

**FIRST IMPLEMENTATION AGREEMENT
TO OWNER PARTICIPATION AGREEMENT**

THIS FIRST IMPLEMENTATION AGREEMENT TO OWNER PARTICIPATION AGREEMENT (“**First Implementation Agreement**”) is entered into by and between the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, a public body corporate and politic (“**Agency**”), and Mason Apartments, L.P. a California limited partnership (“**Owner**”). Agency and Owner agree as follows:

I. [§ 100] PURPOSE OF FIRST IMPLEMENTATION AGREEMENT

The Agency and the Owner have heretofore entered into that certain Owner Participation Agreement dated as of December 10, 2010 (the "**OPA**"). Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the OPA.

The Project which is the subject of the OPA was originally to have involved two separate loan closings. The Agency Closing was to have occurred prior to the Commission/CalHFA Closing. The original deadlines for the Agency Closing and the Commission/CalHFA Closing pursuant to the Schedule of Performance have passed and Owner has requested further extensions thereof. For purposes of efficiency and other good cause, the parties now desire to extend said deadlines such that the Agency Closing occurs concurrently with the Commission/CalHFA Closing.

Additionally, the parties desire to revise the Agreement Affecting Real Property to effectuate the policy of giving priority to applicants of the Affordable Units who are verified to have experienced unsheltered homelessness within the Centre City Redevelopment Project or the Horton Plaza Redevelopment Project within one (1) year of application, subject to all applicable state and federal fair housing laws.

The purpose of this First Implementation Agreement is to effectuate and amend the OPA to accommodate the above by providing for (i) the amendment to the Schedule of Performance; (ii) the revision of the Agreement Affecting Real Property; (iii) the assignment of the OPA from Owner to Mason Apartments, LLC, a California limited liability company; and (iv) the modification of the OPA to accommodate these, among other, changes.

II. [§ 200] EFFECT OF FIRST IMPLEMENTATION AGREEMENT

Except as expressly provided otherwise in this First Implementation Agreement, the OPA and each document executed or entered into pursuant to the OPA remains in full force and effect, enforceable in accordance with its terms, without diminution or waiver of any kind of any right or remedy of the Agency thereunder. The Agency and the Owner agree and acknowledge that the OPA and all of its attachments and each document executed or entered into pursuant to the OPA remain in full force and effect, except as expressly modified or amended in this First Implementation Agreement on the

terms and conditions as set forth below.

III. [§ 300] MODIFICATIONS TO OPA DEFINITIONS

a. The parties hereby acknowledge and agree that the Agency Closing shall occur at the same time as the Commission/CalHFA Closing; provided, however, that all conditions precedent to the Agency Closing and the Commission/CalHFA Closing shall remain unchanged.

b. The definition of “Closing Date” contained in Section 102 of the OPA, entitled Definitions is hereby deleted in its entirety and replaced with the following:

“Closing Date” shall mean the date on which the Agency Closing and the Commission/CalHFA Closing, collectively and concurrently therewith, are scheduled to take place.”

IV. [§ 400] ASSIGNMENT OF OPA TO HDP MASON, LLC

a. In accordance with subsection d. of Section 107 of the OPA entitled Assignments and Transfers, the Agency hereby approves the transfer of the OPA from Mason Apartments, L.P. a California limited partnership to HDP Mason, LLC, a California limited liability company under the terms and conditions set forth in the Assignment and Assumption Agreement attached hereto as Exhibit C, which is incorporated herein by this reference. The parties agree and acknowledge that no transfer or assignment of the OPA shall be effective until the Assignment and Assumption Agreement is executed by the parties thereunder.

b. For purposes of providing notice in accordance with subsection a. of Section 106 of the OPA entitled Owner, all references to the “Owner” shall refer solely to HDP Mason, LLC c/o Marco Vakili, Housing Development Partners of San Diego, 1122 Broadway, Suite 300 San Diego, CA 92101.

V. [§ 500] AMENDMENTS TO OPA

a. Subsections b. and c. of Section 202 of the OPA entitled Agency Assistance are deleted in their entirety.

b. Subsections a. and b. of Section 308 of the OPA entitled Schedule of Performance are deleted in their entirety and replaced by the following:

“a. Each party to this Agreement shall perform the obligations to be performed by such party pursuant to this Agreement within the respective times provided in the Schedule of Performance, and if no such time is provided, within a reasonable time. The Schedule of Performance shall be subject to amendment from time to time upon the mutual

agreement of the Agency Executive Director or his/her designee and Owner.

b. After the Agency Closing and the Commission/CalHFA Closing, which shall occur concurrently therewith on the Closing Date, Owner shall construct, improve, reconfigure, and develop until completion the Project as provided in the Scope of Development; provided, however, an initial amount of up to \$200,000 in Insurance Proceeds may be spent by the Owner towards the Project prior to the Closing Date. The Owner shall begin and complete all rehabilitation within the times specified in the Schedule of Performance with such reasonable extensions of said dates as may be granted by the Agency Executive Director or his/her designee, provided Owner submits a timely written request with substantiating documentation that establishes good cause for such an extension, and provided such an extension will not have a detrimental affect on the Agency's interests."

VI. [§ 600] AMENDMENT TO SCHEDULE OF PERFORMANCE

The Schedule of Performance shall be amended as attached hereto as Exhibit A, which is incorporated herein by this reference. Any and all references in the OPA and any Attachments or other Project documents to the Schedule of Performance shall refer to the Amended Schedule of Performance, as amended hereby.

VII. [§ 700] REVISED AGREEMENT AFFECTING REAL PROPERTY

The Agreement Affecting Real Property shall be revised as attached hereto as Exhibit B, which is incorporated herein by this reference. Any and all references in the OPA and any Attachments or other Project documents to the Agreement Affecting Real Property shall refer to the revised Agreement Affecting Real Property, as revised hereby.

VIII. [§ 800] AMENDMENT TO METHOD OF FINANCING

a. Section 2.1.c. of the Method of Financing entitled Construction Period Financing is deleted in its entirety and replaced by the following:

"c. Insurance Proceeds. \$700,000.00 in Insurance Proceeds obtained from a fire to the Original Mason Project; provided, however, an initial amount of \$200,000 of Insurance Proceeds may be used to develop the Project prior to the Closing Date. The Owner hereby agrees and acknowledges that such funds in the amount of \$200,000 have been spent by the Owner towards the Project."

b. Section 2.2 of the Method of Financing entitled Permanent Sources

of Financing is amended in part to add the following subsection (e):

“e. Deferred Developer Fee. Any portion of the Developer Fee, as set forth in the Project Budget in an amount not to exceed \$375,000, which is not paid from other Project sources and must be deferred and paid to the extent available from (i) the gross cash flow of the Project; (ii) Cost Savings pursuant to the paragraph entitled “Cost Savings” of Section 2.2.b of this Method of Financing; or (iii) Additional Proceeds pursuant to the paragraph entitled “Additional Proceeds” of Section 2.2.b of this Method of Financing.”

c. The paragraph entitled “Cost Savings” of Section 2.2.b. of the Method of Financing is hereby deleted and replaced in its entirety with the following:

“Cost Savings. In the event and to the extent that actual costs for the Project in the Project Budget are less than the Sources of Financing (“**Cost Savings**”), then the Cost Savings shall be applied first towards payment of any outstanding Deferred Developer Fee with any undisbursed amount to reduce or repay the amounts of the Amended and Restated Modified Agency Loan; provided, however, that upon the Closing, if the Housing Commission enters into the Housing Commission Agreement in substantially the form attached to the OPA as Attachment No. 21 with the Agency, then the Cost Savings shall be applied first towards payment of any outstanding Deferred Developer Fee with any undisbursed amount to reduce or repay the Housing Commission Loan as well as the Amended and Restated Modified Agency Loan in proportion to their above mentioned principal balances.”

d. The paragraph entitled “Additional Proceeds” of Section 2.2.b. of the Method of Financing is hereby deleted and replaced in its entirety with the following:

“Additional Proceeds. In the event and to the extent that any of the financing sources for the Project exceed the amounts shown in the Sources of Financing (“**Additional Proceeds**”), then such Additional Proceeds shall first be used to pay for any increased costs of the Project as set forth in a revised Project Budget approved in writing by the Agency Executive Director for which there are no other sources of funding, next to pay any Deferred Developer Fee and thereafter provided that, upon the Closing, Commission enters into the Housing Commission Agreement substantially in the form attached hereto as Attachment No. 20 with Agency, twenty five percent (25%) of such remaining Additional Proceeds shall be paid to Owner and the remaining seventy five percent (75%) shall be used to reduce or repay the outstanding amounts of the Housing Commission Loan and the Amended and Restated Modified Agency Loan in proportion to their above mentioned principal balances.

e. Subsection (13) is added to Section 7.1. of the Method of Financing entitled Documents with the following:

“(13) Grant Deed (to be executed by Housing Development Partners conveying its ownership interest in the Property to HDP Mason, LLC).”

IX. [§ 900] REVISED PROMISSORY NOTE

The Promissory Note shall be revised as attached hereto as Exhibit D, which is incorporated herein by this reference. Any and all references in the OPA and any Attachments or other Project documents to the Promissory Note shall refer to the Amended Promissory Note, as revised hereby.

X. [§ 1000] TIME FOR ACCEPTANCE OF FIRST IMPLEMENTATION AGREEMENT BY THE AGENCY; DATE OF FIRST IMPLEMENTATION AGREEMENT

This First Implementation Agreement when executed by the Owner and delivered to the Agency, must be authorized, executed and delivered by the Agency on or before sixty (60) days after this First Implementation Agreement is signed by the Owner or this First Implementation Agreement may be terminated by the Owner on written notice to the Agency.

This First Implementation Agreement is executed in six (6) duplicate originals, each of which is deemed to be an original. This First Implementation Agreement includes seven (7) pages and four (4) exhibits.

The date of this First Implementation Agreement shall be the date when the First Implementation Agreement shall have been executed by the Agency.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, Agency and Owner have signed this First Implementation Agreement as of the dates set opposite their signatures.

“AGENCY”

**REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO**

Dated: _____

By: _____

Janice L. Weinrick
Deputy Executive Director

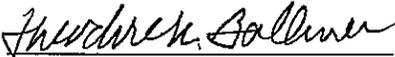
APPROVED AS TO FORM AND LEGALITY

JAN I. GOLDSMITH
Agency General Counsel

By: _____

Nate Slegers
Deputy General Counsel

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: 

Theodore (Ted) M. Ballmer

[Signatures continue on following page.]

“OWNER”

MASON APARTMENTS, L.P.,
a California limited partnership

Dated: July 5, 2011

By: Housing Development Partners of San Diego,
a California nonprofit public benefit corporation
Its: Managing General Partner

By: 
Name: Marco Vakili
Title: Executive Director

By: Affirmed Housing Group, Inc.,
a Delaware corporation
Its: Administrative General Partner of Owner

Dated: _____

By: _____
Name: James Silverwood
Title: President

EXHIBIT A

AMENDED SCHEDULE OF PERFORMANCE

[Behind this page.]

EXHIBIT A

AMENDED SCHEDULE OF PERFORMANCE

I. GENERAL PROVISIONS

1. Execution of Assignment and Assumption. Completed.
Mason Apartments L.P. and Housing Development Partners shall execute an Assignment and Assumption Agreement with Agency consent.
2. Execution of OPA by the Agency. The Agency shall hold a public meeting on the OPA, and, authorize execution and execute and deliver the OPA to the Owner. Completed.
3. Submission - Architect, Landscape Architect and Civil Engineer. Not later than execution of the OPA by Owner. The Owner shall submit to the Agency for approval the name and qualifications of its Architect, Landscape Architect and Civil Engineer.
4. Approval - Architect, Landscape Architect and Civil Engineer. Concurrently with approval of the OPA by Agency. The Agency shall approve or disapprove the Architect, Landscape Architect and Civil Engineer.
5. Submission of Marketing Plan. Not less than one (1) month prior to the Closing Date. Owner shall submit a Marketing Plan for the Affordable Units.
6. Approval of Marketing Plan. Not later than one (1) month after receipt of submission to the Agency but in no event later than the Closing Date. Agency shall review and approve or disapprove Owner's Marketing Plan and shall notify the Owner.
7. Submission of Monitoring Agreement. Prior to the Closing Date. Owner shall submit to Agency a copy of an executed Monitoring Agreement among Owner, the Commission and Agency for monitoring of Affordable Units.

II. FINANCING COMMITMENTS

1. Evidence of Financing. Not later than one (1) month prior to the Closing Date. The Owner shall submit to the Agency evidence of financing described in the OPA.

2. Approval of Financing. The Agency shall approve or disapprove the evidence of financing.

No less than one (1) month after submittal to the Agency but in no event later than the Closing Date.

III. CLOSING AND DEVELOPMENT

1. Submission - Final Construction Drawings. The Owner shall prepare and submit to the Agency for approval the Final Construction Drawings.

No less than one (1) month prior to the Closing Date.

2. Approval - Final Construction Drawings. The Agency shall approve or disapprove the Final Construction Drawings.

No later than the Closing Date.

3. Equal Opportunity Contract Program. Developer shall contact the City's Equal Opportunity Contracting Program for a determination of compliance with applicable laws and regulations.

Letter of Compliance stating Owner's compliance with applicable laws and regulations shall be submitted to the Agency not less than ten (10) calendar days prior to the commencement of construction.

4. Closing Date. Upon satisfaction of all conditions precedent in accordance with the OPA and the Method of Financing, the Agency Closing and the Commission/CalHFA Closing shall occur at the same time.

On or before October 31, 2011.

5. Commencement of Construction. Owner shall commence development and construction of the Project.

Not later than thirty (30) days after the Closing Date.

6. Completion of Construction. The Owner shall complete development and construction of the Project.

Not later than twelve (12) months after the Closing Date.

7. Cost Certification. Owner shall deliver to Agency its cost certification, prepared by a CPA acceptable to Agency.

Within six (6) months after Issuance of Release of Construction Covenants.

8. True Up. Owner shall pay interest, then principal on the Agency Loan to the extent of Cost Savings or Additional Proceeds.

At Recordation of the Release of Construction Covenants.

NOTES:

1. Deadlines set forth in this Amended Schedule of Performance are subject to the enforced delay provisions of Section 602 of the OPA.
2. Extensions may be approved in writing pursuant to Section 308 of the Agreement.
3. Descriptions of items of performance and deadlines in this Amended Schedule of Performance are not intended to supersede more complete descriptions in the text of the OPA; and in the event of any conflict between the text of the OPA and this Schedule, the text of the OPA shall govern.

EXHIBIT B

REVISED AGREEMENT AFFECTING REAL PROPERTY

[Behind this page.]

OFFICIAL BUSINESS
Document entitled to free
recording per Government
Code Section 6103

Recording Requested by
And When Recorded Return to:

REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO
401 B Street, Suite 400
San Diego, California 92101
Attention: Centre City Project Manager

SPACE ABOVE THIS LINE FOR RECORDER'S USE

AGREEMENT AFFECTING REAL PROPERTY
(INCLUDING RENTAL RESTRICTIONS)

THIS AGREEMENT AFFECTING REAL PROPERTY (Including Rental Restrictions) (“**Agreement**”) is entered into as of _____, 20____ by and between the Redevelopment Agency of the City of San Diego, a public body corporate and politic (“**Agency**”), and HDP Mason, LLC, a limited liability company (“**Owner**”).

A. Owner owns that certain real property (“**Property**”) located in the City of San Diego, County of San Diego, State of California, legally described in the legal description attached hereto and incorporated herein by this reference as Exhibit “A”.

B. The Property is within the Centre City Redevelopment Project area (the “**Project Area**”) in the City of San Diego and is subject to the provisions of the “Redevelopment Plan” for the Project Area which was approved and adopted on May 11, 1992 by the City Council of the City of San Diego by Ordinance No.O-17767, and any amendments thereto. The Centre City Redevelopment Plan and any amendments thereto are incorporated herein by reference and made a part hereof as though fully set forth herein.

C. In furtherance of the Redevelopment Plan, Owner and Agency entered into that certain Owner Participation Agreement dated as of December 10, 2010, as amended by that certain First Implementation Agreement dated as of _____ (collectively, the “**OPA**”). The OPA is incorporated herein by this reference. OPA as used herein shall mean, refer to and include the OPA, as well as any riders, exhibits, addenda, implementation agreements, amendments and attachments thereto (which are hereby incorporated herein by this reference). Any capitalized term not defined herein shall have the meaning ascribed to such term in the OPA.

D. This Agreement acknowledges and provides that the Owner shall develop the Property in accordance with the Redevelopment Plan and pursuant to the terms and provisions of the OPA, both of which documents are public records on file in the offices of the City Clerk of the City of San Diego and the Secretary of the Agency.

NOW, THEREFORE, AGENCY AND OWNER AGREE AS FOLLOWS:

1. Owner covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that the Owner its successors and assignees shall comply with all of the following:

a. Develop and use the Property only for the uses specified in the Redevelopment Plan, the OPA (including the Scope of Development), and this Agreement, specifically including the following:

(1) residential rental uses, consisting of sixteen (16) restricted studio units with private bathrooms, one unrestricted manager's unit, and approximately 2,070 square feet of ground floor retail space to serve as a supportive housing for mentally disabled adults which will include housing that is affordable to Very Low Income households at fifty percent (50%) of the area median income adjusted for family size appropriate to the unit.

(2) No change in the use of the Property shall be permitted without the prior written approval of Agency.

(3) Ground floor retail.

b. For a period of fifty-five (55) years following the issuance of the Release of Construction Covenants for the Project by the Agency:

(1) restrict the Affordable Units for rental and occupancy by Very Low Income persons at fifty percent (50%) of the area median income adjusted for family size appropriate to the unit at an Affordable Rent in accordance with the terms and conditions of the OPA and this Agreement. There shall be one (1) unrestricted Market Rate Unit (1-bedroom) to be used by the resident manager of the Affordable Project. Of the sixteen (16) Affordable Units rented at Affordable Rents:

(i) all sixteen (16) shall be rented to and occupied by Very Low Income persons at fifty percent (50%) of the area median income adjusted for family size appropriate to the unit at an Affordable Rent, as more particularly described in Exhibit "B" attached hereto and incorporated herein by this reference; and

(2) restrict the maximum incomes of residential tenants eligible to rent the Affordable Units.

(3) subject to applicable federal and state fair housing laws, make reasonable efforts to give priority to those individuals who have been displaced by any redevelopment project within the City of San Diego and/or those individuals who are verified to have experienced unsheltered homelessness within the Centre City Redevelopment Project area or the Horton Plaza Redevelopment Project area in the City of San Diego (collectively, the “**Project Areas**”) within one (1) year of application over other eligible persons. The Owner agrees that prior to the initial rent-up of the Affordable Units, Owner shall consult with and obtain the approval of the Agency in developing a fair marketing plan for renting the Affordable Units. Said fair marketing plan shall include adequate outreach and referral systems to assure that eligible persons who have experienced unsheltered homelessness within the Project Areas within one (1) year of their application are provided with adequate opportunities to apply for the Affordable Units.

(4) Agency and its respective successors and assigns, shall have the right, but not the obligation, to monitor and enforce the covenants contained in this subsection c. Owner covenants that it shall comply with any monitoring program set up by Agency and/or the Commission to enforce said covenants. In complying with such monitoring program, Owner or its agent shall prepare and submit to Agency (or Commission) an occupancy report, financial information and income verification documents for each tenant of an Affordable Unit, and all supporting documentation, on forms provided by Agency (or Commission), annually, setting forth the required information for the preceding year. On an annual basis, Owner or its agent shall additionally submit to Agency (or Commission) evidence of the continuing eligibility for the Affordable Units for each tenant of Very Low Income, at fifty percent (50%) Area Median Income. Agency (or Commission) shall review such reports for certification of continuing affordability of Affordable Units and eligibility of tenants. Owner shall pay such costs associated with said monitoring and enforcement efforts as required by Agency or Commission.

(5) No officer, agent, official or consultant of Owner may occupy any of the Affordable Units. Owner shall not engage in any preferential treatment or provide any special advantage to any employee of Owner, shareholder, general partner, limited partner, or party in interest of Owner, in the renting or occupancy of any Affordable Unit.

(6) For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“**Affordable Rent**” shall mean rent (including a reasonable utility allowance) which does not exceed the product of thirty percent (30%) times fifty percent (50%) of the area median income adjusted for family size appropriate for the Unit, as more particularly described in Exhibit “B” to this Agreement.

“Affordable Units” shall mean the sixteen (16) restricted studio units with private baths and kitchenettes to serve as supportive housing for mentally disabled adults located on the Property which shall be restricted by Owner for rental to and occupancy by Very Low Income persons at fifty percent (50%) of the area median income adjusted for family size appropriate to the unit at an Affordable Rent, in accordance with the terms and conditions of the OPA and this Agreement. There shall be a minimum of seventeen (17) studios, of which a minimum of sixteen (16) shall be Very Low Income units as more particularly described in Exhibit “B” to this Agreement.

“Area Median Income” or **“AMI”** shall mean the median income of the San Diego Standard Metropolitan Statistical Area, as determined by the United States Department of Housing and Urban Development (**“HUD”**) and published from time to time by the California Department of Housing and Community Development.

“Very Low Income” shall mean, for purposes of this Agreement, (i) when referring to Very Low Income households at fifty percent (50%) of the area median income adjusted for family size appropriate to the unit.

2. Owner hereby covenants and agrees for itself, its successors, its assigns, and every successor in interest to the Property or any portion thereof that Owner, its successors and assigns, shall maintain the Property and the Project on the Property in the same aesthetic and sound condition (or better) as the condition of the Property and Project at the time Agency records a Release of Construction Covenants pursuant to the OPA. This standard for the quality of maintenance of the Property and Project shall be met whether or not a specific item of maintenance is listed below. However, representative items of maintenance shall include frequent and regular inspection for graffiti or damage or deterioration or failure, and immediate repainting or repair or replacement of all surfaces, fencing, walls, equipment, etc., as necessary; emptying of trash receptacles and removal of litter; sweeping of public sidewalks adjacent to the Property and/or Project, on-Property walks and paved areas and washing-down as necessary to maintain clean surfaces; maintenance of all landscaping in a healthy and attractive condition, including trimming, fertilizing and replacing vegetation as necessary; cleaning windows on a regular basis; painting the buildings on a regular program and prior to the deterioration of the painted surfaces; conducting a roof inspection on a regular basis and maintaining the roof in a leak-free and weather-tight condition; maintaining security devices in good working order.

If the Agency gives written notice to Owner that the maintenance or condition of the Property, the Project, or any portion thereof or any other improvements thereon does not comply with this Agreement, Owner shall correct, remedy or cure the deficiency within thirty (30) days following the date of such notice, unless the notice states that the deficiency is an urgent matter relating to public health and safety, in which case, Owner shall cure such deficiency within forty-eight (48) hours following the date of the notice. In the event Owner fails to cure any such deficiencies within the applicable period described above, the Agency shall have, in addition to any other rights and remedies hereunder, the right to maintain the Property, the Project, or any

portion thereof or any other improvements thereon or to contract for the correction of any deficiencies, and Owner shall be responsible for payment of all such costs actually and reasonably incurred by the Agency and such payment shall constitute a lien on the Property until paid by the Owner pursuant to California Civil Code Section 2881.

3. Owner herein covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through them, and this Agreement 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 any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the Property.

4. Owner hereby covenants and agrees for itself, its successors, its assigns, and every successor in interest to the Property or any portion thereof that Owner, its successors and assigns, shall refrain from restricting the rental, sale, or lease of the Property or any portion thereof, on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin, or ancestry of any person. Every deed, lease, and contract entered into with respect to the Property, or any portion thereof, shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

b. In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the

Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.”

c. In contracts: “There shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land.”

5. Owner shall be responsible for the operation of the Project either by direct management or by contracting its managerial functions to a third party property manager reasonably acceptable to the Agency which property manager will be charged with managing the Project on behalf of the Owner. The Agency shall have the right to review and approve in writing any such entity and/or its management agreement prior to its selection by the Owner. Such approval shall not be unreasonably withheld. Owner shall include in any such property management agreement a provision providing for the termination of the agreement in the event that the property manager violates any federal, state or local health and safety laws and regulations which are not cured within thirty (30) days following the giving of notice of such violations by the Agency or any other governmental entity.

6. All conditions, covenants and restrictions contained in this Agreement shall be covenants running with the land, and shall, in any event, and without regard to technical classification or designation, legal or otherwise, be, to the fullest extent permitted by law and equity, binding for the benefit and in favor of, and enforceable by Agency, its successors and assigns, and the City of San Diego (the “**City**”) and its successors and assigns, against Owner, its successors and assigns, to or of the Property or any portion thereof or any interest therein, and any party in possession or occupancy of said Property or portion thereof. Agency and the City shall be deemed the beneficiaries of the covenants, conditions and restrictions of this Agreement both for and in their own rights and for the purposes of protecting the interests of the community. The covenants, conditions, and restrictions shall run in favor of the Agency and the City, without regard to whether the Agency or City has been, remains, or is an owner of any land or interest therein in the Property or the Project Area. Except as provided in the preceding sentence, the covenants, conditions and restrictions contained in this Agreement shall not benefit nor be

enforceable by any owner of real property within or outside the Project Area or any person or entity having any interest in any such real property, except the Agency and the City.

7. In addition to the authority provided under California Civil Code Section 1461 *et seq.*, the Parties acknowledge and agree that CRL Sections 33435, 33436, 33437 and 33439 provide legal authority, separate and apart from California Civil Code Section 1461 *et seq.*, for establishing the covenants running with the land set forth herein. Agency deems the covenants, conditions and restrictions in this Agreement to be necessary to prevent speculation and to carry out the purposes of the CRL.

8. Agency and the City shall each have the right, in the event of any breach of any such agreement or covenant, to exercise all the rights and remedies, and to maintain any actions at law or suit in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant.

9. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Agreement shall defeat or render invalid or in any way impair the lien or charge of any mortgage permitted by the OPA.

10. Every term, covenant, condition and restriction contained in this Agreement shall remain in effect as follows:

a. The covenants contained in Sections 3 and 4 herein shall remain in full force and effect in perpetuity.

b. Every other term, covenant, condition and restriction contained in this Agreement shall remain in full force and effect for the longest feasible time, but not less than fifty-five (55) years following the issuance of the Release of Construction Covenants for the Project by the Agency.

11. Prior to exercising any remedies hereunder, Agency shall give Owner notice of such default. Unless a different period is provided herein, if the default is reasonably capable of being cured within thirty (30) days, Owner shall have such period to effect a cure prior to exercise of remedies by Agency. Unless a different period is provided herein, if the default is such that it is not reasonably capable of being cured within thirty (30) days, and Owner (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Owner shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Agency. In no event shall Agency be precluded from exercising remedies if the Property becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within ninety (90) days after the first notice of default is given.

12. If a violation of any of the covenants or provisions of this Agreement remains uncured after the respective time period set forth in this Agreement, Agency and the City, and their respective successors and assigns, without regard to whether Agency or the City is an owner of any land or interest therein to which these covenants relate, may institute and prosecute any proceedings at law or in equity to abate, prevent or enjoin any such violation or attempted violation or to compel specific performance by Owner of its obligations hereunder. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the provisions hereof or to obtain relief against or recover for the continuation or repetition of such breach or violations or any similar breach or violation hereof at any later time.

13. This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute one and the same instrument. The signature pages of one or more counterpart copies may be removed from such counterpart copies and all attached to the same copy of this Agreement, which, with all attached signature pages, shall be deemed to be an original Agreement.

IN WITNESS WHEREOF, Agency and Owner have signed this Agreement as of the dates set opposite their signatures.

Redevelopment Agency of the City of San Diego, a
public body, corporate and politic

Dated: _____

By: _____
Janice L. Weinrick
Deputy Executive Director

APPROVED AS TO FORM AND LEGALITY

JAN I. GOLDSMITH
Agency General Counsel

By: _____
Nate Slegers
Deputy General Counsel

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: _____
Theodore (Ted) M. Ballmer

[Signatures continue on next page.]

HDP Mason, LLC
a California limited liability company

Dated: _____

By: Housing Development Partners of San Diego,
a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Name: Marco Vakili
Title: Executive Director

CALIFORNIA ACKNOWLEDGEMENT

State of California

County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____,

_____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

CALIFORNIA ACKNOWLEDGEMENT

State of California

County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____,

_____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION

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

LOT "C" OF BLOCK 191 OF HORTON'S ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP NO. BY L. L. LOCKLING FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID SAN DIEGO COUNTY.

EXHIBIT “B”

SCHEDULE OF AFFORDABLE RENTS

<u>Unit Type/Number</u>	<u>Income Requirements¹ - based upon household size appropriate for the unit</u>	<u>Maximum Rent</u>
16 Studio Units	Very Low Income	1/12 X 30% x 50% of Area Median Income adjusted for family size appropriate for the unit, less utility allowance

¹ Income Level = Eligible Households earning up to respective AMI based on household size. The median family income for San Diego County is determined by the U.S. Department of Housing and Urban Development (HUD Schedule), revised periodically and distributed by the San Diego Housing Commission.

Consent and Subordination

The undersigned, San Diego Housing Commission, a California public agency (“**Commission**”) is the beneficiary under the following deeds of trust on the subject property: a Commission Senior Loan Deed of Trust (the Commission Senior Loan Deed of Trust”) dated as of _____ recorded in the Official Records of San Diego County, California on _____ as Instrument/File No. _____ securing indebtedness in the current approximate amount of \$651,876.94 (and any and all supplements thereto, modifications thereof, amendments thereto, extensions thereof and replacements thereof), a Junior Commission Deed of Trust (the “**Junior Commission Deed of Trust**”) dated as of _____ recorded in the Official Records of San Diego County, California on _____ as Instrument/File No. _____ securing indebtedness in the current approximate amount of \$83,357.68 (and any and all supplements thereto, modifications thereof, amendments thereto, extensions thereof and replacements thereof) and the Revocable Grant Deed of Trust (the “Revocable Grant Deed of Trust”) dated as of _____ recorded in the Official Records of San Diego County, California on _____ as Instrument/File No. _____ securing indebtedness in the current amount of \$230,000.00 (and any and all supplements thereto, modifications thereof, amendments thereto, extensions thereof and replacements thereof). The subject property is also subject to the Agreement Affecting Real Property (Including Rental Restrictions) by and between the Redevelopment Agency of the City of San Diego, a public body corporate and politic (“Agency” therein), and HDP Mason, LLC, a California limited liability company (“Owner” therein) dated on or about of even date herewith (the “**Mason AARP**”). The Commission hereby consents to the provisions of the Mason AARP and unconditionally subordinates the liens of the Commission Senior Loan Deed of Trust, the Junior Commission Deed of Trust and the Revocable Grant Deed of Trust to the Mason AARP.

SAN DIEGO HOUSING COMMISSION

By: _____ Date: _____
Richard C. Gentry
President and Chief Executive Officer

Approved as to form:
CHRISTENSEN & SPATH LLP

By: _____
Walter F. Spath, III
General Counsel
San Diego Housing Commission
Chief Deputy General Counsel

CALIFORNIA ACKNOWLEDGEMENT

State of California

County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____,

_____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT C

ASSIGNMENT AND ASSUMPTION AGREEMENT

[Behind this page.]

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this “**Assignment**”) is executed as of _____, 2011 (the “**Effective Date**”) by and among Mason Apartments, L.P., a California limited partnership (“**Assignor**”), HDP Mason, LLC, a California limited liability company (“**Assignee**”), and the Redevelopment Agency of San Diego, a public body, corporate and politic (“**Agency**”).

Recitals

The recitals provided below are intended only as general factual summaries, and are not an amendment or alteration of any of the actual contracts or facts referenced herein. These factual recitals shall not be used to interpret any of the documents referenced herein:

A. Agency and a predecessor-in-interest to Assignor entered into that certain Disposition and Development Agreement dated November 1, 1993, as amended (collectively, the “**DDA**”). The DDA concerned the development of certain improvements on that certain real property located at _____, San Diego, California, commonly known as the Mason Hotel, described in the Legal Description attached hereto as Exhibit A (the “**Property**”). The DDA and the Property were subsequently assigned to Housing Developer Partners of San Diego (“**HDP**”), a predecessor-in-interest to Assignor.

B. Agency and HDP are parties to that certain Modification Agreement dated May 15, 2002 (the “**Modification Agreement**”), a public record of which is on file in the office of the Secretary of the Agency, related to a certain Modified Agency Loan (as defined therein) concerning Agency financing for part of the improvements on the Property pursuant to the DDA. The Modified Agency Loan is evidenced by that certain Modified Agency Note dated May 15, 2002 and secured by that certain Modified Agency Deed of Trust (as defined therein) recorded on June 4, 2002 as Document No. 2002-0473597.

C. In connection with the Modification Agreement, Agency and HDP entered into that certain Agreement Affecting Real Property dated May 8, 2002, recorded June 4, 2002 as Document No. 2002-0473593 (the “**Original AARP**”) related to the Property.

D. In December 2004, there was a fire on the Property and the Mason Hotel became uninhabitable. The Property has been vacant since such fire. As a result of the fire and the Insurance Proceeds (hereinafter defined) derived therefrom, Agency and Assignor, as successor-in-interest to HDP, entered into that certain Owner Participation Agreement dated December 20, 2010, as amended by that certain First Implementation Agreement dated _____, 2011 (collectively, the “**OPA**”). Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the OPA.

E. In accordance with the terms and conditions of the OPA, the Agency and Assignor shall release the Original AARP and record against the Property a new Agreement Affecting Real Property (Including Rental Restrictions) restricting 16 of the 17 yet-to-be-constructed studio (and one bedroom) residential units on the Property (the “**Mason AARP**”).

F. Pursuant to other agreements between Assignor and Assignee, HDP, as an Affiliate of Assignor, is transferring to Assignee the Property, and in connection with such transfer Assignor desires to transfer to Assignee, and Assignee desires to accept and assume from Assignor, all rights, duties, obligations and liabilities under the OPA, the Original AARP, and all other contracts and agreements between Assignor and Agency related to the Property and the OPA, including but not limited to those set forth in Exhibit B attached hereto and incorporated herein by this reference (collectively, the “**Agency Agreements**”). This Assignment will allow Assignee to become fully responsible for all of Assignor's duties, obligations, and liabilities under the Agency Agreements.

G. By execution of this Assignment, the assignment and assumption of the Agency Agreements from Assignor to Assignee and the Agency's consent thereto are documented and evidenced. The Agency is a party to this Assignment solely for the purpose of granting its consent to Assignee taking over all rights, duties, obligations, and liabilities of Assignor under the Agency Agreements.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Assignment. Assignor hereby grants, assigns, transfers, conveys, and delivers to Assignee all of its right, title and interest in and to the Agency Agreements set forth in Exhibit B, and Assignee hereby accepts such assignment and assumes all of the rights, duties, obligations, and liabilities of the Assignor under the Agency Agreement and agrees to be bound thereby in accordance with the terms thereof.

2. Assignee. Assignee shall assume and perform all executory obligations of Assignor pursuant to the Agency Agreements, without exception.

3. Execution of Documents. Assignee shall execute any instrument or document relating to the Property which is to be executed by Assignor pursuant to the Agency Agreements, and be bound thereby in accordance with the terms thereof.

4. Intentionally omitted.

5. Agency Consent. Subject to Paragraph 4 above and in reliance upon the assumption by Assignee of those certain obligations set forth in Exhibit B attached hereto, Agency hereby consents to the foregoing assignment and assumption of the Agency Agreements and Assignor's ownership of the Property pursuant to the terms of this Assignment.

6. Assignee's Address. The principal address of the Assignee for purposes of receiving notices pursuant to this Assignment shall be:

HDP MASON, LLC
c/o Marco Vakili

Housing Development Partners of San Diego
Executive Director
1122 Broadway, Suite 300
San Diego, CA 92101

7. Binding Effect. This Assignment shall be binding upon and shall inure to the benefit of the successors and assigns of the respective parties hereto. As this Assignment contains all the terms and conditions agreed upon between the parties, no other agreement regarding the subject matter thereof, shall be deemed to exist or bind any party unless in writing and signed by the party to be charged. Nothing in this Assignment amends or modifies the terms of the Agency Agreements, which remain in full force and effect pursuant to their terms.

8. Governing Law. This Assignment shall be governed by the laws of the State of California.

9. Partial Invalidity. If any term or provision of this Assignment, the deletion of which would not adversely affect the receipt of any material benefit by any party hereunder, shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Assignment shall not be affected thereby and each other term and provision of this Assignment shall be valid and enforceable to the fullest extent permitted by law. It is the intention of the parties hereto that in lieu of each clause or provision of this Assignment that is illegal, invalid or unenforceable, there be added as a part of this Assignment an enforceable clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible.

10. Time is of the Essence. Time is expressly declared to be of the essence in this Assignment.

11. Interpretation. No provision in this Assignment is to be interpreted for or against either party because that party or its legal representatives drafted such provision.

12. Voluntary Execution. The parties hereto further represent and declare that they carefully read this Assignment and know the contents thereof, and that they sign the same freely and voluntarily.

13. Further Documents. The parties hereto hereby agree to execute such other documents as may be reasonably necessary to further the purposes of this Assignment.

14. Authority. The undersigned signatories hereby represent and warrant that they are authorized to sign this Assignment.

15. Counterparts. This Assignment may be executed in any number of counterparts and may be delivered by electronic (facsimile or email) means, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

[Signatures on Following Page]

IN WITNESS WHEREOF, the undersigned have executed this Assignment effective as of the Effective Date.

“ASSIGNOR”

MASON APARTMENTS, L.P.,
a California limited partnership

Dated: _____

By: Housing Development Partners of San
Diego, a California nonprofit public benefit
corporation
Its: Managing General Partner

By: _____
Name: Marco Vakili
Title: Executive Director

By: Affirmed Housing Group, Inc.,
a Delaware corporation
Its: Administrative General Partner of
Owner

Dated: _____

By: _____
Name: James Silverwood
Title: President

[Signatures Continue on Following Page]

“ASSIGNEE”

HDP MASON, LLC,
a California limited liability company

Dated: _____

By: Housing Development Partners of San Diego,
a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Name: Marco Vakili
Title: Executive Director

By: _____
Name:
Title:

[Signatures Continue on Following Page]

"AGENCY"

**REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO**

By: _____

Janice L. Weinrick
Deputy Executive Director

APPROVED AS TO FORM AND LEGALITY

Jan I. Goldsmith
Agency General Counsel

By: _____

Nathan Slegers
Deputy General Counsel

KANE, BALLMER & BERKMAN
Agency Special Counsel

By: _____

Theodore (Ted) M. Ballmer

EXHIBIT A

DESCRIPTION OF THE PROPERTY

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

LOT "C" OF BLOCK 191 OF HORTON'S ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP NO. BY L. L. LOCKLING FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID SAN DIEGO COUNTY.

EXHIBIT B

AGENCY AGREEMENTS

<u>Name of Agreement</u>	<u>Date</u>	<u>Recorded On (If Applicable)</u>
OWNER PARTICIPATION AGREEMENT BY AND BETWEEN REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO AND MASON APARTMENTS, L.P., A CALIFORNIA LIMITED PARTNERSHIP	December 10, 2010	
FIRST IMPLEMENTATION TO OWNER PARTICIPATION AGREEMENT BY AND BETWEEN REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO AND MASON APARTMENTS, L.P., A CALIFORNIA LIMITED PARTNERSHIP	_____, 2011	
MODIFICATION AGREEMENT BY AND AMONG REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, HOUSING OPPORTUNITIES, INC. AND HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO	May 15, 2002	
AMENDED AND RESTATED SECOND AGENCY NOTE PROMISSORY NOTE SECURED BY DEED OF TRUST (FOR THE BENEFIT OF THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, CALIFORNIA) IN THE AMOUNT OF \$885,943.74 (REFERRED TO HEREIN AS THE "MODIFIED AGENCY NOTE")	May 15, 2002	
DEED OF TRUST SECURING AGENCY LOAN WITH ASSIGNMENT OF RENTS EXECUTED BY HOUSING OPPORTUNITIES, INC. (PREDECESSOR IN INTEREST TO ASSIGNOR) AS TRUSTOR FOR THE BENEFIT OF THE	June 9, 1994	June 9, 1994 as Document No. 1994-0374126

Exhibit C
Assignment and Assumption Agreement

Name of Agreement

Date

Recorded On (If
Applicable)

REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO AS MODIFIED BY
THAT CERTAIN MODIFICATION TO
DEED OF TRUST [MASON HOTEL
MODIFIED AGENCY SECOND LOAN]
RECORDED ON JUNE 4, 2002 AS
DOCUMENT NO. 2002-0473597
(COLLECTIVELY, REFERRED TO HEREIN
AS THE "MODIFIED AGENCY DEED OF
TRUST")

May 15, 2002

June 4, 2002 as
Document No. 2002-
0473593

AGREEMENT AFFECTING REAL
PROPERTY (INCLUDING RENTAL
RESTRICTIONS) BY AND BETWEEN
REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO AND HOUSING
DEVELOPMENT PARTNERS OF SAN
DIEGO (REFERRED TO HEREIN AS THE
"ORIGINAL AARP")

EXHIBIT D

REVISED PROMISSORY NOTE

[Behind this page.]

**PROMISSORY NOTE
TO THE REDEVELOPMENT AGENCY
OF THE CITY OF SAN DIEGO**

3.0% Interest
\$1,313,745

San Diego, California

FOR VALUE RECEIVED, HDP MASON, LLC, a California limited liability company (“**Borrower**”), hereby promises to pay to the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO (“**Agency**”), a public body, corporate and politic, or order, a principal amount of ONE MILLION THREE HUNDRED THIRTEEN THOUSAND SEVEN HUNDRED FORTY FIVE DOLLARS (\$1,313,745) (“**Agency Loan**”). This PROMISSORY NOTE (“**Note**”) pursuant to that certain Owner Participation Agreement dated as of December 10, 2010, between Borrower (referred to therein as the Owner) and Agency, as amended by that certain First Implementation Agreement dated _____ (collectively, the “**OPA**”) and evidences the Agency Loan (referred to in the OPA as the Amended and Restated Modified Agency Loan) to Borrower, which provides part of the financing for the rehabilitation of that certain real property in the City of San Diego legally described in the Agency Deed of Trust securing this Note (“**Property**”). The obligation of Borrower to Agency hereunder is subject to the terms of the OPA, an Agreement Affecting Real Property (Including Rental Restrictions) dated on or about the date hereof and executed by Borrower (referred to in the OPA and herein as the “**Mason AARP**”), and the following instruments, each dated on or about the date hereof, and, where applicable, executed and delivered by Borrower (which documents may be referred to collectively as the “**Loan Documents**”): this Note; a Deed of Trust, Security Agreement and Fixture Filing (With Assignment of Rents) (referred to in the OPA as the Amended and Restated Modified Agency Deed of Trust and herein as the “**Agency Deed of Trust**”); an Assignment of Rents and Leases (“**Assignment of Rents**”); an Assignment of Agreements, Plans, Specifications and Entitlements (“**Assignment of Agreements**”); an Environmental Indemnity (“**Environmental Indemnity**”), and a UCC-1 Financing Statement (“**UCC-1**”). Said documents are public records on file in the offices of Agency, and the provisions of said documents are incorporated herein by this reference. The Borrower shall pay interest at the rate, in the amount and at the time hereinafter provided.

1. Definitions. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the OPA. In addition, the following terms shall have the following meanings:

“**Asset Management Fee**” shall mean any fee, regardless of how it is characterized, paid to the Borrower or its general partner for the purpose of managing the affairs of the (including preparation of annual tax exemption filings, oversight of annual audits, and preparation of partnership financial statements).

“**Deferred Developer Fee**” shall mean any portion of the Developer Fee, as set forth in the Project Budget in an amount not to exceed \$375,000, which is not paid from other Project

sources and must be deferred and paid to the extent available from (i) the gross cash flow of the Project; (ii) Cost Savings pursuant to Section 12(a) of this Note; or (iii) Additional Proceeds pursuant to Section 12(b) of this Note. The Deferred Developer Fee is a Rehabilitation and Development Cost, payment of which will be deferred if and until funds are available.

“Operating Expenses” shall mean actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance and management of the Property, debt service on the Senior Loan; property taxes and assessments; onsite administrative costs (including salaries and benefits); coordination of tenant services, subject to annual adjustments equal to the increase, if any, in the Consumer Price Index (“**CPI**”); bond issuer and servicing fees; maintenance costs (including materials and labor); painting, cleaning, repairs and alterations; landscaping; utilities; rubbish removal; certificates, permits and licenses; sewer charges; insurance; security; advertising, promotion and publicity; office, janitorial, cleaning and building supplies; cable television, satellite and similar facilities; recreational amenities, supplies and services; any Deferred Developer Fee, if any; a reasonable property management fee for the Affordable Units; reasonable management fees for the ground floor retail space; purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings (other than from reserves); and fees and expenses of accountants, attorneys, consultants and other professionals not included with the amount.

“Project” shall mean the seventeen (17) unit residential rental project and approximately 2,070 square feet of ground floor retail space to be developed and constructed on the Property in accordance with the OPA.

“Residual Receipts” shall mean (a) the Revenue minus (b) the Operating Expenses, calculated on a 12-month basis. All calculations of Residual Receipts shall be subject to verification and reasonable approval by the Agency.

“Revenue” shall mean all revenue generated in connection with the operation of the Mason Project (including the ground floor retail space), including, without limitation, rental income; Section 9 and other rental subsidy payments; interest on any accounts other than Agency approved reserve accounts; and forfeited deposits by tenants.

2. Evidence of Obligation; Term. This Note evidences the obligation of the Borrower to the Agency for the repayment of the Agency Loan. None of the funds provided pursuant to the Agency Loan were funded directly or indirectly with any obligation the interest on which is exempt from tax under section 103 of the Internal Revenue Code of 1986, as amended, or pursuant to any United States government federal source. The term (“**Term**”) of this Note shall be fifty-five (55) years.

3. Where and How Payable. This Note is payable at the principal office of Agency, c/o Centre City Development Corporation, 401 B Street, Suite 400, San Diego, California 92101, or at such other place as the holder hereof may inform the Borrower in writing, in lawful money of the United States.

4. Security. This Note shall be secured by the Agency Deed of Trust. The Agency Loan evidenced hereby is a non-recourse obligation of Borrower, with the exception of any insurance proceeds, condemnation proceeds or proceeds arising out of the sale of any personal property or fixtures. Neither Borrower nor any other party shall have any personal liability for repayment of the Agency Loan. The sole recourse of the Agency under the Note and the Agency Deed of Trust for repayment of the Agency Loan shall be the exercise of its rights against the Property and related security thereunder.

5. Interest. Except in an event of acceleration described in paragraphs (a) and (b) of Section 8, below, this Note shall bear interest at the rate of three percent (3.0%) per annum, simple interest. In the case of an event of acceleration described in paragraphs (a) and (b) of Section 8, below, the unpaid balance shall bear interest at the highest rate of interest permitted by law, from the date of acceleration until paid in full.

6. Payments. Except in an event of acceleration described in paragraphs (a) and (b) of Section 8 below, no payments shall be due and payable under this Note except to the extent of (a) the Agency's portion of Residual Receipts as described in Section 9, below, and (b) the Agency's share of any refinancing, Cost Savings or Additional Proceeds (defined below).

7. Expiration of Term, Loan Forgiven. Notwithstanding the provisions of this Note, if Borrower has complied with all of the provisions of the OPA (including the Method of Financing), Agency Deed of Trust and the Mason AARP, then upon the expiration of the Term hereof, Borrower shall not have an obligation to pay the outstanding principal balance of this Note and any remaining balance including any accrued but unpaid interest thereon shall be suspended. If this Note is not suspended in accordance with the above, the remaining balance (plus accrued but unpaid interest thereon) shall be due and payable upon the expiration of the Term hereof.

8. Acceleration of Note. The entire unpaid principal balance of this Note and any accrued but unpaid interest shall be immediately due and payable upon the occurrence of either of the following events of acceleration:

(a) the date on which the Property or any portion thereof or interest therein is sold, transferred, assigned or refinanced, without the prior written approval of the Agency, except as otherwise permitted in the OPA or this Note; or

(b) the date on which there is a default by the Borrower under the terms of this Note, the Agency Deed of Trust, the OPA, the Mason AARP, any deed of trust or other instrument securing any Senior Loan, or other obligations secured by a deed of trust on the Property, which is not cured within the respective time period provided herein and therein.

9. Residual Receipts. Prior to the expiration of the fifty-five (55) year Term hereof, Borrower shall be obligated to repay the Agency Loan exclusively from the Agency's portion of Residual Receipts, as follows:

(a) Annually, not later than the first day of April, beginning with the year following the year in which the Borrower completes the Project (“**Payment Date**”), Borrower shall submit to Agency an audited Annual Financial Statement for the preceding calendar year, prepared by a certified public accountant reasonably acceptable to the Agency, determining the amount of Residual Receipts, if any, generated in that year, together with payment of the Agency’s portion of such Residual Receipts. The first such Annual Financial Statement shall be for the partial year beginning on the completion date and ending on December 31 of that year. The Agency shall review and approve such Annual Financial Statement, or request revisions, within 30 days after receipt. In the event as the result of the Agency’s review of the statement, there is an increase in the amount of any payment due and payable to Agency (as the result, for example, of a determination that the actual amount of Residual Receipts to which the Agency is entitled exceeds the amount of Agency’s portion of Residual Receipts shown in the Annual Financial Statement submitted by Borrower), Borrower shall promptly pay to the Agency the difference, with interest, from the date on which such payment was due, at the rate of five percent (5%) per annum.

(b) Annually, commencing with the year in which the City of San Diego issues a certificate of occupancy for the Property, Borrower shall calculate its Residual Receipts as provided in paragraph (a) of this Section 9, and pay to the Agency on the Payment Date the Residual Receipts, which shall be allocated to the Agency as provided herein.

(c) In addition, the Agency Loan shall be reduced/repaid by any “Cost Savings” or “Additional Proceeds” as set forth in Section 12:

10. Distribution of Residual Receipts. Prior to the expiration of the fifty-five (55) year Term hereof, any Residual Receipts received shall be disbursed as follows:

(a) Fifty percent (50%) of any Residual Receipts shall be paid to Borrower and the other fifty percent (50%) shall be used to reduce or repay the outstanding amounts of the Housing Commission Loan, the Agency Loan, and the CalHFA Funds, in proportion to their respective principal balances as set forth in the Method of Financing

11. Application of Payments. All payments to the Agency shall be applied first to interest, then to reduce the principal amount owed.

12. Mandatory Prepayments. The Agency Loan shall be subject to prepayment equal to the Agency’s share of any “Cost Savings” or “Additional Proceeds”, as follows:

(a) Cost Savings. In the event and to the extent that actual costs for the Project in the Project Budget are less than the Sources of Financing set forth in the Method of Financing (“**Cost Savings**”), then the Cost Savings shall be applied first towards payment of any outstanding Deferred Developer Fee with any undisbursed amount to reduce or repay the amounts of the Amended and Restated Modified Agency Loan; provided, however, that upon the Closing, if the Housing Commission enters into the Housing Commission Agreement in

substantially the form attached to the OPA as Attachment No. 21 with the Agency, then the Cost Savings shall be applied first towards payment of any outstanding Deferred Developer Fee with any undisbursed amount to reduce or repay the Housing Commission Loan as well as the Amended and Restated Modified Agency Loan in proportion to their principal balances set forth in the Method of Financing.

(b) Additional Proceeds. In the event and to the extent that any of the financing sources for the Project exceed the amounts shown in the Sources of Financing set forth in the Method of Financing (“**Additional Proceeds**”), then such Additional Proceeds shall first be used to pay for any increased costs of the Project as set forth in a revised Project Budget approved in writing by the Agency Executive Director for which there are no other sources of funding, next to pay Deferred Developer Fee and thereafter provided that, upon the Closing, Commission enters into the Housing Commission Agreement substantially in the form attached to the OPA as Attachment No. 20 with Agency, twenty five percent (25%) of such remaining Additional Proceeds shall be paid to Owner and the remaining seventy five percent (75%) shall be used to reduce or repay the outstanding amounts of the Housing Commission Loan and the Amended and Restated Modified Agency Loan in proportion to their principal balances set forth in the Method of Financing.

13. Transfers.

(a) Prior to the full reconveyance of the Agency Deed of Trust, the Borrower shall not, except as permitted by this Note or the OPA, effectuate or attempt to effectuate a “Transfer” (as defined in subsection 13(e)), without prior written approval of the Agency Executive Director. Consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions. Agency shall not unreasonably withhold or delay its consent. If consent should be given, any such transfer shall be subject to this Section 13, and any such transferee shall assume all obligations hereunder and agree to be bound by all provisions contained herein, subject to the provisions of subsection 13(e)(iii), below.

(b) Any such proposed transferee shall have the qualifications and financial responsibility necessary and adequate as may be reasonably determined by the Agency, to fulfill the obligations undertaken by Borrower in the OPA, the Mason AARP, any other Loan Document and this Note. Any such proposed transferee, by instrument in writing satisfactory to the Agency and in form recordable among the land records of San Diego County, for itself and its successors and assigns, and for the benefit of the Agency shall expressly assume all of the obligations of the Borrower under the OPA, the Mason AARP, and any other Loan Document and agree to be subject to all conditions and restrictions applicable to the Borrower in this Note, subject to the provisions of subsection 13(e)(iii). There shall be submitted to the Agency for review all instruments and other legal documents proposed to effect any such transfer; and if approved by the Agency its approval shall be indicated to the Borrower in writing.

(c) In the absence of specific written agreement by the Agency, no unauthorized Transfer, or any approval of any such Transfer by the Agency, shall be deemed to relieve the Borrower or any other party from any obligations under the OPA, this Note, the Agency Deed of Trust, the Mason AARP or any other Loan Document.

(d) In the event of a Transfer prior to the time the Agency Loan is paid in full without the prior written consent of the Agency, the remaining principal balance of the Agency Loan and all accrued but unpaid interest shall be immediately due and payable.

(e) (i) As used herein, "Transfer" includes the sale, transfer or conveyance of the Property, the Improvements, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, or any agreement to do so; the execution of any installment land sale contract or similar instrument affecting all or a portion of the Property or the Improvements; or the lease of all or substantially all of the Property or Improvements, except as provided in subparagraph (e)(iii) of this Section 13, below.

(ii) "Transfer" shall also include the transfer, assignment, hypothecation or conveyance of legal or beneficial ownership of any interest in Borrower, or any conversion of Borrower to an entity form other than that of Borrower at the time of execution of this Note, except for the following: (A) a cumulative change in the ownership interests of any individual limited liability company member of forty-nine percent (49%) or less shall not be deemed a "Transfer" for purposes of this Note; and (B) a transfer of a portion or a majority of stock of any corporation to a trust formed in connection with a qualified employee ownership plan shall not, by itself, be deemed to constitute a change in ownership for purposes of this Note.

(iii) Notwithstanding paragraphs (i) and (ii), "Transfer" shall not include any Permitted Transfers, as defined in the OPA.

(f) The Agency shall not unreasonably withhold, condition or delay its approval of any matter for which its approval is required hereunder. Any disapproval shall be in writing and contain the Agency's reasons for disapproval.

14. Low and Moderate Income Housing Fund. The Agency Loan is funded from the Agency's Low and Moderate Income Housing Fund. Accordingly, Borrower agrees for itself, its successors and assigns, that the use of the Property shall be subject to the restrictions on rent and occupancy set forth in the Mason AARP.

15. Waivers. Borrower waives presentment for payment, demand, protest, and notices of dishonor and of protest; the benefits of all waivable exemptions; and all defenses and pleas on the ground of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice. Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the holder hereof, in the enforcement of this Note, the Agency Deed of Trust or any term or provision of either thereof.

16. Exercise of Rights and Remedies. Upon the failure of Borrower to perform or observe any term or provision of this Note, upon any event of acceleration described in Section 8, or upon the occurrence of any other event of default under the terms of the Agency Deed of Trust, the OPA, the Mason AARP, any other Loan Document, any deed of trust securing the Additional Commission Funds or any Senior Loan, or other obligations secured by a deed of trust on the Property, the holder may exercise its rights or remedies hereunder or thereunder.

17. Defaults.

(a) Subject to the further provisions of this Section 17, failure or delay by Borrower to perform any material term or provision of this Note, the Agency Deed of Trust, the OPA, the Mason AARP, any other Loan Document, or any deed of trust securing the Additional Commission Funds or any Senior Loan, or other obligations secured by a deed of trust on the Property, constitutes a default under this Note.

(b) Agency shall give written notice of default to Borrower, specifying the default complained of by the Agency. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(c) Any failures or delays by Agency in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by Agency in asserting any of its rights and remedies shall not deprive Agency of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

(d) If a monetary event of default occurs under the terms of this Note or the Agency Deed of Trust, or any deed of trust securing the Senior Loan or Permanent Loan or other obligations secured by a deed of trust on the Property, prior to exercising any remedies hereunder or thereunder Agency shall give Borrower written notice of such default. Borrower and its partners shall have ten (10) days after such notice is received or deemed received to cure any such default prior to exercise of remedies by Agency under this Note and/or the Agency Deed of Trust. In no event shall Agency be precluded from exercising remedies if its security becomes or is about to become materially impaired by any failure to cure a default or the default is not cured within ten (10) calendar days after the notice of default is received or deemed received.

(e) If a non-monetary event of default occurs under the terms of the OPA, this Note, the Agency Deed of Trust, the Mason AARP, any other Loan Document or document implementing the OPA, any deed of trust securing the Senior Loan or other obligations secured by a deed of trust on the Property, prior to exercising any remedies hereunder or thereunder, Agency shall give Borrower written notice of such default. If the default is reasonably capable of being cured within thirty (30) calendar days after such notice is received or deemed received, Borrower shall have such period to effect a cure prior to exercise of remedies by the Agency under the OPA, the Mason AARP, this Note, the Agency Deed of Trust or any other Loan Document. If the default is such that it is not reasonably capable of

being cured within thirty (30) days, and Borrower (i) initiates corrective action within said 30 day period, and (ii) diligently and in good faith works to effect a cure as soon as possible, then Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Agency. If Borrower fails to take corrective action or to cure the default within a reasonable time, Agency shall give written notice thereof. In no event shall Agency be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within ninety (90) days after the notice of default is received or deemed received.

(f) There shall be no additional cure periods under this Note for defaults under the Agency Deed of Trust, the OPA, the Mason AARP, any other Loan Document, and/or any deed of trust securing the Additional Commission Funds or any Senior Loan, or other obligations secured by a deed of trust on the Property.

(g) Any notice of default that is transmitted by electronic facsimile transmission followed by delivery of a “hard” copy, shall be deemed delivered upon its transmission; any notice of default that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), shall be deemed received on the documented date of receipt by Borrower; and any notice of default that is sent by registered or certified mail, postage prepaid, return receipt required shall be deemed received on the date of receipt thereof.

18. Partial Invalidity. If the rights created by this Note shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, the remaining obligations shall be completely performed and paid.

IN WITNESS WHEREOF, Borrower has executed this Note as of the day and year set forth above.

BORROWER

HDP MASON, LLC

a California limited liability company

Dated: _____

By: Housing Development Partners of San Diego, a
California nonprofit public benefit corporation
Its: Managing Member

By: _____

Name: Marco Vakili

Title: Executive Director