RESOLUTION NO. 119-2005

Adopted August 2, 2005

AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $36,750,356 TO ASSIST MISSION BAY HOUSING PARTNERS, L.P., WITH THE FINANCING OF THE CONSTRUCTION OF AFFORDABLE RESIDENTIAL RENTAL FACILITIES KNOWN AS MISSION BAY APARTMENTS AT 420 BERRY STREET AND AUTHORIZING AND APPROVING RELATED ACTIONS AND AUTHORIZING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS; MISSION BAY NORTH REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

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

2. The Agency is authorized by Chapter 8, commencing with Section 33750, of Part 1 of Division 24 of the Health and Safety Code of the State of California (the “Act”) to issue revenue bonds and make loans to finance the cost of, among other things, acquisition of land and construction of multifamily residential housing developments for occupancy, in part, by persons of very low and low income.

3. Mission Bay Housing Partners, L.P., a California limited partnership (the “Borrower”), will acquire property consisting of approximately 3.55 acres located within the Mission Bay North Redevelopment Project Area known as 420 Berry Street, San Francisco, California (the “Site”). The general partners of the Borrower are Chinatown Community Development Center, Inc., a California nonprofit public benefit corporation, as managing general partner, and Related/Mission Bay Development Co., LLC, a California limited liability company, as administrative general partner. The Borrower has requested that the Agency issue its housing revenue bonds pursuant to the Law in order to finance the construction of approximately 236 units of affordable housing, leasing and management offices, a community room, and fitness center on the Site (the “Project”).

4. The Agency, by its Resolution No. 49-2005, adopted on March 15, 2005, expressed its intention to issue multifamily housing revenue bonds on a tax-exempt basis in an amount not to exceed $35,000,000 to finance a portion of the Project. On March 22, 2005, the Deputy Executive Director - Finance and Administration of the Agency held a public hearing on the proposed issuance of
such tax-exempt bonds, as required under the Internal Revenue Code of 1986, as amended (the "Code"), following published notice of such hearing on March 5, 2005 and on March 12, 2005, and the Mayor of the City and County of San Francisco, as an applicable elected representative under the Code, approved the issuance of such tax-exempt bonds on April 15, 2005.

5. On May 19, 2005, the California Debt Limit Allocation Committee awarded an allocation to allow the Agency to issue bonds on a tax-exempt basis in an amount not to exceed $34,944,288,000 for the financing of the Project.

6. The Agency intends to issue its Redevelopment Agency of the City and County of San Francisco Multifamily Housing Revenue Bonds (Mission Bay Rental Housing Development) in two series. The tax-exempt series will be in an amount not to exceed $34,944,288 designated as the Redevelopment Agency of the City and County of San Francisco Multifamily Housing Revenue Bonds (Mission Bay Rental Housing Development) 2005 Series B (the "Series B Bonds") and the taxable series will be in an amount not to exceed $1,806,068 designated as the Redevelopment Agency of the City and County of San Francisco Taxable Multifamily Housing Revenue Bonds (Mission Bay Rental Housing Development) 2005 Series B-T (the "Series B-T Bonds"). The Series B Bonds and the Series B-T Bonds are collectively referred to as the "Bonds". The proceeds of the Bonds will be advanced by Union Bank of California as Agent (the "Agent") for the account of the Agency to the Borrower, for the purpose of funding a loan in the maximum aggregate principal amount of $36,750,356 to finance the Borrower's construction of the Project (the "Loan") pursuant to the terms and conditions of a Construction Loan Agreement (the "Loan Agreement") in accordance with a Master Pledge and Assignment dated as of August 1, 2005 (the "Pledge and Assignment"), among the Agency, as issuer of the Bonds, Union Bank of California, N.A. (the "Agent") as agent under and pursuant to that certain Master Agency Agreement dated as of August 1, 2005 (the "Agency Agreement") between the Agency and the Agent, to Union Bank of California, N.A., as initial holder of the Bonds, and any successors and assigns (the "Holder") and pursuant to certain conditions and requirements to be set forth in a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of August 1, 2005, by and among the Agency, the Agent and the Borrower (the "Regulatory Agreement").

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

8. The Borrower intends to finance the construction of the Project using, among other sources, the proceeds of the Loan. The Bonds to be issued to fund the Loan will be sold to Union Bank of California, N.A. (the "Bank").

9. The Agency is authorized pursuant to the Law to adopt a regulation that contains standards, qualifications and criteria for the making and approval of loans. The
Francisco Multifamily Housing Revenue Bonds (Mission Bay Rental Housing Development) 2005 Series B” (the “Tax-Exempt Bonds”), and the “Redevelopment Agency of the City and County of San Francisco Taxable Multifamily Housing Revenue Bonds (Mission Bay Rental Housing Development) 2005 Series B-T” (the “Taxable Bonds”) (collectively, the “Bonds”). The Tax-Exempt Bonds shall be in an aggregate principal amount of not to exceed $34,944,288. The Taxable Bonds shall be in an aggregate principal amount of not to exceed $1,806,068. The Bonds shall be issued pursuant to the Pledge and Assignment. The terms of the Bonds of each series shall be as set forth in the Pledge and Assignment, as such agreement is executed and delivered by the Agency. The Executive Director, the Deputy Executive Director - Finance and Administration, and the Secretary of the Agency (each an “Authorized Officer”), each acting alone, are hereby authorized and directed to execute the Bonds on behalf of the Agency by manual or facsimile signature, in the form set forth in the Pledge and Assignment, with such changes, deletions and insertions as may be approved by such Authorized Officer upon consultation with legal counsel to the Agency, such approval being conclusively evidenced by the execution and delivery thereof, and the Authorized Officers, each acting alone, are hereby authorized and directed to attest the Bonds in said form and otherwise in accordance with the Pledge and Assignment. The Bonds, when executed, shall be delivered to or upon the order of the Bank.

3. The Pledge and Assignment, the Agency Agreement, the Regulatory Agreement and the Loan Agreement, in the forms lodged with the Agency General Counsel, are hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and on behalf of the Agency to execute and deliver the Pledge and Assignment, the Agency Agreement and the Regulatory Agreement (collectively, the “Bond Documents”) and approve the Loan Agreement in such forms, with such changes, additions or deletions as may be approved by such Authorized Officer upon consultation with legal counsel to the Agency, including such additions or changes as are necessary or advisable in accordance with Section 4 below, such approvals to be conclusively evidenced by the execution and delivery by such Authorized Officer of all of the Bond Documents.

4. All actions heretofore taken by the officers and agents of the Agency with respect to the adoption of the standards, qualifications and criteria for the making and approval of the Loan and the sale and issuance of the Bonds are hereby approved, confirmed and ratified. The Executive Director, the Deputy Executive Director - Finance and Administration, the Treasurer, the Secretary and Assistant Secretaries, the Agency General Counsel and Deputy General Counsels and other officers of the Agency are hereby authorized and directed, jointly and severally, to do any and all things, and to execute and deliver any and all documents and certificates (including, without limitation, those in connection with tax compliance matters and continuing disclosure obligations) which they may deem necessary or advisable in order to adopt the standards, qualifications and criteria for the making and approval of the Loan and to consummate the lawful issuance, sale and delivery of the Bonds and the funding of the Loan, and otherwise to
implement the purposes of this Resolution both before and after the delivery of the Bonds.

APPROVED AS TO FORM:

[Signature]

James B. Morales  
Agency General Counsel
ATTACHMENT 1
May 18, 2005

Mission Bay Housing Partners, L.P.
C/o The Related Companies of California
18201 Von Karman Avenue, Suite 900
Irvine, CA 92612

ATTN: Gino Canonri

Re: UNION BANK OF CALIFORNIA, N.A.
Direct Purchase of Tax Exempt Bonds
$34,944,288 Commitment to Purchase Tax Exempt Bonds and an additional $1,806,068 Taxable Tail

Dear Gino:

We are pleased to advise you ("Borrower") that Union Bank of California, N.A. ("Bank") hereby commits to directly purchase tax exempt bonds for the development of Block N5 located at 420 Berry Street, San Francisco, CA in a total amount not exceeding $34,944,288 (the "Bond Amount, subject to Borrower's compliance with all of the terms and provisions set forth below and the terms and provisions contained in the Standard Terms and Conditions (the "Standard Terms and Conditions") attached hereto as Exhibit "A". This agreement shall expire on October 31, 2005.

1. PURCHASE AND LOAN LIMITATIONS. In accordance with the terms and conditions set forth below, Bank commits to purchase tax exempt bonds in a face amount not to exceed the sum of $36,750,356 (of which $1,806,068 shall be taxable), which represents the principal amount of the Bonds. The proceeds of the Bond Purchase will be loaned to Borrower pursuant to a Loan Agreement between Issuer and Borrower, and used to pay the costs of the construction of certain improvements (the "Improvements") consisting of a 236 unit family apartment complex located in San Francisco, CA. Bond proceeds shall be advanced by the Bank to or for the account of Borrower, pursuant to the Loan Agreement and other documents governing the Bonds (collectively, the "Bond Documents"), only with the consent of Bank. The loans shall be evidenced by one or more Promissory Note(s), the Mortgages, this agreement and all other documents evidencing, securing or pertaining to the Bonds, which documents are sometimes hereinafter collectively referred to as the "Bank Documents"; the Property and the Improvements are sometimes hereinafter collectively referred to as the "Project". Pursuant to the Promissory Note(s)
(Multifamily Housing Bond Program), the Borrower shall agree, among other things, to pay to the order of Union Bank of California, N.A., as Agent under the Agreement(s), in lawful money of the United States of America in immediately available good funds at the address provided in the Agreement(s), the Principal Amount, or so much thereof as then due under the Note and/or Agreement, together with interest thereon at the interest rate and at the times set forth in the Agreement. The obligations of Borrower under the Note(s) and Construction Loan Agreement (Multifamily Housing Bond Program)(s) will each be secured by a deed of trust, subject only to a first deed of trust in favor of the Issuer, assignment of rents and security agreement on the Project (the "Mortgage") and by other collateral, and guaranteed by certain guaranties, all as hereinafter described.

2. INTEREST RATE; LOAN FUNDING; MATURITY DATE; CONVERSION REQUIREMENTS; AND LOAN FEE.

   (a) Interest Rate for Bonds. The tax-exempt rate during the construction period of the Bonds shall be set at the sum of (i) LIBOR plus (ii) one and three tenths percent (1.3%) per annum, computed on a three hundred sixty (360) day year but for the actual number of days outstanding in each month. The taxable rate during the construction period shall be set at the sum of (i) LIBOR plus (ii) two percent (2.0%) per annum, computed on a three hundred sixty (360) day year but for the actual number of days outstanding in each month. Until conversion, interest only shall be payable monthly, in arrears, on the disbursed portion of the Bonds. Borrower shall also have the option to draw funds at the Bank’s Reference Rate minus one percent during the construction period. The tax-exempt rate for the permanent portion shall be set at an annual rate equal to: 5.45% (All taxable bonds will be retired upon conversion).
   
   After conversion, principal and interest shall be payable monthly on the permanent Bond amount on the basis of a 30-year amortization schedule.

   (b) Construction Period Fee. Concurrently with the issuance of the Bonds and the recording of the Mortgages, and as a condition precedent thereto, Bank shall disburse to itself from the Bond proceeds, a non-refundable initial origination fee of Three Quarters of One Percent (0.75%) of the face amount of all the Bonds, which shall be deemed to have been earned in full by Bank upon the recording of the Mortgage(s).

   (c) Construction Funding. Disbursements of Loan proceeds are to be made monthly based on draw applications submitted by Borrower and approved by Bank. Prior to any disbursement, an independent inspecting engineer/architect retained by Bank at Borrower’s expense shall verify work in place and costs to complete. Disbursements shall be made on the percentage-of-completion method. LIBOR advances may be for tenors of 30, 60, 90, 180 or 360-days. A maximum of five LIBOR tranches may be outstanding at any time. LIBOR will be quoted on a reserve adjusted (if applicable) basis.

   (d) Construction Period Expiration Date. Subject to the 6-month extension option, the Construction Period will expire thirty (30) months from the issuance of the
Bonds (the "Construction Expiration Date"). All conditions precedent to conversion (as defined in Conversion Requirements below) must have been met prior to the Construction Expiration Date or the Bonds will be deemed to be in default and will become due and payable upon demand by Bank.

(e) **Conversion Requirements.** Subject to the 6-month extension option, on or prior to that date which is 30 months from the date of issuance of the bonds, all of the following must have occurred (i) lien free completion of construction (ii) 30 consecutive days of 90% occupancy by TCAC qualified tenants in accordance with the TCAC Preliminary Reservation (iii) The Permanent Bond amount must have been reduced to the lesser of (x) 85% of the Union Bank of California approved, original appraised value of the real estate on a restricted rent basis plus the value added for the Bonds, if any (no value to be attributed to the tax credits for purposes of this calculation) or (y) that Bond amount which the lesser of the actual or appraised net operating income on a stabilized income restricted basis can service at a minimum 1.15:1 debt coverage ratio after consideration of all necessary expenses and reserves and including both principal and interest payments on the Bonds and any hard debt service on subordinate debt, (iv) a replacement reserve account must be established into which Borrower will deposit a monthly prorata share of $250 per unit per year, and (v) an Operating Deficit Guaranty (on terms to be approved by Bank, which approval shall not be unreasonably withheld) must be in place in the Partnership Agreement. Said permanent bond amount is estimated at this date to be $21,000,000.

(f) **Extension Options.** Borrower will have one 6-month extension option at the end of the 30-month construction term. The extension option is subject to the following conditions: (i) no less than 30 days but no greater than 90 days written notice of intention to exercise the option (ii) no event of default having occurred (iii) construction is complete and certificates of occupancy are received (iv) 85% LTV, based upon original, stabilized appraisal value (loan to be remargined if necessary) (v) payment of 25 basis point extension fee on outstanding commitment (vi) No adverse change in the financial conditions of the Borrower or Guarantors (vii) principal amortization of the outstanding principal balance as outlined below (viii) interest rate to be LIBOR + 1.30% for the extension.

Borrower will have one 15-year extension option at the end of the 15-year permanent term. The extension option is subject to the following conditions: (i) no less than 30 days but no greater than 90 days written notice of intention to exercise the option (ii) no event of default having occurred (iii) Debt Service Coverage of 1.20x (iv) new appraisal indicating maximum of 75% LTV, including the value of the tax-exempt financing (loan to be remargined if necessary) (v) Bank approval of a current Physical Needs Assessment evaluating the adequacy of deposits to the replacement reserve, which approval shall not be unreasonably withheld (vi) interest rate to be the 15 year U.S. Treasury rate + 1.1% for the extension.

(g) **Prepayment.** Any prepayment of principal prior to the scheduled payment date, whether voluntary or involuntary, shall be accompanied by Borrower's payment of a prepayment fee to Bank equal to the present value of the product of: (i) the difference (but not less than zero) between (a) the LIBOR or fixed rate applicable to the LIBOR or fixed rate principal
which is being prepaid, and (b) the return which Bank could obtain if it used the amount of such prepayment of principal to purchase at bid price regularly quoted securities issued by the United States having a maturity date most closely coinciding with the maturity date and such securities were held by Bank until the maturity date ("Yield Rate"); (ii) a fraction, the numerator of which is the number of days in the period between the date of prepayment and the maturity date and the denominator of which is 360; and (iii) the amount of the principal so prepaid. Present value is determined by discounting the above product to present value using the Yield Rate as the annual discount factor.

(h) Debt Service Coverage. Defined as the ratio determined by dividing the NOI by the permanent debt service. The permanent debt service amount will be based on a 30-year amortization at the actual fixed rate. If the property has been at stabilization for less than twelve (12) consecutive calendar months, the Debt Service Coverage Ratio shall be calculated for the period since stabilization, and then annualized. If the property is not at stabilization, the most recent appraisal’s income will be utilized. NOI is defined as the actual or proforma recurring rental and miscellaneous income received (excluding security deposits, forfeitures, and other non-recurring income), less the greater of actual vacancy or 5%, and less the actual or proforma expenses (including tax and insurance accruals, $250/unit property replacement reserve and at least a 3.0% management fee).

3. GUARANTEES; PAYMENT/PERFORMANCE BONDS; SECURITY FOR BOND AMOUNT; MANNER OF ISSUANCE OF BONDS & DISBURSEMENT OF BOND AND CONSTRUCTION LOAN PROCEEDS; FINANCIAL STATEMENTS.

(a) Guarantees. Completion of the Improvements shall be guaranteed through the execution and delivery of completion agreements on forms in current use by Bank, which completion agreements shall be executed by The Related Companies, L.P. (the “Guarantor”) Bank will require that repayment of the Bonds be guaranteed by Guarantor through guaranties on forms in current use by Bank, until all conditions of conversion have been met, the outstanding bonds have been reduced to the permanent bond amount, and any other proposed subordinated loan shall have funded and been subordinated to the Bonds. Completion and repayment guarantees will be released at conversion, subject to satisfaction (or waiver) of all conditions to conversion and to the general partner (Related/Mission Bay Development Co., LLC) signing Bank’s standard non-recourse carve-outs.

(b) Payment and Performance Bonds. If the general contractor hired by Borrower is approved by Bank, Bank will not require Payment and Performance Bonds, however, if Payment and Performance Bonds are obtained, Bank may require that Bank be named as a co-obligee on such bonds.

(c) Security for Bonds. The Bonds shall be secured by a first lien deed of trust and assignment of rents (the "Mortgage") in favor of Bank covering certain real property (the "Property"), as more particularly described in Exhibit "B" attached hereto, subject only to a first lien
deed of trust in favor of the Issuer, a security agreement and UCC-I financing statement for all personal property located on the Property or used in connection with the operation of the Property, an assignment of construction contract (together with the written consent of the general contractor), an assignment of plans and specifications (together with the written consent of the architect), an assignment of the Limited Partner Capital note, if any, an assignment of the Tax Credits referred to below, and an assignment of the general partnership interest(s) in Borrower, all of which documents shall be on forms in current use by Bank.

(d) **Manner of Issuance of Bonds & Disbursement of Bond Proceeds.** The Bond proceeds shall be disbursed to Borrower in order to cover the costs and expenses incurred by Borrower in constructing the Improvements, certain related costs incurred by Borrower in connection with the Property and the Bonds, interest expense incurred by Borrower in connection with the Bonds, and fee expenses incurred by Borrower in connection with the Bonds. Prior to the first disbursement, Borrower shall have provided Bank with an itemized cost breakdown (the "Cost Breakdown") describing the costs for constructing the Improvements and expenses incurred and to be incurred by Borrower and the specific application of the Bond proceeds to such costs and expenses, which shall be subject to Bank's approval (in Bank's sole and absolute discretion) and shall be consistent with the preliminary cost breakdown previously delivered to Bank.

(e) **Financial Statements.** With respect to the Guarantor, Borrower, each general partner in Borrower, Borrower shall cause to be delivered to Bank financial statements and other financial information as Bank may require including, but not limited to, a current balance sheet, income statement and statement of cash flows. Such financial information, and the financial condition of the parties identified therein, shall be subject to Bank's approval (in Bank's sole and absolute discretion).

4. **COMMENCEMENT AND COMPLETION OF CONSTRUCTION.**

The Construction Loan Agreement (Multifamily Housing Bond Program) shall require Borrower to cause construction to be

(a) commenced no later than October 31, 2005, and

(b) prosecuted in good faith, with due diligence and without delay so that the Project will be completed and receive final Certificates of Completion on all buildings by April 30, 2008.

Subcontractor's have a 10% holdback of the cost of work completed and approved. The early release of retention for subcontractors that perform offsite improvements, site work and concrete may be approved by Bank, which approval shall not be unreasonably withheld.

5. **CONDITIONS PRECEDENT TO BANK'S OBLIGATION TO PURCHASE TAX EXEMPT BONDS.**
Bank's obligation to purchase the Bonds is expressly subject to the following conditions, each of which must be strictly complied with and fully satisfied on or before the Mortgage Closing Date (as such term is defined below), except as otherwise expressly set forth:

(a) **Ownership of Real and Personal Property.** Borrower shall be the sole owner of the Property, with good and marketable title, free and clear of all liens, restrictions and encumbrances and subject only to the matters approved by Bank; Borrower shall be the absolute owner of the personal property as provided under the security agreements and assignments referred to above, free and clear of all liens, restrictions and encumbrances and subject only to the matters approved by Bank.

Bank acknowledges and approves that 134 units will be subject to certain long-term rent restrictions via a San Francisco Redevelopment Agency Regulatory Agreement. In addition, these 134 units will not be subordinated to the Bank's Deed of Trust.

(b) **Additional Construction Financing.** Borrower has procured additional financing on terms and from lenders acceptable to Bank and in an amount equal to no less than $3,630,000 in the aggregate to cover those Project costs that are not to be funded out of the Bond proceeds, which additional construction financing may be secured by deeds of trust encumbering the Project that are subject and subordinate to the lien of the Mortgage.

(c) **Subordinate Loan.** Borrower has procured a permanent loan commitment from the San Francisco Redevelopment Agency (SFRA) for a Subordinate loan in the amount of $3,630,000 on terms and conditions satisfactory to Bank. SFRA shall execute a Tri-Party Agreement on Bank's form.

(d) **Allocation of Tax Credits.** Borrower has received from the California Tax Credit Allocation Committee (the "Allocation Committee") an "allocation" of 4% federal tax credits under Section 42 of the Internal Revenue Code in an annual amount equal to no less than $1,911,642 (the "Tax Credits"), as evidenced by a preliminary reservation ("Preliminary Reservation") issued by the Allocation Committee; and Borrower shall have provided Bank with copies of the Preliminary Reservation, Borrower's Tax Credit application, all correspondence and/or notices delivered by the Allocation Committee with respect to the Tax Credits and such information and/or documentation as Bank may reasonably require.

(e) **Tax Credit Investor.** Borrower has entered into an agreement with a tax credit investor acceptable to Bank (the "Tax Credit Investor") pursuant to which such tax credit investor shall (i) be admitted as a partner in Borrower and (ii) be obligated to make capital contributions for the benefit of Borrower in an aggregate amount of not less than $19,688,000 and on terms and conditions reasonably acceptable to Bank; the tax credit investor and agreement shall be subject to Bank's reasonable approval. It is anticipated that Tax Credit Investor's initial capital contribution will be approximately $1,968,800.
(f) **Items to be Delivered to Bank.** Borrower shall have delivered to Bank, in form and substance satisfactory to, and for approval by Bank, all of the following:

i) The Indenture, the Loan Agreement, the Regulatory Agreement, the Intercreditor Agreement, the Promissory Note(s) (Multifamily Housing Bond Program), the Mortgage(s), the Construction Loan Agreement (Multifamily Housing Bond Program), the Guaranties, and the other Bank Documents referred to above, duly executed by the parties referred to therein and, where appropriate, notarized by a notary public.

ii) Evidence satisfactory to Bank and its legal counsel (a) that all necessary site work and grading permits have been obtained or are available and that all fees related thereto have been, or will be paid, (b) that upon completion of the Improvements in accordance with the plans approved by Bank and the building permits, the Property will comply with all applicable laws, ordinances, restrictions, regulations and requirements, including without limitation those relating to hazardous materials, and (c) that all real estate taxes due with respect to the Property have been, or will be paid.

iii) The title policy referred to in the Standard Terms and Conditions, which shall comply in all respects with the requirements set forth in the Standard Terms and Conditions.

iv) The original policy(ies) or certificate(s) evidencing the comprehensive public liability, builder's risk, worker's compensation and flood insurance required by the Standard Terms and Conditions.

v) A survey of the Property, with all easements plotted thereon, prepared for and certified to Bank by a duly licensed engineer or surveyor satisfactory to Bank.

vi) The originals of the performance and payment bonds, if any, required in accordance with the provisions of Paragraph 3(b) hereof.

vii) A final site assessment covering the Property, prepared by an environmental consultant acceptable to Bank. The condition of the Property therein shall be subject to Bank’s approval, which shall not be unreasonably withheld.


ix) With respect to any junior deed of trust approved by Bank and encumbering the Property and securing repayment of acquisition and/or construction costs for the Project not covered by the Bonds and/or any regulatory agreement recorded against the Property,
a subordination agreement on the form in current use by Bank, duly executed by the beneficiary under such deed of trust, subordinating the lien and effect of any such deed of trust and/or regulatory agreement to the lien and effect of the Mortgage, together with an estoppel certificate on the form in current use by Bank, duly executed by the beneficiary under such deed of trust, containing such agreements and certifications concerning the loan secured by such deed of trust as Bank shall reasonably require.

x) An appraisal of the Project acceptable to Bank (in Bank's sole and absolute discretion) by an appraiser commissioned by Bank.

xi) The financial statements required to be delivered in accordance with the provisions of Paragraph 3(e) above.

xii) Such other documents and/or certificates as Bank shall reasonably require, in order to create or perfect Bank's security interest in the collateral described herein.

(g) **No Eminent Domain Proceeding.** No eminent domain proceeding, other governmental action or any judicial action shall be pending or threatened against the Property or any portion thereof which will materially or substantially interfere with the construction of the Improvements or the operation of the Property.

(h) **Legal Opinion.** Bank shall not require legal opinions.

(i) **Partnership Agreement and other Authorization and Organization Documents.** Bank shall have received and approved a copy of Borrower's limited partnership agreement and such other documents as Bank or its legal counsel shall reasonably require evidencing Borrower's (and Borrower's constituent partner's) formation, the authority of those signing the documents and instruments evidencing, pertaining to and/or securing the Bond, and Borrower's qualification to engage in the transaction of business conducted or to be conducted on the Property; One (1) of the general partners in Borrower must enjoy the status of an organization described in Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code that is exempt from Federal Income Tax under Section 501(a) of the Internal Revenue Code.

(j) **No Adverse Events.** No event shall have occurred and no condition shall exist which, at the issuance of the Bonds, will (i) materially diminish the value of the Property, (ii) result either immediately or with a lapse of time or the giving of notice, or both, in the occurrence or existence of any event of default under this agreement, the Note(s), the Construction Loan Agreement (Multi-Family Housing Bond Program) or any other instrument or document securing or pertaining to the Bonds or Bond Amount, (iii) materially affect Borrower's financial condition or the financial condition of any of the guarantors or any partners in Borrower or (iv)
materially reduce the amount of Tax Credits to which Borrower is entitled under the Preliminary Reservation and the Carryover Allocation (if any).

(k) **Borrower's Equity.** Borrower shall have invested in the Project, deposited with Bank as Borrower's Funds, or have retained by the San Francisco Redevelopment Agency to be disbursed as needed from a source or sources (which may include amounts funded under the additional construction financing referred to above and soft debt or grants from governmental agencies) other than the Bond proceeds, at least $5,598,795, or the amount necessary to balance the budget, as of the Mortgage Closing Date.

(l) **Approval of Architect and Plans and General Contractor and Construction Contract.** Bank has received and approved (in Bank's sole and absolute discretion) the plans and specifications (the "Plans") and the construction contract (which must be a guaranteed price contract in an amount acceptable to Bank) (the "Construction Contract") for the construction of the Improvements and Bank has approved the architect and the general contractor (the "General Contractor") for the Project.

Borrower acknowledges and agrees that Bank's obligation to purchase the Bonds may be conditioned upon the delivery of additional items as Bank may reasonably require based upon Bank's review of any of the foregoing.

6. **LIMITATIONS ON BOND AMOUNT; ORDER OF DISBURSEMENTS.**

Notwithstanding anything stated to the contrary herein, in no event shall the construction period Bond Amount exceed eighty five percent (85%) of the sum of the (a) appraised value of the Project (as determined by the appraisal referred to above), plus (b) the value of the Tax Credits (as determined in Bank's sole and absolute discretion), plus (c) the value of any below market financing (as determined in Bank's sole and absolute discretion). Such sum may be based in whole or in part on an appraisal by an outside appraiser or consultant. The Construction Loan Agreement (Multifamily Housing Bond Program) shall provide that all Project costs to be funded from the secondary construction financing referred to in Section 5(b) above and from the Tax Credit Investor's initial capital contribution referred to in Section 5(e) above shall be fully funded from such sources prior to Bank's making any disbursement under the Construction Loan Agreement (Multifamily Housing Bond Program).

7. **COSTS AND EXPENSES.**

All fees to be paid by Borrower, including legal, environmental/review, syndication, front end costs and document review, and appraisal/review. These fees are capped at $55,000. Inspections are anticipated to cost $75/hr, which Borrower shall also pay.

8. **MORTGAGE CLOSING DATE.**
The closing of the Bonds and the recording of the Mortgage ("Mortgage Closing Date") shall occur on or before October 31, 2005, such time being of the essence. After the Mortgage Closing Date, this agreement (except for the provisions of Section 9 hereof which shall survive the termination of this agreement) shall be deemed of no further force or effect and Bank shall not be obligated to advance any funds hereunder, nor to have any obligations regarding the Bonds or Bond and Loan Documents. For purposes of this Section 8, the "closing of the Bonds" shall mean the recording of the Mortgage(s) at Bank's direction in the Official Records of San Francisco County, California; Bank shall have no obligation to give its direction for the recording of the Mortgage until and unless all the conditions set forth herein have been satisfied.

9. INDEMNITY.

Borrower shall, at Borrower's expense, protect, defend, indemnify, save and hold Bank harmless against any and all claims, demands, losses, expenses, damages, causes of action (whether legal or equitable in nature) asserted by any person or entity (other than any governmental agency exercising regulatory approval over Bank) arising out of, caused by or relating to the Bonds, including without limitation the construction of the Improvements and the use or application of the proceeds of the Bonds, and Borrower shall pay Bank upon demand all claims, judgments, damages, losses and expenses (including court costs and reasonable attorneys' fees and expenses) incurred by Bank as a result of any legal or other action arising out of the Bonds as aforesaid, excluding legal or other actions resulting from Bank's negligence or willful misconduct.

10. NO PARTNERSHIP.

Bank, by entering into this agreement or by any action taken pursuant hereto, shall not be deemed a partner or joint venturer with Borrower and Borrower shall indemnify and hold Bank harmless from any and all damage, including but not limited to attorneys' fees and costs resulting from such a construction of the parties' relationship, by reason of the purchase of the Bonds by Bank.

11. DISBURSEMENTS; DEFICIENCIES.

The Construction Loan Agreement (Multifamily Housing Bond Program) shall provide that the Bond proceeds shall be disbursed to Borrower or, at Bank's option, directly to the general contractor or to such persons as have actually supplied labor, materials or services in connection with or incidental to construction of the Improvements. The Construction Loan Agreement (Multifamily Housing Bond Program) shall contain Bank's standard "budget balancing" provisions and "retention" provisions.
12. **AMENDMENTS TO PARTNERSHIP AGREEMENT.**

   Borrower's partnership agreement, once approved by Bank, shall not be amended or terminated for any reason whatsoever (including without limitation the admission of any new partners or the withdrawal of any existing partners) without Bank's prior written consent, which consent shall not be unreasonably withheld.

13. **AMENDMENTS TO GENERAL CONTRACT; CHANGE ORDERS.**

   The General Contract and Plans, once approved by Bank, may not be materially modified, terminated or supplemented in any way without Bank's prior written consent. Any change order in excess of $75,000 per occurrence, or resulting in cumulative change orders in excess of $350,000 will require Bank's prior written consent.

14. **MISCELLANEOUS PROVISIONS.**

   (a) In the event of any inconsistency between this agreement and any of the Bank Documents, the terms of the Bank Documents shall control.

   (b) This agreement shall be governed by and construed in accordance with the laws of the State of California and is non-transferable and non-assignable without the prior written consent of Bank, which consent may be withheld by Bank in its sole and absolute discretion.
(c) Wherever in this agreement Bank or its counsel's approval is required, such approvals shall not be unreasonably withheld unless the context of this agreement provides to the contrary (e.g., where Bank is given sole discretion).

(d) This agreement contains the entire understanding between Borrower and Bank with respect to the subject matter hereof, superseding any and all prior oral or written agreements and understandings, and may not be modified, altered or changed except in a writing signed by Borrower and Bank. Notwithstanding the foregoing, this agreement is not intended to set forth all of the terms and conditions upon which the Bonds shall be purchased, all such terms and conditions will be set forth in the Bank Documents.

This agreement is furnished to Borrower in duplicate originals, each executed by Bank. This agreement shall be of no force or effect unless Bank receives one copy of this agreement duly executed by Borrower no later than 5:00 p.m. on July 31, 2005. There is no fee due in conjunction with this letter.

Very truly yours,

UNION BANK OF CALIFORNIA, N.A.

By ________________________________
  William Sandifer
  Its: Assistant Vice President

ACCEPTANCE

The undersigned hereby accepts the foregoing agreement this ___ day of ____________, 2005 and agrees to the terms and conditions thereof.
STANDARD TERMS AND CONDITIONS

Unless expressly defined herein, any capitalized terms used herein shall have the same meanings ascribed to them in the agreement to which these Standard Terms and Conditions are attached.

1. Title Insurance. Borrower shall, at Borrower's sole cost and expense, cause the following title insurance to be furnished to Bank with respect to the Mortgage:

(a) Basic Insurance. Concurrently with the recording of the Mortgage, and as a condition precedent, Borrower shall deliver or cause to be delivered to Bank an ALTA Loan Policy of Title Insurance with ALTA Endorsement - Form 1 Coverage 1987, LP-10 Form (the "Title Policy"). The Title Policy shall be issued by a title insurance company (and such re-insurers as Bank may require) acceptable to Bank (the "Title Insurer") with a liability limit of $34,944,286 and with coverage and in form satisfactory to Bank, insuring Bank's interests under the Mortgage as a valid first lien on the Property, shall contain such reinsurance or co-insurance agreements and such endorsements as Bank may require, and shall contain only such exceptions from its coverage as shall have been approved in writing by Bank. Borrower shall, at Borrower's sole cost and expense, do all things necessary to maintain the Mortgage as a valid first lien on the Property. If the Property makes use of any adjoining or adjacent property for ingress and egress, for additional parking or for any other purpose, then the Title Policy shall specifically insure the right to use such adjoining or adjacent property as easements appurtenant to the Property or, if such property is being leased by Borrower, the lien of the Mortgage on Borrower's leasehold estate therein, subject only to such encumbrances as shall have been approved in writing by Bank.

(b) Continuation Endorsements. After the recording of the Mortgage and as a condition precedent to each subsequent disbursement under the Construction Loan Agreement (Multifamily Housing Bond Program), Borrower shall at Borrower's sole cost and expense deliver or cause to be delivered to Bank from time to time such continuation or date-down endorsements (CLTA Form No. 122 and CLTA Form 101.6, or their equivalents) to be attached to the Title Policy, in form and substance satisfactory to Bank, as Bank deems necessary to insure the priority of the Mortgage as a valid first lien on the Property as of the date of and including the amount covered by each such disbursement, and Borrower shall furnish to the Title Insurer such surveys and other information as are required by the Title Insurer to enable the Title Insurer to issue such endorsements.

(c) Foundation Endorsement. Upon completion of the foundation for the Improvements, and as a condition precedent to any further disbursements under the Construction Loan Agreement (Multifamily Housing Bond Program), Borrower shall at Borrower's sole cost and expense, deliver or cause to be delivered to Bank a foundation endorsement (CLTA Form No. 102.5 or equivalent) with respect to such foundation, in form and substance satisfactory to Bank, to be attached to the Title Policy, which endorsement shall insure that such foundation is within the boundary lines of the Property, does not violate any applicable covenants, conditions, restrictions or agreements affecting the Property which are referred to in the Title Policy, and does not encroach upon any easements, rights or rights of way affecting or covering the Property or any portion thereof.

2. Liability, Risk and Flood Insurance. Borrower shall obtain the following insurance coverage for the Property at Borrower's sole cost and expense:

(a) Public Liability Insurance. Comprehensive public liability insurance (with a deductible amount acceptable to Bank and with coverage thereunder to be no less than $2,000,000 for each occurrence) and, during any period of construction, contractor's liability and worker's compensation insurance with all of the policies evidencing such insurance to be in such form and issued by such companies as shall have been approved in writing by Bank. Each such policy shall contain an affirmative covenant of the insurer thereunder to give written notice to Bank of any cancellation or amendment of such policy at least thirty (30) days prior thereto.

(b) Risk Insurance for Improvements. Builders risk insurance (all-risk, non-reporting completed value form, with a replacement cost rider), insuring the Improvements against such risk, including, without limitation, fire and extended coverage, vandalism, collapse and malicious mischief coverage, and containing a mortgagee's loss-payable clause or endorsement in favor of Bank, in such amounts, such form and issued by such companies as shall have been approved in writing by Bank. The policy or policies evidencing such insurance shall contain an affirmative covenant by the insurer thereunder to give written notice to Bank of any cancellation or amendment of such policy or policies at least thirty (30) days prior thereto.

(c) Flood Insurance. If the Property is situated in an area designated as having special flood hazards for purposes of the Flood Disaster Protection Act of 1973, as amended, flood insurance insuring against such risk in an amount at least equal to the lesser of (i) the full insurable value of the completed Project (computed on a replacement cost basis) or (ii) the maximum limit of coverage available for the Property under the National Flood Insurance Act of 1968, as amended.

3. Rights of Inspection; Agency. Bank shall have the right at any time and from time to time to enter upon the Property for purposes of inspection. If, after consultation with Bank's construction inspector, Bank determines that any work or materials are not in substantial conformity with the Plans or with any applicable laws, regulations, permits, requirements or rules of any governmental authorities having or exercising jurisdiction thereover, or are not otherwise in conformity with sound building practice, then Bank shall have the right to stop the work and to order replacement or correction of any such work or materials regardless of whether work or materials have therefore been incorporated into the Improvements. Inspection of the Property by Bank or by Bank's construction inspector is for the sole purpose of protecting the security of Bank and is not to be construed as a representation by Bank that there has been compliance with the Plans or that the Improvements are or will be free of faulty materials or workmanship. Nothing contained herein shall be construed as requiring Bank to construct or supervise construction of the Improvements. The Construction Loan Agreement (Multifamily Housing Bond Program) will provide that Borrower shall appoint and authorize Bank as Borrower's agent and attorney-in-fact to record any notices of completion, cessation of labor and other notices that Bank deems necessary to record in order to protect any interest of Bank under the provisions of the Construction Loan Agreement (Multifamily Housing Bond Program), the Notes, the Mortgage or any other documents or instruments securing or pertaining to the Bond or Construction Loan; such agency and power of attorney shall be a power coupled with an interest and shall be irrevocable.
Exhibit B

LEGAL DESCRIPTION

All that certain Real Property in the County of San Francisco, State of California, described as follows:

Site Legal Description

Being a Planned Development Subdivision of Assessor’s Block 8703 Lot 6 as shown on the certain Lot Line Adjustment recorded on October 12, 2004 in reel 1741 image 285 and reel 1741 image 286 in the office of the recorder of the City and County of San Francisco, California.