GROUND LEASE

By and Between

CITY OF ROCKLIN,

LESSOR

and

[to come: COMMUNITY HOUSINGWORKS, a California Nonprofit Public Benefit Corporation or an Approved Assignee as designated in conformity with the Affordable Housing Agreement]

LESSEE

TABLE OF CONTENTS

Page

TABLE OF CONTENTS (Cont.)

Page

Page

EXHIBITS

GROUND LEASE

This GROUND LEASE (the "Lease") is made as of _____, 202__ by and between the **CITY OF ROCKLIN**, a municipal corporation (the "City" or "Lessor"), and [to come] ([the "Developer"] or the "Lessee").

1. SUBJECT OF LEASE; DEFINITIONS.

The purpose of this Lease is to effectuate provisions of that certain Affordable Housing Agreement dated as of [AHA Date] (the "AHA") by and between Community HousingWorks, a California nonprofit public benefit corporation ("CHW") and City, a copy of which is on file with the City as a public record. Except as may otherwise be expressly set forth in this Lease, all capitalized terms shall have the same meanings as set forth in the AHA. **[NOTE: to come, applicable, provisions to localize provisions as to Portion A or Portion B if Site is divided]**

1.1 Definitions.

"Adjusted Value of the Improvements" means that amount or amounts as determined in good faith from time to time by the City as the adjusted value of the Improvements consistent with Section 5.1(b) of this Lease.

"Affiliated Person" means, when used in reference to a specific person, any person that directly or indirectly controls or is controlled by or under common control with the specified person, any person that is an officer or director of, a trustee of, or a general partner, managing member or operator in, the specified person or of which the specified person is an officer, director, trustee, general partner or managing member, or any person that directly or indirectly is the beneficial owner of ten percent (10%) or more of any class of the outstanding voting securities of the specified person.

"Affordability Period" means that period commencing with the Commencement Date and ending as of the last day of the Term.

"Affordable Rent" has the following meaning: For an Extremely Low Income Household, Affordable Rent means a monthly rent which does not exceed one twelfth (1/12th) of thirty percent (30%) of thirty percent (30%) of the Median Income for the Area for a household size appropriate to the Unit. For a Very Low Income Household, Affordable Rent means a monthly rent which does not exceed one twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of the Median Income for the Area for a household size appropriate to the Unit. For a Lower Income Household, Affordable Rent means a monthly rent which does not exceed one twelfth (1/12th) of thirty percent (30%) of fifty-nine percent (59%) of the Median Income for the Area for a household size appropriate to the Unit. The maximum monthly rental amount of the Units shall be adjusted annually by the formula set forth above upon the promulgation of revised Placer County median income figures by regulation of the California Department of Housing and Community Development. Actual rent charged may be less than such maximum rent a cost not in excess of the lesser of (i) that rent which may be charged the applicable Eligible Person or Family pursuant to Section 50053 of the California Health and Safety Code and (ii) the limits as set forth in this Agreement.

"*AHA*" or "*Agreement*", as set forth in the Recitals above, means that certain agreement entitled "Affordable Housing Agreement by and between the City and the Developer, dated as of [AHA Date]. A copy of the AHA is on file with the City Clerk as an official record.

"Applicable Federal Rate" means the interest rate set by the United States Treasury from time to time for the purpose of determining applicable Low Income Housing Tax Credit interest rates. The Applicable Federal Rate is published by the Internal Revenue Service in monthly revenue rulings.

"Approved Construction and/or Permanent Lender" means an Approved Construction Lender and, upon the initial completion of the Improvements, an Approved Permanent Lender.

"Approved Construction Lender means a mutually acceptable reputable and established bank, savings and loan association, or other similar financial institution or state agency or instrumentality, with each of City and Developer acting at their respective discretion.

"Approved Permanent Lender" means one or more of an entity included under the definition of Approved Construction Lender, an Institutional Lender, or any other lender approved by the City Manager. Each of California Community Reinvestment Corporation and the County of Placer acting through the Health and Human Services Agency is an Approved Permanent Lender

"Area" means the Placer Primary Metropolitan Statistical Area, as periodically defined by HUD.

"Audited Financial Statement" means an audited financial statement, including without limitation a profit and loss statement, generated by Leaf & Cole, LLP or another third party certified public accountant acceptable to the City in its reasonable discretion, showing, for the previous Lease Year, on a monthly basis and in an easily readable format, Gross Revenues, Operating Expenses, Debt Service, Operating Reserve, Capital Replacement Reserve and Residual Receipts.

"*Base Period*" means the first [fifty-seven (57)] Lease Years of the Term of this Lease [conform to AHA].

"Base Rent" has the meaning established therefor in Section 5.1 hereof.

"Capital Replacement Reserve" means a reserve fund for the Residential Component to be established by the Lessee under this Lease as a capital replacement reserve in the minimum amount of [Three Hundred Dollars ($300) per unit per year and a maximum of Five Hundred Dollars ($500)] per unit per year, and may be increased annually by [three and one half percent (3.5%)] per year, or such other amount as the City Manager and the Developer shall mutually approve. The Capital Replacement Reserve is more fully described in Section 10 of this Lease. Interest earned on moneys held in the Capital Replacement Reserve shall be retained in the Capital Replacement Reserve unless otherwise directed by the Permanent Lender. To the extent Developer is required to maintain a Capital Replacement Reserve by any Approved Construction and/or Permanent Lender or the Limited Partner, Developer shall receive a credit hereunder for such amounts maintained by it in compliance such Approved Construction and/or Permanent Lender or Limited Partner capital replacement reserve requirement. It is contemplated that the Capital Replacement Reserve will be held by the Permanent Lender. [Note: to be conformed to Proof of Financing Commitments as hereafter approved by City under the AHA]

"*Capitalized Rent*" has the meaning established therefor in Section 5.1 hereof.

"Certificate of Completion" means the document which evidences the Developer's satisfactory completion of the Development, as set forth in Section 4.13 of the AHA, in the form of Attachment No. 10 to the AHA.

"Certificate of Continuing Program Compliance" means Exhibit D hereto.

"Chargeable Reserves" means each of the following, within the respective parameters therefor set forth in this Lease: (i) Capital Replacement Reserve; and (ii) Operating Reserve.

"City" means the City of Rocklin, California, a California municipal corporation.

"City Code," means the Municipal Code of the City of Rocklin as may be amended from time to time and includes, without limitation, the Uniform Codes.

"City Covenants" [to come: conform to meaning set forth in the AHA].

"City Manager" means the City Manager of the City.

"City Regulatory Agreement" means an instrument substantially in the form of Attachment No. 11 to the AHA.

"Closing" means the day on which the Term of this Lease commences upon recordation of this Lease or a memorandum of lease.

"Commencement" means the commencement of this Lease.

"Commencement Date" means the date on which the Closing occurs.

"Cost Savings" has the meaning established therefor in Section 4.16.1 of the AHA.

"CHW" means Community HousingWorks, a California non-profit public benefit corporation.

"Cost Overrun Amounts" has the meaning established therefor in the AHA.

"County" means the County of Placer, California.

"County Housing Authority" means the Housing Authority of the County of Placer.

"Date of Agreement" means [AHA Date].

"Debt Service" means required debt service payments for the Primary Construction Loan and/or the Primary Permanent Loan including the funding obligations in respect of all reserves or escrows required thereunder.

"Default" means the failure of a party to perform any action or covenant required by this Lease within the time periods provided herein following any applicable notice and opportunity to cure period, as may be set forth herein.

"Deferred Developer Fee" means any portion of the Developer Fee the receipt of which is deferred.

"Design Development Drawings" means those plans and drawings to be submitted to City for its approval, pursuant to the AHA.

"Developer" is defined in the first paragraph of this Lease.

"Developer Fee" has the meaning set forth therefor in the AHA.

"Developer Percentage" means fifty percent (50%) of Residual Receipts.

"Development" means the new apartment complex including the Residential Improvements, associated improvements as required by the AHA to be as: (i) constructed by the Developer upon the Site, with related offsite improvements, as more particularly described in the Scope of Development and (ii) operated as an affordable housing complex in conformity with this Lease, the Regulatory Agreement and the City Covenants.

"Environmental Laws" means all laws, ordinances and regulations relating to Hazardous Materials, including, without limitation: the Clean Air Act, as amended, 42 U.S.C. Section 7401, *et seq*.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 *et seq*.; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. Section 6901, *et seq*.; the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended (including the Superfund Amendments and Reauthorization Act of 1986, "CERCLA"), 42 U.S.C. Section 9601, *et seq*.; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 *et seq*.; the Occupational Safety and Health Act, as amended, 29 U.S.C. Section 651, the Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. Section 11001 *et seq*.; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. Section 801 *et seq*.; the Safe Drinking Water Act, as amended, 42 U.S.C. Section 300f *et seq*.; all comparable state and local laws, laws of other jurisdictions or orders and regulations; and all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State, the County, the City, or any other political subdivision in which the Site is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over the City, Lessee, or the Site.

["Extension Period" means [to be conformed to the AHA and Proof of Financing Commitments as hereafter approved by City.]

"Extremely Low Income Household" means a household earning not greater than thirty percent (30%) of median income for the Area, as set forth by regulation of the California Department of Housing and Community Development, pursuant to Health and Safety Code Section 50106.

"Extremely Low Income Units" means Units available to and occupied by Extremely Low Income Households.

"First Mortgage" means any First Mortgage-Construction Financing or First Mortgage-Permanent Financing and such refinancing thereof, if any, as shall have been approved by the City Manager.

"First Mortgage-Construction Financing" means a loan from an Approved Construction Lender to be secured by a leasehold deed of trust in first (1st) lien position against Lessee's leasehold interest in the Site (but not, in any event, to be secured by Lessor's fee interest in the Site), which shall be used by Lessee to pay the cost of constructing the Project.

"First Mortgage-Permanent Financing" means a loan in an amount not to exceed the amount of the First Mortgage-Construction Financing from an Approved Construction Lender to be secured by a leasehold deed of trust in first (1st) lien position against Lessee's leasehold interest in the Site (but not, in any event, Lessor's fee interest in the Site) which replaces the First Mortgage-Construction Financing upon the completion of construction of the Project or results from a conversion of the First Mortgage-Construction Financing into the First Mortgage-Permanent Financing pursuant to the terms of such loan and satisfaction of the applicable conversion conditions.

"Foreclosure Event" means completion of judicial or nonjudicial foreclosure proceedings for any First Mortgage or any conveyance in lieu of foreclosure.

"General Partner Fee" or *"Asset Management Fee"* means a fee if charged by the general partner not to exceed the amounts so delineated therefor in the Base Pro Forma; provided that the initial annual amount of such fee shall be limited to increases of three percent (3.0%) annually; provided that the General Partner Fee together with the Limited Partner Fee shall not for any Lease Year exceed the amount permitted under the City Lease for the Partnership Fees (as such fees are aggregated). The foregoing shall not limit the amounts which Developer may pay to its General Partner from the Developer Percentage.

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

"Gross Revenues" means the sum of the following: the total rental income and all other revenues or income received by the Lessee or its successors or assigns in connection with the Project, including without limitation Housing Rent, laundry charges (as received by Developer) or consideration received from an entity that contracts to provide laundry services, payments in connection with Section 8 certificates, if any (including payments under such certificates that are in excess of the restricted rents provided for herein), cable income or consideration received from an entity that contracts to provide cable services, each of (i) amounts paid to Developer or any Affiliated Person on account of Operating Expenses for further disbursement by Developer or such affiliate to a third party or parties, including, without limitation, grants received to fund social services or other housing supportive services at the Development; (ii) late charges and interest paid on rentals; (iii) rents and receipts from licenses, concessions, vending machines, coin laundry, and similar sources; (iv) other fees, charges, or payments not denominated as rental but payable to Developer in connection with the rental of office, retail, storage, or other space in the Development; (v) consideration received in whole or in part for the cancellation, modification, extension or renewal of leases; and (vi) interest and other investment earnings on security deposits, reserve accounts and other Development accounts to the extent disbursed, but does not include: (x) the proceeds of the sale of Tax Credits to finance the Development; (y) insurance proceeds applied to reconstruct or repair the Improvements; or (z) Refinancing Net Proceeds.

"*Ground Lease Rider*" means Exhibit E to this Lease.

"*Hazardous Material*" or "*Hazardous Materials*" means and include any substance, material, or waste which is or becomes regulated by any local governmental authority, including the County, the Regional Water Quality Control Board, the State of California, or the United States Government, including, but not limited to, any material or substance which is: (i) defined as a "hazardous waste,"

"acutely hazardous waste," "restricted hazardous waste," or "extremely hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter Presley Tanner Hazardous Substance Account Act); (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (v) petroleum; (vi) asbestos and/or asbestos containing materials; (vii) lead based paint or any lead based or lead products; (viii) polychlorinated biphenyls, (ix) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317); (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, *et seq*. (42 U.S.C. Section 6903); (xi) Methyl tertiary Butyl Ether; (xii) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601, *et seq*. (42 U.S.C. Section 9601); (xiii) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any "Governmental Requirements" (as defined in Paragraph I of this Section 308) either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment; and/or (xiv) lead based paint pursuant to and defined in the Lead Based Paint Poisoning Prevention Act, Title X of the 1992 Housing and Community Development Act, 42 U.S.C. § 4800, *et seq*., specifically §§ 4821–4846, and the implementing regulations thereto. Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities below attainment levels identified in one or more of the enactments identified above as Governmental Requirements, including those product and amounts as are customarily used in the construction, maintenance, rehabilitation, management, operation and residence of residential developments or associated buildings and grounds, or typically used in residential activities in a manner typical of other comparable residential developments, or substances commonly ingested by a significant population living within the Development, including without limitation alcohol, aspirin, tobacco and saccharine.

"Housing Rent" means the total of monthly payments by the tenants of a Housing Unit for (a) use and occupancy for the Housing Unit and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Developer which are required of all tenants of the Housing Units, other than security deposits, (c) a reasonable allowance for utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity and gas, as determined by regulation of the County Housing Authority pursuant to 24 C.F.R. Section 5.600 *et seq.* or by the California Utility Allowance Calculator as permitted by TCAC and (d) possessory interest, taxes or other fees or charges assessed for the use of the Housing Units and facilities associated therewith by a public or private entity other than the Developer.

"Housing Units" or *"Units"* means the [number to come] individual apartment units within the Development to be constructed and operated by the Developer on the Site, as provided in Section 4.1 of the AHA and in the Scope of Development but excluding therefrom one unit which the Lessee may develop and make available to an on-site manager.

"HUD" means the United States Department of Housing and Urban Development or its successor(s).

"Improvements" means all improvements required by the AHA with respect to the land that is the subject of this City Lease to be accomplished by the Developer, as more fully described in the Scope of Development.

"Income Verification" means the Income Verification in the form of Attachment No. 12 to the AHA.

"Institutional Lender" shall mean any one of the following institutions having assets or deposits in the aggregate of not less than One Hundred Million Dollars ($100,000,000): a California chartered bank; a bank created and operated under and pursuant to the laws of the United States of America; an "incorporated admitted insurer" (as that term is used in Section 1100.1 of the California Insurance Code); a "foreign (other state) bank" (as that term is defined in Section 1700(1) of the California Financial Code); a federal savings and loan association (Cal. Fin. Code Section 8600); a commercial finance lender (within the meaning of Section 2600 *et seq*. of the California Financial Code); a "foreign (other nation) bank" provided it is licensed to maintain an office in California, is licensed or otherwise authorized by another state to maintain an agency or branch office in that state, or maintains a federal agency or federal branch in any state (Section 1716 of the California Financial Code); a bank holding company or subsidiary of a bank holding company which is not a bank (Section 3707 of the California Financial Code); a trust company, savings and loan association, insurance company, investment banker, college or university, pension or retirement fund or system, either governmental or private, or any pension or retirement fund or system of which any of the foregoing shall be trustee, provided the same be organized under the laws of the United States or of any state thereof; and a Real Estate Investment Trust, as defined in Section 856 of the Internal Revenue Code of 1986, as amended, provided such trust is listed on either the American Stock Exchange or the New York Stock Exchange.

"Lease" means this Ground Lease, which is referred to in the AHA as the "City Lease."

"Lease Rider" means a lease rider agreement to address considerations raised by TCAC in a mutually acceptable form.

"Lease Year" means the period commencing as of Commencement Date and ending as of December 31 of that calendar year, then each calendar year thereafter; provided that the final Lease Year will be a portion of a calendar year ending on December 31 of the corresponding calendar year.

"Lessee's Mortgagee" means any one or more Approved Construction and/or Permanent Lender which has provided financing for the Development.

"Limited Partner" means [to come], its successors and/or assigns.

"Limited Partner Fee" or *"Partnership Management Fee"* means fees as so denominated in the Base Pro Forma; provided that such fees may not increase by more than by three percent (3.0%) annually so long as the Partnership Agreement is in effect; provided that the General Partner Fee together with the Limited Partner Fee shall not for any Lease Year exceed the amount permitted under this Lease for the Partnership Fees (as such fees are aggregated). The foregoing shall not limit the amounts which Developer may pay as Limited Partner Fee or Partnership Management Fee from the Developer Percentage.

"Locals" means persons living or working within the corporate limits of the City.

"Lower Income Household" means a household earning not greater than fifty-nine percent (59%) of median income for the Area as set forth by regulation of the California Department of Housing and Community Development, pursuant to Health and Safety Code Section 50079.5.

"Lower Income Units" means dwelling Units available to and occupied by Lower Income Households.

"Median Income" means the median income for the Area as most recently determined by the Secretary of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended, or, if programs under Section 8 are terminated, Median Income for the Area determined under the method used by the Secretary prior to such termination.

"Memorandum of Lease" means Exhibit C to this Lease.

"Net Operating Income" means Gross Revenues, less (i) Operating Expenses; (ii) Debt Service; (iii) Chargeable Reserves; (iv) the Deferred Developer Fee; (v) General Partner Fee; and the (vi) Limited Partner Fee, as such capitalized terms are defined in this Lease.

"Notice" means a notice in the form prescribed by Section 10.2 of the AHA.

"Operating Expenses" means actual, reasonable and customary costs, fees and expenses directly incurred and for which payment has been made and which are attributable to the operation, maintenance, and management of the Project and consisting of only the following (and such additional items, if any, as to which the prior written approval of the City Manager is first obtained. Such approval shall be granted, granted subject to conditions, or refused at the sole and absolute discretion of the City Manager): painting, cleaning, maintenance, repairs and alterations; landscaping; utilities; rubbish removal; sewer charges; costs incurred to third parties in connection with generating laundry charges (but in no event to exceed the laundry charges); real and personal property taxes and assessments; insurance premiums; security; advertising, promotion and publicity; office, janitorial, cleaning and building supplies; actual and customary salary payable to an on-site manager which directly and exclusively benefits residents of the Residential Component of the Project; the actual and customary salary paid for one assistant manager, one on-site maintenance manager and such other on-site management personnel, if any, which directly and exclusively benefit residents of the Residential Component of the Project, subject to the prior written approval of the City Manager at his sole and absolute discretion; a management fee ("Management Fee") (excluding any on-site management personnel) of not to exceed six percent (6%) of Gross Revenues; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings; payment of Tax Credit adjustment amounts to the Limited Partner or reimbursement of Tax Credit adjustment amounts paid by the administrative and/or managing general partners and/or the guarantors to the general partner of Developer or a refinancing fee, which fee is and shall be subject to the approval of the City Manager at the time of each refinancing and which shall not exceed five percent (5%) of the amount of the approved refinancing; repayment of loans made to Developer for the Project by the Limited Partner, and repayment of operating deficit loans made pursuant to the Partnership Agreement as such Partnership Agreement is in effect as of the recording of the Primary Construction Loan; reasonable and customary fees and expenses of accountants, attorneys, consultants and other professionals as incurred commencing after the completion of the Improvements (as evidenced by the issuance by City of a certificate of occupancy for the corresponding building developed as part of the Improvements) in connection with the operation of the Project; the Limited Partner Fee; the General Partner Fee; any unpaid portion of the Developer Fee; on-site service provider fees for tenant social services in the

amount of $40,000 per year, and may be increased annually by three percent (3.0%) per year, or such other amount as the City Manager and Developer shall mutually approve, or such amount as is designated therefor in the approved Tenant Selection and Tenant Services Plan; payments of deductibles in connection with casualty insurance claims not normally paid from reserves; the amount of uninsured losses actually replaced, repaired or restored and not normally paid from reserves; and payments made by Developer to satisfy indemnity obligations and other payments by Developer pursuant to this Lease other than to Developer, partners or other related persons; provided, however, that payments to parties related to Developer for Operating Expenses must not exceed market rates. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. The Operating Expenses shall be reported in the Audited Financial Statement and shall be broken out in line item detail. The funding and maintenance of the Operating Reserve and the Capital Replacement Reserve shall not be treated ipso facto as Operating Expenses for purposes of the definition of Residual Receipts herein.

"Operating Reserve" means a reserve fund to be established by the Lessee under the City Lease as a reserve for operating expenses as to the Residential Component in the minimum amount equal to three (3) months of (i) Debt Service on the First Mortgage and (ii) Operating Expenses pursuant to an approved budget. Interest earned on moneys held in the Operating Reserve shall be retained in the Operating Reserve unless otherwise directed by the Permanent Lender. To the extent Developer is required to maintain an Operating Reserve by any Approved Construction and/or Permanent Lender, the Partnership Agreement or TCAC, Developer shall receive a credit hereunder for such amounts maintained by it in compliance such Approved Construction and/or Permanent Lender, the Partnership Agreement or TCAC operating reserve requirement, and the amounts in such Operating Reserve shall be deemed to satisfy the requirements of this Lease. It is contemplated that the Operating Reserve will be held by the Permanent Lender.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Developer as may be amended from time to time, so long as consistent with the requirements of the AHA and this Lease. The Partnership Agreement shall include provisions which incorporate or otherwise conform to the cash flow priorities included in the definition of "Residual Receipts" set forth in the AHA.

"Partnership Fees" means the General Partner Fee and the Limited Partner Fee. [For each Lease Year until the seventeenth (17^{th}) anniversary of the Commencement Date, the total Partnership Fees (for the General Partner Fee and the Limited Partner Fee, as aggregated) shall not exceed Twenty Two Thousand Dollars ($22,000), adjusted for inflation at three percent (3.0%) per Lease Year measured from the Commencement Date. For each Lease Year after the seventeenth (17^{th}) anniversary of the Commencement Date, the Partnership Fees (the General Partner Fee and Limited Partner Fee as aggregated) shall not exceed Seventeen Thousand Five Hundred Dollars ($17,500), adjusted for inflation at three and one half percent (3.5%) per Lease Year measured from the Commencement Date.]

"Person" means an individual, estate, trust, partnership, corporation, limited liability company, limited liability partnership, governmental department or City or any other entity which has the legal capacity to own property.

"Prescribed Income Levels" means: [conform to the AHA].

"Primary Construction Loan" means, collectively, the mortgage loans and letters of credit obtained by the Developer from an Approved Construction Lender.

"Primary Permanent Loan" means, collectively, the mortgage loans obtained by the Developer from an Approved Permanent Lender in an amount limited to satisfaction of the outstanding balance of the Primary Construction Loan or in an amount in excess of such outstanding balance so long as such excess proceeds are used to pay (or prepay) the Developer Fee, Cost Overrun Amounts and outstanding development costs.

"Principals" means Mary Jane Jagodzinski, Sean Spear and CHW.

"Project" means the residential rental housing development located on the Site to be constructed and operated by the Developer pursuant to this Lease and the AHA.

"Property" means the leasehold interest in the Site provided to Lessee by this Lease.

"Property Manager" means the person or organization responsible for the management and operation of the Project, the reasonable approval of which by the City shall be required, and which shall initially be [ConAm Management Corporation], or another manager mutually acceptable to the City and the Lessee. Additionally, the Lessee may self-manage the Project, subject to City's reasonable prior approval.

"Redevelopment Agency" means the former Rocklin Redevelopment Agency, a municipal corporation, as established under Division 24, Part 1 of the California Health and Safety Code.

"Redevelopment Plan" means the Redevelopment Plan for the Rocklin Redevelopment Project (the "Redevelopment Project") first approved by Ordinance No. 549 adopted by the City Council of the City on June 10, 1986, as subsequently amended. The Redevelopment Plan, as amended, is on file with City as a public record.

"Refinancing Net Proceeds" means the proceeds of any refinancing of any of the Primary Construction Loan or the Primary Permanent Loan or other approved financing secured by interest of Developer in the Site, net of: (i) the amount of the existing financing which is satisfied out of such proceeds; (ii) reasonable and customary costs and expenses incurred in connection with the refinancing; (iii) the funding of reasonable reserves and costs of improvements to the Site which constitute the Development, including hard and soft costs to the extent approved in writing by the City Manager prior to the closing of the refinancing; (iv) the balance of loans to the Development made by the Limited Partner(s) of Developer for development or operating deficits, amounts expended to maintain compliance with the Tax Credit Rules, or contributions for capital expenditures in excess of available Project revenues, if any, including interest at the Applicable Federal Rate; (v) the balance, if any, of operating loans or development loans made by the general partners of Developer to the Development, including interest at the Applicable Federal Rate; (vi) payment of unpaid Tax Credit adjustment amounts or reimbursement of Tax Credit adjustment amounts paid by the general partner and/or the guarantors to the Development pursuant to the approved Partnership Agreement, if any; and (vii) the payment to the general partner of Developer of a refinancing fee, which fee is and shall be subject to the approval of the City Manager at the time of each refinancing and which shall not exceed five percent (5%) of the amount of the approved refinancing.

"Regulatory Agreement" means the City Regulatory Agreement which is to be recorded against the Site in accordance with the AHA, substantially in the form of Attachment No. 11 to the AHA.

"Related Entity" means CHW or an Affiliated Person.

"Rent" is defined in Section 5 of this Lease.

"Reporting Amount(s)" means the sum of Two Hundred Fifty Hundred Dollars ($250.00) per unit per year for each dwelling unit as to which Lessee fails to deliver to City, during any Lease Year, a full and adequate report that conforms to Section 33418 of the California Health and Safety Code.

"Required Affordable Units" means [one less than all of the dwelling units] of the [number to come] dwelling units required to be developed on the Site under the AHA (including without limitation Section 7.2 thereof) and maintained in conformity with the Prescribed Income Levels at Affordable Rents.

"Residential Improvements" means the new apartment complex and associated improvements as required by the AHA to be: (i) constructed by the Developer upon the Site, with related offsite improvements, as more particularly described in the Scope of Development, and (ii) operated as an affordable housing complex in conformity with this Lease, the City Regulatory Agreement and the City Covenants.

"Residual Receipts" for a particular Lease Year means Gross Revenues for the corresponding Lease Year less (i) Debt Service payments made during such Lease Year on the Primary Construction Loan or the Primary Permanent Loan, including payments under escrow and reserve provisions thereunder in amounts not in excess of the amounts due and payable during such month (and not including prepayments), and (ii) the sum of Operating Expenses and, to the extent funded, payments made to Chargeable Reserves as made during the corresponding Lease Year, and payments of Deferred Developer Fee as made to CHW during the corresponding Lease Year. All calculations of Residual Receipts shall be made annually, on or before May 15 for the preceding Lease Year, on a cash (and not accrual) basis and the components thereof shall be subject to verification and approval, on an annual basis, based upon conformity with the terms of this Lease and the AHA, by the City Manager on behalf of the City.

"Schedule of Performance" means Attachment No. 3 to the AHA.

"Scope of Development" means that certain Scope of Development attached to the AHA as Attachment No. 9 and is incorporated herein by reference, which describes the scope, amount, and quality of the Development to be constructed by the Developer pursuant to the terms and conditions of the AHA. The Scope of Development is subject to revision only as provided in the AHA.

"Site" means that certain real property which is described in the Site Legal Description and depicted on the Site Map.

"Site Legal Description" means the description of the Site which is attached hereto as Exhibit B and incorporated herein.

"Site Map" means the map of the Site which is attached hereto as Exhibit A and incorporated herein.

"*Tax Credit Regulatory Agreement*" means a regulatory agreement, if any, required by TCAC in connection with the reservation of Tax Credits for the Project.

"*Tax Credit Rent*" means that maximum rent permitted to be paid for a household corresponding to an income category set forth in this Lease (such as 50% of Median Income) under the Tax Credit Rules.

"Tax Credit Rules" means Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq*., and the rules and regulations implementing the foregoing.

"Tax Credits" means [9% Low Income Housing Tax Credits] [and][or]]4% Low Income Housing Tax Credits\ granted pursuant to Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq*.

"TCAC" means the Tax Credit Allocation Committee of the State of California.

"Tenant Selection and Tenant Services Plan" shall have the meaning established therefor under the AHA.

"Term" or "*Term of the City Lease"* means a period beginning as of the Commencement Date and ending on the eighty seventh (87^{th}) anniversary of the Commencement Date.

"Uniform Codes" means each of the following as in effect from time to time as approved by City: the Uniform Building Code, the Uniform Housing Code, the National Electrical Code, the Uniform Plumbing Code, the Uniform Mechanical Code, and the Uniform Code for the Abatement of Dangerous Buildings.

"Unit" means each of the [number to come] dwelling units required to be developed by the Developer under the AHA and this Lease.

"*Very Low Income Household*" means a household earning not greater than fifty percent (50%) of median income for the Area, as set forth by regulation of the California Department of Housing and Community Development, pursuant to Health and Safety Code Section 50105.

"*Very Low Income Units*" means Units available to and occupied by Very Low Income Households.

"Year" means a fiscal year beginning as of July 1 and ending June 30 of the following calendar year or such other annual period as may be mutually agreed to by City and Lessee.

Any other capitalized terms not defined herein shall have the respective meanings established therefor in the AHA.

2. LEASE OF THE SITE.

City, for and in consideration of the rents, covenants, and agreements hereinafter reserved and contained on the part of Lessee to be paid, kept, performed and observed by Lessee, hereby leases to Lessee, and Lessee hereby leases from City, that certain real property in the City of Rocklin (the "City") shown on the "Site Map" attached hereto as Exhibit A and incorporated herein by this reference, and having the legal description in the "Site Description" attached hereto as Exhibit B and incorporated herein by this reference (the "Site"). Except as expressly provided to the contrary in this Lease,

reference to the Site is to the described land, exclusive of any improvements now or hereafter located on the land, notwithstanding that any such improvements may or shall be construed as affixed to and as constituting part of the real property. In the event that after the date first above written the City and Lessee agree to add certain territory as part of the property leased hereunder, such territory shall thereafter be included as part of the Site for the purposes of this Lease.

3. LEASE TERM.

Lessee shall lease the Site from City and City shall lease the Site to Lessee for the Term as provided for herein.

4. USE OF THE PROPERTY.

4.1 Use of the Property. Lessee covenants and agrees for itself, its successors and assigns, that during the Term, the Lessee shall, by the respective times established therefor in the Schedule of Performance (in the AHA) as the same may be extended in accordance with the terms of this Lease, commence and complete the Development in conformance with the Scope of Development, all applicable laws, and thereafter the Property and the Improvements shall be devoted to those uses as set forth in this Lease, the Regulatory Agreement and the City Covenants. Lessee shall apply for and obtain all necessary permits and shall complete the Improvements as provided by the AHA. In the event of any inconsistency between this Lease or the AHA, this Lease shall control.

4.2 Management. Lessee shall manage or cause the Property and the Improvements to be managed in a prudent and business-like manner, consistent with other newly-constructed rental housing projects, including market rate projects, in Placer County, California, and in conformity with the Regulatory Agreement, the City Covenants and the Tenant Selection and Tenant Services Plan.

Lessee has contracted with the Property Manager to operate and maintain the Site and the Improvements in accordance with the terms of this Lease; the selection and hiring of such management company was subject to, and the selection of any other manager shall be subject to, approval by City Manager.

Lessee shall submit or shall cause its Property Manager to submit to the City Manager on or before the sixtieth (60^{th}) day following commencement of the Term, and each anniversary thereof, an annual budget for the ongoing operation of the Project. Each of the Lessee and the City shall cause its respective representative(s) to meet during the thirty (30) days following the receipt of the annual budget to review the budget; such review is without obligation to either party to propose or agree to any modification of permitted Operating Expenses. In the event a budget is not agreed upon the Project shall be operated pursuant to the most recently approved annual budget with each line item increased for such year by the increase in the applicable cost of living index published for Placer County until a budget is agreed upon (subject to the cap on Management Fees as set forth within the definition of Operating Expenses).

Additional maintenance requirements are as follows:

(a) Maintenance and Repair; Capital Replacement Reserve. Lessee agrees to assume full responsibility for the management, operation and maintenance of the Improvements and the Site throughout the Term without expense to City, and to perform all repairs and replacements necessary to maintain and preserve the Improvements and the Site in good repair, in a neat, clean, safe and orderly

condition reasonably satisfactory to City and in compliance with all applicable laws. Lessee agrees that City shall not be required to perform any maintenance, repairs or services or to assume any expense in connection with the Improvements and the Site. Lessee hereby waives all rights to make repairs or to cause any work to be performed at the expense of City as provided for in Section 1941 and 1942 of the California Civil Code.

The following standards shall be complied with by Lessee and its maintenance staff, contractors or subcontractors:

(1) Lessee shall maintain the Improvements, including without limitation individual Required Affordable Units, all common areas, all interior and exterior facades, and all exterior project site areas, in a safe and sanitary fashion suitable for a high quality, rental housing project. Lessee agrees to provide utility services, administrative services, supplies, contract services, maintenance, maintenance reserves, and management for the entire project including interior tenant spaces, common area spaces and exterior common areas. The services provided by Lessee shall include, but not be limited to, providing all common area electricity, gas, water, television, cable television, property, fire and liability insurance in the amounts and coverages required under this Lease, all property taxes and personal property taxes, any and all assessments, maintenance and replacement of all exterior landscaping, and all administration and overhead required for any property manager.

(2) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing, edging, and trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and optimum irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(3) Clean-up maintenance shall include, but not be limited to: maintenance of all private paths, parking areas, driveways and other paved areas in clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris or other matter which is unsafe or unsightly; removal of all trash, litter and other debris from improvements and landscaping prior to mowing; clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves and other debris are properly disposed of by maintenance workers.

(4) The Improvements shall be maintained in conformance and in compliance with the approved construction and architectural plans and design scheme, as the same may be amended from time to time with the approval of City.

(5) All maintenance work shall conform to all applicable federal and state Occupation Safety and Health Act standards and regulations for the performance of maintenance.

(6) Any and all chemicals, unhealthful substances, and pesticides used in and during maintenance shall be applied only by persons in strict accordance with all governing regulations.

(7) Parking lots, lighting fixtures, trash enclosures, and all areas shall be kept free from any accumulation of debris or waste materials by regularly scheduled maintenance.

Capital repairs to and replacement of the Improvements shall include only those items with a long useful life, including without limitation the following:

(a) Appliance replacement;

(b) Hot water heater replacement;

(c) Plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets;

(d) Air conditioning and heating replacement;

(e) Asphalt replacement;

(f) Roofing replacement;

(g) Landscape tree replacement and irrigation pipe and controls replacement;

(h) Gas line pipe replacement;

(i) Lighting fixture replacement; and

(j) Miscellaneous motors and blowers.

(b) Exterior Building Maintenance. All exterior, painted surfaces shall be maintained at all times in a clean and presentable manner, free from chipping, cracking and defacing marks. Any such defacing marks shall be cleaned or removed within a reasonable period of time as set forth herein.

(c) Front and Side Exteriors. Lessee shall at all times maintain the front exterior and yard in a clean, safe and presentable manner, free from defacing marks or any disrepair and any visible side exteriors. Lessee shall hire maintenance personnel to maintain and/or repair any front exterior or yard or visible side yard and exterior of any lot or building.

(d) Graffiti Removal. All graffiti, and defacement of any type, including marks, words and pictures must be removed and any necessary painting or repair completed by the later to occur of (i) seventy two (72) hours of their creation or (ii) seventy two (72) hours after notice to Lessee.

(e) Driveways. All driveways must be paved and maintained with impervious material in accordance with the City Code. In addition, all water must be made to drain freely to the public part of the waterway without any pooling.

(f) Exterior Illumination. Lessee shall at all times maintain adequate lighting in all entrance ways and parking areas. Adequate lighting means outdoor, night lighting designed and installed, which provides no less than one (1.0) foot candles in the parking areas and no less than one and one-half (1-1/2) foot candles in the walking areas or common areas and no less than 0.2 foot candles at the point of least illumination.

(g) Front Setbacks. All front setback areas that are not buildings, driveways or walkways shall be adequately and appropriately landscaped in accordance with minimum standards established by City

and shall be maintained by Lessee. The landscaping shall meet minimum standards set from time to time by City.

(h) Trash Bins. All trash shall be collected and placed at all times in an enclosable bin to be placed in a designated refuse/trash bin area. The designated area shall be located so that the bin will, to the extent possible, be readily accessible from the street.

(i) Prohibited Signs. No sign of any kind shall be displayed to the public view on or from any portion of the Site without the approval of City and appropriate City departments if any as required by the City Code.

(j) Gross Mismanagement. During the Term, and in the event of "Gross Mismanagement" (as defined below) of the Development, City Manager shall have and retain the authority to direct and require any condition(s), acts, or inactions of Gross Mismanagement to cease and/or be corrected immediately, if such condition(s) is/are not ceased and/or corrected after expiration of sixty (60) days from the date of written notice from City Manager. If Lessee or Property Manager has commenced to cure such Gross Mismanagement condition(s) on or before the 20th day from the date of written notice (with evidence of such submitted to the City Manager), but has failed to complete such cure by the 60th day (or such longer period if the cure cannot reasonably be accomplished in sixty (60) days as reasonably determined by the non-defaulting party), then Lessee shall have an additional thirty (30) days to complete the cure of Gross Mismanagement condition(s).

For purposes of this Agreement, the term "Gross Mismanagement" means management of the Development in a manner which violates the terms and/or intention of this Lease and the AHA to operate a first quality affordable housing complex, and shall include, but is not limited to, any one or more of the following:

(a) Leasing to tenants who exceed the Prescribed Income Levels;

(b) Subject to fair housing laws, allowing tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding;

(c) Under-funding required reserve accounts;

(d) Failing to submit timely and/or adequate annual reports to City as required herein;

(e) Failing to comply with the City Covenants;

(f) Failing to comply with the Regulatory Agreement;

(g) Failing to comply with the Tax Credit Regulatory Agreement;

(h) Fraud or embezzlement of Development funds, including without limitation funds in the reserve accounts;

(i) Failing to fully cooperate with the Rocklin Police Department or other local law enforcement agency(ies) with jurisdiction over the Development, in maintaining a crime-free environment within the Development;

(j) Failing to fully cooperate with the Rocklin Fire Department or other local public safety agency(ies) with jurisdiction over the Development, in maintaining a safe and accessible environment within the Development;

(j) Failing to fully cooperate with the Rocklin Planning and Building and Safety Department, or other local health and safety enforcement agency(ies) with jurisdiction over the Development, in maintaining a decent, safe and sanitary environment within the Development; and

(k) Failing to implement the Tenant Selection and Tenant Services Plan.

(k) Code Enforcement. Lessee acknowledges and agrees that City and its employees and authorized agents, shall have the right to conduct code compliance and/or code enforcement inspections of the Development and the individual dwelling units at the Development (and not limited to the Required Affordable Units), both exterior and interior, at reasonable times and upon reasonable notice (not less than 48 hours prior notice, except in an emergency) to Lessee and/or an individual tenant. If such notice is provided by City representative(s) to Lessee, then Lessee shall immediately and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Units at the Development to be made available and open for inspection. Lessee shall include express advisement of such inspection rights within the lease/rental agreements for each Unit in the Development in order for each and every tenant and tenant household to be aware of this inspection right. The foregoing portion of this Section 4.2 is without limitation as to the exercise of police powers by City.

Notwithstanding the above, Lessee shall use its best efforts to correct any defects in management at the earliest feasible time and, if necessary, to replace the management company prior to the elapsing of such time period.

4.3 Only Lawful Uses Permitted. The Site and the Improvements shall not be used for any purpose that is in violation of any law, ordinance or regulation of any federal, state, county or local governmental authority, body or entity. Furthermore, Lessee shall not maintain or commit any nuisance or unlawful conduct (as now or hereafter defined by any applicable statutory or decisional law) on the Site or the Improvements, or any part thereof.

5. RENT.

5.1 Rent Payments. During the Term, Lessee is required to and shall pay to City both [Capitalized Rent] and Base Rent. [to come: Capitalized Rent, if any, shall be determined in connection with review and approval of Proof of Financing Commitments; any such amount shall be referred to herein as the "Capitalized Rent Amount")]. [The Capitalized Rent Amount shall be payable on the Commencement Date]. Base Rent shall be payable as set forth in the remainder of this Section 5.1.

(a) During each Lease Year during the Term, Lessee agrees to pay the 'Base Rent' of One Dollar ($1.00) to City. Base Rent shall be paid on the Commencement Date and on the first day of each subsequent Lease Year which occurs during the Term.

(b) The parties understand and acknowledge that the primary consideration for this Lease is the performance of the covenants set forth in this Lease and the AHA, particularly (without limitation, however) the covenants to rent the units at Affordable Rent households of limited income [to be conformed to the AHA].

5.2 [Intentionally Omitted].

5.3 Net Lease. It is the intent of the parties hereto that the rent provided herein shall be absolutely net to City and that Lessee shall pay all costs, taxes, charges, and expenses of every kind and nature against the Site and the Improvements which may arise or become due during the Term, and which, except for execution hereof, would or could have been payable by City.

5.4 Payment of Rent. All rent that becomes due and payable pursuant to this Lease shall be paid to City at the address of City listed in Section 26.7 or such other place as City may from time to time designate by written notice to the Lessee without notice or demand, and without setoff, counterclaim, abatement, deferment, suspension or deduction.

6. AFFORDABLE HOUSING AND OTHER OCCUPANCY REQUIREMENTS.

6.1 Number of Required Affordable Units and Other Units. Lessee agrees to make available, restrict occupancy to, and rent [one hundred nine (109) (the "Required Affordable Units") of the one hundred ten (110)][to be conformed to the AHA] units to be located on the Site (the "Housing Units") at an Affordable Rent. Lessee agrees to make available, restrict occupancy to, and rent all of the Required Affordable Units at Affordable Rent. Subject to minor modification if mutually approved by the parties, there shall be [one hundred nine (109)] Required Affordable Units on the Site; the number of bedrooms and the corresponding household incomes for the Required Affordable Units is set forth within the definition of Prescribed Income Levels [to be conformed to the AHA]; such Units shall be maintained in conformity with households conforming to the Prescribed Income Levels at Affordable Rents. The approximate square footages of the respective units shall be as follows: [to come: square footages to be determined by City in connection with the City's land use approval process] (i) for studio units, __ square feet; (ii) for one-bedroom units, [___] square feet per unit; (iii) for two-bedroom units, [___] square feet per unit; and (iv) for three-bedroom units [_____] square feet per unit. An example of the calculation of Affordable Rent for the Required Affordable Units is attached to the AHA as Attachment No. 13 and incorporated herein by reference. Rental of the Required Affordable Units shall conform to the Prescribed Income Levels and be accomplished at Affordable Rents.

In the event the Lessee charges rents for one or more of the Required Affordable Units which exceed Affordable Rent, the Lessee shall promptly, and without necessity of notice or request therefor by the City, correct such rent. Any penalties arising from the charging of rents which exceed Affordable Rent shall be paid solely by Lessee.

6.2 Duration of Affordability Requirements. The Housing Units shall be subject to the requirements of this Section 6 for the Affordability Period.

6.3 Selection of Tenants. Lessee shall be responsible for the selection of tenants for the Housing Units in compliance with the criteria set forth in this Section 6 of this Lease and the Tenant Selection and Tenant Services Plan.

6.4 Income of Tenants. Prior to the rental or lease of any Housing Unit to a tenant, and annually thereafter, the Lessee shall submit to the City or its designee, at Lessee's expense, a completed income computation and certification form, in a form to be provided by the City. Each tenant shall be an Extremely Low Income Household, a Very Low Income Household or Lower Income Household (in accordance with the Prescribed Income Levels) which meets the eligibility requirements established for the Housing Unit, and Lessee shall obtain a certification from each tenant leasing an Affordable

Unit which substantiates such fact, which include the Income Verification. Lessee shall verify the income certification of the tenant as set forth in Section 5.3 of the AHA.

Except to the extent prohibited by federal law, in the event a household's income initially complies with the income restriction for an Extremely Low Income Household (or, as applicable, a Very Low Income Household or a Lower Income Household) but the income of such household increases, such increase shall not be deemed to result in a violation by Lessee of the restrictions of this Lease concerning limitations upon income of occupants, provided that: (i) financing by multifamily housing bonds or low income housing tax credits was obtained for the Improvements, and (ii) if the resulting income of such household exceeds one hundred forty percent (140%) of the applicable income limit, the next available unit is rented to an Extremely Low, Very Low or Lower Income Household, as applicable.

6.5 Determination of Affordable Rent for the Required Affordable Units. Each Required Affordable Unit shall be rented at an "Affordable Rent" to be established as provided herein: The maximum monthly rental amount for the Required Affordable Units to be rented to Extremely Low Income Households shall be established at one-twelfth (1/12) of thirty percent (30%) of thirty percent (30%) of Placer County median income for a household of a size appropriate to the Housing Unit. The maximum monthly rental amount for the Required Affordable Units to be rented to Very Low Income Households shall be established at one-twelfth (1/12) of fifty percent (50%) of thirty percent (30%) of Placer County median income for a household of a size appropriate to the Housing Unit. The maximum monthly rental amount for the Required Affordable Units to be rented to Lower Income Households shall be established at one-twelfth ($1/12^{th}$) of thirty percent (30%) of fifty-nine percent (59%) of Placer County median income for a household size appropriate to the Housing Unit. Notwithstanding the foregoing, if Tax Credits are used for the Project, Tax Credit Rents shall be applied to the extent these are lower than the rents otherwise prescribed in this Section 6.5.

"Household size appropriate to the unit," for the purpose of the calculation of rent herein (and without regard to actual occupancy), means two persons for each one bedroom unit, three persons for each two bedroom unit and four persons for each three bedroom unit. The maximum monthly rental amount of the Housing Units shall be adjusted annually by the formula set forth above upon the promulgation of revised Placer County median income figures by regulation of the California Department of Housing and Community Development. Actual rent charged may be less than such maximum rent.

6.6 Verifications.

(a) Income Verification. Lessee shall verify the income of each proposed and existing tenant of the Housing Units.

(b) Annual Reports. Following the issuance of the Certificate of Completion, and on or before July 15 of each Lease Year commencing after the earlier to occur of (i) completion of the Improvements or (ii) occurrence of the time indicated in the AHA for the completion of the Improvements, Lessee shall submit to City or its designee the reports described by Health and Safety Code Section 33418, as the same may be amended from time to time, with each such report to be in the form prescribed by City. Each annual report shall cover the immediately preceding Lease Year.

In addition, commencing as of July 15 first following the issuance of the Certificate of Completion, and continuing on each July 15 thereafter during the Term, the Lessee shall submit an

Audited Financial Statement for the previous Lease Year (or portion thereof), including all funds from whatever source provided to the Lessee or any Related Entity in connection with the Project. The Audited Financial Statement shall demonstrate ongoing compliance with this Lease, including without limitation Section 5.1(b) hereof.

The Lessee shall maintain on file each tenant's executed lease and Income Verification and rental records for the Project and the Required Affordable Units. The Lessee shall maintain complete and accurate records pertaining to the Extremely Low Income Units, the Lower Income Units and any other Units, and will permit any duly authorized representative of the City to inspect the books and records of the Lessee pertaining to the Project, including those records pertaining to the occupancy of the Extremely Low Income Units and the Lower Income Units and any other units. The Lessee shall prepare and submit to the City annually commencing July 15, first following the issuance of the Certificate of Completion and continuing throughout the Term, a Certificate of Continuing Program Compliance. Lessee shall maintain records and report to City annually demonstrating compliance with the requirements with respect to the availability and use of the Required Affordable Units for Locals. Such documentation shall state for each Required Affordable Unit in the Project the unit size, the rental amount, the number of occupants, and the income of the occupants and any other information which may be used to determined compliance with the terms of this Lease and the AHA.

As part of its annual report, the Lessee shall include a statement of amounts payable by Lessee under this Lease supported by an Audited Financial Statement (prepared by an independent accounting firm reasonably acceptable to the City) which sets forth information in detail sufficient for adequate review by the City for the purposes of confirming those amounts payable by the Lessee to the City as well as showing the general financial performance of the Project ("Annual Financial Report"). Each Annual Financial Report shall include a profit and loss statement showing Gross Revenues, Operating Expenses, Debt Services, Operating Reserve, Capital Replacement Reserve, Chargeable Reserves (and all components thereof), and Residual Receipts, all certified by the Audited Financial Statement. In the event the amounts reported or paid deviate by five percent (5%) or more from that amount owing upon review of the Lessee's submittal, Lessee shall reimburse City for its cost to review (which may require engagement of auditors) and collect the amounts owing; such amounts shall, until paid, be added to the amount payable under this Lease as Additional Rent.

The Lessee acknowledges that City, in respect to the Site, may be required by Section 33418 of the California Health and Safety Code or may elect to require Lessee to monitor the Housing Units and submit the annual reports required by Section 3 of Article II of the City Regulatory Agreement. The City relies upon the information contained in such reports to satisfy its own reporting requirements, including those as described as Sections 33080 and 33080.1 of the California Health and Safety Code. In the event the Lessee fails to submit to the City or its designee its Certificate of Continuing Program Compliance for the corresponding Year and Lessee remains in noncompliance for thirty (30) days following receipt of written notice from the City of such noncompliance, then Lessee shall, without further notice or opportunity to cure, pay to the City Two Hundred Fifty Dollars ($250.00) (the "Reporting Amount(s)") per each Required Affordable Unit for each year Lessee fails to submit a Certificate of Continuing Program Compliance covering each and every housing unit on the Site.

6.7 Regulatory Instruments. The Lessee shall execute, acknowledge, and deliver to City a "Regulatory Agreement," in the form of Attachment No. 11 to the AHA, to be recorded with respect to the Site in the official records of Placer County, California. The Lessee shall comply with the Regulatory Agreement. The Regulatory Agreement is subject to modification (which amendment shall have the same priority as the Regulatory Agreement) to conform to the number of Units regulated by

other restrictions of record if that number is greater than originally provided in the Regulatory Agreement. The Regulatory Agreement, the City Covenants and this Lease shall be construed to be consistent to the greatest feasible extent. In the event of any express conflict, this Lease shall control over the Regulatory Agreement and the City Covenants.

7. UTILITIES AND TAXES.

7.1 Utilities. Lessee shall pay or cause to be paid all common area charges for gas, electricity, water, sewer, garbage collection, cable television, and other utilities furnished to the Site and the Improvements and all sewer use charges, hookup or similar charges or assessments for utilities levied against the Site and the Improvements for any period included within the Term.

7.2 Real Estate Taxes.

(a) As used herein, the term "real estate taxes" means all real estate taxes, municipal or county water and sewer rates and charges, or any other assessments or taxes, which shall be levied against the Site or the Improvements, or any interest therein, and which become a lien thereon and accrue during the Term.

(b) Any real estate taxes which are payable by Lessee hereunder shall be prorated between City and Lessee as of the Commencement Date and then again at the expiration or earlier termination of the Term.

(c) Lessee shall have the right to contest the amount or validity of any real estate taxes, in whole or in part, by appropriate administrative and legal proceedings, without any costs or expense to City, and Lessee may postpone payment of any such contested real estate taxes pending the prosecution of such proceedings and any appeals so long as such proceedings shall not operate to prevent the collection of such real estate taxes and the sale of the Site and any Improvements to satisfy any lien arising out of the nonpayment of the same.

(d) Lessee shall have the right to apply for and may obtain any exemption(s) as may be applicable as to real estate taxes based upon the operation of the Site for affordable rental housing. So long as Lessee is not in breach under this Lease or the AHA, the City, in its capacity as the fee owner of the Site, shall cooperate as reasonably necessary for Lessee to apply for and obtain such exemptions, provided that in no event shall the City be required to incur costs in connection therewith.

7.3 Personal Property. Lessee covenants and agrees to pay before delinquency all personal property taxes, assessments and liens of every kind and nature upon all personalty as may be owned by Lessee and from time to time situated within the Site and any Improvements.

7.4 Possessory Interest. Pursuant to Health and Safety Code Section 33673, to the extent applicable, the Site is to be assessed and taxed in the same manner as privately owned property. The Lessee shall pay taxes upon the entire property and not merely the assessed value of its leasehold interest. City will provide notice to the Placer County Assessor within thirty (30) days of the commencement of this Lease as required by Health and Safety Code Section 33673.1; provided that the failure to do so, by City, shall not be deemed to constitute a Default by City. Lessee shall pay or cause to be paid, before any fine, penalty, interest or cost may be added thereto for the nonpayment thereof, all real estate taxes which may be levied against any and all interests in the Site and any Improvements during the Term, and not merely the assessed value of the leasehold interest in the Site;

provided, however, that Lessee may apply for and receive any applicable exemption from the payment of property taxes and assessments. Lessor shall use reasonable efforts to cause the Site to be assessed as a separate parcel.

8. OWNERSHIP OF IMPROVEMENTS, FIXTURES AND FURNISHINGS.

8.1 Ownership During Term. All Improvements constructed on the Site by Lessee as provided in the AHA and as permitted by this Lease shall, during the Term, be and remain the property of Lessee and owned in fee by Lessee; provided, however, that Lessee shall have no right to waste the Improvements, or to destroy, demolish or remove the Improvements except as otherwise permitted pursuant to this Lease; and provided further that Lessee's rights and powers with respect to the Improvements are subject to the terms and limitations of this Lease. City and Lessee covenant for themselves and all persons claiming under or through them that the Improvements are real property. City agrees that Lessee shall have the exclusive right during the Term to deduct, claim, retain and enjoy any and all rental income, appreciation gain, depreciation, amortization, and tax credits for federal and state tax purposes relating to the Improvements and any additions thereto, substitutions therefor, fixtures therein, and property relating thereto, and City shall treat Lessee as the tax owner of the Improvements for federal income tax purposes and shall not file any tax returns inconsistent with such treatment.

8.2 Ownership at Termination. Upon termination of this Lease, whether by expiration of the Term or otherwise, all Improvements, fixtures and furnishings shall, without compensation to Lessee, then become City's property, free and clear of all liens, encumbrances, and claims to or against them by Lessee or any third person, firm or entity, including but not limited to any mortgagee or lender, unless otherwise approved by City in writing at its discretion. At the option of City, the City may require the Lessee to demolish and remove any improvements to the Site which have not previously been approved by the City.

9. MECHANICS LIENS; FAITHFUL PERFORMANCE.

Lessee shall not suffer or permit any mechanics' or materialmen's liens to be enforced against the fee simple estate in reversion of City as to the Site and Improvements, nor against Lessee's leasehold interest therein by reason of work, labor, services or materials supplied or claimed to have been supplied to Lessee or anyone holding the Site and the Improvements, or any part thereof, through or under Lessee, and Lessee agrees to defend, indemnify, and hold City and its officers, officials, employees, agents, and representatives, harmless against such liens. If any such lien shall at any time be filed against the Site or any Improvements, Lessee shall, within thirty (30) days after notice to Lessee of the filing thereof, cause the same to be discharged of record; provided, however, that Lessee shall have the right to contest the amount or validity, in whole or in part, of any such lien by appropriate proceedings but in such event, Lessee shall notify City and promptly bond such lien in the manner authorized by law with a responsible surety company qualified to do business in the State of California or provide other security acceptable to City. Lessee shall prosecute such proceedings with due diligence. Nothing in this Lease shall be deemed to be, nor shall be construed in any way to constitute, the consent or request of City, express or implied, by inference or otherwise, to any person, firm or limited partnership for the performance of any labor or the furnishing of any materials for any construction, rebuilding, alteration or repair of or to the Site, the Improvements, or any part thereof. Prior to commencement of reconstruction of the Improvements on the Site, or any repair or alteration thereto having a cost in excess of $10,000, Lessee shall give City not less than thirty (30) days advance

notice in writing of intention to begin said activity in order that nonresponsibility notices may be posted and recorded as provided by State and local laws.

10. MAINTENANCE AND REPAIR; CAPITAL REPLACEMENT RESERVE.

Lessee agrees to assume full responsibility for the management, operation and maintenance of the Improvements and the Site throughout the Term without expense to City, and to perform all repairs and replacements necessary to maintain and preserve the Improvements and the Site in good repair, in a neat, clean, safe and orderly condition reasonably satisfactory to City and in compliance with all applicable laws. Lessee agrees that City shall not be required to perform any maintenance, repairs or services or to assume any expense in connection with the Improvements and the Site. Lessee hereby waives all rights to make repairs or to cause any work to be performed at the expense of City as provided for in Section 1941 and 1942 of the California Civil Code.

The following standards shall be complied with by Lessee and its maintenance staff, contractors or subcontractors:

(1) Lessee shall maintain the Improvements, including individual Affordable Units, all common areas, all interior and exterior facades, and all exterior project site areas, in a safe and sanitary fashion suitable for a high quality, rental housing project. The Lessee agrees to provide utility services, administrative services, supplies, contract services, maintenance, maintenance reserves, and management for the entire project including interior tenant spaces, common area spaces and exterior common areas. The services provided by the Lessee shall include, but not be limited to, providing all common area electricity, gas, water, television, cable television, property, fire and liability insurance in the amounts set forth in this Lease, all property taxes and personal property taxes, any and all assessments, maintenance and replacement of all exterior landscaping, and all administration and overhead required for the Property Manager.

(2) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing, edging, and trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and optimum irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(3) Clean-up maintenance shall include, but not be limited to: maintenance of all private paths, parking areas, driveways and other paved areas in clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris or other matter which is unsafe or unsightly; removal of all trash, litter and other debris from improvements and landscaping prior to mowing; clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves and other debris are properly disposed of by maintenance workers.

(4) The Improvements shall be maintained in conformance and in compliance with the approved construction and architectural plans and design scheme, as the same may be amended from time to time with the approval of the City (and City, if such approval is required).

(5) All maintenance work shall conform to all applicable federal and state Occupational Safety and Health Act standards and regulations for the performance of maintenance.

(6) Any and all chemicals, unhealthful substances, and pesticides used in and during maintenance shall be applied only by persons in strict accordance with all governing regulations.

(7) Parking lots, lighting fixtures, trash enclosures, and all areas shall be kept free from any accumulation of debris or waste materials by regularly scheduled maintenance.

(8) Lessee shall, or shall cause the Property Manager to, set aside in an Operating Reserve, which shall be maintained as a separate interest-bearing trust account, in an amount as prescribed under the Primary Permanent Loan and the Partnership Agreement. To the extent this Lease requires that an Operating Reserve be funded at a level in excess of that required under the Primary Permanent Loan and the Partnership Agreement, such excess amount shall be funded by Lessee from the Developer Percentage. Lessee shall provide, on not less than an annual basis, evidence reasonably satisfactory to City Manager of compliance herewith, and shall thereafter cause such amount to be retained in the Operating Reserve, to cover shortfalls between Improvements income and actual project operating expenses. The Operating Reserve shall be replenished to the full amount prior to any further disbursement of Residual Receipts to the Lessee. Commencing as of the first anniversary of the January 1st which first occurs after conversion, no Gross Revenues thereafter generated shall be used to fund the Operating Reserve excepting as necessary to restore the Operating Reserve to the original principal amount or, if applicable, the amount designated therefor by TCAC. Moneys, if any, in the Operating Reserve which are not expended as of the termination of this Lease shall be treated as Residual Receipts.

(9) Lessee shall also, or cause the Property Manager or permanent lender to, commencing as of the first month following the first anniversary of the completion of the first Housing Unit (as such completion is evidenced by the issuance of a certificate of occupancy by the City as to the corresponding building) set aside the Capital Replacement Reserve. The Capital Replacement Reserve shall be deposited into a separate interest-bearing trust account. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Improvements' fixtures and equipment which are normally capitalized under generally accepted accounting principles. As capital repairs and improvements of the Project become necessary, the Capital Replacement Reserve shall be the first source of payment therefor; provided, however, that Lessee may first use other funds for payment with the prior consent of City Manager, which approval shall not be unreasonably withheld. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve Lessee of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Site in the manner prescribed in this Section 10 and the AHA. Lessee, at its expense, shall submit to City on not less than an annual basis an accounting for the Capital Replacement Reserve. Any amounts of the Capital Replacement Reserve in excess of the level of such reserve required by the Primary Permanent Lender shall be funded from Residual Receipts. Any moneys in the Capital Replacement Reserve which are not expended as of the termination of this Lease shall be treated as Residual Receipts.

Capital repairs to and replacement of the Improvements shall include only those items with a long useful life, including without limitation the following:

(a) Appliance replacement;

(b) Hot water heater replacement;

(c) Plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets;

(d) Air conditioning and heating replacement;

(e) Asphalt replacement;

(f) Roofing replacement;

(g) Landscape tree replacement and irrigation pipe and controls replacement;

(h) Gas line pipe replacement;

(i) Lighting fixture replacement; and

(j) Miscellaneous motors and blowers.

11. ENVIRONMENTAL MATTERS.

11.1 Definitions. For the purposes of this Lease, unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified:

(a) The term "Hazardous Material" or "Hazardous Materials" means and include any substance, material, or waste which is or becomes regulated by any local governmental authority, including the County, the Regional Water Quality Control Board, the State of California, or the United States Government, including, but not limited to, any material or substance which is: (i) defined as a "hazardous waste," "acutely hazardous waste," "restricted hazardous waste," or "extremely hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter Presley Tanner Hazardous Substance Account Act); (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (v) petroleum; (vi) asbestos and/or asbestos containing materials; (vii) lead based paint or any lead based or lead products; (viii) polychlorinated biphenyls, (ix) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317); (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 9601, *et seq*. (42 U.S.C. Section 6903); (xi) Methyl tertiary Butyl Ether; (xii) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601, *et seq*. (42 U.S.C. Section 9601); (xiii) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any "Governmental Requirements" (as defined in Paragraph (c) of this Section 308) either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment; and/or (xiv) lead based paint pursuant to and defined in the Lead Based Paint Poisoning Prevention Act, Title X of the 1992 Housing and Community Development Act, 42 U.S.C. § 4800, *et seq*., specifically §§ 4821–4846, and the implementing regulations thereto. Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities below attainment levels identified in one or more of the enactments identified above as Governmental Requirements, including those product and amounts as are customarily used in the construction, maintenance, rehabilitation, management, operation and residence of residential

developments or associated buildings and grounds, or typically used in residential activities in a manner typical of other comparable residential developments, or substances commonly ingested by a significant population living within the Development, including without limitation alcohol, aspirin, tobacco and saccharine.

(b) The term "Hazardous Materials Contamination" means the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in, or under the Site by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time (whether before or after the Date of Agreement) emanating from the Site in violation of Governmental Requirements.

(c) The term "Governmental Requirements" means all past, present and future laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the city, or any other political subdivision in which the Site is located, and any other state, county city, political subdivision, City, instrumentality or other entity exercising jurisdiction over City, Lessee or the Site.

11.2 Site Evaluation. Lessee assumes any and all responsibility and Liabilities (as defined in and subject to the limitations in Section 11.3 of this Lease) for all Hazardous Materials Contamination of the Site which occurs during the Term of this Lease or extension thereof.

11.3 Indemnification; Lessee's Indemnity. Lessee shall save, protect, pay for, defend (with counsel acceptable to City), indemnify and hold harmless City, and its elected and appointed officials, officers, employees, attorneys, representatives, volunteers, contractors and agents (collectively, "Indemnitees") from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, attorneys' fees and remedial and response costs and third-party claims or costs) (the foregoing are hereinafter collectively referred to as "Liabilities") that may now or in the future be incurred or suffered by Indemnitees by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of: (i) the presence, use, release, escape, seepage, leakage, spillage, emission, generation, discharge, storage, or disposal of any Hazardous Materials in, on, under, or about, or the transportation of any such Hazardous Materials to or from, the Site occurring during the Term or caused by Lessee; (ii) the violation, or alleged violation, of any statute, ordinance, order, rule, regulation, permit, judgment, or license relating to the use, generation, release, leakage, spillage, emission, escape, discharge, storage, disposal, or transportation of Hazardous Materials in, on, under, or about, or to or from, the Site; (iii) the physical and environmental condition of the Site in violation of Governmental Requirements occurring during the Term or caused by Lessee, and (iv) any Liabilities caused or contributed to by acts or omissions of the Lessee relating to any Environmental Laws and other Governmental Requirements relating to Hazardous Materials and/or the environmental and/or physical condition of the Site caused by Lessee or occurring during the Term. The foregoing indemnification shall continue in full force and effect regardless of whether such condition, liability, loss, damage, cost, penalty, fine, and/or expense shall accrue or be discovered before or after the termination of the Term. This indemnification supplements and in no way limits the indemnification set forth in Section 6.7 of the AHA. Lessee's obligations under this Section 11.3 shall survive the expiration of this Lease and shall not merge with any grant deed. Notwithstanding the foregoing, Lessee shall not be obligated to indemnify the City with respect to the consequences of any act of gross negligence or willful misconduct of the City.

11.4 Duty to Prevent Hazardous Material Contamination. Lessee shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment in violation of Governmental Requirements. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Lessee shall install and utilize such equipment and implement and adhere to such procedures as are consistent with the standards generally applied by apartment complexes in Placer County, California as respects the disclosure, storage, use, removal, and disposal of Hazardous Materials. Lessee shall notify City, and provide to City a copy or copies of any notices of violation, notices to comply, citations, inquiries, clean up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to all Environmental Laws and other Governmental Requirements, and Lessee shall report to City, as soon as possible after each incident, any unusual or potentially important incidents in the event of a release of any Hazardous Materials into the environment.

11.5 Obligation of Lessee to Remediate Premises. Notwithstanding the obligation of Lessee to indemnify City pursuant to Section 11.3 of this Lease, Lessee shall, at its sole cost and expense, promptly take (i) all actions required by any federal, state, regional, or local governmental authority or political subdivision or any Governmental Requirements and (ii) all actions necessary to make full economic use of the Site for the purposes contemplated by this Lease, which requirements or necessity arise from the presence upon, about or beneath the Site of any Hazardous Materials in violation of Governmental Requirements or Hazardous Materials Contamination caused by Lessee or arising during the Term. Such actions shall include, but not be limited to, the investigation of the environmental condition of the Site, the preparation of any feasibility studies or reports and the performance of any cleanup, remedial, removal or restoration work. Lessee shall take all actions necessary to promptly restore the Site in compliance with all applicable Governmental Requirements. Lessee's obligations under this Section 11.5 shall not apply to any Hazardous Materials or Hazardous Materials Contamination arising prior to the Term.

11.6 Storage or Handling of Hazardous Materials. Lessee, at its sole cost and expense, shall comply with all Governmental Requirements for the storage, use, transportation, handling and disposal of Hazardous Materials on or about the Site. In the event Lessee does store, use, transport, handle or dispose of any Hazardous Materials in violation of Governmental Requirements, Lessee shall notify City in writing at least ten (10) days prior to their first appearance on the Site and Lessee's failure to do so shall constitute a material default under this Lease. Lessee shall conduct all monitoring activities required or prescribed by applicable Governmental Requirements, and shall, at its sole cost and expense, comply with all posting requirements of Proposition 65 or any other similarly enacted Governmental Requirements. In addition, in the event of any complaint or governmental inquiry with respect to Lessee's storage, use, transportation, handling and disposal of Hazardous Materials on or about the Site, or if otherwise deemed necessary by City in its reasonable judgment, City may require Lessee, at Lessee's sole cost and expense, to conduct specific monitoring or testing activities with respect to Hazardous Materials on the Site. Lessee's monitoring programs shall be in compliance with applicable Governmental Requirements, and any program related to the specific monitoring of or testing for Hazardous Materials on the Site, shall be satisfactory to City, in City's reasonable discretion. Lessee shall further be solely responsible, and shall reimburse City, for all costs and expenses incurred by City arising out of or connected with the removal, clean-up and/or restoration work and materials necessary to return the Site and any property adjacent to the Site affected by Hazardous Materials emanating from the Site during the Term (or as otherwise caused by Lessee) to their condition existing at the time of the Lessee's Site Evaluation. Lessee's obligations hereunder shall survive the termination of this Lease and shall not merge with any grant deed.

11.7 Environmental Inquiries. Lessee shall notify City upon receipt, and provide to the City a copy or copies, of the following environmental permits, disclosures, applications, entitlements or inquiries relating to the Site and the Development: notices of violation, notices to comply, citations, inquiries, clean up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Environmental Laws and other applicable Governmental Requirements relating to Hazardous Materials and underground tanks, and Lessee shall report to City, as soon as possible after each incident, all material information relating to or arising from such incident, including, but not limited to, the following:

(a) All required reports of releases of Hazardous Materials, including notices of any release of Hazardous Materials as required by any Governmental Requirements;

(b) All notices of suspension of any permits relating to Hazardous Materials;

(c) All notices of violation from federal, state or local environmental authorities relating to Hazardous Materials;

(d) All orders under the State Hazardous Waste Control Act and the State Hazardous Substance Account Act and corresponding federal statutes, concerning investigation, compliance schedules, clean up, or other remedial actions;

(e) All orders under the Porter Cologne Act, including corrective action orders, cease and desist orders, and clean up and abatement orders;

(f) Any notices of violation from OSHA or Cal OSHA concerning employees' exposure to Hazardous Materials;

(g) All complaints and other pleadings filed against Lessee relating to Lessee's storage, use, transportation, handling or disposal of Hazardous Materials on or about the Site; and

(h) Any and all other notices, citations, inquiries, orders, filings or any other reports containing information which would have a materially adverse effect on the Site or the City's liabilities or obligations relating to Hazardous Materials.

In the event of a release of any Hazardous Materials into the environment, Lessee shall, as soon as possible after the release, furnish to City a copy of any and all reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of City, but subject to any limitations imposed by law or by court order, Lessee shall furnish to City a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Site in Lessee's possession and/or shall notify City of any environmental entitlements or inquiries relating to or affecting the Site within Lessee's actual or constructive knowledge if Lessee is not in possession of same, including, but not limited to, all permit applications, permits and reports including, without limitation, those reports and other matters which may be characterized as confidential.

12. ALTERATION OF IMPROVEMENTS.

Upon completion of the Improvements, Lessee shall not make or permit to be made any material structural alteration of, addition to or change in the Improvements (which shall be deemed to be material if the cost or value of such alteration(s) or addition(s) exceeds [$50,000.00] as to any item or [$125,000.00] as all such items are aggregated), nor demolish all or any part of the Improvements

without the prior written consent of City; provided, however, that the foregoing shall not prohibit or restrict the repair and/or replacement of the Improvements by Lessee in accordance with Section 10 hereof. In requesting such consent Lessee shall submit to City detailed plans and specifications of the proposed work and an explanation of the need and reasons therefor.

This provision shall not limit or set aside any obligation of Lessee under this Lease to maintain the Improvements and the Site in a clean and safe condition, including structural repair and restoration of damaged Improvements. City shall not be obligated by this Lease to make any improvements to the Site or to assume any expense therefor.

Lessee shall not commit or suffer to be committed any waste or impairment of the Site or the Improvements, or any part thereof, except as otherwise permitted pursuant to this Lease. Lessee agrees to keep the Site and the Improvements clean and clear of refuse and obstructions, and to dispose of all garbage, trash and rubbish in a manner satisfactory to City.

13. DAMAGE OR DESTRUCTION.

13.1 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. Subject to Section 13.3 below, if the Improvements shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against and recoverable by insurance proceeds held by such policy(ies) maintained by Lessee, Lessee shall proceed to obtain insurance proceeds as soon as practicable and take all steps necessary to begin reconstruction and, upon receipt of insurance proceeds as soon as practicable, to commence the repair or replacement of the Improvements to substantially the same condition as the Improvements are required to be maintained in pursuant to this Lease, whether or not the insurance proceeds are sufficient to cover the actual cost of repair, replacement, or restoration, and Lessee shall complete the same as soon as practicable thereafter so that the Improvements can continue to be operated and occupied as an affordable housing project in accordance with this Lease. Subject to Section 26.23, in no event shall the repair, replacement, or restoration period exceed thirty (30) months from the date Lessee obtains one hundred percent (100%) of the insurance proceeds unless City Manager, in his or her reasonable discretion, approves a longer period of time. City shall cooperate with Lessee, at no expense to City, in obtaining any governmental permits required for the repair, replacement, or restoration. If, however, the then-existing laws of any other governmental agencies with jurisdiction over the Site do not permit the repair, replacement, or restoration, Lessee may (with the consent of the Limited Partner so long as the Partnership Agreement remains in effect) elect not to repair, replace, or restore the Improvements by giving notice to City (in which event, subject to the terms of all of Lessee's Mortgages, Lessee will be entitled to all insurance proceeds but Lessee shall be required to remove all debris from the Site) or Lessee may reconstruct such other improvements on the Site as are consistent with applicable land use regulations and approved by the City, Limited Partner (so long as the limited Partnership Agreement remains in effect) and the other governmental City or agencies with jurisdiction. In the event Lessee elects not to repair, replace, or restore and give City notice of such election as provided herein, this Lease shall, subject to Section 1.3(a) of Exhibit E to this Lease, terminate.

13.2 Continued Operations. During any period of repair, Lessee shall continue, or cause the continuation of, the operation of the Improvements on the Site to the extent reasonably practicable from the standpoint of prudent business management.

13.3 Damage or Destruction Due to Cause Not Required to be Covered by Insurance. If the Improvements are completely destroyed or substantially damaged by a casualty for which Lessee is

not required to (and has not) insured against, then Lessee shall not be required to repair, replace, or restore such improvements and may elect (with the consent of the Limited Partner so long as the Partnership Agreement remains in effect) not to do so by providing City with written notice of election not to repair, replace, or restore within ninety (90) days after such substantial damage or destruction. In such event, Lessee shall remove all debris from the Site. As used in this Section 13.3, "substantial damage" caused by a casualty not required to be (and not) covered by insurance means damage or destruction which is twenty-five percent (25%) or more of the replacement cost of the improvements comprising the Improvements. In the event Lessee does not timely elect not to repair, replace, or restore the Improvements as set forth in the first sentence of this Section 13.3, Lessee shall be conclusively deemed to have waived its right not to repair, replace, or restore the Improvements and thereafter Lessee shall promptly commence and complete the repair, replacement, or restoration of the damaged or destroyed Improvements in accordance with Section 13.1 above and continue operation of the Improvements during the period of repair (if practicable) in accordance with Section 13.2 above. In the event Lessee elects not to repair, replace, or restore, and gives City notice of such election as provided herein, subject to Section 1.3 of Exhibit E to this Lease, this Lease shall terminate.

14. SALE, ASSIGNMENT, SUBLEASE OR OTHER TRANSFER.

Except for (a) leases of particular dwelling Units to tenants, and (b) the lease of or grant of an easement or license to the City, Lessee shall not sell, assign, sublease, or otherwise transfer this Lease or any right therein, nor make any total or partial sale, assignment, sublease, or transfer in any other mode or form of the whole or any part of the Site or the Improvements (each of which events is referred to in this Lease as an "Assignment"), without prior written approval of City. The term "Assignment" shall be deemed to include (without limitation) all refinancing thereof and any other loans approved by City, excepting to the extent loans have been previously approved from one or more approved Construction and/or Permanent Lenders (with respect to such loans). Any purported assignment without the prior written consent of City shall be made null and void and shall confer no rights whatsoever upon any purported assignee or transferee.

Notwithstanding any other provision of this Lease to the contrary, the City shall not unreasonably withhold its approval of an assignment of this Lease or conveyance of the Site or Improvements, or any part thereof, in connection with any of the following:

(a) Any transfers to an entity or entities in which Lessee retains a minimum of fifty-one percent (51%) of the ownership or beneficial interest and retains management and control of the transferee entity or entities.

(b) The conveyance or dedication of any portion of the Site to the City or other appropriate governmental agency, or the granting of easements or permits to facilitate construction of the Improvements. In the event of a proposed assignment by Lessee under subparagraphs (a) through (c), inclusive, above, Lessee agrees that at least thirty (30) days prior to such assignment it shall give written notice to City including a request for approval of such assignment and satisfactory evidence that the assignee has assumed the obligations of this Lease, subject to the provisions of the following paragraph.

City agrees that it will consider in good faith a request for City's consent to a transfer made pursuant to this Section 14 after the achievement of occupancy of ninety percent (90%) or more of the Housing Units in conformity with this Lease following the issuance by City of a Certificate of Completion for the last building to be constructed as part of the Improvements, provided Lessee

delivers written notice to City requesting such approval and provided further that, the City Covenants and the Regulatory Agreement remain in full force and effect (unless the same have been extinguished or terminated by operation of such documents or under another document as may be hereafter executed by City). Such notice shall be accompanied by sufficient evidence regarding the proposed assignee's or purchaser's development and/or operational qualifications and experience, and its financial commitments and resources, and the financial terms of such Assignment (including the consideration proposed to flow to the Developer or a Related Entity and/or the Principals) in sufficient detail to enable City to evaluate the proposed assignee or purchaser pursuant to the criteria set forth in this Section 14, and as reasonably determined by City. City shall evaluate such proposed transferee or assignee on the basis of its development qualifications and experience and/or qualifications and experience in the operation of facilities similar to the Improvements, and its financial commitments and resources, and may reasonably disapprove any proposed transferee or assignee, which City reasonably determines does not possess sufficient qualifications. An assignment and assumption agreement in form satisfactory to City's legal counsel shall also be required for all proposed assignments. The Lessee agrees and acknowledges that in connection with any such assignment approved by the City pursuant to this Lease, the Lessee shall remain liable for performance pursuant to this Lease for a period of five (5) years following such assignment; provided that the five-year limitation shall not apply (and the ongoing liability of Developer shall not be thereby limited) in connection with the transfer of limited partnership interests to tax credit investors. Within thirty (30) days after the receipt of the Lessee's written notice requesting approval of an assignment or transfer pursuant to this Section 14, City shall either approve or disapprove such proposed assignment or shall respond in writing by stating what further information, if any, City reasonably requires in order to determine the request complete and determine whether or not to grant the requested approval. Upon receipt of such a response, the Lessee shall promptly furnish to City such further information as may be reasonably requested.

Notwithstanding any provision in this Section 14 to the contrary, in no event shall Lessee make any assignment which would or could be effective beyond the Term without the prior consent of the City. Notwithstanding anything contained in this Section 14 to contrary effect, transfers or assignments otherwise permitted in Section 8.3 of the AHA shall not be limited by the terms of this Section 14 or require City consent and in the event of any conflict between the terms of this Section 14 and Section 8.3 of the AHA with respect to transfers or assignments under the purview of Section 8.3, Section 8.3 of the AHA shall control; provided that Lessee shall promptly inform City in writing of any such transfers.

15. ANCILLARY DUTIES.

The City and the Lessee intend that this Lease be a so called "triple net" lease, and that except as expressly provided herein all costs, expenses and obligations with respect to the Site during the Lease Term shall be borne by the Lessee and not by the City. Unless this Lease provides otherwise, all Ancillary Duties shall be satisfied and/or paid with the next applicable payment of Rent. "Ancillary Duties" shall include, without limitation: (i) the payment of all taxes and assessments, including without limitation those taxes (whether characterized as possessory interest taxes or otherwise) described in Section 7.4 of this Lease, which become due and owing during the Term (provided that Lessee shall not hereby be precluded from applying for or obtaining any applicable exemption from property tax); (ii) an amount equal to one hundred fifteen percent (115%) of the amounts paid by City for insurance premiums or costs to repair and maintain the Development upon the failure by Lessee to timely and fully provide such insurance and maintenance; (iii) Reporting Amount(s) (as described in Section 6.6 hereof); and (iv) in the event an Audited Financial Statement shows an underpayment to

the City of five percent (5%) or greater of the amount paid to the City for the corresponding Lease Year, the Developer shall pay to the City: (a) the City's costs (including accountant and consultant fees, attorneys' fees, and a reasonable estimation of the cost of staff time) incurred in connection with the City's audit of Lessee under Section 26.5 of this Lease, and (b) an amount equal to twenty-five percent (25%) of the shortfall as a penalty which shall not be deemed to constitute an Operating Expense for the purposes of this Lease; and (iv) the Reporting Amount(s), which Reporting Amount(s) shall not be deemed to constitute an Operating Expense for the purposes of this Lease.

16. INDEMNITY.

During the Term, Lessee agrees that City, its agents, officers, representatives and employees, shall not be liable for any claims, liabilities, penalties, fines or for any damage to the goods, properties or effects of Lessee, its sublessees or representatives, agents, employees, guests, licensees, invitees, patrons or clientele or of any other person whomsoever, nor for personal injuries to, or deaths of any persons, whether caused by or resulting from any act or omission of Lessee or its sublessees or any other person on or about the Site and the Improvements, or in connection with the operation thereof, or from any defect in the Site or the Improvements, or from any displacement of tenants or liability for relocation assistance pursuant to Government Code Section 7260, *et seq*., due to the acts of Lessee hereunder. Lessee agrees to indemnify and save free and harmless City and its authorized agents, officers, representatives and employees against any and all claims, actions, damages, liability (including reasonable expenses and attorneys' fees) concerning loss of life, personal injury and/or damage to property arising from or out of any occurrence in, upon or at the Site and/or the Improvements or the occupancy or use by Lessee of the Site and/or the Improvements or any part thereof, or arising from or out of Lessee's failure to comply with any provision of this Lease or otherwise occasioned wholly or in part by any act or omission of Lessee, its agents, representatives, contractors, employees, servants, customers or licensees. Lessee shall not be responsible for (and such indemnity shall not apply to) any acts, errors or omissions of City or its agents, officers, representatives or employees.

17. INSURANCE.

17.1 Insurance to be Provided by Lessee. Commencing as of first day of the Term and continuing throughout the Required Covenant Period, and, in addition at all times during which Lessee is conducting work on the Site or any portion thereof, including times prior to the Leasehold Transfer, Lessee shall maintain at Lessee's sole expense, with insurers reasonably approved by City, the following policies of insurance in form and substance reasonably satisfactory to City: (i) at all times commencing with the Leasehold Transfer and continuing throughout the Required Covenant Period, Lessee shall provide those coverages described in the "Insurance During Lease Term" (Note: to be conformed to Affordable Housing Agreement); and (ii) at all times during the period commencing with the Leasehold Transfer and ending as of end of the Required Covenant Period when construction is taking place on the Site, the Lessee shall additionally provide those coverages set forth in the "Insurance During Construction" (to be conformed to the Affordable Housing Agreement).

17.2 Definition of "Full Insurable Value. The term "Full Insurable Value" as used in this Section 17 means the actual replacement cost (excluding the cost of excavation, foundation and footings below the lowest floor and without deduction for depreciation) of the Improvements, including the cost of construction of the Improvements, architectural and engineering fees, and inspection and supervision. To ascertain the amount of coverage required, Lessee shall cause the Full Insurable Value

to be determined from time to time by appraisal by the insurer or, if no such appraisal is available, by an appraiser mutually acceptable to City and Lessee, not less often than once every five (5) years.

17.3 General Insurance Provisions. All policies of insurance provided for in this Section 17, except for the workers' compensation insurance, shall name Lessee as the named insured and loss payee and City and its officers, employees, agents, and representatives, as additional insureds (for general liability and excess liability insurance), as their respective interests may appear. All property casualty insurance policies shall include the interest of any Lessee's Mortgagees and may provide that any loss is payable to Lessee's Mortgagee in which event such policies shall contain standard mortgage loss payable clauses. Lessee agrees to timely pay all premiums for such insurance and, at its sole cost and expense, to comply and secure compliance with all insurance requirements necessary for the maintenance of such insurance. Lessee agrees to submit policies of all insurance required by this Section 17 of this Lease, or certificates evidencing the existence thereof, to City on or before the effective date of this Lease, indicating full coverage of the contractual liability imposed by this Lease. At least thirty (30) days prior to expiration of any such policy, copies of renewal policies, or certificates evidencing the existence thereof shall be submitted to City. All policies of insurance required of Lessee herein shall be issued by insurance companies with a general policy holder's rating of not less than A and a financial rating of not less that Class XVII as rated in the most current available "Best's Key Rating Guide", and which are approved to do business in the State of California. All policies or certificates of insurance shall also: (i) provide that such policies shall not be canceled or limited in any manner without at least thirty (30) days prior written notice to City; and (ii) provide that such coverage is primary and not contributing with any insurance as may be obtained by City and shall contain a waiver of subrogation for the benefit of City.

Coverage provided hereunder by Lessee shall be primary insurance and not be contributing with any insurance maintained by City, and the policy shall contain such an endorsement. The insurance policy or the endorsement shall contain a waiver of subrogation for the benefit of the City. None of the above-described policies shall require Developer to meet a deductible or self-insured retention amount of more than [Ten Thousand Dollars ($10,000.00)][amount subject to review as part of the Proof of Financing Plan] unless first approved in writing by the City Manager. All policies shall be written by good and solvent insurers approved to do business in California and shall have a policyholder's rating of A or better in the most recent edition of "Best's Key Rating Guide – Property and Casualty." The required certificate shall be furnished by Lessee at the time set forth herein.

17.4 Failure to Maintain Insurance. If Lessee fails or refuses to procure or maintain insurance as required by this Lease, City shall have the right, at City's election, and upon ten (10) days prior notice to Lessee, to procure and maintain such insurance. The premiums paid by City shall be treated as added rent due from Lessee, to be paid on the first day of the month following the date on which the premiums were paid. City shall give prompt notice of the payment of such premiums, stating the amounts paid and the name of the insured(s).

17.5 Insurance Proceeds Resulting from Loss or Damage to Improvements. All proceeds of insurance with respect to loss or damage to the Improvements during the term of this Lease shall be payable, under the provisions of the policy of insurance, to Lessee, and said proceeds shall be used for the restoration, repair and rebuilding of the Improvements in accordance with plans and specifications approved in writing by City and as further described in Section 13 of this Lease. To the extent that such proceeds exceed the cost of such restoration, repair or rebuilding, then such proceeds shall be retained by the party that purchased the insurance. Notwithstanding the foregoing, within the period

during which there is an outstanding mortgage upon the Improvements, such proceeds shall be payable in accordance with Section 17.3 of this Lease.

In the event this Lease is terminated by mutual agreement of City and Lessee and said Improvements are not restored, repaired or rebuilt, the insurance proceeds shall be applied first to any payments due under this Lease from Lessee to City, second to restore the Site and Improvements to their original condition and to a neat and clean condition, and finally any excess shall be apportioned between Lessee and City as their interests may appear; provided, however, that within any period when there is an outstanding mortgage upon the Improvements, such proceeds shall be applied first to discharge the debt secured by the mortgage and then for the purposes and in the order set forth above in this paragraph, subject to the requirements of Lessee's mortgagees.

18. EMINENT DOMAIN.

In the event that the Site and/or the Improvements or any part thereof shall be taken for public purposes by any public agency other than the City by condemnation as a result of any action or proceeding in eminent domain, then, as between City and Lessee (or mortgagee, if a mortgage is then in effect), the interests of City and Lessee (or mortgagee) in the award and the effect of the taking upon this Lease shall be as follows:

(a) In the event of such taking of only a part of the Site, leaving the remainder of the Site in such location and in such form, shape and size as to be used effectively and practicably for the conduct thereon of the uses permitted hereunder, this Lease shall terminate and end as to the portion of the Site so taken as of the date title to such portion vests in the condemning authority, but shall continue in full force and effect as to the portion of the Site not so taken and from and after such date the rental required by this Lease to be paid by Lessee to City shall be reduced in the proportion which the number of square feet so taken bears to the total number of square feet in the Site.

(b) In the event of taking of only a part of the Site, leaving the remainder of the Site in such location, or in such form, shape or reduced size as to render the same not effectively and practicably usable, for the conduct thereon of the uses permitted hereunder, this Lease and all right, title and interest thereunder shall cease on the date title to the Site or the portion thereof so taken vests in the condemning authority.

(c) In the event the entire Site is taken, this Lease and all of the right, title and interest thereunder, shall cease on the date title to the Site so taken vests in the condemning authority.

(d) Promptly after a partial taking, at Lessee's expense and in the manner specified in provisions of this Lease related to maintenance, repairs, alterations, Lessee shall restore the Improvements, to the extent of condemnation proceeds received by Lessee and allowed to be used for such purpose by Lessee's Mortgages, so as to place them in a condition suitable for the uses and purposes for which the Site was leased.

(e) In the event of any taking under subparagraphs (a), (b) or (c) hereinabove, that portion of any award of compensation attributable to the fair market value of the Site or portion thereof taken, valued as subject to this Lease, shall belong to City. That portion of any award attributable to the fair market value of Lessee's leasehold interest in the Site pursuant to this Lease as determined by taking into account the limitation on rents and income levels as set forth in Sections 6.1 through 6.7 hereof and, in the event a Foreclosure Event has occurred, Section 3 of Exhibit E hereof, shall belong to Lessee.

That portion of any award attributable to the fair market value of the Improvements or portion thereof taken shall belong to City and Lessee, as their interests may appear, except that in the event of a partial taking, where this Lease remains in effect and Lessee is obligated to restore or repair the Improvements, then Lessee shall be entitled to any portion of the award attributable to severance damages to the remaining Improvements to the extent necessary to restore or repair the Improvements and any remaining severance damages shall be payable to City and Lessee as their interests may appear. Said award shall be used for the restoration, repair or rebuilding of the Improvements in accordance with plans and specifications approved in writing by City to the extent necessary to restore or repair the Improvements and any remaining severance damages shall be payable to Lessee; except that, during the last ten (10) years of the Term, any remaining severance damages shall be payable to City. The value of each interest for the purpose of apportionment under this Section shall be the fair market value of such interests at the time of the taking.

(f) Provided, however, that within the period during which there is an outstanding mortgage on the Improvements, the mortgagee shall be entitled to any portion of the award attributable to the fair market value of Lessee's leasehold interest in the Site as determined by taking into account the limitation on rents and income levels as set forth in Sections 6.1 through 6.7 hereof and, in the event a Foreclosure Event has occurred, Section 3 of Exhibit E hereof, and the value of the Improvements, to the extent of its interest therein. Any excess portion of the award attributable to the condemnation of the Improvements shall be payable as provided in this Section 18.

(g) Notwithstanding the foregoing provisions of this Section, City may, in its discretion and without affecting the validity and existence of this Lease, transfer City's interests in the Site in lieu of condemnation to any authority entitled to exercise the power of eminent domain. In the event of such transfer by City, Lessee (or mortgagee if a mortgage is then in effect) and City shall retain whatever rights they may have to recover from said authority the fair market value of their respective interests in the Site, as the value of Lessee's interest is determined taking into account the limitation on rents and income levels as set forth in Sections 6.1 through 6.7 hereof and, in the event a Foreclosure Event has occurred, Section 3 of Exhibit E hereof, the Improvements taken by the authority.

(h) All valuations to be made pursuant to this Section 18 shall be made by mutual agreement of City and Lessee.

(i) The City and the City agree that during the Term, provided that this Lease shall remain in effect, neither the City nor the City shall exercise eminent domain powers as to the Site or the Improvements.

19. OBLIGATION TO REFRAIN FROM DISCRIMINATION.

There shall be no discrimination against or segregation of any person or group of persons, on account of sex, marital status, race, color, creed, religion, national origin or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Site and the Improvements, and Lessee itself or any person claiming under or through it shall not 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 thereof or any portion thereof, or in the providing of goods, services, facilities, privileges, advantages and accommodation.

Lessee shall refrain from restricting the rental, sale, or lease of the Site and the Improvements, or any portion thereof, on the basis of sex, marital status, race, color, creed, religion, ancestry or

national origin of any person. All such leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In Leases:

> "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:
>
> "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, 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 premises herein leased."

(b) In Contracts:

> "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any 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 premises herein conveyed. The foregoing covenants shall run with the land."

20. NONDISCRIMINATION IN EMPLOYMENT.

Lessee, for itself and its successors and assigns, agrees that during the operation of the Improvements provided for in this Lease, and during any work of repair or replacement, Lessee shall not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, physical or mental disability, sexual orientation, ancestry or national origin, or on the basis of any other category or status not permitted by law.

21. COMMISSION PURCHASE OPTION.

In addition to and without limitation as to all other rights and remedies the City has under this Lease, the City shall have an option to purchase and Lessee shall be obligated to sell the leasehold and improvements as more particularly described in the AHA. The City's option to purchase is a material part of this Lease but for which the City would not have entered into this Lease.

22. COMPLIANCE WITH LAW.

Lessee agrees, at its sole cost and expense, to comply and secure compliance by all contractors and tenants of the Site and Improvements with all the requirements now in force, or which may hereafter be in force, of all municipal, county, state and federal authorities, pertaining to the Site and the Improvements, as well as operations conducted thereon, and to faithfully observe and secure compliance by all contractors and tenants of the Site and Improvements with, in the use of the Site and the Improvements all applicable county and municipal ordinances and state and federal statutes now in force or which may hereafter be in force, and to pay before delinquency all taxes, assessments, and fees, if any, assessor levied upon Lessee or the Site or the Improvements, including the land and any buildings, structures, machines, appliances or other improvements of any nature whatsoever, erected, installed or maintained by Lessee or by reason of the business or other activities of Lessee upon or in connection with the Site and the Improvements. Lessee shall use good faith efforts to prevent tenants from maintaining any nuisance or other unlawful conduct on or about the Property and shall take such actions as are reasonably required to abate any such violations by tenants of the Site and Improvements. The judgment of any court of competent jurisdiction, or the admission of Lessee or any sublessee or permittee in any action or proceeding against them, or any of them, whether City be a party thereto or not, that Lessee, sublessee or permittee has violated any such ordinance or statute in the use of the Site or the Improvements shall be conclusive of that fact as between City and Lessee, or such sublessee or permittee. Lessee shall comply with all applicable laws, regulations, and any applicable labor standards, all of which laws and regulations shall be deemed to be incorporated herein by reference. Lessee shall comply with the Tax Credit Rules.

23. ENTRY AND INSPECTION.

In addition to and without limitation to such rights as the City may have as a matter of law, the City reserves and shall have the right between the hours of 8:00 a.m. and 8:00 p.m., upon twenty-four (24) hours prior notice (except in cases of emergency in which case entry may be made at any time and without notice) to Lessee by the City Manager, to enter the Site and the Improvements for the purpose of viewing and ascertaining the condition of the same, or to protect its interests in the Site and the Improvements or to inspect the operations conducted thereon. In exercising such rights, the City shall endeavor to avoid any unreasonable interference with the use or operation of the Development.

24. RIGHT TO MAINTAIN.

In the event that the entry or inspection by City pursuant to Section 23 hereof discloses that the Site or the Improvements are not in a decent, safe, and sanitary condition, City shall have the right, after thirty (30) days written notice to Lessee (except in case of emergency, in which event no notice shall be necessary), to have any necessary maintenance work done for and at the expense of Lessee and Lessee hereby agrees to pay promptly any and all costs incurred by City in having such necessary maintenance work done in order to keep the Site and the Improvements in a decent, safe and sanitary condition. The rights reserved in this Section shall not create any obligations on City or increase obligations elsewhere in this Lease imposed on City.

25. EVENTS OF DEFAULT AND REMEDIES.

25.1 Events of Default by Lessee. The occurrence of any one (1) or more of the following shall constitute an event of default hereunder:

(a) Lessee shall fail to construct the Improvements in accordance with the AHA and within the times set forth in the AHA; or

(b) Lessee shall abandon or surrender the Site, or the Improvements after sixty (60) days written notice to Lessee; or

(c) Lessee shall fail or refuse to pay, within fifteen (15) days of written notice from City that the same is due, any installment of rent or any other sum required by this Lease to be paid by Lessee; or

(d) Lessee shall fail to perform any covenant or condition of this Lease other than as set forth in subparagraphs (a) or (b) above or paragraphs (e), (h), (i) or (j) below, and any such failure shall not be cured within thirty (30) days following the service on Lessee of a written notice from City specifying the failure complained of, or if it is not practicable to cure or remedy such failure within such thirty (30) day period, then Lessee shall not be deemed to be in default if Lessee shall commence such cure within such thirty (30) day period and thereafter diligently prosecute such cure to completion; or

(e) Subject to any restrictions or limitations placed on City by applicable laws governing bankruptcy, Lessee's (i) application for, consent to or suffering of the appointment of a receiver, trustee or liquidator for all or for a substantial portion of its assets; (ii) making a general assignment for the benefit of creditors; (iii) admitting in writing its inability to pay its debts or its willingness to be adjudged a bankrupt; (iv) becoming unable to or failing to pay its debts as they mature; (v) being adjudged a bankrupt; (vi) filing a voluntary petition or suffering an involuntary petition under any bankruptcy, arrangement, reorganization or insolvency law (unless in the case of an involuntary petition, the same is dismissed within ninety (90) days of such filing); (vii) convening a meeting of its creditors or any class thereof for purposes of effecting a moratorium, extension or composition of its debts; or (viii) suffering or permitting to continue unstayed and in effect for sixty (60) consecutive days any attachment, levy, execution or seizure of all or a portion of Lessee's assets or of Lessee's interest in this Lease; or

(f) Lessee shall charge or accept rent that is in excess of the Affordable Rents; provided however, if any such default shall not be cured within thirty (30) days following the service on Lessee of a written notice from City specifying the default complained of, or if it is not practicable to cure or remedy such default within such thirty (30) day period, then Lessee shall not be deemed in default if Lessee shall commence such cure within such thirty (30) day period and thereafter diligently prosecute such cure to completion, in any event within thirty (30) additional days. A cure of a default by the Limited Partner shall be accepted as if made of tendered by the Lessee; or

(g) Lessee shall rent a Required Affordable Unit to a tenant, or allow occupancy by a person or household, that is not an Extremely Low Income Household, a Very Low Income Household or a Lower Income Household in accordance with the Prescribed Income Levels; provided, however, if such default shall not be cured within sixty (60) days following the service on Lessee of a written notice from City identifying the default complained of because it is impractical to do so, then Lessee shall not be deemed in default if lessee commences to cure within such sixty (60) day period and

thereafter diligently prosecutes such cure to completion, in any event within thirty (30) additional days; or

(h) Lessee shall repeatedly rent one or more Units not in compliance with the Tenant Selection and Tenant Services Plan; provided, however, if such default shall not be cured within sixty (60) days following the service on Lessee of a written notice from City identifying the default complained of because it is impractical to do so, then Lessee shall not be deemed in default if lessee commences to cure within such thirty (30) days period and thereafter diligently prosecutes such cure to completion, in any event within thirty (30) additional days; or

(i) Lessee shall fail to pay when due any amounts required by the City Promissory Note (without regard to the priority of the deed of trust in respect to the City Promissory Note); or

(j) The Lessee or the Developer (under the AHA) shall fail to pay when due any amounts required under the AHA and, upon notice hereby been given by City to Lessee and the applicable cure period (but not less than 30 days) having elapsed, such failure has not been cured. A cure of a default by the Limited Partner shall be accepted as if made or tendered by the Lessee;

then, upon notice having been given by City and the failure to cure within thirty (30) of such notice or such longer period as provided above in this Section 25.1, such event shall constitute an event of default under this Lease. Any cure provided by any Limited Partner of the Lessee shall be treated as a cure by the Lessee.

25.2 Remedies of City.

In the event of any default as described in Section 25.1 which default has not been timely cured, the City may, at its option:

(1) Correct or cause to be corrected said default and charge the costs thereof (including costs incurred by the City in enforcing this provision) to the account of Lessee, which charge shall be due and payable within thirty (30) days after presentation by the City of a statement of all or part of said costs;

(2) Correct or cause to be corrected said default and pay the costs thereof (including costs incurred by the City in enforcing this provision) from the proceeds of any insurance;

(3) Exercise its right to maintain any and all actions at law or suits in equity to compel Lessee to correct or cause to be corrected said default;

(4) Have a receiver appointed to take possession of Lessee's interest in the Site and the Improvements, with power in said receiver to administer Lessee's interest in the Site and the Improvements, to collect all funds available to Lessee in connection with its operation and maintenance of the Site and the Improvements; and to perform all other activities consistent with Lessee's obligations under this Lease as the court deems proper;

(5) Maintain and operate the Site and the Improvements, without terminating this Lease; or

(6) Terminate this Lease by written notice to Lessee of its intention to do so; or

(7) Exercise its rights under the City Promissory Note and/or the City Deed of Trust.

25.3 Right of City in the Event of Termination of Lease. Upon termination of this Lease pursuant to Section 25.2, it shall be lawful for City to re-enter and repossess the Site and the Improvements and Lessee, in such event, does hereby waive any demand for possession thereof, and agrees to surrender and deliver the Site and the Improvements peaceably to City immediately upon such termination in good order, condition and repair, except for reasonable wear and tear. Lessee agrees that upon such termination, title to all the Improvements on the Site shall vest in City pursuant to Section 8.2.

Even though Lessee has breached this Lease and abandoned the Site, this Lease shall continue in effect for so long as City does not terminate Lessee's right to possession, and City may enforce all of its right and remedies under this Lease, including, but not limited to, the right to recover the rent as it becomes due under this Lease. No ejectment, re-entry or other act by or on behalf of City shall constitute a termination unless City gives Lessee notice of termination in writing.

Termination of this Lease shall not relieve or release Lessee from any obligation incurred pursuant to this Lease prior to the date of such termination. Termination of this Lease shall not relieve Lessee from the obligation to pay any sum due to City or from any claim for damages against Lessee.

25.4 Damages. Should City elect to terminate this Lease pursuant to the provisions of this Section 25, City may recover from Lessee, as damages, the following: (a) The worth at the time of the award of any unpaid rent which had been earned at the time of the termination, plus (b) the worth at the time of the award of the amount by which the unpaid rent which would have been earned after termination until the time of the award exceeds the amount of rent loss Lessee proves could have been reasonably avoided, plus (c) the worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of rent loss that Lessee proves could be reasonably avoided, plus (d) any other amounts necessary to compensate City for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease or which, in the ordinary course of things, would be likely to result therefrom including, but not limited to, any costs or expenses incurred by City in (i) retaking possession of the Site and the Improvements, including reasonable attorneys' fees therefor, (ii) maintaining or preserving the Site and the Improvements after default, (iii) preparing the Site and the Improvements for reletting to a new tenant, including repairs or alterations to the Site and the Improvements, (iv) leasing commissions, or (v) any other costs necessary or appropriate to relet the Site and the Improvements, plus I at City's election, any other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by the law of the State of California.

As used in subparagraphs (a) and (b) above, the "worth at the time of award" is computed by allowing interest at the maximum lawful rate. As used in subparagraph (c) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank situated nearest to the location of the Site at the time of the award plus one percent (1%).

25.5 Rights and Remedies are Cumulative. The remedies provided by this Section 25 are not exclusive and shall be cumulative to all other rights and remedies possessed by City. The exercise by City of one or more such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by Lessee.

26. MISCELLANEOUS.

26.1 Governing Law; Interpretation. The laws of the State of California shall govern the interpretation and enforcement of this Lease.

This Lease shall be reasonably interpreted in light of its purposes to provide affordable housing and to afford the City those rents and other revenues as are provided for herein.

This Lease shall be interpreted as if jointly prepared by both parties.

This Lease shall be construed as consistent with the AHA and the Regulatory Agreement to the greatest extent feasible; in the event of conflict this Lease shall control.

26.2 Legal Actions. In addition to any other rights or remedies, either party may institute legal action to cure, correct or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this Lease. Such legal actions must be instituted in the Superior Court of Placer County, State of California, in any other appropriate court in that County, or in the Federal District Court in the District of California in which the Site is located.

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

In the event that any legal action is commenced by City against Lessee, service of process on Lessee shall be made by personal service upon Lessee or in such other manner as may be provided by law and shall be effective whether made within or without the State of California.

26.4 Attorneys' Fees And Court Costs. In the event that either City or Lessee shall bring or commence an action to enforce the terms and conditions of this Lease or to obtain damages against the other party arising from any default under or violation of this Lease, then the prevailing party shall be entitled to and shall be paid reasonable attorneys' fees and court costs therefor in addition to whatever other relief such prevailing party may be entitled.

26.5 Financial Statement; Inspection of Books and Records. Lessee shall submit to the City on an annual basis, not later than ninety (90) days after the last day of each Lease Year, an Audited Financial Statement for the operation of the Site and Improvements, which is prepared by a certified public accounting firm, including without limitation the information described in Section 6.6 hereof. In addition, City shall have the right (at Lessee's office, upon not less than forty-eight (48) hours' notice, and during normal business hours) to inspect the books and records of Lessee pertaining to the Site as pertinent to the purposes of this Lease and the AHA. Lessee also has the right (at City's office, upon not less than forty-eight (48) hours' notice, and at all reasonable times) to inspect the books and records of City pertaining to the Site as pertinent to the purposes of this Lease and the AHA.

26.6 Interest. Any amount due City that is not paid when due shall bear interest from the date such amount becomes due until it is paid. Interest shall be at a rate equal to the lesser of (i) ten percent (10%) per annum, compounded annually, on the first day of the month such amount becomes due, and (ii) the maximum rate permitted by applicable law.

26.7 Notices. All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments or designations hereunder by either party to the other shall be in

writing and shall be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified or registered mail, return receipt requested, postage prepaid, and addressed as follows:

City:	City of Rocklin 3970 Rocklin Road Rocklin, California 95677 Attention: City Manager
with a copy to each:	(delivery of which copies shall not constitute notice to City)
	Robbins & Holdaway Attention: Mark J. Huebsch 201 F Street Ontario, California 91762
	Office of City Attorney 3970 Rocklin Road Rocklin, California 95677
Lessee:	Community HousingWorks 3111 Camino del Rio North, Suite 350 San Diego, California 92108 Attention: Mary Jane Jagodzinski
with a copy to:	(delivery of which copy shall not constitute notice to Lessee)
	Gubb & Barshay 235 Montgomery Street, Suite 1110 San Francisco, California 94104 Attention: Evan Gross
and a copy to:	[to come]
and a copy to:	[tax credit counsel: to come]

or to such other address as either party shall later designate for such purposes by written notice to the other party.

Notices shall be deemed effective upon receipt provided that the party to whom notice is being given has notified the other party of its current address, and otherwise upon the earlier of personal receipt or within seven (7) days after delivery thereof to the address(es) as provided above; provided, however that refusal to accept delivery after reasonable attempts thereto shall constitute receipt. Any notices attempted to be delivered to an address from which the receiving party has moved without notice to the delivering party shall be effective on the third day after the attempted delivery or deposit in the United States mail. Lessee and City hereby agree that any cure of any default made or tendered by Lessee's limited partners shall be deemed to be a cure by Lessee and shall be accepted or rejected on the same basis as if made or tendered by Lessee.

26.8 Time is of the Essence. Time is of the essence in the performance of the terms and conditions of this Lease.

26.9 Non-Merger of Fee and Leasehold Estates. If both City's and Lessee's estates in the Site or the Improvements or both become vested in the same owner, this Lease shall nevertheless not be destroyed by application of the doctrine of merger except at the express election of City and Lessee's Mortgagee. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, shall not work as a merger and shall, at the option of City, terminate all or any existing sublease or subtenancies or may, at the option of City, operate as an assignment to City of any or all such existing subleases or subtenancies.

26.10 Holding Over. The occupancy of the Site after the expiration of the Term of this Lease shall be construed to be a tenancy from month to month, and all other terms and conditions of this Lease shall continue in full force and effect.

26.11 Conflict of Interest. No member, official or employee of City shall have any personal interest, direct or indirect, in this Lease nor shall any such member, official or employee participate in any decision relating to this Lease which affects his personal interests or the interests of any limited partnership, partnership or association in which he is directly or indirectly interested.

Lessee 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 Lease.

26.12 Non-Liability of City Officials And Employees. No member, official, officer, employee, agent, or representative of City shall be personally liable to Lessee, or any successor in interest, in the event of any default or breach by City or for any amount which may become due to Lessee or successor or on any obligations under the terms of this Lease.

26.13 Relationship. The relationship between the parties hereto shall at all times be deemed to be that of landlord and tenant. The parties do not intend nor shall this Lease be deemed to create a partnership or joint venture.

26.14 Transactions with Affiliates. Lessee shall not have the right to enter into transactions with subsidiaries, affiliates and other related entities for the purpose of leasing space, providing cleaning, maintenance and repair services, insurance policies and other purposes related to the use and development of the Site and the Improvements, without the prior written approval of the City, which approval shall be given only if the City reasonably concludes that all such costs, charges and rents are competitive with the costs, charges, rent and other sums which would be paid by or to, as the case may be, an unrelated third party.

The City acknowledges that Lessee is entering into or has entered into a property management agreement with ConAm Management Corporation, a California Corporation, substantially in the form dated as of [to come], a copy of which is on file with the City (the "Designated Management Agreement"), on terms and conditions which have been reviewed by City, and City hereby expressly approves and consents to Lessee entering into the Designated Management Agreement. The approval of the Designated Management Agreement shall not amend or modify any provision of this Lease. The final Designated Management Agreement shall be maintained on file with the City.

26.15 Waivers And Amendments. All waivers of the provisions of this Lease must be in writing and signed by the appropriate authorities of City or Lessee. The waiver by City of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition, or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by City shall not be deemed to be a waiver of any preceding breach of Lessee of any term, covenant or condition of this Lease, regardless of City's knowledge of such preceding breach at the time of acceptance of such rent. Failure on the part of City to require or exact full and complete compliance with any of the covenants or conditions of this Lease shall not be construed as in any manner changing the terms hereof and shall not prevent City from enforcing any provision hereof.

All amendments or modifications hereto must be in writing and signed by the appropriate authorities of City and Lessee and, so long as the Partnership Agreement remains in effect, approved by the Limited Partner.

The Lessee's mortgagee permitted by this Lease shall not be bound by any waiver or amendment to this Lease without Lessee's mortgagee giving its prior written consent.

26.16 Non-Merger With AHA. None of the terms, covenants or conditions agreed upon in writing in the AHA and other instruments between the parties to this Lease with respect to obligations to be performed, kept or observed by Lessee or City in respect to the Site or any part thereof, shall be deemed to be merged with this Lease.

26.17 Entire Agreement; Duplicate Originals; Counterparts. Except as set forth in Section 26.16, this Lease sets forth the entire understanding of the parties with respect to Lessee's ground lease of the Site. This Lease is executed in three (3) duplicate originals and counterparts, each of which is deemed to be an original. This Lease includes fifty (50) pages, plus signature pages, and seven (7) exhibits, Exhibits A, B, C, D, E, F and G. The Exhibits are incorporated by reference herein.

26.18 Severability. If any provision of this Lease or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforceable to the greatest extent permitted by law.

26.19 Terminology. All personal pronouns used in this Lease, whether used in the masculine, feminine, or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa. Titles of sections are for convenience only and neither limit nor amplify the provisions of this Lease itself. Except for terms expressly defined in this Lease, all terms shall have the same meaning as set forth in the AHA.

26.20 Recordation. A short form memorandum of this Lease, in the form attached hereto as Exhibit C, shall be recorded concurrently with the Closing. The failure to record such Memorandum shall not affect this Lease.

26.21 Binding Effect. This Lease, and the terms, provisions, promises, covenants and conditions hereof, shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

26.22 Estoppel Certificate. Each of the parties shall at any time and from time to time, but not more frequently than twice during any calendar year, upon not less than twenty (20) days' prior notice by the other, execute, acknowledge and deliver to such other party a statement in writing certifying that this Lease is unmodified and is in full force and effect (or if there shall have been modifications that this Lease is in full force and effect as modified and stating the modifications), and the dates to which the rent has been paid (which may be based upon the best knowledge of the party providing the certificate), and stating whether or not to the best knowledge of the signer of such certificate such other party is in default in performing or observing any provision of this Lease, and, if in default, specifying each such default of which the signer may have knowledge, and such other matters as such other party may reasonably request, it being intended that any such statement delivered by Lessee may be relied upon by City or any successor in interest to City or any prospective mortgagee or encumbrancer thereof, and it being further intended that any such statement delivered by City may be relied upon by any prospective assignee of Lessee's interest in this Lease or any prospective mortgagee or encumbrancer thereof. Reliance on any such certificate may not extend to any default as to which the signer of the certificate shall have had no actual knowledge.

26.23 Force Majeure. The time within which City or Lessee is obligated herein to perform any obligation hereunder, other than an obligation that may be performed by the payment of money, shall be extended and the performance excused when the delay is caused by fire, earthquake or other acts of God, pandemics, quarantine restrictions, strike, lockout, acts of public enemy, riot, insurrection or other cause beyond the control of the applicable party.

26.24 Quiet Enjoyment. City does hereby covenant, promise and agree to and with Lessee that Lessee, for so long as Lessee is not in default hereof, shall and may at all times peaceably and quietly have, hold, use, occupy and possess the Site throughout the Term.

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

26.26 No Third Parties Benefited Except for City, Limited Partner, and Approved Leasehold Mortgagee; City Option to Acquire Interest of City. This Lease is made for the purpose of setting forth rights and obligations of Lessee and City, and no other person (except for the City) shall have any rights hereunder or by reason hereof. Except for the City, the Limited Partner, and each leasehold mortgagee approved by City, each of which shall be deemed to be a third party beneficiary of this Lease, there shall be no third party beneficiaries of this Lease. City, in addition to City, shall have the authority to enforce this Lease.

The City shall have an option to acquire from the City all interest of the City in the Site, together with a remainder interest in any improvements thereon, upon payment of the sum of One Dollar ($1.00), at any time commencing as of the Date of Agreement and continuing throughout the Term. In the event City exercises such option, City shall provide notice thereof to Lessee and to City. The transfer of the Site, together with a remainder interest in any improvements thereon, from City to City shall not modify the rights of Lessee under this Lease (or the rights of Developer under the AHA).

26.27 Lessee's Limited Partners. Lessee has advised the City that concurrently with the execution of this Lease, the Limited Partner will be admitted to Lessee's partnership pursuant to the Partnership Agreement.

(a) Notwithstanding anything to the contrary contained in this Lease or the AHA, the respective interests of the Limited Partner shall be freely transferable and any amendment to Lessee's Partnership Agreement, to the extent such amendment effectuates such transfers, shall not require City consent; provided that the Limited Partner and/or investor limited partner inform the City in writing of any such transfers.

(b) Notwithstanding anything to the contrary contained in this Lease or the AHA, the removal, or withdrawal in lieu of removal and replacement thereof, of Lessee's general partner(s) for cause in accordance with Partnership Agreement shall not require the consent of the City and/or the City and shall not constitute a default under this Lease or the AHA. Any amendment to Lessee's Partnership Agreement, to the extent such amendment effectuates such removal and/or withdrawal, and such admission of the substitute general partner shall not require Lessor consent.

(c) Notwithstanding anything to the contrary contained in this Lease or the AHA, if a default or event of default occurs under the terms of any of this Lease, prior to exercising any remedies thereunder, Lessor will give lessee and its Limited Partner written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Lessee shall have such period to effect a cure prior to exercise of remedies by Lessor under this Lease, or such longer period of time as may be specified in this Lease. If the default is such that it is not reasonably capable of being cured within thirty (30) days (or such longer period if so specified), and if Lessee (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Lessee shall have such additional time as is reasonably necessary to cure the default prior to the exercise of any remedies by Lessor.

Notwithstanding any provision of this Lease to contrary effect (including without the preceding portion of this Section 26.27), approval by the Limited Partner and notice to the Limited Partner shall not be required as of such time as Limited Partner does not hold an interest in the Project or Lessee's rights under this Lease.

26.28 Liens on Lessor's Fee Estate.

(a) Lessor represents and warrants to any Approved Construction and/or Permanent Lender that as of the date of this Lease, (i) Lessor has not caused Lessor's fee interest in the Site to be subject to a lien, and (ii) Lessor's predecessor-in-interest has not caused Lessor's fee interest in the Site to be subject to a lien.

(b) This Lease, and any first leasehold mortgage encumbering the leasehold interest created by this Lease, shall be and remain superior in priority to any fee mortgage hereafter encumbering the Site, and Lessor shall cause any fee mortgagee to execute and deliver to the holder of such first leasehold mortgage a written subordination agreement in form and substance satisfactory to such leasehold mortgagee providing further assurance of the superior priority of this Lease and the leasehold mortgage.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their lawfully authorized officers.

LESSOR:

CITY OF ROCKLIN, a municipal corporation

By:_____
Aly Zimmerman, City Manager

ATTEST:

_____
Hope Ithurburn, City Clerk

APPROVED AS TO FORM:

_____
Sheri Chapman, City Attorney

[*signatures continue on following page*]

[*signatures continue from previous page*]

LESSEE:

[conform to initial portion of this Lease; to come]

COMMUNITYU HOUSINGWORKS, a California public benefit corporation

By: _____
Name: Mary Jane Jagodzinski
Title: Senior Vice President

EXHIBIT A

SITE MAP

[to come: to be adjusted if the Site is divided]

EXHIBIT B

SITE LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF PLACER, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS: [conform if Site is divided]

[to come]

Assessor's Parcel Number:

EXHIBIT C

MEMORANDUM OF LEASE

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO (and mail tax statement to): City of Rocklin 3970 Rocklin Road Rocklin, CA 95677 Attention: City Manager	

Exempt from Recording Fee Pursuant to Government Code Section 27383.
Documentary transfer tax: $

APNs: _____

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE ("Memorandum") is hereby made and dated as of _____ __, 2020 by and between the **CITY OF ROCKLIN**, a municipal corporation (the "City"), and [to come] (the "Lessee").

RECITALS

A. City and the Lessee have entered into an unrecorded ground lease dated as of _____ __, 2020, for that certain parcel of real property (the "Property") which is legally described in Addendum A attached hereto and incorporated herein by reference (the ground lease, as amended is hereafter referred to as the "Lease"). A copy of the Lease is on file as a public record with the City office at 3970 Rocklin Road, Rocklin, California. The term of the Lease is [to come: conform to AHA] years. The Lease implements that certain unrecorded agreement among Community HousingWorks, a California nonprofit public benefit corporation ("CHW"[), the Lessee], and the City of Rocklin (the "City") entitled "Affordable Housing Agreement" dated as of [AHA Date] (the "AHA"); a copy of the AHA is on file with the City office as a public record.

B. The Lease provides that a short form memorandum of the Lease shall be executed and recorded in the Official Records of Placer County, California.

C. The Lease includes restrictions which limit the rents chargeable, the incomes of renters, as more fully set forth in the Lease. The Lease includes an option to purchase by the City, as referenced in the Lease and the AHA.

D. The Lease provides that Lessee shall pay taxes upon the assessed value of the entire Property, and not merely a leasehold interest, as provided pursuant to Section 33673 of the California Health and Safety Code, to the extent such Section 33673 is applicable.

NOW, THEREFORE, the parties hereto certify as follows:

City, pursuant to the Lease, has leased the Property to the Lessee upon the terms and conditions provided for therein. This Memorandum of Lease is not a complete summary of the Lease and shall not be used to interpret the provisions of the Lease.

CITY OF ROCKLIN,
a municipal corporation

By: _____
Aly Zimmerman, City Manager

ATTEST:

_____
Hope Ithurburn, City Clerk

[Lessee: to come]

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)
) ss.
COUNTY OF _____)

On _____, before me, _____ , Notary Public,
(Print Name of 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 of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

☐ Individual
☐ Corporate Officer

_____
Title(s)

☐ Partner(s) ☐ Limited ☐ General
☐ Attorney-In-Fact
☐ Trustee(s)
☐ Guardian/Conservator
☐ Other:_____

Signer is representing:
Name Of Person(s) Or Entity(ies)

_____

_____

DESCRIPTION OF ATTACHED DOCUMENT

_____
Title Or Type Of Document

_____
Number Of Pages

_____
Date Of Documents

_____
Signer(s) Other Than Named Above

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)
) ss.
COUNTY OF _____)

On _____, before me, _____ , Notary Public,
(Print Name of 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 of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

☐ Individual
☐ Corporate Officer

_____
Title(s)

☐ Partner(s) ☐ Limited ☐ General
☐ Attorney-In-Fact
☐ Trustee(s)
☐ Guardian/Conservator
☐ Other:_____

Signer is representing:
Name Of Person(s) Or Entity(ies)

_____

_____

DESCRIPTION OF ATTACHED DOCUMENT

_____
Title Or Type Of Document

_____
Number Of Pages

_____
Date Of Documents

_____
Signer(s) Other Than Named Above

ADDENDUM A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF PLACER, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LEGAL DESCRIPTION OF THE SITE

Real property in the City of Rocklin, County of Placer, State of California, described as follows:

ALL THAT REAL PROPERTY SITUATE IN THE STATE OF CALIFORNIA, COUNTY OF PLACER, CITY OF ROCKLIN, DESCRIBED AS FOLLOWS:

That certain property consisting of approximately 1.83 acres of unimproved land in Rocklin, CA, Placer County Assessor's Parcel Numbers 010-121-001, 010-121-002, 010-121-004, 010-121-005, substantially described as follows:

Lots 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16 in Block D, Rocklin, as shown on the map thereof filed in the office of the County Recorder of Placer County.

Excepting therefrom those portions of lots 3 to 8 which lies within the 400 foot right of way of the Central Pacific Railroad as established by Congressional Grant of July 1862

ADDENDUM B

SITE MAP

EXHIBIT D

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

TO: City of Rocklin
3970 Rocklin Road
Rocklin, California 95677
Attention: City Manager

The undersigned, _____, being duly authorized to execute this Certificate of Continuing Program Compliance (this "Certificate") on behalf of [name to be conformed to Lease] [(the "Developer")], hereby represents and warrants that:

1. He/she has read and is thoroughly familiar with the provisions of that certain agreement entitled "Affordable Housing Agreement" by and between the City of Rocklin (referred to herein as "City") and the Developer dated as of [AHA Date] (the "AHA"), including without limitation the City Covenants, the Regulatory Agreement, the City Lease, and other attachments thereto. Capitalized terms used herein shall have the same meaning as that set forth in the AHA; and

2. As of the date of this Certificate, the following number of completed residential units at the Site: (i) are currently occupied by Extremely Low Income Households at Affordable Rent; (ii) are currently occupied by Very Low Income Households at Affordable Rent; (iii) are currently occupied by Lower Income Households at Affordable Rent; (iv) are currently vacant and being held available for occupancy by an Extremely Low Income Household at Affordable Rent; (v) are currently vacant and being held available for occupancy by a Very Low Income Household at Affordable Rent; (vi) are currently vacant and being held available for occupancy by a Lower Income Household and have been so held continuously since the date a Lower Income Household vacated such unit. Developer shall also delineate which Units are occupied by Locals by means of annotations to the categories set forth below (and/or the submittal of additional reports, which shall be based upon the same reporting period, and which designate income levels, and availability as well as occupancy by households within such category [namely, Locals]):

Occupied at an Affordable Rent by:

i. Extremely Low Income Households (30%) _____# of Units, Nos.: _____
ii. Low Income Households (59%) _____ # of Units, Nos.: _____

Vacant:

a. Held for occupancy by:

i. Extremely Low Income Households (30%) _____ # of Units, Nos.: _____
ii. Very Low Income Households (50%) _____ # of Units, Nos.: _____
iii. Lower Income Households (59%) _____ # of Units, Nos.: _____

b. Last occupied by:

i. Extremely Low Income Households (30%) _____# of Units, Nos.: _____

ii. Very Low Income Households (50%) _____ # of Units, Nos.: _____
ii. Lower Income Households (59%) _____ # of Units, Nos.: _____

3. At no time since the date of filing of the last Certification of Continuing Program Compliance have less than one hundred percent (100%) of the Required Affordable Units as completed units in the Project been occupied by, or been last occupied, or have been available for occupancy by Extremely Low Income Households, Very Low Income Households and/or Lower Income Households at an Affordable Rent.

4. The Developer is not in default under the terms of the AHA, including without limitation the attachments thereto (such as the City Lease and the City Regulatory Agreement).

[to come]

(DEVELOPER)

EXHIBIT E

GROUND LEASE RIDER

THIS GROUND LEASE RIDER (the "Rider") is attached to and forms a part of that certain Ground Lease (the "Lease") by and between the City of Rocklin, as lessor (the "Landlord") and [to come], as lessee (the "Tenant"). All capitalized terms used herein and not otherwise defined in this Rider shall have the meanings given that term in the Lease.

1. **TENANT'S RIGHT TO MORTGAGE:**

1.1 In addition to the Primary Construction Loan and the Primary Permanent Loan (which loans have been approved by Landlord prior to the commencement of the Term of the Lease), Tenant shall have the right, with Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed subject to Section 14 of the Lease, to mortgage the Lease and Tenant's leasehold interest by one or more deeds of trust (each, together with the mortgages of the Primary Construction Loan and the Primary Permanent Loan, a "Leasehold Mortgage"). Landlord shall base its review upon: (i) agreement by the new lender to be subject to the Lease, the City Covenants and the Regulatory Agreement to the same extent as the original (or, if applicable, subsequent) Approved Construction and/or Permanent Lender; (ii) agreement by the new lender to provide City with prior written notice and a reasonable opportunity to cure defaults; (iii) agreement by the new lender to provide City with the right to purchase from the lender such lender's interest in the event of foreclosure or deed of assignment in lieu of foreclosure for the outstanding amount of such loans as of foreclosure and such costs as such lender incurs in processing such foreclosure or deed or assignment in lieu of foreclosure; (iv) treatment of Cost Savings, if any, shall be in accordance with the AHA; (v) lender to be an Approved Permanent Lender; and (vi) the new loan will not reduce the debt service coverage below 1.15 to 1.00 or add additional bases for acceleration compared to the loan it replaces. No foreclosure (or deed or other transfer in lieu of foreclosure) under any Leasehold Mortgage shall require the consent of the Landlord under, or constitute a breach or default under, the Lease. In the event a Leasehold Mortgagee shall acquire title to Tenant's leasehold interest by foreclosure (or deed or other transfer in lieu of foreclosure), such Leasehold Mortgagee may freely assign such leasehold interest to an assignee agreeing unconditionally to be bound by and be subject to the Lease as well as covenants of record as to the subject property after notice to but without the consent of Landlord, and thereupon Leasehold Mortgagee shall be released from all liability for performance or observance of the covenants and conditions in the Lease from and after the date of such assignment.

1.2 If Tenant shall mortgage the Lease and Tenant's leasehold estate hereunder, then Tenant or the holder (each, a "Leasehold Mortgagee") of such mortgage shall forward to Landlord:

(a) an executed counterpart of the mortgage or mortgages, in form proper for recording, or, at Tenant's option, a true copy of such mortgage or mortgages; and

(b) a written notice setting forth the name and address of the holder of such mortgage.

In the event of any assignment of the mortgage or mortgages held by a Leasehold Mortgagee, or change in its name and/or address, the assignee of the Leasehold Mortgagee shall give written notice thereof

to Landlord, changing the name of the Leasehold Mortgagee and/or the address to which copies of notices are to be sent.

1.3 Until the time, if any, that each Leasehold Mortgage shall be satisfied of record, or each Leasehold Mortgagee shall give to Landlord written notice that the Leasehold Mortgage held by it has been satisfied:

a. no surrender or acceptance of the Property, or cancellation, termination, amendment or modification of the Lease, shall be binding upon any Leasehold Mortgagee, or affect any Leasehold Mortgage, if the same is effectuated without the prior written consent of such Leasehold Mortgagee;

b. if Landlord shall give any notice of default and/or termination to Tenant under the Lease, Landlord shall, at the same time and in the same manner, give a copy of such notice to each Leasehold Mortgagee at the respective address theretofore designated by each of them; and

c. no notice of default and/or termination given by Landlord to Tenant shall be binding upon, or affect, any Leasehold Mortgagee, unless a copy of such notice shall be given to such Leasehold Mortgagee.

1.4 Each Leasehold Mortgagee shall be afforded the right, but not the obligation, to perform any term, covenant, or condition of the Lease to be performed by Tenant, as well as to remedy any default by Tenant hereunder, and Landlord shall accept such performance by any Leasehold Mortgagee with the same force and effect as if furnished by Tenant, provided, however, that the Leasehold Mortgagee shall not thereby or hereby be subrogated to the rights of Landlord. Additionally, Tenant may delegate irrevocably to any Leasehold Mortgagee(s) the authority to exercise any or all of Tenant's rights hereunder, including, but not limited to the right of the Leasehold 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 Property, but no such delegation shall be binding upon Landlord unless and until either Tenant or the Leasehold Mortgagee in question shall give to Landlord a true copy of a written instrument effecting such delegation, in form required for recording. Such delegation of authority may be effected by the terms of a Leasehold Mortgage itself, in which event the service upon Landlord of an executed counterpart or certified copy of the Leasehold Mortgage in accordance with Section 2, together with a written notice specifying the provisions therein that delegate such authority to such Leasehold Mortgagee, shall be sufficient to give Landlord notice of such delegation. Any provision of the Lease that gives a Leasehold 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 any Leasehold 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. No foreclosure (or deed or other transfer of foreclosure) under any Leasehold Mortgage shall require the consent of Landlord under, or constitute a breach or default under, the Lease.

1.5 If:

(a) Tenant shall default under the provisions of the Lease and Landlord shall give notice of such default as provided under the provisions of the Lease;

(b) such default shall not be remedied within any applicable grace and/or cure period pursuant to the provisions of the Lease; and

(c) Landlord, by reason of such default, shall become entitled to (i) re-enter the Property or the improvement thereon, or (ii) terminate the Lease or (iii) bring a proceeding to dispossess Tenant and/or any other occupants of the Property or improvements thereon, re-enter the Property and/or improvements thereon and/or terminate the Lease,

then, before so re-entering the Property or the improvements, terminating the Lease or commencing such proceeding, and as a condition precedent thereto, Landlord shall:

(x) give to each Leasehold Mortgagee not less than sixty (60) days additional written notice as to a monetary default (specifying the amount and description thereof to the extent then known to Landlord) or default in furnishing any insurance required to be furnished by Tenant hereunder, or ninety (90) days' additional written notice of any non-monetary default (which shall specify in detail the nature of such default); and

(y) allow each Leasehold Mortgagee:

(A) such sixty (60) days or ninety (90) days (as the case may be) within which to cure the default; or

(B) if such default is a non-monetary default (other than a default in furnishing any insurance required to be furnished by Tenant hereunder) and cannot, with the exercise of due diligence, be cured by such Leasehold Mortgagee within such ninety (90) day period, then provided:

(i) prior to the expiration of such ninety (90) day period, such Leasehold Mortgagee has delivered to Landlord an instrument in writing duly executed and acknowledged wherein it agrees to use reasonable efforts to cure such default; and

(ii) such default is susceptible of being cured by Leasehold Mortgagee without regard to whether Leasehold Mortgagee has possession of the Property and such Leasehold Mortgagee shall, prior to the expiration of such ninety (90) day period, have commenced curing such default, then such ninety (90) day period shall be extended, as long as such Leasehold Mortgagee diligently pursues the curing of such default with continuity, for such period as may be necessary to cure same provided that such period of time shall not be so extended if to do so would subject Landlord to any criminal or civil liability or the cancellation of any insurance required to be maintained by Tenant or the inability to obtain any such insurance.

Nothing herein contained shall affect the right of Landlord, upon occurrence of any subsequent default, to exercise any right or remedy herein reserved to Landlord, subject, however, to the provisions of this Section.

1.6 If:

(a) Tenant shall default in the performance or observance of any term, covenant, or condition of the Lease on Tenant's part to be performed or observed, other than a term, covenant or condition requiring the payment of a sum of money; and

(b) such default is of such a nature that the same either:

(i) cannot practicably be cured by a Leasehold Mortgagee without taking possession of the Property and/or the improvements thereon; or

(ii) is not susceptible of being cured by any Leasehold Mortgagee, then Landlord shall not:

(x) re-enter the Property and/or the improvements thereon or serve a notice of election to terminate the Lease;

(y) bring a proceeding to dispossess Tenant and/or any other occupants of the Property or the improvements, re-enter the Property and/or the improvements and/or terminate the Lease; or

(z) otherwise terminate the leasehold estate of Tenant hereunder,

If, and for so long as:

(A) a Leasehold Mortgagee shall deliver to Landlord, prior to the date on which Landlord shall be entitled to give notice of election to terminate the Lease or re-enter the Property and/or the improvements, a written instrument, duly executed and acknowledged, in which the Leasehold Mortgagee agrees that:

(X) it will use reasonable efforts to cure such default to the extent the same is susceptible of being cured by the Leasehold Mortgagee, nominee or purchaser; and

(Y) if the Lease thereafter is terminated, or Landlord thereafter re-enters the Property and/or the improvements prior to the curing of such default, the Leasehold Mortgagee shall pay to Landlord the cost of curing such default; and

(B) if the default is of such a nature that same cannot practicably be cured by a Leasehold Mortgagee without taking possession of the Property and/or the improvements, a Leasehold Mortgagee shall proceed diligently, subject to any stay in any proceedings involving the insolvency of Tenant or any other proceeding, stay or injunction, to obtain possession of the Property and/or the improvements by foreclosure or deed in lieu of foreclosure, and, upon obtaining such possession, shall promptly cure such default; and

(C) if the default is of such a nature that the same is not susceptible of being cured by such Leasehold Mortgagee, a Leasehold Mortgagee shall institute foreclosure proceedings and diligently prosecute the same to completion, subject to any stay in any proceedings involving the insolvency of Tenant or other proceeding, stay or injunction (unless, in the meantime, the Leasehold

Mortgagee shall acquire Tenant's estate hereunder, either in its own name or through a nominee, by assignment in lieu of foreclosure).

1.7 No Leasehold Mortgagee shall be required to continue to proceed to obtain possession, or to continue in possession as mortgagee, of the Property or the Improvements pursuant to subsection (b)(B) of Section 1.6 or to continue to prosecute foreclosure proceedings pursuant to subsection (b)(C) of Section 1.6 if and when Tenant's default shall be cured. Nothing contained in Section 1.6 shall preclude Landlord from exercising any of its rights or remedies with respect to any other default by Tenant during any period of Landlord's forbearance under Section 1.6 but, in such event, if any Leasehold Mortgagee, any nominee thereof, or any purchaser at a foreclosure sale shall:

(a) acquire title to Tenant's leasehold estate hereunder; and

(b) thereafter exercise reasonably diligent efforts to cure all non-monetary defaults of Tenant hereunder that are susceptible of being cured by such Leasehold Mortgagee, nominee or purchaser, as the case may be; the defaults of any prior holder of Tenant's leasehold estate hereunder that are not susceptible of being cured by such Leasehold Mortgagee, nominee or purchaser exercising such efforts shall no longer be deemed to be defaults hereunder; and

(c) If the initial construction of the Improvements on the Property is not yet complete, Leasehold Mortgagee or any purchaser at a foreclosure sale shall have thirty-six (36) months from the date of acquiring the Tenant's leasehold estate to complete construction of the Development in accordance with the terms of this Lease.

1.8 If, for any reason, the Lease shall be terminated prior to the Expiration Date, Landlord will give each Leasehold Mortgagee written notice of such fact and shall also, on the written request of any Leasehold Mortgagee made within sixty (60) days of such termination (or, if later, within sixty (60) days after Landlord gives each Leasehold Mortgagee written notice of such termination), enter into a new lease of the Property with such Leasehold Mortgagee, within thirty (30) days after the receipt of such request, for the remainder of the term, effective as of the date of such termination, at the rent, and upon the other terms, covenants and conditions herein contained, subject, however, to the rights, if any, of the parties then in possession of any part of the Property, and provided that all then existing defaults shall be deemed cured.

In the event that more than one Leasehold Mortgagee qualifies to receive a new lease pursuant to the terms of this Section, such new lease shall be entered into with the holder of the Leasehold Mortgagee that is most senior in priority. Upon the execution and delivery of such new lease, any subleases that may have theretofore been assigned and transferred to Landlord shall thereupon be assigned and transferred, without recourse by Landlord, to the new tenant; and

(d) after such termination and cancellation of the Lease and prior to the expiration of the period within which Leasehold Mortgagee may elect to obtain a new lease from Landlord, Landlord shall refrain from terminating any existing sublease or otherwise encumbering the Property without the prior written consent of Leasehold Mortgagee. Any new lease granted Leasehold Mortgagee shall be in the form substantially similar to the Lease and shall enjoy the same priority in time and in right as the Lease over any lien, encumbrance or other interest created by Landlord before or after the date of such new lease and shall vest in Leasehold Mortgagee all right, title, interest, power and privileges of Tenant hereunder in and to the Property, including, without limitation, the assignment

of Tenant's interest in and to all then existing subleases and sublease rentals and the automatic vesting of title to all Improvements, fixtures and personal property of Lessee in Leasehold Mortgagee. Such new lease shall provide, with respect to each and every permitted sublease which immediately prior to the termination of the Lease was superior to the lien of the Leasehold Mortgagee that Leasehold Mortgagee shall be deemed to have recognized the sublessee under the sublease, pursuant to the terms of the sublease as though the sublease had never terminated but had continued in full force and effect after the termination of the Lease, and to have assumed all the obligations of the sublessor under the sublease accruing from and after the termination of the Lease, except that the obligation of the new lessee, as sublessor, under any covenant of quiet enjoyment, expressed or implied, contained in any such sublease shall be limited to the acts of such new lessee and those claiming by, under or through such new lessee.

1.9 The rights hereunder of the Leasehold Mortgagees shall be exercisable by them in order of priority of lien of their respective Leasehold Mortgages. The liability of any Leasehold Mortgagee acquiring Tenant's interest hereunder shall be limited to such Leasehold Mortgagee's then interest in the Property.

1.10 No Leasehold Mortgagee shall be liable, as tenant, under the provisions of the Lease unless and until such time as it becomes, and then only for as long as it remains, the owner of Tenant's interest hereunder.

1.11 Notwithstanding anything to the contrary contained in the Lease, all proceeds arising from any casualty insurance, business interruption insurance, rental loss insurance or similar insurance policy relating to the Property and/or any improvements now or hereafter located thereon, and all proceeds of any award or payment made in connection with any condemnation or eminent domain proceeding (or deed or other transfer under threat of the same or in lieu thereof) involving all or any part of the Property and/or any improvements now or hereafter located thereon, shall be paid to the Leasehold Mortgagees for application in accordance with their respective Leasehold Mortgages.

1.12 Landlord shall, within thirty (30) days after the written request of any Leasehold Mortgagee:

(a) acknowledge in writing to them, or to any of them, the receipt by Landlord of any notice or instrument given, sent, or delivered to Landlord pursuant to the provisions of this Article; and/or

(b) furnish to them, or to any of them, a written statement, duly acknowledged, of the following items:

(i) the amount of net rental due, if any, and amounts due in connection with the failure by Lessee to satisfy the Ancillary Duties or any other provisions of this Lease;

(ii) whether the fire and other insurance required by the Lease have been supplied in compliance therewith;

(iii) whether the Lease is unmodified and in full force and effect (or, if there have been modifications, that the same are in full force and effect as modified and stating the modifications);

(iv) whether, to the best knowledge and belief of Landlord, Tenant is in default, specifying the nature of any known default and any pertinent facts with respect thereto;

(v) whether Landlord has given Tenant any notice of default under the lease, and if given, whether the default set forth therein remains uncured; and

(vi) such other matters as the Leasehold Mortgagee may reasonably request.

Any such statement shall be for the sole benefit of the Leasehold Mortgagee and shall have no effect, as an estoppel or otherwise, with respect to any third party.

2. Notwithstanding anything to the contrary contained elsewhere herein, upon the acquisition by any Leasehold Mortgagee of leasehold title to the Property, whether by foreclosure, deed in lieu of foreclosure, acceptance of a new lease pursuant to the terms of the Lease or otherwise, (i) the obligation to pay past due rent under the Lease (or any such new lease) and to pay any other amounts then due by the original Tenant, shall irrevocably terminate, excepting only in the event [to come: Lessee], CHW, or an Affiliated Person other than an Approved Construction and/or Permanent Lender shall become owner of the Site (whether of a leasehold or greater interest) in which event rent will be restored to the rent set forth in Section 5.1 of the Lease and (ii) rent shall be payable prospectively in the manner and at the amounts determined under the Lease.

3. [Notwithstanding anything to the contrary set forth in this Lease, commencing upon the completion of a Foreclosure Event and continuing for the remainder of the Term hereof, but expressly subject to compliance with the City Covenants and the Regulatory Agreement, Tenant shall only be required to make available, restrict occupancy to, and rent all of the Required Affordable Units to Lower Income Households at Affordable Rent; provided that the foregoing portion of this Section 3 shall cease to be effective and the Affordability Requirements shall be restored to effectiveness in the manner originally set forth as to the Prescribed Income Levels in the event [to come], CHW or an Affiliated Person other than an Approved Construction and/or Permanent Lender shall become owner of the Site (whether of a leasehold or greater interest).]

EXHIBIT F
Insurance During Construction

[to be conformed to AHA]

Lessee shall procure or provide evidence to confirm that Lessee or contractor(s) has procured and will maintain for the duration of the contract, *and for 5 years thereafter* [City will review insurance requirements as part of review of the Proof of Financing Commitments], insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Lessee and/or Lessee's contractor, his agents, representatives, employees, or subcontractors.

MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

1. **Commercial General Liability** (CGL): Insurance Services Office (ISO) Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than **$5,000,000** per occurrence. Such limits may be achieved through the combination of primary general lability and one or more umbrella/excess liability policy(ies).
2. **Automobile Liability**: Insurance Services Office Form CA 0001 covering all owned (if any), non-owned and hired automobiles, with limits no less than **$5,000,000** per accident for bodily injury and property damage. Such limits may be achieved through the combination of primary general liability and one or more umbrella/excess liability policy(ies).
3. **Workers' Compensation** insurance as required by the State of California, with Statutory Limits, and Employers' Liability insurance with a limit of no less than **$1,000,000** per accident for bodily injury or disease.
4. **Builder's Risk** (Course of Construction) insurance utilizing an "All Risk" (Special Perils) coverage form, with limits equal to the completed value of the project and no coinsurance penalty provisions.
5. **Surety Bonds** as described below.
6. **Professional Liability** (if Design/Build), with limits no less than **$2,000,000** per occurrence or claim, and **$2,000,000** policy aggregate. This coverage is to be provided by the architect and/or design-build general contractor providing such professional services
7. **Contractors' Pollution Liability** and/or Asbestos Legal Liability (if project involves environmental hazards) with limits no less than **$1,000,000** per occurrence or claim, and **$2,000,000** policy aggregate. This coverage may be provided by the general contractor.

If the Lessee or contractor maintains broader coverage and/or higher limits than the minimums shown above, the City requires and shall be entitled to the broader coverage and/or the higher limits maintained by the either. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.

Self-Insured Retentions

Self-insured retentions must be declared to and approved by the City. The City may require the Lessee or contractor to purchase coverage with a lower retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.

The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or City. The CGL and any policies, including Excess liability policies, may not be subject to a self-insured retention (SIR) or deductible that exceeds [$10,000][amount subject to review by City] unless approved in writing by City. Any and all deductibles and SIRs shall be the sole responsibility of Lessee or contractor or subcontractor who procured such insurance and shall not apply to the Indemnified Additional Insured Parties. City may deduct from any amounts otherwise due Lessee or contractor to fund the SIR/deductible. Policies shall NOT contain any self-insured retention (SIR) provision that limits the satisfaction of the SIR to the Named Insured. The policy must also provide that Defense costs, including the Allocated Loss Adjustment Expenses, will satisfy the SIR or deductible. City reserves the right to obtain a copy of any policies and endorsements for verification.

Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions:

1. **The City, its officers, officials, employees, and volunteers are to be covered as additional insureds** on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Lessee or contractor including materials, parts, or equipment furnished in connection with such work or operations and automobiles owned, leased, hired, or borrowed by or on behalf of the Lessee or contractor. General liability coverage can be provided in the form of an endorsement to the Lessee or contractor's insurance (at least as broad as ISO Form CG 20 10, CG 11 85 or **both** CG 20 10, CG 20 26, CG 20 33, or CG 20 38; **and** CG 20 37 forms if later revisions used).
2. For any claims related to this project, the **Lessee or contractor's insurance coverage shall be primary and non-contributory** insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of the Lessee or contractor's insurance and shall not contribute with it. This requirement shall also apply to any Excess or Umbrella liability policies.
3. Each insurance policy required by this clause shall provide that coverage shall not be canceled, except with notice to the City.

Builder's Risk (Course of Construction) Insurance

Lessee or contractor may submit evidence of Builder's Risk insurance in the form of Course of Construction coverage. Such coverage shall **name the City as a loss payee** as their interest may appear.

Claims Made Policies

If any coverage required is written on a claims-made coverage form:

1. The retroactive date must be shown, and this date must be before the execution date of the contract or the beginning of contract work.
2. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of contract work.
3. If coverage is cancelled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective, or start of work date, the Lessee or contractor must purchase extended reporting period coverage for a minimum of five (5) years after completion of contract work.

4. A copy of the claims reporting requirements must be submitted to the City for review.
5. If the services involve lead-based paint or asbestos identification/remediation, the Lessee or contractors Pollution Liability policy shall not contain lead-based paint or asbestos exclusions. If the services involve mold identification/remediation, the Lessee or contractors Pollution Liability policy shall not contain a mold exclusion, and the definition of Pollution shall include microbial matter, including mold.

Umbrella or Excess Policies

The Lessee or contractor may use Umbrella or Excess Policies to provide the liability limits as required in this agreement. This form of insurance will be acceptable provided that all of the Primary and Umbrella or Excess Policies shall provide all of the insurance coverages herein required, including, but not limited to, primary and non-contributory, additional insured, Self-Insured Retentions (SIRs), indemnity, and defense requirements. The Umbrella or Excess policies shall be provided on a true "following form" or broader coverage basis, with coverage at least as broad as provided on the underlying Commercial General Liability insurance. No insurance policies maintained by the Additional Insureds, whether primary or excess, and which also apply to a loss covered hereunder, shall be called upon to contribute to a loss until the Lessee or contractor's primary and excess liability policies are exhausted.

Acceptability of Insurers

Insurance is to be placed with insurers approved to conduct business in the state with a current A.M. Best rating of no less than A: VII, unless otherwise acceptable to the City.

Waiver of Subrogation

Lessee or contractor hereby agrees to waive rights of subrogation which any insurer of Lessee or contractor may acquire from Lessee or contractor by virtue of the payment of any loss. Lessee or contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation. **The Workers' Compensation policy shall be endorsed with a waiver of subrogation** in favor of the City for all work performed by the Lessee or contractor, its employees, agents and subcontractors or contractors.

Verification of Coverage

Lessee or contractor shall furnish the City with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause **and a copy of the Declarations and Endorsements Pages of the CGL and any Excess policies listing all policy endorsements**. All certificates and endorsements and copies of the Declarations & Endorsements pages are to be received and approved by the City before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Lessee or contractor's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

Subcontractors

Lessee or contractor shall require and verify that all subcontractors maintain insurance meeting all requirements stated herein, and Lessee or contractor shall ensure that City is an additional insured on insurance required from subcontractors. For CGL coverage, subcontractors or contractors shall provide coverage with a form at least as broad as CG 20 38 04 13.

Duration of Coverage

CGL & Excess liability policies **for any construction related work, including, but not limited to, maintenance, service, or repair work**, shall continue coverage for a minimum of 5 years for

Completed Operations liability coverage. Such Insurance must be maintained and evidence of insurance must be provided ***for at least five (5) years after completion of the contract of work.***

Surety Bonds
Lessee or contractor shall provide the following Surety Bonds:

1. Performance Bond
2. Payment Bond
3. Maintenance Bond

The Payment Bond and the Performance Bond shall be in a sum equal to the contract price. If the Performance Bond provides for a one-year warranty a separate Maintenance Bond is not necessary. If the warranty period specified in the contract is for longer than one year a Maintenance Bond equal to 10% of the contract price is required. Bonds shall be duly executed by a responsible corporate surety, approved to issue such bonds in the State of California and secured through an authorized agent with an office in California.

Special Risks or Circumstances
City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other circumstances.

EXHIBIT G

Insurance During Lease Term

[to be conformed to AHA]

Lessee shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the Lessee's operation and use of the leased premises. The cost of such insurance shall be borne by the Lessee. [City will review insurance requirements as part of review of the Proof of Financing Commitments].

MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

1. **Commercial General Liability** (CGL): Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than **$2,000,000** per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.
2. **Workers' Compensation** insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limits of no less than **$1,000,000** per accident for bodily injury or disease. (This applies to lessees with employees).
3. **Property insurance** against risks of loss (ISO "Special Form" perils) to any tenant improvements or betterments, at full replacement cost with no coinsurance penalty provision.

If the Lessee maintains broader coverage and/or higher limits than the minimums shown above, the City requires and shall be entitled to the broader coverage and/or the higher limits maintained by the Lessee.

Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions:

Additional Insured Status

The City, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10 11 85 or if not available, through the addition of **both** CG 20 10, CG 20 26, CG 20 33, or CG 20 38; **and** CG 20 37 if a later edition is used).

Primary Coverage

For any claims related to this contract, the **Lessee's insurance coverage shall be primary and non-contributory** and at least as broad as ISO CG 20 01 04 13 as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers,

officials, employees, or volunteers shall be excess of the Lessee's insurance and shall not contribute with it. This requirement shall also apply to any Excess or Umbrella liability policies.

Notice of Cancellation

Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the City.

Waiver of Subrogation

Lessee hereby grants to City a waiver of any right to subrogation which any insurer of said Lessee may acquire against the City by virtue of the payment of any loss under such insurance. Lessee agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.

Self-Insured Retentions

Self-insured retentions must be declared to and approved by the City. The City may require the Lessee to purchase coverage with a lower retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or City. The CGL and any policies, including Excess liability policies, may not be subject to a self-insured retention (SIR) or deductible that exceeds $10,000 unless approved in writing by City. Any and all deductibles and SIRs shall be the sole responsibility of Lessee who procured such insurance and shall not apply to the Indemnified Additional Insured Parties. City may deduct from any amounts otherwise due Lessee to fund the SIR/deductible. Policies shall NOT contain any self-insured retention (SIR) provision that limits the satisfaction of the SIR to the Named. The policy must also provide that Defense costs, including the Allocated Loss Adjustment Expenses, will satisfy the SIR or deductible. City reserves the right to obtain a copy of any policies and endorsements for verification.

Acceptability of Insurers

Insurance is to be placed with insurers approved to conduct business in the state with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City.

Verification of Coverage

Lessee shall furnish the City with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause **and a copy of the Declarations and Endorsements Pages of the CGL and any Excess policies listing all policy endorsements**. All certificates and endorsements and copies of the Declarations & Endorsements pages are to be received and approved by the City before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Lessee's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time. City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

Special Risks or Circumstances

City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.