



04-21-06 12:11 IN

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

April 27, 2006

9:00 a.m.

James R. Mills Building
Board Meeting Room, 10th Floor
1255 Imperial Avenue, San Diego

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least five working days prior to the meeting to ensure availability. Assistive Listening Devices (ADLs) are available from the Clerk of the Board/Assistant Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

ACTION RECOMMENDED

1. Roll Call
2. Approval of Minutes - April 13, 2006
3. Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please furnish a copy to the Clerk of the Board.

Approve



Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company. MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

5. Closed Session Items

Possible Action

- a. MTS: CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION Pursuant to Subdivision (a) of California Government Code Section 54956.9: Save Our Heritage Organisation (SOHO) v. City of San Diego, et al., (Superior Court Case No. GIC 837743)
- b. MTS: CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code Section 54956.8
Property: Right-of-Way Adjacent to Grossmont Center Station Parking Lot at the Intersection of Grossmont Center Drive and Fletcher Parkway
Agency Negotiators: R. Martin Bohl, Paul Jablonski, Tim Allison, Tiffany Lorenzen, and Jerry Trimble
Negotiating Parties: Fairfield Residential, LLC, JP Morgan Chase Bank, and Mass Mutual
Under Negotiation: Instructions to Negotiators will Include Price and Terms of Payment
- c. MTS: CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION Significant Exposure to Litigation Pursuant to Subdivision (b) of California Government Code Section 54956.9 (One Potential Case)

Oral Report of Final Actions Taken in Closed Session

CONSENT ITEMS

6. MTS: South Bay/East County Maintenance Facilities Capital Project Budget Adjustments Approve
 Action would authorize the CEO to: (1) approve the transfer of funds between capital projects; and (2) approve a three-year contract (Doc. No. B0451.0-06) for rental of self-storage units adjacent to the South Bay Maintenance Facility that provides for additional transit vehicle parking and storage.
7. MTS: Increased Authorization for Legal Services Approve
 Action would authorize the CEO to enter into a contract amendment (MTS Doc. No. G0934.3-04) with R. Martin Bohl of the Law Offices of R. Martin Bohl for legal services related to joint development projects.
8. SDTC: Contract Award for Brake and Planetary Kits Approve
 Action would authorize the CEO to execute a one-year contract with Truck Trailer Transit, Inc. for brake and planetary kits.
9. MTS: Budget Transfer and Construction Management Contract Amendment for Mission Valley East Approve
 Action would authorize the CEO to transfer funds and execute a contract amendment to expand and extend construction management services on the Mission Valley East Light Rail Transit Project.

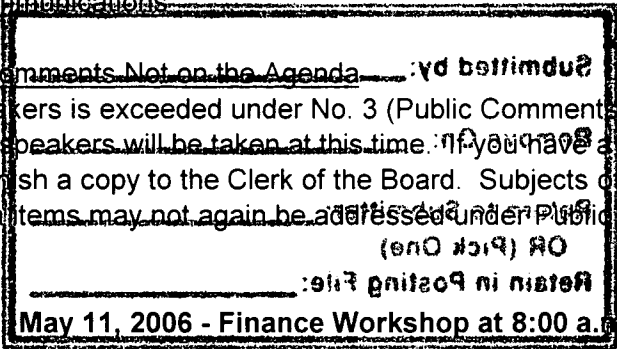
NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30. MTS: Update on the Status of the Grossmont Trolley Station Joint Development Project Approve
Action would: (1) receive an update from General Counsel regarding the status of the Grossmont Trolley Station Joint Development Project; (2) authorize the CEO to execute the Disposition and Development Agreement (DDA) and Ground Lease, assuming an agreement can be reached with Fairfield Residential, LLC (Fairfield) on all remaining issues; (3) approve the appraisal report; and (4) authorize the CEO to execute and sign any other documents necessary to complete the transaction, including the lender's Estoppel Certificate and the Parcel Map.
31. SDTC: Extension of the ARC of San Diego Contract for Interior Deep Cleaning of SDTC Buses Approve
Action would authorize the Chief Operating Officer-Bus to execute a temporary (not to exceed three months) month-to-month contract extension with ARC of San Diego to deep clean the interiors of San Diego Transit Corporation's buses.

REPORT ITEMS

45. MTS: C Street Master Plan Receive
Action would receive this report for information.
60. Chairman's Report Possible Action
61. Chief Executive Officer's Report Information
62. Board Member Communications
63. Additional Public Comments Not on the Agenda Possible Action
If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments.

64. Next Meeting Date: May 11, 2006 - Finance Workshop at 8:00 a.m.
65. Adjournment

Submitted by: Debbie Bridge

Remove On: April 28th

Return to Submitter: Ga. 1

OR (Pick One)

Retain in Posting File: _____

**METROPOLITAN TRANSIT DEVELOPMENT BOARD
ROLL CALL**

MEETING OF (DATE): 4/27/06

CALL TO ORDER (TIME): 9:03 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:15 a.m.

RECONVENE: 10:12 a.m.

ORDINANCES ADOPTED: _____

ADJOURN: 10:43 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
CLABBY	<input checked="" type="checkbox"/> (Selby) <input type="checkbox"/>		
EMERY	<input type="checkbox"/> (Cafagna) <input type="checkbox"/>		<input checked="" type="checkbox"/>
EWIN	<input checked="" type="checkbox"/> (Jantz) <input type="checkbox"/>		
FAULCONER	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
HANSON-COX	<input type="checkbox"/> (Lewis) <input type="checkbox"/>		<input checked="" type="checkbox"/>
MAIENSCHIN	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>	9:16 a.m. during AI 5	
MATHIS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>		
MCLEAN	<input checked="" type="checkbox"/> (Janney) <input type="checkbox"/> (Rose) <input type="checkbox"/>		
MONROE	<input checked="" type="checkbox"/> (Tierney) <input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (McCann) <input type="checkbox"/>		
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:07 a.m. during AI 3	
RYAN	<input type="checkbox"/> (B. Jones) <input checked="" type="checkbox"/>	10:32 a.m. during AI 45	
YOUNG	<input type="checkbox"/> (Vacant) <input type="checkbox"/>		<input checked="" type="checkbox"/>
ZARATE	<input checked="" type="checkbox"/> (Parra) <input type="checkbox"/>		

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

Gail Williams

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

[Signature]

DRAFT

JOINT MEETING OF THE BOARD OF DIRECTORS FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS),
SAN DIEGO TRANSIT CORPORATION (SDTC), AND
SAN DIEGO TROLLEY, INC. (SDTI)

April 13, 2006

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

Finance Workshop – 8:00 a.m.

1. Roll Call

Budget Development Committee Chairman Rindone called the meeting to order at 8:05 a.m. A roll call sheet listing Board member attendance is attached.

2. MTS: FY 2007 Budget Development (FIN 310.1, PC 50601)

Chairman Rindone reported that the budget being presented by staff today had been reviewed by both the Executive Committee and the Budget Development Committee. He added that projected cost savings as a result of the Comprehensive Operational Analysis (COA) have not yet been incorporated into the budget. He stated that, even without the cost savings from the COA, revenues are projected to exceed expenditures for FY 2007.

Mr. Larry Marinesi, MTS Budget Manager, provided a historical recap as well as projections for funding sources for both operating and capital purposes. He also reviewed projected revenues and expenses as well as projections for capital needs and the availability of funding to meet those needs. Mr. Monroe asked why the \$4.5 million in TransNet funding that is listed on the Five-Year Capital Improvement Program Summary table is classified as nonrecurring. Staff replied that this is funding that remains from TransNet I that was not used for Bus Rapid Transit (BRT) as originally planned and is therefore nonrecurring. Mr. Monroe felt that the Total Deficit line should be cumulative. Mr. Jantz suggested that staff add a line to the table showing a cumulative total. Mr. Jablonski referred to the \$7.6 million in Debt Service shown in the table and stated this is debt service for the new fareboxes with smart card technology and the new radio and automated vehicle locator systems. He stated that this is the last payment.

Mr. Marinesi also reviewed projected FY 2007 revenues and projected expenses. He stated that revenues are projected to exceed expenses by 3.7 percent. He then reviewed the budgetary assumptions being recommended for approval by the Board.

In response to a question from Ms. Hanson-Cox, MTS Chief Executive Officer Paul Jablonski reported that MTS is projecting an expenditure of approximately \$400,000 to \$500,000 to communicate and market the service changes that will result from the COA and to promote new services in an effort to increase ridership.

The Board and staff briefly discussed the fluctuation in fuel prices and explained how the projection was developed for Compressed Natural Gas (CNG). Mr. Roberts explained that the Budget Development Committee increased staff's recommended assumption for CNG because

the Committee felt it was too conservative. He also reported that revenues that exceed expenses during FY 2006 would not be shifted into the FY 08 Capital Improvement Program until it is clear these funds will not be needed. Mr. Jablonski pointed out that these funds could be used to cover fuel costs if they begin to exceed budget.

Action Taken

Mr. Clabby moved to receive a report on the MTS fiscal year 2007 operating budget and approve the following budgetary assumptions for the fiscal year 2007: (1) Nonrecurring TransNet funding shift to FY 08 Capital Improvement Program (CIP) (\$4,479,710); (2) FY 06 energy rate amendment to \$1.50 per therm for compressed natural gas and \$2.32 per gallon for diesel; and (3) funding shift of any budgetary revenues exceeding budgetary expenses to the FY 08 CIP. Mr. Monroe seconded that motion, and the vote was 9 to 0 in favor.

3. Public Comment

There was no Public Comment.

The next Budget Development Committee meeting will be held on April 26, 2006. The Finance Workshop was adjourned at 8:45 a.m.

Board Meeting – 9:00 a.m.

3. a. Roll Call

Vice Chair Rindone called the meeting to order at 9:00 a.m. A roll call sheet listing Board member attendance is attached.

b. Approval of Minutes

Mr. Clabby moved to approve the minutes of the March 23, 2006, Board of Directors meeting. Ms. Zarate seconded the motion, and the vote was 9 to 0 in favor.

c. Public Comment

Donna Erickson: Ms. Erickson presented a copy of a letter from her to Mr. Conan Cheung, MTS Director of Planning and Performance Monitoring, in which she advocated for Route No. 25 bus riders who don't support changes proposed for that route as part of the COA. She reiterated the reasons outlined in her letter for the community's opposition to the service change. Mr. Jablonski provided a brief description of the changes that were approved by the Board and reported that staff will be monitoring the service changes to ensure they function as anticipated. He stated that staff can make refinements as needed.

Chuck Lungerhausen: Mr. Lungerhausen requested sponsorship donations for this year's MS Walk. He also thanked Ms. Atkins, Mr. Emery, and Mr. Monroe for their jointly produced editorial piece in the San Diego Union-Tribune on April 7. He stated that he hoped readers would come to the conclusion that more local tax dollars will draw more state and federal tax dollars.

Clive Richard: Mr. Richard stated that his comments relate to whether or not bus service changes impact the environment. He stated that when the concept of the Grantville Trolley Station was presented to the San Diego Planning Commission, they were told that Route No. 40 express service would serve that station. He stated that there will be no such service after implementation of the COA. He stated that this will have a significant impact on Grantville and asked if a negative declaration should be done.

Don Stillwell: Mr. Stillwell presented a letter to the Board asking for reinstatement of the Grantville Trolley Station bus stop for Route No. 14. He also presented copies of individual letters that were sent to Council Member Jim Madaffer making the same request.

Mr. Monroe complimented Ms. Erickson on her demeanor and passion for her cause. He stated that profound changes need to be made to San Diego's bus network in order to make it more effective, and the COA is part of that process. He stated that an argument not to change the current system does not resonate.

4. MTS: Election to Fill Vacancies in Committee Appointments for 2006 (LEG 410, PC 50101)

Vice Chair Rindone requested that the Board nominate and elect a Board member to replace Mr. Ron Morrison on the Joint Committee for Regional Transit (JCRT) and as an alternate on SANDAG's High-Speed Rail Task Force for the remainder of the calendar year.

Action Taken

Mr. Roberts moved to nominate Ms. Hanson-Cox to replace Mr. Ron Morrison on the Joint Committee on Regional Transit and as an alternate on SANDAG's High-Speed Rail Task Force to serve for the remainder of the 2006 calendar year. Mr. McLean seconded the motion, and the vote was 12 to 0 in favor with Ms. Hanson-Cox abstaining.

CONSENT ITEMS
(Taken Out of Order)

6. MTS: Salary Range Cost-of-Living Increase for the MTS (ADM 150.3, PC 50711)

Recommend that the Board of Directors increase the salary ranges of management employees at the Metropolitan Transit System, San Diego Trolley, Inc., and San Diego Transit Corporation by 2.5 percent.

7. MTS: Negotiated Lease Agreement for The Transit Store (MKPC 670, PC 50513)

Recommend that the Board of Directors authorize the CEO to execute a lease agreement with Executive Complex, LP, for rental space at 102 Broadway for The Transit Store with the following terms: (1) A five-year fixed term with an option (at market value) for an additional five-year term at \$2.25 per usable square foot (\$4,920.65) per month, for the first 12 months, with an annual increase of 3 percent on the anniversary date (April 1, 2006); and (2) a tenant improvement allowance of \$11,450.00 to be used by MTS for any physical improvements to The Transit Store as MTS deems necessary.

Recommended Consent Items

Mr. McLean moved to approve Consent Agenda Nos. 6 and 7. Mr. Emery seconded the motion, and the vote was 13 to 0 in favor.

CLOSED SESSION:

5. Closed Session Items (ADM 122)

The Board convened to Closed Session at 9:20 a.m.

- a. SDTI: CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code Section 54957.6. Agency-Designated Representative: Jeff Stumbo. Employee Organization: International Brotherhood of Employee Workers (IBEW), Local 465.
- b. MTS: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to Government Code Section 54956.9(a): Save Our Heritage Organisation (SOHO) v. City of San Diego, et. al., Superior Court Case No. GIC 837743.
- c. MTS: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION Pursuant to California Government Code Section 54956.9(a): MTDB v. KHS&S and Commerical Scaffolding, Inc.

The Board reconvened to Open Session at 10:04 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Tiffany Lorenzen, General Counsel, reported the following:

- a. The Board received a report and gave direction to agency negotiators.
- b. The Board received a report and gave direction to outside counsel. City of San Diego representatives were not present for the discussion of this item.
- c. The Board received a report from outside counsel and gave direction to outside counsel.

NOTICED PUBLIC HEARINGS

There were no Noticed Public Hearings.

DISCUSSION ITEMS

30. MTS: Update on the Status of the Grossmont Trolley Station Joint Development Project
(LEG 460, PC 50787)

Ms. Tiffany Lorenzen, MTS General Counsel, introduced MTS outside counsel Marty Bohl and Wesley Epinoza and Pat Gavin of Fairfield Residential LLC. She then provided the Board with an update on the status of the Grossmont Trolley Station Joint Development Project. She reported that some significant issues have arisen that have not been resolved in spite of substantial discussion between the involved parties. She stated that Fairfield's general counsel

has also identified, as of yesterday, seven new issues. She recommended that the Board not take action to review and approve the Disposition and Development Agreement (DDA) and the Ground Lease. She suggested that the Board authorize and direct staff and outside counsel to continue negotiations with Farifield and Fairfield's lender working one-on-one with Executive Committee members as needed, and bring the DDA and Ground Lease back to the Board at its April 27, 2006 meeting. She added that the appraisal of the property will also be included for the Board's review and approval on April 27.

Ms. Lorenzen stated that staff has been spending four to five hours daily in conference calls with the parties involved in this project, and good progress is being made. She stated that these types of projects are very complicated, and staff is trying to work quickly while giving Fairfield the opportunity to resolve their issues and be comfortable with the results.

Mr. Jantz agreed that it would be premature for the Board to review the DDA and Ground Lease at this point in time and thanked staff for the amount of time being dedicated to the resolution of the issues. He stated that the lender is concerned about protecting itself against the risks of the project, which are quite low. Mr. Gavin thanked everyone for their continued patience and explained that what is occurring is normal for a development project.

Action Taken

Mr. Emery moved to authorize and direct staff and outside counsel to continue negotiations with Farifield and Fairfield's lender working one-on-one with Executive Committee members as needed, and bring the DDA and Ground Lease back to the Board at its April 27, 2006 meeting. Mr. McLean seconded the motion, and the vote was 13 to 0 in favor.

31. MTS: San Diego Association of Governments (SANDAG) Draft Smart Growth Concept Map and Workshops (AG 230.1, PC 50451)

Ms. Carolina Gregor, SANDAG Sr. Planner, provided an overview of this item. She reported that SANDAG has been conducting workshops throughout San Diego to solicit public input regarding how smart growth could work in San Diego communities. She encouraged Board members to attend one of these workshops. She explained how different areas of the San Diego region were classified in the Regional Comprehensive Plan (RCP), which provides an overall vision and policy framework for better connecting transportation and land use within the region. She stated that a key step in RCP implementation is the preparation of a Smart Growth Concept Map. Ms. Gregor defined smart growth, reviewed smart growth designations, and presented a Regional Scale Concept Map. She stated that there are almost 200 smart growth areas that have been identified – 35 that are existing or planned and 65 percent that are potential. She stated that smart growth includes planning grants as well as capital improvements, such as sidewalks, plazas, streetscape enhancements, improvements to transit stations, and other community initiatives. She stated that the individual jurisdictions in San Diego are making decisions regarding what is included on the map, and there is at least one smart growth project in each jurisdiction. She advised the Board that \$14 billion has been set aside in TranstNet II for a 40-year period (2008-2048), and \$7 million annually has been set aside for smart growth incentives.

Ms. Gregor reported that SANDAG transportation planners have been working with MTS's Planning and Performance Monitoring Department to ensure that the COA and smart growth projects integrate well.

In response to a question from Mr. Monroe, Ms. Gregor provided an overview of community reactions at each one of the workshops already held. She stated that public input will be posted to the SANDAG web site.

Mr. Emery stated that there are always discussions about how transit should be tied to growth. He expressed his frustration that growth occurs as predicted, but transit does not expand along with it, and MTS does not have the resources to provide the service. He stated that a means needs to be identified to make it possible for transit expansion to occur as growth occurs. He pointed out that there is nothing on the horizon for improving transit. He added that the Legislative Analyst Office report points out that SANDAG does not have the land-use authority it needs to make these types of projects happen.

Ms. Atkins stated that planning needs to be tied to resources and not just for transit. She stated that communities are not able to provide recreation centers, libraries, etc. that can provide the service levels needed in growing communities. She stated that improvements need to be made in matching funding to areas that are experiencing the most growth. She added that MTS is not meeting its mandate as a transit agency, and Board members need to convince their peers that transit needs more funding. She stated that choice riders need more options and more services before they will choose transit. Ms. Atkins expressed her support of the plan.

Mr. Jablonski stated that, as a result of the public hearings for the COA, staff has a better understanding of how much more need there is for transit than MTS is able to provide. He stated that the next step in the planning process is to become more proactive in discussing the issues, shortfalls, people's needs, and how transit can make more of an impact by carrying more choice riders. He stated that work is underway on something to step up that activity, and that plan will be brought back to the Board in the near future. Mr. Roberts stated that everyone needs to recognize that there is a limited amount of funding available, and that people need to be educated to appreciate the value of transit. He suggested that the funding be concentrated on elements that have a more significant impact on moving people. He stated that improving sidewalks does not fit that criteria. He stated that, because funding is so split up and spread around, San Diego has not changed the transit-riding experience for anyone. Mr. Rindone stated that this idea should be communicated to SANDAG.

Action Taken

Ms. Hanson-Cox moved to receive a report and forward Board comments on the Smart Growth Concept Map (Attachment A of the agenda item) to the San Diego Association of Governments. Mr. McLean seconded the motion, and the vote was 13 to 0 in favor.

REPORT ITEMS

45. MTS: SANDAG Survey Findings on Green Line Trolley Ridership (MKPC 620.7, PC 50551)

Ms. Judy Leitner, MTS Business Development Manager, introduced this item and SANDAG Planner James Floyd. Mr. Floyd provided background on the SANDAG Service Bureau's three surveys on Green Line trolley ridership, which were conducted in the fall of 2005. He reviewed the findings of the surveys and pointed out that the system is gaining new riders and others are riding more often. He briefly discussed modes used previously by new riders and the mode used to get to the Green Line. He reported that passengers are riding the Green Line primarily because they don't have a car available, to avoid traffic congestion, because of the cost of driving, and/or to avoid parking difficulties. He stated that nearly one-third of Green Line users

want late-night service on weekends. Mr. Floyd also advised the Board that use of the SDSU Transit Center has more than tripled, reducing parking demand on campus by 2,000 cars.

In response to a question from Mr. Jones, Ms. Leitner stated that, because of the number of students who used the Green Line the first day of class, San Diego State University (SDSU) did not have to use parking valets as they have in past years. She stated that SDSU sold about 700 semester passes in fall of 2004 compared to 3,000 in the fall of 2005. Mr. Jones asked staff to find out if SDSU has sold fewer parking passes to students.

In response to a question from Mr. Monroe regarding the impact of Green Line ridership on Orange Line ridership, Mr. Jablonski stated that ridership on the Orange Line was down to 17,000 per day at one point in time but has resurged to above 20,000. Mr. Rindone requested that the Board receive an update every three months on Green Line ridership and its impact, if any, on Orange Line ridership. He requested that this update be provided for the duration of Congestion Mitigation and Air Quality (CMAQ) funding for Mission Valley East.

Action Taken

Mr. Jones moved to receive a report on SANDAG's survey findings for Green Line ridership. Ms. Zarate seconded the motion, and the vote was 12 to 0 in favor.

46. MTS: Operations Budget Status Report for February 2006 (FIN 310, PC 50601)

Mr. Marinesi provided a recap of MTS financial results through February 2006. He reviewed the total combined net operating subsidy variance and compared revenues and costs to the amended budget.

Action Taken

Mr. Emery moved to receive the MTS Operations Budget Status Report for February 2006. Mr. McLean seconded the motion, and the vote was 12 to 0 in favor.

60. Chairman's Report

There was no Chairman's Report.

61. Chief Executive Officer's Report

Train Derailment: Mr. Jablonski reported at the beginning of the meeting that a freight train had derailed in the early morning as it was pulling out of a siding just south of the 24th Street Station in National City onto the main line. He stated that the train operator traveled about 200 feet on the main line before he realized he had a derailed car. He advised the Board that the derailment damaged the track, and trolley operations had been suspended through this location. He provided periodic updates throughout the meeting regarding the status of the removal of the derailed cars by an outside contractor from San Bernardino. At the end of the meeting, Mr. Jablonski reported that the derailed train had been cleared off the track by 9:45 a.m. and that the rail had been straightened out. He added that the ties were being temporary replaced by San Diego Trolley staff, and trolley service should be restored shortly.

62. Board Member Communications

There were no board member communications

63. Additional Public Comments on Items Not on the Agenda

Judith MacLeod: Ms. MacLeod asked if the new signs being installed at the bus stops would glow in the dark and stated that this is an important issue for people who ride buses after dark. She also stated that there are people who have complained because they were not aware of the changes being made to Route No. 44 and others who are confused about constant bus changes. She stated that some people are not taking responsibility for finding out about service changes.

64. Next Meeting Date

The next regularly scheduled Board meeting is Thursday, April 27, 2006, at 9:00 a.m. in the same location.

65. Adjournment

Chairman Mathis adjourned the meeting at 11:12 a.m.

Chairperson
San Diego Metropolitan Transit System
Filed by:

Approved as to form:

Office of the Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System

Attachment: A. Roll Call Sheet
gail.williams/minutes

METROPOLITAN TRANSIT DEVELOPMENT BOARD
FINANCE WORKSHOP

ROLL CALL

MEETING OF (DATE): 4/13/06

CALL TO ORDER (TIME): 8:05 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: _____

RECONVENE: _____

ORDINANCES ADOPTED: _____

ADJOURN: 8:45 a.m.

BOARD MEMBER (Alternate)				PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input type="checkbox"/>	(Vacant)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
CLABBY	<input checked="" type="checkbox"/>	(Selby)	<input type="checkbox"/>		
EMERY	<input checked="" type="checkbox"/>	(Cafagna)	<input type="checkbox"/>		
EWIN	<input type="checkbox"/>	(Jantz)	<input checked="" type="checkbox"/>		
FAULCONER	<input type="checkbox"/>	(Vacant)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
HANSON-COX	<input checked="" type="checkbox"/>	(Lewis)	<input type="checkbox"/>		
MAIENSCHIN	<input type="checkbox"/>	(Vacant)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
MATHIS	<input type="checkbox"/>	(Vacant)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
MCLEAN	<input checked="" type="checkbox"/>	(Janney)	<input type="checkbox"/>		
	<input type="checkbox"/>	(Rose)			
MONROE	<input checked="" type="checkbox"/>	(Tierney)	<input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/>	(Davis)	<input type="checkbox"/>		
ROBERTS	<input checked="" type="checkbox"/>	(Cox)	<input type="checkbox"/>	8:25 a.m.	
RYAN	<input type="checkbox"/>	(B Jones)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
YOUNG	<input type="checkbox"/>	(Vacant)	<input type="checkbox"/>		<input checked="" type="checkbox"/>
ZARATE	<input checked="" type="checkbox"/>	(Parra)	<input type="checkbox"/>		

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

Gail Williams

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

Jeffrey H. ...

NOT TURNED IN TO ACCOUNTING FOR THE PAYMENT OF FEES. ONLY THE ROLL CALL FOR THE FULL BOARD MEETING ON THIS DATE WAS TURNED IN FOR PAYMENT OF FEES.

METROPOLITAN TRANSIT DEVELOPMENT BOARD
ROLL CALL

MEETING OF (DATE): 4/13/06

CALL TO ORDER (TIME): 9:00 a.m.

RECESS: _____

RECONVENE: _____

CLOSED SESSION: 9:20 a.m.

RECONVENE: 10:04 a.m.

ORDINANCES ADOPTED: _____

ADJOURN: 11:12 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>	9:06 a.m. during AI 3	
CLABBY	<input checked="" type="checkbox"/> (Selby) <input type="checkbox"/>		
EMERY	<input checked="" type="checkbox"/> (Cafagna) <input type="checkbox"/>		
EWIN	<input type="checkbox"/> (Jantz) <input checked="" type="checkbox"/>		
FAULCONER	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>	9:19 a.m. during AI 4	
HANSON-COX	<input checked="" type="checkbox"/> (Lewis) <input type="checkbox"/>		
MAIENSCHIN	<input type="checkbox"/> (Vacant) <input type="checkbox"/>		<input checked="" type="checkbox"/>
MATHIS	<input type="checkbox"/> (Vacant) <input type="checkbox"/>		<input checked="" type="checkbox"/>
MCLEAN	<input checked="" type="checkbox"/> (Janney) <input type="checkbox"/> (Rose) <input type="checkbox"/>		
MONROE	<input checked="" type="checkbox"/> (Tierney) <input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (Davis) <input type="checkbox"/>		
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		
RYAN	<input type="checkbox"/> (B. Jones) <input checked="" type="checkbox"/>	9:06 a.m. during AI 3	
YOUNG	<input checked="" type="checkbox"/> (Vacant) <input type="checkbox"/>	9:16 a.m. during AI 3	11:03 a.m. during AI 45
ZARATE	<input checked="" type="checkbox"/> (Parra) <input type="checkbox"/>		

SIGNED BY THE OFFICE OF THE CLERK OF THE BOARD

Gail Williams

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL

Debbie Murray

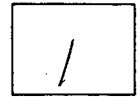


AGENDA ITEM NO.

8:50

**REQUEST TO SPEAK FORM**

ORDER REQUEST RECEIVED



****PLEASE SUBMIT THIS COMPLETED FORM (AND YOUR WRITTEN STATEMENT) TO THE CLERK OF THE BOARD PRIOR TO DISCUSSION OF YOUR ITEM****

1. INSTRUCTIONS

This Request to Speak form must be filled out and submitted in advance of the discussion of your item to the Clerk of the Board (please attach your written statement to this form). Communications on hearings and agenda items are generally limited to three (3) minutes per person unless the Board authorizes additional time. However, the Chairperson may limit comment to one or two minutes each if there are multiple requests to speak on a particular item. General public comments on items not on the agenda are limited to three (3) minutes. Please be brief and to the point. No yielding of time is allowed. Subjects of previous Hearings or agenda items may not again be addressed under General Public Comments.

Date 4-27-2006Name (PLEASE PRINT) DON STILLWELLAddress 6308 RANCHO MISSION RD #173SAN DIEGO, CA 92108Telephone (619) 282-7760Organization Represented (if any) NONESubject of your remarks: A DANGEROUS SITUATION, A BOTTLENECK

Agenda Item Number on which you request to speak _____

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

☒**2. TESTIMONY AT NOTICED PUBLIC HEARINGS**

At Public Hearings of the Board, persons wishing to speak shall be permitted to address the Board on any issue relevant to the subject of the Hearing.

3. DISCUSSION OF AGENDA ITEMS

The Chairman may permit any member of the public to address the Board on any issue relevant to a particular agenda item.

4. GENERAL PUBLIC COMMENTS ON MATTERS NOT ON THE AGENDA

Public comment on matters not on the agenda will be limited to five (5) speakers with three (3) minutes each, under the Public Comment Agenda Item. Additional speakers will be heard at the end of the Board's Agenda.

****REMEMBER: Subjects of previous Hearings or agenda items may not again be addressed under General Public Comments.****



8:52

SAN DIEGO METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

REQUEST TO SPEAK FORM

AGENDA ITEM NO.

3

ORDER REQUEST RECEIVED

2

****PLEASE SUBMIT THIS COMPLETED FORM (AND YOUR WRITTEN STATEMENT) TO THE CLERK OF THE BOARD PRIOR TO DISCUSSION OF YOUR ITEM****

1. INSTRUCTIONS

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Date Thursday, April 27, 2006
Name (PLEASE PRINT) Chuck Lingerhausen
Address 5308 Monroe Ave. Apt. #124
San Diego CA, 92115
Telephone (619) 546-5610
Organization Represented (if any) _____

Subject of your remarks: MS Walks. update

Agenda Item Number on which you request to speak 3
Your comments are presenting a position of: SUPPORT ☒ OPPOSITION ☐

2. TESTIMONY AT NOTICED PUBLIC HEARINGS

At Public Hearings of the Board, persons wishing to speak shall be permitted to address the Board on any issue relevant to the subject of the Hearing.

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1.

Apr. 27, 2006

MTSB mtg.

AGENDA ITEM #3 (Public Comment)

**Good morning Chair Mathis, Board members, Staff, and other fellow citizens. Chuck Lungerhausen of 5308 Monroe Ave. #124 which is in the SDSU neighborhood of San Diego. 92115
Phone 619-546-5610**

I would like to give you an update of what happened last Friday when Team Water Walkers met at the Mission Beach Plunge to turn in their sponsorship donations for the 2006 MS Walk. This person was very pleased to turn-in \$4,795 with more on the way. I pray for a final total in the \$5,500 plus range, which will be the highest amount raised by me since starting this fund raising shtick back in the year 2000.

However imagine some of you would like to know that the Team Water Walkers total was in the \$109,000.00 plus range. This truly amazing total was do to one fortunate team member recieving an anonymous donation of \$92,000.00. Am very thankful that some of you have come forward and donated to this cause. There is still time to contribute to this years campaign, the books do not close until the 31st of May.

Now on the public transportation front, read comment letters in the local paper that did not like the addition of TV's to the systems buses and Trolleys especially at the same time you are taking some services away under the COA. Would it not be wonderful if we had the same type of tax support that the people of Los Angeles and San Francisco afford their public transportation systems. This can happen here only if all of you elected officials support it without exception. It all starts here and at SANDAG.

Thank you for listening and the opportunity to speak.



8:53

AGENDA ITEM NO.

30

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

1

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Date 2006-04-27Name (PLEASE PRINT) Clive RichardAddress 5153 La Dorna StSan Diego, CA 92115-1530Telephone 619.582.4036

Organization Represented (if any) _____

Subject of your remarks: _____

Agenda Item Number on which you request to speak _____

Your comments are presenting a position of: SUPPORT

☐

OPPOSITION

☐**2. TESTIMONY AT NOTICED PUBLIC HEARINGS**

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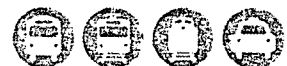
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****REMEMBER: Subjects of previous Hearings or agenda items may not again be addressed under General Public Comments.****





1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466, FAX: 619.234.3407

Agenda

Item No. 6

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

CIP 11079, 10973, 11026,
10845 (OPS 920.6)

April 27, 2006

Subject:

MTS: SOUTH BAY/EAST COUNTY MAINTENANCE FACILITIES CAPITAL PROJECT
BUDGET ADJUSTMENTS

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to:

1. approve the transfer of funds between capital projects (as noted in Attachment A); and
2. approve a three-year contract (Doc. No. B0451.0-06) for rental of self-storage units adjacent to the South Bay Maintenance Facility that provides for additional transit vehicle parking and storage (see Attachment B).

Budget Impact

1. No budget impact (solely transferring funds between different capital projects).
2. Funds for leasing of storage units would be part of the operating expenses, which would be added as part of each MTS annual budget. Funds are included under the existing FY 06 MTS budget.



Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company. MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

DISCUSSION:

Introduction

As capital funding has been scarce, staff has evaluated older projects with remaining funds to accomplish critical capital needs at our bus facilities. This item provides for the transfer of old funds and action to amend the FY 06 capital budget.

The Federal Transit Administration (FTA) allows for projects that have completed certain steps to be awarded prior to actual receipt of the federal grant funds. The South Bay Maintenance Facility (SBMF) Expansion, East County Bus Maintenance Facility (ECBMF) Expansion, and MTS Contract Services (MCS) Service Trucks Projects all have prior environmental clearances and approvals and all are in the existing Regional Transportation Improvement Program (RTIP). Therefore, staff is proposing that both pending construction projects at SBMF and ECBMF and the award this spring of service trucks proceed. FY 07 FTA grant funding would not be needed on the projects from a cash-flow basis until after July 1, 2006.

Maintenance Service Trucks

Through the FY 07 Capital Improvement Program (CIP) process, funding was provided for the purchase of two additional maintenance service trucks. Contract award is anticipated in May 2006 with delivery of the vehicles in summer/fall 2006.

- Funding from FY 07 CIP process for MCS Service Trucks East County (1118000):
 - 2 Additional Vehicles \$165,000

South Bay Maintenance Facility

A construction project is scheduled to begin at the South Bay Maintenance Facility in the coming months. As part of the construction project, one warehouse/office building on the site is going to be demolished to provide critical bus parking. Along with the demolition, the construction contract will allow for asphalt and concrete work, enhanced security lighting around the facility to provide a safe working environment at night for the transit employees, several new sets of heavy-duty lifts for the maintenance shop, and a new air compressor for the main maintenance shop. Some of this work will be funded using new FY 07 CIP funds and through transferring funds from other capital projects that no longer require the balance of remaining funds.

- Funding from the FY 07 CIP process for SBMF Expansion (1048500):
 - MCS SBMF Paving \$300,000
 - MCS SBMF Air Compressor \$120,000
 - MCS SBMF Portable Lifts Replacement \$135,000
- Transfer remaining funds of \$54,820 from MCS Battery Compartment Upgrade (1107900) to SBMF Expansion (1048500) for enhanced security lighting around the facility. Staff has evaluated this and deemed that it is not cost effective to do the battery compartment upgrades and that the funds would be better used for enhanced security lighting.

- Transfer \$54,102 in unused funds from SBMF Compressed Natural Gas (CNG) Fuel Station Upgrades (1097300) to SBMF Expansion (1048500) for the upcoming construction project at SBMF.
- Transfer \$898 in unused funds from SBMF CNG Fuel Station Upgrades (1097300) to SBMF Improvements (1102600) to offset the negative balance and close that project.

At the South Bay Maintenance Facility, there is a need for additional space for vehicle parking and storage. Under the previous authorization by the CEO for up to \$31,000 (through June 30, 2006), MTS has leased from the adjacent property (Sav-On Self Storage) a row of units pending the purchase of the property by MTS. This action provides for up to an additional three years (July 1, 2006 – June 30, 2009) of leasing for a total not-to-exceed cost of \$410,000 (including the previously authorized \$31,000).

East County Bus Maintenance Facility

A construction project is scheduled to begin at the ECBMF in the coming months. Included in the construction will be the demolition of several smaller buildings scattered around the site, some site paving and grading, enhanced security lighting around the facility to provide a safe working environment at night for the contractor employees, portions of new fencing installed around the perimeter of facility, an emergency electrical generator for 1213 North Johnson, and several new sets of heavy-duty lifts for the maintenance shop.

- Funding from the FY 07 CIP process for ECBMF (1049600):

➤ ECBMF Expansion	\$1,687,693
➤ MCS ECBMF Emergency Generator	\$ 250,000



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Susan Hafner, 619.595.3084, Susan.Hafner@sdmts.com

APRIL27-06.6.SOUTHBAYEASTCOCIPADJUST.EHURWITZ

Attachments: A. Capital Project Fund Transfers/Additions
B. Contract Doc. No. B0451.0-06

CAPITAL PROJECT FUND TRANSFERS/ADDITIONS

A1) Capital Project Fund Transfers:

South Bay Maintenance Facility (SBMF)			
1107900 – MCS Battery Compartment Upgrades	1097300 – SBMF CNG Fuel Station Upgrades	1102600 – SBMF Improvements	1048500 – SBMF Expansion
(\$54,820)	(\$55,000)	\$898	\$108,922

A2) For Information

Capital Project New Funds (From FY 07 CIP Process):

South Bay Maintenance Facility Expansion - 1048500	
MCS SBMF Paving	\$300,000
MCS SBMF Air Compressor	\$120,000
MCS SBMF Portable Lift Replacement	\$135,000

East County Bus Maintenance Facility - 1049600	
ECBMF Expansion	\$1,687,693
MCS ECBMF Emergency Generator	\$250,000

MCS Service Trucks East County (2006) - 1118000	
2 Additional Vehicles	\$165,000

SAV-ON STORAGE

3712 Main Street, Chula Vista, California 91911-5835

Phone (619) 425-2040/ Fax (619) 427-6357

WWW.SAVONSTORAGE.COM

B0451.0-06

OPS 920.6

Att. B, AI 6, 4/27/06, CIP 11079,
10973, 11026, 10845 (OPS 920.6)

FINGER PRINT

RENTAL AGREEMENT AND ADDENDUM

NOTICE: YOUR STORED PROPERTY MAY BE SUBJECT TO A CLAIM OF LIEN FOR UNPAID RENT AND OTHER CHARGES AND MAY BE SOLD TO SATISFY THE LIEN IF THE RENT OR OTHER CHARGES DUE REMAIN UNPAID FOR FOURTEEN (14) CONSECUTIVE DAYS. THIS LIEN AND ITS ENFORCEMENT IS AUTHORIZED BY CHAPTER 10 (COMMENCING WITH SECTION 21700) OF THE CALIFORNIA BUSINESS AND PROFESSIONS CODE.

1. LEASE INFORMATION:

A. Date of Lease: March 1, 2006 B. Storage Space No: See Exhibit A C. Approx. Unit Size: _____

D. Access Code: _____ E. Administration Fee: _____ F. Rental Rate Per Month: \$ _____

G. Occupant's Name(s): Metropolitan Transit System Phone: (619) 231-1466

Address: 1255 Imperial Avenue, Suite 1000 City: San Diego State: CA zip: 92101

E-MAIL: _____ Cell Phone: (_____) Home: (_____)

Employer: _____ Phone: (_____)

☐ My spouse or I is/am an active member of the Armed Forces, Reservist or National Guard. Please read and sign addendum.

Employer's Address: _____ City: _____ State: _____ Zip: _____

H. Driver's License #: _____ State: _____ Expiration Date: _____ Social Security #: _____

NO RENT REFUNDS

PLEASE PROVIDE THE NAME AND ADDRESS OF ANOTHER PERSON IN ADDITION TO YOURSELF TO WHOM ANY PRELIMINARY LIEN NOTICE AND SUBSEQUENT NOTICES MAY BE SENT. IF NONE, WRITE NONE AND INITIAL.

Name: None Phone: (_____)

Address: _____ City: _____ State: _____ Zip: _____

2. **PARTIES AND DATE:** This Lease Agreement ("Lease") is entered into in duplicate, as of the date set forth above by and between Sav-On Storage ("Owner") and the individual(s) named above ("Occupant"), for the purpose of renting space for the storage of personal property, and with the express understanding and agreement that no bailment or deposit for safekeeping is intended thereby.

3. **SPACE:** Owner agrees to let, and Occupant agrees to rent those premises described as a storage space at Owner's facility at 3712 Main Street, Chula Vista, California ("Storage Facility"), the number of which is set forth in Section 1.B above ("Space"), on the terms and conditions of this Lease.

4. **TERM:** The term of this Lease shall commence as of the date set forth in Section 1.A of this Lease, and shall continue on a month-to-month basis.

5. **RENT:** Rent shall be payable in advance at the rate set forth in Section 1.F, on or before the monthly anniversary date set forth in Section 1.A. Rent shall be delinquent if not paid monthly by the day immediately following the anniversary date. Rent payment shall be made to Owner at the address set forth in this Lease, or to such other place as Owner may designate in writing. Rent payments shall be made in full without offset or deductions of any kind, and without demand. Prior to taking possession of the Space, and as a condition to taking possession, Occupant shall pay the rent for the first month. The monthly rental rate may be changed at any time by Owner giving thirty (30) days written notice to Occupant at the address set forth in this Lease. Any such adjustment in the monthly rent shall not otherwise affect the terms of this Lease, and all other terms of this Lease shall remain in full force and effect. No monthly statements or bills will be issued.

6. **ADDITIONAL RENTAL CHARGES:** Late rental payments, or rent checks that are dishonored, cause Owner to incur damages, which are extremely difficult to measure, and not contemplated by this lease. Rent is due on the rental anniversary date of each month, and is delinquent on the day immediately following the anniversary date. If rent is not received by Owner by the tenth day following the due date, if Occupant's check is dishonored and returned, Occupant agrees to pay to Owner, as additional rent, administrative charges as follows:

Late Rent Charge (if not paid within 10 days of due date)	of \$10-\$25	\$60 or less late fee \$10.00	\$100 to \$167 late fee \$20.00
I.A.V. Section 21713.5 of the Business and Professions Code	of \$25.00	\$61 to \$99 late fee \$15.00	\$168 or more late fee \$25.00
Dishonored Check Charge	of \$15.00	Advertising Charge	of \$50.00
Pre-Lien Notice Charge (if not paid within 14 days of due date)	of \$25.00	Labor Charges (hourly rate)	of \$60.00
Lien Sale Notice Charge (if not paid within 30 days of due date)	of \$15.00	Inventory & Sale Fees	As Documented
Auction Notice Charge			

The receipt of a check shall not be considered payment to Owner if the check is dishonored or not paid for any reason. Occupant's property may become subject to a lien if rent remains unpaid for fourteen (14) days or longer. (California Business and Professions Code §§ 21700 et seq.) In addition, Occupant agrees to reimburse Owner for all costs incurred by Owner in enforcing the lien, including, but not limited to, costs of removing locks, inventory of stored property and reasonable storage costs as may be provided by law. In the event of satisfaction of the lien prior to sale, owner shall have three (3) days thereafter in which to release lien property, which may have been removed or re-secured during lien enforcement. ALL PAYMENTS MADE TO SATISFY OUTSTANDING LIEN AMOUNTS AND CERTIFIED CHECK, CASHIER'S CHECK, MONEY ORDER OR CASH SHALL PAY CHARGES. If Occupant's checks are dishonored more than once, Owner may require, upon thirty (30) days written notice to Occupant, that all future rent shall be paid by certified check, money order, cashier's check or cash.

Any other costs incurred by Owner by reason of Occupant's breach of any provision of this agreement shall be deemed additional rent, and may be demanded by Owner of Occupant at any time, or waived, all in Owner's sole and absolute discretion.

7. **USE OF STORAGE SPACE:** Owner is not engaged in the business of storing goods for hire and no bailment is created under this agreement. Owner exercises neither care, custody nor control over Occupant's stored property. Occupant agrees to use the storage space only for the storage of property wholly owned by Occupant. Occupant agrees not to store collectibles, heirlooms, jewelry, works of art or any property having special or sentimental value to Occupant. Occupant waives any claim for emotional or sentimental attachment to the stored property. Occupant agrees not to store property with a total value in excess of \$5,000 without the written permission of the Owner. If such written permission is not obtained, the value of Occupant's property shall be deemed not to exceed \$5,000. Nothing herein shall constitute any agreement or admission by Owner that Occupant's stored property has any value, nor shall anything alter the release of Owner's liability set forth below.

8. **HAZARDOUS OR TOXIC MATERIALS PROHIBITED:** Occupant is strictly prohibited from storing or using materials in the storage space or on the facility classified as hazardous or toxic under any local, state or federal law or regulation, and from engaging in any activity which produces such materials. Owner may enter the storage space at any time to remove and dispose of prohibited items.

9. **INSURANCE:** OCCUPANT ACKNOWLEDGES THAT OWNER DOES NOT PROVIDE INSURANCE COVERING OCCUPANT'S STORED PROPERTY. OCCUPANT AGREES TO MAINTAIN, AT OCCUPANT'S EXPENSE, A POLICY OF FIRE AND EXTENDED COVERAGE INSURANCE WITH THEFT, VANDALISM, AND MALICIOUS MISCHIEF ENDORSEMENTS FOR THE FULL VALUE OF OCCUPANT'S STORED PROPERTY. TO THE EXTENT OCCUPANT DOES NOT MAINTAIN SUCH INSURANCE, OCCUPANT SHALL BE DEEMED TO HAVE "SELF-INSURED" TOTALLY.

(Continued on the back)

I have read, understand, and agree to all terms contained in this Lease, including the terms on the reverse side hereof. By his, her, their signature(s) below. Occupant acknowledges receipt of a dated and executed copy of this Lease.

"Owner / Agent" (Save On Storage)

"Occupant(s)"

X

X

B-1

(I.E., NOT TO INSURE WITH ANY DULY LICENSED INSURANCE COMPANY) AND SHALL BEAR ALL RISK OF LOSS OR DAMAGE. THIS INSURANCE IS A MATERIAL CONDITION OF THIS AGREEMENT AND IS FOR THE BENEFIT OF BOTH OCCUPANT AND OWNER. OCCUPANT EXPRESSLY AGREES THAT THE CARRIER OF SUCH INSURANCE SHALL NOT BE SUBROGATED TO ANY CLAIM OF OCCUPANT AGAINST OWNER, OR OWNER'S AGENTS OR EMPLOYEES. OCCUPANT AGREES TO INDEMNIFY AND HOLD HARMLESS OWNER FROM ANY EXPENSE, COST, OF DAMAGE INCURRED BY REASON OF ANY CLAIM OR ACTION BASED IN WHOLE OR IN PART UPON SUCH SUBROGATION, WHILE CERTAIN INFORMATION MAY BE MADE AVAILABLE TO OCCUPANT WITH RESPECT TO INSURANCE, OWNER AND OWNER'S AGENTS ARE NOT INSURERS, ARE NOT AFFILIATED WITH ANY INSURANCE COMPANY, DO NOT ACT AS ANY INSURANCE COMPANY'S AGENT, BROKER, OR SOLICITOR, AND DO NOT ASSIST IN THE EXPLANATION OF COVERAGE OR IN THE MAKING OF CLAIMS UNDER ANY INSURANCE POLICY.

10. **RELEASE OF OWNER'S LIABILITY FOR PROPERTY DAMAGE:** ALL PERSONAL PROPERTY STORED WITHIN OR UPON THE STORAGE SPACE BY OCCUPANT SHALL BE AT OCCUPANT'S SOLE RISK. OWNER AND OWNER'S AGENTS AND EMPLOYEES SHALL NOT BE LIABLE FOR ANY LOSS OF OR DAMAGE TO ANY PERSONAL PROPERTY AT THE SELF STORAGE FACILITY ARISING FROM ANY CAUSE WHATSOEVER INCLUDING, BUT NOT LIMITED TO, BURGLARY, MYSTERIOUS DISAPPEARANCE, FIRE, WATER DAMAGE, RODENTS, ACTS OF GOD, THE ACTIVE OR PASSIVE ACTS OR OMISSIONS OR NEGLIGENCE OF THE OWNER, OWNER'S AGENTS OR EMPLOYEES.

11. **RELEASE OF OWNER'S LIABILITY FOR BODILY INJURY:** OWNER, OWNER'S AGENTS AND EMPLOYEES SHALL NOT BE LIABLE TO OCCUPANT FOR INJURY OR DEATH AS A RESULT OF OCCUPANT'S USE OF THE STORAGE SPACE OR THE SELF STORAGE FACILITY, EVEN IF SUCH INJURY IS CAUSED BY THE ACTIVE OR PASSIVE ACTS OR OMISSIONS OR NEGLIGENCE OF THE OWNER, OWNER'S AGENTS OR EMPLOYEES.

12. **INDEMNIFICATION:** Occupant will indemnify, hold harmless, and defend Owner from all claims, demands, actions, or causes of action (including attorney's fees and all costs whatsoever) that are hereafter made or brought as a result of or arising out of Occupant's use of the space and Storage Facility. This indemnity specifically includes, but is not limited to, all liabilities released by Occupant in Section 9 of this Lease.

13. **NOTICES--CHANGE OF ADDRESS--CHANGE IN TERMS:** All notices required or permitted by law, or by this agreement, may be sent to Occupant at any of the addresses set forth for Occupant in section 1-G of this Lease. In the event that any of the addresses given above change, such change shall not be binding upon Owner unless Occupant has given Owner written notification of the change, either by personal delivery or by deposit in the United States mail with first class postage prepaid addressed to Owner at the address given for payment of rent and the owner has acknowledged its receipt in writing. Any of the terms of this agreement may be changed by Owner by written notice to Occupant seven (7) days prior to the expiration of any month of this tenancy.

14. **CONDUCT:** Should occupant appoint another person(s) or organization(s) to enter the storage space, occupant shall be responsible for the conduct of such person(s) or organization(s). Owner shall assume that possession of a key and gate code is evidence of authority to enter occupant's space. All information provided by occupant on this lease is confidential and will not knowingly be disclosed to anyone without occupant's prior consent, except for law enforcement purposes.

15. **CONDITION OF SPACE / REPAIRS -- COMMENCEMENT AND TERMINATION:** Occupant acknowledges that Occupant has inspected the Space and found the Space to be in good repair and in clean and sanitary condition. Occupant agrees to maintain the Space in the same condition throughout the term of this Lease. Occupant will immediately notify Owner of any defect in the Space. Occupant shall not build on nor attach anything to the inside or outside walls, ceiling, or floors of the Space. Upon termination of this Lease, Occupant shall remove all Occupant's property from the Space and shall immediately deliver possession of the Space to Owner in the same condition as delivered to Occupant on the commencement date of this Lease, reasonable wear and tear excepted. Occupant agrees to leave said storage Space broom clean and damage free. Occupant further agrees to remove all items from the space and agrees to reimburse Owner for any/all costs of emptying or repairing Space, which includes but is not limited to dump fees, labor, materials, and transportation. Occupant agrees to reimburse Owner within 5 days of receipt of an itemized statement of all labor and other expenses incurred to dispose of said items. The costs of any repairs made necessary by Occupant, or Occupant's guests or agents, or any wear and tear in excess of normal use during the term of the Lease shall be paid by Occupant. Owner may require Occupant to pay the estimated costs of any repairs to be made at Occupant's expense prior to the work being done, and Occupant shall pay such expense whether estimated or actual within ten (10) days of being billed, and such costs shall be additional rent for the purposes of Owner's remedies on default.

16. **ACCESS:** In the Owner's absolute discretion, Occupant's access to the Storage Facility and Space may be conditioned in any manner deemed reasonably necessary by Owner to maintain order and protect security on the Storage Facility. Such measures may include, but are not limited to, limiting hours of operation, requiring verification of Occupant's identity and right to inspect vehicles.

17. **OWNER'S RIGHT TO ENTER OR INSPECT:** Occupant grants Owner, Owner's agents or representatives of any governmental authority, including, but not limited to, police, fire, health or emergency response officials, access to the premises upon three (3) days prior written notice to Occupant.

In the event of an emergency, Owner, Owner's agents or representatives of any governmental authority, including, but not limited to police, fire, health, or emergency response officials, shall have the right to remove Occupant's lock and enter the premises, without notice to Occupant, and take such action as may be necessary or appropriate to preserve the premises, to comply with applicable law, or enforce any of Owner's rights.

In the event Occupant's lock is destroyed in the course of such inspection, Owner shall provide and Occupant agrees to accept as Occupant's sole remedy therefore, a replacement lock of similar kind and quality. Owner shall not be responsible for any loss occasioned by Occupant as a result of entry authorized under this Section.

18. **RULES:** Owner shall have the right to establish or change hours of operation or tenant access, or to promulgate rules and amendments, or amend existing rules and regulations for the safety, care, and cleanliness of the premises, or the preservation of good order on the facility. Occupant agrees that such rules are made a part of this agreement and agrees to follow all of Owner's Rules now in effect, or that may be put into effect from time to time. Except in emergency situations, all changes of Rules and/or facility hours will be conspicuously posted at least seven (7) days prior to the effective date of such change. Hours of Operation and Access shall be posted at the entrance to the Storage Facility. Current Rules will be posted in the Rental Office.

~~19. **TERMINATION:** The tenancy of Occupant may be terminated by Owner or Occupant by the giving of seven (7) days written notice to the other party. Rent is payable by Occupant to Owner for the entire thirty (30) day period prior to termination, whether or not Occupant vacates the Space prior to the end of the period. Occupant agrees to vacate the Space on or before 5:00 P.M. on the last day of the term.~~

20. **OCCUPANT'S BREACH:** In the event the Occupant breaches this Lease, Owner shall be allowed, at Owner's discretion, but not by way of limitation, to exercise any or all remedies provided herein or at law or in equity.

21. **ASSIGNMENT:** Occupant shall not sublet or assign the Space, nor store property owned by others without the prior written consent of Owner.

22. **SECURITY OF SPACE / LOCKS:** Occupant agrees to be solely responsible for providing such locks, as Occupant desires for securing access to the Space. In the event such locks or security devices are rendered ineffectual for their intended purpose from any cause, or the Space is rendered insecure in any manner, Owner may, at its sole option, take whatever measures are deemed reasonably necessary by Owner to resecure the access to Occupant's Space. Owner is not responsible for taking any measures whatsoever, nor for notifying Occupant that access to the Space has become insecure. The fact that Owner has taken measures to resecure the access to Occupant's Space under this paragraph shall not alter the release of Owner's liability set forth in Paragraph 9 of this Lease, nor shall such measures be deemed conversion of Occupant's stored property.

23. **WAIVER OF JURY TRIAL:** Owner and Occupant waive their respective rights to trial by jury of any cause of action, claim, counterclaim or cross complaint, in any action brought by either Owner against Occupant, or Occupant against Owner on any matter arising out of, or in any way connected with, this rental agreement, Occupant's use of the storage space or premises, or any claim of bodily injury or property loss or damage, or the enforcement of any remedy under any law, statute or regulation.

24. **MISCELLANEOUS:** Time is of the essence of this Lease and of each provision of this Lease. Words used in the singular shall include the plural where the context requires. All rights, powers, options, and remedies given or granted to Owner by this Lease, or by law, are cumulative, and no one of them is exclusive of another. If any provision of this Lease is held by a Court to be void or unenforceable, the other provisions shall remain in full force and effect.

25. **NO ORAL AGREEMENTS:** This rental agreement contains the entire agreement between Owner and Occupant, and no oral agreements shall be of any effect whatsoever. Occupant agrees that he/she is not relying, and will not rely, upon any oral representation made by Owner, or by any of owner's agents or employees purporting to modify or add to this agreement in any way whatsoever. Occupant agrees that this agreement may be modified only in writing, signed by both parties, in order for such modification to have any effect whatsoever.

Owner's employees have been forbidden from providing any service on behalf of Owner. Should employees of Owner provide service at Occupant's request such employee shall be deemed to be the agent of Occupant regardless of whether payment for such service is made or not, and Occupant agrees to hold Owner harmless from all liability in connection with or arising from directly or indirectly, such services performed by employees of Owner.

26. **ENTIRE AGREEMENT:** There are no other terms, conditions, or agreements, expressed or implied, written or oral, between Occupant and Owner, their agents, or employees that extend, limit, or in anyway modify the terms, covenants, and conditions of this Lease. This Lease may be amended, modified, or supplemented only by a writing signed by both parties. Any purported oral amendment, modification, or supplement is void.

SAV-ON STORAGE
RENTAL AGREEMENT

The following addendum to the original SAV-ON STORAGE Rental Agreement shall substitute paragraphs 4, 5, 8, 9, and 19 in their entirety. Paragraphs 7 and 12 are partially modified. Paragraph 27 is an addition to the agreement.

4. **TERM:** The term of this lease shall be one year commencing as of the date set forth in Section 1.A of this lease and shall continue on a year-to-year basis unless cancelled by either party pursuant to the terms of paragraph 19.
5. **RENT:** Initial rent shall be \$278 per unit per month (Unit Rent), for the units shown below, for a total monthly rent of \$_____. Rent shall be payable in advance on or before the monthly Anniversary Date as set forth in Section 1.A. (Anniversary Date). Rent shall be delinquent if not paid monthly by the day immediately following the Anniversary Date. Rent payment shall be made to Owner at the address set forth in this lease or to such other place as Owner may designate in writing. Rent payments shall be made in full without offset or deductions of any kind and without demand. Prior to taking possession of additional units and as a condition to taking possession, Occupant shall pay the Unit Rent for any such unit for the first month. No monthly statements or bills will be issued. The Unit Rent shall be increased annually beginning on the first Anniversary Date of the date of lease, according to the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index, for all Urban Consumers, All items, San Diego region (Index). For the purpose of this lease, the Unit Rent payable for the first month of the term of this lease, or the Unit Rent payable for the first month after the most recent Anniversary date, shall be multiplied by a fraction, the numerator of which shall be the Consumer Price Index of the calendar month during which the adjustment is to take effect and the denominator of which shall be the Consumer Price Index for the calendar month of the Lease Commencement Date (or Anniversary Date, whichever is later).

In no event shall the Unit Rent be less than two hundred and seventy-eight dollars (\$278.00). If, for any reason whatsoever, there is any change of any kind in the method of calculation or formulae of the aforesaid Index, or, if said Index shall no longer be published, then another index generally recognized as authoritative shall be substituted by agreement, and if the parties shall not agree, such substituted index shall be decided by the presiding Judge of the Superior Court of the State of California in and for the County of San Diego for the time being upon application of either party. Any such adjustments in the monthly rent shall not otherwise affect the terms of this lease, and all other terms of this lease shall remain in full force and effect. Exhibit A identifies the total number of units to ultimately be leased by Occupant, including space numbers.

As of the date of this lease, Occupant leases the following units:

Units (Nos.) - Owner shall lease units as shown on Exhibit A to Occupant on the next monthly Anniversary Date after they become available during the Term. Monthly rent will include all units occupied at the Anniversary Date during the Term at the Unit Rent, as specified above.

7. **USE OF STORAGE SPACE:** Substitute sentence 6 and 7 with the following: Occupant is permitted to store property in excess of \$5,000 without owner's permission. Delete sentence No. 7.
8. **HAZARDOUS OR TOXIC MATERIALS PROHIBITED:** Occupant, at its sole cost, shall comply with all laws relating to the storage, use, and disposal of hazardous materials. Occupant shall not store, use or dispose of any hazardous materials except for those hazardous materials used in the provision of public transit services. Occupant may store said hazardous materials provided that such are stored in strict compliance with applicable laws. In no event shall occupant cause or permit to be

discharged into the plumbing or sewage of the Storage Facility or onto the land underlying or adjacent to the Storage Facility any hazardous materials. If the presence of hazardous materials caused or permitted by occupant results in contamination or deterioration of water or soil, then occupant shall promptly take any and all action necessary to clean up such contamination, but the foregoing shall in no event be deemed to constitute permission by owner to allow the presence of such hazardous materials.

9. **INSURANCE:** Occupant shall, at its expense, obtain and keep in force during the term of this Rental Agreement, a policy of commercial general liability insurance insuring occupant and owner against any liability arising out of the condition, use, occupancy, or maintenance of the storage facility. Evidence of coverage must be in the form of a certificate of insurance accompanied by the appropriate additional insured endorsements. Such insurance policy shall have a combined single limit for both bodily injury and property damage in an amount not less than two million and no/100ths dollars (\$2,000,000). The limits of said insurance shall not limit the liability of the occupant.

Occupant shall, at its expense, keep in force during the term of its Rental Agreement, a policy of fire and property damage insurance in a special form with a sprinkler-leakage endorsement, insuring occupant's inventory, fixtures, equipment, and personal thereof. Upon execution of this rental agreement and annually thereafter upon renewal of such policies, occupant shall provide owner with certificates of insurance, together with appropriate endorsements, evidencing coverage's the occupant is required to carry. The policies shall provide for thirty- (30)-days' advance written notice of cancellation to owner.

12. **INDEMNIFICATION:** Add the following to sentence 2: except for any negligence caused by owner.

19. **TERMINATION:** The tenancy of Occupant may be terminated for any reason by Owner or Occupant by giving a 30-day written notice to the other party following the first year of the term. Rent is payable by Occupant to Owner for the entire thirty (30) day period prior to termination, whether or not Occupant vacates the Space prior to the end of the period. Occupant agrees to vacate the space on or before 5:00 p.m. on the last day of the term.

27. **OCCUPANT MODIFICATIONS AND USAGE:** Occupant is authorized by Owner to remove portions and eventually all fencing located on the south property line of Parcel No. 623-250-23 at Occupant's expense. It is the responsibility of Occupant by removal of fencing to ensure that Owner's parcel is secure at all times. In addition, asphalt curb located adjacent to current subject fence may also be removed at Occupant's expense. If said lease is terminated, Occupant shall restore existing fencing and curb to its original condition at Occupant's expense. Occupant is permitted by Owner to park Occupant's vehicles on Owner's property adjacent to the rented units and the south property line.

SAV-ON STORAGE (OWNER)

METROPOLITAN TRANSIT SYSTEM
(OCCUPANT)

Signature

Signature

Name: Tony Luciani

Name: Paul Jablonski

Title: Owner

Title: CEO

Date: 1/27/2006

Date: _____

DSundh/MMO/JGarde
AG-B0451.1-06.RMEENES

Attachment: Exhibit A

EXHIBIT A
SAV-ON STORAGE
UNIT IDENTIFICATION
YEAR ONE

Unit #	Allocation to Determine Cost	Unit Cost	Extended Cost	Start Date	Unit #	Allocation to Determine Cost	Unit Cost	Extended Cost	Start Date
Z 1-1	Part of below two units				Z 17	One Unit	\$278	\$278	
Z 1-2	Part of below two units				Z 18	One Unit	\$278	\$278	
Z 1-3	Part of below two units				Z 19	Two Units	\$278	\$556	
Z 1-4	Part of below two units				Z 20	One Unit	\$278	\$278	
Z 1-5	Two Units	\$278	\$556		Z 21	One Unit	\$278	\$278	
Z 2	One Unit	\$278	\$278		Z 22	Two Units	\$278	\$556	
Z 3	One Unit	\$278	\$278		Z 23	One Unit	\$278	\$278	
Z 4	One Unit	\$278	\$278		Z 24	One Unit	\$278	\$278	
Z 5	One Unit	\$278	\$278		Z 25	One Unit	\$278	\$278	
Z 6	One Unit	\$278	\$278		Z 26	One Unit	\$278	\$278	
Z 7	One Unit	\$278	\$278		Z 27	One Unit	\$278	\$278	
Z 8	One Unit	\$278	\$278		Z 28	Two Units	\$278	\$556	
Z 9	One Unit	\$278	\$278		Z 29	One Unit	\$278	\$278	
Z 10	Two Units	\$278	\$556		Z 30-1	Part of below two units			
Z 11	One Unit	\$278	\$278		Z 30-2	Part of below two units			
Z 12	One Unit	\$278	\$278		Z 30-3	Part of below two units			
Z 13	One Unit	\$278	\$278		Z 30-4	Part of below two units			
Z 14	One Unit	\$278	\$278		Z 30-5	Part of below two units			
Z 15	One Unit	\$278	\$278		Z 30-6	Part of below two units			
Z 16	One Unit	\$278	\$278		Z 30-7	Part of below two units			
					Z 30-8	Two Units	\$278	\$556	
					Total		\$10,008		

SAV-ON UNIT ID.Rmeenes

10/14/2005



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

Item No. 7

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

LEG 491 (PC 50121)

April 27, 2006

Subject:

MTS: INCREASED AUTHORIZATION FOR LEGAL SERVICES

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to enter into a contract amendment (MTS Doc. No. G0934.3-04, Attachment A) with R. Martin Bohl of the Law Offices of R. Martin Bohl, for legal services related to joint development projects, in substantially the same form as attached.

Budget Impact

Not to exceed \$100,000. *Outside counsel fees for joint development projects are paid with deposits from individual developers.*

DISCUSSION:

On December 13, 2001, the Board approved a list of qualified attorneys for general legal services and workers' compensation for use by MTS, San Diego Trolley, Inc. (SDTI), and San Diego Transit Corporation (SDTC) staff on an as-needed basis. MTS thereafter contracted with 26 local attorneys at an average of \$25,000 per initial contract.

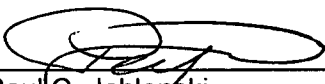
Pursuant to Board Policy No. 13 (Procurement of Services), the CEO may enter into contracts with service providers for up to \$100,000. The Board must approve all agreements in excess of \$100,000. Some attorneys have multiple cases that are or have proceeded to trial, and the total cost of their legal services will exceed the \$100,000 CEO authority.



Metropolitan Transit System (MTS) is comprised of the Metropolitan Transit Development Board (MTDB) a California public agency, San Diego Transit Corp., and San Diego Trolley, Inc., in cooperation with Chula Vista Transit and National City Transit. MTS is Taxicab Administrator for eight cities. MTDB is owner of the San Diego and Arizona Eastern Railway Company. MTDB Member Agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

Marty Bohl is currently under contract with the agencies for \$150,000. Mr. Bohl has been providing advice and counsel on the Morena Vista Project and is currently involved in negotiations for the Grossmont Trolley Station Joint Development Project. His fees are covered by deposits that MTS receives from the developers. There are nominal costs incurred to the Office of General Counsel's budget for outside legal services. Invoices for current services recently received exceed current contract authority due to the complexity of the negotiations on the Grossmont Project.

At its September 22, 2005, meeting the Board approved a \$50,000 contract amendment and ratified the previous \$100,000 approved by the CEO. These additional services are necessary to complete the Grossmont Project negotiations.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tiffany Lorenzen, 619.557.4512, tiffany.lorenzen@sdmts.com

APRIL27-06.7.BOHLEGAL SVCS.TLOREN

Attachment: A. Draft MTS Doc. No. G0934.3-04



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

DRAFT

Att. A, AI 7, 4/27/06, LEG 491

April 27, 2006

MTS Doc. No. G0934.3-04
LEG 491 (PC 50121)

Mr. R. Martin Bohl
Law Offices of R. Martin Bohl
501 West Broadway, 15th Floor
San Diego, CA 92101

Dear Mr. Bohl:

Subject: AMENDMENT NO. 3 TO MTS DOCUMENT NO. G0934.0-04; CONTRACT FOR LEGAL SERVICES FOR JOINT DEVELOPMENT PROJECTS

This shall serve as our agreement for professional services as further described below.

SCOPE OF SERVICES

Continue to provide joint development project legal services and advice to the Metropolitan Transit System (MTS), San Diego Trolley, Inc., and San Diego Transit Corporation, on an as-needed basis in the area of project development, at a base hourly rate of \$300.00 for services rendered.

SCHEDULE

All work shall be completed by December 31, 2006.

PAYMENT

Payment shall be based on actual costs, not to exceed \$100,000 without prior written approval from MTS. The total value of this contract, including this amendment, shall not exceed \$250,000.

All previous conditions remain in effect. If you agree with the above, please sign and return the copy marked "original" to Traci Bergthold, Contracts Specialist, at MTS. The remaining copy is for your records.

Sincerely,

Agreed:

Paul C. Jablonski
Chief Executive Officer

R. Martin Bohl
Law Offices of R. Martin Bohl

APRIL27-06.7-ATTA.G0934.3-04
BOHLLLEGALSVCS.TLOREN

Date: _____

A-1



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

Item No. 8

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

OPS 960.6

April 27, 2006

Subject:

SDTC: CONTRACT AWARD FOR BRAKE AND PLANETARY KITS

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute a one-year contract (SDTC Doc. No. B05-007, Attachment A) with Truck Trailer Transit, Inc. for brake and planetary kits. The total cost of this procurement, including California sales tax, shall not exceed \$61,268.69.

Budget Impact

The funding for this contract is allocated under the MTS Bus maintenance budget, which uses 80% federal funds and 20% local funds.

DISCUSSION:

All of the brake and planetary kits specified in Invitation for Bids No. B05-007 are used by the MTS Bus Maintenance Department to make brake and/or axle repairs and are inventoried at both operating divisions. Each of the kits specified in the solicitation are composed of those parts that must be replaced when the related maintenance procedure performed. The specification required the bid prices to be fixed for the entire one-year period of the contract. The Maintenance Department's estimated annual usage was used as the multiplier to evaluate and award the contract but their actual usage may be more or less than estimated.



Metropolitan Transit System (MTS) is comprised of the Metropolitan Transit Development Board (MTDB) a California public agency, San Diego Transit Corp., and San Diego Trolley, Inc., in cooperation with Chula Vista Transit and National City Transit. MTS is Taxicab Administrator for eight cities. MTDB is owner of the San Diego and Arizona Eastern Railway Company. MTDB Member Agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

San Diego Transit Corporation (SDTC) solicited bids for brake and planetary kits for a one-year period. Three bids were received on February 28, 2006, (Attachment B) of which none were local business enterprises. Truck Trailer Transit, Inc. submitted the lowest responsive and responsible bid. Therefore, staff is recommending award of a Standard Procurement Agreement to Truck Trailer Transit, Inc. for brake and planetary kits.

The scope of work for this solicitation was reviewed for disadvantaged business enterprise (DBE) recommendations and outreach by our DBE consultant, Gonzalez-White Consulting Services. It was recommended that no DBE goal be set for this contract.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Claire Spielberg, 619.238.0100, Ext. 6400, claire.spielberg@sdmts.com

APRIL27-06.8.BRAKEPLANETARYKITS.MCERAGIOLI

Attachments: A. Draft Standard Procurement Agreement No. B05-007
B. Bid Summary

DRAFT

Att. A, AI 8, 4/2706, OPS 960.6

100 16th Street
P.O. Box 122511
San Diego, CA 92112-2511
(619) 238-0100
FAX (619) 696-8159

STANDARD PROCUREMENT AGREEMENT

B05-007
CONTRACT NUMBER
311/32254510
FILE/PO NUMBER(S)

THIS AGREEMENT is entered into this _____ day of April 2006, in the state of California by and between the San Diego Transit Corporation (SDTC), and the following contractor, hereinafter referred to as "Contractor":

Name: Truck Trailer Transit, Inc. Address: 1601 Theodore
Form of Business: Corporation Detroit, MI 48211
(Corporation, partnership, sole proprietor, etc.) Telephone: 800.631.1144

Authorized person to sign contracts: R. D. Lawrence President
Name Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to SDTC services and materials, as follows:

Provide brake and planetary kits to SDTC's two divisions located at 100 16th Street and 4630 Ruffner Street as stipulated in SDTC's Invitation for Bids (IFB) No. B05-007; and in accordance with the Standard Procurement Agreement, including the Standard Conditions Procurement, Federal Requirements, San Diego Transit Corporation's Safety Program, and Truck Trailer Transit, Inc.'s Bid Proposal in response to IFB No. B05-007. If there are inconsistencies between the IFB, Standard Procurement Agreement, and/or the Standard Conditions Procurement, the following order of precedence will govern the interpretation of this contract:

1. SDTC's IFB No. B05-007, Truck Trailer Transit, Inc.'s Bid Proposal, and SDTC's Standard Operating Procedures.
2. Standard Procurement Agreement, including the Standard Conditions Procurement and Federal Requirements.

This contract shall remain in effect for a one-year period exercisable at SDTC's discretion. Total expenditures of this contract shall not exceed \$61,268.69. In addition, attached is SDTC's Standard Operating Procedures for Contractor's Safety and Health Requirements (SAF016-03). To comply, please sign the attached form.

SAN DIEGO TRANSIT CORPORATION (SDTC)	CONTRACTOR AUTHORIZATION
By: _____ Paul C. Jablonski, Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Print Name: _____
	Title: _____
AMOUNT ENCUMBERED	BUDGET ITEM
\$61,268.69	311/32254510
	FISCAL YEAR
	FY 07

By: Cliff Telfer, Interim Chief Financial Officer Date _____

(Continued on _____ sheets, each bearing contract number)

100 16th Street
P.O. Box 122511
San Diego, CA 92112-2511
(619) 238-0100
FAX (619) 696-8159

Att. B, AI 8, 4/27/06, OPS 960.6

BID SUMMARY

SDTC IFB NO. B05-007

BRAKE AND PLANETARY KITS

TOTALS [ONE YEAR]	
COMPANY NAME	BID AMOUNT
Truck Trailer Transit, Inc. 1601 Theodore Detroit, MI 48211	\$ 61,268.69
New Flyer Industries, Ltd. 25 De Baets Street Winnipeg, Manitoba R2J 4G5 CANADA	\$ 83,178.10
Mohawk Mfg. & Supply 7200 N. Oak Park Ave. Niles, IL 60714	\$ 92,632.68



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466, FAX: 619.234.3407

Agenda

Item No. 9

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

CIP 10426.12

**Draft for
Executive Committee
Review Date: 4/20/06**

April 27, 2006

Subject:

MTS: BUDGET TRANSFER AND CONSTRUCTION MANAGEMENT CONTRACT
AMENDMENT FOR MISSION VALLEY EAST

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to:

1. transfer \$250,000 into the Construction Management (CM) line item (WBS #10426-0700) to fund Contract Amendment No. 40 with Washington Group International (WGI) to extend CM services on the Mission Valley East (MVE) Light Rail Transit (LRT) Project (see Attachment A, Budget Transfer History).
2. execute Contract Amendment No. 40 (MTS Doc. No. L6343.40-01) with WGI in substantially the same form as shown in Attachment B, in an amount not to exceed \$248,067 for CM services on the MVE LRT Project, including extension of the CM services through August 31, 2006.

Budget Impact

The \$248,067 for Contract Amendment No. 40 (Attachment B) with WGI would come from the CM line item (WBS #10426-0700), leaving a balance of \$198,169.

DISCUSSION:

Budget Transfer

Included in this Board action is an amendment to the CM contract with WGI to provide additional support for contractor claims against MTS. To fund this action, an additional

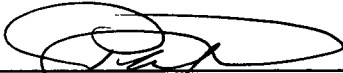


Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company. MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

\$250,000 would need to be added to the Construction Management item from the Project Reserve line item leaving a balance of \$3,152,250.

Contract Amendment

Amendment No. 40 would direct WGI to assist in the defense of Balfour Beatty/Ortiz Enterprises, Inc.-JV's (BB/O's) claim against MTS (under Contract No. LRT-426.4) for the La Mesa Segment of the Mission Valley East LRT Project.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Ramon A. Ruelas, 619.699.6944, rrue@sandag.org

APRIL27-06.9.MVEBUDGET.RRUELAS

Attachments: A. Budget Transfer History
B. Contract Amendment No. 40 **(Board Only)**

MISSION VALLEY EAST BUDGET TRANSFER HISTORY

			Budget Transfers						Cumulative Changes	Current Approved Budget
Board Approval Date> Board Item Number>			37	38	39	40	42	43		
WBS	Capital Line Items	@ FFGA	12/09/2004 #37	04/28/2005 #31	09/08/2005 #12	01/26/2006 #6	02/23/2006 #6	04/27/2006		
0100	Admin	14,900,000	2,000,000		500,000				2,500,000	17,400,000
0599SDSU	SDSU Utility Betterments								1,500,000	1,500,000
0610	Design Tunnel	8,800,000		40,000					8,440,350	15,240,350
0618	Design Line Segment	14,500,000		210,000					13,160,000	27,660,000
0700	Construction Management	21,300,000		1,800,000	600,000		300,000	250,000	26,750,000	48,050,000
0800	Prof. Services	2,400,000					800,000		1,800,000	4,200,000
0900	Right of Way	31,200,000			250,000				1,950,000	33,150,000
1010	SDSU Construction*	86,500,000	1,000,000						25,929,200	112,429,200
1099	SDSU Mitigation	-							12,189,000	12,189,000
1018	Const. Line Segment	179,400,000							(179,400,000)	-
109918GR	Const. Grantville		1,000,000		(400,000)				73,329,200	73,329,200
109918LM	Const. La Mesa								63,600,000	63,600,000
109918TR	Const. Track & Sys.				500,000				47,000,000	47,000,000
109910SR	SDSU Steam Line Repair								1,960,102	1,960,102
1300	Vehicles	30,000,000							7,850,000	37,850,000
1400	Fare Collection	1,100,000		(100,000)		(90,000)			(1,090,000)	10,000
1500	Communications	1,100,000		(300,000)		90,000			(810,000)	290,000
1900	Start up	2,400,000							-	2,400,000
3800	Contingency	31,400,000							(29,689,350)	-
4000	Contaminated soils	1,000,000		(250,000)					50,000	1,050,000
Totals**		424,000,000							77,018,502	499,307,852
										495,847,750
										3,460,102
										3,152,250
4500	Project Reserve	0	6,000,000	(1,400,000)	(1,450,000)		(1,100,000)	(250,000)		6,859,279
20426	Planning	6,859,279								505,859,279

Approved Capital Budget
MTS Funded Budget
SDSU Betterments &
Insurance Claim
Available Reserves
Total Project Bdgt w
planning & reser w/o SDSU
betterments & steam repair

* - Includes \$4,000,000 in SDSU Utility Relocations
**- excludes 7,000,000 in planning budget

Att. A, AI 9, 4/27/06, CIP 426.12

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466, FAX: 619.234.3407

Agenda

Item No. 30

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

LEG 460 (PC 50787)

April 27, 2006

Subject:

MTS: UPDATE ON THE STATUS OF THE GROSSMONT TROLLEY STATION JOINT
DEVELOPMENT PROJECT

RECOMMENDATION:

That the Board of Directors:

1. receive an update from General Counsel regarding the status of the Grossmont Trolley Station Joint Development Project;
2. authorize the Chief Executive Officer (CEO) to execute the Disposition and Development Agreement (DDA) and Ground Lease, in substantially the same format as attached (Attachments B and C), assuming an agreement can be reached with Fairfield Residential, LLC (Fairfield) on all remaining issues;
3. approve the appraisal report; and
4. authorize the CEO to execute and sign any other documents necessary to complete the transaction, including the lender's Estoppel Certificate and the Parcel Map.

Budget Impact

Revenue generation estimated at \$381,285 beginning in year 1 of the Ground Lease with total revenue projection over the 99-year lease term at \$635,278,000.

Capital Project Funds. Capital project funds in the amount of \$4.7 million are allocated for related station improvements, including \$2 million in San Diego Association of Governments (SANDAG) Smart Growth grant funds awarded to the City of La Mesa and



MTS, and \$540,000 in local Transportation Development Act (TDA) funds contributed by the City of La Mesa.

DISCUSSION:

The purpose of this item is to update the Board on the status of the negotiations regarding the Grossmont Trolley Station Joint Development Project. In July 2003, the MTS Board entered into an Exclusive Negotiating Agreement (ENA) with the City of La Mesa and Fairfield to create a mixed-use, transit-oriented development project. Fairfield is proposing to develop 527 apartments over the existing parking lot at the Grossmont Transit Center Station. Eighty of these units would be made affordable to low- and moderate-income families. The project will also provide 2,800 square feet of ground-floor commercial space. The bus stop and trolley station would be retained on site along with planned pedestrian enhancements. The apartments would be built over two levels of structured parking. Approximately six hundred exclusive parking spaces would be provided on the ground level of the parking structure oriented to the existing trolley station to replace the existing 600 surface parking spaces.

After several months of negotiations, MTS and Fairfield reached an agreement regarding the financial terms and conditions for the development of the Grossmont Transit Center Station and a long-term lease of the land thereafter. Those terms and conditions are memorialized into two documents—a DDA and a Ground Lease. The DDA and Ground Lease govern how the project will be designed and constructed and gives Fairfield a long-term lease for the project.

The economic terms include:

- Term of Ground Lease: 55-year lease term with one option to renew for 20 years and a second option to renew for 24 years. Total term of 99 years.
- Base Rent: \$85,333 year one; \$170,667 year 2; \$256,000 per year thereafter until year 30.
- Base Rent Commencement Date: Upon close of escrow.
- Overage Rent: 1.25 % of gross income commencing year 1 and completing in year 30.
- Appraisal Adjustment of Base Rent: Base rent is adjusted to 8% of the fair market value of the land based upon "mark-to-market" appraisal at the start of years 31, 56, and 76, capped at 6.5%, 8.0%, and 10% of gross income based upon appraisals at years 31, 56, and 81.
- Base Rent Escalation: Consumer Price Index adjustment every 5 years, limited to 15% commencing in year 31.

The following is a list of the issues which have been tentatively resolved between MTS and Fairfield and will be modified in the Lease (conditioned upon Board approval):

- Description of the project premises will be modified to clarify definitions of the parcels.
- Parking-space allocation for MTS and Fairfield has been resolved. MTS will have a total of 600 spaces inside the garage along with street parking parallel to the existing station. Americans with Disabilities Act parking has been provided in both locations. Nine spaces inside of the garages will be leased back to Fairfield at a rate of \$15 per space per month and escalated at a rate of 5 percent every 5 years over the 99-year lease term. These spaces will be used for Fairfield's two leasing offices.
- Changes will be made to accommodate some issues raised by the City of La Mesa.
- Minor construction work outside the garage will be performed by the San Diego Association of Governments (SANDAG) if there are sufficient funds in the capital improvement program; otherwise, Fairfield will finish this work.
- Section 110(2) will be modified to clarify liability issues prior to the execution of the Ground Lease.
- The outside date of the initial 55-year term of the lease will be changed to June 30, 2066, instead of June 30, 2065, to coincide with the Affordable Housing Agreement.
- Sections in the Ground Lease pertaining to bus-relocation costs were modified to reflect the correct weekly charge for those services.
- Sections pertaining to Fairfield's work at the Amaya Drive Station were clarified to indicate that Fairfield will provide some initial reinforcement work to prevent the relocated buses from tearing up the asphalt at that station.
- Temporary parking spaces during construction was reduced from 265 to 235, with the condition that if San Diego Trolley, Inc. (SDTI) finds that it needs those additional 30 spaces, the construction fence for the lay-down yard will be moved back to return those spaces for SDTI's use.
- Section 402(3) was clarified such that the interim access to the site during construction matches that access depicted on the plans.
- Construction Schedule – As discussed with the Executive Committee, Fairfield will be obligated to construct both parking structures within 39 months of the close of escrow and complete the entire project within 54 months. Failure to meet those time deadlines will result in Fairfield being in default under the Ground Lease.
- In the event that Fairfield is unable to complete the project due to a prevailing wage lawsuit, MTS will retain the right to approve Fairfield's work in

reconstructing the existing parcels such that both parking lots are returned to their original condition.

- Sections pertaining to Fairfield's obligation to pull building permits were modified to require Fairfield to pull the grading, sewer, and both garage permits within ten days of the close of escrow, buildings 1, 2, and 3 within one year of the close of escrow, and buildings 4, 5, and 6 within 2 years of the close of escrow. Failure to pull permits on this time frame will result in the imposition of liquidated damages in the amount of \$100,000 for buildings 1, 2, and 3, and \$200,000 for buildings 4, 5, and 6.
- Section 417 will be clarified to indicate that the parties will work together to coordinate the construction of MTS's capital project and Fairfield's residential project.

The parties are scheduled to meet on Friday, April 21, 2006, to work through the remaining issues involving the developer and the lender. General Counsel and outside counsel will provide a list of all other modifications made at the meeting.

An updated project checklist is attached (Attachment A) to this agenda item outlining the remaining tasks that need to be completed prior to the close of escrow.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tiffany Lorenzen, 619.557.4512, Tiffany.Lorenzen@sdmts.com

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Attachments:	A. Project Checklist	} Due to volume - Board Only
	B. Final Draft of the Disposition and Development Agreement	
	C. Final Draft of the Ground Lease	
	D. Appraisal Report	

Grossmont Trolley Station Transit-Oriented Development Project

Tasks Remaining Checklist

Area	Task	Remaining Action	Responsible Party	Due date	Task Completed
Plans/Drawings	Residential Construction Plan Review by SANDAG	Waiting for final submittal by Fairfield	Frank/Tim	ASAP	✓
		Frank to review submitted plans and provide comments to Fairfield	Frank/Tim	4/30/06	
	Finalize Capital Improvement Plans	Fairfield to submit 95% complete Plans	Dave	4/30/06	Not a condition of escrow
	Approval Capital Project Plans	Review and approve	Frank/Tim	5/15/06	Not a condition of escrow
	Finalize CIP Expenditure plan	Formulate expenditure plan for \$4.7 million	Paul	5/15/06	Not a condition of escrow
Environmental	Prepare NEPA docs for capital improvements	FTA review complete, Caltrans approval pending	Frank		✓
	Obtain NEPA approval	Caltrans to authorize clearance	Caltrans		✓
	Obtain 404 permit for storm drain work	Approval pending	Frank		Not a condition of escrow
Insurance	Submit proposed insurance certificates	Fairfield to provide certificates		4/15/06	
Entitlements	Building Permits	Waiting to issue	City	1 and 2 years after Close of Escrow	
	Sewer Relocation Permit	Waiting to issue	City	10 days after Close of Escrow	
	Grading Permit	Waiting to issue	City	10 days after Close of Escrow	
	Encroachment Permit for off-site public	Waiting to issue	City	Close of Escrow	

	improvements				
	Subdivision Improvement Agreement	Waiting to issue	City	Close of Escrow	
	Final Parcel Map	Approve map	Board	4/27/06	
		MTS statement as owner and signature on map	Paul	Close of Escrow	
		MTS process grants of easements for entitlements not granted by final map	Tim	5/3/06	
		Resolution approving Parcel Map	City	Close of Escrow	
Related Documents	Letter Agreement re: drainage improvements	City to draft letter	Dave Witt	2/10/06	✓
	Purchase and Sale Agreement	MTS to respond to latest draft	Marty Bohl	3/23/06	
	Accept drainage easements	Obtain easement from AAA	City	Close of Escrow	
	Clarify maintenance of box culvert	Easement to City of La Mesa	Tim	5/15/06	
	Finalize construction plan agreement b/t SANDAG & Fairfield	Submit agreement for Fairfield review	Julie	2/17/06	✓
		Fairfield to respond to Agreement	Marcia	3/24/06	✓
		Fairfield and SANDG to finalize Agreement	Marcia/Julie	5/1/06	
	Prepare new License Agreement w/CCRT	Draft new agreement, submit to CCRT for review	Tiffany	2/17/06	✓
		Finalize Amended License	Tiffany	3/27/06	✓
	Obtain ROE from City for construction of drainage improvements	City to draft ROE			Not a condition of Escrow
	Issue ROE to Fairfield for offsite utility work and bus relocation work	Finalize ROE and execute	Tim	5/1/06	Waiting to issue
	Issue ROE to SDGE for gas relocation	Finalize ROE and execute	Tim	5/1/06	
	Fairfield to submit bus	MTS to approve plan	Dave/Tim		✓

	relocation plan				
Financing	Fairfield to submit Evidence of Financing	Submit certified financial statements covering last 2 years	Marcia	4/25/06	
		Submit Loan Term Sheet, Construction loan commitments, evidence of equity capital	Marcia	4/25/06	
		Submit contract between Fairfield and General Contractor	Marcia	4/25/06	
		Submit Assignment of Construction Contract for review/ approval, evidence of land use approvals, evidence of necessary easements and sub-leases.	Marcia/David	4/30/06	
	Approve Assignment of Construction Contract for review/ approval, evidence of land use approvals, evidence of necessary easements	MTS approves documents	Marty	5/5/06	
	MTS to approve Guaranteed Maximum Price (GMP)	MTS to approve GMP	Marty	3/15/06	
Closing Documents	Finalize DDA	Prepared final draft	Marty	3/17/06	✓
	Approve DDA	Approve final draft	Marcia	3/21/06	✓
	Finalize Ground Lease	Prepare final draft	Marty	3/22/06	✓
	Approve Ground Lease	Approve final draft	Marcia	3/24/06	✓
	Transmit DDA and Ground Lease to CalSTERS		Marcia	3/10/06	✓
	MTS reviews CalSTERS comments to Ground Lease & Estoppel Cert.	Submit comments to MTS	Marcia	3/17/06	✓
	Transmit DDA and Ground Lease to Construction Lenders	Submit final drafts for approval	Marcia	3/25/06	✓
	MTS reviews comments by Construction Lenders	Review and approve comments	Marty/Tiffany	3/30/06	✓

	Estoppel Certificate	MTS responds to form of Estoppel Certificate	Marty	4/3/06	✓
		Lender to respond to MTS comments	JP Morgan Chase and Mass Mutual	4/21/06	
	Loan Documents	Submit loan docs to MTS	Marcia	4/25/06	
		MTDB to review/approve loan docs	Marty/Tiffany	4/30/06	
	Grant easements by SDAE	Finalize easements and record documents	Tim	5/1/06	
	Terminate ancillary parking agreement	Terminate Sharp Hospital parking agreement	Tim	3/6//06	✓
	Finalize Closing checklist	Submit to MTS for review/approval	Marcia	3/10/06	
		MTDB to review/provide comments re checklist	Marty/Tiffany	3/15/06	
	Memorandum of Lease	Fairfield to provide to MTS	Marcia		
Title	Conduct Appraisal	Fairfield to propose instructions and certified appraiser	Wes	2/10/06	✓
		MTS to approve instructions and appraiser	Tim	2/15/06	✓
	MTS reviews and approves appraisal	Submit complete appraisal	Wes	4/30/06	✓
Schedule of Performance	Submit Schedule of performance	Fairfield to provide final schedule	Dave	3/17/06	✓
		MTS to review/revise updated schedule and attach to Ground Lease	Marty/Tim/Tiffany	3/22/06	✓
Escrow	Open Escrow	Select final date and open escrow	Marcia	4/14/06	
	Close Escrow	Close Escrow upon completion of escrow checklist	Marcia	5/15/06	

Final Draft

DISPOSITION AND DEVELOPMENT AGREEMENT

by and between

METROPOLITAN TRANSIT DEVELOPMENT BOARD

"Board"

and

FAIRFIELD GROSSMONT TROLLEY LLC

"Developer"

TABLE OF CONTENTS

	Page
I. [§ 100] SUBJECT OF AGREEMENT	2
A. [§ 101] Purpose of the Agreement	2
B. [§ 102] The Site	2
C. [§ 103] The Project	2
D. [§ 104] Parties to the Agreement	3
1. [§ 105] The Board	3
2. [§ 106] The Developer	4
E. [§ 107] Prohibition Against Change in Ownership and Control of Developer	4
F. [§ 108] Schedule of Performance	5
II. [§ 200] SITE DISPOSITION	5
A. [§ 201] Lease of Site	5
B. [§ 202] Condition of the Site	6
C. [§ 203] Delivery of Completed Documents	8
D. [§ 204] Closing	9
E. [§ 205] Conditions to Closing	9
F. [§ 206] Escrow and Escrow Instructions	12
G. [§ 207] Deposit of Monies and Recordation of Documents	14
H. [§ 208] Title Insurance	15
I. [§ 209] Taxes and Assessments	15
J. [§ 210] Occupants of the Site	15
K. [§ 211] Required Land Use Approvals	15
L. [§ 212] Submission of Evidence of Financing and Project Commitments	16
III. [§ 300] DEVELOPMENT OF SITE	18
A. [§ 301] Development of Site	18
1. [§ 302] Scope of Development	18
2. [§ 303] No Approved Drawings	18
3. [§ 304] Construction Plans, Drawings and Related Documents	18
4. [§ 305] Board Approval of Plans, Drawings and Related Documents	19
5. [§ 306] Cost of Construction	20
6. [§ 307] Indemnification	20
7. [§ 308] Local, State, and Federal Laws	20
8. [§ 309] City and Other Governmental Board Permits	20
9. [§ 310] Taxes, Assessments, Encumbrances and Liens	20
B. [§ 311] Sale of Developer's Interest in the Project	21
IV. [§ 400] USE OF THE BOARD LAND	21
A. [§ 401] Inspection of the Board Land	21
B. [§ 402] Hazardous Substances	22
C. [§ 403] Obligation to Refrain from Discrimination	23

D.	[§ 404]	Effect and Duration of Covenants	24
E.	[§ 405]	Effect of Violation of the Terms and Provisions of this Agreement	24
V.	[§ 500]	DEFAULTS, REMEDIES AND TERMINATION	24
A.	[§ 501]	Defaults – General; Notice	24
B.	[§ 502]	Legal Actions	25
1.	[§ 503]	Institution of Legal Actions	25
2.	[§ 504]	Applicable Law	25
3.	[§ 505]	Acceptance of Service of Process	25
C.	[§ 506]	Rights and Remedies are Cumulative	25
D.	[§ 507]	Damages; Specific Performance	25
E.	[§ 508]	Remedies and Rights of Termination	26
1.	[§ 509]	Termination by Developer	26
2.	[§ 510]	Termination by Board	26
3.	[§ 511]	Effect of Termination	27
VI.	[§ 600]	GENERAL PROVISIONS	27
A.	[§ 601]	Notices, Demands, and Communications Between the Parties	27
B.	[§ 602]	Conflicts of Interest	29
C.	[§ 603]	Warranty Against Payment of Consideration for Agreement	29
D.	[§ 604]	Nonliability of Board Officials and Employees	29
E.	[§ 605]	Enforced Delay; Extension of Time of Performance	29
F.	[§ 606]	Inspection of Books and Records	29
G.	[§ 607]	Approvals	29
H.	[§ 608]	Severability	30
I.	[§ 609]	Gender, Number	30
J.	[§ 610]	Business Days	30
K.	[§ 611]	Captions	30
L.	[§ 612]	Entire Agreement	30
M.	[§ 613]	Recitals; Exhibits	30
N.	[§ 614]	Authority of Signatories	30
O.	[§ 615]	Modifications	31
P.	[§ 616]	Attorneys' Fees and Legal Expenses	31
Q.	[§ 617]	Preparation of Agreement	31
R.	[§ 618]	Counterparts	31
S.	[§ 619]	Certificates	31
T.	[§ 620]	Successors and Assigns	31
U.	[§ 621]	Joint and Several Liability	32
V.	[§ 622]	No Third Party Beneficiaries	32
VII.	[§ 700]	TIME FOR ACCEPTANCE OF AGREEMENT BY BOARD	33

EXHIBITS

- A Legal Description of Board Land
- B Legal Description of City Land
- C Site Map
- D Ground Lease
- E Scope of Development
- F Site Plan
- G Schedule of Performance
- H Fundamental Business Terms
- I List of Designated Plans
- J Required Land Use Approvals

DISPOSITION AND DEVELOPMENT AGREEMENT

THIS DISPOSITION AND DEVELOPMENT AGREEMENT ("**Agreement**"), dated for reference purposes only as of _____, 2006, is entered into by and between the **METROPOLITAN TRANSIT DEVELOPMENT BOARD**, a California public agency also known as the Metropolitan Transit System (the "**Board**"), and **FAIRFIELD GROSSMONT TROLLEY LLC**, a Delaware limited liability company ("**Developer**"), with reference to the following facts:

A. Board is the owner of approximately 7.5 acres of real property in the City of La Mesa, County of San Diego, State of California, legally described on **Exhibit "A"** attached hereto (the "**Board Land**").

B. The City of La Mesa (the "**City**"), is the owner of a approximately one (1) acre of real property in the City of La Mesa, County of San Diego, State of California, immediately adjacent to the Board Land legally described on **Exhibit "B"** attached hereto ("**City Land**"). The Board is in negotiations with the City to acquire the City Land.

C. The Board Land and the City Land are located in the Fletcher Parkway Redevelopment Project Area under the jurisdiction of the La Mesa Community Redevelopment Agency ("**Agency**").

D. Board operates the Grossmont Trolley Station on land adjacent to the Board Land, as illustrated and designated on the "**Site Map**" which is attached to this Agreement as **Exhibit "C"** (the "**Trolley Station**").

E. Board, Developer and Agency previously entered into an Exclusive Negotiating Agreement for the Grossmont Station Transit-Oriented Development Project dated July 24, 2003, as extended by letter agreement dated January 15, 2004 as amended (the "**ENA**"). This Agreement is the "Board/Developer DDA" that is contemplated in Section 4.5 of the ENA. The term of the ENA was extended but has expired.

F. Developer and Agency are parties to an Affordable Housing Agreement dated September 27, 2005 (the "**Affordable Housing Agreement**"), entered into to provide the terms and conditions on which Agency will provide certain set aside housing funds to Developer and Developer will provide certain affordable units within the Project (as defined in **Section 103** below). Developer plans to seek an amendment of the Affordable Housing Agreement to address certain concerns of the Board and the Developer's lenders. The Board shall have the right to review and approve the amendment.

G. Developer has obtained City and Agency approval of certain entitlements for the development of the Project as described in **Section 211** below. One of the approvals obtained by Developer is Tentative Parcel Map TPM-04-03 which was approved by the City Council for the City in its Resolution No. 2005-108 adopted at its meeting on September 27, 2005 (the "**Tentative Parcel Map**") that would divide the Board Land and the City Land into four parcels, as shown on the Site

Map. Parcels 1 and 2 would be the site for the development of the Project, and Parcels 3 and 4 would include, among other things, an access easement for access to the Project and other properties.

NOW, THEREFORE, the Board and the Developer covenant and agree as follows:

I. **[§ 100] SUBJECT OF AGREEMENT.**

A. **[§ 101] Purpose of the Agreement.**

The purpose of this Agreement is to provide for the development of the Project on the Site (as defined in **Section 102** below) by the Developer and to provide the terms and conditions for the lease of the Site by the Board to the Developer.

The lease and development of the Site pursuant to this Agreement, and the fulfillment generally of this Agreement, are in accord with the public purposes and provisions of applicable federal, state, and local laws and requirements. The Board has taken all actions required by applicable laws to enter into this Agreement.

B. **[§ 102] The Site.**

The "Site" shall mean Parcels 1 and 2 as shown on the Tentative Parcel Map.

A public road known as "Grossmont Centre Drive" crosses the Site. That portion of the Site located east of Grossmont Centre Drive is sometimes referred to herein as the "East Parcel" and that portion of the Site located west of Grossmont Centre Drive is sometimes referred to herein as the "West Parcel." The East Parcel and West Parcel are sometimes individually referred to as a "Parcel" and collectively as the "Parcels."

C. **[§ 103] The Project.**

The "**Project**" shall consist of the design, development and construction by Developer of a transit-oriented, moderate density, mixed-use project on the Site consisting of:

1. Residential components consisting of approximately five hundred twenty-seven (527) "for-rent" apartment units in three or four-level residential buildings over two (2) levels of structured parking (the "**Residential Area**"). Pursuant to the Affordable Housing Agreement, eighty (80) of those apartment units shall be restricted for use as low and moderate income rental units.

2. Approximately 2,800 square feet of ground floor retail space facing the Grossmont Trolley Station on the East Parcel (the "**Retail Area**").

3. Parking facilities consisting of approximately one thousand three hundred eighty-two (1,382) parking spaces on-site in two (2) levels of structured parking on each Parcel, of which:

(a) the upper parking levels on both Parcels, comprising approximately six hundred ninety-eight (698) parking spaces, will be exclusively used for the parking of the residents of the residential units constructed over that parking structure;

(b) approximately ninety-three (93) parking spaces on the lower parking level of the West Parcel shall be provided as parking for customers of the Retail Area and residents of the Project; and

(c) a minimum of five hundred ninety-one (591) parking spaces on the lower parking level of the Parcels in an appropriate mix of disabled and standard size spaces as shown on the Designated Plans (defined below) approved by the Board (the "**Trolley Parking Facilities**") shall be provided on site for the exclusive use of Board, for its bus and trolley park-and-ride patrons of the Grossmont Station and such other users and purposes as are described in the form of "**Ground Lease**" attached hereto as **Exhibit "D"**;

and eight (8) parking spaces to be constructed by Developer on Parcel 3 and Parcel 4 on the Tentative Parcel Map in locations and to specifications approved by the Board for the exclusive use of Board, for its bus and trolley park-and-ride patrons of the Grossmont Station (collectively, the "**Parking Facilities**").

4. All demolition, site preparation, and all other on-site and off-site improvements which are required for the construction and operation of the Project.

The Project is more particularly described in the "**Scope of Development**" which is attached to this Agreement as **Exhibit "E"**. A "**Site Plan**" for the Project is attached as **Exhibit "F"**. The term "Designated Plans" shall mean all final plans and specifications for the Project that are listed in **Exhibit "I"** attached hereto. The Trolley Parking Facilities are shown on those Designated Plans that are marked with an asterisk on the list of Designated Plans. Developer shall design, develop and construct the Project at its sole cost and expense.

D. **[§ 104] Parties to the Agreement.**

1. **[§ 105] The Board.**

The "**Board**" is a California public agency organized and existing under the laws of the State of California. The principal office of the Board is located at 1255 Imperial Avenue, Suite 1000, San Diego, California 92101-7490.

"Board" as used in this Agreement includes the Board and any assignee of or successor to its rights, powers and responsibilities.

2. **[§ 106] The Developer.**

The "**Developer**" is Fairfield Grossmont Trolley LLC, a Delaware limited liability company. The sole member of Developer is Fairfield California Housing Fund LLC, a Delaware limited liability company ("**Fund**"). The manager of Developer and the member/manager of Fund is FF California Housing Fund LLC, a Delaware limited liability company ("**Manager**"). FF Properties, Inc., a Delaware corporation ("**FF Properties**") is the manager of Manager. The principal office of the Developer is 5510 Morehouse Drive, Suite 200, San Diego, California 92121.

Wherever the term "Developer" is used herein, such term shall include any permitted assignee or successor in interest as herein provided.

E. **[§ 107] Prohibition Against Change in Ownership and Control of Developer.**

1. The Developer represents and agrees that its lease of the Site, and its other undertakings pursuant to this Agreement, are and shall be used for the purpose of timely redevelopment of the Site and not for speculation in landholding. The Developer further recognizes that, in view of:

(a) The importance of the redevelopment of the Site to the general welfare of the community; and

(b) The fact that a change in ownership or control of the Developer, or of a substantial part thereof, or any other act or transaction involving or resulting in a significant change in ownership or with respect to the identity of the parties in control of the Developer or the degree thereof, is for practical purposes a transfer or disposition of the Site; and

(c) The fact that the Site is not to be leased (except in connection with the rental of the Residential Area and the Retail Area) or used for speculation, but only used for development and operation by the Developer in accordance with this Agreement; and

(d) The importance to the Board and the community of the standards for the development and the use, operation and maintenance of the Site and the subsequent rental of the Residential Area and the Retail Area;

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

2. In light of the foregoing, and except as otherwise provided in this **Section 107**, the Developer, without the prior written approval of the Board, which approval may be given or withheld in the Board's sole discretion, shall not (i) assign or delegate all or any part of its rights and obligations under this Agreement; or (ii) effect any transaction which would result in any person or entity other than (a) Fairfield California Housing Fund LLC being the sole member of Developer, (b) FF California Housing Fund LLC being the manager of Developer and the member/manager of Fund, or (c) FF Properties, Inc. being the manager of Manager.

3. This Agreement may be terminated by the Board pursuant to **Section 510** if there is any voluntary or involuntary assignment or transfer described in Subsection 1(b) above (of this **Section 107**) prior to the Close of Escrow where the Board's approval is required but has not been obtained.

4. The Developer shall promptly notify the Board of any and all changes whatsoever in the identity or degree of direct and indirect ownership of Developer and its members, partners or shareholders, of which it or any of its members, partners or shareholders have been notified or otherwise have knowledge or information.

5. Absent an express signed written agreement between the parties to the contrary, no assignment of any of the rights or obligations of Developer under this Agreement shall result in a novation or in any other way release Developer from its obligations under this Agreement. No consent by the Board to any assignment by Developer shall constitute a consent to any other assignment or commit the Board to provide its consent to any future assignment.

F. **[§ 108] Schedule of Performance.**

Developer and Board shall each use commercially reasonable efforts to satisfy the conditions to Closing and shall each perform its obligations under this Agreement strictly in accordance with the "**Schedule of Performance**" attached hereto as **Exhibit "G"** and incorporated herein.

II. **[§ 200] SITE DISPOSITION.**

A. **[§ 201] Lease of Site.**

1. The Board shall use reasonable efforts to enter into an agreement with the City to acquire the City Land, on such terms and conditions as the Board in its sole discretion deems fair and reasonable (a "**City Land Purchase Agreement**"). The Board shall use reasonable efforts to acquire the City Land pursuant to a City Land Purchase Agreement at or before Close of Escrow (defined below).

2. The Board agrees to lease to Developer the Site together with a non-exclusive appurtenant easement for vehicular and pedestrian ingress and egress and for utilities over the area designated as the "Fire Lane and Access Easement" within Parcel 3 and Parcel 4 on the Parcel Map (the "**Access Easement Area**"). The Site and the non-exclusive right to use the Access Easement Area for ingress, egress and utilities are collectively referred to herein

as the "**Premises**". Developer agrees to lease the Premises from the Board, for development of the Project in accordance with and subject to all the terms, covenants and conditions of this Agreement and subject to the terms, covenants and conditions of the Ground Lease. The "**Fundamental Business Terms**" of the Ground Lease are attached hereto as **Exhibit "H"** and incorporated herein.

3. The Commencement Date of the Ground Lease shall be the date that escrow closes and the Memorandum of Lease for the Ground Lease in the form attached as Exhibit L to the Ground Lease ("**Memorandum of Lease**") is recorded ("**Close of Escrow**"), and the parties shall insert that date, or authorize the Escrow Holder to insert that date, into the Ground Lease. The date scheduled for Close of Escrow (the "**Closing Date**") shall be a date mutually agreed by the parties, but shall not in any event be later than _____, 2006 *[insert date 90 days after full execution by the parties]*.

4. The Board shall convey to the Developer and the Developer shall accept the leasehold interest in the Site in the condition provided in **Section 202** hereof.

B. **[§ 202] Condition of the Site.**

1. **Condition of Title.**

(a) **Existing Condition.** Prior to entering into this Agreement, Developer has reviewed the preliminary title report ("**PTR**") issued by North American Title Company ("**Title Company**") under Order No. 7002106-23 and dated as of December 28, 2005, together with copies of all available written instruments creating exceptions to the title shown thereon. All exceptions to title shown in the PTR shall be "**Permitted Title Exceptions**" except for the following title exceptions shown on Schedule B of the PTR: (i) Exception 7 (pipeline and access easement); the Title Company has agreed to delete this exception upon conveyance of the City Land to the Board; (ii) Exception 17 (the "**AAA Easement**"); (iii) Exceptions 19 and 20 (the "**CCRT License Agreement**"); (iv) Exception 21 (easement in favor of the Board); the Title Company has agreed to delete this exception upon conveyance of the City Land to the Board; and (v) Exception 22 (matters disclosed by inspection); the Title Company has agreed to delete this exception upon receipt and review of the ALTA Survey. Board agrees to reasonably cooperate and assist Developer in its investigations of the title exceptions and in the elimination of or modification to those title exceptions that interfere or may interfere with the development or use of the Project. The Board shall use reasonable efforts prior to the Closing Date to enter into amendments to the AAA Easement (the "**AAA Easement Amendment**") and the CCRT License Agreement (the "**CCRT License Agreement Amendment**") in forms reasonably acceptable to Developer. The AAA Easement Amendment and the CCRT License Agreement Amendment, if obtained by the Board in form reasonably acceptable to Developer, shall be Permitted Title Exceptions. Board's agreement to use reasonable efforts to enter into the AAA Easement Amendment and the CCRT License Agreement Amendment and to cooperate and assist Developer in resolving objectionable title exceptions shall not require Board

to pay any money or incur any increased obligations or liabilities to resolve such title matters.

(b) Future Easements. The parties shall cooperate reasonably regarding the grant of non-exclusive easements for utility and access purposes within portions of the Access Road as may be required by the City or public utility to extend utility service to the Project or the Trolley Station and such other future easements which might be necessary or desirable for the operation of the Project or the Trolley Station. Developer has requested that Board grant utility easements (a) to the City on the Final Map (defined in Section 202(3) below) and (b) to SDG&E, the City of San Diego and Helix Water District by separate instrument prior to recording of the Final Map (collectively the "**Proposed New Utility Easements**"). Board and Developer shall cooperate reasonably in the creation of the Proposed New Utility Easements; provided, however, that this obligation shall not require (i) the Board to incur any substantial costs, obligations, or potential liability or substantially limit present or future transit operations for Proposed New Utility Easements serving the Project; nor (ii) the Developer to incur any substantial costs, obligations or potential liability for Proposed New Utility Easements serving the Trolley Station.

2. Physical Condition. The Site and all improvements thereon shall be conveyed in an "as is" condition, with no warranty, express or implied by the Board as to the condition of the soil (or water), its geology, or the presence of known or unknown faults or as to the condition of the improvements. It shall be the sole responsibility of the Developer, at the Developer's expense, to investigate and determine the soil (and water) condition of the Site (including improvements) and the suitability of the Site (including improvements) for the development to be constructed by the Developer. If the soil (or water) condition of the Site (including improvements), or any part thereof, is not in all respects entirely suitable for the use or uses to which the Site and improvements will be put, then it is the sole responsibility and obligation of the Developer to take such action as may be necessary to place the Site and the soil (and water) condition thereof (including improvements) in all respects in a condition entirely suitable for the development of the Site.

3. Subdivision. Developer, at its sole expense, shall use its commercially reasonable efforts to process for approval by the City a final parcel map in substantially the form of _____ *[should we attach the map or incorporate it by reference?]* (the "**Final Map**"), including without limitation payment of all City fees and the posting of all required bonds. The parties shall cooperate reasonably to cause the Final Map to be executed by all necessary parties (including the Board), submitted to the City Counsel for approval, and filed in the Office of the County Recorder of San Diego County at least three (3) Business Days before the Closing Date.

4. Relocation of Bus Operations

(a) The Board has agreed, at Developer's request, to relocate all bus transit activities from the Trolley Station to the Amaya Station, a nearby location owned and operated by

the Board, in order to accommodate the Developer's construction of the Project on the Parcels. The temporary closure of the bus transit activities at the Trolley Station shall commence not later than thirty (30) days after Developer's written notice of intent to proceed (the "**Relocation Notice**"), and continue for a period ending on the date specified in a written notice delivered by Developer to the Board (the "**Relocation End Date**") which notice shall be delivered not later than sixty (60) days prior to the Relocation End Date identified in such notice.

(b) In consideration for such Closure, Developer shall pay to Board, in readily available funds, a fee of \$1,822.90 for each week of bus relocation (the weekly "**Relocation Fee**") to reimburse the Board for the costs incurred by the Board in connection with such relocation of the bus stop from the Trolley Station to the Amaya Station. Developer has requested that bus transit activities be relocated to the Amaya Station for a period of three (3) years. Therefore the estimated total cost for relocation is \$284,372.40. Developer shall deposit one-half of this estimated total cost for relocation (\$142,186.20) with the Board on or before the date identified for the commencement of bus transit relocation in the Relocation Notice.

(c) In addition, Developer acknowledges that the relocation of the bus transit activities to the Amaya Trolley Station will likely cause damage to the asphalt at the Amaya Trolley Station. Developer shall have the option, at its sole cost and expense, to install a concrete bus parking pad to reduce the damages. Developer shall, at its sole cost and expense, repair or replace any damaged asphalt at the Amaya Trolley Station within thirty (30) days of the Board's written request. All repair and replacement of damaged asphalt, and the installation of a concrete bus parking pad (should Developer elect to do so) shall be performed to the Board's standards and specifications. The Board estimates that the cost to install a concrete bus parking pad and/or repair or replace any damaged asphalt would not exceed \$60,000.

C. **[§ 203] Delivery of Completed Documents.**

Prior to the Closing Date, the Board and the Developer shall complete, execute, acknowledge (if required for recordation) and deliver into escrow the following documents:

1. The Ground Lease (in the form attached hereto as **Exhibit D**);
2. The Memorandum of Lease (in the form attached to the Ground Lease as Exhibit C);
3. All documents required for construction financing of the Project by Developer and approved by Board pursuant to **Section 212** below ("**Developer Construction Loan**");
4. The Assignment of Construction Contract (as such term is defined in **Section 212** below); and
5. Any other documents necessary for the disposition of the Site as contemplated in this Agreement.

D. **[§ 204] Closing.**

Close of Escrow (also referred to herein as "**Closing**") shall be deemed to have occurred upon recording of the Memorandum of Lease. At Closing, the leasehold interest in the Premises shall be conveyed and possession of the Site shall be delivered to the Developer, and the Ground Lease shall commence.

E. **[§ 205] Conditions to Closing.**

Close of Escrow is subject to the following conditions:

1. **Developer Certification.** Prior to the Closing Date, the Developer shall certify in writing to the Board that:

(a) the Developer is ready, willing and able, in accordance with the terms and conditions of this Agreement, to perform in accordance with the Scope of Development;

(b) all conditions precedent to Closing of which the Developer is aware (including the delivery into escrow of documents to be deposited by Developer pursuant to **Section 203** hereof, the delivery to the Board of the documents and certifications to be deposited by Developer pursuant to **Section 212** hereof, and the performance of any other obligations of Developer as set forth in the Schedule of Performance which are scheduled to be performed before the Closing Date) have been fulfilled or waived by Developer;

(c) Developer has obtained all Required Land Use Approvals, the only condition to issuance by the City of all grading and building permits required for the development of the Project is the payment of applicable fees, and Developer will pay such fees and obtain all grading and building permits required for the development of the Project promptly after Close of Escrow;

(d) Developer's construction financing for the Project is in a position to fund and will fund at Close of Escrow;

(e) that to the best of the Developer's knowledge, (i) the Developer is not in violation of any order or decree of any court of competent jurisdiction or, any governmental agency having jurisdiction, which if determined adversely to the interest of Developer or its respective owners, members or partners, could materially adversely affect the Developer's ability to construct, develop, operate and maintain the Project as set forth in this Agreement and the Ground Lease, and (ii) there are no pending or threatened judicial or administrative proceedings, which, if determined adversely to the interests of the Developer or its respective owners, members or partners, could materially adversely affect the Developer's ability to construct, develop, operate and maintain the Project as set forth in this Agreement and the Ground Lease.

The Developer's certification shall include, if requested by the Board not later than ten (10) days after the delivery thereof, evidence reasonably satisfactory to the Board that all contracts and commitments required by this Agreement to be procured or entered into by Developer are in full force and effect as of the time of such certification, or will be in full force and effect concurrent with the Closing;

2. **City Land.** The Board shall have acquired the City Land from the City.
3. **Final Map.** The Final Map shall have been signed by the Board, approved by the City, and filed in the Office of the County Recorder of San Diego County.
4. **Condition of the Site.** There shall have been no material adverse change in the physical condition of the Site following the date of execution of this Agreement.
5. **Proceedings.** No legal or administrative proceeding, or moratorium, referendum, or other challenge that would adversely impact the Required Land Use Approvals or Developer's ability to construct and occupy the Project within the times set forth in the Performance Schedule shall have been filed.
6. **Deliveries.** All funds and documents described in **Sections 203, 206 and 207** have been delivered to Escrow Holder.
7. **CCRT License Agreement Amendment.**
 - (a) Board and CCRT Properties have executed, acknowledged, and deposited into a sub-escrow with Escrow Holder counterpart copies of a CCRT License Agreement Amendment in form and content acceptable to the Board and Developer, together with instructions to Escrow Holder that the CCRT License Agreement Amendment shall be recorded when:
 - (1) all other conditions to Close of Escrow have been satisfied and this Escrow is, in all other respects, in a position to close, and
 - (2) Escrow Holder has received from Developer the sum of One Hundred Thousand Dollars (\$100,000) (the "**CCRT License Agreement Amendment Fee**") and is prepared to deliver the CCRT License Agreement Amendment Fee to CCRT upon the recording of the CCRT License Agreement Amendment; and
 - (b) Developer has deposited the CCRT License Agreement Amendment Fee into Escrow and instructed Escrow Holder to deliver the CCRT License Agreement Amendment Fee to CCRT upon the recording of the CCRT License Agreement Amendment.
8. **AAA Easement Amendment.** Board and the Automobile Club of Southern California have entered into and recorded a AAA Easement Amendment in form and content acceptable to the Board and Developer.

9. **Proposed New Utility Easements.** Board shall have executed and recorded all Proposed New Utility Easements not dedicated on the Final Parcel Map in form and content acceptable to the Board and Developer, together with such joint use agreements or similar agreements between the Board and the utility companies as the Board may require for its protection.

10. **The Leasehold Title Policy.** Escrow Holder can procure the Leasehold Title Policy insuring title in conformity with **Section 208** of this Agreement.

11. **Designated Plans.** Board shall have approved the "Designated Plans" including, without limitation, the plans for the Trolley Parking Facilities and the mix of disabled and standard size spaces within the Trolley Parking Facilities.

12. **Financing and Project Commitments.** Developer shall have delivered to the Board all of the documents and certifications referred to in **Section 212** hereof, and the Board shall have issued all approvals required of the Board under **Section 212**.

13. **Reimbursement of Costs of Board's Consultants.** Developer shall have (a) deposited with Escrow sums sufficient (in the reasonable determination of the Board) to reimburse the Board for the fees, costs and expenses of its outside consultants (Keyser Marston Associates Inc.) and outside counsel (the Law Offices of R. Martin Bohl) and reimbursable staff time for entry permits requested by Developer for this project and (b) shall have delivered instructions to Escrow to release such deposited sums to Board at Close of Escrow.

14. **Developer Performance.** Prior to the Closing Date, the Board shall determine that (a) all conditions precedent to the Closing have been satisfied and performed, including without limitation, Developer's performance of any other obligations of Developer as set forth in this Agreement, including without limitation the Schedule of Performance or the Scope of Development, which are scheduled to be performed before the Closing Date; and (b) Developer has performed all of its material obligations under this Agreement and is not in material default under this Agreement.

15. **Board Performance.** Prior to the Closing Date, the Developer shall determine that (a) all conditions precedent to the Closing have been satisfied and performed, including without limitation, the Board's performance of any other obligations of the Board as set forth in this Agreement, including without limitation the Schedule of Performance or the Scope of Development, which are scheduled to be performed before the Closing Date; and (b) Board has performed all of its material obligations under this Agreement and is not in material default under this Agreement.

16. **Fair Market Rent Appraisal.** An MAI appraiser acceptable to the Board and to the Developer shall have determined that the "fair market rental value" of the Premises is not less than the consideration to be paid by Developer in connection with its lease of the Premises.

17. **Affordable Housing Agreement Amendment.** Developer and the City of La Mesa have entered into an amendment to the Affordable Housing Agreement in form and content acceptable to the Board and Developer.

18. **Waiver of Conditions Precedent.** The conditions precedent described in Subsections 4, 10 and 15 of this **Section 205** are for the sole benefit of Developer, and Developer unilaterally may waive any or all of such conditions. The conditions precedent described in Subsections 1, 13 and 14 of this **Section 205** are for the sole benefit of the Board, and the Board unilaterally may waive any or all of such conditions. Except as otherwise expressly provided in this Agreement, any other closing conditions described in this Agreement may be waived only by written notice from both Developer and the Board to Escrow Holder and each other. Subject to the terms of this Agreement, Developer and Board shall use their reasonable efforts to satisfy all conditions to closing in accordance with the Schedule of Performance.

F. **[§ 206] Escrow and Escrow Instructions.**

1. The Board agrees to open an escrow for the purposes of this Agreement with North American Title Insurance Company or such other escrow company or escrow department of a title insurance company as may be acceptable to both the Board and the Developer (the "**Escrow Holder**"). This Agreement, together with escrow instructions and any supplemental escrow instructions mutually acceptable to the parties entered into by the parties consistent herewith (the "**Escrow Instructions**"), shall constitute the joint escrow instructions of the Board and the Developer with respect to the conveyance of the leasehold interest in the Site, and a duplicate original of all such documents shall be delivered to the Escrow Holder upon the opening of escrow.

2. The Board and the Developer shall provide such additional escrow instructions as shall be necessary and consistent with this Agreement. The Escrow Holder hereby is empowered to act under this Agreement and, upon indicating its acceptance of the provisions of this Section in writing, delivered to the Board and to the Developer within five (5) days after the opening of the escrow, shall carry out its duties as Escrow Holder hereunder.

3. The Board shall not pay any fees, charges or costs in connection with the Closing; Developer shall pay all such expenses.

4. The Developer shall pay into escrow to the Escrow Holder the following fees, charges and costs promptly after the Escrow Holder has notified the Board of the amount of such fees, charges and costs prior to the Closing Date:

(a) All: (i) escrow fees, (ii) city or county transfer, conveyance or documentary taxes or fees, and (iii) recording and notary fees; and

(b) The premium for the Leasehold Policy referred to in **Section 208** below and any lender's policy required in connection with the Developer's Construction Loan.

5. The Escrow Holder is authorized to:

(a) Pay, and charge the Developer, for any fees, charges and costs payable under this Section to third parties. Before such payments are made, the Escrow Holder shall notify the Board and the Developer of such fees, charges and costs;

(b) Deliver the Ground Lease and other documents (including those referred to in **Section 203** hereof) to the parties entitled thereto when the conditions of the escrow have been fulfilled by the Board and the Developer;

(c) If not previously recorded, record the Deed to the City Land, the Proposed New Utility Easements (and any associated joint use or similar agreements required by Board), the Final Map, the CCRT License Agreement Amendment, the AAA Easement Amendment;

(d) Record the Memorandum of Lease and any instruments delivered through this escrow if necessary or proper to vest an enforceable leasehold interest in the Developer in accordance with the terms and provisions of this Agreement; and

(e) Do all things necessary and authorized to be done to fulfill this Agreement and the escrow instructions.

6. If the escrow is not in condition to permit the delivery of the Ground Lease, recordation of the documents listed in **Section 206(5)(c)** above (if not previously recorded), recordation of the Memorandum of Lease, and recordation of any documents in connection with any Developer Construction Loan by the Closing Date, either party who is not then in default hereunder may, in writing, terminate this Agreement as provided in **Sections 509 and 510** (including any cure period) and demand the return of its money, papers, documents, or real property. Thereupon all rights, liabilities, duties and obligations of the parties under this Agreement shall be determined as provided in **Sections 509-511** hereof. No termination or demand for return shall be recognized until ten (10) days after the Escrow Holder shall have mailed copies of such demand to the other party at the address of its principal place of business. Objections, if any, shall be raised by written notice to the Escrow Holder and to the other party within the 10-day period. If any objections are raised within the 10-day period, the Escrow Holder is authorized to hold all money, papers and documents until instructed by mutual agreement of the parties or, upon failure thereof, by a court of competent jurisdiction. If no such demands are made, the escrow shall be closed as soon as the conditions contained in this Agreement concerning the conveyance of the leasehold interest in the Site have been satisfied.

7. The Escrow Holder shall not be obligated to return any such money, papers or documents except as provided in Subsection 6 above, or upon the written instructions of both the Board and the Developer or until the party entitled thereto has been determined by a final decision of a court of competent jurisdiction.

8. Any amendment to the Escrow Instructions shall be in writing and signed by both the Board and the Developer. At the time of any amendment, the Escrow Holder shall agree to carry out its duties as Escrow Holder under such amendment.

9. All communications from the Escrow Holder to the Board or the Developer shall be directed to the addresses and in the manner established in **Section 601** of this Agreement for notices, demands and communications between the Board and the Developer.

10. The liability of the Escrow Holder under this Agreement is limited to performance of the obligations imposed upon it under this Agreement and the Escrow Instructions, and any supplemental escrow instructions delivered to and accepted by the Escrow Holder.

11. Each party hereto represents to the other that it has not authorized any broker or finder to act on its behalf in connection with this Agreement and that it has not dealt with any broker or finder purporting to act on behalf of any party. Each party hereto agrees to indemnify, defend and hold harmless the other party from and against any and all losses, liens, claims, judgments, liabilities, costs, expenses or damages (including reasonable attorneys' fees and court costs) of any kind or character arising out of or resulting from any agreement, arrangement or understanding alleged to have been made by such party or on its behalf with any broker or finder in connection with this Agreement or the transaction contemplated hereby. Notwithstanding anything to the contrary contained herein, this section shall survive the Closing or any termination of this Agreement.

G. **[§ 207] Deposit of Monies and Recordation of Documents.**

Developer shall deposit with Escrow Holder not later than two Business Days before the Closing Date sums sufficient (in the reasonable determination of the Board) to reimburse the Board for the fees, costs and expenses of its outside consultants (Keyser Marston Associates Inc.) and outside counsel (the Law Offices of R. Martin Bohl) and reimbursable staff time for entry permits requested by Developer for this project. Such sums shall be transferred to Board at Close of Escrow. After Close of Escrow, any balance of such deposits remaining (after payment of such fees, costs and expenses) shall be refunded promptly to the Developer, and the Board shall deliver to Developer reasonable evidence of such charges and payment.

The parties hereto shall each deposit any monies required to close the escrow with the Escrow Holder prior to the Closing Date; provided that the Escrow Holder shall have notified the parties hereto in writing that the Ground Lease, the Memorandum of Lease and other documents referred to in **Section 203** hereof have been delivered to the Escrow Holder and that title is in the condition to be conveyed in conformity with the provisions of **Section 202** of this Agreement. The Escrow Holder shall cause the Title Company to deliver to the Developer a leasehold title insurance policy insuring title in conformity with **Section 208** of this Agreement, deliver to the parties fully executed duplicate originals of the Ground Lease, and record the Memorandum of Lease in the Official Records of the County Recorder for the County of San Diego. The Ground Lease shall not be recorded.

The parties agree to perform all acts necessary for recordation in sufficient time to close escrow in accordance with the provisions of this Agreement.

H. **[§ 208] Title Insurance.**

Concurrently with the recordation of the Memorandum of Lease and the delivery of the executed duplicate originals of the Ground Lease to the parties, Title Company or such other title insurance company approved by the Board and satisfactory to the Developer shall provide and deliver to the Developer a title insurance policy insuring that the leasehold title in the Site is vested in the Developer subject only to the Permitted Title Exceptions and all standard exceptions and exclusions from coverage set forth in the form of title policy ("**Leasehold Title Policy**"). The Leasehold Title Policy shall be in such amount as the Developer and the Title Company may agree. At Developer's option and sole cost, and provided that the Closing is not thereby delayed, Developer may obtain an ALTA extended coverage leasehold owners policy of title insurance, subject only to the Approved Title Exceptions and such exceptions and other matters as are revealed by or result from the ALTA survey. The Title Company shall provide the Board with a copy of the Leasehold Policy.

I. **[§ 209] Taxes and Assessments.**

Ad valorem taxes and assessments, if any, levied, assessed or imposed on the Site during any period prior to the Commencement Date of the Ground Lease shall be borne by the Board. Ad valorem taxes and assessments (including possessory interest taxes), if any, levied, assessed or imposed on the Site during any period commencing after the Commencement Date of the Ground Lease shall be borne by the Developer, pursuant to the Ground Lease.

J. **[§ 210] Occupants of the Site.**

The Site shall be conveyed free of any possession or right of possession except that of the Developer.

K. **[§ 211] Required Land Use Approvals.**

Developer, at its sole cost and expense, shall use its commercially reasonable efforts to obtain all approvals, permits and authorizations from governmental and quasi-governmental agencies and other parties required for the development of the Project, including without limitation the approvals listed on **Exhibit I** attached hereto and incorporated herein (the "**Required Land Use Approvals**"). Developer represents and warrants to the Board that: (1) Developer has obtained all of the Required Land Use Approvals other than the Final Map, and (2) the only condition to issuance by the City of all grading and building permits required for the development of the Project is the payment of applicable fees, which shall be paid promptly following Close of Escrow. The Developer's rights and obligations to lease the Site pursuant to this Agreement shall be subject to, and conditioned upon, the Developer's obtaining all the Required Land Use Approvals.

L. **[§ 212] Submission of Evidence of Financing and Project Commitments.**

The Developer shall report regularly as requested by the Board (but at least every three (3) months) on its progress in obtaining financing for the development on the Site. The reports may be oral, or shall be in writing if requested by the Board. The reports shall explain in reasonable detail the sources and methods of financing sought, the status of obtaining the financing and the issues, if any, which must be resolved, and the pre-leasing activity which is required or has been achieved. The information in the reports shall remain confidential to the extent permitted by law, recognizing without limitation that they are subject to review by responsible officials, employees and contractors of the Board.

Not later than the times specified therefor in the Schedule of Performance, the Developer shall submit to the Board for approval, which approval shall not be unreasonably withheld, the following:

1. A current certified financial statement or statements covering the last two (2) years, or other financial statements or forms of financial confirmation, in such form reasonably satisfactory to the Board, evidencing the sources of capital sufficient to demonstrate that the Developer has adequate funds and is committing such funds to cover the construction costs and other costs the Developer is expected to incur in fulfilling the obligations of this Agreement.

2. Evidence satisfactory to the Board that the Developer has obtained the financing necessary for the acquisition and development of the Project in accordance with this Agreement. Such evidence of financing shall include the following, certified by the Developer to be true and correct copies thereof:

(a) A copy of the term sheet describing the details of the terms and conditions of the mortgage loan or loans obtained by the Developer (both for interim construction financing and take out financing if a condition of funding the construction loan) to assist in financing the construction of the Project;

(b) Construction loan commitments from Permitted Mortgagees (as defined in the Ground Lease) subject only to such conditions as may be approved by the Board;

(c) Copies of all proposed construction loan documents (e.g., notes, trust deeds, indentures, loan agreements, etc.) pertaining to the Project; and

(d) Evidence satisfactory to the Board of sources of equity capital sufficient to demonstrate that the Developer has adequate funds legally committed to cover the difference, if any, between construction cost minus financing authorized by mortgage loans, and evidence of Developer's financial ability to meet normally anticipated cost over-runs.

3. A copy of the contract between the Developer and the general contractor, FF Development L.P., a Delaware limited partnership, for the construction of improvements upon the Site. Such contract shall be submitted to Board for approval prior to execution and shall

be deemed approved unless Board provides written notice to the Developer of disapproval within ten (10) working days of receipt. Such contract shall provide for the commencement of construction on the Site by dates certain, which dates shall be in conformance with this Agreement. Such contract shall contain retention provisions requiring withholding of a minimum of five percent (5%) of payments due to the general contractor and subcontractors until the contractual obligations of such entities are fully completed. Such contract shall also contain, to the Board's reasonable satisfaction, adequate indemnification, insurance and other contractual provisions as may reasonably be required to protect the Board and any other provisions required by this Agreement to be contained in such contract, and shall be certified by the Developer to be a true and correct copy thereof. Without limiting the foregoing, the contract between the Developer and the general contractor shall be approved by the Board and executed by the Developer and the general contractor on or prior to the Closing Date. Developer shall also deliver to the Board, for the Board's information, copies of all contracts between the general contractor and all finish work subcontractors and all subcontractors whose work exceeds five percent (5%) of the total construction contract costs; provided, however, that the Board shall not have the right to approve such contracts.

4. An assignment by the Developer, in form and substance satisfactory to the Board, assigning to the Board as security for the Developer's performance under this Agreement, the interests of the Developer under the construction contract with the general contractor referred to in Subsection 3 of this Section (the "**Assignment of Construction Contract**") and all contracts with any architect other design professional who has prepared the construction plans, drawings and related documents for the Project (the "**Assignment of Design Contracts**"). It is understood and agreed that such assignments will be expressly subordinate to any assignment of such contracts required by a Permitted Mortgagee and shall authorize Developer to revise, supplement and/or terminate the construction contract and/or any design contract if and to the extent such revision, supplement or termination has been approved by a Permitted Mortgagee.

5. Evidence satisfactory to the Board that Developer has obtained, in form and substance acceptable to the Board, all Required Land Use Approvals and any other permits, approvals and authorizations of any type required for the design, development, construction, use and operation of the Project, other than grading and building permits and those inspections, certificates of occupancy and other approvals that are only available after construction has commenced or been completed.

6. Evidence satisfactory to the Board that Developer has obtained, in form and substance acceptable to the Board, all easements, encroachment agreements, licenses and other off-site rights required for the development, construction, use and operation of the Project, other than: (a) the CCRT License Agreement Amendment, (b) the AAA Easement Amendment, and (c) the Proposed New Utility Easements.

It is the purpose of this procedure to ensure to the satisfaction of the Board that the leasehold interest in the Site will not be conveyed unless and until Developer demonstrates that it has sufficient financing and development commitments to commence and complete the construction of all of the

improvements to be constructed pursuant to this Agreement. Prior to the close of escrow, the Developer shall provide or cause to be provided to the Board any additional evidence reasonably required by the Board to establish that all items required under this Section are current and in full force and effect.

The Board shall approve all evidence, contracts and commitments required under this Section within the time established therefor in the Schedule of Performance except as otherwise set forth in this Section. Such approval shall not be unreasonably withheld. Any disapproval shall be given in writing with the specific reasons therefor. In the event the Board shall disapprove any evidence, contracts or commitments required under this Section, the Developer may revise and resubmit the same within thirty (30) days of receipt of the Board's written disapproval.

III. [§ 300] **DEVELOPMENT OF SITE.**

A. [§ 301] **Development of Site.**

1. [§ 302] **Scope of Development.**

The Developer shall develop the Site with the Project as provided in the Scope of Development.

2. [§ 303] **No Approved Drawings and Plans.** No final plans or drawings have been submitted to or approved by the Board.

3. [§ 304] **Construction Plans, Drawings and Related Documents.**

(a) The Developer shall prepare and submit to the Board for architectural and site planning review and written approval the construction plans, drawings and related documents described in **Exhibit "I"** as the "**Designated Plans**" at the times established in the Schedule of Performance, subject to extensions as are authorized herein or as mutually agreed to by the parties hereto. Developer shall also promptly provide Board upon request, for the Board's information (not approval), copies of all other plans, drawings and related documents for the development of the Site, including any proposed changes therein.

(b) Board staff and the Developer shall hold regular progress meetings to coordinate the review of the Designated Plans and related documents by the Board. The Board and the Developer shall communicate and consult informally as frequently as is necessary to insure that the Designated Plans receive prompt and speedy consideration by the Board.

(c) If any revisions or corrections of plans approved by the Board shall be required by any government official, agency, department or bureau having jurisdiction, or any lending institution involved in financing, the Developer and the Board shall cooperate in efforts to obtain a waiver of such requirements or to develop a mutually acceptable and commercially reasonable alternative.

4. **[§ 305] Board Approval of Plans, Drawings and Related Documents.**

(a) The Board shall have the right of review (including, but not limited to, architectural review) and approval of the Designated Plans, including any proposed changes therein. Board shall not unreasonably withhold approval of the Designated Plans.

The Developer has retained Ark Architects, Inc. as the architect for the Project through construction completion, provided, however, that Developer may retain a substitute or additional architect if Board approves in writing, in advance of any substitution occurring prior to Close of Escrow.

The Board shall approve, conditionally approve or disapprove the Designated Plans (and any proposed changes therein) within the times established in the Schedule of Performance. Any disapproval shall state in writing the reasons for disapproval and the steps which must be taken to achieve such approval. Subject to the succeeding paragraph, the Developer, upon receipt of a disapproval, shall revise such portions of the plans, drawings or related documents in a manner that satisfies the reasons for disapproval, and shall resubmit such revised portions to the Board as soon as possible after receipt of the notice of disapproval, but in no event more than thirty (30) calendar days after receipt of the notice of disapproval. The Board shall approve or disapprove such revised portions in the same manner and within the same time frame as provided in the Schedule of Performance for approval or disapproval of plans, drawings and related documents initially submitted to the Board.

If the Developer desires to make any substantial change in the Designated Plans after their approval by the Board, the Developer shall submit the proposed change to the Board for its approval. The Board shall approve, conditionally approve or disapprove such proposed change as provided in this Section and in the same manner and within the same time period as provided in the Schedule of Performance for approval or disapproval of plans, drawings and related documents initially submitted to the Board.

(b) The Board neither undertakes nor assumes nor shall it have any responsibility or duty to Developer or to any third party to review, inspect, supervise, pass judgment upon or inform Developer or any third party of any matter in connection with the development or construction of the Project, whether with respect to the quality, adequacy or suitability of the plans, any labor, service, equipment or material furnished to the Project, any person furnishing the same or otherwise. Developer and all third parties shall rely upon its or their own judgment with respect to such matters, neither Developer nor any third party is entitled to rely on any review, inspection, supervision, exercise of judgment or information supplied to the Developer or to any third party by the Board in connection with this Agreement.

The parties shall prepare and attach to the Ground Lease at Closing a schedule describing the plans, drawings, and related documents which have been approved by the Board.

5. **[§ 306] Cost of Construction.**

The entire cost of developing the Project and constructing all improvements on the Site shall be borne by the Developer. The Board and the Developer shall each pay the costs necessary to administer and carry out their respective responsibilities and obligations under this Agreement.

6. **[§ 307] Indemnification.**

To the fullest extent permitted by law, the Developer shall indemnify, protect, defend and hold harmless the Board and its officers, employees and agents, from and against all liability, loss, damage, costs, or expenses of any kind (including court costs and attorneys' fees) arising from or as a result of: (a) any and all challenges to this Agreement, the Project, or the related entitlements; and (b) any accident, injury, loss or damage whatsoever caused to any person or to the property of any person which shall occur on or adjacent to the Board Land and which shall be directly or indirectly caused by any acts done thereon or any errors or omissions of the Developer, its agents, employees and contractors, or any of them, including but not limited to, claims of negligent or defective design or construction, regardless of whether any such liability occurs before or after issuance of the Certificate of Compliance. These indemnity obligations shall survive the expiration or termination of this Agreement. Developer's obligations under this Section exclude only claims, losses or liability which is due to the sole negligence or sole willful misconduct of Board or its officers, employees and agents.

7. **[§ 308] Local, State, and Federal Laws.**

The Developer shall comply with all applicable laws, including all applicable federal and state labor standards.

8. **[§ 309] City and Other Governmental Board Permits.**

Before commencement of any work or improvement upon the Board Land, the Developer shall secure or shall cause to be secured, any and all permits, approvals or certificates which may be required by the Board, the City or any other governmental agency with jurisdiction over the Board Land or over the construction, development or work contemplated under this Agreement. The Board shall cooperate with Developer and provide all proper assistance to the Developer in securing these permits and certificates and any other approvals required for the Project in order to meet the time periods set forth in the Schedule of Performance; provided that the Board shall not be required to incur any expense in connection with providing any such assistance.

9. **[§ 310] Taxes, Assessments, Encumbrances and Liens.**

The Developer shall not place or allow to be placed on the Board Land, or any portion thereof, any mortgage, trust deed, encumbrance or lien and the Developer shall remove, or shall have removed, any levy or attachment made on the Board Land, or any portion thereof, or shall assure the satisfaction thereof within a reasonable time. Nothing herein contained shall be deemed to prohibit the Developer from contesting the validity or amounts of any encumbrance or lien, nor to limit the remedies available to the Developer with respect thereto, provided such contest does not subject the Board Land, or any portion thereof, to forfeiture or sale.

B. [§ 311] Sale of Developer's Interest in the Project.

Except as otherwise expressly provided in this Agreement, the Developer shall not under any circumstances be entitled to assign this Agreement or any of the rights herein, without the prior written consent of the Board, which may be granted or withheld in the sole and absolute discretion of Board.

If, contrary to the provisions of this Agreement, the Developer does assign this Agreement or any of the rights herein, or any change in the ownership or control of Developer in violation of **Section 107** occurs, in addition to all other legal and equitable remedies the Board may be entitled to, the Board shall be entitled to recover from Developer the total consideration received by Developer for such sale, transfer, conveyance or assignment. Said consideration shall belong and be paid immediately to the Board.

IV. [§ 400] USE OF THE BOARD LAND.

A. [§ 401] Inspection of the Board Land.

1. Developer has fully and independently inspected and assessed the condition of the Board Land and any other information deemed pertinent by Developer to its acquisition, use or development of the Board Land (including any title, survey, permits, approvals, laws, statutes, rules, ordinances and other governmental regulations or requirements applicable to the Board Land), and has approved the same in its sole discretion. Before the Close of Escrow, Developer shall have the continuing right to physically inspect, and to cause one or more engineers or other representatives of Developer to physically inspect, the Board Land without interfering with the Board's operation of the Board Land. Developer shall make such inspections in good faith and with due diligence. All inspection fees, appraisal fees, engineering fees and other expenses of any kind incurred by Developer relating to the inspection of the Board Land will be solely Developer's expense. The Board shall cooperate reasonably with Developer in providing access to the Board Land for such inspections. The Board hereby reserves the right to have a representative present when Developer conducts any inspection of the Board Land. Prior to and as a condition to Developer making each physical inspection of the Board Land, Developer shall provide the Board with all of the following items reasonably in advance of such inspection (but in any case at least one (1) Business Day (defined in **Section 610** below) before such inspection): (a) reasonably detailed written notice of the proposed date, time and nature of such inspection, (b) evidence in a form reasonably acceptable to the Board that Developer has obtained and will maintain in force and effect insurance that is, in the Board's judgment, appropriate

to cover any risks related to such inspection, and (c) evidence in a form reasonably acceptable to the Board that Developer has obtained all permits or other governmental approvals required for such inspection.

2. Developer shall indemnify, protect, defend (with counsel approved by the Board) and hold harmless the Board, its contractors and employees from and against any and all injuries, losses, liens, claims, judgments, liabilities, costs, expenses and damages (including reasonable attorneys' fees and court costs) sustained by or threatened which result from or arise out of any inspections of the Board Land or any other entry onto the Board Land by Developer, its contractors, employees, agents or representatives, however caused. Notwithstanding any provision herein to the contrary, the indemnity contained in the preceding sentence shall survive the Closing or the earlier termination of this Agreement.

3. Developer shall deliver to the Board, within five (5) Business Days after a request, copies of all studies, reports and similar information, including all supplements, addenda and updates of such information, regarding the physical condition of the Board Land (e.g., soils, geotechnical, hydrological, and environmental reports, studies, assessments and tests) obtained by Developer.

B. [§ 402] Hazardous Substances.

1. Developer shall not, without the Board's prior written consent, use, store, generate, dispose or otherwise allow any "**Hazardous Substances**" (as defined below) onto the Board Land.

2. Developer shall comply with all rules, laws and regulations relating to Hazardous Substances which Developer uses, stores or allows on the Board Land.

3. Developer shall not cause the unlawful release, deposit, discharge or disposal of any Hazardous Substances on or around the Board Land or permit the unlawful release, deposit, discharge or disposal of any Hazardous Substances on the Board Land.

4. No above or underground storage tanks shall be installed or maintained on the Board Land without Board's prior express written approval.

5. Developer shall be responsible for posting on the Board Land any signs required by any state, federal or local law, including, without limitation, Section 25249.6 of the California HEALTH AND SAFETY CODE and regulations promulgated pursuant thereto. Developer shall also complete and file any business response plans or inventories required by any state, federal or local law, including, without limitation, Chapter 695 of the California HEALTH AND SAFETY CODE and regulations promulgated pursuant thereto. Developer shall concurrently file a copy of any such business response plan or inventory with Board.

6. Developer shall defend, indemnify and hold harmless the Board and its officers, employees, and agents from any claims, liability, injury, damage, costs or expenses (including without limitation, attorneys' fees and the cost of any cleanup, testing, remediation, removal

or disposal of Hazardous Substances) relating to or arising out of any Hazardous Substances released, deposited, discharged or disposed onto, under or around the Board Land by Developer, its contractors, employees or agents, or arising as a result of Developer's violation of the provisions of this Section. The obligations of this paragraph shall survive the expiration or termination of this Agreement.

7. Developer hereby releases the Board and its officers, employees, and agents from any claims, liability, injury, damage, costs or expenses (including without limitation, attorneys' fees and the cost of any cleanup, testing, remediation, removal or disposal of Hazardous Substances) relating to or arising out of any Hazardous Substances released, deposited, discharged or disposed onto, under or around the Board Land; provided, however, that this release shall not apply to any Hazardous Substances released, deposited, discharged or disposed onto, under or around the Board Land solely by Board or its officers or employees after the Close of Escrow. Developer agrees as to the matters released to waive the benefits of Section 1542 of the CIVIL CODE of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Developer's Initials

Board's Initials

The obligations of this paragraph shall survive the expiration or termination of this Agreement.

8. The term "**Hazardous Substances**", when used in this Agreement, shall mean any hazardous waste or hazardous substance as defined in any federal, state, or local statute, ordinance, rule, or regulation applicable to the property, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (Title 42 United States Code 9601-9662), the Resource Conservation and Recovery Act (Title 42 United States Code 6901-6992k), the Carpenter-Presley-Tanner Hazardous Substance Account Act (Health and Safety Code 25300-25395), and the Hazardous Waste Control Law (Health and Safety Code 25100-25250.25). "Hazardous Substances" shall also include asbestos or asbestos-containing materials, radon gas, and petroleum or petroleum fractions, whether or not defined as a hazardous waste or hazardous substance in any such statute, ordinance, rule, or regulation.

C. **[§ 403] Obligation to Refrain from Discrimination.**

There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, creed, national origin, ethnicity, disability, marital status, sex or sexual orientation, in connection with the construction of the Project or in the lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, or any part thereof, nor shall the Developer itself or any person claiming under or through the Developer establish or permit any such practice or practices

of discrimination or segregation with reference to the selection, location, number use or occupancy of tenants, lessees, subtenants, or sublessees of the Site.

D. [§ 404] Effect and Duration of Covenants.

1. The covenants established herein shall, without regard to technical classification and designation, be binding for the benefit and in favor of the Board, its successors and assigns, and any successor in interest to the Site or any part thereof.

2. The covenants contained in this Agreement shall remain in effect as follows:

 (a) All indemnity and release obligations shall survive the termination of this Agreement.

 (b) The obligations of Developer under Subsection (3) of **Section 401** shall survive the termination of this Agreement.

 (c) All other covenants in this Agreement shall terminate upon the Close of Escrow.

3. The duties and obligations of the Lessee under the Ground Lease are separate and independent from the duties and obligations of the Developer under this Agreement, and a breach by the Developer under this Agreement shall not be deemed a breach under the Ground Lease.

E. [§ 405] Effect of Violation of the Terms and Provisions of this Agreement.

The Board shall have the right in the event of any breach of the terms and provisions of this Agreement, to exercise all rights and remedies available at law, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches.

V. [§ 500] **DEFAULTS, REMEDIES AND TERMINATION.**

A. [§ 501] Defaults – General; Notice.

A failure or delay by any party to perform any term or provision of this Agreement shall constitute a default under this Agreement. The non-defaulting party shall give written notice of default to the defaulting party, specifying the default complained of and the actions required to cure the default. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default. A party shall be deemed in material default of this Agreement, and the party not in default shall have the remedies described below, if either: (1) a monetary default is not cured within ten (10) days after service of the notice of default; or (2) a non-monetary default is not cured within thirty (30) days after service of the notice of default; or (3) a non-monetary default which cannot reasonably be cured within thirty (30) days is not (a) commenced to be cured within thirty (30) days after service

of the notice of default, (b) pursued diligently, and (c) cured promptly within a reasonable period of time after commencement of the cure.

Any failures or delays by a party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any rights or remedies, or deprive a party of its right to institute and maintain any actions or proceedings which are allowed by this Agreement.

B. [§ 502] Legal Actions.

1. [§ 503] Institution of Legal Actions.

Any legal actions must be instituted in the Superior Court of the County of San Diego, State of California, in any other appropriate court in that County, or in the Federal District Court for the Southern District of California.

2. [§ 504] Applicable Law.

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

3. [§ 505] Acceptance of Service of Process.

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

C. [§ 506] Rights and Remedies are Cumulative.

Except with respect to rights and remedies which are expressly declared to be exclusive in this Agreement, the rights and remedies of any non-defaulting party are cumulative and the exercise of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the defaulting party.

D. [§ 507] Damages; Specific Performance.

If a party defaults with regard to any of the provisions of this Agreement, after notice and opportunity to cure as provided in **Section 501** above; the defaulting party shall, except as otherwise expressly provided in this Agreement, be liable to the other party for damages caused by such default, and the non-defaulting party, at its option, may institute an action for specific performance of the terms of this Agreement, or exercise any other remedy or remedies which it may be entitled to.

E. **[§ 508] Remedies and Rights of Termination.**

1. **[§ 509] Termination by Developer.**

In addition to any other termination rights of Developer set forth in this Agreement, the Developer may terminate this Agreement, if :

(a) any of the conditions to Closing in **Section 205** for Developer's benefit are not satisfied or waived by Developer by the Closing Date; or

(b) the Board fails to execute and deliver the Ground Lease and deliver possession of the Site at Closing or fails to perform any of its other obligations under this Agreement (including any Attachment to this Agreement) within the time established therefor herein or in the Schedule of Performance.

2. **[§ 510] Termination by Board.**

In addition to any other termination rights of the Board set forth in this Agreement, but subject to the notice and cure provisions of **Section 501**, the Board at its option may terminate this Agreement if:

(a) the Developer assigns or attempts to assign this Agreement, or any rights herein, or makes or attempts to make any total or partial sale, transfer or conveyance of the whole or any part of Developer's leasehold interest in the Site or the improvements thereon, except as permitted by this Agreement; or

(b) there is change in the ownership of the Developer, or with respect to the identity of the parties in control of the Developer, or the degree thereof contrary to the provisions of **Section 107** hereof; or

(c) the Developer fails to diligently pursue or to obtain and submit to the Board the Evidence of Financing and Project Commitments described in **Section 212** of this Agreement within the time established therefor in the Schedule of Performance; or

(d) the Developer fails to diligently pursue or to obtain and submit to the Board any Required Land Use Approval necessary for the construction of the improvements contemplated by this Agreement within the time established therefor in the Schedule of Performance; or

(e) the Developer fails to prepare, complete and submit to the Board, for its approval, the Designated Plans with the requirements set forth in the Scope of Development within the time established therefor in the Schedule of Performance; or

(f) the Developer fails to execute and deliver the Ground Lease within the time established therefor in the Schedule of Performance; or

(g) the Developer fails to perform any of its other obligations under this Agreement (including any Attachment to this Agreement) within the time established therefor herein or in the Schedule of Performance; or

(h) any of the conditions to Closing in **Section 205** for the Board's benefit are not satisfied or waived by the Board by the Closing Date; or

(i) the Developer fails to timely pay or reimburse the Board for any costs or expenses incurred by the Board with respect to the Site which are to be borne by the Developer under this Agreement; or

(j) the Developer fails to perform all of Developer's indemnity obligations to Board under this Agreement, including, but not limited to, those set forth in **Sections 307, 401, and 402**.

3. **[§ 511] Effect of Termination.**

(a) No expiration or termination of this Agreement shall affect Developer's indemnity obligations to the Board under this Agreement, including, but not limited to, those set forth in **Sections 307, 401, and 402**. The obligations of Developer under Subsection (3) of **Section 401** and Developer's release under Subsection 7 of **Section 402** shall survive the termination of this Agreement.

(b) The deposits and payments made by the Developer under the ENA, this Agreement or separate agreement to reimburse the Board for the fees, costs and expenses of the Board's outside consultants, attorneys and reimbursable staff time shall be retained by the Board until the total amount of such fees, costs and expenses is determined and paid. Any balance of such deposits remaining (after payment of such fees, costs and expenses) shall be refunded promptly to the Developer.

VI. **[§ 600] GENERAL PROVISIONS.**

A. **[§ 601] Notices, Demands, and Communications Between the Parties.**

Unless otherwise specifically provided herein, all formal notices, demands or other communications given hereunder shall be in writing and shall be deemed to have been duly delivered upon personal delivery, or by Federal Express (or similar reputable express delivery service), or by telecopier transmission with verification of receipt and back-up copy mailed the same day, or as of the second Business Day after mailing by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

For the Board: Chief Executive Officer
Metropolitan Transit Development Board
1255 Imperial Avenue, Suite 1000
San Diego, California 92101-7490
Telephone: (619) 231-1466
Telecopier: (619) 234-3172

with copies to:

General Counsel
Metropolitan Transit Development Board
1255 Imperial Avenue, Suite 1000
San Diego, California 92101-7490
Telephone: (619) 557-4512
Telecopier: (619) 234-3172

and

R. Martin Bohl, Esq.
Law Offices of R. Martin Bohl
501 West Broadway, Suite 520
San Diego, California 92101
Telephone: (619) 446-0080
Telecopier: (619) 446-0090

For the Developer: Fairfield Grossmont Trolley LLC
Attn: Patrick J. Gavin, Vice President
5510 Morehouse Drive, Suite 200
San Diego, California 92121
Telephone: (858) 457-2123
Telecopier: (858) 457-8082

with a copy to:

Rutan & Tucker, LLP
Attn: Marcia A. Forsyth, Esq.
611 Anton Blvd., Suite 1400
Costa Mesa, California 92626
Telephone: (714) 641-3453
Telecopier: (714) 546-9035

Addresses for notice may be changed by written notice sent in the manner provided above.

B. **[§ 602] Conflicts of Interest.**

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

C. **[§ 603] Warranty Against Payment of Consideration for Agreement.**

The Developer 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 Agreement.

D. **[§ 604] Nonliability of Board Officials and Employees.**

No member, official, or employee of the Board shall be personally liable to the Developer or any successor in interest, in the event of any default or breach by the Board or for any amount which may become due to the Developer or to its successor, or on any obligations under the terms of this Agreement.

E. **[§ 605] Enforced Delay; Extension of Time of Performance.**

In addition to specific provisions of this Agreement, delays in performance (other than the payment of money) by either party hereunder shall not be deemed to be a default where and to the extent that such delays in performance are due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, casualties, Acts of God, acts of the public enemy, acts of terrorism, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts of the other party, or any other causes beyond the control (and without the fault) of the party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if the party claiming such extension sends notice to the other party within thirty (30) days of knowledge of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by the Board and the Developer.

F. **[§ 606] Inspection of Books and Records.**

The Board has the right at all reasonable times to inspect the books and records of the Developer pertaining to the Site and the Project as pertinent to the purposes of this Agreement.

G. **[§ 607] Approvals.**

Unless otherwise expressly provided herein, approvals required of the Board or the Developer shall not be unreasonably withheld and approval or disapproval shall be given within the time set forth in the Schedule of Performance or, if no time is given, within a reasonable time. Unless otherwise expressly provided herein, the Chief Executive Officer of the Board or his/her designee shall have

the authority to issue all approvals and disapprovals on behalf of the Board required or allowed hereunder.

H. **[§ 608] Severability.**

If any term, covenant, condition or provision of this Agreement, or the application thereof to any person or circumstance, shall to any extent be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, covenants, conditions or provisions of this Agreement, or the application thereof to any person or circumstance, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

I. **[§ 609] Gender, Number.**

Whenever the context requires, the use herein of (i) the neuter gender includes the masculine and the feminine, and (ii) the singular number includes the plural.

J. **[§ 610] Business Days.**

"**Business Day**" means a day that is not a Saturday, Sunday or federal bank holiday. If the last day for performance of an act falls upon a day that is not a Business Day, such last day shall be the next following regular Business Day.

K. **[§ 611] Captions.**

Captions in this Agreement are inserted for convenience of reference and do not define, describe or limit the scope or intent of this Agreement or any of its terms.

L. **[§ 612] Entire Agreement.**

This Agreement, together with any other written document referred to herein, embodies the entire agreement and understanding between the parties regarding the subject matter hereof, and any and all prior or contemporaneous oral or written representations, agreements, understandings or statements shall be of no force and effect.

M. **[§ 613] Recitals; Exhibits.**

Any recitals set forth above and any attached exhibits are incorporated by reference into this Agreement.

N. **[§ 614] Authority of Signatories.**

Each signatory and party hereto hereby warrants and represents to the other party that it has legal authority and capacity and direction from its principal to enter into this Agreement, and that all resolutions and/or other actions have been taken so as to enable said signatory to enter into this Agreement.

O. **[§ 615] Modifications.**

No modification, waiver or discharge of this Agreement shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver or discharge is or may be sought. Any material amendments to this Agreement must be approved by the Board's Board of Directors.

P. **[§ 616] Attorneys' Fees and Legal Expenses.**

Should any party hereto institute any action or proceeding in court or any arbitration or similar proceeding to enforce any provision hereof or for damages by reason of any alleged breach of any provision of this Agreement or for any other judicial remedy, the prevailing party(ies) shall be entitled to receive from the losing party(ies) all reasonable attorneys' fees and all court costs in connection with said proceedings.

Q. **[§ 617] Preparation of Agreement.**

No inference, assumption or presumption shall be drawn from the fact that a party or its attorney prepared or drafted this Agreement. It shall be conclusively presumed that both parties participated equally in the preparation and/or drafting of this Agreement.

R. **[§ 618] Counterparts.**

This Agreement may be executed in any number of counterparts, each of which shall be original and all of which shall constitute one and the same document.

S. **[§ 619] Certificates.**

At any time and from time to time, each party ("Responding Party") agrees to sign and deliver to the other party ("Requesting Party") within ten (10) days after receipt of written request therefor a statement certifying that (a) this Agreement is unmodified and in full force and effect (or, if such is not the case, so stating and setting forth any modifications), (b) that, to the Responding Party's knowledge, the Requesting Party is not in breach hereunder (or, if such is not the case, so stating and setting forth any alleged breaches), and (c) any other information reasonably related to the status of this Agreement. Such certification may be conclusively relied on by the Requesting Party, any equity investor of Developer, and any title insurance company insuring title to the Site.

T. **[§ 620] Successors and Assigns.**

Subject to the provisions of this Agreement restricting or prohibiting assignment, this Agreement shall be binding on and inure to the benefit of the successors and assigns of the respective parties.

U. **[§ 621] Joint and Several Liability.**

If any party consists of more than one person or entity, the liability of each such person or entity signing this Agreement shall be joint and several.

V. **[§ 622] No Third Party Beneficiaries.**

This Agreement has been made and is made solely for the benefit of the Board and the Developer and their respective successors and permitted assigns. Nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and permitted assigns. Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement.

VII. [§ 700] TIME FOR ACCEPTANCE OF AGREEMENT BY BOARD.

Execution and delivery of this Agreement by the Developer to the Board shall be considered an offer by Developer to enter into this Agreement. If this Agreement is not authorized, executed and delivered by the Board within seven (7) days after the date of signature by the Developer, the offer to enter into this Agreement may be terminated by the Developer on written notice to the Board. The effective date of this Agreement (the "**Effective Date**") shall be the date this Agreement is fully executed by both Developer and the Board.

"Board"

Metropolitan Transit Development Board,
a California public agency also known as the
Metropolitan Transit System

By: _____
Paul Jablonski, Chief Executive Officer

APPROVED AS TO FORM:

By: _____
Tiffany L. Lorenzen
General Counsel

"Developer"

Fairfield Grossmont Trolley LLC,,
a Delaware limited liability company

By: Fairfield California Housing Fund LLC,
a Delaware limited liability company,
its Member

By: FF California Housing Fund LLC,
a Delaware limited liability
company, its Member/Manager

By: _____
Patrick J. Gavin, Vice President

[Is this the correct signature block? Developer to provide evidence of authority.]

Exhibit A

Legal Description of Board Land

[to be attached]

Exhibit B

Legal Description of City Land

[to be attached]

Exhibit C

Site Map

[to include depiction of Parcels 1, 2, 3 and 4 and the Trolley Station]

[to be attached]

Exhibit D

Ground Lease

[to be attached]

Exhibit E

Scope of Development

[to be attached]

Exhibit F

Site Plan

[to be attached]

Exhibit G

Schedule of Performance

[to be attached]

Exhibit H

Fundamental Business Terms

[to be attached]

Exhibit I

List of Designated Plans

[to be attached]

(Those plans showing mix of regular and handicapped parking spaces within the Trolley Parking Facilities are marked with an asterisk.)

Exhibit J

Required Land Use Approvals

- Tentative Parcel Map TPM-04-03 with excess right-of-way vacation and utility easements
- Site Development Plan DAB-04-05
- Special Permit SP-04-10 (for proposed height increase)
- Sewer Reimbursement Agreement between Developer and City for the cost of the Alvarado Trunk Sewer Main Replacement between Bus Court and Jackson Drive
- Design Review DRB-04-05
- Affordable Housing Agreement (as defined in recital F)
- Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program
- Final Parcel Map _____ (to be approved)

Final Draft

GROUND LEASE

by and between

THE METROPOLITAN TRANSIT DEVELOPMENT BOARD,
a California public agency also known as the Metropolitan Transit System

"Board"

and

FAIRFIELD GROSSMONT TROLLEY LLC,
a Delaware limited liability company

"Lessee"

TABLE OF CONTENTS

Page

I.	[§ 100]	SUBJECT OF LEASE	1
A.	[§ 101]	Parties to the Lease	1
	1. [§ 102]	The Board	1
	2. [§ 103]	Lessee	1
B.	[§ 104]	The DDA	1
C.	[§ 105]	The Premises	1
D.	[§ 106]	The Project	2
E.	[§ 107]	Affordable Housing Agreement	3
F.	[§ 108]	The Trolley Station and Trolley Parking	3
G.	[§ 109]	Title	4
H.	[§ 110]	Condition of the Parcels	4
	1. "AS IS" Condition		4
	2. Release		5
II.	[§ 200]	LEASE OF THE PREMISES	5
A.	[§ 201]	Lease	5
B.	[§ 202]	Term of the Lease	6
C.	[§ 203]	Options to Extend Term	6
D.	[§ 204]	Exercise of Option to Extend	6
E.	[§ 205]	Base Rent for Extended Term	7
F.	[§ 206]	Term	7
III.	[§ 300]	RENT	7
A.	[§ 301]	Manner of Payment	7
B.	[§ 302]	Base Rent	7
	1. [§ 303]	Initial Base Rent	7
	2. [§ 304]	Adjustments to Base Rent	8
C.	[§ 305]	Overage Rent	12
	1. [§ 306]	Overage Rent	12
	2. [§ 307]	Annual Statements and Payments	12
	3. [§ 308]	Board's Right to Audit	12
	4. [§ 309]	Retention of Records	13
	5. [§ 310]	Gross Revenue	13
	6. [§ 311]	Overage Rent Examples	14
D.	[§ 312]	City Land Payment	14
E.	[§ 313]	Priority for Payment of Rent and Other Sums	14
	1. [§ 314]	Net Lease	14
	2. [§ 315]	Absolute Assignment of Gross Revenue	15
	3. [§ 316]	Priority for Payment	15

	F.	[§ 317]	Additional Rent	16
	G.	[§ 318]	Delinquency in Rent Payment; Collection of Rent	16
	H.	[§ 319]	No Subsidy or Assistance	17
IV.	[§ 400]	DEVELOPMENT OF THE PARCELS		17
	A.	[§ 401]	General	17
	B.	[§ 402]	Certain Construction Issues	17
	C.	[§ 403]	Evidence of Financing and Project Commitments	19
	D.	[§ 404]	Construction Plans, Drawings and Related Documents	20
	E.	[§ 405]	Board Approval of Material Changes	20
	F.	[§ 406]	Cost of Construction	21
	G.	[§ 407]	Construction Schedule	21
	H.	[§ 408]	Indemnification; Insurance	21
	I.	[§ 409]	Antidiscrimination During Construction; Equal Opportunity	22
	J.	[§ 410]	Local, State, and Federal Laws	22
	K.	[§ 411]	City and Other Governmental Board Permits	23
	L.	[§ 412]	Rights of Access	23
	M.	[§ 413]	Taxes, Assessments, Encumbrances and Liens	23
	N.	[§ 414]	Sale of the Project	24
	O.	[§ 415]	Certificate of Compliance	24
	P.	[§ 416]	Construction of Trolley Parking Facilities	25
V.	[§ 500]	USE OF THE PARCELS AND THE IMPROVEMENTS		25
	A.	[§ 501]	Use of the Parcels and the Improvements	25
	B.	[§ 502]	Change in Use	26
	C.	[§ 503]	Management of the Parcels and the Improvements	27
	D.	[§ 504]	Obligation to Refrain from Discrimination	28
	E.	[§ 505]	Form of Nondiscrimination and Nonsegregation Clauses	28
	F.	[§ 506]	Rights of Access for Construction, Repair and Maintenance of the Trolley Parking Facilities	29
	G.	[§ 507]	Quiet Enjoyment	30
VI.	[§ 600]	LAWS, UTILITIES AND TAXES		30
	A.	[§ 601]	Compliance With Laws	30
	B.	[§ 602]	Utilities	30
	C.	[§ 603]	Impositions (Including Taxes and Assessments)	31
		1.	[§ 604] Payment Generally	31
		2.	[§ 605] Payment of Impositions in Installments	31
		3.	[§ 606] Board Right to Cure	31
		4.	[§ 607] Tax Receipts	32
		5.	[§ 608] Limits of Tax Liability	32
		6.	[§ 609] Permitted Contests	32
		7.	[§ 610] Notice of Possessory Interest; Payment of Taxes and Assessments on Value of Entire Property	33
	D.	[§ 611]	Other Liens	33

VII.	[§ 700]	OWNERSHIP OF AND RESPONSIBILITY FOR IMPROVEMENTS AND PERSONAL PROPERTY	34
A.	[§ 701]	Ownership During Term	34
	1. [§ 702]	Improvements	34
B.	[§ 704]	Ownership at Termination	35
C.	[§ 705]	Maintenance and Repair of Improvements	35
D.	[§ 706]	Waste	37
E.	[§ 707]	Additional Construction, Alterations and Repairs	38
	1.	General Construction Standards	38
	2.	Board's Approval of Plans	38
	3.	Use of Plans	39
	4.	Compliance With Construction Documents and Laws; Issuance of Permits	39
	5.	Construction Safeguards	40
	6.	Conditions to Commencement of Material Alteration	40
	7.	Board's Cooperation	40
	8.	Rights of Access	40
	9.	Notice of Completion	41
	10.	Protection of Board	41
F.	[§ 708]	Damage or Destruction	41
G.	[§ 709]	Damage or Destruction During Final Years of Term	43
H.	[§ 710]	Liens; Indemnification	43
I.	[§ 711]	Environmental Requirements	44
VIII.	[§ 800]	ASSIGNMENT, SUBLETTING, TRANSFER	46
A.	[§ 801]	Definitions	46
B.	[§ 802]	Conditions for Transfer	46
C.	[§ 803]	Additional Rent Payable on Certain Transfers	50
D.	[§ 804]	Separate Ground Leases for East Parcel and West Parcel	53
E.	[§ 805]	Payment to Board for Processing Transfer	54
IX.	[§ 900]	MORTGAGES	56
A.	[§ 901]	Permitted Mortgages	56
B.	[§ 902]	Rights and Obligations of Permitted Mortgagees	59
C.	[§ 903]	<i>[intentionally omitted]</i>	62
D.	[§ 904]	Completion of Construction	62
E.	[§ 905]	Non-Merger	63
F.	[§ 906]	Board Cooperation	63
X.	[§ 1000]	INDEMNIFICATION AND INSURANCE	63
A.	[§ 1001]	Indemnification and Release	63
B.	[§ 1002]	Required Insurance	64
C.	[§ 1003]	Definition of "Full Insurable Value"	66
D.	[§ 1004]	General Insurance Provisions	66

E.	[§ 1005] Failure to Maintain Insurance	67
F.	[§ 1006] Disposition of Insurance Proceeds Resulting from Loss or Damage to Improvements	67
XI.	[§ 1100] EMINENT DOMAIN	70
XII.	[§ 1200] DEFAULTS, REMEDIES AND TERMINATION	72
A.	[§ 1201] Defaults – General	72
B.	[§ 1202] Legal Actions	72
1.	[§ 1203] Institution of Legal Actions	72
2.	[§ 1204] Applicable Law	72
3.	[§ 1205] Acceptance of Service of Process	73
C.	[§ 1206] Rights and Remedies are Cumulative	73
D.	[§ 1207] Events of Default	73
E.	[§ 1208] Remedies and Damages Upon Default	74
F.	[§ 1209] Enforced Delay in Performance for Causes Beyond Control of Party	77
G.	[§ 1210] Non-Recourse as to Board	78
XIII.	[§ 1300] GENERAL PROVISIONS	78
A.	[§ 1301] Notices, Demands and Communications between the Parties	78
B.	[§ 1302] Time of Essence	79
C.	[§ 1303] Conflict of Interests	79
D.	[§ 1304] Warranty Against Payment of Consideration for Agreement.	79
E.	[§ 1305] Nonliability of Board Officials and Employees	80
F.	[§ 1306] No Partnership	80
G.	[§ 1307] Surrender of Property	80
H.	[§ 1308] Severability	80
I.	[§ 1309] Binding Effect	80
J.	[§ 1310] Captions	80
K.	[§ 1311] Entire Agreement	80
L.	[§ 1312] Modifications	81
M.	[§ 1313] Approvals	81
N.	[§ 1314] Inspection of Books and Records	81
O.	[§ 1315] Gender, Number	81
P.	[§ 1316] Business Days	81
Q.	[§ 1317] Recitals; Exhibits; Attachments	81
R.	[§ 1318] Authority of Signatories	82
S.	[§ 1319] Attorneys' Fees and Legal Expenses	82
T.	[§ 1320] Preparation of Lease	82
U.	[§ 1321] Counterparts	82
V.	[§ 1322] Certificates	82
W.	[§ 1323] Successors and Assigns	82
X.	[§ 1324] Joint and Several Liability	83
Y.	[§ 1325] No Third Party Beneficiaries	83

Z.	[§ 1326]	Adjusted for Inflation	83
AA.	[§ 1327]	Memorandum of Lease	84

GROUND LEASE

THIS GROUND LEASE ("Lease") is made as of _____, 200__ (the "Effective Date") [date of Close of Escrow under the DDA to be inserted by Escrow Holder] by and between the **METROPOLITAN TRANSIT DEVELOPMENT BOARD**, a California public agency also known as the Metropolitan Transit System (the "**Board**"), and **FAIRFIELD GROSSMONT TROLLEY LLC**, a Delaware limited liability company ("**Lessee**").

I. [§ 100] SUBJECT OF LEASE

A. [§ 101] Parties to the Lease

1. [§ 102] The Board

The "**Board**" is a California public agency organized and existing under the laws of the State of California. The principal office of the Board is located at 1255 Imperial Avenue, Suite 1000, San Diego, California 92101-7490. "Board" as used in this Lease includes the Board and any assignee of or successor to its rights, powers and responsibilities.

2. [§ 103] Lessee

"**Lessee**" is FAIRFIELD GROSSMONT TROLLEY LLC, a Delaware limited liability company. The sole member of Lessee is Fairfield California Housing Fund LLC, a Delaware limited liability company ("**Fund**"). The manager of Lessee and the member/manager of Fund is FF California Housing Fund LLC, a Delaware limited liability company ("**Manager**"). FF Properties, Inc., a Delaware corporation ("**FF Properties**") is the manager of Manager. The principal office of the Lessee and Manager is 5510 Morehouse Drive, Suite 200, San Diego, California 92101. The non-manager Member of Fund is California State Teachers Retirement System ("**CalSTRS**"). Wherever the term "Lessee" is used herein, such term shall also include any permitted assignee or successor in interest as herein provided.

B. [§ 104] The DDA

This Lease is made pursuant to and in accordance with that certain Disposition and Development Agreement between the Board and Lessee dated as of _____, 2006 (the "**DDA**"). This Lease was entered into at Close of Escrow under the DDA. Lessee's duties and obligations under this Lease are separate and independent from its duties and obligations under the DDA, and a breach by the Lessee under the DDA shall not be deemed a breach under this Lease.

C. [§ 105] The Premises

The "**Premises**" is that certain real property owned by the Board legally described in Exhibit A-1 attached hereto and consisting of the following: (a) approximately 6.8 acres in the City of La Mesa, California (the "**City**") illustrated and designated as Parcel 1 (hereinafter, the "**West Parcel**") and Parcel 2 (hereinafter, the "**East Parcel**") on the recorded Parcel Map No. _____

[insert map number after map is filed] attached to this Lease as **Exhibit A-2** (the "**Parcel Map**"), excepting therefrom the Trolley Parking Area (defined below); and (b) a non-exclusive easement for vehicular and pedestrian ingress and egress and for utilities over the area illustrated and designated as the "Fire Lane and Access Easement" within Parcel 3 and Parcel 4 on the Parcel Map (collectively, the "**Access Road**"), which non-exclusive easement is appurtenant to and for the benefit of each of the East Parcel and the West Parcel (collectively, the "**Parcels**"). The area in which the Trolley Parking Facilities (defined in **Section 108(2)** below) are actually constructed on the Parcels shall be referred to as the "**Trolley Parking Area**." The Trolley Parking Area shall not be part of the Premises.

Except as expressly provided to the contrary in this Lease, reference to the Parcels is to the described land exclusive of any improvements now or hereafter located on such land, notwithstanding that any such improvements may or shall be construed as affixed to and as constituting part of the real property, and without regard to whether ownership of the improvements is in Board or Lessee.

D. **[§ 106] The Project**

The purpose of this Lease is to provide for the lease of the Premises to Lessee and the development and operation on the Parcels by Lessee, at its sole cost and expense, of a transit-oriented, moderate density, mixed-use rental project consisting of:

1. Five hundred twenty-seven (527) multifamily rental apartment units (of which eighty (80) units will be "Affordable Units," as described in **Section 107** below) constructed above two-level parking structures;
2. Approximately 2,800 square feet of ground floor retail rental space;
3. Amenities and accommodations related to the Project, including, without limitation, clubhouse, swimming pools, and related facilities for the benefit of the residents of the Project;
4. Parking facilities consisting of approximately one thousand three hundred eighty-two (1,382) parking spaces in the parking structures and eight (8) additional outdoor spaces, including (a) approximately seven hundred ninety-one (791) parking spaces for the residents and guests of the Project, and (b) the Trolley Parking Facilities; and
5. Extension of off-site sanitary sewer, electrical, water, storm drain, telephone/cable and gas facilities to the Parcels within the Access Road.

(collectively, the "**Project**").

A "**Site Plan**" for the Project is attached hereto as **Exhibit B**. The improvements to be made by Lessee to the Parcels as part of the Project (the "**Improvements**"), are more particularly described and defined in **Section 400** below and in the Scope of Development attached hereto as **Exhibit C**

and the **"Final Construction Drawings and Related Documents"** described on **Exhibit D** attached hereto. The "Project" shall include any subsequent construction on the Parcels following the construction of the Improvements.

E. **[§ 107] Affordable Housing Agreement**

The Lessee and the La Mesa Community Redevelopment Agency (the "**Agency**") have entered into an Affordable Housing Agreement {Grossmont Station Transit-Oriented Development Project} dated as of September 27, 2005, as amended by _____ dated _____, 2006 (the "**Affordable Housing Agreement**"). The Affordable Housing Agreement requires, among other things, that 80 of the residential units constructed within the Project (the "**Affordable Units**") be rented to persons and families of very-low and moderate-income at affordable rent for a term of fifty five (55) years. An Agreement Containing Covenants Affecting Real Property in the form attached to the Affordable Housing Agreement as Exhibit "C" (the "**Affordable Covenant**") and a Leasehold Deed of Trust in the form attached to the Affordable Housing Agreement as Exhibit "D" (the "**AHA Deed of Trust**") will be executed by the Lessee and delivered to the Agency for recordation, substantially concurrently with the move-in of the first tenants to occupy the Affordable Units. The Board has reviewed and approved the Affordable Housing Agreement, and consents to the recording of the Affordable Covenant and the AHA Deed of Trust against Lessee's leasehold interest in the Premises. Lessee shall duly to perform and observe all of its obligations under the Affordable Housing Agreement, Affordable Covenant and the AHA Deed of Trust. The Board agrees to execute and deliver the Estoppel Certificate in substantially the form attached to the Affordable Housing Agreement as Exhibit E within fifteen (15) days following Lessee's written request to do so, provided that such request from Lessee is accompanied by a copy of a permanent certificate of occupancy or equivalent for all units within the first residential building of the Project to be completed. The Board shall be entitled to revise the form of Estoppel Certificate, if necessary: (i) to include those revisions required to reflect the current state of facts, such as the status of this Lease and Lessee's performance hereunder; (ii) to clarify that although the Board has consented to the recording of the AHA Deed of Trust, the Agency is not a Permitted Mortgagee and does not have the rights of a Permitted Mortgagee; (iii) to clarify that the recording of the Affordable Covenant and the AHA Deed of Trust against Lessee's leasehold interest in the Premises and the Board's consent thereto create no lien or other effect on Board's interest in the Property and impose no obligations or liabilities on Board; (iv) to clarify that the Board's execution of the Estoppel Certificate shall not constitute a waiver of any Board's rights pursuant to the Lease; and (v) to delete any statement that in the event of a conflict with the Lease, the Estoppel Certificate will prevail over the Lease. The Lessee agrees not to amend or terminate the Affordable Housing Agreement, the Affordable Covenant or the AHA Deed of Trust without the prior written consent of the Board.

F. **[§ 108] The Trolley Station and Trolley Parking**

1. **Trolley Station.** The Board owns and operates the Grossmont Trolley Station and trolley right-of-way (the "**Trolley Station**") adjacent to the Parcels as illustrated and designated on the Site Plan. Nothing in this Lease shall restrict or impair in any way the Board's rights or discretion to operate, use, transfer, close or redevelop the Trolley Station for such purposes as the Board determines from time to time in its sole discretion.

2. **Trolley Parking.** The provision of parking for the Trolley Station on the Parcels and access to the Trolley Station from the Trolley Parking Facilities is material consideration to the Board for the Lease. At the commencement of the Lease, six hundred (600) surface parking spaces for the park-and-ride patrons of the Trolley Station are located on the Parcels. These parking spaces will be removed in connection with the development of the Project and replaced by Lessee with trolley parking facilities consisting of: (a) five hundred ninety-one (591) parking spaces in a mix of disabled and standard size spaces approved by the Board on the lower parking level of the parking structures of the Project; (b) reasonable vehicular and pedestrian access approved by the Board between the Access Road and the trolley parking facilities; and (c) separately metered utilities (other than fire sprinkler systems) in types and quantities approved by the Board, all as depicted on the Site Plan and described in the Final Construction Drawings and Related Documents (collectively, the "**Trolley Parking Facilities**"). In addition, Lessee shall construct eight (8) parking spaces on Parcel 3 and Parcel 4 on the Parcel Map in locations and to specifications approved by the Board (the "**Outdoor Parking Spaces**"). The Board has granted licenses to park within the Parcels to certain licensees which are listed in **Exhibit E** attached hereto (the "**Parking Licensees**"). It is anticipated that the Board may from time to time grant parking rights in the Trolley Parking Facilities to the Parking Licensees and other parties.

G. **[§ 109]** **Title**

Title to the leasehold estate created by this Lease was conveyed in the condition required by the DDA. The Board shall not at any time during the Term (defined below) of this Lease place any additional title exceptions against the Premises (including without limitation any mortgage or deed of trust) except for title exceptions which (a) are expressly made subject and subordinate to this Lease, the rights of Lessee and its subtenants and any current or future Permitted Mortgagees (defined below) hereunder or (b) are expressly required or permitted by this Lease. The Board consents to the recordation of the Affordable Covenant and the AHA Deed of Trust against the Lessee's leasehold interest in the Premises. The parties shall cooperate reasonably regarding the grant of non-exclusive easements for utility and access purposes within portions of the Access Road as may be required by the City or public utility to extend utility service to the Project or the Trolley Station and such other future easements which might be necessary or desirable for the operation of the Project or the Trolley Station.

H. **[§ 110]** **Condition of the Parcels**

1. **"AS IS" Condition**

The interests conveyed by this Lease in the Parcels, the Access Road and all improvements thereon are conveyed in an "AS IS" condition, with no warranty, express or implied by the Board as to the condition of the soil (or water), its geology, or the presence of known or unknown faults or as to the condition of the improvements. It shall be the sole responsibility of Lessee, at Lessee's expense, to investigate and determine the soil (and water) condition of the Parcels and the Access Road (including improvements) and the suitability of the Parcels and the Access Road (including improvements) for the development to be constructed by Lessee. If the soil (or water) condition of the Parcels and the Access Road (including improvements), or any part thereof,

is not in all respects entirely suitable for the use or uses to which the Parcels and the Access Road and improvements will be put, then it is the sole responsibility and obligation of Lessee to take such action as may be necessary to place the Parcels and the Access Road and the soil (and water) condition thereof (including improvements) in all respects in a condition entirely suitable for the development of the Parcels and the Access Road .

2. **Release**

Lessee hereby waives, releases, remises, acquits and forever discharges Board, its directors, officers, employees, and agents, successors and assigns, of and from any and all suits, causes of action, legal or administrative proceedings, claims, demands, actual damages, punitive damages, losses, costs, liabilities, interest, attorneys' fees and expenses of whatever kind and nature, in law or in equity, known or unknown, which Lessee shall or may have or acquire or possess in any way directly or indirectly connected with, based upon, or arising out of, (a) Board's use, maintenance, ownership and operation of the Parcels and the Access Road prior to the Effective Date of Lease; or (b) the condition (including structural fitness), status, quality, nature, contamination or environmental state of the Parcels, the Access Road and the Project, excepting only: (i) those matters caused solely by Board or its employees after the Effective Date, and (ii) any breach of Board's obligation to maintain the Access Road pursuant to **Section 705(4)** below. It is the intention of this Lease that any and all responsibilities and obligations of Board, and any and all rights or claims of Lessee against Board, its successors and assigns and affiliated entities, arising by virtue of the physical or environmental condition of the Parcels, the Access Road and the Project (excepting only those matters caused solely by Board or its employees after the Effective Date and any breach of Board's obligation to maintain the Access Road pursuant to **Section 705(4)** below) are by this release provision declared null and void and of no present or future effect as to such parties. Lessee agrees as to the matters released to waive the benefits of Section 1542 of the CIVIL CODE of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Lessee's Initials

Board's Initials

II. **[§ 200] LEASE OF THE PREMISES**

A. **[§ 201] Lease**

For and in consideration of the rents, conditions, covenants and agreements set forth herein, Board hereby leases to Lessee and Lessee does hereby take and lease from Board, the Premises subject to the terms, covenants and conditions of this Lease.

B. **[§ 202]** **Term of the Lease**

The term of this Lease shall commence upon the Effective Date of Lease (defined below), and, if not sooner terminated as provided in this Lease, shall expire at midnight on the earlier of: (a) June 30, 2065, and (b) the last day of the calendar month immediately succeeding the fifty-fifth (55th) anniversary of the "**Affordable Occupancy Date**"(as hereafter defined). For example, if the Effective Date of Lease occurs on May 15, 2006, and the Affordable Occupancy Date occurs on June 10, 2009, then the last day of the Term would be June 30, 2064. The term "**Affordable Occupancy Date**" shall mean the date on which the certificate of occupancy or other document authorizing occupancy has been issued by the City for the last Affordable Unit. Within thirty (30) days after the Affordable Occupancy Date occurs, Board and Lessee shall enter into an addendum to this Lease confirming such date and the corresponding date for expiration of the initial Term. Neither the failure nor refusal of either Board or Lessee to enter into said addendum shall in any manner impair this Lease or the effectiveness or enforceability of the matters intended to be confirmed by said addendum.

C. **[§ 203]** **Options to Extend Term**

Board hereby grants the Lessee an option to extend the Term for an additional twenty (20) years (the "**First Extended Term**") and, if the First Extended Term is timely and properly exercised by Lessee, an option to further extend the Term for a term ending on the 99th anniversary of the Effective Date (the "**Second Extended Term**"). The terms and conditions of the First Extended Term and the Second Extended Term, as applicable (either, an "**Extended Term**") shall be the same as set forth in the Lease, except (a) the "Base Rent" as defined in **Section 303** below shall be adjusted on the first day of each Extended Term as described in **Section 304** below; and (b) the obligation of the Lessee to pay "Overage Rent" (as defined in **Section 305** below) shall terminate upon commencement of the first Extended Term. In no event shall the term of this Lease, including all extensions, exceed ninety nine (99) years.

D. **[§ 204]** **Exercise of Option to Extend**

1. The options to extend provided for in **Section 203** shall be exercised only by an unconditional written notice from Lessee (the "**Exercise Notice**") received by Board no later than one (1) year before the expiration of the Term. If Board does not timely receive Lessee's Exercise Notice in accordance with the immediately preceding sentence, Lessee's option to extend the Term shall immediately lapse, and there shall be no further right to extend the Term. The options to extend the Term shall be exercisable by Lessee on the express condition that Lessee shall not be in breach or default under the Lease beyond the expiration of any applicable notice and cure period at the time of the delivery of the Exercise Notice. If Lessee is in breach or default under the Lease beyond the expiration of any applicable notice and cure period at the time of the delivery of the Exercise Notice, the Exercise Notice shall be totally ineffective. If Lessee is in breach or default under the Lease beyond the expiration of any applicable notice and cure period on the date the Extended Term is to commence, the Extended Term shall not commence and this Lease shall expire at the end of the current Term.

2. Notwithstanding the foregoing, Lessee may, by written notice delivered to Board no later than thirty (30) days after determination of the Fair Market Value of the Parcels pursuant to **Section 305** below, give written notice of Lessee's election to revoke the Extension Notice for the Extended Term. If no written notice of revocation is delivered by Lessee to Board during such thirty (30) day period, then the right to revoke the Extension Notice shall expire and be of no further force or effect.

3. Lessee and Board shall execute an amendment to the Lease confirming the exercise of each Extended Term and the Base Rent payable during such Extended Term within forty-five (45) days following determination of the Base Rent for such Extended Term.

E. **[§ 205]** **Base Rent for Extended Term**

Within ten (10) days after receipt an Extension Notice from Lessee, the process to determine the Fair Market Value for the Parcels during the Extended Term shall be commenced and shall thereafter be completed in the time and manner provided in **Section 305** below. Unless Lessee timely delivers a revocation of its Extension Notice, then the Term shall be extended to include the Extended Term for which the Extension Notice is delivered; and the Basic Rent payable during such Extended Term shall be determined in accordance with **Section 304** below.

F. **[§ 206]** **Term**

The word "**Term**" when used in this Lease shall refer to the period identified in **Section 202** above, as extended by any Extended Term previously exercised as provided above.

III. **[§ 300]** **RENT**

A. **[§ 301]** **Manner of Payment**

Lessee covenants and agrees to pay Rent (defined below) as and when required by this Lease to Board, at Board's address set forth in **Section 102** hereof or at such place or to such person as Board may designate in writing by notice to Lessee from time to time, in such coin or currency of the United States as shall, at the time of payment, be legal tender for the payment of all debts, public or private. As used herein, "**Rent**" means all monetary amounts payable by Lessee under this Lease, including without limitation Base Rent, Overage Rent, the City Land Payment (as such terms are defined below) and any sums payable in the event of a "Participation Event" pursuant to **Section 803**.

B. **[§ 302]** **Base Rent**

1. **[§ 303]** **Initial Base Rent**

Lessee shall pay to the Board, for each Lease Year (defined below) or portion thereof during the Term, in the manner and at the time provided herein, annual base rent in the following sums ("**Base Rent**"):

(a) \$85,333.00 per annum for the first (1st) year of the Term, commencing on the Effective Date;

(b) \$170,666.00 per annum for the second (2^d) year of the Term, commencing on the first (1st) anniversary of the Effective Date;

(c) \$256,000.00 per annum for the third (3^d) through thirtieth (30th) years of the Term, commencing on the second (2^d) anniversary of the Effective Date and continuing through the thirtieth (30th) anniversary of the Effective Date; and

(d) the amount determined as the Base Rent under **Section 304(b)** below, commencing on the thirtieth (30th) anniversary of the Effective Date and continuing throughout the remainder of the Term.

Base Rent shall be payable annually, in advance, beginning on the Effective Date and continuing on March 31 of each Lease Year (defined below) thereafter during the Term. As used herein, "**Lease Year**" means that period of twelve (12) consecutive months which begins on the Effective Date or an anniversary of the Effective Date and which falls within the Term, to and including the last day of the Term. Base Rent payable on the Effective Date shall be for the period ending on March 31 of the first Lease Year. Base Rent for any partial Lease Year during the Term shall be a prorata portion of the installment then due, based upon a three hundred sixty five (365) day Lease Year. A hypothetical example of the payment of Base Rent for Lease Years in which two different base rental rates apply is attached as **Exhibit F-1**. Base Rent shall be subject to adjustment in accordance with the terms of **Section 304**.

2. **[§ 304] Adjustments to Base Rent**

(a) **Adjustment Dates.** Base Rent shall be adjusted on the following dates (each an "**Adjustment Date**") to the amounts described in Subsections (b), (c) and (d) below, as applicable:

(1) on the first (1st) day of the thirty-first (31st) full Lease Year ("**First Adjustment Date**");

(2) on the first day of the First Extended Term; and

(3) on the first day of the Second Extended Term.

In no event shall the adjusted Base Rent payable from and after any Adjustment Date be less than the annual Base Rent payable immediately prior to such Adjustment Date. If the adjustment to Base Rent has not been determined by the applicable Adjustment Date, then Lessee shall continue to pay Base Rent in the amount payable immediately prior to the Adjustment Date until determination of the adjustment, at which time any adjustment in the Base Rent resulting from the calculations made pursuant to this **Section 304** shall be made retroactively and paid within thirty (30) days after such determination.

(b) **Base Rent From First Adjustment Date Through End of the Initial Term.**

(1) **Initial Base Rent.** The initial Base Rent payable for the period commencing on the First Adjustment Date and continuing through the end of the initial Term shall be equal to the lesser of (i) eight percent (8%) of the Fair Market Value of the Parcels determined in accordance with Section 305 below; or (ii) six and one-half percent (6.5%) of the Gross Revenue (defined in **Section 310** below) from the Parcels for the Lease Year preceding the First Adjustment Date.

(2) **Cost of Living Adjustments.** The Base Rent payable as of the First Adjustment Date shall be adjusted on the fifth (5th) anniversary of the First Adjustment Date and every five (5) years thereafter during the balance of the initial Term (each, a "**COL Adjustment Date**") in accordance with the percentage increase, if any, in the cost of living determined in accordance with the provisions of **Subsection 305(e)** below (the "**Cost of Living Adjustment**"); provided that in no event will a Cost of Living Adjustment increase the Base Rent by more than fifteen percent (15%) of the amount of Base Rent payable immediately prior to the Cost of Living Adjustment.

(c) **Rent for First Extended Term.**

(1) **Initial Base Rent.** The initial Base Rent payable by Lessee during the First Extended Term shall be equal to the lesser of (i) eight percent (8%) of the Fair Market Value of the Parcels determined in accordance with **Section 304(f)** below; or (ii) eight percent (8%) of the Gross Revenue from the Parcels for the last year of the initial Term.

(2) **Cost of Living Adjustments.** The Base Rent payable upon commencement of the First Extended Term shall be adjusted on the fifth (5th) anniversary of the commencement of the First Extended Term and every five (5) years thereafter during the First Extended Term (each a "**COL Adjustment Date**") in accordance with **Section 304(e)** below; provided that in no event will a Cost of Living Adjustment increase the Base Rent by more than fifteen percent (15%) of the amount of Base Rent payable immediately prior to the Cost of Living Adjustment.

(d) **Rent for Second Extended Term.**

(1) **Initial Base Rent.** The initial Base Rent payable by Lessee during the Second Extended Term shall be equal to the lesser of (i) eight percent (8%) of the Fair Market Value of the Parcels determined in accordance with **Section 304(f)** below; or (ii) ten percent (10%) of the Gross Revenue from the Parcels for the last year of the First Extended Term.

(2) **Cost of Living Adjustments.** The Base Rent payable upon commencement of the Second Extended Term shall be adjusted on the fifth (5th) anniversary of the commencement of the Second Extended Term and every five (5) years thereafter during the Second Extended Term (each a "**COL Adjustment Date**") in accordance with **Section 304(e)** below;

provided that in no event will a Cost of Living Adjustment increase the Base Rent by more than fifteen percent (15%) of the amount of Base Rent payable immediately prior to the Cost of Living Adjustment.

(e) **Cost of Living Adjustment Calculation.** The "Cost of Living Adjustment" shall increase the Base Rent payable from and after each COL Adjustment Date to reflect the percentage increase, if any, in the "Index" (as defined in **Section 1326** below) over the preceding five (5) year period by dividing (i) the monthly Index most recently published before the COL Adjustment Date for which the adjustment is being computed (the "**Current Index**") by the amount of the Index published for the month which is five (5) years prior to the date of the Current Index.

(f) **Determination of Fair Market Value of the Parcels**

(1) **Definition of Fair Market Value of the Parcels.** "Fair Market Value of the Parcels" shall mean the price at which the Parcels would be sold for cash by a willing and knowledgeable seller not compelled to sell, to a willing and knowledgeable buyer not compelled to buy, if the Parcels were: (A) vacant; (B) unimproved, but with all off-site and on-site improvements required to put the Parcels in a "finished" condition ready for the construction of the Project in place; (C) unencumbered except for (i) the Board's exclusive right to use five hundred ninety-one (591) parking spaces in one or more parking structures on the Parcels, and (ii) subject to the Affordable Covenant until such Affordable Covenant has expired by its terms; (D) free and clear of this Lease and all mortgages or deeds of trust; and (E) available for development for the "highest and best use" then permitted by this Lease. The costs of construction of five hundred ninety-one (591) parking spaces for the Board's exclusive use shall not be considered in determining Fair Market Value of the Parcels.

(2) **Appraisal to Determine Fair Market Value.** The Fair Market Value of the Parcels shall be determined as follows:

a. Not earlier than nine (9) months and not later than six (6) months prior to an Adjustment Date, the parties shall each by written notice to the other appoint one (1) appraiser who is a licensed MAI Appraiser, or a member of the American Institute of Real Estate Appraisers or any successor thereto, or a member of the Society of Real Estate Appraisers, or any successor thereto, in each case with at least ten (10) years' full-time experience in San Diego County appraising commercial real estate and has performed appraisals of not less than three (3) facilities substantially similar to the Project in the five (5) years preceding the date on which the appraisal under this Lease is to be made. Each such appraiser shall determine the Fair Market Value of the Parcels based upon the factors enumerated in **Section 304 (f) (1)** above and complete and submit his or her written appraisal to Board and Lessee within sixty (60) days after the appointment of both such appraisers. If the higher appraised Fair Market Value of the Parcels in such two (2) appraisals is not more than one hundred ten percent (110%) of the lower appraised Fair Market Value of the Parcels, then the Fair Market Value of the Parcels shall be the average of the two (2) appraised rental values. If it is not, however, then the appraisers so named shall have fifteen (15) days to designate a third appraiser with similar qualifications. If the two appraisers are unable timely

to agree on the third appraiser, then either Board or Lessee, by giving prior written notice to the other party, shall have thirty (30) days to request and obtain appointment of such a qualified appraiser by applying to the Superior Court of the State of California for the County of San Diego. The third appraiser, however selected, shall be a person who has not acted in any capacity for either party.

b. If a third appraiser is necessary, the third appraiser shall conduct an independent appraisal of the Parcels to determine the Fair Market Value of the Parcels based upon the factors enumerated in **Section 304 (f) (1)** above and complete and submit his or her written appraisal to Board and Lessee within sixty (60) days after his or her appointment. The Fair Market Value of the Parcels shall be the average of the two (2) of the three (3) appraised Fair Market Values of the Parcels that are closest to each other. The Fair Market Value of the Parcels, determined in accordance with this Subsection, shall be conclusive and binding upon Board and Lessee.

c. When submitting his or her appraisal, each appraiser shall certify that: (i) he or she has personally inspected the Parcels and all properties used as comparisons; (ii) he or she has no past, present or contemplated future interest in the Improvements or the Parcels or the leasehold estate, or any part thereof; (iii) the compensation to be received by him or her from any source for making the appraisal is solely in accordance with this Lease; (iv) he or she has followed the instructions as set forth in Subsection (b); (v) neither the appraiser's employment to make the appraisal nor his or her compensation therefor is contingent upon reporting a predetermined value, or a value within a predetermined range of values; (vi) he or she is an appraiser who is a licensed MAI Appraiser, or a member of the American Institute of Real Estate Appraisers or any successor thereto, or a member of the Society of Real Estate Appraisers, or any successor thereto, in each case with at least ten (10) years' full-time experience in San Diego County appraising commercial real estate and has performed appraisals of not less than three (3) facilities substantially similar to the Project in the five (5) years preceding the date on which the appraisal to be made under this Lease is to be made; and (vii) the appraisal was prepared in conformity with the standards of professional practice common in the real estate appraisal industry.

d. Board and Lessee shall each pay the fee and expenses charged by its appraiser plus one-half (½) of the fee and expenses charged by the neutral third appraiser.

(g) **Base Rent Adjustment Examples**

Hypothetical examples of adjustments to Base Rent in accordance with the provisions of Subsections (a) and (b) are attached hereto as **Exhibits F-2 and F-3**.

(h) **Retroactive Adjustment**. If the Fair Market Value of the Parcels or the applicable Gross Revenue from the Parcels has not been determined by the applicable Adjustment Date, then Lessee shall continue to pay annual Base Rent in effect for the prior Lease Year until such time as the Fair Market Value of the Parcels and the applicable Gross Revenue from the Parcels has been determined, at which time the adjustment in the Base Rent shall be made retroactively and paid within ten (10) days after such determination.

C. **[§ 305] Overage Rent**

Overage Rent shall be calculated and paid by Lessee to Board in accordance with Sections 306 through 311 below.

1. **[§ 306] Overage Rent**

On or before March 31 of the first calendar year following issuance of a certificate of occupancy or equivalent for the first residential unit within the Project, and continuing on March 31 of each year during the initial Term of this Lease (but not during any Extended Term), Lessee shall pay to Board, as supplemental Rent (in addition to, and not in lieu of, Base Rent), an amount (the "**Overage Rent**") equal to one and twenty-five hundredths percent (1.25%) of Gross Revenue from the Project for the previous calendar year. The Overage Rent payable for any partial calendar year immediately preceding expiration of the initial Term shall be paid to Board on or before the ninetieth (90th) day following the expiration of the initial Term.

2. **[§ 307] Annual Statements and Payments**

On or before March 31 of each Lease Year during the initial Term of this Lease, and within ninety (90) days following expiration of the initial Term, Lessee shall furnish to Board a statement duly certified by an authorized officer, partner or employee of Lessee setting forth in reasonable detail the Gross Revenue during the calendar year (or partial year) just concluded, reflecting the basis for the computation of the amount of Overage Rent (if any) due for such calendar year (or partial year) just concluded, and certifying that the accounting practices of Lessee, in terms of reasonableness and propriety, conform to generally accepted accounting principles consistently applied (an "**Overage Rent Statement**"). Each Overage Rent Statement shall be accompanied by the payment from Lessee to Board of any Overage Rent reflected in said statement as being due for such calendar or partial year. On or before the first (1st) day of January each year, Lessee shall submit to Board a revenue projection for the Project for such calendar year to assist Board in anticipating the amount of Overage Rent for such calendar year. Lessee shall act in good faith in preparing such projections; however, Lessee shall in no way be liable for the accuracy of such projections or for any damages incurred by Board resulting from Board's reliance on such projections, unless the same are occasioned by Lessee's gross negligence or willful misconduct.

3. **[§ 308] Board's Right to Audit**

Board shall have the right, at any time and from time to time upon reasonable notice to Lessee, and at Board's expense, to have an employee of the Board or a public or non-profit entity affiliated with the Board review and examine Lessee's records of Gross Revenue for any given period. In addition, Board shall have the right, at any time upon reasonable notice to Lessee and at Board's sole expense, to have Lessee's records of Gross Revenue for any given Lease Year audited by a disinterested, reputable firm of certified public accountants (compensated on an hourly basis) who are actively engaged in the practice of their profession and who are to be selected by Board. The following limitations shall apply to each such review and examination or audit: (a) any such review and examination or audit shall be conducted during normal business hours at the offices

where such records are routinely maintained by Lessee; (b) a review and examination or audit shall be conducted not more than twice in any Lease Year; and (c) any review and examination or audit shall be conducted so as to minimize interference with Tenant's business operations, to the extent reasonably possible. If Board does not request an audit within five (5) years after receipt of Lessee's annual statement, then, except in any case where the Board reasonably suspects fraud or intentional misrepresentation of Gross Revenue, such statement shall be conclusively presumed to be accurate and Board shall have no right to require an audit with respect to the period covered by such statement. If any deficiency in Lessee's payment of Overage Rent is established pursuant to said audit, Lessee shall within thirty (30) days thereafter pay to Board the amount of such deficiency together with interest thereon from the date same was originally due at the rate per annum equal to three percent (3%) plus the prime rate published in the western edition of the Wall Street Journal, but in no event more than the maximum interest rate permitted by law. If the statement of Gross Revenue forming the basis for the Overage Rent calculations previously made by Lessee to Board is less than the amount of Lessee's Gross Revenue as shown by Board's audit by four percent (4%) or more, then Lessee shall immediately pay to Board the cost of such audit, otherwise, the cost of such audit shall be paid by Board. If the statement of Gross Revenue forming the basis for the Overage Rent calculations previously made by Lessee to Board is greater than the amount of Lessee's Gross Revenue as shown by Board's audit and further shows that an overpayment of Overage Rent was made for the Lease Year so audited, then the amount of any overpayment shall be applied by Board against the next succeeding payments of Base Rent coming due.

4. **[§ 309] Retention of Records**

Lessee shall, for a period of at least five (5) years from the end of each Lease Year, keep safe and intact, at Lessee's address set forth in **Section 103** hereof or at Lessee's principal place of business in California, all of the records, books, accounts and other data which are regularly kept by Lessee in the ordinary course of its business to establish Lessee's Gross Revenue for that Lease Year, and shall upon reasonable notice make the same available to Board and Board's auditors, representatives or agents for examination to the extent provided in **Section 308** above.

5. **[§ 310] Gross Revenue**

As used herein, "**Gross Revenue**" shall mean all revenue of any kind or nature received by Lessee derived from the Parcels and the Improvements thereon for the Lease Year in question, including, without limitation (i) all revenue received from subtenants or licensees of the Parcels or the Improvements, and all interest earned on security deposits, provided such interest is retained by Lessee and not returned to any subtenant; (ii) all other revenues from or connected with the Parcels, all operations and Improvements thereon, including without limitation, deposits forfeited, cancellation fees, and any cost reimbursement of any kind received by Lessee in excess of the actual cost to Lessee; and (iii) proceeds of business interruption and similar insurance payable as a result of loss of revenues. Gross Revenue shall not include (A) security deposits and/or other deposits (or interest thereon which is payable to the tenant or becomes part of the deposit) until applied in payment of rents and/or other charges to be included in Gross Revenue, (B) proceeds of casualty insurance or condemnation awards; (C) proceeds from any sale or refinancing of any interest in the Premises or the Improvements; (D) reimbursement from subtenants or other parties

for actual costs related to the operation of the Premises and the Improvements; (E) reimbursement from the Board, subtenants or other parties for actual costs related to the development, maintenance and operation of the Project; (F) repayments of loans made by Lessee, or refunds of fees, deposits or taxes paid by Lessee, (G) the "Affordable Housing Payment" from the Agency under the Affordable Housing Agreement; (H) late charges or interest; (I) reimbursements for non-sufficient fund charges by Banks on subtenants' checks; (J) settlements or payment in satisfaction of claims for damage to property, injury or death to persons, faulty construction or maintenance and, in the case of security, cleaning and/or similar deposits, the retention of same to the extent used to pay for expenses incurred due to a subtenant's failure to surrender its premises in the condition required by its sublease; (K) real and/or personal property tax refunds; (L) judgment awards and settlement payments to the extent required to reimburse Lessee for its attorneys' fees and collection costs; and (M) repayments or refunds to Lessee of amounts previously paid by Lessee.

6. **[§ 311] Overage Rent Examples**

A hypothetical example of Overage Rent calculations in accordance with the provisions of Subsections 1 through 5 above is attached hereto as **Exhibit F-4**.

D. **[§ 312] City Land Payment**

Lessee shall pay to Board, as supplemental Rent, in readily available funds, a one time payment (the "**City Land Payment**") in the sum of Two Hundred Fifty Thousand Dollars (\$250,000.00) which amount equals one-half (½) of the purchase price to be paid by the Board to the City to purchase fee title to those portions of the Parcels owned by the City immediately prior to the Effective Date. The City Land Payment shall be payable on the first to occur of the following: (a) within five (5) Business Days following delivery by the Board to the Lessee of the Certificate of Compliance pursuant to **Section 415**; or (b) the fifth (5th) anniversary of the Effective Date.

E. **[§ 313] Priority for Payment of Rent and Other Sums**

1. **[§ 314] Net Lease**

(a) Board and Lessee agree that Base Rent, Overage Rent, any supplemental Rent, the City Land Payment, and any and all other sums payable hereunder to or on behalf of Board, shall be paid without notice or demand, and without setoff, counterclaim, abatement, deferment, suspension or deduction. This is a net lease. Except as expressly provided to the contrary in this Lease, all costs incurred in the operation and maintenance of the Project shall be paid by Lessee.

(b) The obligations of Lessee hereunder shall be separate and independent covenants and agreements; the Base Rent, the Overage Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events, and that the obligations of Lessee hereunder shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease. Notwithstanding anything to the contrary contained above, Lessee does retain a separate and independent right to sue Board; provided,

however, any judgment in favor of Board shall not abate Base Rent or Overage Rent or terminate Lessee's obligations hereunder.

(c) Lessee agrees that it will remain obligated under this Lease in accordance with its terms, and that it will not take any action to terminate, rescind or avoid this Lease, notwithstanding (i) the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceeding affecting Board or its successors in interest; or (ii) any action with respect to this Lease which may be taken by any trustee or receiver of Board or its successors in interest or by any court in any such proceeding.

(d) Lessee waives all rights which may now or hereafter be conferred by law (i) to quit, terminate or surrender this Lease or the Premises or any part thereof; or (ii) to any abatement, suspension, deferment or reduction of the Base Rent, Overage Rent or any other sums payable under this Lease.

2. **[§ 315] Absolute Assignment of Gross Revenue**

In consideration of Board's obligations under this Lease, Lessee hereby assigns to Board the Gross Revenue of the Project. The assignment of Gross Revenue pursuant to this Section is intended and shall be construed as an absolute assignment and not merely a passing of a security interest. Such absolute assignment is and shall be subject to the conditional permission to collect Gross Revenue and make the payments described in **Section 316**, in the priority described in **Section 316**. It is understood and agreed that the assignment of Gross Revenue to the Board is expressly subordinate in all respects to any assignment (whether absolute, collateral, or otherwise) of the Gross Revenue of the Project to a Permitted Mortgagee.

3. **[§ 316] Priority for Payment**

Unless and until an Event of Default (as defined in **Section 1207** below) then exists, Lessee shall have permission to collect and obtain all Gross Revenue of the Project. Lessee shall use commercially reasonable efforts to collect and obtain all Gross Revenue, and shall have the right and obligation to use the Gross Revenue to pay to Board the Base Rent, Overage Rent, any supplemental Rent, and any and all other sums owed to Board under this Lease. After the payment of debt service, loan costs, and any other obligations which may be owed to a Permitted Mortgagee, any and all Base Rent, Overage Rent, any supplemental Rent and other sums payable to Board by Lessee under the provisions of this Lease shall have a first priority for payment from the Gross Revenue. All other expenses of Lessee related to the Parcels and the Improvements, including without limitation, all operating expenses and other expenses attributable to the operation, management, leasing, repair or renovation of the Parcels and the Improvements - other than amounts owed to a Permitted Mortgagee - shall be subordinate to the payments to Board of Base Rent, Overage Rent, any supplemental Rent, and any and all other sums owed to Board as required under this Lease.

F. **[§ 317]** **Additional Rent**

In addition to and not by way of limitation of Board's rights under specific provisions of this Lease, Board shall at all times have the right (at its sole election and without any obligation so to do) to advance on behalf of Lessee any amount payable under the terms hereof by Lessee, or to otherwise satisfy any of Lessee's obligations hereunder (except payment of monetary obligations which are owing directly to Board such as Base Rent), provided that (except in case of emergency calling for immediate payment) Board shall first have given Lessee no less than fifteen (15) days advance written notice of Board's intention to advance such amounts on behalf of Lessee. No advance by Board shall operate as a waiver of any of Board's rights under this Lease and Lessee shall remain fully responsible for the performance of its obligations under this Lease. Lessee's obligation to reimburse amounts advanced by Board pursuant to this Section shall constitute supplemental Rent under this Lease, shall be due and payable by Lessee to Board ten (10) days after Board makes written demand therefor, and shall bear interest from the date same was advanced at the rate per annum equal to the three percent (3%) plus the prime rate published in the western edition of the Wall Street Journal, but not to exceed the maximum rate for which the parties may lawfully contract, from the date of advance.

G. **[§ 318]** **Delinquency in Rent Payment; Collection of Rent**

The failure of Lessee to pay any installment of Rent (including without limitation, any estimated or final Overage Rent, or any supplemental Rent) by the due date shall constitute a default, subject to Lessee's rights to receive notice and cure such default as provided in **Section 1200 et seq.** In the event Lessee fails to pay the applicable installment of Rent within ten (10) days after the due date, in addition to any other remedy provided by this Lease, Lessee shall pay to Board as a late charge an additional payment equal to five percent (5%) of such delinquent payment, and the amount due and unpaid shall bear interest at the lesser of the annual rate of three percent (3%) over the prime rate published in the western edition of the Wall Street Journal on the due date, but not to exceed the maximum annual rate which may lawfully be charged and collected under applicable law on the delinquent obligation. Said interest shall accrue from the due date of the installment of Rent to the date the installment of Rent is received by Board. It is the intent of this provision that Board shall be compensated by such payment and interest for loss resulting from rent delinquency, including costs to Board for servicing the delinquent account. Any failure of Board to enforce the foregoing provisions of this **Section 320** in any instance shall not constitute a waiver of Board's right to enforce the same at any subsequent time.

In case of a default in payment of any part of the Rent, Board shall have the right to separate its cause of action to permit the institution of a separate suit only for the Overage Rent unable to be determined at the time suit is first brought, and neither the institution of such first suit nor the entry of judgment therein shall bar Board from bringing a subsequent suit against Lessee, for the amount of Overage Rent not capable of being determined at the time of the initial action, at such time as such Overage Rent may be determined. Any order or judgment concerning estimated installments of Overage Rent shall not prejudice or bar Lessee's or Board's rights to the adjustment of Overage Rent as provided by **Sections 308 and 309.**

H. **[§ 319]** **No Subsidy or Assistance**

Board agrees that nothing contained in this Lease constitutes financial assistance or a subsidy by Board to Lessee in connection with the Project and that the Rent and other consideration to be paid and obligations agreed to be performed by the Lessee under the Lease represents not less than the full fair market rental value of the Premises and full consideration for the Lease.

IV. **[§ 400]** **DEVELOPMENT OF THE PARCELS**

A. **[§ 401]** **General**

Lessee, at its sole cost and expense, shall construct or cause to be constructed the Project and all of the Improvements, in full conformity with this Lease, the Scope of Development, the "**Construction Schedule**" attached hereto as **Exhibit G**, and the Final Construction Drawings and Related Documents.

B. **[§ 402]** **Certain Construction Issues**

1. **Relocation of Bus Operations**

(a) The Board has agreed, at Lessee's request, to relocate all bus transit activities from the Trolley Station to the Amaya Station, a nearby location owned and operated by the Board, in order to accommodate the Lessee's initial construction of the Project on the Parcels. The temporary closure of the bus transit activities at the Trolley Station shall commence not later than thirty (30) days after Lessee's written notice of intent to proceed (the "**Relocation Notice**"), and continue for a period ending on the date specified in a written notice delivered by Lessee to the Board (the "**Relocation End Date**") which notice shall be delivered not later than sixty (60) days prior to the Relocation End Date identified in such notice.

(b) In consideration for such temporary closure of the bus transit activities at the Trolley Station, Lessee shall pay to Board, as additional Rent, in readily available funds, a fee of \$1,822.90 for each week of bus relocation (the weekly "**Relocation Fee**") to reimburse the Board for the costs incurred by the Board in connection with such relocation of the bus stop from the Trolley Station to the Amaya Station. Lessee has requested that bus transit activities be relocated to the Amaya Station for a period of two (2) years. The estimated total cost for relocation for two (2) years is \$284,372.40. Lessee shall deposit one-half of this estimated total cost for relocation (\$142,186.20) with the Board on or before the date identified for the commencement of bus transit relocation in the Relocation Notice, and Lessee shall deposit with the Board the second half of this estimate (\$142,186.20) one (1) year thereafter. Lessee shall have the right to continue the bus transit relocation activities beyond two (2) years for additional weekly Relocation Fees by providing the Board thirty (30) days advance written notice accompanied by an additional deposit of weekly Relocation Fees sufficient to cover the requested extension of the bus relocation. *[add reconciliation provision]*

(c) In addition, Lessee acknowledges that the relocation of the bus transit activities to the Amaya Trolley Station will likely cause damage to the asphalt at the Amaya Trolley Station. Lessee shall have the option, at its sole cost and expense, to install a concrete bus parking pad to reduce the damages. Lessee shall, at its sole cost and expense, repair or replace any damaged asphalt at the Amaya Trolley Station within thirty (30) days of the Board's written request. All repair and replacement of damaged asphalt, and the installation of a concrete bus parking pad (should Lessee elect to do so) shall be performed to the Board's standards and specifications. The Board estimates that the cost to install a concrete bus parking pad and/or repair or replace any damaged asphalt would not exceed \$60,000.

(d) Board does not plan to discontinue trolley operations at the Trolley Station during the construction of the Project. Board may continue, modify or temporarily discontinue trolley operations at the Trolley Station during the construction of the Project as Board may determine in its sole discretion.

2. **Temporary Parking.** During the construction of the Project, Lessee shall at all times maintain at least two hundred sixty-five (265) parking spaces available on the Parcels (the "**Temporary Parking**") for use of the Board, trolley patrons, and others to whom Board has from time to time granted parking rights, as described in the "**Trolley Parking Construction Phasing Plan**" attached as **Exhibit H**. The existing parking on the East Parcel shall not be disturbed until the parking garage on the West Parcel is completed and ready for use and a temporary certificate of occupancy (or its equivalent) the parking garage on the West Parcel has been issued by the City.

3. **Interim Access.** During construction of the Project, Lessee shall maintain at all times, at its sole cost and expense, reasonable vehicular and pedestrian ingress and egress over the Access Road between: (a) Fletcher Drive and (i) the Temporary Parking; and (ii) the AAA Property and the CCRT Property; and (b) the Temporary Parking and the Trolley Station, the AAA Property and the CCRT Property.

4. **Repair of Damage.** Lessee shall promptly repair, to a condition at least as good as the preexisting condition, any and all damages caused to the Board Land or the Trolley Station from the construction of the Project. Without limiting the generality of the foregoing, upon completion of the installation of all utilities by Lessee within and near the Access Road, Lessee shall: (a) properly fill and compact all trenches and other excavations resulting from the installation of such utilities; (b) repair the road surface and any other paved surfaces to a construction standard not less than the preexisting condition; (c) place an asphalt concrete overlay not less than one inch thick over the entire Access Road. All such repair work shall be performed to the Board's standards and specifications.

C. **[§ 403]** **Evidence of Financing and Project Commitments**

Lessee shall report regularly as requested by the Board on its financing for the development on the Parcels. The reports may be oral, or shall be in writing if requested by the Board. The reports shall explain in reasonable detail the status of the financing approved by the Board under the DDA, and the pre-leasing activity which has been achieved. The information in the reports shall remain confidential to the extent permitted by law, recognizing without limitation that they are subject to review by responsible officials and employees of the Board.

Lessee shall provide or cause to be provided to the Board any additional evidence reasonably required by the Board from time to time to establish that the following items are current and in full force and effect:

1. A current certified financial statement or statements covering the last two (2) years, or other financial statements or forms of financial confirmation, in such form reasonably satisfactory to the Board.

2. To the extent not previously provided, copies of the contracts between: (a) Lessee and the general contractor for the construction of improvements upon the Parcels (the "**General Construction Contract**"), and (b) the general contractor and all Major Subcontractors. ("**Major Subcontractors**" for purposes hereof shall be those subcontractors whose work exceeds five percent (5%) of the total construction contract costs.) Such contracts shall contain retention provisions requiring withholding of a minimum of five percent (5%) of payments due to the general contractor and subcontractors until the contractual obligations of such entities are fully completed as to any phase identified in such contract. Such contracts shall also contain, to the Board's reasonable satisfaction, adequate indemnification, insurance and other contractual provisions as may reasonably be required to protect the Board and any other provisions required by this Lease to be contained in such contracts, and shall be certified by Lessee to be true and correct copies thereof. Lessee shall duly to perform and observe all of its obligations under the General Construction Contract.

3. If not previously provided, an assignment by Lessee, in form and substance reasonably satisfactory to the Board, assigning to the Board as security for Lessee's performance under this Lease, the interests of Lessee under the General Construction Contract. It is understood and agreed that such assignment will be expressly subordinate to any assignment of such contract required by a Permitted Mortgagee and shall include the Board's deemed approval of all amendments, change orders and terminations approved of the General Construction Contract by a Permitted Mortgagee so long as the contract terms regarding insurance, indemnification and retention required by this Lease or approved by the Board are not reduced.

4. To the extent not previously provided, evidence reasonably satisfactory to the Board that Lessee has obtained all Required Land Use Approvals and any other permits, approvals and authorizations of any type required for the design, development, construction, use and operation of the Project and that all such permits, approvals and authorizations remain in full force and effect.

5. To the extent not previously provided, evidence satisfactory to the Board that Lessee has obtained all easements, encroachment agreements, licenses and other off-site rights required for the development, construction, use and operation of the Project.

D. **[§ 404] Construction Plans, Drawings and Related Documents**

Lessee has prepared and the Board has approved the Final Construction Drawings and Related Documents for the Project, including all Improvements.

E. **[§ 405] Board Approval of Material Changes**

1. The Board shall have the right of review (including, but not limited to, architectural review) and approval of any "**Material Change**" (as hereinafter defined) in the Final Construction Drawings and Related Documents. If Lessee desires to make any Material Change in the Final Construction Drawings and Related Documents, Lessee shall submit the proposed change to the Board for its approval, which shall not be unreasonably withheld. The Board shall approve, conditionally approve or disapprove such proposed change as provided in this Section and in the manner and within the time period provided in **Subsection 405(2)** below.

2. A "Material Change" shall mean any change to the Final Construction Drawings and Related Documents which (a) results in more than a Three Million Dollar (\$3,000,000) change in the Guaranteed Maximum Price set forth in the approved general construction contract between Lessee and FF Development L.P. ("**General Contractor**") providing for the construction of the Improvements; (b) impacts the Trolley Parking Facilities or the Trolley Station in any material way; or (c) requires an amendment to any discretionary approval previously issued by the City for the Project. The Board shall respond to any request for approval of a Material Change within ten (10) Business Days after receipt of such request, and, if the Board fails to respond within such ten (10) Business Day period, such requested Material Change shall be deemed approved.

3. The Board neither undertakes nor assumes nor shall it have any responsibility or duty to Lessee or to any third party to review, inspect, supervise, pass judgment upon or inform Lessee or any third party of any matter in connection with the development or construction of the Project, whether with respect to the quality, adequacy or suitability or the plans, any labor, service, equipment or material furnished to the Project, any person furnishing the same or otherwise. Lessee and all third parties shall rely upon its or their own judgment with respect to such matters, neither Lessee nor any third party is entitled to rely on any review, inspection, supervision, exercise of judgment or information supplied to Lessee or to any third party by the Board in connection with this Lease.

F. **[§ 406] Cost of Construction**

The cost of developing the Parcels and constructing all improvements thereon shall be borne by Lessee. The Board and Lessee shall each pay the costs necessary to administer and carry out their respective responsibilities and obligations under this Lease.

G. **[§ 407] Construction Schedule**

Lessee shall begin construction of the Project within thirty (30) days following the Effective Date and shall use its diligent, good faith efforts to complete the construction of the Project in accordance with the Construction Schedule (defined below) no later than the fourth (4th) anniversary of the Effective Date, subject to extension for "Enforced Delay" (as defined in **Section 1209** below).

Lessee has prepared a construction schedule (the "**Construction Schedule**") which is attached hereto as **Exhibit G**, specifying the dates when the major elements and components of the work to be performed thereunder are currently scheduled for completion, looking to completion of the construction on or before the date specified above. In the event that any material change occurs in the Construction Schedule by reason of delay or otherwise, Lessee shall prepare a revised Construction Schedule and submit it to the Board within fifteen (15) days after Lessee first has confirmed the delay.

Not less than monthly, during periods of construction, Lessee shall submit to the Board a report summarizing the progress of construction, any change in the status of all necessary governmental approvals required in connection with the construction work, the status and degree of the completion of the work, and any confirmed delays under the Construction Schedule submitted to the Board pursuant to the preceding paragraph. The reports shall include, if requested, a reasonable number of construction photographs taken since the last report submitted by Lessee.

H. **[§ 408] Indemnification; Insurance**

To the fullest extent permitted by law, Lessee shall indemnify, protect, defend and hold harmless the Board and its officers, employees and agents, from and against all liability, loss, damage, costs, or expenses of any kind (including court costs and attorneys' fees) arising from or as a result of any accident, injury, loss or damage whatsoever caused to any person or to the property of any person which shall occur on or adjacent to the Parcels and which shall be directly or indirectly caused by any acts done thereon or any errors or omissions of Lessee, its agents, employees and contractors, or any of them, including but not limited to, claims of negligent or defective design or construction, regardless of whether any such liability occurs before or after issuance of the Certificate of Compliance. These indemnity obligations shall survive the expiration or termination of this Lease. Lessee's obligations under this Section exclude only claims, losses or liability which is due to the sole negligence or willful misconduct of Board or its officers, employees and agents.

During the period of construction on the Parcels and until such time as the Board has issued a final Certificate of Compliance under **Section 415** for all improvements to be constructed by Lessee pursuant to this Lease, Lessee shall have and maintain the insurance policies set forth in

Section 1102. All policies, endorsements, certificates and binders shall be subject to approval by the Risk Manager of the Board.

I. [§ 409] Antidiscrimination During Construction; Equal Opportunity

Lessee, for itself and its successors and assigns agrees that in the construction of the improvements on the Parcels provided for in this Lease:

1. Lessee shall not discriminate against any employee or applicant for employment because of race, color, religion, creed, national origin, ethnicity, disability, age, marital status, sex or sexual orientation. Lessee shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, creed, national origin, ethnicity, disability, age, marital status, sex or sexual orientation. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

2. Lessee shall, in all solicitations or advertisements for employees placed by or on behalf of Lessee, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, creed, national origin, ethnicity, disability, age, marital status, sex or sexual orientation.

3. Lessee shall cause the foregoing provisions to be inserted in all contracts for any work covered by this Lease so that such provisions shall be binding upon each contractor and subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

J. [§ 410] Local, State, and Federal Laws

Lessee shall carry out the construction of the Improvements on the Parcels in conformity with all applicable laws, including all applicable federal and state labor standards. Board and Lessee do not believe that the Project is subject to prevailing wage requirements; however, Lessee shall cause its contractors to pay prevailing wages for the construction of the Project if and to the extent required by applicable law. Notwithstanding the foregoing, if formal written demand is made on Lessee for the payment of prevailing wage on the construction of the Project, and Lessee determines in its sole good faith discretion that it will be unable to resolve such demand in Lessee's favor, within a time period acceptable to Lessee or the Permitted Mortgagee funding construction of the Project, then Lessee, with the written consent of the Permitted Mortgagee shall have the right to terminate the Lease by delivery to the Board of a written notice of termination ("**Termination Notice**"); provided that Lessee restores the Parcels, at the sole cost and expense of Lessee, to a functional equivalent not less than that existing as of the Effective Date (the "**Restoration**"), no later than six (6) months following Lessee's delivery of the Termination Notice, which six (6) month period shall be extended by Enforced Delays. During the restoration, Lessee shall maintain parking on the Parcels not less

than the Temporary Parking. The plans and specifications for the Restoration shall be subject to the prior written approval of the Board, which approval will not be unreasonably withheld or delayed. Upon the lien free completion by Lessee of the Restoration and acceptance of the Restoration by the Board, the Lease and the rights and obligations of Lessee and the Board shall terminate and be of no further force or effect except for those sections of this Lease which provide that they will survive the expiration or termination of this Lease.

K. **[§ 411] City and Other Governmental Board Permits**

Before commencement of any work or improvement upon the Parcels, Lessee shall secure or shall cause to be secured, all Required Land Use Approvals any and all permits, approvals or certificates which may be required by the City or any other governmental agency with jurisdiction over the Parcels or over the construction, development or work contemplated under this Lease. Lessee shall obtain all City grading and building permits required for construction of the Project within two (2) Business Days after the Effective Date and provide written notice and copies thereof to the Board. The Board shall cooperate with Lessee and provide all proper assistance to Lessee in securing these permits and certificates and any other approvals required for the Project in order to meet the time periods set forth in the Schedule of Performance; provided that the Board shall not be required to incur any expense in connection with providing any such assistance.

L. **[§ 412] Rights of Access**

For the purposes of assuring compliance with this Lease, representatives of the Board shall have the reasonable right of access to the Parcels without charges or fees and at normal construction hours during the period of construction for the purposes of this Lease, including, but not limited to, the inspection of the work being performed in constructing the improvements. Such right to enter shall be subject to Board's compliance with all site control and safety procedures established by Lessee and/or the General Contractor. Such representatives of the Board shall be those who are so identified in writing by the Board. The Board hereby indemnifies Lessee and holds it harmless from any damage or liability caused solely by Board or its representatives and arising out of this right of access.

M. **[§ 413] Taxes, Assessments, Encumbrances and Liens**

Prior to recordation of a Certificate of Compliance for the Project pursuant to **Section 415** of this Lease, Lessee shall not place or allow to be placed on the Parcels, or any portion thereof, any mortgage, trust deed, encumbrance or lien not authorized by this Ground Lease, and Lessee shall remove, or shall have removed, any levy or attachment made on the Parcels, or any portion thereof, or shall assure the satisfaction thereof within a reasonable time. Nothing herein contained shall be deemed to prohibit Lessee from contesting the validity or amounts of any tax, assessment, encumbrance or lien, nor to limit the remedies available to Lessee with respect thereto, provided such contest does not subject the Parcels, or any portion thereof, to forfeiture or sale, as more fully set forth in **Section 611**.

N. **[§ 414]** **Sale of the Project**

Except as otherwise expressly provided in this Lease, Lessee shall not under any circumstances be entitled to sell any portion of its ownership interest in the Project prior to the issuance of a Certificate of Compliance by Board, without the prior written consent of the Board, which may be granted or withheld in the sole and absolute discretion of Board.

Following the issuance of a Certificate of Compliance, Lessee shall be entitled to sell its interest in any or all of the Project to the extent allowed and in accordance with the terms and provisions of **Section 800** *et seq.*

If, contrary to the provisions of this Lease, Lessee does assign this Lease or any of the rights herein, or does sell, transfer, convey or assign any portion of its ownership interest in the Project or any part of the Parcels or the improvements thereon, in addition to all other legal and equitable remedies the Board may be entitled to, the Board shall be entitled to recover from Lessee the total consideration received by Lessee for such sale, transfer, conveyance or assignment. Said consideration shall belong and be paid to the Board and until so paid the Board shall have a lien on Lessee's interest in the Parcels for such amount.

Nothing in this **Section 414** shall apply to, limit or restrict the assignment and conveyance of Lessee's right title and interest in the Lease and in the Project to a Permitted Mortgagee or its affiliate in connection with the realization by a Permitted Mortgagee on its security, whether by foreclosure or by deed/assignment in lieu of foreclosure, nor apply to, limit or restrict the assignment and conveyance of Lessee's interest in the Lease and in the Project by the Permitted Mortgagee or its affiliate following such foreclosure or deed/assignment in lieu of foreclosure.

O. **[§ 415]** **Certificate of Compliance**

Promptly after completion of all construction and development of the Project to be completed by Lessee upon the Parcels, and the completion of all construction and development of the Trolley Parking Facilities, and the repair any damages pursuant to **Section 402(4)**, all in compliance with the terms of this Lease, the Board shall furnish Lessee with a Certificate of Compliance upon written request therefor by Lessee. Such Certificate of Compliance shall be in such form as to permit it to be recorded in the Office of the County Recorder of San Diego County.

A Certificate of Compliance shall be, and shall so state, conclusive determination of satisfactory completion of the construction required by this Lease upon the Parcels and of full compliance with the terms hereof.

The Board shall not unreasonably withhold or delay any Certificate of Compliance. If the Board refuses or fails to furnish a Certificate of Compliance for the Parcels after written request from Lessee, the Board shall, within ten (10) days of the next regularly scheduled Board meeting after such written request, provide Lessee with a written statement of the reasons the Board refused or failed to furnish a Certificate of Compliance. The statement shall also contain the Board's opinion of the action Lessee must take to obtain a Certificate of Compliance. If the reason for such refusal

is confined to the immediate unavailability of specific items or materials for landscaping, the Board will issue its Certificate of Compliance upon the posting of a bond by Lessee with the Board in an amount representing a fair value of the work not yet completed.

Such Certificate of Compliance shall not constitute evidence of compliance with or satisfaction of any obligation of Lessee to any holder of a mortgage or any insurer of a mortgage securing money loaned to finance the improvements or any part thereof. Such Certificate of Compliance is not notice of completion as referred to in California CIVIL CODE Section 3093.

P. **[§ 416]** **Construction of Trolley Parking Facilities.**

Lessee, at its sole cost and expense, shall design, obtain all permits and entitlements for, and construct the Trolley Parking Facilities in accordance with the approved Final Construction Drawings and Related Documents in the time and manner provided for in **Section 407**. The Trolley Parking Facilities shall be constructed to a standard at least equivalent to the other parking provided for the Project.

V. **[§ 500]** **USE OF THE PARCELS AND THE IMPROVEMENTS**

A. **[§ 501]** **Use of the Parcels and the Improvements**

1. **Permitted Use.** Lessee shall have the right and Lessee covenants and agrees to develop the Parcels, make the Improvements and use the Premises, in accordance with the provisions of this Lease, for the operation of the Project (as defined in **Section 106** above) and for no other purposes.

2. **Operation, Management and Use of the Trolley Parking Facilities.** After the issuance of the Certificate of Compliance, Board shall at all times have exclusive control over the operation, management and use of the Trolley Parking Facilities and the Outdoor Parking Spaces. Neither Lessee nor its subtenants nor any other residents or users of the Project nor their respective family members, employees, customers, contractors, agents, guests or invitees shall have any right to enter or use any part of the Trolley Parking Facilities or the Outdoor Parking Spaces, except as specifically noted below in this **Section 501(2)**. Lessee shall use commercially reasonable efforts to prevent its subtenants, any other residents or users of the Project, and their respective family members, employees, customers, contractors, agents, guests and invitees from parking in the Trolley Parking Facilities and the Outdoor Parking Spaces. Lessee shall cooperate with the Board in notifying its subtenants of these restrictions and in enforcing these restrictions. Board shall at all times have the right to install signage (including exterior signage, to be coordinated with Lessee's signage plans, on the Improvements and the Parcels), gates, security guards and other access control measures to restrict access to the persons authorized by the Board to enter the Trolley Parking Facilities. Notwithstanding the preceding sentence, Lessee, its tenants and other persons authorized by Lessee to enter the Parcels shall have the non-exclusive right to use the following areas within or adjacent to the Trolley Parking Facilities for the described purposes only: *[to be confirmed by MTS in connection with approval of plans and revised as appropriate]*

(a) The pedestrian walkways lying between the Access Road and the base of the stairwells and the elevators that extend from the Project to the ground floor of the parking structures, to (i) provide pedestrian ingress and egress between the elevators and stairwells and the Access Road; and (ii) to allow maintenance and repair by Lessee of (A) the elevators and stairwells and (B) those parking spaces on the ground floor of the parking garage on the East Parcel that are a part of the Project and not the Trolley Parking Facilities ("**Project Ground Floor Parking Spaces**"); it being agreed that all stairwells and elevators within the parking structures shall be a part of the Project, and not the Trolley Parking Facilities [*are there any elevator or other mechanical rooms in the Trolley Parking Facilities?*]; and

(b) The eastern most driveway ramp providing ingress and egress between the Access Road and the parking structure on the East Parcel, to provide vehicular ingress and egress between the Access Road and the Project Ground Floor Parking Spaces.

Nothing in this Lease shall restrict or impair in any way the Board's rights or discretion to operate, manage, use, transfer, close or redevelop the Trolley Parking Facilities for such purposes as the Board determines from time to time in its sole discretion; provided, however, that Board shall not change the use of the Trolley Parking Facilities from parking uses to another use which would materially adversely affect the operation, structural integrity, maintenance, access, value, marketability or desirability of the Project.

3. **Limitation on Access to Project by Trolley Patrons and Parking Licensees.** Neither the trolley patrons nor the parking licensees shall have any right to enter or use any part of the Parcels except for (a) the Trolley Parking Facilities; (b) all driveways, ramps, walkways and any stairways that extend between the Trolley Parking Facilities and the Access Road; and (c) all exterior walkways on the ground levels of the Parcels. Board shall at all times have full rights for support of and utilities to the Trolley Parking Facilities. Lessee shall at all times have the right to install signage, gates, security guards and other access control measures to restrict access to all other portions of the Parcels to the tenants and other persons authorized by the Lessee to enter the Parcels.

B. **[§ 502] Change in Use.**

1. Lessee shall have the right from time to time to request that the Board approve a change in use of the Parcels. The Board shall not unreasonably withhold its approval to such request, provided that the proposed new use is a transit-oriented and pedestrian-oriented development. It shall be reasonable for the Board to impose as a condition to its consent to a proposed change in use that this Lease be amended in such respects as the Board may reasonably require to address any new considerations brought about by the proposed new use of the Parcels, including, without limitation, an increase in the Rent payable under the Lease to reflect the increase, if any, in the Fair Market Value of the Parcels resulting from the change in permitted use. In no event shall Rent be decreased.

2. A condominium conversion of the Project shall be considered a change in use. Lessee shall not sell any residential or retail units as condominiums, or separately finance and

encumber any residential or retail units, without the prior written consent of the Board, which consent may be withheld by the Board in its sole discretion. In connection with any such approval, the Board shall have the right to require an amendment to this Lease to compensate for the loss in Rent resulting from such sales. All costs incurred by Board to determine whether or not to approve a change in use (including any costs incurred by Board for the amendment of this Lease required by such request) shall be paid by Lessee.

C. **[§ 503] Management of the Parcels and the Improvements**

The Parcels and the Improvements (exclusive of the Trolley Parking Facilities) shall be managed or caused to be managed by Lessee in a prudent and businesslike manner. Board shall have the right of approval (which approval shall not be unreasonably withheld or delayed) over any prospective Operator of the Project or any part thereof at all times during the Term of this Lease. The term "**Operator**," as used in this Lease, shall mean a person, firm or other entity taking control of the management of the Project under an operating lease, management contract, license agreement, or other similar arrangement, provided, however, the term "Operator" shall not include (a) an employee or an affiliate of Lessee; or (b) a property management company that serves under a property management contract so long as the manager is not granted rights typically reserved to an owner under a standard property management agreement for a project similar to the Project, such as a right to enter into leases or contracts for a term in excess of one (1) year, or to elect to make material capital expenditures for the repair, replacement or alteration of the Improvements, without the prior written consent of the Lessee. In determining reasonableness of withholding approval by Board, the experience and proven ability of the proposed Operator in the residential rental apartment business, consistent with the nature of the Improvements and the manner in which they are required to be operated by the terms of this Lease, shall be considered together with financial responsibility consistent with the financial obligations of such operation. If Lessee elects to manage and operate the Project with an Operator, the operating agreement between Lessee and the Operator shall be approved by Board (the "**Operating Agreement**"). Board's approval of the Operating Agreement shall not be unreasonably withheld.

Lessee further covenants and agrees as follows:

1. Lessee shall (a) diligently enforce the terms of the Operating Agreement with the Operator, including appropriate recourse to any remedies available to Lessee for material defaults under the Operating Agreement, (b) perform all acts and obligations and comply with all requirements under the Operating Agreement with the Operator required to be performed or complied with by Lessee so as to keep the Operating Agreement in full force and effect, and (c) not take or allow, by action or inaction of Lessee, any act, condition or circumstance that would violate the Operating Agreement with the Operator or excuse or prevent the Operator from fully performing and complying with the terms of the Operating Agreement. Clause (c) above shall not be construed to prohibit Lessee from terminating the Operating Agreement for material uncured default under the terms thereof, or as otherwise permitted thereunder for cause.

2. Board shall have the right, but no obligation, to cure, and any Operating Agreement between Lessee and the Operator shall expressly provide for Board to receive notice of

and have the right to cure, any breach by or default of Lessee under the Operating Agreement, on behalf of and at the expense of Lessee during any period that Lessee is in default thereunder; provided that, except in case of an emergency requiring earlier action, Board shall give Lessee not less than fifteen (15) days prior written notice of Board's intent to cure on behalf of Lessee. The Operating Agreement shall further expressly provide that Board shall have a reasonable period of time (considering the nature of the default) to cure any default of Lessee, following the expiration of all periods (including any extensions of time and periods during which performance is waived) allowed for Lessee's cure of such default, in the event that Lessee has failed to cure. Lessee shall pay Board, as supplemental Rent hereunder, all amounts expended by Board in curing any such default, together with interest thereon accruing as of the date Board expends such amounts at a rate per annum equal to three percent (3%) plus the prime rate published in the current western edition of the Wall Street Journal as of the date of the expenditure, but in no event more than the maximum interest rate permitted by law.

3. Subject to the right of prior assignment to a Permitted Mortgagee (defined below) as security for a Permitted Mortgage (defined below), Lessee hereby assigns to Board, as security for the performance of the obligations of Lessee under this Lease, including, but not limited to, the provisions of this **Section 503**, all right, title and interest of Lessee in and to any Operating Agreement, if applicable; provided, however, that Board shall exercise no rights of Lessee pursuant to such assignment without first having effectively declared a default on the part of Lessee as provided in **Section 1201** of this Lease. Board shall be deemed to have approved an amendment or termination of an Operating Agreement that has been approved by a Permitted Mortgagee.

D. **[§ 504] 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 sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Parcels or the Improvements, and Lessee itself or any person or entity 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 of the Parcels or the Improvements.

E. **[§ 505] Form of Nondiscrimination and Nonsegregation Clauses**

All deeds, leases or contracts pertaining to the rental, sale or lease of the Premises, the Improvements, or any portion thereof, shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. **In deeds:** "The grantee herein covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through it, that 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 sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed,

nor shall the grantee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

2. **In leases:** "The lessee covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through it, and this lease is made and accepted upon and subject to the following conditions:

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, or enjoyment of the land herein leased nor shall the lessee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants or vendees in the land herein leased."

3. **In contracts:** "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 sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the land."

No such language is required to be included in the documents evidencing or securing a Permitted Mortgage.

F. **[§ 506] Rights of Access for Construction, Repair and Maintenance of the Trolley Parking Facilities**

The Board reserves the right to enter the Parcels or any part thereof at all reasonable times and with as little interference to other activities on the Parcels as possible for the purposes of maintenance, repair or service of any facilities located on the Parcels which serve the Trolley Parking Facilities, including without limitation any utility improvements. Any such entry shall be made only after reasonable notice to Lessee, and the Board shall indemnify, defend and hold harmless Lessee from any claims or liabilities pertaining to any such entry or work. Any damage or injury to the Parcels or to the improvements thereon resulting from such entry shall be promptly repaired at the sole expense of the Board.

G. **[§ 507]** **Quiet Enjoyment**

Subject to **Sections 412 and 506**, the Board covenants and agrees that Lessee, by keeping and performing the covenants herein contained, shall at all times during the Term of this Lease peaceably and quietly have, hold and enjoy the Premises and the Improvements, without unreasonable hindrance or interruption by Board or Board's agents, or by any other person or persons lawfully claiming by, through or under Board.

VI. **[§ 600]** **LAWS, UTILITIES AND TAXES**

A. **[§ 601]** **Compliance With Laws**

1. Lessee shall, at its sole cost and expense, comply with and shall require any Operator of the Project and any occupants or sublessees of the Project (other than the Board and any users of the Trolley Parking Facilities) to comply with:

(a) All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations and ordinances (herein sometimes collectively referred to as "**law**") affecting the Parcels or the Improvements thereon, or any part thereof, or the use thereof, including those which require the making of any structural, unforeseen or extraordinary changes to the Parcels or the Improvements, whether or not any such statutes, laws, rules, orders, regulations or ordinance which may be hereafter enacted were within the contemplation of the parties at the time of execution of this Lease, or involve a change of policy on the part of the governmental body enacting the same; and

(b) All rules, orders and regulations of the National Board of Fire Underwriters or other bodies exercising similar functions in connection with the prevention of fire or the correction of hazardous conditions which apply to the Parcels and the Improvements constructed thereon; provided, however, that nothing in this **Section 601** shall be construed to require Lessee to meet the standards of any future law which by its terms does not then apply to the Parcels, the Improvements thereon or the use, operation or occupancy thereof (for example, changes in building codes that apply prospectively and do not require alterations of existing structures).

B. **[§ 602]** **Utilities**

Lessee agrees to pay or cause to be paid, as and when they become due and payable, all charges for water, gas, light, heat, telephone, electricity, garbage, refuse and all other utility and communication services rendered or used on or about the Parcels or the Improvements (exclusive of the Trolley Parking Facilities) at all times during the Term of this Lease.

C. **[§ 603] Impositions (Including Taxes and Assessments)**

1. **[§ 604] Payment Generally**

Subject to the provisions of **Section 609** and other limitations in **Sections 600** through **611**, Lessee agrees to pay or cause to be paid, as and when they become due and payable, and before any fine, penalty, interest or cost may be added thereto, or become due or be imposed by operation of law for the nonpayment thereof, all taxes, assessments, franchises, excises, licenses and permit fees, and other governmental levies and charges, general and special, ordinary and extraordinary, unforeseen and foreseen, of any kind and nature whatsoever which at any time during the Term of this Lease may be assessed, levied, confirmed, imposed upon, or grow or become due and payable out of or in respect of, or become a lien on: (a) the Parcels, the Improvements, or any part thereof; (b) the rent and income received by Lessee from subtenants, guests or others for the use or occupation of all or any part of the Parcels or the Improvements thereon; or (c) the transactions contemplated herein or any document to which Lessee is a party, creating or transferring an interest or estate in the Parcels. Notwithstanding the foregoing, the Board shall reasonably cooperate with the Lessee from time to time throughout the term of this Lease to apply for exemption of the Trolley Parking Facilities from assessment and taxation. All such taxes, franchises, excises, licenses and permit fees, and other governmental levies and charges shall herein be referred to as "**Impositions**", and any of the same shall herein be referred to as an Imposition. Any Imposition relating to a fiscal period of the taxing authority, a part of which period is included within the Term of this Lease and a part of which is included in a period of time before the Effective Date or after the expiration of the Term of this Lease, shall (whether or not such Imposition shall be assessed, levied, confirmed, imposed upon, or become a lien upon the Parcels or the Improvements thereon, or shall become payable, during the Term of this Lease) be adjusted between Board and Lessee, and Lessee shall pay that portion of such Imposition relating to that part of such fiscal period occurring before the expiration of the Term of this Lease, and Board shall pay the remainder thereof, if any.

2. **[§ 605] Payment of Impositions in Installments**

If, by law, any Imposition may at the option of the payer be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments as may become due during the Term of this Lease as the same become due and before any fine, penalty, further interest or cost may be added thereto; provided, however, that the amount of any installments of any such Imposition which will be the responsibility of Lessee pursuant to **Section 603** above, and which are to become due and payable after the expiration of the Term of this Lease, shall be deposited with Board for such payment on or before the date which is sixty (60) days prior to the date of such expiration; it being understood that installments payable for the period subsequent to the expiration of the Lease are not the responsibility of Lessee as provided in **Section 603**.

3. **[§ 606] Board Right to Cure**

Subject to the provisions of **Section 608**, if Lessee, in violation of the provisions of this Lease, shall fail to pay and to discharge any Imposition, Board may (but shall not be obligated to) pay or discharge it, and the amount paid by Board and the amount of all costs, expenses, interest and penalties connected therewith, including attorneys' fees, together with interest at an annual rate which is the lesser of three percent (3%) over the prime rate published in the western edition of the Wall Street Journal on the date payment is made by Board, or the highest annual rate which may lawfully be charged and collected under applicable law, from the date payment is made by Board, shall be deemed to be and shall be payable by Lessee as additional Rent and shall be paid to Board by Lessee on demand.

4. **[§ 607] Tax Receipts**

Lessee shall furnish to Board, on or before the date when any Imposition would become delinquent, official receipts of the appropriate taxing authority or other evidence satisfactory to Board evidencing payment thereof.

5. **[§ 608] Limits of Tax Liability**

The provisions of this Lease shall not be deemed to require Lessee to pay municipal, county, state or federal income or gross receipts or excess profits taxes assessed against Board, or municipal, county, state or federal capital levy, estate, succession, inheritance, gift, or transfer taxes of Board, or corporation franchise taxes imposed upon any corporate owner of the fee of the Parcels; except, however, that Lessee shall pay all taxes assessed by any governmental authority upon the value of the Lessee's possessory interest in the Parcels and the Improvements thereon or by virtue of any operation by Lessee conducted on or out of the Parcels and the Improvements. It is agreed that in the event the State of California or any taxing authority thereunder changes or modifies the system of taxing real estate so as to tax the rental income from real estate in lieu of or in substitution (in whole or in part) for the real estate taxes and so as to impose a liability upon Board for the amount of such tax, then Lessee shall be liable under this Lease for the payment of the taxes so imposed during the Term of this Lease, including any renewal thereof, to the same extent as though the alternative tax was a tax upon the value of the Parcels and the Improvements.

6. **[§ 609] Permitted Contests**

Lessee shall have the right to contest the validity or the amount in part or in full, of any Imposition which it is obligated to pay under the provisions of this Lease. Lessee agrees that all such proceedings shall be commenced within the period allowed by law after any contested item is imposed and shall be prosecuted to final adjudication with reasonable dispatch. Nothing herein shall be construed to limit or prevent Board from opposing any such contest which may be instituted by Lessee hereunder.

Lessee shall give Board prompt notice in writing of any such contest at least twenty (20) Business Days before any delinquency occurs if Lessee intends to withhold payment of the Imposition pending determination of the contest or at least twenty (20) Business Days before institution of any contest if Lessee intends to contest such Imposition subsequent to payment thereof.

Lessee may only exercise its right to contest an Imposition hereunder while withholding payment thereof if (i) the subject legal proceedings shall operate to prevent the collection of the Imposition so contested, or the sale of the Parcels, the Improvements, or any part thereof, to satisfy the same, or (ii) if Lessee shall, prior to the date such Imposition is due and payable, have given such reasonable security as may be required by Board from time to time in order to insure the payment of such Imposition to prevent any sale, foreclosure or forfeiture of the Parcels, the Improvements, or any part thereof, by reason of such nonpayment. In the event of any such contest and the final determination thereof adversely to Lessee, Lessee shall, before any further fine, interest, penalty or cost may be added thereto for nonpayment thereof, pay fully and discharge the amounts involved in or affected by such contest, together with any penalties, fines, interest, costs and expenses that may have accrued thereon or that may result from any such contest by Lessee and, after such payment and discharge by Lessee, Board will promptly return to Lessee such security as Board shall have received in connection with such contest.

Any such proceedings to contest the validity or amount of any Imposition or to recover any Imposition paid by Lessee shall be prosecuted by Lessee at Lessee's sole cost and expense; and Lessee shall indemnify, protect, defend and hold harmless Board against any and all claims, losses, liabilities, damages, costs or expenses of any kind, including, but not limited to, reasonable attorneys' fees and expenses, which may be imposed upon or incurred by Board in connection therewith.

7. **[§ 610] Notice of Possessory Interest; Payment of Taxes and Assessments on Value of Entire Property**

In accordance with California REVENUE AND TAXATION CODE §107.6(a), Board states that by entering into this Lease, a possessory interest subject to property taxes may be created. Lessee or any other party in whom the possessory interest is vested may be subject to the payment of property taxes levied on such interest.

Without limiting the foregoing, in the event the Parcels or the Improvements thereon, or any possessory interest therein, should at any time be subject to ad valorem taxes or assessments levied, assessed or imposed on such property, Lessee shall pay taxes and assessments upon the assessed value of the entire property, and not merely upon the assessed value of its leasehold interest.

D. **[§ 611] Other Liens**

Lessee shall not, directly or indirectly, create or permit to be created or to remain, and will promptly discharge, at its expense, any mortgage, lien, encumbrance or charge on or pledge of the Parcels, the Improvements or any part thereof, or Lessee's interest therein, or the Base Rent, Overage Rent, supplemental Rent or other sums payable by Lessee under this Lease, (including, but not limited to, the liens of mechanics, laborers, materialmen, suppliers or vendors for work or materials alleged to be done or furnished in connection with the Parcels, the Improvements, and any other improvements thereon), other than any Permitted Mortgage as is permitted pursuant to **Section 900** et seq., and other than liens or encumbrances created by Board in accordance with **Section 109**. Lessee shall notify Board promptly of any lien or encumbrance which has been created on or

attached to the Parcels or the Improvements, or to Lessee's leasehold estate therein, whether by act of Lessee or otherwise, but other than such liens or encumbrances created by Board, and Lessee shall remove, or shall have removed, any lien, encumbrance, levy or attachment made on the Parcels, or any portion thereof, or shall assure the satisfaction thereof within a reasonable time. Nothing herein contained shall be deemed to prohibit Lessee from contesting in good faith the validity or amounts of any tax, assessment, encumbrance or lien, nor to limit the remedies available to Lessee with respect thereto, provided such contest does not subject the Parcels, or any portion thereof, to forfeiture or sale and Lessee posts a bond or other security in form and amount reasonably acceptable to the Board. The existence of any mechanic's, laborer's, materialmen's, supplier's or vendor's lien, or any right in respect thereof, shall not constitute a violation of this Section if payment is not yet due upon the contract or for the goods or services in respect of which any such lien has arisen.

Board shall not, directly or indirectly, create or permit to be created or to remain, and will promptly discharge, at its expense, any mortgage, lien, encumbrance, charge or pledge of the Premises, which is or may be superior to Lessee's interest therein or the nonpayment of which would impair Lessee's rights therein, except as expressly required or permitted by **Section 109** above.

VII. [§ 700] OWNERSHIP OF AND RESPONSIBILITY FOR IMPROVEMENTS AND PERSONAL PROPERTY

A. [§ 701] Ownership During Term

1. [§ 702] Improvements

All Improvements constructed on the Parcels by Lessee as permitted or required by this Lease shall, during the Term of this Lease, be and remain the property of Lessee, and Board shall not have title thereto; provided, however, that, except as otherwise provided in this Lease with respect to Damage and Destruction (**Section 708**), Eminent Domain (**Section 1100**) and Alterations (**Section 707**), Lessee shall have no right to waste, destroy, demolish or remove the Improvements; and provided further that Lessee's rights and powers with respect to the Improvements are subject to the terms and limitations of this Lease.

For purposes of this Lease, the Improvements shall include (without limitation) all of those building components, furnishings, fixtures and equipment necessary for operation of the basic building systems and parking facilities, such as, but not limited to, chillers, boilers, plumbing, sanitary fixtures and central air-cooling systems, security systems, electrical distribution systems, telephone, computer, fiber optic, and other cable systems that are affixed to the Parcels or Improvements so as to result in damage to the Improvements (not repaired by Lessee), or impairment of the use of the Improvements, upon removal thereof. Board and Lessee covenant for themselves and all persons claiming under or through them that the Improvements are real property.

2. [§ 703] Personal Property

All personal property located on the Parcels shall remain the property of Lessee, and Board shall not have title thereto. Personal property shall include all furnishings, fixtures and

equipment which are not affixed to the Parcels or the Improvements thereon so as to result in damage to the Improvements, or impairment of the use of the Improvements, upon removal thereof.

B. [§ 704] Ownership at Termination

Lessee shall not be required or permitted to remove the Improvements at the expiration or sooner termination of the Term of this Lease. Lessee shall remove the personal property at the expiration or sooner termination of the Term of this Lease. Any personal property owned by Lessee and not removed by Lessee within thirty (30) days after expiration or sooner termination of the Lease, shall, at the election of Board, and without compensation to Lessee: (i) become Board's property, free and clear of all claims to or against them by Lessee or any third person, firm or entity; (ii) be disposed of or destroyed by Board; or (iii) at Lessee's cost and expense, be placed in storage on behalf of Lessee, for such time as Board shall deem appropriate or until reclaimed by Lessee, whichever is sooner. Upon termination of this Lease, whether by expiration of the Term or otherwise, the Improvements on the Parcels shall, without compensation to Lessee, then become Board's property, free and clear of all claims to or against them by Lessee or any third person, firm or entity. Notwithstanding anything in this **Section 704** to the contrary, Lessee shall have no right to remove any Improvements, and Board shall not have the right to remove the same and shall not acquire title thereto, if Board enters into a new lease pursuant to **Section 902**. Lessee shall indemnify, defend, protect and hold harmless Board from and against any and all liability, loss, damage, cost or expense (including attorneys' fees and court costs) arising from any claims with respect to the ownership or any interest in the Improvements (except claims arising due to Board's actions) or from Board's exercise of the rights conferred by this **Section 704**.

C. [§ 705] Maintenance and Repair of Improvements

1. **Lessee's Maintenance of Improvements.** Subject to the provisions of this Lease concerning condemnation, alterations, damage and destruction, Lessee agrees to maintain or cause to be maintained in good order, repair and operation the Parcels and the Improvements, including all furnishings, fixtures and equipment of Lessee thereon or therein throughout the Term of this Lease without expense to Board, and to perform or cause to be performed all repairs and replacements necessary to maintain and preserve the Parcels and the Improvements, including furnishings, fixtures and equipment of Lessee, in a decent, safe and sanitary condition, in compliance with applicable laws, and equal in value, quality and use to the condition of the Improvements, including furnishings, fixtures and equipment of Lessee, as originally constructed or installed, reasonable wear and tear excepted; and Board shall not be obligated to make any repairs, replacements or renewals of any kind, nature or description whatsoever to the Project. Lessee hereby expressly waives all right to make repairs at Board's expense under Sections 1941 and 1942 of the California CIVIL CODE, as either or both may from time to time be amended, replace or restated. Any subsidence of soil or soil condition causing damage or destruction to the Parcels or the Improvements shall be treated as a casualty in accordance with **Sections 708 and 709**. All landscaping required to be planted as part of the Project shall be maintained in a healthy condition.

2. **Maintenance and Repair of Trolley Parking Facilities.**

(a) Subject to the provisions of this Lease concerning condemnation, damage and destruction, Lessee agrees to maintain (or cause to be maintained) the Trolley Parking Facilities in good order and repair throughout the Term of the Lease, and to perform or cause to be performed all repairs and replacements necessary to maintain and preserve the Trolley Parking Facilities in a decent, safe and sanitary condition, in compliance with applicable laws, and at least equivalent in value, quality and use to the condition of the Trolley Parking Facilities, as originally constructed or installed, reasonable wear and tear excepted.

(b) Lessee's obligations under **Section 705(2)(a)** shall include the structural elements of the Trolley Parking Facilities (including, without limitation, the foundation, slab, columns, beams and parking decks (above) (the "**Structural Elements of the Trolley Parking Facilities**")), all fire sprinkler systems and any other shared building systems (the "**Shared Building Systems**"), and any repairs to or replacements of portions of the Trolley Parking Facilities that are the result of defects in the design or construction of the Trolley Parking Facilities ("**Construction Defects**").

(c) Board hereby grants to the Lessee, and the Lessee's agents and employees, a license to enter the Trolley Parking Facilities at all reasonable times for the purpose of maintaining, repairing and replacing the Trolley Parking Facilities. Such entry shall be at the sole risk and expense of the Lessee and the Lessee shall defend, indemnify and hold the Board harmless from all damages, liabilities, claims, costs and expenses resulting from Lessee's entering onto the Trolley Parking Facilities, except to the extent caused by the sole negligence or wilful misconduct of the Board or its officers, employees agents, trolley patrons and Parking Licensees.

(d) Notwithstanding **Section 705(2)(a)** above, the Board may elect by delivery of not less than sixty (60) days prior written notice to Lessee, to assume and take over the maintenance and repair of the Trolley Parking Facilities (other than Structural Elements of the Trolley Parking Facilities, Shared Building Systems, and Construction Defects, which shall all remain the responsibility of Lessee) as of the date specified in such written notice, in which case the Board shall cause the Trolley Parking Facilities (other than Structural Elements of the Trolley Parking Facilities, Shared Building Systems, and any Construction Defects) to be maintained and repaired to such standards as the Board may determine in its sole discretion from time to time, at its sole cost and expense, from and after the date specified in such notice.

3. **Costs of Maintenance of Trolley Parking Facilities.**

(a) Except as provided in **Section 705(3)(b)** below, Lessee shall be entitled to deduct from its annual payment of Overage Rent (i) the actual expenses incurred by Lessee to repair, replace and maintain the Trolley Parking Facilities in the condition required by **Section 705(2)(a)** above for the previous calendar year, *less* (ii) the sum of One Thousand Six Hundred Twenty Dollars (\$1,620) "Adjusted for Inflation" (as defined below). This shall be the only offset or deduction from Rent allowed under this Lease for any purpose whatsoever.

(b) Lessee shall be responsible for all costs and expenses of the maintenance, repair and replacement of: (i) the Structural Elements of the Trolley Parking Facilities; (ii) all Shared Building Systems; and (iii) any Construction Defects, and no such expenses may be deducted from Overage Rent. However, the actual expenses incurred by the Lessee to repair damage to the Structural Portions of the Trolley Parking Facilities or Shared Building Systems caused by the Board, its officers, employees, agents or trolley patrons, licensees or other parties authorized by the Board to use the Trolley Parking Facilities shall be paid by the Board to the Lessee within thirty (30) days following presentation of written demand and reasonable supporting documentation.

(c) Within ninety (90) days after the end of each calendar year, Lessee shall provide the Board with a certified statement, together with supporting paid invoices and paid receipts and other materials setting forth the actual expenses paid by it for the maintenance of the Trolley Parking Facilities. Lessee shall maintain separate books and records with respect to these expenses, and the Board shall have the right to review and examine or to audit such separate books and records in accordance with the standards set forth in **Section 308** above.

4. Maintenance and Repair of Access Road

After issuance of the Certificate of Compliance for the Project, Board shall throughout the Term of the Lease and at the sole cost and expense of the Board maintain or cause to be maintained in good order and repair the Access Road and shall perform or cause to be performed all repairs and replacements necessary to maintain and preserve the Access Road in a decent, safe and sanitary condition, in compliance with applicable laws; provided, however, that Lessee shall throughout the Term of the Lease and at the sole cost and expense of Lessee maintain or cause to be maintained in good order and repair any storm water control or water quality protection devices (including without limitation those currently referred to as "post-construction best management practices") required by the City or other governmental agency to be installed in or adjacent to the Access Road as a condition of approval or operation of the Project.

5. Security. The Board shall provide such security services for the Trolley Station, and the Trolley Parking Facilities as the Board may from time to time provide at the Board's other trolley stations; provided, however, that it is expressly understood that such security services shall be for the sole benefit of the Board, its employees and trolley patrons and not for Lessee, its investors, lenders, tenants, or the occupants and visitors of the Project. If the Board's interest in this Lease is transferred separately from the Trolley Station, the new lessor under this Lease shall have no obligation to provide security for the Trolley Station or the Trolley Parking Facilities. Lessee and its tenants shall provide security for the Project at least comparable to that customarily provided for similar mixed-use developments; provided however, that it is expressly understood that such security services shall be for the sole benefit of the Lessee, its employees and tenants, and not for the Board or for trolley patrons or parking licensees.

D. [§ 706] Waste

Lessee shall not commit or suffer to be committed any voluntary or permissive waste of the Parcels or the Improvements, or any part thereof.

Lessee agrees to keep or cause to be kept the Parcels and the Improvements clean and clear of refuse and obstructions and to promptly dispose of all garbage, trash and rubbish.

E. **[§ 707] Additional Construction, Alterations and Repairs**

1. **General Construction Standards**

All additional construction after the issuance of the Certificate of Compliance, alteration or repair work permitted herein shall be accomplished expeditiously and diligently. Lessee shall pay (or cause to be paid) all costs and expenses associated therewith. Lessee shall take all reasonably necessary measures to minimize any damage, disruption or inconvenience caused by such work and make adequate provision for the safety and convenience of all persons affected thereby. Lessee shall repair, at its own cost and expense, any and all damage caused by such work and shall restore the area upon which such work is performed to a condition which is equal to or better than the condition which existed prior to the beginning of such work. Dust, noise and other effects of such work shall be controlled using the best accepted methods customarily utilized in order to control such deleterious effects associated with construction projects in a populated or developed area.

2. **Board's Approval of Plans**

Board's rights of approval with respect to any construction work undertaken prior to Board's issuance of the Certificate of Compliance shall be governed by the provisions of **Section 400 et seq.** Following completion of the construction of the Project pursuant to this Lease and issuance of said Certificate of Compliance, any construction or remodeling undertaken by Lessee on the Parcels or the Improvements shall be governed by the following:

(a) Lessee shall have the right, following issuance of said Certificate of Compliance, without Board's consent (but subject to all other provisions of this Lease), to undertake any construction, reconstruction or alterations of the Project which will not (a) change the use of the Project to a non-permitted use; (b) materially reduce the value of the Improvements; (c) adversely affect the Trolley Parking Facilities, the Access Road or the Trolley Station; or (d) materially change the pre-existing location, design, height, bulk, architecture or exterior appearance (exclusive of color) of the Improvements on the Parcels. Without limiting the generality of the foregoing, any construction, reconstruction or alteration which would create an exterior building facade not conforming with the elements of the original construction for the Project shall be deemed "material" for the purposes of this Section.

(b) If Lessee at any time following issuance of said Certificate of Compliance desires to undertake any construction, reconstruction or remodeling on the Project which is not exempt from Board's approval as provided in Subsection (a) above (a "**Material Alteration**"), Lessee shall, prior to commencement of the Material Alteration, prepare or cause to be prepared, at its sole expense, and submit to Board for its review and written approval, preliminary plans for the Material Alteration showing, without limitation, scaled elevations, scaled floor plans, design concepts, dimensions, material selection, colors, signing (if any) and such additional information as

is reasonably necessary for Board to make an informed decision on such submission. Board shall approve or disapprove such submitted preliminary plans within thirty (30) days of receipt of complete preliminary plans meeting the requirements of this Subsection, and such approval shall be in the reasonable discretion of Board. Failure of Board to specify any objection to such preliminary plans or make a proposal that would add to or change the preliminary plans within such 30-day period shall be deemed to be an approval. If the preliminary plans are approved by Board, Lessee shall prepare or cause to be prepared, at its sole cost and expense, and submit to Board for its review and written approval final plans and specifications developed from the approved preliminary plans, which approval shall not be withheld, provided that the final plans and specifications are in conformity with the approved preliminary plans and are in compliance with existing building codes and other laws, regulations and ordinances. Board shall approve or disapprove the final plans and specifications within thirty (30) days of receipt of complete final plans and specifications. Failure of Board to specify any objection to such final plans and specifications or make a proposal that would add to or change the final plans and specifications within such 30-day period shall be deemed an approval.

(c) Each document submitted for Board's review pursuant to Subsection (b) above shall contain a cover page prominently listing the date mailed, the required return date and a statement to the effect that the document will be deemed approved by Board pursuant to Subsection (b) unless written objection thereto is given within the time period herein specified.

(d) No material changes to the approved plans and specifications for a Material Alteration shall be made without the prior written approval of Board, which approval shall not be unreasonably withheld or delayed.

3. Use of Plans

Any contracts entered into after the Effective Date of Lease for a Material Alteration with any architect, other design professional or any general contractor shall provide, in form and substance reasonably satisfactory to Board, for the assignment thereof to Board as security to Board for Lessee's performance hereunder, and Board shall be furnished with any such agreement, together with the further agreement of the parties thereto, that if this Lease is terminated due to Lessee's default, Board may use any plans and specifications to which Lessee is then entitled pursuant to any such contract without payment of any further sums to any party thereto. Board's rights to said contracts and plans shall be subordinate to those of a Permitted Mortgagee.

4. Compliance With Construction Documents and Laws; Issuance of Permits

All improvements on the Parcels shall be constructed in strict compliance with any construction documents approved by Board under this Lease and also in strict compliance with all applicable local, state and federal laws and regulations. Lessee shall have the sole responsibility for obtaining all necessary permits and shall make application for such permits, directly to the person or governmental agency having jurisdiction.

5. **Construction Safeguards**

Lessee shall erect and properly maintain at all times, as required by the conditions and the progress of work performed by Lessee, all necessary safeguards for the protection of workers and the public.

6. **Conditions to Commencement of Material Alteration**

In no event shall Lessee commence any Material Alteration on the Parcels until the following conditions have been satisfied or waived by Board, in addition to other conditions and requirements imposed by this Lease:

(a) Board has approved Lessee's final plans and specifications for the Material Alteration;

(b) Lessee has obtained financing and equity capital necessary for the full payment of construction of the Material Alteration, together with any required operating capital;

(c) Lessee has obtained building permits and all other governmental approvals necessary for the construction of the Material Alteration; and

(d) Lessee has entered into complete and binding contracts with its contractor or contractors for the construction of the Material Alteration, which contracts have been approved by Board.

Lessee shall promptly provide the Board with such evidence as the Board may reasonably request that such conditions have been satisfied.

7. **Board's Cooperation**

Board shall cooperate with and assist Lessee in every reasonable way in Lessee's efforts to obtain all governmental consents, approvals, permits or variances which may be required for the performance of any construction permitted under the terms of this Lease. Such cooperation shall include, without limitation, Board's joinder in any application for any such consent, approval, permit or variance where joinder therein by the owner of the Parcels is required by law, but such cooperation shall not require Board to incur any costs in connection therewith.

8. **Rights of Access**

Representatives of Board shall have the reasonable right of access to the Parcels and any improvements thereon without charges or fees, at normal construction hours during the period of construction of any Material Alteration, for the purposes of ascertaining compliance with the terms of this Lease, including, but not limited to, the inspection of the construction work being performed, provided that such representatives shall be those who are so identified in writing by Board, shall be accompanied by Lessee's representatives if Lessee so desires, and shall comply with

Lessee's contractor's reasonable rules for the construction site. Board shall indemnify Lessee and hold it harmless from any damage to the extent caused by the gross negligence or willful misconduct of Board or any representatives of Board during any inspection pursuant to this Subsection.

9. **Notice of Completion**

Upon completion of any construction, Lessee shall file or cause to be filed in the Official Records of the County of San Diego a Notice of Completion (the "**Notice of Completion**") with respect to the improvements, and Lessee shall deliver to Board, at no cost to Board, two (2) sets of the final as-built plans and specifications of the Material Alteration.

10. **Protection of Board**

Nothing in this Lease shall be construed as constituting the consent of Board, expressed or implied, to the performance of any labor or the furnishing of any materials or any specific improvements, alterations of or repairs to the Parcels or the Improvements thereon, or any part thereof, by any contractor, subcontractor, laborer or materialman, nor as giving Lessee or any other person any right, power or authority to act as agent of or to contract for, or permit the rendering of, any services or the furnishing of any materials in such manner as would give rise to the filing of mechanics' liens or other claims against the fee of the Parcels or the Improvements thereon. Board shall have the right at all reasonable times to post, and keep posted, on the Parcels or the Improvements any notices which Board may deem necessary for the protection of Board and of the Parcels and the Improvements thereon from mechanics' liens or other claims. In addition, but subject to **Section 609** hereof, Lessee shall make, or cause to be made, prompt payment of all monies due and legally owing to all persons doing any work or furnishing any materials or supplies to Lessee or any of its contractors or subcontractors in connection with the Parcels and the Improvements thereon.

F. **[§ 708] Damage or Destruction**

Lessee agrees to give notice to Board of any fire or other damage that may occur on the Parcels or the Improvements where the repair costs are estimated to exceed Two Million Dollars (\$2,000,000) as "**Adjusted for Inflation**" for the prior Lease Year, such notice to be given within ten (10) days of such fire or damage. Subject to the provisions of **Section 709**, if the Improvements shall be damaged or destroyed by any casualty (i) where the cost of restoration will not exceed fifty percent (50%) of the full insurable value of the Improvements as defined in **Section 1003**; and (ii) which is required to be insured against by the terms of this Lease or is actually insured against; and (iii) where the net insurance proceeds (as defined below) actually available to Lessee for restoration or rebuilding are sufficient to restore the Improvements, then Lessee agrees to make full repair of said damage and to restore the Improvements to the condition which existed prior to said damage with such alterations or changes thereto as are required by then current building codes or are approved by Board, provided that Board shall not unreasonably withhold or delay such approval. If Board's approval is so required, Lessee shall submit plans and specifications related thereto for Board's reasonable approval. If the Improvements shall be damaged or destroyed by any casualty where the cost of restoration will exceed the amount referred to in clause (i) above or where the casualty is not required to be insured against by the terms of this Lease and is not actually insured

against or where the net insurance proceeds actually available to Lessee for restoration are insufficient to restore the Improvements, Lessee shall have the election to (x) restore the Improvements in the same manner as provided above; or (y) if the damage or destruction is by reason of an uninsured casualty, place the remaining Improvements in a clean, attractive, safe condition (which shall include, without limitation, the demolition and removal from the Parcels of any portion of the Improvements which are not to be restored) and in compliance with all applicable laws and regulations and continue the Lease in effect without abatement or reduction of Rent payable under the Lease; or (z) terminate this Lease (unless termination is prohibited by Lessee's Permitted Mortgagee). Lessee shall deliver written notice to the Board no later than thirty (30) days following the settlement of the insurance proceeds but in any event within eighty (80) days from the damage notifying the Board of Lessee's election of the alternative described in clause (x), (y) or (z) in the preceding sentence. If Lessee fails to timely deliver to Board written notice of Lessee's election, then Lessee shall be presumed to have elected to continue the Lease and restore the Improvements to the extent of available insurance proceeds. If Lessee elects to terminate, Lessee shall comply with all of the following conditions:

1. Lessee shall pay to Board all Base Rent, prorated to the date of such termination, together with all Overage Rent payable to that same date, and any and all supplemental Rent and other sums then owed under this Lease to Board.

2. The net insurance proceeds shall be disbursed and applied as set forth in **Section 1006**.

3. Lessee shall deliver possession of the Parcels and remaining Improvements to Board and shall quitclaim to Board all right, title and interest in the Parcels and the remaining Improvements, if any.

As used herein, the term "**net insurance proceeds**" means the gross insurance proceeds paid by an insurer to Lessee for loss or damage to the Improvements on the Parcels less any and all reasonable costs and expenses (including, but not limited to, reasonable attorneys' fees) incurred by Lessee to recover said proceeds. Lessee agrees promptly to commence and prosecute to completion the settlement of insurance proceeds with respect to any event of damage or destruction of the Improvements.

Lessee agrees that preliminary steps toward performing repairs, restoration or replacement of the Improvements or portions thereof shall be commenced by Lessee within forty-five (45) days after settlement of insurance proceeds, but in any event within one hundred eighty (180) days after the event causing such damage or destruction and the required repairs, restoration or replacement shall be completed within a reasonable time thereafter.

Lessee agrees that, notwithstanding any other provision of this Lease, upon any event of damage or destruction to the Improvements, Lessee shall at its sole cost and expense (whether or not insurance proceeds are available therefor and whether or not Lessee terminates or intends to terminate this Lease but subject to reimbursement from insurance proceeds if and when available) immediately take such actions and undertake and complete such work as is necessary to assure the

safe condition of the damaged Improvements pending the ultimate disposition of the Improvements. In any instance where Lessee may elect to terminate this Lease rather than restore the Improvements pursuant to this **Section 708** (or **709** below), if Lessee does not terminate this Lease, Lessee shall either restore the Improvements pursuant to subsection (x) of the applicable Section or place the remaining Improvements in a clean, attractive, safe condition pursuant to subsection (y) of the applicable Section, consistent with Lessee's election pursuant to this **Section 708** or **Section 709** below.

G. **[§ 709]** **Damage or Destruction During Final Years of Term**

Notwithstanding **Section 708** to the contrary, in the event of major damage or destruction (as defined in this Section) to the Improvements during the last seven (7) years of the Term of this Lease as the same may be extended as provided herein, Lessee shall have the election to (x) restore the Improvements as provided in **Section 708**, (y) if the damage or destruction is by reason of an uninsured casualty, place the remaining Improvements in a clean, attractive, safe condition (which shall include, without limitation, the demolition and removal from the Parcels of any portion of the Improvements which are not to be restored) and in compliance with all applicable laws and regulations and continue the Lease in effect without abatement or reduction in Rent; or (z) or to terminate this Lease (unless termination is prohibited by Lessee's Permitted Mortgagee) provided Lessee complies with all of the following conditions:

1. Lessee shall give Board notice of termination as a result of such damage or destruction within forty-five (45) days after settlement of insurance proceeds, but in any event within one hundred eighty (180) days after the event causing such damage or destruction.
2. Lessee shall pay to Board all Base Rent, pro-rated to the date of such termination, together with all Overage Rent payable to that same date, and any and all supplemental Rent and other sums then owed under this Lease to Board.
3. The net insurance proceeds shall be disbursed and applied as set forth in **Section 1006**.
4. Lessee shall deliver possession of the Parcels and remaining Improvements to Board and shall quitclaim to Board all right, title and interest in the Parcels and the remaining Improvements, if any.

Major damage or destruction to the Improvements, as used in this Section, means such damage or destruction that the cost of restoration will exceed twenty-five percent (25%) of the full insurable value of the Improvements (as defined in **Section 1003**), which percentage amount shall be reduced monthly on a pro rata basis over the above-referenced seven (7) year period. For example, if the damage occurs three (3) years prior to the end of the Term, major damage or destruction shall mean the cost of restoration in excess of ten and seven tenths percent (10.7 %) of the full insurable value of the Improvements.

H. **[§ 710]** **Liens; Indemnification**

Lessee agrees to hold Board and the Parcels, the Access Road and Improvements free and harmless, and indemnify Board against, all claims, liabilities, liens, damages, costs and expenses, for labor and materials in connection with all construction, repairs or alterations on the Parcels, the Access Road or the Improvements and the cost of defending against such claims, including reasonable attorneys' fees. Board shall have the right to post and maintain on the Parcels, the Access Road and the Improvements any notices of non-responsibility provided for under applicable law.

I. **[§ 711] Environmental Requirements**

1. Lessee shall not, without the Board's prior written consent, use, store, generate, dispose or otherwise allow any "**Hazardous Substances**" (as defined below) in, on, under or around the Parcels, the Access Road or the Improvements; provided, however, that the Board shall not unreasonably withhold its consent to Lessee's use and storage of Hazardous Substances which are reasonably necessary in connection with the construction, operation, maintenance or repair of the Project, such as reasonable and customary quantities of cleaners, pool chemicals, and fuel in vehicles used on the Parcels and the Access Road, products which are commonly and legally sold by retail stores, and materials commonly and legally used in construction materials for projects like the Project.

2. Lessee shall comply with all rules, laws and regulations relating to Hazardous Substances which Lessee uses, stores or allows in, on, or about the Parcels, the Access Road or the Improvements.

3. Lessee shall not cause the unlawful release, deposit, discharge or disposal of any Hazardous Substances in, on, under or around the Parcels, the Access Road or the Improvements.

4. Lessee shall not permit the unlawful release, deposit, discharge or disposal of any Hazardous Substances in, on, or under the Parcels, the Access Road or the Improvements by its subtenants or any other residents or users of the Project or their respective invitees, agents, employees or contractors.

5. No above ground or underground storage tanks shall be installed on the Parcels without Board's prior express written approval, which may be withheld in the Board's sole and absolute discretion.

6. Lessee shall be responsible for posting on the Parcels and the Improvements (including the Trolley Parking Facilities) any signs required by any state, federal or local law, including, without limitation, Section 25249.6 of the California HEALTH AND SAFETY CODE and regulations promulgated pursuant thereto, but not including any such signs as may uniquely required for public parking in the Trolley Parking Facilities and not required for the balance of the Project. Lessee shall also complete and file any business response plans or inventories required by any state, federal or local law, including, without limitation, Chapter 695 of the California HEALTH AND SAFETY CODE and regulations promulgated pursuant thereto. Lessee shall concurrently file a copy of any such business response plan or inventory with Board.

7. Lessee shall promptly notify Board of any release of Hazardous Substances in, on, under or about the Parcels, the Access Road or the Improvements of which Lessee obtains knowledge, and of the receipt of any pertinent notices or communications from any governmental authority. Lessee shall promptly remove any vehicles or equipment which may cause contamination in, on, under or about the Parcels, the Access Road or the Improvements, and shall clean up any resulting contamination.

8. Lessee shall indemnify, defend, protect and hold harmless the Board and its officers, employees, and agents from any claims, liabilities, losses, injuries, damage, costs or expenses (including without limitation, attorneys' fees and the cost of any cleanup, testing, remediation, removal or disposal of Hazardous Substances) relating to or arising out of any Hazardous Substances released, deposited, discharged or disposed in, on, under or around the Parcels, the Access Road or the Improvements, or any part thereof, by Lessee, its tenants, or their contractors, employees, agents or assigns or arising as a result of a violation of the provisions of this **Section 711**. The obligations of this Subsection 7 shall survive the expiration or earlier termination of this Lease.

9. Lessee hereby releases the Board and its officers and employees from any claims, liability, injury, damage, costs or expenses (including without limitation, attorneys' fees and the cost of any cleanup, testing, remediation, removal or disposal of Hazardous Substances) relating to or arising out of any Hazardous Substances released, deposited, discharged or disposed onto, under or around the Parcels, the Access Road or the Improvements, excepting only any Hazardous Substance released, deposited, discharged or disposed onto, under or around the Parcels, the Access Road or the Improvements solely by Board or its officers or employees after the Effective Date. The obligations of this paragraph shall survive the expiration or termination of this Lease.

Lessee agrees as to the matters released to waive the benefits of Section 1542 of the CIVIL CODE of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Lessee's Initials

Board's Initials

The obligations of this Subsection shall survive the expiration or earlier termination of this Lease.

10. The term "**Hazardous Substances**", when used in this Lease, shall mean any hazardous waste or hazardous substance as defined in any federal, state, or local statute, ordinance, rule, or regulation applicable to the property, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (Title 42 UNITED STATES CODE 9601-9662), the Resource Conservation and Recovery Act (Title 42 UNITED STATES CODE

6901-6992k), the Carpenter-Presley-Tanner Hazardous Substance Account Act (California HEALTH AND SAFETY CODE 25300-25395), and the Hazardous Waste Control Law (California HEALTH AND SAFETY CODE 25100-25250.25). "Hazardous Substances" shall also include asbestos or asbestos-containing materials, radon gas, petroleum or petroleum fractions, whether or not defined as a hazardous waste or hazardous substance in any such statute, ordinance, rule, or regulation.

VIII. [§ 800] **ASSIGNMENT, SUBLETTING, TRANSFER**

A. [§ 801] **Definitions**

1. **"Material Entity Interest Transfer"** means any direct or indirect transfer of or creation of any ownership interest in Lessee (or of any owner of an interest in Lessee) or change in proportion thereof, however described, by any method or means (other than such transfers or changes occasioned by the death or incapacity of any individual) which would (i) result in the change of a general partner, manager, controlling member or controlling shareholder of Lessee; or (ii) otherwise result in a change in the control of Lessee.

2. **"Lease Interest Transfer"** means any direct or indirect total or partial sublease (other than an **"Operating Sublease"**, as hereafter defined), assignment, sale, conveyance, or transfer in any other mode or form by Lessee of any rights or interest in the Lease, the Project, the Parcels or the Improvements, however described, by any method or means (other than such changes occasioned by the death or incapacity of any individual).

3. **"Operating Sublease"** means a sublease of this Lease to a party actually intending to occupy a residential or commercial unit on the Premises.

4. **"Transfer"** means a Lease Interest Transfer or a Material Entity Interest Transfer.

5. **"Transferee"** shall mean the recipient of a Lease Interest Transfer or a Material Entity Interest Transfer.

B. [§ 802] **Conditions for Transfer**

1. **Transfers Limited**

(a) Lessee shall not be entitled to make and shall not permit any Transfer except to the extent allowed and in accordance with the terms and provisions in this **Section 803**.

(b) Lessee shall not make or permit any Lease Interest Transfer without the prior written approval of Board, which approval shall not be unreasonably withheld or delayed if (i) the proposed assignee, sublessee, conveyee or transferee (collectively, **"Transferee"**) or its management has sufficient experience in the development, operation and management of residential apartment projects comparable to the Project (or other use approved by the Board pursuant to **Section 502**), and (ii) the proposed Transferee is financially qualified to perform all the agreements,

undertakings, and covenants of this Lease and all other agreements entered into by Lessee which relate to the development, management, operation, maintenance, and restoration of the Parcels and of the Improvements.

(c) Lessee shall not, without the prior written approval of Board, make or permit Material Entity Interest Transfer. The Board's approval of a Material Entity Interest Transfer shall not be unreasonably withheld or delayed if (iii) the proposed Transferee or its management has sufficient experience in the development, operation and management of residential apartment projects comparable to the Project (or other use approved by the Board pursuant to **Section 502**), (iv) after such transfer the Lessee would be financially qualified and to perform all the agreements, undertakings, and covenants of this Lease and all other agreements entered into by Lessee which relate to the development, management, operation, maintenance, and restoration of the Parcels and of the Improvements, and (v) the ownership structure resulting from the Entity Interest Transfer (including that of its constituent members, partners or shareholders) occurring prior to a "Participation Event" (as defined in **Section 803(i)** below) is not so complex or otherwise structured in a way as to circumvent or make the provisions of this Article VIII unreasonably difficult or burdensome to administer or enforce. Lessee shall have the right to make a Material Entity Interest transfer that results in the change in the manager of Lessee from Manager to CalSTRS or to a new manager designated by CalSTRS, with the prior written approval of the Board, which approval shall not be unreasonably withheld. *[objective standard for deemed approval of new manager to be added]*

(d) Lessee shall promptly notify Board of any and all changes whatsoever in the identity of the parties in ownership or control of Lessee or the degree thereof, of which it (or any of its partners, members, shareholders, or any of their officers or employees) have been notified or otherwise have knowledge or information. Any entity formation agreements and documents (or changes therein) related to a Transfer, as well as the agreements and documents effectuating any Transfer, shall be subject to the approval of Board in connection with its approval of the Transfer. For purposes of administering the restrictions on Transfer, Lessee shall provide the Board with an annual certification, in such form and with such content as the Board may reasonably require, of all direct and indirect ownership interests in Lessee.

(e) To assist Board in determining whether or not the proposed Transferee is so qualified, Lessee shall furnish to Board at no expense to Board, prior to that Transfer, detailed and complete financial statements of the proposed Transferee, prepared by a certified public accountant reasonably satisfactory to Board, together with detailed and complete information about the business of the proposed Transferee, including its experience in operating residential apartment projects, the use to be made of the Parcels and the Improvements by the proposed Transferee, projections by the proposed Transferee of the sources of funds to be used to pay any indebtedness that the proposed Transferee will assume or take subject to, or agree to pay, in connection with the Transfer, and other claims on and requirements for those funds, together with any other information Board may reasonably require to assist Board in determining whether or not the proposed Transferee is so qualified. To the greatest extent permitted by law, if Lessee provides Board with any proprietary financial information relating to a proposed Transferee, Board shall not, without Lessee's prior written consent, disclose or make any such financial information available to the public.

(f) No later than twenty (20) Business Days following receipt by the Board of Lessee's written request for approval of a Transfer and the applicable information on such Transferee listed in **Section 802(i)(e)** above, the Board shall notify Lessee, in writing, that either (a) the Board approves the Transferee; or (b) the Board disapproves the Transferee and stating the Board's reasons for disapproval of the Transferee. If the Board fails to respond to Lessee within such twenty (20) Business Day period, the Board shall be deemed to have approved such Transfer.

(g) No Lease Interest Transfer shall be effective unless such Transferee agrees with Lessor in writing to assume the rights and obligations thereby transferred and to keep and perform all covenants, conditions and provisions of this Lease which are applicable to the rights acquired.

(h) Subject to (i) Lessee's right to enter into Operating Subleases for the sublease of residential units and retail space within the Improvements as expressly provided in this **Section 803**; and (ii) the right to request the Lease to be divided into two leases, one covering the East Parcel and one covering the West Parcel as provided in **Section 804** below, Lessee shall only Transfer Lessee's entire interest in the Premises and the Improvements as a whole and shall not subdivide the Premises or the Improvements for the duration of the Lease without the prior written approval of Board, which Board may grant or withhold in its sole discretion; partial Transfers of direct interests in this Lease, the Premises or the Improvements shall not be permitted. Any Transfer made contrary to the terms of this Section shall be null and void.

2. **Grant of Easements.** In addition, Board shall not unreasonably withhold approval of any easements to facilitate the operation of the Parcels or the Improvements consistent with the terms of this Lease. Board agrees that Lessee may grant such access, utility and other easements as are reasonably necessary to develop and operate the Project, and Board agrees to provide its written consent to such easements and to subject Board's fee interest thereto if required by the easement holder. Board further agrees to subject Board's fee interest thereto if required by the easement holder so long as: (a) the easement would not interfere with the use of the Trolley Station, the Trolley Parking Facilities or the Access Road, and (b) any potential costs, liabilities or affirmative obligations imposed by such easement which would extend beyond the Term of the Lease are approved by the Board in its sole discretion. Lessee hereby agrees to assume for the Term of the Lease and agrees to indemnify, protect, defend and hold the Board harmless from and against any costs, liabilities or affirmative obligations imposed by any such easement during the Term of the Lease.

3. **Exception for Permitted Mortgages**

The limitations on Transfer contained in this **Section 803** shall not be deemed to apply to or prevent, nor shall Board's approval be required under this Section in connection with the granting of any security interest or Permitted Mortgage expressly described in this Lease (it being understood that the granting of a Permitted Mortgage shall not be considered a Transfer pursuant to this **Section 803**, but shall be governed solely by the provisions of **Section 900**), nor the exercise by any Permitted Mortgagee of its right to foreclose its Permitted Mortgage by power of sale or judicial foreclosure or to acquire Lessee's leasehold interest by deed in lieu thereof; nor any Transfer of this

Lease by a Permitted Mortgagee having acquired Lessee's interest in this Lease as a result of its rights under the Permitted Mortgage or under **Section 900**, or by any owner of the leasehold estate whose interest shall have been acquired by, through or under any Permitted Mortgage or shall have been derived immediately from any holder thereof, as provided in **Section 901**. Provided, however, that the limitations on Transfer contained in this **Section 802** shall apply to any Permitted Mortgagee which acquires its interest in the Parcels or Improvements other than by the exercise of its rights pursuant to the Permitted Mortgage or deed in lieu of foreclosure.

4. **Exception for Operating Subleases**

The limitations on Transfer contained in this **Section 803** shall not be deemed to apply to any Operating Sublease, and in connection therewith the approval of Board shall not be required, provided the following provisions are complied with:

(a) The term of any Operating Sublease shall not extend more than twelve (12) months in the case of a residential lease and in no event beyond the Term of this Lease;

(b) Any and all subleases shall be subject and subordinate to this Lease, and any amendments hereto. Lessee's form of sublease shall be subject to Board approval, which shall not be unreasonably withheld.

(c) Each sublease shall contain provisions, in form and content satisfactory to Board:

(1) in the case of a non-residential sublease, requiring the sublessee to execute and deliver upon demand, without charge therefor, such instruments in recordable form evidencing subordination of the sublease to this Lease as may be required by Board;

(2) providing that, in the event of termination of the Lease for any reason, including, without limitation, a voluntary surrender by Lessee, or in the event of any re-entry or repossession of the premises by Board may, at its option, either (i) terminate the sublease or (ii) take over all of the right, title and interest of Lessee under the sublease, and sublessee's right of possession pursuant to the terms of the sublease shall not be disturbed, but nevertheless requiring that sublessee will in writing attorn to Board. The agreement of attornment shall provide, among other things, that (iii) Board shall not be (A) responsible to the sublessee under the sublease except for obligations accruing subsequent to the date of such attornment, (B) liable for any previous act or omission of Lessee under the sublease, (C) subject to any defense or offset previously accrued in favor of the sublessee against Lessee, (D) bound by any previous modification of the sublease made without Board's written consent, (E) be bound for any previous prepayment by Sublessee of more than one month's rent or any security deposits of sublessee except those actually received by Board, and (iv) the sublessee, in the event of the termination of this Lease, at Board's election will enter into a new lease with Board on the same terms and conditions as the existing sublease and for the balance of the term thereof;

(3) disclosing the proximity of the Trolley Station and Trolley Parking, requiring the subtenant assume the risk and annoyances of living near such activities and uses and waiving all claims against the Board and its officers and employees arising out of the Trolley Station and Trolley Parking; and

(4) clearly prohibiting parking in the Trolley Parking Facilities and Outdoor Parking Spaces.

(d) The Board agrees to enter into an agreement of recognition and non-disturbance ("**Non-Disturbance Agreement**") on a commercially reasonable form with the sublessee under each retail Operating Sublease that requires Lessee to deliver such a Non-Disturbance Agreement as a condition to entering into the retail Operating Sublease, so long as the Operating Sublease (a) satisfies the requirements of this **Section 802**; and (b) is on commercially reasonable terms and conditions. Lessee shall submit to the Board a copy of the proposed form of retail Operating Sublease and Non-Disturbance Agreement and reasonable documentation supporting the qualification of the Operating Sublease under clauses (a) and (b) of the preceding sentence, along with Lessee's request to the Board to enter into the Non-Disturbance Agreement (collectively, the "**Recognition Request**"). The Board shall enter into each Non-Disturbance Agreement within fifteen (15) Business Days following receipt from Lessee of a complete Recognition Request, or respond in writing within such fifteen (15) Business Day period with any changes to the form of Non-Disturbance Agreement required for the Board's approval and execution.

(e) Lessee shall, promptly after written request from Board (but not more frequently than quarterly), provide written notice to Board of the name and mailing address of all sublessees and shall, on demand, permit Board to examine and copy each of the Operating Subleases.

(f) Lessee shall not accept, directly or indirectly, more than one month's prepaid rent from any sublessee; provided that such restriction shall not apply to cleaning, security or other deposits customarily collected by landlords of residential properties and retail properties, as applicable.

C. **[§ 803] Additional Rent Payable on Certain Transfers**

[Fairfield's proposal, which is under consideration and has not been approved, follows:]

1. **Payment of Share of Manager's Net Gain.**

*Lessee shall pay to Board, as supplemental Rent, in readily available funds, an amount equal to twenty percent (20%) of the "Net Gain", if any, realized by the original Manager of Lessee, FF California Housing Fund LLC, a Delaware limited liability company, by reason of the Participation Event (the "**Participation Amount**"). The term "**Participation Event**" shall mean either (a) a Lease Interest Transfer; or (b) an Entity Interest Transfer involving a direct or indirect transfer or creation of any ownership interest in Manager which results in the reduction or elimination of Manager's interest in the Fund and/or the Project, (other than transfers or changes among Related Entities of*

Manager or occasioned by the death or incapacity of any individual). In the event of a Lease Interest Transfer, the Participation Amount shall be payable by Lessee to the Board within not more than five (5) Business Days following the date or dates that Manager is first entitled to receive disbursements from the Fund which represent all or a part of Manager's Net Gain. In the event of an Entity Interest Transfer, the Participation Amount shall be payable by Lessee to the Board substantially concurrently with the Transfer of Manager's interest in the Fund. Any obligation of the Lessee to pay to Board a Participation Amount or any other amount by reason of a Transfer shall terminate and be of no further force or effect upon the conveyance by Manager of all direct and indirect interests of Manager or its Related Entities in the Fund (other than a residual interest retained by Manager in the Fund, not to exceed 1%, if the Project is identified as a Core Project under the Fund Operating Agreement and the Fund redeems or CalSTRS or its designee acquires the balance of Manager's interest in the Fund), or upon a Lease Interest Transfer resulting in the assignment by the originally named Lessee of all of its interest in the Lease and the Premises to a Transferee in which neither Manager nor a Related Entity to Manager holds a direct or indirect interest.

2. **Determination of Manager's Net Gain.**

The term Manager's "**Net Gain**" means the amount by which "**Proceeds from Sale**" exceed the sum of (a) "**Manager's Basis**"; and (b) \$5,000,000.00. The highlighted terms set forth in the preceding sentence shall have the following meanings:

(a) The term "**Proceeds from Sale**" means: (i) in the event of a Lease Interest Transfer, the amount which Manager is entitled to receive from the Fund under the Operating Agreement of the Fund (the "**Fund Operating Agreement**") as a result of the sale of all or any portion of the Project by Lessee, based on Manager's membership interest in Fund (and not by reason of services provided by Manager or its Related Entities to Fund or Lessee which are contemplated in and authorized by the Operating Agreement for the Fund) but shall include any Proceeds from Sale which are required by the Fund Operating Agreement to be withheld from Manager pending determination of the success of other projects in which the Fund is then invested; and/or (ii) in the event of an Entity Interest Transfer, the total amount of money paid and the value of any other consideration received by Manager, including without limitation the payoff, release or assumption of any indebtedness upon redemption, sale or other transfer of all or any portion of Manager's membership interest in Fund.

(b) "**Manager's Basis**" means an amount equal to the sum of the following:

(1) the amount of capital contributed by Manager to Fund in connection with the Project that has not been returned to Manager at the time of the Participation Event ("**Unreturned Contributed Capital**"); plus

(2) an amount equal to interest on the Unreturned Contributed Capital at ten (10%) per annum, compounded quarterly (the "**Preferred Return**"); plus

(3) a sum ("Net Cost Overruns" representing any Cost Overrun contribution or a loan to the Fund or its members, and not offset by Qualifying Cost Savings (as defined in the Fund Operating Agreement) which is paid by Manager, not treated as a capital contribution or a loan to the Fund or its members, and not offset by Qualifying Cost Savings (as defined in the Fund Operating Agreement); plus

(4) any indebtedness of the Manager to the extent such indebtedness is paid, released or assumed and included in the Proceeds from Sale.

(c) In the event of a Lease Interest Transfer, Lessee shall cause the certified public accountant then approved by CalSTRS (the "Approved CPA") for the audit of the books and records of Lessee and Fund (currently, Ernst & Young) to confirm to the Board, in writing (the "Statement of Participation Amount") the following: (i) the Proceeds from Sale; (ii) the Unreturned Contributed Capital; (iii) the Preferred Return; (iv) the Net Cost Overruns; (v) the Net Gain; and (vi) the Participation Amount payable by Lessee to the Board by reason of such Lease Interest Transfer. Lessee shall grant authorization to a Qualified Auditor appointed by the Board to review and audit the work papers of the Approved CPA in preparing the Statement of Participation Amount, provided that (a) the Board delivers written notice of its intent to review the working papers of the Approved CPA and the name of the Qualified Auditor no later than ninety (90) days after the delivery to the Board of the Statement of Participation Amount signed by the Approved CPA; (b) the Qualified Auditor first enters into the same agreement of confidentiality that is required to be signed by the Approved CPA with the Lessee and Fund as a condition to its review and audit of the books and records of the Lessee and Fund; (c) such review is conducted not later than thirty (30) days following delivery by the Board of the written notice of its intent to cause a designated Qualified Auditor to review; and (d) such review is conducted at the sole expense of the Board unless the Qualified Auditor determines an error in the Statement of Participation Amount consisting of an understatement of the Participation Amount by more than 4%. In the event the review by the Qualified Auditor determines an overstatement or understatement of the Participation Amount from a Lease Interest Transfer, then the Lessee, in the event of an understatement, or the Board, in the event of an overstatement shall make the payment required to be made to the other party to reconcile the payment of the Participation Amount to the amount so determined on audit.

(d) In the event of an Entity Interest Transfer, Manager shall cause an officer of Manager to confirm to Lessee, the Fund and the Board, in writing (also, a "Statement of Participation Amount") the following: (i) the Proceeds from Sale; (ii) the Unreturned Contributed Capital; (iii) the Preferred Return; (iv) the Net Cost Overruns; (v) the Net Gain; and (vi) the Participation Amount payable by Lessee to the Board by reason of such Entity Interest Transfer. In the event of an Entity Interest Transfer, the Lessee shall cause the Manager to allow the Board to cause a Qualified Auditor to review and audit Manager's books and records and Manager shall promptly provide Board such other information as Board may reasonably request for the purpose of verifying Manager's calculation of the Net Gain realized by Manager on its transfer of its interest in Fund; provided that (a) the Board delivers written notice of its intent to review the Manager's books and records and the name of the Qualified Auditor no later than ninety (90) days after the delivery to the Board of the Statement of Participation Amount signed by the officer of Manager; (b) the Qualified Auditor first enters into the same agreement of confidentiality that is required to be signed by the Approved CPA with the Manager as a condition to its review and audit of the books

and records of the Manager; (c) such review is conducted not later than thirty (30) days following delivery by the Board of the written notice of its intent to cause a designated *Qualified Auditor* to review; and (d) such review is conducted at the sole expense of the Board unless the *Qualified Auditor* determines an error in the Statement of Participation Amount consisting of an understatement of the Participation Amount by more than 4%. In the event the review by the *Qualified Auditor* determines an overstatement or understatement of the Participation Amount from an Entity Interest Transfer, then the Lessee, in the event of an understatement, or the Board, in the event of an overstatement shall make the payment required to be made to the other party to reconcile the payment of the corrected Participation Amount to the amount so determined on audit.

D. **[§ 804] Separate Ground Leases for East Parcel and West Parcel**

1. Following issuance of the Certificate of Completion, provided that no Event of Default exists, Lessee shall have the right and option, by written notice to the Board, to request that the Lease be separated into two ground leases, one for the East Parcel and one for the West Parcel (each a "**Parcel Ground Lease**" and collectively, the "**Parcel Ground Leases**". The Board agrees not to unreasonably withhold its approval of Lessee's request to divide this Ground Lease into the Parcel Ground Leases following issuance of the Certificate of Compliance, so long as (a) the legal fees and costs reasonably incurred by the Board to review and advise the Board on the replacement Parcel Ground Leases are reimbursed by the Lessee to the Board; and (b) the present value of the additional administrative costs reasonably anticipated by the Board to be incurred to administer two ground leases instead of one ground lease over the balance of the Term of the Lease is determined by the Board and paid by the Lessee to the Board upon the effective date of the separation of the Ground Lease into the two (2) Parcel Ground Leases.

2. Each of the Parcel Ground Leases shall be in the same form as this Lease, except for the following:

(a) Lessee shall be named as the lessee in each Parcel Ground Lease unless and until a Transferee has been identified by Lessee and approved by the Board for each Parcel Ground Lease.

(b) The term "Parcels" as used in this Lease shall be changed to "Parcel," and the term "Parcel" shall be defined as the East Parcel or the West Parcel, as applicable;

(c) The Base Rent payable under each of the Parcel Ground Leases shall be allocated between the East Parcel and the West Parcel based on _____
[Fairfield to suggest split based on mutually agreed pro-forma income].

(d) The due date for each installment of Rent shall be the same under each Parcel Ground Lease and each accounting period provided for under the Ground Lease shall cover the same period under each Parcel Ground Lease; and

(e) The number of parking spaces which must be maintained by the Lessee under each Parcel Ground Lease as a part of the Trolley Parking Facilities, shall be the number of

parking spaces actually located within the Trolley Parking Facilities located on the Parcel covered by the Ground Lease, provided that in no event will aggregate trolley parking spaces under the Parcel Ground Leases be less than 600 parking spaces.

There shall be no other changes to the terms of the Lease without the approval of both the Lessee and the Board. The Lessee shall prepare and present the proposed form of each Parcel Ground Lease concurrently with its written request to Board to enter into the Parcel Ground Leases in place of this Lease and each shall be black-lined to show how the Parcel Ground Lease varies in form and content from this Lease.

E. [§ 805] Payment to Board for Processing Transfer

All reasonable costs incurred by Board to determine whether or not to approve or otherwise process any proposed Transfer shall be paid by Lessee. With respect to each Transfer, Lessee shall deliver a retainer to Board in the sum of Ten Thousand Dollars (\$10,000) as Adjusted for Inflation, prior to commencement of any action by Board, to be applied to the payment of Board's costs. There shall be no charge for the Board's General Counsel's time, but other Board staff time shall be charged under Board's full cost recovery program. The costs of Board for consultants or legal services required for considering or otherwise processing such Transfer shall be the actual sums billed to Board for such consulting or legal services. All such costs in excess of Ten Thousand Dollars (\$10,000) as Adjusted for Inflation shall be paid within ten (10) days after delivery to Lessee of reasonable supporting documentation and written request therefor by Board. No approval by the Board shall be effective until all such costs are paid in full. the Board shall deliver to Lessee reasonable supporting documentation for its use of the retainer not later than forty-five(45) days after the outside date for the Board to respond to Lessee's request for approval of a Transfer. If such costs incurred by Board with respect to a Transfer equal less than Ten Thousand Dollars (\$10,000) as Adjusted for Inflation, the balance shall be refunded promptly following the consummation of such Transfer. This **Section 806** shall not apply to entity interest transfer which is not a Material Entity Interest Transfer

F. [§ 806] Mediation-Arbitration

1. IN THE EVENT OF ANY DISPUTE ARISING OUT OF OR RELATING TO THIS ARTICLE VIII, OR THE BREACH THEREOF, THE PARTIES AGREE FIRST TO TRY IN GOOD FAITH TO SETTLE THE DISPUTE BY MEDIATION UNDER THE COMMERCIAL MEDIATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION, BEFORE RESORTING TO ARBITRATION. ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THIS ARTICLE VIII, OR BREACH THEREOF THAT IS NOT FULLY AND FINALLY RESOLVED BY MEDIATION WITHIN 90 DAYS FROM DELIVERY FROM EITHER PARTY OF A REQUEST TO MEDIATE SHALL, AT THE WRITTEN REQUEST OF EITHER PARTY, BE SETTLED BY ARBITRATION IN SAN DIEGO, CALIFORNIA, IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AND JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF.

2. ALL STATUTES OF LIMITATIONS WHICH WOULD OTHERWISE BE APPLICABLE SHALL APPLY TO ANY MEDIATION OR ARBITRATION PROCEEDING UNDER THIS SECTION 805. JUDGMENT UPON THE AWARD RENDERED MAY BE ENTERED IN ANY COURT HAVING JURISDICTION AND SHALL BE FINAL AND BINDING.

3. NO PROVISION OF, NOR THE EXERCISE OF ANY RIGHTS UNDER THIS SECTION 805 SHALL LIMIT THE RIGHT OF ANY PARTY TO OBTAIN PROVISIONAL OR ANCILLARY REMEDIES SUCH AS INJUNCTIVE RELIEF, FROM A COURT HAVING JURISDICTION BEFORE, DURING, OR AFTER THE PENDENCY OF ANY ARBITRATION. THE INSTITUTION AND MAINTENANCE OF AN ACTION FOR JUDICIAL RELIEF OR PURSUIT OF PROVISIONAL OR ANCILLARY REMEDIES SHALL NOT CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE PLAINTIFF, TO SUBMIT THE DISPUTE TO ARBITRATION.

4. WHENEVER AN ARBITRATION IS REQUIRED, THE ARBITRATOR OR REFEREE SHALL BE SELECTED IN ACCORDANCE WITH THIS SECTION 80_. WITHIN TEN (10) DAYS AFTER WRITTEN NOTICE OF ANY DISPUTE IS GIVEN TO THE OTHER PARTY, THE PARTIES' SHALL ATTEMPT TO AGREE ON A MUTUALLY ACCEPTABLE ARBITRATOR. IN THE EVENT THE PARTIES ARE UNABLE TO SO AGREE WITHIN SUCH TEN (10) DAY PERIOD, THE ARBITRATOR OR REFEREE SHALL BE SELECTED IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION. THE DISPUTED MATTER SHALL BE HEARD BY THE ARBITRATOR OR REFEREE SO APPOINTED NO LATER THAN THIRTY (30) DAYS AFTER SUCH APPOINTMENT. ARBITRATORS SHALL APPLY CALIFORNIA LAW AND BE BOUND BY PRECEDENT AND STATUTORY RULES AS THOUGH THEY WERE JUDGES SITTING IN A CALIFORNIA COURT. STATEMENTS OF ARBITRATION AWARDS SHALL BE IN WRITING. THE PARTIES SHALL BE ENTITLED IN ANY ARBITRATION HEREUNDER, TO SUCH RIGHTS OF DISCOVERY AS DETERMINED BY THE ARBITRATOR.

5. IN THE EVENT OF ANY DISPUTE GOVERNED BY THIS SECTION, EACH OF THE PARTIES SHALL PAY ALL OF ITS OWN EXPENSES, AND, SUBJECT TO THE AWARD OF THE ARBITRATOR, SHALL PAY AN EQUAL SHARE OF THE MEDIATOR'S, THE ARBITRATORS' OR THE REFEREES' FEES. THE ARBITRATOR SHALL HAVE THE POWER TO AWARD RECOVERY OF ALL COSTS AND FEES (INCLUDING ATTORNEYS' FEES, ADMINISTRATIVE FEES, ARBITRATORS' FEES, AND COURT COSTS) TO THE PREVAILING PARTY.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND

APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARILY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Board's Initials

Lessee's Initials

IX. [§ 900] **MORTGAGES**

A. [§ 901] **Permitted Mortgages**

Lessee shall have the right, at any time and from time to time during the Term of this Lease, to mortgage, pledge, deed in trust, assign rents, issues and profits or collaterally assign its interest in this Lease and the Premises (and the subleases, Improvements, Trade Equipment and personal property), and to assign or pledge assignment of the same, as security for a debt for the construction, interim or permanent financing of the Project. Lessee shall duly perform and observe all of its obligations under any such financing documents. The holder of any such mortgage, pledge or other encumbrance, and the beneficiary of any such deed of trust or assignment shall be a "**Permitted Mortgagee**" and the mortgage, pledge, deed of trust, assignment or other instrument shall be a "**Permitted Mortgage**", upon and subject to each and all of the following terms and conditions:

1. A Permitted Mortgage shall contain a principal amount not exceeding eighty-five percent (85%) of the fair market value of the Lessee's interests under this Lease and the Premises, including the subleases, Improvements, Trade Equipment and personal property. The fair market value of Lessee's interests under this Lease shall be determined by an appraisal conducted on behalf of the Permitted Mortgagee by a disinterested real estate appraiser having the qualifications for appraisers required by law and the Permitted Mortgagee's underwriting criteria. The appraisal shall be delivered to the Board not later than the effective date of the Permitted Mortgage.

2. A Permitted Mortgage shall cover all of Lessee's interest in the Lease, and the Premises, and may encumber the subleases, Improvements, the Trade Equipment, the personal property on the Premises, and the rents, issues and profits therefrom, and shall cover no interest in any other property or secure any obligations not directly related to the construction or permanent financing of the Project (the foregoing is not intended to preclude the use of letters of credit or other security enhancements so long as such security enhancements secure no other obligations).

3. In no event shall any Permitted Mortgage apply to, or encumber in any way whatsoever, (a) the Board's fee title to the Parcels or (b) any Base Rent, Overage Rent, any supplemental Rent, and any and all other sums payable hereunder to or on behalf of Board.

4. No such Permitted Mortgage shall be binding upon Board in the enforcement of its rights and remedies herein and by law provided, unless and until a certified copy of the original thereof bearing the date and book and page of recordation thereof and a certified copy of the original note secured by such Permitted Mortgage has been delivered to Board together with written notice of the address of the Permitted Mortgagee to which notices may be sent; and in the event of an assignment of such Permitted Mortgage, such assignment shall not be binding upon Board unless and until a certified copy thereof bearing the date and book and page of recordation together with written notice of the address of the assignee thereof to which notices may be sent, have been delivered to Board. *[compromise language suggested by lender under consideration]*

5. More than one Permitted Mortgage may be outstanding at any one time in connection with this Lease as long as the aggregate principal amount outstanding on all mortgages, deeds of trust, assignments and other liens on Lessee's interests (whether on not Permitted Mortgages) does not exceed eighty-five percent (85%) of the fair market value of the Lessee's interests under this Lease and the Premises, including the subleases, Improvements, Trade Equipment and personal property. In the event of any dispute among multiple Permitted Mortgagees, the Board shall have the right in all cases to respond only to the Permitted Mortgagee whose interest is most senior (as determined by any major national title company selected by the Board). Any conflicting instructions, requests or demands from a junior Permitted Mortgagee shall, at the Board's option, be null and void and of no force or effect.

6. No Permitted Mortgage shall secure any non-monetary obligations which are not directly related to the Project or the financial condition of Lessee and any guarantors of Lessee's obligation under the Permitted Mortgage.

7. Although the Board has consented to the recording of the AHA Deed of Trust against Lessee's leasehold interest in the Premises, the Agency shall not be a Permitted Mortgagee and the AHA Deed of Trust shall not be a Permitted Mortgage.

8. A Permitted Mortgage shall contain provisions permitting the disposition and application of the insurance proceeds and condemnation awards in the manner provided in this Lease.

9. A Permitted Mortgage is to be originated only by a lender with net worth, lending experience, underwriting practices reasonably acceptable to the Board *[awaiting further information from Lessee on a proposed alternative objective standard]* who is duly licensed or registered with any regulatory agency having jurisdiction over its operation, and is not under any order or judgment of any court or administrative agency restricting or impairing its operation as a lender, and which is regularly engaged in real estate lending.

10. All rights acquired by said Permitted Mortgagee under said Permitted Mortgage shall be subject to each and all of the covenants, conditions and restrictions set forth in this Lease, and to all rights of Board thereunder, none of which covenants, conditions and restrictions is or shall be waived by Board by reason of the giving of such Permitted Mortgage. Notwithstanding any foreclosure of any such Permitted Mortgage, Lessee shall remain liable for the payment of the Base Rent, Overage Rent and supplemental Rent reserved in this Lease and the performance of all of the terms, covenants and conditions of this Lease which by the terms hereof are to be carried out and performed by Lessee.

11. The Permitted Mortgage (or agreement between the Board and the Permitted Mortgagee concerning a Permitted Mortgage) shall provide that the Permitted Mortgagee shall by registered or certified mail give notice to Board of the occurrence of any event of default under the Permitted Mortgage; provided, however, that the failure to do so shall have no adverse effect on the Permitted Mortgage.

12. Lessee shall not enter into any Permitted Mortgage as permitted hereunder (or any extension, modification, change or amendment to any previously approved Permitted Mortgage) that would result in the Permitted Mortgage no longer meeting the standards listed above in this **Section 901**, without the prior written approval of Board. Board shall not unreasonably withhold its approval if such Permitted Mortgage (or modification thereof, if applicable) complies with each and all of the terms and conditions referred to in paragraphs 1 through 9, inclusive, of this **Section 901**, and is otherwise consistent with this Lease. Board agrees to approve or disapprove a proposed Permitted Mortgage (or modification thereof, if applicable) within fifteen (15) Business Days, and within the time, if any, provided for such approval in the Permitted Mortgage loan documents (provided that such documents allow Board a reasonable time to review the loan documents). In the event Board disapproves a matter, Board shall provide its objections in writing to Lessee, indicating the reason for its disapproval. Any approval by Board shall extend only to the documents and matters actually submitted to Board for review and approval. Once Board has approved a matter, Board shall not subsequently disapprove the same matter, but approval by Board of one matter shall not be construed to be approval of any other matter not specifically approved by Board.

All costs incurred by Board to determine whether or not to approve or to otherwise provide assistance to Lessee as may be reasonably necessary to close any proposed Permitted Mortgage shall be paid by Lessee. The determination of such costs, the procedure for payment thereof, and all other terms and conditions related thereto shall be as set forth in **Section 804** for a Transfer, and Lessee shall comply with **Section 804** as applicable to any Permitted Mortgage in like manner as to a Transfer. This paragraph shall not apply to the initial construction and permanent financing for the Project.

Notwithstanding anything in this Lease to the contrary, if Lessee encumbers its leasehold estate by way of a Permitted Mortgage as permitted herein, and should Board be advised in writing of the name and address of the Permitted Mortgagee as provided above, then this Lease shall not be terminated or canceled on account of any breach or default by Lessee in the performance of the terms, covenants or conditions hereof until Board shall have complied with the provisions of **Section 902** as to the Permitted Mortgagee's right to cure and to obtain a new lease.

B. **[§ 902] Rights and Obligations of Permitted Mortgagees**

If Lessee, or Lessee's successors or assigns, shall mortgage the leasehold interest herein demised in accordance with **Section 901**, then, as long as any such Permitted Mortgage shall remain unsatisfied of record, the following provisions shall apply:

1. Board will not accept a cancellation or surrender of, or modify, this Lease without the prior consent in writing of the Permitted Mortgagee. Board's right to terminate this Lease shall be subject to the rights of the Permitted Mortgagee as more specifically described in this Lease.

2. If a Permitted Mortgagee shall register with Board its name and address in writing, no notice of any default by Board to Lessee shall be deemed to have been duly given unless and until a copy thereof has been mailed to the Permitted Mortgagee by registered or certified mail at the address registered with Board.

3. In the event Lessee shall be in default hereunder, the Permitted Mortgagee shall, within the period and otherwise as herein provided, have the right (but not the obligation) to remedy such default, or cause the same to be remedied, and Board shall accept such performance by or at the instigation of such Permitted Mortgagee as if the same had been done by Lessee. The Permitted Mortgagee shall have thirty (30) days after the expiration of any applicable cure period given to Lessee upon notice to Lessee to remedy the default or cause the same to be remedied. Such additional thirty (30) day period shall be extended if the default is other than the payment of money and such that it is not practicable to cure within such thirty (30) day period, if the Permitted Mortgagee commences such cure within said thirty (30) day period and diligently prosecutes such cure to completion. For purposes of the preceding sentence, when and to the extent permitted by law, the commencement of judicial or non-judicial foreclosure proceedings by the Permitted Mortgagee shall be deemed the commencement of a cure. Lessee hereby constitutes and appoints the Permitted Mortgagee Lessee's agent and attorney in fact with full power, in Lessee's name, place and stead, and at Lessee's cost and expense, to enter upon the Parcels and the Improvements, and perform all acts required to be performed herein or in any sublease made hereunder by Lessee.

4. While any such Permitted Mortgage remains unsatisfied of record, and an event or events shall occur which shall entitle Board to terminate this Lease, and if before the expiration of thirty (30) days after the date of service of notice of termination under this Lease such Permitted Mortgagee shall have paid to Board all Base Rent, Overage Rent, supplemental Rent and other payments herein provided for then in default, and shall have complied or shall be engaged in complying with all other requirements of this Lease, if any, then in default, and with which such Permitted Mortgagee is capable of complying, Board shall not be entitled to terminate this Lease and any notice of termination theretofore given shall be void and of no effect.

5. In the event of the termination of this Lease prior to the natural expiration of the then current Term of this Lease for any reason, Board shall mail by registered or certified mail to the Permitted Mortgagee written notice of such termination, together with a statement of any and all sums which would at that time be due under this Lease then known to Board. Such Permitted

Mortgagee shall thereupon have the option to obtain a new lease in accordance with and upon the following terms and conditions:

(a) Upon the written request of the Permitted Mortgagee within sixty (60) days after service of the aforementioned notice of termination, Board shall (i) enter into a new lease of the Parcels and the Improvements with such Permitted Mortgagee, or its designee, as provided in clause (b) of this subparagraph 5, and (ii) execute a quitclaim deed in favor of the Permitted Mortgagee with respect to the Improvements; it being understood that the Permitted Mortgagee shall hold title to the Improvements subject to the terms of the new lease referred to above.

(b) Such new lease shall be effective as of the date of termination this Lease and shall be for the remainder of the Term of this Lease, at the Base Rent, Overage Rent, and supplemental Rent and upon the agreements, terms, covenants and conditions thereof. Any such new lease entered into with the Permitted Mortgagee shall have the same priority as this Lease and shall be prior to any lien or encumbrance on the fee interest. Concurrent with or before the execution of such new lease, the lessee named therein shall pay any and all sums which would at the time of the execution thereof be due under this Lease but for the termination as aforesaid, and shall fully otherwise remedy any existing defaults under this Lease which are reasonably susceptible of cure by such new lessee, and shall pay all expenses, including but not limited to, reasonable attorneys' fees, court costs and disbursements incurred by Board in connection with such defaults and termination, the recovery of possession of the Premises and the preparation, execution and delivery of such new lease; with respect to any default which cannot be cured by such lessee until it obtains possession, such lessee shall have a reasonable time after it obtains possession to cure such default.

(c) The provisions of this Subsection shall survive the termination, rejection or disaffirmance of this Lease and shall continue in full force and effect thereafter to the same extent as if this Subsection were a separate and independent contract made by the Board, Lessee and such Permitted Mortgagee and, from the effective date of such termination, rejection or disaffirmance of this Lease to the date of execution and delivery of such new lease, such Permitted Mortgagee may use and enjoy the Premises without hindrance by Lessor or any person claiming by, through or under the Board.

Notwithstanding the foregoing, this **Section 902(5)** shall not apply to a termination of the Lease due to the breach or default of a Permitted Mortgagee or any owner of the leasehold estate whose interest shall have been acquired by, through or under any Permitted Mortgage or shall have been derived immediately from any holder thereof.

6. If Board elects to terminate this Lease pursuant to any right of termination resulting from Lessee's being in default of any provision of this Lease, then any Permitted Mortgagee, in addition to all other rights herein granted such Permitted Mortgagee, shall have the right to be subrogated to any and all rights of Lessee with respect to curing of any default and shall also have the right to postpone and extend the specified date for termination of this Lease fixed by Board in a notice given pursuant to applicable provisions of this Lease, for a period of not more than six (6) months (subject to extension as provided below), provided such Permitted Mortgagee shall:

(a) concurrent with or before the Permitted Mortgagee gives Board notice of its exercise of the right to postpone or extend the specified date for termination of this Lease, cure all defaults which may be cured by the payment of a sum of money and undertake to cure any other existing default of Lessee, excepting the vacation or dismissal of any pending bankruptcy, insolvency, reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the then applicable bankruptcy act or other similar federal and state statutes or laws or other default not capable of being cured by the Permitted Mortgagee;

(b) continue to pay the Base Rent, Overage Rent, supplemental Rent, and all other sums payable hereunder to or on behalf of Board, and perform all other obligations of Lessee that are required pursuant to this Lease, during any extension period(s); and

(c) promptly thereafter initiate steps to acquire Lessee's interest in this Lease by foreclosure of its mortgage or otherwise.

Such right shall be exercised by the Permitted Mortgagee giving Board notice of the exercise of the same prior to the time of termination fixed in Board's notice of termination. If, before the date specified for the termination of this Lease as extended by such Permitted Mortgagee, (1) the Permitted Mortgagee shall have obtained possession, and if (2) an assumption in writing of performance and observance of covenants and conditions herein contained on Lessee's part to be performed shall be delivered to Board by the Permitted Mortgagee, then and in such event the default under this Lease shall be removed and the Lease shall not be canceled. If the Permitted Mortgagee is unable, after due diligence, to acquire Lessee's interest in this Lease within the first six (6) month extension period, the Permitted Mortgagee may obtain an additional six (6) month extension upon notice to Board prior to the expiration of the initial six (6) month extension.

7. Any payment to be made or action to be taken by a Permitted Mortgagee hereunder as a prerequisite to obtaining a new lease or keeping this Lease in effect shall be deemed properly to have been made or taken by the Permitted Mortgagee if such payment is made or action taken by a permitted nominee, agent or assignee of the right of such Permitted Mortgagee.

8. The parties hereto shall give the Permitted Mortgagee notice of any condemnation proceedings affecting the Parcels or the Improvements. The Permitted Mortgagee shall have the right to intervene and be made a party to any such condemnation proceedings and the parties hereto do hereby consent that the Permitted Mortgagee may be made such party or intervenor.

9. No Permitted Mortgagee nor any owner of the leasehold estate whose interest shall have been acquired by, through or under any Permitted Mortgage or shall have been derived immediately from any holder thereof shall become personally liable under the agreements, terms, covenants or conditions of this Lease unless and until such time as the Permitted Mortgagee or such owner becomes the owner of the leasehold estate and then only those liabilities which accrue during the period as it remains the owner of the leasehold estate. Upon any assignment of this Lease by the Permitted Mortgagee or any owner of the leasehold estate whose interest shall have been acquired by, through or under any Permitted Mortgage or shall have been derived immediately from any holder thereof, the assignor shall be relieved of any further liability which may accrue hereunder

from and after the date of such assignment provided that the assignee shall execute and deliver to Board a recordable instrument of assumption wherein such assignee shall assume the rights and obligations of Lessee and agree to perform and observe all covenants and conditions and provisions in this Lease from and after the effective date of such assignment as they are applicable to Lessee.

10. Anything herein contained to the contrary notwithstanding, the provisions of this **Section 902** shall inure only to the benefit of the holder of a Permitted Mortgage.

11. The rights granted herein to a Permitted Mortgagee shall be enforceable by it. In the event any action or proceeding is brought to enforce or interpret the provisions hereof or to seek damages or performance or declare the rights of the parties hereto or such Permitted Mortgagee, the prevailing party including such Permitted Mortgagee, if prevailing, shall be entitled to reasonable attorneys' fees, costs and expenses.

12. Nothing herein contained shall require any Permitted Mortgagee or its designee as a condition of the exercise of any rights hereunder or in order to comply with the provisions of **Section 800** or as a condition of entering into the new lease provided for herein to cure any non-monetary default of Lessee not reasonably susceptible of being cured by such Leasehold Mortgagee or its designee.

13. The following defaults, if any, relating to the prior Lessee shall be deemed cured upon the acquisition of the leasehold interest by a Permitted Mortgagee (or assignee thereof): (i) attachment, execution or other judicial levy upon the leasehold estate hereunder, (ii) assignment of the leasehold estate hereunder for the direct or indirect benefit of creditors of said Lessee, (iii) judicial appointment of a receiver or similar officer to take possession of the leasehold estate hereunder or the Premises, (iv) filing any petition by, for or against Lessee under any chapter of the Federal Bankruptcy Act, or (v) any other default which is of such a nature as to not be reasonably curable by a Mortgagee or the transferee. Any such deemed cure shall be for the sole benefit of the Permitted Mortgagee (or assignee thereof); the prior Lessee shall not be released from any liability it may have for such matters.

C. **[§ 903]** *[intentionally omitted]*

D. **[§ 904]** **Completion of Construction**

Nothing contained in this Lease shall be deemed to permit or authorize such Permitted Mortgagee to undertake or continue the construction or completion of the Improvements (beyond the extent necessary to conserve or protect the Improvements or construction already made) without first having expressly assumed the Lessee's obligations to the Lessor by written Lease satisfactory to the Lessor. The Lessor shall not unreasonably withhold approval of such assumption. The Permitted Mortgagee in that event must agree to complete the Improvements in the manner provided in this Lease, and submit evidence satisfactory to the Lessor that it has the qualifications and financial responsibility necessary to perform such obligations. Any such Permitted Mortgagee properly completing the Improvements shall be entitled, upon written request made to the Lessor, to a Certificate of Compliance in the manner provided in this Lease.

E. **[§ 905] Non-Merger**

There shall be no merger of this Lease, or of the leasehold estate created thereby, with the fee estate in and to the Parcels by reason of the fact that this Lease or the leasehold estate created thereby, or any interest in either thereof, may be held directly or indirectly by or for the account of any person who shall own the fee estate in and to the Parcels or any portion thereof, and no such merger shall occur unless and until all persons at the time having any interest in this Lease or the leasehold estate, including the Permitted Mortgagee and the holder of any mortgage upon the fee estate in and to the Parcels shall join in a written instrument effecting such merger.

F. **[§ 906] Board Cooperation**

Board covenants and agrees that it will act and fully cooperate with Lessee in connection with Lessee's right to grant a Permitted Mortgage as provided above. At the request of Lessee or any proposed or existing Permitted Mortgagee, Board shall promptly execute and deliver (a) any documents or instruments reasonably requested to evidence, acknowledge or perfect the rights of the Permitted Mortgagee as herein provided; and (b) a certificate of the type described in **Section 1322**. Any such certificate may be conclusively relied upon by any Permitted Mortgagee or Transferee of Lessee's interest in this Lease.

X. **[§ 1000] INDEMNIFICATION AND INSURANCE**

A. **[§ 1001] Indemnification and Release**

1. To the fullest extent permitted by law, Lessee shall indemnify, protect, defend and hold harmless the Board and its officers, employees and agents, from and against all liability, loss, damage, costs, or expenses of any kind (including attorneys' fees and costs of suit) arising from or as a result of any breach of this Lease, any accident, injury, loss or damage whatsoever caused to any person or to the property of any person which shall occur on or adjacent to the Parcels and which shall be directly or indirectly caused by any acts done thereon or any errors or omissions of Lessee, its agents, employees and contractors, or any of them, including but not limited to, claims of negligent or defective design or construction of the Project, regardless of whether any such liability occurs before or after issuance of the Certificate of Compliance, or arising out of or in connection with the use or occupancy of the Parcels and the Improvements by Lessee or any other person under Lessee, or any fire on the Parcels or the Improvements, or any nuisance made or suffered thereon, or any failure by Lessee to keep the Parcels and the Improvements in a safe condition; and Lessee shall reimburse Board for all its costs and expenses (including reasonable attorneys' fees and costs of suit) incurred in connection with the defense of any such claims, and will hold all goods, materials, furnishings, fixtures, equipment, machinery and other property whatsoever on the Premises at the sole risk of Lessee and save Board harmless from any loss or damage thereto by any cause whatsoever. These indemnity obligations shall survive the expiration or earlier termination of this Lease. Notwithstanding anything to the contrary set forth in this **Section 1001**, this indemnity by Lessee specifically excludes all liability, loss, damage, costs and expenses of any kind (including fees and costs of suit) arising from or as a result of any breach of this Lease by the Board, or any accident, injury, loss or damage caused to any person or property which is due to the sole negligence

or willful misconduct of Board or its officers, employees and agents, or any person or entity authorized by the Board to use the Trolley Parking Facilities or any part thereof, including without limitation the trolley patrons and the Parking Licensees.

2. Lessee hereby waives, releases, remises, acquits and forever discharges Board, its directors, officers, employees, and agents, successors and assigns, of and from any and all suits, causes of action, legal or administrative proceedings, claims, demands, actual damages, punitive damages, losses, costs, liabilities, interest, attorneys' fees and expenses of whatever kind and nature, in law or in equity, known or unknown, which Lessee shall or may have or acquire or possess in any way directly or indirectly connected with, based upon, or arising out of any accident, injury, loss or damage whatsoever caused to any person or to the property of any person which shall occur on or adjacent to the Parcels which is not caused by (a) a breach of this Lease by the Board or (b) the sole negligence or willful misconduct of Board or its officers or employees.

Lessee agrees as to the matters released to waive the benefits of Section 1542 of the CIVIL CODE of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Lessee's Initials

Board's Initials

B. [§ 1002] Required Insurance

During the Term of this Lease, Lessee at its sole cost and expense shall:

1. Keep or cause to be kept a policy or policies of insurance against loss or damage to the Improvements on the Parcels (including without limitation the Trolley Parking Facilities) resulting from fire, windstorm, hail, lightning, vandalism, malicious mischief, and such other perils ordinarily included in extended coverage casualty insurance policies. All such policies shall be endorsed to include coverage for the costs of demolition of the Improvements and the clearing and restoration of the Parcels in the event of damage, destruction or condemnation if the Improvements are not fully restored. In addition, if Lessee carries coverage voluntarily for additional causes (such as earthquake, riot, civil commotion, or other), such coverage shall be treated in all respects as the policy or policies required to be kept under this Subparagraph 1, for so long as Lessee continues to voluntarily carry such coverage. All insurance hereunder shall be maintained in an amount not less than one hundred percent (100%) of the full insurable value of the Improvements as defined in **Section 1003** (such value to include amounts spent for construction of the Improvements, architectural and engineering fees, and inspection and supervision).

2. Maintain or cause to be maintained public liability insurance naming Board and all entities controlling, controlled by or under common control with Board, together with their respective contractors, agents, officers, employees, invitees and licensees and such other parties as the Board may designate from time to time as additional insureds, to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, suffered or alleged to be suffered by any person or persons whomsoever in, on or about the Parcels, the Access Road or the Improvements, exclusive of the Trolley Parking Facilities *[open issue]*; to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, as a result of the acts or omissions of Lessee, its agents, servants or employees alleged to be suffered by any person or persons whomsoever, resulting directly or indirectly from any act or activities of Lessee or under its control or direction arising from the use and occupancy under the Lease of the Parcels, the Access Road and the Improvements; and also to protect against loss from liability imposed by law for damages to any property of any person caused directly or indirectly by or from the acts or activities of Lessee under this Lease in connection with the Parcels, the Improvements, or Lessee or its sublessees, or any person acting for Lessee or under its control or direction.

Such public liability insurance shall also protect Board and such additional insureds against incurring any legal cost in defending claims for alleged loss. Such public liability insurance shall be maintained in full force and effect during the entire term of this Lease in an amount of at least Three Million Dollars (\$3,000,000) Adjusted for Inflation, combined single limit, provided solely for the Project.

Lessee agrees that provisions of this paragraph as to public liability insurance shall not be construed to limit in any way the extent to which Lessee may be held responsible for the payment of damages to persons or property resulting from Lessee's activities, or the activities of any other person or persons for which Lessee is otherwise responsible.

3. Maintain or cause to be maintained business or rental interruption insurance against loss of rental to Board due to a cause referred to in Subparagraph 1 above, in an amount equal to, and insuring against, any loss of Base Rent, and Overage Rent (as to Overage Rent, an amount for each year up to the amount of Overage Rent paid for the Lease Year prior to the Lease Year in which the loss or damage occurs) by Board for a minimum of twelve (12) months.

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

5. During the course of any alteration, construction or reconstruction, including, without limitation, during the period of the construction of the Improvements, builders risk insurance for the amount of the completed value on an all-risk form including "course of construction" coverage, (including earthquake and flood if required by any Permitted Mortgagee) insuring the interests of Board, Lessee and Permitted Mortgagee as their interests may appear. Board shall be named as loss payee. The insurer shall waive all rights of subrogation against Board. Lessee shall also require its general contractor to carry such insurance.

6. Such other insurance (or other terms with respect to any insurance required pursuant to this **Section 1002**, including without limitation amounts of coverage or deductibles) on or in connection with the Project as the Board may reasonably require, which at the time is commonly obtained in connection with properties similar in type of building size, use and location to the Project.

C. **[§ 1003] Definition of "Full Insurable Value"**

The term "**full insurable value**", as used in **Section 1002** and elsewhere in this Lease, shall mean the actual replacement cost excluding the cost of excavation, foundation and footings below the ground level of the Improvements. 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 by any appraiser mutually acceptable to Board and Lessee, not less often than once each three (3) years; except that no such appraisals shall be required if the policy is written on a "replacement cost" basis.

D. **[§ 1004] General Insurance Provisions**

1. All insurance provided for under **Section 1002** of this Lease shall be for the benefit of Lessee, Board (and as to the insurance provided for in Subsection 2 of **Section 1002** above, the additional insureds described therein) and any Permitted Mortgagee.

2. All insurance provided for under **Section 1002** shall be periodically reviewed by the parties for the purpose of mutually increasing or decreasing the minimum limits of such insurance, from time to time, to amounts which may be reasonable and customary for similar facilities of like size and operation and in the same location as the Parcels.

3. All insurance provided for under **Section 1002** shall be effected under policies issued by insurers licensed or permitted to do business in the State of California and reasonably approved by Board. Board may not withhold approval of any insurer having a rating of A- XII (with stable outlook) or better in Best Insurance Guide, or if Best Insurance Guide is no longer in existence, a similar or comparable rating.

4. Any insurance required to be maintained by Lessee pursuant to **Section 1002** may be taken out under a blanket insurance policy or policies covering other premises or properties, and other named or additional insureds in addition to the parties hereto; provided, however, that any such policy or policies of blanket insurance, or supplemental written certification from the insurers under such policies, shall specify therein the amount of insurance allocated to the coverage required

under **Section 1002** (except that no such allocation shall be required if coverage is provided on a "blanket limit" basis) and provided further, that in all other respects, any such blanket policy shall comply with the other provisions of **Section 1002**.

5. All certificates of insurance shall provide that such certificates and the policies related thereto shall not be canceled or materially changed without at least thirty (30) days' prior written notice to Board.

6. All insurance policies shall provide that there shall be no exclusion from coverage for cross liability among the named insureds.

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

E. [§ 1005] Failure to Maintain Insurance

If Lessee fails or refuses to procure or maintain insurance as required by this Lease to be procured and maintained by Lessee, Board shall have the right, at Board's election, to procure and maintain the insurance described in **Section 1002** for the benefit of Lessee, Board and any Permitted Mortgagee. The premiums paid by Board shall be treated as supplemental Rent due from Lessee, to be paid on the first day of the month following the date on which the premiums were paid. Board shall give prompt notice of the payment of such premiums, stating the amounts paid and the name of the insured(s) which shall include Lessee, Board and any Permitted Mortgagee.

F. [§ 1006] Disposition of Insurance Proceeds Resulting from Loss or Damage to Improvements

All proceeds of insurance with respect to loss or damage to the Improvements to be maintained and repaired by Lessee during the term of this Lease shall be payable, under the provisions of the policy of insurance, jointly to Lessee and Board and, except as provided below, said proceeds shall constitute a trust fund to be used for the repair, restoration or reconstruction of the Improvements in accordance with the provisions of **Section 708 or 709**. To the extent that such proceeds exceed the cost of such repair, restoration or reconstruction, then such proceeds shall be divided as follows:

1. If the event causing loss or damage to the Improvements occurs on or prior to the thirtieth (30th) anniversary of the Effective Date of Lease, the entire amount by which such proceeds exceed the cost of such repair, restoration or reconstruction shall belong to Lessee.

2. If the event causing loss or damage to the Improvements occurs after the thirtieth (30th) anniversary of the Effective Date of Lease, the amount which shall belong to Lessee shall be the amount by which such proceeds exceed the cost of such repair, restoration or reconstruction, multiplied by a fraction: the numerator of the fraction shall be the number of years

in the Lease Term, as the same may have been extended (if duly extended) minus the number of anniversaries of the Effective Date of Lease which have occurred prior to the event of loss or damage to the Improvements, and the denominator of the fraction shall be the number of years in the Lease Term, as the same may have been extended (if duly extended). The balance of such proceeds shall belong to Board. *[Do we need an example?]* Provided, however, that within the period during which there is an outstanding Permitted Mortgage as described in **Section 900**, such proceeds shall be made payable jointly to the Permitted Mortgagee, if any, Lessee and Board and, except as provided below, shall be disposed of jointly by the parties as a trust fund to be applied to the repair, restoration and reconstruction of the damaged or destroyed Improvements. To the extent that such proceeds exceed the cost of such repair, restoration or reconstruction, then such proceeds shall be divided as follows:

(a) If the event causing loss or damage to the Improvements occurs on or prior to the thirtieth (30th) anniversary of the Effective Date of Lease, the entire amount by which such proceeds exceed the cost of such repair, restoration or reconstruction shall belong to Lessee and any Permitted Mortgagee as their respective interests may appear.

(b) If the event causing loss or damage to the Improvements occurs after the thirtieth (30th) anniversary of the Effective Date of Lease, the amount which shall belong to Lessee and any Permitted Mortgagee as their respective interests may appear shall be the amount by which such proceeds exceed the cost of such repair, restoration or reconstruction, multiplied by a fraction, the numerator of the fraction shall be the number of years in the Lease Term, as the same may have been extended (if duly extended) minus the number of anniversaries of the Effective Date of Lease which have occurred prior to the event causing loss or damage to the Improvements, and the denominator of the fraction shall be the number of years in the Lease Term, as the same may have been extended (if duly extended). The balance of such proceeds shall belong to Board.

3. Provided further, that within the period during which there is an outstanding Permitted Mortgage, as described in **Section 900**, at the request of any Permitted Mortgagee with respect to any particular casualty resulting in damage or destruction exceeding Fifty Thousand Dollars (\$50,000) Adjusted for Inflation in the aggregate, such proceeds shall be payable to a bona fide institutional lender ("**Insurance Trustee**"), as trustee, selected by the Permitted Mortgagee and approved by Lessee and Board, which approval shall not be unreasonably withheld, to be disbursed as required by the provisions of this **Section 1006**. Subject to the terms of any Permitted Mortgage in effect at the time an Insurance Trustee is appointed, such Insurance Trustee is hereby made and constituted a trustee to hold such proceeds and to deposit such proceeds in its own banking department or elsewhere, at its sole discretion, and to pay out such proceeds as provided in this Lease. The Insurance Trustee shall not be obligated hereunder in any manner except to receive and pay out any money that is received by it as such trustee, together with such interest, if any, as is paid by the Insurance Trustee at the time upon like trusts of like amount. As between Board and Lessee, such interest on trust funds shall be deemed to be the income of and disbursed to the party entitled thereto in accordance with the terms of this Lease, to be held by the Insurance Trustee subject to the terms and conditions of the trust. The Insurance Trustee is authorized to retain from the trust fund a reasonable amount (approved by Board and Lessee) for its services in connection with the trust.

4. In the event this Lease is terminated by mutual agreement of Board and Lessee and the Permitted Mortgagee under any Permitted Mortgage, or as a result of Lessee's election to terminate this Lease as provided in **Section 708** or **709**, as the case may be, and the Improvements are not repaired, restored or reconstructed, the net insurance proceeds shall be made payable jointly to Lessee, Board and the Permitted Mortgagee of any outstanding Permitted Mortgage, if any, or the Insurance Trustee, if required, and shall be applied as follows:

(a) First, if there is an outstanding Permitted Mortgage, as allowed under **Section 900**, such proceeds shall be applied first to discharge the debt secured by the Permitted Mortgage.

(b) Then, remaining insurance proceeds, at the election of Board, which election shall be made within six (6) months after the parties mutually agree to terminate this Lease or Board receives notice of Lessee's election to terminate this Lease, as the case may be, shall be used either:

(1) To demolish the remaining Improvements and clear the Parcels to a neat and safe condition; or

(2) To remove the rubble from the damaged Improvements and leave the remaining damaged Improvements in a neat, clean and safe condition; or

(3) To remove the rubble and any portion of the damaged Improvements specified by Board from the remaining Improvements and leave the remaining Improvements in a neat, clean and safe condition.

5. To secure the performance of such work, that portion of such remaining insurance proceeds equal to one hundred fifteen percent (115%) of the estimated cost of the work described in clause (1), (2) or (3) of **Subsection 1006(4)(b)**, whichever shall be greater, shall be held by Board and Lessee jointly (and deposited in an interest bearing account, which interest shall belong to and be payable as it accrues and becomes available as provided in Subsection 3 below) and such funds shall be expended for the specified work when Board has made its election, after which the balance, if any, shall be paid as set forth in Subsection 3 below. The estimated cost of the work described in clauses (1), (2) and (3) above shall be determined by Board and Lessee each putting the work referred to in clauses (1), (2) and (3) out to bid to not less than four (4) reputable contractors licensed by the State of California, within sixty (60) days of the parties mutually agreeing to terminate this Lease or Board receiving notice of Lessee's election to terminate this Lease. The bids shall be for the cost of immediate construction and the contractors shall not be informed of the reasons for which the bids are being solicited. The job shall be open for bid for a period not to exceed thirty (30) days. The three (3) lowest of the four (4) bids obtained by the parties with respect to the work described in clauses (1), (2) and (3) separately shall be averaged and such averages shall be deemed the estimated cost of the work described in clauses (1), (2) and (3), respectively. The balance of any remaining insurance proceeds over and above the one hundred fifteen percent (115%) set aside shall be paid immediately as set forth in **Subsection 1006(6)** below.

3. Then, any insurance proceeds remaining shall be paid as follows:

(a) If the event causing loss or damage to the Improvements occurs on or prior to the thirtieth (30th) anniversary of the Effective Date of Lease, the entire amount by which such proceeds exceeds the allocations described in Subsections 1 and 2 above shall belong to Lessee.

(b) If the event causing loss or damage to the Improvements occurs after the thirtieth (30th) anniversary of the Effective Date of Lease, the amount which shall belong to Lessee shall be the amount by which such proceeds exceeds the allocations described in Subsections 1 and 2 above, multiplied by a fraction: the numerator of the fraction shall be the number of years in the Lease Term, as the same may have been extended (if duly extended) minus the number of anniversaries of the Effective Date of Lease which have occurred prior to the event causing damage or loss to the Improvements, and the denominator of the fraction shall be the number of years in the Lease Term, as the same may have been extended (if duly extended). The balance of the proceeds shall belong to Board.

Lessee hereby waives any claim against Board for any loss covered by insurance of the type specified in **Section 1002**; only to the extent that such waiver is permitted under its policies of insurance and will not cause to be voided any coverage thereunder, and Lessee shall obtain from its insurance company or companies a waiver of any right of subrogation that it may have against Board.

XI. [§ 1100] EMINENT DOMAIN

In the event that the Premises, the Improvements or any part thereof shall be taken for public purposes by condemnation as a result of any action or proceeding in eminent domain, then, as between Board and Lessee (or any Permitted Mortgagee, if a Permitted Mortgage is then in effect), the interests of Board and Lessee (and any Permitted Mortgagee) in the award and the effect of the taking upon this Lease shall be as follows:

1. In the event of such taking of only a part of the Premises or the Improvements thereon, this Lease shall terminate and end as to the portion of the Premises so taken as of the date title or possession to such portion vests in the condemning authority, but, subject to the provisions of **Section 1100(2)** below, shall continue in full force and effect as to the portion of the Premises not so taken, and from and after such date the Base Rent required by this Lease to be paid by Lessee to Board shall be reduced in the proportion which the value of the part of the Premises so taken bears to the total value of Lessee's interest in the Premises.

2. Notwithstanding anything to the contrary contained in Subsection 1, upon any taking of a portion of the Premises or the Improvements which renders the operation of the Premises and the Improvements remaining into an economically unviable condition, or which occurs during the last nine (9) years of the Term of this Lease and where such taking affects the use of a major part of the Improvements (determined in the same manner as a damage or destruction under **Section 709**), Lessee shall have the right to terminate this Lease and its obligations hereunder upon notice to Board given within one hundred twenty (120) days after the date title or possession to the portion taken

vests in the condemning authority and such termination shall become effective as of the date of such taking.

3. In the event the entire Premises is so taken, this Lease and all of the right, title and interest thereunder shall cease on the date title or possession to the Premises so taken vests in the condemning authority.

4. Promptly after a partial taking, if this Lease shall not have been terminated pursuant to Subsection 2 above, at Lessee's expense and in the manner specified in provisions of this Lease relating to maintenance, repairs and alterations, Lessee shall restore the Improvements so as to place them in a condition suitable for the uses and purposes for which the Premises is leased subject to the provisions of this **Section 1100**. In the event Lessee fails to restore the Improvements, Board may terminate this Lease pursuant to **Section 1210** of this Lease.

5. In the event of any taking described under Subsection 1 or 3 above, that portion of any award of compensation attributable to the Parcels (exclusive of the Improvements thereon) shall belong to Board. That portion of any award attributable to the Improvements shall be divided as follows:

(a) If the date that title or possession of the property taken vests in the condemning authority occurs on or prior to the thirtieth (30th) anniversary of the Effective Date of Lease, the entire portion of the award attributable to the Improvements shall belong to Lessee.

(b) If the date that title or possession of the property taken vests in the condemning authority occurs after the thirtieth (30th) anniversary of the Effective Date of Lease, the amount which shall belong to Lessee shall be the portion of the award attributable to the Improvements multiplied by a fraction: the numerator of the fraction shall be the number of years in the Lease Term, as the same may have been extended (if duly extended) minus the number of anniversaries of the Effective Date of Lease which have occurred prior to the date title or possession of the property taken vests in the condemning authority, and the denominator of the fraction shall be the number of years in the Lease Term, as the same may have been extended (if duly extended). The balance of the award attributable to the Improvements shall belong to Board.

6. In the event of a partial taking, where the Lease remains in effect and Lessee is obligated to restore or repair the Improvements, then Lessee shall use its portion of the award to restore the Improvements as provided in **Section 1100(4)** above in accordance with plans and specifications approved in writing by Board, which approval shall not be unreasonably withheld or delayed. *The amount of the award attributable to the Improvements shall not include any portion of the award attributable to the expired Term of this Lease as to the portion or all of the Premises so taken. [clarify?]* Notwithstanding the foregoing, if this Lease is terminated pursuant to **Section 1100(2)** above, the award attributable to the Improvements shall be disbursed to any Permitted Mortgagee, Board and Lessee in the same manner, and shall be applied in the same manner as, insurance proceeds as set forth in Subsections 1, 2 and 3 as contained in the last disposition alternative in **Section 1006**.

7. Notwithstanding the foregoing provisions of this Section, Board may, in its discretion and without affecting the validity and existence of this Lease, transfer Board's interests in the Premises in lieu of condemnation to any authority entitled to and having threatened to exercise the power of eminent domain. In the event of such transfer by Board, Board shall retain its right to recover from said condemning authority the award with respect to its interest in the Premises taken by the condemning authority in the manner provided in Subsection 5 above.

8. As used herein "net" amount of the award shall mean the gross award less all costs (including attorneys' fees) incurred by Lessee or Board, as the case may be, to recover such award.

XII. [§ 1200] DEFAULTS, REMEDIES AND TERMINATION

A. [§ 1201] Defaults – General

Subject to the extensions of time set forth in **Section 1209**, failure or delay by either party to perform any term or provision of this Lease constitutes a default under this Lease. The party who fails or delays must promptly commence to cure, correct or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence.

In the event of any default, the injured party shall give written notice of default ("**Notice of Default**") to the party in default, specifying the default complained of by the injured party. Failure or delay in giving Notice of Default shall not constitute a waiver of any obligation, requirement or covenant required to be performed hereunder. Except as otherwise expressly provided in this Lease, any failures or delays by either party in asserting any rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by either party in asserting any of its rights and remedies shall not deprive either party of the right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

B. [§ 1202] Legal Actions

1. [§ 1203] Institution of 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 following occurrence of an "Event of Default" (as defined in **Section 1207** below). Such legal actions must be instituted in the Superior Court of the County of San Diego, State of California, in any other appropriate court in that county, or in the Federal District Court in the Southern District of California.

2. [§ 1204] Applicable Law

The laws of the State of California shall govern the interpretation and enforcement of this Lease.

3. **[§ 1205] Acceptance of Service of Process**

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

C. **[§ 1206] Rights and Remedies are Cumulative**

Except with respect to rights and remedies which are expressly declared to be exclusive in this Lease, the rights and remedies of any non-defaulting party are cumulative and the exercise of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the defaulting party.

D. **[§ 1207] Events of Default**

1. The occurrence of any one or more of the following (after expiration of any applicable cure period as provided in **Section 1207(2)**) shall, at the sole option of Board, constitute an "**Event of Default**" under this Lease:

(a) a failure by Lessee to make any payment of Base Rent or Overage Rent, regardless of the reason for such failure;

(b) a failure by Lessee to make any payment of any monetary obligation other than Base Rent or Overage Rent;

(c) a failure by Lessee duly to perform and observe, or a violation or breach of, any other provision hereof not otherwise specifically mentioned in this **Section 1207(1)**;

(d) Lessee shall (i) voluntarily be adjudicated a bankrupt or insolvent, (ii) seek or consent to the appointment of a receiver or trustee for itself or for the Premises, (iii) file a petition seeking relief under the bankruptcy or other similar laws of the United States, any state or any jurisdiction, (iv) make a general assignment for the benefit of creditors, or (v) be unable to pay its debts as they mature;

(e) a court shall enter an order, judgment or decree appointing, without the consent of Lessee, a receiver or trustee for it or for any of the Premises or approving a petition filed against Lessee which seeks relief under the bankruptcy or other similar laws of the United States, any state or any jurisdiction, and such order, judgment or decree shall remain undischarged or unstayed ninety (90) days after it is entered;

(f) the Premises shall have been abandoned;

(g) Lessee shall be liquidated or dissolved or shall begin proceedings towards its liquidation or dissolution; or

(h) the estate or interest of Lessee in any of the Premises shall be levied upon or attached in any proceeding and such estate or interest is about to be sold or transferred or such process shall not be stayed, vacated or discharged within ninety (90) days after it is made.

2. No notice or cure period shall be required in any one or more of the following events: the occurrence of an Event of Default under clause (d), (e), (f), (g) or (h) of **Section 1207(1)**. If the default consists of the failure to pay Base Rent or Overage Rent under clause (a) of **Section 1207(1)**, the applicable cure period shall be ten (10) Business Days from the date on which notice is given. If the default consists of the failure to pay any other monetary obligation under clause (b) of **Section 1207(1)**, the applicable cure period shall be fifteen (15) Business Days from the date on which notice is given. If the default consists of any other Event of Default under **Section 1207(1)**, the applicable cure period shall be thirty (30) days from the date on which notice is given or, if the default cannot reasonably be cured within such thirty (30) day period, the cure period shall be extended for the period reasonably required to cure the default, provided that Lessee shall commence to cure the default within the said thirty-day period and shall actively, diligently and in good faith proceed with and continue the curing of the default until it shall be fully cured.

E. **[§ 1208] Remedies and Damages Upon Default**

1. If an Event of Default shall have occurred and is continuing, Board shall have the right, at its sole option, then or at any time thereafter, to exercise its remedies and to collect damages from Lessee in accordance with this **Section 1208**, subject in all events to applicable law, without demand upon or notice to Lessee except as otherwise provided in **Section 1207(2)** and this **Section 1208**.

(a) Board may give Lessee notice of Board's intention to terminate this Lease on a date specified in such notice. Upon such date, this Lease, the estate hereby granted and all rights of Lessee hereunder shall expire and terminate. Upon such termination, Lessee shall promptly surrender and deliver possession of the Premises to Board in accordance with **Section 1307**. If Lessee does not so surrender and deliver possession of the Premises, Board may re-enter and repossess the Premises, with or without legal process, by peaceably entering the Premises and changing locks or by summary proceedings, ejectment or any other lawful means or procedure. Upon or at any time after taking possession of the Premises, Board may, by peaceable means or legal process, remove any Persons or property therefrom. Board shall be under no liability for or by reason of any such entry, repossession or removal. Notwithstanding such entry or repossession, Board may collect the damages set forth in **Section 1208(3)**.

(b) After repossession of the Premises pursuant to clause (i) above, Board shall have the right to relet any of the Premises to such Lessee or Lessees, for such term or terms, for such rent, on such conditions and for such uses as Board in its sole discretion may determine, and collect and receive any rents payable by reason of such reletting. Board may make such Alterations in connection with such reletting as it may deem advisable in its sole discretion. Notwithstanding any such reletting, Board may collect the damages set forth in **Section 1208(3)**.

2. In addition to its other rights under this Lease, Board has the remedy described in California CIVIL CODE Section 1951.4 which provides substantially as follows: Board may continue the Lease in effect after Lessee's breach and abandonment and recover the Rent as it becomes due. In accordance with California CIVIL CODE Section 1951.4 (or any successor statute), Lessee acknowledges that in the event Lessee breaches this Lease and abandons the Premises, this Lease shall continue in effect for so long as Board does not terminate Lessee's right to possession, and Board may enforce all of its rights and remedies under this Lease, including the right to recover the Rent as it becomes due under this Lease. Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon initiative of Board to protect Board's interest under this Lease shall not constitute a termination of Lessee's right to possession.

3. If Board elects to terminate this Lease upon the occurrence of an Event of Default, Board may collect from Lessee damages computed in accordance with the following provisions in addition to Board's other remedies under this Lease:

(a) the worth at the time of award of any unpaid Rent which has been earned at the time of such termination; plus

(b) the worth at the time of award of the amount by which any unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that 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 such rental loss that Lessee proves could be reasonably avoided; plus

(d) any other reasonable cost necessary to compensate Board 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, without limitation, brokerage commissions, the cost of repairing and reletting the Premises and reasonable attorneys' fees; plus

(e) at Board's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable state law. Damages shall be due and payable from the date of termination.

For purposes of clauses (a) and (b) of this Section, the "worth at the time of award" shall be computed by adding interest at the maximum legal rate to the past due Rent. For the purposes of clause (c) of this **Section 1208(3)**, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%).

4. Board may elect not to terminate Lessee's right to possession of the Premises, in which event this Lease will continue in full force and effect as long as Board does not terminate Lessee's right to possession and Board may continue to enforce all of its rights and remedies under

this Lease, including the right to collect all Rent as it becomes due. Board may elect to enter the Premises and relet them, or any part of them, to third parties for Lessee's account. Lessee shall be liable immediately to Board for all costs Board incurs in reletting the Premises, including, but not limited to, brokers' commissions, expenses of cleaning and remodeling the Premises required by the reletting, attorneys' fees and like costs. Reletting can be for a period shorter or longer than the remaining Term of this Lease and for the entire Premises or any portion thereof. Lessee shall pay to Board the Base Rent and Overage Rent due under this Lease on the dates the Base Rent and such Overage Rent are due, less the Rent Board actually collects from any reletting. Except as provided in the preceding sentence, if Board relets the Premises or any portion thereof, such reletting shall not relieve Lessee of any obligation hereunder. Notwithstanding the above, no act by Board allowed by this **Section 1208(4)** shall terminate this Lease unless Board notifies Lessee in writing that Board elects to terminate this Lease.

5. Notwithstanding anything to the contrary herein contained, in lieu of or in addition to any of the foregoing remedies and damages, Board may exercise any remedies and collect any damages available to it at law or in equity. If Board is unable to obtain full satisfaction pursuant to the exercise of any remedy, it may pursue any other remedy which it has hereunder or at law or in equity.

6. If any Law shall validly limit the amount of any damages provided for herein to an amount which is less than the amount agreed to herein, Board shall be entitled to the maximum amount available under such Law.

7. No termination of this Lease, repossession or reletting of the Premises, exercise of any remedy or collection of any damages pursuant to this Section 1208 shall relieve Lessee of any obligations which by their terms survive the expiration of the Term or earlier termination of this Lease.

8. WITH RESPECT TO ANY REMEDY OR PROCEEDING OF BOARD HEREUNDER, LESSEE WAIVES ANY RIGHT TO A TRIAL BY JURY. Lessee agrees that this Lease constitutes a written consent to waiver of trial by jury pursuant to the provisions of California CODE OF CIVIL PROCEDURE Section 631 and Lessee does hereby appoint Board its true and lawful attorney-in-fact, which appointment is coupled with an interest, and Lessee does hereby authorize and empower Board, in the name, place and stead of Lessee, to file this Lease with the clerk or judge of any court of competent jurisdiction as statutory written consent to waiver of trial by jury.

9. Upon the occurrence of any Event of Default, Board shall have the right (but no obligation) to perform any act required of Lessee hereunder and, if performance of such act requires that Board enter the Premises, Board may enter the Premises for such purpose.

10. No failure of Board (i) to insist at any time upon the strict performance of any provision of this Lease or (ii) to exercise any option, right, power or remedy contained in this Lease shall be construed as a waiver, modification or relinquishment thereof. A receipt by Board of any sum in satisfaction of any monetary obligation with knowledge of the breach of any provision hereof

shall not be deemed a waiver of such breach, and no waiver by Board of any provision hereof shall be deemed to have been made unless expressed in a writing signed by Board.

11. Lessee hereby waives and surrenders, for itself and all those claiming under it, including creditors of all kinds, (i) any right and privilege which it or any of them may have under any present or future Law to redeem any of the Premises or to have a continuance of this Lease after termination of this Lease or of Lessee's right of occupancy or possession pursuant to any court order or any provision hereof, and (ii) the benefits of any present or future Law which exempts property from liability for debt or for distress for rent.

12. Except as otherwise provided herein, all remedies are cumulative and concurrent and no remedy is exclusive of any other remedy. Each remedy may be exercised at any time an Event of Default has occurred and is continuing and may be exercised from time to time. No remedy shall be exhausted by any exercise thereof.

F. [§ 1209] Enforced Delay in Performance for Causes Beyond Control of Party

For the purposes of any of the provisions of this Lease, neither Board nor Lessee, as the case may be, nor any successor in interest (including, without limitation, Lessee's Permitted Mortgagee or any successor in interest of said Permitted Mortgagee), shall be considered in breach of, or default in, its obligations under this Lease (exclusive of any obligation to pay money) as a result of the enforced delay in the performance of such obligations due to causes beyond its reasonable control and without its fault or negligence, including, but not limited to any law, regulation, ordinance or order of any public Board, acts of public agencies, acts of God, acts of the public enemy, acts of the federal government, acts of the other party (including but not limited to delays in performing such other party's obligations pursuant to this Lease), fires, floods, epidemics, quarantine restrictions, strikes, labor disputes, freight embargoes, acts of terrorism, inability to obtain materials or supplies or unusually severe weather or delays of contractors or subcontractors due to such causes (any of the above, an "**Enforced Delay**"); it being the purpose and intent of this provision that in the event of the occurrence of any such Enforced Delay, the time or times for performance of the obligations of Board or Lessee, as the case may be, shall be extended for the period of such Enforced Delay. The party seeking the benefit of the provision of this Section shall promptly notify the other party in writing of such Enforced Delay and of the causes thereof, the extension of time for performance shall run from fifteen (15) days prior to the date on which such notice is given, but in no event earlier than the date of commencement of the cause.

G. **[§ 1210] Non-Recourse as to Board**

Anything contained herein to the contrary notwithstanding, any claim based on or with respect to any liability of the Board under this Lease shall be enforced only against the Parcels and the Board's interest in this Lease and not against any other assets, properties or funds of (i) the Board, (ii) any director, officer, general partner, shareholder, limited partner, beneficiary, employee or agent of the Board or any general partner of the Board or any of its general partners (or any legal representative, heir, estate, successor or assign of any thereof), (iii) any predecessor or successor partnership or corporation (or other entity) of the Board or any of its general partners, shareholders, officers, directors, employees or agents, either directly or through the Board or its general partners, shareholders, officers, directors, employees or agents or any predecessor or successor partnership or corporation (or other entity), or (iv) any person affiliated with any of the foregoing, or any director, officer, employee or agent of any thereof.

XIII. **[§ 1300] GENERAL PROVISIONS**

A. **[§ 1301] Notices, Demands and Communications between the Parties**

Unless otherwise specifically provided herein, all formal notices, demands or other communications given hereunder shall be in writing and shall be deemed to have been duly delivered upon personal delivery, or by Federal Express (or similar reputable express delivery service), or by telecopier transmission with verification of receipt and back-up copy mailed the same day, or as of the second Business Day after mailing by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

For the Board: Chief Executive Officer
 Metropolitan Transit Development Board
 1255 Imperial Avenue, Suite 1000
 San Diego, California 92101-7490
 Telephone: (619) 231-1466
 Telecopier: (619) 234-3172

with copies to:

 General Counsel
 Metropolitan Transit Development Board
 1255 Imperial Avenue, Suite 1000
 San Diego, California 92101-7490
 Telephone: (619) 557-4512
 Telecopier: (619) 234-3172

and

R. Martin Bohl
Law Offices of R. Martin Bohl

501 West Broadway, Suite 520
San Diego, California 92101
Telephone: (619) 446-0080
Telecopier: (619) 446-0090

For the Lessee: Fairfield Grossmont Trolley LLC
c/o Fairfield Residential LLC
Attn: Christopher E. Hashioka
5510 Morehouse Drive, Suite 200
San Diego, California 92121
Telephone: (858) 457-2123
Telecopier: (858) 457-8082

with a copy to:

Rutan & Tucker, LLP
Attn: Marcia A. Forsyth, Esq.
611 Anton Blvd., Suite 1400
Costa Mesa, California 92626
Telephone: (714) 641-3453
Telecopier: (714) 546-9035

Addresses for notice may be changed by written notice sent in the manner provided above.

B. [§ 1302] Time of Essence

Time is of the essence with respect to the performance of each of the covenants and agreements contained in this Lease.

C. [§ 1303] Conflict of Interests

No member, official or employee of the Board 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 the Lease which affects his or her personal interests or the interests of any corporation, partnership or association in which he, or she is, directly or indirectly, interested.

D. [§ 1304] Warranty Against Payment of Consideration for Agreement.

The 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.

E. **[§ 1305]** **Nonliability of Board Officials and Employees**

No member, official or employee of Board shall be personally liable to Lessee, or any successor in interest to Lessee, in the event of any default or breach by Board or for any amount which may become due to Lessee or successor, or on any obligations under the terms of this Lease.

F. **[§ 1306]** **No Partnership**

Nothing contained in this Lease and no acts of Board or Lessee shall be deemed or construed to create the relationship of principal and agent, or of partnership, or of joint venture, or of any association between Board and Lessee other than that of lessor and lessee.

G. **[§ 1307]** **Surrender of Property**

Upon the expiration or earlier termination of this Lease pursuant to the terms hereof, it shall be lawful for Board to re-enter and repossess the Parcels and the Improvements thereon without process of law, and Lessee, in such event, does hereby waive any demand for possession thereof, and agrees to surrender and deliver the Parcels and the Improvements thereon, peaceably to Board immediately upon such expiration or termination in good order, condition and repair, except for reasonable wear and tear, but subject, however to the provisions of **Section 1100** of this Lease regarding condemnation and **Sections 708 and 709** of this Lease regarding damage and destruction.

H. **[§ 1308]** **Severability**

If any term, covenant, condition or provision of this Lease, or the application thereof to any person or circumstance, shall to any extent be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, covenants, conditions or provisions of this Lease, or the application thereof to any person or circumstance, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

I. **[§ 1309]** **Binding Effect**

Subject to the provisions of this Lease restricting or prohibiting assignment, 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.

J. **[§ 1310]** **Captions**

The captions contained in this Lease are for convenience of reference and shall not be construed to limit or extend the meaning of any part of this Lease.

K. **[§ 1311]** **Entire Agreement**

This Lease, together with any other written document referred to herein, embody the entire agreement and understanding between the parties regarding the subject matter hereof, and any and all prior or contemporaneous oral or written representations, agreements, understandings or statements shall be of no force and effect.

L. **[§ 1312] Modifications**

No modification, waiver or discharge of this Lease shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver or discharge is or may be sought. Any amendments to this Lease must be approved by the Board's Board of Directors.

M. **[§ 1313] Approvals**

All consents or approvals to be given by Lessee or Board shall not be unreasonably withheld or delayed unless this Lease expressly provides for the discretion of the party in giving such consent or approval. Approval or disapproval shall be given within the time set forth in the Schedule of Performance or, if no time is given, within fifteen (15) Business Days. Unless otherwise expressly provided herein, the Chief Executive Officer of the Board or his/her designee shall have the authority to issue all approvals and disapprovals on behalf of the Board required or allowed hereunder.

N. **[§ 1314] Inspection of Books and Records**

The Board has the right at all reasonable times to inspect the books and records of the Lessee pertaining to the Parcels, the Improvements and the Project as pertinent to the purposes of this Lease, subject to **Section 308** above.

O. **[§ 1315] Gender, Number**

Whenever the context requires, the use herein of (i) the neuter gender includes the masculine and the feminine, and (ii) the singular number includes the plural.

P. **[§ 1316] Business Days**

"**Business Day**" shall mean any day which is not a Saturday, Sunday or federal bank holiday. If the last day for performance of an act falls upon a day that is not a Business Day, such last day shall be the next following regular Business Day.

Q. **[§ 1317] Recitals; Exhibits; Attachments**

The recitals set forth above and all attached exhibits and attachments are incorporated by reference into this Lease as if fully set forth herein.

R. **[§ 1318]** **Authority of Signatories**

Each signatory and party hereto hereby warrants and represents to the other party that it has legal authority and capacity and direction from its principal to enter into this Lease, and that all resolutions and other actions have been taken so as to enable said signatory to enter into this Lease.

S. **[§ 1319]** **Attorneys' Fees and Legal Expenses**

Should any party hereto institute any action or proceeding in court or any arbitration or similar proceeding to enforce any provision hereof or for damages by reason of any alleged breach of any provision of this Lease or for any other judicial remedy, the prevailing party(ies) shall be entitled to receive from the losing party(ies) all reasonable attorneys' fees and all court costs in connection with said proceedings.

T. **[§ 1320]** **Preparation of Lease**

No inference, assumption or presumption shall be drawn from the fact that a party or its attorney prepared or drafted this Lease. It shall be conclusively presumed that both parties participated equally in the preparation and drafting of this Lease.

U. **[§ 1321]** **Counterparts**

This Lease may be executed in any number of counterparts, each of which shall be original and all of which shall constitute one and the same document.

V. **[§ 1322]** **Certificates**

At any time and from time to time, each party ("**Responding Party**") agrees to sign and deliver to the other party ("**Requesting Party**") within ten (10) days after receipt of written request therefor a statement certifying that (a) this Lease is unmodified and in full force and effect (or, if such is not the case, so stating and setting forth any modifications), (b) that, to the Responding Party's knowledge, the Requesting Party is not in breach hereunder (or, if such is not the case, so stating and setting forth any alleged breaches), and (c) any other information reasonably related to the status of this Lease. Such certification may be conclusively relied on by the Requesting Party, any Permitted Mortgagee, any equity investor of Lessee, and any title insurance company insuring title to the Parcels.

W. **[§ 1323]** **Successors and Assigns**

Subject to the provisions of this Lease restricting or prohibiting assignment, this Lease shall be binding on and inure to the benefit of the successors and assigns of the respective parties.

X. **[§ 1324] Joint and Several Liability**

If any party consists of more than one person or entity, the liability of each such person or entity signing this Lease shall be joint and several.

Y. **[§ 1325] No Third Party Beneficiaries**

This Lease has been made and is made solely for the benefit of the Board and the Lessee and their respective successors and permitted assigns, and, to the extent provided herein, any Permitted Mortgagee. Nothing in this Lease is intended to confer any rights or remedies under or by reason of this Lease on any persons other than the parties to it, any Permitted Mortgagee, and their respective successors and permitted assigns. Nothing in this Lease is intended to relieve or discharge the obligation or liability of any third persons to any party to this Lease.

Z. **[§ 1326] Adjusted for Inflation**

Whenever this Lease provides for a dollar amount to be "Adjusted For Inflation," then upon the request of either Board or Lessee made not more frequently than every five (5) years during the Term (including any extension), the specified dollar amount shall be adjusted by the percentage increase in the Index (as defined below) published nearest preceding the Effective Date of this Lease and the date when the request for the adjustment was made; provided, however, that in no event shall such dollar amount be reduced below that originally specified in this Lease or as previously adjusted hereby.

"Index" means the "Consumer Price Index—All Urban Consumers—Los Angeles/Anaheim/Riverside, California" compiled by the U.S. Department of Labor, Bureau of Labor Statistics, based on 1982-1984=100 (the "Base"). If the Base should hereafter be changed, then the new base shall be converted to the Base, and the base as so converted shall be used. If a substantial change is made in the Index, the revised Index shall be used, subject to such adjustments as may be reasonably required in order to make the revised Index comparable to the prior Index. If the Bureau of Labor Statistics ceases to publish the Index, then the successor or most nearly comparable Index, as mutually approved by the Board and Lessee (which approvals shall not be unreasonably withheld) shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

AA. [§ 1327] Memorandum of Lease

This Lease shall not be recorded. A Memorandum of this Lease, in the form of **Exhibit J** attached, was recorded at Close of Escrow by the Board and Lessee. Upon expiration or earlier termination of this Lease, Lessee shall execute, acknowledge and deliver to the Board for recording a quitclaim deed to the Board Land.

"Board"

Metropolitan Transit Development Board,
a California public agency also known as the
Metropolitan Transit System

By: _____
Paul Jablonski, Chief Executive Officer

APPROVED AS TO FORM:

By: _____
Tiffany L. Lorenzen
General Counsel

"Lessee"

Fairfield Grossmont Trolley LLC,
a Delaware limited liability company

By: Fairfield California Housing Fund LLC,
a Delaware limited liability company,
its Member

By: FF California Housing Fund LLC,
a Delaware limited liability
company, its Member/Manager

By: _____
Patrick J. Gavin, Vice President

[Lessee to confirm signature block and provide evidence of authority]

EXHIBITS

EXHIBIT A:	Parcel Map
EXHIBIT B:	Site Plan
EXHIBIT C	Scope of Development
EXHIBIT D:	Final Construction Plans and Drawings
EXHIBIT E:	List of Parking Licensees
EXHIBIT F-1 - F-4:	Rent Calculation Examples
EXHIBIT G:	Schedule of Performance
EXHIBIT H:	Trolley Parking Construction Phasing Plan
EXHIBIT I:	Illustrations of Additional Rent Payable on Transfer Calculation
EXHIBIT J:	Memorandum of Lease

Exhibit A-1

Legal Description of the Premises

That certain real property located in the City of La Mesa, County of San Diego, State of California described as follows:

Parcel A

Parcels 1 and 2 of Parcel Map No. _____ filed with the County Recorder of San Diego County, California, on _____, 2006 as Document No. 2006-_____ (the "**Parcel Map**"),

EXCEPTING AND RESERVING THEREFROM, the area within Parcels 1 and 2 in which the "Trolley Parking Facilities" (as defined in the Lease) are actually constructed.

Parcel B

A non-exclusive easement for vehicular and pedestrian ingress and egress and for utilities over the area illustrated and designated within Parcel 3 and Parcel 4 on the Parcel Map as the "Fire and Access Easement Granted Hereon", which non-exclusive easement is appurtenant to and for the benefit of each of Parcels 1 and 2 described in Parcel A above.

Exhibit A-2

Parcel Map

[To be attached]

Exhibit B

Site Plan

[To be attached]

(The "Trolley Station" and "Trolley Right of Way" are to be depicted on the Site Plan per **Section 107**)

Exhibit C

Scope of Development

[To be attached]

Exhibit D

Final Construction Plans and Drawings

[To be attached]

Exhibit E

List of Parking Licensees

[To be attached]

Exhibits F-1 - F-4

Rent Calculation Examples

[To be attached]

Exhibit G

Construction Schedule

[To be attached]

Exhibit H

Trolley Parking Construction Phasing Plan

[To be attached]

Exhibit I

Illustrations of Additional Rent Payable on Transfer Calculation

[To be attached]

Exhibit J

Form of Memorandum of Lease

Recording Requested By:

When Recorded, Mail To:

FAIRFIELD GROSSMONT TROLLEY
LLC
c/o Fairfield Residential LLC
5510 Morehouse Drive, Suite 200
San Diego, CA 92121
Attn: Patrick J. Gavin

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

MEMORANDUM OF GROUND LEASE

THIS MEMORANDUM OF GROUND LEASE (this "Memorandum") is made and entered into as of the ____ day of _____, 2006 ("Effective Date"), *[date of Close of Escrow under the DDA to be inserted by Escrow Holder]*, between THE METROPOLITAN TRANSIT DEVELOPMENT BOARD, a California public agency also known as the Metropolitan Transit System (the "**Board**") and FAIRFIELD GROSSMONT TROLLEY LLC, a Delaware limited liability company ("**Lessee**").

1. **Lease of Premises.** Board has leased to Lessee, and Lessee has leased from Board that certain real property located in the City of La Mesa, County of San Diego, State of California, legally described on Exhibit "A" attached hereto and incorporated herein by reference (the "**Premises**") pursuant to and on the terms and provisions of that certain Ground Lease dated as of the Effective Date (the "**Lease**"). The provisions of the Lease are incorporated into this Memorandum by this reference as if set out in full herein.

2. **Initial Term.** The initial term of the lease shall commence on the Effective Date and shall expire at midnight on the earlier of: (a) June 30, 2065, and (b) fifty- five (55) years following the "Affordable Occupancy Date" (as hereinafter defined). The term "Affordable Occupancy Date" shall mean the date on which the certificate of occupancy or other document authorizing occupancy has been issued by the City of La Mesa (the "City") for the last "Affordable Unit" as such term is defined in the Affordable Housing Agreement {Grossmont Station Transit-Oriented Development Project} dated as of September 27, 2005 between Lessee and the City, as amended.

3. **Options to Extend Term.** Lessee has an option to extend the initial Term for an additional twenty (20) years (the "**First Extended Term**") and, if the First Extended Term is timely

and properly exercised by Lessee, an option to further extend the Term for a term ending on the 99th anniversary of the Effective Date, all on the terms and conditions set forth in the Lease.

4. **Purpose of Memorandum.** This Memorandum is prepared and executed for the purpose of recordation and in no way modifies the terms and provisions of the Lease. In the event of any inconsistency between the terms of the Lease and the terms of this Memorandum, the terms of the Lease shall prevail.

IN WITNESS WHEREOF, the parties have executed this Memorandum of Ground Lease as of the day and year first above written.

"Board"

Metropolitan Transit Development Board,
a California public agency also known as the
Metropolitan Transit System

By: _____
Paul Jablonski, Chief Executive Officer

APPROVED AS TO FORM:

By: _____
Tiffany L. Lorenzen
General Counsel

"Lessee"

Fairfield Grossmont Trolley LLC,
a Delaware limited liability company

By: Fairfield California Housing Fund LLC,
a Delaware limited liability company,
its Member

By: FF California Housing Fund LLC,
a Delaware limited liability
company, its Member/Manager

By: _____
Patrick J. Gavin, Vice President

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

On _____, _____, before me, _____,
Notary Public in and for said State, personally appeared _____

personally known to me (or 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.

WITNESS my hand and official seal.

Signature _____ (Seal)

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

On _____, _____, before me, _____,
Notary Public in and for said State, personally appeared _____

personally known to me (or 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.

WITNESS my hand and official seal.

Signature _____ (Seal)

COMPLETE APPRAISAL OF REAL PROPERTY

Grossmont Trolley Apartment Site

Southeast & Southwest corner of Fletcher Parkway and Grossmont Center Drive
La Mesa, San Diego County, California

In a Self-Contained Report

As of March 15, 2006

Prepared For:

Fairfield Residential

5510 Morehouse Drive, Suite 200
San Diego, CA 92121

Prepared By:

Cushman & Wakefield of California, Inc.

Valuation Advisory Services
1920 Main Street, Suite 600
Irvine, California 92614

C&W File ID#: 06-32001-9092

VALUATION SERVICES

ADVISORY GROUP





**CUSHMAN &
WAKEFIELD®**

Cushman & Wakefield of
California, Inc.
1920 Main Street, Suite 600
Irvine, California 92614
(949) 474-4004 Tel
(949) 474-9792 Fax
www.cushwake.com

March 23, 2006

Mr. Jack Feehan
Grossmont Trolley Apartment Site
5510 Morehouse Drive, Suite 200
San Diego, CA 92121

Re: Complete Appraisal
In a Self Contained Report
Grossmont Trolley Apartment Site
SEC & SWC of Fletcher Parkway and Grossmont Center Drive
La Mesa, San Diego County, California

Dear Mr. Feehan:

In fulfillment of our agreement as outlined in the Letter of Engagement, Cushman & Wakefield of California, Inc. is pleased to transmit our complete, self-contained appraisal report on the property referenced above.

The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report. We particularly call your attention to the following extraordinary and hypothetical conditions:

Extraordinary Assumptions: This appraisal employs no extraordinary assumptions.

Hypothetical Conditions: This appraisal employs no hypothetical conditions.

This report was prepared for Fairfield Residential LLC, herein referred to as "Client". In addition, the San Diego Metropolitan Transit Development Board (MTDB) is an intended user and may also rely upon this appraisal report. The appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice. The property was inspected by and the report was prepared by Neil A. Clark, MAI.

This appraisal employs the appropriate approaches to value in order to provide a reasonable estimate of land value for the fee simple and leased fee estate (subject to long-term ground lease). Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that all approaches would be considered meaningful in developing a credible value conclusion.

VALUATION SERVICES

ADVISORY GROUP



Mr. Feehan
March 23, 2006
Page Two

Based on our complete appraisal as defined by the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, we have formed an opinion that the as is market value of the fee simple estate in the referenced property, subject to the attached assumptions, limiting conditions, certifications, and definitions, as of March 15, 2006, is:

THIRTEEN MILLION TWO HUNDRED THOUSAND DOLLARS
\$13,200,000

Based on our complete appraisal as defined by the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, we have formed an opinion that the market value of the leased fee estate in the referenced property, subject to the attached assumptions, limiting conditions, certifications, and definitions, as of March 15, 2006, is:

THIRTEEN MILLION FOUR HUNDRED THOUSAND DOLLARS
\$13,400,000

It should be noted, the leased fee and fee simple value conclusions are similar; thus, the subject's ground lease terms are considered to be market supported and reasonable. The leased fee value reflects the discounted present value of the projected payments made during the ground lease term; the leased fee value represents a reasonable estimate of the total consideration paid which is considered not less than the fair market rent.

In our opinion, at our concluded estimate of value, it would have taken approximately six months to market the subject property and achieve a closed sale on the date of value. This is the subject's "exposure time", or retrospective marketing time. If placed on the market on the date of value, we estimate a marketing time of three to six months after the date of value to achieve a closed sale. This is the subject's "marketing time". However, the reader is cautioned that changes in market conditions could affect the subject's value during the prospective marketing period. The reasoning and data supporting our value opinions and marketing period estimate are included in the attached report.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and an *Addenda*.

Respectfully submitted,

CUSHMAN & WAKEFIELD OF CALIFORNIA, INC.
Valuation Advisory Services

Neil A. Clark

Neil A. Clark, MAI
Director
California Certified Appraiser No. AG002213

VALUATION SERVICES

ADVISORY GROUP



Summary of Salient Facts and Conclusions

Property Name:	Grossmont Trolley Apartment Site
Location:	Southeast & Southwest corner of Fletcher Parkway and Grossmont Center Drive La Mesa, San Diego County, California
General Overview:	The property appraised consists of a planned 527 unit apartment development site on 7.7± acres of land. Project amenities include garage parking clubhouse, business & fitness center, pool, spa and controlled gate access.
Year Built:	Proposed (estimated completion 2008/09)
Assessor's Parcel Number:	490-270-23, 25, 39, 40
Interest Appraised:	Fee Simple and Leased Fee
Date of Value:	March 15, 2006
Date of Inspection:	March 15, 2006
Ownership:	San Diego Mass Transit District (leased fee); Fairfield Residential (leasehold interest subject to completion of planned improvements).
Land Area:	7.7 ± gross acres or 335,412 sf
2004/05 Property Taxes:	\$420,102 (includes fixed assessments)
Zoning:	Multi-family Residential, City of San Diego
Highest and Best Use	
If Vacant:	Immediate multi-family residential development
As Proposed:	Immediate development for multi-family residential
Value Indicators:	
Fee Simple:	\$13,200,000
Leased Fee:	\$13,400,000
Fee Simple Value Conclusion:	\$13,200,000
Leased Fee Value Conclusion:	\$13,400,000
Estimated Exposure Period:	Three to six months
Assumptions and Limiting Conditions:	

Summary of Salient Facts and Conclusions

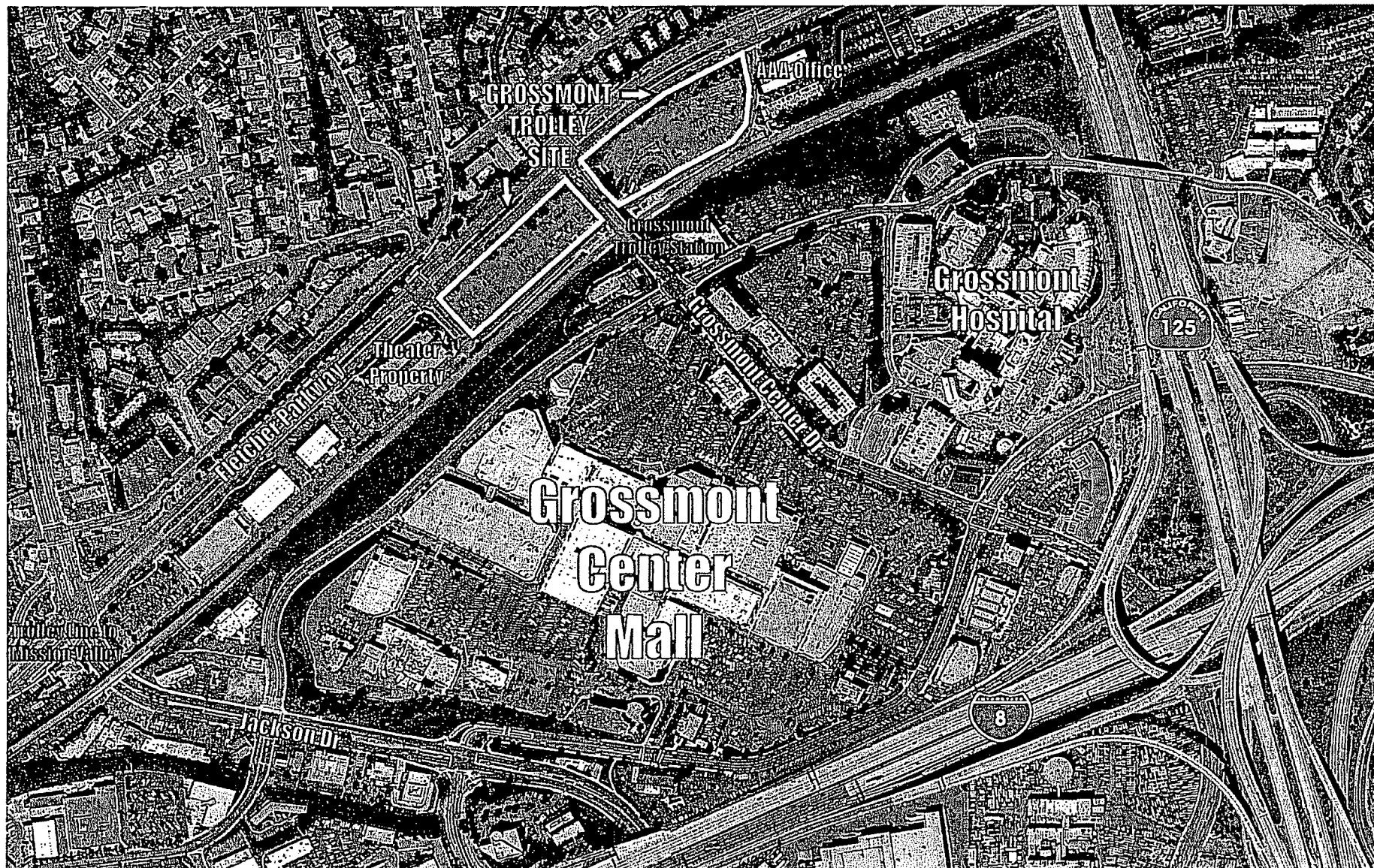
1. All building areas are based upon review of site and floor plans provided by property manager. This appraisal assumes that these figures are accurate.
2. Please refer to the complete list of assumptions and limiting conditions included in this report.

TABLE OF CONTENTS

	Page
LETTER OF TRANSMITTAL	
SUMMARY OF SALIENT FACTS AND CONCLUSIONS	
TABLE OF CONTENTS	
PHOTOGRAPHS OF SUBJECT PROPERTY	
INTRODUCTION	
Identification of Property	1
Property Ownership and Recent History	1
Purpose and Intended Use of the Appraisal	1
Scope of the Appraisal	1
Date of Value and Property Inspection	2
Property Rights Appraised	2
Definitions of Value, Interest Appraised, and Other Pertinent Terms	2
Legal Description	3
REGIONAL ANALYSIS	
California's Economy	4
San Diego County	4
LOCATION ANALYSIS	
City of La Mesa	7
Neighborhood	11
Conclusion	11
APARTMENT MARKET ANALYSIS	
Multi-Family Investor Demand	13
San Diego Apartment Market	13
La Mesa Submarket	14
Conclusion	14
PROPERTY DESCRIPTION	
Site Description	15
Improvement Description	17
REAL PROPERTY TAXES AND ASSESSMENTS	18
ZONING	19

Table of Contents

	Page
HIGHEST AND BEST USE	
Definition.....	20
As if Vacant.....	20
As Proposed.....	20
Conclusion.....	21
VALUATION PROCESS	22
COST APPROACH	
Methodology.....	24
Land Value Conclusion.....	33
Cost Approach Conclusion.....	35
INCOME APPROACH	
Methodology.....	36
Discounted Cash Flow Analysis.....	37
Conclusion.....	39
RECONCILIATION AND FINAL VALUE ESTIMATE	
Review of Approaches.....	40
Conclusion.....	40
Exposure Period.....	40
ASSUMPTIONS AND LIMITING CONDITIONS	41
CERTIFICATION OF APPRAISAL	
ADDENDA	



INTRODUCTION

Identification of Property

The subject property represents a planned 527-unit luxury apartment complex. The property is situated at the corner of Fletcher Parkway and Grossmont Center Drive in the city of La Mesa, San Diego, California.

Property Ownership and Recent History

According to the public records, the subject property is currently vested in San Diego Mass Transit District. The property is planned to be leased to Fairfield Residential, LLC on a long-term ground lease for 55 years with additional options thereafter. To the best of our knowledge, the property is not currently listed for sale and there have been no other transfers of ownership during the past three years.

Purpose and Intended Use of the Appraisal

The purpose of this appraisal is to provide an estimate of the market value of the fee simple estate, which represents the *As-Is Value Estimate* in the referenced real property. In addition, we have estimated the leased fee estate (subject to a long-term ground lease). The intended use of the appraisal is to assist the client for internal asset review purposes.

This report was prepared for Fairfield Residential, LLC, herein referred to as "Client". As such, we agree that it may be relied upon by the client or MTDB (Metropolitan Transit Development Board). Otherwise, it may not be distributed to or relied upon by other persons or entities without written permission of Cushman & Wakefield of California, Inc.

Scope of the Appraisal

This is a complete appraisal which is being presented in a self-contained reporting format. A complete appraisal is one which meets all the requirements of the Uniform Standards of Professional Appraisal Practice for the development of an appraisal of real property. A self-contained reporting format fully describes the extent of the appraisal process including: the extent of describing the various regional and local influences upon the property's value; the extent of our physical inspection of the property; and the process of collecting, verifying, and analyzing the market data relied upon in this report. Summarized, the extent of the appraisal process included:

- Analysis of various state, regional, and local influences upon the subject property's market value.
- A review of the San Diego County and San Diego apartment markets.
- A complete inspection of the subject property and a review of proposed site and floor plans.
- Rely upon comparable apartment complex sales within the subject property's competitive submarket or among other similar areas for purposes of deriving an appropriate cap rate. developing a value estimate via the Sales Comparison Approach.
- Review of development costs, subject property proforma operating information including income and expense information and planned construction and occupancy schedule.
- Selection and analysis of comparable land sales in connection with estimating land value.
- Correlation of market derived income and expense information with the subject's proforma income and expenses for purposes of estimating net operating income.
- Development of value estimates via the Income Capitalization Approach, including the direct capitalization.
- Estimate a stabilized value via the Income Capitalization and Cost Approach in order to derive a residual land value

- Perform a discounted cash flow of the ground rent payments in order to estimate a leased fee value.
- Reconciliation of a final value estimate based upon consideration of the quantity and quality of data within the approaches applied and upon the approach most likely to be applied by a typical investor.

Various sections of this report require additional discussion of the scope and extent of the processes applied here. Where necessary and appropriate further explanation is provided throughout the report.

Date of Value and Property Inspection

The date of value of this report is March 15, 2006. The date the property was inspected by Neil A. Clark, MAI was on March 15, 2006. The term "date of value" is synonymous with the term "effective date of appraisal."

Property Rights Appraised

The property rights appraised are those of the fee simple and leased fee estate. Upon execution of the ground lease document, the subject property will be subject to a long-term ground lease.

Definitions of Value, Interest Appraised, and Other Pertinent Terms

The definition of market value taken from the Uniform Standards of Professional Appraisal Practice is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Definitions of pertinent terms taken from the *Dictionary of Real Estate Appraisal*, Third Edition (1993), published by the American Institute of Real Estate Appraisers, are as follows:

Market Rent

The rental income that a property would most probably command in the open market; indicated by current rents paid and asked for comparable space as of the date of the appraisal.

Cash Equivalent

A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts.

Exposure Time

Under Paragraph 3 of the Definition of Market Value, the value estimate presumes that "A reasonable time is allowed for exposure in the open market". Exposure time is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at the market value on the effective date of the appraisal. Exposure time is presumed to precede the effective date of the appraisal.

Marketing Time

Marketing time is, "an estimate of the time that might be required to sell a real property interest at the appraised value. It includes the time to market the property and achieve a closed sale. Marketing time is presumed to start on the effective date of the appraisal. (Marketing time is subsequent to the effective date of the appraisal and exposure time is presumed to precede the effective date of the appraisal.)

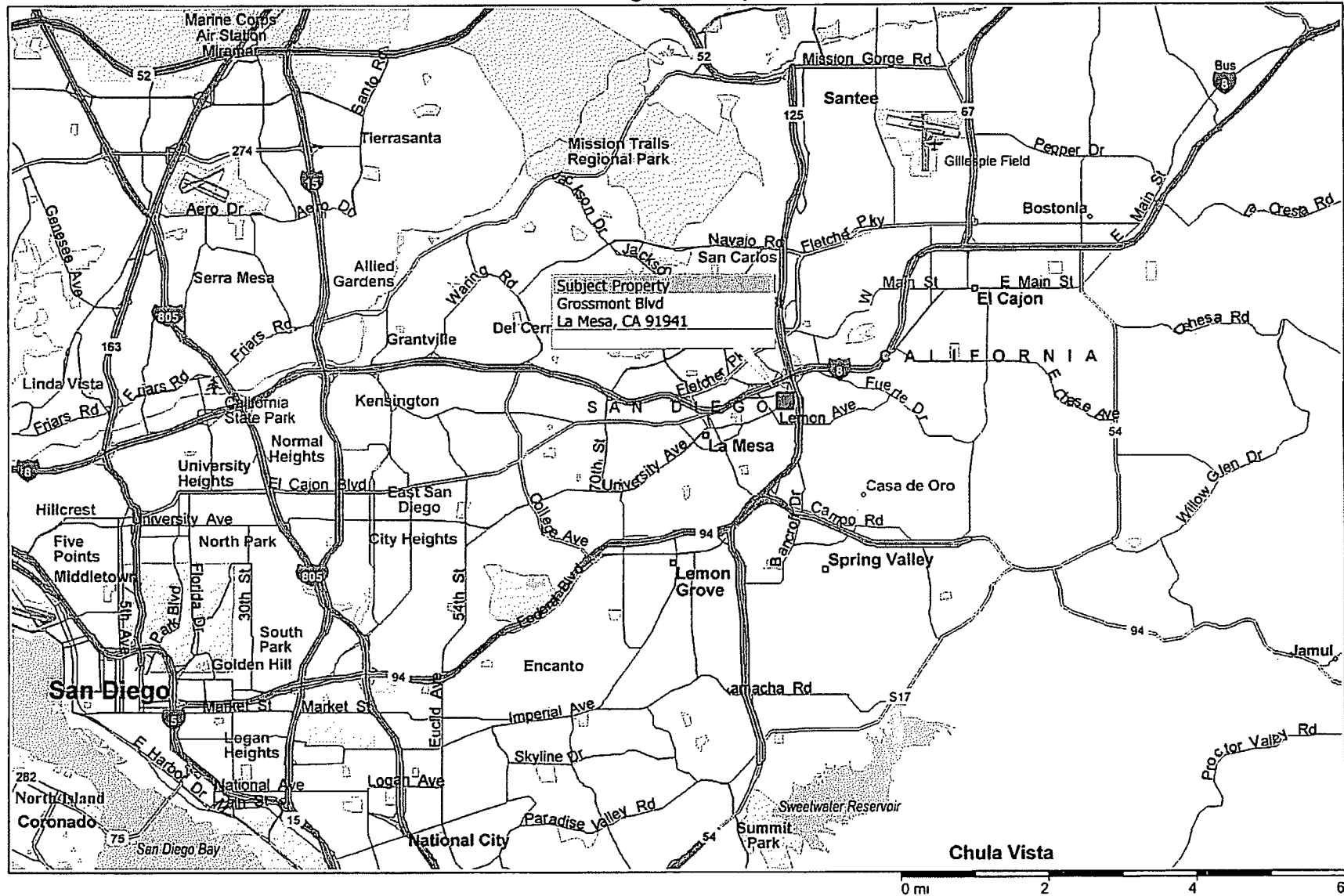
The estimate of marketing time uses some of the same data analyzed in the process of estimating reasonable exposure time. It is our opinion based on market conditions as of the date of value, and is not intended to be a prediction of a date of sale."

Legal Description

According to public records, the property is identified as:

The subject is referred to as assessor parcel numbers 490-270-23, 25, 39 & 40.

Regional Map



REGIONAL ANALYSIS

The subject property is located in the City of La Mesa within San Diego County, California. The following discussion of the locational influences on the subject's value is divided into state, county, and local analyses. An apartment market analysis then follows this discussion.

California's Economy

California endured a deep recession between 1991 and 1993. Between 1994 and 1996, California's economy experienced a mild and uneven recovery. From 1997 to 2000 the state experienced a period of strong economic growth in almost every sector of its economy. During the last few years, the national economy has slowed and major investment markets have incurred losses. These losses have been significant in the high technology and dot com industries; and less significant throughout the other segments of the economy.

During this time, California also faced an "energy crunch," with increasing energy prices and occasional blackouts. As a result, economic growth slowed during 2001. Prior to the September 11th terrorist attacks, most economists expected that California would show a small rate of growth for the year. Most economic forecasts project modest economic growth, although some economists fear a national and global recession may be coming.

Recent employment trends have followed a pattern similar to California's general economic trends. Total employment has grown significantly since the 1991-1993 recession. As a result, the state's unemployment rate had dropped steadily from 1993 to 2000. The state's employment growth is threatened by a slower national economy, dot com mergers and bankruptcies, and a lack of energy supplies; although prior to September 11 most economists were forecasting only a mild, short term impact.

California's population grew by about six million during the 1980s and by nearly four million during the 1990s. Additionally, the state's gross product is larger than all but five nations. The state's gross product is larger than any other state and represents 13 percent of the U.S. gross national product. Based on these trends, California's economy is expected to have a mildly positive influence on the subject's real estate demand during the rest of 2006, and beyond. However, it remains to be seen if negative national trends will override the state's positive influences.

California endured a deep recession between 1991 and 1993. Between 1994 and 1996, California's economy experienced a mild and uneven recovery. From 1997 to 2000 the state experienced a period of strong economic growth in almost every sector of its economy. During the last few years, the national economy has slowed and major investment markets have incurred losses. These losses have been significant in the high technology and dot com industries; and less significant throughout the other segments of the economy.

San Diego County

San Diego County is located in the southwesterly portion of the State of California, and is bounded on the north by the Counties of Orange and Riverside, on the east by Imperial County, on the south by Mexico, and on the west by the Pacific Ocean. San Diego County is comprised of 18 incorporated cities and 33 unincorporated communities, and covers an area of 4,255 square miles. Its topography is a broad coastal plain (where urbanization has occurred), with hills in the central portion and desert area to the east. The urbanized areas of the county enjoy a Mediterranean climate which is one of the finest in the country.

San Diego County's economy has experienced some slowing during the past 12 to 18 months, but is slowly rebounding and performing slightly better than the state. San Diego County

Regional Analysis

advantages versus the state include disproportionately high population growth, numerous tourist destinations, and innovative transportation systems. However, San Diego was unusually hard hit by financial institution failures, construction layoffs, and defense spending cuts during the 1990-93 recession. San Diego also has a reputation for comparatively high housing costs.

Population Characteristics: Already Large with Strong Projected Growth

San Diego County ranks second in population among California's 58 counties. The January 2000 population estimate for the county was 2,911,500 (per the California Department of Finance). The recent and projected population trends in the five largest counties in Southern California are listed below. The county's large and growing population base is a positive factor for future real estate demand.

SOUTHERN CALIFORNIA'S LARGEST COUNTIES' POPULATIONS

Rank	County	Population 1990-2007			Increase	Percent Increase
		1990	2002	2007		
1	Los Angeles	8,863,164	9,529,721	10,050,616	520,895	5.5%
2	San Diego	2,498,016	2,851,434	3,088,562	237,128	8.3%
3	Orange	2,410,556	2,783,874	2,956,625	172,751	6.2%
4	San Bernardino	1,418,380	1,671,618	1,795,564	123,946	7.4%
5	Riverside	1,170,413	1,600,822	1,748,602	147,780	9.2%
6	Ventura	669,016	746,434	793,674	47,240	6.3%

Source: Claritas Inc.

The County Transportation Network is Improving and Expanding

Transportation facilities in the county include a growing freeway network, an international airport, public bus services, Amtrak passenger rail service, several freight rail lines, and deep water ports. The county is contemplating relocating its main commercial airport and expanding it to provide international service. The county has immediate access to all major modes of transportation, which is a very positive factor for the county's real estate.

Like most of Southern California, San Diego County suffers from rush hour freeway congestion. However, compared to the state's other urbanized areas, rush hour commute times are low. This is due to the county's well planned and expanding freeway network, and other unique transportation solutions.

The county's unique transportation facilities include "reversible flow" lanes within Interstate 15, an expansive and growing trolley system that is centered downtown, and proposed light rail commuter service to Los Angeles. The county's transportation network is considered to be a very positive factor for real estate demand.

County Employment

As of December 2005, the county's total civilian employment was 1,447,800. San Diego County has a lower unemployment rate than the state or nation. As of December 2005, the county unemployment rate was 3.6 percent versus 4.8 percent for California. The county's recent unemployment rates have remained low since the end of the recession. Overall, the county's employment picture is a positive factor for the county's real estate demand.

County Commerce

In descending order of size, the county's economic base is anchored by manufacturing, defense spending, and tourism. Manufacturing industries are strong and benefiting from international trade. The county is steadily diversifying away from defense-related industries, which were hard hit in the 1990-93 recession. San Diego County's tourism figures continue to provide a positive impact on the economy. Military spending is also a significant part of San Diego's economy. No significant bases are to be closed or realigned in San Diego County, which will help support

the present level of military spending. Overall, the county's diversifying economic base is considered a positive factor for future real estate demand.

County Education, Recreation and Culture

San Diego County is home to the San Diego campus of the University of California, San Diego State University, several junior colleges, and several private and specialized colleges. The county has over 175 public beaches, recreation centers and parks, as well as several public golf courses. Outdoor activities are an integral part of the San Diego lifestyle.

Amusement centers such as the San Diego Zoo, San Diego Wild Animal Park and Sea World are also located in San Diego County. Performing arts are available in downtown San Diego, civic centers, and private theaters throughout the county. The county is also home to museums, San Diego Jack Murphy Stadium, a sports arena, etc. The county's abundance of educational, recreational and cultural opportunities is a positive factor for real estate demand.

A Managed Growth County Political Environment

San Diego County residents have historically been viewed as pro-business, pro-growth and anti-tax. However, the county's rapid growth during the 1980s affected the county's political outlook. In the late 1980s, several slow growth initiatives were placed on county ballots. All were defeated, but a significant public sentiment remains for growth management. In general, residents have consistently resisted passing initiatives that could restrict growth to the point that it would be harmful to the county's economy. However, citizens often elect "slow growth" and "managed growth" county supervisors and city council members.

San Diego County imports the vast majority of its water from the Metropolitan Water District (MWD), which supplies much of Southern California. During the 1990-91 drought, the MWD considered delivery cutbacks. San Diego's County Water Authority urged conservation, but was not forced to restrict supplies. Future droughts could affect the county's economy. San Diego County has few natural sources of fresh water. However, the county is actively seeking alternative sources of water supplies. Overall, San Diego is less resistant to droughts than most urbanized areas of California.

Conclusion

Similar to California as a whole, San Diego County saw unprecedented drops in real estate values and market activity from 1990 to 1994. The degree of value decline varied by location and property type, but all real estate was affected. 1997 through early 2001 were positive years for the county's economy with continued positive overall economic conditions predicted for 2006. However, real estate demand will vary greatly by product type. Please refer to our market analysis section for a supply and demand analysis for the subject.

City of San Diego

The purpose of this section of the report is to *analyze those relevant influences which either favorably or adversely affect the subject property's market value*. Those aspects of the community's population, government, employment, and other social or economic influences which are relevant to the subject are referenced here.

San Diego County includes fewer than 20 incorporated cities. By virtue of its size and diversity, the city of San Diego dominates the county's commerce and culture. The city has about half of the county's population. The city is also geographically large, consisting of over 400 square miles.

Regional Analysis

San Diego has an estimated population of 1.2 million. The city is ranked as the state's second most populated city. It is also the nation's sixth most populated city. The city's growth corridors are located to the north and east. The Pacific Ocean is to the west, and other incorporated cities are to the south. The city has ample land for future expansion.

The city is accessed by the county's three regional freeways: Interstate 5, Interstate 8, and Interstate 15. As a result, the city has good regional access characteristics. Local access is provided by numerous primary/secondary roads, the trolleys, bus services, local roads and freeways, etc. which provide convenient access within the city. The future light rail system will serve the city's regional public transportation need along with Amtrak, both of which service downtown. Other transportation modes include air transportation via the San Diego International Airport, and freight transportation via the Southern Pacific Railroad. Overall, the city's transportation network is a positive factor for the subject real estate.

San Diego is a city of mixed land uses. Most of the city consists of public vacant uses. The privately developed areas are mostly residential uses (20.7 percent of the city's area), with 10.1 percent devoted to agricultural uses. Industrial and commercial developments occupy 3.6 and 3.0 percent of the city, respectively. The city's concentrated industrial areas are north of downtown, in the submarkets Miramar and Kearny Mesa.

San Diego has a very diverse economic base. The largest segments are retail and wholesale trades, followed by professional services and manufacturing. The San Diego Chamber of Commerce predicts that telecommunications, biotechnology, software development and electronics will be San Diego's leading industries over the next five years. Technology based firms are attracted to San Diego for its highly educated work force (25% of population hold undergraduate degrees), its advanced telecommunication infrastructure (75,000 miles of underground fiber optic cable), and research capabilities (five universities including the highly esteemed University of California San Diego (UCSD)).

In recent years, telecommunications has been San Diego's fastest growing industry. San Diego is the nation's second leading center of communications research and development. Over seventy telecommunication firms currently exist. A few of the firms include: Qualcomm, General Instruments and Datron Systems. Most of these firms are situated in Sorrento Valley, which is better known locally as the "Telecom Valley". The Sorrento Valley/Sorrento Mesa subareas are San Diego's premiere R&D locations which have the highest R&D property values.

San Diego is strategically located for international commerce. San Diego's proximity to Mexico and the Pacific Rim provides a distinct advantage to the region's economic activity. World Trade magazine indicated that the greater San Diego area is one of the top ten regions for international business. To promote international business a World Trade Center was recently opened in downtown San Diego to assist importers and exporters.

Additionally, the recent passages of NAFTA and GATT have propelled international trade in San Diego. Most notably, trade volume with Mexico has increased two-fold and is expected to continue increasing; this, in turn, increases economic and employment growth. International companies are realizing the benefits of nearby low cost labor available in Tijuana (Mexico's fourth largest city), and many have split operations in Mexico and the U.S. (San Diego) through the maquiladora program. The result has been a strong demand for twin industrial facilities in

Regional Analysis

the Otay Mesa (San Diego, CA) area and Tijuana (Mexico). This has positively influenced the industrial real estate market in these areas.

Local and international businesses in San Diego benefit from a large pool of well educated workers. Over 25 percent of the population holds an undergraduate degree. This highly educated workforce earns a median income of about \$50,000, which is significantly more than the national average. San Diego business is well positioned for growth into the next millennium.

San Diego is also considered a tourist and business destination point. The city has a new convention center, an international airport, the world famous San Diego Zoo, Sea World, a downtown commercial district, an old town area known as the gaslight district which offers boutique shopping and fine dining restaurants, numerous spas and resorts (e.g. La Costa, Coronado, etc.), world class golf courses, miles of public beaches, etc.

Similar to the County as a whole, the City of San Diego has a managed growth political position. In November 1992, the city elected a "managed growth" mayor over a "slow growth" candidate in a close race. Several slow growth citizens' initiatives have been defeated in the last few years. The city council has enacted temporary growth caps in the past, although there are no caps in effect at present. In general, the city's council and planners review projects on an individual basis. Acceptably planned projects do receive permits, and the city will grant large projects "development agreements", to protect development rights over time.

City services include a typical public school system, police and fire services, etc. The city has several hospitals, five regional shopping malls and numerous shopping centers, and several first rate universities including the University of California San Diego. Overall, San Diego has a reputation as a large-sized, diverse, middle class city in San Diego County.

City of La Mesa

The purpose of this section of the report is to *analyze those relevant influences which either favorably or adversely affect the subject property's market value*. Those aspects of the community's population, government, employment, and other social or economic influences which are relevant to the subject are referenced here.

La Mesa has an estimated population of approximately 56,000 as of 2004. La Mesa is the ninth largest city in terms of population within San Diego County. The average rate of growth since 1991 has been approximately 1% per year; the population growth is somewhat limited due to the lack of land available for residential development. The City of San Diego is located to the north and west, El Cajon is situated to the east and Lemon Grove and other unincorporated communities are located to the south.

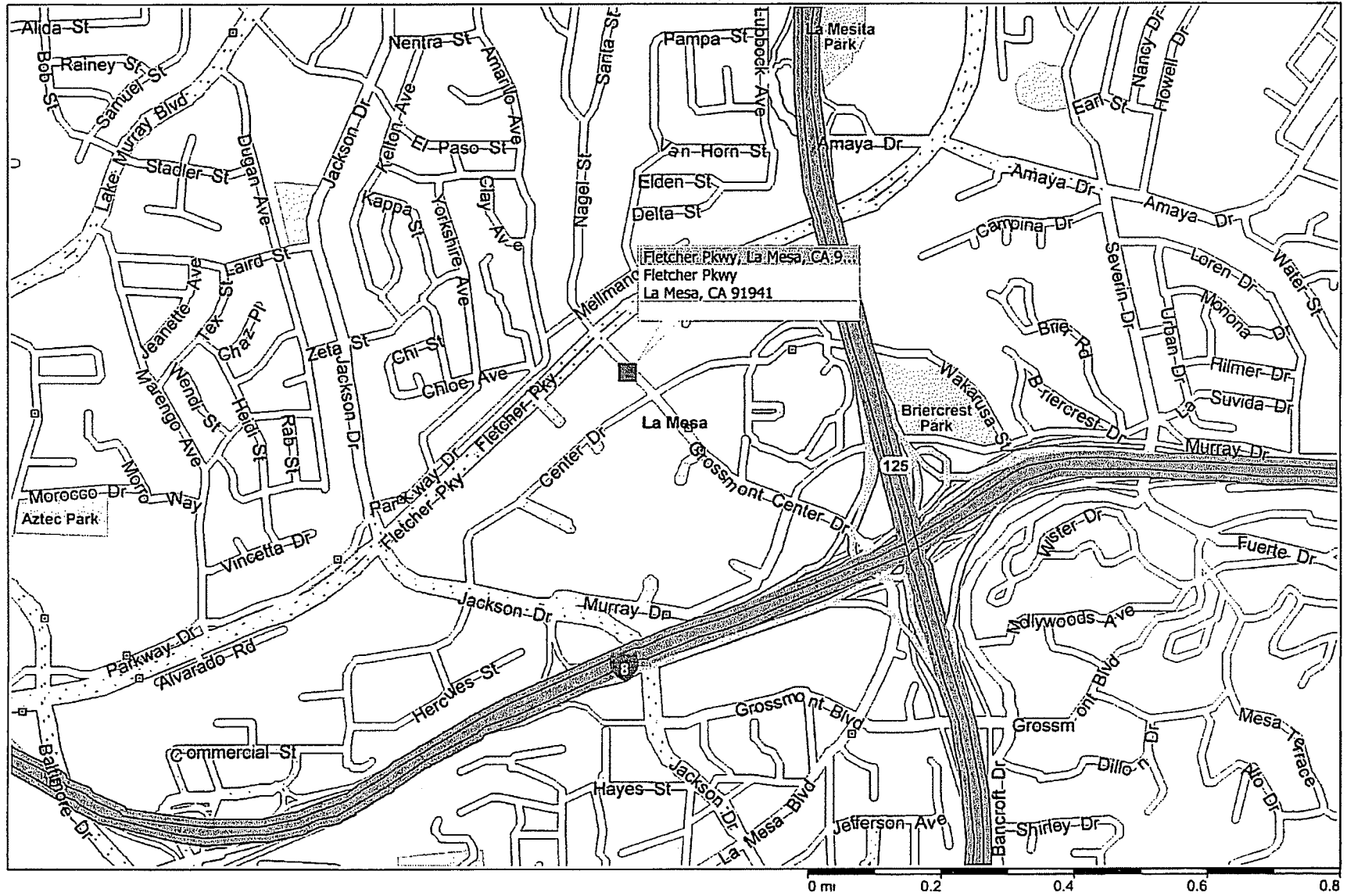
The city is accessed by Interstate 8 which represents one the county's three regional freeways: Interstate 5, Interstate 8, and Interstate 15. In addition, La Mesa is accessed by Highway 125. As a result, the city has good regional access characteristics. Local access is provided by numerous primary/secondary roads, the trolleys, bus services, local roads and freeways, etc. which provide convenient access within the city. The Trolley light rail system also serves the city's regional public transportation and provides convenient access to San Diego State University, Mission Valley and Downtown San Diego. Other transportation modes within reasonable proximity include air transportation via the San Diego International Airport, and freight transportation via the Southern Pacific Railroad. Overall, the city's transportation network is a positive factor for the subject real estate.

City services include a typical public school system, police and fire services, etc. The city has nearby hospitals, regional shopping malls and numerous shopping centers. In addition, several first rate universities are located within convenient proximity including the San Diego State University and Grossmont College. Overall, La Mesa has a reputation as a medium-sized, diverse, middle class city in San Diego County.

Conclusion

The City of La Mesa is located in the eastern/central portion of San Diego County with access to major highways in the area; this is an important positive attribute which should continue to make this a desirable area over the foreseeable future. In addition, the county has a significant residential population, with household and per capita income levels that are comparable or superior to the corresponding figures for the State of California. Over the past several years, the employment base in San Diego County has changed as the aerospace/defense industry has downsized while the sectors of telecommunications, biotechnology, health care, and international trade have experienced significant new growth.

Area Map



LOCATIONAL ANALYSIS

Neighborhood Influences

The subject property is located in the inland area of San Diego, in the City of La Mesa. The property is situated at the intersection of Fletcher Parkway and Grossmont Center Drive, and can be found on both sides of the intersection (the southeast and southwest corners). The immediate neighborhood boundaries are generally defined by Dallas Street to the north, Interstate 8 to the south, the 125 Freeway to the east and Jackson Drive to the west.

This immediate area is comprised of mixed uses, primarily residential (single family, condominiums and apartments) with commercial and retail uses located along major arterial streets. Immediately south of the subject site is Village Trolley Station and to the east is an office building. To the west is a retail property (theater) and to the north is generally older (well-maintained) multi and single family homes.

The subject area has convenient proximity to employment, shopping, services and recreational activities. Due to the close proximity to transportation linkages, the City of La Mesa is considered a desirable residential area. Access to the subject area is considered good; the subject site is afforded good arterial street access and convenient proximity to freeways.

Relevant Factors

The key influencing factors relative to the subject property due to its locational attributes are as follows:

- The population within La Mesa and the subject's immediate area (five mile radius) is 55,079 people. Over the next five year period (through year 2009), population is projected to grow by 0.24 percent. This projected increase in population will favorably impact the subject property.
- The subject's location is considered to be good and improving within the area. It is situated in a central portion of San Diego County known as La Mesa. The subject site benefits from convenient access to employment centers and freeway access.
- The 2004 average household income within a five mile radius was \$60,343. The average median household income level in the subject area (5 mile radius) was \$46,968. The 2004 average household income within a five mile radius is projected to increase by 14.42% by 2009.
- In summary, the subject's immediate area represents a community with a mixture of residential and commercial uses with convenient proximity to employment, shopping, services and recreational amenities. Given the expected population, employment and income growth in the community, city and county, the subject's location is expected to be a good apartment location over the short and long term. Further, the continuing development of the area and demand for quality residential housing is anticipated to have a positive impact on the subject's immediate area over the next several years. Consequently, demand for a quality multi-family project in the subject's area is expected to remain strong.

Conclusion

The subject is situated in the City of La Mesa in San Diego County. The area's centralized location, together with a diversified employment base, has a significant role in the continued

Locational Analysis

commercial and residential development of the area. Convenient access to major highways in the area is an important positive attribute which should continue to make this a desirable area over the foreseeable future. The community is conveniently located to employment, shopping, services, and recreational facilities. Given the expected population, employment and income growth in the La Mesa and San Diego area, the subject's location is expected to be a good site for multi-family residential. Overall, demand for multi-family residential (apartments) in the area is expected to remain strong. The long-term trend of this neighborhood is considered to be positive.

APARTMENT MARKET ANALYSIS

Multi-Family Investor Demand

The subject property represents a planned 527 unit luxury apartment complex that is good in quality, design and appeal. Demand for such projects in San Diego County varies, depending upon location. For those projects located near the coastal or centralized suburban areas there is significant investor demand. This demand is being generated by REITs, pension funds, insurance companies, and other institutional buyers. Depending upon demographics and construction date, large scale complexes (100+ units) in this category are selling at overall capitalization rates of from 5.0 to 6.0 percent and at discount rates of from 10 to 15 percent. In addition to concern with the immediate cash flow potential of a property, typical investors for the subject property type are making long term investment forecasts in terms of making cash flow projections over a 5 or 10 year holding period. Institutional investors are primarily concerned with asset quality and long term income growth potential. Considering the subject is an existing good quality project, the subject property would more than likely sell to an institutional investor. The subject's desirable apartment location is anticipated to generate strong resident and investor demand.

San Diego County Apartment Market

San Diego County's apartment market is remaining strong in several key areas including occupancy levels, rental rates, and demand for vacant land. This is particularly the case for larger complexes with coastal or downtown proximity and for projects in newly developed suburban areas. The subject property is located in the City of La Mesa which is considered a desirable area due to its location, pleasant climate, urban residential character, and close proximity to major employment centers and recreational areas. In order to analyze the long term trend within San Diego County's apartment market we reviewed information provided by San Diego County Apartment Association (SDCAA) and Real Facts (a market research company which provides quarterly apartment market surveys). The following information is based upon the SDCAA - Vacancy Survey.

San Diego County Apartment Market Vacancy Levels: 1991 to 2005

<u>Year</u>	<u>Vacancy</u>
1991	7.36%
1992	4.88%
1993	5.50%
1994	5.87%
1995	4.96%
1996	4.0%
1997	3.8%
1998	3.4%
1999	2.0%
2000	1.6%
2001	2.0%
2002	2.8%
2003	3.1%
2004	5.4%
2005	5.2%

The data from the survey provides a clear indication of the strong market conditions and occupancy trends countywide. Our primary research indicates that, as noted previously, occupancy levels among key submarkets are improving substantially. In fact, some properties

Apartment Market Analysis

in desirable areas like the La Jolla/University City, Mission Valley and the downtown submarkets have experienced strong tenant demand for available units. Most submarkets have also experienced strong demand and rising rents (albeit more moderate rent growth in the past 12 months). According to information obtained from Real Facts, a market research firm, the overall occupancy rate for 100+ unit apartment projects in the City of San Diego as of the 4th Quarter of 2005 was 94.8 percent based upon nearly 95,635 units surveyed. The decrease in occupancy rates is primarily due to new apartment construction in the University City area, Mission Valley and Downtown San Diego.

La Mesa Submarket

In order to assess current demand in the San Diego submarket we consulted the Real Facts December 2005 survey (which was referenced previously) and the San Diego County Apartment Association (SDCAA). The overall vacancy rates for the City of La Mesa are currently reported at approximately 3.3% as of the 4th Quarter of 2005. The rental rates have been steadily increased in the San Diego area during the past 12 to 24 months. Based upon our survey of properties, the average rental rates have increased 2 to 4 percent per year during the past two years. The overall occupancy rate and rental rate trend is a good indication of the overall demand within the subject market area.

Several important topics which relate directly to the subject. First, many of the rental projects in the area were constructed during the late 1970's and 1980's and represent well maintained projects, but are inferior in appeal and overall quality/construction. Second, with limited new apartment development in the general market area, the occupancy rates for most of the apartment projects remain high with rental rates increasing modestly in the past year. Based on the current occupancy rates, it is evident that the subject's immediate submarket is in strong demand. As will be discussed later in the income capitalization approach, the subject project is anticipated to compete effectively with the above projects due to the subject's age, location, quality and project/unit amenities.

There is one new recently completed apartment project that is located a few miles away (City of San Diego) and is known as Canyon View Apartments (183 units built in 2002). Other rental properties in the market area include Mission Trails (208 unit built in 1987), Fletcher Hills (138 units built in 1973), Heatherwood Apartments (155 units built in 1970's) and Villages of La Mesa (384 units built in 1988/89). According to the City of La Mesa, the subject property is the only large apartment project that is currently planned (527 units) to be developed along the Trolley line. We are not aware of any other planned or proposed apartment projects (100+ units) that will directly or indirectly compete with the subject property. Given the limited remaining supply of multi-family land within the La Mesa area, demand exceeds the current supply. Overall, occupancy rates remain relatively high and demand for apartments within La Mesa is strong with increasing rent levels. Overall demand is considered to be strong in the near term.

Conclusion

As a whole San Diego County's apartment market has remained reasonably strong, particularly in desirable coastal or well located infill locations. Within these markets there is strong investment demand. As the county's economy slowly improves, most buyers are anticipating continued high occupancy rates and modestly increasing rents. The subject property should perform consistent with the market and generate strong tenant and investor demand.

PROPERTY DESCRIPTION

Site Description

Location:	The subject site is located at the southeast and southwest corner Fletcher Parkway, and Grossmont Center Drive (on both sides of Grossmont Center Drive). The site is located in the City of La Mesa, in San Diego, California.
Shape:	Based upon a review of the site plan (included in the Addenda), the site is irregular in shape and considered to have good functional utility for multi-family uses.
Area:	Based upon a review of public records, the entire subject site has a gross area of 7.7 acres.
Frontage:	Street frontage is good for a multi-family uses; the subject fronts Fletcher Parkway and is intersected by Grossmont Center Drive.
Topography/Terrain:	The site represents a mostly level site at (or near) street grade. The site is engineered with adequate sheet flow drainage.
Street Improvements:	The subject's street frontage and access benefit the property from a leasing standpoint by providing convenient access to Fletcher Parkway (east/west arterial road) that provides access to Grossmont Center Drive, and parallels the San Diego Interstate 8 Freeway. Street improvements include curb, gutter, and streetlights. Utilities are below ground. Fletcher Parkway provides three traffic lanes in each direction. Grossmont Center Drive provides two traffic lanes in each direction. The subject property is considered to have good ingress/egress.
Soil Conditions:	We did not receive or review a geotechnical or soil report. We assume that the soil's load-bearing capacity is sufficient to support the recently completed structures. We did not observe any evidence to the contrary during our physical inspection of the property. The site's drainage appears to be adequate.
Utilities and Services:	The site is adequately served with all public utilities available to the site.
Land Use Restrictions:	We have not reviewed a title report for the subject property. Based upon our physical inspection, there does not appear to be any easements that would adversely affect the subject property; however, the determination of adverse easements or encroachments is a legal matter which is beyond the scope of this appraisal. We recommend that the appropriate

Property Description

experts be consulted, as part of a business decision regarding the subject.

Flood Hazard:

According to the FEMA map, the subject is within flood zone X, Community Map No. 060292 Panel 1642F, dated July 2, 2002. Zone X is an area outside of the 100 and 500 year floodplains; flood insurance is available, but not required within this flood hazard zone.

Seismic Hazard:

The subject site is not located in a Special Study Zone as established by the Alquist-Priolo Geological Hazards Act. However, the entire Southern California region is prone to earthquakes; all properties are potentially subject to damage from an earthquake.

Hazardous Substances:

We observed no evidence of toxic or hazardous substances during our inspection of the site. We are not trained to perform technical environmental inspections and recommend the services of a qualified professional for this purpose.

Property Description

Improvement Description

The subject improvements consist of a planned 527-unit luxury apartment complex. In summary, the subject consists of two and three-story buildings with garage parking. The 527-unit apartment complex includes one bedroom and two bedroom floor plans. Onsite amenities include pool, spa, clubhouse, fitness center, business center, pool, spa and nicely landscaped grounds. Parking consists of 787 garage parking spaces. In addition, the developer will build and provide an additional 595 garage parking spaces for public use with regard to the adjacent trolley station. The cost of the parking structure is the responsibility of the developer, but the maintenance of the parking structure is the responsibility of MTDB (mass transit district).

General Description

Year Built:	Proposed (estimated completion 2008/2009)
Unit Density:	Proposed for 68.44 units per acre
Unit Inventory:	The following unit inventory is based upon information provided by the property manager. A detail unit mix is included in the direct capitalization schedule (presented later in the report for analysis purposes and included in the Addenda).

Design Features and Functional Utility:

The subject's overall design and functional appeal is considered very good for this type of apartment complex. The project and unit features are comparable or superior to most competing projects within the area. The unit sizes are similar to most competing projects in the area. The overall project/unit design combined with a variety of unit types is well received within the market place.

Physical Condition:

The subject site represents an existing (surface) parking lot for the San Diego Trolley. The subject site is planned to be built with a 527 unit apartment project that will be in excellent condition upon completion of construction. Parking structures will be built for resident use and public use. Relative to most competing projects in the area, the subject project will be comparable or superior in condition, quality and appeal.

REAL PROPERTY TAXES AND ASSESSMENTS

In the State of California, assessed property values may increase only 2 percent per year, with few exceptions. Events such as a transfer of ownership, or significant new construction will trigger a reassessment of the property. The county assessor usually accepts the sale price, or the cost of improvements, in calculating assessed value. Assessed values are usually poor indicators of actual market value, and are useful only to estimate effective tax rates.

The 2005/06 fiscal year is the most recent year for which the county has published assessed valuation and property tax information. According to a public records, the assessed value and taxes for the subject property are shown below.

Assessor Parcel Numbers	490-270-23, 25, 39 & 40
Assessed Land Value	\$000
Assessed Improvements Value	<u>\$000</u>
Total Assessed Value	\$000
Tax Rate Area	02002
Published Tax Rate	1.03793%
Actual Taxes/Assessments	\$000

It should be noted, the subject property is currently owned by a public (government) entity and consequently, does not pay real estate taxes. However, upon completion of the planned apartment project, real estate taxes will be assessed to the leasehold property owner.

Due to California's method of property taxation, tax rates generally vary between one percent and two percent of assessed value; but annual tax bills vary widely from property to property. The difference between the published tax rate and the effective tax rate is due to special assessments applied to the subject site. We have utilized the above tax rate in estimating the real estate taxes and our current stabilized value conclusion based upon a direct capitalization approach (presumes the improvements are complete with stabilized occupancy and income). The direct capitalization schedule is presented later in the report.

The definition of market value used in this report assumes a sale of the subject property. If the subject property was sold, it would be reassessed according to the county assessor's opinion of its market value, which is typically the sale price.

ZONING

According to the City of La Mesa, the subject property is located within the Grossmont Specific Plan of CGD zone (General Commercial/Grossmont Specific Plan/Urban Design Overlay). The current zoning allow commercial and multi-residential developments with an orientation toward transit uses. The subject is considered to be a legally conforming use within the specific plan. The subject represents a planned multi-family residential development.

The planned improvements are considered to be conforming to all the development standards designated by the City of La Mesa. The subject is considered to be in conformance with the current zoning ordinances and specific development requirements and variances; however, actual conformance is a legal matter. We have not received a legal opinion regarding the subject's conformance with the City's zoning ordinance.

HIGHEST AND BEST USE

Definition

According to the *Dictionary of Real Estate Appraisal*, Third Edition (1993), a publication of the Appraisal Institute, highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Physically Possible

The first test is what is physically possible. The site's size, shape, and soils condition are conducive to a wide variety of both residential and commercial land uses.

Legally Permissible

The second test concerns permitted uses. Based upon the current zoning, development of the site is zoned for multi-family residential construction.

Financial Feasibility and Maximal Productivity

The third and fourth tests are, respectively, what is feasible and what will produce the highest net return. The determination of financial feasibility is based on whether a land use would create a positive return to the land. The maximum productive use is that use which provides the highest return to the site, with lowest possible risk.

As if Vacant

The subject is within a planned residential district and allows multi-family residential use. Thus, the long term development of the site is for multi-family use. Presently, the market conditions have improved over the past year and are considered strong. Apartment occupancy rates are high and rent levels are increasing. Rent levels are considered to have increased sufficiently to support new construction. This is evidenced by the new apartment construction in the general market area. As a result of these factors new apartment construction is considered financially feasible at this time. Based upon other competing apartment projects within the immediate market area, the subject would likely represent a good quality construction with excellent project/unit amenities. The project would likely be built to a maximum density (typically ranging from 30 to 50 units per acre).

As Proposed

The subject property represents a proposed 527-unit apartment project (one and two bedroom units). The project is anticipated to be in excellent condition upon completion of construction. in good condition. The subject's unit mix and overall design is considered a positive factor and will benefit in marketing the units to prospective residents. The subject's specific location, age, condition, project/unit features and convenient location to the trolley station is a positive factor which is superior to many competing multi-family residential projects in the area. Given the current market conditions, the proposed improvements clearly contribute to site value and therefore represent the site's highest and best use. No changes or modifications are required; any additional value due to changes is not anticipated to exceed the corresponding costs.

Conclusion

The highest and best use of the site, as if vacant, is for immediate multi-family residential development. The highest and best use of the property, as proposed, is for immediate development as a multi-family residential development.

Introduction

There are three approaches to value commonly applied in the appraisal of real estate. These are the Cost, Sales Comparison and Income Capitalization Approaches. In appraisal practice an approach is eliminated from consideration if it does not apply to the property being appraised. For example, the income approach is typically not applied in the appraisal of single family homes. Each approach to value is described briefly below.

Cost Approach

The Cost Approach is based upon the principle of substitution whereby an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land; or when relatively unique or specialized improvements are located on the site, for which there exist few sales or leases of comparable properties.

The first step in the Cost Approach is to estimate the subject's land value (at its highest and best use as if vacant). This is usually done through an analysis of comparable land sales. The second step is to estimate the cost of all improvements. Improvement costs are then depreciated to reflect value loss from physical, functional, and external causes. Land value and depreciated improvement costs are then added to indicate a total value.

Sales Comparison Approach

The Sales Comparison Approach relies upon review of comparable sales to derive an estimate of value for the property being appraised. Valuation is typically accomplished using a unit of comparison such as price per square foot, per unit, or gross rent multiplier. When possible, adjustments are applied to the units of comparison from an analysis of the comparable sales, and the adjusted unit of comparison is then used to yield a total value.

Income Capitalization Approach

This approach first determines the income producing capacity of a property by estimating market rent and then making deductions for vacancy and collection loss, operating expenses, and if appropriate capital reserves. Net operating income may be capitalized at an overall rate of return or by application of a discount rate or internal rate of return. Direct capitalization relies upon an overall capitalization rate which is divided into the first year's anticipated net operating income to derive a value estimate. Discounted cash flow analysis applies a discount rate to periodic net operating income and the residual value to determine property value.

Reconciliation and Final Value Estimate

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value estimate is chosen that either corresponds to one of the approaches to value, or is a correlation of the approaches used in the appraisal.

Applicable Approaches in this Appraisal

The subject represents a planned apartment project. We have utilized the appropriate approaches to value in order to estimate a reasonable fee simple land value and leased fee land value (subject to the pending ground lease document). Therefore, all three approaches to value have been utilized in this appraisal.

Qualitative Comparison Methodology

Comparable land and improved sale comparisons in this report are primarily made on a ranking scale. Comparables are judged to be very superior, superior, slightly superior, very slightly superior, equivalent, very slightly inferior, slightly inferior, inferior or very inferior in various factors of comparison, versus the subject. The comparables are then judged for overall comparability on the same scale, based on the indications from the various factors of comparison. This ranking system well reflects the actions of market participants, who also analyze sales on this type of basis. The exceptions to this ranking system occur when numerical adjustments are indicated directly from the sales; such as discounts for costs to achieve stabilized occupancy, premiums paid for below market financing, etc.

COST APPROACH

Methodology

This approach is based on an analysis of the property's land value and physical replacement cost. The principle of substitution (the underlying rationale of this approach) holds that no prudent person will pay more for a property than the price of a site and the cost of constructing, without undue delay, an equally desirable and useful property.

In the Cost Approach, we employed the following steps to reach an estimate of value:

1. Estimate land value as if vacant;
2. Estimate the improvements' replacement cost new, including indirect costs;
3. Estimate the necessary developer's overhead and profit for the type of property being appraised, including any profit on the land;
4. Add land value, replacement cost new, and profit to calculate the total cost new of the property;
5. Estimate accrued depreciation of the improvements, if any, from physical, functional, and/or external causes; and
6. Deduct accrued depreciation from the total cost new of the improvements to estimate the subject's value by the Cost Approach.

Land Valuation

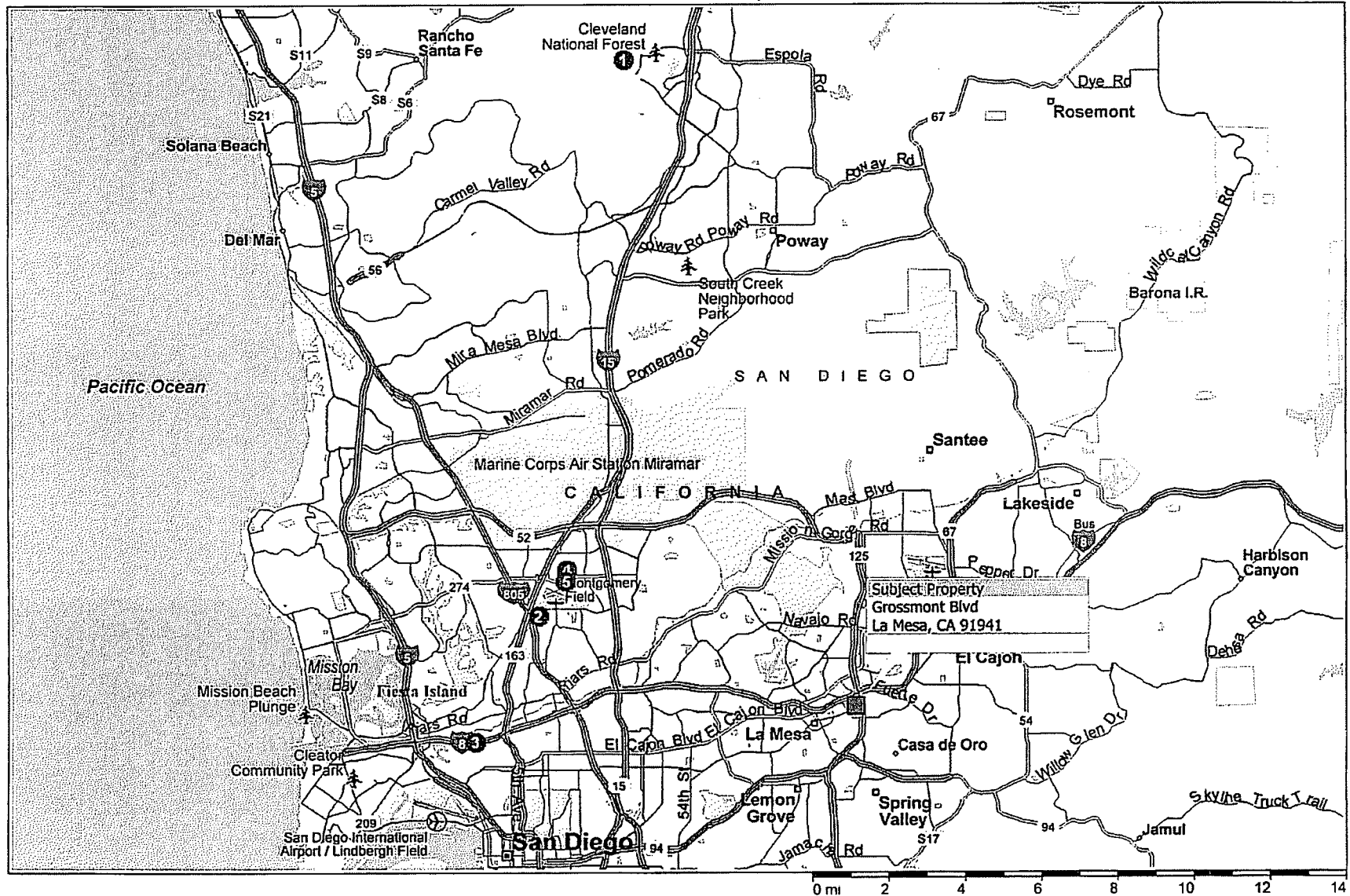
We used the Sales Comparison Approach to estimate land value. This is the most direct and reliable method of estimating land value. In this method, we analyzed comparable land sales in the subject's area. Our value estimate was derived from prices of available and/or recently sold, similar sites. Primary emphasis in our selection of land sales was placed on comparability to the subject in size, location, zoning and date of sale.

In making comparisons we have considered any significant differences between the subject and the comparable properties. Our investigation of the comparable land sales indicates that the market uses the price per square foot and price per buildable unit as the basis of comparison. We have therefore analyzed the comparable sales on these bases. On the following page is a summary of pertinent details of the sales we compared with the subject site, and a map showing their locations. The following pages include detailed data sheets which describe each sale. It should be noted, there have been very limited new apartment land sales within the past several years; thus, the following land sales are considered relevant to this analysis.

MULTI-FAMILY RESIDENTIAL LAND SALES SUMMARY

No.	Location	Sale Date	Land Area (AC) Density (U/AC)	Sale Price	
				Total	\$/SF \$/Unit
1	SWC of Rancho Bernardo Rd. & Dove Canyon Rd. Poway	12/2005	23 (gross) 23.48	\$21,370,500	\$21.33 \$39,575
2	3540 Aero Court San Diego	12/2004	6.01 (gross) 47.92	\$6,916,544	\$26.42 \$24,015
3	1440 Hotel Circle North San Diego	7/2003	7.15 (gross) 48.95	\$9,000,000	\$28.90 \$25,714
4	Paramount Drive w/o Kearny Spectrum Road, San Diego	1/2002	5.5 (gross) 21.8	\$6,500,000	\$27.13 \$54,166
5	Paramount Drive w/o Kearny Spectrum Road, San Diego	11/2000	18.1 (gross) 24.75	\$15,396,000	\$19.53 \$34,366

Land Sales Map



Multi-Family Residential Land Sale No. 1

SITE IDENTIFICATION

Location: Southwest corner of Rancho Bernardo Road &
Dove Canyon Road
Poway (unincorporated S.D. County), California

Assessor's Parcel No.: 678-241-07
Legal Description: Tract 5323, map 15201
Thomas Guide: 1169-E3

SITE DESCRIPTION

Gross Area: 23 acres / 1,001,880± sf
Net Area: 23 acres
Shape: Irregular
Topography at Sale: Mostly level
Zoning at Sale: C34, County
Off-sites at Sale: All are to the site
Approvals at Sale: 540 approved units
Use at Sale: Vacant site
Proposed Use/Density: 540 apartment units, as part of a master planned
community.
Cost to Finish: None, mass graded

SALE INFORMATION

Price: \$21,370,500
Sale Terms: All cash to the seller
Contract Date: December of 2004
Closing Date: December 22, 2005
Recording Number: 1096518
Buyer: The Reserve at 4S Ranch, LLC
Seller: 4S Kelwood General Partnership

VALUE INDICATORS

"As-Is" Price/Unit: \$39,575
"As-Is" Price/SF: \$21.33
Finished Mass Graded Price/Unit: \$39,575
Finished Mass Graded Price/SF: \$21.33

VERIFICATION

Public Records & CoStar Comps Inc.

COMMENTS

This sale represents a recent transaction and is located within the master planned development known as 4S Ranch, near the city of Poway area. The site is approved for a multi-family apartment project. The site is planned to be developed with a luxury apartments.

Multi-Family Residential Land Sale No. 2

SITE IDENTIFICATION

Location: 3540 Aero Court
San Diego, California

Assessor's Parcel No.: N/Av.
Legal Description: N/Av.
Thomas Guide: N/Av

SITE DESCRIPTION

Gross Area: 6.01 acres / 261,795 sf
Net Area: 6.01± acres
Shape: Irregular
Topography at Sale: Mostly level
Zoning at Sale: Commercial
Off-sites at Sale: All are to the site
Approvals at Sale: Mixed-use (multi family & commercial)
Use at Sale: Vacant site
Proposed Use/Density: 288 unit multi family development project with a
20,000 sf of commercial (47.92 units/acre)
Cost to Finish: N/Av.

SALE INFORMATION

Price: \$6,916,544
Sale Terms: All cash to the seller
Contract Date: October of 2003
Closing Date: December 15, 2004
Recording Number: N/Av.
Buyer: Fairfield Kearny Mesa, L.P.
Seller: N/Av.

VALUE INDICATORS

"As-Is" Price/Unit \$24,015
"As-Is" Price/SF: \$26.42
Finished Mass Graded Price/Unit: \$24,015
Finished Mass Graded Price/SF: \$26.42

VERIFICATION

Wesley Espinoza - Buyer's Representative

COMMENTS

This sale represents a fairly recent sale transaction and is located adjacent the subject property in the Kearny Mesa area of San Diego. The property was in mass graded condition at the time of sale. The site has been approved for a 288-unit multi family development project that is currently proposed.

Multi-Family Residential Land Sale No. 3

SITE IDENTIFICATION

Location: 1440 Hotel Circle North
San Diego, CA

Assessor's Parcel No.: 437-360-08, 09, 10
Legal Description: Tract MM0036
Thomas Guide: 1268-J4

SITE DESCRIPTION

Gross Area: 7.15 acres / 311,454 sf
Net Area: 7.15 acres
Shape: Irregular
Topography at Sale: Mostly level
Zoning at Sale: Commercial, San Diego
Off-sites at Sale: All to the site
Approvals at Sale: Fully entitled
Use at Sale: 20,117 sf existing structure (tear down)
Proposed Use/Density: 350 unit apartment project
Cost to Finish: N/Av.

SALE INFORMATION

Price: \$9,000,000
Sale Terms: Cash to Seller
Contract Date: April of 2003
Closing Date: July 31, 2003
Recording Number: 0919887
Buyer: ASN Presidio View (LLC) (et al)
Seller: Handlery Hotels

VALUE INDICATORS

"As-Is" Price/Acre: \$1,258,741
Price/Unit: \$25,714
"As-Is" Price/SF: \$28.90

VERIFICATION

Public Records / CoStar Comps

COMMENTS

The buyers plan to construct a 350-unit apartment complex. The site was purchased with an existing building structure that will be demolished upon commencement of construction and is in the Hotel Circle area of San Diego.

Multi-Family Residential Land Sale No. 4

SITE IDENTIFICATION

Location:	Kearny Spectrum Road west of Paramount Drive, San Diego
Assessor's Parcel No.:	369-220-01 & 18
Legal Description:	N/Av.
Thomas Guide:	1249-D2

SITE DESCRIPTION

Gross Area:	5.5 acres / 239,580 sf
Net Area:	5.5+ acres
Shape:	Irregular
Topography at Sale:	Mostly level
Zoning at Sale:	Specific Plan (formerly M-1B)
Off-sites at Sale:	All are to the site
Approvals at Sale:	120 approved condominium units
Use at Sale:	Vacant site
Proposed Use/Density:	120 unit condominium project (22 units/acre)
Cost to Finish:	Minimal, mass graded

SALE INFORMATION

Price:	\$6,500,000
Sale Terms:	All cash to the seller
Contract Date:	N/Av.
Closing Date:	January 2, 2002
Recording Number:	002020
Buyer:	Len-Spectrum LLC
Seller:	LNR Kearny Mesa, Inc. (Lennar Partners)

VALUE INDICATORS

"As-Is" Price/Unit	\$54,166
"As-Is" Price/SF:	\$27.13
Finished Mass Graded Price/Unit:	\$54,166
Finished Mass Graded Price/SF:	\$27.13

VERIFICATION	Greg Gallagher - Buyer's Representative
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COMMENTS	This sale represents a fairly recent sale transaction and is located adjacent the subject property in the Kearny Mesa area of San Diego. The property was in mass graded condition at the time of sale. The site has been approved for a 120-unit condominium project that is currently under construction.
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Multi-Family Residential Land Sale No. 5**SITE IDENTIFICATION**

Location: Paramount Drive west of Kearny Spectrum Road,
San Diego

Assessor's Parcel No.: 369-130-68 (portion of)
Legal Description: Tract Map 18574 Parcel 5
Thomas Guide: 1249-D2

SITE DESCRIPTION

Gross Area: 18.1± acres / 788,436 sf
Net Area: 18.1± acres
Shape: Mostly Rectangular
Topography at Sale: Mostly level
Zoning at Sale: Specific Plan (formerly M-1B)
Off-sites at Sale: All are to the site
Approvals at Sale: 448 approved multi-family units
Use at Sale: Vacant site
Proposed Use/Density: 448 unit apartment project (21.5 units/acre)
Cost to Finish: Minimal, mass graded

SALE INFORMATION

Price: \$15,396,000
Sale Terms: All cash to the seller
Contract Date: October 1999
Closing Date: November 21, 2000
Recording Number: 632742
Buyer: Fairfield Spectrum L. P.
Seller: LNR Kearny Mesa, Inc. (Lennar Partners)

VALUE INDICATORS

"As-Is" Price/Acre: \$850,608
"As-Is" Price/Unit: \$34,366
"As-Is" Price/SF: \$19.53
Finished Mass Graded Price/Acre: \$850,608
Finished Mass Graded Price/Unit: \$34,366
Finished Mass Graded Price/SF: \$19.53

VERIFICATION

Curt Stephenson - Seller's Representative

COMMENTS

This represents a fairly recent sale transaction and is located in the Kearny Mesa area of San Diego. The site was in mass grades condition and has been approved for a multi-family apartment project. The property has been improved with a luxury apartment project (Avion @ Spectrum).

Comparison Analysis

The first four factors of comparison discussed below are required to consider any variations of the sales from the conditions assumed in the definition of market value used in this appraisal. The factors of comparison which follow the first four account for locational and physical differences between the sales and the subject.

Property Rights Conveyed

This adjustment accounts for differences in the interest sold, between the sales and the subject. Partial interests are typically less valuable than fee interest, because fee interests are whole (not fractional), are easier to finance, etc.

All of the comparable multi-family residential land sales are equivalent to the subject in property right conveyed (fee simple).

Financing

This adjustment is made for properties which sold with financing terms that are not considered to be cash equivalent. A sale property which received advantageous financing would show a higher price per unit, and would therefore be superior in the respect.

All of the comparable multi-family residential land sales are equivalent to the subject in financing terms (cash equivalent).

Conditions of Sale

The conditions of sale adjustment is used to account for differences in buyer and seller motivations. For example, if a seller must quickly dispose of a property, its price would be lower than if the seller was typically motivated.

All of the comparable multi-family residential land sales are equivalent to the subject in conditions of sale (typically motivated) and no adjustment for conditions of sale is warranted.

Market Conditions (Time)

This adjustment category considers the differences in market conditions between the time of the comparable sale and the date of value. A comparable property, which sold during the times of better market conditions would show a high price per unit for a more current date of value.

Most of the comparables represent recent sale transactions and have occurred under generally similar market conditions. The market conditions have improved since 2000. Sale No. 1 represents a 2005 sale with minimal upward adjustment. Sale No. 2 represents a 2004 sale with some upward adjustment warranted. Sale No. 3 represents a 2003 sale with an upward adjustment required. An upward adjustment is required for Sale No. 4. Sale No. 5 represents an older (2000) sale that requires an upward adjustment.

Improvements

This adjustment is made for properties which sold with differing level of site improvements. These improvements may add to value (if they can provide interim income, etc.) or may detract from value (if they are costly to demolish and remove).

All of the comparable multi-family residential land sales represent finished (mass graded sites) and no adjustment is warranted.

Density

As a general rule, the higher the number of units per acre, the lower the price per unit. This is due to the economies of scale available to a dense property. The subject's density (units per net acre) equates to 68± units per acre and is much higher than all of the comparables. The densities vary from approximately 22 to 48 with a measurable difference noted for most of the comparables. Sale Nos. 1, 4 and 5 are much lower in density ranging from approximately 22 to 25 units per acre (superior to the subject) and require a measurable downward adjustment. Sale Nos. 2 and 3 are lower in density ranging from 48 to 49 units per acre (superior to the subject) and a downward adjustment is warranted.

Size

This adjustment considers the size (measured by the number of proposed units or site area) of each sale. Larger developments have greater risk and typically sell for lower prices per unit than similar smaller developments. Most of the sales are considered generally comparable in proposed unit size; thus, no adjustment is warranted.

Location

This category considers locational factors such as an area's reputation, the quality and desirability of surrounding improvements, proximity to employment centers or housing, and distance from local and regional transportation arteries.

Sale No. 1 is located in near the Poway and Rancho Bernardo area is generally comparable in location and view amenity. Sale Nos. 2, 4 and 5 are located in the Kearny Mesa and conveniently located to employment centers and generally considered similar in location overall. Sale No. 3 is located in Mission Valley and considered slightly superior in location and requires a slight downward adjustment.

Views

This category considers the difference in views between the comparables and the subject property. In general, properties with significant views are considered more desirable and show higher prices per unit. No measurable adjustment is warranted to the sales.

Zoning/Use

This adjustment is made for differences in allowable types of use between the comparable sales and the subject. Properties with many possible high intensity land uses are generally more valuable than sites restricted to a few low intensity uses.

Except for Sale No. 4, the comparable land sales are zoned for multi-family residential uses. In general, this category does not consider one use to be superior or inferior to the other use because other factors (density, location, etc.) determine the use and value of each specific multi-family residential site. Most of the comparable multi-family residential land sales are generally equivalent to the subject in zoning/use. Even though Sale No. 4 allow for multi-family residential (apartments), the sites are planned to be developed with for-sale condominiums. Considering the current market conditions, it appears a premium was paid (at the time of sale) in order to develop the site for condominium development; consequently, a downward adjustment is warranted to Sale No. 4.

Approvals

This adjustment is made for differences in the level of approvals and entitlements between the comparable sales and the subject. Generally, properties with approvals and entitlements are more valuable than properties without them. All of the comparable multi-family residential land

**GROSSMONT TROLLEY APARTMENT SITE
QUALITATIVE COMPARISON GRID - COMPARABLE LAND SALES**

Sale No.	L-1	L-2	L-3	L-4	L-5
Name/Location	SWC of Rancho Bernardo Rd. & Dove Canyon Rd. Poway	3540 Aero Court San Diego	140 Hotel Circle North San Diego	Paramount Drive w/o Kearny Spectrum Rd. San Diego	Paramount Drive w/o Kearny Spectrum Rd. San Diego
Date of Sale (COE)	12/05	12/04	7/03	1/02	11/00
Acreage (gross)	23+	6.01±	7.15±	5.5	18.1±
Density (un/ac)	23.48	47.92	48.95	21.8	24.75
Price Per Unit	\$39,575	\$24,015	\$25,714	\$54,166	\$34,366
Property Rights	Similar	Similar	Similar	Similar	Similar
Financing	Similar	Similar	Similar	Similar	Similar
Conditions of Sale	Similar	Similar	Similar	Similar	Similar
Market Conditions	Slightly Inferior	Slightly Inferior	Inferior	Inferior	Inferior
Improvements/Offsites	Similar	Similar	Similar	Similar	Similar
Location/View	Similar	Similar	Slightly Superior	Similar	Similar
Density	Superior	Slightly Superior	Slightly Superior	Superior	Superior
Zoning/Use	Similar	Similar	Similar	Superior	Similar
Overall Rating (Qualitative)	Superior	Similar	Similar	Superior	Superior

sales are generally equivalent to the subject in approvals. Considering the current market conditions, Sale No. 4 requires a downward adjustment as it is approved for condominium development.

Off-Sites

The off-site adjustments are used to account for differences in public or private services (utilities, roads, etc.) available to a comparable sale versus the subject. Properties with all needed off-sites available at the property are generally more valuable than properties which lack off-site services.

All of the comparable sales had street improvements completed and considered generally equivalent in off-sites.

Individual Adjustments and Overall Ratings

The individual comparisons and overall rating of each sale are summarized on the facing grid. The overall rating of each sale is a composite of all the individual factors of comparison. We have used the overall ratings and the prices indicated by the comparable sales in estimating a value for the subject as an improved.

Multi-Family Residential Land Value Conclusion

The market for entitled apartment land has improved considerably over the past several years. The more recent sales provide a good indication of current land values in the subject's location. Considering the subject's density (68 units/acre) and based upon discussions with major apartment developers, multi-family land in the subject's location would likely sale for \$22,500 to \$27,500 per unit in a finished (mass graded) condition. The sales provide a reasonable range in a per unit indication for the subject property. Most of the sales require an upward adjustment for market conditions, but a downward adjustment for overall density. An appropriate range of indicated values would be from approximately \$22,500/unit to \$27,500/unit. Overall, Sale Nos. 1, 2 and 3 are given the most weight. Considering the location of the subject site and overall density, a value indication toward the middle of this range is considered appropriate.

Based on our analysis, the subject's current density and the indications from the comparable sales, we have concluded at a subject land value of \$25,000 per unit (in a mass graded condition). Applied to the subject's land area, the total indicated multi-family residential land value is:

$$\begin{aligned} 527 \text{ units} \times \$25,000/\text{Unit} &= \$13,175,000 \\ \text{Rounded: } &\mathbf{\$13,200,000} \end{aligned}$$

Reviewing the developer's construction budget (included in the Addenda), the total project costs equate to \$33,127,888 which includes a general contractor fee of \$1,435,278. Some of the subject's construction costs were updated and adjusted to market pricing during construction; however, we have adjusted the total development costs upward by 5% percent to account for increasing construction costs which equates to \$34,784,282 (\$33,125,888 x 1.05). In addition, we have estimated a developer profit of 15% of total project costs of \$5,217,642 or \$5,200,000 rounded. Consequently, the total adjusted development costs (to reflect current market conditions) equates to \$39,984,282 or \$40,000,000 rounded. Based upon the subject's recent sale price of \$68,000,000, the residual land value for the subject property equates to \$28,000,000 or \$271,845 per unit.

Introduction - Improvement Valuation (Residual Land Value Analysis)

This analysis is based on the replacement cost method of improvement valuation. In the replacement cost analysis, the cost of creating a modern structure of equal utility to the subject is estimated; not the cost of reproducing a physical duplicate of the subject improvements. The estimation of the replacement cost of the subject's existing improvements includes both direct and indirect costs. Our cost estimates are briefly described below, and detailed on the following Cost Approach Summary.

It should be noted, the gross building area has been estimated to be 490,934 sf (includes rentable area for apartments; 479,902 sf, combined clubhouse and retail space of 11,032 sf). The gross building area (GBA) includes the clubhouse and retail space. Consequently, the 490,934 sf (as discussed) has been utilized in this analysis and an appropriate psf cost basis was considered appropriate given the very good to excellent quality construction.

Base Costs

Our estimates of base costs are derived from the *Marshall Valuation Service Cost Estimation Manual* as well as our experience with the costs of similar developments. The Marshall Valuation Service base costs include all direct costs for the base structure, the following direct costs:

1. Plans, specifications, and building permits, including engineer's and architect's fees;
2. Normal fees and interest on construction funds during the construction period;
3. Sales taxes on materials; and
4. Contractor's overhead and profit, including worker's compensation, fire and liability insurance, unemployment insurance, etc.

We used base costs for a good class D apartment building, as published in the cost manual in Section 12, page 14, published as of August, 2002. Appropriate adjustments for time and local multipliers were also made in accordance with the cost manual guidelines.

Other Costs

The published base costs do not include some indirect and all site improvement costs (sitework, landscaping, paved parking area, common area etc.). The site improvements costs have been estimated at \$6.00 per square foot of site area (net acreage). This estimate is similar to the developer's estimate and is considered reasonable. Other costs of construction not contained in the base costs are explained and quantified below.

Property Taxes, Consulting, and Legal Costs

These costs are estimated based on our familiarity with similar developments. The cost for this category is estimated at 2.5 percent of total base costs. This category includes the cost of property taxes during construction and absorption, professional consulting fees, legal fees, etc. This cost is estimated on the chart.

Permanent Financing Fee

The permanent financing origination fee is estimated at 1.5 points of an estimated take-out loan. The loan amount is based on a 75 percent loan to value ratio applied to the subject's value shown in the Sales Comparison Approach in this report. This is a typical loan to value ratio offered by permanent lenders for the subject property type. This cost is estimated on the accompanying chart.

Construction Loan Interest During Absorption

COST APPROACH SUMMARY

Grossmont Trolley Apartments
La Mesa, San Diego, California

PROPERTY CHARACTERISTICS AND ASSUMPTIONS			
TYPE OF BUILDINGS IN MARSHALL VALUATION SERVICE	Class D Apartment Homes		
QUALITY IN MARSHALL VALUATION SERVICE	Very Good		
CONSTRUCTION TYPE	Wood frame & stucco		
BUILDING AREA:	490,934	SF	
SITE IMPROVEMENT AREA	335,412	SF	
DEVELOPER'S PROFIT	10% of Replacement Cost Plus Land		
PERCENT DEPRECIATED	0.0%		
REPLACEMENT COST ANALYSIS			
REPLACEMENT COSTS IN MARSHALL VALUATION SERVICE	Unit Cost	Total	Per GBA
Base Replacement Cost New (2)	\$110.00	\$54,002,740	
Add for Sprinklers:	\$1.50	\$736,401	
Add for Retail Tenant Improvements: 2,744 sf	\$25.00	\$68,600	
Add for Garages: 787 spaces @ 350± sf	\$42.00	\$11,568,900	
Adjusted Replacement Cost New of Building		\$66,376,641	
Current Cost Multiplier		1.09	
Local Multiplier		1.13	
Story Height Multiplier		1.00	
Area / Perimeter Multiplier		1.00	
Replacement Cost New		\$81,756,109	\$166.53
Indirect/Site Improvement Costs			
Property Taxes, Consulting, Legal Costs		\$2,436,792	
Permanent Financing Fee		\$1,327,500	
Construction Loan Interest During Absorption		\$5,117,264	
Site Improvement Area 335,412 SF @	\$7.50	\$2,515,590	
Replacement Cost New of Site Improvements		\$11,397,147	\$23.22
TOTAL REPLACEMENT COST NEW		\$93,153,255	\$189.75
ADD: DEVELOPER'S PROFIT (INCLUDING LAND)		\$10,635,326	
TOTAL DEVELOPMENT COSTS		\$103,788,581	\$211.41
LESS: ACCRUED DEPRECIATION		\$0	
ADD: LAND VALUE:		\$13,200,000	
VALUE BY THE COST APPROACH		\$116,988,581	
ROUNDED		\$117,000,000	\$238.32
(1) Based on effective age of new and economic life of 50 years.			
(2) Replacement costs obtained from Marshall Valuation Service Manual, Section 11, Page 14.			

The subject's base costs include construction loan interest only during the construction period. We have separately estimated the interest during the lease-up period following completion of construction. Our assumptions are based on typical construction loan structures and practices for properties similar to the subject.

We estimate a total construction loan equal to the previously estimated permanent loan amount. We estimate that a construction loan interest rate (which usually varies with the prime rate) would average 7.0 percent over the absorption period.

Total Direct and Indirect Costs

The total of our estimated direct and indirect costs is shown on the facing Cost Approach summary.

Developer's Fees, Overhead, and Profit

Developer's fees, overhead, and profit are estimated at 10.0 percent of total direct costs plus land value. This estimate is based on our familiarity with developer returns from similar developments. The inclusion of an adequate profit in this approach completes our estimate of replacement cost (new), because developers require payment for their efforts and risk in the form of fees, overhead recovery, and profit. This cost is estimated as shown on the chart.

Depreciation

In appraisal theory, depreciation is a value loss from any cause. It is not to be confused with the accounting use of depreciation.

We have measured the subject's depreciation on an effective age/life basis. The physical age of the subject improvements is new. The effective age is estimated at 0 years. Our effective age estimate also considers that we have used a replacement cost analysis versus a reproduction cost analysis, and that our land value estimate reflects current market conditions. A typical effective life of improvements such as the subject is 50 years per our analysis of the *Marshall Valuation Service Cost Estimate Manual*.

The *Marshall Valuation Service's* depreciation tables show that a residential development with an effective age of 0 years and a typical life expectancy of 50 years is 0 percent depreciated. This percentage is a weighted average for both short- and long-lived components such as the building shell, mechanical systems, interior finishes, and site improvements.

Replacement Cost Conclusion (Residual Land Value)

As summarized on the accompanying page, the indicated value is \$116,988,581 before rounding. The rounded value from the Replacement Cost estimate is \$117,000,000. Thus, based upon the total development costs (including developer profit) of \$103,788,581, the residual land value equates to \$13,211,419 or \$13,200,000 rounded.

In addition, the residual land value is supported by the direct capitalization schedule (current stabilized value) of \$118,000,000 less the developer's total development costs which equates to approximately \$13,000,000 rounded.

Income Capitalization Approach

Methodology (Ground Lease Analysis)

The Income Approach is a method of converting the anticipated economic benefits of owning property into a value estimate through capitalization. The principle of anticipation underlies this approach in that investors recognize the relationship between an asset's income and its value. In order to value the anticipated economic benefits of a particular property, potential income and expenses must be estimated, and the most appropriate capitalization method must be selected.

The two most common methods of converting net income into value are direct capitalization and discounted cash-flow analysis. In direct capitalization, net operating income is divided by an overall rate, extracted from market sales, to indicate a value. In the discounted cash-flow method, anticipated future net income streams and a reversionary value are discounted to an estimate of net present value at a chosen yield rate (internal rate of return). We have analyzed the pending ground lease in order to provide an estimate of the 1e Plus Override (Percentage Rent): Plus Override (Percentage Rent): ased fee estate.

Ground Lease/Disposition and Development Agreement

The term and conditions of the proposed development of the subject site are contained in a Disposition and Development Agreement (the DDA), between the Metropolitan Transit Development Board (the Board) and Fairfield Grossmont Trolley LLC (subject Developer). The DDA encumbers the gross site area for the subject, which is approximately 7.7 gross acres (3.3 acres + 4.4 acres). It should be noted, there is an affordability agreement which requires a certain number of units to be rented at below market rental rates. It is our understanding that any rental restriction is planned to be reimbursed by the City of La Mesa and/or Redevelopment Agency during the 55 year affordability term. Included in the Addenda is an excerpt of the ground lease document; however, the basic lease terms are as follows:

Year 1 base ground rent: \$85,333/year; Year 2 base ground rent: \$170,666/year and Years 3 to 30 base ground rent: \$256,000/year

Plus Override (Percentage Rent): equates to 1.25% of effective gross income (from subject mixed-use development: apartments and commercial space)

Plus Miscellaneous Supplemental Rent: The lessee will pay (reimburse) the cost of mitigating an existing parking easement (estimated at \$100,000). In addition, the lessee is responsible to pay to the MTDB, a one time payment of \$250,000 (for a 50% share of the "City Land Payment") no later than the 5th anniversary of the effective date referenced in section (312) of the ground lease document.

Rent adjustment in Year 31 is based upon the lesser of the following: 8% of market value of fee simple land value or 6.5% of effective gross income from operations. The new annual ground rent will be escalated by cumulative CPI every 5 years until year 55. In year 56, the affordability agreement terminates.

Lastly, there is a profit participation agreement between Fairfield Residential (original developer) and the Metropolitan Transit Development Board (MTDB). This agreement provides for additional consideration to be paid to the MTDB by Fairfield Residential upon the completion and sale of the proposed apartments. The profit sharing agreement equates

Income Capitalization Approach

to approximately 20% of the net gain (upon close of escrow of the completed apartments), after a specified return is recovered by Fairfield Residential.

Discounted Cash Flow Analysis (Lease Fee)

Discounted cash flow analysis quantifies both the return on and return of an investment. The return on the investment consists of the annual net income anticipated. Return of the investment is represented by the residual property value, or anticipated sale price at the end of the holding period. The major assumptions relied upon in this analysis are discussed below.

All market derived assumptions are based upon our surveys of competing projects, interviews with local brokers and appraisers, published survey data, and our experience in appraising other similar property types throughout the area.

Software Program Used

The software program utilized is Excel.

Holding Period

A 55-year holding period is applied in this ground lease analysis. This is the holding period applied here.

Income Assumptions

All income (ground rent) assumptions are the same as those previously discussed (override or percentage rent is applied to EGI in the direct capitalization value estimate).

Vacancy/Collection Loss

No vacancy/collection loss allowance is applied to the ground rent.

Operating Expenses

The ground is considered a NNN lease with all property expenses to be passed through and paid by the tenant (lessee).

Discounted cash flows typically incorporate a reserve replacement allowance for non-structural building components such as roofs and site improvements. The most recent Korpacz Survey reports a typical range of \$150 to \$400. We estimate an allowance here for the subject toward the lower end of the range at \$200 per unit which is because of the subject's new construction and because some reserve items, such as painting and carpeting, are included in the repairs and maintenance budget or tenant turnover costs.

Growth Rates

Market Rent

As noted throughout this report, market conditions are improving both in terms of rental rate increases and occupancy levels. In our opinion there is the potential for continued market rent growth over the next several years. According to the Korpacz Survey, the average rent growth rate assumption is 2.18 percent while the Cushman & Wakefield survey estimates rent growth rate within a range of 2.0 percent to 4.0 percent. We estimate a market rent growth rate for the subject based upon review of the investor surveys and recent activity within the subject's competitive market. The rate applied is 3.0 percent.

Expenses

The Korpacz Survey reports an average expense growth rate of 2.81 percent with the Cushman Survey reporting a range of 2.0 percent to 4.0 percent. We have applied a 3.0 percent expense growth rate to all operating expenses except property taxes.

Property Taxes

In accordance with California law (Proposition 13), the property tax growth rate is set at 2 percent per year.

Reversionary Capitalization Rate

This is the rate applied to the eleventh year's net operating income to determine a residual property value. Favorable and adverse investment attributes are discussed in the going-in capitalization rate estimate and are incorporated here. It is typical for investors to adjust a residual capitalization rate upward to reflect the uncertainty of future real estate market conditions. For example, the Korpacz Survey reports a terminal (or residual) OAR ranging from 5.0 to 9.0 percent with an average of 7.31 percent. Typically, the terminal cap rate is 50 to 100 basis points higher than the going-in rate assuming a typical holding period of 10 years.

Discount Rate

This is the rate used to convert projected net income to present value. It is also applied to arrive at the present value of the reversion at the end of the cash flow projection. Discount rates reflect investor expectations and incorporate adjustments for location, product quality, and tenancy as they affect cash flow. The Korpacz survey indicates an average discount rate of 8.97 percent with a range of 6.0 percent to 13.0 percent. The Cushman survey quotes a range of averages (representing highs and lows from the survey) of 8.0 percent to 12.0 percent. Considering the subject's age, condition, strong rental market conditions, a discount rate toward the lower end of the range is considered appropriate for the subject.

As noted previously, the subject is a proposed luxury apartment project located in La Mesa with relatively low vacancy rates and increasing rents. Since we are assuming a holding period of 55 years and that property value will comprise mostly land value at reversion, we have utilized a discount rate of 8.25 percent for the reversion. However, the annual ground rent is considered much safer; thus, we have utilized a much lower discount rate of 5.25% for the annual ground rent. The lower discount applied to the annual ground rent is considered appropriate and reasonable. The discount rate for the reversionary land value is higher due to the higher uncertainty and future date (55 years later).

PRESENT VALUE ANALYSIS

Grossmont Trolley Apartments Corner of Fletcher Parkway & Grossmont Center Road La Mesa, California

Years	FISCAL YEAR BEGIN Sept. 1	TOTAL RENT/Yr.	Plus Override: (1.25% of EGI)	Plus: Misc.	NET OPERATING INCOME	Reversion Value
1	2006	\$85,333	\$128,408	\$100,000	\$313,741	\$0
2	2007	\$170,666	\$132,260	\$0	\$302,926	\$0
3	2008	\$256,000	\$136,228	\$0	\$392,228	\$0
4	2009	\$256,000	\$140,315	\$0	\$396,315	\$0
5	2010	\$256,000	\$144,524	\$250,000	\$650,524	\$0
6	2011	\$256,000	\$148,860	\$0	\$404,860	\$0
7	2012	\$256,000	\$153,326	\$0	\$409,326	\$0
8	2013	\$256,000	\$157,926	\$0	\$413,926	\$0
9	2014	\$256,000	\$162,663	\$0	\$418,663	\$0
10	2015	\$256,000	\$167,543	\$0	\$423,543	\$0
11	2016	\$256,000	\$172,569	\$0	\$428,569	\$0
12	2017	\$256,000	\$177,747	\$0	\$433,747	\$0
13	2018	\$256,000	\$183,079	\$0	\$439,079	\$0
14	2019	\$256,000	\$188,571	\$0	\$444,571	\$0
15	2020	\$256,000	\$194,228	\$0	\$450,228	\$0
16	2021	\$256,000	\$200,055	\$0	\$456,055	\$0
17	2022	\$256,000	\$206,057	\$0	\$462,057	\$0
18	2023	\$256,000	\$212,239	\$0	\$468,239	\$0
19	2024	\$256,000	\$218,606	\$0	\$474,606	\$0
20	2025	\$256,000	\$225,164	\$0	\$481,164	\$0
21	2026	\$256,000	\$231,919	\$0	\$487,919	\$0
22	2027	\$256,000	\$238,877	\$0	\$494,877	\$0
23	2028	\$256,000	\$246,043	\$0	\$502,043	\$0
24	2029	\$256,000	\$253,424	\$0	\$509,424	\$0
25	2030	\$256,000	\$261,027	\$0	\$517,027	\$0
26	2031	\$256,000	\$268,858	\$0	\$524,858	\$0
27	2032	\$256,000	\$276,923	\$0	\$532,923	\$0
28	2033	\$256,000	\$285,231	\$0	\$541,231	\$0
29	2034	\$256,000	\$293,788	\$0	\$549,788	\$0
30	2035	\$256,000	\$302,602	\$0	\$558,602	\$0
31	2036	\$1,620,734	\$0	\$0	\$1,620,734	\$0
32	2037	\$1,620,734	\$0	\$0	\$1,620,734	\$0
33	2038	\$1,620,734	\$0	\$0	\$1,620,734	\$0
34	2039	\$1,620,734	\$0	\$0	\$1,620,734	\$0
35	2040	\$1,620,734	\$0	\$0	\$1,620,734	\$0
36	2041	\$1,863,844	\$0	\$0	\$1,863,844	\$0
37	2042	\$1,863,844	\$0	\$0	\$1,863,844	\$0
38	2043	\$1,863,844	\$0	\$0	\$1,863,844	\$0
39	2044	\$1,863,844	\$0	\$0	\$1,863,844	\$0
40	2045	\$1,863,844	\$0	\$0	\$1,863,844	\$0
41	2046	\$2,143,421	\$0	\$0	\$2,143,421	\$0
42	2047	\$2,143,421	\$0	\$0	\$2,143,421	\$0
43	2048	\$2,143,421	\$0	\$0	\$2,143,421	\$0
44	2049	\$2,143,421	\$0	\$0	\$2,143,421	\$0
45	2050	\$2,143,421	\$0	\$0	\$2,143,421	\$0
46	2051	\$2,464,934	\$0	\$0	\$2,464,934	\$0
47	2052	\$2,464,934	\$0	\$0	\$2,464,934	\$0
48	2053	\$2,464,934	\$0	\$0	\$2,464,934	\$0
49	2054	\$2,464,934	\$0	\$0	\$2,464,934	\$0
50	2055	\$2,464,934	\$0	\$0	\$2,464,934	\$0
51	2056	\$2,834,674	\$0	\$0	\$2,834,674	\$0
52	2057	\$2,834,674	\$0	\$0	\$2,834,674	\$0
53	2058	\$2,834,674	\$0	\$0	\$2,834,674	\$0
54	2059	\$2,834,674	\$0	\$0	\$2,834,674	\$0
55	2060	\$2,834,674	\$0	\$0	\$2,834,674	\$0
56	2066				Net Reversion:	\$66,957,308

PRESENT VALUE ANALYSIS

Cash Flow	Reversion	Present
Discount Rate	Discount Rate	Value
5.00%	8.00%	\$14,363,386
5.25%	8.25%	\$13,420,083
5.50%	8.50%	\$12,561,833

Income Capitalization Approach

Conclusion

The computer-generated cash flow incorporating the above assumptions is presented in the Addenda. Utilizing a 55-year holding period, the indicated leased fee value for the subject property, is \$13,420,083 or rounded to **\$13,400,000**. It should be noted, we have not included the profit sharing revenue estimate within our ground lease analysis due to the uncertainty of timing and subjectivity in estimating an appropriate amount; however, this unspecified revenue amount would have some impact and increase the leased fee value (depending upon the amount and future time period). In conclusion, the indicated leased fee value for the subject property, as of March 15, 2006, is **\$13,400,000**.

RECONCILIATION AND FINAL VALUE ESTIMATE

Review of Approaches

The appropriate approaches to value are applied in this appraisal. The results of the approaches to value applied here are:

Sales Comparison Approach	\$13,200,000
Income Capitalization Approach	
Ground Lease Analysis	\$13,400,000

The Income Capitalization Approach is similar to the Cost Approach. Since the subject property represents a proposed multi-family residential project, the Cost Approach is considered very useful and a replacement cost estimate has been provided. Based upon our estimate of current land value and development costs (including developers profit), the replacement cost estimate is considered reasonable.

The subject is an investment property that would most likely be analyzed on the basis of its income producing capacity. As such, the income approach is particularly relevant here. Within the income approach several items are particularly well supported by market evidence, including the concluded rental rates, vacancy, and capitalization rate. The individual line item expense estimates contained here are generally consistent with the estimates from the expense guideline reviewed. Further, the total expense estimate is also within the range of the per unit expense levels reported among the comparable building sales. Accordingly, the income approach is well supported and is given the strong emphasis in our analysis.

Conclusion – Fee Simple Estate

Therefore, relying upon approaches to value, and incorporating the assumptions and limiting conditions enunciated throughout this report, our estimate of the as is fee simple value of the subject, as of the effective date of value, is:

THIRTEEN MILLION TWO HUNDRED THOUSAND DOLLARS
\$13,200,000

Conclusion – Leased Fee Estate

Therefore, relying upon approaches to value, and incorporating the assumptions and limiting conditions enunciated throughout this report, our estimate of the as is fee simple value of the subject, as of the effective date of value, is:

THIRTEEN MILLION FOUR HUNDRED THOUSAND DOLLARS
\$13,400,000

Exposure Period

As noted in the Apartment Market Analysis section of this appraisal, there is an active market for this property type. Such properties are typically selling within a period of from three to six months. For example, marketing periods among the previously reviewed comparable apartment complex sales range from three to six months for the properties actually reporting this information. Given the active market for this property type, we estimate that a reasonable exposure period for the subject could potentially be consummated in three months but would not exceed six months.

ASSUMPTIONS AND LIMITING CONDITIONS

"Appraisal" means the appraisal report and opinion of value stated therein; or the letter opinion of value, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Appraisal.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary which issued the Appraisal.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Appraisal.

This appraisal is made subject to the following assumptions and limiting conditions:

1. No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters which are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
2. The information contained in the Appraisal or upon which the Appraisal is based has been gathered from sources the Appraiser assumes to be reliable and accurate. Some of such information may have been provided by the owner of the Property. Neither the Appraisers nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and other factual matters provided to Appraiser by Manager, unless herein shall be as of the date stated in the Appraisal. The Appraisal and the opinion of value herein shall be as of the date stated in the Appraisal. Changes since that date in external and market factors or in the property itself can significantly affect property value.
3. The appraisal is to be used in whole and not in part. No part of the Appraisal shall be used in conjunction with any other appraisal. Possession of the Appraisal, or a copy thereof, does not carry with it the right of publication. Except as may be otherwise expressly stated in the letter of engagement to prepare the Appraisal, C&W does not permit use of the Appraisal by any person other than the party to whom it is addressed or for purposes other than those for which it was prepared. No part of the Appraisal or the identity of the Appraiser shall be conveyed to the public through advertising, public relations, news, sales or other media or used in any material without C&W's prior written consent. Reference to the Appraisal Institute or to the MAI designation is prohibited.
4. Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceedings relating to the Property or the Appraisal.
5. The Appraisal assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Appraisal; and (d) all required licenses, certificates of occupancy and other governmental

Assumptions and Limiting Conditions

consents have been or can be obtained and renewed for any use on which the value estimate contained in the Appraisal is based.

6. The physical condition of the improvements considered by the Appraisal is based on visual inspection by the Appraiser or other person identified in the Appraisal. Cushman & Wakefield shall assume no responsibility for the soundness of structural members nor for the condition of mechanical equipment, plumbing or electrical components.
7. The projected potential gross income referred to in the Appraisal may be based on lease summaries provided by the owner or third parties. Where copies of leases are not provided, the Appraiser assumes no responsibility for the authenticity or completeness of lease information provided by others or the Manager. C&W suggests that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.
8. The projections of income and expenses are not predictions of the future. Rather, they are the Appraiser's best estimates of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraisers' task to predict or in any way warrant the conditions of a future real estate market; the Appraisers can only reflect what the investment community, as of the date of the Appraisal, envisions for the future in terms of rental rates, expenses, supply, and demand.
9. Unless otherwise stated in the Appraisal, the existence of potentially hazardous or toxic materials which may have been used in the construction or maintenance or operation of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value stated in the Appraisal. These materials (such as formaldehyde foam insulation, asbestos insulation, various soil contaminants, and other potentially hazardous materials) may affect the value of the Property. The Appraisers are not qualified to detect such substances and C&W urges that an expert in this field be employed to determine the economic impact of these matters on the opinion of value stated in the Appraisal.
10. Unless otherwise stated in the appraisal, compliance with the requirements of the Americans With Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value stated in the appraisal. Failure to comply with the requirements of the ADA may negatively affect the value of the property. C&W recommends that an expert in this field be employed.
11. If the Appraisal is submitted to a lender or investor, such party should consider the Appraisal as one factor, along with its independent investment considerations and underwriting criteria, in its overall investment decision.
12. The prospective market value estimate herein assumes no significant changes in the subject property nor in the market between the time of the inspection and analysis and the effective date of the appraisal.

CERTIFICATION OF APPRAISAL

We certify that, to the best of our knowledge and belief:

1. Neil A. Clark, MAI inspected the property and prepared the report.
2. The statements of fact contained in this report are true and correct.
3. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
4. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
5. Our compensation or employment are not contingent on an action or event (such as the approval of a loan) resulting from the analyses, opinions, or conclusions in, or the use of, this report. The appraisal is not based on a requested minimum or specific estimated value.
6. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Practice of the Appraisal Foundation.
7. No one provided significant professional assistance to the persons signing this report.
8. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Neil A. Clark, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

Neil A. Clark

Neil A. Clark, MAI
Associate Director
State Licensed Real Estate Appraiser
State of California No. AG002213

ADDENDA

DIRECT CAPITALIZATION SCHEDULE
DEVELOPMENT BUDGET & PROFORMA
GROUND LEASE DOCUMENT (EXCERPT)
LEGAL DESCRIPTION
QUALIFICATIONS OF APPRAISER

Direct Capitalization Schedule

Stabilized Income and Expenses - Grossmont Trolley Apartments (Ph. 1 & 2)

Property Data:	No. of Units		(PSF/Unit)	Annual Amount
Building Size (Units)	527			
Apartment Building Area (Gross SF)	479,902			
Income:		Monthly Rent		
Gross Potential Income - Market Units:				
Plan A1 (1 BD/1 BA): 616 sf (VL)	17	\$ 1,385	Unit*12	\$ 282,540
Plan A1 (1 BD/1 BA): 616 sf (M)	25	\$ 1,385	Unit*12	\$ 415,500
Plan A1 (1 BD/1 BA): 616 sf	17	\$ 1,385	Unit*12	\$ 282,540
Plan A1A (1 BD/1 BA): 754 sf	10	\$ 1,510	Unit*12	\$ 181,200
Plan A1B (1 BD/1 BA): 610 sf	4	\$ 1,380	Unit*12	\$ 66,240
Plan A2 (1 BD/1 BA): 646 sf	70	\$ 1,415	Unit*12	\$ 1,188,600
Plan A2A (1 BD/1 BA): 638 sf	4	\$ 1,410	Unit*12	\$ 67,680
Plan A3 (1 BD/1 BA): 726 sf	118	\$ 1,490	Unit*12	\$ 2,109,840
Plan A3A (1 BD/1 BA): 719 sf	14	\$ 1,485	Unit*12	\$ 249,480
Plan B1 (2 BD/2 BA): 996 sf (VL)	15	\$ 1,755	Unit*12	\$ 315,900
Plan B1 (2 BD/2 BA): 996 sf (M)	17	\$ 1,755	Unit*12	\$ 358,020
Plan B1 (2 BD/2 BA): 996 sf	6	\$ 1,755	Unit*12	\$ 126,360
Plan B2 (2 BD/2 BA): 1,048 sf (M)	6	\$ 1,810	Unit*12	\$ 130,320
Plan B2 (2 BD/2 BA): 1,048 sf	44	\$ 1,810	Unit*12	\$ 955,680
Plan B2A (2 BD/2 BA): 1,050 sf	12	\$ 1,810	Unit*12	\$ 260,640
Plan B3 (2 BD/2 BA): 1,275 sf	24	\$ 2,025	Unit*12	\$ 583,200
Plan B3A (2 BD/2 BA): 1,177 sf	13	\$ 1,925	Unit*12	\$ 300,300
Plan B3B (2 BD/2 BA): 1,205 sf	3	\$ 1,960	Unit*12	\$ 70,560
Plan B3C (2 BD/2 BA): 1,401 sf	8	\$ 2,100	Unit*12	\$ 201,600
Plan B4 (2 BD/2 BA): 1,265 sf	100	\$ 2,015	Unit*12	\$ 2,418,000
Total Gross Potential Income	527			\$ 10,564,200
Vacancy/Collection Loss @ 5.0%				\$ (528,210)
Employee/Model Units	0	\$ -	Unit*12	-
Retail Income (2,744 sf)	2,744	\$ 1.5		46,922
Other Income		\$ 30		\$ 189,720
Effective Gross Income				\$ 10,272,632
Expenses:		Rate		
Real Estate Taxes - \$104,810,734 @ 1.03793%				\$ 1,087,862
Insurance		\$ 0.65	PSF	\$ 310,261
Utilities		\$ 475	Unit	\$ 250,325
Administrative		\$ 200	Unit	\$ 105,400
Repairs & Maintenance		\$ 400	Unit	\$ 210,800
Interior Cleaning (50% Turnover Per Year)		\$ 200	Unit	\$ 52,700
Property Management - Offsite - 3.0% of EGI				\$ 308,179
Payroll & Leasing - Onsite		\$ 1,100	Unit	\$ 579,700
Advertising/Marketing		\$ 175	Unit	\$ 92,225
Ground Rent		\$ 256,000	Year	\$ 256,000
Ground Rent (1.25% of EGI)		\$ 128,408	Year	\$ 128,408
MTDB Rimbursment		\$ -	Year	\$ -
Reserve Allowance		\$ 200	Unit	\$ 105,400
Total Expense				\$ 3,487,260
Operating Expense Ratio		33.95%		
Expenses Per Unit		\$ 6,617		
Net Operating Income				\$ 6,785,372
Overall Capitalization Rate				5.75%
Capitalized Value Indication				\$ 118,006,470
Rounded				\$ 118,000,000

<p>Development Budget & Proforma</p>

FINAL CALSTRS ANALYSIS **GROSSMONT TROLLEY SITE - EAST PHASE - ALTERRA - LA MESA, CA**

04/02/2008 02:32 PM CST134601M07 VERSION 07.12 6-YEAR9 CALENDAR

FINAL PROJECTION

SUMMARY OF CAPITALIZATION

EQUITY FUNDED DURING CONSTRUCTION LOAN PERIOD (7.87% OF COST)	\$4,548,237
EQUITY FUNDED BEFORE CONSTRUCTION LOAN PERIOD (17.33% OF COST)	\$10,275,217
TOTAL EQUITY (15.00% OF COST)	\$14,824,054
CALSTRS SUBSCRIPTION LOAN (FUND MAY 2007, TAKEOUT FEB 2007)	\$10,140,315
CALSTRS SUBSCRIPTION LOAN INTEREST @ 5.50%	\$403,948
CALSTRS SUBSCRIPTION LOAN POINTS & FEES	\$74,022
CONSTRUCTION LOAN (FUND MAY 2007, CONVERSION FEB 2010)	\$44,472,109
LOAN-TO-COST RATIO (INCL. INTEREST RESERVE)	75.00%
LOAN INTEREST @ 7.00% (TOTAL / FUNDED RESERVE)	\$5,032,283 / \$1,732,785
LOAN POINTS (0.80%), FEES, AND CLOSING COSTS	\$410,250
MINI-PERM LOAN INTEREST ONLY (FUND FEB 2010, PAYOFF MAY 2010)	\$44,472,109
LOAN-TO-COST RATIO	75.00%
LOAN INTEREST @ 7.00%	\$720,947
ANNUAL DEBT SERVICE (LBS DCR @ \$4.2M STABILIZED AND)	\$3,113,052
LOAN PER UNIT	\$148,738

PROPERTY AND BUILDING DESCRIPTION

DESCRIPTION: WOOD FRAMING, BUILT-UP ROOF ROOF, STUCCO SIDING EXTERIOR & FIRE SPRINKLERS IN A 3 STORY OVER PODIUM GARAGE BUILDING	
CONFIGURATION	
NUMBER OF UNITS	287
AVERAGE NET RENTABLE SQUARE FOOTAGE OF UNITS	914
TOTAL NET RENTABLE SQUARE FOOTAGE OF UNITS	271,458
GP LEASING / CLUBHOUSE AND RETAIL	6,742
GROSS SQUARE FOOTAGE	278,200
NUMBER OF RENTABLE BUILDINGS/FLOORS	3 / 3
NUMBER OF ACRES	4.4 ± GROSS
UNIT DENSITY PER ACRE	65.0 ± GROSS
UNIT MIX (15% AFFORDABLE)	10R-15A 25%, 28R-30 45%
POOLS / SPAS	1 / 1
PARKING 3 STRUCTURE SPACES - PUBLIC	286
PARKING 3 STRUCTURE SPACES - RESIDENTS	645
RETAIL	2,744 SF @ \$1.50
CLUBHOUSE	3,558 SF
AVG. MARKET RENT PER UNIT / SQ. FT. UNTHREDED	\$1,873 / \$1.50
AVG. AFFORDABLE RENT PER UNIT / SQ. FT. UNTHREDED	\$1,074 / \$1.30
AVG. TOTAL RENT PER UNIT / SQ. FT. UNTHREDED	\$1,006 / \$1.75

CAPITAL SOURCES

EQUITY TO FUND CONSTRUCTION	\$14,824,054
CONSTRUCTION LOAN	\$4,472,109
CALSTRS SUBSCRIPTION LOAN	\$10,140,315
NET CONSTRUCTION LOAN PERIOD INCOME	\$24,181
TOTAL SOURCES	\$29,460,731

CAPITAL USES

CONSTRUCTION COSTS	\$12,298,223
WORKING CAPITAL FUNDING	\$34,103
LOAN RESERVE	0
TOTAL WORKING CAPITAL AND RESERVE	\$34,103
REFUND OF CALSTRS SUBSCRIPTION LOAN	\$10,140,315
TOTAL USES	\$22,432,731

LOAN RESERVE

CONSTRUCTION LOAN	\$44,472,109
LESS ENDING CONSTRUCTION LOAN DRAW BALANCE	\$4,472,109
TOTAL LOAN RESERVE	\$0

SCHEDULING AND TIMING

LAND LEASE COMMENCEMENT	MONTH	YEAR
CONSTRUCTION LOAN FUNDING	1	MAY 2007
1ST EQUITY DISTALMENT (\$ TOTAL)	10	FEB 2007
CONSTRUCTION STARTS	13	MAY 2007
1ST DELIVERY (50 AVG MONTHLY)	35	MAR 2009
1ST LEASE (50 AVG MONTHLY)	35	MAR 2009
1ST RENT INCREASE (5.00%)	0	JAN 2007
LAST DELIVERY	40	AUG 2009
CONSTRUCTION OF CONSTRUCTION	2 YRS, 4 MOS	05/07 to 05/09
CONSTRUCTION LOAN CONVERSION	40	FEB 2010
FULLY LEASED (283 LEASER)	45	JAN 2010
STABILIZED (95% OCCUPANCY, 283 UNITS)	60	FEB 2010
TAKE DATE (\$47.5M AT 8.25% CAP)	40	MAY 2010
HOLDING PERIOD (EQUITY THRU SALE)	3 YRS, 4 MOS	02/07 to 04/10
HOLDING PERIOD (LEASE START THRU SALE)	4 YRS, 1 MO	05/06 to 05/10

COMPUTATION OF WORKING CAPITAL

TOTAL LOAN DRAWS	\$44,472,109
NET OF INCOME DURING CONSTRUCTION LOAN PERI	\$1,567,382
PLUS FUNDED STARTUP COSTS	287,304
PLUS INTEREST EARNINGS	1,870
TOTAL CONSTRUCTION LOAN PERIOD INCOME	\$1,856,424
LESS INCOME TOWARD LOAN INTEREST (70%)	(1,292,234)
NET CONSTRUCTION LOAN PERIOD INCOME	\$564,191
PLUS EQUITY UNVESTED DURING CONSTRUCTION	\$14,824,054
MINUS TOTAL CONSTRUCTION COSTS	\$12,298,223
TOTAL WORKING CAPITAL	\$13,130,022

CONSTRUCTION COST SUMMARY

CONSTRUCTION COST	TOTAL	PER UNIT	PER SQ. FT.
STARTUP COSTS	\$287,354	\$1,000	\$1.00
LAND CLOSING AND DEVELOPMENTAL COSTS	\$721,472	\$2,498	\$2.59
ARCHITECTURAL AND ENGINEERING	\$2,953,100	\$10,289	\$10.52
BLDG PERMITS AND FEES	\$3,230,108	\$11,289	\$11.59
OFFSITE	\$3,435,284	\$12,004	\$12.31
CONSTRUCTION PERIOD PROPERTY TAXES	\$427,179	\$1,492	\$1.54
TOTAL BONDS, INSURANCE & LEGAL	\$2,790,814	\$9,723	\$10.03
CONSTRUCTION FINANCING COSTS	\$483,250	\$1,684	\$1.74
OFFICE & MODEL FURNITURE AND MARKETING	\$910,873	\$3,172	\$3.26
SOFT COST CONTINGENCY	\$220,000	\$768	\$0.79
DEVELOPER FEE PD DURING CONSTRUCTION (10%)	\$1,650,846	\$5,786	\$5.93
HARD COSTS	\$18,116,208	\$63,706	\$65.60
GENERAL CONTRACTOR FEE	\$2,346,578	\$8,176	\$8.44
LAND LEASE PAYMENTS	\$432,219	\$1,506	\$1.55
CALSTRS SUBSCRIPTION LOAN POINTS & FEES	\$74,022	\$258	\$0.27
CALSTRS SUBSCRIPTION LOAN INTEREST	\$403,948	\$1,380	\$1.43
LAND AFFORDABLE UNITS SUBSIDY	(\$1,567,382)	(\$5,453)	(\$5.62)
DEVELOPER FEE PAID AT CLOSING	\$146,241	\$509	\$0.53
LEADER ADMINISTRATIVE FEE	\$25,300	\$88	\$0.09
CONSTRUCTION LOAN INTEREST RESERVE	\$3,252,705	\$11,315	\$11.62
TOTAL CONSTRUCTION COST	\$18,756,232	\$65,451	\$67.14
TOTAL CONSTRUCTION COST LESS INTEREST	\$15,503,437	\$53,822	\$55.55
RPV OF LAND LEASE PAYMENTS @ 9.00%	\$2,480,812	\$8,590	\$8.85

SUMMARY OF CALSTRS RETURNS

SALE DATE	MAY 2010
SALE PRICE (8.25% CAP RATE)	\$97,537,433 GR \$227,388,400
NET OPERATING INCOME AT SALE (TO BUYER)	\$4,221,015
IRR	14.30%
CALSTRS PROFIT	\$7,103,143
TOTAL PROCEEDS AT SALE TO CALSTRS	\$10,737,487
CASH-ON-CASH RETURN	21.20%
RETURN-ON-COSTS UNTHREDED	6.21%
RETURN-ON-COSTS STABILIZED	7.15%

SUMMARY OF EQUITY CAPITALIZATION

	(1)	(2)
NET CALSTRS (25.00%)	\$13,638,148	
NET FAIRFIELD (8.00%)	1,165,924	
NET PFR 25% HOLDBACK (10.00%)	0	
TOTAL EQUITY	\$14,824,054	
NET CALSTRS PROFIT INTEREST	60.80%	
NET FAIRFIELD PROFIT INTEREST	7.80%	
NET PFR 25% HOLDBACK PROFIT INTEREST	1.00%	
NET LOOKBACK (1) 0% / (2) 0%	14.00%	
2ND LOOKBACK (1) 75% / (2) 12.75% / (3) 0.25%	18.00%	
3RD LOOKBACK (1) 85% / (2) 30.25% / (3) 0.75%	25.00%	
EQUITY-TO-COST RATIO		
EQUITY INSTALLMENTS	(1)	(2)
1ST EQUITY INSTALLMENT FEB 2007	\$9,453,200	\$222,017
2ND EQUITY INSTALLMENT MAY 2007	2,848,816	177,854
3RD EQUITY INSTALLMENT JUN 2007	610,711	53,145
4TH EQUITY INSTALLMENT JUL 2007	192,227	38,558
5TH EQUITY INSTALLMENT AUG 2007	135,178	67,828

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA

FINAL PROJECTION

OPERATING INCOME AND EXPENSE																			
BASE INCOME (UNTRENDED) MAY 2016										AT STABILIZATION (FEB 2016-JAN 2017)									
UNIT DESCRIPTION	UNITS	TOTAL	UNITS	TOTAL	UNITS	TOTAL	UNITS	TOTAL	UNITS	ANNUAL	MONTHLY	MONTHLY	MONTHLY	MONTHLY	ANNUAL	MONTHLY	MONTHLY	MONTHLY	MONTHLY
UNIT DESCRIPTION	UNITS	TOTAL	UNITS	TOTAL	UNITS	TOTAL	UNITS	TOTAL	UNITS	ANNUAL	MONTHLY	MONTHLY	MONTHLY	MONTHLY	ANNUAL	MONTHLY	MONTHLY	MONTHLY	MONTHLY
1BR/1BA-A1-VL (MAX-5534-589 UTIL. ALLOC)	10	2.38%	618	6,168	367,800	35,850	3,653	\$0.82	377,076	36,423	3,042	\$1.04	\$77,712	18,476	\$848	\$1.05			
1BR/1BA-A1-M (MAX-51,384-369 UTIL. ALLOC)	15	5.05%	918	9,240	238,500	19,875	1,323	2.15	271,128	22,994	1,916	2.44	273,324	22,777	1,916	2.45			
1BR/1BA-A1	4	1.25%	618	2,464	65,420	5,540	1,385	2.23	73,876	6,238	1,575	2.58	78,168	6,514	1,575	2.58			
1BR/1BA-A1A	5	1.68%	754	3,770	90,600	7,550	1,518	2.00	107,895	9,053	1,717	2.18	103,624	8,632	1,730	2.28			
1BR/1BA-A1B	4	1.35%	618	2,440	68,240	5,520	1,380	2.20	75,360	6,273	1,558	2.57	75,912	6,326	1,582	2.59			
1BR/1BA-A2	32	10.77%	648	20,672	543,360	45,291	1,419	2.19	617,588	51,474	1,609	2.48	622,692	51,891	1,622	2.51			
1BR/1BA-A2A	4	1.35%	618	2,552	67,880	5,840	1,410	2.21	73,944	6,152	1,583	2.51	77,556	6,463	1,616	2.53			
1BR/1BA-A3	82	27.81%	728	79,532	1,485,100	122,180	1,450	2.83	1,588,728	132,894	1,684	2.33	1,690,228	140,818	1,708	2.35			
1BR/1BA-A3A	8	2.89%	719	5,732	142,560	11,680	1,483	2.07	162,060	13,505	1,658	2.30	163,380	13,615	1,622	2.37			
2BR/2BA-B1-VL (MAX-5713-567 UTIL. ALLOC)	8	2.89%	808	7,888	60,088	5,008	626	0.63	68,318	5,693	712	0.71	88,868	7,405	717	0.72			
2BR/2BA-B1-M (MAX-51,589-387 UTIL. ALLOC)	6	2.02%	896	5,876	105,704	8,892	1,482	1.49	121,256	10,108	1,885	1.69	122,288	10,190	1,888	1.70			
2BR/2BA-B2-M (MAX-51,589-387 UTIL. ALLOC)	6	2.02%	1,048	6,288	109,704	9,892	1,482	1.41	121,256	10,108	1,885	1.61	122,288	10,188	1,888	1.62			
2BR/2BA-B2	19	6.40%	1,048	19,912	412,560	34,308	1,810	1.73	469,128	39,094	2,088	1.90	472,932	39,411	2,074	1.88			
2BR/2BA-B2A	9	2.62%	1,050	6,300	130,320	10,680	1,810	1.72	148,152	12,348	2,028	1.90	149,352	12,446	2,074	1.98			
2BR/2BA-B3	20	6.73%	1,275	25,500	488,088	40,508	2,026	1.89	532,488	44,840	2,302	1.91	538,858	44,843	2,321	1.82			
2BR/2BA-B3A	2	0.07%	1,177	2,154	46,700	3,650	1,925	1.64	52,574	4,377	2,169	1.88	53,944	4,412	2,256	1.87			
2BR/2BA-B3C	8	2.89%	1,401	11,208	201,800	16,600	2,180	1.50	228,178	19,016	2,287	1.70	231,056	19,253	2,307	1.72			
2BR/2BA-B4	58	19.53%	1,285	73,370	1,402,440	119,870	2,015	1.59	1,504,384	125,357	2,281	1.61	1,507,208	125,944	2,309	1.63			
GROSS APARTMENT MARKET RENT	297	100.00%	914	271,458	\$5,702,124	\$475,177	\$1,600	\$1.75	\$6,482,148	\$540,878	\$1,610	\$1.59	\$6,674,872	\$544,528	\$1,614	\$2.01			
GROSS APARTMENT POTENTIAL REFF					\$5,702,124	\$475,177	\$1,600	\$1.75	\$6,482,148	\$540,878	\$1,610	\$1.59	\$6,674,872	\$544,528	\$1,614	\$2.01			
APARTMENT VACANCY @ 4.70% (1)					(267,828)	(22,318)	(75)	(0.08)	(304,464)	(25,372)	(85)	(0.09)	(303,036)	(25,253)	(85)	(0.09)			
NET APARTMENT RENTAL REVENUE					\$5,434,296	\$452,859	\$1,525	\$1.67	\$6,177,684	\$515,506	\$1,734	\$1.80	\$6,371,836	\$519,275	\$1,748	\$1.92			
OTHER APARTMENT INCOME @ \$30.00 PER UNIT LESS VACANCY FACTOR @ 4.70% (1)					331,804	3,322	32	0.03	331,804	3,322	33	0.03	331,804	3,322	33	0.03			
NET TOTAL APARTMENT RENTAL REVENUE					\$5,766,100	\$456,181	\$1,557	\$1.70	\$6,509,488	\$518,828	\$1,767	\$1.84	\$6,703,640	\$522,597	\$1,781	\$1.95			
RETAIL @ 2.74 @ \$1.50 LESS VACANCY FACTOR @ 28.00% (1)					39,516	390	11	0.01	40,000	333	11	0.01	40,300	336	11	0.01			
NET PROPERTY REVENUE					\$2,575,116	\$456,571	\$1,568	\$1.71	\$6,549,488	\$519,161	\$1,778	\$1.85	\$6,743,940	\$522,933	\$1,792	\$1.97			

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA

FINAL PROJECTION

EXPENSE CATEGORY	OPERATING INCOME AND EXPENSE				AT STABILIZATION (FEB 2010-JAN 2011)				AT SALE (MAY 2010-APR 2011)			
	ANNUAL	MONTHLY	PER UNIT	PER SQ. FT.	ANNUAL	MONTHLY	PER UNIT	PER SQ. FT.	ANNUAL	MONTHLY	PER UNIT	PER SQ. FT.
SALARIES	\$128,700	\$10,725	\$1,100	\$1.20	\$128,828	\$10,736	\$1,101	\$1.20	\$121,378	\$10,115	\$1,050	\$1.17
ADVERTISING	51,975	4,331	175	0.18	58,844	4,867	197	0.22	59,828	4,984	188	0.22
REPAIRS, MAINTENANCE, BUILDING SVCS & COMMON AREA MAINT.	140,500	11,708	500	0.55	187,558	15,629	554	0.62	168,804	14,067	498	0.57
GENERAL AND ADMINISTRATIVE	59,400	4,950	250	0.22	67,020	5,585	226	0.25	67,524	5,627	227	0.25
MANAGEMENT FEE	167,288	13,939	583	0.62	160,008	13,334	540	0.70	181,544	15,128	645	0.71
UTILITIES	141,075	11,756	478	0.52	159,186	13,265	528	0.58	160,358	13,363	540	0.59
SUBTOTAL VARIABLE OPERATING EXPENSES	\$589,918	\$49,169	\$2,013	\$2.30	\$1,011,024	\$84,252	\$3,404	\$3.74	\$1,014,882	\$84,681	\$3,429	\$3.78
INSURANCE	170,217	14,185	405	0.58	202,212	16,851	581	0.74	203,724	16,977	585	0.75
TOTAL PROPERTY TAXES	645,884	53,824	1,628	2.51	590,893	49,241	1,390	2.18	588,883	49,074	1,590	2.18
BASE LAND LEASE PAYMENTS (PAID IN ADVANCE)	144,873	12,073	450	0.53	144,273	12,023	446	0.53	144,273	12,023	446	0.53
LAND LEASE PREMIUM (1.25% OF NET PROPERTY REVENUE PAID IN ARREARS)	61,694	5,141	235	0.26	78,189	6,516	257	0.28	78,110	6,509	256	0.28
SUBTOTAL FIXED OPERATING EXPENSES	\$839,070	\$69,316	\$2,162	\$3.40	\$1,016,617	\$84,711	\$3,424	\$3.74	\$1,014,880	\$84,681	\$3,431	\$3.78
RESERVES FOR REPLACEMENT	\$2,450	\$204	\$200	\$2.22	\$7,000	\$583	\$28	\$2.28	\$7,324	\$610	\$28	\$2.28
TOTAL OPERATING EXPENSES	\$1,421,438	\$118,689	\$4,175	\$5.92	\$2,033,641	\$169,462	\$7,652	\$7.76	\$2,037,086	\$169,972	\$7,707	\$7.78
NET OPERATING INCOME (1)	\$1,187,328	\$98,811	\$1,125	\$1.67	\$1,637,847	\$137,285	\$1,672	\$1.92	\$1,622,110	\$137,039	\$1,618	\$1.92
RETURN ON COSTS:												
TOTAL OPERATING EXPENSES AS A % OF NET PROPERTY REVENUE:	8.11%				7.15%				7.22%			
ESTIMATED ASSESSED VALUE FOR PROPERTY TAXES:	\$42,543,573 OR \$177,013 / UNIT				\$56,928,973 OR \$191,480 / UNIT				\$56,928,973 OR \$191,480 / UNIT			
UNIT MIX:												
MARKET-RATE UNIT MIX (25% ± 0.55%) (% OF TOTAL UNITS / % OF UNIT TYPE):					1-BR: 184 (55.22%) 2-BR: 133 (44.78%)							
AFFORDABLE UNIT MIX (43 ± 1.15%) (% OF TOTAL UNITS / % OF UNIT TYPE):					1-BR: 139 (46.50%) 2-BR: 163 (53.50%)							
INFLATION OF APARTMENT RENTS:					1-BR: 25 (8.42%) 2-BR: 20 (8.78%) 3-BR: 15 (8.94%)							
AVG BASE OVERALL RENTS PER UNIT BY # OF BEDROOMS:					3% 1/07, 3.25% 0/08, 3.25% 1/09, 3.25% 1/10							
AVG BASE MARKET RENTS PER UNIT BY # OF BEDROOMS:					1BR-\$1,307							
AVG BASE AFFORDABLE RENTS PER UNIT BY # OF BEDROOMS:					1BR-\$1,488							
AVG BASE OVERALL RENTS PER SQ. FT. BY # OF BEDROOMS:					1BR-\$2.00/SF							
AVG BASE MARKET RENTS PER SQ. FT. BY # OF BEDROOMS:					1BR-\$2.09/SF							
AVG BASE AFFORDABLE RENTS PER SQ. FT. BY # OF BEDROOMS:					1BR-\$1.66/SF							
APARTMENT VACANCY RATE:					4.70% 3/09							
APARTMENT MOVES-IN CONCESSIONS (IN WEEKS):					3.39 3/09, 0 2/10							
RETAIL VACANCY RATE:					20% 8/09							
BASE LAND LEASE PAYMENTS (PAID IN ADVANCE):					\$48,091 PAID 1 EFFECTIVE 6/08, \$16,162 PAID MONTHLY EFFECTIVE 5/07, \$144,373 PAID MONTHLY EFFECTIVE 5/08							
LAND LEASE PREMIUM (AS A % OF NOI PAID IN ARREARS):					1.25% PAID 1 5/10							
NPV OF TOTAL LAND LEASE PAYMENTS (10 YEARS AT 8.00% / 9.00% / 10.00% DISCOUNT RATE):					\$2,930,820 / \$2,460,812 / \$2,112,400 AND PER UNIT \$9,885 / \$8,288 / \$7,112							
MANAGEMENT FEE:					3.00% OF TOTAL PROPERTY REVENUE							
EXPENSE INFLATION:					3% 1/07, 3% 1/08, 3% 1/09, 3% 1/10							
ANNUAL INFLATION OF ASSESSED PROPERTY VALUE IN JANUARY:					2.00%							
AD VALOREM PROPERTY TAX RATES:					1.05700% @ 10.000% ASSESSMENT RATIO							
(1) THE UNRECORDED NOI IS BASED ON RENTS AND EXPENSES AT THE DATE SPECIFIED AT THE TOP OF THE ABOVE 3 COLUMNS EXCEPT FOR PROPERTY TAXES. PROPERTY TAXES ARE BASED ON A STABILIZED ASSESSED VALUE IN FEB 2010 THAT ARE TRENDING APPROPRIATELY TO THE DATES SPECIFIED AT THE TOP OF THE COLUMNS. PROPERTY TAXES AT STABILIZATION AND SALE ON THIS PAGE DO NOT REFLECT PROJECTED ACTUAL TAXES THAT APPEAR ON THE CONSTRUCTION AND OPERATIONS SUMMARY BECAUSE TAXES DO NOT STABILIZE UNTIL FEB 2010 AND THE INTENT OF THIS PAGE IS TO ILLUSTRATE A "STABILIZED" NOI TO BE A MONTHLY OR ANNUAL NOI FOR ANY POINT IN TIME WITHIN THE SCOPE OF THIS PROJECTION, GO TO THE CONSTRUCTION AND OPERATIONS SUMMARY SHEET. VACANCY RATE, CONCESSIONS, LOSS TO LEASE RATE AND COLLECTION LOSS RATE ARE VALUES CONSIDERED TO BE "STABILIZED" AND DO NOT NECESSARILY REFLECT WHAT MIGHT BE IN PLACE AT PHYSICAL STABILIZATION AND SALE.												

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA

FINAL PROJECTION

SALE SUMMARY			
COMPUTATION OF SALE PROCEEDS FOR SALE IN MAY 2010			
	8.00%	8.25%	8.50%
SALE PRICE PER UNIT	\$218,478	\$227,379	\$238,147
ANNUAL NET OPERATING INCOME AT SALE TO SELLER (1)	\$4,346,878	\$4,448,078	\$4,548,078
PLUS SELLER'S AD VALOREM PROPERTY TAXES	\$26,005	\$26,005	\$26,005
LESS BUYER'S AD VALOREM PROPERTY TAXES (2)	(724,892)	(700,000)	(677,745)
ANNUAL NET OPERATING INCOME AT SALE TO BUYER	\$4,196,133	\$4,214,083	\$4,244,338
DIVIDED BY THE CAPITALIZATION RATE	8.00%	8.25%	8.50%
EQUALS SALE PRICE	\$52,326,618	\$51,037,462	\$50,052,784
PLUS PROPERTY TAX PRORATION TO SELLER	49,201	49,201	49,201
LESS SALES COMMISSION, TITLE, AND CLOSING COSTS @ \$125,000 PLUS 1.00%	(624,269)	(600,379)	(577,879)
LESS NON-TERM LOAN (INTEREST ONLY) PRINCIPAL PAYOFF	(44,472,106)	(44,472,106)	(44,472,106)
LESS NON-TERM LOAN (INTEREST ONLY) ACCRUED INTEREST	(318,737)	(318,737)	(318,737)
SALE PROCEEDS AVAILABLE FOR DISTRIBUTION	\$14,256,445	\$11,919,382	\$11,778,353
LESS UNPAID LENDER ADMINISTRATIVE FEE TO CONSTRUCTION LENDER	(705)	(705)	(705)
LESS CALSTRS 1ST TIER LOOKBACK @ 82.00% TO A 11.00% IRR TO CALSTRS	(17,982,083)	(17,982,083)	(17,982,083)
LESS FAIRFIELD 1ST TIER LOOKBACK @ 4.00% TO A 11.00% IRR TO CALSTRS	(1,581,820)	(1,581,820)	(1,581,820)
LESS CALSTRS 2ND TIER LOOKBACK @ 75.00% TO A 14.00% IRR TO CALSTRS	(1,855,589)	(1,855,589)	(1,855,589)
LESS FAIRFIELD 2ND TIER LOOKBACK @ 18.75% TO A 14.00% IRR TO CALSTRS	(413,597)	(413,597)	(413,597)
LESS FFR 25% HOLDBACK 2ND TIER LOOKBACK @ 8.25% TO A 14.00% IRR TO CALSTRS	(137,868)	(137,868)	(137,868)
LESS CALSTRS 3RD TIER LOOKBACK @ 65.00% TO A 18.00% IRR TO CALSTRS	(1,774,544)	(1,684,785)	(1,684,785)
LESS FAIRFIELD 3RD TIER LOOKBACK @ 28.25% TO A 14.00% IRR TO CALSTRS	(892,823)	(892,823)	(892,823)
LESS FFR 25% HOLDBACK 3RD TIER LOOKBACK @ 8.75% TO A 18.00% IRR TO CALSTRS	(230,873)	(224,971)	(224,971)
NET PROCEEDS FROM SALE AVAILABLE FOR DISTRIBUTION	\$0	\$0	\$0
SUMMARY OF SALE PROCEEDS TO FFR 25% HOLDBACK			
3RD TIER LOOKBACK SPLIT 8.25% TO A 14.00% IRR TO CALSTRS	137,868	137,868	137,868
3RD TIER LOOKBACK SPLIT 8.75% TO A 18.00% IRR TO CALSTRS	230,873	224,971	224,971
TOTAL SALE PROCEEDS TO FFR 25% HOLDBACK	\$368,741	\$362,839	\$362,839
SUMMARY OF SALE PROCEEDS TO FAIRFIELD			
1ST TIER LOOKBACK SPLIT 4.00% TO A 11.00% IRR TO CALSTRS	1,581,820	1,581,820	1,581,820
2ND TIER LOOKBACK SPLIT 18.75% TO A 14.00% IRR TO CALSTRS	413,597	413,597	413,597
3RD TIER LOOKBACK SPLIT 28.25% TO A 14.00% IRR TO CALSTRS	892,823	892,823	892,823
TOTAL SALE PROCEEDS TO FAIRFIELD	\$2,888,239	\$2,888,239	\$2,888,239
SUMMARY OF SALE PROCEEDS TO CALSTRS			
1ST TIER LOOKBACK SPLIT 82.00% TO A 11.00% IRR TO CALSTRS	17,982,083	17,982,083	17,982,083
2ND TIER LOOKBACK SPLIT 75.00% TO A 14.00% IRR TO CALSTRS	1,855,589	1,855,589	1,855,589
3RD TIER LOOKBACK SPLIT 65.00% TO A 18.00% IRR TO CALSTRS	1,774,544	1,684,785	1,684,785
TOTAL SALE PROCEEDS TO CALSTRS	\$21,612,216	\$21,522,457	\$21,522,457
(1) THE TOTAL OF NOT TWELVE MONTHS INCLUSIVE FROM THE MONTH OF SALE.			
(2) ANNUAL AD VALOREM PROPERTY TAXES THAT THE BUYER WILL OWE BASED ON THE SALE PRICE GIVEN THE ASSESSMENT RATIO AND TAX RATE.			

CASH RETURN TO CALSTRS					
YEAR	EQUITY INVESTMENT	CASH FLOW	SALE PROCEEDS 8.00% CAP RATE	SALE PROCEEDS 8.25% CAP RATE	SALE PROCEEDS 8.50% CAP RATE
2007	(13,838,138)	0	0	0	0
2010	0	183,308	21,231,257	18,787,887	18,129,448
		PROFIT XER	8,658,933 18.93%	17,113,143 14.30%	53,478,125 11.39%

GROSS JOINT VENTURE PROFIT			
	8.00% CAP RATE	8.25% CAP RATE	8.50% CAP RATE
SALE PROCEEDS AVAILABLE FOR DISTRIBUTION	\$24,387,740	\$21,582,878	\$18,773,153
LESS TOTAL EQUITY INVESTED	(14,824,656)	(14,124,854)	(14,824,854)
LESS FEES & OTHER DEDUCTIONS AT SALE	(844,572)	(458,789)	(47,591)
PLUS CASH FLOW FROM OPERATIONS	1,847,815	1,847,815	1,847,815
JOINT VENTURE PROFIT	\$9,566,328	\$7,778,410	\$5,541,823
JOINT VENTURE IRR	19.72%	15.07%	11.43%

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA

FINAL PROJECTION

CASH FLOW DISTRIBUTION SUMMARY

	2008	2009	2010	2011	2012	TOTALS THRU MAY 2012
GROSS APARTMENT MARKET RENT	\$0	\$0	\$0	\$4,183,555	\$2,683,809	\$6,867,365
GROSS APARTMENT POTENTIAL RENT	\$0	\$0	\$0	\$4,183,555	\$2,683,809	\$6,867,365
APARTMENT VACANCY @ 4.70%	\$0	\$0	\$0	(\$1,543,281)	(180,300)	(1,723,581)
APARTMENT MOVE-IN CONCESSIONS @ 0 WEEKS AT 0.50% TURNOVER RATE	\$0	\$0	\$0	(442,204)	(10,054)	(452,258)
NET APARTMENT RENTAL REVENUE	\$0	\$0	\$0	\$2,208,270	\$2,550,880	\$4,759,150
OTHER INCOME @ \$10.00 PER UNIT LESS VACANCY FACTOR @ 4.70%	\$0	\$0	\$0	44,498	47,847	\$91,345
NET TOTAL APARTMENT RENTAL REVENUE	\$0	\$0	\$0	\$2,252,768	\$2,604,827	\$4,857,593
RETAIL @ 3,744 @ \$1.50 LESS VACANCY FACTOR @ 20.00% (1)	\$0	\$0	\$0	(3,172)	(8,403)	(\$11,575)
NET PROPERTY REVENUE	\$0	\$0	\$0	\$2,255,938	\$2,621,382	\$4,897,330
TOTAL OPERATING EXPENSES	\$0	\$0	\$18,904	\$1,430,442	\$890,800	\$2,340,126
RESERVE FOR REPLACEMENT	\$0	\$0	\$0	\$0	\$22,284	\$22,284
NET OPERATING INCOME	\$0	\$0	(\$18,904)	\$825,496	\$1,702,209	\$2,610,991
PLUS STARTUP EXPENSES FUNDED BY CONSTR FUNDS	\$0	\$0	18,904	288,480	\$0	\$316,384
PLUS INTEREST EARNINGS	\$0	\$0	\$0	\$0	1,574	\$1,574
PLUS MIN-TERM LOAN (INTEREST ONLY) FUNDING	\$0	\$0	\$0	\$0	\$0	\$0
CURRENT MONTH CASH FLOW BEFORE DEBT SERVICE	\$0	\$0	\$0	\$11,044,565	\$48,178,143	\$59,222,708
LESS CONSTRUCTION DEBT SVG (EXCL INTEREST RESERVE)	\$0	\$0	\$0	778,213	623,184	\$1,401,397
LESS MIN-TERM LOAN (INTEREST ONLY) DEBT SERVICE	\$0	\$0	\$0	\$0	481,828	\$481,828
LESS CONSTRUCTION LOAN PAYOFF	\$0	\$0	\$0	\$0	44,472,188	\$44,472,188
LESS FAIRFIELD DEV DEVELOPER FEE PAYMENTS	\$0	\$0	\$0	\$0	\$0	\$0
CURRENT MONTH CASH FLOW AVAILABLE FOR DISTRIBUTION	\$0	\$0	\$0	\$328,352	\$710,283	\$1,038,635
REMAINING CASH FLOW TO CALSTRS	\$0	\$0	\$0	\$0	983,805	\$983,805
REMAINING CASH FLOW TO FAIRFIELD	\$0	\$0	\$0	\$0	\$0	\$0
WORKING CAPITAL ACCOUNT BALANCE	\$0	\$0	\$0	\$328,352	\$0	\$328,352
TOTAL CASH FLOW TO CALSTRS	\$0	\$0	\$0	\$0	\$983,805	\$983,805
TOTAL CASH FLOW TO FAIRFIELD	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL CASH FLOW DISTRIBUTIONS	\$0	\$0	\$0	\$0	\$983,805	\$983,805
TOTAL UNPAID FEES AND PREFERRED RETURNS OWED FROM SALE PROCEEDS	\$0	(\$2,020)	(\$2,020)	(\$2,020)	\$703	\$703
CASH EQUITY INVESTMENT	\$0	\$13,638,130	\$13,638,130	\$13,638,130	\$13,638,130	\$54,582,550
CALSTRS CASH EQUITY INVESTMENT	\$0	\$1,185,824	\$1,185,824	\$1,185,824	\$1,185,824	\$4,747,300
FAIRFIELD CASH EQUITY INVESTMENT	\$0	\$14,824,054	\$14,824,054	\$14,824,054	\$14,824,054	\$59,835,250

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA
FINAL PROJECTION

HARD COST DETAIL

UNITS	297	GENERAL CONTRACTOR FEE: 6.00%		
GROSS SQUARE FOOTAGE	278,200			
COST DESCRIPTION	COST	UNIT	COST PER SQUARE FOOT	PERCENT OF HARD COSTS
APARTMENT HARD COSTS	\$38,410,189		\$137.81	89.74%
PODIUM DECK PARKING-MTS (288 PARKING SPACES @ \$12,400 EACH)	3,298,400		11.86	0.86%
PODIUM DECK PARKING-FFRES (446 PARKING SPACES @ \$12,400 EACH)	5,518,000		19.83	14.82%
TOTAL HARD COSTS	\$37,226,589		\$133.51	
PLUS SPECIAL PROJECT REQUIREMENTS				
DEMO EXISTING PARKING -CURBS, GUTTERS AND PAVING	\$31,226		\$0.11	0.08%
RELOCATE 10" GASLINE & REMOVE ABANDONED 18" STEEL WATER	\$45,813		\$0.16	0.12%
RELOCATE 12" SEWER AND REMOVE AND RELOCATE 64" CIPCI ST	\$104,642		\$0.38	0.29%
REMOVE AND RELOCATE 18" RCP STORM DRAINS & 300' TELEPHO	\$32,198		\$0.12	0.08%
CONSTRUCT RETAINING WALLS AT FLETCHER PRY AND GROSSI	\$128,780		\$0.46	0.31%
CONSTRUCT SPECIAL BEAMS AND FOOTINGS AT GARAGES TO SP	\$533,943		\$1.92	1.39%
OTHER	\$264,719		\$0.95	0.64%
CONTINGENCY	\$288,588		\$1.04	0.75%
TOTAL SPECIAL PROJECT REQUIREMENTS	\$1,809,719		\$6.60	4.59%
PLUS GENERAL CONTRACTOR FEE	\$2,345,978		\$8.44	5.68%
TOTAL HARD COST BUDGET	\$41,463,288		\$149.09	100.00%

**FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA**

FINAL PROJECTION

PERMITS, FEES AND OTHER SOFT COSTS DETAIL

LAND AND CLOSING COSTS		ARCHITECTURAL AND ENGINEERING	
LAND	60	CONCEPTUAL ARCHITECTURALS	\$0
LAND LEGAL	116,000	ARCHITECTURAL DESIGN	695,000
LAND TITLE/CLOSING	25,000	ARCHITECTURAL EXTRA SERVICES	25,000
FAIRFIELD BROKER COMMISSION	0	ARCHITECTURAL REIMB	40,000
OUTSIDE REAL ESTATE COMMISSION	84,536	CIVIL ENGINEER	637,000
TRANSFER & DOCUMENTATION FEES	0	CIVIL ENGINEER EXTRA SERVICES	25,000
LAND LETTER OF CREDIT	0	CIVIL ENGINEER REIMB	42,000
WATER & BOND	0	PLANNING CONSULTANT	12,000
LAND OPTION PMT-REFUNDABLE	0	PLANNING CONSULTANT EXTRA SERVICES	0
LAND OPTION PMT-NON-REFUNDABLE	100,000	PLANNING CONSULTANT REIMB	0
LAND CONTRIBUTIONS	140,892	LANDSCAPE DESIGN	180,000
LAND LEASE PAYMENTS	477,818	LANDSCAPE DESIGN EXTRA SERVICES	10,000
TOTAL LAND AND CLOSING COSTS	\$830,246	LANDSCAPE DESIGN REIMB	10,000
OFFSITE IMPROVEMENTS		SOILS ENGINEER	15,000
GRADING	81,607,849	SOILS/CONCRETE TESTING	0
ROCK REMOVAL	0	SEDIMENTATION CONTROL MONITORING	0
UTILITIES	0	UTILITY CONSULTANT	17,200
CURB & GUTTER	6,889	UTILITY CONSULTANT EXTRA SERVICES	0
BOUND WALL	0	UTILITY CONSULTANT REIMB	0
PAVING	180,055	STRUCTURAL ENGINEER	230,000
SIDEWALKS	28,638	STRUCTURAL ENGINEER EXTRA SERVICES	10,000
JOINT TRENCH	971,584	STRUCTURAL ENGINEER REIMB	10,000
STREET LIGHTS	11,147	M.E.P. ENGINEER	100,000
TRAFFIC SIGNALS	55,737	M.E.P. ENGINEER REIMB	10,000
FENCING	0	SURVEYING	97,000
LANDSCAPING	121,380	FOUNDATION CONSULTANT	0
LIFT STATION	0	FOUNDATION CONSULTANT EXTRA SVCS	0
DEMOLITION	22,295	FOUNDATION CONSULTANT REIMB	0
ENVIRONMENTAL MITIGATION	0	MISC CONSULTANTS	71,000
CONTRIBUTIONS-OFFSITES	0	SPEC & TECH	50,000
REIMBURSABLES-OFFSITES	0	INSPECTING ARCHITECT	30,000
MISC.	0	FINAL PLAN	0
CONTINGENCY	150,000	GARAGE DESIGN	180,000
TOTAL OFFSITE IMPROVEMENTS	\$2,495,294	MISC. REIMBURSABLES	0
DEVELOPMENTAL COSTS		BLUEPRINTS	85,000
APPRAISAL	60	CONSTRUCTION STAKING	0
REZONING, PLATTING, & PREL ENGINEERING	0	FINAL ALTAAS BUILT	0
FEASIBILITY STUDIES	2,254	LEEDS STUDY	2,500
MARKET SURVEYS	0	CONTINGENCY	0
ENGINEERING REVIEW/MISC	0	TOTAL ARCHITECTURAL AND ENGINEERING	\$2,853,700
SOIL STUDIES	35,739	BONDS, INSURANCE, LEGAL AND ADMINISTRATION	
ENVIRONMENTAL STUDIES	6,073	GRADING BOND	\$0
ACOUSTICAL STUDIES	8,410	SUBDIVISION IMPROVEMENT BOND	0
GEOPHYSICAL STUDIES	0	LANDSCAPE BOND	0
TOXICHAZARD STUDIES	2,818	COMPLETION/PERFORMANCE BOND	25,000
ENVIRONMENTAL MITIGATION	70,000	BONDS-MISC	0
TRAFFIC STUDY	22,281	INSURANCE-GENERAL LIABILITY	178,939
BIOLOGICAL STUDIES	8,143	INSURANCE-BUILDERS' RISK	510,879
ALTA BOUNDARY SURVEY	0	INSURANCE-FLOOD	0
CONCEPTUAL SITE PLAN	0	INSURANCE-M.O. WARRANTY	0
TOPO/TREES SURVEY	0	INSURANCE-OTHER	0
MISC.	58,357	LEGAL-GENERAL	50,000
MISC.	0	SALARIES-PROJECT MANAGER	0
CONTINGENCY	50,000	SALARIES-CLERICAL	0
TOTAL DEVELOPMENTAL COSTS	\$206,045	GENERAL & ADMINISTRATIVE COSTS	60,000
OFFICE/CLUBHOUSE/MODEL FURNISHINGS AND MARKETING		ORGANIZATIONAL LEGAL COSTS	25,000
SIGNAGE (8902-8904)	\$20,367	START UP COSTS	0
PROMOTION (GRAPHICS, BROCHURES, ADVERTISING, ETC.) (8950-8964)	75,000	TAX CREDIT INITIAL COMPLIANCE COSTS	0
LEASING OFFICE/CLUBHOUSE FURNISHINGS AND ACCESSORIES (8912-8932)	240,000	QUALITY PREF DURING CONSTRUCTION	0
POOL FURNITURE, BBQ GRILLS, ETC. (8906-8910)	28,178	TRANS MGMT FEE	0
FITNESS CENTER EQUIPMENT AND FURNISHINGS, ETC. (8934-8938)	38,450	RENT UP FEE	0
MODEL FURNISHINGS & BUILDING EXTRAS (8944-8948)	64,535	LENDER ADMINISTRATIVE FEE	25,380
MAINTENANCE EQUIPMENT (8940-8942)	30,996	ACCOUNTING SERVICES FEE	25,000
COMPUTERS	58,257	DEVELOPER FEE PAID AT CLOSING	148,241
MISC.	0	PLACEMENT FEE	0
STARTUP COSTS	287,364	OWNER'S CONTINGENCY	1,825,000
TOTAL OFFICE/CLUBHOUSE/MODEL FURNISHINGS AND MARKETING	\$818,237	MISC.	0
		TOTAL BONDS, INSURANCE, LEGAL AND ADMINISTRATION	\$2,364,438

**FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA**

FINAL PROJECTION

PERMITS, FEES AND OTHER SOFT COSTS DETAIL - CONTINUED

PERMITS AND FEES		REFUNDABLE HOOKUP FEES	
SITE REVIEW PLAN	\$0	ELECTRICAL HOOKUP FEES	\$137,510
FDEP STORMWATER & NPDES PERMITS	0	REFUNDABLE FEES-ELECTRICAL	0
BUILDING PLAN REVIEW FEES	0	GAS HOOKUP FEES	0
TOLR REVIEW FEE	0	REFUNDABLE FEES-GAS	0
C.O. FEES	0	TELEPHONE HOOKUP FEES	0
WATER METER FEES	12,224	REFUNDABLE FEES-TELEPHONE	0
WATER SYSTEM CHARGES	0	CATV HOOKUP FEES	0
SEWER SYSTEM CHARGES	1,247,400	REFUNDABLE FEES-CATV	0
PLAT REVIEW FEES	0	REFUNDABLE FEES-PLAN/MAINT	0
DEVELOPMENT PLAN FEE	15,365	WATER HOOKUP FEES	0
PROPERTY DEVELOPMENT FEE	0	REFUNDABLE FEES-WATER	0
TENTATIVE MAP FEE	0	MISC.	0
SPECIFIC PLAN AMENDMENT	0	TOTAL REFUNDABLE HOOKUP FEES	\$137,510
CONDITIONAL USE PERMIT	0		
PRECISE PLAN FEE	0	EQUITY FINANCING COSTS	
FINAL MAP PLAN CHECK	0	MISC.	\$0
CONVERSION REV FEE	0	MISC.	0
GRADING PLAN CHECK	10,484	MISC.	0
IMPROVEMENT PLAN CHECK	68,982	TOTAL EQUITY FINANCING COSTS	\$0
IMPROVEMENT PLAN INSPECTION	50,721		
LANDSCAPE PLAN CHECK	4,350	LAND ACQUISITION FINANCING COSTS	
GRADING INSPECTION	12,900	LAND LOAN POINTS @ 0.00% OF LAND LOAN	\$0
STORM DRAINAGE FEE	11,669	LAND LOAN CLOSING AND LEGAL	0
LANDSCAPE INSPECTION	0	LAND LOAN TITLE INSURANCE	0
TORTORIS FEE/PUBLIC SAFETY FEE	0	LAND LOAN DOCUMENTARY TAX	0
PARK FEE	355,810	LAND LOAN LENDER APPRAISAL	0
SCHOOL FEE	\$25,240	LAND LOAN INTEREST	0
TRAFFIC FEE	10,907	TOTAL LAND ACQUISITION FINANCING COSTS	\$0
SMIT FEE	3,042		
SANITARY SEWER IMPACT FEE	0	CONSTRUCTION FINANCING COSTS EXCLUDING INTEREST	
WATER IMPACT FEE	0	CONSTRUCTION LOAN POINTS @ 0.00% OF CONSTRUCTION LOAN	\$480,250
WATER CONNECTION FEE	250	SUPPLEMENTAL DEVELOPMENT FEE	0
PLAN CHECK FEE	163,513	CONSTRUCTION LOAN CLOSING AND LEGAL	60,000
BUILDING PERMIT FEE	189,037	CONSTRUCTION LOAN TITLE INSURANCE	50,000
STREET LIGHT FEE	0	CONSTRUCTION LOAN DOCUMENTARY TAX	0
WATER MONITORING FEE	0	CONSTRUCTION LENDER APPRAISAL	5,000
FLOOD HAZARD RV (TM)	0	MISC.	0
FLOOD HAZARD RV (PR)	0	TOTAL CONSTRUCTION FINANCING COSTS EXCLUDING INTEREST	\$485,250
CAPITAL IMPROVEMENT FEE	0		
PERMIT-MECHANICAL	0	CALSTRS SUBSCRIPTION LOAN COSTS	
PERMIT-SALES OFFICE	0	CALSTRS SUBSCRIPTION LOAN POINTS @ 7805200.00% OF CALSTRS SUBSC	\$78,062
SEWER FEE-ASSESSMENT	0	CALSTRS SUBSCRIPTION LOAN CLOSING COSTS	0
SEWER FEE-FRONTAGE	0	CALSTRS SUBSCRIPTION LOAN INTEREST	4103,946
SEWER FEE-FACILITIES	0	MEZZANINE LOAN POINTS @ 0.00% OF MEZZANINE LOAN	0
WATER FEE-CONSTRUCTION	0	MEZZANINE LOAN CLOSING COSTS	0
WATER FEE-FRONTAGE	0	MEZZANINE LOAN INTEREST	0
WATER FEE-CAP FACILITIES	57,690	MEZZANINE LOAN PRINCIPAL REDUCTIONS	0
WATER TREATMENT PLANT FEE	0	TOTAL CALSTRS SUBSCRIPTION LOAN COSTS	\$478,928
FACILITIES BENEFIT FEE	0		
COMMUNITY FACILITIES DISTRICT	0	MINI-PERM LOAN (INTEREST ONLY) COSTS EXCLUDING INTEREST	
SWIMMING POOL/SPA FEE	0	MISC.	\$0
PERMIT-ELECTRICAL	32,753	MISC.	0
PERMIT-ENCROACHMENT	0	TOTAL MINI-PERM LOAN (INTEREST ONLY) COSTS EXCLUDING INTEREST	\$0
PERMIT-FIRE SPRINKLERS	74,110		
PERMIT-HVAC	33,755	OTHER CONSTRUCTION PERIOD FEES AND COSTS	
PERMIT-IMPROVEMENTS	24,128	CONSTRUCTION LOAN INTEREST RESERVE	\$2,732,700
PERMIT-PLUMBING	22,390	DEVELOPER FEE PD DURING CONSTRUCTION	1,630,646
PERMIT-ROOFING	0	SOFT COST CONTINGENCY	285,000
PERMIT-SITE WALL	0	CONSTRUCTION PERIOD PROPERTY TAXES	427,178
PERMIT-WALL	0	LMCRA AFFORDABLE UNITS SUBSIDY	(1,403,925)
OCCUPANCY FEE	0	TOTAL OTHER CONSTRUCTION PERIOD FEES AND COSTS	\$4,311,854
REIMBURSEMENT FROM CITY OF LA MESA FOR SEWER OFFSITE	(1,247,400)		
RELOCATION OF BUS STOP	175,833		
THEATER LICENSE AGREEMENT AMENDMENT	50,867		
CONTINGENCY	125,000		
TOTAL PERMITS AND FEES	\$2,142,593		

**FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA**

FINAL PROJECTION

PROPERTY TAX DETAIL

(A) ASSESSMENT RATIO	100.00%
(B) TOTAL FULL CASH VALUE AD VALOREM TAX RATE	1.03793%
	0.00000%
ANNUAL INFLATION OF ASSESSED TAX VALUE IN TAX LIEN MONTH	2.00%
TAX LIEN MONTH	JANUARY
TAX YEAR	JULY-JUNE
ANNUAL TAX INSTALLMENTS	1ST-DECEMBER 0.00% 2ND-APRIL 0.00%
(C) ESTIMATED BASE ASSESSED VALUE IN 2005 (SEE NOTE 3 BELOW):	\$52,590,573
TOTAL BASE ANNUAL AD VALOREM TAXES (A * B * C):	\$545,884
TOTAL COSTS ON WHICH ASSESSED VALUE IS BASED:	\$49,895,057
LAND CLOSING AND DEVELOPMENTAL COSTS	\$258,048
ARCHITECTURAL AND ENGINEERING	\$2,583,700
PERMITS AND FEES (EXCL. OFFSITES AND HOOKUP FEES)	\$2,142,899
TOTAL BONDS, INSURANCE & LEGAL	\$2,780,814
HARD COSTS	\$39,118,308
GENERAL CONTRACTOR FEE	\$2,348,878
FURNISHINGS, EQUIPMENT, ETC.	\$479,518
FULL CASH VALUE AD VALOREM TAX/MILL RATE #1	1.03793%
NOTES:	
1. SUPPLEMENTAL TAX BILLS ARE ISSUED FOR CONSTRUCTION AS CONSTRUCTION IS COMPLETED BASED ON DELIVERIES	
2. PROPERTY VALUE IS REASSESSED AT THE TIME OF SALE.	
3. STABILIZED ASSESSED VALUE FROM MONTH #8 TRENDED BACK TO BASE YEAR.	

**FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA**

FINAL PROJECTION

BUILDERS RISK INSURANCE CALCULATION DETAIL

	<u>PROJECTED</u>	<u>% OF PROJECTED</u>	<u>ADJUSTED BASIS</u>
BUILDING VALUE:			
HARD COSTS:	\$37,228,588	100.00%	\$37,228,588
SPECIAL PROJECT REQUIREMENTS:	1,889,718	100.00%	1,889,718
OFFSITE IMPROVEMENTS:	2,483,284	0.00%	0
GENERAL CONTRACTOR FEE:	2,348,878	0.00%	0
TOTAL BUILDING VALUE:	\$43,858,530	82.83%	\$30,118,208
CONTENTS:			
LEASING OFFICE/CLUBHOUSE FURNISHINGS AND ACCESSORIES (5012-5032):	240,000	100.00%	240,000
POOL FURNITURE, BBQ GRILLS, ETC. (5008-5010):	28,178	100.00%	28,178
FITNESS CENTER EQUIPMENT AND FURNISHINGS, ETC. (5034-5038):	39,450	100.00%	39,450
MODEL FURNISHINGS & BUILDING EXTRAS (5044-5048):	84,535	100.00%	84,535
MAINTENANCE EQUIPMENT (5049-5052):	30,998	100.00%	30,998
COMPUTERS:	58,357	100.00%	58,357
TOTAL CONTENTS:	\$479,516	100.00%	\$479,516
SOFT COSTS:			
LAND CLOSING AND DEVELOPMENTAL COSTS:	\$721,472	10.00%	\$721,472
ARCHITECTURAL AND ENGINEERING:	2,583,700	10.00%	258,370
PERMITS AND FEES:	2,142,598	20.00%	428,519
CONSTRUCTION HCCUP FEES:	137,510	20.00%	27,502
TOTAL BONDS, INSURANCE & LEGAL:	2,798,814	50.00%	1,399,407
STARTUP EXPENSES:	287,384	0.00%	0
LENDER ADMINISTRATIVE FEE:	15,380	15.00%	3,807
DEVELOPER FEE PAID AT CLOSING:	148,241	15.00%	22,236
CALSTRS SUBSCRIPTION LOAN:	479,888	0.00%	0
CONSTRUCTION FINANCING COSTS:	483,250	15.00%	72,488
CONSTRUCTION LOAN INTEREST RESERVE:	1,732,766	100.00%	1,732,766
CONSTRUCTION PERIOD PROPERTY TAXES:	427,179	15.00%	64,077
DEVELOPER FEE PD DURING CONSTRUCTION:	1,600,646	0.00%	0
SOFT COST CONTINGENCY:	285,000	50.00%	142,500
TOTAL SOFT COSTS:	\$14,293,981	41.88%	\$5,983,548
LAND AND CLOSING COST:	\$432,810	0.00%	0
TOTAL PROJECT COST:	\$58,164,888	77.04%	\$45,579,370
PLUS 1-YEAR STABILIZED NET PROPERTY REVENUE:	\$5,575,718	75.00%	\$4,181,787
TOTAL PROJECT VALUE INCLUDING 1-YEAR STABILIZED NET PROPERTY REVENUE:	\$63,740,602	78.88%	\$49,761,157
ANNUAL PREMIUM PER \$100 TOTAL PROJECT VALUE:	<u>PRIMARY</u> 50.38	<u>EXCESS</u> 90.84	<u>TOTALS</u> 90.34
ANNUAL TAXES PER \$100 TOTAL PROJECT VALUE:	50.07	90.03	90.10
TOTAL GENERAL AND UMBRELLA LIABILITY INSURANCE PREMIUM PER \$1,000 BUILDING VALUE:	N/A	N/A	\$4.80
ANNUAL BRI PREMIUM:	<u>PRIMARY</u> \$149,283	<u>EXCESS</u> \$18,904	<u>TOTALS</u> 168,187
ANNUAL BRI TAXES:	34,633	14,926	49,761
TOTAL ANNUAL BUILDERS RISK INSURANCE PREMIUM AND TAXES:	\$184,116	\$34,832	\$218,948
* YEARS OF CONSTRUCTION (28 MONTHS):			2.33
TOTAL BUILDERS RISK INSURANCE PREMIUM AND TAXES:			\$510,879
PLUS TOTAL GENERAL AND UMBRELLA LIABILITY INSURANCE:			178,035
TOTAL CONSTRUCTION INSURANCE AND TAXES:			\$690,814
TOTAL CONSTRUCTION INSURANCE AND TAXES PER UNIT:			\$2,328
DEDUCTIBLE PER OCCURRENCE:			\$100,000

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA

FINAL PROJECTION

OPERATING INSURANCE CALCULATION DETAIL

(1) TOTAL ANNUAL GENERAL LIABILITY PREMIUM:	\$12,771
ANNUAL GENERAL LIABILITY RATE PER UNIT:	\$43.00
(2) ANNUAL UMBRELLA PREMIUM:	\$3,207
ANNUAL UMBRELLA RATE PER UNIT:	\$31.00
BUILDING VALUE:	\$39,118,208
CONTENTS VALUE:	479,518
RENTS VALUE:	6,181,787
TOTAL INSURED VALUE:	\$43,777,611
TOTAL INSURED VALUE: PER UNIT:	\$147,899
ANNUAL PRIMARY/EXCESS PROPERTY RATE PER \$100 OF TOTAL INSURED VALUE:	30.35
(3) ANNUAL PRIMARY/EXCESS PROPERTY PREMIUM:	\$151,033
ANNUAL BOILER & MACHINERY RATE PER \$100 OF TOTAL INSURED VALUE:	50.00
(4) ANNUAL BOILER & MACHINERY PREMIUM:	\$1,781
ANNUAL ENVIRONMENTAL/POLLUTION RATE: PER UNIT:	\$15.00
(5) ANNUAL ENVIRONMENTAL/POLLUTION PREMIUM:	\$4,456
TOTAL ANNUAL OPERATING INSURANCE (1 + 2 + 3 + 4 + 5):	\$178,217
TOTAL ANNUAL OPERATING INSURANCE PER UNIT:	\$603
TOTAL ANNUAL OPERATING INSURANCE PER BED:	\$417
DEDUCTIBLE PER OCCURRENCE:	\$100,000

FINAL PROJECTION

	MONTHLY CONSTRUCTION AND OPERATIONS SUMMARY												TOTAL
	MONTHLY CALENDAR MONTHLY YEAR												TOTAL
	JAN 2007	FEB 2007	MAR 2007	APR 2007	MAY 2007	JUN 2007	JUL 2007	AUG 2007	SEP 2007	OCT 2007	NOV 2007	DEC 2007	TOTAL
UNITS DELIVERED	0	0	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE UNITS DELIVERED	0	0	0	0	0	0	0	0	0	0	0	0	0
NEW UNIT LEASES SIGNED	0	0	0	0	0	0	0	0	0	0	0	0	0
UNIT MOVES-IN	0	0	0	0	0	0	0	0	0	0	0	0	0
ECONOMIC UNIT OCCUPANCY	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECONOMIC UNIT OCCUPANCY RATE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PHYSICAL UNIT OCCUPANCY	0	0	0	0	0	0	0	0	0	0	0	0	0
PHYSICAL UNIT OCCUPANCY RATE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATING INCOME													
GROSS APARTMENT MARKET RENT	10	10	10	10	10	10	10	10	10	10	10	10	10
GROSS APARTMENT POTENTIAL RENT	10	10	10	10	10	10	10	10	10	10	10	10	10
APARTMENT VACANCY @ 6.78%	0	0	0	0	0	0	0	0	0	0	0	0	0
APARTMENT MOVE-IN CONCESSIONS @ \$150 PER UNIT AT 9.0% TURNOVER	0	0	0	0	0	0	0	0	0	0	0	0	0
NET APARTMENT RENTAL REVENUE	10	10	10	10	10	10	10	10	10	10	10	10	10
OTHER INCOME @ \$100 PER UNIT LESS VACANCY FACTOR @ 4.70%	0	0	0	0	0	0	0	0	0	0	0	0	0
NET TOTAL APARTMENT RENTAL REVENUE	10	10	10	10	10	10	10	10	10	10	10	10	10
RETAIL @ 2.14 @ \$150 LESS VACANCY FACTOR @ 20.0% (1)	0	0	0	0	0	0	0	0	0	0	0	0	0
NET PROPERTY REVENUE	10	10	10	10	10	10	10	10	10	10	10	10	10
OPERATING EXPENSES													
SALARIES	10	10	10	10	10	10	10	10	10	10	10	10	10
ADVERTISING	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAIRS MAINTENANCE BUILDING SVCS & COMMON AREA MAINT.	0	0	0	0	0	0	0	0	0	0	0	0	0
GENERAL AND ADMINISTRATIVE	0	0	0	0	0	0	0	0	0	0	0	0	0
MANAGEMENT FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
UTILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL VARIABLE OPERATING EXPENSES	10	10	10	10	10	10	10	10	10	10	10	10	10
INSURANCES	0	0	0	0	0	0	0	0	0	0	0	0	0
PROPERTY TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0
RATE LAND LEASE PAYMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND LEASE PARTICIPATION IN REVENUE	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL FIXED OPERATING EXPENSES	10	10	10	10	10	10	10	10	10	10	10	10	10
TOTAL OPERATING EXPENSES	10	10	10	10	10	10	10	10	10	10	10	10	10
RESERVES FOR REPLACEMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION COSTS													
LAND LEASE PAYMENTS	10	10	10	10	10	10	10	10	10	10	10	10	10
OFFSITE IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND CLOSURE AND DEVELOPMENTAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
ARCHITECTURAL AND ENGINEERING	0	0	0	0	0	0	0	0	0	0	0	0	0
PERMITS AND FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION HOLDUP FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL BONDS, INSURANCE & LEGAL	0	0	0	0	0	0	0	0	0	0	0	0	0
LENDER ADMINISTRATIVE FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
DEVELOPER FEE PAID AT CLOSING	0	0	0	0	0	0	0	0	0	0	0	0	0
OFFICE & MODEL FURNITURE, MARKETING & STARTUP EXPENSES	0	0	0	0	0	0	0	0	0	0	0	0	0
CALSTRS SUBSCRIPTION LOAN	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION FINANCING COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION LOAN INTEREST RESERVE	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION PERIOD PROPERTY TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0
DEVELOPER FEE PD DURING CONSTRUCTION	0	0	0	0	0	0	0	0	0	0	0	0	0
SCPP COST CONTINGENCY	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND AFFORDABLE UNITS SUBSIDY	0	0	0	0	0	0	0	0	0	0	0	0	0
HARD COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
GENERAL CONTRACTOR FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CONSTRUCTION COSTS	10	10	10	10	10	10	10	10	10	10	10	10	10
CALSTRS SUBSCRIPTION LOAN DRAWS/PAYOFF	0	0	0	0	0	0	0	0	0	0	0	0	0
EQUITY FUND DRAWS	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION LOAN DRAWS	0	0	0	0	0	0	0	0	0	0	0	0	0
GUESSED HOLDING ACCOUNT	0	0	0	0	0	0	0	0	0	0	0	0	0
NET CONSTRUCTION FINANCING	10	10	10	10	10	10	10	10	10	10	10	10	10

FINAL PROJECTION

MONTHLY CONSTRUCTION AND OPERATIONS SUMMARY													
	CALENDAR MONTHLY YEAR												TOTAL
	JAN 2017	FEB 2017	MAR 2017	APR 2017	MAY 2017	JUN 2017	JUL 2017	AUG 2017	SEP 2017	OCT 2017	NOV 2017	DEC 2017	TOTAL
UNITS DELIVERED	0	0	0	0	0	0	0	0	0	0	0	0	0
OUTSTANDING UNITS DELIVERED	0	0	0	0	0	0	0	0	0	0	0	0	0
NEW UNIT LEASES SIGNED	3	0	0	0	0	2	0	0	3	3	0	0	0
UNIT MOV-INS	0	0	0	0	0	0	0	0	0	0	0	0	0
ECONOMIC UNIT OCCUPANCY RATE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PHYSICAL UNIT OCCUPANCY RATE	0	0	0	0	0	0	0	0	0	0	0	0	0
PHYSICAL UNIT OCCUPANCY RATE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATING INCOME													
GROSS APARTMENT MARKET RENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GROSS APARTMENT POTENTIAL RENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
APARTMENT VACANCY @ 4.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
NET APARTMENT REVENUE	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER INCOME @ \$0.00 PER UNIT LESS VACANCY FACTOR @ 4.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
NET TOTAL APARTMENT REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
RENTAL @ 7.74 @ \$1.00 LESS VACANCY FACTOR @ 20.0% (1)	0	0	0	0	0	0	0	0	0	0	0	0	0
NET PROPERTY REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING EXPENSES													
SALARIES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADVERTISING	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAIRS, MAINTENANCE, BUILDING SVCS & COMMON AREA MAINT.	0	0	0	0	0	0	0	0	0	0	0	0	0
GENERAL AND ADMINISTRATIVE	0	0	0	0	0	0	0	0	0	0	0	0	0
MANAGEMENT FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
UTILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL VARIABLE OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
INSURANCE	0	0	0	0	0	0	0	0	0	0	0	0	0
PROPERTY TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0
BASE UNIT LEASE PAYMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND LEASE PARTICIPATION IN REVENUE	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL FIXED OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
RESERVES FOR REPLACEMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONSTRUCTION COSTS													
LAND LEASE PAYMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OFFSITE IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND CLOSING AND DEVELOPMENTAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
ARCHITECTURAL AND ENGINEERING	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
PERMITS AND FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION HOOKUP FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL BONDS, INSURANCE & LEGAL	0	0	0	0	673,535	12,078	12,078	12,078	6,426	6,426	6,426	6,426	737,247
LENDER ADMINISTRATIVE FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
DEVELOPER FEE PAID AT CLOSING	0	0	0	0	148,248	0	0	0	0	0	0	0	148,248
OFFICE & MODEL FURNITURE, MARKETING & STARTUP EXPENSES	0	0	0	0	0	0	0	0	0	0	0	0	0
CALIBERS SUBSCRIPTION LOAN	48,400	23,379	0	0	0	0	0	0	0	0	0	0	139,849
CONSTRUCTION FURNISHING COSTS	0	0	0	0	433,222	0	0	0	0	0	0	0	433,222
CONSTRUCTION LOAN INTEREST RESERVE	0	0	0	0	0	0	0	1,413	6,168	13,148	25,334	52,105	96,065
CONSTRUCTION PERIOD PROPERTY TAXES	0	0	0	19,000	0	0	0	0	0	0	0	0	19,000
DEVELOPER FEE FOR CLOSING & CONSTRUCTION	0	0	0	0	54,227	54,227	18,227	58,227	58,227	58,227	58,227	58,227	456,355
SOFT COST CONTINGENCY	0	0	0	0	0	0	0	0	0	0	0	0	0
UNREAFFORDABLE UNITS SUBSIDY	0	0	0	0	0	0	0	0	0	0	0	0	0
PPPP COSTS	0	0	0	0	487,246	518,289	744,333	830,203	1,114,718	1,115,768	1,489,664	2,512,795	8,652,997
GENERAL CONTINGENCY FEE	0	0	0	0	29,237	0	0	0	0	0	0	0	58,474
TOTAL CONSTRUCTION COSTS	447,400	45,379	41,000	\$18,523	\$2,234,000	\$903,615	\$903,615	\$1,259,618	\$1,259,618	\$1,259,618	\$1,259,618	\$1,259,618	\$11,877,731
CALIBERS SUBSCRIPTION LOAN CTRAFSPAYOFF	47,400	(10,140,215)	0	0	0	0	0	0	0	0	0	0	(10,092,815)
EQUITY FUND CHARGES	0	10,234,718	1,700	29,237	2,234,000	863,615	861,117	789,184	2,000	2,000	0	0	14,824,554
CONSTRUCTION LOAN DRAWDN	0	0	0	0	0	0	0	25,314	1,259,618	1,259,618	1,489,620	2,812,578	7,346,522
SUBSIDY HOLDING ACCOUNT	0	0	0	0	0	0	0	0	0	0	0	0	0
NET CONSTRUCTION FINANCING	447,400	804,379	\$1,000	\$30,523	\$4,222,800	\$603,615	\$489,117	\$1,259,618	\$1,259,618	\$1,259,618	\$1,489,620	\$2,812,578	\$11,877,731

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE-ALTERRA - LA MESA, CA

FINAL PROJECTION

MONTHLY CONSTRUCTION AND OPERATIONS SUMMARY													
	JAN 2014	FEB 2014	MAR 2014	APR 2014	MAY 2014	JUN 2014	JUL 2014	AUG 2014	SEP 2014	OCT 2014	NOV 2014	DEC 2014	TOTAL
UNITS DELIVERED	0	0	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE UNITS DELIVERED	0	0	0	0	0	0	0	0	0	0	0	0	0
NEW UNIT LEASES SIGNED	0	0	0	0	0	0	0	0	0	0	0	0	0
UNIT MOVES-INS	0	0	0	0	0	0	0	0	0	0	0	0	0
ECONOMIC UNIT OCCUPANCY	0	0	0	0	0	0	0	0	0	0	0	0	0
ECONOMIC UNIT OCCUPANCY RATE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PHYSICAL UNIT OCCUPANCY	0	0	0	0	0	0	0	0	0	0	0	0	0
PHYSICAL UNIT OCCUPANCY RATE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATING INCOMES													
GROSS APARTMENT MARKET RENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GROSS APARTMENT POTENTIAL RENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
APARTMENT VACANCY @ 4.75%	0	0	0	0	0	0	0	0	0	0	0	0	0
APARTMENT INCOME COLLECTIONS @ 9 WEEKS AT 0.00% TURNOVER	0	0	0	0	0	0	0	0	0	0	0	0	0
NET APARTMENT RENTAL REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OTHER INCOME @ \$0.00 PER UNIT LESS VACANCY FACTOR @ 4.75%	0	0	0	0	0	0	0	0	0	0	0	0	0
NET TOTAL APARTMENT RENTAL REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
RENTAL @ 2.74 @ \$1.50 LESS VACANCY FACTOR @ 20.00 (%)	0	0	0	0	0	0	0	0	0	0	0	0	0
NET PROPERTY REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING EXPENSES													
SALARIES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,818	\$4,332	\$10,100	\$17,238	\$34,488
ADVERTISING	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAIRS, MAINTENANCE, BUILDING SVCS & COMMON AREA MAINT.	0	0	0	0	0	0	0	0	0	0	0	0	0
GENERAL AND ADMINISTRATIVE	0	0	0	0	0	0	0	0	0	0	0	0	0
MANAGEMENT FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
UTILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL VARIABLE OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,818	\$4,332	\$10,100	\$17,238	\$34,488
INSURANCE	0	0	0	0	0	0	0	0	0	0	0	0	0
PROPERTY TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0
BASE LAND LEASE PAYMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND LEASE PARTICIPATION IN REVENUE	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL FIXED OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,818	\$4,332	\$10,100	\$17,238	\$34,488
RESERVES FOR REPLACEMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,818)	(\$4,332)	(\$10,100)	(\$17,238)	(\$34,488)
CONSTRUCTION COSTS													
LAND LEASE PAYMENTS	\$0	\$0	\$0	\$0	\$14,273	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,273
OFFSITE IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND CLOSING AND DEVELOPMENTAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
ARCHITECTURAL AND ENGINEERING	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
PERMITS AND FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION HOOKUP FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL BONDS, INSURANCE & LEGAL	\$,426	\$,426	\$,426	\$,426	\$,426	\$,426	\$,426	\$,426	\$,426	\$,426	\$,426	\$,426	77,112
LENDER ADMINISTRATIVE FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
DEVELOPER FEE PAID AT CLOSING	0	0	0	0	0	0	0	0	0	0	0	0	0
OFFICE & MODEL FURNITURE, MARKETING & STARTUP EXPENSES	0	0	0	0	0	0	0	0	0	0	0	0	0
CALSTRS SUBSCRIPTION LOAN	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION FINANCING COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION LOAN INTEREST RESERVE	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION PERIOD PROPERTY TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0
DEVELOPER FEE PD DURING CONSTRUCTION	0	0	0	0	0	0	0	0	0	0	0	0	0
SOFT COST CONTINGENCY	0	0	0	0	0	0	0	0	0	0	0	0	0
LCMRA AFFORDABLE UNITS SUBSIDY	0	0	0	0	0	0	0	0	0	0	0	0	0
HARD COSTS	2,340,310	2,527,085	2,712,240	2,900,070	3,088,840	3,277,610	3,466,380	3,655,150	3,843,920	4,032,690	4,221,460	4,410,230	21,293,030
GENERAL CONTRACTOR FEE	170,422	181,681	192,940	204,199	215,458	226,717	237,976	249,235	260,494	271,753	283,012	294,271	1,470,000
TOTAL CONSTRUCTION COSTS	\$2,510,732	\$2,708,766	\$2,905,180	\$3,104,269	\$3,304,339	\$3,504,409	\$3,704,479	\$3,904,549	\$4,104,619	\$4,304,689	\$4,504,759	\$4,704,829	\$22,763,030
CALSTRS SUBSCRIPTION LOAN DRAWS(PAYOFF)	0	0	0	0	0	0	0	0	0	0	0	0	0
EQUITY FUND DRAWS	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION LOAN DRAWS	0	0	0	0	0	0	0	0	0	0	0	0	0
SUBSIDY HOLDING ACCOUNT	0	0	0	0	0	0	0	0	0	0	0	0	0
NET CONSTRUCTION FINANCING	\$2,510,732	\$2,708,766	\$2,905,180	\$3,104,269	\$3,304,339	\$3,504,409	\$3,704,479	\$3,904,549	\$4,104,619	\$4,304,689	\$4,504,759	\$4,704,829	\$22,763,030

FINAL PROJECTION

MONTHLY CONSTRUCTION AND OPERATIONS SUMMARY													2019
	MONTH 1		MONTH 2		MONTH 3		MONTH 4		MONTH 5		MONTH 6		TOTALS
	JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019	OCT 2019	NOV 2019	DEC 2019	TOTALS
UNITS DELIVERED	0	0	100	0	111	0	78	0	0	0	0	0	289
CUMULATIVE UNITS DELIVERED	0	0	100	111	221	221	300	300	300	300	300	300	2,911
LEASABLE LEASES SIGNED	0	0	30	30	30	30	30	30	30	30	30	30	297
UNIT MOVEMENTS	0	0	15	30	30	30	30	30	30	30	30	30	272
ECONOMIC UNIT OCCUPANCY	0.00%	0.00%	3.00%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	28.99%
ECONOMIC UNIT OCCUPANCY RATE	0.00%	0.00%	3.00%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	28.99%
PHYSICAL UNIT OCCUPANCY	0	0	15	45	75	105	135	165	195	225	255	285	2,177
PHYSICAL UNIT OCCUPANCY RATE	0.00%	0.00%	15.00%	45.00%	75.00%	105.00%	135.00%	165.00%	195.00%	225.00%	255.00%	285.00%	217.70%
OPERATING INCOME													
GROSS APARTMENT MARKET RENT	\$0	\$0	\$103,830	\$307,278	\$370,845	\$414,830	\$519,248	\$521,782	\$521,782	\$521,782	\$521,782	\$521,782	\$4,551,562
GROSS APARTMENT POTENTIAL RENT	\$0	\$0	\$103,830	\$307,278	\$370,845	\$414,830	\$519,248	\$521,782	\$521,782	\$521,782	\$521,782	\$521,782	\$4,551,562
APARTMENT VACANCY @ 4.0%	\$0	\$0	\$7,266	\$17,390	\$17,390	\$17,390	\$21,539	\$21,539	\$21,539	\$21,539	\$21,539	\$21,539	\$173,900
APARTMENT MOV-INS IN CONCURRENCE @ 0 WEEKS AT 0.16% TURNOVER	\$0	\$0	\$2,409	\$4,818	\$4,818	\$4,818	\$5,862	\$5,862	\$5,862	\$5,862	\$5,862	\$5,862	\$47,736
NET APARTMENT RENTAL REVENUE	\$0	\$0	\$96,564	\$290,888	\$353,455	\$397,440	\$497,709	\$500,243	\$500,243	\$500,243	\$500,243	\$500,243	\$4,377,662
NET INCOME @ \$100 PER UNIT LESS VACANCY FACTOR @ 4.0%	\$0	\$0	\$76	\$1,821	\$2,738	\$3,290	\$4,067	\$4,067	\$4,067	\$4,067	\$4,067	\$4,067	\$32,917
NET TOTAL APARTMENT RENTAL REVENUE	\$0	\$0	\$96,640	\$292,709	\$356,193	\$401,730	\$498,111	\$500,773	\$500,439	\$500,105	\$500,243	\$500,243	\$4,379,222
NET @ 4.74% @ \$100 LESS VACANCY FACTOR @ 20.0% (1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NET PROPERTY REVENUE	\$0	\$0	\$4,379	\$35,970	\$39,905	\$43,924	\$53,811	\$54,373	\$54,373	\$54,373	\$54,373	\$54,373	\$443,924
OPERATING EXPENSES													
SALARIES	\$11,500	\$20,825	\$43,137	\$43,137	\$43,137	\$43,137	\$43,137	\$43,137	\$43,137	\$43,137	\$43,137	\$43,137	\$431,370
ADVERTISING	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$25,000
REPAIRS, MAINTENANCE BUILDING SVCS & COMMON AREA MAINT.	\$0	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$25,000
GENERAL AND ADMINISTRATIVE	\$4,168	\$4,168	\$4,168	\$4,168	\$4,168	\$4,168	\$4,168	\$4,168	\$4,168	\$4,168	\$4,168	\$4,168	\$41,680
MANAGEMENT FEE	\$0	\$0	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$150
UTILITIES	\$1,827	\$1,827	\$3,154	\$3,154	\$3,154	\$3,154	\$3,154	\$3,154	\$3,154	\$3,154	\$3,154	\$3,154	\$31,540
TOTAL VARIABLE OPERATING EXPENSES	\$20,995	\$34,374	\$66,414	\$75,500	\$75,500	\$75,500	\$75,500	\$75,500	\$75,500	\$75,500	\$75,500	\$75,500	\$755,000
INSURANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROPERTY TAXES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BASE LAND LEASE PAYMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LAND LEASE PAYOUT CATCH IN REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL FIXED OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$20,995	\$34,374	\$66,414	\$75,500	\$75,500	\$75,500	\$75,500	\$75,500	\$75,500	\$75,500	\$75,500	\$75,500	\$755,000
RESERVES FOR REPLACEMENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NET OPERATING INCOME	\$0	\$0	\$30,226	\$217,229	\$278,555	\$324,310	\$424,209	\$425,270	\$424,744	\$424,744	\$424,744	\$424,744	\$3,602,662
CONSTRUCTION COSTS													
LAND LEASE PAYMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OFFSITE IMPROVEMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LAND CLOSING AND DEVELOPMENTAL COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ARCHITECTURAL AND ENGINEERING	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$10,000
PERMITS AND FEES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONSTRUCTION HOOKUP FEES	\$0	\$0	\$17,518	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,518
TOTAL REMOTE, INSURANCE & LEGAL	\$4,225	\$4,225	\$4,225	\$4,225	\$4,225	\$4,225	\$4,225	\$4,225	\$4,225	\$4,225	\$4,225	\$4,225	\$42,225
VEHICLE ADMINISTRATION FEES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DEVELOPER FEE AND AIR CLOSING	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OFFICE & MODEL FURNITURE, MARKETING & STARTUP EXPENSES	\$43,000	\$52,769	\$20,571	\$9,775	\$4,833	\$5,455	\$0	\$0	\$0	\$0	\$0	\$0	\$136,403
CAPITALS SUBSCRIPTION LOAN	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONSTRUCTION FINANCING COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONSTRUCTION LOAN INTEREST RESERVE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONSTRUCTION PERIOD PROPERTY TAXES	\$19,281	\$20,089	\$18,444	\$19,251	\$22,778	\$12,003	\$12,713	\$17,415	\$16,616	\$27,551	\$6,159	\$0	\$200,234
DEVELOPER FEE PD DURING CONSTRUCTION	\$53,237	\$33,237	\$6,237	\$5,432	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$98,903
SOFT COST CONTINGENCY	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
UNRA AFFORDABLE UNITS SUBSIDY	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
HAZARD COSTS	\$20,184	\$1,176,758	\$1,023,731	\$70,565	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,198,538
GENERAL CONSTRUCTION FEE	\$7,512	\$7,708	\$1,474	\$9,364	\$2,258	\$4,672	\$5,564	\$5,564	\$5,564	\$5,564	\$5,564	\$5,564	\$55,564
TOTAL CONSTRUCTION COSTS	\$1,191,410	\$1,622,067	\$1,978,303	\$1,444,728	\$8,080	\$1,091,818	\$1,371,271	\$1,371,271	\$1,371,271	\$1,371,271	\$1,371,271	\$1,371,271	\$11,699,240
CAPITALS SUBSCRIPTION LOAN PAYOFF (OFF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EXISTING FUND DRAWS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONSTRUCTION LOAN DRAWS	\$1,191,410	\$1,622,067	\$1,978,303	\$1,444,728	\$8,080	\$1,091,818	\$1,371,271	\$1,371,271	\$1,371,271	\$1,371,271	\$1,371,271	\$1,371,271	\$11,699,240
SUBSIDY HOLDING ACCOUNT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NET CONSTRUCTION FINANCING	\$1,191,410	\$1,622,067	\$1,978,303	\$1,444,728	\$8,080	\$1,091,818	\$1,371,271	\$1,371,271	\$1,371,271	\$1,371,271	\$1,371,271	\$1,371,271	\$11,699,240

FINAL PROJECTION

[illegible]

**FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA**

FINAL PROJECTION

MONTHLY CONSTRUCTION AND OPERATIONS SUMMARY

	MONTH 6 CALENDAR MONTH YEAR	MONTH 12 CALENDAR MONTH YEAR	MONTH 18 CALENDAR MONTH YEAR	MONTH 24 CALENDAR MONTH YEAR	MONTH 30 CALENDAR MONTH YEAR	5-YEAR TOTAL
	TOTALS	TOTALS	TOTALS	TOTALS	TOTALS	TOTALS
UNITS DELIVERED	0	0	0	297	0	297
CUMULATIVE UNITS DELIVERED	0	0	0	297	297	297
NEW UNIT LEASES SIGNED	0	0	0	230	0	230
UNIT MOVE-INS	0	0	0	277	7	283
ECONOMIC UNIT OCCUPANCY	0	0	0	256	263	263
ECONOMIC UNIT OCCUPANCY RATE	0.00%	0.00%	0.00%	86.95%	85.50%	85.34%
PHYSICAL UNIT OCCUPANCY	0	0	0	277	283	283
PHYSICAL UNIT OCCUPANCY RATE	0.00%	0.00%	0.00%	93.11%	95.30%	95.36%
OPERATING INCOME						
GROSS APARTMENT MARKET RENT	\$0	\$0	\$0	\$4,163,555	\$6,464,640	\$10,628,195
GROSS APARTMENT POTENTIAL RENT	\$0	\$0	\$0	\$4,163,555	\$6,464,640	\$10,628,195
APARTMENT VACANCY @ 4.70%	0	0	0	(1,543,281)	(303,806)	(1,847,087)
APARTMENT MOVE-IN CONCESSIONS @ 0 WEEKS AT 0.00% TURNOVER	0	0	0	(412,000)	(10,954)	(422,954)
NET APARTMENT RENTAL REVENUE	\$0	\$0	\$0	\$2,208,270	\$3,150,780	\$8,358,050
OTHER INCOME @ \$10.00 PER UNIT LESS VACANCY FACTOR @ 4.70%	0	0	0	44,408	115,338	159,746
NET TOTAL APARTMENT RENTAL REVENUE	\$0	\$0	\$0	\$2,252,678	\$3,266,118	\$8,517,796
RETAIL @ 2,744 @ \$1.50 LESS VACANCY FACTOR @ 20.00% (1)	0	0	0	13,172	39,912	53,084
NET PROPERTY REVENUE	\$0	\$0	\$0	\$2,265,850	\$3,306,030	\$8,570,880
OPERATING EXPENSES						
SALARIES	\$0	\$0	\$17,329	\$464,895	\$367,704	\$849,128
ADVERTISING	0	0	0	78,508	58,500	135,408
REPAIRS, MAINTENANCE, BUILDING SVCS & COMMON AREA MAINT.	0	0	0	117,571	172,707	290,278
GENERAL AND ADMINISTRATIVE	0	0	1,575	87,088	88,632	155,513
MANAGEMENT FEE	0	0	0	70,710	189,185	259,895
UTILITIES	0	0	0	145,803	358,772	504,575
TOTAL VARIABLE OPERATING EXPENSES	\$0	\$0	\$18,904	\$881,971	\$1,013,720	\$1,894,595
INSURANCE	0	0	0	163,700	201,708	364,508
PROPERTY TAXES	0	0	0	305,271	531,125	836,396
BASE LAND LEASE PAYMENTS	0	0	0	0	144,273	144,273
LAND LEASE PARTICIPATION IN REVENUE	0	0	0	0	28,324	28,324
TOTAL FIXED OPERATING EXPENSES	22	10	0	\$1,058,471	\$905,430	\$1,213,921
TOTAL OPERATING EXPENSES	\$22	\$10	\$18,904	\$1,430,442	\$1,919,150	\$3,108,400
RESERVES FOR REPLACEMENT	0	0	0	0	61,281	61,281
NET OPERATING INCOME	\$0	\$0	(\$18,904)	\$835,438	\$1,346,880	\$5,412,380
CONSTRUCTION COSTS						
LAND LEASE PAYMENTS	\$48,091	\$98,182	\$144,273	\$144,273	\$0	\$432,819
OFFSITE IMPROVEMENTS	2,493,284	0	0	0	0	2,493,284
LAND CLOSING AND DEVELOPMENTAL COSTS	480,580	240,892	0	0	0	721,472
ARCHITECTURAL AND ENGINEERING	2,631,700	12,000	12,000	8,000	0	2,663,700
PERMITS AND FEES	2,142,568	0	0	0	0	2,142,568
CONSTRUCTION HOOKUP FEES	0	0	0	137,510	0	137,510
TOTAL BONDS, INSURANCE & LEGAL	0	737,287	77,112	1,878,415	0	2,792,814
LENDER ADMINISTRATIVE FEE	0	8,460	8,460	8,460	0	25,380
DEVELOPER FEE PAID AT CLOSING	0	148,241	0	0	0	148,241
OFFICE & MODEL FURNITURE, MARKETING & STARTUP EXPENSES	0	0	253,254	834,983	0	888,237
CALSTRS SUBSCRIPTION LOAN	340,140	479,848	0	0	0	479,848
CONSTRUCTION FINANCING COSTS	0	485,250	0	0	0	485,250
CONSTRUCTION LOAN INTEREST RESERVE	0	62,205	1,409,894	2,020,634	250,693	3,732,786
CONSTRUCTION PERIOD PROPERTY TAXES	51,384	101,541	191,842	82,432	0	427,199
DEVELOPER FEE PD DURING CONSTRUCTION	0	485,698	698,844	485,908	0	1,670,540
SOFT COST CONTINGENCY	0	0	0	225,000	0	225,000
LMCRA AFFORDABLE UNITS SUBSIDY	0	0	0	(1,563,955)	0	(1,563,955)
HARD COSTS	1,839,719	8,952,997	21,233,028	6,980,554	0	38,116,308
GENERAL CONTRACTOR FEE	113,382	537,181	1,277,583	418,232	0	2,346,378
TOTAL CONSTRUCTION COSTS	\$10,092,845	\$11,977,781	\$26,374,660	\$11,800,244	\$250,693	\$59,298,223
CALSTRS SUBSCRIPTION LOAN DRAWS/PAYOFF	10,092,845	(10,092,845)	0	0	0	0
EQUITY FUND DRAWS	0	14,824,054	0	0	0	14,824,054
CONSTRUCTION LOAN DRAWS	0	7,246,572	25,374,690	11,600,244	250,693	44,472,189
SUBSIDY HOLDING ACCOUNT	0	0	0	0	0	0
NET CONSTRUCTION FINANCING	\$10,092,845	\$11,977,781	\$25,374,690	\$11,800,244	\$250,693	\$59,298,223

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-EAST PHASE -ALTERRA - LA MESA, CA

FINAL PROJECTION

CALSTRS SUMMARY OF RETURNS FOR SALE IN MAY 2010

MONTH	CASH EQUITY (INVESTMENT)	REMAINING CASH (FLOW)	TOTAL RETURN ON CASH (BID) CAP BEFORE LOOKBACK	LOOKBACK @ 12.00% TO A 14.00% BIDE (BID) CAP	TOTAL AFTER LOOKBACK (BID) CAP	LOOKBACK @ 12.00% TO A 14.00% BIDE (BID) CAP	TOTAL AFTER LOOKBACK (BID) CAP	LOOKBACK @ 12.00% TO A 14.00% BIDE (BID) CAP	TOTAL AFTER LOOKBACK (BID) CAP	TOTAL SALE PROCEEDS (6.00% CAP RATE)	TOTAL SALE PROCEEDS (6.25% CAP RATE)	TOTAL SALE PROCEEDS (6.50% CAP RATE)
Feb 2007	(59,453,200)	\$0	(59,453,200)	\$0	(59,453,200)	\$0	(59,453,200)	\$0	(59,453,200)	(59,453,200)	(59,453,200)	(59,453,200)
Mar 2007	0	0	0	0	0	0	0	0	0	0	0	0
Apr 2007	0	0	0	0	0	0	0	0	0	0	0	0
May 2007	(2,048,816)	0	(2,048,816)	0	(2,048,816)	0	(2,048,816)	0	(2,048,816)	(2,048,816)	(2,048,816)	(2,048,816)
Jun 2007	(810,711)	0	(810,711)	0	(810,711)	0	(810,711)	0	(810,711)	(810,711)	(810,711)	(810,711)
Jul 2007	(792,227)	0	(792,227)	0	(792,227)	0	(792,227)	0	(792,227)	(792,227)	(792,227)	(792,227)
Aug 2007	(735,176)	0	(735,176)	0	(735,176)	0	(735,176)	0	(735,176)	(735,176)	(735,176)	(735,176)
Sep 2007	0	0	0	0	0	0	0	0	0	0	0	0
Oct 2007	0	0	0	0	0	0	0	0	0	0	0	0
Nov 2007	0	0	0	0	0	0	0	0	0	0	0	0
Dec 2007	0	0	0	0	0	0	0	0	0	0	0	0
Jan 2008	0	0	0	0	0	0	0	0	0	0	0	0
Feb 2008	0	0	0	0	0	0	0	0	0	0	0	0
Mar 2008	0	0	0	0	0	0	0	0	0	0	0	0
Apr 2008	0	0	0	0	0	0	0	0	0	0	0	0
May 2008	0	0	0	0	0	0	0	0	0	0	0	0
Jun 2008	0	0	0	0	0	0	0	0	0	0	0	0
Jul 2008	0	0	0	0	0	0	0	0	0	0	0	0
Aug 2008	0	0	0	0	0	0	0	0	0	0	0	0
Sep 2008	0	0	0	0	0	0	0	0	0	0	0	0
Oct 2008	0	0	0	0	0	0	0	0	0	0	0	0
Nov 2008	0	0	0	0	0	0	0	0	0	0	0	0
Dec 2008	0	0	0	0	0	0	0	0	0	0	0	0
Jan 2009	0	0	0	0	0	0	0	0	0	0	0	0
Feb 2009	0	0	0	0	0	0	0	0	0	0	0	0
Mar 2009	0	0	0	0	0	0	0	0	0	0	0	0
Apr 2009	0	0	0	0	0	0	0	0	0	0	0	0
May 2009	0	0	0	0	0	0	0	0	0	0	0	0
Jun 2009	0	0	0	0	0	0	0	0	0	0	0	0
Jul 2009	0	0	0	0	0	0	0	0	0	0	0	0
Aug 2009	0	0	0	0	0	0	0	0	0	0	0	0
Sep 2009	0	0	0	0	0	0	0	0	0	0	0	0
Oct 2009	0	0	0	0	0	0	0	0	0	0	0	0
Nov 2009	0	0	0	0	0	0	0	0	0	0	0	0
Dec 2009	0	0	0	0	0	0	0	0	0	0	0	0
Jan 2010	0	0	0	0	0	0	0	0	0	0	0	0
Feb 2010	0	0	0	0	0	0	0	0	0	0	0	0
Mar 2010	0	857,747	857,747	0	857,747	0	857,747	0	857,747	857,747	857,747	857,747
Apr 2010	0	108,059	108,059	0	108,059	0	108,059	0	108,059	108,059	108,059	108,059
May 2010	0	0	0	17,982,083	17,982,083	1,835,589	19,817,672	169,795	19,787,487	21,331,257	19,787,487	19,159,440
TOTALS:	(313,638,130)	\$593,808	(512,874,324)	\$17,982,083	\$3,287,759	\$1,835,589	\$8,943,348	\$169,795	\$7,112,143	\$8,656,933	\$7,112,143	\$5,476,125
MONTHLY:			N/A		0.87%		1.10%		1.12%	1.31%	1.12%	0.90%
ANNUAL:			N/A		10.48%		13.17%		13.44%	15.75%	13.44%	10.89%
EFFECTIVE:			N/A		11.00%		14.00%		14.50%	16.93%	14.39%	11.35%

FINAL CALSTRS ANALYSIS **GROSSMONT TROLLEY SITE PRAYADA WEST PHASE - LA MESA, CA**

04/07/2006 02:37 PM CST33R411007 VERSION 07.12 6-YEAR CALENDAR

FINAL PROJECTION

SUMMARY OF CAPITALIZATION

EQUITY (25.0% OF COST)	\$11,377,200
CALSTRS SUBSCRIPTION LOAN (FUND MAY 2004, TAKEOUT FEB 2007)	\$11,377,200
CALSTRS SUBSCRIPTION LOAN INTEREST @ 5.10%	\$60,022
CALSTRS SUBSCRIPTION LOAN POINTS & FEES	189,320
CONSTRUCTION LOAN (FUND MAY 2004, CONVERSION OCT 2008)	\$34,131,802
LOAN-TO-COST RATIO (INCL INTEREST RESERVE)	75.00%
LOAN INTEREST @ 6.15% (TOTAL FUNDED RESERVE)	\$3,183,170 / \$3,534,483
LOAN POINTS @ 1.75%, FEES, AND CLOSING COSTS	\$200,307
MID-TERM LOAN (INTEREST ONLY) (FUND OCT 2005, PAYOFF MAY 2010)	\$34,131,802
LOAN-TO-COST RATIO	75.00%
ANNUAL DEBT SERVICE (1.10 OCR @ 6.15% STABILIZED NOI)	\$2,372,148
LOAN PER UNIT	\$146,308

PROPERTY AND BUILDING DESCRIPTION

DESCRIPTION: WOOD FRAMING, BUILT-UP ROOF ROOF, STUCCO SIDING EXTERIOR & FIRE SPRINKLERS IN A 3 STORY OVER PODIUM GARAGE BUILDING	
CONFIGURATION:	
NUMBER OF UNITS	230
AVERAGE NET RENTABLE SQUARE FOOTAGE OF UNITS	106
TOTAL NET RENTABLE SQUARE FOOTAGE OF UNITS	284,444
AP LEASING / CLUBHOUSE	4,200
GROSS SQUARE FOOTAGE	212,744
NUMBER OF RENTABLE BUILDINGS/FLOORS	3/3
NUMBER OF ACRES	3.3 ± GROSS
UNIT DENSITY PER ACRE	69.6 ± GROSS
UNIT MIX (15% AFFORDABLE)	18A-11S 50% 23B-11S 50%
POOLS / SPAS	1/1
PARKING STRUCTURE SPACES - PUBLIC	323
PARKING STRUCTURE SPACES - RESIDENTS	342
AVG. MARKET RENT PER UNIT / SQ. FT. UNRENDERED	\$1,087 / \$1.84
AVG. AFFORDABLE RENT PER UNIT / SQ. FT. UNRENDERED	\$1,083 / \$0.70
AVG. TOTAL RENT PER UNIT / SQ. FT. UNRENDERED	\$1,082 / \$1.78

CAPITAL SOURCES

EQUITY	\$11,377,200
CONSTRUCTION LOAN	\$4,131,802
CALSTRS SUBSCRIPTION LOAN	11,377,200
NET CONSTRUCTION LOAN PERIOD INCOME	787,208
TOTAL SOURCES	\$37,172,001

CAPITAL USES

CONSTRUCTION COSTS	\$4,509,402
WORKING CAPITAL FUNDING	3287,588
LOAN RESERVE	0
TOTAL WORKING CAPITAL AND RESERVE	3287,588
REFUND OF CALSTRS SUBSCRIPTION LOAN	11,377,200
TOTAL USES	\$37,172,001

LOAN RESERVE

CONSTRUCTION LOAN	\$34,131,802
LESS ENDING CONSTRUCTION LOAN DRAWDOWN BALANCE	\$4,131,802
TOTAL LOAN RESERVE	\$30,000,000

SCHEDULING AND TIMING

	MONTH #	MONTH/YEAR
LAND LEASE COMMENCEMENT	1	MAY 2004
CONSTRUCTION LOAN FUNDING	1	MAY 2004
EQUITY INSTALLMENT	10	FEB 2007
CONSTRUCTION STARTS	1	JAN 2005
FIRST DELIVERY (26 AVG MONTHLY)	22	FEB 2006
FIRST LEASE (26 AVG MONTHLY)	22	FEB 2006
FIRST RENT INCREASE (1.00%)	0	JAN 2007
LAST DELIVERY	26	AUG 2008
DURATION OF CONSTRUCTION	2 YRS, 4 MOS	1508 to 1608
CONSTRUCTION LOAN CONVERSION	30	OCT 2008
FULLY LEASED (219 UNITS)	30	OCT 2008
STABILIZED 95% OCCUPANCY, 219 UNITS	31	NOV 2008
SALE DATE (219 LOW AT 6.25% CAP)	40	MAY 2010
HOLDING PERIOD (EQUITY THRU SALE)	3 YRS, 4 MOS	0207 to 0510
HOLDING PERIOD (LEASE START THRU SALE)	4 YRS, 1 MO	0508 to 0510

COMPUTATION OF WORKING CAPITAL

TOTAL LOAN DRAWS	\$34,131,802
NET OP INCOME DURING CONSTRUCTION LOAN PERI	3528,179
PLUS FUNDED STARTUP COSTS	292,330
PLUS INTEREST EARNINGS	32
TOTAL CONSTRUCTION LOAN PERIOD INCOME	3891,150
LESS INCOME TOWARD LOAN INTEREST (6.15%)	(601,651)
NET CONSTRUCTION LOAN PERIOD INCOME	3287,588
PLUS EQUITY DEDICATED DURING CONSTRUCTION	11,377,200
MINUS TOTAL CONSTRUCTION COSTS	(41,809,402)
TOTAL WORKING CAPITAL	3287,588

CONSTRUCTION COST SUMMARY

CONSTRUCTION COST	TOTAL	PER UNIT	PER SQ. FT.
STARTUP COSTS	\$202,319	\$880	\$2.05
LAND CLOSING AND DEVELOPMENTAL COSTS	\$571,215	\$2,484	\$2.69
ARCHITECTURAL AND ENGINEERING	\$1,919,400	\$8,345	\$9.02
BIDD PERMITS AND FEES	\$1,774,174	\$7,714	\$8.34
OFFSITES	\$1,341,199	\$5,840	\$6.32
CONSTRUCTION PERIOD PROPERTY TAXES	\$217,158	\$947	\$1.02
TOTAL BONDS, INSURANCE & LEGAL	\$154,677	\$673	\$0.73
CONSTRUCTION FINANCING COSTS	\$340,500	\$1,505	\$1.65
OFFICE & MODEL FURNITURE AND MARKETING	\$64,127	\$2,768	\$2.98
SOFT COST CONTINGENCY	\$228,000	\$978	\$1.06
DEVELOPER FEE PD DURING CONSTRUCTION (100%)	\$1,251,482	\$5,441	\$5.88
HARD COSTS	\$11,880,287	\$51,340	\$54.80
GENERAL CONTRACTOR FEE	\$1,895,432	\$8,241	\$8.81
LAND LEASE PAYMENTS	\$223,439	\$972	\$1.05
CALSTRS SUBSCRIPTION LOAN POINTS & FEES	189,320	\$791	\$0.84
CALSTRS SUBSCRIPTION LOAN INTEREST	\$60,022	\$2,600	\$2.78
UNCLAFFORDABLE UNITS SUBSIDY	(\$1,115,301)	(\$4,837)	(\$5.17)
DEVELOPER FEE PAID AT CLOSING	\$112,722	\$485	\$0.52
VENDED ADMINISTRATIVE FEE	\$19,850	\$85	\$0.09
CONSTRUCTION LOAN INTEREST RESERVE	\$2,564,483	\$11,150	\$12.03
TOTAL CONSTRUCTION COST	\$18,833,002	\$81,774	\$87.37
TOTAL CONSTRUCTION COST LESS INTEREST	\$16,268,519	\$70,740	\$75.50%
NPV OF LAND LEASE PAYMENTS @ 6.00%	\$1,830,723	\$7,934	\$8.48

SUMMARY OF CALSTRS RETURN

SALE DATE	MAY 2010
SALE PRICE (6.25% CAP RATE)	\$31,814,446 CR \$22,899,407
NET OPERATING INCOME AT SALE (TO BUYER)	\$3,187,023
IRR	14.18%
CALSTRS PROFIT	\$3,480,203
TOTAL PROCEEDS AT SALE TO CALSTRS	\$14,423,114
CASH-ON-CASH RETURN	7.28%
RETURN-ON-COSTS UNRENDERED	8.13%
RETURN-ON-COSTS STABILIZED	8.70%

SUMMARY OF EQUITY CAPITALIZATION

	EQUITY
(1) CALSTRS (25.00%)	\$10,487,024
(2) FAIRFIELD (25.00%)	\$910,176
(3) FFR 25% HOLDBACK (50.00%)	0
TOTAL EQUITY	\$11,377,200
(1) CALSTRS PROFIT INTEREST	20.00%
(2) FAIRFIELD PROFIT INTEREST	30.00%
(3) FFR 25% HOLDBACK PROFIT INTEREST	10.00%
1ST LOOKBACK (1) 61% / (2) 0%	11.00%
2ND LOOKBACK (1) 75% / (2) 10.75% / (3) 4.25%	14.00%
3RD LOOKBACK (1) 85% / (2) 20.25% / (3) 6.75%	16.00%
EQUITY-TO-COST RATIO	25.00%
EQUITY INSTALLMENTS	(1) (2)
1ST EQUITY INSTALLMENT FEB 2007	\$10,487,024 \$910,176

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAVADA-WEST PHASE - LA MESA, CA

FINAL PROJECTION

OPERATING INCOME AND EXPENSE										AT STABILIZATION (NOV 2008-OCT 2009)				AT SALE (MAY 2010-APR 2011)			
BASE INCOME (UNRENDERED) JAN 2009										ANNUAL	MONTHLY	MONTHLY	MONTHLY	ANNUAL	MONTHLY	MONTHLY	MONTHLY
UNITS										TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
PER UNIT										PER UNIT	PER UNIT	PER UNIT	PER UNIT	PER UNIT	PER UNIT	PER UNIT	PER UNIT
TOTAL										PER UNIT	PER UNIT	PER UNIT	PER UNIT	PER UNIT	PER UNIT	PER UNIT	PER UNIT
UNIT DESCRIPTION																	
1BR1BA-A1-UL (MAX=1634-569 UTIL. ALLOC)	7	1.09%	616	4,312	\$47,400	\$2,133	\$305	\$0.82	\$1,240	\$4,320	\$617	\$1.00	\$14,360	\$4,610	\$647	\$1.66	\$2.47
1BR1BA-A1-36 (MAX=61,224-589 UTIL. ALLOC)	10	4.35%	616	6,160	168,000	13,250	1,325	2.15	173,676	14,473	1,447	2.35	182,220	15,165	1,510	2.58	2.58
1BR1BA-A1	13	5.85%	616	8,008	216,000	16,800	1,265	2.28	235,082	19,666	1,513	2.48	247,608	20,634	1,587	2.78	2.78
1BR1BA-A1A	5	2.17%	734	1,770	60,000	7,450	1,510	2.00	68,564	3,247	1,840	2.19	73,824	6,052	1,720	2.31	2.31
1BR1BA-A1A	18	16.52%	848	24,548	645,240	53,770	1,418	2.19	704,784	58,732	1,548	2.33	738,452	61,621	1,622	2.35	2.35
1BR1BA-A2	30	15.65%	726	26,176	643,630	53,647	1,489	2.05	703,060	58,690	1,626	2.24	737,584	61,472	1,708	2.37	2.37
1BR1BA-A3	6	2.61%	719	4,314	106,820	8,910	1,489	2.07	116,784	9,732	1,622	2.25	122,542	10,211	1,702	2.37	2.37
1BR1BA-A3A	7	3.84%	508	6,972	52,584	4,382	626	0.83	57,432	4,786	684	0.69	60,264	5,022	717	0.72	0.72
2BR1BA-B1-UL (MAX=5713-587 UTIL. ALLOC)	7	4.78%	998	10,858	185,824	18,702	1,822	1.49	213,872	17,250	1,816	1.53	224,184	18,682	1,998	1.70	1.70
2BR1BA-B1-H (MAX=51,589-587 UTIL. ALLOC)	11	4.78%	998	10,858	185,824	18,702	1,822	1.78	195,024	11,502	1,817	1.82	144,804	12,087	2,811	2.02	2.02
2BR2BA-B1	8	2.81%	998	3,870	125,380	10,530	1,735	1.73	593,112	48,428	1,977	1.89	622,284	51,857	2,074	1.98	1.98
2BR2BA-B1	25	10.57%	1,058	28,220	543,060	45,250	1,810	1.72	142,344	11,882	1,977	1.68	149,352	12,448	2,321	1.82	1.82
2BR2BA-B2	6	2.61%	1,058	6,300	130,720	10,960	1,810	1.72	108,164	8,847	2,212	1.70	111,336	9,263	2,208	1.87	1.87
2BR2BA-B2A	4	1.74%	1,275	5,100	97,280	8,100	2,075	1.59	108,164	8,847	2,212	1.70	291,204	24,267	2,346	1.86	1.86
2BR2BA-B3	11	4.78%	1,177	12,847	254,100	21,175	1,925	1.84	277,580	23,129	2,103	1.78	80,888	6,739	2,509	1.63	1.63
2BR2BA-B3A	3	1.30%	1,205	3,815	70,480	5,880	1,950	1.53	77,878	6,423	2,141	1.78	1,163,844	98,987	1,825	32.91	32.91
2BR2BA-B3B	42	18.27%	1,205	53,138	1,015,660	84,630	2,015	1.59	1,169,258	92,449	2,231	1.74	95,035,860	8,192,665	1,825	32.91	32.91
2BR2BA-B4	220	100.00%	908	208,444	\$4,394,258	\$368,183	\$1,202	\$1.78	\$4,799,760	\$398,800	\$1,739	\$1.82	\$5,035,860	\$419,655	\$1,825	\$2.01	\$2.01
GROSS MARKET RENT					\$4,394,258	\$368,183	\$1,202	\$1.78	\$4,799,760	\$398,800	\$1,739	\$1.82	\$5,035,860	\$419,655	\$1,825	\$2.01	\$2.01
GROSS POTENTIAL RENT					\$4,394,258	\$368,183	\$1,202	\$1.78	\$4,799,760	\$398,800	\$1,739	\$1.82	\$5,035,860	\$419,655	\$1,825	\$2.01	\$2.01
VACANCY @ 4.78% (1)					(\$18,340)	(\$1,185)	(\$75)	(\$0.08)	(\$22,304)	(\$1,862)	(\$22)	(\$0.09)	(\$238,472)	(\$19,705)	(\$88)	(\$0.08)	(\$0.08)
NET RENTAL REVENUE					\$4,167,228	\$348,944	\$1,117	\$1.63	\$4,574,216	\$381,158	\$1,657	\$1.63	\$4,799,228	\$398,940	\$1,739	\$1.92	\$1.92
OTHER INCOME @ \$10.00 PER UNIT LESS VACANCY FACTOR @ 4.78% (1)					78,912	6,576	22	0.03	95,136	7,928	27	0.03	50,652	4,221	22	0.04	0.04
NET PROPERTY REVENUE					\$4,246,140	\$355,520	\$1,139	\$1.71	\$4,669,352	\$389,086	\$1,684	\$1.66	\$4,849,880	\$397,161	\$1,761	\$1.96	\$1.96

PAGE 2 A

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAYADA-WEST PHASE - LA MESA, CA

FINAL PROJECTION

SALE SUMMARY			
COMPUTATION OF SALE PROCEEDS FOR SALE IN MAY 2010			
	6.00%	8.25%	8.50%
SALE PRICE PER UNIT	\$223,776	\$221,818	\$214,513
ANNUAL NET OPERATING INCOME AT SALE TO SELLER (1)	\$3,857,614	\$3,852,614	\$3,852,614
PLUS SELLER'S AD VALOREM PROPERTY TAXES	464,119	464,119	464,119
LESS BUYER'S AD VALOREM PROPERTY TAXES (2)	(\$42,320)	(\$42,320)	(\$42,320)
ANNUAL NET OPERATING INCOME AT SALE TO BUYER	\$3,859,413	\$3,854,413	\$3,854,413
DIVIDED BY THE CAPITALIZATION RATE	8.25%	8.25%	8.25%
EQUALS SALE PRICE	\$46,781,611	\$46,781,611	\$46,781,611
PLUS PROPERTY TAX PROPORTION TO SELLER	38,469	38,469	38,469
LESS SALES COMMISSION, TITLE, AND CLOSING COSTS @ \$100,000 PLUS 1.00%	(\$22,469)	(\$22,469)	(\$22,469)
LESS LONG-TERM LOAN (INTEREST ONLY) PRINCIPAL PAYOFF	(\$4,151,800)	(\$4,151,800)	(\$4,151,800)
LESS LONG-TERM LOAN (INTEREST ONLY) ACCRUED INTEREST	(\$23,730)	(\$23,730)	(\$23,730)
SALE PROCEEDS AVAILABLE FOR DISTRIBUTION	\$17,842,771	\$17,842,771	\$17,842,771
LESS LENDER ADMINISTRATION FEE TO CONSTRUCTION LENDER	(\$400)	(\$400)	(\$400)
LESS CALSTRS 1ST TIER LOOKBACK @ 92.00% TO A 11.00% IRR TO CALSTRS	(\$1,074,507)	(\$1,074,507)	(\$1,074,507)
LESS FAIRFIELD 1ST TIER LOOKBACK @ 8.25% TO A 11.00% IRR TO CALSTRS	(\$1,128,814)	(\$1,128,814)	(\$1,128,814)
LESS CALSTRS 2ND TIER LOOKBACK @ 73.00% TO A 14.00% IRR TO CALSTRS	(\$1,289,504)	(\$1,289,504)	(\$1,289,504)
LESS FAIRFIELD 2ND TIER LOOKBACK @ 18.75% TO A 14.00% IRR TO CALSTRS	(\$22,376)	(\$22,376)	(\$22,376)
LESS FFR 25% HOLDBACK 2ND TIER LOOKBACK @ 8.25% TO A 14.00% IRR TO CALSTRS	(\$17,458)	(\$17,458)	(\$17,458)
LESS CALSTRS 3RD TIER LOOKBACK @ 83.00% TO A 15.00% IRR TO CALSTRS	(\$1,234,482)	(\$1,234,482)	(\$1,234,482)
LESS FAIRFIELD 3RD TIER LOOKBACK @ 28.25% TO A 15.00% IRR TO CALSTRS	(\$10,180)	(\$10,180)	(\$10,180)
LESS FFR 25% HOLDBACK 3RD TIER LOOKBACK @ 8.75% TO A 15.00% IRR TO CALSTRS	(\$10,720)	(\$10,720)	(\$10,720)
NET PROCEEDS FROM SALE AVAILABLE FOR DISTRIBUTION	\$0	\$0	\$0
 SUMMARY OF SALE PROCEEDS TO FFR 25% HOLDBACK			
2ND TIER LOOKBACK SPLIT 6.25% TO A 14.00% IRR TO CALSTRS	187,452	187,452	187,452
3RD TIER LOOKBACK SPLIT 1.75% TO A 15.00% IRR TO CALSTRS	189,720	189,720	189,720
TOTAL SALE PROCEEDS TO FFR 25% HOLDBACK	\$377,172	\$377,172	\$377,172
 SUMMARY OF SALE PROCEEDS TO FAIRFIELD			
1ST TIER LOOKBACK SPLIT 9.00% TO A 11.00% IRR TO CALSTRS	1,128,814	1,128,814	1,128,814
2ND TIER LOOKBACK SPLIT 18.75% TO A 14.00% IRR TO CALSTRS	322,376	322,376	322,376
3RD TIER LOOKBACK SPLIT 28.25% TO A 15.00% IRR TO CALSTRS	500,180	500,180	500,180
TOTAL SALE PROCEEDS TO FAIRFIELD	\$1,951,370	\$1,951,370	\$1,951,370
 SUMMARY OF SALE PROCEEDS TO CALSTRS			
1ST TIER LOOKBACK SPLIT 92.00% TO A 11.00% IRR TO CALSTRS	13,074,507	13,074,507	13,074,507
2ND TIER LOOKBACK SPLIT 73.00% TO A 14.00% IRR TO CALSTRS	1,289,504	1,289,504	1,289,504
3RD TIER LOOKBACK SPLIT 83.00% TO A 15.00% IRR TO CALSTRS	1,230,482	1,230,482	1,230,482
TOTAL SALE PROCEEDS TO CALSTRS	\$15,594,493	\$15,594,493	\$15,594,493
(1) THE TOTAL OF NCI TWELVE MONTHS INCLUSIVE FROM THE MONTH OF SALE			
(2) ANNUAL AD VALOREM PROPERTY TAXES THAT THE BUYER WILL OWE BASED ON THE SALE PRICE GIVEN THE ASSESSMENT RATIO AND TAX RATE			

CASH RETURN TO CALSTRS					
YEAR	EQUITY INVESTMENT	CASH FLOW	SALE PROCEEDS 6.00% CAP RATE	SALE PROCEEDS 8.25% CAP RATE	SALE PROCEEDS 8.50% CAP RATE
2007	(10,467,014)	0	0	0	0
2008	0	367,547	0	0	0
2009	0	770,872	0	0	0
2010	0	312,884	15,802,303	18,416,114	13,188,472
		PROFIT	\$9,808,892	\$18,416,114	\$4,192,081
		XIRR	16.72%	84.10%	11.27%

GROSS JOINT VENTURE PROFIT			
	6.00% CAP RATE	8.25% CAP RATE	8.50% CAP RATE
SALE PROCEEDS AVAILABLE FOR DISTRIBUTION	\$17,842,771	\$17,842,771	\$17,842,771
LESS TOTAL EQUITY INVESTED	(11,377,200)	(11,377,200)	(11,377,200)
LESS FEES & OTHER DEDUCTIONS AT SALE	(489,090)	(489,090)	(489,090)
PLUS CASH FLOW FROM OPERATIONS	1,889,142	1,889,142	1,889,142
JOINT VENTURE PROFIT	\$7,065,623	\$7,065,623	\$7,065,623
JOINT VENTURE IRR	12.41%	14.89%	11.33%

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAVADA-WEST PHASE - LA MESA, CA

FINAL PROJECTION

EXPENSE CATEGORY	OPERATING INCOME AND EXPENSE				AT STABILIZATION (NOV 2008-OCT 2009)				AT SALE (MAY 2010-APR 2011)			
	ANNUAL TOTAL	MONTHLY	PER UNIT PER MONTH	PER SQ. FT. ANNUALLY	ANNUAL TOTAL	MONTHLY	PER UNIT PER MONTH	PER SQ. FT. ANNUALLY	ANNUAL TOTAL	MONTHLY	PER UNIT PER MONTH	PER SQ. FT. ANNUALLY
SALARIES	\$243,000	\$21,083	\$1,100	\$1.21	\$279,112	\$23,259	\$1,156	\$1.32	\$287,592	\$23,966	\$1,250	\$1.38
ADVERTISING	40,250	3,354	175	0.19	42,784	3,565	190	0.21	45,758	3,813	189	0.22
REPAIRS, MAINTENANCE, BUILDING SVCS & COMMON AREA MAINT.	115,000	9,583	508	0.55	125,852	10,487	544	0.59	130,728	10,894	568	0.63
GENERAL AND ADMINISTRATIVE	46,000	3,833	200	0.22	50,019	4,168	217	0.24	52,264	4,357	227	0.25
MANAGEMENT FEE	121,004	10,083	527	0.57	132,812	11,068	580	0.63	140,700	11,725	618	0.70
UTILITIES	108,250	9,019	476	0.52	118,800	9,867	517	0.57	124,188	10,349	540	0.60
SUBTOTAL VARIABLE OPERATING EXPENSES	\$599,504	\$50,792	\$2,607	\$2.90	\$656,358	\$54,713	\$2,772	\$3.01	\$707,248	\$58,937	\$2,922	\$3.20
INSURANCE	143,374	11,948	623	0.68	155,818	12,985	678	0.75	162,984	13,582	729	0.79
TOTAL PROPERTY TAXES	420,883	35,074	1,824	2.07	467,258	38,938	2,000	2.19	495,401	41,283	2,122	2.24
BASE LAND LEASE PAYMENTS (PAID IN ADVANCE)	111,727	9,311	488	0.54	111,727	9,311	488	0.54	111,727	9,311	488	0.54
LAND LEASE PREMIUM (1.25% OF NET PROPERTY REVENUE PAID IN ARREARS)	53,330	4,444	232	0.26	58,257	4,855	253	0.28	61,123	5,094	266	0.29
SUBTOTAL FIXED OPERATING EXPENSES	\$735,320	\$61,411	\$3,134	\$3.39	\$783,152	\$65,204	\$3,425	\$3.76	\$829,235	\$69,105	\$3,469	\$3.85
RESERVES FOR REPLACEMENT	49,000	4,083	210	0.23	50,018	4,168	217	0.24	52,264	4,357	227	0.25
TOTAL OPERATING EXPENSES	\$1,475,824	\$123,049	\$6,351	\$7.02	\$1,559,728	\$129,942	\$6,694	\$7.31	\$1,641,747	\$136,614	\$6,798	\$7.38
NET OPERATING INCOME (1)	\$2,716,076	\$226,421	\$12,111	\$13.23	\$3,074,844	\$256,137	\$13,368	\$14.78	\$3,249,053	\$270,751	\$14,172	\$15.58
RETURN ON COSTS:												
TOTAL OPERATING EXPENSES AS A % OF NET PROPERTY REVENUE:	6.13%				6.76%				7.96%			
ESTIMATED ASSESSED VALUE FOR PROPERTY TAXES:	\$41,513,831 OR \$187,494 / UNIT				\$44,054,810 OR \$191,542 / UNIT				\$44,933,711 OR \$195,373 / UNIT			
UNIT MIX:												
MARKET-RATE UNIT MIX (185 64.78%)% OF TOTAL UNITS / % OF UNIT TYPE:					1-BR: 115 (50.00%) 2-BR: 115 (50.00%)							
AFFORDABLE UNIT MIX (5 19.22%)% OF TOTAL UNITS / % OF UNIT TYPE:					1-BR: 85 (42.81%) 1.5-BR: 22 (11.11%) 2-BR: 87 (42.17%) 3-BR: 10 (5.00%)							
INFLATION OF RENTS:					1-BR: 17 (7.39%) 1.5-BR: 14 (6.82%) 2-BR: 13 (6.33%) 3-BR: 15 (7.55%)							
AVG BASE OVERALL RENTS PER UNIT BY # OF BEDROOMS:					3% 1.07, 3.25% 1.08, 3.25% 1.09, 3.25% 1.10							
AVG BASE MARKET RENTS PER UNIT BY # OF BEDROOMS:					1BR-\$1,303							
AVG BASE AFFORDABLE RENTS PER UNIT BY # OF BEDROOMS:					1BR-\$1,448							
AVG BASE OVERALL RENTS PER SQ. FT. BY # OF BEDROOMS:					1BR-\$1,012							
AVG BASE MARKET RENTS PER SQ. FT. BY # OF BEDROOMS:					1BR-\$2.04/SF							
AVG BASE AFFORDABLE RENTS PER SQ. FT. BY # OF BEDROOMS:					1BR-\$2.12/SF							
VACANCY RATE:					1BR-\$1.84/SF							
MOVE-IN CONCESSIONS (IN WEEKS):					4.70% 2/08							
BASE LAND LEASE PAYMENTS (PAID IN ADVANCE):					3.39 2008, 0 11/08							
LAND LEASE PREMIUM (AS A % OF NOI PAID IN ARREARS):					\$37,242 PAID 1 EFFECTIVE 5/08, \$74,484 PAID MONTHLY EFFECTIVE 5/07, \$111,727 PAID MONTHLY EFFECTIVE 6/08							
NPV OF TOTAL LAND LEASE PAYMENTS (88 YEARS AT 8.00% / 9.00% / 10.00% DISCOUNT RATE)					1.25% PAID 1 5/08							
MANAGEMENT FEE:					\$2,200,403 / \$1,930,723 / \$1,683,358 AND PER UNIT \$9,958 / \$8,194 / \$7,232							
EXPENSE INFLATORS:					2.00% OF TOTAL PROPERTY REVENUE							
ANNUAL INFLATION OF ASSESSED PROPERTY VALUE IN JANUARY:					3% 1/07, 3% 2/08, 3% 3/09, 3% 1/10							
AD VALOREM PROPERTY TAX RATES:					2.00%							
					1.03793% @ 100.00% ASSESSMENT RATIO							
(1) THE UNRENDERED NOI IS BASED ON RENTS AND EXPENSES AT THE DATE SPECIFIED AT THE TOP OF THE ABOVE 3 COLUMNS EXCEPT FOR PROPERTY TAXES. PROPERTY TAXES ARE BASED ON A STABILIZED ASSESSED VALUE IN JAN 2009 THAT ARE TRENDED APPROPRIATELY TO THE DATES SPECIFIED AT THE TOP OF THE COLUMNS. VACANCY RATE, CONCESSIONS, LOSS TO LEASE RATE AND COLLECTION LOSS RATE ARE VALUES CONSIDERED TO BE "STABILIZED" AND DO NOT NECESSARILY REFLECT WHAT MIGHT BE IN PLACE AT PHYSICAL STABILIZATION AND SALE.												

**FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAVADA-WEST PHASE - LA MESA, CA**

FINAL PROJECTION

CASH FLOW DISTRIBUTION SUMMARY

	2006	2007	2008	2009	2010	TOTALS THRU 2010
GROSS MARKET RENT	80	80	68,288,328	64,825,088	62,075,785	610,198,181
GROSS POTENTIAL RENT	10	80	63,298,328	54,825,088	62,075,785	610,198,181
VACANCY @ 4.70%	0	0	(577,070)	(6228,778)	(97,580)	(901,412)
MOVES-IN CONCESSIONS @ 0 WEEKS AT 0.00% TURNOVER RATE	0	0	(314,430)	0	0	(314,430)
NET RENTAL REVENUES	80	80	62,406,828	54,196,310	61,878,225	608,982,339
OTHER INCOME @ \$30.00 PER UNIT LESS VACANCY FACTOR @ 4.70%	0	0	50,674	10,640	37,275	174,589
NET TOTAL RENTAL REVENUE	80	80	62,457,478	54,206,950	62,015,500	609,156,928
NET PROPERTY REVENUES	80	80	62,457,478	54,206,950	62,015,500	609,156,928
TOTAL OPERATING EXPENSES	0	0	12,198	60,238	21,370	94,604
RESERVES FOR REPLACEMENT	0	0	0	0	0	0
NET OPERATING INCOME	80	80	50,259,280	54,146,712	61,994,130	608,982,339
PLUS STARTUP EXPENSES FUNDED BY CONSTR FUNDS	0	0	172,924	0	0	172,924
PLUS INTEREST EARNINGS	0	0	32	0	0	32
PLUS MINI-PERM LOAN (INTEREST ONLY) FUNDING	0	0	34,131,802	0	0	34,131,802
CURRENT MONTH CASH FLOW BEFORE DEBT SERVICE	80	80	84,463,936	54,146,712	61,994,130	639,346,873
LESS CONSTRUCTION DEBT SVC (EXCL INTEREST RESERVE)	0	0	818,787	0	0	818,787
LESS MINI-PERM LOAN (INTEREST ONLY) DEBT SERVICE	0	0	335,368	2,302,741	902,333	3,640,452
LESS CONSTRUCTION LOAN PAYOFF	0	0	34,131,802	0	0	34,131,802
LESS FAIRFIELD DEF DEVELOPER FEE PAYMENTS	0	0	0	0	0	0
CURRENT MONTH CASH FLOW AVAILABLE FOR DISTRIBUTION	80	80	49,217,079	51,843,971	60,991,797	600,804,424
REMAINING CASH FLOW TO CALSTRS	0	0	667,547	770,972	312,584	1,751,103
REMAINING CASH FLOW TO FAIRFIELD	0	0	33,700	67,019	27,180	127,909
WORKING CAPITAL ACCOUNT BALANCE	80	80	80	80	80	80
TOTAL CASH FLOW TO CALSTRS	0	0	367,547	770,972	312,584	1,451,103
TOTAL CASH FLOW TO FAIRFIELD	0	0	33,700	67,019	27,180	127,909
TOTAL CASH FLOW DISTRIBUTION	0	0	401,247	837,991	339,764	1,579,012
TOTAL UNPAID FEES AND PREFERRED RETURNS OWED FROM SALE PROCEEDS	(52,184)	(52,184)	(52,184)	84,368	87,288	87,288
CASH EQUITY INVESTMENT	0	0	0	0	0	0
CALSTRS CASH EQUITY INVESTMENT	0	10,487,024	10,487,024	10,487,024	10,487,024	41,948,100
FAIRFIELD CASH EQUITY INVESTMENT	0	810,176	810,176	810,176	810,176	3,240,704
TOTAL CASH EQUITY INVESTMENT	0	11,297,200	11,297,200	11,297,200	11,297,200	45,188,804

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAVADA-WEST PHASE - LA MESA, CA
FINAL PROJECTION

HARD COST DETAIL

UNITS	230	GENERAL CONTRACTOR FEE: 8.00%		
GROSS SQUARE FOOTAGE	212,734			
COST DESCRIPTION	COST	UNIT	COST PER SQUARE FOOT	PERCENT OF HARD COSTS
APARTMENT HARD COSTS	\$21,874,529		\$102.83	72.44%
PODIUM DECK PARKING-MTS (228 PARKING SPACES @ \$12,400 EACH)	4,079,680		19.18	13.51%
PODIUM DECK PARKING-FRRES (142 PARKING SPACES @ \$12,400 EACH)	4,240,800		19.93	14.04%
TOTAL HARD COSTS	\$30,194,929		\$141.54	100.00%
PLUS SPECIAL PROJECT REQUIREMENTS				
DEMO EXISTING PARKING -CURBS, GUTTERS AND PAVING	\$70,647		\$0.33	0.11%
RELOCATE 10" GASLINE & REMOVE ABANDONED 18" STEEL WATER	\$35,324		\$0.17	0.11%
RELOCATE 12" SEWER AND REMOVE AND RELOCATE 8" CPVC ST	\$81,638		\$0.38	0.24%
REMOVE AND RELOCATE 18" RCP STORM DRAINS & 300 TELEPHO	\$24,034		\$0.12	0.07%
CONSTRUCT RETAINING WALLS AT FLETCHER PKWY AND GROSSI	\$99,737		\$0.47	0.30%
CONSTRUCT SPECIAL BEAMS AND FOOTINGS AT GARAGES TO SP	\$412,462		\$1.94	1.23%
OTHER	\$205,002		\$0.96	0.65%
CONTINGENCY	\$453,769		\$2.13	1.30%
TOTAL SPECIAL PROJECT REQUIREMENTS	\$1,395,433		\$6.53	4.17%
PLUS GENERAL CONTRACTOR FEE	\$1,895,422		\$8.91	5.55%
TOTAL HARD COST BUDGET	\$33,485,781		\$157.41	100.00%

**FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAVADA-WEST PHASE - LA MESA, CA**

FINAL PROJECTION

PERMITS, FEES AND OTHER SOFT COSTS DETAIL

LAND AND CLOSING COSTS		ARCHITECTURAL AND ENGINEERING	
LAND	\$0	CONCEPTUAL ARCHITECTURALS	\$0
LAND LEGAL	100,000	ARCHITECTURAL DESIGN	400,000
LAND TITLE/CLOSING	25,000	ARCHITECTURAL EXTRA SERVICES	25,000
FAIRFIELD BROKER COMMISSION	0	ARCHITECTURAL REIMB	40,000
OUTSIDE REAL ESTATE COMMISSION	68,465	CIVIL ENGINEER	524,000
TRANSFER & DOCUMENTATION FEES	0	CIVIL ENGINEER EXTRA SERVICES	18,000
LAND LETTER OF CREDIT	0	CIVIL ENGINEER REIMB	18,000
WATER & BOND	0	PLANNING CONSULTANT	0,000
LAND OPTION PMT-REFUNDABLE	0	PLANNING CONSULTANT EXTRA SERVICES	0
LAND OPTION PMT-NON-REFUNDABLE	100,000	PLANNING CONSULTANT REIMB	0
LAND CONTRIBUTIONS	109,108	LANDSCAPE DESIGN	120,000
LAND LEASE PAYMENTS	223,453	LANDSCAPE DESIGN EXTRA SERVICES	15,000
TOTAL LAND AND CLOSING COSTS	\$823,026	LANDSCAPE DESIGN REIMB	10,000
OFFSITE IMPROVEMENTS		SOILS ENGINEER	68,000
GRADING	\$1,211,199	SOILS&CONCRETE TESTING	0
ROCK REMOVAL	0	SED/EROSION CONTROL MONITORING	0
UTILITIES	0	UTILITY CONSULTANT	12,300
CURB & GUTTER	5,184	UTILITY CONSULTANT EXTRA SERVICES	0
SOUND WALL	0	UTILITY CONSULTANT REIMB	0
PAVING	123,548	STRUCTURAL ENGINEER	183,000
SIDEWALKS	22,100	STRUCTURAL ENGINEER EXTRA SERVICES	8,000
JOINT TRENCH	267,759	STRUCTURAL ENGINEER REIMB	10,000
STREET LIGHTS	6,973	M.E.P. ENGINEER	78,000
TRAFFIC SIGNALS	43,104	M.E.P. ENGINEER REIMB	10,000
FENCING	0	SURVEYING	70,000
LANDSCAPING	94,008	FOUNDATION CONSULTANT	0
LIFT STATION	0	FOUNDATION CONSULTANT EXTRA SVCS	0
DEMOLITION	17,268	FOUNDATION CONSULTANT REIMB	0
ENVIRONMENTAL MITIGATION	0	MISC CONSULTANTS	60,000
CONTRIBUTIONS-OFFSITES	0	SPEO & TECH	35,000
REIMBURSABLES-OFFSITES	0	INSPECTING ARCHITECT	50,000
MISC.	0	FINAL PLAN	0
CONTINGENCY	125,000	GARAGE DESIGN	120,000
TOTAL OFFSITE IMPROVEMENTS	\$1,941,199	MISC. REIMBURSABLES	0
DEVELOPMENTAL COSTS		BLUEPRINTS	60,000
APPRAISAL	\$0	CONSTRUCTION STAKING	0
REZONING, PLATTING, & PREL ENGINEERING	0	FINAL ALTAAS BUILT	0
FEASIBILITY STUDIES	1,748	LEEDS STUDY	2,500
MARKET SURVEYS	0	CONTINGENCY	0
ENGINEERING REVIEW/MISC	0	TOTAL ARCHITECTURAL AND ENGINEERING	\$1,819,300
SOIL STUDIES	27,670	BONDS, INSURANCE, LEGAL AND ADMINISTRATION	
ENVIRONMENTAL STUDIES	9,528	GRADING BOND	\$0
ACOUSTICAL STUDIES	4,180	SUBDIVISION IMPROVEMENT BOND	0
GEOPHYSICAL STUDIES	0	LANDSCAPE BOND	0
TOXICHAZARD STUDIES	2,182	COMPLETION/PERFORMANCE BOND	25,000
ENVIRONMENTAL MITIGATION	60,000	BONDS-MISC	0
TRAFFIC STUDY	17,239	INSURANCE-GENERAL LIABILITY	145,316
BIOLOGICAL STUDIES	4,757	INSURANCE-BUILDERS' RISK	398,361
ALTA BOUNDARY SURVEY	0	INSURANCE-FLOOD	0
CONCEPTUAL SITE PLAN	0	INSURANCE-H.O. WARRANTY	0
TOPOGRAHY SURVEY	0	INSURANCE-OTHER	0
MISC.	0	LEGAL-GENERAL	50,000
MISC.	0	SALARIES-PROJECT MANAGER	0
CONTINGENCY	50,000	SALARIES-CLERICAL	0
TOTAL DEVELOPMENTAL COSTS	\$171,717	GENERAL & ADMINISTRATIVE COSTS	50,000
OFFICE/CLUBHOUSE/MODEL FURNISHINGS AND MARKETING		ORGANIZATIONAL LEGAL COSTS	25,000
SIGNAGE (8902-8904)	\$43,043	START UP COSTS	0
PROMOTION (GRAPHICS, BROCHURES, ADVERTISING, ETC.) (8950-8994)	75,000	TAX CREDIT INITIAL COMPLIANCE COSTS	0
LEASING OFFICE/CLUBHOUSE FURNISHINGS AND ACCESSORIES (8912-8922)	240,000	CALSTRS PREF DURING CONSTRUCTION	0
POOL FURNITURE, BBQ GRILLS, ETC. (8908-8910)	21,822	TRANS MGMT FEE	0
FITNESS CENTER EQUIPMENT AND FURNISHINGS, ETC (8934-8938)	30,550	RENT UP FEE	0
MODEL FURNISHINGS & BUILDING EXTRAS (8944-8948)	85,485	LENDER ADMINISTRATIVE FEE	19,000
MAINTENANCE EQUIPMENT (8940-8942)	24,004	ACCOUNTING SERVICES FEE	25,000
COMPUTERS	43,043	DEVELOPER FEE PAID AT CLOSING	113,772
MISC.	0	PLACEMENT FEE	0
STARTUP COSTS	202,338	OWNER'S CONTINGENCY	40,000
TOTAL OFFICE/CLUBHOUSE/MODEL FURNISHINGS AND MARKETING	\$748,388	MISC.	0
		TOTAL BONDS, INSURANCE, LEGAL AND ADMINISTRATION	\$692,105

**FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAVADA-WEST PHASE - LA MESA, CA**

FINAL PROJECTION

PERMITS, FEES AND OTHER SOFT COSTS DETAIL - CONTINUED

PERMITS AND FEES		REFUNDABLE HOOKUP FEES	
SITE REVIEW PLAN	\$0	ELECTRICAL HOOKUP FEES	\$122,020
FDEP STORMWATER & NPDES PERMITS	0	REFUNDABLE FEES-ELECTRICAL	0
BUILDING PLAN REVIEW FEES	0	GAS HOOKUP FEES	0
TOLR REVIEW FEE	0	REFUNDABLE FEES-GAS	0
C.O. FEES	0	TELEPHONE HOOKUP FEES	0
WATER METER FEES	0	REFUNDABLE FEES-TELEPHONE	0
WATER SYSTEM CHARGES	185	CATV HOOKUP FEES	0
SEWER SYSTEM CHARGES	900,000	REFUNDABLE FEES-CATV	0
PLAT REVIEW FEES	0	REFUNDABLE FEES-PLAN/MAINT	0
DEVELOPMENT PLAN FEE	11,815	WATER HOOKUP FEES	0
PROPERTY DEVELOPMENT FEE	0	REFUNDABLE FEES-WATER	0
TENTATIVE MAP FEE	0	MISC.	0
SPECIFIC PLAN AMENDMENT	0	TOTAL REFUNDABLE HOOKUP FEES	\$122,020
CONDITIONAL USE PERMIT	0		
PRECISE PLAN FEE	0	EQUITY FINANCING COSTS	
FINAL MAP PLAN CHECK	0	MISC.	\$0
CONVERSION REV FEE	0	MISC.	0
GRADING PLAN CHECK	\$1,103	MISC.	0
IMPROVEMENT PLAN CHECK	\$1,098	TOTAL EQUITY FINANCING COSTS	\$0
IMPROVEMENT PLAN INSPECTION	\$9,279		
LANDSCAPE PLAN CHECK	\$1,270	LAND ACQUISITION FINANCING COSTS	
GRADING INSPECTION	\$10,034	LAND LOAN POINTS @ 0.00% OF LAND LOAN	\$0
STORM DRAINAGE FEE	\$1,181	LAND LOAN CLOSING AND LEGAL	0
LANDSCAPE INSPECTION	0	LAND LOAN TITLE INSURANCE	0
TORTOISE FEE/PUBLIC SAFETY FEE	0	LAND LOAN DOCUMENTARY TAX	0
PARK FEE	\$50,000	LAND LOAN LENDER APPRAISAL	0
SCHOOL FEE	\$91,537	LAND LOAN INTEREST	0
TRAFFIC FEE	\$13,052	TOTAL LAND ACQUISITION FINANCING COSTS	\$0
SMIT FEE	\$2,355		
SANITARY SEWER IMPACT FEE	0	CONSTRUCTION FINANCING COSTS EXCLUDING INTEREST	
WATER IMPACT FEE	0	CONSTRUCTION LOAN POINTS @ 0.75% OF CONSTRUCTION LOAN	\$285,587
WATER CONNECTION FEE	0	SUPPLEMENTAL DEVELOPMENT FEE	0
PLAN CHECK FEE	\$28,020	CONSTRUCTION LOAN CLOSING AND LEGAL	\$0,000
BUILDING PERMIT FEE	\$140,407	CONSTRUCTION LOAN TITLE INSURANCE	\$0,000
STREET LIGHT FEE	0	CONSTRUCTION LOAN DOCUMENTARY TAX	\$1,822
WATER MONITORING FEE	\$9,458	CONSTRUCTION LENDER APPRAISAL	\$1,491
FLOOD HAZARD RV (TM)	0	MISC.	0
FLOOD HAZARD RV (PM)	0	TOTAL CONSTRUCTION FINANCING COSTS EXCLUDING INTEREST	\$288,900
CAPITAL IMPROVEMENT FEE	0		
PERMIT-MECHANICAL	0	CALSTRS SUBSCRIPTION LOAN COSTS	
PERMIT-SALES OFFICE	0	CALSTRS SUBSCRIPTION LOAN POINTS @ 0.532000,00% OF CALSTRS SUBS	\$85,329
SEWER FEE-ASSESSMENT	0	CALSTRS SUBSCRIPTION LOAN CLOSING COSTS	0
SEWER FEE-FRONTAGE	0	CALSTRS SUBSCRIPTION LOAN INTEREST	\$60,022
SEWER FEE-FACILITIES	0	MEZZANINE LOAN POINTS @ 0.00% OF MEZZANINE LOAN	0
WATER FEE-CONSTRUCTION	0	MEZZANINE LOAN CLOSING COSTS	0
WATER FEE-FRONTAGE	0	MEZZANINE LOAN INTEREST	0
WATER FEE-CAP FACILITIES	\$4,690	MEZZANINE LOAN PRINCIPAL REDUCTIONS	0
WATER TREATMENT PLANT FEE	0	TOTAL CALSTRS SUBSCRIPTION LOAN COSTS	\$145,351
FACILITIES BENEFIT FEE	0		
COMMUNITY FACILITIES DISTRICT	0	MINI-PERM LOAN (INTEREST ONLY) COSTS EXCLUDING INTEREST	
SWIMMING POOL/BPA FEE	0	MISC.	\$0
PERMIT-ELECTRICAL	\$0,787	MISC.	0
PERMIT-ENCROACHMENT	0	TOTAL MINI-PERM LOAN (INTEREST ONLY) COSTS EXCLUDING INTEREST	\$0
PERMIT-FIRE SPRINKLERS	\$7,392		
PERMIT-HVAC	\$0,787	OTHER CONSTRUCTION PERIOD FEES AND COSTS	
PERMIT-IMPROVEMENTS	\$5,237	CONSTRUCTION LOAN INTEREST RESERVE	\$2,804,403
PERMIT-PLUMBING	\$8,688	DEVELOPER FEE PD DURING CONSTRUCTION	\$1,251,482
PERMIT-ROOFING	0	SOFT COST CONTINGENCY	\$25,000
PERMIT-SITE WALL	0	CONSTRUCTION PERIOD PROPERTY TAXES	\$17,756
PERMIT-WALL	0	ULTRA AFFORDABLE UNITS SUBSIDY	\$1,183,331
OCCUPANCY FEE	0	TOTAL OTHER CONSTRUCTION PERIOD FEES AND COSTS	\$3,282,972
REIMBURSEMENT FROM CITY OF LA MESA FOR SEWER OFFGITES	(\$50,000)		
RELOCATION OF BUS STOP	\$38,187		
THEATER LICENSE AGREEMENT AMENDMENT	\$3,643		
CONTINGENCY	\$60,000		
TOTAL PERMITS AND FEES	\$1,650,348		

**FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAVADA-WEST PHASE - LA MESA, CA**

FINAL PROJECTION

PROPERTY TAX DETAIL

(A) ASSESSMENT RATIO	100.00%
(B) TOTAL FULL CASH VALUE AD VALOREM TAX RATE	1.03793%
ANNUAL INFLATION OF ASSESSED TAX VALUE IN TAX LIEN MONTH	0.00000%
TAX LIEN MONTH	2.00%
TAX YEAR	JANUARY
ANNUAL TAX INSTALLMENTS	JULY-JUNE
(C) ESTIMATED BASE ASSESSED VALUE IN 2000 (SEE NOTE 3 BELOW):	1ST-DECEMBER 0.00%, 2ND-APRIL 0.00%
TOTAL BASE ANNUAL AD VALOREM TAXES (A x B x C):	\$41,513,651
TOTAL COSTS ON WHICH ASSESSED VALUE IS BASED:	\$430,883
LAND CLOSING AND DEVELOPMENTAL COSTS	\$38,411,507
ARCHITECTURAL AND ENGINEERING	\$171,712
PERMITS AND FEES (EXCL OFFSITES AND HOOKUP FEES)	\$1,919,300
TOTAL BONDS, INSURANCE & LEGAL	\$1,650,345
HARD COSTS	\$758,877
GENERAL CONTRACTOR FEE	\$31,680,367
FURNISHINGS, EQUIPMENT, ETC.	\$1,893,422
	\$425,184
FULL CASH VALUE AD VALOREM TAXMILL RATE #1	1.03793%
NOTES:	
1. SUPPLEMENTAL TAX BILLS ARE ISSUED FOR CONSTRUCTION AS CONSTRUCTION IS COMPLETED BASED ON DELIVERIES.	
2. PROPERTY VALUE IS REASSESSED AT THE TIME OF SALE.	
3. STABILIZED ASSESSED VALUE FROM MONTH 33 TRENDED BACK TO BASE YEAR.	

**FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAVADA-WEST PHASE - LA MESA, CA**

FINAL PROJECTION

BUILDERS RISK INSURANCE CALCULATION DETAIL

	<u>PROJECTED</u>	<u>% OF PROJECTED</u>	<u>ADJUSTED BASIS</u>
BUILDING VALUE:			
HARD COSTS:	\$30,194,629	100.00%	\$30,194,629
SPECIAL PROJECT REQUIREMENTS:	1,395,438	100.00%	1,395,438
OFFSITE IMPROVEMENTS:	1,941,198	0.00%	0
GENERAL CONTRACTOR FEE:	1,855,422	0.00%	0
TOTAL BUILDING VALUE:	\$33,426,938	89.17%	\$31,590,387
CONTENTS:			
LEASING OFFICE/CLUBHOUSE FURNISHINGS AND ACCESSORIES (0912-0932):	240,000	100.00%	240,000
POOL FURNITURE, BBQ GRILLS, ETC. (0908-0910):	21,822	100.00%	21,822
HIGHWAY CEMETERY EQUIPMENT AND FURNISHINGS, ETC. (0934-0938):	30,560	100.00%	30,560
MODEL FURNISHINGS & BUILDING EXTRAS (0944-0948):	65,485	100.00%	65,485
MAIN FURNACE EQUIPMENT (0940-0942):	24,004	100.00%	24,004
COMPUTERS:	43,643	100.00%	43,643
TOTAL CONTENTS:	\$425,484	100.00%	\$425,484
SOFT COSTS:			
LAND CLOSING AND DEVELOPMENTAL COSTS:	\$571,285	10.00%	\$57,129
ARCHITECTURAL AND ENGINEERING:	1,319,300	10.00%	191,330
PERMITS AND FEES:	1,650,345	20.00%	330,069
CONSTRUCTION HOOKUP FEES:	823,829	20.00%	24,738
TOTAL BONDS, INSURANCE & LEGAL:	753,677	50.00%	379,339
STARTUP EXPENSES:	202,339	0.00%	0
LENDER ADMINISTRATIVE FEE:	19,650	15.00%	2,948
DEVELOPER FEE PAID AT CLOSING:	113,772	15.00%	17,066
CALSTRS SUBSCRIPTION LOAN:	643,551	0.00%	0
CONSTRUCTION FINANCING COSTS:	348,300	15.00%	\$1,945
CONSTRUCTION LOAN INTEREST RESERVE:	2,584,463	100.00%	2,584,463
CONSTRUCTION PERIOD PROPERTY TAXES:	217,758	15.00%	32,663
DEVELOPER FEE PD DURING CONSTRUCTION:	1,251,482	0.00%	0
SOFT COST CONTINGENCY:	225,000	50.00%	112,500
TOTAL SOFT COSTS:	\$9,314,234	38.90%	\$3,593,518
LAND AND CLOSING COST:	\$223,453	0.00%	\$0
TOTAL PROJECT COST:	\$45,380,160	78.43%	\$35,801,389
PLUS 1-YEAR STABILIZED NET PROPERTY REVENUE:	\$4,288,840	75.00%	\$3,200,120
TOTAL PROJECT VALUE INCLUDING 1-YEAR STABILIZED NET PROPERTY REVENUE:	\$49,668,999	78.14%	\$38,801,489
ANNUAL PREMIUM PER \$100 TOTAL PROJECT VALUE:	<u>PRIMARY</u> 50.30	<u>EXCESS</u> 50.04	<u>TOTALS</u> 50.34
ANNUAL TAXES PER \$100 TOTAL PROJECT VALUE:	50.07	50.03	50.10
TOTAL GENERAL AND UMBRELLA LIABILITY INSURANCE PREMIUM PER \$1,000 BUILDING VALUE:	10%	N/A	\$4.60
ANNUAL BRI PREMIUM:	<u>PRIMARY</u> \$118,404	<u>EXCESS</u> \$19,521	<u>TOTALS</u> 131,925
ANNUAL BRI TAXES:	27,161	11,840	38,801
TOTAL ANNUAL BUILDERS RISK INSURANCE PREMIUM AND TAXES:	\$143,565	\$27,161	\$170,726
* YEARS OF CONSTRUCTION (24 MONTHS):			2.33
TOTAL BUILDERS RISK INSURANCE PREMIUM AND TAXES:			\$398,381
PLUS TOTAL GENERAL AND UMBRELLA LIABILITY INSURANCE:			145,216
TOTAL CONSTRUCTION INSURANCE AND TAXES:			\$543,597
TOTAL CONSTRUCTION INSURANCE AND TAXES PER UNIT:			\$2,384
DEDUCTIBLE PER OCCURRENCE:			\$100,000

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAVADA-WEST PHASE - LA MESA, CA

FINAL PROJECTION

OPERATING INSURANCE CALCULATION DETAIL

(1) TOTAL ANNUAL GENERAL LIABILITY PREMIUM:	\$8,888
ANNUAL GENERAL LIABILITY RATE PER UNIT:	\$43.00
(2) ANNUAL UMBRELLA PREMIUM:	\$7,438
ANNUAL UMBRELLA RATE PER UNIT:	\$21.00
BUILDING VALUE:	\$31,580,367
CONTENTS VALUE:	425,484
RENTS VALUE:	3,280,138
TOTAL INSURED VALUE:	\$35,285,989
TOTAL INSURED VALUE: PER UNIT:	\$153,113
ANNUAL PRIMARY/EXCESS PROPERTY RATE PER \$100 OF TOTAL INSURED VALUE:	\$0.35
(3) ANNUAL PRIMARY/EXCESS PROPERTY PREMIUM:	\$121,486
ANNUAL BOILER & MACHINERY RATE PER \$100 OF TOTAL INSURED VALUE:	\$0.00
(4) ANNUAL BOILER & MACHINERY PREMIUM:	\$1,408
ANNUAL ENVIRONMENTAL/POLLUTION RATE: PER UNIT:	\$15.00
(5) ANNUAL ENVIRONMENTAL/POLLUTION PREMIUM:	\$3,460
TOTAL ANNUAL OPERATING INSURANCE (1 + 2 + 3 + 4 + 5):	\$143,774
TOTAL ANNUAL OPERATING INSURANCE PER UNIT:	\$823
TOTAL ANNUAL OPERATING INSURANCE PER BED:	\$418
DEDUCTIBLE PER OCCURRENCE:	\$100,000

FINAL PROJECTION

MONTHLY CONSTRUCTION AND OPERATIONS SUMMARY													
	MONTHLY CALENDAR MONTHLY YEAR												TOTALS
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
UNITS DELIVERED	0	0	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE UNITS DELIVERED	0	0	0	0	0	0	0	0	0	0	0	0	0
NEW UNIT LEASES SIGNED	0	0	0	0	0	0	0	0	0	0	0	0	0
UNIT MOVES IN	0	0	0	0	0	0	0	0	0	0	0	0	0
ECONOMIC UNIT OCCUPANCY	0	0	0	0	0	0	0	0	0	0	0	0	0
ECONOMIC UNIT OCCUPANCY RATE	0.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	0.00%	0.00%	0.00%
PHYSICAL UNIT OCCUPANCY	0	0	0	0	0	0	0	0	0	0	0	0	0
PHYSICAL UNIT OCCUPANCY RATE	0.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	0.00%	0.00%	0.00%
OPERATING INCOME													
GROSS MARKET RENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GROSS POTENTIAL RENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VACANCY @ 4.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
MOVES IN CONCESSIONS @ 0 WEEKS AT 0.0% TURNOVER RATE	0	0	0	0	0	0	0	0	0	0	0	0	0
NET RENTAL REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OTHER INCOME @ \$2.00 PER UNIT LESS VACANCY FACTOR @ 4.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
NET TOTAL RENTAL REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NET PROPERTY REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING EXPENSES													
SALARIES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADVERTISING	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAIRS, MAINTENANCE, BUILDING SVCS & COMMON AREA MAINT.	0	0	0	0	0	0	0	0	0	0	0	0	0
GENERAL AND ADMINISTRATIVE	0	0	0	0	0	0	0	0	0	0	0	0	0
MANAGEMENT FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
UTILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL VARIABLE OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
INSURANCE	0	0	0	0	0	0	0	0	0	0	0	0	0
PROPERTY TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0
BASE LAND LEASE PAYMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND LEASE PARTICIPATION IN REVENUE	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL FIXED OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES FOR REPLACEMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CONSTRUCTION COSTS													
LAND LEASE PAYMENTS	\$0	\$0	\$0	\$0	\$17,242	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,242
OFFSITE IMPROVEMENTS	0	0	0	0	\$42,060	\$67,050	\$67,267	0	0	0	0	0	\$1,041,100
LAND CLOSING AND DEVELOPMENTAL COSTS	0	0	0	0	\$30,810	\$7,227	\$7,228	0	0	0	0	0	\$71,285
ARCHITECTURAL AND ENGINEERING	0	0	0	0	\$73,825	\$73,825	\$73,825	\$73,825	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000,000
PERMITS AND FEES	0	0	0	0	\$42,510	\$12,510	\$12,510	\$12,517	0	0	0	0	\$1,012,345
CONSTRUCTION WORKUP FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL BONDS, INSURANCE & LEGAL	0	0	0	0	0	0	0	0	0	0	0	0	0
LENDER ADMINISTRATIVE FEE	0	0	0	0	\$8,821	\$11,440	\$11,440	\$11,440	\$1,100	\$1,100	\$1,100	\$1,100	\$14,481
DEVELOPER FEE PAID AT CLOSING	0	0	0	0	\$5,612	0	0	0	0	0	0	0	\$5,612
OFFICE & MODEL FURNITURE, MARKETING & STARTUP EXPENSES	0	0	0	0	\$12,772	0	0	0	0	0	0	0	\$12,772
CALSTRS SUBSCRIPTION LOAN	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION FINANCING COSTS	0	0	0	0	\$3,720	\$3,760	\$0,840	\$3,810	\$2,118	\$2,344	\$2,326	\$2,347	\$24,151
CONSTRUCTION LOAN INTEREST RESERVE	0	0	0	0	\$48,300	0	0	0	0	0	0	0	\$48,300
CONSTRUCTION PERIOD PROPERTY TAXES	0	0	0	0	0	0	0	0	0	\$5,841	\$2,875	20,114	\$28,114
DEVELOPER FEE PD DURING CONSTRUCTION	0	0	0	0	0	0	0	0	0	0	0	0	\$23,911
SOFT COST CONTINGENCY	0	0	0	0	\$4,886	\$4,816	\$4,856	\$4,816	\$4,816	\$4,816	\$4,816	\$4,816	\$37,268
LICHA AFFORDABLE UNIT'S SURGE/	0	0	0	0	0	0	0	0	0	0	0	0	0
HARD COSTS	0	0	0	0	0	\$57,400	\$18,070	\$128,804	\$24,872	\$25,846	\$28,797	\$2,038,156	\$6,537,318
GENERAL CONTRACTOR FEE	0	0	0	0	\$1,481	\$5,064	\$4,473	\$5,202	\$4,251	\$2,416	\$22,269	0	\$19,400
TOTAL CONSTRUCTION COSTS	\$0	\$0	\$0	\$0	\$4,000,120	\$2,821,704	\$2,341,920	\$1,748,410	\$1,063,213	\$1,068,220	\$1,345,612	\$2,317,768	\$17,178,748
CALSTRS SUBSCRIPTION LOAN DRAW/REPAYMENT	0	0	0	0	\$4,000,120	2,821,704	2,341,920	1,748,410	1,063,213	1,068,220	1,345,612	2,317,768	\$17,178,748
EQUITY FUND DRAWS	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION LOAN DRAWS	0	0	0	0	0	0	0	0	0	0	0	0	0
SUBSIDY HOLDING ACCOUNT	0	0	0	0	0	0	0	0	0	0	0	0	0
NET CONSTRUCTION FINANCING	\$0	\$0	\$0	\$0	\$4,000,120	\$2,821,704	\$2,341,920	\$1,748,410	\$1,063,213	\$1,068,220	\$1,345,612	\$2,317,768	\$17,178,748

FINAL PROJECTION

MONTHLY CONSTRUCTION AND OPERATIONS SUMMARY													
CALENDAR MONTH/YEAR	JAN 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	JUN 2018	JUL 2018	AUG 2018	SEP 2018	OCT 2018	NOV 2018	DEC 2018	TOTAL YTD
UNIT DELIVERED	0	3	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE UNITS DELIVERED	0	3	0	0	0	0	0	0	0	0	0	0	0
NEW UNIT LEASES SIGNED	0	0	0	0	0	0	0	0	0	0	0	0	0
UNIT MOVES-INS	0	0	0	0	0	0	0	0	0	0	0	0	0
ECONOMIC UNIT OCCUPANCY	0	0	0	0	0	0	0	0	0	0	0	0	0
ECONOMIC UNIT OCCUPANCY RATE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PHYSICAL UNIT OCCUPANCY	0	0	0	0	0	0	0	0	0	0	0	0	0
PHYSICAL UNIT OCCUPANCY RATE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATING INCOME													
GROSS MARKET RENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GROSS POTENTIAL RENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VACANCY @ 4.79%	0	0	0	0	0	0	0	0	0	0	0	0	0
MOVES-IN CONCESSIONS @ 0 WEEKS AT 0.00% TURNOVER RATE	0	0	0	0	0	0	0	0	0	0	0	0	0
NET RENTAL REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OTHER INCOME @ \$33.00 PER UNIT LESS VACANCY FACTOR @ 4.79%	0	0	0	0	0	0	0	0	0	0	0	0	0
NET TOTAL RENTAL REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NET PROPERTY REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING EXPENSES													
SALARIES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,172	\$2,257	\$7,800	\$8,664	\$21,715	\$21,715
ADVERTISING	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAIRS, MAINTENANCE, BUILDING AIDS & COMMON AREA MAINT.	0	0	0	0	0	0	0	0	0	0	0	0	0
GENERAL AND ADMINISTRATIVE	0	0	0	0	0	0	0	0	0	1,151	3,453	4,757	4,757
MANAGEMENT FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
UTILITIES	0	0	0	0	0	0	0	0	0	0	1,407	1,407	1,407
TOTAL VARIABLE OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,172	\$2,257	\$8,950	\$12,520	\$15,414	\$15,414
INSURANCE	0	0	0	0	0	0	0	0	0	0	0	0	0
PROPERTY TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0
BASELARD LEASE PAYMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND LEASE PARTICIPATION IN REVENUE	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL FIXED OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,172	\$2,257	\$8,950	\$12,520	\$15,414	\$15,414
RESERVES FOR DEPLETION	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,172)	(\$2,257)	(\$14,741)	(\$15,414)	(\$15,414)	(\$15,414)
CONSTRUCTION COSTS													
LAND LEASE PAYMENTS	\$0	\$0	\$0	\$0	\$24,494	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$24,494
OFFSITE IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND CLOSING AND DEVELOPMENTAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
ARCHITECTURAL AND ENGINEERING	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
PERMITS AND FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION HODURUP FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DESIGN, INSURANCE & LEGAL	5,190	5,190	5,190	5,190	5,190	5,190	5,190	5,190	5,190	5,190	5,190	5,190	62,520
LANDFILL DEPOSIT/RETRIEVAL FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
DEVELOPER FEE PRIOR AT CLOSING	0	0	0	0	0	0	0	0	0	0	0	0	0
OFFICE II MODEL FURNITURE, MATERIALS & STARTUP EXPENSES	0	0	0	0	0	0	0	2,172	12,252	117,800	124,824	155,816	155,816
CALIFORNIA SUBSCRIPTION LOAN	52,386	104,772	0	0	0	0	0	0	0	0	0	0	157,158
CONSTRUCTION FINANCING COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION LOAN INTEREST RESERVE	32,581	48,518	32,247	21,581	84,535	94,402	102,717	310,810	114,247	128,753	125,644	145,225	1,138,748
CONSTRUCTION PERIOD PROPERTY TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0
DEVELOPER FEE PRIOR DURING CONSTRUCTION	44,895	44,895	44,895	44,895	44,895	44,895	44,895	44,895	44,895	44,895	44,895	44,895	538,552
SOFT COST CONTINGENCY	0	0	0	0	0	0	0	0	0	0	0	0	0
UNCLAR AFFORDABLE HOUSING SUBSIDY	0	0	0	0	0	0	0	0	0	0	0	0	0
HARD COSTS	2,303,373	2,652,216	1,778,441	1,588,050	4,024,715	1,317,320	1,324,413	1,124,813	1,207,797	1,207,797	1,207,797	1,058,823	17,371,825
GENERAL CONTRACTOR FEE	124,272	124,014	698,700	85,307	84,518	77,038	87,483	87,483	87,483	87,483	87,483	87,483	1,018,232
TOTAL CONSTRUCTION COSTS	\$2,427,645	\$2,776,230	\$1,847,141	\$1,673,357	\$4,109,233	\$1,394,358	\$1,411,896	\$1,212,626	\$1,295,280	\$1,295,280	\$1,295,280	\$1,146,306	\$17,389,057
CALIFORNIA SUBSCRIPTION LOAN (DEVELOPER FEE)	0	0	0	0	0	0	0	0	0	0	0	0	0
SOFT FUND DISBURS	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION LOAN DISBURS	2,573,948	2,776,230	1,847,141	1,673,357	4,109,233	1,394,358	1,411,896	1,212,626	1,295,280	1,295,280	1,295,280	1,058,823	17,389,057
SUBSIDY BUILDING ACCOUNT	0	0	0	0	0	0	0	0	0	0	0	0	0
NET CONSTRUCTION FINANCING	\$2,573,948	\$2,776,230	\$1,847,141	\$1,673,357	\$4,109,233	\$1,394,358	\$1,411,896	\$1,212,626	\$1,295,280	\$1,295,280	\$1,295,280	\$1,058,823	\$17,389,057

FINAL PROJECTION

		MONTHLY CONSTRUCTION AND OPERATIONS SUMMARY																								TOTALS		
		JAN 2025		FEB 2025		MAR 2025		APR 2025		MAY 2025		JUN 2025		JUL 2025		AUG 2025		SEP 2025		OCT 2025		NOV 2025		DEC 2025		TOTALS		
UNITS DELIVERED	0	78	0	78	0	78	0	78	0	78	0	78	0	78	0	78	0	78	0	78	0	78	0	78	0	78	0	210
CUMULATIVE UNITS DELIVERED	0	78	78	156	156	234	234	312	312	390	390	468	468	546	546	624	624	702	702	780	780	858	858	936	936	1014	1014	210
RENT/UNIT LEASES SIGNED	0	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
UNIT MOVEMENTS	0	15	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
ECONOMIC UNIT OCCUPANCY	0	14	28	42	57	71	86	100	114	128	143	157	171	186	200	214	229	243	257	271	286	299	313	327	341	355	369	383
ECONOMIC UNIT OCCUPANCY RATE	0.00%	0.01%	0.02%	0.03%	0.04%	0.05%	0.06%	0.07%	0.08%	0.09%	0.10%	0.11%	0.12%	0.13%	0.14%	0.15%	0.16%	0.17%	0.18%	0.19%	0.20%	0.21%	0.22%	0.23%	0.24%	0.25%	0.26%	0.27%
PHYSICAL UNIT OCCUPANCY	0	15	30	45	60	75	90	105	120	135	150	165	180	195	210	225	240	255	270	285	300	315	330	345	360	375	390	405
PHYSICAL UNIT OCCUPANCY RATE	0.00%	0.02%	0.04%	0.06%	0.08%	0.10%	0.12%	0.14%	0.16%	0.18%	0.20%	0.22%	0.24%	0.26%	0.28%	0.30%	0.32%	0.34%	0.36%	0.38%	0.40%	0.42%	0.44%	0.46%	0.48%	0.50%	0.52%	0.54%
OPERATING INCOME																												
GROSS MARKET RENT	10	\$54,341	\$108,682	\$163,023	\$217,364	\$271,705	\$326,046	\$380,387	\$434,728	\$489,069	\$543,410	\$597,751	\$652,092	\$706,433	\$760,774	\$815,115	\$869,456	\$923,797	\$978,138	\$1,032,479	\$1,086,820	\$1,141,161	\$1,195,502	\$1,249,843	\$1,304,184	\$1,358,525	\$1,412,866	\$1,467,207
GROSS POTENTIAL RENT	10	\$54,341	\$108,682	\$163,023	\$217,364	\$271,705	\$326,046	\$380,387	\$434,728	\$489,069	\$543,410	\$597,751	\$652,092	\$706,433	\$760,774	\$815,115	\$869,456	\$923,797	\$978,138	\$1,032,479	\$1,086,820	\$1,141,161	\$1,195,502	\$1,249,843	\$1,304,184	\$1,358,525	\$1,412,866	\$1,467,207
VACANCY @ 4.0%	0	(\$2,174)	(\$4,348)	(\$6,522)	(\$8,696)	(\$10,870)	(\$13,044)	(\$15,218)	(\$17,392)	(\$19,566)	(\$21,740)	(\$23,914)	(\$26,088)	(\$28,262)	(\$30,436)	(\$32,610)	(\$34,784)	(\$36,958)	(\$39,132)	(\$41,306)	(\$43,480)	(\$45,654)	(\$47,828)	(\$50,002)	(\$52,176)	(\$54,350)	(\$56,524)	(\$58,698)
MOVING CONCESSIONS @ 0 WEEKS AT 0.0% TURNOVER RATE	0	(\$2,174)	(\$4,348)	(\$6,522)	(\$8,696)	(\$10,870)	(\$13,044)	(\$15,218)	(\$17,392)	(\$19,566)	(\$21,740)	(\$23,914)	(\$26,088)	(\$28,262)	(\$30,436)	(\$32,610)	(\$34,784)	(\$36,958)	(\$39,132)	(\$41,306)	(\$43,480)	(\$45,654)	(\$47,828)	(\$50,002)	(\$52,176)	(\$54,350)	(\$56,524)	(\$58,698)
NET RENTAL REVENUE	10	\$31,820	\$53,161	\$73,244	\$93,258	\$113,268	\$133,278	\$153,288	\$173,298	\$193,308	\$213,318	\$233,328	\$253,338	\$273,348	\$293,358	\$313,368	\$333,378	\$353,388	\$373,398	\$393,408	\$413,418	\$433,428	\$453,438	\$473,448	\$493,458	\$513,468	\$533,478	\$553,488
OTHER INCOME @ \$300 PER UNIT LESS VACANCY FACTOR @ 4.0%	0	(\$43)	1,181	3,181	5,181	7,181	9,181	11,181	13,181	15,181	17,181	19,181	21,181	23,181	25,181	27,181	29,181	31,181	33,181	35,181	37,181	39,181	41,181	43,181	45,181	47,181	49,181	51,181
NET TOTAL RENTAL REVENUE	10	\$4,323	\$15,623	\$28,123	\$38,123	\$48,123	\$58,123	\$68,123	\$78,123	\$88,123	\$98,123	\$108,123	\$118,123	\$128,123	\$138,123	\$148,123	\$158,123	\$168,123	\$178,123	\$188,123	\$198,123	\$208,123	\$218,123	\$228,123	\$238,123	\$248,123	\$258,123	\$268,123
NET PROPERTY REVENUE	10	\$4,323	\$15,623	\$28,123	\$38,123	\$48,123	\$58,123	\$68,123	\$78,123	\$88,123	\$98,123	\$108,123	\$118,123	\$128,123	\$138,123	\$148,123	\$158,123	\$168,123	\$178,123	\$188,123	\$198,123	\$208,123	\$218,123	\$228,123	\$238,123	\$248,123	\$258,123	\$268,123
OPERATING EXPENSES																												
SALARIES	\$15,217	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432	\$32,432
ADVERTISING	3,147	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337	9,337
REPAIRS, MAINTENANCE, BUILDING SVCS & COMMON AREA MAINT.	9	1,840	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692	11,692
GENERAL & ADMINISTRATIVE	2,447	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118	7,118
MANAGEMENT FEE	0	172	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402
UTILITIES	1,448	2,874	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397	11,397
TOTAL VARIABLE OPERATING EXPENSES	\$22,860	\$48,828	\$63,028	\$71,183	\$73,228	\$73,278	\$73,327	\$73,377	\$73,427	\$73,477	\$73,527	\$73,577	\$73,627	\$73,677	\$73,727	\$73,777	\$73,827	\$73,877	\$73,927	\$73,977	\$74,027	\$74,077	\$74,127	\$74,177	\$74,227	\$74,277	\$74,327	\$74,377
INSURANCE	0	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678	12,678
PROPERTY TAXES	0	0	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259	24,259
BASE LEASE PAYMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAND LEASE PARTICIPATION IN REVENUE	0	0	0	0	0	0	0	0	0	0	0																	

FINAL PROJECTION

MONTHLY CONSTRUCTION AND OPERATIONS SUMMARY														TOTALS
	JAN 2023	FEB 2023	MAR 2023	APR 2023	MAY 2023	JUN 2023	JUL 2023	AUG 2023	SEP 2023	OCT 2023	NOV 2023	DEC 2023	TOTALS	
UNITS DELIVERED	0	0	0	0	0	0	0	0	0	0	0	0	0	
CUMULATIVE UNITS DELIVERED	230	230	230	230	230	230	230	230	230	230	230	230	230	
NEW UNIT LEASES SIGNED	0	0	0	0	0	0	0	0	0	0	0	0	0	
UNIT MOVES	0	0	0	0	0	0	0	0	0	0	0	0	0	
ECONOMIC UNIT OCCUPANCY	219	219	219	219	219	219	219	219	219	219	219	219	219	
ECONOMIC UNIT OCCUPANCY RATE	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	
PHYSICAL UNIT OCCUPANCY	219	219	219	219	219	219	219	219	219	219	219	219	219	
PHYSICAL UNIT OCCUPANCY RATE	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	
OPERATING INCOME														
GROSS MARKET RENT	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$4,825,068	
GROSS POTENTIAL RENT	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$402,089	\$4,825,068	
VACANCY @ 4.7%	(18,888)	(18,888)	(18,888)	(18,888)	(18,888)	(18,888)	(18,888)	(18,888)	(18,888)	(18,888)	(18,888)	(18,888)	(228,778)	
MOVES-IN CONCESSIONS @ 0 WEEKS AT 0.40% TURNOVER RATE	0	0	0	0	0	0	0	0	0	0	0	0	0	
NET RENTAL REVENUE	\$383,201	\$383,201	\$383,201	\$383,201	\$383,201	\$383,201	\$383,201	\$383,201	\$383,201	\$383,201	\$383,201	\$383,201	\$4,596,290	
OTHER INCOME @ 3.0% PER UNIT LESS VACANCY FACTOR @ 4.7%	7,220	7,220	7,220	7,220	7,220	7,220	7,220	7,220	7,220	7,220	7,220	7,220	\$86,640	
NET TOTAL RENTAL REVENUE	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$4,682,930	
NET PROPERTY REVENUE	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$390,421	\$4,682,930	
OPERATING EXPENSES														
SALARIES	\$23,638	\$23,638	\$23,638	\$23,638	\$23,638	\$23,638	\$23,638	\$23,638	\$23,638	\$23,638	\$23,638	\$23,638	\$283,656	
ADVERTISING	3,664	3,664	3,664	3,664	3,664	3,664	3,664	3,664	3,664	3,664	3,664	3,664	\$43,968	
REPAIRS, MAINTENANCE, BUILDING SVCS & COMMON AREA MAINT.	10,472	10,472	10,472	10,472	10,472	10,472	10,472	10,472	10,472	10,472	10,472	10,472	\$125,664	
GENERAL AND ADMINISTRATIVE	4,188	4,188	4,188	4,188	4,188	4,188	4,188	4,188	4,188	4,188	4,188	4,188	\$50,256	
MANAGEMENT FEE	15,616	15,616	15,616	15,616	15,616	15,616	15,616	15,616	15,616	15,616	15,616	15,616	\$187,392	
UTILITIES	9,848	9,848	9,848	9,848	9,848	9,848	9,848	9,848	9,848	9,848	9,848	9,848	\$118,176	
TOTAL VARIABLE OPERATING EXPENSES	\$67,372	\$67,372	\$67,372	\$67,372	\$67,372	\$67,372	\$67,372	\$67,372	\$67,372	\$67,372	\$67,372	\$67,372	\$812,704	
INSURANCE	13,556	13,556	13,556	13,556	13,556	13,556	13,556	13,556	13,556	13,556	13,556	13,556	\$162,672	
PROPERTY TAXES	24,354	24,354	24,354	24,354	24,354	24,354	24,354	24,354	24,354	24,354	24,354	24,354	\$292,248	
BASELAND LEASE PAYMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0	
LANDLEASE PARTICIPATION IN REVENUE	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL FIXED OPERATING EXPENSES	\$37,910	\$37,910	\$37,910	\$37,910	\$37,910	\$37,910	\$37,910	\$37,910	\$37,910	\$37,910	\$37,910	\$37,910	\$454,870	
TOTAL OPERATING EXPENSES	\$105,282	\$105,282	\$105,282	\$105,282	\$105,282	\$105,282	\$105,282	\$105,282	\$105,282	\$105,282	\$105,282	\$105,282	\$1,267,574	
RESERVE FOR REPLACEMENT	4,188	4,188	4,188	4,188	4,188	4,188	4,188	4,188	4,188	4,188	4,188	4,188	\$50,256	
NET OPERATING INCOME	\$285,139	\$285,139	\$285,139	\$285,139	\$285,139	\$285,139	\$285,139	\$285,139	\$285,139	\$285,139	\$285,139	\$285,139	\$3,415,266	
CONSTRUCTION COSTS														
LAND LEASE PAYMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
OFFSITE IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0	
LAND CLOSING AND DEVELOPMENTAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0	
ARCHITECTURAL AND ENGINEERING	0	0	0	0	0	0	0	0	0	0	0	0	0	
PERMITS AND FEES	0	0	0	0	0	0	0	0	0	0	0	0	0	
CONSTRUCTION HOODUP FEES	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL BORROW, INSURANCE & LEGAL	0	0	0	0	0	0	0	0	0	0	0	0	0	
LENDER ADMINISTRATIVE FEES	0	0	0	0	0	0	0	0	0	0	0	0	0	
DEVELOPER FEE PAID AT CLOSING	0	0	0	0	0	0	0	0	0	0	0	0	0	
OFFICE & MODEL FURNITURE, MARKETING & STARTUP EXPENSES	0	0	0	0	0	0	0	0	0	0	0	0	0	
CALSTRS SUBSCRIPTION LOAN	0	0	0	0	0	0	0	0	0	0	0	0	0	
CONSTRUCTION FINANCING COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0	
CONSTRUCTION LOAN INTEREST RESERVE	0	0	0	0	0	0	0	0	0	0	0	0	0	
CONSTRUCTION PERIOD PROPERTY TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0	
DEVELOPER FEE FOR DURING CONSTRUCTION	0	0	0	0	0	0	0	0	0	0	0	0	0	
SOFT COST CONTINGENCY	0	0	0	0	0	0	0	0	0	0	0	0	0	
UNRA AFFORDABLE UNITS SUBSIDY	0	0	0	0	0	0	0	0	0	0	0	0	0	
HARD COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0	
GENERAL CONTRACTOR FEE	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL CONSTRUCTION COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
CALSTRS SUBSCRIPTION LOAN DRAWS(PAYOFF)	0	0	0	0	0	0	0	0	0	0	0	0	0	
EQUITY FUND DRAWS	0	0	0	0	0	0	0	0	0	0	0	0	0	
CONSTRUCTION LOAN DRAWS	0	0	0	0	0	0	0	0	0	0	0	0	0	
SUBSIDY HOLDING ACCOUNT	0	0	0	0	0	0	0	0	0	0	0	0	0	
NET CONSTRUCTION FINANCING	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	

FINAL PROJECTION

	CALCULATED MONTHLY REVENUE	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	AUG 2019	SEP 2019	OCT 2019	NOV 2019	DEC 2019	TOTALS
UNITS DELIVERED	0	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE UNITS DELIVERED	210	210	210	210	210	210	210	210	210	210	210	210
NZM UNIT LEASES EXPIRED	0	0	0	0	0	0	0	0	0	0	0	0
UNIT MOVES IN	0	0	0	0	0	0	0	0	0	0	0	0
BOOKED UNIT OCCUPANCY	210	210	210	210	210	210	210	210	210	210	210	210
ECONOMIC UNIT OCCUPANCY RATE	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%
PHYSICAL UNIT OCCUPANCY	210	210	210	210	210	210	210	210	210	210	210	210
PHYSICAL UNIT OCCUPANCY RATE	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%	85.30%
OPERATING INCOME												
GROSS MARKET RENT	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$4,981,868
GROSS POTENTIAL RENT	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$415,157	\$4,981,868
VACANCY @ 4.70%	(19,512)	(19,512)	(19,512)	(19,512)	(19,512)	(19,512)	(19,512)	(19,512)	(19,512)	(19,512)	(19,512)	(234,144)
MOVING CONCESSIONS @ 0 WAYS AT 8.00% TURNOVER RATE	0	0	0	0	0	0	0	0	0	0	0	0
NET REMOVAL REVENUE	\$395,645	\$395,645	\$395,645	\$395,645	\$395,645	\$395,645	\$395,645	\$395,645	\$395,645	\$395,645	\$395,645	\$4,747,724
OTHER INCOME @ \$16.00 PER UNIT LESS VACANCY FACTOR @ 4.70%	7,453	7,453	7,453	7,453	7,453	7,453	7,453	7,453	7,453	7,453	7,453	\$89,836
NET TOTAL REMOVAL REVENUE	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$4,837,560
NET PROPERTY REVENUE	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$403,098	\$4,837,560
OPERATING EXPENSES												
SALARIES	\$23,729	\$23,729	\$23,729	\$23,729	\$23,729	\$23,729	\$23,729	\$23,729	\$23,729	\$23,729	\$23,729	\$284,748
ADMINISTRATIVE	3,775	3,775	3,775	3,775	3,775	3,775	3,775	3,775	3,775	3,775	3,775	45,300
REPAIR, MAINTENANCE, BUILDING SVCS & COMMERCIAL AREA MAINT.	10,789	10,789	10,789	10,789	10,789	10,789	10,789	10,789	10,789	10,789	10,789	129,468
GENERAL AND ADMINISTRATIVE	4,314	4,314	4,314	4,314	4,314	4,314	4,314	4,314	4,314	4,314	4,314	51,768
MANAGEMENT FEE	12,093	12,093	12,093	12,093	12,093	12,093	12,093	12,093	12,093	12,093	12,093	145,116
UTILITIES	10,247	10,247	10,247	10,247	10,247	10,247	10,247	10,247	10,247	10,247	10,247	122,964
TOTAL VARIABLE OPERATING EXPENSES	\$64,644	\$64,644	\$64,644	\$64,644	\$64,644	\$64,644	\$64,644	\$64,644	\$64,644	\$64,644	\$64,644	\$778,332
SECURITY	13,448	13,448	13,448	13,448	13,448	13,448	13,448	13,448	13,448	13,448	13,448	161,376
PROPERTY TAXES	38,518	38,518	38,518	38,518	38,518	38,518	38,518	38,518	38,518	38,518	38,518	462,216
BASE LARD LEASE PAYMENTS	0	0	0	0	111,727	0	0	0	0	0	0	111,727
LAND LEASE PARTICIPATION IN REVENUE	0	0	0	0	68,582	0	0	0	0	0	0	68,582
TOTAL FIXED OPERATING EXPENSES	\$51,934	\$51,934	\$51,934	\$51,934	\$180,315	\$51,934	\$51,934	\$51,934	\$51,934	\$51,934	\$51,934	\$602,342
TOTAL OPERATING EXPENSES												

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAYADA-WEST PHASE - LA MESA, CA

FINAL PROJECTION

MONTHLY CONSTRUCTION AND OPERATIONS SUMMARY

	2008	2009	2010	2011	2012	5-YEAR
CALENDAR MONTH/YEAR	TOTALS	TOTALS	TOTALS	TOTALS	TOTALS	TOTALS
UNITS DELIVERED	0	0	230	0	0	230
CUMULATIVE UNITS DELIVERED	0	0	230	230	230	230
NEW UNIT LEASES SIGNED	0	0	219	0	0	219
UNIT MOVES-INS	0	0	219	0	0	219
ECONOMIC UNIT OCCUPANCY	0	0	21%	21%	21%	21%
ECONOMIC UNIT OCCUPANCY RATE	0.00%	0.00%	65.30%	65.30%	65.30%	65.30%
PHYSICAL UNIT OCCUPANCY	0	0	219	219	219	219
PHYSICAL UNIT OCCUPANCY RATE	0.00%	0.00%	95.30%	95.30%	95.30%	95.30%
OPERATING INCOME						
GROSS MARKET RENT	\$0	\$0	\$3,280,328	\$4,625,068	\$4,531,884	\$12,105,280
GROSS POTENTIAL RENT	\$0	\$0	\$3,280,328	\$4,625,068	\$4,531,884	\$12,105,280
VACANCY @ 4.70%	0	0	(577,076)	(226,773)	(234,144)	(1,037,993)
MOVES-IN CONCESSIONS @ 0 WEEKS AT 0.00% TURNOVER RATE	0	0	(314,450)	0	0	(314,450)
NET RENTAL REVENUE	\$0	\$0	\$2,408,802	\$4,398,295	\$4,297,740	\$11,752,834
OTHER INCOME @ \$30.00 PER UNIT LESS VACANCY FACTOR @ 4.70%	0	0	50,574	86,640	86,460	223,774
NET TOTAL RENTAL REVENUE	\$0	\$0	\$2,457,476	\$4,484,935	\$4,384,200	\$11,976,608
NET PROPERTY REVENUE	\$0	\$0	\$2,457,476	\$4,484,935	\$4,384,200	\$11,976,608
OPERATING EXPENSES						
SALARIES	\$0	\$21,715	\$342,214	\$276,458	\$284,748	\$925,133
ADVERTISING	0	1,555	50,217	43,980	45,300	147,052
REPAIRS, MAINTENANCE, BUILDING SVCS & COMMON AREA MAINT.	0	0	123,173	125,684	129,432	378,289
GENERAL AND ADMINISTRATIVE	0	4,737	88,923	50,258	51,768	175,684
MANAGEMENT FEE	0	0	88,300	163,988	143,118	407,384
UTILITIES	0	1,407	111,070	119,370	122,964	354,817
TOTAL VARIABLE OPERATING EXPENSES	\$0	\$29,414	\$778,697	\$779,769	\$778,328	\$2,388,339
INSURANCE	0	0	139,436	158,672	161,376	457,484
PROPERTY TAXES	0	0	243,590	415,107	458,864	1,117,561
BASE LAND LEASE PAYMENTS	0	0	0	111,727	111,727	223,454
LAND LEASE PARTICIPATION IN REVENUE	0	0	0	39,216	58,562	89,280
TOTAL FIXED OPERATING EXPENSES	0	0	\$383,026	\$714,722	\$790,292	\$1,287,779
TOTAL OPERATING EXPENSES	\$0	\$29,414	\$1,161,723	\$1,494,491	\$1,568,620	\$3,676,118
RESERVES FOR REPLACEMENT	0	0	12,199	50,258	51,768	114,222
NET OPERATING INCOME	\$0	(\$29,414)	\$1,285,355	\$3,140,752	\$3,215,575	\$7,680,288
CONSTRUCTION COSTS						
LAND LEASE PAYMENTS	\$37,242	\$74,484	\$111,727	\$0	\$0	\$223,453
OFFSITE IMPROVEMENTS	1,941,109	0	0	0	0	1,941,109
LAND CLOSING AND DEVELOPMENTAL COSTS	571,285	0	0	0	0	571,285
ARCHITECTURAL AND ENGINEERING	1,808,300	12,000	8,000	0	0	1,819,300
PERMITS AND FEES	1,630,343	0	0	0	0	1,630,343
CONSTRUCTION MOOBUP FEES	0	0	123,829	0	0	123,829
TOTAL BONDS, INSURANCE & LEGAL	614,631	67,280	31,518	0	0	769,677
LENDER ADMINISTRATIVE FEE	6,552	6,552	6,552	0	0	19,656
DEVELOPER FEE PAID AT CLOSING	113,772	0	0	0	0	113,772
OFFICE & MODEL FURNITURE, MARKETING & STARTUP EXPENSES	0	355,889	390,577	0	0	746,468
CALSTRS SUBSCRIPTION LOAN	388,193	157,159	0	0	0	545,351
CONSTRUCTION FINANCING COSTS	348,300	0	0	0	0	348,300
CONSTRUCTION LOAN INTEREST RESERVE	38,114	1,138,356	1,383,803	0	0	2,564,263
CONSTRUCTION PERIOD PROPERTY TAXES	23,911	130,698	53,147	0	0	217,758
DEVELOPER FEE PD DURING CONSTRUCTION	357,568	536,352	357,572	0	0	1,251,492
SOFT COST CONTINGENCY	0	0	225,000	0	0	225,000
LACRA AFFORDABLE UNITS SUBSIDY	0	0	(1,193,331)	0	0	(1,193,331)
HARD COSTS	8,657,319	17,271,005	3,662,812	0	0	31,590,367
GENERAL CONTRACTOR FEE	518,438	1,036,262	339,721	0	0	1,894,422
TOTAL CONSTRUCTION COSTS	\$17,175,420	\$28,778,098	\$7,554,288	\$0	\$0	\$43,508,802
CALSTRS SUBSCRIPTION LOAN DRAWS(PAYOFF)	11,377,200	(11,377,200)	0	0	0	0
EQUITY FUND DRAWS	0	11,377,200	0	0	0	11,377,200
CONSTRUCTION LOAN DRAWS	5,798,220	28,778,098	7,554,288	0	0	34,131,602
SUBSIDY HOLDING ACCOUNT	0	0	0	0	0	0
NET CONSTRUCTION FINANCING	\$17,175,420	\$28,778,098	\$7,554,288	\$0	\$0	\$43,508,802

FINAL CALSTRS ANALYSIS
GROSSMONT TROLLEY SITE-PRAVADA-WEST PHASE - LA MESA, CA

FINAL PROJECTION

CALSTRS SUMMARY OF RETURNS FOR SALE IN MAY 2010

MONTH	CASH FLOW INVESTMENT	REMAINING CASH FLOW	TOTAL RETURN ON CASH FLOW (CAP) BEFORE LOOKBACK	LOOKBACK @ 12.00% TO A 10.00% IRR (MID CAP)	TOTAL AFTER LOOKBACK (MID CAP)	LOOKBACK @ 10.00% TO A 7.00% IRR (MID CAP)	TOTAL AFTER LOOKBACK (MID CAP)	LOOKBACK @ 7.00% TO A 4.00% IRR (MID CAP)	TOTAL AFTER LOOKBACK (MID CAP)	TOTAL SALE PROCEEDS (MID CAP RATE)	TOTAL SALE PROCEEDS (6.75% CAP RATE)	TOTAL SALE PROCEEDS (6.50% CAP RATE)
Feb 2007	(\$10,467,024)	\$0	(\$10,467,024)	\$0	(\$10,467,024)	\$0	(\$10,467,024)	\$0	(\$10,467,024)	(\$10,467,024)	(\$10,467,024)	(\$10,467,024)
Mar 2007	0	0	0	0	0	0	0	0	0	0	0	0
Apr 2007	0	0	0	0	0	0	0	0	0	0	0	0
May 2007	0	0	0	0	0	0	0	0	0	0	0	0
Jun 2007	0	0	0	0	0	0	0	0	0	0	0	0
Jul 2007	0	0	0	0	0	0	0	0	0	0	0	0
Aug 2007	0	0	0	0	0	0	0	0	0	0	0	0
Sep 2007	0	0	0	0	0	0	0	0	0	0	0	0
Oct 2007	0	0	0	0	0	0	0	0	0	0	0	0
Nov 2007	0	0	0	0	0	0	0	0	0	0	0	0
Dec 2007	0	0	0	0	0	0	0	0	0	0	0	0
Jan 2008	0	0	0	0	0	0	0	0	0	0	0	0
Feb 2008	0	0	0	0	0	0	0	0	0	0	0	0
Mar 2008	0	0	0	0	0	0	0	0	0	0	0	0
Apr 2008	0	0	0	0	0	0	0	0	0	0	0	0
May 2008	0	0	0	0	0	0	0	0	0	0	0	0
Jun 2008	0	0	0	0	0	0	0	0	0	0	0	0
Jul 2008	0	0	0	0	0	0	0	0	0	0	0	0
Aug 2008	0	0	0	0	0	0	0	0	0	0	0	0
Sep 2008	0	0	0	0	0	0	0	0	0	0	0	0
Oct 2008	0	284,591	284,591	0	284,591	0	284,591	0	284,591	284,591	284,591	284,591
Nov 2008	0	54,506	54,506	0	54,506	0	54,506	0	54,506	54,506	54,506	54,506
Dec 2008	0	68,450	68,450	0	68,450	0	68,450	0	68,450	68,450	68,450	68,450
Jan 2009	0	77,470	77,470	0	77,470	0	77,470	0	77,470	77,470	77,470	77,470
Feb 2009	0	67,185	67,185	0	67,185	0	67,185	0	67,185	67,185	67,185	67,185
Mar 2009	0	67,185	67,185	0	67,185	0	67,185	0	67,185	67,185	67,185	67,185
Apr 2009	0	67,185	67,185	0	67,185	0	67,185	0	67,185	67,185	67,185	67,185
May 2009	0	0	0	0	0	0	0	0	0	0	0	0
Jun 2009	0	67,185	67,185	0	67,185	0	67,185	0	67,185	67,185	67,185	67,185
Jul 2009	0	70,787	70,787	0	70,787	0	70,787	0	70,787	70,787	70,787	70,787
Aug 2009	0	70,787	70,787	0	70,787	0	70,787	0	70,787	70,787	70,787	70,787
Sep 2009	0	70,787	70,787	0	70,787	0	70,787	0	70,787	70,787	70,787	70,787
Oct 2009	0	70,787	70,787	0	70,787	0	70,787	0	70,787	70,787	70,787	70,787
Nov 2009	0	70,787	70,787	0	70,787	0	70,787	0	70,787	70,787	70,787	70,787
Dec 2009	0	70,787	70,787	0	70,787	0	70,787	0	70,787	70,787	70,787	70,787
Jan 2010	0	80,221	80,221	0	80,221	0	80,221	0	80,221	80,221	80,221	80,221
Feb 2010	0	77,491	77,491	0	77,491	0	77,491	0	77,491	77,491	77,491	77,491
Mar 2010	0	77,491	77,491	0	77,491	0	77,491	0	77,491	77,491	77,491	77,491
Apr 2010	0	77,491	77,491	0	77,491	0	77,491	0	77,491	77,491	77,491	77,491
May 2010	0	0	0	13,074,507	13,074,507	1,289,504	14,364,011	71,183	14,435,114	15,603,803	14,435,114	13,188,472
TOTALS: (\$10,467,024)		\$1,471,213	(\$8,995,811)	\$13,074,507	\$4,078,286	\$1,289,504	\$5,388,280	\$71,183	\$5,459,503	\$8,608,692	\$5,459,503	\$4,192,881
MONTHLY:			-8.48%		0.87%		1.11%		1.36%		1.11%	0.88%
ANNUAL:			-77.47%		10.48%		13.77%		13.32%		13.32%	10.73%
EFFECTIVE:			-55.10%		11.00%		14.00%		14.16%		13.72%	11.27%

Ground Lease Document (Excerpt)

<p>Legal Description</p>

PROPERTY INFORMATION

1) Property: , LA MESA CA
APN: 490-270-23-00 Card#: Use:
County: SAN DIEGO, CA Prop Tax: Total Value:
MapPg/Grid: 1250-J7 Old Map: 55-D5 Tax Year: Delinq: Land Value:
Census: 150.00 Tract #: 876 Tax Area: 05077 Imprv Value:
High School: GROSSMONT UN Elem School: LA MESA SPRING Taxable Val:
Comm Coll: GROSSMONT CUYAMACA Exemptions: Assd Year:
Subdivision: LA MESA COLONY AMD % Improved:
Owner: SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD Phone:
Owner Vest: / /
Mall:
Owner Transfer = Rec Dt: Price: Doc#: Type:
Sale Dt:

SALE & FINANCE INFORMATION

	LAST SALE	PRIOR SALE
Recording/Sale Date:		
Sale Price/Type:		
Document #:		
Deed Type:		
1st Mtg Amt/Type:		
1st Mtg R/Type/Term:	/	/
1st Mtg Lender:		
2nd Mtg Amt/Type:		
2nd Mtg R/Type/Term:	/	/
Title Company:		
Seller:		
New Construction:		
Other Last Sale Info =	# Parcels:	Type 2: Pend:

SITE INFORMATION

# Res. Units:	County Use:	Acres:	4.37
# Comm Units:	Zoning: CGD	Lot Area:	190,357.2
# Buildings:	Flood Panel:	Lot Width:	
Bldg Class:	Panel Date:	Lot Depth:	
Parking Sqft:	Flood Zone:	Usable Lot:	
Park Spaces:	Sewer Type:		
Garage Cap#:	Water Type:		
Park Type:			
Other Impvs:			
Legal Bld/Bldg:	Site Influence:		
Legal Lot/Unit: 190	Amenities:		
Legal: D83-041437&PAR 145B D88-278301 IN ST CLSD&IN LOT 190& LOT 191 TR 876			

IMPROVEMENTS

Bldg/Liv Area:
Gross Area:
Ground Flr:
Bsmnt Area:
\$/SqFt:
Yrblt/Eff:
Stories:
Rooms:
Bedrooms:
Full/Half Bath:
Ttl Baths/Fixt:
Fireplace:
Pool:
Porch Type:
Patio Type:
Construct:
Foundation:
Ext Wall:
Roof Shape:
Roof Type:
Roof Matl:
Floor Type:
Floor Cover:
Heat Type:
Heat Fuel:
Air Cond:
Quality:
Condition:
Style:
Equipment:
Other Rms:

PROPERTY INFORMATION

1) Property: CUYAMACA AVE, LA MESA CA
APN: 490-270-25-00 Card#: Use:
County: SAN DIEGO, CA Prop Tax: Total Value:
MapPg/Grid: 1251-A7 Old Map: 56-D5 Tax Year: Delinq: Land Value:
Census: 150.00 Tract #: 876 Tax Area: 05079 Imprv Value:
High School: GROSSMONT UN Elem School: LA MESA SPRING Taxable Val:
Comm Coll: GROSSMONT CUYAMACA Exemptions: Assd Year:
Subdivision: LA MESA COLONY AMD % Improved:
Owner: SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD Phone:
Owner Vest: / / CO
Mall:
Owner Transfer = Rec Dt: Price: Doc#: Type:
Sale Dt:

SALE & FINANCE INFORMATION

	LAST SALE	PRIOR SALE
Recording/Sale Date:		
Sale Price/Type:		
Document #:		
Deed Type:		
1st Mtg Amt/Type:		
1st Mtg Rt/Type/Trm:	/	/
1st Mtg Lender:		
2nd Mtg Amt/Type:		
2nd Mtg Rt/Type/Trm:	/	/
Title Company:		
Seller:		
New Construction:		
Other Last Sale Info = # Parcels:	Type 2:	Pend:

SITE INFORMATION

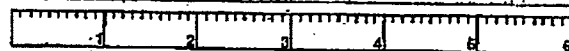
# Res. Units:	County Use:	Acres:
# Comm Units:	Zoning:	Lot Area:
# Buildings:	Flood Panel: 0602921642F	Lot Width:
Bldg Class:	Panel Date: 07/02/2002	Lot Depth:
Parking Sqft:	Flood Zone: X	Usable Lot:
Park Spaces:	Sewer Type:	
Garage Cap#:	Water Type:	
Park Type:		
Other Impvs:		
Legal Bldg/Bldg:	Site Influence:	
Legal Lot/Unit: 192	Amenities:	
Legal: DOC91-607355 IN ST CLSD ADJ TO LOT 192 TR 876		

IMPROVEMENTS

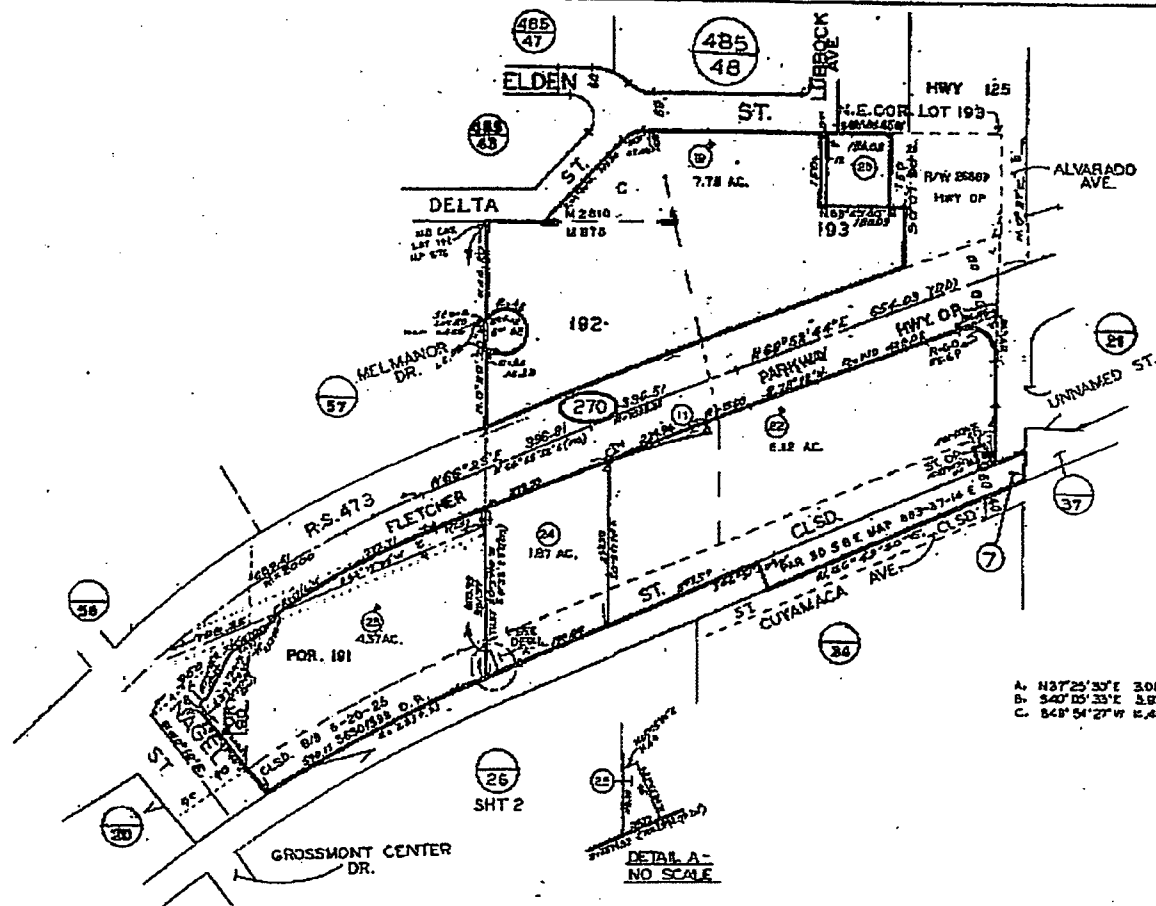
Bldg/Liv Area:
Gross Area:
Ground Flr:
Bsmnt Area:
\$/SqFt:
Yrblt/Eff:
Stories:
Rooms:
Bedrooms:
Full/Half Bath:
Ttl Baths/Fixt:
Fireplace:
Pool:
Porch Type:
Patio Type:
Construct:
Foundation:
Ext Wall:
Roof Shape:
Roof Type:
Roof Matl:
Floor Type:
Floor Cover:
Heat Type:
Heat Fuel:
Air Cond:
Quality:
Condition:
Style:
Equipment:

Other Rms:

480-200/270



SCALE IN 1/10 OF AN INCH



480 - 27



CHANGES

SUN	OLD	NEW	DATE
1	1	1	1/1/00
2	2	2	2/1/00
3	3	3	3/1/00
4	4	4	4/1/00
5	5	5	5/1/00
6	6	6	6/1/00
7	7	7	7/1/00
8	8	8	8/1/00
9	9	9	9/1/00
10	10	10	10/1/00
11	11	11	11/1/00
12	12	12	12/1/00
13	13	13	1/1/01
14	14	14	2/1/01
15	15	15	3/1/01
16	16	16	4/1/01
17	17	17	5/1/01
18	18	18	6/1/01
19	19	19	7/1/01
20	20	20	8/1/01
21	21	21	9/1/01
22	22	22	10/1/01
23	23	23	11/1/01
24	24	24	12/1/01
25	25	25	1/1/02
26	26	26	2/1/02
27	27	27	3/1/02
28	28	28	4/1/02
29	29	29	5/1/02
30	30	30	6/1/02
31	31	31	7/1/02
32	32	32	8/1/02
33	33	33	9/1/02
34	34	34	10/1/02
35	35	35	11/1/02
36	36	36	12/1/02
37	37	37	1/1/03
38	38	38	2/1/03
39	39	39	3/1/03
40	40	40	4/1/03
41	41	41	5/1/03
42	42	42	6/1/03
43	43	43	7/1/03
44	44	44	8/1/03
45	45	45	9/1/03
46	46	46	10/1/03
47	47	47	11/1/03
48	48	48	12/1/03
49	49	49	1/1/04
50	50	50	2/1/04
51	51	51	3/1/04
52	52	52	4/1/04
53	53	53	5/1/04
54	54	54	6/1/04
55	55	55	7/1/04
56	56	56	8/1/04
57	57	57	9/1/04
58	58	58	10/1/04
59	59	59	11/1/04
60	60	60	12/1/04
61	61	61	1/1/05
62	62	62	2/1/05
63	63	63	3/1/05
64	64	64	4/1/05
65	65	65	5/1/05
66	66	66	6/1/05
67	67	67	7/1/05
68	68	68	8/1/05
69	69	69	9/1/05
70	70	70	10/1/05
71	71	71	11/1/05
72	72	72	12/1/05
73	73	73	1/1/06
74	74	74	2/1/06
75	75	75	3/1/06
76	76	76	4/1/06
77	77	77	5/1/06
78	78	78	6/1/06
79	79	79	7/1/06
80	80	80	8/1/06
81	81	81	9/1/06
82	82	82	10/1/06
83	83	83	11/1/06
84	84	84	12/1/06
85	85	85	1/1/07
86	86	86	2/1/07
87	87	87	3/1/07
88	88	88	4/1/07
89	89	89	5/1/07
90	90	90	6/1/07
91	91	91	7/1/07
92	92	92	8/1/07
93	93	93	9/1/07
94	94	94	10/1/07
95	95	95	11/1/07
96	96	96	12/1/07
97	97	97	1/1/08
98	98	98	2/1/08
99	99	99	3/1/08
100	100	100	4/1/08

SAN DIEGO COUNTY
ASSIGNED MAP
BOOK 480 PAGE 27

MAPPER FOR ASSIGNMENT PURPOSES ONLY

THIS MAP WAS PREPARED FOR ASSIGNMENT PURPOSES ONLY. THE PREPARED MAP IS NOT A SUBSTITUTE FOR THE ORIGINAL MAP. THE PREPARED MAP MAY NOT COMPLY WITH LOCAL ORDINANCES OR BUILDING DEPARTMENTS.

MAP 2810 1A MESA PARK HOMES UNIT NO. 1 RESUB
MAP 876 - LA MESA COLONY AMENDED
ROS 4750, 9896, 11432, 13592

AUG 2 9 1996

PROPERTY INFORMATION

1) Property: , LA MESA CA
APN: 490-200-39-00 Card#: Use:
County: SAN DIEGO, CA Prop Tax: Total Value:
MapPg/Grid: 1270-J1 Old Map: 55-D6 Tax Year: Delinq: Land Value:
Census: 150.00 Tract #: 876 Tax Area: 05077 Imprv Value:
High School: GROSSMONT UN Elem School: LA MESA SPRING Taxable Val:
Comm Coll: GROSSMONT CUYAMACA Exemptions: Assd Year:
Subdivision: LA MESA COLONY AMD % Improved:
Owner: SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD Phone:
Owner Vest: / /
Mail:
Owner Transfer = Rec Dt: Price: Doc#: Type:
Sale Dt:

SALE & FINANCE INFORMATION

	LAST SALE	PRIOR SALE
Recording/Sale Date:		
Sale Price/Type:		
Document #:		
Deed Type:		
1st Mtg Amt/Type:		
1st Mtg R/Type/Term:	/	/
1st Mtg Lender:		
2nd Mtg Amt/Type:		
2nd Mtg R/Type/Term:	/	/
Title Company:		
Seller:		
New Construction:		
Other Last Sale Info =	# Parcels:	Type 2: Pend:

SITE INFORMATION

# Res. Units:	County Use:	Acres:	2.17
# Comm Units:	Zoning: CGD	Lot Area:	94,525.2
# Buildings:	Flood Panel:	Lot Width:	
Bldg Class:	Panel Date:	Lot Depth:	
Parking Sqft:	Flood Zone:	Usable Lot	
Park Spaces:	Sewer Type:		
Garage Cap#:	Water Type:		
Park Type:			
Other Impvs:			
Legal Blk/Bldg:	Site Influence:		
Legal Lot/Unit: 190	Amenities:		
Legal: DOC83-041434&PAR 145A PER DOC88-278301 IN ST CLSD&IN LOT 190 TR 876			

IMPROVEMENTS

Bldg/Liv Area:
Gross Area:
Ground Flr:
Bsmnt Area:
\$/SqFt:
Yrbl/Eff:
Stories:
Rooms:
Bedrooms:
Full/Half Bath:
Ttl Baths/Fixt:
Fireplace:
Pool:
Porch Type:
Patio Type:
Construct:
Foundation:
Ext Wall:
Roof Shape:
Roof Type:
Roof Matl:
Floor Type:
Floor Cover:
Heat Type:
Heat Fuel:
Air Cond:
Quality:
Condition:
Style:
Equipment:
Other Rms:

PROPERTY INFORMATION

1) Property: FLETCHER PKWY, LA MESA CA 91942
APN: 490-200-40-00 Card#: Use:
County: SAN DIEGO, CA Prop Tax: Total Value:
MapPg/Grid: 1270-J1 Old Map: 55-D6 Tax Year: Delinq: Land Value:
Census: 150.00 Tract #: 876 Tax Area: 05077 Imprv Value:
High School: GROSSMONT UN Elem School: LA MESA SPRING Taxable Val:
Comm Coll: GROSSMONT CUYAMACA Exemptions: Assd Year:
Subdivision: LA MESA COLONY AMD % Improved:
Owner: SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD Phone:
Owner Vest: / /
Mall:
Owner Transfer = Rec Dt: Price: Doc#: Type:
Sale Dt:

SALE & FINANCE INFORMATION

	LAST SALE	PRIOR SALE
Recording/Sale Date:		
Sale Price/Type:		
Document #:		
Deed Type:		
1st Mtg Amt/Type:		
1st Mtg Rt/Type/Term:	/	/
1st Mtg Lender:		
2nd Mtg Amt/Type:		
2nd Mtg Rt/Type/Term:	/	/
Title Company:		
Seller:		
New Construction:		
Other Last Sale Info = # Parcels:	Type 2:	Pend:

SITE INFORMATION

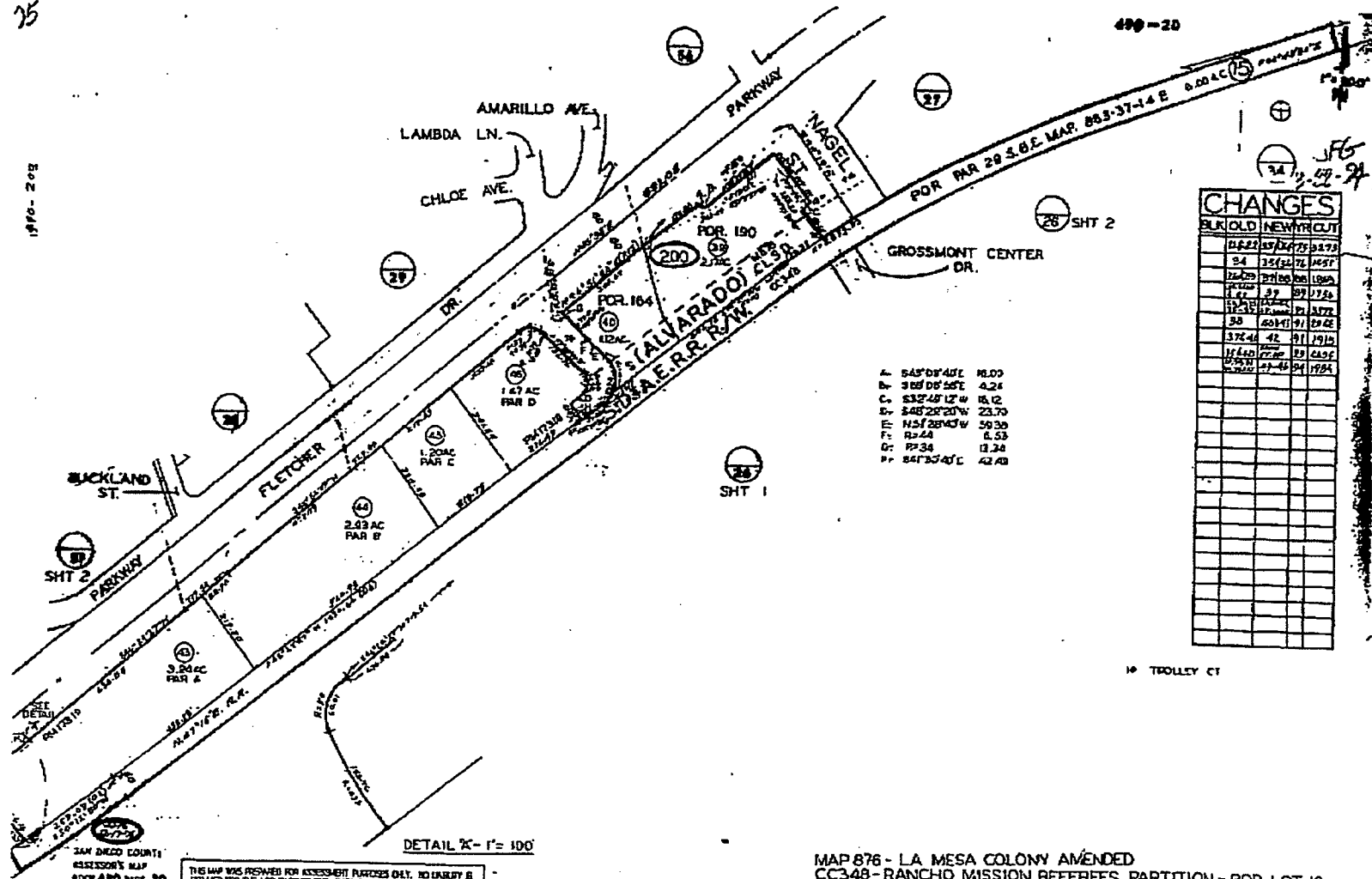
# Res. Units:	County Use:	Acres:	1.12
# Comm Units:	Zoning:	Lot Area:	48,787.2
# Buildings:	Flood Panel: 0602921642F	Lot Width:	
Bldg Class:	Panel Date: 07/02/2002	Lot Depth:	
Parking Sqft:	Flood Zone: X	Usable Lot:	
Park Spaces:	Sewer Type:		
Garage Cap#:	Water Type:		
Park Type:			
Other Impvs:			
Legal Bldg/Bldg:	Site Influence:		
Legal Lot/Unit: 164	Amenities:		
Legal: (EX D90-613172&92-390400)DOCS83-041435&87-569207 IN LOT 164 TR 876			

IMPROVEMENTS

Bldg/Liv Area:
Gross Area:
Ground Flr:
Bsmnt Area:
\$/SqFt:
Yrblt/Eff:
Stories:
Rooms:
Bedrooms:
Full/Half Bath:
Ttl Baths/Fixt:
Fireplace:
Pool:
Porch Type:
Patio Type:
Construct:
Foundation:
Ext Wall:
Roof Shape:
Roof Type:
Roof Matl:
Floor Type:
Floor Cover:
Heat Type:
Heat Fuel:
Air Cond:
Quality:
Condition:
Style:
Equipment:
Other Rms:

75

1990-2008



BLK	OLD	NEW	CUT
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99	99	99	99
100	100	100	100

MAP 876 - LA MESA COLONY AMENDED
CC348-RANCHO MISSION REFEREES PARTITION - POR LOT 19
RQS 1059, 2233, 7985, 9896, 11432
MAY 19 1991

Qualifications of Appraiser

Professional Qualifications

Neil A. Clark, MAI

Director, Valuation Services, Capital Markets Group

Mr. Clark entered the real estate business in 1986. Employed from 1987 to 1992 as a residential and major loan (commercial) real estate appraiser by Home Federal Savings and Loan Association. Employed from March 1992 to March 1995 as a real estate appraiser by Grubb & Ellis Company; became Assistant Vice President in 1993.

Joined Cushman & Wakefield, Inc. in March 1995, as a real estate appraiser, Orange County – Appraisal Division. In 1996 he obtained his MAI professional from the Appraisal Institute. In 2005 he became Director of the Orange County Valuation Services. In February of 2000, Mr. Clark distinguished himself by receiving the 1999 Service Excellence Award - Valuation Advisory Services (Pacific Southwest Region) for outstanding customer service to Cushman & Wakefield's clients. Cushman & Wakefield honors one person each year in the appraisal, brokerage and property management divisions for outstanding achievement in the pursuit of business performance excellence and total client satisfaction. Since 1998, Mr. Clark has cultivated existing clients and developed new client relationships that include national, regional and local lenders, pension funds, real estate developers and real advisory companies. In January 2002, was appointed to Cushman & Wakefield's National Multi-family Housing Group and continues to be a leader and top performer in this specialty practice. Mr. Clark continues to serve in his capacity as Associate Director and a member of the National Multi-family Housing Group. Current responsibilities include analyzing investment properties, writing full narrative appraisal reports and client development for his own production and other appraiser's within the Orange County Valuation Services Department.

Experience

Appraisal and consulting assignments have included vacant land, multi-family properties, residential subdivisions, office buildings, shopping centers, industrial complexes, commercial properties, resort properties/golf courses and investment properties throughout the Western United States. Valuations have been made of proposed, partially completed, renovated and existing income-producing properties. Has testified as an expert witness in tax appeal matters in the State of California. Also, served as arbiter in real estate matters including ground rent redetermination and equity settlement (i.e. partnership) agreements. Performed consulting assignments and market studies for various multi-family developers throughout Southern California.

Education

San Diego State University, California, Graduated 1979

Degree: Bachelor of Science, Accounting



Appraisal Education

Successfully completed all courses and experience requirements to qualify for the MAI designation. Also, he has completed the requirements of the continuing education program of the Appraisal Institute.

Memberships, Licenses and Professional Affiliations

- Member, Appraisal Institute – MAI #10826
- Certified General Real Estate Appraiser, State of California #AG002213

Mr. Clark is a Certified General Real Estate Appraiser, #AG002213, according to the Office of Real Estate Appraiser's for the State of California.

Special Awards

Mr. Clark was recipient of the 1999 Service Excellence Award - Valuation Advisory Services (Pacific Southwest Region) for outstanding customer service to Cushman & Wakefield's clients. The award is presented to the valuation advisory professional that exemplifies outstanding business performance and customer service in achieving total client satisfaction.



Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619/231-1466
FAX 619/234-3407

Agenda

Item No. 31

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

OPS 960.6

April 27, 2006

Subject:

SDTC: EXTENSION OF THE ARC OF SAN DIEGO CONTRACT FOR INTERIOR
DEEP CLEANING OF SDTC BUSES

RECOMMENDATION:

That the Board of Directors authorize the Chief Operating Officer-Bus to execute a temporary (not to exceed three months) month-to-month contract extension with ARC of San Diego (ARC) to deep clean the interiors of San Diego Transit Corporation's (SDTC's) buses, for an amount not to exceed \$24,332 (\$8,112 per month).

Budget Impact

Funds would come from the SDTC Maintenance operating budget.

DISCUSSION:

Background

At the April 2005 meeting, the Board approved a one-year contract with ARC to deep clean the interiors of SDTC's buses. This initial contract was done as a trial to see if ARC personnel could perform at the level required. Staff has determined that ARC personnel can perform at this level and is currently analyzing the renewal of its contract.

Prior to the ARC agreement, SDTC outsourced this work to Calderon Building Maintenance because SDTC had a shortage of cleaner/hostlers to perform this work. A grievance was filed by the International Brotherhood of Electrical Workers Union (Local 465), but due to the shortage of cleaner/hostlers, it was agreed that Local 465 would allow this work to be outsourced until the staffing levels were adequate to conduct the work in-house. During this time, SDTC learned that ARC provides this service at other transit properties. SDTC worked with Local 465 to allow ARC employees to



Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company. MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

become union members within the terms of the Collective Bargaining Agreement and to provide an opportunity to contract with ARC.

Local 465 is in support of this contract and has signed an agreement that allows ARC employees to become union members without being part of the bargaining unit (because of the social significance it provides).

Cost Analysis

The current ARC contract allows for cleaning the buses at a very reasonable rate due to ARC's unique labor force and funding sources. ARC is a nonprofit corporation; therefore, no profit is included in its rates.

The current contract has two teams of four people (one team at each division) cleaning buses at a rate of six buses per day (three per team). ARC's current rate results in a cost of approximately \$64 per bus. The service is provided five days per week and results in the cleaning of approximately 130 buses per month. This rate is significantly less than the amounts previously paid to Calderon Building Maintenance for the same service. ARC is willing to honor its current pricing during the term of the extension.

Summary

In summary, staff is recommending approval of a temporary (not to exceed three months) month-to-month contract extension to ARC based upon previously negotiated rates.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Claire Spielberg, 619.238.0100, Ext. 6400, claire.spielberg@sdmts.com

APRIL27-06.31.ARCOFSDBUSCLEANCONTRACT.CAQUINO

Attachment: A. Draft Amendment to Memorandum of Agreement (SDTC Contract No. B05-002.2-06)

100 16th Street
P.O. Box 122511
San Diego, CA 92112-2511
(619) 238-0100
FAX (619) 696-8159

Att. A, AI 31, 4/27/06, OPS 960.6
SDTC Doc. No. B05-002.2-06
OPS 960.6

DRAFT

AMENDED MEMORANDUM OF AGREEMENT
BETWEEN SAN DIEGO TRANSIT CORPORATION AND ARC OF SAN DIEGO

This Amended Memorandum of Agreement is entered into this 1st day of May, 2006, between ARC of San Diego (hereinafter referred to as ARC) and the San Diego Transit Corporation (hereinafter referred to as SDTC).

RECITALS

WHEREAS, ARC and SDTC, both nonprofit organizations, have a current contract (B05-002-06) for cleaning the interior of SDTC buses; and

WHEREAS, this contract expires on April 30, 2006; and

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual benefits to the parties hereto and the mutual obligations expressed herein, the parties hereby agree as follows:

1. ARC and SDTC agree to extend the current contract on a month-to-month basis effective May 1, 2006. This extension shall last no longer than July 30, 2006, unless mutually agreed on by both parties.
2. All other terms and conditions of contract B02-005-06 as amended shall remain in effect as originally written during this extension.

AUTHORIZATION

IN WITNESS THEREOF, the parties to this Memorandum of Agreement have executed same as of date first written above.

ARC OF SAN DIEGO

SAN DIEGO TRANSIT CORPORATION

Anthony De Salis
Chief Operations Officer

Claire Spielberg
Chief Operating Officer-Bus

Approved as to form:

Tiffany Lorenzen
General Counsel



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619/231-1466
FAX 619/234-3407

Agenda

Item No. 45

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

ADM 124 (PC 50451)

April 27, 2006

Subject:

MTS: C STREET MASTER PLAN

RECOMMENDATION:

That the Board of Directors receive a report on City Center Development Corporation's (CCDC's) C Street Master Plan.

Budget Impact

None.

DISCUSSION:

CCDC recently kicked off efforts to develop a master plan for C Street (starting west from Columbia Street headed east to 11th Avenue). MTS is participating in this planning effort because trolley service is provided in the corridor, and the San Diego Association of Governments (SANDAG) is participating because of future downtown bus rapid transit (BRT) operations.

Trolley service along C Street is an important part of the overall trolley service provided to the region. Approximately 100,000 passenger trips are made each day on this system and of those, 35,000 to 40,000 trips are linked to one of the four stations on C Street: City College, Fifth Avenue, Civic Center, and America Plaza. Additionally, many passenger trips are made through the corridor as passengers make their way from the South Bay to Old Town and vice versa. Further, increases in ridership are anticipated as downtown grows in accordance with the Downtown Community Plan Update, which projects a tripling of the downtown residential population and a doubling of the employment base.



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CCDC staff will introduce the C Street Master Plan and provide background information and next steps. As this project progresses, MTS staff will return to the Board to provide updates and seek feedback at key milestones. Attachment A is a summary of the C Street Master Plan effort provided by CCDC.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Brandon Farley, 619.595.4920, Brandon.Farley@sdmts.com

APRIL27-06.45.CSTREETMASTERPLAN.BFARLEY

Attachment: A. CCDC's C Street Master Plan



DATE ISSUED: April 19, 2006

ATTENTION: Metropolitan Transit System
Board of Directors
Meeting of April 27, 2006

SUBJECT: C Street Corridor Master Plan - C Street (from Kettner Boulevard to Park Boulevard) - Core and East Village Redevelopment Districts of the Expansion Sub Area, and the Columbia Sub Area of the Centre City Redevelopment Project.

REFERENCE: Project Boundary Map

STAFF CONTACT: Sachin Kalbag, Senior Planner - Urban Design
C Street Master Plan Project Lead / Manager
Centre City Development Corporation (CCDC)

Background

The Downtown Community Plan Update identifies C Street as "a major downtown corridor connecting important neighborhoods and land uses. It provides circulation parallel to Broadway in the Core/Columbia and East Village neighborhoods, and is particularly sensitive as a transit corridor, hosting the downtown Trolley. It is a Community Plan priority to improve conditions, making C Street a comfortable and pleasant route for vehicles, walkers, and transit riders."

In August 2004, the C Street Task Force was created by District #2 to address the problems of C Street, including the quality of life, public art, transportation and infrastructure issues. The task force was charged with identifying short, medium, and long term improvements. However, it was determined from the task force meetings, with representatives from the City, transit agencies, the public and policy makers that the extent of transportation, infrastructure, and public realm improvements would require comprehensive planning and an implementation strategy.

In June 2005, the Corporation ("CCDC") issued a Request for Qualifications for master plan services (including architectural, landscape, engineering, transportation and transit design services). The selection committee included representation from Metropolitan Transit System (MTS), SANDAG, the Downtown Partnership, as well as CCDC staff and leadership. Six firms were short-listed and interviewed. The Selection Committee selected the Skidmore, Owings and Merrill (SOM) team to provide these services.

The study area encompasses a strategic master plan for the area one block to the north and to the south of C Street and streetscape schematic design for physical improvements for the project right-of-way (PROW) and the adjoining public spaces along C Street. The project boundaries for the master plan extend from Broadway in the south, Kettner Boulevard in the west, B Street to the north, and Park Boulevard / Smartcorner in the east.

The baseline- and horizon-year data for impact analysis used in the Downtown Community Plan Update (CPU) EIR will be used for this study.

Master Plan and 30 Percent Schematic Design Document

The Corporation, acting on the behalf of the Redevelopment Agency of the City of San Diego will lead the master planning effort in cooperation with our agency partners, the Metropolitan Transit System (MTS) and the San Diego Association of Governments (SANDAG). In subsequent phases, the Corporation will partner with MTS and SANDAG to implement the C Street Master Plan. Some highlights of the master plan and 30 percent schematic design document tasks include:

- Defines an overall vision for the C Street Corridor
- Defines site and infrastructure improvements
- Defines LRT station location and trolley track improvements
- Defines streetscape improvements, signage and lighting treatments
- Defines vehicular and pedestrian circulation
- Defines potential Bus Rapid Transit (BRT) stops
- Develops a strategy for the integration of public art
- Develops an implementation, costing and phasing strategy, and
- Identifies private development opportunities.

The tasks for the Master Plan can be envisage into three distinct areas for milestones:

- Task 1-4: Data Collection, Base Survey and Stakeholder Analysis
- Task 5-7: Plan Development and Refinement
- Task 8: Documentation and Approval

Task1-4 has been completed.

A weekly project meeting between the consultant and CCDC with partner agency's MTS and SANDAG will ensure that criteria and functional requirements are met.

Advisory Committee Structure

Advisory committees will review and advise the consultant, CCDC and partner agencies MTS and SANDAG. The following is a summary of the Committee review structure and public participation process.

- Technical Advisory Committee (TAC):
The purpose of the TAC is to provide technical review and advise CCDC and the consultant team of Skidmore, Owings, and Merrill (SOM). The committee includes our agency partners, the San Diego Association of Governments (SANDAG) and the Metropolitan Transit System (MTS) and City departments, and will meet approximately five times throughout the project's design and planning phase.
- C Street Advisory Committee (CAC):
The C Street Advisory Committee is an expansion of the already-successful C Street Task Force, a coalition of citizens, non-profit organizations and public agencies led by the Downtown San Diego Partnership.

The purpose of the committee will be to provide input through the initial planning phase of the C Street Master Plan. The committee will advise the Centre City Development Corporation (CCDC), the project's consultant team headed by the architecture and urban design firm of Skidmore, Owings & Merrill (SOM), and our agency partners, the San Diego Association of Governments (SANDAG) and the Metropolitan Transit System (MTS).

The committee will meet approximately four to six times throughout the project's design and planning phase.

- C Street Public Art Committee (PAC):
The purpose of the PAC will be to provide input regarding the public art component through the initial planning phase of the C Street Master Plan. The committee will advise the Centre City Development Corporation (CCDC), the project's consultant team and our agency partners, the San Diego Association of Governments (SANDAG) and the Metropolitan Transit System (MTS). The committee will meet approximately four times throughout the project's design and planning phase.

Public Outreach Structure

The goal of the C Street Master Plan public participation program is to achieve

wide spread support for both a vision and strategy for the revitalization of C Street. We hope to accomplish this goal through the meaningful engagement of public agencies, elected officials, C Street stakeholders, civic leaders, area residents and members of the media. The public participation program will be structured in the following activity areas:

- Public Workshops
Three to four public workshops are planned to gain input from a larger segment of the public. Each of these workshops are established at key milestones of the scope of work.
- Leadership Roundtable
A round table discussion between elected officials and agency presidents will be provided prior to the development of plans, to facilitate visioning, cooperation between agencies and prioritization.
- Stakeholder Interviews
Stakeholder interviews to gain important insights into people's perceptions, wants and needs relative to the design and function of C Street. Interviewees will include C Street property owners, merchants and residents; cultural institutions; transit leaders; transit users; civic leaders; elected officials; founders (historical perspective); and police/transit security. The findings will be compiled in a summary report.

In addition, periodic presentations will be made to committees of CCDC, the SANDAG Transportation Committee and the MTS Board of Directors to provide updates and seek necessary input.

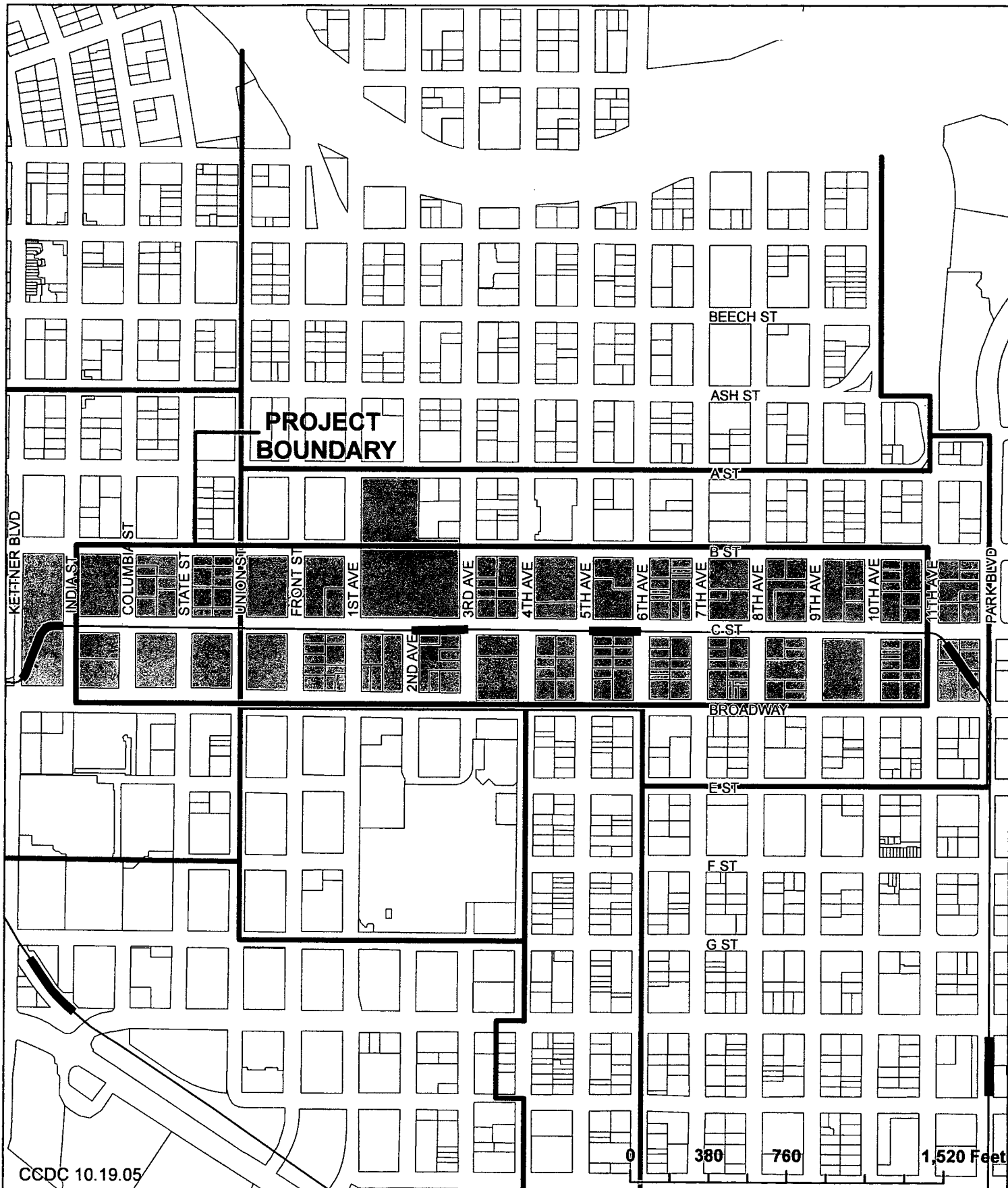
Next Steps

In the next few months, other public activities will involve a Roundtable Discussion, which will include elected officials, and agency presidents discussing the issues important to C Street.

The consultant team will compile the information gathered from the existing conditions analysis, technical criteria, stakeholder interviews, and public workshop, and will use the data as the basis in proceeding with the development of concept plans. Plans will be presented to the advisory committees in late May or early June, which will be followed by the second public workshop.

Sincerely,

Sachin Kalbag
Senior Planner/Urban Designer



CGDC 10.19.05

C-STREET MASTER PLAN **30% SCHEMATIC DRAWING** **PROJECT BOUNDARY**



S:\GIS\CCDC_DATA\IC_STREET_PED





1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

Item No. 61

Chief Executive Officer's Report

ADM 121.7 (PC 50101)

April 27, 2006

Minor Contract Actions

- Laidlaw Transit Services, Inc. for transportation services to mitigate lost service resulting from a Caltrans construction project.
- Richard Moore for the exchange of real property interests with the San Diego & Arizona Eastern Railway.
- Dell Computer Corp. for personal computers.
- Gov Connection for telecom equipment for MTS and San Diego Transit Corporation.
- Berryman and Henigar for engineering services for the Pacific at Ash Street and Santa Fe 6 projects.
- SDSU Foundation for a lease amendment for taxes and utilities related to the Mission Valley East (MVE) Light Rail Transit (LRT) Project.
- Stacy & Witbeck, Inc. for track work and systems services for the MVE LRT Project.
- Cor O Van for the storage of construction records for the MVE LRT Project.
- La Prensa San Diego for a ¼ page, black and white ad promoting the use of transit.
- El Latino Newspaper for a ¼ page, black and white ad for promoting the use of transit.
- XX Sports Radio for ads during Padres radio shows that promote the use of transit.

Contract Matters

There are no contract matters to report.

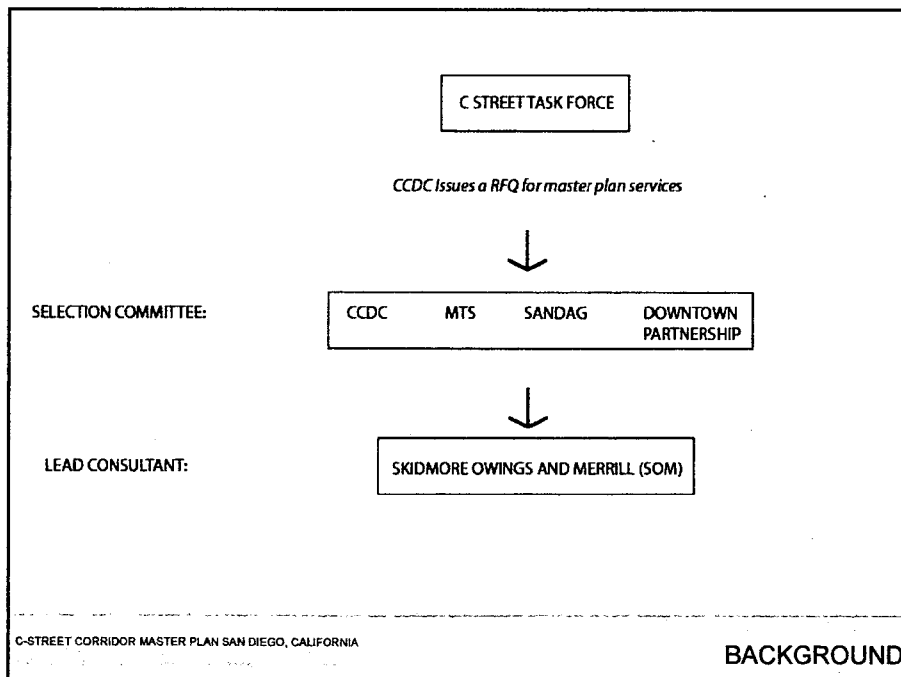
gail.williams@mts.org agenda item 61

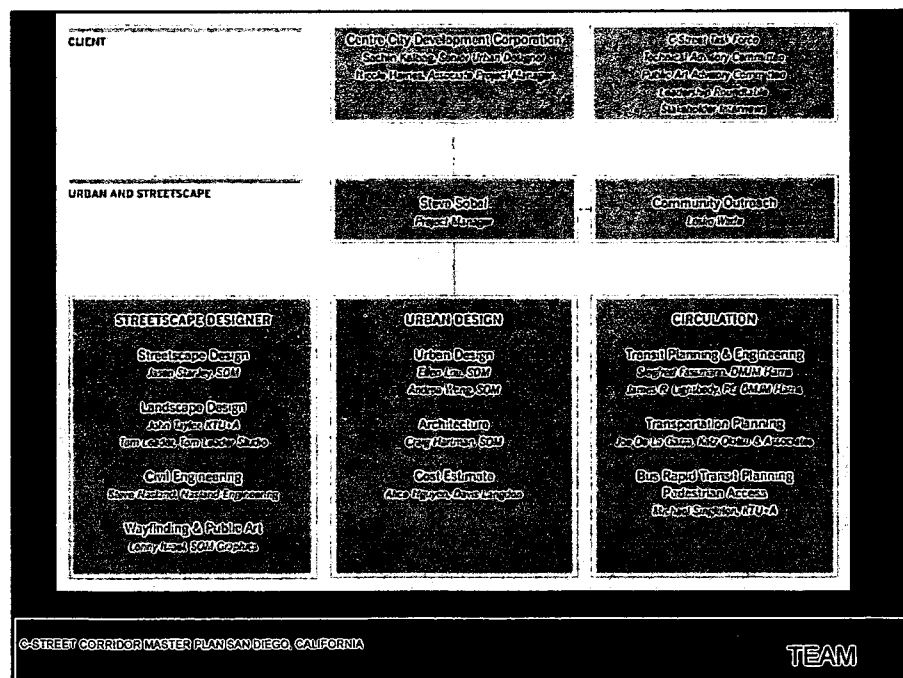
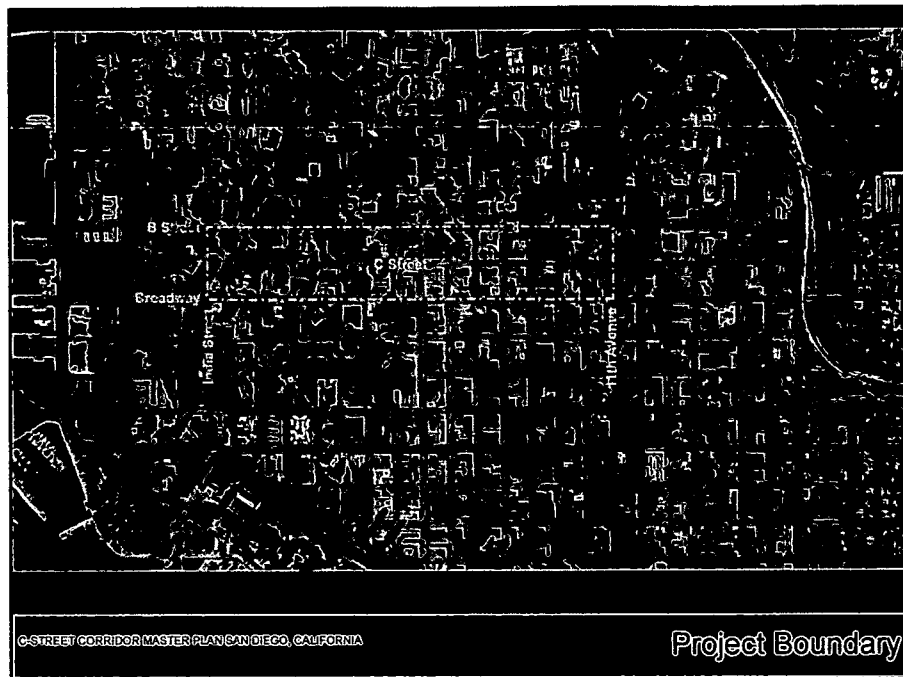


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C-STREET CORRIDOR MASTER PLAN
SAN DIEGO, CALIFORNIA

THE CITY OF SAN DIEGO HAS COMMISSIONED SKIDMORE OWINGS AND MERRILL (SOM) TO DEVELOP A MASTER PLAN FOR THE C-STREET CORRIDOR. THE PLAN WILL PROVIDE A VISION FOR THE CORRIDOR AND A FRAMEWORK FOR FUTURE DEVELOPMENT. THE PLAN WILL ALSO IDENTIFY KEY PROJECTS AND PROVIDE A TIMELINE FOR IMPLEMENTATION.





PROJECT GOALS

— Defines an overall vision for the C Street Corridor —

- Defines site and infrastructure improvements
- Defines LRT station location and trolley track improvements
- Defines streetscape improvements, signage and lighting treatments
- Defines vehicular and pedestrian circulation
- Defines potential Bus Rapid Transit (BRT) stops
- Develops a strategy for the integration of public art
- Develops an implementation, costing and phasing strategy, and
- Identifies private development opportunities.

SAN DIEGO
C STREET CORRIDOR MASTER PLAN SAN DIEGO, CALIFORNIA

RFQ GOALS

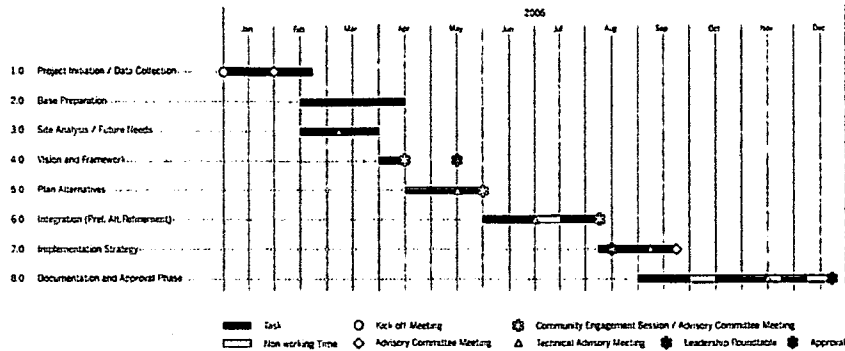
PROJECT TASKS

- 1) Project Initiation
- 2) Base Preparation
- 3) Site Analysis / Future Needs
- 4) Vision and Frame Work *
- 5) Plan Alternatives
- 6) Integration / Preferred Alternative / Schematic Plan
- 7) Implementation Strategy
- 8) Documentation and Approval

SAN DIEGO
C STREET CORRIDOR MASTER PLAN SAN DIEGO, CALIFORNIA

GOALS

C Street Project Schedule



PUBLIC PROCESS: THE OPPORTUNITY TO CREATE A SHARED VISION

- TECHNICAL ADVISORY COMMITTEE
- PUBLIC ART ADVISORY COMMITTEE
- C STREET ADVISORY COMMITTEE
- STAKEHOLDER INTERVIEWS
- PUBLIC WORKSHOPS
- ROUNDTABLE DISCUSSION

C STREET TECHNICAL ADVISORY COMMITTEE C STREET ART ADVISORY COMMITTEE

TECHNICAL ADVISORY COMMITTEE

CCDC
SANDAG
MTS
CITY OF SAN DIEGO
ARCHITECT
PLANNER
URBAN DESIGNER

ART ADVISORY COMMITTEE

ARTISTS
CCDC
CITY OF SAN DIEGO
MUSEUM OF CONTEMPORARY ART

SAN DIEGO
C STREET CORRIDOR MASTER PLAN SAN DIEGO, CALIFORNIA

C STREET ADVISORY COMMITTEE

PARTICIPANTS – REPRESENTATIVE “VOICES”

District #2, Chair
Downtown San Diego Partnership
C Street resident
C Street property owner
C Street merchant
Trolley rider
SD Police Department
Developer
Real estate broker
Clean & Safe
County of San Diego
San Diego Superior Court
Walk San Diego
CCAC
Westgate Hotel
Grant Hotel
City of San Diego

SAN DIEGO
C STREET CORRIDOR MASTER PLAN SAN DIEGO, CALIFORNIA

PARTICIPANTS – REPRESENTATIVE “VOICES”

STAKEHOLDER INTERVIEWS

PARTICIPANTS – REPRESENTATIVE “VOICES”

Kathleen Andrews, C Street resident
Carol Beres, C Street property owner
Mitch Dembin, trolley rider, Federal employee
Gary Gallegos, San Diego Association of Governments
Officers John Graham, Wes Mangum and Joseph Steffen, SD Police Department
Nancy Graham, Centre City Development Corporation
Paul Jablonski, Metropolitan Transit System
Michael Johnson, architect and downtown business leader
Hon. Jim Madaffer, City of San Diego & SANDAG board
Mike Madigan, developer and former city official
Hon. Harry Mathis, Metropolitan Transit System
Dan O'Brien, Octopus Clothing, C Street merchant
Stewart Payne, Clean & Safe program
Donald Telford, San Diego Civic Theatre
Pete Teraschuck, San Diego Trolley
Barbara Warden and Kevin Casey, Downtown San Diego Partnership

C STREET CORRIDOR MASTER PLAN SAN DIEGO, CALIFORNIA
SAN DIEGO

STAKEHOLDER INTERVIEWS

KEY OBSERVATIONS

Vision: mix of land uses
Vision: attractive streetscape improvements
First steps: improve public safety
First steps: remove unsightly barriers or planters
Differing opinions about additional modes of transit
Differing opinions about the role of automobiles
Concern that money will be an obstacle to achieving success

C STREET CORRIDOR MASTER PLAN SAN DIEGO, CALIFORNIA
SAN DIEGO

PUBLIC WORKSHOPS

- PUBLIC WORKSHOP #1:
Thursday April 20th, 2006
- PUBLIC WORKSHOP #2:
(Tentative) Mid-June 2006
- PUBLIC WORKSHOP #3:
(Tentative) Mid-August 2006

C STREET CORRIDOR MASTER PLAN SAN DIEGO, CALIFORNIA

PUBLIC WORKSHOPS

Public workshop #1 PRIORITIES

- | | |
|---|---|
| <input type="checkbox"/> Automobile access | <input type="checkbox"/> Pedestrian-friendly |
| <input type="checkbox"/> Bus Rapid Transit (express commuter bus) | <input type="checkbox"/> Pedestrian safety |
| <input type="checkbox"/> Civic Center renovation | <input type="checkbox"/> Public art |
| <input type="checkbox"/> Crime prevention | <input type="checkbox"/> Redevelopment of blighted buildings |
| <input type="checkbox"/> Cultural facilities | <input type="checkbox"/> Residents |
| <input type="checkbox"/> Entertainment venues | <input type="checkbox"/> Retail |
| <input type="checkbox"/> Hotels | <input type="checkbox"/> Restaurants |
| <input type="checkbox"/> Landscaping | <input type="checkbox"/> Roadway improvements |
| <input type="checkbox"/> Lighting | <input type="checkbox"/> Seating |
| <input type="checkbox"/> Light rail capacity | <input type="checkbox"/> Shuttle |
| <input type="checkbox"/> Links to education | <input type="checkbox"/> Signage |
| <input type="checkbox"/> Maintenance | <input type="checkbox"/> Transit station enhancements |
| <input type="checkbox"/> Office buildings | <input type="checkbox"/> Identity |
| <input type="checkbox"/> On-street parking | <input type="checkbox"/> Comprehensive/detailed land use plan |
| <input type="checkbox"/> Paving enhancements | <input type="checkbox"/> Homeless issues |
| | <input type="checkbox"/> Implementation strategy |
| | <input type="checkbox"/> Mixed use, live/work/play |
| | <input type="checkbox"/> Urban market, street animation |
| | <input type="checkbox"/> Public restrooms |

C STREET CORRIDOR MASTER PLAN SAN DIEGO, CALIFORNIA

PUBLIC WORKSHOP #1 RESULTS

- | | |
|--|-------------------------------|
| #1 Redevelopment of blighted buildings (11.9%) | #9 Cultural facilities (1.8%) |
| #2 Crime prevention (8.4%) | #10 Automobile access (1.3%) |
| Landscaping | Light rail capacity |
| #3 Pedestrian-friendly (7%) | Residential |
| Comprehensive/detailed land use plan | Shuttle |
| #4 Pedestrian safety (6.6%) | Urban Market |
| #5 Lighting (5.7%) | Street "Animation" |
| Identity | |
| #6 Transit station enhancements (3.5%) | |
| #7 Civic Center renovation (3.1%) | |
| Entertainment venues | |
| Maintenance | |
| Public art | |
| Retail | |
| #8 Roadway improvements (2.2%) | |
| Implementation Strategy | |
| Mixed-use | |

C STREET CORRIDOR MASTER PLAN SAN DIEGO, CALIFORNIA

PUBLIC WORKSHOP #1

NEXT STEPS

ANALYSIS OF TASK #1-TASK #4 TECHNICAL AND
STAKEHOLDER DATA

ANALYSIS OF PUBLIC INPUT

PLAN DEVELOPMENT

PUBLIC WORKSHOP #2 IN MID JUNE

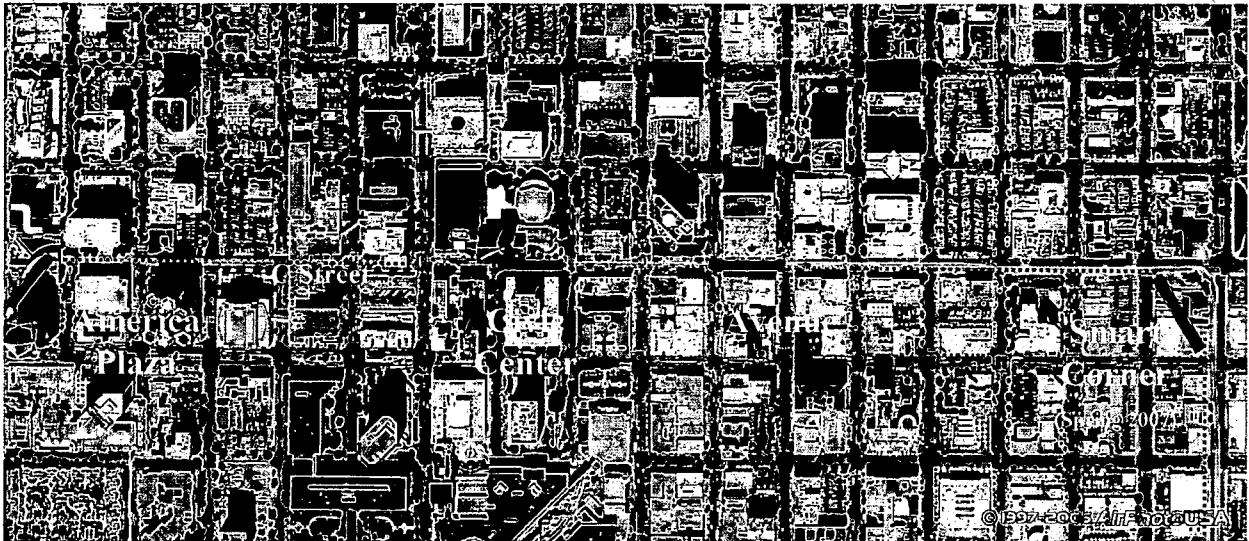
C STREET CORRIDOR MASTER PLAN SAN DIEGO, CALIFORNIA

NEXT STEPS

C Street Master Plan



Downtown San Diego C Street





1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

Joint Meeting of the Board of Directors for
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

April 27, 2006

9:00 a.m.

James R. Mills Building
Board Meeting Room, 10th Floor
1255 Imperial Avenue, San Diego

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least five working days prior to the meeting to ensure availability. Assistive Listening Devices (ADLs) are available from the Clerk of the Board/Assistant Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

ACTION RECOMMENDED

1. Roll Call
2. Approval of Minutes - April 13, 2006
3. Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please furnish a copy to the Clerk of the Board.

Approve



Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company. MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

- | 5. | <u>Closed Session Items</u> | Possible Action |
|----|---|-----------------|
| a. | MTS: CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION Pursuant to Subdivision (a) of California Government Code Section 54956.9: <u>Save Our Heritage Organisation (SOHO) v. City of San Diego, et al.,</u> (Superior Court Case No. GIC 837743) | |
| b. | MTS: CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code Section 54956.8
<u>Property:</u> Right-of-Way Adjacent to Grossmont Center Station Parking Lot at the Intersection of Grossmont Center Drive and Fletcher Parkway
<u>Agency Negotiators:</u> R. Martin Bohl, Paul Jablonski, Tim Allison, Tiffany Lorenzen, and Jerry Trimble
<u>Negotiating Parties:</u> Fairfield Residential, LLC, JP Morgan Chase Bank, and Mass Mutual
<u>Under Negotiation:</u> Instructions to Negotiators will Include Price and Terms of Payment | |
| c. | MTS: CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION Significant Exposure to Litigation Pursuant to Subdivision (b) of California Government Code Section 54956.9 (<u>One Potential Case</u>) | |

Oral Report of Final Actions Taken in Closed Session

CONSENT ITEMS

- | | | |
|----|---|---------|
| 6. | <u>MTS: South Bay/East County Maintenance Facilities Capital Project Budget Adjustments</u>
Action would authorize the CEO to: (1) approve the transfer of funds between capital projects; and (2) approve a three-year contract (Doc. No. B0451.0-06) for rental of self-storage units adjacent to the South Bay Maintenance Facility that provides for additional transit vehicle parking and storage. | Approve |
| 7. | <u>MTS: Increased Authorization for Legal Services</u>
Action would authorize the CEO to enter into a contract amendment (MTS Doc. No. G0934.3-04) with R. Martin Bohl of the Law Offices of R. Martin Bohl for legal services related to joint development projects. | Approve |
| 8. | <u>SDTC: Contract Award for Brake and Planetary Kits</u>
Action would authorize the CEO to execute a one-year contract with Truck Trailer Transit, Inc. for brake and planetary kits. | Approve |
| 9. | <u>MTS: Budget Transfer and Construction Management Contract Amendment for Mission Valley East</u>
Action would authorize the CEO to transfer funds and execute a contract amendment to expand and extend construction management services on the Mission Valley East Light Rail Transit Project. | Approve |

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30. MTS: Update on the Status of the Grossmont Trolley Station Joint Development Project Approve
Action would: (1) receive an update from General Counsel regarding the status of the Grossmont Trolley Station Joint Development Project; (2) authorize the CEO to execute the Disposition and Development Agreement (DDA) and Ground Lease, assuming an agreement can be reached with Fairfield Residential, LLC (Fairfield) on all remaining issues; (3) approve the appraisal report; and (4) authorize the CEO to execute and sign any other documents necessary to complete the transaction, including the lender's Estoppel Certificate and the Parcel Map.
31. SDTC: Extension of the ARC of San Diego Contract for Interior Deep Cleaning of SDTC Buses Approve
Action would authorize the Chief Operating Officer-Bus to execute a temporary (not to exceed three months) month-to-month contract extension with ARC of San Diego to deep clean the interiors of San Diego Transit Corporation's buses.

REPORT ITEMS

45. MTS: C Street Master Plan Receive
Action would receive this report for information.
60. Chairman's Report Possible Action
61. Chief Executive Officer's Report Information
62. Board Member Communications
63. Additional Public Comments Not on the Agenda Possible Action
If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments.
64. Next Meeting Date: **May 11, 2006 - Finance Workshop at 8:00 a.m.**
65. Adjournment

[< Back](#) | [Home](#)

Getting on the cheaper track

Michael Erler, Contributing Columnist

Posted: 4/20/06

We've all heard the saying, "When life gives you lemons, make lemonade." It reminds us to always make the best out of a bad situation.

Every so often, however, wonderful surprises come from undesirable circumstances.

Have you ever made plans to go out, only to discover that all your shirts are in the hamper except for that lame one that your aunt got you for Christmas? Reluctantly, you put it on and, while checking yourself out in the mirror, you find a crumpled \$20 bill in the front pocket.

All of a sudden, you don't care what the shirt looks like.

My recent discovery of the MTS trolley was also serendipitous.

Last semester, I received yet another speeding ticket on Interstate 8, while I was on the way to school. The officer didn't have much sympathy for my excuse - "But I was in a hurry!"

I didn't get off with a warning.

Because I already had a bunch of other traffic mishaps on my record, the insurance company announced that my rates were going up. My insurance policy would now cost more than the value of my car. This meant that for spring semester I would have to start taking the trolley.

I dreaded the trolley. I thought it was going to be an inconvenient nightmare and did not relish always having to wait at the station. But what really worried me were the other passengers. I had these creepy images in my mind that the trolley would be like the subway in New York, with people flashing me, talking gibberish to themselves or trying to steal my wallet.

To my great relief, only one of those three things has happened so far.

And I suppose it's possible that the seemingly crazy woman who appeared to be talking to herself could have been on a really, really tiny cell phone.

It's amazing that, today, I've come to love the trolley.

For starving students, there's no better value. For only \$125 per semester, students can use it as much as they want to come and go as they please throughout San Diego, even on weekends. Best of all, the trolley pass is even good on buses, and enables a passenger to really get around town to, say, traffic court. To put this in proper perspective, the trolley pass costs \$10 less than the sticker students have to buy in order to park their cars on campus.

I'm giddy with all the extra cash I have in my wallet every month thanks to the trolley. No more oil changes, no more gas stops - I've lost track, how much does gas go for these days, \$8 a gallon? No more smog checks, no more paying for parking everywhere.

And it's not just about the money, either. I feel so much more relaxed now when I get to class. My road rage is a thing of the past because traffic is no longer my concern. I don't have to worry about finding a parking space on a campus that has nearly 35,000 students. I even feel a little better about myself for not ruining the environment. Are you proud of your little four-person carpool? Well, I've got a 200-person "pool," minus the car.

Best of all, riding the trolley allows me to enjoy my favorite hobby: reading. With the time I spend going back and forth from my downtown apartment to campus I can burn through at least one novel per week. Good thing I have the extra cash to buy more, right? Even if you're not a recreational reader, the trolley is a great place to get some studying done on the way to class.

I couldn't be happier with the trolley, and I encourage everyone to buy a pass next semester. Even if my record was spotless, I won't be driving again, as long as I'm a student here.

People who are still willing to put up with all the hassles of driving in this day and age are the ones who are really being taken for a ride.

-Michael Erler is a political science senior.

-This column does not necessarily reflect the opinion of The Daily Aztec. Send e-mail to letters@thedailyaztec.com. Anonymous letters will not be printed - include your full name, major and year in school.

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12 April 2006

Kevin Faulconer, Member
MTDB
Metropolitan Transit System
James R. Mills Building
1255 Imperial Avenue
San Diego, CA 92101

Dear Councilman Faulconer,

The plan to install televisions in all buses is leaving me trying to figure out how to leave San Diego, or to move next-door to my place of employment, or to really check out the idea of vanpooling, or even to have eye surgery in order to try, at forty-one, to drive a car for the first time. I will try any scheme, no matter how expensive, to avoid paying my sixty dollars a month for a transit pass and having commercials forced on me where I am not given an "Off" or a "Mute" button.

One the television-equipped bus that I rode, the commercials were blasted at extra high volume every five minutes.

You cannot read a book that way. Just as you get into it, four minutes have gone by, the next commercial starts, and the volume goes way up so you don't miss the sales pitch. I would gladly pay more every month to avoid this.

The sound comes out of speakers up and down the bus — right above your head in many of the seats.

There goes the calm reading time that I have had on public transit on San Diego for the whole of my working life.

Not many years ago, the public transit ads in San Diego stressed that you could leave your car and relax and read on the bus, while somebody else drove you. This was an attempt to attract the "choice" riders who would otherwise be in private cars, and who often — like me — pay the full-fare bus pass. And to this day, radio playing is prohibited on buses, because it annoys other people and makes bus riding unattractive.

But so much for the idea of attracting people to a quiet environment for reading or relaxing. Now the bus company is getting revenue by playing commercials to a "captive audience." But we are not captives; we are paying customers — many of whom can go back to the roads, or anyway arrange things so we are not on the buses in the way that we have been.

Contrary to popular belief, many "choice" riders do exist, especially among those of us who - with public transit access in mind - have organized our lives around the denser and most bus-accessible neighborhoods of San Diego. There are also choice riders paying extra-high fares to commute by freeway to downtown.

Possibly some of these people have better things to do during their commutes than watching t.v. - they have reading or work to do as a part of their daily routine. If they can't do that, or relax, they may as well drive, and while they are at it they can choose their own radio station or music.

So as such people shift away from bus-riding, how much revenue will be lost by this revenue-producing idea?

And how much public money was spent on the staff time to correspond and draw up the contract with the company that supplies the televisions and the commercials? And how much public money is going into installing and maintaining the televisions, and rewiring the buses?

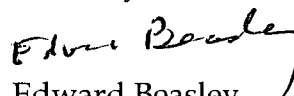
Is it more than what is being sent to repaint the buses with a design resembling the Imperial Japanese Battle Flag? And is it more than all the marketing studies that went into that program?

The MTDB Board needs to step back and ask whether all the slickly produced, staff-approved marketing initiatives that sound so reasonable really need to be paid for. There are too many higher-level bus company staff who are wasting public money on bad ideas that do not enhance bus service, or that actually degrade it. (This is not a dig at the COA, whose changes I support.)

Maybe there should be staff cuts at the headquarters, not schemes to get an occasional check from annoying the riders with commercials.

Or, if commercials are such a good and profitable idea, maybe unsilenceable, 1984-style screens ought to be installed in the bus company offices. That will make money. And the people who work there can have the same kind of pleasure every five minutes that they want to arrange for their customers - oh, I mean "captives."

Sincerely,



Edward Beasley
4259 Maryland St.

(Close to routes 1, 11, 15, and 115,
and not far from the 7 and 908)
San Diego, CA 92103