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GOVERNMENT CODE SECTION 27383

When Recorded Return to:

SAN FRANCISCO REDEVELOPMENT AGENCY
770 Golden Gate Avenue
San Francisco, CA 94102
Attn: Development Services

LAUREL GARDENS GROUND LEASE

by and between the

REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
as Landlord

and

Laurel Gardens of Bethel A.M.E. Church, L.P.,
a California limited partnership
as Tenant

Dated as of October 1, 1998

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Attachments to Ground lease

1. Site Plan
2. Legal Description of Site
3. (not used)
4. Schedule of Performance
5. (not used)
6. Operational Rules for Certificate Holder's Priority
7. Equal Opportunity Program (same as Loan Agreement)
8. Prevailing Wage Provisions (same as Loan Agreement)
9. Income Computation and Certification

Ground Lease

This Ground Lease is entered into as of October ____, 1998, by and between the REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, corporate and politic (the "Agency") as Landlord, and Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership (the "Developer"), as Tenant under this Ground Lease.

RECITALS

A. In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq., the ~~Law~~), the Agency undertakes programs for the reconstruction and rehabilitation of slums and blighted areas in the City and County of San Francisco (the "City").

B. Pursuant to the Law, the Board of Supervisors of the City established the Western Addition A-2 Redevelopment Project Area (~~Project Area~~) and adopted the Western Addition A-2 Redevelopment Plan (as amended, the ~~Redevelopment Plan~~).

C. The Agency is authorized pursuant to the Law to distribute monies to nonprofit developers and sponsors for the specific and special purpose of increasing and maintaining the housing stock in the City and County of San Francisco for very low-, low- and moderate-income households.

D. The expiration of project-based Section 8 contracts

poses a serious threat to San Francisco's affordable housing stock. Many of the housing developments with expiring Section 8 contracts are located in Redevelopment Project Areas. The Agency desires to preserve developments with Section 8 contracts as affordable housing by, among other things, expending Tax Increment Housing Funds.

E. Developer is a limited partnership established solely to acquire and own housing units for low-income residents (the ~~Project~~) on the real property located at 1555 Turk Street, San Francisco, California (the ~~Site~~).

F. The Project is currently financed with a U.S. Department of Housing and Urban Development ("HUD") Section 236 mortgage which is subject to prepayment by the current private owner ("Seller"), with the potential effect of expunging the existing federal low income rent restrictions placed on the Project.

G. Laurel Gardens of Bethel A.M.E. Church, Inc., the Developer's general partner (the ~~General Partner~~), has entered into a purchase and sale agreement to purchase the Site and all the improvements on the Site (the ~~Improvements~~). The General Partner intends (i) to sell the Site to the Agency and (ii) to sell the Improvements to the Developer for rehabilitation and operation as affordable housing, by causing the Seller (x) to deed the Site directly to the Agency and (y) to deed the Improvements directly to the Developer. Developer intends to

finance the acquisition and rehabilitation of the Improvements using multifamily mortgage revenue bonds to be issued by the Agency, low-income housing tax-credits, and other Agency provided funding, including, but not limited to, a San Francisco Redevelopment Agency Predevelopment Grant Agreement for \$78,912, dated February 10, 1998, and a loan in the amount of \$672,915.00, which will be used to acquire and rehabilitate the Improvements, pursuant to a loan agreement between the Agency and the Developer (the ~~Loan Agreement~~). The Agency will use \$1,328,173.00 in additional funds to pay the purchase price for the Site, not including the Improvements.

H. The Agency wishes to lease the Site to the Developer pursuant to this Ground Lease.

NOW THEREFORE, in consideration of the mutual obligations of the parties hereto, the Agency hereby leases to Developer and Developer hereby leases from the Agency the Site for the term and subject to the terms, covenants, agreements and conditions hereinafter set forth, to each and all of which the Agency and Developer hereby mutually agree.

ARTICLE 1: DEFINITIONS

Terms used herein have the meanings given them when first used or as set forth in this Article 1, or in the Loan Agreement, unless the context clearly requires otherwise.

1.01 **Agency** means the Redevelopment Agency of the City and County of San Francisco, a public body, corporate and politic, exercising its functions and powers and organized and existing under the Community Redevelopment Law of the State of California and includes any successor public Agency designated by or pursuant to law. The Agency is the owner of the Site.

1.02 **Agreement Date** means the date that this Ground Lease is deemed to be entered into and effective, as set forth on the cover page.

1.03 **Developer** means Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership.

1.04 **Development Standards** means Section IIC of the Western Addition A-2 Redevelopment Plan, Land Use Provisions and Development Standards, originally adopted by the Board of Supervisors on October 13, 1964, as amended from time to time, which contains the development standards and urban design guidelines which apply to the Project Area.

1.05 not used

1.06 **Ground Lease** means this Ground Lease of the Site to the Developer from the Agency, as amended from time to time.

1.07 **Improvements** means all physical construction, including all structures, fixtures and other improvements on the Site.

1.08 Leasehold Estate means the estate held by the Developer pursuant to and created by this Ground Lease.

1.09 Leasehold Mortgage means any mortgage, deed of trust, trust indenture or other security instrument, including, without limitation, the mortgage insured by the Secretary, the deed of trust securing a loan from [Bank of America], the lien of any Indenture of Trust with respect to mortgage revenue bonds issued by the Agency, and any assignment of the rents, issues and profits from the Site, or any portion thereof, which constitute a lien on the Leasehold Estate created by this Ground Lease.

1.10 Lease Year means each calendar year during the term hereof, beginning on January 1 and ending on December 31, provided that the first Lease Year shall commence upon the Agreement Date and shall end on the next succeeding December 31, and the last Lease Year shall end upon the expiration of the term hereof.

1.11 Lender means (i) the holder of any Leasehold Mortgage consented to by the Agency as required by Article 25.01 and (ii) the Secretary, as defined in Article 27.

1.12 Area Median Income means the median household or family income for San Francisco as determined pursuant to Section 50093 of the California Health and Safety Code.

1.13 not used

1.14 **Premises** means the Site together with any Improvements thereon.

1.15 **Site** means the real property in the Project Area shown on the Site Plan, Attachment 1, and described in the Site Legal Description, Attachment 2.

1.16 **Redevelopment Plan** means the Western Addition A-2 Redevelopment Plan, as amended.

1.17 **Occupant** means any person or entity authorized by Developer to occupy the Site, or any portion thereof.

Whenever an 'Attachment' is referenced, it means an attachment to this Ground Lease unless otherwise specifically identified. Whenever a section, article or paragraph is referenced, it is a reference to this Ground Lease unless otherwise specifically referenced.

ARTICLE 2: TERM

(a) The term of this Ground Lease shall commence upon the Agreement Date and shall end ninety-nine years from that date.

(b) Provided that the Developer is not in default of the terms of its obligations to the Agency at such time, the Agency agrees to negotiate in good faith, beginning no sooner than twenty-four (24) months before the expiration of the full

term of this Lease, to reach an agreement to convey the Site to the Developer at the end of such term for continued use as affordable housing. The terms of such conveyance shall include (i) use of the Site for affordable housing for at least fifty (50) years, beginning on expiration of this Lease, and (ii) other terms and conditions, including price, calculated to reflect such restrictions on use. If the parties do not reach agreement by six (6) months before the expiration of the term, the Agency may dispose of the Site in accordance with its then normal process for such disposition; provided, however, the Agency agrees to offer the Site first to the Developer on the same terms and conditions which the Agency intends to be contained in its normal offering of the Site. The Developer shall have thirty (30) days from receipt of the Agency's offer to accept such offer on such terms and conditions. If the Developer accepts such offer, it may purchase the Site in accordance with the terms of any such disposition. If the Developer fails to accept such offer within such thirty (30) days, the Agency may proceed with its normal disposition without further obligation to the Developer; provided, however, that the Developer's right to propose resident ownership in accordance with Article 13 shall remain in effect until the termination of this Ground Lease. "Conveyance" or "disposition" as used in this section may include sale, lease or other transfer of some or all of the Site.

ARTICLE 3: FINANCING

(a) Developer shall submit to the Agency in accordance with the dates specified in the Schedule of Performance, Attachment 4, for approval by the Agency, evidence satisfactory to the Agency that Developer has sufficient equity capital and commitments for construction mortgage financing and permanent financing, and/or such other evidence of capacity to proceed with the acquisition and development of the Premises, including the rehabilitation of the Improvements, in accordance with this Ground Lease, as is acceptable to the Executive Director of the Agency. Such satisfactory evidence of financing shall include permanent financing if required as part of any construction financing.

(b) A default by Developer under the terms of any financing shall constitute a default under this Ground Lease.

ARTICLE 4: RENT

4.01 Annual Rent

Developer shall pay the Agency thirty thousand dollars (\$30,000) per year for lease of the Site, without offset of any kind, payable in advance on the 15th day of March of each Lease Year, without necessity of demand, notice or invoice from the Agency ("Annual Rent"); provided, however, rent for the first lease year shall be due on December 31, 1998, and shall be equal to \$30,000 times the number of days in the first Lease Year,

divided by 365.

4.02 Absolute Net Lease

This Ground Lease is an absolute net lease and the Developer shall be responsible to pay all costs, charges, taxes, impositions and other obligations related thereto. If the Agency pays any such amounts, whether to cure a default or otherwise protect its interests hereunder, the Agency will be entitled to be reimbursed by Developer the full amount of such payments as additional rent on the next rent payment date.

ARTICLE 5: AGENCY COVENANTS

The Agency is a public body, corporate and politic, duly created and validly existing in good standing under the Law, and has full right, power and authority to enter into and perform its obligations under this Ground Lease. Agency covenants and warrants that the Developer and its tenants shall have, hold and enjoy, during the lease term, peaceful, quiet and undisputed possession of the Site leased without hindrance or molestation by or from anyone so long as the Developer is not in default under this Ground Lease or the Loan Agreement with the Agency.

ARTICLE 6: DEVELOPER COVENANTS

Developer covenants and agrees for itself, and its

successors and assigns to or of the Site, or any part thereof, that:

6.01 Limited Partnership/Authority

Developer is a California limited partnership and has full rights, power and authority to enter into and perform its obligations under this Ground Lease.

6.02 Use of Site

During the term of this Ground Lease, Developer and such successors and assigns shall comply with the following requirements:

6.02a. Compliance with Redevelopment Requirements

Devote the Site to, and only to and in accordance with, the uses specified in the Redevelopment Plan and this Ground Lease, as specified in Article 9 hereof, which are the only uses permitted by this Ground Lease.

6.02b. Non-Discrimination

Not discriminate against or segregate any person or group of persons on account of race, color, creed, religion, ancestry, national origin, age, sex, gender identity, marital or domestic partner status, sexual orientation or disability (including HIV or AIDS status) in the sale, lease, rental, sublease, transfer, use, occupancy, tenure or enjoyment of the Site or the Improvements, or any part

thereof, nor shall Developer 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 Occupants, subtenants or vendees on the Site or Improvements, or any part thereof.

6.02c. Acceptance of Tenants with Section 8 Subsidy

Not discriminate against tenants with certificates or vouchers under the Section 8 program or any successor rent subsidy program.

6.02d. Non-Discriminatory Advertising

All advertising (including signs) for sublease of the whole or any part of the Site shall include the legend "Equal Housing Opportunity" in type or lettering of easily legible size and design.

6.02e. Access for Disabled Persons

Comply with all applicable laws providing for access for persons with disabilities, including, but not limited to, the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973.

6.02f. Equal Opportunity Marketing Plan

Submit a Fair Housing Marketing Plan to be approved by the Agency. The Fair Housing Marketing Plan must follow

U.S. Department of Housing and Urban Development Guidelines for such plans.

6.02g. Lead Based Paint

Comply with the regulations issued by the Secretary of Housing and Urban Development set forth in 37 F.R. 22732-3 and all applicable rules and orders issued thereunder which prohibit the use of lead-based paint in residential structures undergoing federally assisted construction or rehabilitation and require the elimination of lead-based paint hazards.

6.03 Agency and City Deemed Beneficiaries of Covenants

In amplification, and not in restriction, of the provisions of the preceding subsections, it is intended and agreed that the Agency and the City shall be deemed beneficiaries of the agreements and covenants provided in this Article 6, and the United States shall be deemed a beneficiary of the covenants provided in Article 6.02b through g, both for and in their or its own right and also for the purposes of protecting the interests of the community and other parties, public or private, in whose favor or for whose benefit such agreements and covenants have been provided. Such agreements and covenants shall run in favor of the Agency and the City and the United States for the entire period during which such agreements and covenants shall be in force and effect, without regard to whether the Agency, the City

or the United States has any time been, remains, or is an owner of any land or interest therein to, or in favor of, which such agreements and covenants relate. The Agency and the City shall have the right, in the event of any breach of any such agreements or covenants, and the United States shall have the right in the event of any breach of the covenants provided in Article 6.02b through g, in each case, after notice and the expiration of cure periods, to exercise all the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach of covenants, to which it or any other beneficiaries of such agreements or covenants may be entitled.

ARTICLE 7: ANNUAL INCOME COMPUTATION AND CERTIFICATION

Forty-five days after the Agreement Date, and on January 15th of each year thereafter, Developer will furnish to the Agency a list of all of the names of the persons who are Occupants of the Improvements on the Site, the specific unit which each person occupies, the household income of the Occupants of each unit, the household size and the rent being charged to the Occupants of each unit. Developer will provide the Agency with an Income Computation and Certification for each household (i) in the form required by that certain Regulatory Agreement and Declaration of Restrictive Covenants with respect to the Project,

by and among the Agency, the Developer and U.S. Trust Company, as Trustee (the "Bond Regulatory Agreement"), for so long as such agreement is in effect; or (ii) from and after the date on which the Bond Regulatory Agreement is terminated, in the form attached hereto as Attachment 9; executed under penalty of perjury by the Occupant. If any state or federal agency requires an income certification for Occupants of the Site containing the above-referenced information, the Agency agrees to accept such certification in lieu of Attachment 9 as meeting the requirements of this Ground Lease. In addition to such initial and annual list and certification, Developer agrees to provide the same information and certification to the Agency regarding each Occupant of the Improvements not later than ten (10) business days after such Occupant commences occupancy.

ARTICLE 8: CONDITION OF SITE - "AS IS"

Neither the Agency, nor any employee, agent or representative of the Agency has made any representation, warranty or covenant, expressed or implied, with respect to the Site, its physical condition, the condition of any improvements, any environmental laws or regulations, or any other matter, affecting the use, value, occupancy or enjoyment of the Site other than as set forth explicitly in this Ground Lease, and the Developer understands and agrees that the Agency is making no

such representation, warranty or covenant, expressed or implied; it being expressly understood that the Site is being leased in an "AS IS" condition with respect to all matters.

ARTICLE 9: IMPROVEMENTS AND PERMITTED USES

9.01 Scope of Development and Schedule of Performance

Developer agrees to undertake and complete all physical construction on the Site described in the Loan Agreement, (the "Scope of Development"), as approved by the Agency, in accordance with the Schedule of Performance, Attachment 4.

9.02 Permitted Uses and Occupancy Restrictions

The permitted uses of the Site are limited to 52 dwelling units, including 1 manager's unit and 51 residential units, a community room and related parking. Following the Agreement Date at least 50 of the residential units shall be occupied exclusively by households with incomes at or below 60% of Area Median Income. Upon vacancy of any of the dwelling units, other than the one manager's unit, the vacant unit shall be occupied by a household at or below 60% of Area Median Income. As long as the Site receives Project-Based Section 8 assistance, rents charged to households will be in accordance with HUD requirements, which shall control in the event of any conflict with the requirements of this Ground Lease. Developer shall accept Project-Based Section 8 assistance from HUD for as long as it is offered by HUD. In the event HUD no longer provides

Section 8 assistance, rents charged to households with incomes above, at or below 60% of Area Median Income shall not exceed 30% of the greater of (a) 60% of Area Median Income or (b) the household's actual income.

9.03 Lender Not Obligated to Comply with Income Restrictions

Notwithstanding the foregoing Article 9.02, in the event that title to Developer's interest in the Improvements is acquired by a Lender by foreclosure, deed in lieu of foreclosure or as the result of any other action or remedy provided for by any Leasehold Mortgage, or should Lender sell or assign the same to an Agency approved purchaser or assignee (subject to the Agency's rights under Article 25), the Lender or its purchaser or assignee may operate and maintain the 52 residential dwelling units without any limitations on the rents charged or the income of the Occupants thereof; subject, however, to any requirements (i) arising in connection with financing insured by the Federal Housing Administration or (ii) otherwise imposed by HUD.

ARTICLE 10: REHABILITATION OF IMPROVEMENTS

10.01 General Requirements and Rights of Agency

Construction documents for the rehabilitation of the Improvements by Developer (the "Construction Documents") shall be prepared by a person registered in and by the State of California to practice architecture and shall be in conformity with the

Redevelopment Plan and this Ground Lease, including any limitations established in the Scope of Development, and all applicable Federal, State and local laws and regulations. The Agency has approved Troy Brown & Associates as the Developer's architect for this Project. The architect shall use, as necessary, members of associated design professions, including engineers and landscape architects.

10.02 Agency Approvals and Limitation Thereof

The Construction Documents must be approved by the Agency in the manner set forth below:

10.02a. Compliance with Redevelopment Plan and Ground Lease

The Agency's approval with respect to the Construction Documents is limited to determination of their compliance with the Redevelopment Plan and this Ground Lease, including the Scope of Development (these enumerated documents are for convenience sometimes called "Redevelopment Requirements"). The Construction Documents shall be subject to general architectural review and guidance by the Agency as part of this review and approval process.

10.02b. Agency Does Not Approve Compliance with Construction Requirements

The Agency's approval is not directed to engineering or structural matters or compliance with building codes and regulations, the Americans with Disabilities Act, or any other applicable State or Federal law relating to construction standards or requirements.

10.02c. Agency Determination Final and Conclusive

The Agency's determination respecting the compliance of the Construction Documents with Redevelopment Requirements shall be final and conclusive (except that it makes no determination and has no responsibility for the matters set forth in Article 10.02b, above).

10.03 Rehabilitation to be in Compliance with

Construction Documents and Law

The Improvements to be constructed shall be constructed in strict compliance with the Agency-approved and City-approved Construction Documents and also in strict compliance with all applicable local, State and Federal laws and regulations.

10.04 Approval of Construction Documents by Agency

Developer shall submit and the Agency shall approve or disapprove the Construction Documents referred to in this Ground Lease within the times established in the Schedule of Performance. Failure by the Agency either to approve or disapprove within the times established in the Schedule of

Performance shall be deemed approval.

10.05 Disapproval of Construction Documents by Agency

If the Agency disapproves the Construction Documents in whole or in part as not being in compliance with Redevelopment Requirements or this Ground Lease, Developer shall submit new or corrected plans which are in compliance within thirty (30) days after written notification to it of disapproval, and the provision of this section relating to approval, disapproval and resubmission of corrected Construction Documents shall continue to apply until the Construction Documents have been approved by the Agency; provided, however, that in any event Developer must submit satisfactory Construction Documents (i.e., approved by the Agency) no later than the date specified therefor in the Schedule of Performance.

10.06 Final Construction Documents to be Approved by Agency

The Final Construction Documents, including all drawings, specifications and other related documents necessary for the rehabilitation of the Improvements in accordance with the requirements of this Ground Lease, must be approved by the Agency.

10.07 Issuance of Building Permits

(a) Developer shall have the sole responsibility for

obtaining all necessary building permits and shall make application for such permits directly to the City's Department of Building Inspection. Developer shall report permit status in writing every thirty (30) days to the Agency. Failure to timely file and to diligently pursue issuance of permits shall be a breach of this Ground Lease.

(b) The Developer is advised that the Central Permit Bureau forwards all building permits to the Agency for Agency approval of compliance with Redevelopment Requirements. Since the Agency's review of Construction Documents is limited (see Article 10.02a, above), its approval of compliance with Redevelopment Requirements is similarly limited and does not include Article 10.02b matters. Agency evidences such compliance by signing the permit and returning the permit to the Central Permit Bureau for issuance directly to the Developer. Approval of any intermediate permit, however, is not approval of compliance with all Redevelopment Requirements necessary for a full and final building permit.

10.08 Performance and Payment Bonds

Prior to commencement of rehabilitation of the Improvements, Developer shall deliver to the Agency performance and payment bonds, each for the full value of the cost of rehabilitation of the Improvements, which bonds shall name the Agency as co-obligee, or such other completion security which is acceptable to

the Agency.

10.09 Agency Approval of Changes after Commencement of Rehabilitation

Once rehabilitation has commenced, the only Construction Document matters subject to further review by the Agency will be requests for any changes in the Construction Documents which affect matters previously approved by the Agency. Permission to make such changes shall be requested by Developer in writing directed to the Agency, Attention: Housing Program Manager, with a copy to the Architecture Division Manager. The Agency shall reply in writing giving approval or disapproval of the changes within ten (10) business days after receiving such request. If the request is disapproved, the reply must specify the reasons for the disapproval. If the Agency does not respond within this ten-day period, the Agency will be deemed to have approved the changes as submitted.

10.10 Times for Rehabilitation

Developer agrees for itself, and its successors and assigns to or of the Leasehold Estate or any part thereof, that Developer and such successors and assigns shall promptly begin and diligently prosecute to completion the redevelopment of the Site through the rehabilitation of the Improvements thereon, and that such rehabilitation shall in any event commence and thereafter diligently continue and shall be completed no later than the

dates specified in the Schedule of Performance, unless such dates are extended by the Agency, provided, however, that if different dates are specified in an applicable loan agreement approved by the Secretary of HUD, then the dates in such loan agreement shall apply in place of those in the Schedule of Performance.

10.11 Force Majeure

For the purposes of any of the provisions of this Ground Lease, neither the Agency nor Developer, as the case may be, shall be considered in breach of or default in its obligations, nor shall there be deemed a failure to satisfy any conditions with respect to the beginning and completion of rehabilitation of the Improvements, or progress in respect thereto, in the event of enforced delay in the performance of such obligations or satisfaction of such conditions, due to unforeseeable causes beyond its control and without its fault or negligence, including, but not restricted to, acts of God, or of the public enemy, acts of the Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, general scarcity of materials and unusually severe weather or delays of subcontractors due to such causes; it being the purposes and intent of this provision that in the event of the occurrence of any such enforced delay, the time or times for the satisfaction of conditions to this Ground Lease including those with respect to rehabilitation of the Improvements, shall

be extended for the period of the enforced delay; provided, however, that the party seeking the benefit of the provisions of this paragraph shall have notified the other party thereof in writing of the cause or causes thereof within thirty (30) days after the beginning of any such enforced delay and requested an extension for the period of the enforced delay; and, provided further, that this paragraph shall not apply to, and nothing contained in this paragraph shall extend or shall be construed to extend, the time of performance of any of Developer's obligations to be performed prior to the commencement of rehabilitation, nor shall the failure to timely perform precommencement of rehabilitation obligations extend or be construed to extend Developer's obligations to commence, prosecute and complete rehabilitation of the Improvements in the manner and at the times specified in this Ground Lease.

10.12 Reports

Subsequent to commencement of rehabilitation of the Improvements and until they have been completed, Developer shall make a report in writing to the Agency every three (3) months, in such detail as may reasonably be required by the Agency, as to the actual progress of the Developer with respect to such rehabilitation. During such period the work of the Developer shall be subject to inspection by representatives of the Agency, at reasonable times and upon reasonable advance notice.

10.13 Access to Site

Developer shall permit access to the Site to the Agency and the City whenever and to the extent necessary to carry out the purposes of the provisions of this Ground Lease, at reasonable times and upon reasonable advance notice.

ARTICLE 11: COMPLETION OF IMPROVEMENTS

11.01 Certificate of Completion - Issuance

Promptly after completion of the rehabilitation of the Improvements in accordance with the provisions of this Ground Lease, and upon the request of Developer, the Agency will furnish Developer with an appropriate instrument so certifying. Such certification by the Agency shall be a conclusive determination of satisfaction and termination of the agreements and covenants of this Ground Lease with respect to the obligation of Developer, and its successors and assigns, to rehabilitate the Improvements in accordance with Agency approved Final Construction Documents and the dates for the beginning and completion thereof; provided, however, that such determination shall only be withheld because of failure to carry out specific requirements of the Redevelopment Requirements or this Ground Lease; provided further, that such certification and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any Lender, or any insurer of a

mortgage, securing money loaned to finance the Improvements, or any part thereof; provided further, that Agency issuance of any Certificate of Completion does not relieve Developer or any other person or entity from any and all City requirements or conditions to occupancy of the Improvements, which requirements or conditions must be complied with separately.

11.02 not used.

11.03 **Certifications to be Recordable**

All certifications provided for in this section shall be in such form as will enable them to be recorded with the Recorder of the City.

11.04 **Certification of Completion - Non-Issuance Reasons**

If the Agency shall refuse or fail to provide any certification in accordance with the provisions of subsection 11.01, the Agency shall provide Developer with a written statement, within fifteen (15) days after written request by Developer, indicating in adequate detail in what respects Developer has failed to complete the rehabilitation of the Improvements in accordance with the provisions of this Ground Lease or is otherwise in default hereunder and what measures or acts will be necessary, in the opinion of the Agency, for Developer to take or perform in order to obtain such certification.

ARTICLE 12: CHANGES TO THE IMPROVEMENTS

12.01 Post Completion Changes

The Redevelopment Plan, or the requirements of any successor zoning or land use controls after termination of the Redevelopment Plan, controls changes to the Improvements after the rehabilitation has been certified complete. However, because of the location of the Site, the nature of the Improvements, the Permitted Uses and their relationship to surrounding developments, the Agency has a particular interest in the Site and in the nature and extent of the permitted changes to the Improvements. Accordingly, it desires to and does hereby impose the following particular controls on the Site and on the Improvements: during the term of this Ground Lease, neither Developer, nor any voluntary or involuntary successor or assign, shall make or permit any change in the Improvements, as change is hereinafter defined, unless the express prior written consent for any change shall have been requested in writing from the Agency and obtained, and, if obtained, upon such terms and conditions as the Agency may require. The Agency agrees not to withhold or delay its response to such a request unreasonably.

12.02 Definition of Change

'Change' as used in this Article means any alteration, modification, addition and/or substitution of or to the Site, the Improvements, the density of development and/or the extent and

nature of the Site open space, which differs materially from that which has been expressly approved by the Agency pursuant to this Ground Lease and which has been certified by the Agency as complete in accordance with this Ground Lease, and shall include without limitation the exterior design, exterior materials and/or exterior color. For purposes of the foregoing, exterior shall mean and include the roof of the Improvements.

12.03 Enforcement

The Agency shall have any and all remedies in law or equity (including without limitation restraining orders, injunctions and/or specific performance), judicial or administrative, to enforce the provisions of this Article 12, including without limitation any threatened breach thereof or any actual breach or violation thereof.

ARTICLE 13: TITLE TO IMPROVEMENTS

Fee title to any Improvements, including those Improvements conveyed to Developer by that certain [[deed from xx]] of even date herewith, vested in Developer shall remain vested in Developer during the term of this Ground Lease. Subject to the rights of any Lenders and as further consideration for the Agency entering into this Ground Lease, at the expiration or earlier termination of this Ground Lease, fee title to all the Improvements shall vest in the Agency without further action of

any party, without any obligation by the Agency to pay any compensation therefor to Developer and without the necessity of a deed from Developer to the Agency; provided, however, that the Agency agrees to review in good faith, and not unreasonably disapprove, any proposal by Developer to transfer ownership of the Improvements to residents of the Premises, subject to (i) the terms and conditions of this Ground Lease, and (ii) the terms and conditions of any agreements entered into in connection with the Agency's issuance of tax-exempt multifamily housing revenue bonds, any proceeds of which were used for acquisition of the Premises, but only for so long as such agreements are in effect.

ARTICLE 14: ASSIGNMENT, SUBLEASE OR OTHER CONVEYANCE

14.01 Assignment, Sublease or Other Conveyance by

Developer

(a) Developer may not sell, assign, convey, sublease, or transfer in any other mode or form all or any part of its interest in this Ground Lease or in the Improvements or any portion thereof, other than to Lenders, or allow any person or entity to occupy or use all or any part of the Site other than leases to tenants in the ordinary course of business, nor may it contract or agree to do any of the same, without the prior written approval of the Agency, which approval shall not be unreasonably withheld or delayed; provided, however, (i) Developer

may sell, assign, convey, sublease or transfer its interests to a limited partnership of which Developer or an entity controlled by Developer is the managing general partner, without the consent of the Agency; and (ii) the purchase of the Project by Laurel Gardens of Bethel A.M.E. Church, Inc., as general partner of Developer, pursuant to that certain Right of First Refusal and Purchase Option Agreement of even date herewith is approved. The parties hereto acknowledge the Agency's particular interest and concern regarding the nature and identity of the occupant of the Site, and therefore expressly agree that the Agency's approval of any such sale, assignment, conveyance, sublease or other transfer may be withheld in its good faith discretion.

14.02 Assignment, Sublease or Other Conveyance by Agency

The Agency acknowledges that any sale, assignment, transfer or conveyance of all or any part of the Agency's interest in the Site, the Improvements, or this Ground Lease, are subject to this Ground Lease. The Agency will require that any purchaser, assignee or transferee will expressly assume all of the obligations of the Agency under this Ground Lease by a written instrument recordable in the Official Records of the City. This Ground Lease shall not be affected by any such sale, and Developer shall attorn to any such purchaser or assignee. In the event that the Agency intends to sell all or any part of the Site, other than as provided in Section 2(b), the Agency shall

notify Developer of the proposed terms of such sale not later than ninety (90) days before the anticipated close of escrow. Developer shall have sixty (60) days from the giving of such notice to exercise a right of first refusal to purchase the Site on the same terms and conditions of such proposed sale.

ARTICLE 15: TAXES

Developer agrees to pay, or cause to be paid, when due to the proper authority, any and all valid taxes, assessments and similar charges on the Site which become effective after the execution of this Ground Lease, including all taxes levied or assessed on the possession, use or occupancy, as distinguished from the ownership, of the Site. Developer shall not permit any such taxes, charges or other assessments to become a defaulted lien on the Site or the Improvements thereon; provided, however, that in the event any such tax, assessment or similar charge is payable in installments, Developer may make, or cause to be made, payment in installments; and, provided further, that Developer may contest the legal validity or the amount of any tax, assessment or similar charge, through such proceedings as Developer considers necessary or appropriate, and Developer may defer the payment thereof so long as the validity or amount thereof shall be contested by Developer in good faith and without expense to the Agency. In the event of any such contest,

Developer shall protect, defend and indemnify the Agency against all loss, cost, expense or damage resulting therefrom, and should Developer be unsuccessful in any such contest, Developer shall forthwith pay, discharge, or cause to be paid or discharged, such tax, assessment or other similar charge. The Agency shall furnish such information as Developer shall reasonably request in connection with any such contest provided that such information is otherwise available to the public.

ARTICLE 16: UTILITIES

Developer shall procure water and sewer service from the City and electricity, telephone, natural gas and any other utility service from the City or utility companies providing such services, and shall pay all connection and use charges imposed in connection with such services. As between the Agency and Developer, Developer shall be responsible for the installation and maintenance of all facilities required in connection with such utility services to the extent not installed or maintained by the City or the utility providing such service.

ARTICLE 17: MAINTENANCE

Developer, at all times during the term hereof, shall maintain or cause to be maintained the Premises in good condition and repair to the reasonable satisfaction of the Agency, taking

into account the age of the building, including the exterior, interior, substructure and foundation of the Improvements and all fixtures, equipment and landscaping from time to time located on the Site or any part thereof. The Agency shall not be obligated to make any repairs, replacements or renewals of any kind, nature or description whatsoever to the Site or any buildings or improvements now or hereafter located thereon.

ARTICLE 18: LIENS

Developer shall use its best efforts to keep the Site free from any liens arising out of any work performed or materials furnished by itself or its subtenants. In the event that Developer shall not cause the same to be released of record within twenty (20) days following written notice from the Agency of the imposition of any such lien, the Agency shall have, in addition to all other remedies provided herein and by law, the right but not the obligation to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All sums paid by the Agency for such purpose, and all reasonable expenses incurred by it in connection therewith, shall be payable to the Agency by Developer on demand; provided, however, Developer shall have the right, upon posting of an adequate bond or other security, to contest any such lien, and the Agency shall not seek to satisfy or

discharge any such lien unless Developer has failed so to do within ten (10) days after the final determination of the validity thereof. In the event of any such contest, Developer shall protect, defend, and indemnify the Agency against all loss, cost, expense or damage resulting therefrom.

ARTICLE 19: GENERAL REMEDIES

19.01 Application of Remedies

The provisions of this Article 19 shall govern the parties' remedies for breach of this Lease.

19.02 Notice and Cure Rights for Developer Limited

Partner

(a) The Agency may not exercise its remedies under this Ground Lease for a default by the Developer unless and until (i) the Agency has given written notice of any such default, in accordance with the notice provisions of Article 39, to the Developer's limited partners who have requested notice as set forth below ("Permitted Limited Partners"), and (ii) such default has not been cured within sixty (60) days following the giving of such notice or, if such default cannot be cured within such 60-day period, such longer period as is reasonably necessary to cure such default, provided that such has been commenced and is being prosecuted diligently to completion. If a Permitted Limited

Partner cannot cure a default because the general partner of the Developer is in bankruptcy, any cure period will be tolled during the pendency of such bankruptcy.

(b) The Agency will not exercise its remedy to terminate this Ground Lease if a Permitted Limited Partner is attempting to cure the default and such cure requires removal of the General Partner, so long as the Permitted Limited Partner is proceeding diligently to remove the General Partner in order to effect a cure of such default.

(c) Fannie Mae is a Permitted Limited Partner as of the date of this Ground Lease and is entitled to the notice and cure periods provided in this Article 19. Any other limited partner wishing to become a Permitted Limited Partner must provide five (5) days' written notice to the Agency in accordance with the notice provisions of this Ground Lease, setting forth a notice address and providing a copy of such notice to the Developer and all of the Developer's general partners. Such limited partner will become a Permitted Limited Partner upon the expiration of the five-day period. A limited partner will not be afforded the protections of this section with respect to any default occurring prior to the time such limited partner becomes a Permitted Limited Partner.

19.03 Breach by Agency

If Developer believes a material breach of this Ground Lease has occurred, Developer shall first notify the Agency in writing of the purported breach, giving the Agency sixty (60) days from receipt of such notice to cure such breach. In the event Agency does not then cure or, if the breach is not reasonably susceptible to cure within that sixty (60) day period, begin to cure within sixty (60) days and thereafter diligently prosecute such cure to completion, then Developer shall be afforded all of its rights at law or in equity by taking any or all of the following remedies: (i) terminating in writing this entire Ground Lease; (ii) prosecuting an action for damages; (iii) seeking specific performance of this Ground Lease; or (iv) any other remedy available at law or equity.

19.04 Breach by Developer

19.04a. Default by Developer

The following events each constitute a basis for the Agency to take action against Developer:

- (1) Subject to delay for force majeure pursuant to Section 10.11, Developer fails to commence rehabilitation of the Improvements or to complete same within the time limits set forth in this Ground Lease;
- (2) Developer fails to comply with the Permitted Uses and Occupancy Restrictions set forth in Article

9.02;

(3) Developer abandons or suspends rehabilitation of the Improvements for a period of sixty (60) days after written notice by the Agency of such abandonment or suspension, except for a cessation of rehabilitation caused by Force Majeure as defined in Section 10.11.

(4) Developer voluntarily or involuntarily assigns, transfers or attempts to transfer or assign this Ground Lease or any rights in this Ground Lease, or in the Improvements, except as permitted by this Ground Lease;

(5) Developer, or its successor in interest, shall fail to pay real estate taxes or assessments on the Premises or any part thereof when due, or shall place thereon any encumbrance or lien unauthorized by this Ground Lease, or shall suffer any levy or attachment to be made, or any material supplier's or mechanic's lien or any other unauthorized encumbrance or lien to attach, and such taxes or assessments shall not have been paid, or the encumbrance or lien removed or discharged; provided, however, that Developer shall have the right to contest any tax or assessment pursuant to Article 15 and, upon the posting of an adequate bond or other security, to contest any such

lien or encumbrance. In the event of any such contest, Developer shall protect, indemnify and hold Agency harmless against all losses, damages, including reasonable attorneys' fees and costs resulting therefrom;

(6) Developer shall be adjudicated bankrupt or insolvent or shall make a transfer in fraud of creditors, or make an assignment for the benefit of creditors, or bring or have brought against Developer any action or proceeding of any kind under any provision of the Federal Bankruptcy Act or under any other insolvency, bankruptcy or reorganization act and, in the event such proceedings are involuntary, Developer is not dismissed from the same within sixty (60) days thereafter; or, a receiver is appointed for a substantial part of the assets of Developer and such receiver is not discharged within sixty (60) days;

(7) Developer breaches any provision of any financing provided by the Agency, including, but not limited to, the Loan Agreement, or by any other source for the acquisition or rehabilitation of the Site or the Improvements, and fails to cure the breach following any required written notice and within any applicable cure periods;

(8) Developer breaches any other material provision of this Ground Lease; or

(9) Developer fails to pay Rent when due.

19.04b. Notification, Cure and Remedies

Upon the happening of any of the events described in Article 19.04a above, the Agency shall notify Developer in writing of its purported breach, failure or act, giving Developer sixty (60) days from receipt of such notice to cure such breach, failure or act. In the event Developer does not cure or, if the breach, failure or act is not reasonably susceptible to cure within that sixty (60) day period, begin to cure within sixty (60) days and thereafter diligently prosecute such cure to completion, then, subject to the rights of any Lender and subject to Section 19.02, the Agency thereafter shall be afforded all of its rights at law or in equity, including any or all of the following remedies: (1) terminating in writing this Ground Lease; (2) prosecuting an action for damages; or (3) seeking specific performance of this Ground Lease.

ARTICLE 20: DAMAGE AND DESTRUCTION

The provisions of this Article 20 are subject to the requirements of the Secretary of HUD, including those set forth in Article 27.

20.01 Insured Casualty.

If the Improvements or any part thereof are damaged or destroyed by any cause covered by any policy of insurance required to be maintained by Developer hereunder, Developer shall promptly commence and diligently complete the restoration of the Improvements as nearly as possible to the condition thereof prior to such damage or destruction; provided, however, that if more than fifty percent (50%) of the Improvements are destroyed or are so damaged by fire or other casualty, or if the insurance proceeds do not provide at least ninety percent (90%) of the funds necessary to accomplish the restoration, Developer may terminate this Ground Lease within thirty (30) days after the later of (i) the date of such damage or destruction, or (ii) the date on which Developer is notified of the amount of insurance proceeds available for restoration. In the event Developer is required or elects to restore the Improvements, all proceeds of any policy of insurance required to be maintained by Developer under this Ground Lease shall be used by Developer for that purpose and Developer shall make up from its own funds any deficiency between the amount of insurance proceeds available for the work of restoration and the actual cost thereof. In the event Developer elects to terminate this Ground Lease pursuant to its right to do so under this Article 20.01, or elects not to restore the Improvements, the insurance proceeds shall be divided

among the Agency, Developer and any Lender in accordance with the provisions of Article 20.03.

20.02 Uninsured Casualty.

If (i) a substantial portion of the Improvements are damaged or destroyed and ten percent (10%) or more of the cost of restoration is not within the scope of the insurance coverage; and (ii) in the reasonable opinion of Developer, the undamaged portion of the Improvements cannot be completed or operated on an economically feasible basis; and (iii) there is not available to Developer any feasible source of third party financing for restoration reasonably acceptable to Developer; then Developer may terminate this Ground Lease upon ninety (90) days written notice to the Agency. If it appears that the provisions of this Article 20.02 may apply to a particular event of damage or destruction, Developer shall notify the Agency promptly and not consent to any settlement or adjustment of an insurance award without the Agency's written approval, which approval shall not be unreasonably withheld or delayed. In the event that Developer terminates this Ground Lease pursuant to this Article 20.02, all insurance proceeds and damages payable by reason of the casualty shall be divided among Agency, Developer and Lender in accordance with the provisions of Article 20.03. If Developer does not have the right, or elects not to exercise the right, to terminate this Ground Lease as a result of an uninsured casualty, Developer

shall promptly commence and diligently complete the restoration of the Improvements as nearly as possible to their condition prior to such damage or destruction in accordance with the provisions of Article 20.01.

20.03 Distribution of the Insurance Proceeds.

In the event of an election by Developer to terminate and surrender as provided in either Article 20.01 or 20.02, the priority and manner for distribution of the proceeds of any insurance policy required to be maintained by Developer hereunder shall be as follows:

(a) First, to pay for the cost of removal of all debris from the Site or adjacent and underlying property, and for the cost of any work or service required by any statute, law, ordinance, rule, regulation or order of any federal, state or local government, or any agency or official thereof, for the protection of persons or property from any risk, or for the abatement of any nuisance, created by or arising from the casualty or the damage or destruction caused thereby;

(b) Second, to compensate Agency for any diminution in the value (as of the date of the damage or destruction) of the Site as a raw development site caused by or arising from the damage or destruction;

(c) The remainder to Developer.

(d) The provisions of this Article 20.03 shall be subject to the rights of any Lender.

20.04 Clean Up of Housing Site

In the event the Developer terminates this Ground Lease pursuant to the provisions of Article 20.01 or 20.02 and the proceeds of any insurance policy are insufficient to pay the clean-up and other costs described in Article 20.03 subsection (a), Developer shall have the obligation to pay the portion of such costs not covered by the insurance proceeds.

ARTICLE 21: DAMAGE TO PERSON OR PROPERTY; INDEMNIFICATION

Agency shall not in any event whatsoever be liable for any injury or damage to any person happening on or about the Site, for any injury or damage to the Premises, or to any property of Developer, or to any property of any other person, entity or association on or about the Site. Developer shall defend, hold harmless and indemnify the Agency, the City and their respective commissioners, officers, agents, and employees, of and from all claims, loss, damage, injury, actions, causes of action and liability of every kind, nature and description directly or indirectly arising from its tenancy, its use of the Site, including adjoining sidewalks and streets, and any of its operations activities thereon or connected thereto; provided, however, that this Article 21 shall not be deemed or construed to

and shall not indemnify and save harmless the Agency, the City or any of their commissioners, officers, agents or employees from any claim, loss, damage, liability or expense, of any nature whatsoever, arising from or in any way related to or connected with any willful misconduct or gross negligence by the person or entity seeking such indemnity.

ARTICLE 22: INSURANCE AND FIDELITY BOND

22.01 Insurance

For so long as the Loan Agreement is in effect, the Developer shall maintain insurance in accordance with the terms of the Loan Agreement, and failure to do so shall be a default under the terms of this Ground Lease. From and after the termination of the Loan Agreement, the Developer shall maintain insurance meeting the requirements of this Article.

22.01a. Insurance Requirements for Developer

During the term of this Ground Lease, Developer shall procure and maintain insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of any work hereunder by the Developer, its agents, representatives, employees or subcontractors and the Developer's use and occupancy of the Site and the Improvements.

22.01b. Minimum Scope of Insurance

Coverage shall be at least as broad as:

(1) Insurance Services Office Commercial General Liability coverage ("occurrence" form CG 00011188).

(2) Insurance Services Office form number CA 00010692 covering Automobile Liability, code 1 "any auto."

(3) Workers' Compensation insurance as required by the Labor Code of the State of California and Employer's Liability insurance.

(4) Whenever an architect or engineer is employed, professional Liability Insurance covering all negligent acts, errors and omissions in Developer's Architectural and Engineering Professional Design Services. As an alternative to Developer providing said Professional liability insurance, Developer shall require that all architectural and engineering professional consultants for the project have liability insurance covering negligent acts, errors and omissions. Developer shall provide the Agency with copies of consultants' insurance certificates showing such coverage.

(5) Property Liability Insurance against all risks of direct physical loss to the Project during the course of construction and following completion of construction.

22.01c. Minimum Limits of Insurance

Coverage shall maintain limits no less than:

(1) General Liability: \$1,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit shall apply separately to this project/location, the general aggregate limit shall be twice the required occurrence limit.

(2) Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage.

(3) Workers' Compensation and Employers Liability: Workers' Compensation limits as required by the Labor Code of the State of California and Employers Liability limits of \$1,000,000 per accident.

(4) Professional Liability: \$1,000,000 per occurrence during the course of new construction or remodeling in excess of \$100,000.

(5) Property Insurance:

(a) Prior to commencement of construction on the Site, the Developer shall deliver to the Agency performance and payment bonds for such construction which bonds shall name the Agency as co-obligee.

(b) During the course of construction, Full Completed Value of the Project.

(c) Following completion of construction, Full replacement value of the Project with no coinsurance penalty provision.

22.01d. Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by Agency. At the option of Agency, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Agency, its officers, employees and volunteers; or the Developer shall procure a bond guaranteeing payment of losses and related investigation, claim administration and defense expenses.

22.01e. Other Insurance Provisions

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

(1) General Liability and Automobile Liability

Coverage:

(a) The Agency, the City and County of San Francisco and their respective officers, agents, employees and Commissioners, are to be covered as additional insured as respects: liability arising out of activities performed by or on behalf of the Developer; products and completed operations of the Developer, premises owned, occupied or used by the Developer; or automobiles owned, leased, hired or borrowed by the Developer.

The coverage shall contain no special limitations on the scope of

protection afforded to the Agency, the City and County of San Francisco and their respective officers, agents, employees or Commissioners.

(b) The Developer's insurance coverage shall be primary insurance as respects the Agency, the City and County of San Francisco and their respective officers, agents, employees and Commissioners. Any insurance or self-insurance maintained by the Agency, the City and County of San Francisco and their respective officers, agents, employees or Commissioners shall be excess of the Developer's insurance and shall not contribute with it.

(c) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Agency, the City and County of San Francisco and their respective officers, agents, employees or Commissioners.

(d) The Developer's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(2) Workers' Compensation and Employers Liability Coverage: The insurer shall agree to waive all rights of subrogation against the Agency, the City and County of San Francisco and their respective officers, agents, employees and

Commissioners for losses arising from work performed by the Developer for the Agency.

(3) All Coverage: Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, or reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to Agency.

22.01f. Acceptability of Insurers

Insurance is to be placed with insurers with a Best's rating of no less than A:VII.

22.01g. Verification of Coverage

Developer shall furnish Agency with certificates of insurance prior to disbursement of funds and with original endorsements effecting coverage required by this clause. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are to be received and approved by Agency before work commences. Agency reserves the right to require complete, certified copies of all required insurance policies, at any time.

22.01h. Subcontractors

Developer shall include all subcontractors as additional insured under its policies or shall furnish separate certificates

and endorsements for each subcontractor. All coverage for subcontractors shall be subject to all of the requirements stated herein.

22.02 Fidelity Bond

Developer shall obtain a blanket fidelity bond, or equivalent coverage, from a bonding company, acceptable to Agency, covering all officers and employees of Developer for loss of Loan funds caused by dishonesty in an amount not less than the Loan. Should such a loss of Loan funds occur, Developer agrees to diligently pursue recovery under the bond and to assign or remit to the Agency all funds recovered.

ARTICLE 23: COMPLIANCE WITH LEGAL REQUIREMENTS

Developer shall at its cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, with the requirements of any board of fire underwriters or other similar body now or hereafter constituted, with any direction or occupancy certificate issued pursuant to any law by any public officer or officers, insofar as any thereof relate to or affect the condition, use or occupancy of the Site. In the event Developer contests any of the foregoing, Developer shall not be obligated to comply therewith to the extent that the application of the contested law, statute, ordinance, rule,

regulation or requirement is stayed by the operation of law or administrative or judicial order and Developer indemnifies the Agency against all loss, cost, expense or damage resulting from noncompliance.

ARTICLE 24: ENTRY

The Agency and its authorized agents shall have the right at all reasonable times during normal business hours and after forty-eight (48) hours written notice to Developer (except in the event of an emergency when no written notice is required), to go on the Site for the purpose of inspecting the same or for the purpose of posting notices of nonresponsibility, or for police or fire protection.

ARTICLE 25: MORTGAGE FINANCING

25.01 No Encumbrances Except for Development Purposes

Notwithstanding any other provision of this Ground Lease and subject to the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed, Leasehold Mortgages are permitted to be placed upon the Leasehold Estate only for the purpose of securing loans of funds to be used for financing the acquisition, design, rehabilitation or future renovation or reconstruction of the Improvements and any other expenditures reasonably necessary and appropriate to acquire,

own, develop, rehabilitate, renovate, construct or reconstruct the Improvements under this Ground Lease, operation of the Improvements, and costs and expenses incurred or to be incurred by Developer in furtherance of the purposes of this Ground Lease. The FHA-insured mortgage loan being made by the Bank of America, FSB (the "Bank") and the Indenture of Trust by and among the Bank, the Agency and U.S. Trust Company, National Association, are approved Leasehold Mortgages for all purposes under this Ground Lease.

25.02 Holder Not Obligated to Construct

The holder of any mortgage, deed of trust or other security interest authorized by Article 25.01 ("Holder" or "Lender"), including the successors or assigns of such Holder, is not obligated to complete the rehabilitation of the Improvements or to guarantee such completion; nor shall any covenant or any other provision of this Ground Lease be construed so to obligate such Holder. However, in the event the Holder does undertake to complete or guarantee the completion of the rehabilitation of the Improvements, nothing in this Ground Lease shall be deemed or construed to permit or authorize any such Holder or its successors or assigns to devote the Site or any portion thereof to any uses, or to construct or rehabilitate any Improvements thereon, other than those uses or Improvements provided for or authorized in the Redevelopment Plan. To the extent any Holder

or its successors in interest wish to change such uses or construct different improvements, that Holder or its successors in interest must obtain the written consent of the Agency.

25.03 Failure of Holder to Complete Improvements

In any case where six months after assumption of obligations pursuant to Article 25.02 above, a Lender, having first exercised its option to construct, has not proceeded diligently with rehabilitation, the Agency shall be afforded the rights against such Holder it would otherwise have against Developer under this Ground Lease for events or failures occurring after such assumption.

25.04 Default by Developer and Agency's Rights

25.04a. Right of Agency to Cure

In the event of a default or breach by Developer in or of its obligations under any Leasehold Mortgage, and Developer's failure to timely commence or diligently prosecute cure of such default or breach, the Agency may, at its option, cure such breach or default. In such event, the Agency shall be entitled to reimbursement from Developer of all costs and expenses reasonably incurred by the Agency in curing the default or breach. The Agency shall also be entitled to a lien upon the Leasehold Estate or any portion thereof to the extent of such costs and disbursements. Any such lien shall be subject to the lien of any then existing Leasehold Mortgage authorized by this

Ground Lease, including any lien contemplated because of advances yet to be made.

25.04b. Notice of Default to Agency

The Lender shall give the Agency prompt written notice of any such default or breach, and every Leasehold Mortgage shall so provide and shall also contain the Agency's right to cure as above set forth.

25.04c. Agency's Right to Assignment of the Leasehold Mortgage

In any case where, subsequent to default or breach by Developer in or of its obligations under any Leasehold Mortgage, Developer shall have failed to fully cure such breach or default within the applicable time provided therefor, the Agency shall have the option of paying to the holder thereof the amount of the Leasehold Mortgage debt and securing an assignment of such debt and of the Leasehold Mortgage and every Leasehold Mortgage shall so provide. In the event that Developer's interest in the Site, or any part thereof, has vested in such holder by way of foreclosure or action in lieu thereof, without notice to the Agency at least thirty (30) days prior to such vesting that foreclosure or action in lieu thereof was pending, the Agency shall be entitled, at its option, if exercised in writing within sixty (60) days after the Agency acquires actual knowledge of such transfer of Developer's interest, to a conveyance to it of

Developer's interest in the Site or part thereof, upon payment to such holder of an amount equal to the sum of:

(a) The Leasehold Mortgage debt at the time of foreclosure or action in lieu thereof, less all appropriate credits, including those resulting from collection and application of rentals received during foreclosure proceedings;

(b) All expenses with respect to the foreclosure;

(c) The net expenses, if any, exclusive of general overhead, incurred by such holder in and as a direct result of the subsequent management of the Site; and

(d) An amount equivalent to the interest that would have accrued on the aggregate of such amounts had all such amounts become part of the Leasehold Mortgage debt and had such debt continued in existence.

25.05 Subordination by Agency

In addition to Developer's right to encumber its Leasehold Estate created by this Ground Lease, the Agency agrees to subordinate its fee title in the Site to that certain Regulatory Agreement for Limited Distribution Mortgagors Under Section 236 of the National Housing Act and that certain Deed of Trust with Assignment of Rents by and among Developer, as trustor, Bank of America, N.T. & S.A., as beneficiary ("Bank of America"), and the trustee thereunder, of even date herewith, if such subordination is required by HUD as a condition to FHA

mortgage insurance. Upon written request by Developer, the Agency agrees to provide the subordination described in this Article 25.05, subject to the conditions of this Ground Lease, to the extent permitted by HUD and Bank of America, FSB, including the following:

a. The liability of the Agency under any documents executed in connection with any loan shall be limited by the express terms of the instrument of subordination. The limitations shall include: the limitation of the Agency's liability solely to the interest or interests subordinated; the Agency's right not to execute any instrument which would obligate the Agency for the payment of the Leasehold Mortgage to which the fee is subordinated; the Lender's express recognition that the Agency is not so obligated; and the Lender's agreement to provide the Agency with notice of any default under the Leasehold Mortgage, and the right, but without the obligation, within the same time provided to Developer, to cure any default or to purchase the Lender's rights under any loan documents executed with respect to the Leasehold Mortgage and other debt and security interests for an amount equal to the sum of the unpaid principal balance, plus accrued interest and other amounts evidenced and secured thereby.

b. Developer shall not be in Material Default under the terms of this Ground Lease at the time of a request for

subordination. "Material Default" shall mean any material breach by Developer under this Ground Lease, including, without limitation, the failure to pay any rent due under this Ground Lease, or, the filing of a bankruptcy petition by or against Developer, in each case, subject to any applicable notice and cure periods. Developer shall not be in Material Default if Developer has commenced to cure the Material Default at the time in question and diligently pursues such cure to completion.

c. Provided the conditions of this Article 25.05 subsections a and b are satisfied, the Agency shall, within ten (10) days after written request by Developer, execute, acknowledge and deliver an instrument of subordination, together with other documents as may be reasonably required by the Lender from the Agency to effectuate the provisions of this Article 25.05, without any charge by the Agency to Developer, subject to the terms and conditions contained in this Ground Lease. The Agency will immediately pay over to Developer proceeds received by the Agency, if any, of any Leasehold Mortgage and the proceeds of any Leasehold Mortgage received by the Agency shall be considered a trust fund to be paid to Developer. If any proceeds are made payable to both the Agency and Developer, the Agency shall immediately sign any documents necessary to transfer the proceeds to Developer.

ARTICLE 26: PROTECTION OF LENDER

26.01 Notification to Agency

Promptly upon the creation of any Leasehold Mortgage and as a condition precedent to the existence of any of the rights set forth in this Article 26, each and every Lender shall give written notice to the Agency of the Lender's address and of the existence and nature of its Leasehold Mortgage. HUD and the Bank of America, FSB are deemed to have given such notice as is required to obtain the rights and protections of a Lender under this Ground Lease.

26.02 Lender's Rights to Prevent Termination

Lender shall have the right, but not the obligation, at any time prior to termination of this Ground Lease and without payment of any penalty other than the interest on unpaid rent, to pay all of the rents due hereunder, to effect any insurance, to pay any taxes and assessments, to make any repairs and improvements, to do any other act or thing required of Developer hereunder, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions hereof to prevent a termination of this Ground Lease as the same would have been if made, done and performed by Developer instead of by Lender.

26.03 Lender's Rights When Developer Defaults

Should any event of default under this Ground Lease occur, and not be cured within the applicable cure period, the Agency shall not terminate this Ground Lease nor exercise any other remedy hereunder unless it first gives notice of such event of default to Lender and

(i) If such event of default is a failure to pay a monetary obligation of Developer, Lender shall have failed to cure such default within sixty (60) days from the date of notice from the Agency to Lender; or

(ii) If such event of default is not a failure to pay a monetary obligation of Developer, Lender shall have failed, within sixty (60) days of receipt of said written notice, either (a) to remedy such default; or (b) to obtain title to Developer's interest in the Site in lieu of foreclosure; or (c) to commence foreclosure or other appropriate proceedings in the nature thereof and thereafter diligently prosecute such proceedings to completion, in which case such event of default shall be remedied or deemed remedied in accordance with Article 26.04 below.

All rights of the Agency to terminate this Ground Lease as the result of the occurrence of any such event of default shall be subject to, and conditioned upon, the Agency having first given Lender notice of such event of default and Lender having failed to remedy such default or acquire Developer's Leasehold

Estate created hereby or commence foreclosure or other appropriate proceedings in the nature thereof as set forth in and within the time specified by this Article 26.03.

26.04 Default Which Cannot be Remedied by Lender

Any event of default under this Ground Lease which in the nature thereof cannot be remedied by Lender shall be deemed to be remedied if (i) within thirty (30) days after receiving notice from the Agency setting forth the nature of such event of default, or prior thereto, Lender shall have acquired Developer's leasehold estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently prosecute any such proceedings to completion, (iii) Lender shall have fully cured any event of default arising from failure to pay or perform any monetary obligation in accordance with the terms of this Ground Lease, and (iv) after gaining possession of the Site perform, or diligently proceed to perform, all other obligations of Developer as and when the same are due in accordance with the terms of this Ground Lease.

26.05 Court Action Preventing Lender's Action

If Lender is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Developer from commencing or prosecuting foreclosure or other

appropriate proceedings in the nature thereof, the times specified in Articles 26.03 and 26.04 above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that Lender shall have fully cured any default in the payment of any monetary obligations of Developer under this Ground Lease and shall continue to pay currently such monetary obligations as and when the same fall due.

26.06 Lender's Rights to Record, Foreclose and Assign

The Agency hereby agrees with respect to any Leasehold Mortgage, that

(i) The Lender may cause same to be recorded and enforced and upon foreclosure sell and assign the Leasehold Estate created hereby to an assignee from whom it may accept a purchase price; subject, however, to the Agency's right to purchase provided for by Article 25, and to Lender's first securing written approval from Agency. Lender, furthermore, may acquire title to the Leasehold Estate in any lawful way, and if the Lender shall become the assignee, may sell and assign said leasehold estate subject to Agency approval and to the Agency's rights under Article 25. Should the Agency fail or refuse to approve a Lender's sale or assignment of said leasehold estate for any reason other than the unsatisfactory financial condition of the purchaser or assignee, the Agency shall pay such purchaser an

amount computed in accordance with Article 25.04, whereupon the Agency shall be entitled to conveyance of the Leasehold Estate; and

(ii) that should the Lender acquire the Leasehold Estate hereunder by foreclosure or other appropriate proceedings in the nature of foreclosure or as the result of any other action or remedy provided for by any Leasehold Mortgage, or should Lender sell or assign the same to an Agency approved purchaser or assignee, Lender or its purchaser or assignee shall take said Leasehold Estate subject to all of the provisions of this Ground Lease, and shall, so long as and only so long as it shall be the owner of such estate, except as provided elsewhere in this Ground Lease, assume all of the obligations of Developer under this Ground Lease; provided, however, as stated at Article 9.03, the Lender or its purchaser or assignee may operate and maintain the 52 dwelling units without any limitations on the rents charged or the income of the occupants thereof.

(iii) The Agency shall mail or deliver to any Lender which has an outstanding Leasehold Mortgage a duplicate copy of all notices which the Agency may from time to time give to Developer pursuant to this Ground Lease.

(iv) Any limited partners of Developer shall have the same rights as any Lender under Sections 26.02, 26.03, and 26.06 (iii), and any reference to a Lender in said section shall be

deemed to include such limited partners.

26.07 Project Feasibility Loan

(a) The Agency acknowledges that the Developer and the General Partner of Developer ("GP") are entering into that certain Indemnification Agreement among the Developer, the GP and Fannie Mae, as the initial Permitted Limited Partner ("Fannie Mae"), to indemnify Fannie Mae with respect to certain financial arrangements between Developer and Fannie Mae ("Indemnification Agreement"). As a further inducement to Fannie Mae to invest in this Project, the Agency agrees to make a loan to the Developer upon the occurrence of the events and subject to the terms and conditions described below.

(b) If (i) the Developer or the GP become obligated to make payments to Fannie Mae pursuant to the Indemnification Agreement due to a Deficiency Amount, as defined in the Indemnification Agreement, and (ii) GP certifies to the Agency that there has been a breach of the representation and warranty of the GP in Section 5.11(q) of the Partnership Agreement, then, to the extent such payments are attributable to the events giving rise to such breach, Agency agrees to loan to the Developer, in one or more advances, an amount equal to the lesser of (i) the amount of such payments (or GP's obligation to make such payments); or (ii) four hundred and fifty thousand dollars (\$450,000) (the "Feasibility Loan"); provided, however, that the principal amount of the

Feasibility Loan advanced and outstanding at any time shall not exceed the sum of Annual Rent paid through the date of any such advance.

(c) Prior to requesting an advance pursuant to the Feasibility Loan, in addition to the certification described in subsection (b)(ii) above, the GP must provide written notice to the Agency setting forth (i) the total payment due to Fannie Mae, (ii) the amount of such advance requested, and (iii) the facts and circumstances giving rise to such obligation in sufficient detail to permit the Agency to confirm such amounts; and during the prior calendar year (or portion thereof following the date on which such Deficiency Amount became due) the GP must have used all net cash flow paid to (x) the GP for partnership management fees and/or (y) repayment of loans to GP, to pay such amounts to Fannie Mae ("Priority Payments"). The Agency shall be entitled to receive such accounting information and records as are reasonably necessary to confirm that such Priority Payments have been made.

(d) The Agency will advance proceeds of the Feasibility Loan to the Developer (or to Fannie Mae or its successor as limited partner directly, which amounts shall be deemed advances to the Developer) within sixty (60) days of receipt of the written notice required by subsection (c) above. The commitment to make advances under the Feasibility Loan will terminate on the

18th anniversary of the date of this Ground Lease.

(e) The Feasibility Loan will be subject in every respect to the rights of the Secretary of HUD and the FHA-insured loan, will be due and payable to the Agency after the FHA-insured loan has been paid in full or otherwise satisfied, may be prepaid at any time without penalty or premium and will accrue simple interest at the rate of three percent (3%) per annum, until paid.

(f) Agency, Developer and GP agree that any notices, certifications or other instruments required of GP under this Section 26.07 may be given by Fannie Mae (or its successor as limited partner), with notice to GP, in which event GP will have ten (10) days after such notice to GP to give written notice to the Agency that it disputes any claim made by Fannie Mae. Provided that the Agency has not received such notice of a dispute within the ten (10) day period, the Agency will be entitled to rely conclusively upon the notice, certification or other instrument given by Fannie Mae, and any amounts advanced as a result thereof will be deemed advances pursuant to the Feasibility Loan to Developer.

(g) Advances under the Feasibility Loan may be used only to make payments to Fannie Mae (or its successor) in accordance with the terms of this Section 26.07, and the Agency will be entitled to direct such payments in a manner which the Agency reasonably requires to ensure proper application of such payments. In the

event that the GP has given the notice called for in (f) above of a dispute pursuant to the Indemnification Agreement over the amount of payments due from the Developer and/or GP to Fannie Mae, the Agency will be entitled to deposit any required Feasibility Loan advances to such third-party escrow holder as the parties direct or, in the absence of such direction, as the Agency may select.

ARTICLE 27: RIGHTS OF THE SECRETARY OF THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Notwithstanding any other provisions of this Ground Lease, if and so long as this leasehold is subject to a mortgage insured, reinsured, or held by the Secretary of the United States Department of Housing and Urban Development ("the Secretary") (or given to the Secretary in connection with a resale, or the demised premises are acquired and held by him because of a default under said mortgage:

1. The Developer is authorized to obtain a loan, the repayment of which is to be insured by the Secretary and secured by a mortgage of this leasehold estate. Developer is further authorized to execute a mortgage on this leasehold and otherwise to comply with the requirements of the Secretary for obtaining such an insured mortgage loan.

2. The Secretary, or his successors in office, shall have the option, in the event that he or his successor in office, through the operation of his contract of mortgage insurance, shall acquire title to the leasehold interest, to purchase good and marketable fee title to the demised premises, free of all liens and encumbrances except such as may be waived or accepted by him or his successor in office, within twelve (12) months after so acquiring the leasehold interest, for the sum of [[the then fair market value of the Site or \$1.3 million, whichever is greater]], payable in cash, or by Treasury check, provided all rents are paid to date of transfer of title, upon first giving sixty (60) days' written notice to the Landlord or other person or corporation who may then be the owner of the fee, and the owner of the fee shall thereupon execute and deliver to the Secretary, or his successor in office, a deed of conveyance to the said demised premises, containing a covenant against the grantor's acts, but excepting therefrom such acts of the Developer and those claiming by, through or under the Developer of the leasehold interest. Nothing in this option shall require the Agency to pay any taxes or assessments which were due and payable by the Developer.

3. If approved by the Secretary, Developer may assign, transfer or sell its interest in the demised premises.
4.
 - (a) Insurance policies shall be in an amount, and in such company or companies and in such form, and against such risks and hazards, as shall be approved by such mortgagee and/or the Secretary.
 - (b) The Agency shall not take out separate insurance concurrent in form or contributing in the event of loss with that specifically required to be furnished by the Developer to the mortgagee. The Agency, may at its own expense, however, take out separate insurance which is not concurrent in form or not contributing in the event of loss with that specifically required to be furnished by the Developer.
5.
 - (a) If all or any part of the demised premises shall be taken by condemnation that portion of any award attributable to the improvements or damage to the improvements shall be paid to the mortgagee or otherwise disposed of as may be provided in the insured mortgage. Any portion of the award

attributable solely to the taking of land shall be paid to the Agency. After the date of taking the annual ground rent shall be reduced ratably by the proportion which the award paid to the Agency bears to the total value of the land as established by the amount the Secretary would be required to pay upon acquisition of the fee as set out in paragraph 2 of this article.

(b) In the event of a negotiated sale of all or a portion of demised premises in lieu of condemnation, the proceeds shall be distributed and ground rents reduced as provided in cases of condemnation, but the approval of the Secretary and the mortgagee shall be required as to the amount and division of the payment to be received.

6. The Agency agrees that, within ten (10) days after receipt of written request from Developer, it will join in any and all applications for permits, licenses or other authorizations required by any governmental or other body claiming jurisdiction in connection with any work which the Developer may do hereunder, and will also join in any grants for easements for electric,

telephone, gas, water, sewer and such other public utilities and facilities as may be reasonably necessary in the operation of the demised premises or of any improvements that may be erected thereon; and if, at the expiration of such ten (10) days' period, the Agency shall not have joined in any such application, or grants for easements, the Developer shall have the right to execute such application or grants in the name of the Agency, and for that purpose, the Agency hereby irrevocably appoints the Developer as its Attorney-in-fact to execute such papers on behalf of the Agency.

7. Nothing in this Ground Lease contained shall require the Developer to pay any franchise, estate, inheritance, succession, capital levy or transfer tax of the Agency, or any income, excess profits or revenue tax, or any other tax, assessment, charge or levy upon the rent payable by the Developer under this Ground Lease.
8. Upon any default under this Ground Lease which authorizes the cancellation thereof by the Agency, the Agency shall give notice to the mortgagee and the Secretary, and the mortgagee and the Secretary, their successors and assigns, shall have the right within any time within six (6) months from the date of such notice to correct the default and

reinstate the Ground Lease unless the Agency has first terminated the Ground Lease as provided herein.

At any time after two (2) months from the date a notice of default is given to the mortgagee and the Secretary, the Agency may elect to terminate the Ground Lease and acquire possession of the demised premises. Upon acquiring possession of the demised premises Agency shall notify Secretary and mortgagee. Mortgagee and Secretary shall have six (6) months from the date of such notice of acquisition to elect to take a new Ground Lease on the demised premises. Such new Ground Lease shall have a term equal to the unexpired portion of the term of this Ground Lease and shall be on the same terms and conditions as contained in this Ground Lease, except that the mortgagee's and the Secretary's liability for ground rent shall not extend beyond their occupancy under such Ground Lease. The Agency shall tender such new Ground Lease to the mortgagee or Secretary within thirty (30) days after a request for such Ground Lease and shall deliver possession of the demised premises immediately upon execution of the new Ground Lease. Upon executing a new Ground Lease the mortgagee or Secretary shall pay to the Agency any unpaid ground rentals due or that would have become due

under this Ground Lease to the date of the execution of the new Ground Lease, including any taxes which were liens on demised premises and which were paid by the Agency, less any net rentals or other income which the Agency may have received on account of this property since the date of default under this Ground Lease.

9. All notices, demands and requests which are required to be given by the Agency, the Developer, Fannie Mae, the mortgagee or the Secretary shall be in writing and shall be sent by registered or certified mail, postage prepaid, and addressed to the address of the party as given in this instrument unless a request for a change in this address has been sent to the party giving the notice by registered or certified mail prior to the time when such notice is given.
10. This Ground Lease shall not be modified without the consent of the Secretary.
11. The Agency shall cooperate in including in this Ground Lease, by suitable amendment from time to time, any provision reasonably requested by a mortgagee for the purpose of implementing the mortgagee-protection provisions contained in this Ground Lease and allowing HUD or such mortgagee reasonable means to protect or preserve the lien of the Leasehold Mortgage and the

value of its security. The Agency agrees to execute and deliver (and to acknowledge, if necessary, for recording purposes) any agreement necessary to effect any such amendment; provided, however, that any such amendment shall not in any way affect the lease term or rent under this Ground Lease.

ARTICLE 28: CONDEMNATION

28.01 Parties' Rights and Obligations to be Governed by Agreement

If, during the term of this Ground Lease, there is any condemnation of all or any part of the site or any interest in the Leasehold Estate is taken by condemnation, the rights and obligations of the parties shall be determined pursuant to this Article 28, subject to the rights of any Lender, including, but not limited to, the rights of the Secretary as set forth in Article 27 and any HUD loan documents.

28.02 Total Taking

If the Site is totally taken by condemnation, this Ground Lease shall terminate on the date the condemnor has the right to possession of the Site.

28.03 Partial Taking

If any portion of the Site is taken by condemnation, this

Ground Lease shall remain in effect, except that Developer may elect to terminate this Ground Lease if, in Developer's reasonable judgment, the remaining portion of the Improvements are rendered unsuitable for Developer's continued use of the Site. If Developer elects to terminate this Ground Lease, Developer must exercise its right to terminate pursuant to this paragraph by giving notice to the Agency within thirty (30) days after the Agency notifies Developer of the nature and the extent of the taking. If Developer elects to terminate this Ground Lease as provided in this Article 28.03, Developer also shall notify the Agency of the date of termination, which date shall not be earlier than thirty (30) days nor later than six (6) months after Developer has notified the Agency of its election to terminate; except that this Ground Lease shall terminate on the date the condemnor has the right to possession of the Site if such date falls on a date before the date of termination as designated by Developer. If Developer does not terminate this Ground Lease within such thirty (30) day notice period, this Ground Lease shall continue in full force and effect.

28.04 Effect on Rent

If any portion of the Improvements is taken by condemnation or threat of condemnation and this Ground Lease remains in full force and effect, then on the date of taking the rent shall be reduced by an amount that is in the same ratio to the rent as the

value of the area of the portion of the Improvements taken bears to the total value of the Improvements immediately before the date of the taking.

28.05 Restoration of Improvements

If there is a partial taking of the Improvements and this Ground Lease remains in full force and effect pursuant to Article 28.03, Developer may use the proceeds of the taking to accomplish all necessary restoration to the Improvements.

28.06 Award and Distribution

Any compensation awarded, paid or received on a total or partial condemnation of the Site or threat of condemnation of the Site shall belong to and be distributed in the following order:

(a) First, to pay the balance due on any outstanding Leasehold Mortgages to the extent provided therein;

(b) Second, to the Developer in an amount equal to the actual equity invested by the partners in the partnership;

(c) Third, the balance to the Agency.

28.07 Payment to Lenders

In the event the Improvements are subject to the lien of a Leasehold Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Developer, such award shall be disposed of as provided in the Lender's loan documents; subject, however, to any requirements (i) arising in connection with financing insured by the Federal

Housing Administration or (ii) otherwise imposed by HUD.

ARTICLE 29: ESTOPPEL CERTIFICATE

The Agency or Developer, as the case may be, shall execute, acknowledge and deliver to the other and/or to Lender and/or Fannie Mae, promptly upon request, its certificate certifying (a) that this Ground Lease is unmodified and in full force and effect (or, if there have been modifications, that this Ground Lease is in full force and effect, as modified, and stating the modifications), (b) the dates, if any, to which rent has been paid, (c) whether there are then existing any charges, offsets or defenses against the enforcement by the Agency or Developer to be performed or observed and, if so, specifying the same, and (d) whether there are then existing any defaults by Developer or the Agency in the performance or observance by Developer or the Agency of an agreement, covenant or condition hereof on the part of Developer or the Agency to be performed or observed and whether any notice has been given to Developer or the Agency of any default which has not been cured and, if so, specifying the same.

ARTICLE 30: QUITCLAIM

Upon expiration or sooner termination of this Ground Lease, Developer shall surrender the applicable portions of the Site to

the Agency and, at the Agency's request, shall execute, acknowledge, and deliver to the Agency a good and sufficient quitclaim deed with respect to any interest of Developer in the same portions of the Site.

ARTICLE 31: EQUAL OPPORTUNITY

Developer agrees to comply with all of the Equal Opportunity and related requirements attached hereto as Attachment "7".

ARTICLE 32: CERTIFICATE AND BUSINESS PREFERENCE PROGRAM

Developer agrees to comply with the requirements of the Agency's Certificate and Business Preference Program as set forth on Attachment "6" attached hereto.

ARTICLE 33: AGENCY LABOR STANDARDS PROVISIONS

Developer agrees to comply with the requirements of the Agency's Labor Standards Provisions as set forth on Attachment "8" attached hereto.

ARTICLE 34: CONFLICT OF INTEREST

No commissioner, official, or employee of the Agency shall have any personal or financial interest, direct or indirect, in this Ground Lease, nor shall any such commissioner, official, or

employee participate in any decision relating to this Ground 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.

ARTICLE 35: NO PERSONAL LIABILITY

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

ARTICLE 36: ENERGY CONSERVATION

Developer agrees that it will use its best efforts to maximize provision of, and incorporation of, both energy conservation techniques and systems and improved waste-handling methodology in the design of the Improvements to be constructed pursuant to this Ground Lease.

ARTICLE 37: WAIVER

The waiver by the Agency or Developer of any term, covenant, agreement or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term,

covenant, agreement or condition herein contained, nor shall any custom or practice which may grow up between the parties in the administration of the terms hereof be construed to waive or to lessen the right of the Agency or Developer to insist upon the performance by the other in strict accordance with the said terms. The subsequent acceptance of rent or any other sum of money hereunder by the Agency shall not be deemed to be a waiver of any preceding breach by Developer of any term, covenant, agreement or condition of this Ground Lease, other than the failure of Developer to pay the particular rent or other sum so accepted, regardless of the Agency's knowledge of such preceding breach at the time of acceptance of such rent or other sum.

ARTICLE 38: DEVELOPER RECORDS

Upon reasonable notice during normal business hours, and as often as the Agency may deem necessary, there shall be made available to the Agency and its authorized representatives for examination all records, reports, data and information made or kept by Developer regarding its activities or operations on the Site. Nothing contained herein shall entitle the Agency to inspect personal histories of residents or lists of donors or supporters. To the extent that it is permitted by law to do so, the Agency will respect the confidentiality requirements of Developer in regard to the lists furnished by Developer pursuant

party may from time to time designate by notice to the other given pursuant to the provisions of this Article 39. Any notice given pursuant to this Article 39 shall be effective on the date of delivery or the date delivery is refused as shown on the delivery receipt.

ARTICLE 40: COMPLETE AGREEMENT

There are no oral agreements between Developer and the Agency affecting this Ground Lease, and this Ground Lease supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings between Developer and the Agency with respect to the Lease of the Site.

ARTICLE 41: HEADINGS

Any titles of the several parts and sections of this Ground Lease are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions. "Paragraph" and "section" may be used interchangeably.

ARTICLE 42: SUCCESSORS AND ASSIGNS

This Ground Lease shall be binding upon and inure to the benefit of the successors and assigns of the Agency and Developer and where the term "Developer" or "Agency" is used in this Ground Lease, it shall mean and include their respective successors and

assigns; provided, however, that the Agency shall have no obligation under this Ground Lease to, nor shall any benefit of this Ground Lease accrue to, any unapproved successor or assign of Developer where Agency approval of a successor or assign is required by this Ground Lease.

ARTICLE 43: TIME

Time is of the essence in the enforcement of the terms and conditions of this Ground Lease.

ARTICLE 44: PARTIAL INVALIDITY

If any provisions of this Ground Lease shall be determined to be illegal or unenforceable, such determination shall not affect any other provision of this Ground Lease and all such other provisions shall remain in full force and effect.

ARTICLE 45: APPLICABLE LAW

This Ground Lease shall be governed by and construed pursuant to the laws of the State of California.

ARTICLE 46: ATTORNEYS' FEES

If either of the parties hereto commences a lawsuit to enforce any of the terms of this Ground Lease, the prevailing

party will have the right to recover its reasonable attorneys' fees and costs of suit, including fees and costs on appeal, from the other party.

ARTICLE 47: EXECUTION IN COUNTERPARTS

This Ground Lease and any memorandum hereof may be executed in counterparts, each of which shall be considered an original, and all of which shall constitute one and the same instrument.

ARTICLE 48: RECORDATION OF MEMORANDUM OF GROUND LEASE

This Ground Lease shall not be recorded, but a memorandum of this Ground Lease shall be recorded. The parties shall execute the memorandum in form and substance as required by a title insurance company insuring Developer's leasehold estate or the interest of any Leasehold Mortgagee, and sufficient to give constructive notice of the Ground Lease to subsequent purchasers and mortgagees.

ARTICLE 49: TERMINATION OF EXISTING LDA

The execution and delivery of this Ground Lease will operate to terminate that certain Agreement for Disposition of Land for Low-to-Moderate Priced Private Housing Development, dated as of November 19, 1976, between Agency and Laurel Gardens, Ltd., a

California limited partnership, and recorded as Document No. 46409 at Liber C268, Page 478, and the covenants, conditions and restrictions contained in such Agreement shall be of no further force and effect from and after the effective date of this Ground Lease.

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IN WITNESS WHEREOF, the Developer and the Agency have executed this Ground Lease as of the day and year first above written.

Developer as Tenant:

Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership

By Laurel Gardens of Bethel A.M.E. Church, Inc., a California corporation, its general partner

By _____
Edgar E. Boyd
Its President

Agency as Landlord:

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

By _____
Richard T. Kono
Its Senior Deputy Executive Director

Approved As To Form:

By _____
David M. Madway
General Counsel

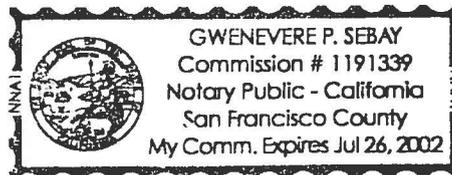
Authorized by Agency Resolution No. 204-98, adopted October 6, 1998, and Board of Supervisors Resolution No. 981559, adopted October 13, 1998.

STATE OF CALIFORNIA }
 }ss.
COUNTY OF SAN FRANCISCO }

On October 14, 1998, before me, Gwenevere P. Sebay, Notary Public, personally appeared Richard T. Kono, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal

Signature [Handwritten Signature]



OPTIONAL

Description of Attached Document (Laurel Gardens – 1555 Turk Street)

Title or Type of Document: Laurel Gardens Ground Lease

Document Date: October 14, 1998 Number of Pages: 84

Signer(s) Other Than Named Above: Edgar E. Boyd, President – Laurel Gardens, Bethel AME, Church, Inc.

Capacity(ies) Claimed by Signer(s)

Signer's Name: Richard T. Kono

Signer's Name: _____

Title: Senior Deputy Executive Director

Title: _____

Signer is Representing:

S.F.R.A.

Right Thumb
Print

Signer Is Representing:

S.F.R.A.

Right Thumb
Print

IN WITNESS WHEREOF, the Developer and the Agency have executed this Ground Lease as of the day and year first above written.

Developer as Tenant:

Laurel Gardens of Bethel A.M.E. Church, L.P., a California limited partnership

By Laurel Gardens of Bethel A.M.E. Church, Inc., a California corporation, its general partner

By



Edgar E. Boyd
Its President

Agency as Landlord:

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

By

Richard T. Kone
Its Senior Deputy Executive Director

Approved As To Form:

By

David M. Madway
General Counsel

Authorized by Agency Resolution No. 204-98, adopted October 6, 1998, and Board of Supervisors Resolution No. 981559, adopted October 13, 1998.

Attachment 2

LEGAL DESCRIPTION

LAUREL GARDENS -- 1555 TURK STREET

The land is situated in the State of California, City and County of San Francisco, and is described as follows:

BEGINNING at the point of intersection of the Southerly line of Turk Street, and the Westerly line of Steiner Street; running thence Southerly along said Westerly line of Steiner Street 192 feet and 6 inches to a point distant thereon 82 feet and 6 inches Northerly from the Northerly line of Golden Gate Avenue; thence at a right angle Westerly 137 feet and 6 inches; thence at a right angle Northerly 55 feet; thence at a right angle Westerly 275 feet to the Easterly line of Pierce Street; thence at a right angle Northerly along said Easterly line of Pierce Street 137 feet and 6 inches to the Southerly line of Turk Street; thence at a right angle Easterly along said Southerly line of Turk Street 412 feet and 6 inches to the point of beginning.

BEING a portion of Western Addition Block No. 382.

Assessor's Parcel Number: Block 754, Lot 28

ATTACHMENT 3

(not used)

ATTACHMENT 4

SCHEDULE OF PERFORMANCE - 1555 TURK STREET, LAUREL GARDENS

Execution of this Agreement by the Agency. Agency shall hold a public hearing and consider authorizing the execution of this Agreement and deliver the Agreement to the Developer. Within thirty (30) days after the execution of this Agreement by the Developer and delivery to the Agency, subject to Agency Commission Approval.

Opening of Escrow. Developer shall open escrow with a title company reasonably acceptable to the Agency. Within thirty (30) days after execution of this Agreement by the Agency.

Submittal - Equal Opportunity Program Developer shall submit for Agency review and approval its Equal Opportunity Program with respect to construction, design and professional services. No later than fifteen (15) days prior to Conveyance of the Site.

Approval - Equal Opportunity Program. Agency shall approve or disapprove the Developer's Program with respect to construction, design and professional services. On or before Conveyance of the Site.

Submission - Evidence of Financing. Developer shall submit its evidence of equity capital and mortgage financing to fund the Preliminary Budget to the Agency for approval. At least fifteen (15) days prior to Conveyance of the Site.

Approval - Evidence of Financing. Agency shall approve or disapprove the Developer's evidence of equity capital and mortgage financing to fund the Preliminary Budget. On or before Conveyance of the Site.

Close of Escrow/Conveyance of Site. The Agency shall execute and deliver the Lease for the Site to the Developer and Developer shall accept conveyance of the Site.

After Developer performance, to the satisfaction of the Agency, of all conditions of Conveyance, but in no event later than October 20, 1998.

Submission - Final Construction Documents. Developer shall prepare and submit Final Construction Documents to the Agency for approval.

By October 20, 1998.

Approval - Final Construction Documents. Agency shall approve or disapprove the Final Construction Documents.

At the time of approval of the Building or Site Permit Application (and all addenda) by the Agency.

Submittal of Final Budget (based on Final Construction Documents). Developer shall submit Final Budget to Agency for approval.

At least thirty (30) prior to Commencement of Construction.

Commencement of Construction. The Developer will commence rehabilitation of the improvements on the Site.

After Developer performance, to the satisfaction of the Agency, of all conditions of the Ground Lease, but in no event later than January 1, 1999.

Completion of Construction. Developer shall complete the rehabilitation of the Improvements on the Site.

By December 31, 1999.

ATTACHMENT 5

(not used)

ATTACHMENT 6

CERTIFICATE AND BUSINESS PREFERENCE PROGRAM

OPERATIONAL RULES FOR CERTIFICATE HOLDERS' PRIORITY

Subject to applicable HUD requirements, the Developer hereby agrees that preference for vacant units will be given to persons displaced or to be displaced from their homes by Agency redevelopment activities and who have been issued Certificates of Preference ("Certificate Holders"); provided, however, that Developer shall not be required to hold any units vacant if Certificate Holders are not available to occupy or have not made application to occupy the available units. Final acceptance or rejection of Certificate Holders lies with the Developer. The Developer shall notify the Agency in writing of the reason for rejection. In order to implement this Attachment 6:

- A. The Agency agrees to furnish the following:
 - 1. Written and/or printed notices to Certificate Holders advising them that such units will soon be available;
 - 2. Assistance to Certificate Holders in filing applications; and
- B. The Developer agrees to the following:
 - 1. To supply the Agency within thirty (30) days after the date of this Agreement with the information listed below. This information shall not be changed without providing the Agency with ten (10) days written notice.
 - a. A master unit list with the following information:
 - (1) Unit number;
 - (2) Number of bedrooms and baths;
 - (3) Square footage; and
 - (4) Initial rent to be charged.
 - b. Estimated itemized cost of utilities and services to be paid by tenant by unit size.
 - c. Detailed description of Developer's rules for tenants, which must include:

- (1) Policy of occupants per dwelling unit in regard to minimum and maximum.
 - (2) Pet Policy
 - (3) Selection process: All selection criteria and the relative weight to be given to each criterion indicated. The Agency shall approve or disapprove the selection process criteria within ten (10) working days after submission thereof to the Agency. If Agency fails to approve or disapprove the selection process criteria within such 10 days, the criteria shall be deemed disapproved.
 - (4) Amount of security deposit and all other fees, as well as refund policy regarding same.
 - (5) Occupancy requirements must be described in full and found reasonable by the Agency.
 - (6) Duration of rental agreement or lease.
 - (7) Copy of rental agreement or lease.
- d. Amount of charge for processing applications, if any.
 - e. Description of application process and length of time needed by Developer.
 - f. Copy of rental application and copy of all forms to be used for income verification.
 - g. Periodic notification to the Agency of the Developer's office hours for accepting applications.
2. The Developer further agrees that some applicants who apply directly to the Developer may be entitled to preference for vacant units because of previous displacement. The Developer will, therefore, ask the following question on all applications for occupancy: "Have you been displaced or do you expect to be displaced by the San Francisco Redevelopment Agency?"

If the applicant answers affirmatively, the address from which displacement occurred is required. Copies of all applications indicating

that such displacement either has taken place or will take place must be forwarded to the Agency within five (5) working days of receipt of such application by the Developer. It is agreed that information received on the application will be considered confidential. The Agency will, in turn, determine within ten (10) working days which such applicants are then qualified or will qualify as Certificate Holders and will promptly notify Developer of its determination. If Agency fails to notify Developer whether such applicant is qualified or not within such 10-day period, the Developer may treat applicant as if such applicant were not qualified.

- C.
 - 1. If material supplied in any application by a Certificate Holder indicates ineligibility on its face because of the Developer's rules and regulations, such applicant will be notified within one week after such determination is made, with a copy to the Agency. If ineligibility can be determined only after a follow-up investigation, the applicant will be notified within one week after such determination is made, with a copy to the Agency. These applications will also appear on the status report.
 - 2. Within ten (10) working days after execution of a lease, the Developer will supply the Agency with the following for all Certificate Holder tenants:
 - (a) Signed copy of lease;
 - (b) Copy of complete application; and
 - (c) Copies of all verification forms used to ascertain income eligibility.
- D.
 - 1. Applicants who are Certificate Holders who have been accepted and notified by the Developer will have five (5) working days thereafter to accept or reject a unit. If the Certificate Holder fails to affirmatively respond, the unit will be deemed rejected and the application may be closed. Rejection of the unit by a Certificate Holder must be shown on the current status report.
 - 2. Units may be offered to non-Certificate Holders at any time as

long as the current status report shows that there are sufficient units available to satisfy applications from Certificate Holders for units of appropriate size in any state of processing.

- E. The Developer agrees that any contract entered into for the management of the residential portion of the project, shall be furnished to the Agency, shall incorporate the provisions of this Attachment 6, and shall bind the management agent to comply with its requirements.
- F. The Developer agrees to notify the Agency as far as practical in advance of vacancies which may occur. The Agency and the Developer agree to follow the steps set forth in Section D above with respect to such units. In the event no appropriate Certificate Holder can be found within five (5) working days after receipt of notification by the Developer to the Agency of availability of a unit, the Agency agrees that the Developer may lease the unit to other than Certificate Holders.

ATTACHMENT 7

(see Attachment 5 of the Agency Loan Agreement)

ATTACHMENT 8

(see Attachment 4 of the Agency Loan Agreement)