Project lighting would be designed to provide efficient and effective onsite lighting while minimizing light trespass from the Project Site, reducing sky glow, and improving nighttime visibility through glare reduction. Where appropriate, interior lighting would be equipped with sensors or timers that would turn lights off when no one is present. All exterior and interior lighting would meet high energy efficiency requirements utilizing light-emitting diode (LED) or efficient fluorescent lighting technology. New street and pedestrian lighting within the public right-of-way would comply with applicable City regulations and would be approved by the Bureau of Street Lighting in order to maintain appropriate and safe lighting levels on both sidewalks and roadways while minimizing light and glare on adjacent properties.

Proposed signage would be designed to be aesthetically compatible with the proposed architecture of the Project Site and with the requirements of the Los Angeles Municipal Code. Proposed signage would include identity signage, either blade or monument, near the Management Office/Community Building, building and tenant signage, and general ground level and wayfinding pedestrian signage. No off-premises or billboard advertising is proposed as part of the Project. The Project would not include signage with flashing, mechanical, or strobe lights. Project signage would be illuminated via low-level low-glare external lighting, internal halo lighting, or ambient light. Exterior lighting for Project signage would comply with light intensities set forth in the LAMC and as measured at the property line of the nearest residentially zoned property.
FENCING AND SECURITY

Fencing would be located between buildings. The central green area would be fenced from the street, and pedestrian walks accessing perimeter streets would have combination of hedges and fencing to clearly define paths of access. A five-foot tubular steel fencing is proposed on the interior of the Project Site to provide security and maintain resident access to the Project Site.

The site will have security features including: cameras and controlled access to mid-rise buildings. Ground rules will be established by the property management company (Related Management Company) and onsite maintenance staff will keep the property clean. Secured building entry points and pedestrian security gates are located throughout the Project Site.

SUSTAINABILITY FEATURES

The proposed Project has been designed based on principles of smart growth and environmental sustainability by increasing the residential density onsite, creating an emphasis on walkability and access to public open space, with proximity to nearby retail, educational and transit amenities. In addition to being located near existing infrastructure needed to serve the proposed uses, the new buildings would be designed and constructed to incorporate environmentally-sustainable design features under Build It Green’s “GreenPoint Rated” system. “Green” principles would be incorporated throughout the Project to comply with the City of Los Angeles Green Building Code (Ordinance No. 184,692). Such Project design features (PDFs) would include energy-efficient buildings and water conservation and waste reduction measures, among others. The new buildings would include water and energy efficient fixtures and appliances such as high-efficiency toilets and shower heads, high-efficiency Energy Star appliances, and energy efficient LED lighting as appropriate. The Project would also utilize sustainable planning and building strategies and would incorporate the use of environmentally-friendly materials, such as non-toxic paints and recycled finish materials wherever possible.

In accordance with CEQA Guidelines provides further information regarding energy-consuming equipment and processes that would be used during construction and operation of the Project, energy requirements of the Project, energy conservation equipment and design features of the Project, energy supplies that would serve the Project, and total estimated daily vehicle trips that would be generated by the Project.

The Project would comply with the Los Angeles Green Building Code, which is based on the 2016 California Green Building Standards Code (CalGreen) (Part 11 of Title 24, California Code of Regulations). The following are proposed energy conservation measures or PDFs that are beyond the minimum requirements of the Los Angeles Green Building Code:

Energy Conservation and Efficiency

- Project design will provide an energy efficiency exceeding Title 24, Part 6, California Energy Code baseline standard requirements, based on the 2016 Building Energy Efficiency Standards requirements.
• Use of high-efficiency Energy Star appliances, where appropriate.

**Water Conservation**
- Inclusion of water conservation measures in accordance with the Los Angeles Department of Water and Power requirements for new development in the City of Los Angeles (e.g., high-efficiency fixtures and appliances, weather-based irrigation systems, drought-tolerant landscaping).
- Use of drought-tolerant plants and indigenous species, stormwater collection, permeable pavement wherever possible, and stormwater filtration, storage and re-use for landscaping.
- Use of high-efficiency toilets, including dual-flush water closets, as appropriate.
- Use of high-efficiency showerheads at 1.5 gallons per minute. Install no showers with multiple showerheads.
- Use of weather-based irrigation controller with rain shutoff, matched precipitation (flow) rates for sprinkler heads, and rotating sprinkler nozzles or comparable technology such as drip/micro spray/subsurface irrigation where appropriate.
- Installation of a separate water meter (or submeter), flow sensor, and master valve shutoff for irrigated landscape areas totaling 5,000 square feet and greater.
- Use of proper hydro-zoning and turf minimization, as feasible.

**Water Quality**
- Installation of pre-treatment stormwater infrastructure for the stormwater treatment system.
- Reduce stormwater runoff through the introduction of new landscaped areas throughout the Project Site and/or on the structure.

**Air Quality**
- Prohibit the use of any fireplaces in the proposed residential units.

**PROJECT CONSTRUCTION AND SCHEDULING**

Project construction is anticipated to occur in 2022 for Phase I. Construction activity for Phase I would commence with any necessary remediation of lead and asbestos, followed by demolition of seven existing structures and associated surface parking lot area, followed by grading and excavation. Building foundations would then be laid, followed by building construction, paving/concrete installation, and landscape installation. Project construction, which would be approximately 18-22 months is anticipated to be completed in 2022 for Phase I. Workforce will vary based on the scheduled activities to over 100 at peak with an average of 40 to 60 workers per day.
PRELIMINARY FINANCING PLAN

OVERVIEW

The Project proposes to redevelop the existing 5.24-acre (228,255 square feet) Rose Hill Courts (RHC) public housing site (Project Site) located within the Northeast Los Angeles Community Plan (Community Plan), in the El Sereno Community of the City of Los Angeles (City). Rose Hill Courts is a low-income public housing project constructed in 1942 by the Housing Authority of the City of Los Angeles ("Authority"). The Project consists of two phases. Phase I, located on the northeast corner of the site at McKenzie and Florizel, includes 89 units (replacing seven buildings consisting of 20 units and the existing administration building).

TAX CREDIT EQUITY

Tax credit equity pricing is estimated at one dollar ($1.00), yielding the partnership permanent equity of thirteen million, nine hundred twenty thousand, and nintey dollars ($13,920,090). The equity pay-in is anticipated to be as follows: 12% at construction loan close, 77% at construction completion, 10% upon stabilization and 1% upon issuance of 8609’s.

PROJECT-BASED VOUCHER HAP CONTRACT

On or before Closing, the Authority shall enter into a Section 8 Project-Based Voucher Program Agreement to Enter into a Housing Assistance Payments Contract (the "AHAP") that will provide execution of a Project-Based Voucher HAP Contract (the "PBV HAP Contract") following completion of the Development in accordance with the AHAP. The PBV HAP Contract shall provide rental assistance for seventy-seven (77) PBV units. The PBV Hap Contract will have an initial term of no less than twenty (20) total years. The Authority may enter into a one twenty (20) year extension of the PBV HAP Contract any time prior to the expiration of the initial twenty (20) year term. Concurrent with the PBV HAP Contract, the Authority shall execute a letter agreement with the Developer committing the Authority to enter into a twenty (20) year extension of the PBV HAP Contract upon the expiration of the initial twenty (20) year term described above, provided that such commitment shall be subject to the future availability of appropriated funds, HUD regulations, the requirements of the Authority’s Section 8 Administrative Plan, as amended, and Developer’s continued compliance with the PBV HAP Contract.

RAD HAP CONTRACT

Subject to all RAD Requirements, the Authority shall prepare and submit with assistance from the Developer all RAD or other HUD required documenting including, but not limited to, a RAD financing plan, RAD closing documents, and any supporting documents. The Developer shall
assist the Authority in preparing or coordinating all documents necessary for the closing of the financing in accordance with RAD requirements. Subject to all RAD Requirements, at Closing or, if required by HUD in connection with a RAD Delayed Conversion Agreement or similar document, prior to occupancy of the Development, the Authority shall enter into a Rental Assistance Demonstration (RAD) for Conversion of Public Housing to the Section 8 Project-Based Voucher (PBV) Program Housing Assistance Payments Contract (HUD 52530A and HUD 52621) ("RAD HAP Contract"). The RAD HAP Contract shall provide assistance for eleven (11) RAD Units. The RAD HAP Contract shall have an initial term of no less than twenty (20) years. In accordance with the RAD Requirements, the Authority shall offer a renewal of the RAD HAP Contract prior to the expiration of the initial term and upon such renewal offer, the Developer shall be obligated to accept such renewal.

PH units will be converted in the following manner:
- 11 PH units in Phase I will be converted to RAD. 2 of the RAD units will be non-tax credit units. 9 of the RAD units will be tax credit units.
- 77 PH units in Phase I will be converted to PBV. 2 of the PBV units will be non-tax credit units. 75 of the RAD units will be tax credit units.

GROUND LEASE

HACLA will enter into a Ground Lease with the Partnership. The Ground Lease will include a capitalized ground lease payment. To establish the amount of the Capitalized Lease Payment, HACLA commissioned an independent appraiser to arrive at the fair market value of the leasehold estate for the Phase I site, which is $7,100,000. The Ground Lease term will be sixty-six (66) years after recordation of the Memorandum of Ground Lease and will include options to extend for 11 years each.

ACQUISITION LOAN

HACLA will make an Acquisition Loan to the Partnership in the amount of seven million one hundred thousand dollars ($7,100,000) which will be fully funded at the closing of the construction loan. The Acquisition Loan will bear simple interest at three percent (3%). Principal and accrued interest on the Acquisition Loan shall be paid from Net Cash Flow, as described in Section 3.1(a)(4) of the DDA.

RESIDUAL RECEIPTS GAP LOAN

HACLA will make a Gap Loan to the Partnership in the amount of five million five hundred thousand dollars ($5,500,000) which will be fully funded at the closing of the construction loan. The Gap Loan will bear simple interest at three percent (3%) and shall be the first funds utilized at Closing and during construction. The Gap Loan will be converted to permanent financing and (i) principal and accrued interest on the Gap Loan shall be paid from Net Cash Flow as described in Section 3(a)(6) of the DDA.
PERMANENT LOAN

The Project will include a Permanent Loan in the amount of fifteen million, two hundred and eighty-three thousand dollars ($15,283,000), which includes Tranche A ($2,572,000), Tranche B ($12,568,000), and Tranche C ($143,000). The Permanent Loan amount assumes a thirty-five (35) year amortization, a 1.20 DSCRF, and an annual interest rate of 4.75%. This rate was obtained based on a weighted average of the tax exempt rate for up to 60% of eligible basis plus land and a taxable rate for the portion above 60%.

OTHER LOANS

The Project will be applying for the competitive Affordable Housing and Sustainable Communities Program (AHSC) which is administered by the Strategic Growth Council (SGC) and implemented by the California Department of Housing and Community Development (HCD). The AHSC Program provides financial assistance to housing projects that reduce greenhouse gas emissions. The maximum award amount for the development of the housing and infrastructure is thirty million dollars ($30,000,000) for each project. To maximize competitiveness, the AHSC application will be for both Phase I and Phase II combined. This Preliminary Financing Plan assumes that the Project will request an Affordable Housing Development (AHD) loan in the amount of $20,000,000 of which eleven million dollars ($11,000,000) will be allocated to Phase I. If awarded, HCD will make a 55-year Residual Receipt Loan to the Phase I Partnership in the amount of eleven million dollars ($11,000,000), which is fifty-five percent (55%) of the $20,000,000 requested amount.

The Project will be applying for the competitive Infill Infrastructure Grant Program (IIG) administered by HCD. The IIG Program provides financial assistance for infrastructure improvements necessary to facilitate new infill housing development. If awarded, HCD will make a 55-year Deferred Payment Loan to the Partnership in the amount of three million, eight hundred thousand dollars ($3,800,000). The requested amount is sized based on IIG Program’s eligible costs. Additionally, to maximize competitiveness for the AHSC application, the IIG request will be less than 10% of total development cost less deferred costs.

SCHEDULE

A tentative Project Milestone Schedule is shown below:

---

1 The Preliminary Financing Plan assumes no involvement of the Housing and Community Investment Department of the City of Los Angeles, other than the land use covenant associated with the density bonus approval, and that the New Construction of Rose Hill Courts is not subject to either the settlement agreement between the City of Los Angeles and the Independent Living Center of Southern California, et al., nor the City's Voluntary Compliance Agreement with the U.S. Department of Housing and Urban Development. If LAHCID is involved in reviewing accessibility requirements in any manner then the Preliminary Financing Plan will be subject to change, including increases to the construction schedule and increases to hard cost contingency at the sole discretion of Related.

2 The August 2020 application to submit for Tax Exempt Bonds and 4% Tax Credits assumes sufficient bond cap remaining for the October 2020 allocation.
- December 2019 – Complete 60% Construction Documents & Submit to Plan Check
- January 2020 – Disposition and Development Agreement Approved
- February 2020 – Submit for AHSC and IIG Funds
- June 2020 – Receive AHSC Trade and IIG Award
- August 2020 – Submit to CDLAC/TCAC for allocations of Tax Exempt Bonds and 4% Tax Credits
- October 2020 – Receive Tax Exempt Bonds and 4% Tax Credit Allocation from CDLAC/TCAC
- February 2021 – HACLA Complete Relocation, Site Demolition and Environmental Remediation
- March 2021 – Building Permits Ready to Issue & Close on Financing and Commence Construction
- September 2022 – Complete Construction

**DEVELOPER FEE**

Pursuant to the Department of Housing and Community Development Uniform Multifamily Regulations ("UMR") effective date November 15, 2017, the maximum developer fee that may be included in project costs and eligible basis for a new construction is three million and five hundred thousand ($3,500,000) dollars. If the Project does not end up being financed with sources from HCD, then the developer fee will be the maximum allowable by the California Tax Credit Allocation Committee (TCAC). The attached pro forma includes a total Developer Fee of three million and five hundred thousand ($3,500,000), of which at one million, two hundred seventy-two thousand, one hundred and seventy-five dollars ($1,272,175) is deferred and paid through cash flow distributions, resulting in a cash Developer Fee of two million, two hundred twenty-seven thousand, eight hundred and twenty-five dollars ($2,227,825). This pro forma assumes no “foregone” developer under the California Debt Limit Allocation Committee (CDLAC) scoring system.

In Accordance with Section 4.3(e) of the DDA, the minimum developer fee payable to the Partnership shall be:

- Cash Fee - $2,300,000
- Deferred Fee - $1,200,000
- Total Developer Fee - $3,500,000
# SUMMARY OF PROJECT FINANCING ASSUMPTIONS

## Construction Financing

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<tr>
<td>HACLA Acquisition Note</td>
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<tr>
<td>HACLA Gap Loan</td>
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<tr>
<td>IIG</td>
<td>$3,800,000</td>
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<td>Tax Credit Equity</td>
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<td>Deferred Developer Fee</td>
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<td>Deferred Operating Deficit Reserve</td>
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<td><strong>Transition Reserve</strong></td>
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<td><strong>Total Construction Sources</strong></td>
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<th>Uses</th>
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<td>Total Development Cost</td>
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## Permanent Financing

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<table>
<thead>
<tr>
<th>Uses</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Total Development Cost</td>
<td>$57,875,265</td>
</tr>
</tbody>
</table>

## Summary

Total Number of Units: 89 units

Affordability:
- 22 units restricted at 30%AMI levels
- 22 units restricted at 40%AMI levels
- 22 units restricted at 50%AMI levels
- 11 units restricted at 60%AMI levels
- 7 units restricted at 80%AMI levels
- 4 units restricted as Workforce Units
- 1 management unit

Unit Types:
- 84 Tax Credit Units (75 PBV Units and 9 RAD Units)
- 4 Non-Tax Credit/Workforce Units (2 PBV Units and 2 RAD Unit)

Rent Assumptions:
- 2019 TCAC Rents and Income Level
- FY2019 Public Housing & Section 8 Income Limits
- RAD Voucher from HACLA
### Preliminary Financing Plan (v3)

**Rose Hill Courts – Phase I**  
4466 Florizel Street, Los Angeles, CA

<table>
<thead>
<tr>
<th>Section 8 Voucher Payment Standard (VPS) from HACLA (effective October 1, 2019)</th>
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<tr>
<td>Utility Allowance from HACLA (effective December 1, 2019)</td>
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<tr>
<td>Management Fees from HUD PUPM fees and add-ons (effective October 25, 2019)</td>
</tr>
<tr>
<td>Voucher mix is based on HACLA analysis provided on October 1, 2019</td>
</tr>
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| Capitalized Lease Payment: | Appraised value of $7,100,000 from appraisal dated 01/15/2020. |

| Cask Developer Overhead/ Fee: | $2,227,825 |
| Deferred Developer Fee: | $1,272,175 (accrues interest at 0.5%) |

| Construction Period: | Estimated at 18-22 months (does not include relocation, demolition or remediation which will occur pre-closing) |

| Permanent Loan Assumptions: | Interest rate: 4.75% |
| Amortization: 35 years |
| DSCR: 1.20 |

| Operating Expenses: | $7,315/unit/year total. |
| Management Fees from HUD PUPM fees and add-ons (effective October 25, 2019) |
| Operating Expenses are from RMC |
| $40,000/year for Social Services Program included in Operating Expenses |
| $4,272/year for SCEP Fees ($4/unit/month) |
| $2,200 HACLA Resident Participation Fee ($25/unit) |
| HUD Allowed Book Keeping Fee ($6/unit/mo) and Annual Owner Reporting Requirements ($3/unit/mo) included |

| Construction Section 3 Compliance Fee: | $40,000 included in development budget |

| Davis Bacon Compliance Monitoring Fee: | $20,000 included in development budget |
PROFORMA

PROJECT SUMMARY

Rose Hill Courts Phase I - 4% Tax Credits - HACLA DDA Prelim Financing Plan
Development Prelim 2019 - ILP
Related Companies of California
Printed on 1/16/20 at 9:03 PM

Project Data

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<th>Family</th>
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<tr>
<td>Total Units</td>
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<tr>
<td>Parking Spaces</td>
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<tr>
<td>Land Area</td>
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<tr>
<td>Net Residential Area</td>
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Operating Economic Assumptions

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<tr>
<td>Expense Inflator</td>
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<tr>
<td>Property Tax Inflator</td>
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<tr>
<td>Replacement Reserve Inflator</td>
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<td>CPI</td>
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Stabilized Cash Flow

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<th>Year 1</th>
<th>Gross Scheduled Rent: $1,843,378</th>
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<tr>
<td>Other Income</td>
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<tr>
<td>Vacancy &amp; Collection</td>
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<td>Retail Income</td>
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<td>Retail Vacancy</td>
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<tr>
<td>Effective Gross Income</td>
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<td>Operating Expenses</td>
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<td>Net Operating Income</td>
<td>$1,119,502</td>
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Basis Calculations

| Total Eligible Basis | $45,697,392 |
| Adjusted Threshold Basis Limit | $79,614,863 |
| Total Eligible Basis as a % of Threshold Basis Limit | 57.40% |

Permanent Sources

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<td>Permanent Financing PHBH</td>
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<td>Deferred Developer Fee</td>
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<td>Total</td>
<td>$57,875,265</td>
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Sources and Uses

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<td>Total Development Cost</td>
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<td>Over/(Under)</td>
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### UNIT DISTRIBUTION

**Rose Hill Courts Phase I - 4% Tax Credits - HACLA DDA Prelim Financing Plan**  
Development Preformas 2019 - ILP  
Related Companies of California

Last Changed On: 1/16/2020

<table>
<thead>
<tr>
<th>Number Of Units</th>
<th>Income Category</th>
<th>SF</th>
<th>Gross Rent</th>
<th>Allocation</th>
<th>Utility Net Rent Per Sq Ft</th>
<th>Monthly Rent</th>
<th>Annual Rent</th>
<th>Unit %</th>
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<td>3 Bedrooms</td>
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#### Unit Distribution Summary

**Summary**

<table>
<thead>
<tr>
<th>Summary</th>
<th>Units</th>
<th>Total %</th>
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<tbody>
<tr>
<td>Bedrooms</td>
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</tr>
<tr>
<td>Total SF</td>
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<td>100%</td>
</tr>
<tr>
<td>Avg. Unit SF</td>
<td>793</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Monthly TCAC Rent**

| Monthly TCAC Rent | $70,356 | 100% |

**Annual TCAC Rent**

| Annual TCAC Rent | $844,272 | 100% |

**Monthly SR Rent**

| Monthly SR Rent | $823,315 | 100% |

**Annual SR Rent**

| Annual SR Rent  | $987,760 | 100% |

**Monthly RAD Rent**

| Monthly RAD Rent | $944   | 100% |

**Annual RAD Rent**

| Annual RAD Rent  | $11,376 | 100% |

**Monthly Total**

| Monthly Total    | $153,615 | 100% |

**Annual Total**

| Annual Total     | $1,843,378 | 100% |

---

**Average Rent (excl. manager's)**

- Studio: $1,745.62
- 1 Bedroom: $2,20

---

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<th>Units</th>
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<tr>
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<td>51</td>
<td>57%</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>26</td>
<td>29%</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>8</td>
<td>9%</td>
</tr>
<tr>
<td>4 Bedroom</td>
<td>4</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Total**

| Total             | 89    | 100%    |

---
### SECTION 8 OVERHANG BASED ON ALL SECTION 8 UNITS

**Rose Hill Courts Phase I - 4% Tax Credit - HACLA DDA, Preliminary Financing Plan**

Development Preferences 2019 - ILP

Revised Compliant of California

Printed on 1/16/21 at 9:03 PM

Per HACLA Payment Standards dated 3/6/2019

**Vendor Payment Standard Used**

<table>
<thead>
<tr>
<th>Section 8 Net Rent Calculation</th>
<th>Total Units</th>
<th>Units Applied</th>
<th>SST Gross Rent*</th>
<th>Utility Allowance</th>
<th>Net Rent</th>
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<tr>
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<td><strong>58</strong></td>
<td><strong>58</strong></td>
<td><strong>$14,047</strong></td>
<td><strong>$798</strong></td>
<td><strong>$13,289</strong></td>
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**Section 8 Annual Net Rent Calculation**

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<th>Units Applied</th>
<th>SST Net Rent</th>
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<th>Annual Net Rent</th>
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<tbody>
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**Tax Credit Rates**

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**Sec 8 Rent Differential Overhang Calculation**

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**Less Overhead Adjustments**

| Section 8 Rent Differential Overhang | $987,780 |

**Section 8 Overhang Loss Estimation**

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<table>
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<td>Term (months)</td>
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<td>Loss Amount</td>
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| Annual Payment | $715,641 |

---

17
### Preliminary Financing Plan (v3)

**Rose Hill Courts – Phase I**

4466 Florizel Street, Los Angeles, CA

---

**RAD Differential Based on All RAD Units**

Rose Hill Courts Phase 1 - 4% Tax Credits - HACLA DDA Prelim Financing Plan

Development Preliminary 2019 - ILP

Related Companies of California

Printed on 1/16/20 at 9:03 PM

Per HACLA Payment Standards dated 10/1/2019

#### RAD Net Rent Calculation

<table>
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<td><strong>1,172</strong></td>
<td><strong>69</strong></td>
<td><strong>1,110</strong></td>
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#### RAD Annual Net Rent Calculation

<table>
<thead>
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<th>Total Units</th>
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<th>Net Rents</th>
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<tr>
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<tr>
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<td>66,605</td>
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<td><strong>1,110</strong></td>
<td><strong>5,550</strong></td>
<td><strong>66,605</strong></td>
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#### Tax Credit Net Rents

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#### RAD Rent Differential - Net Additional Income Calculation

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#### RAD Differential - Loan Estimation

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**Annual Payment** | **6,289**
## ANNUAL OPERATING EXPENSE BUDGET

### Rose Hill Courts Phase 1 - 4% Tax Credits - HACLA DDA Prelim Plan
Development Preform 2019 - IPF
Related Companies of California
Printed on 1/16/20 at 9:03 PM

Last Changed On: 1/16/2020

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<tr>
<td>Misc. Taxes and Insurance</td>
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<td><strong>RESERVES AND OTHER EXPENSES</strong></td>
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<td>Replacement Reserves</td>
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<td>Operating Reserves</td>
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<td>Social Programs</td>
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<td>SCERP Fees</td>
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<td>HUD Allowed Bookkeeping Fee ($/unit)</td>
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<td>HUD Allowed Annual Owner Reporting Req ($/unit)</td>
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<td>HACLA Resident Participation Fee ($/unit)</td>
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<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>$631,707</td>
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19
## Development Costs & Eligible Basis Determination

### Rose Hill Courts Phase 1 - 4% Tax Credit - HACRA DDA Prelim Financing Plan

**Development Preliminary 2019 - ELF**

**Related Companies of California**

**Printed on 1/16/2020 at 5:53 PM**

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<th></th>
<th>85 Units</th>
<th>TCAC</th>
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<td>% Eligible</td>
<td>Eligible Basis</td>
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<tr>
<td><strong>Acquisition Costs</strong></td>
<td></td>
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<td>Architecture &amp; Engineering</td>
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<td>Acquisition Loan Costs</td>
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<td>Gap Loan Costs</td>
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<td>Developer Fees</td>
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<td>100%</td>
<td>3,500,000</td>
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<td>0%</td>
<td>542,697,392</td>
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<td><strong>Total Eligible Basis</strong></td>
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<tr>
<td><strong>Total Basis Reduction (Amount over Adjusted Threshold Basis Limit or Voluntary Exclusion)</strong></td>
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<tr>
<td><strong>Total Requested Unadjusted Eligible Basis</strong></td>
<td>45,697,392</td>
<td>0%</td>
<td>45,697,392</td>
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</table>

|                      |          |            |             |
| High Cost Area Adjustment |          | 100%       | 0          |
| **Total Adjusted Eligible Basis** | 45,697,392 | 0%         | 45,697,392 |

|                      |          |            |             |
| Applicable Fraction  | 0%       |            |             |
| **Total Qualified Basis** | 43,641,360 | 0%         | 43,641,360 |
| **Total Adjusted Qualified Basis** | 0 |             |             |
TAX CREDIT CALCULATION

Rose Hill Courts Phase 1 - 4% Tax Credits - HACLA DDA Prelim Financ
Development Proforma 2019 - ILP
Related Companies of California
Printed on 1/16/20 at 9:03 PM

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Total Project Cost</td>
<td>$57,875,265</td>
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<tr>
<td>Total Permanent Sources</td>
<td>(43,955,175)</td>
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<tr>
<td>Funding Shortfall</td>
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<tr>
<td>Total Qualified Basis</td>
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<tr>
<td>Annual Federal Credits - Calculated</td>
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<td>Annual Federal Credits - Awarded</td>
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<td>Total Federal Credits (10 Years)</td>
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<tr>
<td>Federal Tax Credit Investor Equity</td>
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<tr>
<td>Total Requested Unadjusted Basis</td>
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<tr>
<td>Total 4-Year State Credits - Calculated</td>
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<td>Calculated Acquisition Basis</td>
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<tr>
<td>Available Acquisition Basis</td>
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<tr>
<td>Annual Acquisition Credits - Calculated</td>
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</tr>
<tr>
<td>Annual Acquisition Credits - Awarded</td>
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</tr>
<tr>
<td>Total Acquisition Credits (10 Years)</td>
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</tr>
<tr>
<td>Acquisition Tax Credit Investor Equity</td>
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<tr>
<td>Total Tax Credit Investor Equity (Federal + State+ Acquisition)</td>
<td>$13,920,090</td>
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<table>
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<tr>
<th>Threshold Basis Limits as of 5/16/18</th>
<th>2020 Limits</th>
<th>Units</th>
<th>Limit</th>
<th>Total</th>
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<td>-</td>
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<td>1 Bedroom</td>
<td></td>
<td>338,232</td>
<td>17,249,832</td>
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<td>2 Bedroom</td>
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<tr>
<td>3 Bedroom</td>
<td></td>
<td>522,240</td>
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<tr>
<td>4 Bedroom</td>
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<td>581,808</td>
<td>3,327,323</td>
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<tr>
<td><strong>Total</strong></td>
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<td>89</td>
<td>34,362,984</td>
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</table>

Special Features Threshold Basis Limit Increases
- 10% Increase: 95% of the project's upper floor units are serviced by an elevator | 3,436,298 |
- 20% Increase: State or Federal Prevailing Wage Requirement | 6,872,597 |
- 7% Increase: New Construction with Parking beneath Residential Units | 0 |
- 2% Increase: Day Care Center | 0 |
- 3% Increase: Special Needs Populations | 0 |

Total Percentage Increase to Unadjusted Eligible Basis (Combined not to exceed 39%) | 10,308,895 |

10% Increase: Renewable Energy/Energy Efficiency/Irrigation/Community Gardens/Flooring - No VOCs/Indoor | 0 |

On-Site Environmental Mitigation (15% additional eligible basis max.) | 60,000 |

Development Impact Fees | 520,000 |

Bond Deals
- 1% Increase: Every 1% of the project's units between 35% and at or below 50% AMI | 17,181,492 |
- 2% Increase: Every 1% of the project's units at or below 35% AMI | 17,181,492 |

Adjusted Threshold Basis Limit | $79,614,863 |

Total Eligible Basis | $45,697,392 |

Over /(Under) Basis Limit | (33,917,471) |
**SOURCES AND USES OF FUNDS**

Rose Hill Courts Phase I - 4% Tax Credits - HACLA DDA Prelim Financing Plan
Development Proforma 2019 - ILP
Related Companies of California

Printed on 1/16/20 at 9:03 PM

Last Changed On: 1/16/2020

### Construction Sources and Uses

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<tr>
<td>Construction Loan</td>
<td>35,105,622</td>
</tr>
<tr>
<td>Permanent Financing PBS8</td>
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</tr>
<tr>
<td>Permanent Financing RAD</td>
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</tr>
<tr>
<td>HACLA Residual Receipt Loan (Land Acq.)</td>
<td>7,100,000</td>
</tr>
<tr>
<td>HACLA Residual Receipt Loan (Soft Loan)</td>
<td>5,500,000</td>
</tr>
<tr>
<td>AHSC</td>
<td>0</td>
</tr>
<tr>
<td>IIG</td>
<td>3,800,000</td>
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<tr>
<td>Deferred Developer Fee</td>
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<td>Deferred Operating Deficit</td>
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<tr>
<td>Deferred Transition Reserve</td>
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**Total Construction Sources**: 57,875,265

### Construction Uses

| Total Development Cost               | 57,875,265 |
| Amount Over/(Under)                  | 0          |

### Permanent Sources and Uses

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<thead>
<tr>
<th>Sources</th>
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<td>Tax Credit Equity</td>
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<td>Permanent Financing TCAC</td>
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<tr>
<td>Permanent Financing PBS8</td>
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<td>HACLA Residual Receipt Loan (Land Acq.)</td>
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<td>IIG</td>
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**Total Permanent Sources**: 57,875,265

### Uses

| Total Development Cost               | 57,875,265 |
| Amount Over/(Under)                  | 0          |

## STABILIZED CASH FLOW ANALYSIS

**Rose Hill Courts Phase I - 4% Tax Credits - HACLA D1**

**Development Pro formas 2019 - ILP**

**Related Companies of California**

**Printed on 1/17/20 at 3:13 PM**

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<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
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<td>0</td>
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<td>0</td>
<td>82,098</td>
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<td>221,287</td>
<td>242,782</td>
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<td>0</td>
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<td>5,746,043</td>
<td>5,763,043</td>
<td>5,781,043</td>
<td>6,680,999</td>
<td>6,707,704</td>
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<td>6,925,367</td>
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<td>165,000</td>
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<td>0</td>
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<td>5,681,043</td>
<td>5,701,043</td>
<td>5,723,043</td>
<td>5,746,043</td>
<td>5,763,043</td>
<td>5,781,043</td>
<td>6,661,866</td>
<td>6,707,704</td>
<td>6,821,212</td>
<td>6,925,367</td>
<td>6,996,088</td>
<td>7,902,069</td>
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<td>7,297,565</td>
<td>7,318,565</td>
<td>7,337,565</td>
<td>7,356,565</td>
<td>7,375,565</td>
<td>7,394,565</td>
<td>8,149,565</td>
<td>8,362,565</td>
<td>8,506,122</td>
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<td>8,940,020</td>
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<td>213,000</td>
<td>213,000</td>
<td>213,000</td>
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<tr>
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<td>(102,789)</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(67,415)</td>
<td>(64,519)</td>
<td>(102,072)</td>
<td>(102,789)</td>
<td>(116,691)</td>
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<td>Ending Loan Balance</td>
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<td>12,770,999</td>
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<td>13,329,499</td>
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<td>Accrued Interest at 3%</td>
<td>11,000,000</td>
<td>322,148</td>
<td>359,051</td>
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<td>364,564</td>
<td>374,186</td>
<td>383,310</td>
<td>391,823</td>
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<td>408,882</td>
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<td>Cash Flow Payment</td>
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<td>(74,900)</td>
<td>(77,520)</td>
<td>(78,500)</td>
<td>(78,520)</td>
<td>(78,600)</td>
<td>(78,600)</td>
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<td>(78,600)</td>
<td>(78,600)</td>
<td>(78,600)</td>
<td>(78,600)</td>
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<tr>
<td>Ending Loan Balance</td>
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<td>11,803,814</td>
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<td>Cash Flow to Partnership</td>
<td>547,251</td>
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<td>Cumulative Cash Flow to Partnership</td>
<td>547,251</td>
<td>559,305</td>
<td>759,305</td>
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<td>759,305</td>
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<td>759,305</td>
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<td>1.50</td>
<td>1.54</td>
<td>1.59</td>
<td>1.64</td>
<td>1.70</td>
<td>1.75</td>
<td>1.81</td>
<td>1.86</td>
</tr>
</tbody>
</table>
EXHIBIT C

Schedule of Performance

This Schedule of Performance sets forth the schedule for various activities under the Disposition and Development Agreement (the "Agreement" or the "DDA") to which this Exhibit is attached. The description of items in this Schedule of Performance is meant to be descriptive only, and shall not be deemed to modify in any way the provisions of the DDA to which such items relate. Section references herein to the DDA are intended merely as an aid in relating this Schedule of Performance to other provisions of the DDA and shall not be deemed to have any substantive effect. This Schedule of Performance assumes a Closing within 180 days after an allocation of tax-exempt bonds for the Development and may be extended as permitted under the terms of the tax-exempt bond allocation.

[see attached schedule]
EXHIBIT C

SCHEDULE OF PERFORMANCE

This Schedule of Performance sets forth the schedule for various activities under the Disposition and Development Agreement (the "Agreement" or the "DDA") to which this Exhibit is attached. The description of items in this Schedule of Performance is meant to be descriptive only, and shall not be deemed to modify in any way the provisions of the DDA to which such items relate. Section references herein to the DDA are intended merely as an aid in relating this Schedule of Performance to other provisions of the DDA and shall not be deemed to have any substantive effect. This Schedule of Performance assumes a Closing within one hundred and eighty (180) days after an allocation of tax exempt bonds for the Rental Development and may be extended as permitted under the terms of the tax exempt bond allocation.

<table>
<thead>
<tr>
<th>ACTION</th>
<th>OUTSIDE/FINAL DATE FOR ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HACLA submits the Section 18 Demo/Dispo application.</td>
<td>Within three (3) months of completion of the NEPA review</td>
</tr>
<tr>
<td>2. Authority and Developer shall request a Concept Call with HUD for the RAD Conversion</td>
<td>Within three (3) months of completion of the NEPA review</td>
</tr>
<tr>
<td>3. Authority submits RAD Financing Plan to HUD.</td>
<td>Within sixty (60) days of receipt of a formal invitation from HUD to submit the Financing Plan, and funding commitments from the lender and investor</td>
</tr>
<tr>
<td>4. TCAC Application. The Developer shall have applied for financing from TCAC.</td>
<td>Within ninety (90) days of receipt of the commitments from all leveraging soft sources in the Preliminary Financing Plan, or as the Parties may mutually agree, subject to availability of 4% tax credit allocations and State bond volume cap application cycles</td>
</tr>
<tr>
<td>5. CDLAC Application. The Developer shall have applied for financing from CDLAC.</td>
<td>Within ninety (90) days of receipt of the commitments from all leveraging soft sources in the Preliminary Financing Plan, or as the Parties may mutually agree, subject to availability of 4% tax credit allocations and State bond volume cap application cycles</td>
</tr>
<tr>
<td>6. Submission of 60% Construction Documents.</td>
<td>At least six (6) months prior to the closing of the construction loan.</td>
</tr>
<tr>
<td>7. Authority provides consolidated comments to 60% Construction Documents.</td>
<td>Within four (4) weeks of receipt</td>
</tr>
<tr>
<td>8. Submission of 90% Construction Documents.</td>
<td>At least two (2) months prior to the closing of the construction loan.</td>
</tr>
<tr>
<td>9. Authority provides consolidated comments to 90% Construction Documents.</td>
<td>Within four (4) weeks of receipt</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>10.</strong> <strong>Temporary Relocation of Residents.</strong> Authority will complete relocation of all existing tenants within the footprint of Phase I.</td>
<td>At least three (3) months prior to the closing of the construction loan</td>
</tr>
<tr>
<td><strong>11.</strong> <strong>Authority obtains RAD Conversion Commitment (&quot;RCC&quot;).</strong></td>
<td>At least ninety (90) days prior to the closing of the construction loan</td>
</tr>
<tr>
<td><strong>12.</strong> <strong>Demolition Permits and Approvals.</strong> Developer shall have obtained the necessary Permits and Approvals to undertake the demolition of existing structures.</td>
<td>At least ninety (90) days prior to the closing of the construction loan</td>
</tr>
<tr>
<td><strong>13.</strong> <strong>Property Management and Re-Occupancy Plan.</strong> Developer shall prepare plan for HACLA approval</td>
<td>At least ninety (90) days prior to the closing of the construction loan</td>
</tr>
<tr>
<td><strong>14.</strong> <strong>Environmental Remediation and Demolition of Existing Structures.</strong> Authority to complete all necessary environmental remediation and demolition of all existing structures.</td>
<td>At least forty-five (45) days prior to the closing of the construction loan</td>
</tr>
<tr>
<td><strong>15.</strong> <strong>Plan for Resident Hiring and Local Hiring.</strong> Developer shall submit a Plan that the GC shall implement to HACLA for approval.</td>
<td>Earlier of two (2) months prior to the closing of the construction loan or two (2) months after selection of the GC</td>
</tr>
<tr>
<td><strong>16.</strong> <strong>Submission of Final Financing Plan.</strong> Developer shall provide Authority with a final schedule and proforma.</td>
<td>At least thirty (30) days prior to the closing of the construction loan</td>
</tr>
<tr>
<td><strong>17.</strong> <strong>Authority Approval of Final Financing Plan.</strong></td>
<td>Within fifteen (15) days of receipt</td>
</tr>
<tr>
<td><strong>18.</strong> <strong>Financing Commitments.</strong> Developer shall obtain commitments for the Project Loans.</td>
<td>At least thirty (30) days prior to the closing of the construction loan</td>
</tr>
<tr>
<td><strong>19.</strong> <strong>Authority Approval of Financing Commitments.</strong></td>
<td>Within two (2) weeks of receipt</td>
</tr>
<tr>
<td><strong>20.</strong> <strong>Construction Contract.</strong> Developer shall submit construction contract and specifications to Authority.</td>
<td>At least thirty (30) days prior to the closing of the construction loan</td>
</tr>
<tr>
<td><strong>21.</strong> <strong>Authority Approval of Construction Contract.</strong></td>
<td>Within one (1) week of receipt provided the submitted Contract is complete and includes all the necessary requirements, language, and supporting documents</td>
</tr>
<tr>
<td><strong>22.</strong> <strong>Supportive Services Plan.</strong> Developer shall submit a Plan to HACLA for approval</td>
<td>At least thirty (30) days prior to the closing of the construction loan</td>
</tr>
<tr>
<td><strong>23.</strong> <strong>Authority Approval of Supportive Services Plan.</strong></td>
<td>Within one (1) week of receipt</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>24. <strong>New Construction Permits and Approvals.</strong> Developer shall have obtained “Ready to Issue” status for the Permits and Approvals necessary to undertake the construction.</td>
<td>At least one (1) week prior to the closing of the construction loan.</td>
</tr>
<tr>
<td>25. <strong>Closing and Commencement of Construction.</strong> Developer and Authority shall execute the Ground Lease and Closing Documents, as applicable, and commence construction.</td>
<td>Later of ninety (90) days after receipt of RAD Conversion Commitment or one hundred and eighty (180) days after acceptance of TCAC/CDLAC allocations (Subject to force majeure).</td>
</tr>
<tr>
<td>26. <strong>Notice to Proceed.</strong> HACLA provides NTP to Partnership to commence construction.</td>
<td>At least three (3) days prior to the closing of the construction loan</td>
</tr>
<tr>
<td>27. <strong>Submission of permanent Section 3 Plan.</strong> Developer submits plan to HACLA for approval.</td>
<td>At least ninety (90) days prior to the completion of construction</td>
</tr>
<tr>
<td>28. <strong>Completion of Construction.</strong> Developer shall complete the Construction.</td>
<td>Within twenty-two (22) months of Commencement of Construction (Subject to force majeure and no involvement of HCIDLA’s Accessible Housing Program).</td>
</tr>
<tr>
<td>29. <strong>Submit Final Section 3 Report.</strong></td>
<td>Two (2) month after the Completion of Construction, subject to RAD requirements.</td>
</tr>
<tr>
<td>30. <strong>Final Certificate of Completion Issued by HACLA.</strong></td>
<td>No later than sixty (60) days before Permanent Conversion.</td>
</tr>
<tr>
<td>31. <strong>Lease-Up Completion</strong></td>
<td>Within six (6) months after the Completion of Construction</td>
</tr>
<tr>
<td>32. <strong>Permanent Loan Conversion</strong></td>
<td>Within three (3) months of Completion of Lease-up</td>
</tr>
</tbody>
</table>
EXHIBIT D
Form of Ground Lease

[see attached]
GROUND LEASE AGREEMENT

by and between

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

and

ROSE HILL COURTS I HOUSING PARTNERS, L.P.

DATED AS OF [DATE]
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  **Bookmark not defined.**
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GROUND LEASE AGREEMENT

Rose Hill Courts Phase I

THIS GROUND LEASE AGREEMENT (this “Lease”) is entered into as of __________ by and between the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic organized and existing under the laws of the State of California (“Landlord”), and ROSE HILL COURTS I HOUSING PARTNERS, L.P., a California limited partnership (“Tenant”).

RECITALS

A. Landlord owns that certain real property situated in Los Angeles, California, as more particularly described on Exhibit A attached hereto (the “Leased Premises”).

B. Tenant is a California limited partnership duly formed and authorized to do business in the State of California having Related/Rose Hill Courts I Development Co., LLC, a California limited liability company, as its administrative general partner (the “Administrative General Partner”) and __________________, a California limited liability company, as its managing general partner (the “Managing General Partner”).

C. Tenant and Landlord entered into that certain Disposition and Development Agreement (“DDA”) [DATED OS OF] for the development of the Leased Premises.

D. Tenant intends to construct a multifamily residential complex on the Leased Premises with approximately eighty-nine (89) units of rental housing (the “Residential Units”) and other ancillary improvements (collectively, the “Improvements”). The Residential Units shall be comprised of eighty-four (84) units that will be operated and maintained as qualified low-income housing tax credit units (the “Tax Credit Units”) and one (1) manager unit. eleven (11) units will be operated pursuant to a RAD HAP Contract and the RAD Requirements (the “RAD Units”) and seventy-seven (77) units will be operated pursuant to a PBV HAP Contract (the “PBV Units”). Two (2) RAD Units and two (2) PBV Units will not be a Tax Credit Unit. The RAD Units and PBV Units are designated as “replacement units” for public housing units that will be demolished at the existing Rose Hill Courts site.

E. Landlord desires to lease the Leased Premises to Tenant for a period of sixty-six (66) years pursuant to the terms of this Lease, with three (3) options for Landlord to extend this Lease, each for eleven (11) years.

F. Capitalized terms which are referred to and utilized throughout this Lease, including in these Recitals, are defined in Article 1 of this Lease.

NOW, THEREFORE, for and in consideration of the foregoing premises, the covenants, representations, warranties, and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto do hereby agree as follows:
ARTICLE 1 DEFINITIONS

Section 1.1 Definitions.

For the purposes of this Lease, the following defined terms shall have the meanings ascribed thereto in this Article 1.

(a) "Act" shall mean the United States Housing Act of 1937, as amended.

(b) "Annual Rent" shall mean the rent due annually to Landlord from Tenant pursuant to Section 4.1 of this Lease.

(c) "Applicable CC&Rs & Easements" shall mean all covenants, conditions, restrictions, and easements that are now or hereafter recorded against the Leased Premises and/or the Project and (i) are identified as exceptions to coverage in the Owner’s Title Policy issued to Tenant on the Commencement Date; (ii) are required by the City or one or more other Governmental Authorities in connection with the construction or development of the Project or related infrastructure (if any), (iii) are contemplated by the Phase I Development Plan (as defined in the DDA), (iv) arise by, through, or under Tenant or Tenant’s contractors, agents, or licensees; or (v) are otherwise approved by Tenant in writing.

(d) "Approved Financing" shall mean all of the following loans and financing acquired by Tenant and approved by Landlord for the purpose of financing the acquisition and construction of the Project (and future refinancing of the Approved Financing with the prior written approval of Landlord pursuant to Section 3.2):

1. A construction loan from ____________________________ (the "Construction First Mortgage Loan");

2. A permanent ____________________________ (the "Permanent First Mortgage Loan");

3. An acquisition loan from the Landlord in the in the approximate amount of ____________________________ (the "Authority Acquisition Loan"), which loan represents the fair market value of the Leased Premises, as determined in accordance with the DDA;

4. A gap loan from the Landlord in the maximum principal amount of ____________________________ (the "Authority Gap Loan");

5. Investor equity funds generated from the sale of Low Income Housing Tax Credits in the approximate amount of ____________________________ (the "Tax Credit Equity");
(6) [if obtained] An Affordable Housing and Sustainable Communities loan and/or Infill Infrastructure Grant program loan in the approximate amount of _________________(the "HCD Loan");

(7) If obtained by Tenant, an Affordable Housing Program loan from the Federal Home Loan Bank in the approximate amount of ___________ Dollars ($___________) (the "AHP Loan").

(e) "Approved Financing Documents" shall mean the documents that evidence the Approved Financing.

(f) "Authority Acquisition Deed of Trust" shall mean that certain Authority Subordinate Leasehold Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing – Authority Acquisition Loan of substantially even date herewith, securing the Authority Acquisition Note and recorded against the Leased Premises.

(g) "Authority Acquisition Note" shall mean that certain Authority Acquisition Note executed by Tenant in favor of Landlord for the full fair market value of the Leased Premises, as determined in accordance with the DDA, and evidencing the Authority Acquisition Loan.

(h) "Authority Gap Loan Agreement" shall mean that certain Authority Gap Loan Agreement by and between the Landlord, as lender, and the Tenant, as borrower, governing the Authority Gap Loan.

(i) "Casualty" shall have the meaning set forth in Article 12 hereof.

(j) "City" shall mean Los Angeles, California.

(k) "Closing" shall mean the date on which the Memorandum of Lease and the Approved Financing Documents, except the documents pertaining to the Permanent First Mortgage Loan, are executed and recorded, as applicable, against the Leased Premises.

(l) "Commencement Date" shall mean the date of Closing.

(m) "Conversion" shall mean the date that the Construction First Mortgage is paid in full or converted into permanent financing in whole or in part.

(n) "Event of Default" shall have the meaning set forth in Article 13 hereof.

(o) "First Mortgage Loan" shall mean the Construction First Mortgage Loan or the Permanent First Mortgage Loan during the respective term of each or, if both have been paid off and the deed of trust related to such loans have been released, the loan that is next in priority order.

(p) "First Mortgagee" shall mean the holder of the First Mortgage Loan.
(q) "Force Majeure" shall mean one of the following to the extent outside of the reasonable control of the party claiming relief based upon same: (a) acts of God, or of the public enemy, (b) riots, war or acts of terrorism, (e) fires, (f) floods or earthquakes, epidemics, (g) quarantine restrictions, (h) strikes or lockouts, (i) freight embargoes, or (j) other events substantially similar in scope and magnitude to the events described in foregoing (a)-(i).

(r) "Governmental Authorities" shall mean any applicable federal, state, or local governmental or quasi-governmental entities, subdivisions, agencies, authorities, or instrumentalities having jurisdiction over the Leased Premises, the Improvements, Landlord, or Tenant.

(s) "Hazardous Substances and Materials" shall mean any oil or any fraction thereof or petroleum products or "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14) or Section 25281(h) or 25316 of the California Health and Safety Code at such time; any "hazardous waste," "infectious waste" or "hazardous material" as defined in Section 25117, 25117.5, or 25501(j) of the California Health and Safety Code at such time; any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. § 6901 et seq.), CERCLA Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.), Safe Drinking Water Act (42 U.S.C. § 300(f) et seq.), Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), Clean Air Act (42 U.S.C. § 7401 et seq.), California Health and Safety Code (Section 25100 et seq., Section 39000 et seq.), or California Water Code (Section 13000 et seq.), at such time; and any additional wastes, substances, or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Leased Premises, but excluding any substances or materials used in the construction or the maintenance or operation of the Project, so long as the same are used in accordance with all applicable laws.

(t) "HCD" shall mean the California Department of Housing and Community Development.

(u) "HUD" shall mean the U.S. Department of Housing and Urban Development.

(v) "Impositions" shall mean all taxes including property taxes, assessments, water and sewer charges, charges for public utilities, excises, levies, license and permit fees and other charges that shall or may be assessed, levied, or imposed during the Term by any Governmental Authorities upon the Leased Premises or any part thereof, including the buildings or improvements now or hereafter located thereon; provided, however, that the term "Impositions" shall not include any income tax, capital levy, estate, succession, inheritance, transfer, or similar taxes of Tenant, or any franchise tax imposed upon any owner of the fee estate of the Leased Premises, or any income, profits, or revenue tax, assessment, or charge imposed upon the rent or other benefit received by Tenant under this Lease by any Governmental Authorities.

(w) "Improvements" shall mean the eighty-nine (89) Residential Units to be Constructed on the Leased Premises, including, without limitation, tenant-related space and
related ancillary facilities, together with any and all replacements or substitutions therefor or modifications thereto.

(x) "Insurance Requirements" shall mean the requirements, whether now or hereafter in force, of any insurer or insurance carrier, any board of fire underwriters or any other company, bureau, organization, or entity performing the same or similar functions, applicable to the Leased Premises and/or the Improvements, or any portion thereof, to the extent so applicable.

(y) "Investor" shall mean

(z) "Landlord's Estate" shall mean Landlord's fee estate in the land constituting the Leased Premises.

(aa) "Lease" shall mean this Ground Lease Agreement.

(bb) "Lease Year" shall mean a calendar year.

(cc) "Leased Premises" shall mean that certain land located in the City, as more particularly described on Exhibit A attached hereto and made a part hereof together with all and singular rights, easements, licenses, privileges and appurtenances thereunto or belonging thereto.

(dd) "Legal Requirements" shall mean all applicable laws, statutes, codes, ordinances, orders, rules, regulations, and requirements of all Governmental Authorities and the appropriate agencies, officers, departments, boards, and commissions thereof, whether now or hereafter in force, applicable to Landlord, Tenant, the Leased Premises, the Improvements, or any portion thereof, to the extent so applicable.

(ee) "Management Agent" shall mean the Person designated from time to time as "Management Agent" of all or any portion of the Improvements under any management agreement entered into from time to time with Tenant. Related Management Company, L.P. is approved by Landlord and shall serve as the initial Management Agent for the Project.

(ff) "Memorandum of Lease" shall mean the memorandum of this Lease to be recorded against the Leased Premises in the Official Records in the form attached hereto as Exhibit B.

(gg) "Mortgage" shall mean any mortgage, deed of trust, security agreement, or collateral assignment executed in connection with the Approved Financing encumbering Tenant's Estate created hereunder as a leasehold deed of trust lien.

(hh) "Mortgagor" shall mean the holder, mortgagee, grantee, or secured party under any Mortgage and its successors and assigns.
(ii) "Net Cash Flow" shall have the meaning set forth in the Partnership Agreement, provided that the definition of such term, and any amendments thereof, is approved by the Authority. [SUBJECT TO HACLA REVIEW AND APPROVAL OF LPA]

(jj) "Net Condemnation Award" shall mean the net amounts owed or paid to the Parties and Mortgagee(s), if any, or to which either of the Parties and Mortgagee(s), if any, may be or become entitled by reason of any Taking or pursuant to any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Taking, less any costs and expenses incurred by the Parties and Mortgagee(s), if any, in collecting such award or payment.

(kk) "New Lease" shall have the meaning set forth in Section 9.7 hereof.

(ll) "Official Records" shall mean the official land records of Los Angeles County, California.

(mm) "Operating Budget" shall mean the annual operating budget for the Project that sets forth the projected Operating Expenses for the upcoming year, that is subject to and shall be submitted for review and reasonable approval of Landlord’s chief executive officer, or his designee, each year during the Term as set forth in Section 4.6 hereof.

(nn) "Operating Expenses" shall mean actual, reasonable, and customary (for comparable rental housing developments in Los Angeles County) costs, fees, and expenses directly incurred, paid, and attributable to the operation, maintenance, and management of the Project in a calendar year, including, without limitation: painting, cleaning, repairs, alterations, landscaping, utilities, refuse removal, certificates, permits and licenses, debt service, amounts required to be deposited into reserves by the Approved Financing, sewer charges, real and personal property taxes, assessments, insurance, security, advertising and promotion, janitorial services, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of property management, fees and expenses of accountants, attorneys and other professionals, the cost of social services and other housing supportive services provided at the Project, extraordinary expenses approved by Landlord, and other actual, reasonable, and customary operating costs and capital costs which are directly incurred and paid by Tenant, but which are not paid from any reserve accounts for the Project.

(oo) "Partnership Agreement" shall mean the Tenant’s Amended and Restated Agreement of Limited Partnership dated as of ____________, 20__, as it may be amended or supplemented from time to time.

(pp) "PBV HAP Contract" shall mean one or more PBV Housing Assistance Payments Contracts which may be entered into by and between Landlord and Tenant with respect to the PBV Units.
(qq) **PBV Units** shall mean the seventy-seven (77) units operated and maintained in accordance with any PBV HAP Contract all of which units are designated replacement units for the public housing units to be demolished at the existing Rose Hill Courts public housing site.

(rr) **Party** shall mean Landlord or Tenant, as applicable. Landlord and Tenant shall be referred to collectively as the **Parties**.

(ss) **Person** shall mean an individual, partnership, corporation, limited liability company, trust, unincorporated association, or other entity or association.

(tt) **Post-Foreclosure Rent Restriction** shall mean, following foreclosure or deed in lieu of foreclosure of Tenant’s interest in the Project by any Mortgagee, the gross rent with respect to such Tax Credit Unit in the Project does not exceed thirty percent (30%) of the imputed income limitation applicable to such unit as calculated pursuant to 26 U.S.C. § 42(g)(2). For purposes of this definition, the income imputed limitation applicable to any unit in the Project shall be deemed to be eighty percent (80%) of area median income.

(uu) **Project** shall mean the Improvements and Tenant’s Estate.

(vv) **RAD HAP Contract** shall mean one or more PBV Housing Assistance Payments Contracts which may be entered into by and between Landlord and Tenant with respect to the eleven (11) RAD Units, together with certain Rental Assistance Demonstration Rider thereto, and any additional riders and/or amendments approved by HUD, Investor, and Mortgagees.

(ww) **RAD Program** shall mean the Rental Assistance Demonstration Program created by the Consolidated and Further Continuing Appropriations Act of 2012, and HUD Notice H-2019-09 PIH-2019-23 (HA) (September 5, 2019), as amended from time to time.

(xx) **RAD Requirements** shall include, but not be limited to: (1) the Consolidated and Further Continuing Appropriations Act of 2012, and all applicable statutes and any regulations issued by HUD for the RAD Program, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process; and (2) all current requirements in HUD handbooks and guides, notices (including but not limited to, HUD Notice H-2019-09 PIH-2019-23 (HA) (September 5, 2019), as may be further amended, as it may be amended from time to time), and Mortgagee letters (if any) for the RAD Program, and all future updates, changes, and amendments thereto, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and provided that such future updates, changes, and amendments shall be applicable to the Leased Premises and Improvements only to the extent that they interpret, clarify, and implement terms in the applicable closing document rather than add or delete provisions from such document.

(yy) **RAD Units** shall mean the eleven (11) units operated and maintained in accordance with any RAD HAP Contract entered into.
(zz) "RAD Use Agreement" shall mean that certain Rental Assistance Demonstration Use Agreement executed by Landlord, Tenant and HUD to be recorded with respect to permitted uses of the Leased Premises and rights of potential beneficiaries and any riders or amendments thereto, approved by HUD, Investor, and Mortgagees. In the event of any conflict between the provisions of the RAD Use Agreement and this Lease, the RAD Use Agreement shall govern.

(aaa) "Regulatory Agreements" shall mean, collectively, the Tax Credit Regulatory Agreement and any regulatory agreement(s) executed by Tenant in connection with the Approved Financing, and any other regulatory agreement reasonably determined to be necessary or advisable by Tenant (with the reasonable consent of Landlord) during the Term. To the extent that any regulatory agreement or covenant is extinguished through foreclosure (or otherwise terminated or expired), such regulatory agreement(s) or covenant shall no longer be applicable to this Lease.

(bbb) "Rent" shall have the meaning set forth in Section 4.1 hereof.

(ccc) "Residential Units" shall mean the eighty-nine (89) multi-family residential units to be developed on the Tenant’s Estate (excluding the managers’ units).

(ddd) "Resident(s)" shall mean any tenant, sub-tenant, or licensee of Tenant under any Residential Lease(s).

(eee) "Resident Lease(s)" shall mean any lease or license agreement entered into by Tenant with residents of the Residential Units to be constructed on the Leased Premises.

fff) "Right of First Refusal/Purchase Option" shall mean the purchase option and right of first refusal described in the Partnership Agreement and Section 17.7 herein that provides Landlord or its designee and the Administrative General Partner or its designee with a right of first refusal and/or purchase option related to the Project.

(ggg) "Section 42" shall mean Section 42 of the Internal Revenue Code of 1986, as amended.

(hhh) "Taking" shall mean a taking during the Term hereof of all or any part of the Leased Premises and/or the Improvements, or any interest therein or right accruing thereto, as a result of the exercise of the right of condemnation or eminent domain or a change in grade materially affecting the Leased Premises and/or Improvements or any part thereof. A conveyance in lieu of or in anticipation of the exercise of any such right of condemnation or eminent domain shall be considered a Taking. Any such Taking shall be deemed to have occurred upon the earlier to occur of (a) the date on which the property, right, or interest so taken must be surrendered to the condemning authority, or (b) the date title vested in a condemning authority or other party pursuant to any Taking. If a Mortgage exists, the Mortgagees, to the extent permitted by law and pursuant to such Mortgagees loan documents, shall be made parties to any Taking or Taking proceeding.
(iii) "Tax Credit Eligible Household" shall mean a household that is eligible to rent and occupy a qualified low-income dwelling unit under Section 42 and any Legal Requirements of the State of California or TCAC relating to low-income housing tax credits.

(iii) "Tax Credit Regulatory Agreement" shall mean that certain agreement with TCAC to be executed by Tenant and properly recorded in the Official Records, setting forth certain terms and conditions under which the Project will be operated.

(kkk) "Tax Credit Units" shall mean eighty-four (84) of the Residential Units located on the Leased Premises, which are to be restricted for use during the "compliance period" and any "extended use period" (as such terms are defined in Section 42) solely by Tax Credit Eligible Households.

(l) "TCAC" shall mean the California Tax Credit Allocation Committee.

(mmm) "Tenant's Estate" shall mean Tenant's leasehold interest in the Leased Premises acquired pursuant to this Lease.

(nnn) "Term" shall mean the period of time set forth in Section 2.3 hereof.

(ooo) "Transfer" shall mean any sale, assignment, transfer, conveyance, encumbrance, mortgage, or hypothecation, in any manner or form or any agreement to do any of the foregoing.

Section 1.2 Exhibits. The Exhibits referred to in this Lease and attached hereto are expressly a part of this Lease as if fully set forth herein:

Exhibit A: Leased Premises
Exhibit B: Memorandum of Lease
Exhibit C: Affordability Restrictions and Tenant Protections
Exhibit D: Sustainability Plan
Exhibit E: Section 3 Requirements
Exhibit F: Feasibility Plan Requirements
Exhibit G: Property Management and Re-occupancy Plan
Exhibit H: Supportive Services Plan
Exhibit I: Mitigation Measures

ARTICLE 2 LEASE OF THE LEASED PREMISES

Section 2.1 Leased Premises. Subject to the terms hereof and in consideration of the covenants of payment and performance stipulated herein, Landlord has leased, demised, and let, and by these presents does hereby lease, demise, and let unto Tenant, and Tenant hereby leases and takes from Landlord, the Leased Premises. Tenant has compensated Landlord for the purchase of a leasehold interest during the Term created by this Lease in the amount of $______________, pursuant to the following documents entered into as of even date herewith: the DDA, Authority Acquisition Note, and Authority Acquisition Deed of Trust. Landlord and Tenant acknowledge and agree that the principal amount of the
Authority Acquisition Note, _______________ Dollars ($_____________), represents the purchase price, at appraised fair market values, of the Leased Premises.

Section 2.2 Intentionally Omitted.

Section 2.3 Term. Unless sooner terminated pursuant to the provisions hereof, this Lease shall continue in full force and effect for a term ("Term"), commencing on the Commencement Date and expiring on date that is sixty-six (66) years from Closing. At the sole discretion and option of the Landlord, the Term may be extended for three (3) additional periods of eleven (11) years each.

Section 2.4 Use. Tenant shall, throughout the Term, continuously use the Leased Premises and the Improvements only for the construction, operation, marketing for lease, and leasing of the Residential Units, and such other uses as are reasonably and customarily attendant to such uses, subject to the Regulatory Agreements and this Lease, including but not limited to the restrictions and requirements set forth in Article 3 hereof. The Project shall be used, operated, and devoted for the entire Term as required by Exhibit C, provided that the Post-Foreclosure Rent Restrictions shall apply following any foreclosure, and for no other use or purpose. Further, Tenant agrees:

(a) not to use the Leased Premises for any disorderly or unlawful purpose;

(b) to use commercially reasonable efforts to prevent any action by any Residents from committing or maintaining any nuisance or unlawful conduct on or about the Leased Premises;

(c) to use commercially reasonable efforts to prevent any action by any Resident that would cause Tenant to violate any of the covenants and conditions of this Lease with respect to the Project;

(d) upon reasonable prior notice from Landlord, to take reasonable action, if necessary, to abate any action by any Resident that would cause Tenant to violate this Lease; and

(e) subject to the rights of Residents, to permit Landlord and its agents upon not less than forty-eight (48) hours’ prior written notice to inspect the Leased Premises or any part thereof at any reasonable time during the Term.

Section 2.5 Possession. Landlord agrees to and shall provide possession of the Leased Premises to Tenant on the Commencement Date.

Section 2.6 Memorandum of Lease. Concurrent with the execution of this Lease, the Parties shall execute and acknowledge the Memorandum of Lease, in the form attached hereto as Exhibit B, which Tenant shall cause to be immediately recorded in the Official Records at Tenant’s expense.

ARTICLE 3 THE IMPROVEMENTS
Section 3.1  Construction. Tenant shall cause the commencement and completion of construction of the Improvements on or before the dates set forth in the Authority Gap Loan Agreement, subject to Force Majeure. Tenant shall cause the Improvements to be constructed in substantial compliance with the plans and specifications that have been approved by Landlord pursuant to the Authority Gap Loan Agreement. The construction of the Improvements shall be conducted in a good and worker-like manner, in compliance with all requirements set forth in this Lease, the requirements of the Approved Financing, all permits and approvals issued for the Project, all construction documents as approved by Landlord, and all applicable laws (including without limitation, the federal Davis-Bacon and Related Acts and Section 3 of the Housing and Community Development Act of 1974, as amended) ("Section 3"), Tenant’s obligations set forth in Section 3.7 below and all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any Governmental Authority having jurisdiction, and the Tenant shall be responsible to the Landlord for the procurement and maintenance thereof, as may be required of the Tenant and all entities engaged in work on the Project. In designing and constructing the Project, the Tenant shall comply with accessibility requirements, shall meet Section 3 requirements, and shall use sustainable construction materials and techniques in accordance with Exhibit D attached hereto, such that the Project shall at a minimum (a) meet the requirements of the Project Design Features from the Mitigation Measures (as hereinafter defined) and (b) be designed and constructed to incorporate the environmentally-sustainable design features under Build It Green’s “GreenPoint Rated” system. Tenant shall take no action to effectuate any material amendments, modifications, or alterations to the plans and specifications unless Landlord has approved such, in writing and in advance.

Section 3.2  No Liens. Tenant shall not have any right, authority, or power to bind Landlord, Landlord’s Estate, or any other interest of Landlord in the Leased Premises, for any claim for labor or material or for any other charge or expense, lien, or security interest incurred in connection with the construction or operation of the Improvements or any change, alteration, or addition thereto. Tenant shall not have any right to encumber Tenant’s Estate without the written consent of Landlord, other than for Approved Financing and the Regulatory Agreements, utility easements, and other customary easements or agreements necessary and incidental to the construction and operation of the Improvements, which easements are subject to the approval of Landlord, which shall not be unreasonably withheld. Notwithstanding the foregoing and subject to the prior written approval of the Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, the Tenant may refinance the Approved Financing loans. Any refinancing of the Approved Financing loans shall be on commercially reasonable terms in an amount not to exceed the then outstanding principal balance of such Approved Financing loans plus reasonable costs. The Tenant shall reimburse the Landlord for any costs it incurs related to the refinancing of the Approved Financing loans.

Tenant shall promptly pay and discharge all claims for work or labor done, supplies furnished, or services rendered at the request of Tenant and shall keep the Leased Premises free and clear of all mechanics’ and materialmen’s liens in connection therewith. If any claim of lien is filed against the Leased Premises or a stop notice is served on Landlord or other third party in
connection with the construction or operation of the Improvements or any change, alteration, or addition thereto, then Tenant shall, within thirty (30) days after such filing of service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to Landlord a surety bond in sufficient form and amount, or provide Landlord with other assurance reasonably satisfactory to Landlord that the claim of lien or stop notice will be paid or discharged, provided that Landlord provides written notice of such claim of lien or stop notice to Tenant promptly upon receipt by Landlord.

If Tenant fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, Landlord may (but shall be under no obligation to), after delivery of written notice to Tenant and Tenant’s failure to discharge in accordance herewith within thirty (30) days of such delivery, discharge such lien, encumbrance, charge, or claim at Tenant’s expense, and Tenant shall pay to Landlord as Additional Rent (as defined in Section 4.2) any such amounts expended by Landlord within thirty (30) days after written notice is received from Landlord of the amount expended. Alternately, Landlord may require Tenant to immediately deposit with Landlord the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. Landlord may use such deposit to satisfy any claim or lien that is adversely determined against Tenant.

Tenant shall file a valid notice of cessation or notice of completion upon cessation of construction on the Improvements for a continuous period of thirty (30) days or more, except in the event such cessation of construction is caused by adverse weather conditions, and shall take all other reasonable steps to forestall the assertion of claims of lien against the Leased Premises. Landlord shall have the right to post or keep posted on the Leased Premises, or in the immediate vicinity thereof any notices of non-responsibility for any construction, alteration, or repair of the Leased Premises by Tenant. Tenant authorizes Landlord, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that Landlord deems necessary or desirable to protect its interest in the Leased Premises.

Section 3.3 Permits, Licenses and Easements.

(a) Tenant shall be responsible for obtaining any and all permits, licenses, easements, and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises and to grant or cause to be granted all permits, licenses, easements, and other governmental authorizations that are necessary or helpful for electric, telephone, gas, cable television, water, sewer, drainage, access, and such other public or private utilities or facilities as may be reasonably necessary or desirable in connection with the construction or operation of the Improvements. Tenant shall be entitled, without separate payment to Landlord for tap or connection fees, to tap into the existing lines, facilities, and systems of applicable electric, gas, cable, water, sewer, sewer treatment, and other utilities serving the Leased Premises, provided Tenant remains responsible for fees and costs required by the City for such services. Landlord agrees to use Landlord’s reasonable efforts to assist Tenant to obtain waiver, reduction, or deferral, as applicable, of all fees and other charges otherwise payable in connection with obtaining any permits, licenses, easements, and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises in connection with the Improvements. Tenant covenants and
agrees to comply with the terms and conditions of all Applicable CC&Rs & Easements which apply to the Leased Premises and/or the Project, excluding any obligation specifically allocated to and undertaken by Landlord pursuant to the terms of a separate agreement between Landlord and Tenant.

Section 3.4 Title to Improvements.

(a) During the Term. Notwithstanding any provision in this Lease to the contrary, the Improvements and all alterations, additions, equipment, and fixtures built, made, or installed by Tenant in, on, under, or to the Leased Premises or the Improvements shall be the sole property of Tenant until the expiration of the Term or other termination of this Lease and subject to the Right of First Refusal/Purchase Option.

(b) After the Term. Upon the expiration of the Term or other termination of this Lease, the Improvements and all alterations, additions, equipment, and fixtures shall be deemed to be and shall automatically become the property of Landlord, without cost or charge to Landlord. Landlord agrees that Tenant, at any time prior to the seventy-fifth (75th) day after the expiration or other termination of this Lease, may remove from the Leased Premises any and all equipment which Tenant has furnished for maintenance purposes or for the use of the Management Agent, provided that Tenant shall repair any physical damage to the Leased Premises caused by the removal of such equipment and property. Tenant agrees to execute, at the request of Landlord at the end of the Term, a quitclaim deed of the Improvements to Landlord to be recorded at Landlord’s option and expense and any other documents that may be reasonably required by Landlord or Landlord’s title company to provide Landlord title to the Leased Premises and the Improvements free and clear of all monetary liens and monetary encumbrances not caused or agreed to by Landlord.

(c) Mortgagor Protection. In the event of any default by Tenant under the Lease or any Approved Financing Documents, Landlord will allow any Mortgagor to enforce its lien and security interest in Tenant’s personal property located at the Leased Premises and Landlord will allow any Mortgagor to assemble and remove the Tenant’s personal property located at the Leased Premises.

Section 3.5 Benefits of Improvements During Term. Landlord acknowledges and agrees that any and all depreciation, amortization, and other tax attributes of ownership, including without limitation, tax credits for federal or state tax purposes relating to the Improvements located on the Leased Premises and any and all additions thereto, substitutions therefor, fixtures therein, and other property relating thereto shall be deducted or credited exclusively to Tenant as the sole owner of such Improvements during the Term and for the tax years during which the Term begins and ends.

Section 3.6 Regulatory Agreements. Tenant shall, at all times throughout the Term, comply with all applicable requirements of the Regulatory Agreements as required herein. Tenant will cause all Tax Credit Units to be operated and maintained in accordance with the Tax Credit Regulatory Agreement until its expiration, and Tenant shall so operate and maintain such Tax Credit Units for the term set forth in the Tax Credit Regulatory Agreement, unless such Tax
Credit Regulatory Agreement is released from the Leased Premises pursuant to a foreclosure upon a Mortgage; provided, however, (i) that in no event will any action be taken which violates Section 42(h)(6)(E)(ii) of the U.S. Internal Revenue Code of 1986, as amended, regarding prohibitions against evicting, terminating tenancy, or increasing rent of residential tenants for a period of three (3) years after acquisition of a building by foreclosure or deed-in-lieu of foreclosure, and (ii) following foreclosure or deed in lieu of foreclosure of a Mortgage, the Project shall thereafter be subject to the Post-Foreclosure Rent Restriction.

Section 3.7 Equal Opportunity; Section 3. The Tenant, for itself and its successors and assigns, and transferees agrees that in the construction, operation and management of the Project:

(a) Tenant will not discriminate against any employee or applicant for employment because of race, color, creed, religion, national origin, ancestry, disability, medical condition, age, marital status, gender identity status, sex, sexual orientation, HIV status or Acquired Immune Deficiency Syndrome (AIDS) condition or perceived condition, or retaliation for having filed a discrimination complaint (nondiscrimination factors). The Tenant will take affirmative action to ensure that applicants are considered for employment by the Tenant without regard to the nondiscrimination factors, and that Tenant's employees are treated without regard to the nondiscrimination factors during employment including, but not limited to, activities of: upgrading, demotion or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Tenant agrees to post in conspicuous places, available to its employees and applicants for employment, the applicable nondiscrimination clause set forth herein;

(b) Tenant will ensure that its solicitations or advertisements for employment are in compliance with the aforementioned nondiscrimination factors;

(c) Tenant will cause the foregoing provisions to be inserted in all contracts for the construction, operation and management of the Project entered into after the date of this Lease; provided, however, that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw material;

(d) Tenant will comply with the Section 3 requirements attached hereto as Exhibit E (the "Section 3 Requirements") and shall cause the Management Agent to comply with all Section 3 and hiring requirements set forth in the Management Agreement;

(e) The Tenant shall provide to the Landlord such information and documentation as reasonably requested by the Landlord to determine compliance with the Section 3 Requirements, as applicable, during the Term of this Lease; and

(f) The Tenant agrees to include the following language in the initial Management Agreement: "Management Agent shall notify the designated person or persons at the Housing Authority of the City of Los Angeles ("HACLA") (such initial persons being HACLA’s Director of General Services, Human Resources and HACLA’s Strategic Initiatives Department (with a copy to Asset Management)) or its designee of its need for management and/or maintenance
employees for the Project at least ten (10) business days prior to advertising for the hiring of any management or maintenance employees for the Project. Within one (1) week of receipt of such notification from the Management Agent, HACLA may respond to the Management Agent in writing with referrals for any such employee positions identified by the Management Agent. Management Agent shall consider any such referrals made by HACLA in accordance herewith as it makes its hiring decisions for the management and maintenance of the Project. To that end, Management Agent shall give referrals identified by HACLA in accordance herewith equal opportunity to interview for applicable available positions.”

The Tenant shall use reasonable efforts to monitor and enforce, or shall cause its general contractor to monitor and enforce, the equal opportunity requirements imposed by this Lease. As requested, the Landlord shall provide such technical assistance necessary to implement this Section 3.7.

Section 3.8 Covenants Applicable to RAD Units.

(a) Landlord acknowledges that the RAD Units shall be benefited by the terms and conditions of any RAD HAP Contract that may be entered into. For so long as such a RAD HAP Contract or the RAD Use Agreement is in effect, with respect to the RAD Units, the RAD Requirements shall be binding upon Landlord and Tenant and each of their respective successors and assigns, including, without limitation, any entity that succeeds to Tenant’s interest in the Leased Premises by foreclosure or an instrument in lieu of foreclosure.

(b) Except as otherwise provided in the RAD Requirements or as otherwise waived, modified, or amended as applied to the Improvements, the RAD Units shall be operated pursuant to the RAD Requirements for so long as any RAD HAP Contract or RAD Use Agreement is in effect.

(c) Neither the Tenant nor any of its partners shall have any authority to: (i) take any action in violation of the RAD Use Agreement, or (ii) fail to renew the RAD HAP Contract upon such terms and conditions applicable at the time of renewal when offered for renewal by the Landlord as contract administrator.

(d) If the Landlord is not at any applicable time the contract administrator under the RAD HAP Contract, and the RAD HAP Contract and any related Project subsidies are terminated or reduced, or termination or reduction is reasonably anticipated based on federal government appropriations or other changes to the RAD or Project-Based Voucher Programs, through no fault of the Tenant, the Tenant shall notify Landlord in writing immediately and the following provisions shall apply:

(i) At least 60 days before the expected termination of Project subsidies, Tenant shall submit to Landlord a financial feasibility plan that proposes management measures designed to maintain the financial feasibility of the Project, which may include rent increases and Operating Expense reductions for the continued viability of the Project (the “Feasibility Plan”) and shall satisfy the following requirements:
A. At a minimum, the Feasibility Plan submitted by Tenant to Landlord shall meet the requirements of Exhibit F attached hereto. Where possible, and subject to the Approved Financing Documents and Regulatory Agreements, the Feasibility Plan shall include skewing rents higher on portions of the Residential Units in order to preserve affordability for other Residential Units regulated by the Regulatory Agreements. Any necessary rent increases shall be phased in gradually, consistent with maintaining the Project's financial feasibility.

B. The Feasibility Plan is subject to Landlord's review and approval, which approval shall not be unreasonably withheld or delayed. Landlord shall review and approve or disapprove a complete proposed Feasibility Plan, in writing, within twenty-one (21) days of receipt from Tenant, unless such longer period is required to obtain approval of Landlord's Board of Commissioners. In the event, Landlord disapproves the Feasibility Plan, it shall include, with the notice of disapproval, the specific reasons for its disapproval. In the event Landlord disapproves the Feasibility Plan, the Tenant shall provide a revised Feasibility Plan within twenty-one (21) days of the notice of disapproval and the process for review and approval shall continue until such time as the Landlord approves the Feasibility Plan. If the Landlord fails to provide an approval or disapproval within the times stated above, the last Feasibility Plan submitted by Tenant shall be deemed approved.

C. In the event Landlord disapproves the third (3rd) Feasibility Plan submitted by Tenant in accordance with Section 3.8(d)(i)(B), Landlord and Tenant shall enter mediation to reach agreement on a Feasibility Plan. The parties agree that the mediator shall be chosen no later than thirty (30) days after Landlord's disapproval of such third (3rd) Feasibility Plan. If the parties cannot agree on the selection of a mediator, one shall be selected by American Arbitration Association. The fees and expenses of the mediator shall be borne equally by the parties. To the extent the parties fail to reach agreement on a Feasibility Plan through mediation, no less than thirty (30) days following the initiation of mediation, either party may commence litigation to resolve disputes arising under this Section 3.8(d)(i).

(ii) Upon the termination of the RAD HAP Contract or loss of related Project subsidy (each a "RAD Subsidy Event"), Tenant may draw from any available subsidy reserves to temporarily maintain the Project's existing affordability.

(iii) During Tenant's development of the Feasibility Plan and Landlord's review of same, Landlord and Tenant shall collaborate and make commercially reasonable efforts to find alternative subsidies or financing structures, including applying for Project-Based Voucher Section 8 assistance, that would maintain the deeper income targeting contained in the Regulatory Agreements. Upon the date that is three (3) months following a RAD Subsidy Event or such efforts to find alternative subsidies or financing structures are unsuccessful in whole or in part, as reasonably agreed to by Landlord and Tenant:
A. In the event Tenant has proposed and Landlord has approved a Feasibility Plan, the Tenant may increase rents and income targeting for the RAD Units above the levels allowed by the Regulatory Agreements up to the maximum rents allowed by TCAC under its Tax Credit Regulatory Agreement, if applicable. Rents shall be raised only to the extent required in the Feasibility Plan and as permitted, if at all, by HUD.

B. In the event Tenant has proposed, but Landlord has not yet approved, a Feasibility Plan, then upon the earlier to occur of (I) the date that is three (3) months following a RAD Subsidy Event and (II) the depletion of more than 25% of any available subsidy reserves, the Tenant may increase rents as necessary to cover Operating Expenses in the then approved Operating Budget up to the limits of the Tax Credit Regulatory Agreement, or if outside of the Tax Credit Compliance period, the Post-Foreclosure Rent Restrictions, and as permitted, if at all, by HUD. Any necessary rent increases shall be phased in gradually and effective only upon turnover of the Residential Units, consistent with maintaining the Project’s financial feasibility; provided, however, if (i) the termination or reduction of Project subsidies is caused solely by act or omission of Landlord or (ii) Tenant has depleted 50% of any available subsidy reserves, the Tenant may increase rents prior to turnover of the Residential Units up to the limits of the Tax Credit Regulatory Agreement, or if outside of the Tax Credit Compliance period, the Post-Foreclosure Rent Restrictions, and as permitted, if at all, by HUD.

(iv) Notwithstanding the provisions of this Section 3.8(d), the RAD Use Agreement shall remain in full force and effect. The Tenant (or its partners) shall not be obligated to make a loan to the Project or deplete reserves as part of a Feasibility Plan, except as provided in this Section 3.8(d). Subject to the RAD Requirements, the RAD HAP Contract and applicable law, Landlord shall make best efforts to (1) mitigate the loss or reduction in subsidy at the Project by prioritizing the Project in its allocation of additional or replacement Housing Choice Vouchers, RAD subsidy, or comparable subsidy; (2) cause any unavoidable reduction in subsidy to occur gradually; and (3) coordinate with the Tenant in planning and implementing such reduction.

Section 3.9 Covenant Applicable to PBV Units.

(a) Landlord acknowledges that the PBV Units shall be benefited by the terms and conditions of any PBV HAP Contract that may be entered into. For so long as such a PBV HAP Contract is in effect, the PBV Units shall comply with all applicable HUD regulations and guidelines, including, without limitation, all applicable regulations governing Project-Based Voucher Section 8 assistance.

(b) If the Landlord is not at any applicable time the contract administrator under the PBV HAP Contract, and the PBV HAP Contract and any related Project subsidies are terminated or reduced, or termination or reduction is reasonably anticipated based on federal government
appropriations or other changes to the Housing Choice Voucher Program, through no fault of the Tenant, the Tenant shall notify Landlord in writing immediately and the following provisions shall apply:

(i) At least 60 days before the expected termination of Project subsidies, Tenant shall submit to Landlord a Feasibility Plan and shall satisfy the following requirements:

A. At a minimum, the Feasibility Plan submitted by Tenant to Landlord shall meet the requirements of Exhibit F attached hereto. Where possible, and subject to the Approved Financing Documents and Regulatory Agreements, the Feasibility Plan shall include skewing rents higher on portions of the Residential Units in order to preserve affordability for other Residential Units regulated by the Regulatory Agreements. Any necessary rent increases shall be phased in gradually, consistent with maintaining the Project’s financial feasibility.

B. The Feasibility Plan is subject to Landlord’s review and approval, which approval shall not be unreasonably withheld or delayed. Landlord shall review and approve or disapprove a complete proposed Feasibility Plan, in writing, within twenty-one (21) days of receipt from Tenant, unless such longer period is required to obtain approval of Landlord’s Board of Commissioners. In the event, Landlord disapproves the Feasibility Plan, it shall include, with the notice of disapproval, the specific reasons for its disapproval. In the event the Landlord disapproves the Feasibility Plan, the Tenant shall provide a revised Feasibility Plan within twenty-one (21) days of the notice of disapproval and the process for review and approval shall continue until such time as the Landlord approves the Feasibility Plan. If the Landlord fails to provide an approval or disapproval within the times stated above, the last Feasibility Plan submitted by Tenant shall be deemed approved.

C. In the event Landlord disapproves the third (3rd) Feasibility Plan submitted by Tenant in accordance with Section 3.9(b)(i)B, Landlord and Tenant shall enter mediation to reach agreement on a Feasibility Plan. The parties agree that the mediator shall be chosen no later than thirty (30) days after Landlord’s disapproval of such third (3rd) Feasibility Plan. If the parties cannot agree on the selection of a mediator, one shall be selected by American Arbitration Association. The fees and expenses of the mediator shall be borne equally by the parties. To the extent the parties fail to reach agreement on a Feasibility Plan through mediation, no less than thirty (30) days following the initiation of mediation, either party may commence litigation to resolve disputes arising under this Section 3.9(b)(i).

(ii) Upon the termination of the PBV HAP Contract or loss of related Project Subsidy (each a, “PBV Subsidy Event”), Tenant may draw from any available subsidy reserves to temporarily maintain the Project’s existing affordability.
(iii) During Tenant's development of the Feasibility Plan and Landlord's review of same, Landlord and Tenant shall collaborate and make commercially reasonable efforts to find alternative subsidies or financing structures that would maintain the deeper income targeting contained in the Regulatory Agreements. Upon the date that is three (3) months following a PBV Subsidy Event or such efforts to find alternative subsidies or financing structures are unsuccessful in whole or in part, as reasonably agreed to by Landlord and Tenant:

A. In the event Tenant has proposed and Landlord has approved a Feasibility Plan, the Tenant may increase rents and income targeting for the PBV Units above the levels allowed by the Regulatory Agreements up to the maximum rents allowed by TCAC under its Tax Credit Regulatory Agreement, if applicable. Rents shall be raised only to the extent required in the Feasibility Plan and as permitted, if at all, by HUD.

B. In the event Tenant has proposed, but Landlord has not yet approved, a Feasibility Plan, then upon the earlier to occur of (I) the date that is three (3) months following a PBV Subsidy Event and (II) the depletion of more than 25% of any available subsidy reserves, the Tenant may increase rents as necessary to cover Operating Expenses in the then approved Operating Budget up to the limits of the Tax Credit Regulatory Agreement, or if outside of the Tax Credit Compliance period, the Post-Foreclosure Rent Restrictions, and as permitted, if at all, by HUD. Any necessary rent increases shall be phased in gradually and effective only upon turnover of the Residential Units, consistent with maintaining the Project's financial feasibility; provided, however, if (i) the termination or reduction of Project subsidies is caused solely by act or omission of Landlord or (ii) Tenant has depleted 50% of any available subsidy reserves, the Tenant may increase rents prior to turnover of the Residential Units up to the limits of the Tax Credit Regulatory Agreement, or if outside of the Tax Credit Compliance period, the Post-Foreclosure Rent Restrictions, and as permitted, if at all, by HUD.

(iv) Notwithstanding the provisions of this Section 3.9(b), the Tenant (or its partners) shall not be obligated to make a loan to the Project or deplete reserves as part of a Feasibility Plan, except as provided in this Section 3.9(b). Subject to the PBV HAP Contract and applicable law, Landlord shall make best efforts to (1) mitigate the loss or reduction in subsidy at the Project by prioritizing the Project in its allocation of additional or replacement Housing Choice Vouchers or comparable subsidy, (2) cause any unavoidable reduction in subsidy to occur gradually, and (3) coordinate with the Tenant in planning and implementing such reduction.

Section 3.10 State Prevailing Wages and Federal Davis Bacon and Related Acts Compliance. This development project is a public works project, as defined in Labor Code section 1720, and must be performed in accordance with the requirements of Labor Code sections 1720 to 1815, inclusive, and sections 16000 to 17270 of Title 8 of the California Code of Regulations, which govern the payment of prevailing wage rates on public works projects.
The project is also subject to the federal Davis-Bacon and Related Acts (29 CFR 1 et seq., 29 CFR 3 et seq., and 29 CFR 5-7 et seq.) and all other applicable federal and state laws, regulations, policies, as amended, including those regarding discrimination, unfair labor practices, anti-kickback, collusion, the Fair Labor Standards Act, and where triggered, the Contract Work Hours and Safety Standards Act.

(a) **Public Works Compliance.** Tenant shall pay and assure that all contractors and subcontractors working on the Developments pay no less than federal and state prevailing wages; and comply with all applicable reporting and recordkeeping requirements. Tenant, as an "Awarding Body", shall also pay any and all applicable labor compliance monitoring fees.

(i) **State Prevailing Wages.** Tenant shall and shall cause its contractors and subcontractors to pay prevailing wages in the construction of the Development as those wages are determined pursuant to Labor Code Sections 1720 et seq. and the implementing regulations of the Department of Industrial Relations ("DIR"), to employ apprentices as required by Labor Code Sections 1777.5 et seq., and the implementing regulations of the DIR and comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., 1810-1815 and implementing regulations of the DIR.

A. All calls for bids, bidding materials and the construction documents for the Development must specify that (1) no contractor or subcontractor may be listed on a bid proposal nor be awarded a contract for the Development unless registered with the DIR pursuant to Labor Code Section 1725.5; and (2) the Development is subject to compliance monitoring and enforcement by the Authority.

B. Tenant, as the "awarding body", shall register the Development as required by Labor Code Section 1773.3 as set forth in the DIR's online form PWC-100 within 30 days of project award or prior to the start of construction (whichever occurs first), and provide evidence of such registration to the Authority upon request and any additional registration reporting to the DIR.

C. In accordance with Labor Code Sections 1725.5 and 1771.1, Developer shall require that its contractors and subcontractors be registered with the DIR, and maintain such registration as required by the DIR.

D. Pursuant to Labor Code Section 1771.4, the Development is subject to compliance monitoring and enforcement by the DIR. Tenant shall require its contractors and subcontractors to submit payroll and other records electronically to the DIR and the Authority pursuant to Labor Code Sections 1771.4 and 1776 et seq, or in such other format as required by the DIR and the Authority.

E. Developer shall and shall cause its contractors and subcontractors to keep and retain such records as are necessary to determine if prevailing wages have been paid as required pursuant to Labor Code Sections 1720 et seq., and that apprentices have been employed as required by Labor Code Section 1777.5 et
seq., and shall, from time to time upon the request to provide to the Authority such records and other documentation reasonably requested by the Authority.

F. Tenant shall and shall cause its respective contractors and subcontractors to comply with all other applicable provisions of Labor Code, including without limitation, Labor Code Sections 1720 et seq., 1725.5, 1771, 1771.1, 1771.4, 1776, 1777.5 et seq., 1810-1815 and implementing regulations of the DIR in connection with construction of the Development or any other work undertaken or in connection with the Development.

G. Copies of the currently applicable current per diem prevailing wages are available from the DIR website, www.dir.ca.gov. Developer shall cause its respective contractors to post the applicable prevailing rates of per diem wages at the Phase I Site and to post job site notices, in compliance with Title 8 California Code of Regulations 16451(d) or as otherwise as required by the DIR.

H. Tenant shall indemnify, hold harmless and defend (with counsel reasonably selected by the Authority), to the extent permitted by applicable law, the Authority, its councilmembers, commissioners, officials, employees and agents, against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Tenant, or its contractors or subcontractors) to pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq., to hire apprentices in accordance with Labor Code Sections 1777.5 et seq., or to comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1725.5, 1771, 1771.1, 1771.4, 1776, 1777.5 et seq., 1810-1815 and the implementing regulations of the DIR in connection with the work performed pursuant to this Agreement.

Section 3.11 Payment and Performance Bonds In connection with construction of the Improvements, Tenant shall require its general contractor to procure and deliver to Landlord copies of labor and material (payment) bonds and performance bonds, or a dual bond which covers both payment and performance obligations, in a penal sum each of not less than one hundred percent (100%) of the scheduled cost of the Improvements, and one hundred percent (100%) payment bond. Said bonds shall be issued by an insurance company which is licensed to do business in the State of California and has a rating equivalent to AAA or AA+ by an insurance company listed in the current year’s Federal Register or as otherwise approved by Landlord. The labor and materials (payment) bond shall name Landlord as a co-obligee or assignee.

Section 3.12 Landlord Review Tenant shall be solely responsible for all aspects of Tenant’s conduct in connection with the Improvements, including, but not limited to, the quality and suitability of the specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by Landlord with reference to the Improvements, in accordance with the terms of this Lease, is solely for the purpose of determining whether Tenant is properly discharging its obligations to Landlord, and
should not be relied upon by Tenant or by any third parties as a warranty or representation by Landlord as to the quality of the design or performance of the Improvements.

Section 3.13 Accessibility Requirements The design and the operation of the Project shall meet the program accessibility requirements of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR Part 8 or any applicable successor regulation, the Americans with Disabilities Act, and the Fair Housing Act and their implementing regulations. In addition, the Tenant shall ensure that the percentage of accessible dwelling units complies with the requirements of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR Part 8, subpart C or any applicable successor regulation.

ARTICLE 4 RENTS

Section 4.1 Rent. Upon execution of this Lease, Tenant has compensated Landlord for the acquisition of the leasehold interest created by this Lease in the amount of ____________________ ($__________________) attributable to the fair market value of the Leased Premises, as determined in accordance with the DDA. Payment of Rent shall be made by execution of the Authority Acquisition Note.

Section 4.2 Additional Rents. In addition to the Rent specified in Section 4.1 hereof, any and all of the payments that Tenant is required to make hereunder to or for the benefit of Landlord shall be deemed to be “Additional Rents.” All such Additional Rents shall be payable in accordance with the provisions of this Lease specifying the payment of such Additional Rents, including, but not limited to, Section 4.3 herein. The Rent specified in Section 4.1 hereof and Additional Rents payable hereunder shall be deemed “Rents” reserved by Landlord, and any remedies now or hereafter given to Landlord under the laws of the State of California for collection of the Rents shall exist in favor of Landlord, in addition to any and all other remedies specified in this Lease.

Section 4.3 Payments. All Rents or other sums, if any, due Landlord hereunder shall be paid by Tenant to Landlord at the address of Landlord set forth herein for notices, or to such other person and/or at such other address as Landlord may direct.

Section 4.4 Net Lease and Assumption of Risk. This Lease is intended to be, and shall be, construed as an absolute net lease, whereby under all circumstances and conditions (whether now or hereafter existing or within the contemplation of the Parties), the Rents provided for herein shall be absolutely net to Landlord over and above all costs, expenses, and charges of every kind or nature whatsoever related to the Leased Premises, including, without limitation, taxes, utility costs, insurance premiums, operating expenses, costs of repairs, maintenance, restorations, and replacements of the Project, except as may otherwise be expressly set forth herein.

Section 4.5 Financial Statements. Tenant shall provide to Landlord annual and quarterly financial statements.
(a) Within one hundred twenty (120) days after the end of each calendar year but in no event later than April 1 of each year, Tenant shall prepare and deliver to Landlord a statement (the “Annual Statement”), in form and containing such details as are reasonably satisfactory to Landlord, showing the total amount of Net Cash Flow received during such calendar year, itemizing all revenues and expenditures used to compute Net Cash Flow, and specifying the total amount of the annual Net Cash Flow payment due pursuant to the terms of the Authority Acquisition Note, if any. Tenant shall make any required Net Cash Flow payment to Landlord on the date that it delivers the Annual Statement to Landlord. Concurrent with delivery of each Annual Statement, Tenant shall also deliver to Landlord the audited financial statements of Tenant, as of the end of the prior year, with the report of Tenant’s accountants thereon stating that the audit of such financial statements has been made in accordance with generally accepted audit standards.

(b) Within twenty-one (21) days after the end of each calendar quarter, Tenant shall prepare and deliver to Landlord a statement (the “Quarterly Statement”), in form and containing such details as are reasonably satisfactory to Landlord. At a minimum each Quarterly Statement for the Project shall include: (i) an income statement, (ii) a balance sheet, and (iii) rent rolls.

Section 4.6 Operating Budget. Not less than thirty (30) days prior to the completion of the Improvements, and not less than annually thereafter on or before November 1 of each year, Tenant shall submit to Landlord on not less than an annual basis an Operating Budget for the Project, which budget shall be subject to the written approval of Landlord’s president/chief executive officer or his designee (the “Executive Officer”), which approval shall not be unreasonably withheld, conditioned, or delayed. The proposed Operating Budget shall include a description of anticipated repairs and capital replacements to be undertaken during such year. The Executive Officer’s discretion in review and approval of each proposed Operating Budget shall include, without limitation, authority to review individual categories, line items, and accounts, such as the following: extent, type, and amount for social services at or associated with the Project; existing balance(s) in and proposed deposits to any reserve accounts to evaluate shortfalls and/or cumulative unexpended/unencumbered deposits and reasonableness and conformity to prevailing market rates in Los Angeles County. Expressly excluded from Landlord’s review under this section 4.6 are Investor’s Asset Management Fee and partnership management fees payable to the Managing General Partner and Administrative General Partner (each as defined in the Partnership Agreement). Landlord shall respond promptly, but in any event on or before December 1 of each year, to Tenant’s request for approval of its Operating Budget. If Landlord fails to respond in any form to Tenant’s request for approval of its Operating Budget on or before December 1, then Tenant may consider the Operating Budget approved (the “Default Approval”). In the event Default Approval does not apply and Landlord and Tenant fail to reach agreement on an Operating Budget by the beginning of the fiscal year, the Operating Budget of the previous fiscal year shall apply to the Project without any increase or change. Changes to the Operating Budget over five percent (5%) during the year must be approved by the Landlord during any period during which an affiliate of Landlord is not a general partner of the Tenant.

ARTICLE 5 TAXES AND OTHER IMPOSITIONS: UTILITIES
Section 5.1  Payment of Impositions. Prior to delinquency, Tenant will pay or cause to be paid all of the Impositions, except that if any Imposition that Tenant is obligated to pay in whole or in part is permitted by law to be paid in installments, Tenant may pay or cause to be paid such Imposition (or its proportionate part thereof) in installments prior to delinquency. Upon the written request of Landlord, Tenant shall exhibit and deliver to Landlord evidence satisfactory to Landlord of payment of all Impositions. During the first and last years of the Term, all Impositions that shall become payable during each calendar, fiscal, tax, or Lease Year, as applicable, shall be ratably adjusted on a per diem basis between Landlord and Tenant in accordance with the respective portions of such calendar, fiscal, tax, assessment, or Lease Year during the Term. If any special assessments are payable in installments, Tenant shall pay only those installments that are due and for which the delinquency date occurs during the Term for periods occurring during the Term. The Parties acknowledge that Tenant intends to apply for an exemption for ad valorem taxes under Section 214(g) of the California Revenue and Taxation Code. Nothing in this Section 5.1 shall prohibit the Tenant from depositing such Imposition payments into an escrow account maintained by the Permanent First Mortgage Loan for the purposes of paying such Impositions.

Section 5.2  Contested Taxes and Other Impositions. Tenant, at its sole cost and expense, in its own name or in the name of Landlord and subject to the consent of any Mortgagee (if required), may contest the validity or amount of any Imposition relating to all or any portion of the Leased Premises, in which event the payment thereof may be deferred during the pendency of such contest, if diligently prosecuted.

(a)  As may be necessary or desirable, Landlord or Tenant, as applicable, upon the request of the other Party, shall use its best reasonable efforts to assist in any such proceeding to contest the validity or amount of any Imposition.

(b)  Nothing contained in this Section 5.2, however, shall be construed to allow any such contested Imposition to remain unpaid for a length of time which shall permit the Leased Premises, or any part thereof, to be sold by any Governmental Authorities for the nonpayment of such Imposition. Tenant shall promptly furnish Landlord copies of all notices, appeals, pleadings, motions, and orders in any proceedings commenced with respect to such contested Imposition. During such contest, Tenant shall (by the payment of such disputed taxes, assessments, or charges, if necessary) prevent any advertisement of tax sale, any foreclosure of, or any divesting thereby of Landlord’s title, reversion, or other interest in or to the Leased Premises and the Improvements.

Section 5.3  Valuation Assessment. If applicable, Tenant, at its expense, may attempt to obtain a lowering of the assessed valuation of the Leased Premises for any year for the purpose of reducing taxes thereon.

Section 5.4  Failure to Pay Impositions. If Tenant fails to pay any Impositions before the same become delinquent, or as otherwise required pursuant to Section 5.1 hereof, Landlord, at its election, may pay such Impositions (but shall not be obligated to pay same), together with
any interest and penalties due thereon, and the amount so paid by Landlord shall be repayable to Landlord by Tenant within forty-five (45) days after Landlord’s demand therefor.

Section 5.5 Utilities. Tenant shall pay all utilities used, rendered, or supplied upon or in connection with the Improvements and the construction thereof including, but not limited to, all charges for gas, electricity, light, heat, or power, all telephone and other communications services, all water rents and sewer service charges, and all sanitation fees or charges levied or charged against the Leased Premises during the Term; provided, however, that Tenant shall have no responsibility hereunder for the payment of utilities supplied by the respective providers directly to Residential for such Residents’ use in connection with the occupancy of their respective Residential Units. Landlord shall have no responsibility for the payment of utility costs.

 ARTICLE 6 INSURANCE

Section 6.1 Tenant’s Insurance. During the Term, Tenant shall keep and maintain in force, at no cost or expense to Landlord, the following insurance, all of which shall be provided by companies and/or agencies authorized to do business in the State of California; provided, however, that in the event of conflict between the following requirements and the requirements in the Approved Financing Documents, the stricter requirements shall control:

(a) Leased Premises Insurance. Property insurance covering all risks of direct physical loss or damage to the Improvements not scheduled to be demolished, with limits of not less than one hundred percent (100%) of the “full replacement value” thereof, which insurance shall be provided by Tenant upon Closing. Such policies shall be broad form and shall include, but shall not be limited to, coverage for fire, extended coverage, vandalism, malicious mischief, and storm. Perils customarily excluded from all risk insurance, e.g., earthquake and flood, may be excluded. The term “full replacement value” shall exclude the cost of excavation, foundations, and footings. The amount of such insurance shall be adjusted by reappraisal of the Project by the insurer or its designee not more than once every five (5) years after construction during the Term, if requested in writing by Landlord.

(b) General Liability Insurance. Commercial general liability and automobile liability insurance, covering loss or damage resulting from accidents or occurrences on or about or in connection with the Improvements or any work, matters, or things under, or in connection with, or related to this Lease, with personal injury, death, and property damage combined single limit liability of not less than One Million Dollars ($1,000,000.00) for general liability and One Million Dollars ($1,000,000.00) for automobile liability for each accident or occurrence and an aggregate limit of not less than Two Million Dollars ($2,000,000.00) for general liability and One Million Dollars ($1,000,000.00) for automobile liability, and umbrella/excess liability insurance of Five Million Dollars ($5,000,000.00). Coverage under any such comprehensive policy shall be broad form and shall include, but shall not be limited to, operations, contractual, elevators, owner’s and contractor’s protective, products and completed operations, and the use of all owned, non-owned, and hired vehicles.
(c) **Workers' Compensation Insurance.** Tenant shall carry or cause to be carried Workers' Compensation insurance with limits as required by the State of California and Employer's Liability limits of One Million Dollars ($1,000,000.00) for bodily injury by accident and One Million Dollars ($1,000,000.00) per person and in the annual aggregate for bodily injury by disease covering all persons employed by Tenant in connection with the Improvements and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against Landlord or Tenant.

(d) **Builders' Risk Insurance.** As of Closing, during the course of any construction, alteration, or reconstruction of the Improvements, the cost for which exceed the capacity of Tenant's permanent/operating property insurance carrier, then Tenant shall provide builders' risk insurance for not less than the value of the construction contract, combined single limit for bodily injury or property damage insuring the interests of Landlord, Tenant, and any contractors and subcontractors.

Section 6.2 **General Requirements.** All policies described in Section 6.1 shall include Landlord and Tenant, together with Mortgagees, as their respective interests may appear. All policies described in Section 6.1 shall contain: (a) the agreement of the insurer to give Landlord and Mortgagees, as applicable, at least thirty (30) days' notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies, however if such notice cannot be provided by the carrier, then responsibility of such notice shall be borne by the Tenant; (b) an agreement that such policies are primary and non-contributing with any insurance that may be carried by Landlord; (c) a waiver by the insurer of all rights of subrogation against Landlord and its authorized parties in connection with any loss or damage thereby insured against; and (d) terms providing that any loss covered by such insurance may be adjusted with Landlord and Tenant according to their interests in the Leased Premises, but shall, to the extent required by the loan documents of a Mortgage, be payable to the holder of a Mortgage, who shall agree to receive and disburse all proceeds of such insurance, subject to the duty of Tenant to repair or restore, as set forth in Sections 12.1 and 12.2 hereof.

Section 6.3 **Evidence of Insurance.** Certificates of insurance for all insurance required to be maintained by Tenant prior to Closing under this Article 6 shall be furnished by Tenant to Landlord on or before the date of this Lease. Landlord reserves the right to require complete, certified copies of all required insurance policies, including endorsements demonstrating the coverage required by this Lease at any time.

Section 6.4 **Failure to Maintain.** If Tenant fails to maintain such insurance, Landlord, at its election, may procure such insurance as may be necessary to comply with the above requirements (but shall not be obligated to procure same), and Tenant agrees to repay to Landlord as Additional Rent the cost of such insurance. Landlord shall provide at least three (3) days' notice and opportunity to cure to Tenant before procuring any required insurance; provided, however, if such cure period would create a potential lapse in any insurance coverage, Landlord shall have no such notice obligation.

Section 6.5 **Acceptability of Insurers.** Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A-: VII or such other rating as may be reasonably
acceptable to Landlord.

ARTICLE 7  MAINTENANCE, ALTERATIONS, REPAIRS AND REPLACEMENTS

Section 7.1  Maintenance of Leased Premises. During the Term at Tenant’s sole cost and expense, Tenant shall keep and maintain the Leased Premises, all Improvements, and all appurtenances thereunto belonging, in good and safe order, condition, and repair. In addition, all maintenance and repair of the Residential Units shall conform and comply with the Legal Requirements affecting the Leased Premises.

Section 7.2  Alterations to Leased Premises. Following construction of the Improvements, Tenant may make any additions, alterations, or changes (sometimes collectively referred to herein as “Alterations”) in or to the Improvements subject, however, to the following conditions:

(a) No Alterations shall be made that are likely to materially impair the structural soundness of the Improvements;

(b) No Alterations of the Leased Premises shall be undertaken (other than in emergency situations or as required by Governmental Authorities having jurisdiction) which have a cost greater than Two Hundred Fifty Thousand Dollars ($250,000.00) that would materially affect the design of the Improvements, or demolition of any portion thereof, without first presenting to Landlord complete plans and specifications therefor and obtaining Landlord’s written consent thereto (which consent shall be given so long as, in Landlord’s judgment, such Alterations will not violate the Legal Requirements, this Lease, the Regulatory Agreements, or impair the value of the Improvements);

(c) No Alterations shall be undertaken until Tenant shall have procured, to the extent the same may be required from time to time, all permits and authorizations of all applicable Governmental Authorities, all required consents of Mortgagee, and the consent of Landlord if required pursuant to subsection (b), above, if applicable. Landlord shall join in the application for such permits or authorizations whenever such action is necessary or helpful and is requested by Tenant, and shall use Landlord’s reasonable best efforts to obtain such permits or authorizations; and

(d) Any Alterations shall be performed in good and worker-like manner and in compliance with the Legal Requirements, Regulatory Agreements, all applicable RAD Requirements, and all applicable Insurance Requirements.

Section 7.3  Indemnifications. Notwithstanding any other provision of this Lease to the contrary, Tenant shall defend, indemnify and hold harmless Landlord and its commissioners, its officer(s), employee(s), agent(s), contractor(s), and director(s) (including directors or employees of any Landlord instrumentalities or affiliates) from all claims, actions, demands, costs, expenses and attorneys' fees arising out of, attributable to or otherwise occasioned, in whole or in part, by an act or omission of the Tenant, its agent(s), contractor(s), servant(s), or employee(s) which constitutes a breach of the Tenant’s obligations under this Lease. If any third-
party performing work for the Tenant on the Project shall assert any claim against the Landlord on account of any damage alleged to have been caused by reason of the negligent acts or intentional misconduct of the Tenant, its agent(s), servant(s), employee(s) or contractor(s) (including, without limitation, its general contractor), the Tenant shall defend at its own expense any suit based upon such claim; and if any such judgment or claim against the Landlord shall be allowed, the Tenant shall pay or satisfy such judgment or claim and pay all reasonable costs and expenses in connection therewith including reasonable attorneys’ fees.

In addition, if any contractor or subcontractor which performed preconstruction work or any construction work for Tenant or Tenant’s affiliates on the Improvements shall assert any claim against Landlord on account of any damage alleged to have been caused by reason of acts of negligence of Tenant or Tenant’s affiliates, their members, partners, officers, directors, affiliates, agents, or employees, or their construction contractors, Tenant shall defend at its own expense any suit based upon such claim; and if any such judgment or claim against Landlord shall be allowed, Tenant shall pay or cause to be paid or satisfied such judgment or claim and pay all costs and expenses in connection therewith.

The obligations, indemnities, and liabilities of the Tenant under this Section 7.3 shall not extend to any liability caused by the negligence or misconduct of HUD, Landlord, or their employee(s), contractor(s), or agent(s). The Tenant’s liability shall not be limited by any provisions or limits of insurance set forth in this Lease. This indemnity shall survive the termination of this Lease.

Section 7.4 Management. Tenant shall at all times use its best efforts to keep the Leased Premises fully leased, in good condition and repair and in accordance with this Lease. Tenant shall: (a) carefully and efficiently operate, lease, and manage the Leased Premises; (b) maintain separate books and records for the Leased Premises; (c) timely collect all rents, and pay and discharge all costs, expenses, liabilities, and obligations of or relating to the Leased Premises; (d) use commercially reasonable efforts to operate and maintain the Leased Premises substantially in accordance with the Operating Budget approved by Landlord pursuant to Section 4.6; (e) maintain such reserves as may be required by the Mortgagor; and (f) timely furnish Landlord with accounting documents and other information regarding the Project and the operation thereof as may be reasonably required by Landlord.

Section 7.5 Delegation of Management Duties. The Leased Premises shall be managed by the Management Agent approved by Landlord. Each management contract relating to the Leased Premises shall (a) be subject to the Landlord’s approval, (b) provide that it may be terminated by Landlord at any time after the termination of this Lease upon thirty (30) days’ notice to the Management Agent and (c) allow Tenant to terminate the management contract following Management Agent’s failure to materially comply with the management, leasing, and occupancy requirements of Sections 7.4, 7.5 and 7.6 of this Lease. If Landlord determines that the Management Agent has failed to materially comply with the management, leasing, and occupancy requirements of Sections 7.4, 7.5 and 7.6 of this Lease, Landlord shall notify Tenant. Tenant shall then have sixty (60) days beyond the cure periods in the management contract to cause the Management Agent to correct the non-compliance. If, following such sixty (60) day period, Management Agent has not corrected the non-compliance and Tenant has not terminated
the management contract then, Landlord shall have the right, subject to any applicable Mortgagee or Investor approvals, to remove Management Agent. All service and supply contracts shall also by their terms be terminable by Landlord at any time after the termination of this Lease upon thirty (30) days’ notice. Tenant shall not enter into any commercially unreasonable contract for services or supplies. Landlord’s approval of any management agent shall not be construed as a representation, endorsement, or warranty by Landlord as to the reputation, ability, or qualifications of the same. In addition, the Landlord expressly reserves the right to approve the fees and/or compensation of the Management Agent. As of the date hereof, Landlord has approved the initial Management Agent, the initial Management Agreement, and initial management fee.

Section 7.6  Management and Operation of the Residential Units.

(a) Tenant shall be responsible, at its sole cost and expense, for the repair and maintenance of the Residential Units in full compliance with this Lease and all Legal Requirements (including, without limitation, any applicable HUD regulations and guidelines applicable to the RAD Units and the PBV Units), and for paying all costs relating to such Residential Units (including, without limitation, taxes, insurance, and any homeowner’s association fees or special assessments). Landlord shall have the right to inspect, monitor, and audit the operations of Tenant (including, but not limited to, evaluating housing quality standards and the tenant selection process) with respect to the operation and maintenance of the Residential Units in its capacity as contract administrator for HUD of any PBV HAP Contract or RAD HAP Contract, and Tenant shall cooperate fully with respect to such activities by Landlord (including, without limitation, providing Landlord with such information regarding the operation and maintenance of the Residential Units as may reasonably by requested by Landlord).

(b) Tenant and Landlord shall comply with the provisions of Exhibit G hereto, the Property Management and Re-Occupancy Plan, which requires: (i) Tenant to rent all vacant RAD Units and PBV Units to eligible families referred and approved by Landlord; (ii) Landlord and Tenant to determine tenant eligibility in accordance with any applicable HUD regulations and guidelines; and (iii) the Parties to cooperate in good faith with respect to the lease-up process to ensure, among other matters that lease-up and occupancy occurs in a timely manner and complies with the requirements of Approved Financing and the Regulatory Agreements.

(c) Subject to the RAD Requirements applicable to residential tenants of the RAD Units, Landlord and Tenant agree that the Tax Credit Units developed on the Leased Premises must be rented to residential tenants who meet the eligibility requirements of TCAC, California Debt Limit Allocation Committee, and HCD (to the extent restricted by HCD), and the Investor and other Project lenders in connection with their Regulatory Agreements and Approved Financing Documents. Landlord shall only refer to Tenant those residential tenants who meet the requirements of TCAC, California Debt Limit Allocation Committee, the bond issuer, HCD and the RAD Requirements, as applicable. The referral process shall be detailed in the Property Management and Re-Occupancy Plan and Landlord shall countersign the Property Management and Re-Occupancy Plan to ensure Landlord's compliance with its obligations thereunder. Tenant shall provide all Residents tenant protections provided at Exhibit C and all occupants of the Residential Units supportive services as provided in the Supportive Services Plan at Exhibit H.
Section 7.7 Certain Limitation on Work. Tenant shall not do or knowingly permit any work which would adversely and materially affect the value, rentability, or rental value of the Leased Premises, and Tenant shall not, without the prior written consent of Landlord, demolish or remove, or cause, knowingly suffer, or knowingly permit the demolition or removal of, the Project other than such demolition and/or removal as may be permitted following any event described in Articles 11 and 12 hereof.

Section 7.8 Alterations Required by Law. Without limitation on the other provisions of this Lease, if any work shall be required with respect to the Leased Premises or any part thereof by any present or future laws, ordinances, or regulations, the same shall be done by and the cost thereof borne by Tenant.

Section 7.9 Landlord Completion of Work. To the extent Tenant is required to complete work pursuant to any Legal Requirement and fails to do so, upon the expiration of sixty (60) days written notice from Landlord to Tenant, or such longer period as is reasonably necessary to complete such work given the circumstances, Landlord shall have the right to complete such work and Tenant shall reimburse Landlord for all reasonable expenses incurred in connection therewith.

ARTICLE 8 MORTGAGE LOANS

Section 8.1 Loan Obligations. Nothing contained in this Lease shall relieve the Tenant of its obligations and responsibilities under any Approved Financing or Approved Financing Documents to operate the Project as set forth therein.

Section 8.2 Liens and Encumbrances Against Tenant’s Interest in the Leasehold Estate. Tenant shall have the right to encumber the leasehold estate created by this Lease and the Improvements with the Regulatory Agreements and all other liens and restrictive covenants related to the Approved Financing. Except as otherwise provided in this Lease, Tenant shall not engage in any financing or any other transaction creating any security interest or other encumbrance or lien upon the Property other than a lien for current taxes, whether by express agreement or operation of law, or allow any encumbrance or lien to be made on or attached to the Property or the Improvements, except with the prior written consent of the Landlord, which approval shall not be unreasonably withheld, delayed or conditioned, and as otherwise permitted under this Lease. The Tenant shall notify the Landlord in writing in advance of any financing secured by any deed of trust, mortgage, or other similar lien instrument that it proposes to enter into with respect to the Improvements, and of any encumbrance or lien that has been created on or attached to the Property whether by voluntary act of the Tenant or otherwise.

Section 8.3 Cost of Loans to be Paid by Tenant. The Tenant affirms that, except as otherwise provided in the documents evidencing financing to the Project provided by Landlord, it shall bear all of the costs and expenses in connection with (i) the preparation and securing of the Approved Financing, (ii) the delivery of any instruments and documents and their filing and recording, if required, and (iii) all taxes and charges payable in connection with the Approved Financing.
Section 8.4  Proceeds of Loans. It is expressly understood and agreed that all Approved Financing proceeds shall be paid to and become the property of Tenant, and that the Landlord shall have no right to receive any such Approved Financing proceeds.

Section 8.5  No Subordination of Fee Interest. Subject to the rights of HCD, the Landlord will not approve any subordination of its fee interest in any portion of the Property to the interests of any lender or other entity providing financing for the Project. Landlord agrees to execute lease riders that may be required by HCD or TCAC in connection with the Approved Financing; provided, however, that any required lease riders are consistent with this Lease and reasonably approved by Landlord.

Section 8.6  Notice and Right to Cure Defaults Under Loans. The Landlord may record in the Official Records a request for notice of any default under the Approved Financing Documents or other financing secured by the Project. In the event of default by the Tenant under the Approved Financing Documents or other financing secured by the Project, the Landlord shall have the right, but not the obligation, to cure the default within the cure periods available to the Tenant and its partners. Any payments made by the Landlord to cure a default shall be treated as Additional Rent due from the Tenant and shall be paid to Landlord within thirty (30) days following the date on which the payment was made by the Landlord.

ARTICLE 9  PERMITTED MORTGAGES AND INVESTOR RIGHTS

Section 9.1  Right to Encumber. Tenant shall have the right during the Term to encumber, through one or more Mortgages, Regulatory Agreements, or declaration of covenants, all of Tenant’s right, title, and interest in the Leased Premises, subject to the provisions of this Lease and with prior written Landlord and HUD approval, if required. Landlord hereby approves all Mortgages and Regulatory Agreement contemplated by the Approved Financing Documents, except any Approved Financing Documents not executed as of substantially even date herewith. Except as expressly set forth in this Lease, Landlord shall not encumber its fee interest in the Leased Premises.

Section 9.2  Notice to Mortgagee. During any period in which a Mortgage is in place, Landlord shall give any such Mortgagee of which Landlord has received notice from Tenant a duplicate copy of all notices of default or other notices that Landlord may give to or serve in writing upon Tenant pursuant to the terms of this Lease and all such duplicate copies of notices of default and other notices shall be distributed simultaneously to both Tenant and Mortgagee. No notice by Landlord to Tenant under this Lease shall be effective unless and until a copy of such notice has been delivered to each Mortgagee of which Landlord has received notice from Tenant. Additionally, Landlord shall give Mortgagee written notice of any rejection of this Lease in bankruptcy proceedings. Landlord shall not serve a notice of cancellation or termination upon Tenant unless a copy of any prior notice of default shall have been given to Mortgagee and the time for curing such default pursuant to Section 9.3 below shall have expired without the same having been cured, and no such notice of default shall be effective as to such Mortgagee not receiving actual notice thereof. Landlord further agrees that it shall notify Mortgagee in writing of the failure of Tenant to cure a default within any applicable grace period under this Lease and
of the curing of any default by Tenant under this Lease, and Mortgagee shall have the additional
cure periods pursuant to Section 9.4 below. The performance by Mortgagee of any condition or
agreement on part of Tenant to be performed hereunder will be deemed to have been performed
with the same force and effect as though performed by Tenant. The address of Mortgagee
originally designated in a Mortgage may be changed upon written notice delivered to Landlord in
the manner specified in Section 18.12 herein. Landlord’s failure to give any such notice to any
such Mortgagee shall not constitute a default under Section 13.4.

Section 9.3 Right of Mortgagee to Cure. Notwithstanding any default by Tenant
under this Lease, Landlord shall have no right to terminate or cancel this Lease unless Landlord
shall have given each Mortgagee written notice of such default pursuant to Section 9.2 of this
Lease and such Mortgagees shall have failed to remedy such default or acquire Tenant’s
leasehold estate created by this Lease or commence foreclosure or other appropriate proceedings
as set forth in, and within the time specified by, this Section.

Any Mortgagee which has an outstanding Mortgage shall have the right, but not the
obligation, at any time to pay any or all of the rent due pursuant to the terms of this Lease, and
do any other act or thing required of Tenant by the terms of this Lease, to prevent termination of
this Lease. After receipt of notice from Landlord that Tenant has failed to cure such default
within the period specified in this Lease, Mortgagee shall have ninety (90) days from the receipt
of such notice to cure such default. All payments so made and all things so done shall be as
effective to prevent a termination of this Lease as the same would have been if made and
performed by Tenant instead of by Mortgagee. However, in order to prevent termination of this
Lease, a Mortgagee shall not be required to cure: (i) default on obligations of Tenant to satisfy or
otherwise discharge any lien, charge, or encumbrance against Tenant’s interest in this Lease
caused by a wrongful act or omission of Tenant; or (ii) defaults on obligations of Tenant under
any indemnity provision in this Lease arising from acts or omissions of Tenant; or (iii) other past
monetary obligations then in default other than the payment of Annual Rent; or (iv) any default
resulting from the acts or omissions of Landlord ("Excluded Defaults"). For purposes of
clarification and illustration, it is the intention of the Parties hereto that Excluded Defaults shall
include (but not as an exclusive list) claims, damages, liability, and expenses, including personal
injury and property damage arising or alleged to be arising from actions or inactions of Tenant
such as failure to pay insurance premiums, allowing dangerous conditions to exist at the Leased
Premises or failure to operate the Leased Premises in accordance with regulatory restrictions. If
the default by Tenant is of such nature that it cannot practicably be cured without possession of
the Leased Premises, then the ninety (90)-day period set forth above shall be extended for so
long as a Mortgagee shall be proceeding with reasonable diligence to foreclose on Tenant’s
interest or otherwise obtain possession of the Leased Premises for itself or a receiver and such
cure period shall commence upon the date that Mortgagee obtains possession.

Prior to the expiration of the cure rights of Mortgagees, Landlord shall not effect or cause
any purported termination of this Lease nor take any action to deny Tenant possession,
occupancy, or quiet enjoyment of the Leased Premises or any part thereof.

Without limiting the rights of Mortgagees as stated above, and whether or not there shall
be any notice of default hereunder, each Mortgagee shall have the right, but not the obligation, at
any time prior to termination of this Lease to pay all of the rent due hereunder, with all due interest and late charges, to procure any insurance, to pay any taxes or assessments, to make any repairs or improvements, to do any other act or thing required of Tenant hereunder, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants, and conditions hereof to prevent termination of this Lease. Any Mortgagee and its agents and contractors shall have full access to the Leased Premises for purposes of accomplishing any of the foregoing. Any of the foregoing done by any Mortgagee shall be as effective to prevent a termination of this Lease as the same would have been if done by Tenant.

Any default under this Lease which by its nature cannot be remedied by any Mortgagee shall be deemed to be remedied if (i) within ninety (90) days after receiving written notice from Landlord that Tenant has failed to cure such default within the period specified in this Lease, or prior thereto, any Mortgagee shall have acquired Tenant’s leasehold estate or commenced foreclosure or other appropriate proceedings or other remedies available to such Mortgagee under the applicable Mortgage, (ii) Mortgagee shall diligently prosecute any such proceedings or remedies referenced in subsection (i) above to completion, and (iii) Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant hereunder which does not require possession of the Leased Premises.

If any Mortgagee is prohibited, stayed, or enjoined by any bankruptcy, insolvency, or other judicial proceedings involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that any Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Lease (other than Excluded Defaults) and shall continue to pay currently such monetary obligations when the same fall due; provided, further, that such Mortgagee shall not interfere with Landlord’s efforts to seek compliance by Tenant with any non-monetary obligation under this Lease.

Section 9.4 Additional Rights of Mortgagee.

(a) Landlord agrees that, without the prior written consent of Mortgagee (which consent shall not be unreasonably withheld, conditioned or delayed), Landlord shall have no right to (A) enter into any agreement amending, modifying, or waiving any material provision of, or terminating this Lease (except as otherwise provided herein), or (B) cancel or terminate or agree to or accept a cancellation, termination or surrender of this Lease (except in the event of default by Tenant and provided Mortgagee shall have been provided with written notice and opportunity to cure such default as set forth in Section 9.3 above). Any actions described under this Section 9.4(a) taken by Landlord without Mortgagee’s prior written consent shall be voidable by Mortgagee.

(b) Tenant may delegate irrevocably to Mortgagee the authority to exercise any or all of Tenant’s rights hereunder, including, but not limited to the right of Mortgagee to participate (in conjunction with or to the exclusion of Tenant) in any proceeding, arbitration or settlement involving condemnation or eminent domain affecting Tenant’s leasehold interest in the Leased Premises, but no such delegation shall be binding upon Landlord unless and until either Tenant
or Mortgagee in question shall give to Landlord a true copy of a written instrument effecting such delegation, in form required for recording. Any provision of this Lease that gives Mortgagee the privilege of exercising a particular right of Tenant hereunder on condition that Tenant shall have failed to exercise such right shall not be deemed to diminish any privilege that Mortgagee may have, by virtue of a delegation of authority from Tenant, to exercise such right without regard to whether or not Tenant shall have failed to exercise such right.

(c) Each Mortgagee shall be a third party beneficiary of the rights and benefits granted to Mortgagees under this Lease. Neither the Tenant nor the Landlord shall be deemed to be a third party beneficiary of the rights granted hereunder to a Mortgagee and no Mortgagee shall have any obligation to the Tenant or the Landlord to account for any decision, action or election it may take or the exercise of its rights hereunder, nor shall any Mortgagee have any duty to the Tenant or the Landlord to exercise any right hereunder in any particular manner or order, other than that which such Mortgagee, in its sole discretion (but in any event subject to the terms of this Lease) shall deem appropriate and in its own best interests.

Section 9.5 Limitation on Liability of Mortgagee. No Mortgagee shall be or become liable to Landlord as an assignee of this Lease or otherwise unless it expressly assumes by written instrument executed by Landlord and Mortgagee such liability (in which event the Mortgagee’s liability shall be limited to the period of time during which it is the owner of the leasehold estate created hereby) and no assumption shall be inferred from or result from foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by such Mortgage or other instrument or from a conveyance from Tenant pursuant to which the purchaser at foreclosure or grantee shall acquire the rights and interest of Tenant under the terms of this Lease.

Section 9.6 Estoppel Certificates. Landlord and Tenant agree that at any time and from time to time upon not less than twenty (20) days’ prior written notice by the other Party, or upon request from any Mortgagee or Investor or a permitted assignee or other interested party, Landlord or Tenant will execute, acknowledge, and deliver to the other Party or to such Mortgagee or Investor a statement in writing certifying: (a) that this Lease is unmodified and in full force and effect; (b) the date through which the Rents have been paid; and (c) that, to the knowledge of the certifier (if such be the case), there is no default (or any conditions existing which, but for the passage of time or the giving of notice, would constitute a default), set-off, defense, or other claim against Landlord or Tenant, as applicable, other than those, if any, so specified under the provisions of this Lease. In addition to clauses (a) through (c) above, if a Mortgagee requires such a statement in writing from Landlord, Landlord, in its statement, shall (x) confirm that Landlord consents to the Mortgage in question; (y) identify all of the relevant documents that evidence this Lease; and (z) provide any other statements or provisions reasonably requested by Mortgagee. It is intended that any such statement may be relied upon by any persons proposing to acquire the interest of Landlord, Tenant, or any Mortgagee or Investor, as the case may be, in this Lease or by any prospective Mortgagee or Investor or permitted assignee of any Mortgage or Investor.

Section 9.7 Registration of Mortgages. Tenant shall, from time to time upon written request by Landlord, provide written notice to Landlord of the name and address of each Mortgagee under this Lease. For purposes of this Lease, the First Mortgagee is a Mortgagee and
all references to Mortgagee shall refer to and include (i) the First Mortgagee, together with its successors and assigns including a successor who acquires the First Mortgagee’s interests as a result of foreclosure or acceptance of a deed in lieu of foreclosure and (ii) a holder of any Mortgage. Any Mortgagee or designee thereof that acquires title to the leasehold estate or any part thereof, any person that acquires title to the leasehold estate through any judicial or non-judicial foreclosure sale, deed, or assignment in lieu thereof, or any sale or transfer made under any order of any court to satisfy wholly or in part obligations secured by any Mortgage, and the successors and assigns of any such Mortgagee, is referred to as a “Transferee.” Each Mortgagee and Transferee is an intended beneficiary of the terms of this Lease.

Section 9.8  **New Lease.** Notwithstanding the provisions of Sections 10 and 11 hereof, in the event of the termination or cancellation of this Lease prior to the natural expiration of the Term of this Lease due to a default of Tenant or operation of law or otherwise (including, without limitation, the bankruptcy filing of Tenant or the commencement of an insolvency proceeding or similar proceeding, an act of condemnation or eminent domain against a portion of the Leased Premises by a government agency or body, the destruction or damage of the Leased Premises, or a change in the control or management of Tenant), Landlord shall also be obligated to give notice to Mortgagee simultaneously with such notice given to Tenant and shall include in the notice a statement of all sums which would be due under this Lease at the time of termination and all other defaults of Tenant existing at such time. No such notice to Tenant shall be effective with respect to termination or cancellation of this Lease unless Mortgagee shall also have been so notified. Landlord, upon written request from any Mortgagee within sixty (60) days of receiving such notice of termination or cancellation, shall enter into a new lease with the Mortgagee having a lien with the most senior priority or its designee in accordance with and upon the same terms and conditions as set forth herein and with the same relative priority in time and in right as this Lease (to the extent possible) and having the benefit of and vesting in Mortgagee, or its designee, of all the rights, title, interest, powers, and privileges of Tenant hereunder (the “New Lease”). In this regard, in the event of the filing of a petition in bankruptcy by Tenant, and Tenant rejects this Lease under the then applicable provisions of the United States Bankruptcy Code, U.S.C. Title 11, (the “Bankruptcy Code”), Landlord shall, upon the request of a Mortgagee within the time period specified above, affirm this Lease, and Landlord will enter into a New Lease immediately upon Tenant’s rejection of this Lease. In the event of the filing of a petition in bankruptcy by Landlord, and Landlord rejects this Lease and Tenant does not affirm it, a Mortgagee will have, within a reasonable amount of time, the authority to affirm this Lease on behalf of Tenant and to keep this Lease in full force and effect. Nothing in this Section or this Lease shall be construed to imply that this Lease may be terminated by reason of rejection in any bankruptcy proceeding of Tenant. The Parties intend, for the protection of Mortgagees, that any such rejection shall not cause a termination of this Lease. Notwithstanding anything to the contrary contained herein, no termination of this Lease shall become effective until, and the lien of each Mortgage on the Leased Premises shall remain effective until, either a New Lease has been made pursuant to this Section 9.7 of this Lease or no Mortgagee has timely accepted (or caused to be accepted) a New Lease, upon the expiration of the 60-day period as set forth above. Upon entering into a New Lease, such Mortgagee or its affiliated designee shall cure any monetary default by Tenant hereunder, except Excluded Defaults.
After cancellation and termination of this Lease and upon compliance with the provisions of this Section 9.7 by Mortgagee, or its designee, within such time, Landlord shall thereupon execute and deliver such New Lease to such Mortgagee or its designee, having the same relative priority in time and right as this Lease (to the extent possible) and having the benefit of all the right, title, interest, powers, and privileges of Tenant hereunder in and to the Leased Premises (other than with respect to Excluded Defaults) and Landlord and the new Tenant shall execute and deliver any deed or other instrument and take such other action as may be reasonably necessary to confirm or assure such right, title, interest, or obligations.

Upon the execution and delivery of the New Lease, title to all Improvements on the Leased Premises shall automatically vest in the Mortgagee or the designee until the expiration or earlier termination of the term of the New Lease.

If Landlord shall, without termination of the Lease, evict Tenant, or if Tenant shall abandon the Leased Premises, then any reletting thereof shall be subject to the liens and rights of Mortgagees, and in any event Landlord shall not relet the Leased Premises or any part thereof, other than renewal of occupancies of residential tenants and leases or other occupancy agreements with new residential tenants consistent with any covenants of record for low-income housing, without sixty (60) days’ advance written notice to all Mortgagees of the intended reletting and the terms thereof, and if any Mortgagee shall, within thirty (30) days of receipt of such notice, give notice to Landlord of such Mortgagee’s intent to pursue proceedings to foreclose on the Leased Premises or otherwise cause the transfer thereof, then so long as the Mortgagee shall diligently pursue such proceedings Landlord shall not proceed with such reletting without the written consent of such Mortgagee.

Nothing herein contained shall require any Mortgagee to accept a New Lease.

No Mortgagee shall be liable to Landlord unless it expressly assumes such liability in writing. In the event any Mortgagee or other transferee becomes the “Tenant” under this Lease or under any New Lease obtained pursuant to this Article, Mortgagee or other transferee shall not be liable for the obligations of Tenant under this Lease that do not accrue during the period of time that the Mortgagee or such other transferee, as the case may be, remains the actual Tenant under this Lease or the New Lease, holding record title to the leasehold interest thereunder, other than the requirement that the Mortgagee cure any monetary defaults (except Excluded Defaults) by Tenant upon entering into a New Lease. In no event shall any Mortgagee or other transferee be: (i) liable for the erection, completion, or restoration of any improvements unless erection, completion, or restoration of any improvements is required as a result of the acts or omissions of the Mortgagee following the date of its acquisition of Tenant’s interest in the Leased Premises; (ii) liable for any condition of the Leased Premises that existed prior to the date of its acquisition of Tenant’s interest in the Leased Premises, or for any damage, loss, or injury caused by such preexisting condition, or for the correction thereof or the compliance with any law related thereto; (iii) bound by any amendment of this Lease made without the prior written consent of the Mortgagee; or (iv) liable for any act or omission of any prior “Tenant” of any portion of the Leased Premises (including Tenant). Any liability of any Mortgagee or other transferee shall be limited to its interests in the leasehold and the Leased Premises, and shall be enforceable solely against those interests.
The Investor, for so long as Investor is a limited partner of Tenant, shall have all of the same rights as a Mortgagee under this Section 9.7 to the extent such rights are not exercised by any Mortgagee; provided, however, that in lieu of foreclosure, Investor shall be attempting with diligence and in good faith to remove one or both general partners of Tenant in accordance with the Tenant's Partnership Agreement.

Section 9.9 Rights of Investor. Investor shall have the same notice and cure rights as any Mortgagee, which rights shall run concurrently with those of any Mortgagee for so long as Investor is a limited partner of Tenant, provided, however, that Investor shall be deemed to have met any condition relating to the commencement or continuation of a foreclosure proceeding if it is attempting with diligence and in good faith to remove one or both general partners of Tenant. Notwithstanding anything to the contrary herein, Tenant shall not be permitted to terminate this Lease prior to the expiration of the Term without the prior written consent of the Investor. The address for any notices to same, as of the date hereof, is provided in Section 18.12 hereof. Notwithstanding any other provisions herein:

(a) if a monetary event of default occurs under the terms of this Lease, prior to exercising any remedies hereunder, Landlord shall provide written notice of such default to Investor and Investor shall have a period of sixty (60) days after such notice is given within which to cure the default prior to exercise of remedies by Landlord; or

(b) if a nonmonetary event of default occurs under the terms of this Lease, prior to exercising any remedies hereunder, Landlord shall provide written notice of such default to Investor and Investor shall have a period of ninety (90) days after such notice is given within which to cure the default prior to exercise of remedies by Landlord, unless such cure cannot reasonably be accomplished within such ninety (90) day period, in which event Investor shall have such time as is reasonably required to cure such default so long as Investor continues in good faith to diligently pursue the cure.

(c) [if required by HCD] The following provisions are for the benefit of HCD in connection with the HCD Loan:

(1) The Landlord shall not place any mortgage on its fee interest without the prior written consent of HCD.

(2) Landlord hereby consents to any assignment of the Lease by Tenant to HCD, and following such assignment HCD may further assign or transfer the Lease to a third party without the consent of Landlord.

(3) Landlord may not terminate the lease or accelerate the Rent upon a default by Tenant without first providing HCD with the notice and cure period set forth in 8.3 above.

(4) Landlord may not terminate this lease without the prior written consent of HCD and any attempt to take such action without the consent of HCD will be void.
(5) In the event of Casualty, the Lease may not be terminated so long as the Tenant or HCD pursues reconstruction of the Improvements with reasonable diligence.

(6) HCD shall not have any liability for the performance of any of the obligations of Tenant under the Lease until HCD has acquired the leasehold interest, and then only in accordance with the terms of the Lease and only with respect to obligations that accrue during the HCD's ownership of the leasehold interest.

(7) Neither Landlord nor Tenant, in the event of bankruptcy by either, will take the benefit of any provisions in the United States Bankruptcy Code that would cause the termination of the Lease or otherwise render it unenforceable in accordance with its terms.

(8) The leasehold interest under this Lease will not merge into the fee interest in the Property in the event that the Tenant acquires the reversionary interest in the Project.

(9) The acquisition of the Leased Premises by HCD will not result in a termination of the Lease; and upon such event, the Landlord shall enter into a new lease having a term at least as long as the term remaining on the Lease prior to acquisition by the HCD and on substantially the same terms and conditions as this Lease.

ARTICLE 10 REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 10.1 Representations, Warranties and Covenants of Tenant. As an inducement to Landlord to enter into and to proceed under this Lease, Tenant warrants and represents to Landlord as follows, which warranties, representations, and covenants are true and correct as of the date of this Lease:

(a) Tenant has the right, power, and authority to enter into this Lease and the right, power, and authority to comply with the terms, obligations, provisions, and conditions contained in this Lease;

(b) The entry by Tenant into this Lease and the performance of all of the terms, provisions, and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach or default under any other agreements to which Tenant is a party or by which it is bound;

(c) Tenant (i) shall not cause or permit any Hazardous Substances and Materials to be placed, held, located, or released or disposed of on, under, or at the Leased Premises or any part thereof, except in commercially reasonable amounts used in the construction and operation of the Improvements and in accordance with Legal Requirements, and (ii) shall not cause or permit any Hazardous Substances and Materials contamination of the Leased Premises or any part thereof; provided, however, that Tenant shall not be in violation of this Subsection 10.1(c) or otherwise be liable or obligated under this Lease for any of the foregoing to the extent caused by the existence of soils, water, or materials already located on the Leased Premises as of the Commencement Date or that arises from the migration of Hazardous Materials or Substances released from, disposed of, or otherwise placed at, a location other than the Leased Premises by
parties and/or circumstances over which Tenant has no control and due to no fault of Tenant (for convenience such event is called an “On-Site Migration” hereinafter); and

(d) At all times during the Term, Tenant or its authorized representative shall use, maintain and operate the Leased Premises and the Improvements thereon in accordance with all Legal Requirements and Regulatory Agreements. The Tenant acknowledges that prior to the date hereof, the City and Landlord certified an Environmental Impact Report (the “EIR”) and its related Mitigation and Monitoring Program attached hereto as Exhibit I (as amended consistent with applicable law from time to time, the “Mitigation Measures”). The Tenant will comply with the terms of the EIR and the Mitigation Measures and related conditions of approval adopted by the City or Landlord prior to the date hereof to the extent applicable to the Leased Premises and Improvements.

Section 10.2 Representations, Warranties and Covenants of Landlord. As an inducement to Tenant to enter into and to proceed under this Lease, Landlord warrants and represents to Tenant as follows, which warranties, representations, and covenants are true and correct as of the date of this Lease:

(a) Landlord has the right, power, and authority to enter into this Lease and the right, power, and authority to comply with the terms, obligations, provisions, and conditions contained in this Lease;

(b) (1) Landlord has made available prior to execution of this Lease all documents related to the Leased Premises and existing prior to the Commencement Date (the “Property Documents”), and any copies that are furnished to Tenant by Landlord are and will be true, complete and correct copies of the Property Documents; (2) Landlord has received no notices from any Governmental Authority of any zoning, safety, building, fire, environmental, health code or any other violations whatsoever with respect to the Leased Premises other than as disclosed in the Property Documents; (3) the Leased Premises are currently vacant; (4) there is no litigation or proceeding (including, but not limited to, condemnation or eminent domain proceedings, pending grievances or arbitration proceedings or foreclosure proceedings threatened) or pending unfair labor practice charges or complaints, pending, or threatened, against or relating to the Landlord or the Leased Premises; (5) Landlord has not received notice of any special assessment(s) from any Governmental Authority; (6) except as disclosed in writing to Tenant, the Leased Premises does not contain any Hazardous Substances and Materials; (7) there are no maintenance, operating or other agreements affecting the Leased Premises, except as set forth in the Property Documents and disclosed in writing to the Tenant. Unless otherwise agreed to in writing by the Tenant any service contracts will be terminated by the Landlord prior to Closing; (8) the Landlord has not and will not enter into any contract, agreement, understanding or commitment that will be binding on Tenant or the Leased Premises after the Closing without the approval of the Tenant.

(c) Landlord shall provide all available information relating to the Leased Premises, as expeditiously as necessary, for the orderly progress of Project. In addition, the Landlord shall coordinate closely with the Tenant regarding all communications with HUD, forward to the Tenant all relevant correspondence, directives, and other written materials either to or from HUD
with respect to this Lease. Landlord will respond as promptly as possible, within its management structure, to questions that may arise during Project administration.

(d) The entry by Landlord into this Lease and the performance of all of the terms, provisions, and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach of default under any other agreements to which Landlord is a party or by which it is bound.

Section 10.3 Hazardous Substances and Materials.

(a) Certain Covenants and Agreements. Tenant hereby covenants and agrees that:

(1) Except as permitted by Section 10.1(c) hereof, Tenant shall not permit the Leased Premises or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal, release, or transportation of Hazardous Substances and Materials or otherwise knowingly permit the presence of Hazardous Substances and Materials in, on, or under the Leased Premises in violation of any applicable law. Provided however, that if any condition causing non-compliance with this Section existed at the Leased Premises prior to the Commencement Date of this Lease, or arises from an On-Site Migration, Tenant shall not be in default hereunder unless Tenant’s acts or omissions exacerbate such prior existence or On-Site Migration;

(2) Tenant shall keep and maintain the Leased Premises and each portion thereof in compliance with, and shall not cause or permit the Leased Premises or any portion thereof to be in violation of, any applicable environmental laws. Provided however, that if any condition causing non-compliance with this Section existed at the Leased Premises prior to the date of this Lease, or arises from an On-Site Migration, Tenant shall not be in default hereunder unless Tenant’s acts or omissions exacerbate such prior existence or On-Site Migration;

(3) Upon receiving actual knowledge of any of the following, Tenant shall immediately advise Landlord in writing:

(A) any and all enforcement, cleanup, removal, or other governmental or regulatory actions instituted, completed, or threatened against Tenant or the Leased Premises pursuant to any applicable environmental laws;

(B) any and all claims made or threatened by any third party against Tenant or the Leased Premises relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from any Hazardous Substances and Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as “Hazardous Substances and Materials Claims”);

(C) the presence of any Hazardous Substances and Materials in, on or under the Leased Premises in quantities which require reporting to a government agency or in excess of commercially reasonable amounts used in the construction and operation of the Improvements and in accordance with Legal Requirements; or
(4) Tenant shall indemnify Landlord for any and all costs and expenses, and increases thereof, including reasonable attorneys' fees, reasonable expert witness fees, and reasonable consultant fees, resulting from Tenant's failure to give Landlord notice as required by subsections (a)(3)(A)-(B) of this Section 10.3.

(5) Landlord shall have the right to join and participate in, as a party if it so elects, any Hazardous Substances and Materials Claims including any legal proceedings or actions (including response actions) initiated in, or in connection therewith. Landlord's election to so join or participate shall not affect in any manner the indemnity obligations of the Parties as set forth in this Lease.

(6) Without Landlord's prior written consent, which shall not be unreasonably withheld or delayed, Tenant shall not take any remedial action in response to the presence of any Hazardous Substances and Materials on, under, or about the Leased Premises (other than in emergency situations or as required by Governmental Authorities having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Substances and Materials Claims.

(b) Indemnity. Without limiting the generality or obligations of the indemnification set forth in Section 7.3 above, Tenant hereby agrees to indemnify, protect, hold harmless, and defend (by counsel reasonably satisfactory to Landlord) Landlord, its board members, commissioners, officers, agents, successors, assigns, and employees (the "Landlord Indemnitees") from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorney's fees, expert witness fees, and consultant fees) ("Indemnification Claims"), arising directly or indirectly, in whole or in part, out of:

(1) The failure of Tenant or any other person or entity under Tenant's control on or after the Commencement Date (or prior to the Commencement Date if and to the extent that the negligence or willful misconduct of Tenant or any other person under the control of Tenant resulted in material harm) to comply with any applicable environmental law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation, or disposal, or investigation or notice thereof, of Hazardous Substances and Materials into, on, under, or from the Leased Premises;

(2) The presence in, on, or under, or the escape, seepage, leakage, spillage, emission, discharge, migration, disposal, release, or threatened release of any Hazardous Substances and Materials in, on, under, or from the Leased Premises on or after the Commencement Date (or prior to the Commencement Date if and to the extent that the negligence or willful misconduct of Tenant or any person under the control of Tenant results in material harm); or
(3) Any act or omission on or off the Leased Premises on or after the Commencement Date (or prior to the Commencement Date if and to the extent that the negligence or willful misconduct of Tenant or any employees, agents, contractors, or subcontractors of Tenant results in material harm), whether by Tenant or any employees, agents, contractors, or subcontractors of Tenant, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport, or disposal of any Hazardous Substances and Materials. Tenant’s indemnity obligations as they pertain to activities occurring off the Leased Premises shall only extend to activities performed by or arising from activities performed by Tenant or any employees, agents, contractors, or subcontractors of Tenant or parties over which Tenant has control.

The foregoing indemnity shall further apply to any residual contamination on or under the Leased Premises, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, treatment, storage, transport, release, threatened release, or disposal of any such Hazardous Substances and Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with environmental laws. The provisions of this subsection shall survive expiration of the Term or other termination of this Lease, and shall remain in full force and effect. This indemnity obligation shall not extend to the extent any claim arises from any Landlord Indemnitee’s negligence or willful misconduct, any and all claims arising from any Hazardous Substances and Materials brought onto and/or released at the Leased Premises by any Landlord Indemnitee, or Indemnification Claims arising from conditions existing at the Leased Premises prior to the date of this Lease or arising from an On-Site Migration, except to the extent such conditions or On-Site Migration is exacerbated by Tenant’s negligence or willful misconduct.

(c) Landlord hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Tenant) the Tenant and any affiliate of Tenant and their respective board members, directors, officers, partners, employees, members, agents, consultants, lenders, volunteers, representatives, successors, and assigns (all the foregoing, the “Tenant Indemnitees”) from and against any loss, damage, cost, expense, or liability to the extent arising out of or attributable to (i) the presence, from prior to the Commencement Date, of any Hazardous Substances and Materials or any environmental condition identified in that certain Remedial Action Plan, _____________, (ii) On-Site Migration, or (iii) Tenant’s construction of the Improvements substantially in accordance with the requirements of Article 3 hereof. However, anything in the preceding sentence notwithstanding, the foregoing indemnities shall not extend to claims, losses, fees, damages, costs, or expenses of any kind or nature to the extent Hazardous Substances and Materials or environmental conditions are (y) caused or exacerbated by a Tenant Indemnitee’s intentional wrongful acts, intentional wrongful omissions, gross negligence, or willful misconduct (including grossly negligent deviations from the requirements of Article 3 hereof) or (z) result from any Hazardous Substances and Materials brought onto and/or released at the Leased Premises by any Tenant Indemnitee or with any Tenant Indemnitee’s knowledge or permission (express or implied).

(d) The provisions of subsections (c) and (d) of this section 10.3 shall survive expiration or earlier termination of this Lease, and shall remain in full force and effect. Nothing in this Lease is intended in any way to limit either Party from pursuing any remedies such Party
may have with regard to the existence of Hazardous Substances or Materials in, on, under, or about the Leased Premises as against third parties.

(e) **No Limitation.** Tenant hereby acknowledges and agrees that Tenant’s duties, obligations, and liabilities under this Lease, including, without limitation, under subsection (b) above, are in no way limited or otherwise affected by any information Landlord may have concerning the Leased Premises and/or the presence on the Leased Premises of any Hazardous Substances and Materials, whether Landlord obtained such information from Tenant or from its own investigations, except as provided herein.

Section 10.4 **As-Is Conveyance.** Except as otherwise set forth in this Lease, including but not limited to Sections 10.2 and 10.3, this Lease is made “AS IS,” with no warranties or representations by Landlord concerning the condition of the Leased Premises.

Section 10.5 **Environmental Work.** Landlord represents and warrants that it has completed remediation of the Leased Premises to the extent required by the California Environmental Protection Agency’s Department of Toxic Substances Control for Tenant to develop the Leased Premises and that the California Environmental Protection Agency’s Department of Toxic Substances Control has issued a No Further Action Letter or Certificate of Clean Closure, as applicable. Tenant shall comply with, and shall cause its agents, employees, and contractors to comply with, all laws regarding the use, removal, storage, transportation, disposal, and remediation of Hazardous Substances and Materials. Notwithstanding the foregoing, the Landlord may not commence an action for Default against Tenant in response or because of a condition existing at the Property prior to the Commencement Date or an On-Site Migration, except to the extent such condition or On-Site Migration is exacerbated by Tenant.

**ARTICLE 11 EMINENT DOMAIN**

Section 11.1 **Termination of Lease.** Landlord and Tenant agree that, in the event of a Taking such that Tenant reasonably determines that the Leased Premises cannot continue to be operated, at reasonable cost, for its then-current use, then, subject to the rights and with the prior consent of all Mortgagees, this Lease shall, at Tenant’s sole option, terminate as of the Taking Date.

Section 11.2 **Continuation of Lease and Presumption of Restoration.** Landlord and Tenant agree that, in the event of a Taking that does not result in the termination of this Lease pursuant to Section 11.1 above, this Lease shall continue in effect as to the remainder of the Leased Premises, and the Net Condemnation Award subject to the rights and with the prior consent of all Mortgagees will be disbursed in accordance with Section 11.4 below to Tenant or to Mortgagee and shall be used so as to make the remainder of the Leased Premises a complete, unified, and efficient operating unit as nearly as reasonably possible to the condition existing prior to the Taking, subject to any applicable requirements of Mortgagee.

Section 11.3 **Temporary Taking.** If there shall be a temporary Taking of a year or less with respect to all or any part of the Leased Premises or of Tenant’s Estate, then the Term shall not be reduced and Tenant shall continue to pay all Rents, Impositions, and other charges
required herein, without reduction or abatement thereof at the times herein specified; provided, however, that Tenant shall not be required to perform such obligations that Tenant is prevented from performing by reason of such temporary Taking.

Section 11.4 Award. Subject to the rights of Mortgagees, if there is a Taking, whether whole or partial, Landlord and Tenant shall be entitled to receive all awards for the Leased Premises and the Improvements, subject to the rights of the Mortgagees. If the Leased Premises shall be restored as is contemplated in Section 11.2 above, Tenant shall be entitled to recover the costs and expenses incurred in such restoration out of any Net Condemnation Award, subject to the Mortgagees’ right to elect to have such Net Condemnation Award paid directly to such Mortgagees, as set forth in the applicable Approved Financing Documents.

Section 11.5 Joinder. If a Mortgage exists, the Mortgagees, to the extent permitted by law, shall be made a party to any Taking proceeding.

ARTICLE 12       DAMAGE OR DESTRUCTION

Section 12.1 Damage or Destruction to Leased Premises. Tenant shall give prompt written notice to Landlord after the occurrence of any fire, earthquake, act of God, or other casualty to or in connection with the Leased Premises, the Improvements, or any portion thereof (hereinafter sometimes referred to as a “Casualty”). Subject to Section 12.2 below, and the rights of any Mortgagees, if during the Term the Improvements shall be damaged or destroyed by Casualty, Tenant shall repair or restore the Improvements, so long as Tenant determines, in its sole discretion, that it is feasible to do so and in such event Tenant provides or causes to be provided sufficient additional funds which, when added to such insurance proceeds, will fully effect such repair or restoration. Upon the occurrence of any such Casualty, Tenant, promptly and with all due diligence, shall apply for and collect all applicable insurance proceeds recoverable with respect to such Casualty. In the event that Tenant shall determine, subject to the rights and with the consent of Mortgagee, by notice to Landlord given within thirty (30) days after receipt by Tenant of any such insurance proceeds, that it is not economically practical to restore the Improvements and/or the Leased Premises to substantially the same condition in which they existed prior to the occurrence of such Casualty, Tenant may terminate this Lease as of a date that is not less than thirty (30) days after the date of such notice. If Tenant terminates this Lease pursuant to this Section 12.1, Tenant shall surrender possession of the Leased Premises to Landlord immediately.

Section 12.2 Damage or Destruction near End of Term. If, during the last seven (7) years of the Term, the Improvements shall be damaged by Casualty, then Tenant shall have the option, to be exercised within one hundred twenty (120) days after such Casualty:

(a) to repair or restore the Improvements as hereinafore provided in this Article 12; or

(b) subject to the rights of Mortgagees, to terminate this Lease by notice to Landlord, which termination shall be deemed to be effective as of the date of the Casualty. If Tenant terminates this Lease pursuant to this Section 12.2, Tenant shall surrender possession of the

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Leased Premises to Landlord immediately and assign to Landlord (or, if same has already been received by Tenant, pay to Landlord) all of its right, title, and interest in and to the proceeds from Tenant’s insurance upon the Leased Premises, subject to the prior rights of any Mortgagee therein, as referenced in Section 12.3 below.

Section 12.3 Distribution of Insurance Proceeds. In the event that insurance proceeds are not applied to restoration of the Leased Premises, the Improvements, or any portion thereof and this Lease is terminated pursuant to Sections 12.1 or 12.2 hereof, the insurance proceeds received as the result of such Casualty shall be distributed, in the order provided, to (a) the First Mortgagee in accordance with the First Mortgage Loan Mortgage for the repayment of the First Mortgage Loan if such Casualty occurs while the First Mortgage Loan Mortgage is in effect, (b) all other Mortgagees with Mortgages in effect, (c) to Tenant to recover its investment, and (d) Landlord, and otherwise in accordance with Section 12.1 hereof; provided, however, that Tenant may retain the following amount of insurance proceeds: (i) any reasonable costs, fees or expenses incurred by Tenant in connection with the adjustment of the loss or collection of the proceeds; (ii) any reasonable costs incurred by Tenant in connection with the Leased Premises after the Casualty, which costs are eligible for reimbursement from such insurance proceeds; and (iii) the proceeds of any rental loss or business interruption insurance applicable prior to the date of surrender of the Leased Premises to Landlord.

ARTICLE 13 EVENTS OF DEFAULT

Section 13.1 Events of Default. Each of the following shall be an “Event of Default” by Tenant hereunder:

(a) failure by Tenant to pay any Rent when due or to pay or cause to be paid any Impositions, insurance premiums, or other liquidated sums of money herein stipulated to be paid by Tenant, if such failure shall continue for a period of sixty (60) days after written notice thereof has been given by Landlord to Tenant and Investor;

(b) failure by Tenant to perform or observe any of the provisions of this Lease stipulated in this Lease to be observed and performed by Tenant (including, but not limited to the failure to comply with Section 3.6), if such failure shall continue for a period of ninety (90) days after written notice thereof has been given by Landlord to Tenant and Investor; provided, however, that if any such failure cannot reasonably be cured within such ninety (90)-day period, then Landlord shall not have the right to terminate this Lease or Tenant’s right to possession hereunder so long as Tenant or Investor promptly commences the curing of any such failure and thereafter proceeds in good faith and with due diligence to remedy and correct such failure within a reasonable period of time;

(c) the failure of Tenant to cure, within the prescribed time period, (i) any declaration of default by the holder of a Mortgage on the Tenant’s Estate, (ii) any breach or violation of Applicable CC&R’s and Easements with which Tenant is obligated to comply under Section 3.3, following the expiration of any applicable notice and cure periods, or (iii) any breach or violation of any Approved Financing Document, following notice to Tenant and the expiration of any applicable cure period;
(d) the subjection of any right or interest of Tenant in this Lease to attachment, execution, or other levy, or to seizure under legal process, if not released within one hundred twenty (120) days; provided that the foreclosure of any Mortgage shall not be construed as an Event of Default within the meaning of this Subsection 13.1(d);

(e) the appointment of a receiver, not including receivership pursuant to any Mortgage, to take possession of Tenant’s Estate or of Tenant’s operations on the Leased Premises for any reason, if such receivership is not terminated, dismissed, or vacated within one hundred twenty (120) days after the appointment of the receiver;

(f) the filing by Tenant of a petition for voluntary bankruptcy under the Bankruptcy Code or any similar law, state or Federal, now or hereafter in effect;

(g) the filing against Tenant of any involuntary proceedings under such Bankruptcy Code or similar law, if such proceedings have not been vacated or stayed within ninety (90) days of the date of filing;

(h) the appointment of a trustee or receiver for Tenant or for all or the major part of Tenant’s property or the Leased Premises, in any involuntary proceeding, not including pursuant to any Mortgage, or taking of jurisdiction by any court over all or the major part of Tenant’s property or the Leased Premises in any involuntary proceeding for the reorganization, dissolution, liquidation, or winding up of Tenant, if such trustee or receiver shall not be discharged or such jurisdiction relinquished or vacated or stayed on appeal or otherwise stayed within ninety (90) days;

(i) Intentionally Omitted;

(j) a general assignment by Tenant for the benefit of creditors or Tenant’s admittance in writing of its insolvency or inability to pay its debts generally as they become due or Tenant’s consent to the appointment of a receiver or trustee or liquidator for Tenant, all or the major part of its property, or the Leased Premises; or

(k) violation of the RAD Use Agreement in accordance with Section 20.1(c), if such failure shall continue for a period of sixty (60) days after written notice thereof has been given by Landlord to Tenant and Investor.

To the extent cure is permitted hereunder, a partner of Tenant shall have the right to cure any default or breach of this Lease by Tenant, and Landlord agrees to accept a timely cure tendered by a partner.

Section 13.2 Rights and Remedies.

(a) At any time after the occurrence of an Event of Default hereunder, Landlord, subject in all respects to the provisions of this Lease with respect to Landlord’s and Investor’s rights to cure defaults by Tenant and with respect to the rights of any Mortgagees and Investors,
and subject further to the provisions of Section 13.3 of this Lease, may terminate this Lease by giving Tenant written notice thereof (with a copy of such notice to the Mortgagors and to Investor), setting forth in such notice an effective date for termination which is not less than thirty (30) days after the date of such notice, in which event this Lease and Tenant’s Estate created hereby and all interest of Tenant and all parties claiming by, through, or under Tenant shall automatically terminate upon the effective date for termination as set forth in such notice, with the same force and effect and to the same extent as if the effective date of such notice had been the date originally fixed in Article 2 hereof for the expiration of the Term. In such event, Landlord, its agents, or representatives, shall have the right, without further demand or notice, to re-enter and take possession of the Leased Premises (including all buildings and other Improvements comprising any part thereof) at any time from and after the effective termination date without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or existing breaches of covenants; provided that Landlord shall not be entitled to disturb possession of any tenants or others in possession pursuant to tenant leases with Tenant so long as such tenants or others are not in default thereunder and attorn to Landlord as their Landlord.

(b) Upon the exercise of Landlord’s remedies pursuant to this Section 13.2, Tenant shall execute such releases, deeds, and other instruments in recordable form as Landlord shall reasonably request in order to accurately set forth of record the then current status of Tenant’s Estate and Tenant’s rights hereunder.

Section 13.3 Deficiency Judgments. Landlord, for itself and for each and every succeeding owner of Landlord’s Estate in the Leased Premises, agrees that it shall never be entitled to seek a personal judgment against Tenant or its partners and that (a) upon any Event of Default hereunder, the rights of Landlord to enforce the obligations of Tenant, its successors, or assigns, or to collect any judgment, shall be limited to the termination of this Lease and of Tenant’s Estate and the enforcement of any other rights and remedies specifically granted to Landlord hereunder, provided, however, that the limitations set forth in this Section 13.3 shall not be applicable to (i) fraud, (ii) misappropriation of any Net Condemnation Award or insurance, and (iii) misappropriation of Authority Gap Loan funds.

Section 13.4 Default by Landlord.

(a) Events of Default. Landlord shall be in default of this Lease if it fails to perform any provision of this Lease that it is obligated to perform or if any of Landlord’s representations or warranties is untrue or becomes untrue in any material respect, and if the failure to perform or the failure of such representation or warranty is not cured within thirty (30) days after written notice of the default has been given to Landlord. If the default cannot reasonably be cured within thirty (30) days, Landlord shall not be in default of this Lease if Landlord commences to cure the default within such thirty (30)-day period and diligently and in good faith continues to cure the default until completion.

(b) Right to Cure: Tenant’s Remedies. Subject to Section 13.5 below, if Landlord shall have failed to cure a default by Landlord after expiration of the applicable time for cure of a particular default, Tenant, at its election, but without obligation therefor (i) may seek specific
performance of any obligation of Landlord, after which Tenant shall retain, and may exercise and enforce, any and all rights that Tenant may have against Landlord as a result of such default, (ii) from time to time without releasing Landlord in whole or in part from the obligations to be performed by Landlord hereunder, may cure the default at Landlord’s cost, (iii) may terminate this Lease, and/or (iv) may exercise any other remedy given hereunder or now or hereafter existing at law or in equity. Any reasonable costs incurred by Tenant in order to cure such a default by Landlord shall be due immediately from Landlord, together with interest at the prime rate published in the Wall Street Journal from time to time, and may be offset against any amounts due from Tenant to Landlord.

Section 13.5 Notices. Notices given by Landlord under Section 13.1 or by Tenant under Section 13.4 shall specify the alleged default and the applicable Lease provisions, and shall demand that Tenant or Landlord, as applicable, perform the appropriate provisions of this Lease within the applicable period of time for cure. No such notice shall be deemed a forfeiture or termination of this Lease unless expressly set forth in such notice.

Section 13.6 Bankruptcy of Landlord. If this Lease is rejected by Landlord or Landlord’s trustee in bankruptcy following the bankruptcy of Landlord under the Bankruptcy Code, as now or hereafter in effect, Tenant shall not have the right to treat this Lease as terminated except with the prior written consent of all Mortgagees, and the right to treat this Lease as terminated in such event shall be deemed assigned to each and every Mortgagee whether or not specifically set forth in any such Mortgage, so that the concurrence in writing of Tenant and each Mortgagee shall be required as a condition to treating this Lease as terminated in connection with any such bankruptcy proceeding.

ARTICLE 14 QUIET ENJOYMENT AND POSSESSION; INSPECTIONS

Section 14.1 Quiet Enjoyment. Landlord covenants and warrants that Tenant, upon payment of all sums herein provided and upon performance and observance of all of its covenants herein contained, shall peaceably and quietly have, hold, occupy, use, and enjoy, and shall have the full, exclusive, and unrestricted use and enjoyment of, all of the Leased Premises during the Term, subject only to the provisions of this Lease, the RAD Use Agreement, the Regulatory Agreements, and all applicable Legal Requirements.

Section 14.2 Landlord’s Right of Inspection. Notwithstanding Section 13.1 above, Landlord, in person or through its agents, upon reasonable prior notice to Tenant, shall have the right, subject to the rights of tenants, to enter upon the Leased Premises for purposes of reasonable inspections performed during reasonable business hours in order to assure compliance by Tenant with its obligations under this Lease. In addition to the aforementioned inspection rights, Tenant grants a right of access to Landlord, or any of its authorized representatives, with respect to any books, documents, papers, or other records related to this Lease in order to make audits, examinations, excerpts, and transcripts.

ARTICLE 15 VACATION OF LEASED PREMISES
Tenant covenants that upon any termination of this Lease, whether by lapse of time or because of any of the conditions or provisions contained herein, Tenant will peaceably and quietly yield and surrender possession of the Leased Premises to Landlord. The foregoing, however, will be subject to the rights of tenants or others in possession pursuant to tenant leases with Tenant, provided that such tenants are not in default thereunder and attorn to Landlord as their Landlord. An action of forcible detainer shall lie if Tenant holds over after a demand for possession is made by Landlord. Notwithstanding anything to the contrary herein, Tenant shall not voluntarily vacate or surrender and Landlord shall not accept any voluntary vacating or surrendering of the Leased Premises by Tenant while a Mortgage remains outstanding or while an Investor shall remain a member in Tenant.

ARTICLE 16 NON-MERGER

For so long as any debt secured by a Mortgage upon the leasehold created by this Lease shall remain outstanding and unpaid, or so long as an Investor shall remain a partner in Tenant, unless Mortgagee shall otherwise consent in writing, there shall be no merger of either this Lease or Tenant’s Estate created hereunder with the fee estate of the Leased Premises or any part thereof by reason of the fact that the same person may acquire, own, or hold, directly or indirectly, (a) this Lease, Tenant’s Estate created hereunder, or any interest in this Lease or Tenant’s Estate (including the Improvements), and (b) the fee estate in the Leased Premises or any part thereof or any interest in such fee estate (including the Improvements), unless and until all persons, including any assignee of Landlord, having an interest in (i) this Lease or Tenant’s Estate created hereunder, and (ii) the fee estate in the Leased Premises or any part thereof, shall join in a written instrument effecting such merger and shall duly record the same, and shall have obtained the prior written consent of Mortgagee.

ARTICLE 17 ASSIGNMENTS AND TRANSFERS; FORECLOSURE

Section 17.1 Consent Required. Except as specifically permitted in the RAD Use Agreement and the Regulatory Agreements, no Transfer shall be made without Landlord’s prior written approval; any such Transfer shall be made pursuant to the Regulatory Agreements. This Lease shall be binding upon and inure to the benefit of the successors and assigns of Landlord and Tenant, except that Tenant may not assign or sublet its interest in this Lease without the prior written consent of Landlord and any other consent required by the Regulatory Agreements. Any attempted Transfer without such required consents shall be null and void. Any person to whom any Transfer is attempted without such consent shall have no claim, right, or remedy whatsoever hereunder against Landlord, and Landlord shall have no duty to recognize any person claiming under or through the same.

Section 17.2 Limitations on Consent Requirement. Notwithstanding the foregoing:

(a) The consent of Landlord shall not be required for:

(1) a lease of any Residential Unit at the Leased Premises, subject to the Landlord’s prior approval of the form of Tenant Lease;
(2) transfer of the Leased Premises and Improvements to a Mortgagee by foreclosure or deed-in-lieu of foreclosure (or the leasehold equivalent thereof), or to a third-party purchaser pursuant to a foreclosure sale (or the leasehold equivalent thereof);

(3) after Closing, the transfer by Investor of Investor’s partnership interest in Tenant to an affiliate of Investor or a transfer of an interest in Investor, provided that either Investor remains obligated to fund its equity contribution, or the affiliate assumes the obligations to fund Investor’s equity contribution, in accordance with the terms of the Partnership Agreement (if at the time of the proposed transfer no equity contribution remains unpaid, then consent shall not be required for the transfer of any partner interest);

(4) grants and easements for the establishment, operation, and maintenance of utility services; or

(5) the removal of a general partner of the Tenant pursuant to the Partnership Agreement and the replacement of such general partner with an affiliate of Investor, provided that the admission of a non-affiliate of Investor shall require the reasonable consent of Landlord.

(b) If Tenant requests the consent of Landlord to an internal reorganization of Tenant, or of any of the partners, members, or stockholders of Tenant, Landlord will not unreasonably withhold or delay such consent.

Section 17.3 Subsequent Assignment. In cases where Landlord’s consent is required, Landlord’s or HUD’s consent to one assignment will not waive the requirement that Landlord and HUD consent to any subsequent assignment.

Section 17.4 Request for Consent. If Tenant requests Landlord’s consent to a specific assignment, Tenant shall provide to Landlord such information as may reasonably be required by Landlord.

Section 17.5 Consent of Landlord Not Required. The foreclosure of a Mortgage or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in any Mortgage, or any conveyance of the Tenant’s Estate to any Mortgagee or its affiliate or third party designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof, shall not breach any provision of or constitute an Event of Default under this Lease, and upon such foreclosure, sale, or conveyance, Landlord shall recognize any Mortgagee or such affiliate or designee of any Mortgagee, or any purchaser at any such foreclosure sale, as Tenant hereunder. Provided, however, that Landlord may disapprove a subsequent Transfer after foreclosure, deed in lieu of foreclosure or other appropriate proceedings where the proposed transferee has (a) insufficient prior experience in managing affordable multifamily rental housing, (b) demonstrated poor performance in managing affordable multifamily rental housing, or (c) has been debarred or suspended by HUD.

Section 17.6 Transfer After Foreclosure. This Lease may be transferred, without the consent of Landlord, to any Mortgagee or an affiliate thereof, pursuant to foreclosure or similar proceedings, or pursuant to a Transfer of this Lease to such Mortgagee (or its affiliate or third
party designee) in lieu thereof, and may be thereafter transferred by such Mortgagee (or its affiliate or third party designee), and any Mortgagee (or its affiliate) shall be liable to perform the obligations herein imposed on Tenant only for and during the period it is in possession or ownership of the leasehold estate created hereby. Provided, however, that Landlord may disapprove a subsequent Transfer after foreclosure, deed in lieu of foreclosure, or other appropriate proceedings by Mortgagee (or its affiliate or third party designee) where the proposed transferee has (a) insufficient prior experience in managing affordable multifamily rental housing, (b) demonstrated poor performance in managing affordable multifamily rental housing, or (c) has been debarred or suspended by HUD. In no event shall any Mortgagee (or its affiliate or third party designee) be (i) liable for any prior act or omission of Tenant unless and to the extent such act or omission is continuing following the foreclosure or other transfer, or (ii) subject to any offsets or defenses which Landlord may have against Tenant.

Section 17.7 Grant of Purchase Option. Notwithstanding anything to the contrary set forth in any other provision of this Lease, nothing shall prohibit the granting of a purchase option and/or right of first refusal to the Landlord, or its designee, including without limitation, the Managing General Partner, and to the Administrative General Partner to purchase the Tenant's Estate (or the Investor's interest in the Tenant) as provided in the Right of First Refusal/Purchase Option and/or (ii) the exercise of such Right of First Refusal/Purchase Option in accordance with the Right of First Refusal/Purchase Option (and the assignment of the Authority Gap Loan and Authority Acquisition Loan to purchaser, if the Authority or its affiliate is the purchaser); provided, however, that any such option rights described in this Section 17.7 shall be subordinate to the Approved Financing Documents.

ARTICLE 18 MISCELLANEOUS PROVISIONS

Section 18.1 Entire Agreement: Modifications. This Lease supersedes all prior discussions and agreements between the Parties with respect to the leasing of the Leased Premises. This Lease contains the sole and entire understanding between the Parties with respect to the leasing of the Leased Premises pursuant to this Lease, and all promises, inducements, offers, solicitations, agreements, representations, and warranties heretofore made between the Parties, if any, are merged into this Lease.

Section 18.2 Amendments. Landlord shall not unreasonably withhold its consent to any amendments to this Lease that are reasonably requested by a Mortgagee, including, without limitation, for the purpose of reasonably implementing the mortgage protection provisions contained in this Lease to allow Mortgagee reasonable means to protect or preserve the lien of its Mortgage upon occurrence of a default under the terms of this Lease. Landlord and Tenant each agree to execute and deliver (and to acknowledge for recording purposes, if necessary) such agreement(s) or instrument(s) reasonably required to effect such amendments; provided, however, Landlord may, in its sole and absolute discretion, refuse to consent to any proposed amendments to the description of the Leased Premises, the Term, Rent, or any other amendments which would materially change the rights and/or obligations of Landlord under this Lease. Landlord and Tenant each agree not to enter into any amendment or modification of the Lease without the prior written consent of each Mortgagee.
Section 18.3 Governing Law. This Lease, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the substantive laws of the State of California.

Section 18.4 Binding Effect. This Lease shall inure to the benefit of and be binding upon the Parties hereto, their heirs, successors, administrators, executors, and permitted assigns.

Section 18.5 Severability. In the event any provision or portion of this Lease is held by any court of competent jurisdiction to be invalid or unenforceable, such holdings shall not affect the remainder hereof, and the remaining provisions shall continue in full force and effect to the same extent as would have been the case had such invalid or unenforceable provision or portion never been a part hereof, except to the extent the rights and obligations of the Parties have been materially altered by such unenforceability.

Section 18.6 Further Assurances. From and after the date of this Lease, Landlord and Tenant, at the request of the other Party, shall make, execute, and deliver or obtain and deliver all such affidavits, deeds, certificates, resolutions, and other instruments and documents, and shall do or cause to be done all such other things that either Party may reasonably require in order to effectuate the provisions and the intention of this Lease.

Section 18.7 Captions. All captions, headings, paragraphs, subparagraphs, letters, and other reference captions are solely for the purpose of facilitating convenient reference to this Lease, shall not supplement, limit, or otherwise vary the text of this Lease in any respect, and shall be wholly disregarded when interpreting the meaning of any terms or provisions hereof. All references to particular articles, sections, subsections, paragraphs, and subparagraphs by number refer to the text of such items as so numbered in this Lease.

Section 18.8 Gender. Words of any gender used in this Lease shall be held and construed to include any other gender, and words of a singular number shall be held to include the plural, and vice versa, unless the context requires otherwise.

Section 18.9 Exhibits. Each and every exhibit referred to or otherwise mentioned in this Lease is attached to this Lease and is and shall be construed to be made a part of this Lease by such reference or other mention at each point at which such reference or other mention occurs, in the same manner and with the same effect as if each exhibit were set forth in full at length every time it is referred to and otherwise mentioned.

Section 18.10 References. All references to paragraphs or subparagraphs shall be deemed to refer to the appropriate paragraph or subparagraph of this Lease. Unless otherwise specified in this Lease, the terms “herein,” “hereof,” “hereinafter,” “hereunder” and other terms of like or similar import, shall be deemed to refer to this Lease as a whole, and not to any particular paragraph or subparagraph hereof.

Section 18.11 Rights Cumulative. Except as expressly limited by the terms of this Lease, all rights, powers, and privileges conferred hereunder shall be cumulative and not restrictive of those provided at law or in equity.
Section 18.12 Notices. All notices, requests, demands, or other communications required or permitted to be given hereunder shall be in writing and shall be addressed and delivered by hand or by certified mail, return receipt requested, or by Federal Express or UPS, or by hand delivery by a recognized, reputable courier, to each party at the addresses set forth below. Any such notice, request, demand, or other communication shall be considered given or delivered, as the case may be, on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which proper notice was not given shall be deemed to be receipt of the notice, request, demand, or other communication. By giving prior written notice thereof, any Party, from time to time, may change its address for notices hereunder. Legal counsel for the respective Parties may send to the other Party any notices, requests, demands, or other communications required or permitted to be given hereunder by such Party.

To Landlord:

Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles CA 90057
Attn: President and Chief Executive Director

with copy to:

Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057
Attn: Director of Legal Affairs

with copy to:

Reno & Cavanaugh, PLLC
455 Massachusetts Avenue, Suite 400
Washington, DC 20001
Attn: Megan Glasheen

To Tenant:

Rose Hill Courts I Housing Partners, L.P.
c/o The Related Companies of California, LLC
18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Attn: Frank Cardone

with copy to:

Bocarsly Emden Cowan Esmail & Arndt LLP
633 West Fifth Street, 64th Floor
Los Angeles, CA 90071
Attn: Lance Bocarsly

To holder of First Mortgage Loan:

To Investor:

with a copy to:
with a copy to:

with a copy to:

with a copy to:

Section 18.13 **Counterparts.** This Lease may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same agreement.

Section 18.14 **Time of Essence.** Time is and shall be of the essence in this Lease.

Section 18.15 **Relationship of Parties.** No relationship exists between Landlord and Tenant other than landlord and tenant. The Parties hereto expressly declare that, in connection with the activities and operations contemplated by this Lease, they are neither partners nor joint venturers, nor does a debtor-creditor, principal-agent, or any other relationship except as aforesaid, exist between them.

Section 18.16 **Multiple Leasehold Mortgages.** If at any time there shall be more than one Mortgage, the Mortgagee under the First Mortgage Loan ("First Loan Mortgagee") shall be prior in lien and shall be vested with all of the rights of Mortgagee under this Lease (other than the provisions for receipt of notices) to the exclusion of any junior Mortgage and junior Mortgagee; provided, however, that: (a) if the First Loan Mortgagee fails to or refuses to exercise its rights set forth under this Lease, each holder of a junior Mortgage in the order of priority of their respective liens shall have the right to exercise such rights; and (b) with respect to the right of a Mortgagee under Section 8.7 (right to request a New Lease), such right may, notwithstanding the limitation of time set forth in Section 8.7, if any, be exercised by the holder of any junior Mortgage, in the event the holder of a senior Mortgage shall not have exercised such right within a reasonable amount of time.

Section 18.17 **Conflicts with Mortgage.** In the event of a default under a Mortgage, such Mortgagee may exercise with respect to the Leased Premises any right, power, or remedy under the Mortgage which is not in conflict with the provisions of this Lease. In the event of a conflict or inconsistency between any requirement contained in this Lease and any requirement contained in any document referred to in this Lease, including any Mortgage, the terms of this Lease shall in all instances be controlling.

Section 18.18 **Attorneys’ Fees.** In the event of litigation between the Parties arising out of this Lease, each Party shall bear its own costs and expenses, including attorneys’ fees, and any judgment or decree rendered in such a proceeding shall not include an award thereof.

Section 18.19 **Non-Liability of Governmental Officials and Employees: Conflicts of Interest.** No member, official, employee, commissioner, agent, consultant, or contractor of Landlord shall be personally liable to Tenant or any successor or assign of Tenant in the event of
any default or breach by Landlord hereunder, or for any amount which may become due to Tenant or any successor or assign of Tenant as a result of such default or breach, or for any of Landlord’s obligations under this Lease; provided, however, that the foregoing shall not void or diminish the obligations of Landlord under this Lease.

Tenant represents and warrants that to Tenant’s actual knowledge no member, official, employee, commissioner, agent, consultant, or contractor of Landlord has any direct or indirect personal interest in this Lease or participation in any decision relating to this Lease which affects his or her personal interests or the interests of any corporation, partnership, or other entity in which he or she is, directly or indirectly, interested. Tenant further represents and warrants to Landlord that it has not paid or given, and will not pay or give, to any third party (other than as specifically set forth in this Lease) any money or other consideration for obtaining this Lease.

Except as may be expressly set forth herein, no present or future partner, shareholder, participant, employee, agent, officer, or partner of or in Tenant shall have any personal liability, directly or indirectly, under or in connection with this Lease; provided, however, that the foregoing shall not void or diminish the obligations of Tenant under this Lease.

Section 18.20 Consent; Reasonableness. Except as otherwise specified herein, in the event that Tenant or Landlord shall require the consent or approval of the other Party in fulfilling any agreement, covenant, provision, or condition contained in this Lease, such consent or approval shall not be unreasonably withheld or delayed by the Party from whom such consent or approval is sought, and shall be given or disapproved within the times set forth herein, or, if no time is given, within ten (10) business days of request therefor. Except as may be otherwise expressly set forth herein, approvals and disapprovals on the part of Landlord may be given by Landlord’s chief executive officer.

Section 18.21 Non-Waiver of Governmental Rights. Nothing in this Lease shall be construed to in any way obligate Landlord or any other Governmental Authority to take any discretionary action relating to the construction, development, or operation of the Project, including, but not limited to, condemnation, rezoning, variances, subdivision, environmental clearances, or any other governmental approvals which are or may be required pursuant to the Legal Requirements. Nothing in this Lease shall be construed to restrict or impair in any manner whatsoever any Legal Requirement or the exercise by Landlord of any governmental powers or rights thereunder.

Section 18.22 Removal of Personal Property. Title to personal property of Tenant shall remain in Tenant. If Tenant or Mortgagee shall not have removed such personal property from the Leased Premises upon a reasonable period of time following the expiration or earlier termination of the Lease (such period not to be less than thirty (30) days following delivery of written notice from Landlord to Tenant and Mortgagee), then Landlord shall have the right, at its election, in addition or in the alternative to its other rights with respect to the same, to either (i) deem such personal property abandoned and retain the same as its property, or dispose of the same without accountability in such manner as Landlord may see fit (and Landlord shall be promptly reimbursed by Tenant for all reasonable expenses of such disposition upon written demand therefor), or (ii) remove and store the same in a place satisfactory to Landlord, in which
event all reasonable expenses of such removal and storage shall be charged to and be borne by Tenant, and Landlord shall be promptly reimbursed by Tenant for such expenses upon written demand therefor. Tenant shall repair any loss or damage to the Leased Premises or any part thereof caused or resulting from the removal of the personal property (whether removed by or at the direction of Landlord or Tenant), except to the extent such loss or damage was caused by the gross negligence or willful misconduct of Landlord, its agents and/or employees. [SUBJECT TO HACLA REVIEW]

ARTICLE 19 PARTICULAR COVENANTS

Section 19.1 Non-Discrimination. Tenant shall not discriminate against, or segregate any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry, or disability in the lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Leased Premises nor shall Tenant, or any person claiming under or through Tenant, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of residential tenants, subtenants, sub-tenants, or vendees of the Leased Premises. The foregoing covenant shall run with the land. Landlord shall be entitled to invoke any remedies available at law or in equity to redress any breach of this subsection or to compel compliance therewith by Tenant.

Section 19.2 Mandatory Language in All Subsequent Deeds, Leases and Contracts. All deeds, leases, or contracts entered into by Tenant on or after the date of execution of this Lease as to any portion of the Project or Leased Premises shall contain the following language:

(a) In deeds: “Grantee herein covenants by and for itself, its successors, and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of residential tenants, lessees, subtenants, sublessee, or vendees in the property herein conveyed. The foregoing covenant shall run with the land.”

(b) In leases (except for leases from Tenant to a residential tenant): “The lessee herein covenants by and for the lessee and lessee’s heirs, personal representatives, and assigns and all persons claiming under the lessee or through the lessee that the lessee’s lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry, or national origin in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of residential tenants, lessees, sublessees, subtenants, or vendees in the land herein leased.”
(c) In contracts: “There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of residential tenants, lessees, subtenants, sublessees, or vendees of the land.”

Section 19.3 TCAC Lease Rider. At the time required by TCAC, Landlord and Tenant agree to execute and record against the Leased Premises in the official records of the County of Los Angeles, a lease rider in the form required by TCAC and HUD.

ARTICLE 20 RAD PROVISIONS

In addition to entering into this Lease, Landlord and Tenant also contemplate the provision of rental assistance to the Project pursuant to a RAD HAP Contract. If a RAD HAP Contract is entered into pursuant to the RAD Program, HUD will require Landlord and Tenant to enter into a RAD Use Agreement in connection with the provision of rental assistance to the Project. Notwithstanding any other clause or provision in this Lease, upon execution of the RAD Use Agreement and for so long as the RAD Use Agreement is in effect, the following provisions shall apply:

(a) This Lease shall in all respects be subordinate to the RAD Use Agreement. Subordination continues in effect with respect to any future amendment, extension, renewal, or any other modification of the RAD Use Agreement or this Lease.

(b) If any of the provisions of this Lease conflict with the terms of the RAD Use Agreement, the provisions of the RAD Use Agreement shall control.

(c) The provisions in this Article 20 are required to be inserted into this Lease by HUD and may not be amended without HUD’s prior written approval.

(d) Violation of the RAD Use Agreement constitutes a default of this Lease.

(e) Notwithstanding any other contract, document or other arrangement, upon termination of this Lease, title to the real property leased herein shall remain vested in the Landlord and title to the buildings, fixtures, improvements, trade fixtures and equipment that belong to Tenant shall vest in Landlord.

(f) Neither the Tenant nor any of its partners shall have any authority to:

(1) Take any action in violation of the RAD Use Agreement; or

(2) Fail to renew the RAD HAP Contract upon such terms and conditions applicable at the time of renewal when offered for renewal by the Landlord or HUD.
(2) Except to the extent permitted by the RAD HAP Contract or RAD Use Agreement and the normal operation of the Project, neither the Tenant nor any partners shall have any authority without the consent of Landlord to sell, transfer, convey, assign, mortgage, pledge, sublease or otherwise dispose of, at any time, the Project or any part thereof.

[signature pages follow]
IN WITNESS WHEREOF, this Lease is made and entered into as of Commencement Date.

**LANDLORD:**

**HOUSING AUTHORITY OF THE CITY OF LOS ANGELES**

a public body, corporate and politic

By: ____________________________

Douglas Guthrie
President and Chief Executive Officer
TENANT:

ROSE HILL COURTS I HOUSING PARTNERS, L.P.,
a California limited partnership

By: Related/Rose Hill Courts I Development Co., LLC,
a California limited liability company
    its administrative general partner

By:

____________________________
Frank Cardone
President
EXHIBIT A

Leased Premises
EXHIBIT B

Memorandum of Lease

[attached]
RECORDING REQUESTED BY:
Housing Authority of the City of Los Angeles

WHEN RECORDED MAIL TO:
Reno & Cavanaugh, PLLC
Attn: Megan Glasheen
455 Massachusetts Ave., Suite 400
Washington, DC 20001

No fee for recording pursuant to
Government Code Section 27383

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

MEMORANDUM OF GROUND LEASE

Rose Hill Courts Phase I

This Memorandum of Ground Lease (this "Memorandum") is made as of ________, 20__, by and among the Housing Authority of the City of Los Angeles, a public body, corporate and politic, ("Landlord") and Rose Hill Courts I Housing Partners, L.P., a California limited partnership ("Tenant"), with respect to that certain Ground Lease Agreement dated as of ________, 20__, (the "Lease"), between Landlord and Tenant.

Pursuant to the Lease, Landlord hereby leases to Tenant and Tenant leases from Landlord that certain real property, more particularly described in Exhibit A, attached hereto and incorporated herein, (the "Property") and Landlord grants to Tenant all the improvements existing or to be constructed on the Property for the term of the Lease. The Lease commenced as of ________, 20__, and shall continue from such date for sixty-six (66) years as per Section 2.3 of the Lease, as the same may be extended pursuant to the terms of the Lease. Section 17.7 of the Lease permits the grant of a right of first refusal to the Landlord or the Managing General Partner or their respective designees and a purchase option to the Administrative General Partner and the Landlord or their respective designees, including without limitation, La Cienega LOMOD, Inc.

This Memorandum shall incorporate herein all of the terms and provisions of the Lease as though fully set forth herein, including, but not limited to the affordability restrictions in the Lease and attached hereto as Exhibit B.

This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend, or supplement the Lease, of which this is a Memorandum.

[signature pages follow]
IN WITNESS WHEREOF, the parties have caused this Memorandum to be duly executed as of the date first above written.

LANDLORD:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic

By: ___________________________________________________________
Name: Douglas Guthrie
Its: President and Chief Executive Officer

WITNESS:

_____________________________________________________________

[NOTARY BLOCK ON NEXT PAGE]
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA  
)
)
COUNTY OF ________________  
)

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

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature __________________________________________
TENANT:

ROSE HILL COURTS I HOUSING PARTNERS, L.P.,
a California limited partnership

By: Related/Rose Hill Courts I Development Co., LLC,
a California limited liability company
its administrative general partner

By: 

Frank Cardone
President

WITNESS:

[NOTARY BLOCK ON NEXT PAGE]
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )
                     )
COUNTY OF ___________ )

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

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ______________________________________
EXHIBIT A
Memorandum of Ground Lease
Rose Hill Courts Phase I

PROPERTY DESCRIPTION
EXHIBIT B
Memorandum of Ground Lease
Rose Hill Courts Phase I

AFFORDABILITY RESTRICTIONS

Subject to Section 3.8(d) and 3.9(b) and the Property Management and Re-Occupancy Plan and after initial lease up of residents from the existing Rose Hill Courts public housing site exercising their right to return, the Residential Units shall be rented in accordance with the income limits and distribution as provided in the chart below.

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In addition, ___________ (_____ ) Residential Units in Phase I are replacement Residential Units, which shall comply, subject to the Property Management and Re-Occupancy Plan and Section 3.8 and 3.9 of this Lease, with the bedroom and subsidy-type distribution provided below. Tenant or its Management Agent will select residential tenants in accordance with the requirements of the Regulatory Agreements. Subject to the Regulatory Agreements and the requirements of the Approved Financing Documents, the replacement Residential Units at Phase I shall be available to residents of the existing Rose Hill Courts public housing site at initial lease up.

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<th>Phase I</th>
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If there is a foreclosure, all units are subject to the Post-Foreclosure Rent Restrictions as described in the Lease.
EXHIBIT C

Affordability Restrictions

Subject to Section 3.8(d) and 3.9(b) and the Property Management and Re-Occupancy Plan and after initial lease up of residents from the existing Rose Hill Courts public housing site exercising their right to return, the Residential Units shall be rented in accordance with the income limits and distribution as provided in the chart below.

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<th>30% AMI</th>
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<th>Manager/ Market</th>
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In addition, _______ (_______) Residential Units in Phase I are replacement Residential Units, which shall comply, subject to the Property Management and Re-Occupancy Plan and Section 3.8 and 3.9 of this Lease, with the bedroom and subsidy-type distribution provided below. Tenant or its Management Agent will select residential tenants in accordance with the requirements of the Regulatory Agreements. Subject to the Regulatory Agreements and the requirements of the Approved Financing Documents, the replacement Residential Units at Phase I shall be available to residents of the existing Rose Hill Courts public housing site, who are in good standing, at initial lease up.

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<td><strong>Total</strong></td>
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If there is a foreclosure, all units are subject to the Post-Foreclosure Rent Restrictions as described in this Lease.

Tenant Protections

**Tenant Leases**
Notwithstanding the Regulatory Agreements, Approved Financing Documents, and any other documents imposing tenant protections on the Project, all Residents shall be subject to the same Tenant Lease and tenant protections to the extent permitted by law. Landlord and Tenant acknowledge that the Residential Units obtain assistance under various programs including, but not limited to, the PBV program and RAD Program, each of which provides tenant protections.
The tenant protections and opportunities granted to Residents shall be uniformly applied to the Residential Units through the inclusion of tenant protection provisions in all Tenant Leases, including those provided herein, to the extent permitted by applicable Regulatory Agreements and the RAD Use Agreement. Provided, however, that the tenant protections need not be extended to the one (1) manager unit.

Resident Participation and Funding
To support Resident participation, Residents will have the right to establish and operate a resident organization for the purpose of addressing issues related to their living environment, which includes the terms and conditions of their tenancy as well as activities related to housing and community development.

1. Legitimate Resident Organization. Tenant must recognize legitimate resident organizations and give reasonable consideration to concerns raised by legitimate resident organizations. A resident organization is legitimate if it has been established by the Residents of the Project, meets regularly, operates democratically, is representative of all Residents in the Project, and is completely independent of the Tenant, management, and their representatives.

In the absence of a legitimate resident organization at the Project, HUD encourages the Tenant and residents to work together to determine the most appropriate ways to foster a constructive working relationship, including supporting the formation of a legitimate residents organization.

Residents are encouraged to contact the Tenant directly with questions or concerns regarding issues related to their tenancy. Tenant is also encouraged to actively engage residents in the absence of a resident organization; and

2. Protected Activities. Tenant must allow Residents and resident organizers to conduct the following activities related to the establishment or operation of a resident organization:
   a. Distributing leaflets in lobby areas;
   b. Placing leaflets at or under Residents' doors;
   c. Distributing leaflets in common areas;
   d. Initiating contact with Residents;
   e. Conducting door-to-door surveys of Residents to ascertain interest in establishing a resident organization and to offer information about resident organizations;
   f. Posting information on bulletin boards;
   g. Assisting Resident to participate in resident organization activities;
   h. Convening regularly scheduled resident organization meetings in a space on site and accessible to Residents, in a manner that is fully independent of management representatives. In order to preserve the independence of resident organizations, management representatives may not attend such meetings unless invited by the resident organization to specific meetings to discuss a specific issue or issues; and
   i. Formulating responses to Tenant's requests for:
      1. Rent increases;
      2. Partial payment of claims;
      3. The conversion from project-based paid utilities to resident-paid utilities;
      4. A reduction in resident utility allowances;
5. Converting residential units to non-residential use, cooperative housing, or condominiums;
6. Major capital additions; and
7. Prepayment of loans.

In addition to these activities, Tenant must allow Residents and resident organizers to conduct other reasonable activities related to the establishment or operation of a resident organization. Tenant shall not require Residents and resident organizers, as required under the RAD Requirements, to obtain prior permission before engaging in the activities permitted in this section.

3. Meeting Space. Tenant must reasonably make available the use of any community room or other available space appropriate for meetings that are part of the Project when requested by:
   a. Residents or a resident organization and used for activities related to the operation of the resident organization; or
   b. Residents seeking to establish a resident organization or collectively address issues related to their living environment.

 Resident and resident organization meetings must be accessible to persons with disabilities, unless this is impractical for reasons beyond the organization's control. If the Project has an accessible common area or areas, it will not be impractical to make organizational meetings accessible to persons with disabilities. Tenant may charge a reasonable, customary and usual fee, approved by the HUD and/or Landlord as may normally be imposed for the use of such facilities in accordance with procedures prescribed by HUD, for the use of meeting space. The Landlord may waive this fee.

4. Resident Organizers. A resident organizer is a Resident or non-resident who assists residents in establishing and operating a resident organization, and who is not an employee or representative of Tenant, managers, or their agents. Tenant must allow resident organizers to assist Residents in establishing and operating resident organizations.

5. Canvassing. If the Project has a consistently enforced, written policy against canvassing, then a non-resident resident organizer must be accompanied by a Resident while at the Project. If the Project has a written policy favoring canvassing, any non-resident resident organizer must be afforded the same privileges and rights of access as other uninvited outside parties in the normal course of operations. If the Project does not have a consistently enforced, written policy against canvassing, the Project shall be treated as if it has a policy favoring canvassing. A Resident has the right not to be re-canvassed against his or her wishes regarding participation in a resident organization.

6. Funding. Tenant must provide $25 per occupied RAD Unit annually for resident participation, of which at least $15 per occupied RAD Unit shall be provided to the legitimate Resident organization at the Project. These funds must be used for resident education, organizing around tenancy issues, and training activities. In the absence of a legitimate resident organization at a Project:
a. Landlord encourages the Tenant and Residents to work together to determine the most appropriate ways to foster a constructive working relationship, including supporting the formation of a legitimate Residents organization. Residents are encouraged to contact the Tenant directly with questions or concerns regarding issues related to their tenancy. Tenant is also encouraged to actively engage Residents in the absence of a Resident organization; and

b. Project Owners must make Resident participation funds available to Residents for organizing activities in accordance with this Exhibit. Residents must make requests for these funds in writing to the Tenant. These requests will be subject to approval by the Tenant.

**Termination Notification**
Tenant must provide adequate written notice of termination of any Resident lease in accordance with HUD requirements and any requirements prescribed in the Regulatory Agreements or Approved Financing Documents. Further, Tenant shall provide adequate written notice of termination of any Resident lease which shall not be less than:

a. A reasonable period of time, but not to exceed 30 days:
   1. If the health or safety of other Residents, Tenant employees, or persons residing in the immediate vicinity of the premises is threatened; or
   2. if in the event of any drug-related or violent criminal activity or any felony conviction;

b. 14 days in the case of nonpayment of rent; and

c. 30 days in any other case, except that if a State or local law provides for a shorter period of time, such shorter period shall apply.

**Grievance Process**
Tenant must maintain a grievance process in accordance with HUD requirements and any requirements prescribed in the Regulatory Agreements or Approved Financing Documents. Further, Tenant’s grievance procedure shall provide an opportunity for an informal hearing, as outlined in 24 CFR § 982.555. Notwithstanding the provisions of 24 CFR § 982.555, an opportunity for an informal hearing shall be given to Residents for any dispute that a Resident may have with respect to a Tenant action in accordance with the Resident’s lease that adversely affect the Resident’s rights, obligations, welfare, or status.

a. For Residents of the RAD Units and PBV Units, the Landlord, as contract administrator, will perform the informal hearing. The hearing officer must be selected in accordance with 24 CFR § 982.555(e) (4) (i). For Residents of Residential Units other than the RAD Units and the PBV Units, the Tenant shall perform the informal hearing.

b. There is no right to an informal hearing for class grievances or to disputes between Residents not involving the Tenant or Landlord.

c. The Tenant shall give Residents notice of their ability to request an informal hearing as outlined in 24 CFR § 982.555(c)(1).

d. The Tenant shall provide the opportunity for an informal hearing before an eviction. Current informal hearing procedures must be outlined in the Tenant’s Management Plan.
EXHIBIT D

Sustainability Plan

[attached]
EXHIBIT E

Section 3, Local Hire, Nondiscrimination and Equal Opportunity Requirements

Disposition and Development Agreement for Rose Hill Courts

1. Local Hire and Section 3 Requirements. The work to be performed under this Agreement is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. §1701u, as amended and the Section 3 regulations set forth in 24 CFR Part 135 (collectively, “Section 3”). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons. With respect to hiring for pre-development, construction and post construction job opportunities, the Developer shall use good faith efforts to fulfill, to the greatest extent feasible, the local hiring and contracting minimum numerical targets pursuant to its Construction and Post Construction Local Hiring and Section 3 Contracting Plan, in accordance with Section 3, and negotiated in accordance with the Authority’s Section 3 Guide and Compliance Plan (“Section 3 Guide”), attached to this Exhibit as Attachment 1, by hiring Section 3-qualified residents, as more particularly described in Section 1.a below (“Section 3 New Hire Requirements”). The Developer shall also use good faith efforts to ensure to the greatest extent feasible that a minimum number of work hours performed on the Development shall be performed by Section 3 Residents (defined at 24 CFR section 135.5), as more particularly described at 1.a below (“Section 3 Work Hour Requirements”).

For purposes of this Exhibit, the term “Local Hiring Requirements” shall mean the Section 3 New Hire Requirements and Section 3 Work Hour Requirements. Construction and post construction job opportunities created as a result of the Development shall be interpreted consistent with the HUD Section 3 definitions of “Employment opportunities generated by Section 3 covered assistance” and “New Hire,” as set forth at 24 CFR section 135.5, and may include, without limitation, employment opportunities, whether part-time or full-time, and/or training or apprenticeship opportunities, and are expected to be available in a range of fields from administration to construction.

a. Section 3 New Hire and Section 3 Work Hour Requirements. The Developer agrees to meet the Section 3 New Hire Requirements such that, at a minimum, thirty percent (30%) of the new pre-development, construction, and post-construction job opportunities generated by the Development shall be set aside, to the greatest extent feasible, for Section 3 Residents (as defined in 24 CFR section 135.5). Pursuant to the Section 3 regulations, specifically 24 CFR section 135.34(a)(2), and notwithstanding the priorities set forth in Section III.E of the Section 3 Guide, the Developer shall meet the Section 3 New Hiring Requirements in the following order of priorities among eligible applicants competing for particular jobs; provided, that, notwithstanding the following priorities, the goals set forth herein may be satisfied with any combination of hires regardless of the priority of category such hires may fall within: (1) current residents of Rose Hill Courts, (2) qualified Section 3 Residents of the
Northeast Los Angeles neighborhood, (3) participants in HUD’s Youthbuild programs in the City of Los Angeles; and (4) income qualified Section 3 Residents living in the City of Los Angeles, all to the greatest extent feasible. Additionally, the Developer agrees to meet the Section 3 Work Hour Requirements such that, at a minimum, ten percent (10%) of total work hours performed on construction work on the Development shall be performed, to the greatest extent feasible, by Section 3 Residents, according to the hiring priorities set forth herein. The Developer shall include the Section 3 Hiring and Work Hour Requirements in all subcontracts and ensure compliance by its contractors, and subcontractors under its authority performing work related to the Development.

b. Section 3 and MBE/WBE Contracting Requirements. To meet Section 3 Business Concern Contracting Requirements, the Developer shall use good faith efforts to award to the greatest extent feasible at least (i) ten percent (10%) of the total dollar amount of building trades work for all construction contracts and (ii) three percent (3%) of the total dollar amount of all non-construction contracts to Section 3 Business Concerns, as such term is defined in the Section 3 Regulations. Furthermore, the Developer shall include the Section 3 Clause, set forth in 24 CFR Part 135.38 and attached to this Exhibit as Attachment 2, in all subcontracts and ensure compliance by its contractors and subcontractors under its authority performing work related to the Development. In addition, the Developer shall use good faith efforts to ensure to the greatest extent feasible that Small, Minority, Women’s, and Resident Business Enterprises participate in contracting and subcontracting, pursuant to the efforts attached to this Exhibit as Attachment 3.

2. Construction Local Hiring and Section 3 & MBE/WBE Contracting Plan. The Developer shall prepare a plan for meeting the Section 3 New Hire Requirements, Section 3 Work Hour Requirements, and the Section 3 and MBE/WBE Contracting Requirements described herein during the pre-development and construction phases of the Development (“Construction Local Hiring and Section 3 Contracting Plan’) which will include a Compliance Schedule for meeting its minimum numerical employment targets, including outreach, hiring and training, as well as Section 3 Business outreach and subcontracting. The Plan shall be submitted to the Authority for its reasonable approval prior to commencing work. The Construction Local Hiring and Section 3 Contracting Plan shall remain in effect until the Development achieves substantial completion.

a. Compliance. The Developer shall submit to the Authority’s Section 3 Compliance Administrator or designee (the “Compliance Administrator”) the Section 3 reporting forms required under the Section 3 Guide in accordance with the Reports Submission Schedule attached to this Exhibit as Attachment 4, unless otherwise mutually agreed to by the parties (the “Section 3 Reports”). Within forty-five (45) business days of receipt of complete and accurate Section 3 Reports, the Compliance Administrator shall notify the Developer of any actual deficiencies in meeting its hiring and subcontracting commitments that could lead to a declaration of default to afford the Developer a reasonable opportunity to cure. In the event of a reasonable determination by the Compliance Administrator that the Developer has failed to cure following a reasonable opportunity to do so, which in no event shall exceed forty-five (45) business days, in lieu of the penalties for noncompliance set forth in Article X.B of the Section 3 Guide, the Developer shall be subject to default penalties calculated as follows:
i. Failure to meet Section 3 New Hire Requirements: Penalties in the amount of Forty-Five Dollars ($45.00) per person hour of the shortfall in Section 3 hiring (for example, if 3,000 person hours were expended on newly hired workers during the course of a given week for the Development, then of those 3,000 hours, 900 must be worked by Section 3 residents; if Section 3 residents worked only 600 hours, and the contractor did not demonstrate good faith compliance efforts to the satisfaction of the Authority, then penalties would be due in the amount of $45.00 multiplied by the 300-person-hour shortfall, or $13,500), assessed upon completion of the Development and payable to the Authority upon demand.

ii. In addition, penalties will be regarded by the Authority as poor past-performance and may be grounds for determining that a contractor is non-responsible and ineligible for award of future contracts.

The General Contractor’s compliance with the Construction Local Hiring and Section 3 Contracting Plan and achievement of HUD numerical goals will constitute good faith efforts and compliance with the applicable Local Hiring Requirements and Section 3 Contracting Requirements.

The Developer shall bear the cost of resources necessary to track compliance with Local Hiring and Section 3 Contracting Requirements incurred by the Authority by paying to the Authority a one-time fee of Forty Thousand Dollars ($40,000).

3. Post-Construction Local Hiring and Section 3 Plan. The Developer shall submit pursuant to the Ground Lease a post-construction plan (the “Post-Construction Local Hiring and Section 3 Contracting Plan”) for reasonable approval by the Compliance Administrator. The Post-Construction Local Hiring and Section 3 Plan shall be in effect immediately following expiration of the Construction Local Hiring and Section 3 Contracting Plan and shall last for the duration of the Ground Lease and shall cover all post-construction employment and Section 3 Business contracting opportunities generated by the Development.

a. Compliance. In order to provide a reasonable opportunity to cure any perceived or actual failures to meet the post-construction Local Hiring Requirements, Section 3 Contracting Requirements and Good Faith Efforts, the Developer shall submit to the Compliance Administrator on an annual basis the Section 3 reporting forms then-required and as applicable under the Section 3 Guide (the “Post-Construction Section 3 Reports”). Within forty-five (45) business days of receipt of complete and accurate Post-Construction Section 3 Reports, the Compliance Administrator shall notify the Developer of any actual deficiencies that could lead to a declaration of default to afford a reasonable opportunity to cure. In the event of a reasonable determination by the Compliance Administrator that the Developer has failed to cure following a reasonable opportunity to do so, which in no event shall exceed forty-five (45) business days, the Authority will pursue remedies available to it pursuant to this Agreement or other agreements between the Authority and the Developer. The penalties for noncompliance set forth in Article X.B of the Section 3 Guide do not apply to Post-Construction Local Hiring compliance.

4. The Local Hiring and Section 3 Contracting Requirements and reporting forms
may be amended from time to time to remain in compliance with regulatory changes as adopted by the U.S. Department of Housing and Urban Development ("HUD"), but only to the extent reasonably required by HUD.

5. Notwithstanding anything to the contrary contained in these Local Hire and Section 3 Requirements, exercise of good faith efforts to comply, to the greatest extent feasible, with the numerical targets set forth herein for the pre-development, construction, and post-construction phases of the Development will constitute satisfaction of all obligations hereunder regardless of whether such numerical targets are actually achieved. Efforts which demonstrate good faith include, but are not limited to, those stated in Section III.D. of the Section 3 Guide, attached to this Exhibit as Attachment 1.
ATTACHMENT 1 TO LOCAL HIRE AND SECTION 3 REQUIREMENTS

Section 3 Guide and Compliance Plan (v2)

[attached]
ATTACHMENT 2 TO LOCAL HIRE AND SECTION 3 REQUIREMENTS

Section 3 Clause

All Section 3 covered contracts shall include the following clause (referred to as the Section 3 clause):

A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u ("Section 3"). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted Developments covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD’s regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD’s regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.
G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).
ATTACHMENT 3 TO LOCAL HIRE AND SECTION 3 REQUIREMENTS

Assistance to Small, Minority, Women's, Section 3 and Resident Business Enterprises

REQUIRED EFFORTS

Consistent with Presidential Executive Orders 11625, 12138 and 12432, Title VI of the Civil Rights Act of 1968, and Section 3 of the Housing and Urban Development Act of 1968, as amended, Developer shall make efforts to ensure that small, minority-owned and woman-owned business enterprises, and individuals or firms located in, or owned in substantial part by persons residing in, the area of an Authority housing development are used when possible. Such efforts shall include, but shall not be limited to:

1. Including such firms, when qualified, on solicitation mailing lists;

2. Encouraging the participation of such firms through direct solicitation of bids or proposals whenever they are potential sources;

3. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by such firms;

4. Establishing delivery schedules, where the requirement permits, which encourage participation by such firms;

5. Using the services and assistance of the Small Business Administration, the Minority Business Development Agency of the Department of Commerce, and the City of Los Angeles Mayor's Office of Economic Development;

6. Including in all contracts funded from sources covered by Section 3, the Section 3 clause prescribed at 24 CFR 135.38, which clause sets forth Section 3 preference and compliance goals for employment and training of public housing residents and for contracting and subcontracting with businesses owned by public housing residents or which otherwise meet the criteria of a Section 3 business concern. Pursuant to 24 CFR 135.36, efforts shall be directed to award Section 3 covered contracts, to the greatest extent feasible to Section 3 business concerns.

7. Requiring prime contractors, when subcontracting is anticipated, to take the positive steps listed in 1 through 6 above.
ATTACHMENT 4 TO LOCAL HIRE AND SECTION 3 REQUIREMENTS

Section 3 Compliance Reports Submission Schedule

To be reported at contract execution:

a. Form 1: Declaration of Understanding and Intent to Comply

b. Form 2: Section 3 Business Concern Certification

c. Form 4: Economic Opportunity Plan (EOP) - for all subcontractors to identify hiring, subcontracting and other commitments

To be reported monthly:

a. Form 3: Section 3 Resident Certifications – to understand how many Section 3 Residents were hired, if the subcontractors are meeting their minimum numerical targets, if the order of hiring priority is being observed (may be required to attach documentation of efforts).

To be reported quarterly and at Development end:

Compliance Summary Report, including, but not limited to, the following information:

A. Dollar amount of contracts awarded to Section 3 and non-Section 3 Businesses

B. List of subcontractors, their start dates, amounts of subcontract, and similar data.

C. Detailed hiring information to determine if Section 3 Hiring and Work Hour goal is being met; if the order of hiring priority is being observed.

D. Support documentation to demonstrate efforts made to fulfill Section 3 goals and commitments.

E. Information on the workforce at the Development site and how many are Section 3 residents, new hires.

A Best Practices Guide or Development End Report which outlines good faith efforts, achievements and obstacles, to be submitted at closeout of each phase.
EXHIBIT F

Feasibility Plan Requirements

Subject to the provisions of Section 3.8(d) and 3.9(b) of this Lease, any Feasibility Plan submitted by Tenant to Landlord shall, at a minimum, include the following:

(a) A statement describing the Tenant’s reasons for deviating from the affordability requirements of this Lease and the Regulatory Agreements.

(b) A demonstration that any deviation from the affordability requirements of this Lease and the Regulatory Agreements is only to the extent necessary to preserve the viability of the Project and the affected Residential Units while maintaining the affordability of the Residential Units to the maximum extent practicable.

(c) An explanation of the Tenant’s proposed remedies, including, but not limited to: (i) how the Tenant will select the units and families, including the number of units and income levels for such units that will be affected by rent increases; (ii) a timetable for the implementation of the Feasibility Plan; and (iii) the impact on existing residential tenants.

(d) A statement of all steps Tenant has taken with regard to the Project to offset the loss of any subsidy, including the use of other public and private development resources, the use of cash flow, and funds from other operating deficit reserves.

(e) An explanation of proposed Operating Expense reductions and modifications to Project operations to improve financial performance.

(f) A financial statement showing actual operating expenses and revenues over the past 5 years and the projected expenses and revenues over the next 10 years.

(g) A statement that Tenant has provided, or will provide, all affected residential tenants with at least ninety (90) days’ notice prior to the implementation of the approved Feasibility Plan or any rent increases.

(h) A certification that upon reinstatement of any terminated subsidies or the finding of alternative subsidies or financial structures that Tenant will reinstate the affordability restrictions of this Lease and the Regulatory Agreements proportionate to the reinstated subsidies.

(i) An update to the Feasibility Plan shall be submitted by Tenant to Landlord at least annually for Landlord’s review and approval to ensure that the provisions of the Feasibility Plan continue to be appropriate.
EXHIBIT G

Property Management and Re-Occupancy Plan

[attached]
EXHIBIT H

Supportive Services Plan

[attached]
EXHIBIT I

Mitigation Measures

[attached]
EXHIBIT E

Form of Notice to Proceed

________, 202__

Rose Hill Courts I Housing Partners, L.P.
c/o The Related Companies of California, LLC
18201 Von Karman Avenue, Suite 900
Irvine, California 92612
Attn: Frank Cardone

SUBJECT: NOTICE TO PROCEED
Disposition and Development Agreement
Rose Hill Courts – Phase I

Dear Mr. Cardone:

Pursuant to the terms and conditions of that certain Disposition and Development Agreement by and between Rose Hill Courts Housing Partners, L.P. ("Developer") and the Housing Authority of the City of Los Angeles (the "Authority"), dated __________, 2020 (the "DDA"), delivery of this Notice to Proceed is a condition precedent to Developer's obligation to lease the Phase I Site from the Authority and close escrow for the Development.

The Developer is hereby requested to make all necessary arrangements to close escrow in accordance with the terms of the DDA.

Defined terms used in this Notice to Proceed and not otherwise defined have the meanings set forth in the DDA.

The Authority looks forward to continuing to work with the Developer on the Development. Should you have any questions, or require additional information, please contact Dhiraj Narayan at (213) 252-2040.

Sincerely,

Jenny Scanlin
Chief, Bureau of Strategic Development

cc: Howard Baum, Director of Legal and General Services
Dhiraj Narayan, Development Officer
EXHIBIT F

FORM OF COMPLETION GUARANTY

COMPLETION GUARANTY

Rose Hill Courts Phase I

THIS COMPLETION GUARANTY ("Guaranty") is made as of ___________, 20__, by
The Related Companies, L.P., a New York limited partnership ("Guarantor") in favor of the
Housing Authority of City of Los Angeles, a public body, corporate and politic (the "Authority").

RECITALS

A. WHEREAS, the Authority and Rose Hill Courts Phase I Housing Partners, L.P., a
California limited partnership (the "Developer") entered into that certain Disposition and
Development Agreement, dated ___________, 2020, (the "DDA"), in which the Developer agreed
to redevelop a low-income residential housing development (the "Development") in accordance
with the terms and conditions of the DDA. All capitalized terms not defined herein shall have the
meaning set forth in the DDA;

B. WHEREAS, the Development is to be redeveloped is located in Los Angeles,
California and is more fully described on Exhibit A attached to the DDA (which legal description
is attached hereto as Exhibit A and incorporated herein by reference) (the "Phase I Site");

C. WHEREAS, pursuant to the DDA, the Authority agreed, with respect to the
Development, to enter into a ground lease with Developer (the "Ground Lease"); and

D. WHEREAS, Guarantor is an Affiliate of Developer, has a substantial financial
interest in the business and affairs of Developer and it will receive substantial economic benefit
should Developer be permitted to develop the Development in the manner and in accordance
with the terms of the DDA.

THEREFORE, to induce the Authority to enter into the DDA and the Ground Lease, and
in consideration thereof, Guarantor unconditionally guarantees and agrees as follows:

1. DDA. Guarantor acknowledges receipt of a copy of the DDA and all of the
instruments described therein and/or attached thereto. The DDA is incorporated herein by this
reference as though fully set forth herein. "DDA" as used herein shall mean, refer to and include
the DDA, as well as any riders, exhibits, addenda, implementation agreements, amendments
and attachments thereto (which are hereby incorporated herein by this reference), heretofore or
hereinafter entered into by the Authority and Developer or other documents expressly
incorporated by reference in the DDA.

2. Guaranty. Guarantor hereby guarantees the performance by Developer of (a) its
obligation to complete redevelopment of the Development pursuant to the terms and conditions
set forth in the DDA. Without limiting the generality of the foregoing, Guarantor guarantees that:
(i) such redevelopment shall be completed substantially within the time limits set forth in the
DDA, subject to force majeure delays; (ii) the development shall be constructed and completed
substantially in accordance with the Phase I Development Plan and the other provisions of the
DDA, as the same may be modified from time to time in accordance with the DDA; (iii) the
development shall be redeveloped and completed free and clear of any mechanic's liens, materialmen's liens and equitable liens; and (iv) all costs of construction shall be paid or otherwise discharged prior to delinquency; and (b) each of its indemnity obligations set forth in Section 6.12 of the DDA.

3. **Lien Free Completion.** Substantial completion of redevelopment of the Development free and clear of liens shall be deemed to have occurred upon ("Lien Free Completion"): (a) (i) the Authority's receipt of all required occupancy permit(s) for the Development (if any) issued by the local government agency having jurisdiction and authority to issue same, and (ii) the expiration of the statutory period(s) within which valid mechanic's liens, materialmen's liens and/or stop notices may be recorded and/or served by reason of the development of the Development, or, alternatively, the Authority's receipt of valid, unconditional releases thereof from all persons entitled to record said liens or serve said stop notices; or (b) the Authority's receipt of such other evidence of lien free completion as the Authority deems satisfactory in its reasonable discretion.

4. **Obligations of Guarantor Upon Default By Developer.** If the redevelopment is not substantially completed within the time required by the DDA, Guarantor shall, within thirty (30) days of receipt of written demand of the Authority: (a) diligently proceed to complete at Guarantor's sole cost and expense; (b) fully pay and discharge all claims for labor performed and material and services furnished in connection with the redevelopment; and (c) release and discharge all claims of stop notices, mechanic's liens, materialmen's liens and equitable liens that may arise in connection with the redevelopment.

5. **Remedies.** If Guarantor fails to promptly perform its obligations under this Guaranty after written demand by the Authority, the Authority shall have the remedy, from time to time and without first requiring performance by Developer, to bring any action at law or in equity or both to compel Guarantor to perform its obligations hereunder, and to collect in any such action compensation for all loss, cost, damage, injury and expense sustained or incurred by the Authority as a direct consequence of the failure of Guarantor to perform its obligations.

6. **Rights of the Authority.** Guarantor authorizes the Authority, without giving notice to Guarantor or obtaining Guarantor's consent and without affecting the liability of Guarantor, from time to time to approve modifications to the Phase I Development Plan so long as such modifications do not materially increase the cost of redeveloping the Development or materially increase the time necessary to complete the Development.

7. **Guarantor's Waivers.** Guarantor waives: (a) any defense based upon any legal disability or other defense of Developer, any other guarantor or other person, or by reason of the cessation or limitation of the liability of Developer from any cause other than full payment and performance of those obligations of Developer which are guaranteed hereunder; (b) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Developer or any principal of Developer or any defect in the formation of Developer or any principal of Developer; (c) any and all rights and defenses arising out of an election of remedies by the Authority, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the California Code of Civil Procedure or otherwise; (d) any defense based upon the Authority's failure to disclose to Guarantor any information concerning Developer's financial condition or any other circumstances bearing on Developer's ability to pay and perform its obligations under the DDA; (e) any defense based upon any statute or rule of law which
provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal; (f) any defense based upon the Authority's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code or any successor statute; (g) any defense based upon any borrowing or any grant of a security interest under Section 364 of the Federal Bankruptcy Code; (h) any right of subrogation, any right to enforce any remedy which the Authority may have against Developer and any right to participate in, or benefit from, any security for the DDA now or hereafter held by the Authority; (i) presentment, demand, protest and notice of any kind; and (j) the benefit of any statute of limitations affecting the liability of Guarantor hereunder or the enforcement hereof. Guarantor further waives any and all rights and defenses that Guarantor may have because Developer's debt is secured by real property; this means, among other things, that: (1) the Authority may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by Developer; (2) if the Authority forecloses on any real property collateral pledged by Developer, then (A) the amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (B) the Authority may collect from Guarantor even if the Authority, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Developer. These rights and defenses being waived by Guarantor include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure. Without limiting the generality of the foregoing or any other provision hereof, Guarantor further expressly waives to the extent permitted by law any and all rights and defenses, including without limitation any rights of subrogation, reimbursement, indemnification and contribution, which might otherwise be available to Guarantor under California Civil Code Sections 2787 to 2855, inclusive, 2899 and 3433, or under California Code of Civil Procedure Sections 580a, 580b, 580d and 726, or any of such sections.

8. **Guarantor's Warranties.** Guarantor warrants and acknowledges that: (a) the Authority would not enter into the DDA but for this Guaranty; (b) Guarantor has reviewed all of the terms and provisions of the DDA; (c) Guarantor has established adequate means of obtaining from sources other than the Authority, on a continuing basis, financial and other information pertaining to Developer's financial condition, the Phase I Site, the progress of construction of the Development, and the status of Developer's performance of its obligations under the DDA, and the Authority has made no representation to Guarantor as to any such matters; and (d) Guarantor has not and will not, without the prior written consent of the Authority, sell, lease, assign, encumber, hypothecate, transfer or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein, other than in the ordinary course of Guarantor's business.

9. **Subordination.** Guarantor subordinates all present and future indebtedness owing by Developer to Guarantor to the obligations at any time owing by Developer to the Authority under the DDA. Guarantor assigns all such indebtedness to the Authority as security for this Guaranty. Guarantor agrees to make no claim for such indebtedness until all obligations of Developer under the DDA with respect to the redevelopment have been fully discharged. Guarantor further agrees not to assign all or any part of such indebtedness unless the Authority is given prior notice and such assignment is expressly made subject to the terms of this Guaranty. Nothing contained in the foregoing shall prohibit or prevent distributions, directly or indirectly, from Developer to Guarantor in the ordinary course of business except after the occurrence of a Developer and/or Guarantor default.

10. **Disclosure of Information.** Guarantor agrees that the Authority may disseminate to
any such actual or potential purchaser(s), assignee(s) or participant(s) all documents and information (including, without limitation, all financial information) which has been or is hereafter provided to or known to the Authority, in all cases subject to the Authority's typical confidentiality practices, with respect to: (a) the Phase I Site and the Development and their operation; (b) any party connected with the DDA (including, without limitation, the Guarantor, the Developer, any partner of Develooer, any constituent partner of Developer, any other guarantor and any non-borrower trustor); and/or (c) any lending relationship which the Authority may have with any party connected with the Development. In the event of any such sale, assignment or participation, the Authority and the parties to such transaction shall share in the rights and obligations of the Authority as set forth in the DDA only as and to the extent they agree among themselves. In connection with any such sale, assignment or participation, Guarantor further agrees that the Guaranty shall be sufficient evidence of the obligations of Guarantor to each purchaser, assignee, or participant, and upon written request by the Authority, Guarantor shall consent to such amendments or modifications to the DDA as may be reasonably required in order to evidence any such sale, assignment, or participation.

11. Additional, Independent and Unsecured Obligations. This Guaranty is independent of the obligations of the Developer under the DDA. The Authority may bring a separate action to enforce the provisions hereof against Guarantor without taking action against Developer or any other party or joining Developer or any other party as a party to such action. Except as otherwise provided in this Guaranty, this Guaranty is not secured and shall not be deemed to be secured by any security instrument unless such security instrument expressly recites that it secures this Guaranty.

12. Attorneys' Fees; Enforcement. If any attorney is engaged by the Authority to enforce or defend any provision of this Guaranty, or the DDA relating to the redevelopment of the Development, Guarantor shall pay to the Authority, immediately upon demand all reasonable attorneys' fees and costs incurred by the Authority in connection therewith.

13. Rules of Construction. If this Guaranty is executed by more than one person, the term "Guarantor" shall include all such persons. When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural and vice versa. All headings appearing in this Guaranty are for convenience only and shall be disregarded in construing this Guaranty.

14. Governing Law. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of California, except to the extent preempted by federal laws. Guarantor and all persons and entities in any manner obligated to the Authority under this Guaranty consent to the jurisdiction of any federal or state court within the State of California having proper venue and also consent to service of process by any means authorized by California or federal law.

15. Miscellaneous. The provisions of this Guaranty will bind and benefit the heirs, executors, administrators, legal representatives, nominees, successors and assigns of Guarantor and the Authority. The liability of all persons and entities who are in any manner obligated hereunder shall be joint and several. If any provision of this Guaranty shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion shall be deemed severed from this Guaranty and the remaining parts shall remain in full force as though the invalid, illegal or unenforceable portion had never been part of this Guaranty.
16. **Termination.** Notwithstanding any earlier termination of the DDA, this Guaranty and all of Guarantor's obligations hereunder shall terminate and be of no further force and effect upon Lien Free Completion, as defined in Section 3.

17. **Subordination.** Notwithstanding anything contained in this Guaranty to the contrary, this Guaranty shall be subject and subordinate to a prior and superior guaranty made by any Guarantor in favor of ____________________ [insert name of construction lender] ("Construction Lender"); provided, however, if the Construction Lender is not diligently and continuously pursuing Lien Free Completion under the superior guaranty, the Authority shall have the right to fully pursue all remedies hereunder.

18. **Enforceability.** Guarantor hereby acknowledges that: (a) the obligations undertaken by Guarantor in this Guaranty are complex in nature, and (b) numerous possible defenses to the enforceability of these obligations may presently exist and/or may arise hereafter, and (c) as part of the Authority's consideration for entering into this transaction, the Authority has specifically bargained for the waiver and relinquishment by Guarantor of all such defenses, and (d) Guarantor has had the opportunity to seek and receive legal advice from skilled legal counsel in the area of financial transactions of that type contemplated herein. Given all of the above, Guarantor does hereby represent and confirm to the Authority that Guarantor is fully informed regarding, and that Guarantor does thoroughly understand: (i) the nature of all such possible defenses, and (ii) the circumstances under which such defenses may arise, and (iii) the benefits which such defenses might confer upon Guarantor, and (iv) the legal consequences to Guarantor of waiving such defenses.

[signature on following page]
IN WITNESS WHEREOF, Guarantor has executed this Guaranty as of the date appearing on the first page of this Guaranty.

GUARANTOR:

THE RELATED COMPANIES, L.P.,
a New York limited partnership

By: The Related Realty Group, Inc.,
its general partner

By: __________________________
Name: _________________________
Title: __________________________
EXHIBIT A TO COMPLETION GUARANTY

LEGAL DESCRIPTION OF PHASE I SITE
EXHIBIT A
APN 5305-011-900
PHASE 2
LEGAL DESCRIPTION

LOTS 1, 2, 3, 4, 5 AND 6 OF TRACT NO. 13089, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 308, PAGE 21 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, EXCEPT THOSE PORTIONS OF LOTS 1, 2 AND 3 DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID LOT 1;
THENCE ALONG THE NORTHERLY LINE OF SAID LOT 1, NORTH 89°59'22" WEST, 451.00 FEET;
THENCE SOUTH 00°00'38" WEST, 174.46 FEET;
THENCE SOUTH 89°59'22" EAST, 451.04 FEET TO THE EASTERLY LINE OF SAID LOT 3;
THENCE ALONG THE EASTERLY LINE OF SAID LOTS 3 AND 1 NORTH 00°00'15" EAST, 174.46 FEET TO THE POINT OF BEGINNING.

CONTAINING 149,640 SQUARE FEET, MORE OR LESS.

ALL AS SHOWN ON EXHIBIT B, ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.

THIS DESCRIPTION WAS PREPARED BY ME, OR UNDER MY DIRECTION.

KURT R. TROXELL, P.L.S. 7854
DATED THIS 10th DAY OF JANUARY, 2020
EXHIBIT G

Right of Entry Agreement

SPECIAL USE LICENSE AGREEMENT AND RIGHT OF ENTRY

THIS SPECIAL USE LICENSE AGREEMENT AND RIGHT OF ENTRY (this “Agreement”), is made and entered into this ___ day of __________, 2020 (the “Execution Date”), by and between THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic (“Licensor” or “Housing Authority”) and ROSE HILL COURTS I HOUSING PARTNERS, L.P., a California limited partnership (“Licensee” or “Related”). Licensor and Licensee are sometimes hereinafter referred to individually as a “party” and collectively, as the “parties”.

RECITALS:

WHEREAS, Licensor is the owner of that certain real property known as the Rose Hill Courts Development in the City of Los Angeles as more particularly described in Exhibit “A” attached hereto and incorporated herein by this reference (the “License Area” or “Property”); and

WHEREAS, Licensee and Licensor have executed a Disposition and Development Agreement (“DDA”) to substantially rehabilitate Phase I upon the License Area (the “Project”). Licensee has requested that Licensor grant Licensee and its third party contractors a license to enter upon the License Area for the purpose of conducting the Predevelopment work as further described herein in Section 1(c) (the “Authorized Uses”) and for no other purpose; and

WHEREAS, Licensor desires to grant Licensee a license to use the License Area for the Authorized Uses and Licensee desires to accept from Licensor a license to use the License Area for the Authorized Uses under the terms and conditions of this Agreement.

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING RECITALS WHICH ARE INCORPORATED HEREIN AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE PARTIES AGREE AS FOLLOWS:

Section 1. GRANT OF LICENSE

(a) License Non-exclusive/Revocable. The Licensor hereby grants Licensee a non-exclusive revocable license (the “License”) to Related and its agents, employees, consultants, contractors and subcontractors, for the temporary right to enter onto the Property, with at least forty-eight (48) hours’ notice to the Housing Authority, for the Authorized Uses during the hours of 8am-4pm and in compliance with all applicable laws, rules, orders and regulations. No other uses of the License Area are permitted under this Agreement without the express written consent of the Licensor. Licensee understands and agrees that its use of the License Area is non-exclusive and that the License does not include the right to store machinery,
equipment, supplies, building materials, hazardous materials or substances (as those terms are
defined under law and regulation) upon the License Area without the express written consent of
Licensor.

(b) Grant of License Only. Licensee understands and agrees that the License does not
include the grant of a right to possession or grant of title to the License Area. The right to
possession of the License Area shall at all times remain with the Licensor and at no time shall
Licensee have the right to exclude the Licensor, Licensor’s agents, employees, public housing
residents or guests from the License Area. Licensee may exclude third parties from the License
Area when such exclusion is reasonably necessary in order to protect the vehicles and personal
property of Licensee or maintain peace and order, conduct business, or to prevent damage to the
License Area.

(c) Authorized Uses. The Licensor, its agents, employees, consultants, contractors and
subcontractors may enter the Property to perform certain predvelopment work as set forth in the
DDA. Authorized Uses include planning and holding stakeholder and resident meetings and
conducting analyses of the Property as necessary for the execution of the DDA, including
historic rehabilitation analysis and other tests and surveys.

Section 2. MAINTENANCE OF LICENSE AREA

Licensee understands and acknowledges that the Licensor’s ownership of the License
Area and certain surrounding properties is subject to regulation by the U.S. Department of
Housing and Urban Development ("HUD") and that these regulations prohibit the Licensor from
caus[ing or allowing nuisance conditions upon the License Area, including without limitation,
graffiti or attractive nuisances. The Licensee shall, within five (5) days of receipt of written
demand from the Licensor, promptly repair or replace, as applicable, any damage to the License
Area or improvements caused by the Licensee or its employees, agents, consultants or
subcontractors. All of the foregoing activities shall be conducted in compliance with applicable
law. The Licensee’s covenants and obligations contained in this Section 2 shall survive the
expiration of the Term.

Section 3. TERM

The term of this Agreement shall commence upon the Execution Date and shall, unless
earlier revoked by Licensor as provided below, expire without further action required on the part
of either party upon closing for the Project ("Term"). Notwithstanding the above, Licensor may
revoke this License at any time with or without cause; provided, however, Licensor shall provide
Licensee at least five (5) days’ notice of its election to revoke this Agreement.

Section 4. LICENSE FEE

Licensee shall pay Licensor a license fee equal to One Dollar ($1.00), the receipt and
sufficiency of which are acknowledged by the parties.

Section 5. HOUSING AUTHORITY NON-LIABILITY
It is understood and agreed by the Licensee that the Licensor and its successors or assigns shall be held harmless and shall incur no liability with respect to Licensee and its employees, contractors, subcontractors or agents and any vehicles and personal property stored, maintained or placed upon the License Area or harm to persons or property on or about the License Area unless due to the gross negligence or willful misconduct of the Licensor.

Section 6. INSURANCE AND INDEMNIFICATION

Licensee, at Licensee’s sole cost and expense, shall procure and maintain for the duration of this Agreement, insurance against claims to injuries to persons or damages to property which may arise from, or in connection with, any activities at the Property hereunder by Licensee, its agents, employees, consultants or subcontractors.

(a) Liability Insurance. Prior to entry on the License Area, Licensee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Licensee and Licensor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the License Area and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an “Additional Insured-Managers or Licensor of Premises Endorsement” and contain the “Amendment of the Pollution Exclusion Endorsement” for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Agreement as an “insured contract” for the performance of Licensee’s indemnity obligations under this Agreement. The limits of said insurance shall not, however, limit the liability of Licensee nor relieve Licensee of any obligation hereunder. All insurance carried by Licensee shall be primary to and not contributory with any similar insurance carried by Licensor, whose insurance shall be considered excess insurance only.

(b) Adjacent Premises. Licensee shall pay for any increase in the premiums for the property insurance of the Property if said increase is caused by Licensee’s acts, omissions, use or occupancy of the License Area.

(c) Workers’ Compensation Insurance. Licensee shall obtain and keep in full force Workers' Compensation Insurance providing coverage as required by the California State Workers' Compensation Law and listing the Licensor as an additional insured.

(d) Comprehensive Automobile Liability Insurance. Licensee shall obtain and keep in full force Comprehensive Automobile Liability Insurance with limits not less than $500,000 per occurrence for all owned and non-owned vehicles, with the Licensor as an additional insured on the policy.

(e) Insurance Policies. Insurance required herein shall be by companies duly licensed or admitted to transact business in California and maintaining during the policy term a “General
Policyholders Rating” of at least B+, V, as set forth in the most current issue of “Best’s Insurance Guide,” or such other rating as may be required by Licensor. Licensee shall not do or permit to be done anything which invalidates the required insurance policies. Licensee shall, prior to use of the License Area, deliver to Licensor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance, all in accordance with Exhibit “B” attached hereto and incorporated herein (the “Insurance Requirements”). No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Licensor. Licensee shall, at least 30 days prior to the expiration of such policies, furnish Licensor with evidence of renewals or “insurance binders” evidencing renewal thereof, or Licensor may order such insurance and charge the cost thereof to Licensee, which amount shall be payable by Licensee to Licensor upon demand. Such policies shall be for a term of at least one year, or the length of the remainder of the Term, whichever is less.

(f) Waiver of Subrogation. Without affecting any other rights or remedies, Licensee and Licensor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Licensor or Licensee, as the case may be, so long as the insurance is not invalidated thereby.

(g) Indemnification. The Licensor shall indemnify, defend and hold harmless the Housing Authority and its respective commissioners, directors, officers, agents, employees and affiliates hereunder from any loss, cost, damage, claim, demand, suit, liability, judgment and expense (including reasonable attorneys’ fees actually incurred and other costs of litigation) (“Claims”) arising out of or relating to any injury or death of persons, or damage to or loss of property to the extent resulting from any material breach of this Agreement or the grossly negligent or intentional wrongful acts of the Licensee or its member entities, agents, partners, employees or Licensee-hired third-party contractors arising or occurring after the date hereof, excluding Claims arising from the active negligence or willful misconduct of the Housing Authority. Licensee’s covenants and obligation contained herein shall survive the expiration or termination of the Term.

Section 7. COMPLIANCE WITH LAWS/PERMITS

Licensee shall, in all activities undertaken pursuant to this Agreement, comply and cause its consultants, contractors, subcontractors, agents and employees to comply with all federal, state and local laws, statutes, orders, ordinances, rules, regulations, plans, policies and decrees. Without limiting the generality of the foregoing, Licensee shall be responsible for obtaining any and all governmental permits and approvals which may be necessary for it to conduct any activities under this Agreement. Licensor shall coordinate and cooperate with Licensee in Licensee’s activities to obtain all necessary government permits and permissions.

Section 8. LIENS
Licensee shall not permit to be placed against the Property, or any part thereof, any design professionals', mechanics', materialmen's, contractors' or subcontractors' liens with regard to the Licensee's actions upon the Property. Licensee agrees to hold the Licensor harmless for any loss or expense, including reasonable attorneys' fees and costs, arising from any such liens which might be filed against the Property.

**Section 9. MODIFICATIONS AND AMENDMENTS**

This Agreement may be modified or amended only by a written instrument signed by both parties.

**Section 10. NOTICES**

a. Any notice or payment to be provided pursuant to this Agreement shall be delivered by personal service or by deposit in the United States mail, certified or registered, return receipt requested, with postage prepaid, and addressed to the parties as follows:

To the Licensor: Housing Authority of the City of Los Angeles
Attn: Doug Guthrie, President and CEO
2600 Wilshire Blvd.
Los Angeles, CA 90057

To the Licensee: c/o The Related Companies of California
Attn: Frank Cardone, President
18201 Von Karman Avenue, Suite 900
Irvine, CA 92612

b. Notices and other documents shall be deemed delivered upon receipt by personal service or as of the second (2nd) day after deposit in the United States mail.

c. The parties to this Agreement may change their notification addresses from time to time upon written notice to one another.

**Section 11. INTERPRETATION; ENTIRE AGREEMENT**

Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Agreement. This Agreement and the DDA ERN contain the entire agreement between the Housing Authority with respect to the License and License Area. There are merged herein all prior and collateral representations, promises, and conditions in connection with the subject matter hereof. Any representations, promises or conditions not incorporated herein shall not be binding upon either party.

**Section 12. WAIVER**
a. No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective, unless executed in writing and signed by the party making the waiver.

b. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any such waiver constitute a continuing or subsequent waiver of the same provision.

c. Failure of either party to enforce any provision of this Agreement shall not constitute a waiver of the right to compel enforcement of the remaining provisions of this Agreement.

Section 13. GOVERNING LAW

This Agreement shall be interpreted under and be governed by the laws of the State of California, except for those provisions relating to choice of law or those provisions preempted by federal law. This Agreement is made, entered into and executed in Los Angeles County, California, and any action filed for the interpretation, enforcement or other action with respect to the terms, conditions or covenants referred to herein shall be filed in the applicable court in Los Angeles County, California.

Section 14. TIME IS OF THE ESSENCE

Time is of the essence in the performance of every covenant and obligation under this Agreement.

Section 15. ATTORNEY'S FEES

The prevailing party in any action to enforce this Agreement shall not be entitled to recover reasonable attorneys' fees and costs from the other party (including fees and costs in any subsequent action or proceeding to enforce or interpret any judgment entered pursuant to an action on this Agreement). Each party shall bear its own costs and fees.

Section 16. ASSIGNMENT PROHIBITED

This Agreement is personal to Licensee and Licensee shall have no right or ability to transfer or assign any rights or interest herein without the prior written consent of Licensor, which consent shall not be unreasonably withheld or delayed.

Section 17. SEVERABILITY

If any one or more of the sentences, clauses, paragraphs or sections contained herein is declared invalid, void or unenforceable by a court of competent jurisdiction, the same shall be deemed severable from the remainder of this Agreement and shall not affect, impair or invalidate any of the remaining sentences, clauses, paragraphs or sections contained herein.
Section 18. SUBORDINATION

The Housing Authority reserves the right to assign, transfer, mortgage or otherwise encumber the License Area. Related agrees upon demand by the Housing Authority, to execute and deliver to the Housing Authority such further instruments subordinating this Agreement, as may be determined required by the Housing Authority, to the interest of any such assignee, transferee, mortgagee or other entity in connection with the Housing Authority’s contemplated transaction.

Section 19. CONFLICT OF INTERESTS

No member, official or employee of the Housing Authority 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 or her personal interests or the interests of any corporation, partnership or association in which he, or she is directly or indirectly, interested.

Section 20. WARRANTY AGAINST PAYMENT OF CONSIDERATION FOR LICENSE

The Licensee warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this License: provided, however, the Authority acknowledges that Licensee has retained legal counsel and consultants in connection with this License, and agrees that such arrangements are not a violation of this Section 20.

Section 21. NONLIABILITY OF OFFICIALS, OFFICERS, MEMBERS AND EMPLOYEES

No member, official, officer, or employee of the Housing Authority shall be personally liable to the Licensee, or any successor in interest, in the event of any default or breach by the Authority or for any amount which may become due to the Licensee or to his successor, or on any obligations under the terms of this Agreement.

Section 22. NO DEDICATION FOR PUBLIC USE

The provisions of this Agreement are not intended to and do not constitute a dedication for a public use, and the rights created herein are private and for the benefit only of the parties hereto and their successors and assigns as permitted hereunder.

Section 23. NON RECORDATION

This Agreement may not be recorded in the Official Records of the County of Los Angeles without the express written consent of the Housing Authority which consent may be withheld by the Housing Authority in its sole discretion.
Section 24. BINDING UPON SUCCESSORS

All provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, transferees, and assigns of each of the parties; provided, however, that this section does not waive the prohibition on assignment of this Agreement by the Licensee.

Section 25. EFFECT OF LEGAL JUDGMENTS

Should any covenant, condition, or provision herein contained be held to be invalid by final judgment in any court of competent jurisdiction, the invalidity of such covenant, condition, or provision shall not in any way affect any other covenant, condition, or provision herein contained.

Section 26. AUTHORITY

The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of the applicable party.

Section 27. COUNTERPARTS

This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

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

Housing Authority
of the City of Los Angeles

______________________________
Doug Guthrie,
President and CEO

APPROVED AS TO FORM:

______________________________
Senior Staff Attorney

Licensee

ROSE HILL COURTS I HOUSING PARTNERS, L.P.,
a California limited partnership

By: Related/Rose Hill Courts I Development Co., LLC,
a California limited liability company
its administrative general partner

By: ____________________________
Frank Cardone
President
EXHIBIT A

LICENSE AREA SITE MAP

(Attached)
EXHIBIT A  
APN 5305-011-900  
PHASE 2  
LEGAL DESCRIPTION

LOTS 1, 2, 3, 4, 5 AND 6 OF TRACT NO. 13089, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 308, PAGE 21 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, EXCEPT THOSE PORTIONS OF LOTS 1, 2 AND 3 DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID LOT 1;  
THENCE ALONG THE NORTHERLY LINE OF SAID LOT 1, NORTH 89°59'22" WEST, 451.00 FEET;  
THENCE SOUTH 00°00'38" WEST, 174.46 FEET;  
THENCE SOUTH 89°59'22" EAST, 451.04 FEET TO THE EASTERLY LINE OF SAID LOT 3;  
THENCE ALONG THE EASTERLY LINE OF SAID LOTS 3 AND 1 NORTH 00°00'15" EAST, 174.46 FEET TO THE POINT OF BEGINNING.

CONTAINING 149,640 SQUARE FEET, MORE OR LESS.

ALL AS SHOWN ON EXHIBIT B, ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.

THIS DESCRIPTION WAS PREPARED BY ME, OR UNDER MY DIRECTION.

KURT R. TROXELL, P.L.S. 7854  
DATED THIS 10th DAY OF JANUARY, 2020
EXHIBIT B
PHASE 2 LEGAL DESCRIPTION

FLORIZEL STREET

LOT 1

TRACT NO. 13089
MB 308-21
APN 5305-011-900

LOT 3

MCKENZIE AVENUE

LINE LEGEND:

- PHASE 2 BOUNDARY
- CENTERLINES
- SUBJECT PROPERTY
- EXISTING LOT LINE

SCALE: 1” = 100’

EXHIBIT B
PLAT TO ACCOMPANY LEGAL DESCRIPTION
ROSE HILL COURTS
CITY OF LOS ANGELES

DATE: 1/10/20
FN: 622-012
DRAWN BY: MC
CHECKED BY: KRT

M:\MAPPING\622\12\LEGALS\PHASE 1 LEGAL DESCRIPTION\0622-012 PHASE 2 LEGAL DESC.DWG (01-10-20)
EXHIBIT B

INSURANCE REQUIREMENTS WORKSHEET

(Attached)
INSURANCE REQUIREMENTS

(FOR INFORMATION ONLY – DO NOT RETURN THIS PAGE TO HACLA)

Name: _______________________________ Date: ________________

Agreement/Reference: SPECIAL USE LICENSE AGREEMENT

Evidence of coverages checked having as a minimum the limits shown must be submitted and approved prior to occupancy of the License Area. Certificates of Insurance will be acceptable for Workers Compensation. Contractor to provide HACLA with Endorsements for General Liability and Automobile Liability, naming the Housing Authority of the City of Los Angeles 2600 Wilshire Boulevard Los Angeles, CA 90057 as Additional Insured. Amounts shown are Combined Single Limit. Split limits may be submitted if the total per occurrence equals or exceeds the CSL amount. Prime Contractor may be required to provide a Certified Copy of the General Liability Policy for all construction jobs.

All policies shall have an A.M. Best rating of “B+” or higher. All policies shall be with an “Admitted” carrier by the California Insurance Commissioner’s Office. The HACLA Risk Manager must clear exceptions in advance of Notice to Proceed by HACLA.

( X ) Workers’ Compensation (statutory)/Employer’s Liability: $1,000,000 (with no exclusions for lead or asbestos)

( X ) Comprehensive General Liability $2MM/$4MM
  $1,000,000
  ( X ) Premises and Operations
  ( X ) Contractual Liability, Oral and Written Automobiles
  ( X ) Independent Contractors
  ( X ) Products/Completed Operations
  ( X ) Broad Form Property Damage Incl. Completed Operations
  ( X ) Personal Injury, Excl. C, deleted
  ( X ) Broad Form Liability Endorsement
  ( X ) Fire Legal Liability: $100,000 per occurrence

( X ) Automobile Liability:
  ( X ) Owned Automobiles
  ( X ) Non-Owned/Hired

( ) Garage keeper’s Legal Liability
( ) Explosion hazard
( ) Collapse/Underground Hazard
( ) Incidental Medical Malpractice

( ) Environmental Liability

( ) Law Enforcement liability with an Intentional Acts endorsement.

( ) Professional Liability (Errors & Omissions) $ ______________ ( ) Retroactive Date:

( ) Property Insurance
  ___ % Co-Insurance
  Replacement Value ( ) Agreed Amount
  ( ) All Risk Coverage

( ) Builders Risk $[Value of Contract]
  ( ) Actual Cash Value
  ( ) Boiler & Machinery

DOGS / 17
DC114-112/13
( ) Fire and Extended Coverage  
( ) Vandalism & Malicious Mischief  
( ) Flood $____________________
( ) Earthquake $____________________
( ) Debris Removal  
( ) Sprinkler Leakage  
( ) Windstorm  
( ) Builders Risk

( ) Crime Insurance $____________________
( ) Comprehensive Dishonesty, Disappearance, & Destruction  
( ) Blanket Crime

( ) Fidelity Bond $____________________
( ) Blanket Position  
( ) Commercial Blanket  
( ) ______________________

( X) Owner’s Protective Liability $ Value of Contract ______________________
( ) Non- Aggregated Umbrella Policy over: _____________

NOTES: ALL CONTRACTORS AND SUB-CONTRACTORS MUST PROVIDE CERTIFICATES COPIES OF INSURANCE WHEREBY THE HACLA IS TO BE NAMED AS AN ADDITIONAL INSURED BY SUB-CONTRACTORS. SUB-CONTRACTORS SHALL PROVIDE EVIDENCES OF COVERAGE HAVING THE MINIMUM LIMITS, AS SHOWN BELOW:

Workers’ Compensation (statutory)/
Employer’s Liability not less than: $1,000,000 (with no exclusion for lead or asbestos)
General Liability not less than: $1,000,000 (per occurrence)
Automobile Liability not less than: $1,000,000
INSURANCE INSTRUCTIONS

INSTRUCTIONS FOR COMPLETING, EXECUTING AND SUBMITTING EVIDENCE OF INSURANCE TO THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

Insured: ___________________________ Date: ___________________________

(Contractor, Lessee, Permittee, etc.)

Agreement/Reference: SPECIAL USE LICENSE AGREEMENT

(b) A. INSURED

1. In order to reduce problems and time delays in providing evidence of insurance to HACLA you are requested to give your insurance agent or broker a copy of the Insurance Requirements Sheet (Form Gen. 146) along with these instructions/endorsement forms for completing, executing, and submitting evidence of insurance.

2. If the agreement requires Workers' Compensation coverage and you have been authorized by the State of California to self-insure Workers' Compensation, then a copy of the certificate from the State authorizing self-insurance for Workers' Compensation shall meet the requirements for Workers' Compensation insurance covering activities within the State of California.

3. All questions relating to insurance should be directed to the department or office responsible for your contract, lease, permit, or other agreement.

B. INSURANCE AGENT OR BROKER

1. The appropriate Endorsement Form shall be used. No changes in the terms of the attached Endorsement Forms will be permitted. Certificates of Insurance alone will not be accepted by the HACLA.

2. More than one insurance policy may be required to comply with the insurance requirements. Endorsement forms appropriate to your insured's agreement, contract, lease or permit are included.

3. You shall have an authorized representative of the insurance company sign the completed endorsement forms and note his phone number at the bottom of page 1 and have said representative transmit the forms and certified copies of the insurance policies to the HACLA. Signatures must be originals as HACLA will not accept facsimile (rubber stamp, photocopy, etc.) or initial signatures.
4. The name of the Insurance Company underwriting the coverage and its address shall be noted on page 2 of the endorsement form.

5. The "General description of agreement(s) and/or activity(s) insured" shall include reference to the activity and/or to either the specific HACLA contract number, lease number, permit number or construction approval number.

6. The coverages and limits for each type of insurance are specified on the insurance requirements sheet. When coverage is on a scheduled basis, then a separate sheet is to be attached to the endorsement listing such scheduled locations, vehicles, etc. so covered.

7. Endorsements to excess policies will be required when primary insurance is insufficient in complying with the HACLA requirements.

8. If there is insufficient space on the form to note pertinent information, such as inclusions, exclusions or specific provisions, etc., a separate sheet may be attached.

9. When additional sheets are attached, change the number of pages at the bottom of the form.

10. Completed Endorsement(s) and questions relating to the required insurance are to be directed to:

    **HOUSING AUTHORITY OF THE CITY OF LOS ANGELES**

    ADDRESS CANCELLATION NOTICE AND ISSUE ENDORSEMENT TO:

    INSURANCE DEPARTMENT AND Howard Baum
    RISK MANAGER Legal Affairs Director
    2600 Wilshire Boulevard, 5th Floor 2600 Wilshire Boulevard, Third Floor
    Los Angeles, CA 90057 Los Angeles, CA 90057

11. Improperly completed Endorsements will be returned to your insured for correction by an authorized representative of the insurance company.

12. DELAY IN SUBMITTING PROPERLY COMPLETED ENDORSEMENT FORMS MAY DELAY YOUR INSURED'S INTENDED OCCUPANCY OR OPERATION UNDER AGREEMENT WITH HACLA.

13. For extensions or renewals on insurance policies which have HACLA Endorsement Form(s) attached, the HACLA will accept a copy of the endorsement (with the original signature) to extend the period of coverage as evidence of continued coverage.
EXHIBIT H

Form of Certificate of Completion

DEVELOPER CERTIFICATE OF COMPLETION

Date: ___________

This Developer Certificate of Completion (this "Certificate") is being delivered by Rose Hill
Courts I Housing Partners, L.P., a California limited partnership (the "Developer"), pursuant to
Section 6.2 of that certain Disposition and Development Agreement, dated ___________, 2020
(the "DDA") and executed by and between Developer and the Housing Authority of the City of
Los Angeles, a public body, corporate and politic (the "Authority"). All capitalized terms used
herein and not otherwise defined shall have the meaning given such terms in the DDA. The
DDA was executed for the development of eighty-nine (89) units of low-income rental housing
(including one (1) manager unit) on the real property described in the attached Exhibit A.

Pursuant to Section 5.2 of the DDA, upon completion of the Development, the Developer shall
deliver to the Authority a Certificate of Completion. By delivery of this Certificate, the Developer
hereby certifies to the that to the best of our knowledge, information and belief: (i) all of the
improvements comprising the Development and the Phase I Site have been completed
substantially in accordance with the Plans and Specifications, (ii) a permanent certificate of
occupancy and other permits required for the continued use and occupancy of the Development
have been issued with respect thereto by the governmental agencies having jurisdiction thereof,
(iii) the Development has been constructed in compliance with the requirements and restrictions
of the governmental authorities having jurisdiction, including applicable zoning, building,
environmental, fire, and health ordinances, rules and regulations, including without limitation,
the Americans with Disabilities Act, the Rehabilitation Act of 1973 and the design and
construction requirements of the Fair Housing Act and (iv) all contractors, subcontractors and
workmen who worked on the Development have been paid in full except for normal retainages
and amounts in dispute.

Pursuant to Section 5.2 of the DDA, the Developer is required to provide a certification from the
CAS or Contractor that the Development complies with the State and Federal Accessibility
Requirements and confirms the identification of accessible Units and features ("Accessibility
Certification"). The Accessibility Certification for the Development is attached here to as Exhibit
B.

The issuance of this Certificate by Developer does not relieve Developer, or any other person
from complying with all applicable laws, permits and requirements of governmental authorities.
The issuance of this Certificate by Developer shall be deemed a certification as to the compliance of the improvements comprising the Development, or any portion thereof, or the Phase I Site with the DDA, any applicable laws, permits and requirements of governmental authorities.

[signature page follows]
DEVELOPER:

ROSE HILL COURTS I HOUSING PARTNERS, L.P.,
a California limited partnership

By: Related/Rose Hill Courts I Development Co., LLC,
a California limited liability company
its administrative general partner

By: ________________________________
    Frank Cardone
    President
EXHIBIT I

Section 3, Local Hire, Nondiscrimination and Equal Opportunity Requirements

Disposition and Development Agreement for Rose Hill Courts

1. Local Hire and Section 3 Requirements. The work to be performed under this Agreement is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. §1701u, as amended and the Section 3 regulations set forth in at 24 CFR Part 135 (collectively, "Section 3"). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons. With respect to hiring for pre-development, construction and post construction job opportunities, the Developer shall use good faith efforts to fulfill, to the greatest extent feasible, the local hiring and contracting minimum numerical targets pursuant to its Construction and Post Construction Local Hiring and Section 3 Contracting Plan, in accordance with Section 3, and negotiated in accordance with the Authority’s Section 3 Guide and Compliance Plan ("Section 3 Guide"), attached to this Exhibit as Attachment 1, by hiring Section 3-qualified residents, as more particularly described in Section 1.a below ("Section 3 New Hire Requirements"). The Developer shall also use good faith efforts to ensure to the greatest extent feasible that a minimum number of work hours performed on the Development shall be performed by Section 3 Residents (defined at 24 CFR section 135.5), as more particularly described at 1.a below ("Section 3 Work Hour Requirements").

For purposes of this Exhibit, the term "Local Hiring Requirements" shall mean the Section 3 New Hire Requirements and Section 3 Work Hour Requirements. Construction and post construction job opportunities created as a result of the Development shall be interpreted consistent with the HUD Section 3 definitions of "Employment opportunities generated by Section 3 covered assistance" and "New Hire," as set forth at 24 CFR section 135.5, and may include, without limitation, employment opportunities, whether part-time or full-time, and/or training or apprenticeship opportunities, and are expected to be available in a range of fields from administration to construction.

a. Section 3 New Hire and Section 3 Work Hour Requirements. The Developer agrees to meet the Section 3 New Hire Requirements such that, at a minimum, thirty percent (30%) of the new pre-development, construction, and post-construction job opportunities generated by the Development shall be set aside, to the greatest extent feasible, for Section 3 Residents (as defined in 24 CFR section 135.5). Pursuant to the Section 3 regulations, specifically 24 CFR section 135.34(a)(2), and notwithstanding the priorities set forth in Section III.E of the Section 3 Guide, the Developer shall meet the Section 3 New Hiring Requirements in the following order of priorities among eligible applicants competing for particular jobs; provided, that, notwithstanding the following priorities, the goals set forth herein may be satisfied with any combination of hires regardless of the priority of category such hires may fall within: (1) current residents of Rose Hill Courts, (2) qualified Section 3 Residents of the Northeast Los Angeles neighborhood, (3) participants in HUD’s Youthbuild programs in the City of Los Angeles; and (4) income qualified Section 3 Residents
living in the City of Los Angeles, all to the greatest extent feasible. Additionally, the Developer agrees to meet the Section 3 Work Hour Requirements such that, at a minimum, ten percent (10%) of total work hours performed on construction work on the Development shall be performed, to the greatest extent feasible, by Section 3 Residents, according to the hiring priorities set forth herein. The Developer shall include the Section 3 Hiring and Work Hour Requirements in all subcontracts and ensure compliance by its contractors, and subcontractors under its authority performing work related to the Development.

b. Section 3 and MBE/WBE Contracting Requirements. To meet Section 3 Business Concern Contracting Requirements, the Developer shall use good faith efforts to award to the greatest extent feasible at least (i) ten percent (10%) of the total dollar amount of building trades work for all construction contracts and (ii) three percent (3%) of the total dollar amount of all non-construction contracts to Section 3 Business Concerns, as such term is defined in the Section 3 Regulations. Furthermore, the Developer shall include the Section 3 Clause, set forth in 24 CFR Part 135.38 and attached to this Exhibit as Attachment 2, in all subcontracts and ensure compliance by its contractors and subcontractors under its authority performing work related to the Development. In addition, the Developer shall use good faith efforts to ensure to the greatest extent feasible that Small, Minority, Women's, and Resident Business Enterprises participate in contracting and subcontracting, pursuant to the efforts attached to this Exhibit as Attachment 3.

2. Construction Local Hiring and Section 3 & MBE/WBE Contracting Plan. The Developer shall prepare a plan for meeting the Section 3 New Hire Requirements, Section 3 Work Hour Requirements, and the Section 3 and MBE/WBE Contracting Requirements described herein during the pre-development and construction phases of the Development ("Construction Local Hiring and Section 3 Contracting Plan") which will include a Compliance Schedule for meeting its minimum numerical employment targets, including outreach, hiring and training, as well as Section 3 Business outreach and subcontracting. The Plan shall be submitted to the Authority for its reasonable approval prior to commencing work. The Construction Local Hiring and Section 3 Contracting Plan shall remain in effect until the Development achieves substantial completion.

a. Compliance. The Developer shall submit to the Authority's Section 3 Compliance Administrator or designee (the "Compliance Administrator") the Section 3 reporting forms required under the Section 3 Guide in accordance with the Reports Submission Schedule attached to this Exhibit as Attachment 4, unless otherwise mutually agreed to by the parties (the "Section 3 Reports"). Within forty-five (45) business days of receipt of complete and accurate Section 3 Reports, the Compliance Administrator shall notify the Developer of any actual deficiencies in meeting its hiring and subcontracting commitments that could lead to a declaration of default to afford the Developer a reasonable opportunity to cure. In the event of a reasonable determination by the Compliance Administrator that the Developer has failed to cure following a reasonable opportunity to do so, which in no event shall exceed forty-five (45) business days, in lieu of the penalties for noncompliance set forth in Article X.B of the Section 3 Guide, the Developer shall be subject to default penalties calculated as follows:

i. Failure to meet Section 3 New Hire Requirements: Penalties in the amount of Forty-Five Dollars ($45.00) per person hour of the shortfall in Section 3 hiring (for example, if 3,000 person hours were expended on newly hired workers during the course of a given week for the Development, then of those 3,000 hours, 900 must be worked by Section 3 residents; if Section 3 residents worked only 600 hours, and the contractor did not demonstrate good faith compliance efforts to the satisfaction of the Authority, then penalties would be due in
the amount of $45.00 multiplied by the 300-person-hour shortfall, or $13,500), assessed upon completion of the Development and payable to the Authority upon demand;

ii. In addition, penalties will be regarded by the Authority as poor past-performance and may be grounds for determining that a contractor is non-responsible and ineligible for award of future contracts.

The General Contractor's compliance with the Construction Local Hiring and Section 3 Contracting Plan and achievement of HUD numerical goals will constitute good faith efforts and compliance with the applicable Local Hiring Requirements and Section 3 Contracting Requirements.

The Developer shall bear the cost of resources necessary to track compliance with Local Hiring and Section 3 Contracting Requirements incurred by the Authority by paying to the Authority a one-time fee of Forty Thousand Dollars ($40,000).

3. **Post-Construction Local Hiring and Section 3 Plan.** The Developer shall submit pursuant to the Ground Lease a post-construction plan (the "**Post-Construction Local Hiring and Section 3 Contracting Plan**") for reasonable approval by the Compliance Administrator. The Post-Construction Local Hiring and Section 3 Plan shall be in effect immediately following expiration of the Construction Local Hiring and Section 3 Contracting Plan and shall last for the duration of the Ground Lease and shall cover all post-construction employment and Section 3 Business contracting opportunities generated by the Development.

   a. Compliance. In order to provide a reasonable opportunity to cure any perceived or actual failures to meet the post-construction Local Hiring Requirements, Section 3 Contracting Requirements and Good Faith Efforts, the Developer shall submit to the Compliance Administrator on an annual basis the Section 3 reporting forms then-required and as applicable under the Section 3 Guide (the "**Post-Construction Section 3 Reports**"). Within forty-five (45) business days of receipt of complete and accurate Post-Construction Section 3 Reports, the Compliance Administrator shall notify the Developer of any actual deficiencies that could lead to a declaration of default to afford a reasonable opportunity to cure. In the event of a reasonable determination by the Compliance Administrator that the Developer has failed to cure following a reasonable opportunity to do so, which in no event shall exceed forty-five (45) business days, the Authority will pursue remedies available to it pursuant to this Agreement or other agreements between the Authority and the Developer. The penalties for noncompliance set forth in Article X.B of the Section 3 Guide do not apply to Post-Construction Local Hiring compliance.

4. The Local Hiring and Section 3 Contracting Requirements and reporting forms may be amended from time to time to remain in compliance with regulatory changes as adopted by the U.S. Department of Housing and Urban Development ("HUD"), but only to the extent reasonably required by HUD.

5. Notwithstanding anything to the contrary contained in these Local Hire and Section 3 Requirements, *exercise of good faith efforts to comply, to the greatest extent feasible, with the numerical targets set forth herein for the pre-development, construction, and post-construction phases of the Development will constitute satisfaction of all obligations hereunder regardless of whether such numerical targets are actually achieved.* Efforts which demonstrate good faith include, but are not limited to, those stated in Section III.D. of the Section 3 Guide, attached to this Exhibit as Attachment 1.
ATTACHMENT 1 TO LOCAL HIRE AND SECTION 3 REQUIREMENTS

Section 3 Guide and Compliance Plan (v2)

[attached]
Section 3 Guide and Compliance Plan (V2)

Let's get to work!

Housing Authority of the City of Los Angeles
SECTION 3 GUIDE AND COMPLIANCE PLAN

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SECTION 3 GUIDE AND COMPLIANCE PLAN

I. INTRODUCTION

A. Section 3 Regulation

Section 3 of the Housing and Urban Development Act of 1968 (codified at 12 U.S.C. 1701u and implemented at 24 CFR Part 135, hereinafter, "Section 3"), as amended, requires that economic opportunities generated by the receipt of certain funding from the U.S. Department of Housing and Urban Development ("HUD") for housing and community development programs shall, to the greatest extent feasible, be given to low and very low income persons, particularly those who are recipients of government assistance for housing, and to businesses that provide economic opportunities for these persons (collectively, "Section 3 Beneficiaries").

B. HACLA Policy

It is the intent and policy of the Housing Authority of the City of Los Angeles ("HACLA") to fully comply with Section 3 and to require its Contractors undertaking contracts to which Section 3 applies to demonstrate good faith effort to comply, to the greatest extent feasible, with Section 3 and the responsibilities described under this Section 3 Guide and Compliance Plan (this "Plan") by providing economic opportunities to Section 3 Beneficiaries.

C. Applicability

The requirements set forth in this Plan arise when HACLA utilizes Section 3 Covered Assistance for a Section 3 Covered Project or Section 3 Covered Contract, as those terms are defined here. HACLA reserves the right to impose upon Contractors requirements that go beyond the requirements of Section 3 and this Plan when deemed in the best interest of HACLA.

D. Purposes of this Guide and Compliance Plan

The purpose of this Plan is to assist Contractors in understanding their Section 3 obligations so that they can be successful in meeting these responsibilities. This purpose is accomplished through the guidance and instruction provided in the Plan, in other Section 3 materials and publications provided by HACLA, and assistance provided by HACLA's Section 3 Compliance Administrator. HACLA has developed and continues to develop programs and procedures, all as necessary to implement this Plan in order to realize the goals of Section 3. This Plan shall remain in effect for so long as it remains consistent with federal regulations or until changed by HACLA.

E. Part 135 Amendments and Conflicts

Amendments to 24 CFR Part 135 shall apply to this Plan as of the effective date of the updated regulation. Where provisions of this Plan conflict with 24 CFR Part 135, the latter shall prevail.
II. DEFINITIONS

The following terms used throughout this Plan have the following assigned meanings.

"Contractor" means any person or entity that enters into a contract with HACLA, and includes the plural form "Contractors." When referred to collectively as Contractor/Subcontractor and its plural form, Contractors/Subcontractors, the term means both the Prime Contractor and any of its Subcontractors engaged under a Section 3 Covered Contract. Contractor also refers to service providers, vendors and developers.

"HACLA" means the Housing Authority of the City of Los Angeles.

"HUD" means the United States Department of Housing and Urban Development.

"IFB" means an Invitation for Bids, which is a procurement methodology that typically awards a contract to the lowest cost bidder, provided that the bidder meets certain minimum criteria.

"Los Angeles Metropolitan Area" means the metropolitan statistical area (MSA) established by the Office of Management and Budget as the Los Angeles-Long Beach-Glendale Metropolitan Area.

"Metropolitan Area" means a metropolitan statistical area established by the Office of Management and Budget, and includes its plural form "Metropolitan Areas."

"New Hire" means a full-time employee hired on a permanent, temporary or seasonal basis as a direct result of a Contractor's/Subcontractor's contractual obligation in connection with a Section 3 Covered Project, and includes its plural form "New Hires." An employee who was on a Contractor's/Subcontractor's payroll on or prior to award of the Section 3 Covered Contract shall not be counted towards the Contractor's/Subcontractor's numerical goals under Section III.B herein.

"Nonmetropolitan county" means any county outside of a Metropolitan Area.

"Section 3" means Section 3 of the Housing and Urban Development Act of 1968, as amended, which is codified at 12 U.S.C. 170l(c) and implemented at 24 C.F.R. Part 135.

"Section 3 Beneficiaries" refers, collectively, to Section 3 Business Concerns and Section 3 Residents.

"Section 3 Business Concern" means a business entity authorized to engage in the type of business activity for which it was formed, and which satisfies one or more of the following criteria: (i) at least fifty-one (51) percent of the business is owned by one or more Section 3 Residents; (ii) at least thirty (30) percent of its permanent, full-time employees include persons who are currently Section 3 Residents, or were Section 3 Residents within three (3) years of the date such persons were first employed with the business; or (iii) a business that provides HACLA sufficient evidence of its commitment to subcontract more than twenty-five (25) percent of the dollar award of all subcontracts awarded under a Section 3 Covered Contract to Section 3 Business Concerns.
"Section 3 Covered Assistance" means financial assistance received from HUD or any other federal agency, receipt of which triggers the obligations that arise under Section 3.

"Section 3 Covered Contract" means a contract entered into directly with HACLA or a subcontract (including a professional service contract) awarded to a Contractor for work generated by the expenditure of Section 3 Covered Assistance, or for work arising in connection with a Section 3 Covered Project, and includes its plural form, "Section 3 Covered Contracts." It also includes contracts that HACLA has deemed subject to Section 3, as authorized herein.

"Section 3 Covered Project" means a project funded using Section 3 Covered Assistance and includes construction related projects involving the construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), and the construction and reconstruction of buildings and improvements and non-construction related projects. It also includes contracts that HACLA has deemed subject to Section 3, as authorized herein.

"Section 3 Resident" means: (i) public housing resident or (ii) a low or very low income person who lives in the Los Angeles Metropolitan Area of the Section 3 Covered Project and who has a household income that does not exceed HUD’s income limits, as described in the most current version of HUD’s Income Eligibility Guidelines. Includes its plural form, "Section 3 Residents." Income limits are subject to change annually. Current income limits may be accessed on HACLA’s website at www.hacla.org/s3residentresources and on HUD’s link at http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/section3/section3.

"Subcontractor” means any person or entity (other than a person who is an employee of the Contractor) that contracts with a Prime Contractor on a Section 3 Covered Project, and includes its plural form “Subcontractors.” When referred to collectively as Contractor/Subcontractor and its plural form, Contractors/Subcontractors, the term means both the Prime Contractor and any of its Subcontractors engaged under a Section 3 Covered Contract.

III. GOALS

The goals set forth in this section apply to all Section 3 Covered Contracts awarded by HACLA in any fiscal year.

A. HACLA’s Numerical Goals

1. HACLA shall, to the "greatest extent feasible," provide economic opportunities to Section 3 Beneficiaries.

2. Under HUD regulations, HACLA may satisfy the "greatest extent feasible" requirement by meeting these numerical goals:

   a. At least 30% of the aggregate number of New Hires to be directed to Section 3 Residents.
b. At least ten percent (10%) of the total dollar amount of all contracts awarded by HACLA for building trades work for maintenance, repair, modernization or development of public housing, or for building trades work arising in connection with housing rehabilitation, housing construction and other public construction related Section 3 Covered Contracts should be awarded to Section 3 Business Concerns.

c. At least three percent (3%) of the total dollar amount of all nonbuilding trades work related Section 3 Covered Contracts awarded by HACLA should be awarded to Section 3 Business Concerns.

B. Contractor Numerical Goals

1. Contractors employed on Section 3 Contracts shall, to the greatest extent feasible, provide economic opportunities to Section 3 Beneficiaries.

2. In accordance with Section 3 regulations, Contractors may satisfy the "greatest extent feasible" requirement by meeting these numerical goals:

a. Contractors employed under a Section 3 Covered Contract are expected to achieve an employment level of thirty percent (30%) of all New Hires to be Section 3 Residents and to maintain this percentage throughout the life of the contract. This is HACLA's preferred method for Contractors to meet their Section 3 obligations. The employment should be meaningful, but it need not be related to the scope of services covered under the contract.

b. At least ten percent (10%) of the total dollar amount of all Contractor subcontracts awarded by Contractor in connection with building trades work for maintenance, repair, modernization or development of public housing, or for building trades work arising in connection with housing rehabilitation, housing construction and other public construction related Section 3 Covered Contracts should be awarded to Section 3 Business Concerns.

c. At least three percent (3%) of the total dollar amount of all Contractor subcontracts awarded by Contractor in connection with nonbuilding trade work related Section 3 Covered Contracts should be awarded to Section 3 Business Concerns.

C. Providing Other Economic Opportunities

1. Contractors who are unable to offer training and/or employment opportunities to Section 3 Residents may offer other economic opportunities directed at Section 3 Resident upward mobility and self-sufficiency, such as offering scholarships, and sponsoring enrollment into apprenticeship programs, mentorship programs, and internships.

2. Contractors who are unable to provide subcontracting opportunities to Section 3 Business Concerns may provide and promote mechanisms to create economic opportunities directed at Section 3 Business Concerns, such as scaling of work for purchase of supplies or materials, and/or providing Section 3 Business Concerns with tools to enable them to successfully compete for contracting opportunities, such as bonding and insurance assistance.
D. Contractor Good Faith Efforts

1. Contractors may demonstrate good faith efforts to offer training and employment opportunities to Section 3 Residents by taking such actions as:

   a. Promptly notifying HACLA about training opportunities and available employment positions, including job descriptions;

   b. Utilizing HACLA’s Section 3 Resident Registry to identify job ready Section 3 Residents and informing qualified residents of training opportunities and available employment positions;

   c. Advertising training opportunities, and available employment positions in local media outlets and on appropriate social media platforms;

   d. Prominently displaying a notice of Section 3 commitments and available employment opportunities at the project site and other appropriate places within the project site, such as where applications for training and employment are taken;

   e. Advertising available training opportunities and employment positions by distributing flyers that identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process, to every occupied dwelling unit in one or more of HACLA’s housing developments and posting copies of the flyer in the development’s common areas, including at the community center, the management office and the computer lab as applicable;

   f. Contacting Resident Advisory Councils (RACs) and other resident organizations to inform them of training and available employment positions;

   g. Contacting agencies administering Los Angeles County YouthBuild Programs, and requesting their assistance in recruiting LA County YouthBuild Program participants for training opportunities and employment positions;

   h. Consulting with state and local agencies administering training programs, such as those funded through Workforce Investment Act, unemployment compensation programs, community organizations and other officials or organizations to assist with training and recruiting Section 3 Residents for employment positions;

   i. Developing on the job training opportunities;

   j. Keeping a list of Section 3 Residents who apply directly or by referrals for the available jobs;

   k. Contacting local job training centers, workforce centers, and community organizations to inform them of training opportunities, available employment positions and subcontracting opportunities;

   l. Working with labor organizations to set up a Project Labor Agreement (PLA) if feasible, or making similar arrangements for dispatching and training of Section 3 Residents in...
order of hiring priority;

m. Sending to labor organizations or representatives of workers with whom the Contractor/Subcontractor has a collective bargaining agreement or understanding, a notice of its Section 3 project commitments; and

n. Utilizing resources and methods identified in the Appendix to 24 CFR Part 135 I.

2. Contractors may demonstrate efforts to inform and award contracts to Section 3 Business Concerns by taking such steps as:

a. Contacting businesses listed in HACLA's registry of certified Section 3 Business Concerns to inform them of subcontracting opportunities (see www.hacla.org/forms);

b. Contacting Metropolitan Area businesses listed in HUD's registry of certified Section 3 Business Concerns to inform them of subcontracting opportunities (see https://portalapps.hud.gov/Sec3BusReg/BRegistry/SearchBusiness);

c. Advertising subcontracting opportunities through trade association publications, local media outlets, on appropriate social media platforms, and at the project site;

d. Notifying business associations, business assistance centers, and other community organizations of contracting opportunities and requesting their assistance in identifying Section 3 Business Concerns to solicit bids or proposals;

e. Establishing or sponsoring programs designed to assist Section 3 Business Concerns to enable them to participate in subcontracting opportunities; and

f. Utilizing resources and methods identified in the Appendix to 24 CFR Part 135 II.

3. Contractors who fail to meet these Section 3 numerical goals have the burden of demonstrating, to HACLA's satisfaction, the reason why compliance was not feasible by providing HACLA with documentation of good faith efforts taken and barriers encountered.

E. Preference for Section 3 Residents in Training and Employment Opportunities

1. In accordance with the guidelines set forth at 24 CFR Part 135.34, unless otherwise provided therein, Contractors performing work under Section 3 Covered Contracts shall direct their efforts to provide, to the greatest extent feasible, new training and employment opportunities to Section 3 Residents in the following order of priority:

a. First priority (P1): Individuals residing in the HACLA owned or managed public housing development where the Section 3 Covered Project is being performed.

b. Second priority (P2): Individuals residing in other HACLA owned or managed public housing developments.
c. Third priority (P3): Other residents of Los Angeles County who are participants of HUD Youth Build Programs being carried out in within the Los Angeles Metropolitan Area or Nonmetropolitan county in which the Section 3 covered assistance is expended.

d. Fourth Priority (P4): Other Section 3 Residents.

IV. SECTION 3 FUND CONTRIBUTIONS

A. Purpose of Fund

HACLA has established a Section 3 Fund to permit Contractors to contribute funding for programs that generate economic and employment opportunities for Section 3 Residents, where the Contractor has demonstrated to HACLA's satisfaction, that compliance with Section 3 requirements for hiring, subcontracting and providing other economic opportunities is not feasible. Contractor contributions to the Section 3 Fund are considered an option of last resort, as HACLA's preferred method for Contractors to meet their Section 3 obligations is to satisfy their numerical goals, as expressed herein. HACLA does not accept Contractor contributions to the Section 3 Fund in lieu of compliance with Section 3 or this Plan.

B. Participation in Fund

1. Contractors who, prior to contract award, are unable to satisfy their numerical goals despite demonstrating good faith efforts as outlined above, may, at HACLA's election, be required to contribute to the Section 3 Fund.

2. Contractors who, following contract award, are unable to satisfy their Section 3 commitments as set forth in their Economic Opportunity Plan ("EOP," described below) may, at HACLA's election, be permitted to contribute to the Section 3 Fund and avoid the penalties for default described in section X.B herein, provided the Section 3 Compliance Administrator finds Contractor's lack of compliance is due to extraordinary circumstances and not due to the Contractor's lack of good faith compliance efforts or Contractor's failure to exhaust all feasible alternatives for compliance.

C. Contribution Requirements

1. For construction related Section 3 Covered Projects, Contractor contributions to the Section 3 Fund shall be equal to the lesser of three percent (3%) of (i) the total contract amount plus any modifications, or (ii) the actual dollar amount spent by HACLA under the contract.

2. For non-construction related Section 3 Covered Projects, Contractor contributions shall be equal to the lesser of three percent (3%) of (i) the total contract amount plus any modifications, or (ii) the actual dollar amount spent by HACLA under the contract.

3. Section 3 Fund contributions are based solely on net amount paid to Contractor, excluding shipping fees and taxes. All expenses authorized under the contract, including license fees, labor and materials costs, are subject to Section 3 Fund contribution calculations.
D. Payment Options

1. For construction related Section 3 Covered Projects with contracts of up to one (1) year, Contractors have the option of making contributions in a single up-front payment or making payments on a periodic basis following the receipt of contract payments from HACLA, provided such periodic payments must be in amounts of no less than three percent (3%) of the amount HACLA paid the Contractor for a particular installment.

2. For all contracts exceeding one (1) year, Contractors have the option of making contributions (i) in a single up-front payment at contract commencement based upon the subject year's contract award value, (ii) in periodic payments of three percent (3%) or greater of each payment received from HACLA, or (iii) at the end of the contract year based upon the actual dollar amount spent by HACLA under the contract for that particular year.

3. Contractors making their Section 3 Fund contribution at the end of contract year shall submit payment in full within thirty (30) days after the receipt of HACLA's final or year-end payment under the contract.

4. Section 3 Fund contributions for contracts terminated before the contract year end term shall be paid in full at the time of termination.

E. Voluntary Contributions

Contractors may contribute to the Section 3 Fund in discretionary amounts in addition to satisfying their Section 3 obligations.

F. Use of Section 3 Fund Proceeds

1. Section 3 Funds shall only be used by HACLA to further the purpose of Section 3, which are to provide economic and employment opportunities to Section 3 Residents.

2. In support of the purposes of Section 3 and in furtherance of this Plan, Section 3 Funds shall be used for job training, education and employment service programs that are specifically directed at assisting Section 3 Residents find meaningful employment. Such programs include, but are not limited to:

   a. Occupational/trade training programs that provide Section 3 Resident trainees with individualized support to enhance social, vocational and developmental skills; and

   b. HACLA-approved apprenticeship training programs and HACLA-approved pre-apprenticeship training programs designed to prepare Section 3 Resident trainees to enter into and succeed in an approved apprenticeship program.

3. Programs awarded Section 3 Funds will be carefully monitored to ensure effective use and quality of services.
V. SECTION 3 BUSINESS CONCERNS

A. Bid Preference

1. HACLA has adopted a bid preference for Section 3 Business Concerns when awarding Section 3 Covered Contracts utilizing the Invitation for Bids ("IFB") method of soliciting construction and maintenance activities. The bid preference does not apply to materials-only contracts, service contracts or contracts that are procured without the use of federal funds.

2. The bid preference requires that the IFB be awarded to the qualified Section 3 Business Concern with the lowest responsive and responsible bid and highest priority ranking if that bid meets the criteria set forth in the following Bid Preference Table:

<table>
<thead>
<tr>
<th>When the lowest responsive bid is:</th>
<th>Section 3 Business Concern bid is within lesser of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $100,000:</td>
<td>10% of that bid or $9000</td>
</tr>
<tr>
<td>At least $100,000, but less than $200,000</td>
<td>9% of that bid, or $16,000</td>
</tr>
<tr>
<td>At least $200,000, but less than $300,000</td>
<td>8% of that bid, or $21,000</td>
</tr>
<tr>
<td>At least $300,000, but less than $400,000</td>
<td>7% of that bid, or $24,000</td>
</tr>
<tr>
<td>At least $400,000, but less than $500,000</td>
<td>6% of that bid, or $25,000</td>
</tr>
<tr>
<td>At least $500,000, but less than 1 million</td>
<td>5% of that bid, or $40,000</td>
</tr>
<tr>
<td>At least $1 million, but less than $2 million</td>
<td>4% of that bid, or $60,000</td>
</tr>
<tr>
<td>At least $2 million, but less than $4 million</td>
<td>3% of that bid, or $80,000</td>
</tr>
<tr>
<td>At least $4 million, but less than $7 million</td>
<td>2% of that bid, or $105,000</td>
</tr>
<tr>
<td>$7 million or more</td>
<td>1½% of the lowest responsive bid, with no dollar limit</td>
</tr>
</tbody>
</table>

B. Designation as a Section 3 Business Concern

1. Business owners seeking HACLA’s designation as a Section 3 Business Concern must submit a Section 3 Business Certification Form (to be provided by HACLA) in their bid/offer package, along with required supporting documentation.

2. Where a business entity is certified by HACLA as a Section 3 Business Concern based on its ownership interest (i.e., at least fifty-one percent (51%) of the business is owned by one or more Section 3 Residents) or the percentage of employees who are or were Section 3 Residents at the time of contract award (i.e., at the time of award, at least thirty percent (30%) of its permanent, full-time employees include persons who are currently Section 3 Residents, or were Section 3 Residents within three (3) years of the date such persons were first employment with the business), the certification is valid for three (3) years.

3. Where a business entity is certified by HACLA as a Section 3 Business Concern based on its commitment to subcontract more than twenty-five percent (25%) of the dollar award of all subcontracts awarded under a Section 3 Covered Contract to Section 3 Business Concerns, HACLA’s certification of the business is valid for the term of the business’ Section 3 Covered Contract.
4. HACLA reserves the right but is not compelled to accept a Contractor's/Subcontractor's certification as a Section 3 Business Concern approved by another governmental entity.

5. Certification as a Section 3 Business Concern does not relieve Contractors from their Section 3 obligations, including the achievement of their numerical goals. All Section 3 Business Concerns are required to demonstrate compliance with Section 3 and this Plan.

VI. SECTION 3 RECRUITMENT AND NEW HIRES

Contractors are expected to make good faith efforts to achieve the numerical goals outlined at Section III.B herein, following the Section 3 Resident priority preferences set forth at Section III.E herein. This section provides guidance for the recruitment of New Hires, including New Hires who are Section 3 Residents.

A. Recruitment Efforts

1. HACLA maintains a database of employment-ready Section 3 Residents who meet certain minimum qualifications for various categories of employment. Upon receipt of a completed Section 3 Job Order Form from Contractor/Subcontractor, HACLA will provide referrals of qualified candidates from the database. When reasonably possible, Contractors are expected to provide HACLA with the Section 3 Job Order Form well in advance of project commencement.

2. Upon receipt of a Section 3 Job Order Form, HACLA will refer qualified candidates for interviews for each available position. Contractors are expected to give each New Hire candidate full consideration for available positions.

3. Independent of HACLA's efforts and referrals, Contractors shall engage in independent employment recruitment efforts following the Section 3 Resident priority preferences set forth at Section III.D herein using the methods and resources identified at Section III.C and others as applicable.

4. Contractors shall submit to HACLA their interview notes, including reasons for denial of employment or training opportunity and any follow up actions to be taken to assist the Section 3 Resident in the future, as applicable.

B. Section 3 Resident New Hires

1. All Section 3 Resident New Hires shall be employees of the Contractor and shall have all the protections afforded to employees under state, federal and local laws. Contractors are expected to impose the same hiring requirements and personnel rules and policies upon Section 3 Resident New Hires as are imposed upon their other employment candidates and employees.

2. Contractors are required to report to HACLA within two (2) business days of hiring Section 3 Residents and shall provide to HACLA a completed Section 3 Resident Certification Form (to be provided by HACLA) for each Section 3 Resident New Hire.
C. Apprenticeship Programs

1. Contractors who employ apprentices to satisfy their numerical goals are required to utilize appropriate apprenticeship programs approved by the federal Department of Labor ("DOL").

2. Contractors who employ apprentices on construction projects that are subject to the Davis-Bacon Wage Act are required to adhere to all legal requirements for wage rates and ratios of apprentices to journeymen set forth therein.

3. For each apprentice employed on a project, Contractors shall, prior to contract commencement, submit to HACLA apprentice certificates issued by the Department of Labor.

D. Limitations

Contractors/Subcontractors retain the sole discretion and control over any hiring and personnel decisions. HACLA cannot and will not exercise any control over any of the Contractors’ or Subcontractors’ employees, including New Hires, regardless of whether they were referred by HACLA or are Section 3 Residents.

E. Documented Efforts

Contractors shall document efforts taken to recruit and interview Section 3 Residents for hire and shall, upon reasonable request, provide HACLA with documentation that demonstrates such efforts, including interview notes, which shall include reasons for denial of employment or other actions as applicable.

F. Lack of Compliance

A Contractor’s failure to satisfy the requirements of this section may result in HACLA’s determination that the Contractor has failed to demonstrate good faith efforts to comply with the requirements of Section 3 and this Plan, and may subject Contractor to the penalties for default described in section XI.3 herein, which include monetary fines and debarment.

VII. REQUIRED SUBMISSION DOCUMENTS

A. Section 3 Economic Opportunity Plans

1. All Contractors awarded a Section 3 Covered Contract and their Subcontractors shall prepare an Economic Opportunity Plan ("EOP"), which provides HACLA a “snapshot” of Contractors’ and Subcontractors’ current workforce, anticipated workforce to complete the project, subcontracting needs and efforts to generate economic opportunities in compliance with Section 3 and this Plan. The specific requirements of the EOP will be included in HACLA’s solicitation for the work.

2. Unless the solicitation specifies otherwise, a Contractor’s EOP shall be submitted to HACLA with Contractor’s bid/offer package. Bids/Offeres submitted by Contractors without an EOP, when required, will be rejected as non-responsive and will not be considered for contract award.
3. Unless the solicitation specifies otherwise, a Subcontractor’s EOP shall be submitted to HACLA prior to commencement of the contract.

4. EOP commitments will be incorporated into the contract. Contractors are responsible for incorporating their EOP commitments in any subcontracts it awards for the contract work.

5. Failure on the part of Contractor/Subcontractors to meet the commitments set forth in Contractor’s EOP may subject Contractor to the penalties for default described in Section X.B herein, including a determination that the Contractor is in material default of the contract.

B. Declaration of Intent to Comply with Section 3 Regulations

1. In addition to the EOP, Contractors awarded a Section 3 Covered Contract and their Subcontractors shall complete a Declaration of Intent to Comply with Section 3 Regulations form (to be provided by HACLA), which shall be submitted with Contractor’s bid/offer package, unless the solicitation specifies otherwise.

2. Bids/Offers submitted by Contractors without completed Declarations, when required, may be rejected as non-responsive and will not be considered for contract award.

C. Section 3 Compliance Summary Report

1. Contractors shall, upon HACLA’s request, provide periodic reports using the Section 3 Compliance Summary Report form (to be provided by HACLA). The report shall include information about New Hires, business subcontracting and supporting documents that reflect Contractor/Subcontractor good faith efforts to satisfy Section 3 requirements and fulfil its Section 3 commitments.

2. HACLA reserves the right to request from Contractor additional compliance documents to support data reported in the Section 3 Compliance Summary Report, and to request such other documents as HACLA deems necessary for clarification and proof of efforts.

VIII. DEVELOPMENT AND REDEVELOPMENT PROJECTS

In recognition that large-scale development and redevelopment projects (i) present a unique opportunity to generate employment and job training opportunities for Section 3 Residents, and (ii) typically involve mixed funding which may impose hiring priorities that differ from those specified in this Plan, HACLA’s Board of Commissioners adopts the following exceptions and requirements for Section 3 Covered Projects that are procured in connection with large-scale development and redevelopment projects that are subject to the Board’s approval.

A. Priorities and Commitments

1. The project’s master development agreement, disposition and development agreement, or similar agreement between HACLA and the developer, may, consistent with 24 CFR Part 135.34, reflect priorities for training and employment opportunities that differ from those
outlined at Section III.E herein.

2. The developer is responsible for submitting to HACLA a detailed Section 3 Economic Opportunity Plan that details its approach, methods and resources to be used to meet and/or exceed HUD numerical goals.

3. The developer’s specific, negotiated Section 3 commitments shall be made applicable to developer’s Contractors, Subcontractors and all other businesses employed on the project. The developer will be held responsible for enforcing Section 3 requirements and project commitments, and for monitoring its Subcontractors’ performance for compliance.

B. Penalties

In the event the developer fails to meet its commitments and can not demonstrate to HACLA’s satisfaction that good faith efforts have been made to fulfil their commitments, it shall be subject to penalties for non-compliance as negotiated in its master development agreement, disposition and development agreement or similar agreement between HACLA and the developer. Shall no such penalty agreement exist, the penalties for non-compliance set forth at Section X.B herein shall apply to the project.

C. Conflicts

Except as expressly set forth herein, Section 3 requirements and this Plan shall apply to the project. In the event of any perceived or actual conflicts between developer’s specific, negotiated Section 3 commitments and the requirements of 24 CFR Part 135 and/or this Plan, HACLA’s determination shall be final and binding.

IX. REQUIREMENTS APPLICABLE TO HUD NOTICE OF FUNDING AVAILABILITY (NOFA) PROGRAMS

The Section 3 compliance requirements at 24 CFR Part 135.9 apply to all HUD Notices of Funding Availability (NOFAs) and shall be imposed in all HACLA NOFA solicitations.

X. COMPLIANCE

A. Reviews for Compliance

1. HACLA may periodically audit Contractors’/Subcontractors’ performance for compliance with the requirements of Section 3 and this Plan, and may conduct periodic project site visits to support such efforts.

2. In connection with an audit for compliance, HACLA reserves the right to request from Contractors/Subcontractors additional reports and information concerning its efforts to comply with requirements of Section 3 and this Plan, and the Section 3 related contract terms and conditions.
B. Penalties for Non-Compliance

1. Contractors who fail to comply with their EOPs or otherwise fail to meet their commitments and obligations arising under Section 3, this Plan or the Section 3 related contract terms and conditions, shall, following notice and a reasonable opportunity to cure (as determined by HACLA in its sole discretion based upon the circumstances), be deemed in material default of their contracts, and may be subject to administrative penalties and/or debarment as follows:

   a. 1st Violation: Administrative penalty of ten percent (10%) of the contract award amount including all amendments.

   b. 2nd Violation: Administrative penalty of additional ten percent (10%) of the contract award amount including all amendments.

   c. 3rd Violation: Debarment, suspension, denial of participation in HACLA contracting or HUD programs in accordance with 24 CFR § 135.74d.

XI. RECORDS RETENTION

HACLA and any of their duly authorized representatives shall, until three years after final payment under the Section 3 Covered Contract, have access to and the right to examine any Contractor or Subcontractor directly pertinent books, documents, papers, or other records concerning Section 3 outreach efforts and commitments for the purpose of making audit, examination, excerpts, and transcriptions.

XII. RESOURCES

A. General Information

HUD publishes general information concerning Section 3, including the federal regulations implementing Section 3 (24 CFR part 135), at www.hud.gov/section3.

HACLA has published its own Frequently Asked Questions concerning Section 3, which is available here: www.hcla.org/section3.

B. HACLA Forms

All HACLA forms referenced in this Plan are available online at www.hcla.org/forms or by contacting HACLA’s Section 3 Compliance Administrator at: section3@hcla.org.

C. Questions and Complaints

Questions or complaints concerning this Plan or HACLA’s Section 3 program should be directed to HACLA’s Section 3 Compliance Administrator:

Housing Authority of the City of Los Angeles
Section 3 Compliance Administrator
Consistent with 24 CFR §135.76, a Section 3 Resident or a Section 3 Business Concern may file a Section 3 related complaint directly with HUD using HUD form 958.

History:

10/30/14: Section 3 Guide and Compliance Plan adopted by Board Resolution No. 9167
11/28/17: Section 3 Guide and Compliance Plan (V2) adopted by Board Resolution No. 9693
ATTACHMENT 2 TO LOCAL HIRE AND SECTION 3 REQUIREMENTS

Section 3 Clause

All Section 3 covered contracts shall include the following clause (referred to as the Section 3 clause):

A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u ("Section 3"). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted Developments covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD’s regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act
(25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).
ATTACHMENT 3 TO LOCAL HIRE AND SECTION 3 REQUIREMENTS

Assistance to Small, Minority, Women's, Section 3 and Resident Business Enterprises

REQUIRED EFFORTS

Consistent with Presidential Executive Orders 11625, 12138 and 12432, Title VI of the Civil Rights Act of 1968, and Section 3 of the Housing and Urban Development Act of 1968, as amended, Developer shall make efforts to ensure that small, minority-owned and woman-owned business enterprises, and individuals or firms located in, or owned in substantial part by persons residing in, the area of an Authority housing development are used when possible. Such efforts shall include, but shall not be limited to:

1. Including such firms, when qualified, on solicitation mailing lists;

2. Encouraging the participation of such firms through direct solicitation of bids or proposals whenever they are potential sources;

3. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by such firms;

4. Establishing delivery schedules, where the requirement permits, which encourage participation by such firms;

5. Using the services and assistance of the Small Business Administration, the Minority Business Development Agency of the Department of Commerce, and the City of Los Angeles Mayor's Office of Economic Development;

6. Including in all contracts funded from sources covered by Section 3, the Section 3 clause prescribed at 24 CFR 135.38, which clause sets forth Section 3 preference and compliance goals for employment and training of public housing residents and for contracting and subcontracting with businesses owned by public housing residents or which otherwise meet the criteria of a Section 3 business concern. Pursuant to 24 CFR 135.36, efforts shall be directed to award Section 3 covered contracts, to the greatest extent feasible to Section 3 business concerns.

7. Requiring prime contractors, when subcontracting is anticipated, to take the positive steps listed in 1 through 6 above.
ATTACHMENT 4 TO LOCAL HIRE AND SECTION 3 REQUIREMENTS

Section 3 Compliance Reports Submission Schedule

To be reported at contract execution:

a. Form 1: Declaration of Understanding and Intent to Comply

b. Form 2: Section 3 Business Concern Certification

c. Form 4: Economic Opportunity Plan (EOP) - for all subcontractors to identify hiring, subcontracting and other commitments

To be reported monthly:

a. Form 3: Section 3 Resident Certifications -- to understand how many Section 3 Residents were hired, if the subcontractors are meeting their minimum numerical targets, if the order of hiring priority is being observed (may be required to attach documentation of efforts).

To be reported quarterly and at Development end:

Compliance Summary Report, including, but not limited to, the following information:

a. Dollar amount of contracts awarded to Section 3 and non-Section 3 Businesses

b. List of subcontractors, their start dates, amounts of subcontract, and similar data.

c. Detailed hiring information to determine if Section 3 Hiring and Work Hour goal is being met; if the order of hiring priority is being observed.

d. Support documentation to demonstrate efforts made to fulfill Section 3 goals and commitments.

e. Information on the workforce at the Development site and how many are Section 3 residents, new hires.

f. A Best Practices Guide or Development End Report which outlines good faith efforts, achievements and obstacles, to be submitted at closeout of each phase.
AMENDED AND RESTATED
PREDEVELOPMENT LOAN AGREEMENT
FOR THE REDEVELOPMENT OF
ROSE HILL COURTS – PHASE I

This AMENDED AND RESTATED PREDEVELOPMENT LOAN AGREEMENT FOR THE REDEVELOPMENT OF ROSE HILL COURTS – PHASE I (this “Loan Agreement”) is effective as of __________, 2020 (“Effective Date”) by and between the Housing Authority of the City of Los Angeles, a public body, corporate and politic (the “Authority” and “Lender”) and Rose Hill Courts I Housing Partners, L.P., a California limited partnership (the “Borrower”) and The Related Companies of California, LLC, a California limited liability company (the “Prior Borrower” and collectively with the Borrower and the Authority, the “Parties”).

RECITALS

WHEREAS, the Prior Borrower and the Authority are parties to that certain Second Amended and Restated Exclusive Right to Negotiate a Disposition and Development Agreement for the Rose Hill Courts Development dated as of September 30, 2017, the term of which was extended to (i) September 30, 2019 by a letter from the Authority dated May 23, 2019, (ii) December 31, 2019 by a letter from the Authority dated September 25, 2019, and (iii) March 31, 2020 by a letter from the Authority dated December 18, 2019 (collectively, the “ERN”);

WHEREAS, the ERN contemplated that an affiliate of Prior Borrower would cause the redevelopment of the Rose Hill Courts Development;

WHEREAS, in anticipation of the redevelopment of the Rose Hill Courts Development, the Prior Borrower and the Authority executed that certain Predevelopment Loan Agreement for the Redevelopment of Rose Hill Courts dated as of September 30, 2017, as amended by that certain First Amendment to Predevelopment Loan Agreement for the Redevelopment of Rose Hill Courts, dated November 26, 2019 (as amended, the “Prior Loan Agreement”) whereby the Authority agreed to provide the Prior Borrower a loan in the principal sum of up to $2,013,773 for predevelopment activities associated with the redevelopment of the Rose Hill Courts Development (the “Prior Predevelopment Loan”).

WHEREAS, the Prior Borrower executed and delivered to the Authority that certain Amended and Restated Non-Negotiable Predevelopment Loan Promissory Note for Rose Hill Courts, dated November 26, 2019, in the principal sum of up to $2,013,773, which has a current outstanding principal balance of $1,843,712.94 as of the date of this Amendment (the “Prior Note”).

WHEREAS, the Prior Borrower has requested and the Authority has agreed to amend and restate the Prior Loan Agreement and Prior Note to amend the loan amount to $2,229,387 and substitute Borrower as the “Borrower” under the Prior Loan Agreement

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DC114-112) Rose Hill Courts Predevelopment Loan Agreement –
Phase 1 – Page 1
and Note. The Authority has also agreed $819,387 shall be assumed by Rose Hill Courts II Housing Partners, L.P. in the form of a new loan to fully effect a bifurcation of the Prior Predevelopment Loan.

WHEREAS, previous disbursements of the Prior Predevelopment Loan covered up to seventy-five percent (75%) of predevelopment costs incurred by the Prior Borrower to third-parties not affiliated with the Prior Borrower or Lender and related to the Rose Hill Courts Development, and Prior Borrower was obligated to fund the remaining twenty five percent (25%) of predevelopment costs (the “Cost Sharing Obligation”).

WHEREAS, as of the date hereof, Prior Borrower has fulfilled its Cost Sharing Obligation and from the date of this Loan Agreement through closing of the construction loan for the Project, the Authority shall fund one hundred percent (100%) of predevelopment costs for the Project in accordance with the Predevelopment Budget attached hereto as Exhibit 3.

WHEREAS, because predevelopment activities are of extreme importance to the success of the Project, the Lender is willing to make the Phase I Predevelopment Loan to the Borrower upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the promises and the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

ARTICLE 1
DEFINITIONS

1.01 Definitions. The following terms are defined as follows for purposes of this Loan Agreement and each shall have the meaning given it unless the context clearly indicates otherwise:

(a) “Approved Assignment Form” means an instrument executed in connection with the Phase I Predevelopment Loan of approximately even date herewith as security for the Phase I Predevelopment Loan based in substantial part on the Assignment of Agreements, Plans, Specifications, and Entitlements defined in Section 1.01(d) of this Agreement as modified to be appropriate the type of contract or matter to be assigned and as approved in writing by the Authority.

(b) “Architect” means the architect or architects, if any, with whom the Borrower contracts to design and oversee the Predevelopment Work, as such work is defined herein, and subsequent construction of the Project.

(c) “Assignment of Agreements, Plans, Specifications, and Entitlements” means the instrument executed in connection with the Phase I
Predevelopment Loan of approximately even date herewith as security for the Phase I Predevelopment Loan in the form attached at Exhibit 6.

(d) "Borrower" means Rose Hill Courts I Housing Partners, L.P., a California limited partnership, and its successors and assigns.

(e) "Closing" shall mean the initial construction loan closing for the Project, concurrently or prior to which HACLA and the Borrower shall have entered into a long-term ground lease of the Site.

(f) "Cost Sharing Obligation" shall have the meaning set forth in the Recitals.

(g) "DDA" shall mean that certain Disposition and Development Agreement for Rose Hill Courts Phase I between the Authority and the Borrower dated on or about the date hereof.

(h) "Declaration" means any Declaration of Trust or Declaration of Restrictive Covenants or Rental Assistance Demonstration Use Agreement in favor of HUD that is now or hereafter recorded against the Project.

(i) "Default Rate" means the rate of interest to be charged on all sums due under the Note and not paid on or by the Maturity Date, which rate shall be the short-term applicable federal rate in effect on the effective date hereof, plus three percent (3%) per annum.

(j) "ERN" shall have the meaning set forth in the Recitals.

(k) "Event of Default" shall have the meaning ascribed to it in Article 6 of this Loan Agreement.

(l) "Force Majeure" shall have the meaning ascribed to it in Section 8.18 of this Loan Agreement.

(m) "HUD" means the United States Department of Housing and Urban Project.

(n) "Interest Rate" means the rate of interest that shall accrue on all advances made pursuant to the Note, from the date of disbursement until the Maturity Date, which shall be three percent (3%) simple interest annually.

(o) "Lender" means the Authority or its successor in interest.

(p) "Lender Funds" means the funds made available by the Lender Predevelopment Work.
(q) "Loan Agreement" means this document.

(r) "Loan Amount" means the amount of the Phase I Predevelopment Loan, an amount equal to $2,229,387.

(s) "Loan Documents" means all documents identified in Article 4 herein.

(t) "Maturity Date" shall have the meaning as defined in Section 2.06 of this Loan Agreement.

(u) "Note" means the promissory note to be executed by the Borrower evidencing the Phase I Predevelopment Loan made pursuant to this Loan Agreement.

(v) "Phase I Predevelopment Loan" shall have the meaning set forth in the Recitals.

(w) "Predevelopment Budget" means the budget attached as Exhibit 3 hereto for the Predevelopment Work, as the same may be amended or revised from time to time with the consent of the parties hereto. The Borrower may submit written requests for amendments to line items within the Predevelopment Budget at the same time Borrower submits draw requests pursuant to this Loan Agreement. The Authority shall approve or deny such requests for amendments in writing upon disbursement of the Phase I Predevelopment Loan proceeds.

(x) "Predevelopment Costs" means those costs of the Project that need to be incurred prior to Closing and are part of the overall development budget for this Project.

(y) "Predevelopment Loan" means a loan of Lender Funds up to the Loan Amount, made by the Lender to the Borrower to fund Third Party Costs contemplated under this Loan Agreement.

(z) "Predevelopment Property" means the land on which the Project is expected to be located (subject to the approval of HUD, if required, and the Authority’s Board of Commissioners), as more specifically defined in Exhibit 1.

(aa) "Predevelopment Schedule" means the schedule attached as Exhibit 2 hereto, as the same may be amended or revised from time to time with the consent of the parties hereto.

(bb) "Predevelopment Work" means (i) all predevelopment work for the Project performed by the Prior Borrower under the terms of the ENA, and
(ii) all predevelopment work for the Project performed by Borrower as contemplated in the Predevelopment Schedule and the Predevelopment Budget, attached hereto as Exhibit 3, for this Project, as such shall be approved by HUD, if required.

(cc) “Prior Borrower” means The Related Companies of California, LLC, a California limited liability company, and its successors and assigns.

(dd) “Prior Loan Agreement” shall have the meaning given in the Recitals.

(ee) “Prior Loan Documents” shall mean the Prior Loan Agreement, the Prior Note and any other document evidencing, securing or governing the Prior Predevelopment Loan.

(ff) “Prior Note” shall have the meaning given in the Recitals.

(gg) “Prior Predevelopment Loan” shall have the meaning given in the Recitals.

(hh) “Procurement Policy” shall mean that Statement of Procurement Policy established by the Authority as of June 25, 2015.

(ii) “Project” means Phase I of the redevelopment of the current 100-unit public housing site known as Rose Hill Courts, located at 4446 Florizel Street, Los Angeles, California.

(jj) “RAD Requirements” means HUD rules for the Rental Assistance Demonstration Program as provided in Notice H-2019-09 PIH-2019-23 (HA), issued September 5, 2019, as may be amended from time to time.

(kk) “Soft Costs” shall include Professional Fees/Consultant Fees and Other Soft Project Costs identified in the Predevelopment Budget.

(ll) “State” shall mean the State of California.

(mm) “Third Party Costs” means costs for work to be performed by parties not affiliated with the Borrower as such costs are contemplated in the Predevelopment Budget. For purposes of this Section, an “affiliated” party shall mean any entity that Borrower has an ownership interest in or any entity that shares ownership interests with the Borrower in another entity, or an entity that “controls” or is “controlled” by Borrower (as the term “control” is defined in Section 3.09 herein.).

ARTICLE 2

LOAN AGREEMENT TO CONSTRUCT, LEND AND REPAY

2.01 Predevelopment Loan. Subject to the terms and conditions of this Loan
Agreement and the Note, and so long as no Event of Default exists, the Lender agrees to lend to the Borrower funds totaling no more than the Loan Amount; and the Borrower agrees to repay all sums so advanced, together with interest as provided in said Note. The Parties agree that this Loan Agreement amends and restates in its entirety the Prior Loan Agreement. Borrower hereby assumes from Prior Borrower and Prior Borrower hereby assigns to Borrower all of the rights and obligations of Prior Borrower under the loan documents evidencing and governing the Prior Predevelopment Loan with respect to $819,387 of such loan. Borrower acknowledges that the current outstanding balance of the Prior Predevelopment Loan that has been disbursed to date is $1,843,712.94.

2.02 Use of Predevelopment Loan Proceeds for the Project. The proceeds of the Phase I Predevelopment Loan shall be used solely for the payment of the eligible, Authority-approved and budgeted Third Party Costs related to Predevelopment Work, as such costs are incurred which may be drawn in percentage payments equivalent to the total amount of the Predevelopment Budget divided by the total Predevelopment Loan expended at the time of the draw request.

2.03 Cost Sharing Obligation. Borrower affirms that as of the date hereof, it has met its obligation to fund for twenty-five percent (25%) of Predevelopment Costs, the Cost Sharing Obligation. Notwithstanding the foregoing, the Authority shall reimburse the Borrower for any amounts paid in accordance with the Cost Sharing Obligation in the event the Authority does not approve the final plan for the Property or otherwise determines not to go forward with the redevelopment.

2.04 Interest. Starting on the date of the first advance on the Note and ending on the Maturity Date, the unpaid principal amount of advances shall bear interest at the Interest Rate. Interest shall accrue annually on the outstanding principal balance and unpaid interest shall be due and payable on the Maturity Date. All past due principal and interest shall bear interest at the Default Rate, as defined herein.

2.05 Repayment; Pre-Payment Permitted. The Borrower agrees to repay the outstanding principal, together with all interest accrued thereon at the Interest Rate, according to the terms outlined in the Note. The Borrower may, at its option, prepay all or any portion of the unpaid principal balance of the Note, together with interest accrued through the date of such prepayment, without charge or penalty. No funds provided by the Lender shall be used for such repayment or prepayment in any manner that would be in violation of any HUD requirements.

2.06 Term. The term of this Loan Agreement shall commence on the effective date hereof and continue until the earlier of: (a) termination of the DDA (including without limitation at Closing of the Project’s Construction Loan) or (b) December 31, 2021, which may be extended at the Lender’s discretion (the “Maturity Date”), subject to the provisions of Section 4.2(a) of DDA providing for the possible conversion of the Loan Amount into a portion of the Gap Loan (as defined in the DDA) at Closing of the Project’s Construction Loan. Except in the case of an uncured Event of Default under Section 6.01(f) of this Loan Agreement, if the loan has not been repaid in full by the
Maturity Date, then the Lender’s sole recourse shall be limited to any assets assigned to Lender, which are the Borrower’s right, title and interest in all documents and work product relating to the Project that has been paid for in whole or in part by the Lender as assigned pursuant to the Assignment of Agreements, Plans, Specifications, and Entitlements or Approved Assignment Form.

ARTICLE 3

COVENANTS

3.01 Performance of the Predevelopment Work. The Borrower represents, warrants, and covenants that the Predevelopment Work will be conducted in accordance with the DDA, Predevelopment Budget, the Predevelopment Schedule, all applicable permits and approvals, and any title or other restrictions or conditions affecting the Project. The Authority acknowledges that many tasks required to achieve completion of the Predevelopment Work are in the control of third parties over whom Borrower has no control. In consideration of that circumstance, a failure by the Borrower to perform in accordance with the DDA, Predevelopment Budget, the Predevelopment Schedule that is solely due to the failure of a third party to act will not be considered an Event of Default pursuant to Section 6.01 herein, provided that the Borrower demonstrates that it employed best faith efforts to secure performance by such third party.

3.02 Responsibility for Costs Exceeding Predevelopment Loan Amount; Changes in Predevelopment Budget. The Borrower acknowledges that the Lender is not obligated to advance funds that would cause the outstanding principal balance of the Phase I Predevelopment Loan to exceed the Phase I Predevelopment Loan Amount. Borrower, however, may request to change in any individual Predevelopment Budget line item that is offset by a corresponding decrease in one or more other line items such that the total Predevelopment Budget is not increased, so long as the integrity and quality of the Project is not materially adversely affected. Such request must be submitted to Lender promptly upon Borrower’s knowledge of the need to revise the Predevelopment Budget and prior to entering into any contracts, change orders or amendments to contract that would require expenditure of such revised costs. In addition, if at any time it appears the Predevelopment Costs will exceed the Predevelopment Budget, Borrower and Lender will meet and confer to consider an increase in the Phase I Predevelopment Loan Amount. Lender’s approval of such requests shall be at Lender’s sole discretion.

3.03 Architect’s Agreement. The Borrower shall retain the Architect under a binding contract or contracts to provide all architectural services necessary for the Predevelopment Work and to begin the design and construction of the Project. The Borrower shall obtain the Architect’s written consent to collaterally assign the contract to Lender and to assign the work product pursuant to the Assignment of Agreements, Plans, Specifications, and Entitlements.

3.04 Contracts. The Borrower shall make available for review by the Lender and HUD, if required, copies of all contracts for Predevelopment Work, or any portion thereof, in accordance with this Loan Agreement. The Borrower agrees that all its
interest in consulting and construction contracts entered into by Borrower for the rendition of Predevelopment Work and all reports, drawings, tracings, plans, specifications and other documents prepared for or by the Borrower, its individual members or subcontractors and used in the Predevelopment Work and construction on the Predevelopment Property shall be collaterally assigned to the Lender pursuant to an Approved Assignment Form. The Borrower also agrees that all its plans, studies, reports, drawings, permits, approvals (including the award of tax credits to the extent assignable), and other work product produced or obtained by the Borrower and used in the Predevelopment Work and construction on the Predevelopment Property and all of the Borrower’s interests in agreements relating to such work product shall be properly assigned to the Lender.

3.05 INTENTIONALLY OMITTED

3.06 Monitoring Contractors; Correction of Defects. The Borrower shall use reasonable efforts to monitor the performance of all persons and entities providing services to the Predevelopment Work and shall take such actions as are necessary to maintain adherence to quality standards. The Borrower shall use reasonable efforts to guard against defects and deficiencies in design and construction that is performed as part of the Predevelopment. The Borrower shall correct, or cause to be corrected, any material deviation from the DDA, Predevelopment Budget and the Predevelopment Schedule.

3.07 INTENTIONALLY OMITTED

3.08 Compliance with Law. All Predevelopment Work shall comply with all applicable federal, state and local laws, rules and regulations, including without implied limitation those pertaining to zoning, environmental, subdivision, building, health, safety and sanitary conditions.

3.09 Entity Matters. The Borrower represents and warrants that it is a limited partnership duly formed and validly existing under the laws of the State of California and duly authorized to enter into this Loan Agreement. Borrower shall seek Lender’s consent to any changes in control of the Borrower and/or in the control of any member or general partner in the Borrower. For purposes of this section, “control” shall mean the power to, directly or indirectly, direct, or cause the direction of, the management or policies of Borrower, whether by contract, ownership or otherwise. Borrower shall provide notice to Lender prior to any change in ownership of the Borrower and/or ownership of any member or general partner in the Borrower.

3.10 No Default. Borrower represents and warrants that the consummation and performance of the transaction contemplated by the Loan Documents will not constitute a default under any agreement or obligation to which the Borrower is a party or any obligation by which the same may be bound.

3.11 Insurance. The Borrower will obtain and maintain, and require its
contractors to obtain and maintain, the insurance policies and coverages listed in the DDA.

3.12 **Notices.** The Borrower shall, with reasonable promptness, but in any event within fourteen (14) calendar days after it has actual knowledge thereof, notify the Lender in writing of the occurrence of any act, event or condition that constitutes, or that after notice or lapse of time or both would constitute, an Event of Default by the Borrower. Such notification shall include a written statement of any remedial or curative actions that the Borrower proposes to undertake to cure or remedy such default.

3.13 **Declaration in Favor of HUD.** Borrower shall comply in all respects with any Declaration, if applicable.

3.14 **Encumbrances.** Borrower covenants to, and shall cause its contractors to, keep the Predevelopment Property free from any and all liens and/or encumbrances, including stop work notices, arising out of the Predevelopment Work, materials furnished, or obligations incurred by or for Borrower and/or its contractors. Borrower shall be responsible for discharging and releasing any lien or encumbrance from the Predevelopment Property caused by Borrower, its contractors, or assigns in connection with the Predevelopment Work, and for all costs associated therewith.

**ARTICLE 4**

**CONDITIONS ON ADVANCES**

4.01 **Conditions on Advances.** The obligation of the Lender to make the Phase I Predevelopment Loan or any advance is subject to the compliance by the Borrower with its covenants, agreements, representations and warranties contained in the Loan Documents and to the satisfaction before making the Phase I Predevelopment Loan or any such advance, of the following:

(a) The Borrower shall have delivered to the Authority a fully executed DDA for the Project;

(b) The Borrower shall have incurred costs or expended funds in accordance with the Predevelopment Budget and Predevelopment Schedule;

(c) The following documents (together with this Loan Agreement and any UCC financing statements, "Loan Documents") shall have been duly executed and delivered by the parties thereto and shall be in full force and effect and, to the extent required by the Lender, all lien documents securing the Phase I Predevelopment Loan shall have been duly recorded:

1. the Note;
2. the Assignment of Agreements, Plans, Specifications, and Entitlements;

3. such other documents, instruments, and/or papers, which may evidence or secure the Phase I Predevelopment Loan;

(d) The Borrower shall have collaterally assigned to the Lender such of those contracts as the Lender requests pursuant to the Assignment of Agreements, Plans, Specifications, and Entitlements or the Approved Assignment Form as security for the Phase I Predevelopment Loan and such contractors and their subcontractors shall have assented in writing thereto, all by instruments acceptable to the Lender in the Lender's discretion;

(e) The Borrower shall have provided prior to the date hereof an incumbency certificate for Borrower in form acceptable to Lender;

(f) The Borrower shall have provided such other evidence as the Lender reasonably may require that the Predevelopment Work complies with the Predevelopment Budget, the Phase-Related Predevelopment Schedule, and with all applicable federal, state and municipal laws;

(g) No Event of Default shall exist and no event exists that, with the passage of time or giving of notice by the Lender, constitutes an Event of Default;

(h) Borrower has delivered to Lender current financial statements prior to the execution of this Loan Agreement;

(i) Borrower shall have the required insurance in effect and shall have provided certificates evidencing such insurance;

(j) Borrower shall be in compliance with the requirements of Section 3 of the Housing and Urban Development Act of 1968 and the Authority's Section 3 Guide and Compliance Plan attached hereto at Exhibit 4; and

(k) Borrower shall have evidenced compliance with the Authority's Procurement Policy, as applicable.

ARTICLE 5
DISBURSEMENTS
5.01 **Borrower Representations and Warranties with Each Disbursement.** Each request by the Borrower for a disbursement under this Agreement: (a) shall constitute the Borrower’s representation and warranty that the information set forth in each such request and any certification by the Borrower, or any third party consultant supplied in connection therewith is true and correct and omits no material fact necessary to make the same not misleading; (b) shall constitute Borrower’s affirmation that this disbursement shall not cause the Authority to exceed the Predevelopment Budget; and (c) shall constitute the Borrower’s affirmation of compliance with Section 3 and the DDA, except as otherwise disclosed by Borrower.

5.02 **Requests for Disbursements.** The Authority Funds shall be disbursed as portions of each task of the Predevelopment Work are performed. The Borrower shall submit draw requests to the Authority in writing, not more frequently than one time each calendar month. The Authority will disburse the proceeds under each properly submitted draw request within twenty (20) calendar days after receipt of a complete request. Each complete request for a disbursement must contain the following:

(a) letter from the Borrower requesting a disbursement, which should contain the Draw Request Form as attached in Exhibit 5 and any special funding instructions;

(b) a Draw Request Form produced and certified by the Borrower in the form attached as Exhibit 5, itemizing (1) the starting Budget line items, Previous changes made, Current changes made, and Revised Budget; (2) all costs for Predevelopment Work previously paid by Authority; (3) the share of the total Third Party Costs for this Predevelopment Work previously paid by the Lender and Borrower; (4) any amount requested to be disbursed to Borrower, and (5) Total completed/drawn to date amounts and balance of the Phase I Predevelopment Loan remaining;

(c) as requested by the Authority, invoices and supporting documentation for the current disbursement request;

(d) Borrower will certify to the Authority that each prior Authority-approved invoice has been paid to the relevant Consultant;

(e) such other certificates, documents, information, or instruments as Authority shall reasonably require to substantiate the same. The proceeds of the Loan shall be disbursed to the Borrower as the work to be paid for by the Loan proceeds is performed. The Borrower shall submit draw requests to the Authority not more frequently than one time each calendar month.

5.03 **Disbursements Contingent on Lender’s Satisfaction.** The Lender shall not be obligated to make any disbursements unless the Lender is satisfied in its
reasonable judgment that the conditions, precedent to the making of such disbursements, have been satisfied by the Borrower and Borrower is in compliance with its obligations under the Loan Documents.

5.04 **Lender’s Right to Withhold Disbursements.** The Lender shall have the right to withhold disbursements, in whole or in part, if: (a) any contractor’s or mechanic’s lien, laborer’s lien, notice of contract or other like instrument or claim relating to the Predevelopment Work has been recorded or filed (and/or Lender has received notice of the same) and is not promptly discharged of record or, in the alternative, Borrower has posted a lien release bond; (b) Predevelopment Work is in any material respect not in accordance with the Loan Documents, including but not limited to the Predevelopment Budget, and Predevelopment Schedule, (c) the Borrower, as applicable, is in default (after any applicable notice and cure period) under any obligations to the Lender as described in the Loan Documents.

**ARTICLE 6**

**EVENTS OF DEFAULT AND REMEDIES**

6.01 **Events of Default.** Each of the following shall constitute an “Event of Default” for purposes of this Loan Agreement:

(a) The failure by the Borrower to pay the Note when due;

(b) The failure of the Borrower to make any other payment required under the terms of this Loan Agreement, or any of the other Loan Documents or any of the exhibits hereto, within thirty (30) days after receipt of written notice from the Lender;

(c) Except as otherwise provided herein, the failure of the Borrower to promptly and accurately perform any other covenant or agreement contained in this Loan Agreement and any of the other Loan Documents or any of the exhibits hereto, and the additional failure to cure or remedy such within a period of sixty (60) days after written notice thereof; provided, however, that if the failure to perform is not reasonably susceptible to cure within this sixty (60) day period or is not within the reasonable control of the Borrower, then, provided that the Borrower has commenced to cure such failure to perform upon receipt of such written notice and shall continue to diligently pursue such cure to completion, the cure period shall be extended by the amount of time reasonably necessary to cure such failure to perform;

(d) The Borrower abandons work, or ceases work for a period of more than thirty (30) consecutive days due to causes within the reasonable control of Borrower;

(e) Borrower defaults under the Entry Agreement, if applicable, and such default is not cured within the applicable cure periods therein;
(f) Any representation, warranty or certificate given or furnished by on behalf of the Borrower, or the members or partners in the Borrower, shall prove to be materially false as of the date on which the representation, warranty or certification was given and shall prove to have a material adverse effect on the Lender; provided, however, that if any representation, warranty or certification that proves to be materially false is due to the Borrower's inadvertence, then Borrower shall have a sixty (60) day opportunity beginning upon the earlier of (1) Borrower's knowledge of the breach or (2) written notice thereof from Lender, to: (a) cause such representation, warranty or certification to be full, true and complete in every respect; and (b) cure the harm caused to the Lender by the falsity of such representation, warranty or certification;

(g) The Borrower or the members or partners in the Borrower shall file, or have filed against it, a petition of bankruptcy, insolvency or similar action pursuant to state or federal law, or shall file any petition or answer seeking, consenting to, or acquiescing in, any reorganization, arrangement readjustment, liquidation, dissolution or similar relief; or shall be adjudicated bankrupt or insolvent, under any present or future statute, law, regulation, either state or federal, and such judgment or decree is not vacated or set aside; provided, however, that in the event of an involuntary bankruptcy proceeding, Borrower, or the members or partners in the Borrower, shall have ninety (90) days to have such petition, judgment or decree set aside or vacated;

(h) The Borrower or the members or partners in the Borrower shall make an assignment for the benefit of creditors, or shall submit in writing its inability to pay its debts generally as they become due;

(i) The Borrower shall default under the DDA and fails to cure such default within the applicable cure period;

(j) There is a change in the ownership interests or a change in the control of the Borrower, or the members or partners in the Borrower, without prior notice to or approval by the Lender to the extent required by Section 3.09 hereof (other than the Lender approved admission of limited partners or members in a mixed-finance rental transaction); or

(k) The Borrower fails to maintain, or fails to cause to be maintained, insurance as required by this Loan Agreement.

6.02 Remedies Upon Events of Default.

(a) Upon the occurrence of an Event of Default that remains uncured following the applicable cure period, at its option and without notice, the Lender may (but shall not be required to) (i) terminate this Loan Agreement and the Lender's commitment to make any disbursement hereunder; (ii) declare the indebtedness evidenced by the Note to be immediately due and payable, and pursue the Lender's other remedies under the other Loan Documents; or (iii) institute any action, suit, or other proceeding at law or in equity, which the Lender shall deem necessary or proper for the
protection of its interest.

(b) Upon an Event of Default, all plans, studies, reports, drawings, permits, approvals and other work product produced or obtained by the Borrower in connection with the Predevelopment Work and all of the Borrower's interest in agreements relating to such work product, shall be properly assigned to the Lender without further compensation to the Borrower so long as such items have been paid for, in whole or in part, by the Lender through advances under the Phase I Predevelopment Loan or otherwise. Such assignment shall be made pursuant to the Assignment of Agreements, Plans, Specifications, and Entitlements or Approved Assignment Form.

(c) At any time after the occurrence of an Event of Default and during its duration, the Lender may revoke Borrower's right of entry to the Predevelopment Property and may perform any and all work and labor necessary to complete the Predevelopment Work and do all things reasonably necessary therefor.

6.03 Remedies Cumulative. Upon the occurrence of an Event of Default, the rights, powers, and privileges provided in this Article 6 and all other remedies available to the Lender under this Loan Agreement or any of the Loan Documents or otherwise at law or in equity may be exercised by the Lender at any time and shall not constitute a waiver of any of the Lender's other rights and remedies thereunder, whether or not the indebtedness shall become due and payable, and whether or not the Lender shall have instituted action for the enforcement of its rights under any of the Loan Documents.

6.04 Borrower's Waiver of Presentment, Etc. The Borrower hereby waives, to the extent permitted by applicable law: (a) all presentments, demands for performance, notices of nonperformance (unless required by the terms hereof or any other Loan Document), protests, and/or notices of dishonor; (b) any requirement of diligence or promptness on the Lender's part in the enforcement of its rights under this Loan Agreement or any Loan Document; and (c) any and all notice of every kind and description that may be required to be given by any statute or rule of law.

6.05 Course of Dealing Not Operative as Waiver. No course of dealing between the Borrower, on the one hand, and the Lender, on the other hand, shall operate as a waiver of the Lender's rights under any Loan Document. A waiver on one occasion shall not be deemed a waiver of such right or any other right hereunder. Any waiver by the Lender must be in writing and signed by the Lender to be effective. The making of a disbursement during the existence of an Event of Default shall not constitute a waiver of such Event of Default.
ARTICLE 7
PUBLIC HOUSING PROVISIONS

7.01 Predevelopment Loan of Funds Not Deemed Assignment. The Borrower acknowledges that any Predevelopment Loan or transfer of Lender Funds by the Lender to the Borrower shall not be or be deemed to be an assignment of such funds, and the Borrower shall not succeed to any rights or benefits of the Lender under its agreements with HUD, or attain any privileges, authorities, interests, or rights in or under such agreements.

7.02 Transferred Funds Not Deemed To Create Relationship With HUD or Third Parties. Nothing contained in any agreement between the Lender or Borrower, nor any act of HUD or the Lender, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, except between HUD and the Lender, or any other third party.

7.03 Amendments Must Be Approved by HUD To Be Effective. This Loan Agreement may not be materially amended without prior written approval of HUD, to the extent such approval is required.

7.04 Compliance with Lender Funds Requirements. The Borrower shall comply with all contracting, labor, employment and other requirements imposed on Lender Funds under the Housing Act of 1937, 24 C.F.R. Parts 941, and RAD Requirements, as each may be applicable and amended from time to time. The Borrower shall further include in all contracts and subcontracts (1) applicable contracting, labor and employment provisions described in the DDA, and (2) a form of consent of contractor as required in the Assignment of Agreements, Plans, Specifications, and Entitlements and Approved Assignment Form. The Borrower shall further comply with the Authority’s MBE/WBE and Section 3 policies.

ARTICLE 8
MISCELLANEOUS

8.01 Limitation on Assignment. The Borrower may not assign this Loan Agreement or the monies due under this Loan Agreement without the Lender’s prior written consent, which the Lender in its sole discretion may grant or withhold.

8.02 Further Assurances. Whenever the Lender requests, the Borrower shall execute, acknowledge and deliver such further instruments or documents that the Lender may reasonably require to further perfect its rights and remedies under this Loan Agreement, the Note and any other Loan Document and in all collateral therefor, provided that, without the consent of Borrower, no greater rights or remedies are granted to the Lender thereunder, nor shall any greater burden be imposed on Borrower, than is contained herein.
8.03 **Subordination.** There is no agreement, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right or payment of any of Borrower’s obligation subject to this Loan Agreement to any other obligation of Borrower.

8.04 **Construction of Documents.** To the extent that there may be any inconsistency or conflict between the terms of any other Loan Document and this Loan Agreement, this Loan Agreement shall govern.

8.05 **No Waiver.** This Loan Agreement may be amended, waived or discharged only by writing signed by the party against whom enforcement of the amendment, waiver or discharge is sought. Any oral waiver, change or discharge of any provision of this Loan Agreement by any representative of a party shall be without authority and of no force or effect.

8.06 **Parties Bound.** This Loan Agreement shall bind upon and inure to the benefit of each party and their permitted successors and assigns. This Loan Agreement is a contract by and between the Borrower and Lender for their mutual benefit, and no third person shall have any right, claim or interest against any party hereto by virtue of any provision hereof.

8.07 **Time of the Essence.** The parties agree that time is of the essence in this Loan Agreement.

8.08 **Severability.** If any term or provision of this Loan Agreement or the application thereof to any person or circumstances shall be invalid or unenforceable, the remainder of this Loan Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Loan Agreement shall be valid and be enforced to the fullest extent permitted by law.

8.09 **Choice of Law.** This Loan Agreement and the rights and obligations of the Lender and the Borrower under this Loan Agreement and under all documentation executed incident to the Loan Agreement shall be construed in accordance with, and governed by the law of, the State of California. Borrower hereby consents and submits to personal jurisdiction in any state or federal court located within the State of California.

8.10 **Notices.** All notices, requests, demands, approvals, or other communications given hereunder or in connection with this Loan Agreement shall be in writing and shall be deemed given when delivered by hand or sent by registered or certified mail, return receipt requested, or nationally recognized overnight courier service, addressed as follows; provided that failure to deliver additional copies shall not invalidate the notice:

If to Lender: Housing Authority of the City of Los Angeles

(D0924774.DOC / 6) DC(114-112) Rose Hill Courts Predevelopment Loan Agreement – Phase I – Page 16
2600 Wilshire Boulevard, 3rd Floor
Los Angeles, CA 90057
Attn: President and CEO

With a copy to: Housing Authority of the City of Los Angeles
2600 Wilshire Boulevard, 3rd Floor
Los Angeles, CA 90057
Attn: Director of Legal Services

And to: Housing Authority of the City of Los Angeles
2600 Wilshire Boulevard, 3rd Floor
Los Angeles, CA 90057
Attn: Director, Development

And to: Reno & Cavanaugh, PLLC
455 Massachusetts Avenue, NW, Suite 400
Washington, DC 20001
Attn: Megan Glasheen

If to Borrower: Rose Hill Courts I Housing Partners, L.P.
c/o The Related Companies of California
18201 Von Karman Ave., Suite 900
Irvine, CA 92612
Attention: Frank Cardone, President

And to: Bocarsly, Emden, Cowan, Esmail and Arndt, LLP
633 West Fifth Street, 64th Floor
Los Angeles, CA 90071
Attn: Lance Bocarsly

8.11 **Headings and Titles.** The headings and titles of the articles, sections, and subsections used in this Loan Agreement are for convenience purposes only and shall not be used to interpret any of the provisions of this Loan Agreement.

8.12 **Interpretive Provisions.** “Discretion,” “sole discretion,” “option,” “election” or words of similar import in these Loan Documents denotes the Lender’s privilege to act in furtherance of the Lender’s interest to preserve the value of the collateral as security for, and otherwise to further repayment and performance of, all obligations without obligation or liability to the Borrower. “Reasonable judgment” in the Loan Documents denotes an objective standard obligating the Lender in good faith to act in a manner that is consistent with the usual and customary practices of public lenders in the metropolitan area.

8.13 **Amendments.** No part of this Loan Agreement or any other Loan Document may be amended unless there is a written instrument executed by the party to be charged.
8.14 **Exhibits.** All exhibits annexed to this Loan Agreement are incorporated herein as if fully set forth.

8.15 **Recitals.** The recitals and/or whereas clauses are hereby incorporated as part of this Loan Agreement.

8.16 **Counterparts.** This Loan Agreement may be executed in several counterparts, each of which shall be fully effective as an original and all of which shall together constitute this Loan Agreement.

8.17 **Entire Loan Agreement.** This Loan Agreement, the exhibits hereto, and agreements referenced herein, embody the entire Loan Agreement and understanding between the Lender and the Borrower relating to the Phase I Predevelopment Loan and supersede all and any prior verbal or written agreements by and among the parties unless specifically referenced in this Loan Agreement.

8.18 **Effective Date.** Upon execution, this Loan Agreement shall be effective upon the date indicated in the first paragraph hereof.

8.19 **Force Majeure.** If the Borrower is delayed in performing any covenant hereunder due to causes beyond the control and without intentional misconduct or negligence of the Borrower, then the time for performing the applicable covenant shall be extended for a period of time corresponding to the period of delay, with a reasonable adjustment to any applicable performance schedule affected by the delay.

8.20 **Release.** The Parties agree that Prior Borrower shall be released from any and all liability under the Prior Loan Documents and Prior Borrower shall not be liable for repayment of any principal or interest on the Prior Predevelopment Loan or the Phase I Predevelopment Loan.

[SIGNATURE PAGE FOLLOWS]
IN WITNESS WHEREOF, the Lender and Borrower have each duly executed, or caused to be duly executed, this Loan Agreement as of the date first written below.

LENDER:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic

By: ______________________________
Name: ___________________________
Its: ______________________________

BORROWER:

ROSE HILL COURTS I HOUSING PARTNERS, L.P., a California limited partnership

By: Related/Rose Hill Courts I Development Co., LLC,
a California limited liability company
its administrative general partner

By: ______________________________
Frank Cardone
President

PRIOR BORROWER:

THE RELATED COMPANIES OF CALIFORNIA, LLC, a California limited liability company

By: ______________________________
Name: ___________________________
Its: ______________________________
EXHIBIT 1

PREDEVELOPMENT PROPERTY
EXHIBIT A
APN 5305-011-900
PHASE 2
LEGAL DESCRIPTION

THOSE PORTIONS OF LOTS 1, 2 AND 3 OF TRACT NO. 13089, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 308, PAGE 21 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID LOT 1;

THENCE ALONG THE NORTHERLY LINE OF SAID LOT 1, NORTH 89°59'22" WEST, 451.00 FEET;
THENCE SOUTH 00°00'38" WEST, 174.46 FEET;
THENCE SOUTH 89°59'22" EAST, 451.04 FEET TO THE EASTERLY LINE OF SAID LOT 3;
THENCE ALONG THE EASTERLY LINE OF SAID LOTS 3 AND 1 NORTH 00°00'15" EAST,
174.46 FEET TO THE POINT OF BEGINNING.

CONTAINING 78,680 SQUARE FEET, MORE OR LESS.

ALL AS SHOWN ON EXHIBIT B, ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.

THIS DESCRIPTION WAS PREPARED BY ME, OR UNDER MY DIRECTION.

KURT R. TROXELL, P.L.S. 7854
DATED THIS 10th DAY OF JANUARY, 2020
EXHIBIT 2

RESERVED
EXHIBIT 3

PREDEVELOPMENT BUDGET

ROSE HILL COURTS – PHASE I
## ROSE HILL COURTS
### PHASE I BUDGET 2020-CLOSING

**15-Jan-20**

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<td>Demolition &amp; Remediation</td>
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**TOTAL:** $2,508,766
# ROSE HILL COURTS
## PHASE II BUDGET 2020-CLOSING

15-Jan-20

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<td>Relocation Consultant</td>
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<tr>
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<td>Utility fees (LADWP transformer and water meters)</td>
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**TOTAL:** $ 2,481,250
EXHIBIT 4

SECTION 3 GUIDE AND
COMPLIANCE PLAN
Section 3 Guide and Compliance Plan (V2)

Let's get to work!
SECTION 3 GUIDE AND COMPLIANCE PLAN

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SECTION 3 GUIDE AND COMPLIANCE PLAN

I. INTRODUCTION

A. Section 3 Regulation

Section 3 of the Housing and Urban Development Act of 1968 (codified at 12 U.S.C. 1701u and implemented at 24 CFR Part 135, hereinafter, "Section 3"), as amended, requires that economic opportunities generated by the receipt of certain funding from the U.S. Department of Housing and Urban Development ("HUD") for housing and community development programs shall, to the greatest extent feasible, be given to low and very low income persons, particularly those who are recipients of government assistance for housing, and to businesses that provide economic opportunities for these persons (collectively, "Section 3 Beneficiaries").

B. HACLA Policy

It is the intent and policy of the Housing Authority of the City of Los Angeles ("HACLA") to fully comply with Section 3 and to require its Contractors undertaking contracts to which Section 3 applies to demonstrate good faith effort to comply, to the greatest extent feasible, with Section 3 and the responsibilities described under this Section 3 Guide and Compliance Plan (this "Plan") by providing economic opportunities to Section 3 Beneficiaries.

C. Applicability

The requirements set forth in this Plan arise when HACLA utilizes Section 3 Covered Assistance for a Section 3 Covered Project or Section 3 Covered Contract, as those terms are defined here. HACLA reserves the right to impose upon Contractors requirements that go beyond the requirements of Section 3 and this Plan when deemed in the best interest of HACLA.

D. Purposes of this Guide and Compliance Plan

The purpose of this Plan is to assist Contractors in understanding their Section 3 obligations so that they can be successful in meeting these responsibilities. This purpose is accomplished through the guidance and instruction provided in the Plan, in other Section 3 materials and publications provided by HACLA, and assistance provided by HACLA's Section 3 Compliance Administrator. HACLA has developed and continues to develop programs and procedures, all as necessary to implement this Plan in order to realize the goals of Section 3. This Plan shall remain in effect for so long as it remains consistent with federal regulations or until changed by HACLA.

E. Part 135 Amendments and Conflicts

Amendments to 24 CFR Part 135 shall apply to this Plan as of the effective date of the updated regulation. Where provisions of this Plan conflict with 24 CFR Part 135, the latter shall prevail.
II. DEFINITIONS

The following terms used throughout this Plan have the following assigned meanings.

"Contractor" means any person or entity that enters into a contract with HACLA, and includes the plural form "Contractors." When referred to collectively as Contractor/Subcontractor and its plural form, Contractors/Subcontractors, the term means both the Prime Contractor and any of its Subcontractors engaged under a Section 3 Covered Contract. Contractor also refers to service providers, vendors and developers.

"HACLA" means the Housing Authority of the City of Los Angeles.

"HUD" means the United States Department of Housing and Urban Development.

"IFB" means an Invitation for Bids, which is a procurement methodology that typically awards a contract to the lowest cost bidder, provided that the bidder meets certain minimum criteria.

"Los Angeles Metropolitan Area" means the metropolitan statistical area (MSA) established by the Office of Management and Budget as the Los Angeles-Long Beach-Glendale Metropolitan Area.

"Metropolitan Area" means a metropolitan statistical area established by the Office of Management and Budget, and includes its plural form "Metropolitan Areas."

"New Hire" means a full-time employee hired on a permanent, temporary or seasonal basis as a direct result of a Contractor's/Subcontractor's contractual obligation in connection with a Section 3 Covered Project, and includes its plural form "New Hires." An employee who was on a Contractor's/Subcontractor's payroll on or prior to award of the Section 3 Covered Contract shall not be counted towards the Contractor's/Subcontractor's numerical goals under Section III.B herein.

"Nonmetroplitan county" means any county outside of a Metropolitan Area.


"Section 3 Beneficiaries" refers, collectively, to Section 3 Business Concerns and Section 3 Residents.

"Section 3 Business Concern" means a business entity authorized to engage in the type of business activity for which it was formed, and which satisfies one or more of the following criteria: (i) at least fifty-one (51) percent of the business is owned by one or more Section 3 Residents; (ii) at least thirty (30) percent of its permanent, full-time employees include persons who are currently Section 3 Residents, or were Section 3 Residents within three (3) years of the date such persons were first employed with the business; or (iii) a business that provides HACLA sufficient evidence of its commitment to subcontract more than twenty-five (25) percent of the dollar award of all subcontracts awarded under a Section 3 Covered Contract to Section 3 Business Concerns.
"Section 3 Covered Assistance" means financial assistance received from HUD or any other federal agency, receipt of which triggers the obligations that arise under Section 3.

"Section 3 Covered Contract" means a contract entered into directly with HACLA or a subcontract (including a professional service contract) awarded to a Contractor for work generated by the expenditure of Section 3 Covered Assistance, or for work arising in connection with a Section 3 Covered Project, and includes its plural form, "Section 3 Covered Contracts." It also includes contracts that HACLA has deemed subject to Section 3, as authorized herein.

"Section 3 Covered Project" means a project funded using Section 3 Covered Assistance and includes construction related projects involving the construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), and the construction and reconstruction of buildings and improvements and non-construction related projects. It also includes contracts that HACLA has deemed subject to Section 3, as authorized herein.

"Section 3 Resident" means: (i) public housing resident or (ii) a low or very low income person who lives in the Los Angeles Metropolitan Area of the Section 3 Covered Project and who has a household income that does not exceed HUD’s income limits, as described in the most current version of HUD’s Income Eligibility Guidelines. Includes its plural form, “Section 3 Residents.” Income limits are subject to change annually. Current income limits may be accessed on HACLA’s website at www.hacla.org/s3residentresources and on HUD's link at http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/section3/section3.

"Subcontractor" means any person or entity (other than a person who is an employee of the Contractor) that contracts with a Prime Contractor on a Section 3 Covered Project, and includes its plural form “Subcontractors.” When referred to collectively as Contractor/Subcontractor and its plural form, Contractors/Subcontractors, the term means both the Prime Contractor and any of its Subcontractors engaged under a Section 3 Covered Contract.

III. GOALS

The goals set forth in this section apply to all Section 3 Covered Contracts awarded by HACLA in any fiscal year.

A. HACLA’s Numerical Goals

1. HACLA shall, to the "greatest extent feasible," provide economic opportunities to Section 3 Beneficiaries.

2. Under HUD regulations, HACLA may satisfy the "greatest extent feasible" requirement by meeting these numerical goals:

   a. At least 30% of the aggregate number of New Hires to be directed to Section 3 Residents.
b. At least ten percent (10%) of the total dollar amount of all contracts awarded by HACLA for building trades work for maintenance, repair, modernization or development of public housing, or for building trades work arising in connection with housing rehabilitation, housing construction and other public construction related Section 3 Covered Contracts should be awarded to Section 3 Business Concerns.

c. At least three percent (3%) of the total dollar amount of all nonbuilding trades work related Section 3 Covered Contracts awarded by HACLA should be awarded to Section 3 Business Concerns.

B. Contractor Numerical Goals

1. Contractors employed on Section 3 Contracts shall, to the greatest extent feasible, provide economic opportunities to Section 3 Beneficiaries.

2. In accordance with Section 3 regulations, Contractors may satisfy the "greatest extent feasible" requirement by meeting these numerical goals:

   a. Contractors employed under a Section 3 Covered Contract are expected to achieve an employment level of thirty percent (30%) of all New Hires to be Section 3 Residents and to maintain this percentage throughout the life of the contract. This is HACLA's preferred method for Contractors to meet their Section 3 obligations. The employment should be meaningful, but it need not be related to the scope of services covered under the contract.

   b. At least ten percent (10%) of the total dollar amount of all Contractor subcontracts awarded by Contractor in connection with building trades work for maintenance, repair, modernization or development of public housing, or for building trades work arising in connection with housing rehabilitation, housing construction and other public construction related Section 3 Covered Contracts should be awarded to Section 3 Business Concerns.

   c. At least three percent (3%) of the total dollar amount of all Contractor subcontracts awarded by Contractor in connection with nonbuilding trade work related Section 3 Covered Contracts should be awarded to Section 3 Business Concerns.

C. Providing Other Economic Opportunities

1. Contractors who are unable to offer training and/or employment opportunities to Section 3 Residents may offer other economic opportunities directed at Section 3 Resident upward mobility and self-sufficiency, such as offering scholarships, and sponsoring enrollment into apprenticeship programs, mentorship programs, and internships.

2. Contractors who are unable to provide subcontracting opportunities to Section 3 Business Concerns may provide and promote mechanisms to create economic opportunities directed at Section 3 Business Concerns, such as scaling of work for purchase of supplies or materials, and/or providing Section 3 Business Concerns with tools to enable them to successfully compete for contracting opportunities, such as bonding and insurance assistance.
D. Contractor Good Faith Efforts

1. Contractors may demonstrate good faith efforts to offer training and employment opportunities to Section 3 Residents by taking such actions as:

   a. Promptly notifying HACLA about training opportunities and available employment positions, including job descriptions;

   b. Utilizing HACLA’s Section 3 Resident Registry to identify job ready Section 3 Residents and informing qualified residents of training opportunities and available employment positions;

   c. Advertising training opportunities, and available employment positions in local media outlets and on appropriate social media platforms;

   d. Prominently displaying a notice of Section 3 commitments and available employment opportunities at the project site and other appropriate places within the project site, such as where applications for training and employment are taken;

   e. Advertising available training opportunities and employment positions by distributing flyers that identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process, to every occupied dwelling unit in one or more of HACLA’s housing developments and posting copies of the flyer in the development’s common areas, including at the community center, the management office and the computer lab as applicable;

   f. Contacting Resident Advisory Councils (RACs) and other resident organizations to inform them of training and available employment positions;

   g. Contacting agencies administering Los Angeles County YouthBuild Programs, and requesting their assistance in recruiting LA County YouthBuild Program participants for training opportunities and employment positions;

   h. Consulting with state and local agencies administering training programs, such as those funded through Workforce Investment Act, unemployment compensation programs, community organizations and other officials or organizations to assist with training and recruiting Section 3 Residents for employment positions;

   i. Developing on the job training opportunities;

   j. Keeping a list of Section 3 Residents who apply directly or by referrals for the available jobs;

   k. Contacting local job training centers, workforce centers, and community organizations to inform them of training opportunities, available employment positions and subcontracting opportunities;

   l. Working with labor organizations to set up a Project Labor Agreement (PLA) if feasible, or making similar arrangements for dispatching and training of Section 3 Residents in
order of hiring priority;

m. Sending to labor organizations or representatives of workers with whom the Contractor/Subcontractor has a collective bargaining agreement or understanding, a notice of its Section 3 project commitments; and

n. Utilizing resources and methods identified in the Appendix to 24 CFR Part 135 I.

2. Contractors may demonstrate efforts to inform and award contracts to Section 3 Business Concerns by taking such steps as:

a. Contacting businesses listed in HACLA’s registry of certified Section 3 Business Concerns to inform them of subcontracting opportunities (see www.hacla.org/forms);

b. Contacting Metropolitan Area businesses listed in HUD’s registry of certified Section 3 Business Concerns to inform them of subcontracting opportunities (see https://portalapps.hud.gov/Sec3BusReg/BRegistry/SearchBusiness);

c. Advertising subcontracting opportunities through trade association publications, local media outlets, on appropriate social media platforms, and at the project site;

d. Notifying business associations, business assistance centers, and other community organizations of contracting opportunities and requesting their assistance in identifying Section 3 Business Concerns to solicit bids or proposals;

e. Establishing or sponsoring programs designed to assist Section 3 Business Concerns to enable them to participate in subcontracting opportunities; and

f. Utilizing resources and methods identified in the Appendix to 24 CFR Part 135 II.

3. Contractors who fail to meet these Section 3 numerical goals have the burden of demonstrating, to HACLA’s satisfaction, the reason why compliance was not feasible by providing HACLA with documentation of good faith efforts taken and barriers encountered.

E. Preference for Section 3 Residents in Training and Employment Opportunities

1. In accordance with the guidelines set forth at 24 CFR Part 135.34, unless otherwise provided therein, Contractors performing work under Section 3 Covered Contracts shall direct their efforts to provide, to the greatest extent feasible, new training and employment opportunities to Section 3 Residents in the following order of priority:

a. First priority (P1): Individuals residing in the HACLA owned or managed public housing development where the Section 3 Covered Project is being performed.

b. Second priority (P2): Individuals residing in other HACLA owned or managed public housing developments.
c. Third priority (P3): Other residents of Los Angeles County who are participants of HUD Youth Build Programs being carried out in within the Los Angeles Metropolitan Area or Nonmetropolitan county in which the Section 3 covered assistance is expended.

d. Fourth Priority (P4): Other Section 3 Residents.

IV. SECTION 3 FUND CONTRIBUTIONS

A. Purpose of Fund

HACLA has established a Section 3 Fund to permit Contractors to contribute funding for programs that generate economic and employment opportunities for Section 3 Residents, where the Contractor has demonstrated to HACLA's satisfaction, that compliance with Section 3 requirements for hiring, subcontracting and providing other economic opportunities is not feasible. Contractor contributions to the Section 3 Fund are considered an option of last resort, as HACLA's preferred method for Contractors to meet their Section 3 obligations is to satisfy their numerical goals, as expressed herein. HACLA does not accept Contractor contributions to the Section 3 Fund in lieu of compliance with Section 3 or this Plan.

B. Participation in Fund

1. Contractors who, prior to contract award, are unable to satisfy their numerical goals despite demonstrating good faith efforts as outlined above, may, at HACLA's election, be required to contribute to the Section 3 Fund.

2. Contractors who, following contract award, are unable to satisfy their Section 3 commitments as set forth in their Economic Opportunity Plan ("EOP," described below) may, at HACLA's election, be permitted to contribute to the Section 3 Fund and avoid the penalties for default described in section X.B herein, provided the Section 3 Compliance Administrator finds Contractor's lack of compliance is due to extraordinary circumstances and not due to the Contractor's lack of good faith compliance efforts or Contractor's failure to exhaust all feasible alternatives for compliance.

C. Contribution Requirements

1. For construction related Section 3 Covered Projects, Contractor contributions to the Section 3 Fund shall be equal to the lesser of three percent (3%) of (i) the total contract amount plus any modifications, or (ii) the actual dollar amount spent by HACLA under the contract.

2. For non-construction related Section 3 Covered Projects, Contractor contributions shall be equal to the lesser of three percent (3%) of (i) the total contract amount plus any modifications, or (ii) the actual dollar amount spent by HACLA under the contract.

3. Section 3 Fund contributions are based solely on net amount paid to Contractor, excluding shipping fees and taxes. All expenses authorized under the contract, including license fees, labor and materials costs, are subject to Section 3 Fund contribution calculations.
D. Payment Options

1. For construction related Section 3 Covered Projects with contracts of up to one (1) year, Contractors have the option of making contributions in a single up-front payment or making payments on a periodic basis following the receipt of contract payments from HACLA, provided such periodic payments must be in amounts of no less than three percent (3%) of the amount HACLA paid the Contractor for a particular installment.

2. For all contracts exceeding one (1) year, Contractors have the option of making contributions (i) in a single up-front payment at contract commencement based upon the subject year's contract award value, (ii) in periodic payments of three percent (3%) or greater of each payment received from HACLA, or (iii) at the end of the contract year based upon the actual dollar amount spent by HACLA under the contract for that particular year.

3. Contractors making their Section 3 Fund contribution at the end of contract year shall submit payment in full within thirty (30) days after the receipt of HACLA's final or year-end payment under the contract.

4. Section 3 Fund contributions for contracts terminated before the contract year end term shall be paid in full at the time of termination.

E. Voluntary Contributions

Contractors may contribute to the Section 3 Fund in discretionary amounts in addition to satisfying their Section 3 obligations.

F. Use of Section 3 Fund Proceeds

1. Section 3 Funds shall only be used by HACLA to further the purpose of Section 3, which are to provide economic and employment opportunities to Section 3 Residents.

2. In support of the purposes of Section 3 and in furtherance of this Plan, Section 3 Funds shall be used for job training, education and employment service programs that are specifically directed at assisting Section 3 Residents find meaningful employment. Such programs include, but are not limited to:

   a. Occupational/trade training programs that provide Section 3 Resident trainees with individualized support to enhance social, vocational and developmental skills; and

   b. HACLA-approved apprenticeship training programs and HACLA-approved pre-apprenticeship training programs designed to prepare Section 3 Resident trainees to enter into and succeed in an approved apprenticeship program.

3. Programs awarded Section 3 Funds will be carefully monitored to ensure effective use and quality of services.
V. SECTION 3 BUSINESS CONCERNS

A. Bid Preference

1. HACLA has adopted a bid preference for Section 3 Business Concerns when awarding Section 3 Covered Contracts utilizing the Invitation for Bids ("IFB") method of soliciting construction and maintenance activities. The bid preference does not apply to materials-only contracts, service contracts or contracts that are procured without the use of federal funds.

2. The bid preference requires that the IFB be awarded to the qualified Section 3 Business Concern with the lowest responsive and responsible bid and highest priority ranking if that bid meets the criteria set forth in the following Bid Preference Table:

<table>
<thead>
<tr>
<th>When the lowest responsive bid is:</th>
<th>Section 3 Business Concern bid is within lesser of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $100,000:</td>
<td>10% of that bid or $9000</td>
</tr>
<tr>
<td>At least $100,000, but less than $200,000</td>
<td>9% of that bid, or $16,000</td>
</tr>
<tr>
<td>At least $200,000, but less than $300,000</td>
<td>8% of that bid, or $21,000</td>
</tr>
<tr>
<td>At least $300,000, but less than $400,000</td>
<td>7% of that bid, or $24,000</td>
</tr>
<tr>
<td>At least $400,000, but less than $500,000</td>
<td>6% of that bid, or $25,000</td>
</tr>
<tr>
<td>At least $500,000, but less than 1 million</td>
<td>5% of that bid, or $40,000</td>
</tr>
<tr>
<td>At least $1 million, but less than $2 million</td>
<td>4% of that bid, or $60,000</td>
</tr>
<tr>
<td>At least $2 million, but less than $4 million</td>
<td>3% of that bid, or $80,000</td>
</tr>
<tr>
<td>At least $4 million, but less than $7 million</td>
<td>2% of that bid, or $105,000</td>
</tr>
<tr>
<td>$7 million or more</td>
<td>1½% of the lowest responsive bid, with no dollar limit</td>
</tr>
</tbody>
</table>

B. Designation as a Section 3 Business Concern

1. Business owners seeking HACLA’s designation as a Section 3 Business Concern must submit a Section 3 Business Certification Form (to be provided by HACLA) in their bid/offer package, along with required supporting documentation.

2. Where a business entity is certified by HACLA as a Section 3 Business Concern based on its ownership interest (i.e., at least fifty-one percent (51%) of the business is owned by one or more Section 3 Residents) or the percentage of employees who are or were Section 3 Residents at the time of contract award (i.e., at the time of award, at least thirty percent (30%) of its permanent, full-time employees include persons who are currently Section 3 Residents, or were Section 3 Residents within three (3) years of the date such persons were first employment with the business), the certification is valid for three (3) years.

3. Where a business entity is certified by HACLA as a Section 3 Business Concern based on its commitment to subcontract more than twenty-five percent (25%) of the dollar award of all subcontracts awarded under a Section 3 Covered Contract to Section 3 Business Concerns, HACLA’s certification of the business is valid for the term of the business’ Section 3 Covered Contract.
4. HACLA reserves the right but is not compelled to accept a Contractor's/Subcontractor's certification as a Section 3 Business Concern approved by another governmental entity.

5. Certification as a Section 3 Business Concern does not relieve Contractors from their Section 3 obligations, including the achievement of their numerical goals. All Section 3 Business Concerns are required to demonstrate compliance with Section 3 and this Plan.

VI. SECTION 3 RECRUITMENT AND NEW HIRES

Contractors are expected to make good faith efforts to achieve the numerical goals outlined at Section III.B herein, following the Section 3 Resident priority preferences set forth at Section III.E herein. This section provides guidance for the recruitment of New Hires, including New Hires who are Section 3 Residents.

A. Recruitment Efforts

1. HACLA maintains a database of employment-ready Section 3 Residents who meet certain minimum qualifications for various categories of employment. Upon receipt of a completed Section 3 Job Order Form from Contractor/Subcontractor, HACLA will provide referrals of qualified candidates from the database. When reasonably possible, Contractors are expected to provide HACLA with the Section 3 Job Order Form well in advance of project commencement.

2. Upon receipt of a Section 3 Job Order Form, HACLA will refer qualified candidates for interviews for each available position. Contractors are expected to give each New Hire candidate full consideration for available positions.

3. Independent of HACLA's efforts and referrals, Contractors shall engage in independent employment recruitment efforts following the Section 3 Resident priority preferences set forth at Section III.D herein using the methods and resources identified at Section III.C and others as applicable.

4. Contractors shall submit to HACLA their interview notes, including reasons for denial of employment or training opportunity and any follow up actions to be taken to assist the Section 3 Resident in the future, as applicable.

B. Section 3 Resident New Hires

1. All Section 3 Resident New Hires shall be employees of the Contractor and shall have all the protections afforded to employees under state, federal and local laws. Contractors are expected to impose the same hiring requirements and personnel rules and policies upon Section 3 Resident New Hires as are imposed upon their other employment candidates and employees.

2. Contractors are required to report to HACLA within two (2) business days of hiring Section 3 Residents and shall provide to HACLA a completed Section 3 Resident Certification Form (to be provided by HACLA) for each Section 3 Resident New Hire.
C. Apprenticeship Programs

1. Contractors who employ apprentices to satisfy their numerical goals are required to utilize appropriate apprenticeship programs approved by the federal Department of Labor ("DOL").

2. Contractors who employ apprentices on construction projects that are subject to the Davis-Bacon Wage Act are required to adhere to all legal requirements for wage rates and ratios of apprentices to journeymen set forth therein.

3. For each apprentice employed on a project, Contractors shall, prior to contract commencement, submit to HACLA apprentice certificates issued by the Department of Labor.

D. Limitations

Contractors/Subcontractors retain the sole discretion and control over any hiring and personnel decisions. HACLA cannot and will not exercise any control over any of the Contractors' or Subcontractors' employees, including New Hires, regardless of whether they were referred by HACLA or are Section 3 Residents.

E. Documented Efforts

Contractors shall document efforts taken to recruit and interview Section 3 Residents for hire and shall, upon reasonable request, provide HACLA with documentation that demonstrates such efforts, including interview notes, which shall include reasons for denial of employment or other actions as applicable.

F. Lack of Compliance

A Contractor's failure to satisfy the requirements of this section may result in HACLA's determination that the Contractor has failed to demonstrate good faith efforts to comply with the requirements of Section 3 and this Plan, and may subject Contractor to the penalties for default described in section XI.B herein, which include monetary fines and debarment.

VII. REQUIRED SUBMISSION DOCUMENTS

A. Section 3 Economic Opportunity Plans

1. All Contractors awarded a Section 3 Covered Contract and their Subcontractors shall prepare an Economic Opportunity Plan ("EOP"), which provides HACLA a "snapshot" of Contractors' and Subcontractors' current workforce, anticipated workforce to complete the project, subcontracting needs and efforts to generate economic opportunities in compliance with Section 3 and this Plan. The specific requirements of the EOP will be included in HACLA's solicitation for the work.

2. Unless the solicitation specifies otherwise, a Contractor's EOP shall be submitted to HACLA with Contractor's bid/offer package. Bids/Offers submitted by Contractors without an EOP, when required, will be rejected as non-responsive and will not be considered for contract award.
3. Unless the solicitation specifies otherwise, a Subcontractor’s EOP shall be submitted to HACLA prior to commencement of the contract.

4. EOP commitments will be incorporated into the contract. Contractors are responsible for incorporating their EOP commitments in any subcontracts it awards for the contract work.

5. Failure on the part of Contractor/Subcontractors to meet the commitments set forth in Contractor’s EOP may subject Contractor to the penalties for default described in Section X.B herein, including a determination that the Contractor is in material default of the contract.

B. Declaration of Intent to Comply with Section 3 Regulations

1. In addition to the EOP, Contractors awarded a Section 3 Covered Contract and their Subcontractors shall complete a Declaration of Intent to Comply with Section 3 Regulations form (to be provided by HACLA), which shall be submitted with Contractor’s bid/offer package, unless the solicitation specifies otherwise.

2. Bids/Offer submitted by Contractors without completed Declarations, when required, may be rejected as non-responsive and will not be considered for contract award.

C. Section 3 Compliance Summary Report

1. Contractors shall, upon HACLA’s request, provide periodic reports using the Section 3 Compliance Summary Report form (to be provided by HACLA). The report shall include information about New Hires, business subcontracting and supporting documents that reflect Contractor/Subcontractor good faith efforts to satisfy Section 3 requirements and fulfill its Section 3 commitments.

2. HACLA reserves the right to request from Contractor additional compliance documents to support data reported in the Section 3 Compliance Summary Report, and to request such other documents as HACLA deems necessary for clarification and proof of efforts.

VIII. DEVELOPMENT AND REDEVELOPMENT PROJECTS

In recognition that large-scale development and redevelopment projects (i) present a unique opportunity to generate employment and job training opportunities for Section 3 Residents, and (ii) typically involve mixed funding which may impose hiring priorities that differ from those specified in this Plan, HACLA’s Board of Commissioners adopts the following exceptions and requirements for Section 3 Covered Projects that are procured in connection with large-scale development and redevelopment projects that are subject to the Board’s approval.

A. Priorities and Commitments

1. The project’s master development agreement, disposition and development agreement, or similar agreement between HACLA and the developer, may, consistent with 24 CFR Part 135.34, reflect priorities for training and employment opportunities that differ from those
outlined at Section III.E herein.

2. The developer is responsible for submitting to HACLA a detailed Section 3 Economic Opportunity Plan that details its approach, methods and resources to be used to meet and/or exceed HUD numerical goals.

3. The developer’s specific, negotiated Section 3 commitments shall be made applicable to developer’s Contractors, Subcontractors and all other businesses employed on the project. The developer will be held responsible for enforcing Section 3 requirements and project commitments, and for monitoring its Subcontractors’ performance for compliance.

B. Penalties

In the event the developer fails to meet its commitments and can not demonstrate to HACLA’s satisfaction that good faith efforts have been made to fulfill their commitments, it shall be subject to penalties for non-compliance as negotiated in its master development agreement, disposition and development agreement or similar agreement between HACLA and the developer. Shall no such penalty agreement exist, the penalties for non-compliance set forth at Section X.B herein shall apply to the project.

C. Conflicts

Except as expressly set forth herein, Section 3 requirements and this Plan shall apply to the project. In the event of any perceived or actual conflicts between developer’s specific, negotiated Section 3 commitments and the requirements of 24 CFR Part 135 and/or this Plan, HACLA’s determination shall be final and binding.

IX. REQUIREMENTS APPLICABLE TO HUD NOTICE OF FUNDING AVAILABILITY (NOFA) PROGRAMS

The Section 3 compliance requirements at 24 CFR Part 135.9 apply to all HUD Notices of Funding Availability (NOFAs) and shall be imposed in all HACLA NOFA solicitations.

X. COMPLIANCE

A. Reviews for Compliance

1. HACLA may periodically audit Contractors’/Subcontractors’ performance for compliance with the requirements of Section 3 and this Plan, and may conduct periodic project site visits to support such efforts.

2. In connection with an audit for compliance, HACLA reserves the right to request from Contractors/Subcontractors additional reports and information concerning its efforts to comply with requirements of Section 3 and this Plan, and the Section 3 related contract terms and conditions.
B. Penalties for Non-Compliance

1. Contractors who fail to comply with their EOPs or otherwise fail to meet their commitments and obligations arising under Section 3, this Plan or the Section 3 related contract terms and conditions, shall, following notice and a reasonable opportunity to cure (as determined by HACLA in its sole discretion based upon the circumstances), be deemed in material default of their contracts, and may be subject to administrative penalties and/or debarment as follows:

   a. 1st Violation: Administrative penalty of ten percent (10%) of the contract award amount including all amendments.

   b. 2nd Violation: Administrative penalty of additional ten percent (10%) of the contract award amount including all amendments.

   c. 3rd Violation: Debarment, suspension, denial of participation in HACLA contracting or HUD programs in accordance with 24 CFR § 135.74d.

XI. RECORDS RETENTION

HACLA and any of their duly authorized representatives shall, until three years after final payment under the Section 3 Covered Contract, have access to and the right to examine any Contractor or Subcontractor directly pertinent books, documents, papers, or other records concerning Section 3 outreach efforts and commitments for the purpose of making audit, examination, excerpts, and transcriptions.

XII. RESOURCES

A. General Information

HUD publishes general information concerning Section 3, including the federal regulations implementing Section 3 (24 CFR part 135), at www.hud.gov/section3.

HACLA has published its own Frequently Asked Questions concerning Section 3, which is available here: www.hacla.org/section3.

B. HACLA Forms

All HACLA forms referenced in this Plan are available online at www.hacla.org/forms or by contacting HACLA's Section 3 Compliance Administrator at: section3@hacla.org.

C. Questions and Complaints

Questions or complaints concerning this Plan or HACLA's Section 3 program should be directed to HACLA's Section 3 Compliance Administrator:

Housing Authority of the City of Los Angeles
Section 3 Compliance Administrator
Consistent with 24 CFR §135.76, a Section 3 Resident or a Section 3 Business Concern may file a Section 3 related complaint directly with HUD using HUD form 958.

History:

10/30/14: Section 3 Guide and Compliance Plan adopted by Board Resolution No. 9167
11/28/17: Section 3 Guide and Compliance Plan (V2) adopted by Board Resolution No. 9693
Exhibit 6

ASSIGNMENT OF AGREEMENTS, PLANS, SPECIFICATIONS AND
ENTITLEMENTS

FOR VALUE RECEIVED, the undersigned, ____________________, a California
__________________ ("Borrower"), pursuant to that certain Disposition and
Development Agreement between Borrower and THE HOUSING AUTHORITY
OF THE CITY OF LOS ANGELES ("Authority") dated as of ________________
(the "Agreement"), as security for the loan of Authority funds described in Article 2
of the Agreement, hereby assigns to the AUTHORITY all of Borrower’s rights and
interest, but not its obligations, in, under and to the following, as they relate to the
Phase I Site improvements (defined in the Agreement), as of the date hereof,
______________, 20__ (the "Effective Date"):

1. All architectural, design, engineering and development agreements, and any
and all amendments, modifications, supplements, addenda and general conditions
thereto (collectively, "Architectural or Engineering Agreements") heretofore or
hereafter entered into or prepared by any Architect, engineer or other person or
entity (collectively "Architect(s)"), for or on behalf of Borrower in connection with
the construction of the Improvements, including but not limited to that certain
Agreement between Owner and Architect, dated as of ________________, between
[INSERT NAME OF ARCHITECT] and Borrower;

2. All plans and specifications, shop drawings, working drawings,
amendments, modifications, changes, supplements, general conditions and addenda
thereto (collectively "Plans and Specifications") heretofore or hereafter prepared by
any architect, engineer or other person or entity (collectively "Architect(s)"), for or
on behalf of Borrower in connection with the construction of the Improvements;
and

3. All governmental permits, approvals and entitlements (collectively

[D0924774.DOC /6] DC114-112] Rose Hill Courts Predevelopment Loan Agreement –
Phase I – Page 25
“Entitlements”) relating to the construction and operation of the Improvements heretofore or hereafter granted by the City of Los Angeles or any other governmental authority having jurisdiction over the Site. The Architectural or Engineering Agreements, Plans and Specifications and Entitlements consist of those which Borrower has heretofore entered into, received or obtained and shall include but not be limited to those described in the Schedule of Architectural and Engineering Agreements, Plans and Specifications and Entitlements attached to this Assignment as Exhibit B.

This ASSIGNMENT OF AGREEMENTS, PLANS AND SPECIFICATIONS AND ENTITLEMENTS ("Assignment") constitutes a present and absolute assignment to AUTHORITY as of the Effective Date. Borrower represents and warrants to the Authority, as of the Effective Date, that, to the actual knowledge of Borrower: (a) all Architectural or Engineering Agreements entered into by Borrower are in full force and effect and are enforceable in accordance with their terms and no default, or event which would constitute a default after notice or the passage of time, or both, exists with respect to said Architectural or Engineering Agreements; (b) all copies of the Architectural or Engineering Agreements and Plans and Specifications delivered to AUTHORITY are complete and correct copies; and (c) except in connection with any Senior Loan, Borrower has not assigned any of its rights under the Architectural and Engineering Agreements or with respect to the Plans and Specifications.

This Assignment shall be governed by the laws of the State of California, except to the extent that Federal laws preempt the laws of the State of California, and Borrower consents to the jurisdiction of any Federal or State Court within the State of California having proper venue for the filing and maintenance of any action arising hereunder and agrees that the prevailing party in any such action shall be entitled, in addition to any other recovery, to reasonable attorney's fees and costs.

This Assignment shall be binding upon and inure to the benefit of the heirs, legal representatives, assigns, and successors-in-interest of Borrower and Authority.
The attached Consent, Schedule 1, Exhibit A and Exhibit B are incorporated by reference.

Executed by Borrower as of ___________, 20__.

[BORROWER'S SIGNATURE BLOCK], a California ____________

By: [Managing partner or member’s signature block]

By: __________________________
CONSENT

The undersigned, [INSERT NAME OF ARCHITECT] ("Architect") hereby consents to the foregoing Assignment to which this Consent ("Consent") is part, and acknowledges that there presently exists no unpaid claims due to the Architect except as set forth on Schedule 1 attached hereto, arising out of the preparation and delivery of the Plans and Specifications to Borrower and/or the performance of the Architect’s obligations under the Assignment.

Architect agrees that if Authority shall become the owner of said Property and elects to undertake the construction of the Improvements on any portion of the Property, in accordance with the Plans and Specifications, and gives Architect written notice of such election; THEN, so long as Architect has received, receives or continues to receive the compensation called for under the Agreements, Authority may, at its option, use and rely on the Plans and Specifications for the purposes for which they were prepared, and Architect will continue to perform its obligations under the Agreements for the benefit and account of Authority in the same manner as if performed for the benefit or account of Borrower in the absence of the Assignment.

Architect warrants and represents that they have no knowledge of any prior assignment(s) of any interest in either the Plans and Specifications and/or the Agreements, [except for an assignment to [INSERT NAME OF BANK, ETC.]. Except as otherwise defined herein, the terms used herein shall have the meanings given them in the Assignment.
Executed on ______________________

[ARCHITECT'S SIGNATURE BLOCK]

By: ______________________

Architect's Address:

AUTHORITY's Address:

HACLA
2600 Wilshire Boulevard, 3rd Floor
Los Angeles, CA 90057
Attention: Chief Executive Officer
SCHEDULE 1 TO ASSIGNMENT
SCHEDULE OF UNPAID CLAIMS

Schedule 1 to Assignment of Agreements, Plans and Specifications and
Entitlements dated as of __________, 20__ between [NAME OF BORROWER],
as “Borrower”, and THE HOUSING AUTHORITY OF THE CITY OF LOS
ANGELES, as “AUTHORITY”. 
SECOND AMENDED AND RESTATED
NON-NEGOTIABLE PREDEVELOPMENT LOAN
PROMISSORY NOTE FOR ROSE HILL COURTS – PHASE I

$2,229,387

Los Angeles, California

____, 2020


FOR VALUE RECEIVED, Rose Hill Courts I Housing Partners, L.P., a California limited partnership (“Maker”), promises to pay to the order of the Housing Authority of the City of Los Angeles (“Holder”) at 2600 Wilshire Boulevard, Third Floor, Los Angeles, California 90057, or at such other place as Holder may from time to time designate in writing, the principal sum of $2,229,387, or so much thereof as may be advanced and outstanding, in lawful money of the United States. Maker acknowledges that the current outstanding balance of the Prior Note that has been disbursed to date and assumed by Maker is $1,834,712.94.

1. All terms used herein that are not otherwise defined are defined in that certain Amended and Restated Predevelopment Loan Agreement for Rose Hill Courts – Phase I, dated as of substantially even date herewith between Maker and Holder (the “Loan Agreement”) and the provisions of the Loan Agreement relating to the Phase I Predevelopment Loan are hereby incorporated herein by this reference.

2. This Note evidences and secures the Phase I Predevelopment Loan as defined and described in the Loan Agreement, which has been entered into pursuant to the DDA (as such term is defined in the Loan Agreement). The principal amount of this Note will be disbursed as contemplated and controlled by the Loan Agreement.

3. The principal amount of this Note shall bear interest prior to maturity at an interest rate equal to three percent (3%) simple interest annually. The principal amount of this Note shall
be repayable as follows:

(a) The repayment of funds due under the Loan Agreement on the Maturity Date as that term is defined in Section 2.06 of the Loan Agreement.

(b) If the Phase I Predevelopment Loan has not been repaid in full by the Maturity Date, then the Lender’s sole recourse shall be limited to any assets assigned to Lender, which are the Borrower’s right, title and interest in all documents and work product relating to the Project that has been paid for in whole or in part by the Lender as assigned pursuant to the Assignment of Agreements, Plans, Specifications, and Entitlements or Approved Assignment Form.

(c) Holder, in its sole discretion, may accelerate repayment if an Event of Default occurs under any Loan Documents after the expiration of the applicable cure periods therein.

(d) Any and all sums not paid, which are required to be paid, on the Maturity Date as required hereunder shall bear interest at the Default Rate.

(e) This Note may be prepaid in whole or in part at any time, and from time to time without premium or penalty.

4. It is expressly agreed that time is of the essence in this Note and in the event of:

(a) any default in the full and punctual payment of all or part of any installment of principal or interest hereunder as and when the same become due and payable; or

(b) upon the occurrence of any Event of Default under the Loan Agreement and the expiration of any applicable period of grace within which Maker may cure the same, there shall be an Event of Default under this Note;

(c) upon the occurrence of an Event of Default, Holder hereof, at its option, may declare the entire outstanding principal balance hereof, together with all costs, fees, expenses, charges for collection, including reasonable attorneys’ fees (which shall include outside counsel fees and all allocated costs of Holder’s in-house counsel), and costs for declaratory relief, arbitration, prosecution or defense of any action related to this Note, to be immediately due and payable in full, without further demand or notice to Maker or to any other party.

5. Failure of Holder to exercise any rights hereunder with respect to any default shall not excuse such default and shall not constitute Holder’s waiver of the right to the latter exercise thereof, in the absence of a written agreement to the contrary executed and delivered by Holder hereof and subsequent to such default.

6. All payments hereunder shall be paid in lawful money of the United States, which, at the time of payment, shall be legal tender for the payment of all debts and dues, public and private.

7. All sums received hereunder shall be applied in the following order: first, upon an
Event of Default to costs and expenses of Holder incurred in connection with the Predevelopment Loan, including costs of collection and reasonable attorney's fees, second, to interest, and then to principal.

8. Maker, all endorsers and guarantors hereof, and all others who may become liable for all or any part of the indebtedness evidenced hereby: (i) agree to be jointly and severally bound hereby, as primary obligors; (ii) jointly and severally waive and renounce any and all exception rights, including that of homestead, and the benefit of all valuation and appraisement privileges available to them or any of them pursuant to the Constitution or the laws of the United States or of any state, territory or jurisdiction, as against this debt or any renewal or extension thereof; and (iii) jointly and severally waive presentment for payment, demand, notice of protest, and any and all lack of diligence or delays in collection or enforcement hereof or in bringing suit for the collection hereof or in taking any other action hereunder. Maker and all others who may become liable for all or any part of the indebtedness evidenced hereby further agree with Holder thereof that said Holder may, without notice, in such manner, on such terms and for such times(s) as Holder may see fit, increase, extend, or renew this Note, and/or release any maker hereof, and/or substitute or add guarantors, and/or substitute or release all or any part of the collateral (real, personal or mixed) securing this Note, all without any way affecting, impairing, limiting, releasing or foregoing the joint and several liability of Maker and all endorsers and guarantors hereof not so released. The foregoing shall in all events be subject to the limitations on recourse set forth in Section 9 hereof.

9. The recourse of Holder shall be limited as set forth in this Note and the Loan Agreement. It is agreed that the agreements limiting the exercise of remedies against Borrower or any general partner or managing member of Maker, shall not:

   (a) constitute a release, discharge or waiver of the indebtedness evidenced by the Note and the indebtedness evidenced by the Note shall continue until satisfied or paid in full;

   (b) limit or be construed to limit the personal liability of Maker or any general partner of Maker, for the performance of the covenants and obligations under the Loan Documents, other than the covenant to personally pay the indebtedness evidenced by the Note; or

   (c) affect any additional remedies or liens which Holder has for the indebtedness evidenced by the Note and for the enforcement of any rights which Holder has under the Loan Documents.

None of Maker, general or limited partner or member of Maker, or any affiliate thereof, nor any officer, director, shareholder or employee of any of said entities, shall have any personal liability hereunder.

10. Maker hereby represents and warrants to, and covenants with, Holder that the entire proceeds hereof have been or will be used for the purpose of eligible Third Party Costs incurred by Maker for the performance of work pursuant to the DDA.

11. The rights and obligations created hereunder shall be construed and enforced
according to, and shall be governed by, the laws of the State of California.

12. The unenforceability or invalidity of any provision or provisions hereof shall not render any other provision or provisions hereof invalid or unenforceable.

13. Holder shall not have the right to assign this Note without the prior written consent of Maker; provided, however, that Holder shall have the right to assign this Note to an affiliate of Holder without the prior written consent of Maker. Maker shall not have the right to assign this Note without the prior written notice of Holder.

[signature page(s) to follow]
WITNESS the following signature and seal.

**MAKER:**

ROSE HILL COURTS I HOUSING PARTNERS, L.P.,
a California limited partnership

By: Related/Rose Hill Courts I Development Co., LLC,
a California limited liability company
its administrative general partner

By: ________________________________

Frank Cardone, President
ASSIGNMENT OF AGREEMENTS, PLANS, SPECIFICATIONS AND ENTITLEMENTS

FOR VALUE RECEIVED, the undersigned, ROSE HILL COURTS I HOUSING PARTNERS, L.P., a California limited partnership ("Borrower"), pursuant to that certain Disposition and Development Agreement for Rose Hill Courts Phase I between Borrower and THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES ("Authority") dated as of _____________, 2020 (the "Agreement"), as security for the loan of Authority funds described in Section 4.2(a) of the Agreement, hereby assigns to the Authority all of Borrower's rights and interest, but not its obligations, in, under and to the following, as they relate to the improvements on the Phase I Site (as such term is defined in the Agreement), as of the date hereof, _____________, 2020 (the "Effective Date"):  

1. All architectural, design, engineering and development agreements, and any and all amendments, modifications, supplements, addenda and general conditions thereto (collectively, "Architectural or Engineering Agreements") hereinafter entered into or prepared by any Architect, engineer or other person or entity (collectively "Architect(s)") for or on behalf of Borrower in connection with the construction of the Improvements, including but not limited to that certain Agreement between Owner and Architect, dated as of _____________, between Withee Malcolm Architects, LLP and Borrower;  

2. All plans and specifications, shop drawings, working drawings, amendments, modifications, changes, supplements, general conditions and addenda thereto (collectively "Plans and Specifications") hereinafter entered into or prepared by any architect, engineer or other person or entity (collectively "Architect(s)"), for or on behalf of Borrower in connection with the construction of the Improvements; and  

3. All governmental permits, approvals and entitlements (collectively "Entitlements") relating to the construction and operation of the Improvements hereinafter granted by the City of Los Angeles or any other governmental authority having jurisdiction over the Site. The Architectural or Engineering Agreements, Plans and Specifications and Entitlements consist of those which Borrower has hereinafter entered into, received or obtained and shall include but not be limited to those described in the Schedule of Architectural and Engineering Agreements, Plans and Specifications and Entitlements attached to this Assignment as Exhibit A. Borrower represents that the items set forth on Exhibit A are all of the Architectural and Engineering Agreements, Plans and Specifications and Entitlements existing for the Phase I Site.  

This ASSIGNMENT OF AGREEMENTS, PLANS AND SPECIFICATIONS AND ENTITLEMENTS ("Assignment") constitutes a present and absolute assignment to AUTHORITY as of the Effective Date. Borrower represents and warrants to the Authority, as of the Effective Date, that, to the actual knowledge of Borrower: (a) all Architectural or Engineering Agreements entered into by Borrower are in full force and effect and are enforceable in accordance with their terms and no default, or event which would constitute a default after notice or the passage of time, or both, exists with respect to said Architectural or Engineering Agreements; (b) all copies of the Architectural or Engineering Agreements and Plans and Specifications delivered to the Authority are complete and correct copies; and (c)
Borrower has not assigned any of its rights under the Architectural and Engineering Agreements or with respect to the Plans and Specifications.

This Assignment shall be governed by the laws of the State of California, except to the extent that Federal laws preempt the laws of the State of California, and Borrower consents to the jurisdiction of any Federal or State Court within the State of California having proper venue for the filing and maintenance of any action arising hereunder and agrees that the prevailing party in any such action shall be entitled, in addition to any other recovery, to reasonable attorney's fees and costs.

This Assignment shall be binding upon and inure to the benefit of the heirs, legal representatives, assigns, and successors-in-interest of Borrower and Authority.

The attached Consent, Schedule 1, and Exhibit A are incorporated by reference.
Executed by Borrower as of the date first set forth above.

ROSE HILL COURTS I HOUSING PARTNERS, L.P.,
a California limited partnership

By: Related/Rose Hill Courts I Development Co., LLC,
a California limited liability company
its administrative general partner

By:  
Frank Cardone, President
CONSENT

The undersigned, Withee Malcom Architects, LLP ("Architect") hereby consents to the foregoing Assignment to which this Consent ("Consent") is part, and acknowledges that there presently exists no unpaid claims due to the Architect except as set forth on Schedule 1 attached hereto, arising out of the preparation and delivery of the Plans and Specifications to Borrower and/or the performance of the Architect's obligations under the Assignment.

Architect agrees that if Authority shall become the owner of said Property and elects to undertake the construction of the Improvements on any portion of the Property, in accordance with the Plans and Specifications, and gives Architect written notice of such election; THEN, so long as Architect has received, receives or continues to receive the compensation called for under the Agreements, Authority may, at its option, use and rely on the Plans and Specifications for the purposes for which they were prepared, and Architect will continue to perform its obligations under the Agreements for the benefit and account of Authority in the same manner as if performed for the benefit or account of Borrower in the absence of the Assignment.

Architect warrants and represents that they have no knowledge of any prior assignment(s) of any interest in either the Plans and Specifications and/or the Agreements. Except as otherwise defined herein, the terms used herein shall have the meanings given them in the Assignment.

Executed on ____________________________.

WITHEE MALCOLM ARCHITECTS, LLP

By: ____________________________

Architect's Address: 2251 West 190th Street
Torrance, CA 90504

AUTHORITY's Address:

HACLA
2600 Wilshire Boulevard, 3rd Floor
Los Angeles, CA 90057
Attention: Chief Executive Officer
SCHEDULE 1 TO ASSIGNMENT
SCHEDULE OF UNPAID CLAIMS

Schedule 1 to Assignment of Agreements, Plans and Specifications and Entitlements dated as of __________, 2020 between ROSE HILL COURTS I HOUSING PARTNERS, L.P., as "Borrower", and THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, as "AUTHORITY".

None.
EXHIBIT A
LIST OF ARCHITECTURAL AND ENGINEERING AGREEMENTS, PLANS AND SPECIFICATIONS AND ENTITLEMENTS
CONSULTING SERVICES CONTRACT

This Consulting Services Contract ("Contract") is made effective as of ________________________, by and between the Housing Authority of the City of Los Angeles, a public body, corporate and politic ("Owner") and The Related Companies of California, LLC, a California limited liability company ("Consultant").

WHEREAS, Consultant agrees to perform services for Owner in accordance with this Contract, the terms and conditions contained herein, and the provisions contained in any agreement supplemental hereto.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. Scope of Services

Consultant shall perform consulting services as authorized in accordance with this Contract. A description of the scope of services to be rendered ("Services") is set forth in Exhibit A, incorporated herein by reference and made a part hereof.

2. Notices

Any notice required or desired to be given by a party may be delivered by mail to the other party at the address stated below each party's signature to this Contract; likewise, a notice may be given by personal delivery to a representative of a party. The initial representatives are as follows: Jenny Scanlin for Owner and Rose Olson for Consultant.

3. Term

It is anticipated that the Services rendered by Consultant pursuant to the terms of this Contract will be completed by January 31, 2020. Owner agrees to pay Consultant for all Services done in conformity with this Contract provided that Consultant is not in default hereunder.

4. Compensation

Owner shall compensate Consultant for all Services rendered on a time and materials basis pursuant to the fee schedule described in Exhibit B, attached hereto and made a part hereof. Total consulting fees for the Services shall not exceed $500,000.00. Consultant shall be responsible for all expenses incurred in the rendition of the Services, including, without limitation, telephone charges, travel expenses and meals. The compensation set forth in this Paragraph 4 constitutes the sole compensation for Consultant's Services under this Contract. In no event shall Consultant be entitled to any commission, finder's fee or other payment if Owner transacts business with any entity or individual recommended or identified by Consultant.
5. **Invoices**

The amounts due hereunder will be paid by Owner to Consultant within 30 days of receipt of each approved invoice. Consultant shall submit to the Owner’s representative invoices adequately describing and supporting the charges. The invoices also shall state the total cumulative charges invoiced under this Contract.

6. **Conduct of Services – Independent Contractor**

Consultant will act as an independent contractor with respect to performance of Services and neither Consultant nor any of Consultant’s employees, agents, or subcontractors will be deemed for any purpose to be the employee, partner, joint venturer or agent of Owner in the performance of Services pursuant to this Contract. Nothing herein contained shall be construed as granting Owner any right to supervise, control or direct Consultant with respect to Consultant’s performance of the Services. Owner’s sole right is to specify the results it wishes to achieve in retaining Consultant. No federal, state, city or other local governmental income or social security taxes will be withheld from Consultant’s compensation and/or authorized subcontractors hired by Consultant and all such taxes will be reported and paid directly by Consultant.

7. **Assignments**

Consultant shall not assign its obligations herein nor subcontract for the performance of Services hereunder.

8. **Conflicts of Interest**

Neither Consultant nor any director, employee or agent of Consultant’s business nor any subcontractor or its director, employee or agent will give or receive any commission, fee, rebate, gift or entertainment of significant cost or value in connection with Consultant’s Services herein, or enter into any business arrangement with any director, employee or agent of Owner other than as a representative of Owner, without prior written notification thereof to Owner.

9. **Applicable Law**

This Contract will be deemed to be a contract made in the State of California and will be governed by the law of that state without regard to principles of conflict of laws.

10. **Attorneys’ Fees**

The prevailing party in any action to enforce this Agreement shall not be entitled to recover reasonable attorneys’ fees and costs from the other party (including fees and costs in any subsequent action or proceeding to enforce or interpret any judgment entered pursuant to an action on this Contract). Each party shall bear its own costs and fees.
11. **Integration**

This Contract and Exhibits A and B attached hereto constitute the entire contract between the parties and supersede any and all prior understandings and agreements, whether written or verbal. This Contract may only be amended, modified and/or revised pursuant to a written instrument duly executed by the parties.

12. **Conflict Between Exhibits and This Contract**

In the event of a conflict between this Contract and the Exhibits incorporated herein by reference, the terms and conditions of this Contract shall prevail.

[signature page(s) to follow]
IN WITNESS WHEREOF, the parties have executed this Contract as of the date first written above.

CONSULTANT

THE RELATED COMPANIES OF CALIFORNIA, LLC, a California limited liability company

By: __________________________
    Rosc Olson
    Its Authorized Representative

Address: 18201 Von Karman Ave
         Suite 900
         Irvine, CA 92612

Tax ID No.: 33-0851672

OWNER

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic

By: __________________________
    Douglas Guthrie
    President and Chief Executive Officer

Address: 2600 Wilshire Boulevard
         Los Angeles, CA 90057
EXHIBIT A

SCOPE OF SERVICES

Consultant to provide master planning and predevelopment services for the redevelopment of Rose Hill Courts, including:

- Financial analyses
- Feasibility studies
- Participation in calls and meetings
EXHIBIT B

FEE SCHEDULE

Owner agrees to the following payment schedule:

- $375,000 has been paid and received for Services rendered as of the date of execution

- $62,500 is due and payable upon execution of the Disposition and Development Agreement for Rose Hill Courts – Phase I by and between Owner and Rose Hill Courts I Housing Development Partners, L.P.

- $62,500 is due and payable upon closing of construction loan for Rose Hill Courts – Phase I