CITY COUNCIL AGENDA
SPECIAL MEETING
CITY OF HALF MOON BAY

TUESDAY, APRIL 28, 2026
6:00 PM

TED ADCOCK COMMUNITY CENTER
535 KELLY AVENUE
HALF MOON BAY, CA 94019

Debbie Ruddock , Mayor
Deborah Penrose, Vice Mayor
Robert Brownstone, Councilmember
Patric Jonsson, Councilmember
Paul Nagengast, Councilmember

COUNCILMEMBER BROWNSTONE WILL ATTEND REMOTELY FROM ULICA NENADA MATAKA #24, ZADAR, ZADARSKA ŽUPANIJA 23000, CROATIA

This agenda contains a brief description of each item to be considered. Those wishing to address the City Council on any matter not listed on the agenda, but within the jurisdiction of the City Council to resolve, may come forward to the podium during the Public Forum portion of the agenda and will have a maximum of three minutes to discuss their item. Comments on Consent Calendar items should be made during the Public Forum section of the agenda. Those wishing to speak on a Business or Public Hearing matter will be called forward at the appropriate time during that item's consideration.

Please Note: Anyone wishing to present materials to the City Council, please submit seven copies to the City Clerk.

Copies of written documentation relating to each item of business on the agenda are on file in the Office of the City Clerk at City Hall where they are available for public inspection. If requested, the agenda shall be available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132.) Information may be obtained by calling 650-726-8271.

In compliance with the Americans with Disabilities Act, special assistance for participation in this meeting can be obtained by contacting the City Clerk's Office at 650-726-8271. A 48-hour notification will enable the City to make reasonable accommodations to ensure accessibility to this meeting (28 CFR 35.102-35.104 ADA Title II).

http://halfmoonbay.gov

HYBRID MEETING PUBLIC COMMENT PARTICIPATION PROTOCOLS

This closed session meeting will take public comment in-person and via Zoom. Remote participation is provided as a supplemental way to provide public comment, but this method does not always work. The public is encouraged to attend in person to ensure full participation. All Councilmembers and staff will participate in person. During any public comment portions, attendees may use the "raise your hand" feature and will be called upon and unmuted when it is their turn to speak. Please click to join the webinar: https://us06web.zoom.us/j/85007693509 or join by phone at 669-900-9128, using Webinar ID 850 0769 3509. If joining by phone, use *9 to raise your hand, *6 to mute and unmute.

1. CONVENE SPECIAL MEETING / ROLL CALL

2. 555 KELLY AFFORDABLE HOUSING PROJECT

2.A INTRODUCTION OF AN ORDINANCE FOR THE 555 KELLY AFFORDABLE HOUSING PROJECT, APPROVING THE AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT AND GROUND LEASE AND OTHER AGREEMENTS AND ADOPTING A RESOLUTION APPROVING A GRANT AGREEMENT

Staff Recommendation:
1) Conduct a public hearing and introduce the first reading of an ordinance of the City of Half Moon Bay approving the Affordable Housing and Property Disposition Agreement, Ground Lease of Real Property for a Term of 99 Years, Memorandum of Ground Lease, Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement) and Other Ancillary Agreements between the City of Half Moon Bay and Mercy Housing California 110, L.P., for the Senior affordable 40-Unit Residential Project for Agricultural Workers, Located at 535 and 555 Kelly Avenue (APNs: 056-150-220 (Partial) and 056-150-200), including 2,653 square feet of Community Serving Space; Authorizing the City Manager to Execute the Agreements and Take Other Actions Necessary to Implement the Foregoing Agreements; and Finding the Approval of the Agreements and Related actions Exempt from Review under the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines section 15332 (Infill Projects) and,

2) Adopt a resolution approving a Grant Agreement Between the City of Half Moon Bay and Mercy Housing California for Two Million Dollars ($2,000,000) in Funding Procured in Fiscal Year 2023 by Senator Josh Becker; Authorizing the City Manager to Execute the Agreement; and finding approval of the Grant Agreement Exempt from Review under the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines section 15332 (Infill Projects).

STAFF REPORT

ATTACHMENT 1 - Ordinance and Resolution

ATTACHMENT 2 - Affordable Housing and Property Disposition Agreement (AHPDA)

ATTACHMENT 3 - Ground Lease

ATTACHMENT 4 - Regulatory Agreement

ATTACHMENT 5 - Grant Agreement

ATTACHMENT 6 - Memorandum of Lease

ATTACHMENT 7 - Presentation from March 18, 2026

ATTACHMENT 8 - Redline Ground Lease

ATTACHMENT 9 - Redline AHPDA

ATTACHMENT 10 - Estimated Costs and Financing Plan

ATTACHMENT 11 - Property Management Agreement Draft and Preliminary Services Plan

ATTACHMENT 12 - Letter of Intent draft for ALAS Sub-Lease

ATTACHMENT 13 - Parking Diagrams and Maps

PUBLIC COMMENTS RECEIVED BEFORE 4:00 P.M. APRIL 28, 2026

CITY COUNCIL QUESTIONS - 555 KELLY

ADDITIONAL MERCY DOCUMENTS RECEIVED APRIL 28, 2026

3. ADJOURN SPECIAL MEETING

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **April 28, 2026**

TO: Honorable Mayor and City Council

VIA: Mathew Chidester, City Manager

FROM: Denise Bazzano, Interim City Attorney
Leslie Lacko, Community Development Director

TITLE: **INTRODUCTION OF AN ORDINANCE FOR THE 555 KELLY AFFORDABLE HOUSING PROJECT, APPROVING THE AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT AND GROUND LEASE AND OTHER AGREEMENTS AND ADOPTING A RESOLUTION APPROVING A GRANT AGREEMENT**

RECOMMENDATION:

1. Conduct a public hearing and introduce the first reading of an ordinance of the City of Half Moon Bay approving the Affordable Housing and Property Disposition Agreement, Ground Lease of Real Property for a Term of 99 Years, Memorandum of Ground Lease, Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement) and Other Ancillary Agreements between the City of Half Moon Bay and Mercy Housing California 110, L.P., for the Senior affordable 40-Unit Residential Project for Agricultural Workers, Located at 535 and 555 Kelly Avenue (APNs: 056-150-220 (Partial) and 056-150-200), including 2,653 square feet of Community Serving Space; Authorizing the City Manager to Execute the Agreements and Take Other Actions Necessary to Implement the Foregoing Agreements; and Finding the Approval of the Agreements and Related actions Exempt from Review under the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines section 15332 (Infill Projects).

2. Adopt a resolution approving a Grant Agreement Between the City of Half Moon Bay and Mercy Housing California for Two Million Dollars ($2,000,000) in Funding Procured in Fiscal Year 2023 by Senator Josh Becker; Authorizing the City Manager to Execute the Agreement; and finding approval of the Grant Agreement Exempt from Review under the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines section 15332 (Infill Projects).

FISCAL IMPACT:

There is no direct fiscal impact to the General Fund associated with the recommendation and approval of the Affordable Housing and Property Disposition Agreement (AHPDA), Ground Lease, Memorandum of Ground Lease, and Regulatory Agreement.

The approval of the Grant Agreement will result in a decrease in the Affordable Housing Fund (126) in an amount not to exceed $2 million. The City previously committed $1 million through a Predevelopment Loan Agreement with Mercy Housing (Mercy) from the City's Affordable Housing Fund, which was allowed to expire due to the City's receipt of $2 million in State funding for the affordable housing project located at 535-555 Kelly Avenue (Project), which is now secured in the Affordable Housing Fund. The proposed Grant Agreement would authorize Mercy to make certain expenditures related to the Project and receive reimbursement from the City utilizing the State of California (State) funding, up to $2 million.

The City received additional predevelopment funding from the County of San Mateo (County) in the amount of $1.5 million for the Project, most of which supported the design and entitlement work to date through a separate agreement with Mercy. Mercy will acquire and administer any additional funding necessary to complete the Project.

STRATEGIC ELEMENTS:
This action supports the *Healthy Communities and Public Safety* and *Inclusive Governance* Elements of the Strategic Plan.

BACKGROUND:
555 Kelly Avenue (APN 056-150-200) is a 6,200 square foot parcel, acquired by the City in September 2017. The 535 Kelly Avenue (APN 056-150-220) parcel is also owned by the City and currently used as the Ted Adcock Community Center.

In February 2022, the City issued a Request for Proposals (RFQ) to solicit affordable housing development interest for the site, which included 555 Kelly and a portion of 535 Kelly Avenue (collectively referred to as the "Site" or "Property"). The City received only one submittal from a two-agency team comprised of Mercy Housing California (Mercy) and Ayudando Latinos A Soñar (ALAS).

On October 4, 2022, the City Council declared the Site as exempt surplus land, pursuant to Government Code Sections 54221(b) and 54221(f)(1)(A), as surplus land that is to be developed for affordable housing. The California Housing and Community Development Department (HCD) confirmed this determination.

The City also entered into an Exclusive Negotiations Agreement (ENA) with Mercy to enable predevelopment activities for the proposed affordable housing and provide time in which to negotiate a ground lease and a disposition agreement between the parties. Subsequently, the City and Mercy entered into agreements related to funding from the City and the County, to financially support the predevelopment activities, which included conceptual design, community outreach, design development, public meetings, permitting, and the development agreement.

On May 14, 2024, following several public hearings, the Planning Commission conditionally approved a Coastal Development Permit (CDP) for the Project (PDP-23-034). The Planning Commission found that the Project, as modified by the conditions, was in conformance with the Local Coastal Program with the exception of density, height, and parking requirements, which

were waived by State Density Bonus Law[1]. Following the Planning Commission's action, three separate appeals to City Council were filed, challenging the Planning Commission's decision to approve the CDP. On June 26, 2024, the City Council held a hearing and voted to deny the appeals, upholding the Planning Commission's decision.

The CDP authorized the following: a new five-story building with forty (40) residential units for senior or retired (age 55 plus) farmworkers that are deed restricted affordable to extremely low and very low-income households; a lot line adjustment to reconfigure the driveway at Kelly Avenue and enlarge the development parcel by utilizing the existing parking lot for the adjacent Ted Adcock Community Center (expanding the project site to approximately 16,395 square feet); on-site property management and resident-serving facilities; an 18-space ground-floor parking garage for residents; and additional off street parking adjacent to the Community Center. The full Project plan set, details the approved site layout, architectural elevations, building renderings, material and color details, design inspiration, concept landscape and planting plans, grading and civil sheets, and exhibits illustrating the proposed lot line adjustment. Additional information is available on the City's Project page. Mercy also has a dedicated project website that includes an overview of development highlights, community outreach, and Project renderings at www.555kelly.org.

The Project is currently estimated to cost a total of $41,632,665. Funds currently committed to the development consist of over $21 million from federal, state, and county sources, some of which are administered by the City. No City General Funds are currently committed to the Project, and the financing plan does not include funding from Half Moon Bay. In fall 2025, HCD announced a commitment of $13,350,000 in Serna Farmworker Grant funds for the Project. The updated Estimated Costs and Financing Plan are included as Attachment 10.

For development to move forward on the Project, the City and Mercy's affiliate, Mercy Housing California 110, L.P. (Mercy Housing) need to enter into an Affordable Housing and Property Disposition Agreement (AHPDA), Ground Lease, and Regulatory Agreement, authorizing Mercy Housing's long-term use of the City-owned land on which the building would be constructed and imposing the affordability requirements for the Project.

Following the Council's decision to uphold the Planning Commission's approval in June 2024, the Council designated an Ad-Hoc Committee to work with Mercy on outstanding issues related to the proposed Ground Lease and AHPDA. The Committee met on multiple occasions from October 2024 through October 2025 to discuss the primary outstanding issues and reported back to the full City Council in both closed sessions and public meetings. In October 2025, the City Council held a study session to review and discuss the terms and issues identified during the entitlement process and Ad-Hoc committee meetings.

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[1] The waivers were available under State Density Bonus Law for the 100% affordable project based on a finding of proximity to a "major transit stop." On December 16, 2024, the City Council adopted Resolution 2024-97, which recited AB 2553 (effective January 1, 2025), and resolved that, consistent with state statutory definitions, the City will no longer use on-demand transit to qualify a location as a major transit stop, unless directed otherwise by state law.

At the October meeting, many of the terms that would be negotiated into the AHPDA and Lease were presented as well as details of discussions between the City and Mercy through the Ad Hoc process. These terms included: affordability requirements, eligibility requirements for occupancy of the units, local preferences for potential residents, age restrictions, rules for changes in tenancy, occupancy limits, the unit mix (studios, 1 and 2 bedrooms; numbers of each), building height, the proposed community resource center and community spaces, Mercy's property management office spaces, parking resources and limitations, and the Lease rent and terms. Details on discussions around each of those areas were spelled out in the October 16, 2025 Staff Report.

Also at the October meeting, questions were raised regarding ongoing work to address parking, traffic, and pedestrian safety concerns related to the Project's location in the already busy Kelly Avenue commercial district. Questions were also raised about the current funding plan for the Project and long-term feasibility, concerns about the current political and economic landscape and how they might impact the Project, and the proposed lease payment of $1 per year. Proponents continued to encourage moving the Project forward and quickly, citing the continuing need for more affordable housing in the community, especially for the targeted population of senior and retired farmworkers.

Ultimately, the Council directed Staff to continue to work with Mercy on the terms, and to return at a future meeting with drafts of the AHPDA and Lease incorporating the terms so that Council and the community could review the proposed terms in the context of the legal agreements.

On March 18, 2026, a Study Session was held to review the draft AHPDA and draft Ground Lease. The templates for the documents had been significantly revised since they were provided to City staff in October, 2025. Some of the major revisions to the documents were highlighted in the presentation, including but not limited to, specifying a term for the Ground Lease of 99 years, clarifications to financing requirements, and adding a separate regulatory agreement requirement. The staff report and associated documents from the March 18 meeting, as well as the presentation (Attachment 7) contain additional details on discussions up to that point, and steps being taken to address traffic, bike and pedestrian safety, and parking.

At the March meeting Councilmembers asked a number of questions relating to the terms of the draft AHPDA and Ground Lease and provided direction for improvements in a number of areas, including among other things, adding additional definitions to clarify some of the terms used in the AHPDA and Ground Lease.

Since the March meeting, City staff, the City Attorney's Office, and Mercy have had multiple meetings and discussed further revisions to the AHPDA and Ground Lease as well as the draft Regulatory Agreement and draft Grant Agreement, to address the comments from Council and to ensure clarity and consistency among the documents. Some of the major revisions to the draft Ground Lease and AHPDA since March are identified below (Attachments 8 and 9).

AHPDA:

- Added various definitions including “Agricultural Employment”, “Agricultural Worker”, “Disability”, “Senior”, and “Work Week”;
- Changed references from “Director” to “City Manager” or “City”;
- Revised the termination date of AHPDA from issuance of Temporary Certificate of Occupancy to recordation of Memorandum of Ground Lease;
- Revised the provisions for the Community Serving Space and clarified its use, including language that the space be used for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy, Mercy Housing and the City Manager will collaborate to determine appropriate activities and scheduling of the space;
- Removed specific details about insurance requirements and added reference to insurance requirements in the Ground Lease to avoid duplication;
- Revised compliance with prevailing wage requirements to specify that Mercy Housing shall pay prevailing wages;
- Removed “reasonable” from a number of provisions requiring City or City Manager approval and added new provision in section 16.2 that specifies that City approvals shall mean the City Council unless it specifically states the City Manager shall approve. Section 16.2 also provides how phrases such as “shall not be unreasonably withheld,” “reasonable discretion” and “reasonably consider” are to be interpreted; and
- Added a new provision in section 17.15 to specify that access to private, non-public areas of the property shall only be accessed by the County, State and Federal officials by consent of Tenant or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access. It also specifies that Mercy Housing would be responsible for compliance with applicable laws relating to immigration and would defend and indemnify the City from any legal challenges resulting from an alleged violation.

Ground Lease Agreement:

- Added various definitions including definitions of “Agricultural Employment”, “Agricultural Worker”, “Disability”, “Senior”, “Sublease”, and “Work Week”;
- Changed references from “Director” to “City Manager” or “Landlord”;
- Revised the provisions for the Community Serving Space and clarified its use, including language that the space be used for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy, Mercy Housing and the City Manager will collaborate to determine appropriate activities and scheduling of the space;
- Clarified provisions relating to Subleases by defining “Resource Center Subleases” and “Resident Subleases,” which are Subleases entered into between Mercy Housing and tenants and specified that the Landlord (City Council) would approve the final form of the Subleases;
- Added language to require that the form of each Resident Sublease and the Resource Center Sublease also contain a provision prohibiting each subtenant from sub-subleasing;
- Removed “reasonable” from a number of provisions requiring Landlord or City Manager approval and added new provision in section 22.27 that specifies that Landlord approvals shall mean the City Council unless it specifically states the City Manager shall approve.

Section 22.27 also provides how phrases such as “shall not be unreasonably withheld,” “reasonable discretion” and “reasonably consider” are to be interpreted;

- Added a new provision in section 22.28 to specify that access to private, non-public areas of the property shall only be accessed by the County, State and Federal officials by consent of Tenant or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access. It also specifies that Mercy Housing would be responsible for compliance with applicable laws relating to immigration and would defend and indemnify the City from any legal challenges resulting from an alleged violation; and
- The Legal Description of the Property attached as Exhibit A to the Ground Lease was updated.

DISCUSSION:
Below is a summary of the various agreements that the Council is being asked to consider.

AHPDA
The proposed AHPDA and the Ground Lease are drafted to run sequentially. Initially, the AHPDA is the controlling document. The AHPDA controls the relationship between the City and Mercy during the pre-development period and establishes conditions precedent that must be met by Mercy Housing in order for Mercy Housing to be allowed to enter into the Ground Lease for the Property with the City. Those conditions precedent are identified in section 7.2 of the AHPDA and summarized as follows:

- Submission of Mercy Housing’s organizational documents;
- Submission of documents evidencing the required liability insurance;
- Evidence of project financing sufficient to cover the Project’s Costs as shown in the Final Project Budget;
- Construction Contract;
- Final Construction Documents;
- Building Permit;
- Evidence that construction is ready to commence;
- Management Agreement for management of Project;
- Executed Regulatory Agreement;
- Executed Ground Lease and Memorandum of Ground Lease;
- Title Policy;
- Approval of Proposed Final Project Budget and confirmation of total Project Cost; and
- Submission of proposed program for the Community Serving Space.

Section 7.2 provides that the foregoing conditions would be reviewed and determined by the City Manager. If any of the conditions precedent in section 7.2 are not satisfied, then the City may terminate the AHPDA and the Ground Lease would not commence. If, however, the conditions are satisfied, then the recordation of the Memorandum of Ground Lease would proceed. Once the Memorandum of Ground Lease is recorded, the AHPDA terminates and the Ground Lease becomes effective.

Ground Lease

The proposed Ground Lease is the document that establishes the contractual obligations imposed on Mercy Housing (as the Tenant) by the City (as the Landlord). The Ground Lease term would be for a period of 99 years and during that time, the City would act as the Landlord in leasing the Site. The Ground Lease requires that Mercy Housing pay rent to the City at a rate of $1 per year for the duration of the Ground Lease as consideration for the lease of real property.

The draft Ground Lease requires Mercy Housing to among other things, construct and maintain the improvements on the Site. Mercy Housing is also required to perform a number of duties including obtaining certain insurance for the duration of the Ground Lease and operate the programs that serve the project's residents.

The draft Ground Lease also includes specific covenants relating to the affordability restrictions and the Preference Program, which are also evidenced in the Regulatory Agreement, and occupancy limitations. The Preference Program specifies how the pool of applicants for the units will be processed. Prior to leasing the units, the City Council will need to consider and adopt an ordinance or resolution establishing preferences for affordable housing. The Ground Lease also includes an annual reporting requirement to confirm the affordability and occupancy provisions are being fulfilled.

Additionally, the draft Ground Lease identifies the Sublease requirements for the Residential Sublease and the Resource Center Sublease and provides certain terms and conditions for the Community Serving Space and the Operational Program including that the community space can be used by the City for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to the occupancy of the Project, the Developer and City Manager must collaborate in good faith to determine appropriate activities and scheduling of the space.

Given that the leasing of real property does generally transfer certain property rights to a tenant, the terms of the lease are very important to document the rights and obligations of each party. As such, the proposed Ground Lease includes a number of provisions that are intended to provide assurances that Mercy Housing's use of the Property will be consistent with the City's desired use of the Property and that the City's fee interest in the Property will be preserved and protected for the duration of the term of the Ground Lease. Some of those provisions include:

- Section 4.6 provides that the City has the right to examine and conduct an independent audit of Mercy Housing's books of accounts, records and other pertinent data;
- Section 5.3 provides that if Mercy Housing receives a written default notice relating to or arising from any Construction Loan, Take-Out Loan, or any mortgage, deed of trust or other security instrument secured by the leasehold interest, then the City can prepare any legal documents necessary to preserve the City's interests;
- Section 5.3.2 requires that on expiration of the term or earlier termination of the Ground Lease, the Property must be surrendered and with the Improvements to the City in good order, condition, and repair and in compliance with the Maintenance Standards;

- Article 9 requires Mercy Housing to secure and maintain various insurance coverages including commercial general liability insurance, worker's compensation, employer's liability, automobile insurance, builder's risk, fire and other perils, hazards and risk ("all risk"), business interruption, and boiler and machinery insurance. General contractors performing work on the Property shall also be required to obtain certain specified coverages. The City Manager is authorized to increase, reduce, or otherwise modify the insurance requirements;
- Section 9.8 requires Mercy Housing to indemnify the City for any liabilities arising from Mercy Housing's failure to perform any obligation or requirement under the Ground Lease or the Regulatory Agreement and/or any activities, occupancy, access, acts, errors, omissions, performance, work and the like under or in connection with the Ground Lease;
- Article 10 provides the Maintenance Standards for the Property. If Mercy Housing is not maintaining the Property in accordance with the Maintenance Standards, the City can demand that the maintenance be corrected;
- Section 11.3 provides that Mery Housing is prohibited from committing or suffering any waste of the Property or the Improvements and must keep the Property clear of graffiti, refuse and obstructions and shall keep the Property in a clean and sanitary manner;
- Section 12.1(B) requires that Mercy Housing comply with applicable Environmental Laws and not conduct any Hazardous Materials Activity;
- Section 17.1.1 requires that each Resident Sublease and the Resource Center Sublease shall include a provision in the Sublease prohibiting each subtenant from further subleasing the unit;
- Section 19.1 provides the Events of Default (which include a failure to meet the requirements of the Regulatory Agreement or AHPDA, any decree or order for relief by any bankruptcy court), that would allow a termination of the Ground Lease;
- Section 22.6 specifies that the City nor any City Personnel shall be personally liable to Mercy Housing in the event of a City default or breach and Mercy Housing waives and releases any claims it may have with regard to any potential default or breach;
- Section 22.7 authorizes the City to enter the Property and Project to inspect the Property or Improvements, upon providing notice of inspection (unless in the case of emergencies); and
- Section 22.28 provides that Mercy Housing will be responsible for compliance with all applicable State and Federal laws relating to immigration and shall defend and indemnify the City and City Personnel to the extent any Loss arises from alleged violations.

Memorandum of Ground Lease

NThis draft document is recorded in the official records of San Mateo County against the property to alert any interested party about the existence of the Ground Lease and how they can obtain a copy of the Ground Lease.

Regulatory Agreement

The draft Regulatory Agreement is a document that is recorded against the property, and causes the affordability covenants to encumber the Project. Because the Regulatory Agreement is

recorded, it serves to provide notice of the affordability covenants and the obligation related thereto imposed on Mercy by the City.

Grant Agreement

Senator Josh Becker secured $2 million in the 2023-24 California State Budget for the City to support the development of farmworker housing, specifically the 555 Kelly project. The City received the funds and deposited them into the Affordable Housing Fund (Fund 126) to be held until needed for the 555 Kelly project. At the time, Mercy was utilizing the $1.5 million ARPA funding received by the City from the County for the project, pursuant to a funding agreement which ended in late 2025. Previously, the City had committed, through a predevelopment loan agreement, to use $1 million from the City's affordable housing fund, to support the Project. That agreement expired without Mercy drawing on any of the funds, and no City funds are currently committed to the Project. At this time, Mercy continues to incur costs related to the project, and seeks an agreement with the City to allow a draw on the funds received from the State for this project. Staff has negotiated the draft Grant Agreement to be similar to the previously approved ARPA funding agreement, which would allow Mercy to obtain reimbursements from the City for actual costs incurred in relation to the Project, not to exceed $2 million. The draft Grant Agreement is included as Attachment 5.

The draft Grant Agreement is the document pursuant to which the City sets out the obligations imposed on Mercy with respect to the $2 Million from the State that the City will pass through to Mercy, if Mercy adheres to the obligations contained in the Grant Agreement. The Grant Agreement provides a process for the disbursement of funds whereby a request for reimbursement is submitted to the City Manager, who will review the request and confirm that the reimbursement would be for Eligible Development Costs. The Grant Agreement also requires quarterly cost reporting to the City Manager, which must include any current or anticipated Project Obstacles (e.g., regulatory issues, litigation, inability to obtain sufficient funding, etc.). The City Manager can terminate any further disbursements of the Grant and require return of any unspent funds if the City Manager makes a determination that the Project Obstacles warrant termination.

Government Code Sections 37380 and 37364

At the March 18 meeting, the City Council requested an analysis of the application of Government Code section 37364 (relating to the approval of affordable housing projects) and Government Code section 37380 (terms of ground lease) to the approval of the Ground Lease for this Project.

After researching the legislative history of both provisions, the City Attorney's Office determined that based on statutory interpretation maxims, any specific requirements of other laws that are inconsistent with section 37364 would not apply. This would mean that the term limit maximums and bidding requirements would not apply but other provisions in section 37380 that do not conflict with section 37364 may still be applied. This would mean that the term limits and bidding requirements in section 37380 would not apply but other provisions in section 37380 that do not conflict with section 37364 may still be applied, such as the

requirements to hold a public hearing to approve the Ground Lease, approving the Ground Lease by ordinance, and conducting periodic reviews of the Ground Lease.

As such, staff has prepared a draft ordinance to approve the AHPDA, Ground Lease, Memorandum of Ground Lease, and Regulatory Agreement to be considered at a noticed public hearing on April 28, 2026. The draft ordinance also specifies that the Ground Lease will be periodically reviewed at least every ten years.

CONCLUSION:

Over the past year and a half, City Staff have worked with Mercy to ensure many of the issues raised throughout the design and entitlement process and previous meetings have been addressed in the draft AHPDA and Ground Lease, within the constraints of the site size, layout and location, construction and operational costs, and potential resident needs. In order for the project to move forward, the Council would need to approve the AHPDA, Ground Lease Agreement, and associated documents through an ordinance, which are being presented for consideration on April 28, 2026. If approved, the ordinance would be brought back for a second reading on May 5. Following that meeting, Mercy would continue planning for the project by finalizing the construction documents, pursuing the remaining funding, and addressing other Project requirements such as easement and encroachment agreements, as necessary. The City would also need to prepare an ordinance to establish preferences for affordable housing.

ATTACHMENTS:

1. Ordinance and Resolution
2. Affordable Housing and Property Disposition Agreement (AHPDA)
3. Ground Lease
4. Regulatory Agreement
5. Grant Agreement
6. Memorandum of Lease
7. Presentation from March 18, 2026
8. Redline Ground Lease
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10. Estimated Costs and Financing Plan
11. Property Management Agreement Draft and Preliminary Services Plan
12. Letter of Intent draft for ALAS Sub-Lease
13. Parking Diagrams and Maps

ORDINANCE NO. 2026-XX

AN ORDINANCE OF THE CITY OF HALF MOON BAY APPROVING THE AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT, GROUND LEASE OF REAL PROPERTY FOR A TERM OF 99 YEARS, MEMORANDUM OF GROUND LEASE, AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS AND OTHER ANCILLARY AGREEMENTS BETWEEN THE CITY OF HALF MOON BAY AND MERCY HOUSING CALIFORNIA 110, L.P. FOR THE SENIOR AFFORDABLE 40-UNIT RESIDENTIAL PROJECT FOR AGRICULTURAL WORKERS, LOCATED AT 535 AND 555 KELLY AVENUE (APNS: 056-150-220 (PARTIAL) AND 056-150-200), INCLUDING 2,653 SQUARE FEET OF COMMUNITY SERVING SPACE; AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENTS AND TAKE OTHER ACTIONS NECESSARY TO IMPLEMENT THE FOREGOING AGREEMENTS; AND FINDING THE APPROVAL OF THE AGREEMENTS AND RELATED ACTIONS EXEMPT FROM REVIEW UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO CEQA GUIDELINES SECTION 15332 (INFILL PROJECTS)

WHEREAS, the City of Half Moon Bay (City) owns real property (two parcels) located at 535 and 555 Kelly Avenue, in Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) (collectively referred to as the Site); and

WHEREAS, the City Council has identified affordable housing as a strategic priority; and

WHEREAS, the Site has been identified as a Housing Opportunity Site in the City's 2023-2031 6th Cycle Housing Element; and

WHEREAS, the City sought to develop the Site to create affordable housing and on February 15, 2022, the City issued a Request for Qualifications (RFQ) to seek a developer through a competitive process to develop the Site for affordable housing; and

WHEREAS, as a result of the RFQ process, the City selected the proposal submitted by Mercy Housing California, a California non-profit public benefit corporation (Mercy); and

WHEREAS, on October 4, 2022, the City Council declared the Site as exempt surplus land, pursuant to Government Code Sections 54221(b) and 54221(f)(1)(A), which was confirmed by the California Housing and Community Development Department; and

WHEREAS, the City and Mercy entered into an Exclusive Negotiations Agreement on November 3, 2022, that was extended twice and expired on October 30, 2024; and

WHEREAS, on May 14, 2024, the City's Planning Commission conditionally approved a Coastal Development Permit (CDP) for the Project (PDP-23-034), which was later upheld by the City Council on June 26, 2024, after consideration and denial of three separate appeals; and

WHEREAS, the Planning Commission and City Council found that the Project (PDP-23-034) was exempt from CEQA review pursuant to the Class 32 categorical exemption for in-fill development projects in CEQA Guidelines section 15332; and

WHEREAS, a Notice of Exemption was timely filed with and posted for the requisite period by the San Mateo County Clerk and the State Clearinghouse (SCH 2024050914) and no legal challenge, timely or otherwise, to the City's CEQA exemption determination for the Project has been filed to date; and

WHEREAS, the City and Mercy entered into a new Exclusive Negotiations Agreement dated January 30, 2025 (ENA), in order to enable Mercy and its affiliate developer, Mercy Housing California 110 LLC, a California limited liability company (Developer) to carry out pre-development and development activities associated with the Project; and

WHEREAS, Mercy is the sole member/manager of its Developer; and

WHEREAS, the ENA has been amended to extend the term to December 31, 2026; and

WHEREAS, the City and Mercy have negotiated the terms and conditions of the Ground Lease (for a term of 99 years), the Memorandum of Ground Lease, the Affordable Housing and Property Disposition Agreement, Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants; and

WHEREAS, pursuant to Government Code section 37364, a city is authorized to sell, lease, or otherwise transfer property for the development of affordable housing at less than fair market value, to provide for affordable housing under whatever terms and conditions a city deems best suited to the provision of such housing provided the following conditions are met:

A) Not less than 80 percent of the area of the parcel will be used for the development of housing; and
B) Not less than 40 percent of the total number of those housing units developed on the parcel shall be affordable to household whose incomes are equal to, or less than, 75 percent of the maximum income of lower income households, and at least half of which shall be affordable to very low income households; and
C) Dwelling units produced for persons or families of low and moderate income under Government Code section 37364 shall be restricted by a regulatory agreement to remain continually affordable to those persons and families for the longest feasible time, but not less than thirty years, with such regulatory agreement recorded in the office of the county recorder in which the housing development is located; and

WHEREAS, the Project meets the foregoing requirements of Government Code section 37364 as not less than 80 percent of the area of the Site will be used for the development of housing, thirty-nine of the housing units on the Site shall be restricted for occupancy by extremely low and very low-income households (one unit will be for on-site manager), and a regulatory

agreement has been prepared and will be recorded to restrict the affordability requirements for more than thirty years; and

WHEREAS, the City issued notice of a public hearing to consider introduction of this ordinance pursuant to Government Code section 6066 and provided notice of the hearing to those persons requesting special notice and all owners of land adjoining the property; and

WHEREAS, on April 28, 2026, the City Council conducted a public hearing and considered the staff report and other documentation and information presented and public comments.

NOW THEREFORE, THE COUNCIL OF THE CITY OF HALF MOON BAY DOES ORDAIN AS FOLLOWS*:*

SECTION 1. **RECITALS**. The foregoing Recitals are true and correct and are an integral part of the City Council's decision and are hereinafter incorporated as findings.

SECTION 2. **CEQA**. The Planning Commission and City Council has already determined that the Project (PDP-23-034) was exempt from CEQA in accordance with Guidelines Section 15332 (Class 32 categorical exemption for In-Fill Development Projects) and no legal challenge to that determination, timely or otherwise, has been filed to date. Mercy has not proposed any substantial changes to the Project since then and thus the approval of the Affordable Housing and Property Disposition Agreement, Ground Lease, Memorandum of Ground Lease, and Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants would simply implement the Project as previously approved. Thus, the City can and does continue to rely on the previous CEQA determination and no further environmental review is required for the Project.

SECTION 3. **AFFORDABLE HOUSING.** The City Council finds that the Site will be used to provide affordable housing consistent with Government Code section 37364 and that this use as affordable housing is in the City's best interests, pursuant to the terms and conditions of the Affordable Housing and Property Disposition Agreement, Ground Lease, Memorandum of Ground Lease, and Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants approved herein.

SECTION 4. **AGREEMENTS.**

A. The City Council hereby approves the Affordable Housing and Property Disposition Agreement between the City of Half Moon Bay and Mercy Housing California 110, L.P., the form of which shall be substantially as attached hereto as Exhibit A.

B. The City Council hereby approves the Ground Lease between the City of Half Moon Bay and Mercy Housing California 110, L.P., the form of which shall be substantially as attached hereto as Exhibit B.

C. The City Council hereby approves the Memorandum of Ground Lease between the City of Half Moon Bay and Mercy Housing California 110, L.P., the form of which shall be substantially as attached hereto as Exhibit C.

D. The City Council hereby approves the Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants between the City of Half Moon Bay and Mercy Housing California 110, L.P., the form of which shall be substantially as attached hereto as Exhibit D.

SECTION 5. EXECUTION

The City Council hereby authorizes the City Manager to execute the foregoing agreements identified in Section 4, with minor edits that may be approved by the Interim City Attorney. The City Manager is further authorized to execute any ancillary agreements or documents referenced in, and consistent with, the Affordable Housing and Property Disposition Agreement, the Ground Lease, Memorandum of Ground Lease, Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants, as specified therein.

SECTION 6. PERIODIC REVIEW

The City Manager shall review the Ground Lease, including section 9.6(C) (Insurance), periodically but not less than every ten years and shall report to the City Council regarding that review.

SECTION 7. RECORDING

The City Council hereby directs the City Manager or his designee to record the Memorandum of Ground Lease and Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants at the appropriate time during the transaction in the office of the San Mateo County Recorder's Office. The documents shall be recorded in the grantor-grantee index in accordance with applicable law.

SECTION 8. SEVERABILITY

If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining sections, subsections, sentences, clauses or phrases of the Ordinance.

SECTION 9. EFFECTIVE DATE

This Ordinance shall take effect thirty (30) days after its adoption.

SECTION 10. PUBLICATION AND POSTING

The City Clerk shall cause this ordinance to be published and posted in accordance with the law.

The City Council of the City of Half Moon Bay, California introduced the foregoing ordinance, on April 28, 2026, and adopted the ordinance at a regular meeting held on May 5, 2026, by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST: APPROVED:

_____ _____

Maggie Rodriguez, Interim City Clerk Debbie Ruddock, Mayor

APPROVED TO AS FORM:

_____

Denise Bazzano, Interim City Attorney

** SEE ATTACHMENT 2 – AFFORDABLE HOUSIN AND PROPERTY DISPOSITION AGREEMENT, ATTACHMENT 3 – GROUND LEASE, ATTACHENT 4 – REGULATORY AGREEMENT AND ATTACHMENT 6 – MEMORANDUM OF LEASE REFERENCED IN THE STAFF REPORT FOR MORE INFORMATION

RESOLUTION NO. C-2026-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY APPROVING A GRANT AGREEMENT BETWEEN THE CITY OF HALF MOON BAY AND MERCY HOUSING CALIFORNIA FOR TWO MILLION DOLLARS ($2,000,000) IN FUNDING PROCURED IN FISCAL YEAR 2023 BY SENATOR JOSH BECKER; AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENT; AND FINDING APPROVAL OF THE GRANT AGREEMENT EXEMPT FROM REVIEW UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO CEQA GUIDELINES SECTION 15332 (INFILL PROJECTS)

WHEREAS, the City of Half Moon Bay (City) has received Two Million Dollars ($2,000,000) in State funds to support pre-development and development work for an affordable housing project; and

WHEREAS, the City owns real property (two parcels) located at 535 and 555 Kelly Avenue, in Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) (collectively referred to as the Site); and

WHEREAS, the City Council has identified affordable housing as a strategic priority; and

WHEREAS, the Site has been identified as a Housing Opportunity Site in the City's 2023-2031 6th Cycle Housing Element; and

WHEREAS, the City sought to develop the Site to create affordable housing and on February 15, 2022, the City issued a Request for Qualifications (RFQ) to seek a developer through a competitive process to develop the Site for affordable housing; and

WHEREAS, as a result of the RFQ process, the City selected the proposal submitted by Mercy Housing California, a California non-profit public benefit corporation (Mercy); and

WHEREAS, on October 4, 2022, the City Council declared the Site as exempt surplus land, pursuant to Government Code Sections 54221(b) and 54221(f)(1)(A), which was confirmed by the California Housing and Community Development Department; and

WHEREAS, the City and Mercy entered into an Exclusive Negotiations Agreement on November 3, 2022, that was extended twice and expired on October 30, 2024; and

WHEREAS, on May 14, 2024, the City's Planning Commission conditionally approved a Coastal Development Permit (CDP) for the affordable housing project (PDP-23-034) (Project), which was later upheld by the Council on June 26, 2024, after consideration and denial of three separate appeals; and

WHEREAS, the Planning Commission and City Council found that the Project (PDP-23-034) was exempt from CEQA review pursuant to the Class 32 categorical exemption for in-fill development projects in CEQA Guidelines section 15332; and

WHEREAS, a Notice of Exemption was timely filed with and posted for the requisite period by the San Mateo County Clerk and the State Clearinghouse (SCH 2024050914) and no legal challenge, timely or otherwise, to the City's CEQA exemption determination for the Project has been filed to date; and

WHEREAS, the City and Mercy entered into a new Exclusive Negotiations Agreement dated January 30, 2025 (ENA), in order to enable Mercy and its affiliate developer, Mercy Housing California 110 LLC, a California limited liability company (Developer) to carry out pre-development and development activities associated with the Project; and

WHEREAS, Mercy is the sole member/manager of its Developer; and

WHEREAS, the ENA has been amended to extend the term to December 31, 2026; and

WHEREAS, the City and Mercy have negotiated the terms and conditions of the Ground Lease (for a term of 99 years), the Memorandum of Ground Lease, the Affordable Housing and Property Disposition Agreement (AHPDA), Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants; and

WHEREAS, upon execution, the terms and conditions of the AHPDA, the Ground Lease and the Regulatory Agreement those terms shall be incorporated into the Grant Agreement by reference and the Grant Agreement shall govern the terms and conditions on the distribution of the Two Million Dollars ($2,000,000) in State funds to support pre-development and development work for the Project; and

WHEREAS, the City issued notice of a public hearing to consider introduction of this ordinance pursuant to Government Code section 6066 and provided notice of the hearing to those persons requesting special notice and all owners of land adjoining the property; and

WHEREAS, on April 28, 2026, the City Council conducted a public hearing and considered the staff report and other documentation and information presented and public comments.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby makes the following findings:

1. The foregoing Recitals are true and correct and are an integral part of the Council's decision and are hereinafter incorporated as findings.

2. The Planning Commission and City Council has already determined that the Project (PDP-23-034) was exempt from CEQA in accordance with Guidelines Section 15332 (Class 32 categorical exemption for In-Fill Development Projects) and no legal challenge to that determination, timely

or otherwise, has been filed to date. Mercy has not proposed any substantial changes to the Project since then and thus the approval of the Grant Agreement would simply implement the Project as previously approved. Thus, the City can and does continue to rely on the previous CEQA determination and no further environmental review is required for the Project.

BE IT FURTHER RESOLVED, that the City Council hereby s a Grant Agreement Between the City of Half Moon Bay and Mercy for Two Million Dollars ($2,000,000) in funding procured in Fiscal Year 2023 by Senator Josh Becker, the form of which shall be substantially as attached hereto as Exhibit A.

BE IT FURTHER RESOLVED, that the City Manager is hereby authorized to execute the Grant Agreement, with minor edits that may be approved by the Interim City Attorney.

****

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 28st day of April 2026, by the City Council of Half Moon Bay by the following vote:

AYES, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

ABSTAIN, Councilmembers:

ATTEST: APPROVED:

_____ _____

Maggie Rodriguez, Interim City Clerk Debbie Ruddock, Mayor

** SEE ATTACHMENT 5 – GRANT AGREEMENT REFERENCED IN THE STAFF REPORT FOR MORE INFORMATION

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AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT

By and Between

CITY OF HALF MOON BAY

and

MERCY HOUSING CALIFORNIA 110, L.P.

Dated as of _____ __, 2026

AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT

THIS AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT ("**Agreement**") is made and entered into as of _____, 2026 ("**Effective Date**"), by and between CITY OF HALF MOON BAY, a municipal corporation ("**City**"), and MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership ("**Developer**"). City and Developer are sometimes referred to hereinafter individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

A. City owns fee title to that unimproved certain real property located at 535 and 555 Kelly Avenue, in Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) ("**Property**").

B. On February 15, 2022, City issued a Request for Qualifications ("**RFQ**") to select a developer to develop an affordable housing development, consistent with the general goals and requirements contained in the RFQ, on the Property.

C. Through the RFQ process, Mercy Housing California, a California nonprofit public benefit corporation ("**Mercy**"), was selected to potentially develop, pending subsequent negotiations, the proposed development on the Property. Mercy was established to develop and operate safe, decent affordable housing in California.

D. Developer is a California limited partnership, the general partner of which is Mercy Housing California 110 LLC, a California limited liability company, of which Mercy Housing California, a California nonprofit public benefit corporation, is its sole member/manager.

E. On May 14, 2024, the City's Planning Commission conditionally approved a Coastal Development Permit ("**CDP**") for the Project (PDP-23-034). Following the Planning Commission action, three separate appeals to City Council were filed, challenging the Planning Commission decision to approve the CDP. On June 26, 2024, the City Council held a hearing and voted to deny the appeals, upholding the CDP.

F. The Parties now desire to enter into this Agreement to set forth the terms and conditions on which City will ground lease the Property to Developer for Developer to: (i) construct and operate a forty (40) unit Senior Agricultural Worker multifamily apartment project with all but one (1) of such units restricted for occupancy by extremely low and very low income households, as further described in Section 8.1 of the form of Ground Lease attached to this Agreement as Attachment No. 6, (ii) construct and operate, or provide for the operation of, residential common space and property management office space, (iii) construct and provide for the operation of an approximately 2,658 square feet community-serving space, and (iv) provide parking spaces for 18 on-site parking spaces (including two (2) ADA spaces) and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces (collectively, "**Project**"). The Property consists of approximately 16,395 square

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feet, and is more particularly described in Attachment No. 1 to this Agreement. The terms and conditions of this Agreement will govern until the date (if such occurs) that the Ground Lease becomes effective, which shall occur upon the recordation of the Memorandum of Ground Lease.

G. The ground lease of the Property to Developer and the development and subsequent operation of the Project on the Property pursuant to this Agreement, and the fulfillment generally of this Agreement, are in furtherance of City's goals to provide permanent affordable housing in the City of Half Moon Bay, are in the vital and best interests of the City of Half Moon Bay and the welfare of its residents, and are in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements under which the Project has been undertaken.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, City and Developer hereto agree as follows:

1. DEFINITIONS

As used in this Agreement, capitalized terms are defined where first used or as set forth in this Section 1. Capitalized terms used in an attachment attached hereto and not defined therein shall also have the meanings set forth in this Section 1.

"**Adjusted AMI**" has the meaning given to it in Section 11.

"**Affiliate**" means any Person, directly or indirectly, Controlling or Controlled by or under common Control with such Person, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code*.*

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

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"**Building Permit**" means all permits issued by City and required for commencement of construction of the Project.

"**California Prevailing Wage Law**" has the definition given it in Section 10.9(b)(i)).

"**Cash Flow Projection**" means a financial forecast estimating future cash inflows and outflows over the term of the Ground Lease.

"**CDLAC**" means the California Debt Limit Allocation Committee.

"**CDP**" is defined in Recital E.

"**City**" means the City of Half Moon Bay, California.

"**City Manager**" means the person duly appointed to the position of City Manager, or his or her designee.

"**City Title Policy**" has the meaning set forth in Section 7.2(k) of this Agreement.

"**Condition of Property Title**" has the meaning set out in Section 5.8.

"**Construction Lender**" means the lender that provides construction financing for the Project. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Lender shall be understood to mean the institution or institutions that hold such Tax-Exempt Bonds through the construction period (e.g., until the Conversion Date). The Construction Lender may or may not also be the Take-Out Lender.

"**Construction Loan**" means the construction loan for the Project secured by the Construction Loan Security Documents, in the amount set forth in the Final Project Budget. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"**Construction Loan Security Documents**" means the documents and instruments required by the Construction Lender to secure the Construction Loan.

"**Conversion Date**" has the meaning set forth in the Construction Loan Security Documents, or, if such term is not defined therein, means the date the Construction Loan converts from a construction loan to a permanent loan.

"**Developer**" has the meaning set forth in the opening paragraph of this Agreement.

"**Developer Title Policy**" has the meaning set forth in Section 7.3(e) of this Agreement.

"Disability" means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment

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and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Environmental Inquiries**" has the meaning given to it in Section 5.6.

"**Escrow**" means the escrow through which the Property Closing is conducted.

"**Escrow Holder**" means Old Republic Title Company, with its offices located at Old Republic Title - 555 12th St. Ste. 2000, Oakland, CA. 94607 or such other escrow company as may be agreed to by Developer and City Manager.

"**Event of Default**" has the meaning set forth in Section 13.1 of this Agreement.

"**Final Construction Documents**" means the final plans, drawings and specifications upon which the Building Permit is issued.

"**Final Project Budget**" shall mean the final budget for the Project, as more fully discussed in Section 6.3 below.

"**First Year Operating Budget**" means a detailed financial plan projecting the Project's expected revenues and expenses for its first year of operation.

"**Governmental Requirements**" means all laws, ordinances, statutes, codes, rules, regulations, requirements, orders and decrees, of the United States, the State of California, the City of Half Moon Bay, the County of San Mateo, and of any other political subdivision, agency or instrumentality exercising jurisdiction over City, Developer, the Property, and/or the Project, including common law.

"**Ground Lease**" means a ground lease substantially in the form attached hereto and incorporated herein as Attachment No. 6, to be executed by Developer and City to set forth the terms and conditions for City's lease of the Property to Developer.

"**Hazardous Materials**" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix)

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designated as “hazardous substances” pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as “hazardous substances” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any governmental requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as “hazardous” or harmful to the environment. For purposes hereof, “Hazardous Materials” excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

“**Hazardous Materials Contamination**” means the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Property by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time emanating from the Property.

“**IIG**” is defined in Section 6.1(d).

“**Indemnitees**” means City, and its respective directors, officers, officials, members, employees, representatives, agents and volunteers.

“**Investor**” means the low income housing tax credit limited partner of the Developer.

“**Land Use Entitlements**” has the meaning set forth in Section 4 of this Agreement.

“**Liabilities**” has the meaning set forth in Section 5.3 of this Agreement.

“**Management Agreement**” has the meaning set forth in Section 7.2(h) of this Agreement.

“**Memorandum of Ground Lease**” means the Memorandum of Unrecorded Ground Lease to record in the Official Records pursuant to Section 1.4 of the Ground Lease.

“**Mercy**” has the meaning set forth in Recital C.

“**Notices**” has the meaning set forth in Section 14 of this Agreement.

“**Official Records**” means the Official Records of the County of San Mateo.

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"**Outside Closing Date**" means the date that is one hundred ninety-four (194) days after the first date on which Developer has received an allocation of Tax Credits from TCAC, provided, however, that such date may be extended to the extent the required closing date is extended by CDLAC and/or TCAC.

"**Partnership Agreement**" means the limited partnership agreement for Developer.

"**Preliminary Project Budget**" shall mean that certain preliminary project budget attached hereto and incorporated herein as Attachment No. 5.

"**Preliminary Title Report**" has the meaning given it in Section 5.8.

"**Project**" has the meaning set forth in Recital F, above, all in accordance with this Agreement, including, without limitation, the Scope of Development, the Land Use Entitlements, and the Final Construction Documents.

"**Project Costs**" means all costs of any nature incurred in connection with the planning, design, and development of the Project.

"**Project Documents**" means, collectively, this Agreement, the Ground Lease, the Memorandum of Ground Lease, and any other agreement, document or instrument that Developer and City enter into pursuant to this Agreement or in order to effectuate the purposes of this Agreement.

"**Property**" means that certain real property referred to in Recital A and legally described in Attachment No. 1 and depicted in Attachment No. 2, both of which attachments are attached hereto and incorporated herein by this reference. The Property comprises approximately 16,395 square feet of land.

"**Property Closing**" means closing of the construction sources of Project Financing, execution of the Ground Lease and delivery of possession of the Property to Developer pursuant thereto.

"**Project Financing**" has the meaning set forth in Section 6.1 of this Agreement.

"**Regulatory Agreement**" is defined in Section 7.3(i).

"**Response Action**" is defined in Section 5.5 of this Agreement.

"**RFQ**" has the meaning give it in Recital A.

"**Schedule of Performance**" means the Schedule of Performance attached hereto and incorporated herein as Attachment No. 3.

"**Scope of Development**" means the Scope of Development attached hereto and incorporated herein as Attachment No. 4.

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"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Site Map**" means the site map attached hereto and incorporated herein as Attachment No. 2.

"**Sources and Uses of Funds Statement**" means a statement attached to each of the Preliminary Project Budget and Final Project Budget detailing the sources of capital for the Project and uses for which those funds will be spent.

"**Sublease**" means an agreement pursuant to which Developer, as tenant under the Ground Lease, leases a portion of the Project to another tenant, referred to as a subtenant, pursuant to the terms and conditions of the Ground Lease.

"**Take-Out Lender**" means the lending institution that makes the Take-Out Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Lender shall be understood to mean the institution that holds or institutions that hold such Tax-Exempt Bonds from and after the construction period (e.g., from and after the Conversion Date). The Take-Out Lender may or may not also be the Construction Lender.

"**Take-Out Loan**" means the long-term loan made by the Take-Out Lender to Developer to take out the Construction Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"**Tax Credits**" has the meaning set forth in Section 6.1(b) of this Agreement.

"**Tax Credit Program**" means the low-income housing tax credit program authorized pursuant to Internal Revenue Code Section 42, California Health and Safety Code Sections 50199.6-50199.19, Revenue and Taxation Code Sections 17057.5, 17058, 23610.4, 23610.5, and applicable federal and State regulations such as 4 California Code of Regulations Sections 10300-10340.

"**Tax-Exempt Bonds**" means tax-exempt multifamily housing mortgage revenue bonds.

"**TCAC**" means the California Tax Credit Allocation Committee.

"**Title Company**" means Old Republic Title Company, with its offices located at Old Republic Title - 555 12th St. Ste. 2000, Oakland, CA. 94607, or such other title insurance company as may be agreed to by Developer and City Manager.

"**Title Exceptions**" has the meaning given to it in Section 5.8.

"**Week**" means a seven-day calendar period starting with Sunday and continuing through Saturday.

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"**Weekend**" means the days of Saturday and Sunday during a Week.

"**Work Week**" means the days of Monday through Friday during a Week.

2. DEVELOPER

Developer is a California limited partnership, the general partner of which is Mercy Housing California 110, LLC, a California limited liability company, of which Mercy is its sole member/manager.

3. SCHEDULE OF PERFORMANCE

The Schedule of Performance sets forth the times by which the parties are required to perform certain obligations set forth in this Agreement.

4. LAND USE ENTITLEMENTS

Developer and City acknowledge and agree that prior to the Effective Date, Developer obtained all discretionary governmental permits and approvals necessary to allow Developer to develop the Project in the manner required by this Agreement (collectively, "**Land Use Entitlements**"), and that Developer has accepted all of the Land Use Entitlements, including all of the terms and conditions pertaining thereto.

5. RIGHT TO ENTER PROPERTY; AS-IS; PHYSICAL AND ENVIRONMENTAL CONDITION

5.1 Right to Enter Property. Developer acknowledges and agrees that Developer has had ample opportunity to examine, inspect, and investigate the physical and environmental condition of the Property, and has approved the physical and environmental condition of the Property and determined it is acceptable to Developer and suitable for Developer's intended use. Commencing as of the Effective Date and until the Property Closing, Developer and Developer's representatives and agents shall be entitled to enter onto the Property to conduct additional examinations and investigations as provided herein. For avoidance of doubt, such additional examinations and investigations shall not affect Developer's approval of the physical and environmental condition of the Property or Developer's determination that the Property is suitable for Developer's intended use.

Developer shall provide to City a copy of all reports, studies and test results prepared by Developer's consultants as a result of such additional examinations and/or investigations, without representation or warranty. Developer shall submit a written request to and receive the approval of City prior to any proposed entry by Developer or Developer's representatives on the Property. City Manager shall reasonably consider any such request and shall endeavor to provide a response to Developer within one (1) business day. Any such entry shall occur during normal business hours. City Manager or his or her designee shall have the right, but not the obligation, to accompany Developer during any such additional examinations and/or investigations. As a condition of such

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entry, Developer shall (i) conduct all additional examinations and/or investigations in a diligent, expeditious, and safe manner and not allow any dangerous or hazardous conditions to occur on the Property during or after the additional examinations and/or investigations; (ii) obtain any required governmental permits and comply with all applicable laws and governmental regulations; (iii) keep the Property free and clear of all materialmen's liens, lis pendens and other liens arising out of the entry and additional examinations and/or investigations under this paragraph; (iv) maintain or assure maintenance of workers' compensation insurance (or state approved self-insurance) for all persons entering the Property in the amounts required by the State of California; and (v) provide to City Manager prior to initial entry a certificate of insurance evidencing that Developer and/or the persons entering the Property have procured and have in effect commercial general liability insurance that satisfies the requirements set forth in Section 10.5 hereof. Developer shall, in a timely manner, repair any and all damage to the Property caused by such additional examinations and/or investigations, and shall indemnify, defend, and hold harmless the Indemnitees from and against any claims, liabilities, and losses arising from the entry of Developer or its representatives or agents on the Property pursuant to this Section 5.1, except to the extent that such claims liabilities and losses arise out of the intentional misconduct or gross negligence of any of the Indemnitees.

5.2 AS-IS; Release. Developer acknowledges and agrees that Developer is leasing the Property from City solely in reliance on its own investigation, and that no representations and/or warranties of any kind whatsoever, express or implied, have been made by any of the Indemnitees.

AS A MATERIAL PART OF THE CONSIDERATION FOR CITY'S AGREEMENT TO LEASE THE PROPERTY TO DEVELOPER, DEVELOPER AGREES TO ACCEPT THE PROPERTY "AS IS" AND "WHERE IS", WITH ALL FAULTS. SUBJECT TO APPLICABLE CALIFORNIA LAW, NO WARRANTY OR REPRESENTATION IS MADE BY INDEMNITEES WITH RESPECT TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO (I) FITNESS FOR ANY PARTICULAR PURPOSE, (II) MERCHANTABILITY, (III) CONDITION, (IV) ABSENCE OF DEFECTS OR FAULTS, (V) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (VI) FLOODING, OR (VII) COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, LAWS AND REGULATIONS RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT, AS THEY MAY APPLY TO THE CURRENT CONDITION OF THE PROPERTY OR DEVELOPER'S INTENDED DEVELOPMENT, CONSTRUCTION OR USE, OR FOR ANY OTHER PURPOSE. DEVELOPER ACKNOWLEDGES THAT DEVELOPER WILL BE RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC USE, TITLE, COMPLIANCE AND LEGAL CONDITION OF THE PROPERTY.

On and after the Property Closing, Developer will be deemed to have waived and released Indemnitees of and from any and all claims, causes of action, damages or losses that may be incurred by Developer concerning the condition of the Property, whether known or unknown as of the Effective Date. Such waiver will be deemed to be a release of all rights held by Developer under California Civil Code Section 1542, which states:

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A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Developer Initials _____

This Section 5.2 shall survive termination of the Agreement.

5.3 Developer Indemnity. Developer shall save, protect, defend (with counsel reasonably acceptable to City), indemnify, and hold harmless the Indemnitees from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, reasonable attorneys' fees and remedial and response costs) (collectively, "**Liabilities**") which may now or in the future be incurred or suffered by any of the Indemnitees by reason of, resulting from, in connection with, or existing in any manner whatsoever as a direct or indirect result of (i) Developer's failure to comply with all applicable Governmental Requirements; (ii) Developer's placement on, under or about the Property of any Hazardous Materials or Hazardous Materials Contamination; or (iii) Developer's breach of its obligations under this Article 5. Except for obligations assumed by Developer in this Article 5, Developer shall have no indemnity obligation to any of the Indemnitees for any Liabilities arising from or related to Hazardous Materials Contamination of the Property that existed prior to the Property Closing, except to the extent such contamination is exacerbated by Developer or any of its Affiliates, agents, contractors, consultants or employees.

5.4 Duty to Prevent Hazardous Materials Contamination. Developer shall take commercially reasonable actions to prevent the exacerbation of an existing release of any Hazardous Materials located on the Property and the release of new Hazardous Materials to the Property after the Property Closing. For the avoidance of ambiguity, nothing in the previous sentence shall limit Developer from maintaining Hazardous Materials existing on the Property prior to the Property Closing or consolidating such Hazardous Materials on the Property, all to the extent such actions will not exacerbate any existing release of such Hazardous Materials and are permitted by law. Developer's duty to prevent Hazardous Materials Contamination shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Developer shall comply with any state or local Government Requirements pertaining to apartment complexes in San Mateo County, California, as respects the disclosure, permitting, notification, storage, use, removal, and disposal of Hazardous Materials.

5.5 Obligation to Remediate Premises. Developer acknowledges that, as of the Property Closing, City shall have no obligation to undertake any action to address or respond to Hazardous Materials present on, under, or about the Property regardless of when the Hazardous Materials first occurred or when they were first discovered. After

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the Property Closing, any remediation, investigation, mitigation or other response action (collectively "**Response Action**") shall be performed by Developer at Developer's sole cost and expense without any reimbursement from City, including without limitation (i) all Response Actions required by any federal, state, regional, or local governmental agency or political subdivision or to fulfill any Governmental Requirements and (ii) all actions necessary to use the Property for the purposes contemplated by the Regulatory Agreement, this Agreement, and the Ground Lease. Developer shall bear sole responsibility, cost and expense for any Response Action regardless of whether the Hazardous Materials or Hazardous Materials Contamination that is the subject of such Response Action arose before or after the Property Closing and regardless of when it was first discovered. Such Response Actions shall include, but not be limited to, the investigation of the environmental condition of the Property, the preparation of any feasibility studies, risk assessments or other reports, and the performance of any cleanup, remedial, removal, mitigation or restoration work.

5.6 Environmental Inquiries. Developer, when it has received any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, or cease and desist orders related to Hazardous Materials or Hazardous Materials Contamination from any governmental agency, or when Developer is required by any regulatory authority to report any violation or potential violation of any Governmental Requirement pertaining to Hazardous Materials or Hazardous Materials Contamination (collectively, "**Environmental Inquiries**"), shall promptly provide City Manager a copy or copies of the Environmental Inquiries received or reported.

In the event of a release of any Hazardous Materials into the environment in violation of law, Developer shall, as soon as possible after it becomes aware of the release, furnish to City Manager a notification that the release occurred and a copy of any and all test results and final reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of City Manager, Developer shall furnish to City Manager a copy or copies of any and all other Environmental Inquires relating to or affecting the Property including, but not limited to, all environmental permit applications for permits, test results and final environmental reports, including, without limitation, those reports and other matters which may be characterized by Developer as confidential. For the avoidance of ambiguity, Developer shall be under no obligation to furnish any attorney-client privileged documents; provided, however, that Developer may not withhold from City facts regarding a violation of law that affects the Property.

5.7 Materiality. Developer acknowledges and agrees that the defense, indemnification, protection and hold harmless obligations of Developer for the benefit of Indemnitees set forth in this Agreement are a material element of the consideration to City under this Agreement, and that City would not have entered into this Agreement unless Developer's obligations were as provided for herein.

5.8 Review of Title of Site. Developer acknowledges and agrees that City provided Developer preliminary title reports prepared by the Title Company on November 10, 2025, as its Order Nos. 111703064 and 1117030644 ("**Preliminary Title Report**") with respect to the title to the Property, together with legible copies of the documents

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underlying the exceptions ("**Title Exceptions**") set forth in the Preliminary Title Report, and that Developer, through its Affiliate, Mercy, has had ample opportunity to review the Preliminary Title Report and Title Exceptions, and has approved the Preliminary Title Report and Title Exceptions and determined the condition of title to the Property ("**Condition of Property Title**") is acceptable to Developer and suitable for Developer's intended use. From and after the date of the approved Preliminary Title Report, and continuing until the earlier of (i) the Property Closing, or (ii) termination of this Agreement, City shall not further encumber the Property with additional Title Exceptions without Developer's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

6. FINANCING PLAN FOR THE PROJECT

6.1 Financing Plan. As of the date of this Agreement, it is contemplated that Developer will finance the Project ("**Project Financing**") through a combination of funds from the proceeds of the following:

(a) Construction Loan. The Construction Loan;

(b) Tax Credits. Developer equity, consisting of equity raised by the syndication to reputable investors of state and/or federal low-income housing credit and obtained pursuant to 26 U.S.C. §42 ("**Tax Credits**");

(c) Take-Out Loan. The Take-Out Loan;

(d) IIG Grant. A grant of Infill Infrastructure Grant ("**IIG**") funds from the California Department of Housing and Community Development in the amount of $2,756,304;

(e) State Funds. $2,000,000 in funds from the State of California, to be provided as either a grant or loan;

(f) ARPA Grant. A grant of funds from the County of San Mateo to the City of Half Moon Bay to provide American Rescue Plan Act (ARPA) funds to Developer, in an amount to be set forth in the Final Project Budget; and

(g) Serna Loan. A loan of Joe Serna Farmworker funds from the California Department of Housing and Community Development, in the amount of $13,350,000.

Notwithstanding the foregoing, (i) Developer shall continue to use commercially reasonable efforts to pursue additional sources of funds that may be available to assist with the costs of developing the Project; and (ii) the Project Financing above may be changed by Developer in its discretion prior to Property Closing, subject to City Manager's advance written approval, which shall not be unreasonably withheld; and (iii) Developer shall not accept federal Section 8 Housing Choice Vouchers or other federal funds as a source of funding

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6.2 Tax Credits; Applications to TCAC. Developer shall, at the times described in the Schedule of Performance, prepare and submit a complete application to TCAC for an allocation of Tax Credits, and apply to reputable institutional investors and syndicators qualified to act as the Investor.

Developer agrees to promptly submit to City Manager all of the following documents at such time as the same are submitted by Developer to TCAC or other applicable body or when such documents are received by Developer, as applicable:

(1) A true and correct copy of the preliminary reservation letter from TCAC, a copy of the letter of intent from the Investor reflecting the total amount of the syndication proceeds and the timing of the payment of such proceeds.

(2) A complete copy of the tax credit regulatory agreement required by TCAC.

(3) Complete copies of all correspondence or transmittals from TCAC or other jurisdiction (such as the Internal Revenue Service) containing any notification regarding the Project's noncompliance with applicable provisions of the Tax Credit Program.

6.3 Preliminary Project Budget; Final Project Budget. The Preliminary Project Budget includes a Sources and Uses of Funds Statement; the "**Final Project Budget**" will include all of the following: (i) a Sources and Uses of Funds Statement; (iii) a Cash Flow Projection; and (iv) a First Year Operating Budget. The Parties acknowledge and agree that (a) the Preliminary Project Budget represents the financing that, as of the Effective Date, Developer contemplates it will obtain for development of the Project, and (b) at such time as Developer has obtained commitments for all of the financing necessary for Developer to develop the Project, Developer shall submit to City Manager for its written approval the Final Budget.

6.4 Developer Submittals. Promptly upon Developer's receipt of a notification of an award of any of the financing described in the Preliminary Project Budget or any other sources of financing, Developer shall submit to the City Manager copies of the award documentation received in connection with the same.

6.5 Financing Commitments. Developer shall submit to the City Manager, for informational purposes, preliminary commitments for the Project Financing, including, without limitation, bids received from qualified investors for the Tax Credits.

7. GROUND LEASE OF PROPERTY

7.1 Agreement. City, subject to the conditions set forth in Section 7.2 below, agrees to ground lease the Property to Developer pursuant to the Ground Lease, and Developer, subject to the conditions set forth in Section 7.3 below, agrees to ground lease the Property from City for a term of ninety-nine (99) years. Subject to each party's reserved rights hereunder, the parties shall cooperate with one another and shall exercise

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commercially reasonable diligence in an effort to ensure that the conditions precedent set forth in Sections 7.2 and 7.3 are timely satisfied.

7.2 Conditions for City's Benefit. City's obligation to ground lease the Property to Developer shall be subject to (i) satisfaction of all of the following conditions precedent; or (ii) City's written waiver of such conditions precedent:

(a) Organizational Documents. City Manager shall have received and approved a copy of such portions of the organizational documents of Developer or Developer's successor-in-interest as City Manager deems reasonably necessary to document the power and authority of Developer to perform its obligations set forth in this Agreement. Developer shall have made full disclosure to City of the names and addresses of all persons and entities that have a beneficial interest in Developer.

(b) Insurance. Developer shall have submitted to City Manager and City Manager shall have approved Developer's evidence of the liability insurance required pursuant to Section 10.5.

(c) Evidence of Project Financing. City Manager shall have received commitments from all Project Financing sources, as evidenced by letters of commitment and/or true and complete copies of loan documents, the form and substance of which shall be acceptable to City Manager and the total amount of which is sufficient to cover all Project Costs shown in the approved Final Project Budget.

(d) Construction Contract. City Manager shall have received a true and complete copy of a contract by and between Developer and the general contractor pursuant to which the general contractor has agreed to construct the Project at a cost that is no greater than the costs set forth therefor in the Final Project Budget.

(e) Final Construction Documents. City Manager shall have approved the Final Construction Documents for the Project and City Manager shall have received a full set thereof.

(f) Building Permit. The Building Permit for the Project shall have issued or shall be ready to issue subject only to the payment of applicable fees, the posting of required security, or both.

(g) Construction to Commence. City Manager shall be satisfied, based on evidence provided by Developer, that construction of the Project will commence not later than thirty (30) days after the Property Closing and thereafter will be pursued to completion in a diligent and continuous manner.

(h) Management Agreement. Developer shall have submitted an executed agreement by and between Developer and Mercy Housing Management Group, a Nebraska nonprofit corporation, or another property manager approved by City Manager for management of the Project ("**Management Agreement**"), which Management Agreement shall be consistent with this Agreement, and City Manager shall have approved the same, which approval shall not be unreasonably withheld.

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(i) Regulatory Agreement. Developer shall have submitted an executed regulatory agreement with signatures acknowledged by and between Developer and City, which will be recorded as an encumbrance on title to the Property and evidence the obligations of Developer with respect to the Affordability Restrictions (as defined in the Ground Lease) which shall continue for the term of the Ground Lease ("**Regulatory Agreement**").

(j) Documents Executed. Developer shall have duly executed the Ground Lease and Memorandum of Ground Lease with signatures acknowledged (as applicable) and deposited them into Escrow.

(k) Title Policy. If requested by City Manager, Title Company is prepared to issue an owner's policy of title insurance, the form and substance of which shall be reasonably acceptable to City, naming City as the insured, showing Developer as holding leasehold title to the Property ("**City Title Policy**").

(l) Approval of Proposed Final Project Budget. Developer shall have submitted a proposed Final Project Budget to City Manager, and City Manager shall have approved the same.

(m) Total Project Cost. Nothing shall have come to the attention of Developer and/or City to indicate that the Project cannot be completed at a cost that is no more than stated in the Final Project Budget and, if there has been such an indication, Developer has provided evidence reasonably satisfactory to City Manager, of the availability of funding sources other than City to complete the Project. If Developer becomes aware of any such information, Developer shall promptly give written notice thereof to City.

(n) Community Serving Space. Developer shall have submitted to City Manager a proposed program for the community-serving space, which outlines ongoing supportive services and programming to enrich resident well-being and quality of life, and includes applicable fees and other restrictions related to use by the general public. The operational program shall consist of providing health, wellness and other social services to residential subtenants of the Project in accordance with requirements of City and Project funders. The operational program shall also include the provision of a multi-purpose community space to be used at the sole discretion of City, for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy of the Project, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and the community space operator's proposed use of the space. The program operator shall comply with all terms, conditions and operational requirements of the applicable Sublease, as approved by City Manager. The operational program may be amended from time to time, as requested by the operator and approved in writing by City Manager.

(o) Representations and Warranties. The representations of Developer contained in this Agreement shall be correct in all material respects as of the Property

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Closing as though made on and as of that date and, if requested by City Manager, City shall have received a certificate to that effect signed by Developer.

(p) No Default. No Event of Default by Developer shall then exist, and no event shall then exist which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer and, if requested by City Manager, City shall have received a certificate to that effect signed by Developer.

7.3 Conditions for Developer's Benefit. Developer's obligation to ground lease the Property from City shall be subject to satisfaction of all of the following conditions precedent or Developer's written waiver of such conditions precedent in its sole and absolute discretion:

(a) Condition of Property. No material changes shall have occurred after the Effective Date with respect to the condition of the Property, which would cause the Property to be unusable for the Project. For avoidance of doubt, the discovery of new information about the condition of the Property as of the Effective Date is not a material change in the condition of the Property for purposes of this paragraph.

(b) Evidence of Project Financing. Developer shall have received commitments for all Project Financing, the total amount of which is sufficient to cover all Project Costs shown in the approved Final Project Budget.

(c) Total Project Cost. Nothing shall have come to the attention of Developer and/or City to indicate that the Project cannot be completed at a cost substantially consistent with the Final Project Budget and, if there has been such an indication, Developer has provided evidence reasonably satisfactory to City Manager of the availability of funding sources other than City to complete the Project.

(d) Building Permit. The Building Permit for the Project shall have issued or shall be ready to issue subject only to the payment of applicable fees, the posting of required security, or both.

(e) Title Insurance. The Title Company shall be prepared to issue its ALTA leasehold form policy of title insurance, with liability in the amount not less than the total of the equity raised from the sale of the Tax Credits plus the principal amount of the Take-Out Loan, showing leasehold title to the Property and fee title to the improvements located thereon vested in Developer, in the Condition of Property Title, with no other encumbrances or title exceptions, except (i) the Project Documents being recorded at the Property Closing pursuant to the terms of this Agreement, (ii) the lien of the Construction Loan Security Documents, (iii) the standard conditions and exceptions contained in an ALTA standard owner's policy of title insurance that is regularly issued by the Title Company in transactions similar to the one contemplated by this Agreement, and (iv) such other exceptions reasonably acceptable to Developer ("**Developer Title Policy**"). The Title Company shall provide City with a copy of the Developer Title Policy.

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(f) No Default. No Event of Default by City shall then exist, and no event shall then exist which, with only the giving of notice or the passage of time or both, would constitute an Event of Default by City.

(g) Documents Executed. City shall have duly executed the Ground Lease and Memorandum of Ground Lease with signatures acknowledged (as applicable) and deposited them into Escrow.

7.4 Developer Right to Terminate. If, by the Outside Closing Date, any of the conditions set forth in Section 7.3 have not been satisfied, or waived by Developer, then Developer, provided that it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to City.

7.5 City Right to Terminate. If, by the Outside Closing Date, any of the conditions set forth in Section 7.2 have not been satisfied, or waived by City, then City, provided that it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to Developer.

7.6 Waiver of Conditions. The conditions set forth in Section 7.2 are for City's benefit only and City may waive all or any part of such rights by written notice to Developer. The conditions set forth in Section 7.3 are for Developer's benefit only and Developer may waive all or any part of such rights by written notice to City.

8. PROPERTY CLOSING; ESCROW EXPENSES

8.1 Property Closing. Upon receipt by the Escrow Holder of (i) counterparts of the Ground Lease executed by City and Developer, (ii) counterparts of the Memorandum of Ground Lease executed and acknowledged by City and Developer, (iii) the Regulatory Agreement executed by Developer, and (iv) all other funds and documents required to conduct the Property Closing in accordance with this Agreement, and when City Manager has notified Escrow Holder that the conditions precedent described in Section 7.2 have been satisfied, or waived by City , and Developer has notified Escrow Holder that the conditions precedent described in Section 7.3 have been satisfied, or waived by Developer, the Escrow Holder shall take all of the following actions:

(a) Recordation. Escrow Holder shall record the following documents in the Official Records in an order or priority to be determined by the Parties prior to the Property Closing:

(i) the Regulatory Agreement,

(ii) the Memorandum of Ground Lease; and

(iii) such other documents required to close the Escrow in accordance with this Agreement or other Project funding sources.

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(b) Deliveries to City. Escrow Holder shall deliver to City:

(i) the original of the fully executed Ground Lease;

(ii) a conformed copy of each of the documents recorded pursuant to paragraph (a) above; and

(iii) City Title Policy.

(c) Deliveries to Developer. Escrow Holder shall deliver to Developer:

(i) a copy of the fully executed Ground Lease;

(ii) a conformed copy of each of the documents recorded pursuant to paragraph (a) above; and

(iii) Developer Title Policy.

8.2 Property Closing Expenses. Developer shall pay from one or more of the sources identified in the Project Budget all Property Closing Expenses, including, among others: (a) any and all documentary transfer taxes and recording fees arising from the leasehold conveyance of the Property from City to Developer by the Ground Lease, (b) the Escrow fee, (c) the premium for the City Title Policy and Developer Title Policy, (d) all such other costs and expenses related to the Escrow and not expressly provided for herein, and (e) all of City's legal fees related to or arising from the Property Closing and City's review and preparation of documents and information related thereto.

8.3 Instruction to Escrow Holder Regarding Waiver of Transfer Taxes and Recording Fees. The Escrow Holder is hereby instructed to seek such waivers and exemptions from transfer taxes and recording fees as are available pursuant to Revenue and Taxation Code Section 11922 and Government Code Sections 6103 and 27383, respectively.

8.4 Broker's Commissions. Developer represents and warrants to City that Developer has not engaged any broker, agent or finder in connection with this Agreement, and Developer agrees to indemnify, protect, hold harmless, and defend the Indemnitees from any claim by any brokers, agents or finders retained by Developer. City represents and warrants to Developer that City has not engaged any broker, agent, or finder in connection with this Agreement, and City agrees to indemnify, protect, hold harmless, and defend Developer and its officers, officials, members, employees, representatives, agents, and volunteers from any claim by any brokers, agents, or finders retained by City.

9. INTENTIONALLY OMITTED

10. DEVELOPMENT OF THE PROJECT

10.1 Scope of Development. As further described in the Ground Lease, Developer shall construct the Project on the Property in accordance with all applicable

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Governmental Requirements, the approved Land Use Entitlements, and the Scope of Development. In the event of any conflict between the approved Land Use Entitlements and the Scope of Development, the approved Land Use Entitlements shall govern and control. Subject to Section 17.12 below, Developer shall commence and complete construction of the Project on the Property by the respective times established therefor in the Schedule of Performance. The Scope of Development shall be deemed to include any plans and specifications submitted to City for approval, and shall incorporate or show compliance with all mitigation measures.

10.2 Additional Governmental Permits and Approvals.

(a) Before commencement of construction or development of any buildings, structures or other works of improvement upon the Property by Developer, Developer shall, at its own expense, secure or cause to be secured any and all permits and approvals not included in the Land Use Entitlements which may be required by City or any other governmental agency affected by or with jurisdiction over such construction, development or work.

(b) Developer shall pay all necessary fees and timely submit to City Final Construction Documents with final corrections required by City to obtain a Building Permit.

10.3 Cost of Development. Developer acknowledges and agrees that all Project Costs shall be borne exclusively by Developer. Developer shall also bear all costs related to discharging the duties of Developer set forth in this Agreement. Developer shall also be responsible for all fees associated with development of the Project, including, but not limited to, school facilities fees and development impact fees.

10.4 Indemnity. Developer shall defend (by counsel reasonably satisfactory to City Manager), indemnify, and hold harmless the Indemnitees from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including expert witness fees, attorney's fees and costs), to the extent arising out of the activities and/or performance of Developer or any of Developer's employees, agents, representatives, contractors, subcontractors or consultants under or with respect to (i) this Agreement, the Ground Lease or the Regulatory Agreement, (ii) a claim, demand or cause of action that any person has or asserts against Developer and/or any of the indemnitees; (iii) any act or omission of Developer, any of Developer's contractors, subcontractors or material suppliers, engineers, architects or other persons with respect to the Property; or (iv) the lease, occupancy or use of the Property by Developer, whether such damage shall accrue or be discovered before or after termination of this Agreement. Developer's indemnification obligations pursuant to this Section 10.4 shall not apply to the extent that such claims, suits, or damages arise out of the intentional misconduct or gross negligence of any of the Indemnitees. The obligations and indemnifications in this Section 10.4 shall constitute covenants running with the land.

10.5 Insurance Requirements. Commencing on the date of the Property Closing and continuing throughout the term of the Ground Lease, Developer shall procure and

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maintain, at its sole cost and expense, in a form and content satisfactory to City Manager, the policies of insurance described in and required by the Ground Lease.

10.6 Remedies for Defaults Regarding Insurance. In addition to any other remedies City may have, if Developer commits a default hereunder by failing to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may obtain such insurance and invoice Developer for the amount of said premium, which sums shall be due from Developer to City upon receipt of the invoice.

10.7 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. If the Project shall be totally or partially destroyed or rendered uninhabitable by fire or other casualty required to be insured against by Developer, Developer shall, subject to the rights of the Construction Lender, promptly proceed to obtain all available insurance proceeds and, to the extent proceeds are available, take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project to substantially the same condition as it existed prior to the casualty, and Developer shall complete or cause to be completed the same as soon as possible thereafter so that the Project can be operated in accordance with this Agreement. City Manager shall cooperate with Developer, at no expense to City, in an effort to obtain any governmental permits required for such repair, replacement, or restoration.

10.8 Rights of Access. For purposes of assuring compliance with this Agreement, representatives of City shall have the right of access to the Property without charges or fees, at normal business hours during the construction of the Project (subject to reasonable job safety rules as may be imposed by Developer or the Developer's general contractor), including, but not limited to, the inspection of the work being performed in constructing the Project, so long as they comply with all safety rules. Such representatives of City shall be those who are so identified in writing by City Manager.

10.9 Compliance with Laws; Compliance with Prevailing Wage Laws.

(a) Compliance with Laws. Developer shall carry out the construction, development and operation of the Project in conformity with all Governmental Requirements, including without limitation, all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq.

(b) Compliance with Prevailing Wage Laws.

(i) Developer shall carry out the construction through completion of the Project and the overall development of the Property in conformity with all applicable Governmental

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Requirements relating to the payment of prevailing wages and compliance with prevailing wage rules, including, without limitation, the requirements to pay prevailing wages under California law (Labor Code Section 1720, et seq.) ("**California Prevailing Wage Law**"). The parties acknowledge that a financing structure utilizing certain federal and/or state funding sources and financing scenarios may trigger compliance with applicable state and federal prevailing wage laws and regulations. Developer shall determine the applicability of federal, state, and local prevailing wage laws based upon the final financing structure and sources of funding of the Project, as approved by City Manager.

(ii) Developer shall be solely responsible, expressly or impliedly, and legally and financially, for determining and effectuating compliance with all applicable federal, state, and local public works requirements, prevailing wage laws, and labor laws and standards, and City makes no representation, either legally and/or financially, as to the applicability or non-applicability of any federal, state, and local laws to the construction of the Project. Developer expressly, knowingly, and voluntarily acknowledges and agrees that City has not previously represented to Developer or to any representative, agent, or Affiliate of Developer, or any contractor(s) or any subcontractor(s) for the demolition work, construction, or development of the Project, in writing or otherwise, in a call for bids or otherwise, that the work and construction of the Project is (or is not) a "public work," as defined in Section 1720 of the Labor Code.

(iii) Developer knowingly and voluntarily agrees that Developer, and not City, shall have the obligation to provide any and all disclosures or identifications to any contractor for the Project as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law or regulation. Developer shall indemnify, protect, pay for, defend, and hold harmless the Indemnitees, with legal counsel reasonably acceptable to City Manager, from and against any and all loss, liability, damage, claim, cost, expense, and/or "increased costs" (including reasonable attorney's fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Project, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (i) the noncompliance by Developer or its agents or contractor with any applicable local, state, and/or federal law or regulation, including, without limitation, any applicable federal and/or state labor laws or regulations (including, without limitation, if applicable, the requirement to pay state and/or

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federal prevailing wages and hire apprentices); (ii) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law or regulation; and/or (iii) failure by Developer to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law or regulation. It is agreed by the parties that, in connection with the demolition work, development, and construction (as defined by applicable law or regulation) of the Project, including, without limitation, any and all public works (as defined by applicable law or regulation), Developer shall bear all risks of payment or non-payment of prevailing wages under applicable federal, state, and local law or regulation and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law or regulation. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Project by Developer.

(iv) "**Increased costs**," as used in this Section 10.9, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

10.10 Anti-Discrimination. Developer for itself and its successors and assigns, agrees, that in the construction of the Project on the Property or other performance under this Agreement, Developer shall not discriminate against any employee or applicant for employment on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code.

10.11 Taxes and Assessments. After the Property Closing, Developer shall pay prior to delinquency all real estate taxes and assessments on the Property so long as Developer retains any interest therein. Notwithstanding the above, Developer shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance available to Developer in respect thereto, or obtain any available exemptions, provided that Developer does so in a diligent manner.

10.12 Right of City to Satisfy Other Liens on the Property(s). If Developer obtains written notice or actual knowledge of any lien or encumbrance on the Property which is not permitted under this Agreement, and Developer has failed after a reasonable time (but not less than forty-five (45) days) thereafter to challenge, cure, adequately bond against, or satisfy such lien or encumbrance, City shall have the right (but not the obligation) to satisfy any such lien or encumbrance, and Developer shall be liable to City, upon written demand, for all costs incurred by City in pursuit thereof, including without limitation City's reasonable attorneys' fees and costs. Nothing in the foregoing sentence shall be construed as limiting any right available to Developer to contest the validity or

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amounts of any tax, assessment, or encumbrance on the Property. This Section 10.12 shall survive termination of the Agreement.

10.13 Non-liability of City. Developer acknowledges and agrees that:

(a) City neither undertakes nor assumes any responsibility to review, inspect, supervise, approve (other than for aesthetics) or inform Developer of any matter in connection with the Project, including matters relating to: (i) the Final Construction Documents, (ii) architects, contractors, subcontractors and materialmen, or the workmanship of or materials used by any of them, (iii) the Final Project Budget, and/or (iv) the progress of the Project and its conformity with the Final Construction Documents; and Developer shall rely entirely on its own judgment with respect to such matters and acknowledge that any review, inspection, supervision, approval or information supplied to Developer by City in connection with such matters is solely for the protection of City and that neither Developer nor any third party is entitled to rely on it;

(b) City is not a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Developer and City does not intend to ever assume any such status; and City shall not be deemed responsible for or a participant in any acts, omissions or decisions of Developer;

(c) City shall not be directly or indirectly liable or responsible for any loss or injury of any kind to any person or property resulting from any construction on, or occupancy or use of, the Property whether arising from: (i) any defect in any building, grading, landscaping or other onsite or offsite improvement or condition; (ii) any act or omission of Developer or any of Developer's agents, employees, contractors, consultants, licensees or invitees; or (iii) from and after the Property Closing any accident on the Property or any fire or other casualty or hazard thereon; and

(d) By accepting or approving anything required to be performed or given to City under this Agreement, including any certificate, financial statement, survey, appraisal or insurance policy, City shall not be deemed to have warranted or represented the sufficiency or legal effect of the same, and no such acceptance or approval shall constitute a warranty or representation by City to anyone.

11. AFFORDABILITY COVENANTS

As more particularly provided in Ground Lease, ten (10) dwelling units in the Project shall be rented to households whose incomes do not exceed thirty percent (30%) of the area median income for San Mateo, adjusted for household size ("**Adjusted AMI**"), and twenty-nine (29) of the dwelling units in the Project shall be rented to households whose incomes do not exceed fifty percent (50%) of the Adjusted AMI; with all of such dwelling units rented at an affordable rent, pursuant to TCAC regulations. Notwithstanding the foregoing, however, if Developer or its Investor reasonably determines prior to the Property Closing that based on the Project's residual analysis test, maximum rent levels would need to be increased after the fifty-fifth (55th) year of operation, then the Ground Lease shall permit such increase after the fifty-fifth (55th) year

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of operation, but only to the extent necessary to satisfy the residual analysis test and subject to the reasonable approval of City Manager. By way of clarification, City and Developer agree that to the extent the rent levels need to be increased, as described above, such increase shall cause the rent to remain within an affordable level and shall not cause the rent to increase to a market rate rent.

12. GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

12.1 Developer's Formation, Qualification and Compliance. Developer represents and warrants that (a) it is validly existing and in good standing under the laws of the State of California, (b) it has all requisite authority to conduct its business and own and lease its properties, (c) it has all requisite authority to execute and perform its obligations under this Agreement, (d) this Agreement is binding upon Developer in accordance with its terms, and (e) the individuals executing this Agreement on behalf of Developer are duly authorized to execute and deliver this Agreement on behalf of Developer.

12.2 Litigation. Developer represents and warrants that there are no actions, lawsuits or proceedings pending or, to the best of Developer's knowledge, threatened against or affecting Developer, the outcome of which could have a material adverse effect on Developer's ability to perform its obligations under this Agreement.

12.3 City. City represents and warrants that (a) it is validly existing and in good standing under the laws of the State of California, (b) it has all requisite authority to conduct its business and own and lease its properties, (c) it has all requisite authority to execute and perform its obligations under this Agreement, (d) this Agreement is binding upon City in accordance with its terms, and (e) the individuals executing this Agreement on behalf of City are duly authorized to execute and deliver this Agreement on behalf of City.

13. DEFAULTS AND REMEDIES

13.1 Event of Default. Any of the following events or occurrences with respect to either Party shall constitute a material breach of this Agreement and, after the expiration of any applicable cure period, shall constitute an "**Event of Default**" by such party:

(a) The failure by either Party to pay any amount in full when it is due under this Agreement, if the failure has continued for a period of ten (10) days after the Party entitled to payment demands in writing that the other Party cure that failure.

(b) The failure by either Party to perform any other obligation under this Agreement, if the failure has continued for a period of thirty (30) days after demand in writing that such Party cure the failure, or such shorter time period as may be provided for in one of the other Project Documents. If, however, by its nature the failure cannot reasonably be cured within said time period, such Party may have such longer period of time as is reasonably necessary to cure the failure, provided that such Party commences

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said cure within said thirty (30)-day period, and thereafter diligently prosecutes said cure to completion within a period of no more than ninety (90) days.

13.2 Remedies. The occurrence of any Event of Default shall give City the right to proceed with an action in equity to require Developer to specifically perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement.

13.3 No Waiver. Except as otherwise expressly provided in this Agreement, any failure or delay by either Party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default, or of any such rights or remedies, or deprive any such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

13.4 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by the other Party.

13.5 Attorneys' Fees. If either Party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing Party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees.

13.6 Reimbursement of City. Within thirty (30) days after its receipt of written demand from City, Developer shall reimburse City for all costs reasonably incurred by City (including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants) in connection with City enforcement of the Project Documents and all related matters, including, without limitation, the following: (a) City's commencement of, appearance in, or defense of any action or proceeding purporting to affect the rights or obligations of the Parties to any Project Document; and (b) all claims, demands, causes of action, liabilities, losses, and other costs against which any of the Indemnitees is indemnified under the Project Documents. Such reimbursement obligations shall bear interest from the date occurring fifteen (15) days after City makes written demand to Developer at the rate of ten percent (10%) per annum or the maximum legal rate, whichever is less. Such reimbursement obligations shall survive termination of this Agreement.

14. NOTICES

All notices, consents, demands, approvals and other communications ("**Notices**") that are given pursuant to this Agreement shall be in writing to the appropriate Party and shall be deemed to have been fully given when delivered, including delivery by reputable commercial delivery service that provides a receipt with the time and date of delivery, or if deposited in the United States mail, certified or registered, postage prepaid, within two

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(2) days after deposit. All Notices shall be addressed as follows:

If to Developer:	Mercy Housing California 110, L.P. 1256 Market Street San Francisco, CA 94102 Attn: Kelly Hollywood Email: kelly.hollywood@mercyhousing.org
with a copy to:	Gubb & Barshay LLP 235 Montgomery St., Suite 1110 San Francisco, CA 94104 Attn: CJ Higley and Evan Gross Email: cjhigley@gubbandbarshay.com; egross@gubbandbarshay.com
If to City:	City of Half Moon Bay 501 Main Street, Half Moon Bay, CA 94019 Attn: City Manager Reference: 555 Kelly Email: mchidester@halfmoonbay.gov
with a copy to	Half Moon Bay City Attorney's Office c/o Burke, Williams & Sorensen 1999 Harrison Street, Suite 1650 Oakland, CA 94612 Attn: Denise Bazzano, Esq.

Addresses for notice may be changed from time to time by notice to the other Party. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any Notice as the result of a change of address of which the sending Party was not notified shall be deemed receipt of such Notice.

15. ASSIGNMENT

15.1 Generally Prohibited. Except as otherwise expressly provided to the contrary in this Agreement, Developer shall not assign any of its rights or delegate any of its duties under this Agreement, nor shall any changes occur with respect to the ownership and/or control of Developer, including, without limitation, stock transfers, or transfers, sales or issuances of membership or ownership interests, or statutory conversions, without the prior written consent of City, which consent may be withheld in his or her sole and absolute discretion. Any such assignment or delegation without such consent shall, at City's option, be void. Notwithstanding the foregoing, however, (i) the Investor may be admitted to the Developer as a 99.99% Tax Credit limited partner without obtaining any consent, and such Investor may assign any or all of its interests as a

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99.99% Tax Credit limited partner without any consent, provided notice thereof is delivered in writing to City concurrently with such assignment; (ii) the Investor may remove the general partner for a default under the Partnership Agreement; and (iii) Developer may transfer and assign its rights and duties hereunder to Mercy or an Affiliate of Mercy pursuant to the purchase option and/or right of first refusal entered into between Mercy (or an Affiliate of Mercy) and Developer, provided notice thereof is delivered in writing to City concurrently with such assignment. This Section 15.1 shall not be applicable to the leasing of individual dwelling units to income eligible households in accordance with the Ground Lease or to the leasing of the Project's commercial space in accordance with the Ground Lease.

15.2 Release of Developer. Upon any such assignment made in compliance with Section 15.1 above which is evidenced by a written assignment and assumption agreement in a form approved by City in its sole and absolute discretion, the transferor shall be released from any liability under this Agreement arising from and after the effective date of such assignment.

16. ADMINISTRATION/APPROVALS/REQUESTS

16.1 Administration. Following approval of this Agreement by City Council, this Agreement shall be administered and executed on behalf of City by City Manager. City Manager shall have the authority to issue interpretations, waive terms and conditions, enter into subordination agreements with other Project funding sources, and enter into implementing agreements and amendments to this Agreement (including, without limitation, to the Schedule of Performance) on behalf of City, provided that such actions do not substantially change the uses or development permitted on the Property, materially add to the costs or obligations, increase the risk of liability, or impair the rights or remedies of City provided herein, or materially decrease the revenues or other compensation to be received by City hereby. All other waivers or amendments shall require the formal approval of the City Council.

16.2 Approval/Requests. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as expressly described in Section 16.1 and elsewhere in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request or make a determination that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such

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phrases shall indicate that City Manager will consider if there is a good faith justification for approving such determination or request. This Section 16.2 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation"

17. MISCELLANEOUS

17.1 Counterparts. This Agreement may be executed in counterparts, all of which, taken together, shall be deemed to be one and the same document.

17.2 Prior Agreements; Amendments. This Agreement contains the entire agreement between City and Developer with respect to the Project and the Property, and all prior negotiations, understandings and agreements are superseded by this Agreement. No modification of this Agreement (including waivers of rights and conditions) shall be effective unless in writing and signed by the Party against whom enforcement of such modification is sought, and then only in the specific instance and for the specific purpose given. City agrees to consider in good faith making reasonable modifications to this Agreement that are necessary to finance the development of the Project.

17.3 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California, without regard to conflict of law principles.

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

17.5 Severability of Provisions. No provision of this Agreement that is held to be unenforceable or invalid shall affect the remaining provisions if and to the extent that the primary purposes of this Agreement can still be accomplished without materially impairing the rights or increasing the obligations or risks of each Party, as reasonably determined by that Party, and to that extent all provisions of this Agreement are hereby declared to be severable.

17.6 Interpretation. Both Parties have participated in the drafting of this Agreement and any ambiguities in this Agreement shall not be construed for or against either Party on account of the authorship or presumed authorship hereof. Article and Section headings are included in this Agreement for convenience of reference only and shall not be used in construing this Agreement. Any defined term used in the plural in this Agreement shall refer to all members of the relevant class and any defined term used in the singular shall refer to any of the members of the relevant class. References herein to Articles, Sections, and Attachments shall be construed as references to this Agreement unless a different document is named. References to subparagraphs shall be construed as references to the same Section in which the reference appears. The terms "including" and "include" mean "including (include) without limitation."

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17.7 Accounting Principles. Any accounting term used and not specifically defined in this Agreement shall be construed, and all financial data required to be submitted under this Agreement shall be prepared, in conformity with generally accepted accounting principles applied on a consistent basis or in accordance with such other principles or methods as are reasonably acceptable to City Manager.

17.8 Attachments Incorporated. All attachments to this Agreement, as now existing and as the same may from time to time be modified, are incorporated herein by this reference.

17.9 Time of the Essence. Time is of the essence of this Agreement.

17.10 Warranty Against Payment of Consideration. Developer warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement.

17.11 Non-liability of City Officials and Employees. No member, director, officer, employee, or volunteer of City shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by City or for any amount which may become due to Developer or successor, or on any obligation under the terms of this Agreement.

17.12 Force Majeure. In addition to specific provisions of this Agreement, performance by either Party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God or other deities; acts of the public enemy; epidemics; pandemics; quarantine restrictions; freight embargoes; litigation beyond the reasonable control of a Party; referendum; unusually severe weather; inability, despite commercially reasonable efforts, to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplier beyond the reasonable control of a Party; acts or the failure to act of any public or governmental entity (except that acts or the failure to act of City shall not excuse performance by City); or any other acts or causes beyond the reasonable control of the Party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause. Force Majeure shall serve also to extend the time by which any condition, for the benefit of either Party, shall be satisfied under this Agreement. Notwithstanding any provision of this Agreement to the contrary, in no event shall adverse market conditions, interest rates, the lack of funding or difficulty obtaining the financing necessary to complete the Project constitute a Force Majeure event under this Section.

17.13 Nondiscrimination Covenants. Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and

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Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land.

Developer shall refrain from restricting the rental, sale or lease of the Property on any of the bases listed above in this Section 17.13. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

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

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

> "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d)

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of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

The covenants established in this Section 17.13 shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its successors and assigns, and shall remain in effect in perpetuity. Notwithstanding the foregoing, Developer acknowledges and agrees that it shall have no right to sell or transfer all or any portion of the fee interest in the Property or Project and that Developer's only rights with respect to the Property and Project shall arise under the Ground Lease pursuant to which it is the ground lessee.

17.14 No Third Party Beneficiary. No person or entity other than City and Developer, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

17.15 U.S. Immigration and Customs Enforcement. Developer agrees that access to private, non-public areas of the Property shall only be accessed by the County of San Mateo, State and Federal officials by consent of Developer or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access to the private non-public areas of the Property. If such a judicial warrant or other legal instrument is presented to Developer, Developer shall confirm identification of the County, State or Federal official and shall observe and document the locations accessed by the official and provide City with written notice of the warrant or other legal instrument, the areas accessed, and the observations. Developer shall be responsible for compliance with all applicable State and Federal laws relating to immigration in performance of its obligations set forth in this Agreement, including but not limited to, the Immigration and Nationality Act, and shall defend and indemnify Indemnitees in accordance with Section 5.3 to the extent any Liabilities arises from alleged violations of State and Federal immigration laws.

17.16 Termination. This Agreement shall automatically terminate upon recordation of the Memorandum of Ground Lease, which is the date upon which the Ground Lease commences. Such termination shall not terminate any indemnification obligations set forth in this Agreement, whether or not their survival is expressly stated,

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or any other provisions in this Agreement which are expressly stated in this Agreement to survive termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

"City"

CITY OF HALF MOON BAY, a municipal corporation

By: _____
Matthew Chidester, City Manager

Approved as to form:

By: _____
Denise Bazzano, Interim City Attorney

"Developer"

MERCY HOUSING CALIFORNIA 110, L.P.,
a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its: General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its: Sole member/manager

By: _____
Ramie Dare
Vice President

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ATTACHMENTS

1 - Legal Description of Property

2 - Site Map

3 - Schedule of Performance

4 - Scope of Development

5 - Preliminary Project Budget

6 - Form of Ground Lease

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ATTACHMENT NO. 1

LEGAL DESCRIPTION OF PROPERTY

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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ATTACHMENT NO. 2

SITE MAP

ATTACHMENT NO. 3

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Developer submits applications for State of California Infrastructure Infill Grant and Joe Serna Jr. Farmworker financing	Completed: IIG funding secured in 2023 Serna funding secured in 2025
2.	Developer prepares and submits application to TCAC for a preliminary reservation of Tax Credits and applies to reputable institutional investors and syndicators qualified to act as the Investor	Next available TCAC round immediately following Developer securing financing commitments to be competitive for Tax Credits and Developer determines that City's Building Permit will be issued no later than 180 days after a Tax Credit award.
3.	If the first application for Tax Credits is not successful, Developer submits second application for Tax Credits	Next available TCAC round immediately following disapproval of previous application.
4.	Developer submits Final Project Budget to City	Immediately after Developer secures final financing terms and credit approval from Construction Lender and Tax Credit Investor
5.	Property Closing occurs	Upon satisfaction or waiver of conditions set forth in Section 7.2 and 7.3, but in no event later than the Outside Closing Date.
6.	Developer obtains Building Permit and commences construction of the Project.	No later than 30 days after Property Closing.
7.	Developer completes construction of the Project	Within 25 months after commencement of construction.

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ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
8.	Developer provides quarterly progress reports to City.	Until Project is 100% occupied at initial lease up; after lease up, Developer to provide annual reports. Developer's obligation to provide quarterly reports shall survive termination of this Agreement.

It is expressly understood and agreed by the Parties that the foregoing schedule of performance is subject to all of the terms and conditions set forth in the text of the Agreement including, without limitation, extension due to Force Majeure. Times of performance under the Agreement may be extended by request of any Party memorialized by a mutual written agreement between the Parties, which agreement may be granted or denied in the non-requesting Party's sole and absolute discretion (subject to events of Force Majeure set forth in this Agreement).

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ATTACHMENT NO. 4

SCOPE OF DEVELOPMENT

The proposed Project, located at 535-555 Kelly Avenue, includes the construction of a 40-unit Senior Agricultural Worker multifamily housing affordable housing complex. All of the units, except one manager's unit in the proposed Project, will be affordable and income-restricted to households earning from thirty (30%) to fifty (50%) of the Adjusted AMI, and will be set aside for Agricultural Workers who are Seniors. The project also includes 2,358 sq. ft. of residential common space, a 2,658 sq. ft. community-serving space, a 717 sq. ft. property management office space, 18 on-site parking spaces for residents and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces.

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ATTACHMENT NO. 5

PRELIMINARY PROJECT BUDGET

555 Kelly Financing Plan

Development Sources

CA Serna Farmworker Housing Program	$	13,350,000	Secured
State Earmark: Senator Josh Becker	$	2,000,000	Secured
CA Infrastructure Infill Grant	$	2,756,304	Secured
San Mateo County ARPA	$	1,141,234	Secured
San Mateo County AHF	$	6,563,763	Application in 2026
Federal Earmark: Anna Eshoo	$	1,800,000	Secured
Low Income Housing Tax Credit Program	$	14,021,364	Application in 2026-2027
Total Sources	**$**	**41,632,665**	

Development Uses (Costs)

Demolition, TACC Parking Reconfiguration and Infrastructure Required for Project	$	2,756,304
New Building Construction	$	27,407,963
Architecture, Engineering, Construction Supervision	$	2,017,665
Local Permit and Utility Fees	$	1,730,431
Financing Costs: Construction Interest and Insurance, Lender Fees, Reserves, Other	$	7,345,302
Furnishings, Marketing and Lease Up	$	375,000
	$	**41,632,665**

ATTACHMENT NO. 6

GROUND LEASE

[to be inserted]

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GROUND LEASE

By and Between

CITY OF HALF MOON BAY

"Landlord"

and

MERCY HOUSING CALIFORNIA 110, L.P.

"Tenant"

Dated as of _____ __, 2026

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GROUND LEASE

This **GROUND LEASE** ("**Ground Lease**") dated as of _____ ("**Effective Date**"), is entered into by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.,** a California limited partnership ("**Tenant**").

R E C I T A L S

A. Landlord owns fee title to that certain real property located at 535 and 555 Kelly Avenue, in the City of Half Moon Bay, State of California more particularly described in Exhibit A, which is attached hereto and incorporated herein by this reference ("**Property**").

B. Tenant is controlled by an experienced owner, developer and manager of affordable housing for low and moderate-income families.

C. Landlord entered into an Affordable Housing and Property Disposition Agreement with Tenant, dated as of _____ __, 2026 ("**Agreement**"). Landlord will also enter into a regulatory agreement with Tenant ("**Regulatory Agreement**"), which will be recorded as an encumbrance on title to the Property and evidence the obligations of Tenant with respect to the Affordability Restrictions (as defined below).

D. The Agreement provides for Landlord to ground lease the Property to Tenant, and for Tenant to (i) construct and operate a forty (40) unit Senior Agricultural Worker multifamily apartment project with all but one (1) of such units restricted for occupancy by extremely low and very low income households, as further described in Section 8.1 ("**Affordability Restrictions**"), (ii) construct and operate, or provide for the operation of, residential common space and property management office space, (iii) construct and provide for the operation of an approximately 2,658 square feet community-serving space, and (iv) provide parking spaces for 18 on-site parking spaces (including two (2) ADA spaces) and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces (collectively, "**Project**").

E. All conditions precedent to the parties entering into this Ground Lease have been satisfied or waived by the applicable party.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, Landlord and Tenant agree as follows:

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ARTICLE 1. LEASE OF THE PROPERTY

1.1 Ground Lease of the Property; Acquisition of Improvements. Landlord leases the Property to Tenant, and Tenant leases the Property from Landlord, on the terms and conditions as set forth in this Ground Lease. Pursuant to the Agreement and subject to the provisions of Section 5.3 hereof, concurrent with the Effective Date of this Ground Lease Tenant will acquire title to all Improvements on the Property and hold title to such Improvements during the Term hereof. For purposes of this Ground Lease, the Property is the leased premises.

1.2 Purpose of Ground Lease. The purpose of this Ground Lease is to provide for the construction, maintenance, repair, management and operation of the Project as a forty (40) unit Senior Agricultural Worker multifamily apartment project, encumbered by the Regulatory Agreement, with a ground floor community serving space and a property management office. Tenant will not occupy or use the Property, nor permit the Property to be occupied or used, nor do or permit anything to be done in or on the Property, in whole or in part, for any other purpose.

1.3 Recorded Encumbrances. This Ground Lease, the interests of Landlord and Tenant hereunder, and the Property, are in all respects subject to and bound by all of the covenants, conditions, restrictions, reservations, rights, rights-of-way, and easements of record prior to the recordation of this Ground Lease.

1.4 Memorandum of Ground Lease. A short form Memorandum of Ground Lease referring to this Ground Lease, substantially in the form attached hereto and incorporated herein as Exhibit B, shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records of the County of San Mateo, California ("**Official Records**").

1.5 Regulatory Agreement. The Regulatory Agreement, substantially in the form attached hereto and incorporated herein as Exhibit C, shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records.

ARTICLE 2. DEFINITIONS.

Capitalized terms used herein are defined where first used in this Ground Lease and/or as set forth in this Article 2. All capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement. For the purpose of supplying such definitions, the Agreement, notwithstanding anything contained therein or herein to the contrary, shall not merge with this Ground Lease.

"**Adjusted AMI**" has the meaning in Section 8.1.1.

"Affiliate" means any "Person," directly or indirectly, "Controlling" or "Controlled" by or under common "Control" with such Person, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of

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any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"Affordability Restrictions" has the meaning set forth in Recital D.

"Agreement" has the meaning set forth in Recital C.

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code*.*

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"ALAS" means Ayudando Latinos A Soñar (ALAS), the currently approved operator of the ground-floor community serving space.

"Assignee" has the meaning set forth in Section 19.1.4.

"Base Rent" means the sum of One Dollar ($1.00) per year.

"Certificate of Occupancy" means the temporary or final certificate of occupancy issued by City for the Project.

"**City**" means the City of Half Moon Bay.

"City Manager" means the person duly appointed to the position of City Manager, or his or her designee.

"Commencement Date" means the date upon which the Memorandum of Ground Lease is recorded in the Official Records.

"CPI Adjustment" means the percentage increase in the cost of living index, as measured by the Consumer Price Index for all urban consumers, San Francisco-Oakland-Hayward statistical area, all items (1982-84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics ("CPI") between the CPI figure in effect as of the date on which the final Certificate of Occupancy is issued and the CPI figure in effect as of the date on which an adjustment is made. If such index is discontinued or revised, such other index with which such index is replaced (or if not replaced, another index which reasonably reflects and monitors consumer prices) shall be used in order to

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obtain substantially the same results as would have been obtained if the discontinued index had not been discontinued or revised. If the CPI is changed so that the base year is other than 1982-84, the CPI shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

"Disability" means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"Environmental Laws" has the meaning set forth in Section 12.1(B).

"Event of Default" has the meaning set forth in Article 19.

"First Preference," "Second Preference" and "Third Preference" each have the meaning set forth in Section 8.5.

"Foreclosure Transferee" means any Mortgagee or other transferee of the leasehold interest under this Ground Lease as a result of a judicial foreclosure, non-judicial foreclosure or assignment of the leasehold in lieu of foreclosure.

"Governmental Requirements" means all past, present and future laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State of California, the City, or any other political subdivision in which the Property is located, and any other state, county city, political subdivision, agency, instrumentality or other entity exercising jurisdiction over the Property, including common law.

"Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C.

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Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any Governmental Requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"Hazardous Materials Activity" has the meaning set forth in Section 12.1(C).

"**HCD**" means the California Department of Housing and Community Development.

"**Head of Household**," means, for purposes of this Agreement, a Senior Agricultural Worker who submits an application to Reside in the Project.

"HUD" means the U.S. Department of Housing and Urban Development.

"Impositions" means all taxes (including, without limitation, sales and use taxes); assessments (including, without limitation, all assessments for public improvements or benefits whether or not commenced or completed prior to the Commencement Date and whether or not to be completed within the Term); water, sewer or other rents, rates and charges; excises; levies; license fees; permit fees; inspection fees and other authorization fees and other charges; in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including all interests and penalties thereon), which are attributable or applicable to any portion of the Term and may be assessed, levied, confirmed, or imposed on or in respect of, or be a lien upon (a) the Property or the Improvements, or any part thereof, or any estate, right, or interest therein, (b) any occupancy, use, or possession of or activity conducted on the Property or the Improvements, or any part thereof, or (c) this Ground Lease. The term "Impositions" shall also include any and all increases in the foregoing, whether foreseen or unforeseen, ordinary or extraordinary, including, without limitation, any increase in Real Property Taxes resulting from a sale of the Property by Landlord.

"Improvements" means all buildings, structures and other improvements, including the building fixtures thereon, now located on the Property or hereafter constructed on the Property; all landscaping, fencing, walls, paving, curbing, drainage facilities, lighting, parking areas, roadways, and similar site improvements now located or hereafter placed upon the Property.

"Landlord and Landlord Personnel" means Landlord and its respective directors, officers, officials, members, employees, agents, representatives, and volunteers.

"Loss" has the meaning set forth in Section 9.8.

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"Maintenance Standards" means those standards set forth in Article 10.

"Memorandum of Ground Lease" refers to the memorandum of ground lease which has been recorded as described in Section 1.4.

"Mortgage" has the meaning set forth in Section 16.1 of this Ground Lease. The term "Mortgage" shall include the deed of trust recorded in favor of _____ as the senior construction lender, _____, as construction loan [TO INSERT AT CLOSING] secured by Tenant's leasehold interest in the Property.

"Mortgagee" has the meaning set forth in Section 16.1 of this Ground Lease and shall include the Mortgage in favor of construction lender .

"Notices" has the meaning set forth in Section 22.1.

"Official Records" has the meaning set forth in Section 1.4.

"Partnership Agreement" means the agreement which sets forth the terms of Tenant's limited partnership, as such agreement may be amended from time to time.

"Plans" means the plans and specifications for the construction of the Project, a set of which, initialed by Tenant, are on file in the offices of Landlord.

"Project" has the meaning set forth in Recital D above and includes and all on-site improvements necessary to serve the development, all as more particularly described in the Agreement.

"Property" has the meaning set forth in Recital A above.

"Real Property Tax" has the meaning set forth in Section 4.4.3 of this Ground Lease.

"Regulatory Agreement" has the meaning set forth in Recital C.

"Rent" means the rent payable pursuant to Article 4 of this Ground Lease.

"**Reside**" means the location of an individual's permanent residence.

"**Resident Subleases**" has the meaning in Article 17.

"Resource Center Sublease" has the meaning in Article 17.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Spouse**" means, for purposes of this Ground Lease, a person legally married to another, as recognized by the State of California, and includes same-sex marriages and registered domestic partners.

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"**Sublease**" means an agreement pursuant to which Tenant leases a portion of the Project to another tenant, referred to as a subtenant, pursuant to the terms and conditions of this Ground Lease.

"TCAC" means the California Tax Credit Allocation Committee.

"**Tenant Party**" has the meaning given to it in Section 12.3.

"Term" has the meaning set forth in Article 3 of this Ground Lease.

"Transaction Documents" means, collectively, the Agreement (until such time as the Agreement, by its terms, terminates), and the Ground Lease.

"**Week**" means a seven-day calendar period starting with Sunday and continuing through Saturday.

"**Weekend**" means the days of Saturday and Sunday during a Week.

"Work" means the particular days of the Week during which an individual regularly performs work or fulfills duties for wages or salary.

"**Work Week**" means the days of Monday through Friday during a Week.

ARTICLE 3. TERM.

The term of this Ground Lease ("**Term**") shall commence on the date of recordation of the Memorandum of Ground Lease in the Official Records ("**Commencement Date**") and, subject to the provisions set forth in this Ground Lease and applicable law that may result in an earlier termination of this Ground Lease, shall continue until the ninety-ninth (99^{th}) anniversary of the Commencement Date.

ARTICLE 4. RENT.

4.1 Rent. On the Effective Date, Tenant shall pay to Landlord Base Rent.

4.2 Payment of Rent. All Rent that becomes due and payable pursuant to this Ground Lease shall be paid to Landlord at the address listed in Section 21.1 or such other place as Landlord may from time to time designate by written notice to Tenant without notice or demand, and without setoff, counterclaim, abatement, deferment, suspension or deduction. Except as expressly provided herein or in the Agreement, under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Landlord be expected or required to make any payment of any kind whatsoever or to perform any act or obligation whatsoever or be under any obligation or liability hereunder or with respect to the Property.

4.3 Utilities. Tenant shall be responsible for the payment of and shall establish accounts for all and each of water, gas, electricity, refuse collection and disposal, internet service, broadband coverage, and/or other communication system fees, and all other

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utilities or services used by Tenant on or at the Property. Landlord expressly has no obligation regarding provision of or payment for any utilities serving the Property.

4.4 Taxes and Assessments.

4.4.1 Notice of Possessory Interest; Payment of Taxes and Assessments on Value of Entire Property. In accordance with California Revenue and Taxation Code Section 107.6(a), Landlord notices Tenant that by entering into this Ground Lease, a possessory interest subject to assessment and collection of property taxes may be created. Tenant or other party in whom the possessory interest is vested may be subject to the payment of property taxes levied on such interest. If possessory interest taxes are assessed, Tenant agrees it is responsible for payment thereof and Landlord has no obligation or liability of any kind or nature relating to payment of property taxes. Tenant shall, at its sole cost and expense, seek exemption from, or contest the payment of, assessments and the collection of property taxes pursuant to Revenue and Taxation Code Section 214, or a successor statute. During the pendency of such contest or request for exemption, Tenant's non-payment of assessments or taxes when due shall not constitute a default hereunder if (i) the validity of such assessments and taxes is actively contested in good faith and by appropriate proceedings, (ii) Tenant has demonstrated to Landlord's reasonable satisfaction that leaving such assessments or taxes unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such assessments or taxes or otherwise impair Landlord's estate in the Property, (iii) Tenant has furnished Landlord with a bond or other security satisfactory to Landlord in an amount not less than 100% of the applicable claim (including interest and penalties), and (iv) upon the final disposition of such proceedings, Tenant shall promptly pay all taxes and assessments then due, inclusive of any unpaid accrued penalties and interest. Landlord is a political subdivision of the State of California, and no property taxes will be or are legally assessable against its fee interest.

4.4.2 Payment of Taxes and Impositions. Subject to any applicable exemptions, Tenant is responsible for and shall pay the real property and/or possessory interest taxes and other Impositions applicable to the Property during the Term of this Ground Lease. Except as provided in Section 4.4.1, all such payments shall be made prior to the delinquency date of such payment. Tenant shall promptly furnish Landlord with satisfactory evidence that such taxes and Impositions have been paid or that an exemption from such taxes has been obtained. If any such taxes and Impositions paid by Tenant shall cover any period of time prior to or after the expiration of the Term, Tenant shall have sole responsibility for seeking any reimbursement due from the appropriate taxing entity. If Tenant fails to pay any such taxes or Impositions, Landlord shall have the right to pay the same, in which case Tenant shall repay such amount to Landlord within ten (10) days after demand from Landlord together with interest at the rate set forth in Section 4.5.

4.4.3 Definition. As used herein, the term "**Real Property Tax**" shall include any form of real estate tax or assessment (including, without limitation, on possessory interests), general, special, ordinary, or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance,

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personal income, or estate taxes) imposed on the Property or any interest (including, without limitation, possessory interests) therein by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Landlord or Tenant in the Property or in the real property of which the Property are a part, as against Landlord's right to rent or other income therefrom, and as against Landlord's business of leasing the Property. The term "Real Property Tax" shall also include any tax, fee, levy, assessment, or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "Real Property Tax," or (ii) the nature of which was hereinbefore included within the definition of "Real Property Tax," or (iii) which is imposed as a result of a transfer, either partial or total, of Landlord's interest in the Property or which is added to a tax or charge hereinbefore included within the definition of Real Property Tax by reason of such transfer, or (iv) which is imposed by reason of this lease transaction, any modifications or changes hereto, or any transfers hereof.

4.4.4 Personal Property. Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment, and all other personal property of Tenant contained in the Property or elsewhere. When possible, Tenant shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

4.4.5 Apportionment. If any of Tenant's said personal property shall be assessed with Landlord's real property, first Tenant shall advise the County of San Mateo Tax Assessor and Tax Collector of the same in writing, and Tenant shall pay Landlord the taxes attributable to Tenant not later than the later of (a) ten (10) days after receipt of a written statement setting forth the taxes applicable to Tenant's property, or (b) thirty (30) days prior to the date said taxes are due and payable.

4.5 Overdue Interest. Any amount due to Landlord, if not paid when due and on or before expiration of the period for cure as set forth herein, after Landlord's delivery of notice thereof to Tenant, shall bear interest from the date due until paid at the lower of: (a) the reference or prime rate of Bank of America, N.T. & S.A., in effect from time to time plus three percent (3%); or (b) the highest rate of interest allowed under applicable usury law.

4.6 Right to Audit. Tenant shall keep full and accurate books of account, records, and other pertinent data with respect to operations of the Project. Such books of account, records, and other pertinent data shall be kept for at least five (5) years. At any time, Landlord shall be entitled to examine and conduct an independent audit of all of Tenant's books of account, records, and other pertinent data for the prior three (3) years.

ARTICLE 5. POSSESSION OF PROPERTY.

5.1 Acceptance of Premises. As further described in Section 6.3, Tenant hereby accepts the Property as-is and acknowledges that the Property is in the condition called for by the Agreement and this Ground Lease.

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5.2 Ownership of Improvements. Unless otherwise provided herein, during the Term of this Ground Lease, as it may be extended pursuant to the terms hereof, title to all Improvements, now existing or later made, on the Property are and shall be vested in Tenant as set forth in Article 11.

5.3 Surrender of Property.

5.3.1 Expiration or Termination. Tenant agrees that on the expiration or earlier termination of the Term, the leasehold estate hereby granted to Tenant shall terminate unless extended by mutual agreement of Landlord and Tenant. Upon such termination, the leasehold estate shall be forfeited and shall revert to Landlord, its successors and assigns, and all Improvements on the Property shall become the property of Landlord, its successors and assigns, free and clear from any liens or claims whatsoever (other than non-monetary liens previously approved or otherwise accepted in writing by Landlord), in good condition and repair and in compliance with the Maintenance Standards described in Section 10, reasonable wear and tear excepted, without further compensation therefor from Landlord to Tenant or any other person. Following any such expiration or termination, Tenant shall execute, acknowledge and deliver to Landlord a quitclaim deed, or other document required by a reputable title company and reasonably acceptable to Landlord, conveying all Tenant's right, title, and interest in and to the Property and the Improvements to Landlord. In the event Tenant receives a written default notice relating to or arising from any Construction Loan, Take-Out Loan, or any mortgage, deed of trust, or security instrument secured by the leasehold interest granted hereunder, the Property or the Improvements, or from HCD, the California Debt Limit Allocation Committee, the Internal Revenue Service, or any other agency or entity that provided any form of financing to the Project, then Tenant shall provide written notice of such alleged default to City Manager within five (5) days of receipt thereof. Tenant hereby irrevocably appoints Landlord as Tenant's agent and attorney-in-fact (such agency being coupled with an interest), and as such agent and attorney-in-fact Landlord may, without the obligation to do so, in Tenant's name, or in the name of Landlord, prepare, execute and file or record such statements, applications, and other documents necessary to create, perfect, or preserve any of Landlord's interests and rights in or to the Property and any of the Improvements, and, upon the expiration or earlier termination of the Term, take any other action required of Tenant.

5.3.2 Condition. On expiration or earlier termination of the Term and in furtherance of the provisions relating to surrender of the Property set forth in Section 5.3.1 above, Tenant shall peaceably and quietly leave and surrender the Property and the Improvements to Landlord in good order, condition, and repair and in compliance with the Maintenance Standards, reasonable wear and tear excepted, free of debris, waste and Hazardous Materials. Tenant shall leave in place and in good order, condition, and repair, all fixtures and machinery; except (if Tenant is not then in default under this Ground Lease) Tenant shall have the right to remove only Tenant-owned appliances, other unattached equipment, furniture and merchandise, to the extent installed by Tenant, which removal must be done without damage to the Property or Improvements. Tenant shall remove any such appliances, unattached equipment, furniture and merchandise prior to expiration or termination of the Term. Landlord shall have the right to have the

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Property and the Improvements inspected at Tenant's cost to determine whether the Property and the Improvements have been properly maintained, repaired, and restored in accordance with the Maintenance Standards and the terms of this Ground Lease. If it is determined by Landlord that, at the expiration or earlier termination of this Ground Lease, the condition of all or any portion of the Property is not in compliance with the Maintenance Standards or other provisions of this Ground Lease, including, without limitation, those contained in Article 12 with respect to Hazardous Materials, then Landlord may elect to either (i) require Tenant to hold over possession of the Property until Tenant can surrender the Property to Landlord in the condition required herein, or (ii) undertake the required work to place the Property in the condition required under this Ground Lease and Tenant shall immediately reimburse Landlord for all such costs upon demand from Landlord.

5.3.3 Delivery of Documents. Contemporaneous with the expiration or earlier termination of the Term, as it may be extended pursuant to the terms hereof, and subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, Tenant shall immediately deliver to Landlord, at Tenant's sole cost, the following:

(a) Such documents, instruments, and conveyances as Landlord may reasonably request to enable Landlord's ownership of the Property and the Improvements to be reflected of record, including, without limitation, a quitclaim deed in recordable form to the Property and the Improvements.

(b) An owner's policy of title insurance, surety bond, or other security reasonably acceptable to Landlord insuring against all claims and liens against the Property and the Improvements other than those incurred by Landlord or accepted by Landlord in writing.

(c) All construction plans, surveys, permits, existing contracts for services, maintenance, operation, and any other documents relating to use, operation, management, and maintenance of the Improvements as may be in effect and/or in the possession of Tenant at the time and from time to time thereafter.

(d) All documents and instruments required to be delivered by Tenant to Landlord pursuant to this Section shall be in form satisfactory to Landlord, including without limitation such documents and instruments shall be complete, originals or true copies, and legible.

5.4 Abandonment. Tenant shall not abandon or vacate the Property or the Improvements at any time during the Term. If Tenant shall abandon, vacate, or otherwise surrender the Property or the Improvements, or be dispossessed (other than dispossession as the result of condemnation, which shall be subject to Section 20.1 below) thereof by process of law or otherwise, the same shall constitute a default under this Ground Lease on the part of Tenant and, in addition to any other remedy available on the part of Landlord, (i) Landlord may relet the Property and Tenant shall be responsible for all of Landlord's costs in connection therewith, including without limitation Landlord's attorneys' fees, and (ii) any of Tenant's property left in, upon or about the

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Property or the Improvements (except for underground storage tanks) shall, at Landlord's option, be deemed to be abandoned and shall become the property of Landlord. The appointment of a receiver pursuant to a Mortgagee's exercise of its rights under a Mortgage, or the foreclosure of a Mortgage, shall not be a default under this Section.

ARTICLE 6. REPRESENTATIONS AND WARRANTIES.

6.1 Landlord's Representations. Landlord represents and warrants to Tenant it owns the Property in fee simple and has the power and authority to enter into this Ground Lease and perform all obligations and agreements incidental or pertinent to this Ground Lease. Landlord makes no representation or warranty with respect to the condition of the Property or its fitness or availability for any particular use, and Landlord shall not be liable for any latent or patent defect therein. Landlord represents and warrants to Tenant as follows:

(A) Landlord. Landlord is a political subdivision of the State of California. The execution, performance, and delivery of this Ground Lease by Landlord has been fully authorized by all requisite actions on the part of Landlord.

(B) No Conflict. To Landlord's actual, present knowledge, Landlord's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement, or order to which Landlord is a party or by which it is bound.

(C) No Landlord Bankruptcy. Landlord is not the subject of a bankruptcy proceeding.

As used herein, "Landlord's knowledge" shall be limited to the actual knowledge of City Manager, with no duty of inquiry or investigation.

6.2 Tenant's Representations. Tenant represents and warrants to Landlord as follows:

(A) Tenant. Tenant is a duly organized limited partnership formed within and in good standing under the laws of the State of California. Upon request by Landlord or a title company, Tenant shall deliver to Landlord and the title company true and complete copies of the original documents evidencing the organization of Tenant, as amended to the date of this Ground Lease. Tenant has full right, power and lawful authority to undertake all obligations as provided herein and the execution, performance and delivery of this Ground Lease by Tenant have been fully authorized by all requisite actions on the part of Tenant.

(B) No Conflict. To the best of Tenant's knowledge, Tenant's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement or order to which Tenant is a party or by which it is bound.

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(C) No Tenant Bankruptcy. Tenant is not the subject of a bankruptcy proceeding.

Tenant shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section not to be true, immediately give written notice of such fact or condition to Landlord.

6.3 AS-IS; Release. Tenant acknowledges and agrees that Tenant is leasing the Property from Landlord solely in reliance on its own investigation, and that no representations and/or warranties of any kind whatsoever, express or implied, have been made by any of the Indemnitees.

AS A MATERIAL PART OF THE CONSIDERATION FOR LANDLORD'S AGREEMENT TO LEASE THE PROPERTY TO TENANT, TENANT AGREES TO ACCEPT THE PROPERTY "AS IS" AND "WHERE IS", WITH ALL FAULTS. SUBJECT TO APPLICABLE CALIFORNIA LAW, NO WARRANTY OR REPRESENTATION IS MADE BY LANDLORD WITH RESPECT TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO (I) FITNESS FOR ANY PARTICULAR PURPOSE, (II) MERCHANTABILITY, (III) CONDITION, (IV) ABSENCE OF DEFECTS OR FAULTS, (V) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (VI) FLOODING, OR (VII) COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, LAWS AND REGULATIONS RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT, AS THEY MAY APPLY TO THE CURRENT CONDITION OF THE PROPERTY OR TENANT'S INTENDED DEVELOPMENT OR PROJECT, CONSTRUCTION OR USE, OR FOR ANY OTHER PURPOSE. TENANT ACKNOWLEDGES THAT TENANT WILL BE RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC USE, TITLE, COMPLIANCE AND LEGAL CONDITION OF THE PROPERTY.

On and after the Effective Date, Tenant will be deemed to have waived and released Indemnitees of and from any and all claims, causes of action, damages or losses that may be incurred by Tenant concerning the condition of the Property, whether known or unknown as of the Effective Date. Such waiver will be deemed to be a release of all rights held by Tenant under California Civil Code §1542, which states:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.
>
> Tenant Initials _____

This Section 6.3 shall survive termination of the Agreement.

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ARTICLE 7. CONSTRUCTION OF THE IMPROVEMENTS.

7.1 Construction. Tenant shall construct the Improvements within the times and subject to all of the terms and conditions set forth in the Agreement, the Regulatory Agreement and this Ground Lease and in accordance with plans and specifications, including the Final Construction Documents (as defined in the Ground Lease) (collectively, "**Plans**") approved by Landlord. All Improvements shall be constructed in a good and workmanlike manner using materials of good quality, and shall comply with all applicable Governmental Requirements. Tenant shall keep the Property and its leasehold interest free of all liens arising out of any work performed, materials or services furnished, or obligations incurred by Tenant or any of its contractors or agents.

7.2 Construction Cost. Tenant and not Landlord shall bear the entire and sole cost of planning, designing, engineering, entitling, permitting, financing, constructing, supervising, and inspecting the Improvements, including all fees, costs, assessments and mitigation measures arising from or related thereto.

7.3 Landlord's Right to Discharge Lien. If Tenant does not, within forty-five (45) days of obtaining knowledge of a lien, cause to be recorded the bond described in California Civil Code Section 3143 or otherwise protect the Property or Tenant's leasehold interest under any alternative or successor statute and in a manner reasonably acceptable to Landlord, Landlord shall have the right, but not the duty, subject to the notice and cure rights of Mortgagees set forth elsewhere in this Ground Lease, to pay or otherwise discharge, stay, or prevent the execution of any such judgment or lien or both. Tenant shall reimburse Landlord for all sums paid by Landlord under this Section, together with all Landlord's reasonable attorneys' fees and costs, plus interest on those sums, fees, and costs from the date of payment until the date of reimbursement at the rate set forth in Section 4.5.

7.4 Notice of Non-Responsibility. After the filing of a notice of completion pursuant to Section 7.5, Tenant shall provide Landlord with prior written notice of not less than thirty (30) days before commencing construction of any structural alteration of the Improvements, or any non-structural alteration which will cost more than One Hundred Thousand Dollars ($100,000), and shall permit Landlord to record and post appropriate notices of non-responsibility on the Property. This One Hundred Thousand Dollar ($100,000) limitation shall be recalculated each calendar year after the calendar year in which the final COO is issued by applying the CPI Adjustment to the One Hundred Thousand Dollar ($100,000) limitation.

7.5 Notice of Completion. Promptly after completion of construction of the Improvements, Tenant shall file or cause to be filed a notice of completion. Tenant hereby appoints Landlord as Tenant's attorney-in-fact to file the notice of completion, at Tenant's cost and expense, if Tenant fails to do so.

7.6 Subsequent Alterations. Following completion of the construction of the Improvements in accordance with the Plans, Tenant may from time to time, at its sole expense, make improvements and other alterations to the Property which Tenant

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reasonably determines to be beneficial, subject to compliance with all applicable Governmental Requirements and with no obligation on Landlord's part to allow any variances or deviations from the Land Use Entitlements or the Scope of Development. As used in this Section, the terms "**alterations**" and "**improvements**" shall not apply to repairs of existing improvements. Notwithstanding the foregoing, any improvement which will cost more than One Hundred Thousand Dollars ($100,000) shall require the approval of Landlord, which shall not be unreasonably withheld.

ARTICLE 8. USE OF THE PROPERTY.

8.1 Covenants Regarding Affordability, Occupancy, and Unit Mix.

8.1.1 Affordability. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof, that Tenant shall comply during the Term of this Ground Lease with the Affordability Restrictions which specifically means that ten (10) dwelling units in the Project shall be rented to households whose incomes do not exceed thirty percent (30%) of the area median income for San Mateo, adjusted for household size, as published by HUD ("**Adjusted AMI**"), and (ii) twenty-nine (29) of the dwelling units in the Project shall be rented to households whose incomes do not exceed fifty percent (50%) of the Adjusted AMI, with all of such dwelling units rented at an affordable rent, pursuant to TCAC regulations. The Affordability Restrictions described above and Tenant's obligation to comply therewith shall be evidence in the Regulatory Agreement, which shall be recorded as an encumbrance on the Property.

8.1.2 Unit Mix. The Project will contain three (3) studio units, thirty-four (34) 1-bedroom units, and three (3) 2-bedroom units. One 2-bedroom unit will be a manager's unit and not subject to Affordability restrictions.

8.1.3 Occupancy. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof that, except as otherwise required by federal, state, or local law or any Project funding source:

(a) With the exception of the one manager's unit, the Head of Household for each unit must be a Senior and an Agricultural Worker residing in the City of Half Moon Bay or San Mateo County, and shall be selected based on the preference program described in Section 8.5, below.

(b) household members in addition to the Head of Household shall be limited to persons who are 45 years of age or older, or are the Spouse, or person providing primary physical or economic support to the Senior; including hired healthcare workers. Children (i.e., persons under the age of 18) may occupy a unit only in the event that the child is disabled and is the child or grandchild of the Senior and needs to live with the Senior because of the disabling condition.

(c) if the Senior Head of Household in a unit dies or is permanently relocated to another residence or care facility, the other qualified residents

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of the units will be allowed to continue to Reside in the unit for one (1) year but live-in health care aids must vacate the unit within ninety (90) days.

(d) occupancy in the Project shall be limited to 2 persons maximum per studio and 1-bedroom unit, and 4 persons maximum per 2-bedroom unit. Landlord is imposing these occupancy limits in compliance with HUD's two person per sleeping area standard in order to (1) provide the Senior community that Reside in the Project with a quieter home environment free of overcrowding in order to prevent accidents/falls and to promote physical recovery and mental health; and (2) alleviate demands on available parking given that the Project provides limited on site parking; and (3) prevent wear and tear of publicly funded housing.

8.1.4 Covenants Running With the Land. The foregoing covenants in this Section 8.1 shall run with the land for the duration of the Term.

8.2 Annual Reporting. Tenant will provide Landlord with an annual report to confirm that the above requirements for Affordability and Occupancy are being fulfilled. Landlord may rely on reports produced by Tenant to fulfill Project funding source reporting requirements, if applicable.

8.3 Covenant to Pay Taxes and Assessments. Tenant shall pay prior to delinquency all ad valorem real estate taxes, special taxes, assessments and special assessments levied against the Property, subject to Tenant's right to contest any such tax in good faith and any property tax exemptions.

8.4 Covenants Regarding Nondiscrimination. Tenant covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person, or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, or any part thereof, nor shall Tenant, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property, or any part thereof. The foregoing covenants shall run with the land for the duration of the Term.

Tenant agrees for itself and any successor in interest that Tenant shall refrain from restricting the rental, sale, or lease of any portion of the Property, or contracts relating to the Property, on the basis of race, color, creed, religion, sex, marital status, ancestry, or national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(A) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any

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person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

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

(C) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, Tenants, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.

Notwithstanding the foregoing, Tenant acknowledges and agrees that it shall have no right to sell or transfer all or any portion of the fee interest in the Property or Project and that Tenant's only rights with respect to the Property and Project shall arise under this Ground Lease as a tenant.

8.5 Preference Program. Except to the extent prohibited by applicable federal or state law or any Project funding sources, Tenant shall evaluate applications for residential tenancies on the Property and offer tenancies to applicants according to the preferences and procedures described below and as established in an ordinance or resolution adopted by the City Council, as the same may be amended from time to time.

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When the units are constructed and ready for occupancy, Tenant will create an application process that will result in a pool of applicants. The pool of applicants will be sorted according to this preference order for the Head of Household in the following manner:

1. "**First Preference**": Prospective Senior resident is an Agricultural Worker who Resides or Works in Half Moon Bay.

2. "**Second Prefere**nce": Prospective Senior resident is an Agricultural Worker who Resides or Works in the Coastside of San Mateo County: Pacifica, Montara, Moss Beach, San Gregorio, El Granada or Pescadero.

3. "**Third Preference**": Prospective Senior resident is an Agricultural Worker who Resides or Works in County of San Mateo.

Tenant will screen all applicants who meet the criteria for the First Preference and household income restrictions, and those applicants will be offered units first. After all First Preference applications are exhausted and if there are any vacant units to fill, Tenant will screen applicants who meet the criteria for the Second Preference and household income restrictions and offer those eligible applicants any remaining units. After all Second Preference applications are exhausted and if there are any remaining vacant units, Tenant will screen applicants who meet the criteria for the Third Preference and household income restrictions and offer those eligible applications any remaining units.

The covenants established in this Ground Lease and the Regulatory Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of Landlord, its successors and assigns, Landlord and any successor in interest to the Property. The covenants against discrimination shall remain in effect in perpetuity.

ARTICLE 9. INSURANCE.

9.1 Tenant's Insurance. Without limiting Landlord's right to indemnification, Tenant shall secure and maintain insurance coverage as set forth in this Article 9.

9.2 Commercial General and Automobile Liability; Worker's Compensation. Commencing on the Effective Date and continuing throughout the Term of this Ground Lease, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Landlord's City Manager, the following policies of insurance:

(A) Commercial General Liability Insurance covering bodily injury, property damage, personal injury, and advertising injury written on an occurrence basis with coverage at least as broad as Insurance Services Office (ISO) form CG 00 01, containing the following minimum limits: (i) general aggregate limit (including excess coverage) of Ten Million Dollars ($10,000,000.00); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000.00); (iii) personal and advertising injury limit of Three Million Dollars ($3,000,000.00); and (iv) each occurrence limit of Three Million Dollars ($3,000,000.00). Said policy shall include the following coverages: (I) products and completed operations; (II) independent contractors; (III) Owner's broad

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form property damage; (IV) severability of interest; (V) cross liability; and (VI) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards). The policy shall be endorsed to have the general aggregate apply to this Project only.

(B) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for Landlord and Tenant against any loss, claim, or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by Tenant in the course of carrying out the work or services contemplated in this Ground Lease, and Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(C) A policy of comprehensive automobile liability insurance written on an occurrence basis using ISO Business Automobile Coverage form CA 00 01 (or equivalent), in an amount not less than Two Million Dollars ($2,000,000.00) each accident covering all owned, non-owned, leased, and hired vehicles used in connection with the Project; provided, however, that if Tenant does not own vehicles it may satisfy this provision through a rider to its general liability coverage for non-owned/hired vehicles.

9.3 Builders Risk. Commencing on the Effective Date and continuing until Landlord issues a temporary Certificate of Occupancy, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Landlord's City Manager, Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as the City of Half Moon Bay issues a temporary Certificate of Occupancy, and storage and transportation risks. Such insurance shall protect/insure the interests of Tenant/owner and all of Tenant's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or portion which failed. Landlord shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

9.4 Property; Business Interruption; Boiler and Machinery Insurance. Commencing on the date Landlord issues a temporary Certificate of Occupancy and continuing throughout the term of this Ground Lease, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City Manager, the following insurance:

(A) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in San Mateo County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. Landlord shall be

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a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

(B) Business interruption and extra expense insurance to protect Tenant and Landlord covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all risk physical damage insurance, covering a period of suspension, delay, or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period.

(C) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance.

9.5 Contractor Insurance Requirements. Tenant shall cause any general contractor with whom it has contracted for the performance of work on the Property to secure and maintain insurance that satisfies all of the requirements of Section 9.2 and Section 9.6 prior to the general contractor commencing any activities on the Property.

9.6 Additional Requirements. The following additional requirements shall apply to all of the above policies of insurance:

(A) All of the above policies of insurance shall allow and be endorsed primary insurance, except the Worker's Compensation, Employer Liability insurance. The commercial general liability and automobile liability insurance, shall be endorsed to name all of Landlord and Landlord Personnel as additional insureds. The commercial general liability shall be endorsed on an ISO Form CG 20 10 for ongoing operations and CG 20 37 for completed operations (current version) or equivalent forms. Tenant waives its right to recover against Landlord and all Landlord Parties and their respective insurers for all claims and losses covered by the insurance policies required by this Ground Lease, and shall cause its insurers to waive all rights of subrogation and contribution it may have against Landlord and Landlord Personnel and their respective insurers and shall provide an endorsement affecting such. All of said policies of insurance shall provide that said insurance may not be amended or cancelled without providing thirty (30) days' prior written notice to Landlord. If a carrier will not provide the required notice of cancellation, the Tenant shall provide written notice to the Landlord of a cancellation no later than ten (10) business days before cancellation. In the event any of said policies of insurance are cancelled, Tenant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to City Manager. Not later than the Effective Date, Tenant shall provide City Manager with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders shall be subject to the approval of City Manager.

(B) The policies of insurance required by this Ground Lease shall be satisfactory only if issued by companies of recognized good standing authorized to do business in California, rated "A-" or better in the most recent edition of Best Rating Guide,

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The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by City Manager due to unique circumstances.

(C) City Manager is hereby authorized to increase, reduce, or otherwise modify Tenant's insurance requirements set forth herein in the event he or she determines, in his or her sole and absolute discretion, that such increase, reduction, or modification is warranted by changes in construction costs, inflationary changes after the Effective Date, or otherwise, and is consistent with commercial practices.

(D) Any available insurance proceeds broader than, or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified; or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured; whichever is greater. No representation is made that the minimum insurance requirements are sufficient to cover the obligations of the Tenant.

(E) Tenant agrees that the provisions of this Section shall not be construed as limiting in any way Landlord's right to indemnification or the extent to which Tenant may be held responsible for the payment of damages to any persons or property resulting from Tenant's activities or the activities of any person or persons for which Tenant is otherwise responsible.

9.7 Remedies for Defaults Re: Insurance. In addition to any other remedies Landlord may have if Tenant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, Landlord may, at its sole option, after fifteen (15) days' Notice to Tenant:

(A) Obtain such insurance and charge Tenant the amount of the premium for such insurance, in which event Tenant shall promptly remit such sum to Landlord;

(B) Withhold any payment(s) which become due to Tenant hereunder until Tenant demonstrates compliance with the requirements hereof; and

(C) Declare Tenant in Default and exercise its rights and remedies under this Ground Lease.

Exercise of any of the above remedies, however, is an alternative to other remedies Landlord may have and is not the exclusive remedy for Tenant's failure to maintain insurance or secure appropriate endorsements.

Nothing herein contained shall be construed as limiting in any way the extent to which Tenant may be held responsible for payment of damages to persons or property resulting from Tenant's contractors or any subcontractor's performance under this Ground Lease.

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9.8 Indemnification. Tenant shall defend (with counsel acceptable to Landlord), indemnify, assume all responsibility for, and hold Landlord and Landlord Personnel harmless from, all claims, demands, damages, defense costs (including attorneys' fees and costs) and liability of any kind or nature (any of the foregoing, a "**Loss**") arising out of or in connection with Tenant's failure to perform any obligation or requirement under this Ground Lease or the Regulatory Agreement and/or any activities, occupancy, access, acts, errors, omissions, performance, work and the like under or in connection with this Ground Lease, whether such activities, performance or the like thereof be by Tenant or by anyone directly or indirectly employed, controlled, or contracted by Tenant and whether such damage shall accrue or be discovered before or after termination of this Ground Lease, including but not limited to any damages to property or injuries to persons, including accidental death, to the extent arising out of or in connection with any of the foregoing. Tenant shall not be liable for any such Loss or indemnification therefore to the extent occasioned by the gross negligence or willful misconduct of any of Landlord and Landlord Personnel.

ARTICLE 10. MAINTENANCE; REPAIRS

Tenant shall, throughout the entire Term of this Ground Lease, maintain the Property and all improvements thereon, including, without limitation, lighting and signage, in good condition and repair, free of debris, waste, and graffiti, and in compliance with all applicable laws and regulations. Tenant shall maintain the Improvements and landscaping on the Property strictly in accordance with the Maintenance Standards (defined below). Such Maintenance Standards shall apply to all buildings, walls, systems, electrical, plumbing, HVAC, water/sewer, signage, lighting, roof, landscaping, irrigation of landscaping, architectural elements of the Property, and any and all other Improvements on the Property. To accomplish the maintenance, Tenant shall either staff or contract with and hire licensed and qualified personnel to perform all such work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Ground Lease.

Tenant and its maintenance staff, contractors, consultants, agents or subcontractors shall comply with the following standards ("**Maintenance Standards**"):

(A) The Property, including, without limitation, all buildings, walls systems, electrical, plumbing, HVAC, water/sewer, signage, lighting, roof, landscaping, irrigation of landscaping, architectural elements of the Property, and any and all other Improvements on the Property, shall be maintained in conformance and in compliance with the approved Plans and permits, and maintenance standards for similar, neighboring structures, including but not limited to painting and cleaning of all exterior surfaces and other exterior facades comprising all private improvements and public improvements to the curb line. The Property shall be maintained in good condition and repair and in accordance with the custom and practice generally applicable to comparable market-rate apartment complexes located in San Mateo County.

(B) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub

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pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

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

Upon Landlord's written notification to Tenant of any maintenance deficiency, Tenant shall have thirty (30) days within which to correct, remedy, or cure the deficiency, or such longer period as is reasonably necessary to complete the cure (not to exceed ninety (90) days), provided such correction, remedy, or cure is commenced within such thirty (30) day period and diligently prosecuted to completion. If the written notification states the problem is urgent relating to the public health and safety of Landlord, then Tenant shall have three (3) business days to rectify the problem, or such longer period as is reasonably necessary to complete the cure (not to exceed ten (10) business days). In the event Tenant does not maintain the Property in the manner set forth herein and in accordance with the Maintenance Standards (as determined by Landlord), Landlord shall have, in addition to any other rights and remedies hereunder, the right to maintain the Property, or to contract for the correction of such deficiencies, after Notice to Tenant, and Tenant shall be responsible for the payment of all such costs incurred by Landlord within thirty (30) days of Landlord's demand for payment.

ARTICLE 11. OWNERSHIP OF AND RESPONSIBILITY FOR IMPROVEMENTS.

11.1 Ownership During Term.

11.1.1 Improvements. Subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, all Improvements on the Property as permitted or required by this Ground Lease shall, during the Term, be and remain the property of Tenant, and Landlord shall not have title thereto. Tenant shall not, however, demolish, remove, sell, encumber, lease, assign, or otherwise convey any Improvements from the Property except as permitted herein.

11.1.2 Personal Property. All personal property, furnishings, fixtures and equipment, including, without limitation, Tenant-owned appliances, which are not so affixed to the Property or the buildings thereon as to require substantial damage to the buildings upon removal thereof shall constitute personal property. If Tenant is not then in default under this Ground Lease, at any time during the Term and at termination thereof, Tenant shall have the right to remove any and all such personal property, furnishings,

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fixtures and equipment; provided, that Tenant repairs any damage to the Property or the Improvements caused by such removal.

11.1.3 Basic Building Systems. For purposes of this Ground Lease, the personal property, furnishings, fixtures and equipment described in this Section 11.1 shall not include those major building components or fixtures necessary for operation of the basic building systems such as, but not limited to, the elevators, plumbing, sanitary fixtures, lighting fixtures, electrical fixtures, and the heating and central air-cooling systems.

11.2 Ownership at Expiration or Termination.

11.2.1 Property of Landlord. In accordance with provisions of Sections 5.3.1 and 5.3.2 hereof, and except as provided in Section 11.2.2, all Improvements which constitute or are a part of the Property shall, upon termination of this Ground Lease, become (without the payment of compensation to Tenant or others) the property of Landlord free and clear of all claims and encumbrances on such Improvements by Tenant, and anyone claiming under or through Tenant, except for such title exceptions permitted or required during the Term with Landlord's prior written consent. Tenant shall then quitclaim to Landlord any and all rights, interests and claims to the Improvements. Tenant agrees to and shall defend (with counsel acceptable to Landlord), indemnify, and hold Landlord harmless from and against all claims, liability, and loss which may arise from the assertion of any such claims and any encumbrances on such Improvements (except to the extent such claims arise due to Landlord's gross negligence or intentional misconduct) and except for such title exceptions permitted or required during the Term and approved in advance and in writing by Landlord.

11.2.2 Removal by Tenant. Tenant shall not be required or permitted to remove the Improvements, or any of them, at the expiration or sooner termination of the Term unless otherwise directed by Landlord in writing no less than thirty (30) days prior to the expiration of the Term or within thirty (30) days of any earlier termination thereof; provided, however, that, subject to the provisions of Section 5.3.2 hereof, within thirty (30) days following the expiration or sooner termination of the Term, Tenant shall remove all personal property, furniture, and equipment.

11.2.3 Unremoved Property. Any personal property, furnishings or equipment not removed by Tenant pursuant to Section 11.2.2 hereof, shall, without compensation to Tenant, become Landlords' property, free and clear of all claims to or against them by Tenant or any third person, firm or entity arising by, through or under Tenant. Landlord shall have no duty to store such items, provide any notices to Tenant, sell or dispose of such items, and/or remit any proceeds from any such sale or disposal to Tenant in accordance with otherwise applicable statutory procedures, and Tenant hereby waives any statutory or other right Tenant might have with respect thereto.

11.2.4 Maintenance and Repair of Improvements. Subject to the provisions of this Ground Lease concerning condemnation, alterations, repair, damage, and destruction, Tenant agrees to assume full responsibility for the operation, repair and

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maintenance of the Property and the Improvements and all fixtures and furnishings thereon or therein throughout the Term hereof without expense to Landlord, and to perform all repairs and replacements necessary to maintain and preserve the Property, the Improvements, fixtures, and furnishings in a decent, safe, sanitary and operational condition consistent with good practices and in compliance with all applicable laws. Tenant agrees that Landlord shall not be required to perform any maintenance, repairs, or services, or to assume any expense in connection with the Property and the Improvements thereon unless specifically required under the terms of this Ground Lease. Except as otherwise provided in this Section 11.2 and in Section 11.4, the condition of the Improvements required to be maintained hereunder upon completion of the work of maintenance or repair shall be equal or better in quality and use to the condition of such Improvements before the event giving rise to the work.

11.3 Waste. Subject to the alteration rights of Tenant set out in this Ground Lease and damage, destruction, or condemnation of the Property or any part thereof as further described herein, Tenant shall not commit or suffer to be committed any waste of the Property or the Improvements, or any part thereof. Tenant agrees at all times to keep the Property and the Improvements clean and clear of graffiti, refuse, and obstructions, to store all garbage, trash, and rubbish in a safe and sanitary manner, and to promptly and properly dispose of all garbage, trash, and rubbish.

11.4 Alteration of Improvements. Except as provided in Section 7.1, Tenant shall not make or permit to be made any material exterior alteration of, addition to or change in, the Improvements which would affect the exterior elevations (including materials selection and color) or the size, bulk, and scale of the Property, other than routine maintenance and repairs, nor demolish all or any part of the Improvements, without the prior written consent of Landlord, which consent Landlord may withhold in its reasonable discretion. Nothing herein shall prohibit interior alterations or decorations, or the removal and replacement of interior improvements consistent with the specified use of the Property. In requesting consent for such exterior improvements as required by the foregoing, Tenant shall submit to Landlord detailed plans and specifications of the proposed work and an explanation of the need and reasons thereof. Tenant may make such other improvements, alterations, additions or changes to the Improvements which do not materially affect the exterior elevations (including materials selection and color) or the size, bulk, and scale thereof without Landlord's prior written consent, which consent Landlord may withhold in its sole and absolute discretion, and provided that Tenant has obtained all required governmental permits and approvals therefor and such improvements, alterations, additions, or changes comply with applicable laws.

Notwithstanding the prohibition in this Section 11.4, Tenant may make such changes, repairs, alterations, improvements, renewals or replacements to the exterior elevations, materials, size, bulk, or scale of the Improvements as are required (a) by reason of any law, ordinance, regulation, or order of a competent government authority, or (b) to continue to receive any government funding that may be available to the Project.

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ARTICLE 12. HAZARDOUS MATERIALS.

12.1 Definitions of "Hazardous Materials", "Environmental Laws" and "Hazardous Materials Activity."

(A) Hazardous Materials. The term "**Hazardous Materials**" is defined in Article 2.

(B) Environmental Laws. The term "**Environmental Laws**" means any and all present and future federal, state and local laws (whether under common law, statute, rule, regulation or otherwise), court or administrative orders or decrees, requirements of permits issued with respect thereto, and other requirements of governmental authorities relating to the environment, health or safety, or to any Hazardous Materials or Hazardous Materials Activity (defined below).

(C) Hazardous Materials Activity. The term "**Hazardous Materials Activity**" means any actual, proposed or threatened storage, holding, existence or suspected existence, release or suspected release, emission, discharge, generation, processing, abatement, removal, disposition, handling or transportation of any Hazardous Materials from, under, into, on, or across the Project, Improvements, or surrounding property, or any other use of or operation on the Project, Improvements, or surrounding property that creates a risk of Hazardous Materials contamination of the Project or Improvements thereon.

12.2 Tenant's Covenants. Tenant shall: (i) comply with all applicable Environmental Laws; (ii) not engage in, permit or acquiesce to any Hazardous Materials Activity on, under, over, or about the Property, Project or the Improvements thereon, except in strict accordance with all Environmental Laws, and all applicable best practices, (iii) promptly advise Landlord in writing of (1) the receipt by Tenant of notice of any and all Hazardous Materials claims or Hazardous Materials Activity, (2) any knowledge by Tenant of any Hazardous Materials claim or Hazardous Materials Activity related to the Property, Project or the Improvements thereon, (3) any remedial action to be taken or in the case of an imminent emergency, taken by Tenant or others in response to any Hazardous Materials on, under or about the Property, Project or the Improvements thereon, or to any Hazardous Materials claims or any Hazardous Materials Activity, (4) any enforcement, cleanup, or other regulatory action taken or threatened with respect to the presence of any Hazardous Material on, under, or around the Property, Project or the Improvements thereon, or (5) Tenant's discovery of the presence of any Hazardous Materials or Hazardous Materials Activity on, under or about the Property, Project or the Improvements thereon whether or not the same requires notice to be given to any governmental entity or agency under Environmental Laws; (iv) submit to Landlord, promptly upon receipt or preparation, copies of any and all reports, studies, analyses, correspondence, governmental comments or approvals, proposed removal or other remedial work contracts and similar information prepared or received by Tenant in connection with any remedial work or Hazardous Materials relating to the Property,

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Project or the Improvements thereon; and (v) provide for periodic inspections of the Property, Project and the Improvements thereon and for periodic meetings with representatives of Landlord and, upon request, Landlord may, but shall not be required to, review the results of such inspections.

12.3 Environmental Cleanup.

(A) Tenant's Compliance. Throughout the Term of this Lease, Tenant shall, at Tenant's sole cost and expense, comply, and cause each Tenant Party to comply with, any and all Environmental Laws with respect to any Hazardous Materials used, generated, stored or disposed of at the Project or the Improvements during the Term.

(B) Environmental Authority. Tenant shall, at Tenant's sole cost and expense, make, and require and use commercially reasonable efforts to cause each Tenant Party to make, all required submissions to, provide all information required by, and comply with any and all requirements of any and all Governmental Authority having jurisdiction over the environmental condition of the Property, Project or the Improvements thereon.

(C) Cleanup Plan. Should any Governmental Authority having jurisdiction over the Project or the Improvements thereon demand in accordance with Environmental Laws that a cleanup plan be prepared and that a cleanup be undertaken in accordance with Environmental Laws because of any Hazardous Materials Activity that Tenant or any of its agents, assignees, subtenants, contractors, consultants, subcontractors or employees (each, a "**Tenant Party**") caused during the Term in violation of Environmental Laws or this Ground Lease, at, on, or from the Property, Project or the Improvements thereon, or which arises at any time as a result of Tenant's or any Tenant Party's use or occupancy of the Project or the Improvements thereon, then Tenant shall, at Tenant's sole cost and expense and subject to Force Majeure Delay, prepare and submit the required plans and all bonds and other financial assurances required under Environmental Laws to Landlord for written approval. Following Tenant's receipt of Landlord's written approval, Tenant shall carry out all such cleanup plans in a timely manner, all as may be required by any such Governmental Authority in accordance with Environmental Laws and this Ground Lease. Landlord's consent to any remediation action by Tenant or its agents shall not constitute Landlord's endorsement, ratification or liability therefor and shall not constitute a waiver of any default of this Lease.

(D) Reporting. Tenant shall promptly provide all information regarding the any Hazardous Materials Activity, including the use, generation, storage, transportation, or disposal of Hazardous Material by Tenant on or about the Project or the Improvements thereon, as requested by Landlord in writing

12.4 Landlord's Self-Help Right. If Tenant fails to comply with the provisions of this Article 12 and such failure continues and becomes a Tenant Event of Default, Landlord may, at its option and in its sole discretion, take all reasonably necessary actions to remedy the Tenant Event of Default at Tenant's sole expense, which sums shall be

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payable to Landlord within thirty (30) days of written demand. The obligations of Tenant under this Article 12 shall survive the expiration or termination of this Ground Lease.

12.5 Tenant Indemnification for Hazardous Materials. Tenant shall defend (with counsel acceptable to Landlord), indemnify and hold harmless Landlord and all Landlord Personnel from and against all threatened or actual liability, suits, proceedings, liens, orders, judgments, fines, encumbrances, actions, claims, including third party claims, environmental requirements and damages, environmental claims, costs of investigation and cleanup, expenses, penalties, fines, and losses (including, without limitation, diminution in value of Landlord's fee interest in the Property and Project and reversionary interest in Improvements after the Term of this Lease) of whatever kind or nature, which result from or are in any way connected with the release, escape, seepage, leakage, receipt, deposit, spill, handling, use, storage, accumulation, transportation, generation, discharge, or disposal of any Hazardous Materials which occurs in, on, under, from or about the Property, Project or the Improvements thereon during the Term of this Ground Lease or to the extent caused by Tenant or any Tenant Party, except to the extent caused by the gross negligence or willful misconduct of any Landlord.

ARTICLE 13. DAMAGE OR DESTRUCTION OF PROPERTY OR IMPROVEMENTS.

13.1 Tenant's Repair Obligation.

13.1.1 In case of damage to or destruction of the Property or the Improvements, or any part thereof, by fire or other cause at any time during the Term of this Ground Lease, Tenant, if and to the extent insurance proceeds are available, shall restore the same as nearly as possible to their value, condition, and character immediately prior to such damage or destruction. Such restoration shall be commenced with due diligence and in good faith, and prosecuted with due diligence and in good faith, unavoidable delays excepted.

13.1.2 In case of damage to or destruction of the Improvements by fire or other cause resulting in a loss exceeding in the aggregate Ten Thousand Dollars ($10,000), Tenant shall promptly give written notice thereof to Landlord.

13.1.3 In the event insurance proceeds are insufficient to restore the Property or the Improvements to substantially its condition, and character immediately prior to such damage or destruction such that the Property may be operated in a manner comparable to prior to such damage or destruction, then, subject to the rights of the Mortgagees, either Tenant or Landlord shall have the right to terminate this Ground Lease by providing written notice thereof to the other party.

13.2 Tenant's Restoration of Project.

13.2.1 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss does not exceed thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld. The proceeds shall be paid directly to a Mortgagee (if

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required by Mortgagee), if any, and if there is not a Mortgagee, to Landlord, for the sole purpose of making the restoration of the Improvements in accordance with this Article 13.

13.2.2 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss exceeds thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld, and the insurance company shall immediately pay the proceeds to a Mortgagee (if required by Mortgagee), if any, and if there is not a Mortgagee, then to a bank, trust company or escrow company selected by Landlord and approved by Tenant ("**Insurance Trustee**"), which approval shall not be unreasonably withheld, conditioned or delayed. All sums deposited with the Insurance Trustee shall be held for the following purposes and the Insurance Trustee shall have the following powers and duties:

(a) The sums shall be paid in installments by Insurance Trustee to the contractor retained by Tenant and approved by Landlord as construction progresses, for payment of the cost of restoration. A ten percent (10%) retention fund shall be established that will be paid to the contractor on completion of restoration, payment of all costs, expiration of all applicable lien periods, and proof that the Property and the Improvements are free of all mechanics' liens and lienable claims;

(b) Payments shall be made on presentation of certificates or vouchers from the architect or engineer retained by Tenant and approved by Landlord (which approval shall not be unreasonably withheld) showing the amount due. If Insurance Trustee determines that the certificates or vouchers are being improperly approved by the architect or engineer retained by Tenant, Insurance Trustee shall have the right to appoint an architect or an engineer to supervise construction and to make payments on certificates or vouchers approved by the architect or engineer retained by Insurance Trustee. The expenses and charges of the architect or engineer retained by Insurance Trustee shall be paid by Insurance Trustee out of the trust fund;

(c) If, after the work of restoration has commenced, the sums held by Insurance Trustee are not sufficient to pay the actual cost of restoration, Tenant shall deposit the amount of the deficiency with Insurance Trustee within ten (10) days after receipt of request for payment of such amount from Insurance Trustee, which request shall be made by Insurance Trustee promptly after it is determined there will be a deficiency;

(d) If Insurance Trustee has received notice from Landlord that Tenant is in default under this Ground Lease, then, subject to the lien of a Mortgagee's Mortgage and the Mortgagee's prior written consent, Insurance Trustee shall pay itself an amount sufficient to cure such default as specified in Landlord's notice to the Insurance Trustee;

(e) Any amounts remaining after making the payments hereinabove referred to in clauses (a), (b), (c), and (d) shall be paid to any leasehold

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Mortgagee to the extent (x) required by any Mortgage and (y) such leasehold Mortgagee makes written demand therefor to the Insurance Trustee;

(f) Any undisbursed funds remaining after compliance with all of the provisions of this Section 13.2 shall, if and to the extent required by any Mortgage, be delivered to the Mortgagee, and if there is no leasehold Mortgagee, to Tenant; and

(g) All actual costs and charges of Insurance Trustee in administering such funds shall be paid by Tenant. If any Insurance Trustee resigns or for any reason is unwilling to act or continue to act, Landlord shall substitute a new Insurance Trustee in the manner described in this Section.

13.2.3 Both parties shall promptly execute all documents and perform all acts reasonably required by Insurance Trustee to perform its obligations under this Section 13.2.

13.3 Procedure for Restoring Improvements.

13.3.1 If and to the extent Tenant is obligated to restore the Improvements pursuant to this Article 13, Tenant shall restore the Improvements substantially in accordance with the Plans and otherwise in conformance with this Article 13. Within forty-five (45) days after the date of such damage or destruction, Tenant, at its cost, shall prepare and deliver to Landlord final plans and specifications and working drawings complying with applicable laws that will be necessary for such restoration. Such plans and specifications shall specify differences from the Plans. The plans and specifications and working drawings are subject to the approval of Landlord only insofar as they vary from the Plans; provided that nothing in this Ground Lease is intended or shall be interpreted to release Tenant from the obligations to obtain any applicable governmental permits or comply with applicable laws with respect thereto. Landlord shall have thirty (30) days after receipt of the plans and specifications and working drawings to either approve or disapprove the plans and specifications and working drawings and return them to Tenant. If Landlord disapproves the plans and specifications and working drawings, Landlord shall notify Tenant of its objections in writing, specifying the objections clearly and stating what modifications are required for Landlord's approval. Tenant acknowledges that the plans and specifications and working drawings shall be subject to approval of the appropriate government bodies and that they will be prepared in such a manner as to obtain that approval.

13.3.2 The restoration shall be accomplished as follows:

(a) Tenant shall complete the restoration with reasonable diligence and in all events within eighteen (18) months after final plans and specifications and working drawings have been approved by the appropriate government bodies and all required permits have been obtained.

(b) Tenant shall retain a licensed contractor that is bondable. The contractor shall be required to carry public liability and property damage insurance, builders risk insurance, standard fire and extended coverage insurance, with vandalism

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and malicious mischief endorsements, during the period of construction in accordance with Article 9. Such insurance shall contain waiver of subrogation clauses in favor of Landlord and Tenant in accordance with the provisions of and to the extent required by Section 9.6.

(c) Tenant shall notify Landlord of the date of commencement of the restoration not later than thirty (30) days before commencement of the restoration to enable Landlord to post and record notices of non-responsibility. The contractor retained by Tenant shall not commence construction until a completion bond and a labor and materials bond have been delivered to Landlord to insure completion of the construction.

(d) Tenant shall accomplish the restoration in a manner that will cause the least inconvenience, annoyance, and disruption to the Property, Project and the Improvements.

(e) On completion of the restoration, Tenant shall immediately record a notice of completion, or else Landlord shall have the right to do so.

(f) The restoration shall not be commenced until sums sufficient to cover the cost of restoration are placed with Landlord or the escrow company (if any) as provided in Section 13.2.

13.4 Mortgagee Protection. The following provisions are for the protection of a Mortgagee and shall, notwithstanding anything contained in this Ground Lease to the contrary, control:

13.4.1 Insurance. Any insurance proceeds payable from any policy of insurance (other than liability insurance) required by the Ground Lease shall be paid to and applied by the Mortgagees, if any, in accordance with their respective Mortgage. Each Mortgagee, if any, shall have the right to participate in all adjustments, settlements, negotiations, or actions with the insurance company regarding the amount and allocation of any such insurance proceeds. Any insurance policies permitted or required by this Ground Lease shall name each Mortgagee, if any, as an additional insured or loss payee, as appropriate, if required by such Mortgagees.

13.4.2 Restoration Tenant shall have no obligation to restore or repair the Improvements following the occurrence of any casualty for which insurance is not required under this Ground Lease**.** The Mortgagee, if any, and if it exercises any of its remedies set forth in this Ground Lease to acquire the leasehold estate hereunder, shall have no obligation to restore or repair damage to the Improvements that cost in excess of available insurance proceeds. Tenant shall have no obligation to restore or repair damage to the Improvements if the casualty occurs during the last five (5) years of the Ground Lease term. In the event such a loss occurs in the last five (5) years, then, at the election of Tenant, with the prior written consent of Mortgagee, if any, insurance proceeds shall be used, first, to clear the Property of the damaged Improvements and any debris, and second, to reduce or pay in full the Mortgage, with any excess being payable as provided in this Ground Lease.

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ARTICLE 14. CONDEMNATION.

14.1 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 Property or any interest in Tenant's leasehold estate is taken by condemnation, the rights and obligations of the parties will be determined under this Article 14, subject to the rights of any lender. Accordingly, Tenant waives any right to terminate this Ground Lease upon the occurrence of a partial condemnation under Sections 1265.120 and 1265.130 of the California Code of Civil Procedure, as those Sections may from time to time be amended, replaced, or restated

14.2 Notice. In case of the commencement of any proceedings or negotiations that might result in a condemnation of all or any portion of the Property during the Term, the party learning of such proceedings will promptly give written notice of the proceedings or negotiations to the other party. The notice will describe with as much specific specificity as is reasonable, the nature and extent of such condemnation or the nature of such proceedings or negotiations and of the condemnation that might result, as the case may be.

14.3 Total Taking. If a condemnation takes the entirety of the Property, this Ground Lease will terminate on the date the condemnor has the right to possession of the Property.

14.4 Partial Taking. If any portion of the Property is taken by condemnation, but less than the entire Property, this Ground Lease will remain in effect, except that Tenant may, with lender's written consent, elect to terminate this Ground Lease if, in Tenant's reasonable judgment, the remaining portion of the Improvements, after taking into account any compensation awarded to Tenant and any repairs or reconstruction of the Improvements that can reasonably be undertaken, is rendered physically unsuitable for Tenant's continued operation of the Project, or is not capable of producing a reasonable net annual income. If Tenant elects to terminate this Ground Lease, Tenant must exercise its right to terminate under this paragraph by giving notice to Landlord within thirty (30) days after Landlord notifies Tenant of the nature and the extent of the taking. Tenant's termination notice must include the date of termination, which date may not be earlier than thirty (30) days or later than six (6) months after the date of Tenant's notice; except that this Ground Lease will terminate on the date the condemnor has the right to possession of the Property and Project if that date falls on a date before the date of termination as designated by Tenant. If Tenant does not terminate this Ground Lease within the thirty (30) day notice period, this Ground Lease will continue in full force and effect.

14.5 Restoration of Improvements. If there is a partial taking of the Property and Project and this Ground Lease remains in full force and effect under Section 14.4, then Tenant shall, subject to the terms of any Mortgage, use the proceeds of the taking first to accomplish any necessary restoration to the Improvements.

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14.6 Award and Distribution. Any compensation awarded, paid, or received on a total or partial condemnation of the Project or threat of condemnation of the Project will belong to and be distributed in the following order (except that, in the case of a partial taking, the following distributions shall be made after payment of any necessary restoration costs as provided in Section 14.5):

14.6.1 First, to pay the balance due on any outstanding Mortgages and other outstanding or unpaid obligations and/or liabilities, including but not limited to, trade accounts, taxes, payroll accruals, and lease residuals, to the extent provided therein; and

14.6.2 Second, to Landlord in an amount equal to the then fair market value of Landlord's fee interest in the Property and the reversionary interest in the Improvements, such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the site; and

14.6.3 Third, to Tenant in an amount equal to the then fair market value of Tenant's interest in the Project, such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the Site.

14.6.4 Notwithstanding anything to the contrary set forth in this Section, any portion of the compensation awarded that has been specifically designated by the condemning authority or in the judgment of any court to be payable to Landlord or Tenant on account of any interest in the Property or the Improvements separate and apart from the condemned land value, the value of Landlord's reversionary interest in the Improvements, Tenant's leasehold estate, or the value of the Improvements on the Property for the remaining unexpired portion of the Term, will be paid to Landlord or Tenant, as applicable, as so designated by the condemning authority or judgment.

14.7 Payment to Lenders. In the event the Improvements are subject to the lien of a Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Tenant, the award will be disposed of as provided in the Mortgage(s), except to the extend provided in Section 14.5.

14.8 Temporary Condemnation. If there is a condemnation of all or any portion of the Property for a temporary period lasting less than the remaining Term, this Ground Lease will remain in full force and effect, and the entire award will be payable to Tenant.

14.9 Personal Property; Goodwill. Notwithstanding Section 14.6, Landlord will not be entitled to any portion of any award payable in connection with the condemnation of the personal property of Tenant or any of its subtenants, or any moving expenses, loss of goodwill or business loss or interruption of Tenant, severance damages with respect to any portion of the Property and Improvements remaining under this Ground Lease, or other damages suffered by Tenant.

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ARTICLE 15. ASSIGNMENT.

Because of the importance that Landlord places on Tenant's qualification, expertise and identity, and the reliance Landlord makes upon Tenant's ability to construct and operate the Project, during the Term, Tenant shall not assign or attempt to assign this Ground Lease, the Agreement or the Regulatory Agreement or any right herein. Notwithstanding the foregoing, however, Tenant may do the following without consent: (i) transfer limited partner interests; (ii) remove the general partner for a default under the Partnership Agreement; and (iii) transfer and assign its rights and duties hereunder to Mercy Housing California or an Affiliate of Mercy Housing California pursuant to the purchase option and/or right of first refusal entered into between Mercy Housing California (or an Affiliate of Mercy Housing California) and Tenant.

ARTICLE 16. MORTGAGES.

16.1 Ground Leasehold Mortgages. Notwithstanding anything to the contrary contained elsewhere herein, at all times during the Term, Tenant shall have the right to mortgage, pledge, deed in trust, assign rents, issues, and profits and/or collaterally (or absolutely for purposes of security if required by any lender) assign its leasehold interest in this Ground Lease, or otherwise encumber this Ground Lease, and/or the interest of Tenant hereunder, in whole or in part, and any interests or rights appurtenant to this Ground Lease, and to assign or pledge the same as security for any debt (the holder of any such mortgage, pledge, or other encumbrance, and the beneficiary of any such deed of trust being hereafter referred to as "**Mortgagee**" and the mortgage, pledge, deed of trust, or other instrument hereafter referred to as "**Mortgage**"), upon and subject to each and all of the terms and conditions listed in Paragraphs (A), (B), and (C) below:

(A) Tenant shall be limited in purpose to and the principal amount of all such Mortgages shall not exceed the amount necessary and appropriate to develop the Improvements, and to acquire and install equipment and fixtures thereon. Said amount shall include all hard and soft costs of acquisition, development, construction, lease-up, and operation of the Improvements.

(B) Any permitted Mortgages entered into by Tenant are to be originated only by Project lenders.

(C) All rights acquired by said Mortgagee shall be subject to each and all of the covenants, conditions and restrictions set forth in this Ground Lease, the Regulatory Agreement and the Agreement, and to all rights of Landlord thereunder, none of which covenants, conditions, and restrictions is or shall be waived by Landlord by reason of the giving of such Mortgage. By way of clarification, Tenant shall have no right to encumber all or any portion of Landlord's fee interest in the Property.

If Tenant encumbers its leasehold estate by way of a Mortgage as permitted herein, and should Landlord be advised in writing of the name and address of the Mortgagee, then this Ground Lease shall not be terminated or canceled on account of any Event of Default by Tenant in the performance of the terms, covenants or conditions

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hereof until Landlord shall have complied with the provisions of this Ground Lease as to the Mortgagee's rights to cure, so long as Landlord has been given written notice of the name and address of the Mortgagee, as required above. In addition, after the creation of any Mortgage permitted by this Ground Lease, no agreement by Landlord and Tenant to cancel, surrender, terminate, amend, or modify this Ground Lease shall be effective without the written consent of each Mortgagee; provided that this sentence is not intended to prohibit Landlord from exercising its rights and remedies for a Tenant default as provided herein.

16.2 Landlord's Forbearance and Right to Cure Defaults on Ground Leasehold Mortgages. Landlord will give to any Mortgagee, at such address as is specified by the Mortgagee in accordance with Section 22.1 hereof, a copy of each notice or other communication with respect to any claim that a default exists or is about to exist from Landlord to Tenant hereunder at the time of giving such notice or communication to Tenant, and Landlord will give to the Mortgagee a copy of each notice of any rejection of this Ground Lease by any trustee in bankruptcy of Tenant; provided, however, that a failure by Landlord to provide any such notice to Mortgagee shall not excuse a default by Tenant or extend Tenant's time to perform its obligations hereunder or effectuate a cure of said default. Each such notice to a Mortgagee shall be given by U.S. certified mail, postage prepaid, return receipt requested, and shall be effective upon receipt.

16.3 Landlord Cooperation. Landlord covenants and agrees that it will act and fully cooperate with Tenant in connection with Tenant's right to grant leasehold mortgages as hereinabove provided, provided such is at no cost to Landlord. At the request of Tenant or any proposed or existing Mortgagee, Landlord shall promptly execute and deliver (i) any documents or instruments reasonably requested to evidence, and/or acknowledge the rights of the Mortgagees as herein provided; and (ii) an estoppel certificate certifying the status of this Ground Lease and Tenant's interest herein and such matters relating thereto as are reasonably requested by Tenant or such Mortgagees. Such estoppel certificate shall include, but not be limited to, certification by Landlord that (a) this Ground Lease is unmodified and in full force and effect (or, if modified, a statement as to the nature of such modification and certification that this Ground Lease, as so modified, is in full force and effect, if applicable), (b) all rents currently due under the Ground Lease have been paid (or, if unpaid, the period and amount of any arrearages, penalties, interest and other charges), (c) there are not, to Landlord's actual, present knowledge, any uncured Events of Default on the part of Tenant under the Ground Lease or facts, acts or omissions which, with the giving of notice or passing of time, or both, would constitute an Event of Default (or, if there is a default, the nature and scope of the default). Any such estoppel certificate may be conclusively relied upon by any proposed or existing leasehold Mortgagee or assignee of Tenant's interest in this Ground Lease. As a condition to Landlord's obligation to execute and deliver any such document, instrument, or estoppel certificate, Tenant or the proposed or existing Mortgagee requesting the same shall be responsible to pay all of Landlord's actual and costs, including in-house payroll and administrative costs and out-of-pocket costs for third party consultants and attorneys, to investigate and respond to such request.

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16.4 No Subordination of Landlord's Interest. Landlord's fee interest in the Property shall be senior to, and not be subordinated to, any financing obtained by Tenant in connection with the Property.

16.5 Priority. This Ground Lease, and any extensions, renewals or replacements thereof, and any Sublease entered into by Tenant as sublessor, and any Mortgage or other encumbrance now or hereafter recorded by any Mortgagee shall be superior to any future mortgages, deeds of trust or similar encumbrances placed by Landlord on the Property and to any lien right of Landlord on the buildings or any furniture, fixtures, equipment or other personal property of Tenant upon the Property or any interest of Landlord in Sublease rentals or similar agreements. For avoidance of doubt, any rights of Landlord created by this Ground Lease, including without limitation any rights in the leasehold, the Improvements, the personal property of Tenant, or Sublease rentals, shall be superior to the rights of any Mortgagee.

16.6 Claims. Landlord and Tenant shall deliver to each Mortgagee written notice of any litigation or arbitration proceedings between the parties or involving the Property, Project, the Regulatory Agreement, the Agreement or this Ground Lease. Any Mortgagee shall have the right, at its option and its expense, to intervene and become a party to any such proceedings. If a Mortgagee elects not to intervene or become a party, Landlord and Tenant shall deliver to said Mortgagee prompt written notice of and a written copy of any award, decision or settlement agreement made in connection with any such proceeding.

16.7 Further Amendments. Landlord and Tenant shall reasonably consider including in this Ground Lease by suitable amendment from time to time any provision which may be reasonably requested by any proposed Mortgagee for the purpose of implementing the mortgagee protection provisions contained in this Ground Lease and allowing the Mortgagee reasonable means to protect or preserve the lien of its Mortgage upon the occurrence of a default under the terms of this Ground Lease. Landlord and Tenant each agree to execute and deliver (and to acknowledge for recording purposes, if necessary) any agreement reasonably required to effect any such amendment.

16.8 [reserved]

16.9 Liens and Encumbrances Against Tenant's Interest in the Leasehold Estate

(A) Tenant (and Foreclosure Transferee) shall have the right to encumber the leasehold estate created by this Ground Lease and the Improvements with one or more deeds of trust or mortgages in conformance with the requirements of Section 16.1 hereof.

(B) Tenant shall not have the right to encumber Landlord's fee interest in the Property or Landlord's reversionary interest in the Improvements, provided, however, that Landlord shall permit the following to be recorded on the fee interest, provided such are each in a form and substance that is acceptable to Landlord: (i) the covenant required in connection with the California Department of Housing and

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Community Development Infill Infrastructure Grant; (ii) the covenant required in connection with Joe Serna Farmworker funds from the California Department of Housing and Community Development; (iii) any required lease rider to the extent required by HCD; and (iv) any required lease rider to the extent required by TCAC.

(C) For as long as there is any lien securing any permitted Mortgage loan:

(1) Each permitted Mortgagee which has an outstanding Mortgage loan secured by Tenant's leasehold interest in the Property shall have the right, but not the obligation, at any time to pay any or all of the Rent due pursuant to the terms of this Ground Lease, and do any other act or thing required of Tenant by the terms of this Ground Lease, to prevent termination of this Ground Lease. Each Mortgagee and its agents and contractors shall have a right to enter the Property for purposes of accomplishing the foregoing, so long as such Mortgagee indemnifies and holds Landlord harmless from any and all liability arising from such entry upon the Property. Each Mortgagee shall have thirty (30) days after receipt of written notice from Landlord describing a default by Tenant to cure any default in the payment of Rent (including any monetary obligation of Tenant hereunder) and any other default the cure of which does not require physical possession of the Property.

This Ground Lease shall not be deemed terminated as to Mortgagee, and any payments so made and all things so done by or on behalf of a permitted Mortgagee shall be as effective to prevent a termination of this Ground Lease as the same would have been if made and performed by Tenant instead of by Mortgagee(s). If Tenant's default is such that possession of the Property is reasonably necessary to remedy the default, each permitted Mortgagee which has an outstanding Mortgage loan shall have such additional time after the expiration of such thirty (30) day period as such Mortgagee may reasonably require to remedy such default, provided that (i) such Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease within such thirty (30) day period and shall continue to pay currently such monetary obligations when the same are due, and (ii) within one hundred twenty (120) days after receipt of Landlord's notice of default, such Mortgagee shall have acquired Tenant's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings, shall be diligently prosecuting the same, and, after such Mortgagee acquires Tenant's leasehold estate hereunder such Mortgagee performs all of Tenant's obligations under this Ground Lease and the Agreement and promptly completes cure of Tenant's default.

(2) If a Mortgagee is prohibited, stayed, or enjoined by any bankruptcy, insolvency, or other judicial proceedings involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified in subparagraph (1) above for commencing or prosecuting such foreclosure or other proceedings and completing a cure that requires possession of the Property shall be extended for the period of such stay prohibition or injunction; provided that any Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease and shall continue to pay currently such monetary obligations

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when the same fall due (subject to the notice and cure provision contained herein).

(3) Landlord shall deliver, by U.S. certified mail, postage prepaid, return receipt requested, to each permitted Mortgagee which has any outstanding Mortgage loan a duplicate copy of all notices which Landlord may from time to time give to Tenant pursuant to this Ground Lease.

(4) If this Ground Lease is terminated, whether by foreclosure, order of a bankruptcy court, or otherwise, upon written request by any permitted Mortgagee given within sixty (60) days after Landlord gives written notice of such termination to each permitted Mortgagee, Landlord shall enter into a new lease of the Property with the permitted Mortgagee for the remainder of the Term with the same agreements, covenants, reversionary interests, and conditions (except for any requirements which have been fulfilled by Tenant prior to termination) as are contained in this Ground Lease and with priority equal to this Ground Lease, which new lease shall be effective as of the date of termination of the original Ground Lease; provided, however, that a requesting Mortgagee shall promptly cure any defaults by Tenant reasonably susceptible to cure by the Mortgagee. Tenant under the new lease shall have the same right, title, and interest in and to all Improvements located on the Property as Tenant had under the terminated Ground Lease immediately prior to its termination. Landlord shall by quitclaim deed or by the terms of the new lease convey to the permitted Mortgagee, title to the improvements, if any, which become vested in Landlord as a result of the termination of the Ground Lease. The permitted Mortgagee shall be responsible for all costs reasonably incurred by Landlord in connection with the preparation and execution of such new lease. The rights and obligations in this paragraph shall survive termination of this Ground Lease.

(5) No Mortgagee shall be required to perform any act which is not susceptible to performance by a Mortgagee, such as to cure a filing or condition of bankruptcy or insolvency.

(D) Any Mortgage created pursuant to subsection (A) of this Section shall be subject to the provisions of this Ground Lease and all rights of Landlord under this Ground Lease.

(E) On transfer of this Ground Lease at any foreclosure sale, or upon creation of a new Ground Lease, any or all of the following Events of Default relating to the prior owner of the Ground Lease shall be deemed cured:

(1) Attachment, execution, or other judicial levy upon the Ground Lease;

(2) Assignment of the Ground Lease for the direct or indirect benefit of creditors of the prior Tenant;

(3) Judicial appointment of a receiver or similar officer to take possession of the Ground Lease;

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(4) Filing a petition by, for, or against Tenant under any chapter of the federal Bankruptcy Act or any federal or state debtor relief statute, as amended; and

(5) Any other defaults personal to Tenant and/or not otherwise reasonably curable by Mortgagee.

(F) A Foreclosure Transferee shall succeed to all interest of Tenant in any security or other deposits or other impound payments paid by Tenant to Landlord, except to the extent such security or other deposit or impound payment is used by Landlord to cure an Event of Default of Tenant hereunder.

(G) Foreclosure of any Mortgage or any sale thereunder, whether by judicial proceedings or by virtue of any power of sale contained in such Mortgage, or any conveyance of the leasehold estate under this Ground Lease from Tenant to a Foreclosure Transferee in lieu of foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Landlord or constitute a breach of any provision or a default under this Ground Lease. Landlord shall recognize the Foreclosure Transferee as Tenant under this Ground Lease following any such transfer, subject to the obligations of the Foreclosure Transferee to comply with this Ground Lease.

16.10 Cost of Loans to be Paid by Tenant. Tenant affirms that it shall bear all of the costs and expenses in connection with (i) the preparation and securing of the Mortgage loans, (ii) the delivery of any instruments and documents and their filing and recording, if required, (iii) all taxes and charges payable in connection with the Mortgage loans, and (iv) all costs reasonably incurred by Landlord in making any amendments of this Lease requested by Tenant or Mortgagees.

16.11 No Merger. There shall be no merger, without the consent of the permitted Mortgagee under any Mortgage, of the leasehold estate and the fee estate in the Property merely because both estates are acquired or become vested in the same person or entity.

16.12 Transfer Rights. Foreclosure of any permitted Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Mortgage, or any conveyance of the leasehold estate hereunder from Tenant to any Mortgagee or an affiliate of Mortgagee or entity controlled by Mortgagee, through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof (any of the foregoing, a "**Foreclosure Action**"), shall not require the consent of Landlord or constitute a breach of any provision of or a default under this Ground Lease, and upon such foreclosure, sale, or conveyance, Landlord shall recognize the purchaser or other transferee in connection therewith as Tenant hereunder. Further, with respect to the first subsequent transfer of the Property following a Foreclosure Action, Landlord shall recognize such transferee, provided that prior to such transfer the transferee has provided evidence reasonably acceptable to Landlord that the transferee has experience in owning and operating affordable housing rental developments of similar scale as the Project and with income and rent restrictions similar to the restrictions set forth in the Ground Lease, and a business reputation and record of fair dealing that is similar to that of Tenant as of the

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Commencement Date. Any further assignments shall require the approval of Landlord, which shall not be unreasonably withheld.

ARTICLE 17. SUBLEASING.

17.1 Subleasing of Property. Tenant will Sublease individual residential units to income-qualified Heads of Household in accordance with the Affordability Restrictions and occupancy covenants set forth in this Ground Lease and the Regulatory Agreement. The Tenant will Sublease the approximately 2,658 square foot tenant space on the ground floor of the Project for the operation of community serving space ("**Resource Center Sublease**"). All Subleases entered into by Tenant with residents of the individual residential units in the Project ("**Resident Subleases**") shall be in compliance with the any applicable regulations of HCD, the Regulatory Agreement and any other applicable regulatory agreement required in connection with Project funding. The form and substance of the Resource Center Sublease and the Resident Subleases shall be reviewed and approved by the Landlord prior to implementation and execution, and shall include the following provisions and restrictions:

17.1.1 Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall contain a provision, satisfactory to Landlord, requiring the subtenant to attorn to Landlord upon (a) an Event of Default by Tenant under this Ground Lease, and (b) receipt by such sublessee of written notice of such Event of Default and instructions to make such sublessee's rental payments to Landlord. Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall also contain a provision, satisfactory to Landlord, prohibiting each subtenant from sub-subleasing its space.

17.1.2 On any termination of this Ground Lease prior to the expiration of the Term, all of Tenant's interest as sublessor under any and all existing valid and enforceable Resident Subleases and Resource Center Sublease for which Landlord has issued a non-disturbance agreement shall be deemed automatically assigned, transferred, and conveyed to Landlord and subtenants under such Resident Subleases and Resource Center Sublease shall be deemed to have attorned to Landlord. Landlord shall thereafter be bound on such Resident Subleases and Resource Center Sublease to the same extent Tenant, as sublessor, was bound thereunder and Landlord shall have all the rights under such Resident Subleases and Resource Center Sublease that Tenant, as sublessor, had under such Resident Subleases and Resource Center Sublease; provided, however, that any amendments to any such Resident Sublease and Resource Center Sublease made after the issuance of a non-disturbance agreement to a subtenant shall not be binding on Landlord.

17.1.3 Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall expressly provide that it is subject to each and all of the covenants, conditions, restrictions, and provisions of this Ground Lease. On expiration of the Term, all Subleases shall terminate.

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17.2 Operator of Community-Serving Space and Operational Program. ALAS will be the initial operator of the community serving space, operating an Agricultural Worker resource center subject to the terms, conditions and operational requirements in the Community Resource Center Sublease entered into by ALAS and Tenant. The operational program consists of providing ongoing supportive services and programming to enrich resident well-being and quality of life, and includes applicable fees and other restrictions related to use by the general public. The operational program shall consist of providing health, wellness and other social services to residential tenants of the Project in accordance with requirements of City and Project funders. The operational program also includes the provision of a multi-purpose community space to be used at the sole discretion of City for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy of the Project, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and ALAS's proposed use of the space. ALAS (and any successor) shall comply with all terms, conditions and operational requirements of the applicable Sublease, as approved by the City Manager. The operational program may be amended from time to time, as requested by the operator and approved in writing by City Manager. In the event that ALAS's subtenancy with Tenant is terminated, Tenant shall replace ALAS with an operator that provides services to the residents, consistent with the approved program described above. Tenant shall submit the proposed replacement community serving space subtenant and its proposed operational program to City Manager for review and approval.

17.3 Rights of Mortgagees. Notwithstanding anything contained in this Ground Lease to the contrary, all attornment provisions applicable to Landlord shall also be applicable to a permitted Mortgagee and, as between Landlord and the permitted Mortgagee, the permitted Mortgagee shall have priority in any attornment situation.

ARTICLE 18. PERFORMANCE OF TENANT'S COVENANTS.

18.1 Right of Performance. If Tenant shall at any time fail to pay any Imposition or other charge in accordance with Article 4 hereof, within the time period therein permitted, or shall fail to pay for or maintain any of the insurance policies provided for in Article 9 hereof, within the time therein permitted, or to make any other payment or perform any other act on its part to be made or performed hereunder, within the time permitted by this Ground Lease, then Landlord, after ten (10) days' written notice to Tenant (or, in case of an emergency, on such notice, or without notice, as may be reasonable under the circumstances) and without waiving or releasing Tenant from any obligation of Tenant hereunder, may (but shall not be required to):

(A) pay such Imposition or other charge payable by Tenant pursuant to the provisions of Article 4 hereof, or

(B) pay for and maintain such insurance policies provided for in Article 9 hereof, or

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(C) make such other payment or perform such other act on Tenant's part to be made or performed as in this Ground Lease provided.

18.1.1 Rights of Mortgagees. Notwithstanding anything in this Ground Lease to the contrary, all of the performance rights available to Landlord under Section 19.1 shall also be available to any Mortgagee.

18.2 Reimbursement and Damages. All sums paid by Landlord pursuant to Section 18.1 and all costs and expenses incurred by Landlord in connection with the performance of any such act, together with interest thereon at the rate provided in Section 4.5 from the respective dates of Landlord's making of each such payment or incurring of each such cost or expense, shall constitute additional Rent payable by Tenant under this Ground Lease and shall be paid by Tenant to Landlord on demand. Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force insurance as aforesaid, to the amount of the insurance premium or premiums not paid or incurred by Tenant and which would have been payable upon such insurance, but Landlord shall also be entitled to recover as damages for such breach, the uninsured amount of any loss (to the extent required to be insured against pursuant to the terms of this Ground Lease), damages, costs and expenses of suit, including reasonable attorneys' fees, suffered or incurred by reason of damage to, or destruction of, the Improvements, occurring during any period in which Tenant shall have failed or neglected to provide insurance as aforesaid.

ARTICLE 19. EVENTS OF DEFAULT; REMEDIES.

19.1 Events of Default. Any one or all of the following events shall, subject to Section 21.1, constitute an "**Event of Default**" hereunder:

19.1.1 If Tenant shall default in the payment of any Rent when and as the same becomes due and payable and such default shall continue for more than ten (10) days after Landlord shall have given written notice thereof to Tenant; or

19.1.2 If Tenant shall materially default under this Ground Lease, the Regulatory Agreement or under the Agreement, and such default is not timely cured within the time provided for herein or therein; or

19.1.3 The abandonment or vacation of the Property by Tenant for a period of thirty (30) days after prior written notice thereof by Landlord; or

19.1.4 The entry of any decree or order for relief by any court with respect to Tenant, or any assignee or transferee of Tenant ("**Assignee**"), in any involuntary case under the Federal Bankruptcy Code or any other applicable federal or state law; or the appointment of or taking possession by any receiver, liquidator, assignee, trustee, sequestrator or other similar official of Tenant or any Assignee (unless such appointment is in connection with a permitted Mortgagee's exercise of its remedies under its Mortgage), or of any substantial part of the property of Tenant or such Assignee, or the ordering or winding up or liquidating of the affairs of Tenant or any Assignee and the continuance of such decree or order unstayed and in effect for a period of ninety (90)

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days or more (whether or not consecutive); or the commencement by Tenant or any such Assignee of a voluntary proceeding under the Federal Bankruptcy Code or any other applicable state or federal law, or consent by Tenant or any such Assignee to the entry of any order for relief in an involuntary case under any such law, or consent by Tenant or any such Assignee to the appointment of or taking of possession by a receiver, liquidator, assignee, trustee, sequestrator, or other similar official of Tenant or any such Assignee, or of any substantial property of any of the foregoing, or the making by Tenant or any such Assignee of any general assignment for the benefit of creditors; or Tenant or any such Assignee takes any other voluntary action related to the business of Tenant or any such Assignee or the winding up of the affairs of any of the foregoing.

19.2 Remedies.

19.2.1 If an Event of Default shall occur and continue as aforesaid, then in addition to any other remedies available to Landlord at law or in equity, but subject to Article 16, Landlord shall have the immediate option to terminate this Ground Lease and bring suit against Tenant and recover as an award in such suit or arbitration proceeding the following:

(a) the worth at the time of award of the unpaid rent and all other sums due hereunder which had been earned at the time of termination;

(b) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(c) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided;

(d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Ground Lease and/or any of the Transaction Documents, as applicable, or which in the ordinary course of things could be likely to result therefrom; and

(e) such amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

19.2.2 The "worth at the time of the award" of the amounts referred to in Subparagraphs 19.2.1(a) and 19.2.1(b) above shall be computed by allowing interest at the rate provided in Section 4.5 as of the date of the award. The "worth at the time of award" of the amount referred to in subparagraph 19.2.1(c) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

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19.3 Receipt of Rent, No Waiver of Default. No failure by Landlord to insist upon the strict performance of any term hereof or to exercise any right, power, or remedy consequent upon a default under this Ground Lease, and no acceptance of Rent during the continuance of any such default, shall constitute a waiver of any such default or of any such term. Not by way of limitation of the foregoing, the receipt by Landlord of the rents or any other charges due to Landlord, with knowledge of any breach of this Ground Lease by Tenant or of any default on the part of Tenant in the observance or performance of any of the conditions or covenants of this Ground Lease, shall not be deemed to be a waiver of any provisions of this Ground Lease. No acceptance by Landlord of a lesser sum than the rents or any other charges then due shall be deemed to be other than on account of the earliest installment of the rents or other charges due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of rent or charges due be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy provided in this Ground Lease. The receipt by Landlord of any rent or any other sum of money or any other consideration paid by Tenant after the termination of this Ground Lease, or after giving by Landlord of any notice hereunder to effect such termination, shall not, except as otherwise expressly set forth in this Ground Lease, reinstate, continue, or extend the term of this Ground Lease, or destroy, or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by Landlord to Tenant prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by Landlord. Neither acceptance of the keys nor any other act or thing done by Landlord or by its agents or employees during the Term shall be deemed to be an acceptance of a surrender of the Property or the Improvements, excepting only an agreement in writing signed by Landlord accepting or agreeing to accept such a surrender.

19.4 Effect on Indemnification. Notwithstanding the foregoing, nothing contained in this Article 19 shall be construed to limit Landlord's right to indemnification as otherwise provided in this Ground Lease.

19.5 Remedies Cumulative. The various rights, options, elections, and remedies of Landlord and Tenant, respectively, contained in this Ground Lease shall be cumulative and no one of them shall be construed as exclusive of any other, or of any right, priority, or remedy allowed or provided for by law and not expressly waived in this Ground Lease.

ARTICLE 20. PERMITTED CONTESTS.

Tenant, at no cost or expense to Landlord, may contest (after prior written notice to Landlord), by appropriate legal proceedings conducted with due diligence, the amount or validity or application, in whole or in part, of any Imposition or lien, provided that (a) in the case of liens of mechanics, materialmen, suppliers or vendors, or Impositions or liens therefor, such proceedings shall suspend the collection thereof from Landlord, and shall suspend a foreclosure against the Property and/or the Improvements, or any interest therein, or any Rent, if any, (b) neither the Property or the Improvements, nor any part thereof or interest therein, or the Rent, if any, or any portion thereof, would be in any danger of being sold, forfeited, or lost by reason of such proceedings, and (c) Tenant shall

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have furnished to Landlord, if requested, a bond or other security, satisfactory to Landlord. If Tenant shall fail to contest any such matters, or to give Landlord security as hereinabove provided, Landlord may, but shall not be obligated to, contest the matter or settle or compromise the same without inquiring into the validity or the reasonableness thereof. Landlord, at the sole cost and expense of Tenant, will cooperate with Tenant and execute any documents or pleadings legally required for any such contest.

ARTICLE 21. FORCE MAJEURE.

21.1 Delay of Performance. Subject to Section 21.2 below, Tenant's performance of its obligations set forth in Article 7, Sections 11.2.4 and 11.4, Article 13, and Article 14 to timely make any required improvements, additions, changes, repairs, and replacements to the Property shall be excused during the period of time that Tenant, after and despite its exercise of commercially reasonable diligence to perform such work, is prohibited, prevented, or materially delayed from proceeding with the work due to any of the following causes: any regulation, order, act, restriction, or requirement or limitation imposed by any federal, state, municipal, or foreign government or any department or agency thereof, or civil or military authority; acts of God; fire, explosion, or floods (subject to Tenant's obligations herein to promptly repair and restore the damage caused thereby); strikes, walkouts, or inability to obtain materials; war, terrorism, riots, sabotage or civil insurrection; epidemics or pandemics; or any other causes without the fault and beyond the reasonable control of Tenant following Tenant's exercise of good faith efforts to resolve. In no event shall adverse economic or market conditions, Tenant's inability to obtain financing, increases in interest rates, or similar causes justify an extension of Tenant's obligation to timely perform any of such obligations.

21.2 Notice and Cure Requirements. No prevention, delay, or stoppage of performance shall be excused unless:

(A) Tenant notifies Landlord within thirty (30) days of such prevention, delay, or stoppage that it is claiming excuse of its obligations under this Article 21; and

(B) Tenant diligently proceeds within thirty (30) days of the conclusion of such prevention, delay, or stoppage to cure the condition causing the prevention, delay or stoppage; and

(C) Tenant effects such cure within a reasonable time.

ARTICLE 22. GENERAL PROVISIONS.

22.1 Notices. Written notices, demands and communications between Landlord and Tenant ("**Notices**") shall be sufficiently given if (i) delivered by hand, (ii) delivered by reputable same-day or overnight messenger service that provides a receipt showing date and time of delivery, or (iii) dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of Landlord and Tenant at the addresses specified in this Section 22.1. Such Notices may be sent in the same manner to such other addresses as either party may from time to time designate by mail as provided in this Section 22.1.

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Any Notice shall be deemed received immediately if delivered by hand or delivered by messenger in accordance with the preceding paragraph, and shall be deemed received on the third (3rd) day from the date it is postmarked if delivered by registered or certified mail in accordance with the preceding paragraph.

If to Tenant: Mercy Housing California 110, L.P.
1256 Market Street
San Francisco, CA 94102
Attn: Kelly Hollywood
Email: kelly.hollywood@mercyhousing.org

with a copy to: Gubb and Barshay LLP
235 Montgomery St., Suite 1110
San Francisco, CA 94104
Attn: CJ Highley, Evan Gross
Email: cjhigley@gubbandbarshay.com;
egross@gubbandbarshay.com

If to Landlord: Landlord of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager
Reference: 555 Kelly
Email: mchidester@halfmoonbay.gov

with a copy to Half Moon Bay City Attorney's Office
c/o Burke, Williams & Sorensen
1999 Harrison Street, Suite 1650
Oakland, CA 94612
Attn: Denise Bazzano, Esq.

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Addresses for Notice may be changed from time to time by delivery of a Notice to all other parties in compliance herewith. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any Notice as the result of a change of address of which the sending party was not notified shall be deemed receipt of such Notice.

22.2 Certificates. Landlord or Tenant, as the case may be, shall execute, acknowledge, and deliver to the other, promptly upon request by Landlord, Tenant, or a Mortgagee, an estoppel certificate of Landlord or Tenant, as the case may be, certifying, to the knowledge of the certifying party (a) that this Ground Lease is unmodified and in full force and effect (or, if there have been modifications, that the Ground Lease is in full force and effect, as modified, and stating the date of each instrument so modifying the Ground Lease), (b) the date, if any, through which the Rent, if any, has been paid, (c) whether there are then existing any offsets or defenses against the enforcement of any term hereof on the part of Tenant to be performed or complied with (and, if so, specifying

the same), and (d) whether any default exists hereunder and, if any such default exists, specifying the nature and period of existence thereof and what action Landlord or Tenant, as the case may be, is taking or proposes to take with respect thereto and whether notice thereof has been given to the party in default. Any Certificate may be relied upon by any prospective purchaser, transferee, mortgagee, or trustee under a deed of trust or leasehold estate in the Property or any part thereof or of Landlord's or Tenant's interest under this Ground Lease. Tenant will also deliver to Landlord, promptly upon request, such information with respect to the Property or any part thereof as from time to time may reasonably be requested. Tenant or the existing or prospective Mortgagee requesting an estoppel certificate from Landlord shall, as a condition to receipt of such estoppel certificate, pay Landlord for Landlord's actual and reasonable costs incurred to investigate and respond to the same, including Landlord's in-house payroll and administrative costs and the amounts paid by Landlord to consultants and attorneys.

22.3 No Merger of Title. There shall be no merger of this Ground Lease or the leasehold estate created by this Ground Lease with any other estate in the Property or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly:(a) this Ground Lease or the leasehold estate created by this Ground Lease or any interest in this Ground Lease or in any such leasehold estate, and (b) any other estate in the Property and the Improvements or any part thereof or any interest in such estate, and no such merger shall occur unless and until all persons, corporations, firms and other entities, including any leasehold Mortgagee or leasehold Mortgagees, having any interest (including a security interest) in (i) this Ground Lease or the leasehold estate created by this Ground Lease, and (ii) any other estate in the Property or the Improvements or any part thereof shall join in a written instrument effecting such merger and shall duly record the same.

22.4 Quiet Enjoyment. Tenant, upon paying the Rent, if any, and other charges herein provided for and upon performing and complying with all covenants, agreements, terms and conditions of this Ground Lease to be performed or complied with by it, shall lawfully and quietly hold, occupy and enjoy the Property during the Term of this Ground Lease without hindrance or molestation by Landlord, or any person or persons claiming through Landlord.

22.5 No Claims Against Landlord. Nothing contained in this Ground Lease shall constitute any consent or request by Landlord, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof, nor as giving Tenant any right, power, or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Landlord or its interest in the Property in respect thereof.

22.6 Non-Liability of Landlord or Landlord Officials and Employees. Neither Landlord or any Landlord Personnel shall be personally liable to Tenant, including any successor in interest of Landlord or any Landlord Personnel, in the event of any default or breach by Landlord or for any amount which may become due to Tenant or its successors, or on any obligations under the terms of this Ground Lease, the Agreement

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and the Regulatory Agreement. Tenant hereby waives and releases any claim it may have against Landlord and all Landlord Personnel with respect to any default or breach by Landlord or any of the Landlord Personnel or for any amount which may become due to Tenant or its successors, or on any obligations under the terms of this Ground Lease, the Agreement or the Regulatory Agreement. Tenant makes such release with full knowledge of Civil Code Section 1542 and hereby waives any and all rights thereunder to the extent of this release, if such Section 1542 is applicable. Section 1542 of the Civil Code provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."
>
> _____
> Tenant's Initials

22.7 Inspection. Landlord and its authorized representatives may enter the Property and Project or any part thereof at all times for the purpose of inspecting, servicing, or posting notices, protecting the Property, Project or the Improvements, or for any other lawful purposes; provided, that except in cases of emergency Landlord shall provide Tenant prior telephonic or other notice of Landlord's intent to enter onto the Property or Project, Landlord's entries shall occur only during normal business hours (8 AM-6 PM Monday-Friday), and Landlord may only enter an occupied residential unit after giving the sublessee three (3) days prior written notice and either obtaining the consent of the occupant(s) or obtaining an inspection warrant, if required by law.

22.8 Holding Over. In the event Tenant shall hold over or remain in possession of the Property, Project or the Improvements with the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a tenancy for month-to-month only, upon the same terms and conditions as are herein set forth so far as the same are applicable. In the event Tenant shall hold over or remain in possession of the Property, Project or the Improvements without the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a hold over tenancy, upon the same terms and conditions as are herein set forth so far as the same are applicable, except that Rent shall be adjusted to the then fair market value rent, as reasonably determined by Landlord.

22.9 Relationship Between Landlord and Tenant. It is hereby acknowledged by Tenant that the relationship between Landlord and Tenant is not that of a partnership or joint venture and that Landlord and Tenant shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, with the exception of any provisions expressly set forth to the contrary herein, in the Agreement, or in the attachments or exhibits hereto, Landlord shall have no rights, powers, duties, or obligations with respect

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to the development, operation, maintenance, repair or management of the Project. Tenant agrees to indemnify, defend (with counsel acceptable to Landlord), and hold harmless Landlord from and against any and all claims, liabilities, and losses arising from a claimed relationship of partnership, joint venture, or agency between Landlord and Tenant with respect to the development, operation, maintenance, repair or management of the Property or the Project, except to the extent occasioned by the gross negligence or willful misconduct of Landlord or its designated agents or employees.

22.10 Inaction Not a Waiver of Default. Any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

22.11 Venue for Legal Actions. All legal actions by either party to enforce this Agreement or seeking any remedy arising out of or related to this Agreement must be instituted and maintained in the Superior Court of the County of San Mateo, State of California, or in the United States District Court for the Northern District of California.

22.12 Service of Process. In the event that any legal action is commenced by Tenant against Landlord, service of process on Landlord shall be made by personal service upon City Manager or in such other manner as may be provided by law. In the event that any legal action is commenced by Landlord against Tenant, service of process on Tenant shall be made by personal service upon the general partner of Tenant or in such other manner as may be provided by law. Service shall be effective regardless of whether it is made within the State of California.

22.13 Attorney's Fees. In the event of a dispute between the parties arising out of or in connection with this Ground Lease, the Agreement or the Regulatory Agreement whether or not such dispute results in arbitration or litigation, the prevailing party (whether resulting from settlement before or after arbitration or litigation is commenced) shall be entitled to have and recover from the losing party reasonable attorneys' fees and costs of suit, including expert witness fees, incurred by the prevailing party.

22.14 Time Is of The Essence. Time is of the essence of this Ground Lease and all of the terms, provisions, covenants, and conditions hereof.

22.15 Survival of Representations, Warranties and Covenants. The respective representations, warranties, and covenants contained herein shall survive the Commencement Date and continue throughout the Term.

22.16 Construction of Agreement. This Ground Lease shall be construed in accordance with the internal laws of the State of California, without regard to the choice of law rules thereof. The rule of construction that a document be construed strictly against its drafter shall have no application to this Ground Lease. Titles and captions are for convenience of reference only and do not define, describe, or limit the scope or the intent

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of this Ground Lease or of any of its terms. Reference to Section numbers are to Sections in this Ground Lease unless expressly stated otherwise.

22.17 Severability. If one or more of the provisions of this Ground Lease shall be held to be illegal or otherwise void or invalid, the remainder of this Ground Lease shall not be affected thereby and shall remain in full force and effect to the maximum extent permitted under applicable laws and regulations.

22.18 Entire Agreement; Modification. This Ground Lease, the Regulatory Agreement and the Agreement collectively contain the entire agreement of the parties with respect to the matters discussed herein and supersede all prior discussions and negotiations between the parties with respect thereto. This Ground Lease may be amended only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extensions, or discharge is sought.

22.19 Binding Effect and Benefits. This Ground Lease and the Regulatory Agreement shall inure to the benefit of and be binding on the parties hereto and their respective successors and assigns. Except as otherwise set forth herein, nothing in this Ground Lease, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Ground Lease.

22.20 No Third-Party Rights. Except as may otherwise be expressly set forth herein, the parties intend that no rights nor remedies be granted to any third party as a beneficiary of this Ground Lease or of any covenant, duty, obligation, or undertaking established herein.

22.21 Real Estate Brokerage Commissions. Landlord and Tenant each represent and warrant to the other that no broker or finder is entitled to any commission or finder's fee in connection with this transaction, and each agrees to defend and hold harmless the other from any claim to any such commission or fee resulting from any action on its part.

22.22 Computation of Time. The time in which any act is to be done under this Ground Lease is computed by excluding the first day and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

22.23 Counterparts. This Ground Lease may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Ground Lease.

22.24 Number and Gender. Whenever the singular number is used in this Ground Lease and required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders.

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22.25 Conflicts. To the extent conflicting provisions exist in this Ground Lease and the Agreement, the provisions of this Ground Lease shall control over any conflicting provision in the Agreement.

22.26 Incorporation by Reference. Every Exhibit attached to this Ground Lease and referred to herein is hereby incorporated by reference.

22.27 Approval/Requests. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of Landlord, such approval shall not be unreasonably withheld and shall be given on behalf of Landlord by City Council, except as expressly set out in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required of Landlord by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request of Landlord may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request made to Landlord or make a determination made to Landlord that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. This Section 22.27 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

22.28 U.S. Immigration and Customs Enforcement. Landlord agrees that access to private, non-public areas of the Property shall only be accessed by the County of San Mateo, State and Federal officials by consent of Tenant or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access to the private non-public areas of the Property. If such a judicial warrant or other legal instrument is presented to Tenant, Tenant shall confirm identification of the County of San Mateo, State or Federal official and shall observe and document the locations accessed by the official and provide Landlord with written notice of the warrant or other legal instrument, the areas accessed, and the observations. Tenant shall be responsible for compliance with all applicable State and Federal laws relating to immigration in performance of its obligations set forth in this Ground lease, including but not limited to, the Immigration and Nationality Act, and shall defend and indemnify Landlord and Landlord Personnel in accordance with Section 9.8 to the extent any Loss arises from alleged violations of State and Federal immigration laws.

22.29 Legal Advice. Each party represents and warrants to the other party the following: such party has carefully read this Ground Lease and in signing this Ground Lease it does so with full knowledge of any right which it may have; it has received independent legal advice from its respective legal counsel as to the matters set forth in this Ground Lease,

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or it has knowingly chosen not to consult legal counsel as to the matters set forth in this Ground Lease and it has freely signed this Ground Lease without any reliance upon any agreement, promise, statement, or representation by or on behalf of the other party, or its respective agents, employees, or attorneys, except as specifically set forth in this Ground Lease, and without duress or coercion, whether economic or otherwise.

[*Remainder of page intentionally left blank; signatures on next page*]

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IN WITNESS WHEREOF, the undersigned have executed this Ground Lease as of the date first above written.

"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

Date: _____, 2026

By: _____
Matthew Chidester, City Manager

Approved as to form:

_____
Denise Bazzano, Interim City Attorney

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC, a California limited liability company
Its General Partner

By: Mercy Housing California, a California nonprofit public benefit corporation
Its: Sole member/manager

Date: _____, 2026

By: _____
Ramie Dare
Vice President

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EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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EXHIBIT B

MEMORANDUM OF LEASE

(See following document)

DRAFT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

Exempt From Recording Fee Pursuant to
Government Code Sections 6103 and 27383

MEMORANDUM OF GROUND LEASE

This **MEMORANDUM OF GROUND LEASE** ("**Memorandum**") is hereby entered into as of [Date] by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.**, a California limited partnership ("**Tenant**").

RECITALS

A. Landlord and Tenant have entered into a "Ground Lease" dated concurrently herewith for that certain real property owned by Landlord ("**Property**"), which provides for the construction, maintenance, management and operation of a forty (40) unit Senior Agricultural Worker multifamily apartment project, to be made available long term at an affordable housing cost, property management office space, a community serving space and parking ("**Project**"). The Property is legally described in Exhibit A, which is attached hereto and incorporated herein by this reference. A copy of the Ground Lease is available for public inspection at the office of the Landlord, 501 Main Street, Half Moon Bay, CA 94019.

B. The term of the Ground Lease commences on the date of recordation of this Memorandum of Unrecorded Ground Lease in the Official Records of San Mateo County ("**Commencement Date**") and, subject to the provisions set forth in the Ground Lease and applicable law that may result in an earlier termination of the Ground Lease, continues until the ninety-ninth (99^{th}) anniversary of the Commencement Date.

C. The Ground Lease provides that a short form memorandum of the Ground Lease shall be executed and recorded in the Official Records of San Mateo County, California.

NOW, THEREFORE, the parties hereto certify as follows:

Landlord, pursuant to the Ground Lease, hereby leases the Property to Tenant upon the terms and conditions provided for therein. This Memorandum of Lease is not a complete summary of the Ground Lease, and shall not be used to interpret the provisions of the Ground Lease.

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"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

By: _____

Matthew Chidester, City Manager

Date:

Approved as to form:

_____

Denise Bazzano, Interim City Attorney

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC, a California limited liability company
Its General Partner

By: Mercy Housing California, a California nonprofit public benefit corporation
Its sole member/manager

By: _____
Ramie Dare
Vice President

Date: _____

DRAFT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DRAFT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DRAFT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

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EXHIBIT A TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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EXHIBIT C

REGULATORY AGREEMENT

(See following document)

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RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

EXEMPT FROM RECORDING FEES
PER GOVERNMENT CODE §§6103, 27383

Space above this line for Recorder's use.

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AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

This **AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS** ("**Agreement**") is entered into as of _____, 2026 ("**Effective Date**"), by and between the CITY OF HALF MOON BAY, a municipal corporation ("**City**"), and MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership ("**Developer**"). City and Developer may be referred to individually as a "**Party**" or together as "**Parties**."

RECITALS

A. City is the owner of that certain real property located at 535 Kelly Avenue and 555 Kelly Avenue, Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) ("**Property**"), as more particularly described in Exhibit A, attached hereto and incorporated herein by this reference.

B. City and Developer are parties to that certain Affordable Housing and Property Disposition Agreement ("**AHPDA**") and Ground Lease ("**Ground Lease**") both of even date. The terms and conditions of the AHPDA and Ground Lease are incorporated herein by reference. Accordingly, terms not otherwise defined in this Agreement shall have the meaning given to them in the AHPDA or the Ground Lease.

C. Pursuant to the Ground Lease, Developer is the holder of a leasehold interest in the Property. As further described in the AHPDA and Ground Lease, Developer shall develop the Property with a new multifamily residential project with thirty nine (39) affordable rental units for current or Senior Agricultural Workers, plus one (1) unrestricted manager's unit (collectively, "**Project**").

D. The AHPDA and Ground Lease require Developer to develop the Project and to make thirty-nine (39) of the Project's units affordable to extremely low income and very low income households ("**Restricted Units**"). The Restricted Units consist of ten (10) units affordable to households earning up to 30% of AMI (as defined in Section 3.2.a), and twenty-nine (29) units affordable to households earning up to 50% of AMI, as further set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, City and Developer agree as follows.

1. CONSTRUCTION OF THE PROJECT.

1.1. Construction of the Project. Developer agrees to construct the Project in accordance with the AHPDA and Ground Lease, including the Schedule of Performance attached to the AHPDA, and all applicable state and local building codes, development standards, ordinances and zoning ordinances.

1.2. City and Other Governmental Permits. As further described in the AHPDA and Ground Lease, before commencement of the Project, Developer shall secure or cause its contractor to secure any and all permits which may be required by City or any other governmental agency, including without limitation building permits. Developer shall pay all necessary fees and timely submit to City final drawings with final corrections to obtain such permits; City staff will, without incurring liability or expense therefore, process applications in the ordinary course of business for the issuance of building permits and certificates of occupancy for construction that meets the requirements of all applicable laws and regulations.

1.3. Compliance with Laws. As further described in the AHPDA and Ground Lease, Developer shall carry out the design, construction and operation of the Project in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.,* Government Code Section 4450, *et seq.,* Government Code Section 11135, *et seq.,* and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

2. OPERATION OF THE RESTRICTED UNITS

2.1. Affordability Period. The Property shall be subject to the requirements of this Agreement from the Effective Date until the expiration of the Ground Lease term of ninety-nine (99) years. The duration of this requirement shall be known as the "**Affordability Period**."

2.2. Maintenance. Developer shall comply with every condition of the AHPDA and Ground Lease applicable to the Project and shall, at all times, maintain the Project and the Property in good repair and working order, reasonable wear and tear excepted, and in a safe and sanitary condition, and from time to time shall make all necessary and proper repairs, renewals, and replacements to keep the Project and the Property in a good, clean, safe, and sanitary condition.

2.3. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall maintain sufficient records to demonstrate compliance with this Agreement, the AHPDA and the Ground Lease. City shall have the right to inspect the books and records of Developer and its rental agent or bookkeeper upon reasonable notice during normal business hours. Representatives of City shall be entitled to enter the Property, upon at least 48-hour prior written notice, which can be provided via email, to monitor compliance with this Agreement, the AHPDA and the Ground Lease to inspect the records of the Project with respect to the Restricted Units, and to conduct, or cause to be conducted, an independent audit or inspection of such records. Developer agrees to cooperate with City in making the Property available for such inspection or audit. Developer agrees to maintain records in businesslike manner, and to maintain such records for Affordability Period.

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2.4. Non-Discrimination Covenants. Developer covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, marital status, familial status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. Notwithstanding the foregoing, with respect to familial status, this shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code nor shall it be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Developer shall include such provision in all deeds, leases, contracts and other instruments executed by Developer, and shall enforce the same diligently and in good faith.

a. In deeds, the following language shall appear:

(1) Grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through it, that there shall be no discrimination against or segregation of a person or of a group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the property herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

b. In leases, the following language shall appear:

(1) The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns, and all persons claiming under the lessee or through the lessee, that this lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the property herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination of segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the property herein leased.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9

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of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

c. In contracts pertaining to management of the Project, the following language, or substantially similar language prohibiting discrimination and segregation shall appear:

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

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

3. AFFORDABILITY REQUIREMENTS.

3.1. Restricted Units. Developer agrees to make available, restrict occupancy to, and lease not less than thirty-nine (39) Restricted Units to Qualifying Households, as hereinafter defined, at an affordable rent, pursuant to the terms set forth below.

a. Until the 55th anniversary of Developer's receipt of a temporary certificate of occupancy for the Project, the Project shall include ten (10) Extremely Low-Income Units (as defined below), and twenty-nine (29) Very Low-Income Units (as defined below).

b. After the 55th anniversary of Developer's receipt of a temporary certificate of occupancy for the Project, the Project shall include thirty-nine (39) Low-Income Units.

3.2. Qualifying Households. For purposes of this Agreement, "**Qualifying Households**" shall mean those households with incomes as follows:

a. "**AMI**" means the median income for San Mateo County, California, adjusted for actual household size, as determined by California Tax Credit Allocation Committee ("**TCAC**") regulations, and as published from time to time by the State of California Department of Housing and Community Development in Section 6932 of Title 25 of the California Code of Regulations or successor provision.

b. "**Extremely Low-Income Unit**": means units restricted to households with incomes of not more than thirty percent (30%) of AMI.

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c. "**Very Low Income Unit**": means units restricted to households with incomes of not more than fifty percent (50%) of AMI.

d. "**Low-Income Unit**": means units restricted to households with incomes of not more than eighty percent (80%) of AMI.

3.3. Income Verification and Annual Report. On or before July 1 of each year, commencing with the calendar year that the first residential unit in the Project is rented to a subtenant, and annually thereafter, Developer shall obtain from each household occupying a Restricted Unit and submit to City an income computation and certification form, completed by a subtenant of such unit, which shall certify that the income of each Qualifying Household is truthfully set forth in the income certification form, in the form required by TCAC ("**Annual Report**"). Developer shall make a good faith effort to verify that each household leasing a Restricted Unit meets the income and eligibility restrictions for the Restricted Unit by taking by taking the following steps as a part of the verification process: (a) obtain a minimum of the three (3) most current pay stubs for all adults age eighteen (18) or older; (b) obtain an income tax return for the most recent tax year; (c) conduct a credit agency or similar search; (d) obtain the three (3) most current savings and checking account bank statements; (e) obtain an income verification form from the applicant's current employer; (f) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (g) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. Copies of subtenant income certifications shall be available to City upon request. The Annual Report shall, at a minimum, include the following information for each Restricted Unit: unit number, number of bedrooms, current rent and other charges, dates of any vacancies during the reporting period, number of people residing in the unit, total household Gross Income (as defined below), and lease commencement and termination dates. The Annual Report shall also provide a statement of the owner's management policies, communications with the subtenants and maintenance of the Restricted Unit, including a statement of planned repairs to be made and the dates for the repairs.

3.4. Affordable Rent. The maximum Monthly Rent, defined below, chargeable for the Restricted Units and paid by the occupants shall be as follows:

a. "**Extremely Low-Income Household**": 1/12th of thirty percent (30%) of not to exceed thirty percent (30%) of the AMI. The Monthly Rent for an Extremely Low-Income Unit rented to an Extremely Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one-bedroom unit, 3 persons for a two-bedroom unit and 4.5 persons for a three-bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Extremely Low-Income Households.

b. "**Very Low-Income Household**": 1/12th of thirty percent (30%) of not to exceed fifty percent (50%) of the AMI. The Monthly Rent for a Very Low-Income Unit rented to a Very Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one- bedroom unit, 3 persons for a two-bedroom unit and 4.5 persons for a three- bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Very Low-Income Households.

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c. "**Low-Income Household**": shall be 1/12th of thirty percent (30%) of not to exceed eighty percent (80%) of the AMI. The Monthly Rent for a Low-Income Unit rented to a Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one- bedroom unit, 3 persons for a two-bedroom unit and 4.5 persons for a three- bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Low-Income Households.

For purposes of this Agreement, "**Monthly Rent**" means the total of monthly payments actually made by the household for (a) use and occupancy of each Restricted Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer which are required of all subtenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in subsections (a) or (b) above, and which are not paid directly by Developer, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone or internet service, which reasonable allowance for utilities is set forth in the County of San Mateo's Utility Allowance Schedule for detached homes, apartments, condominiums and duplexes, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Developer.

For purposes of this Agreement, "**Gross Income**" means the total anticipated annual income of all persons in a household calculated using the methods set forth in TCAC regulations, or if TCAC regulations do not address such matter, the total anticipated annual income of all persons in a household as defined in Title 24 of the Code of Federal Regulations, Section 5.609.

Notwithstanding the foregoing, no subtenant qualifying for a Restricted Unit shall be denied continued occupancy of a unit in the Project because, after admission, such subtenant's household Gross Income increases to exceed the qualifying limit for such Restricted Unit. A household which at initial occupancy qualifies in a particular income category shall be treated as continuing to be of such income category so long as the household's Gross Income does not exceed one hundred forty percent (140%) of the applicable income limit. In the event a subtenant's household Gross Income exceeds the limits specified in this Section, Developer shall apply the rules applicable to the Project pursuant to Section 42 of the Internal Revenue Code of 1986, as amended and the federal regulations applicable thereto.

In the event that recertification of subtenant incomes indicates that the number of Restricted Units actually occupied by Qualifying Households falls below the number reserved for each income group as specified in Sections 3.1, Developer shall rectify the condition by renting the next available dwelling unit(s) in the Project to Qualifying Household(s) until the required income mix is achieved.

In the event of inconsistency between the provisions of this Section and the rules applicable to the Project in connection with low-income housing tax credits, tax-exempt bonds, or other sources of public financing provided for the Project, the rules and regulations applicable to such other financing sources shall prevail.

3.5. **Sublease Requirements**. No later than one hundred eighty (180) days prior to the initial lease up of the Restricted Units, Developer shall submit a standard sublease form ("**Sublease**") to City for approval by City Manager after review by City Council. City Council

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shall reasonably approve the Sublease within sixty (60) business days of City's receipt thereof upon finding that the Sublease is consistent with this Agreement and contains all of the provisions required pursuant to the Ground Lease. City's failure to respond to Owner's request for approval of the standard lease form within sixty (60) business days of City's receipt of such Sublease form shall be deemed City's approval of the Sublease form. Developer shall enter into a written Sublease, in the form approved by City Council, with each new subtenant of a Restricted Unit prior to a subtenant or subtenant household's occupancy of a Restricted Unit. Each Sublease shall be for an initial term of not less than one (1) year which may be renewed pursuant to applicable local and State laws, and shall not contain any of the provisions which are prohibited pursuant to the TCAC regulations, local, state and Federal laws.

3.6. **Preference Program.** Except to the extent prohibited by applicable federal or state law or any Project funding sources, Developer shall evaluate applications for residential tenancies on the Property and offer tenancies to applicants according to the preferences and procedures described below and as established in an ordinance or resolution adopted by the City Council, as the same may be amended from time to time. For the purposes of this Agreement, the following terms shall have the following meanings:

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"Disability" means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Work**" means the particular days of the Week during which an individual regularly performs work or fulfills duties for wages or salary.

When the units are constructed and ready for occupancy, Developer will create an application process that will result in a pool of applicants. The pool of applicants to be sorted according to this preference order for the head of household:

1. "**First Preference**": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in Half Moon Bay.

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2. "**Second Preferen**ce": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in the Coastside of San Mateo County: Pacifica, Montara, Moss Beach, San Gregorio, El Granada or Pescadero.

3. "**Third Preference**": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in County of San Mateo.

Developer will screen all applicants who meet the criteria for the First Preference and household income restrictions, and those applicants will be offered units first. After all First Preference applications are exhausted and if there are any vacant units to fill, Developer will screen applicants who meet the criteria for the Second Preference and household income restrictions and offer those eligible applicants any remaining units. After all Second Preference applications are exhausted and if there are any remaining vacant units, Developer will screen applicants who meet the criteria for the Third Preference and household income restrictions and offer those eligible applications any remaining units.

4. DEFAULT AND REMEDIES

4.1. Events of Default. The following shall constitute an "**Event of Default**" by Developer under this Agreement: there shall be a breach of any condition, covenant, warranty, promise or representation contained in this Agreement and such breach shall continue for a period of thirty (30) days after written notice thereof to the defaulting Party without the defaulting Party curing such breach, or if such breach cannot reasonably be cured within such thirty (30) day period, commencing the cure of such breach within such thirty (30) day period and thereafter diligently proceeding to cure such breach through completion; provided, however, that if a different period or notice requirement is specified for any particular breach under any other paragraph of this Agreement, the specific provision shall control, provided that no cure period or any extension thereof applicable to Developer in this Agreement shall be longer than one hundred twenty (120) days.

4.2. Remedies. The occurrence of any Event of Default under Section 4.1 shall give the non-defaulting Party the right to proceed with any remedy available to it in law or in equity, including, without limitation, an action in equity to require the defaulting Party to specifically perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement.

4.3. Obligations Personal to Developer. The liability of Developer under this Agreement to any person or entity is limited to Developer and Developer's interest in the Project, and City and any other such persons and entities shall look exclusively thereto for the satisfaction of obligations arising out of this Agreement or any other agreement securing the obligations of Developer under this Agreement.

4.4. Force Majeure. Subject to a Party's compliance with the notice requirements as set forth below, performance by either Party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the Party claiming an extension of time to perform, but where such Party required to perform has exercised good faith commercially reasonable efforts and due diligence to perform the particular obligation, which may include, without limitation, the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy,

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epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other Party, or acts or failures to act of any public or governmental entity (except that City's acts or failure to act shall not excuse performance of City hereunder). An extension of the time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause.

4.5. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either Party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder, the prevailing Party shall be entitled to recover from the other Party its costs of suit and reasonable attorneys' fees. This Section shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

4.6. Remedies Cumulative. No right, power, or remedy given by the terms of this Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given by the terms of any such instrument, or by any statute or otherwise.

4.7. Waiver of Terms and Conditions. City may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

4.8. Non-Liability of City Officials and Employees. No member, official, employee or agent of City shall be personally liable to Developer or any tenant, subtenant, or occupant of any Restricted Unit, or any successor in interest, in the event of any default or breach by City or for any amount which may become due to Developer, its successors, any tenant, subtenant or occupant of any Restricted Unit, or on any obligations under the terms of this Agreement.

4.9. Cure Rights. Notwithstanding anything to the contrary contained herein, City hereby agrees that any cure of any default made or tendered by Developer's mortgage lender, shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer.

5. GENERAL PROVISIONS

5.1. Time. Time is of the essence in this Agreement.

5.2. Notices. Unless otherwise indicated in this Agreement, any notice requirement set forth herein shall be deemed to be satisfied three days after mailing of the notice first-class United States certified mail, postage prepaid, or by personal delivery, addressed to the appropriate Party as follows:

DEVELOPER:

Mercy Housing California 110, L.P.
1256 Market Street
San Francisco, CA 94102

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CITY:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

Such addresses may be changed by notice to the other Party given in the same manner as provided above.

5.3. Successors and Assigns. This Agreement constitutes a covenant and legal restriction on the Property and shall run with the land, provided the Project remains on the Property, and all of the terms, covenants and conditions of this Agreement shall be binding upon Developer and the permitted successors and assigns of Developer.

5.4. Intended Beneficiaries. City is the intended beneficiary of this Agreement and shall have the sole and exclusive power to enforce this Agreement. It is intended that City may enforce this Agreement to satisfy its obligations to improve, increase and preserve affordable housing within City, as required by the AHPDA and Ground Lease, and to provide that a certain percentage of new housing is made available at affordable housing cost. No other person or persons, other than City and Developer and their assigns and successors, shall have any right of action hereon.

5.5. Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

5.6. Governing Law. This Agreement and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto. The venue for any action shall be the County of San Mateo.

5.7. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Developer and City.

5.8. Approvals. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as otherwise expressly set out in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request or make a determination that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. This Section 5.8 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

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5.9. Indemnification. To the greatest extent permitted by law, Developer shall indemnify, defend (with counsel reasonably approved by City) and hold City, its elected and appointed officials, employees, directors, officials, members, agents, volunteers, successors and assigns ("**Indemnitees**") harmless from and against any and all demands. losses, claims, costs and expenses, and any other liability whatsoever, including without limitation, reasonable accountants' and attorneys' fees, charges and expense (collectively, "**Claims**") arising directly or indirectly, in whole or in part, as a result of or in connection with Developer's entitlement, construction, management, leasing, maintenance, repair, operation, condition or other of mater with respect to the Property and the Project or any failure to perform any obligation as and when required by this Agreement, the AHPDA and/or the Ground Lease. Developer's indemnification obligations under this Section 5.9 shall not extend to Claims to the extent resulting from the gross negligence or willful misconduct of Indemnitees. The provisions of this Section 5.9 shall survive the expiration or earlier termination of this Agreement, but only as to claims arising from events occurring during the Affordability Period.

5.10. Transfer and Encumbrance.

5.10.1. Restrictions on Transfer and Encumbrance. During the term of this Agreement, except as permitted pursuant to this Agreement, Developer shall not directly or indirectly, voluntarily, involuntarily or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or lease (other than a lease of a Restricted Unit) (collectively, "**Transfer**") of the whole or any part of any Restricted Unit, the Property or Project, without the prior written consent of City, which approval shall not be unreasonably withheld. In addition, prior to the expiration of the term of this Agreement, except as expressly permitted by this Agreement, Developer shall not undergo any significant change of ownership without the prior written approval of City, which shall not be unreasonably withheld. For purposes of this Agreement, a "significant change of ownership" shall mean a transfer of the beneficial interest of more than twenty-five percent (25%) in aggregate of the present ownership and /or control of Developer, taking all transfers into account on a cumulative basis; provided however, neither the admission of an investor limited partner, nor the transfer by the investor limited partner to subsequent limited partners shall be restricted by this provision.

5.10.2. Permitted Transfers. Subject to Section 5.10.1, the prohibitions on Transfer set forth herein shall not be deemed to prevent: (i) the granting of easements or permits to facilitate development of the Property; (ii) assignments creating security interests for the purpose of financing the acquisition, construction, or permanent financing of the Project or the Property, or Transfers directly resulting from the foreclosure of, or granting of a deed in lieu of foreclosure of, such a security interest; (iii) transfer of any limited partner interests in Developer; (iv) removal and replacement of the general partner of Developer; or (v) transfers between entities owned or controlled by Mercy Housing California.

5.10.3. Requirements for Proposed Transfers. City may, in the exercise of its discretion, which approval shall not be unreasonably withheld, consider the following in determining whether or not to consent to a Transfer; provided however, the requirements of this Section 5.10.3 shall not apply to Transfers described in 5.10.2.

(i) The proposed transferee demonstrates to City's satisfaction that it has the qualifications, experience and financial resources necessary and adequate as may be determined by City to competently complete and manage the Project and to otherwise fulfill the obligations undertaken by Developer under this Agreement.

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(ii) Developer and the proposed transferee shall submit for City review and approval all instruments and other legal documents proposed to effect any Transfer of all or any part of or interest in the Restricted Unit or this Agreement together with such documentation of the proposed transferee's qualifications and development capacity as City may request.

(iii) The proposed transferee shall expressly assume all of the rights and obligations of Developer under this Agreement arising after the effective date of the Transfer and all obligations of Developer arising prior to the effective date of the Transfer (unless Developer expressly remains responsible for such obligations) and shall agree to be subject to and assume all of Developer's obligations pursuant to conditions, and restrictions set forth in this Agreement.

(iv) The Transfer shall be effectuated pursuant to a written instrument satisfactory to City in form and substance and recordable in the Official Records.

City will have sixty (60) days to accept or reject a proposed Transfer or request additional information regarding a proposed Transfer in writing.

5.11. Effect of Transfer without City Consent. In the absence of specific written agreement by City, no Transfer of any Restricted Unit, the Property or the Project shall be deemed to relieve Developer or any other Party from any obligation under this Agreement. This Section 5.11 shall not apply to Transfers described in Section 5.10.2.

5.12. Recovery of City Costs. Developer shall reimburse City for all reasonable City costs, including but not limited to reasonable attorneys' fees (whether in-house or outside attorneys), incurred in reviewing instruments and other legal documents proposed to effect a Transfer under this Agreement and in reviewing the qualifications and financial resources of a proposed successor, assignee, or transferee within ten (10) days following City's delivery to Developer of an invoice detailing such costs.

IN WITNESS WHEREOF, Developer and City have executed this Agreement as of the Effective Date.

CITY:

CITY OF HALF MOON BAY, a municipal corporation

By: _____
Matthew Chidester, City Manager

Approved as to Form:

_____
Denise Bazzano, Interim City Attorney

[***SIGNATURES ON FOLLOWING PAGE***]

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DEVELOPER:

MERCY HOUSING CALIFORNIA 110, L.P.,
a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its: Sole member/manager

By: _____
Ramie Dare
Vice President

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Exhibit A
Property Description

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel “A”, as shown on that certain Map entitled “Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California”, filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13’ 55” East 649.12 feet (called North 8° 10’ East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31’ 07” West (called North 81° 18’ West in said Deed) 20.00 feet; thence leaving said line South 8° 13’ 55” West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30’ East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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GROUND LEASE

By and Between

CITY OF HALF MOON BAY

"Landlord"

and

MERCY HOUSING CALIFORNIA 110, L.P.

"Tenant"

Dated as of _____ __, 2026

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GROUND LEASE

This **GROUND LEASE** ("**Ground Lease**") dated as of _____ ("**Effective Date**"), is entered into by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.,** a California limited partnership ("**Tenant**").

R E C I T A L S

A. Landlord owns fee title to that certain real property located at 535 and 555 Kelly Avenue, in the City of Half Moon Bay, State of California more particularly described in Exhibit A, which is attached hereto and incorporated herein by this reference ("**Property**").

B. Tenant is controlled by an experienced owner, developer and manager of affordable housing for low and moderate-income families.

C. Landlord entered into an Affordable Housing and Property Disposition Agreement with Tenant, dated as of _____ __, 2026 ("**Agreement**"). Landlord will also enter into a regulatory agreement with Tenant ("**Regulatory Agreement**"), which will be recorded as an encumbrance on title to the Property and evidence the obligations of Tenant with respect to the Affordability Restrictions (as defined below).

D. The Agreement provides for Landlord to ground lease the Property to Tenant, and for Tenant to (i) construct and operate a forty (40) unit Senior Agricultural Worker multifamily apartment project with all but one (1) of such units restricted for occupancy by extremely low and very low income households, as further described in Section 8.1 ("**Affordability Restrictions**"), (ii) construct and operate, or provide for the operation of, residential common space and property management office space, (iii) construct and provide for the operation of an approximately 2,658 square feet community-serving space, and (iv) provide parking spaces for 18 on-site parking spaces (including two (2) ADA spaces) and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces (collectively, "**Project**").

E. All conditions precedent to the parties entering into this Ground Lease have been satisfied or waived by the applicable party.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, Landlord and Tenant agree as follows:

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ARTICLE 1. LEASE OF THE PROPERTY

1.1 Ground Lease of the Property; Acquisition of Improvements. Landlord leases the Property to Tenant, and Tenant leases the Property from Landlord, on the terms and conditions as set forth in this Ground Lease. Pursuant to the Agreement and subject to the provisions of Section 5.3 hereof, concurrent with the Effective Date of this Ground Lease Tenant will acquire title to all Improvements on the Property and hold title to such Improvements during the Term hereof. For purposes of this Ground Lease, the Property is the leased premises.

1.2 Purpose of Ground Lease. The purpose of this Ground Lease is to provide for the construction, maintenance, repair, management and operation of the Project as a forty (40) unit Senior Agricultural Worker multifamily apartment project, encumbered by the Regulatory Agreement, with a ground floor community serving space and a property management office. Tenant will not occupy or use the Property, nor permit the Property to be occupied or used, nor do or permit anything to be done in or on the Property, in whole or in part, for any other purpose.

1.3 Recorded Encumbrances. This Ground Lease, the interests of Landlord and Tenant hereunder, and the Property, are in all respects subject to and bound by all of the covenants, conditions, restrictions, reservations, rights, rights-of-way, and easements of record prior to the recordation of this Ground Lease.

1.4 Memorandum of Ground Lease. A short form Memorandum of Ground Lease referring to this Ground Lease, substantially in the form attached hereto and incorporated herein as Exhibit B, shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records of the County of San Mateo, California ("**Official Records**").

1.5 Regulatory Agreement. The Regulatory Agreement, substantially in the form attached hereto and incorporated herein as Exhibit C, shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records.

ARTICLE 2. DEFINITIONS.

Capitalized terms used herein are defined where first used in this Ground Lease and/or as set forth in this Article 2. All capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement. For the purpose of supplying such definitions, the Agreement, notwithstanding anything contained therein or herein to the contrary, shall not merge with this Ground Lease.

"**Adjusted AMI**" has the meaning in Section 8.1.1.

"Affiliate" means any "Person," directly or indirectly, "Controlling" or "Controlled" by or under common "Control" with such Person, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of

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any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"Affordability Restrictions" has the meaning set forth in Recital D.

"Agreement" has the meaning set forth in Recital C.

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code*.*

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"ALAS" means Ayudando Latinos A Soñar (ALAS), the currently approved operator of the ground-floor community serving space.

"Assignee" has the meaning set forth in Section 19.1.4.

"Base Rent" means the sum of One Dollar ($1.00) per year.

"Certificate of Occupancy" means the temporary or final certificate of occupancy issued by City for the Project.

"**City**" means the City of Half Moon Bay.

"City Manager" means the person duly appointed to the position of City Manager, or his or her designee.

"Commencement Date" means the date upon which the Memorandum of Ground Lease is recorded in the Official Records.

"CPI Adjustment" means the percentage increase in the cost of living index, as measured by the Consumer Price Index for all urban consumers, San Francisco-Oakland-Hayward statistical area, all items (1982-84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics ("CPI") between the CPI figure in effect as of the date on which the final Certificate of Occupancy is issued and the CPI figure in effect as of the date on which an adjustment is made. If such index is discontinued or revised, such other index with which such index is replaced (or if not replaced, another index which reasonably reflects and monitors consumer prices) shall be used in order to

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obtain substantially the same results as would have been obtained if the discontinued index had not been discontinued or revised. If the CPI is changed so that the base year is other than 1982-84, the CPI shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

"Disability" means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"Environmental Laws" has the meaning set forth in Section 12.1(B).

"Event of Default" has the meaning set forth in Article 19.

"First Preference," "Second Preference" and "Third Preference" each have the meaning set forth in Section 8.5.

"Foreclosure Transferee" means any Mortgagee or other transferee of the leasehold interest under this Ground Lease as a result of a judicial foreclosure, non-judicial foreclosure or assignment of the leasehold in lieu of foreclosure.

"Governmental Requirements" means all past, present and future laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State of California, the City, or any other political subdivision in which the Property is located, and any other state, county city, political subdivision, agency, instrumentality or other entity exercising jurisdiction over the Property, including common law.

"Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C.

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Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any Governmental Requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"Hazardous Materials Activity" has the meaning set forth in Section 12.1(C).

"**HCD**" means the California Department of Housing and Community Development.

"**Head of Household**," means, for purposes of this Agreement, a Senior Agricultural Worker who submits an application to Reside in the Project.

"HUD" means the U.S. Department of Housing and Urban Development.

"Impositions" means all taxes (including, without limitation, sales and use taxes); assessments (including, without limitation, all assessments for public improvements or benefits whether or not commenced or completed prior to the Commencement Date and whether or not to be completed within the Term); water, sewer or other rents, rates and charges; excises; levies; license fees; permit fees; inspection fees and other authorization fees and other charges; in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including all interests and penalties thereon), which are attributable or applicable to any portion of the Term and may be assessed, levied, confirmed, or imposed on or in respect of, or be a lien upon (a) the Property or the Improvements, or any part thereof, or any estate, right, or interest therein, (b) any occupancy, use, or possession of or activity conducted on the Property or the Improvements, or any part thereof, or (c) this Ground Lease. The term "Impositions" shall also include any and all increases in the foregoing, whether foreseen or unforeseen, ordinary or extraordinary, including, without limitation, any increase in Real Property Taxes resulting from a sale of the Property by Landlord.

"Improvements" means all buildings, structures and other improvements, including the building fixtures thereon, now located on the Property or hereafter constructed on the Property; all landscaping, fencing, walls, paving, curbing, drainage facilities, lighting, parking areas, roadways, and similar site improvements now located or hereafter placed upon the Property.

"Landlord and Landlord Personnel" means Landlord and its respective directors, officers, officials, members, employees, agents, representatives, and volunteers.

"Loss" has the meaning set forth in Section 9.8.

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"Maintenance Standards" means those standards set forth in Article 10.

"Memorandum of Ground Lease" refers to the memorandum of ground lease which has been recorded as described in Section 1.4.

"Mortgage" has the meaning set forth in Section 16.1 of this Ground Lease. The term "Mortgage" shall include the deed of trust recorded in favor of _____ as the senior construction lender, _____, as construction loan [TO INSERT AT CLOSING] secured by Tenant's leasehold interest in the Property.

"Mortgagee" has the meaning set forth in Section 16.1 of this Ground Lease and shall include the Mortgage in favor of construction lender .

"Notices" has the meaning set forth in Section 22.1.

"Official Records" has the meaning set forth in Section 1.4.

"Partnership Agreement" means the agreement which sets forth the terms of Tenant's limited partnership, as such agreement may be amended from time to time.

"Plans" means the plans and specifications for the construction of the Project, a set of which, initialed by Tenant, are on file in the offices of Landlord.

"Project" has the meaning set forth in Recital D above and includes and all on-site improvements necessary to serve the development, all as more particularly described in the Agreement.

"Property" has the meaning set forth in Recital A above.

"Real Property Tax" has the meaning set forth in Section 4.4.3 of this Ground Lease.

"Regulatory Agreement" has the meaning set forth in Recital C.

"Rent" means the rent payable pursuant to Article 4 of this Ground Lease.

"**Reside**" means the location of an individual's permanent residence.

"**Resident Subleases**" has the meaning in Article 17.

"Resource Center Sublease" has the meaning in Article 17.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Spouse**" means, for purposes of this Ground Lease, a person legally married to another, as recognized by the State of California, and includes same-sex marriages and registered domestic partners.

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"**Sublease**" means an agreement pursuant to which Tenant leases a portion of the Project to another tenant, referred to as a subtenant, pursuant to the terms and conditions of this Ground Lease.

"TCAC" means the California Tax Credit Allocation Committee.

"**Tenant Party**" has the meaning given to it in Section 12.3.

"Term" has the meaning set forth in Article 3 of this Ground Lease.

"Transaction Documents" means, collectively, the Agreement (until such time as the Agreement, by its terms, terminates), and the Ground Lease.

"**Week**" means a seven-day calendar period starting with Sunday and continuing through Saturday.

"**Weekend**" means the days of Saturday and Sunday during a Week.

"Work" means the particular days of the Week during which an individual regularly performs work or fulfills duties for wages or salary.

"**Work Week**" means the days of Monday through Friday during a Week.

ARTICLE 3. TERM.

The term of this Ground Lease ("**Term**") shall commence on the date of recordation of the Memorandum of Ground Lease in the Official Records ("**Commencement Date**") and, subject to the provisions set forth in this Ground Lease and applicable law that may result in an earlier termination of this Ground Lease, shall continue until the ninety-ninth (99^{th}) anniversary of the Commencement Date.

ARTICLE 4. RENT.

4.1 Rent. On the Effective Date, Tenant shall pay to Landlord Base Rent.

4.2 Payment of Rent. All Rent that becomes due and payable pursuant to this Ground Lease shall be paid to Landlord at the address listed in Section 21.1 or such other place as Landlord may from time to time designate by written notice to Tenant without notice or demand, and without setoff, counterclaim, abatement, deferment, suspension or deduction. Except as expressly provided herein or in the Agreement, under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Landlord be expected or required to make any payment of any kind whatsoever or to perform any act or obligation whatsoever or be under any obligation or liability hereunder or with respect to the Property.

4.3 Utilities. Tenant shall be responsible for the payment of and shall establish accounts for all and each of water, gas, electricity, refuse collection and disposal, internet service, broadband coverage, and/or other communication system fees, and all other

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utilities or services used by Tenant on or at the Property. Landlord expressly has no obligation regarding provision of or payment for any utilities serving the Property.

4.4 Taxes and Assessments.

4.4.1 Notice of Possessory Interest; Payment of Taxes and Assessments on Value of Entire Property. In accordance with California Revenue and Taxation Code Section 107.6(a), Landlord notices Tenant that by entering into this Ground Lease, a possessory interest subject to assessment and collection of property taxes may be created. Tenant or other party in whom the possessory interest is vested may be subject to the payment of property taxes levied on such interest. If possessory interest taxes are assessed, Tenant agrees it is responsible for payment thereof and Landlord has no obligation or liability of any kind or nature relating to payment of property taxes. Tenant shall, at its sole cost and expense, seek exemption from, or contest the payment of, assessments and the collection of property taxes pursuant to Revenue and Taxation Code Section 214, or a successor statute. During the pendency of such contest or request for exemption, Tenant's non-payment of assessments or taxes when due shall not constitute a default hereunder if (i) the validity of such assessments and taxes is actively contested in good faith and by appropriate proceedings, (ii) Tenant has demonstrated to Landlord's reasonable satisfaction that leaving such assessments or taxes unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such assessments or taxes or otherwise impair Landlord's estate in the Property, (iii) Tenant has furnished Landlord with a bond or other security satisfactory to Landlord in an amount not less than 100% of the applicable claim (including interest and penalties), and (iv) upon the final disposition of such proceedings, Tenant shall promptly pay all taxes and assessments then due, inclusive of any unpaid accrued penalties and interest. Landlord is a political subdivision of the State of California, and no property taxes will be or are legally assessable against its fee interest.

4.4.2 Payment of Taxes and Impositions. Subject to any applicable exemptions, Tenant is responsible for and shall pay the real property and/or possessory interest taxes and other Impositions applicable to the Property during the Term of this Ground Lease. Except as provided in Section 4.4.1, all such payments shall be made prior to the delinquency date of such payment. Tenant shall promptly furnish Landlord with satisfactory evidence that such taxes and Impositions have been paid or that an exemption from such taxes has been obtained. If any such taxes and Impositions paid by Tenant shall cover any period of time prior to or after the expiration of the Term, Tenant shall have sole responsibility for seeking any reimbursement due from the appropriate taxing entity. If Tenant fails to pay any such taxes or Impositions, Landlord shall have the right to pay the same, in which case Tenant shall repay such amount to Landlord within ten (10) days after demand from Landlord together with interest at the rate set forth in Section 4.5.

4.4.3 Definition. As used herein, the term "**Real Property Tax**" shall include any form of real estate tax or assessment (including, without limitation, on possessory interests), general, special, ordinary, or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance,

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personal income, or estate taxes) imposed on the Property or any interest (including, without limitation, possessory interests) therein by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Landlord or Tenant in the Property or in the real property of which the Property are a part, as against Landlord's right to rent or other income therefrom, and as against Landlord's business of leasing the Property. The term "Real Property Tax" shall also include any tax, fee, levy, assessment, or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "Real Property Tax," or (ii) the nature of which was hereinbefore included within the definition of "Real Property Tax," or (iii) which is imposed as a result of a transfer, either partial or total, of Landlord's interest in the Property or which is added to a tax or charge hereinbefore included within the definition of Real Property Tax by reason of such transfer, or (iv) which is imposed by reason of this lease transaction, any modifications or changes hereto, or any transfers hereof.

4.4.4 Personal Property. Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment, and all other personal property of Tenant contained in the Property or elsewhere. When possible, Tenant shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

4.4.5 Apportionment. If any of Tenant's said personal property shall be assessed with Landlord's real property, first Tenant shall advise the County of San Mateo Tax Assessor and Tax Collector of the same in writing, and Tenant shall pay Landlord the taxes attributable to Tenant not later than the later of (a) ten (10) days after receipt of a written statement setting forth the taxes applicable to Tenant's property, or (b) thirty (30) days prior to the date said taxes are due and payable.

4.5 Overdue Interest. Any amount due to Landlord, if not paid when due and on or before expiration of the period for cure as set forth herein, after Landlord's delivery of notice thereof to Tenant, shall bear interest from the date due until paid at the lower of: (a) the reference or prime rate of Bank of America, N.T. & S.A., in effect from time to time plus three percent (3%); or (b) the highest rate of interest allowed under applicable usury law.

4.6 Right to Audit. Tenant shall keep full and accurate books of account, records, and other pertinent data with respect to operations of the Project. Such books of account, records, and other pertinent data shall be kept for at least five (5) years. At any time, Landlord shall be entitled to examine and conduct an independent audit of all of Tenant's books of account, records, and other pertinent data for the prior three (3) years.

ARTICLE 5. POSSESSION OF PROPERTY.

5.1 Acceptance of Premises. As further described in Section 6.3, Tenant hereby accepts the Property as-is and acknowledges that the Property is in the condition called for by the Agreement and this Ground Lease.

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5.2 Ownership of Improvements. Unless otherwise provided herein, during the Term of this Ground Lease, as it may be extended pursuant to the terms hereof, title to all Improvements, now existing or later made, on the Property are and shall be vested in Tenant as set forth in Article 11.

5.3 Surrender of Property.

5.3.1 Expiration or Termination. Tenant agrees that on the expiration or earlier termination of the Term, the leasehold estate hereby granted to Tenant shall terminate unless extended by mutual agreement of Landlord and Tenant. Upon such termination, the leasehold estate shall be forfeited and shall revert to Landlord, its successors and assigns, and all Improvements on the Property shall become the property of Landlord, its successors and assigns, free and clear from any liens or claims whatsoever (other than non-monetary liens previously approved or otherwise accepted in writing by Landlord), in good condition and repair and in compliance with the Maintenance Standards described in Section 10, reasonable wear and tear excepted, without further compensation therefor from Landlord to Tenant or any other person. Following any such expiration or termination, Tenant shall execute, acknowledge and deliver to Landlord a quitclaim deed, or other document required by a reputable title company and reasonably acceptable to Landlord, conveying all Tenant's right, title, and interest in and to the Property and the Improvements to Landlord. In the event Tenant receives a written default notice relating to or arising from any Construction Loan, Take-Out Loan, or any mortgage, deed of trust, or security instrument secured by the leasehold interest granted hereunder, the Property or the Improvements, or from HCD, the California Debt Limit Allocation Committee, the Internal Revenue Service, or any other agency or entity that provided any form of financing to the Project, then Tenant shall provide written notice of such alleged default to City Manager within five (5) days of receipt thereof. Tenant hereby irrevocably appoints Landlord as Tenant's agent and attorney-in-fact (such agency being coupled with an interest), and as such agent and attorney-in-fact Landlord may, without the obligation to do so, in Tenant's name, or in the name of Landlord, prepare, execute and file or record such statements, applications, and other documents necessary to create, perfect, or preserve any of Landlord's interests and rights in or to the Property and any of the Improvements, and, upon the expiration or earlier termination of the Term, take any other action required of Tenant.

5.3.2 Condition. On expiration or earlier termination of the Term and in furtherance of the provisions relating to surrender of the Property set forth in Section 5.3.1 above, Tenant shall peaceably and quietly leave and surrender the Property and the Improvements to Landlord in good order, condition, and repair and in compliance with the Maintenance Standards, reasonable wear and tear excepted, free of debris, waste and Hazardous Materials. Tenant shall leave in place and in good order, condition, and repair, all fixtures and machinery; except (if Tenant is not then in default under this Ground Lease) Tenant shall have the right to remove only Tenant-owned appliances, other unattached equipment, furniture and merchandise, to the extent installed by Tenant, which removal must be done without damage to the Property or Improvements. Tenant shall remove any such appliances, unattached equipment, furniture and merchandise prior to expiration or termination of the Term. Landlord shall have the right to have the

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Property and the Improvements inspected at Tenant's cost to determine whether the Property and the Improvements have been properly maintained, repaired, and restored in accordance with the Maintenance Standards and the terms of this Ground Lease. If it is determined by Landlord that, at the expiration or earlier termination of this Ground Lease, the condition of all or any portion of the Property is not in compliance with the Maintenance Standards or other provisions of this Ground Lease, including, without limitation, those contained in Article 12 with respect to Hazardous Materials, then Landlord may elect to either (i) require Tenant to hold over possession of the Property until Tenant can surrender the Property to Landlord in the condition required herein, or (ii) undertake the required work to place the Property in the condition required under this Ground Lease and Tenant shall immediately reimburse Landlord for all such costs upon demand from Landlord.

5.3.3 Delivery of Documents. Contemporaneous with the expiration or earlier termination of the Term, as it may be extended pursuant to the terms hereof, and subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, Tenant shall immediately deliver to Landlord, at Tenant's sole cost, the following:

(a) Such documents, instruments, and conveyances as Landlord may reasonably request to enable Landlord's ownership of the Property and the Improvements to be reflected of record, including, without limitation, a quitclaim deed in recordable form to the Property and the Improvements.

(b) An owner's policy of title insurance, surety bond, or other security reasonably acceptable to Landlord insuring against all claims and liens against the Property and the Improvements other than those incurred by Landlord or accepted by Landlord in writing.

(c) All construction plans, surveys, permits, existing contracts for services, maintenance, operation, and any other documents relating to use, operation, management, and maintenance of the Improvements as may be in effect and/or in the possession of Tenant at the time and from time to time thereafter.

(d) All documents and instruments required to be delivered by Tenant to Landlord pursuant to this Section shall be in form satisfactory to Landlord, including without limitation such documents and instruments shall be complete, originals or true copies, and legible.

5.4 Abandonment. Tenant shall not abandon or vacate the Property or the Improvements at any time during the Term. If Tenant shall abandon, vacate, or otherwise surrender the Property or the Improvements, or be dispossessed (other than dispossession as the result of condemnation, which shall be subject to Section 20.1 below) thereof by process of law or otherwise, the same shall constitute a default under this Ground Lease on the part of Tenant and, in addition to any other remedy available on the part of Landlord, (i) Landlord may relet the Property and Tenant shall be responsible for all of Landlord's costs in connection therewith, including without limitation Landlord's attorneys' fees, and (ii) any of Tenant's property left in, upon or about the

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Property or the Improvements (except for underground storage tanks) shall, at Landlord's option, be deemed to be abandoned and shall become the property of Landlord. The appointment of a receiver pursuant to a Mortgagee's exercise of its rights under a Mortgage, or the foreclosure of a Mortgage, shall not be a default under this Section.

ARTICLE 6. REPRESENTATIONS AND WARRANTIES.

6.1 Landlord's Representations. Landlord represents and warrants to Tenant it owns the Property in fee simple and has the power and authority to enter into this Ground Lease and perform all obligations and agreements incidental or pertinent to this Ground Lease. Landlord makes no representation or warranty with respect to the condition of the Property or its fitness or availability for any particular use, and Landlord shall not be liable for any latent or patent defect therein. Landlord represents and warrants to Tenant as follows:

(A) Landlord. Landlord is a political subdivision of the State of California. The execution, performance, and delivery of this Ground Lease by Landlord has been fully authorized by all requisite actions on the part of Landlord.

(B) No Conflict. To Landlord's actual, present knowledge, Landlord's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement, or order to which Landlord is a party or by which it is bound.

(C) No Landlord Bankruptcy. Landlord is not the subject of a bankruptcy proceeding.

As used herein, "Landlord's knowledge" shall be limited to the actual knowledge of City Manager, with no duty of inquiry or investigation.

6.2 Tenant's Representations. Tenant represents and warrants to Landlord as follows:

(A) Tenant. Tenant is a duly organized limited partnership formed within and in good standing under the laws of the State of California. Upon request by Landlord or a title company, Tenant shall deliver to Landlord and the title company true and complete copies of the original documents evidencing the organization of Tenant, as amended to the date of this Ground Lease. Tenant has full right, power and lawful authority to undertake all obligations as provided herein and the execution, performance and delivery of this Ground Lease by Tenant have been fully authorized by all requisite actions on the part of Tenant.

(B) No Conflict. To the best of Tenant's knowledge, Tenant's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement or order to which Tenant is a party or by which it is bound.

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(C) No Tenant Bankruptcy. Tenant is not the subject of a bankruptcy proceeding.

Tenant shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section not to be true, immediately give written notice of such fact or condition to Landlord.

6.3 AS-IS; Release. Tenant acknowledges and agrees that Tenant is leasing the Property from Landlord solely in reliance on its own investigation, and that no representations and/or warranties of any kind whatsoever, express or implied, have been made by any of the Indemnitees.

AS A MATERIAL PART OF THE CONSIDERATION FOR LANDLORD'S AGREEMENT TO LEASE THE PROPERTY TO TENANT, TENANT AGREES TO ACCEPT THE PROPERTY "AS IS" AND "WHERE IS", WITH ALL FAULTS. SUBJECT TO APPLICABLE CALIFORNIA LAW, NO WARRANTY OR REPRESENTATION IS MADE BY LANDLORD WITH RESPECT TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO (I) FITNESS FOR ANY PARTICULAR PURPOSE, (II) MERCHANTABILITY, (III) CONDITION, (IV) ABSENCE OF DEFECTS OR FAULTS, (V) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (VI) FLOODING, OR (VII) COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, LAWS AND REGULATIONS RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT, AS THEY MAY APPLY TO THE CURRENT CONDITION OF THE PROPERTY OR TENANT'S INTENDED DEVELOPMENT OR PROJECT, CONSTRUCTION OR USE, OR FOR ANY OTHER PURPOSE. TENANT ACKNOWLEDGES THAT TENANT WILL BE RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC USE, TITLE, COMPLIANCE AND LEGAL CONDITION OF THE PROPERTY.

On and after the Effective Date, Tenant will be deemed to have waived and released Indemnitees of and from any and all claims, causes of action, damages or losses that may be incurred by Tenant concerning the condition of the Property, whether known or unknown as of the Effective Date. Such waiver will be deemed to be a release of all rights held by Tenant under California Civil Code §1542, which states:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.
>
> Tenant Initials _____

This Section 6.3 shall survive termination of the Agreement.

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ARTICLE 7. CONSTRUCTION OF THE IMPROVEMENTS.

7.1 Construction. Tenant shall construct the Improvements within the times and subject to all of the terms and conditions set forth in the Agreement, the Regulatory Agreement and this Ground Lease and in accordance with plans and specifications, including the Final Construction Documents (as defined in the Ground Lease) (collectively, "**Plans**") approved by Landlord. All Improvements shall be constructed in a good and workmanlike manner using materials of good quality, and shall comply with all applicable Governmental Requirements. Tenant shall keep the Property and its leasehold interest free of all liens arising out of any work performed, materials or services furnished, or obligations incurred by Tenant or any of its contractors or agents.

7.2 Construction Cost. Tenant and not Landlord shall bear the entire and sole cost of planning, designing, engineering, entitling, permitting, financing, constructing, supervising, and inspecting the Improvements, including all fees, costs, assessments and mitigation measures arising from or related thereto.

7.3 Landlord's Right to Discharge Lien. If Tenant does not, within forty-five (45) days of obtaining knowledge of a lien, cause to be recorded the bond described in California Civil Code Section 3143 or otherwise protect the Property or Tenant's leasehold interest under any alternative or successor statute and in a manner reasonably acceptable to Landlord, Landlord shall have the right, but not the duty, subject to the notice and cure rights of Mortgagees set forth elsewhere in this Ground Lease, to pay or otherwise discharge, stay, or prevent the execution of any such judgment or lien or both. Tenant shall reimburse Landlord for all sums paid by Landlord under this Section, together with all Landlord's reasonable attorneys' fees and costs, plus interest on those sums, fees, and costs from the date of payment until the date of reimbursement at the rate set forth in Section 4.5.

7.4 Notice of Non-Responsibility. After the filing of a notice of completion pursuant to Section 7.5, Tenant shall provide Landlord with prior written notice of not less than thirty (30) days before commencing construction of any structural alteration of the Improvements, or any non-structural alteration which will cost more than One Hundred Thousand Dollars ($100,000), and shall permit Landlord to record and post appropriate notices of non-responsibility on the Property. This One Hundred Thousand Dollar ($100,000) limitation shall be recalculated each calendar year after the calendar year in which the final COO is issued by applying the CPI Adjustment to the One Hundred Thousand Dollar ($100,000) limitation.

7.5 Notice of Completion. Promptly after completion of construction of the Improvements, Tenant shall file or cause to be filed a notice of completion. Tenant hereby appoints Landlord as Tenant's attorney-in-fact to file the notice of completion, at Tenant's cost and expense, if Tenant fails to do so.

7.6 Subsequent Alterations. Following completion of the construction of the Improvements in accordance with the Plans, Tenant may from time to time, at its sole expense, make improvements and other alterations to the Property which Tenant

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reasonably determines to be beneficial, subject to compliance with all applicable Governmental Requirements and with no obligation on Landlord's part to allow any variances or deviations from the Land Use Entitlements or the Scope of Development. As used in this Section, the terms "**alterations**" and "**improvements**" shall not apply to repairs of existing improvements. Notwithstanding the foregoing, any improvement which will cost more than One Hundred Thousand Dollars ($100,000) shall require the approval of Landlord, which shall not be unreasonably withheld.

ARTICLE 8. USE OF THE PROPERTY.

8.1 Covenants Regarding Affordability, Occupancy, and Unit Mix.

8.1.1 Affordability. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof, that Tenant shall comply during the Term of this Ground Lease with the Affordability Restrictions which specifically means that ten (10) dwelling units in the Project shall be rented to households whose incomes do not exceed thirty percent (30%) of the area median income for San Mateo, adjusted for household size, as published by HUD ("**Adjusted AMI**"), and (ii) twenty-nine (29) of the dwelling units in the Project shall be rented to households whose incomes do not exceed fifty percent (50%) of the Adjusted AMI, with all of such dwelling units rented at an affordable rent, pursuant to TCAC regulations. The Affordability Restrictions described above and Tenant's obligation to comply therewith shall be evidence in the Regulatory Agreement, which shall be recorded as an encumbrance on the Property.

8.1.2 Unit Mix. The Project will contain three (3) studio units, thirty-four (34) 1-bedroom units, and three (3) 2-bedroom units. One 2-bedroom unit will be a manager's unit and not subject to Affordability restrictions.

8.1.3 Occupancy. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof that, except as otherwise required by federal, state, or local law or any Project funding source:

(a) With the exception of the one manager's unit, the Head of Household for each unit must be a Senior and an Agricultural Worker residing in the City of Half Moon Bay or San Mateo County, and shall be selected based on the preference program described in Section 8.5, below.

(b) household members in addition to the Head of Household shall be limited to persons who are 45 years of age or older, or are the Spouse, or person providing primary physical or economic support to the Senior; including hired healthcare workers. Children (i.e., persons under the age of 18) may occupy a unit only in the event that the child is disabled and is the child or grandchild of the Senior and needs to live with the Senior because of the disabling condition.

(c) if the Senior Head of Household in a unit dies or is permanently relocated to another residence or care facility, the other qualified residents

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of the units will be allowed to continue to Reside in the unit for one (1) year but live-in health care aids must vacate the unit within ninety (90) days.

(d) occupancy in the Project shall be limited to 2 persons maximum per studio and 1-bedroom unit, and 4 persons maximum per 2-bedroom unit. Landlord is imposing these occupancy limits in compliance with HUD's two person per sleeping area standard in order to (1) provide the Senior community that Reside in the Project with a quieter home environment free of overcrowding in order to prevent accidents/falls and to promote physical recovery and mental health; and (2) alleviate demands on available parking given that the Project provides limited on site parking; and (3) prevent wear and tear of publicly funded housing.

8.1.4 Covenants Running With the Land. The foregoing covenants in this Section 8.1 shall run with the land for the duration of the Term.

8.2 Annual Reporting. Tenant will provide Landlord with an annual report to confirm that the above requirements for Affordability and Occupancy are being fulfilled. Landlord may rely on reports produced by Tenant to fulfill Project funding source reporting requirements, if applicable.

8.3 Covenant to Pay Taxes and Assessments. Tenant shall pay prior to delinquency all ad valorem real estate taxes, special taxes, assessments and special assessments levied against the Property, subject to Tenant's right to contest any such tax in good faith and any property tax exemptions.

8.4 Covenants Regarding Nondiscrimination. Tenant covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person, or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, or any part thereof, nor shall Tenant, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property, or any part thereof. The foregoing covenants shall run with the land for the duration of the Term.

Tenant agrees for itself and any successor in interest that Tenant shall refrain from restricting the rental, sale, or lease of any portion of the Property, or contracts relating to the Property, on the basis of race, color, creed, religion, sex, marital status, ancestry, or national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(A) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any

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person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

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

(C) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, Tenants, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.

Notwithstanding the foregoing, Tenant acknowledges and agrees that it shall have no right to sell or transfer all or any portion of the fee interest in the Property or Project and that Tenant's only rights with respect to the Property and Project shall arise under this Ground Lease as a tenant.

8.5 Preference Program. Except to the extent prohibited by applicable federal or state law or any Project funding sources, Tenant shall evaluate applications for residential tenancies on the Property and offer tenancies to applicants according to the preferences and procedures described below and as established in an ordinance or resolution adopted by the City Council, as the same may be amended from time to time.

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When the units are constructed and ready for occupancy, Tenant will create an application process that will result in a pool of applicants. The pool of applicants will be sorted according to this preference order for the Head of Household in the following manner:

1. "**First Preference**": Prospective Senior resident is an Agricultural Worker who Resides or Works in Half Moon Bay.

2. "**Second Prefere**nce": Prospective Senior resident is an Agricultural Worker who Resides or Works in the Coastside of San Mateo County: Pacifica, Montara, Moss Beach, San Gregorio, El Granada or Pescadero.

3. "**Third Preference**": Prospective Senior resident is an Agricultural Worker who Resides or Works in County of San Mateo.

Tenant will screen all applicants who meet the criteria for the First Preference and household income restrictions, and those applicants will be offered units first. After all First Preference applications are exhausted and if there are any vacant units to fill, Tenant will screen applicants who meet the criteria for the Second Preference and household income restrictions and offer those eligible applicants any remaining units. After all Second Preference applications are exhausted and if there are any remaining vacant units, Tenant will screen applicants who meet the criteria for the Third Preference and household income restrictions and offer those eligible applications any remaining units.

The covenants established in this Ground Lease and the Regulatory Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of Landlord, its successors and assigns, Landlord and any successor in interest to the Property. The covenants against discrimination shall remain in effect in perpetuity.

ARTICLE 9. INSURANCE.

9.1 Tenant's Insurance. Without limiting Landlord's right to indemnification, Tenant shall secure and maintain insurance coverage as set forth in this Article 9.

9.2 Commercial General and Automobile Liability; Worker's Compensation. Commencing on the Effective Date and continuing throughout the Term of this Ground Lease, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Landlord's City Manager, the following policies of insurance:

(A) Commercial General Liability Insurance covering bodily injury, property damage, personal injury, and advertising injury written on an occurrence basis with coverage at least as broad as Insurance Services Office (ISO) form CG 00 01, containing the following minimum limits: (i) general aggregate limit (including excess coverage) of Ten Million Dollars ($10,000,000.00); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000.00); (iii) personal and advertising injury limit of Three Million Dollars ($3,000,000.00); and (iv) each occurrence limit of Three Million Dollars ($3,000,000.00). Said policy shall include the following coverages: (I) products and completed operations; (II) independent contractors; (III) Owner's broad

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form property damage; (IV) severability of interest; (V) cross liability; and (VI) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards). The policy shall be endorsed to have the general aggregate apply to this Project only.

(B) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for Landlord and Tenant against any loss, claim, or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by Tenant in the course of carrying out the work or services contemplated in this Ground Lease, and Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(C) A policy of comprehensive automobile liability insurance written on an occurrence basis using ISO Business Automobile Coverage form CA 00 01 (or equivalent), in an amount not less than Two Million Dollars ($2,000,000.00) each accident covering all owned, non-owned, leased, and hired vehicles used in connection with the Project; provided, however, that if Tenant does not own vehicles it may satisfy this provision through a rider to its general liability coverage for non-owned/hired vehicles.

9.3 Builders Risk. Commencing on the Effective Date and continuing until Landlord issues a temporary Certificate of Occupancy, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Landlord's City Manager, Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as the City of Half Moon Bay issues a temporary Certificate of Occupancy, and storage and transportation risks. Such insurance shall protect/insure the interests of Tenant/owner and all of Tenant's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or portion which failed. Landlord shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

9.4 Property; Business Interruption; Boiler and Machinery Insurance. Commencing on the date Landlord issues a temporary Certificate of Occupancy and continuing throughout the term of this Ground Lease, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City Manager, the following insurance:

(A) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in San Mateo County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. Landlord shall be

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a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

(B) Business interruption and extra expense insurance to protect Tenant and Landlord covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all risk physical damage insurance, covering a period of suspension, delay, or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period.

(C) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance.

9.5 Contractor Insurance Requirements. Tenant shall cause any general contractor with whom it has contracted for the performance of work on the Property to secure and maintain insurance that satisfies all of the requirements of Section 9.2 and Section 9.6 prior to the general contractor commencing any activities on the Property.

9.6 Additional Requirements. The following additional requirements shall apply to all of the above policies of insurance:

(A) All of the above policies of insurance shall allow and be endorsed primary insurance, except the Worker's Compensation, Employer Liability insurance. The commercial general liability and automobile liability insurance, shall be endorsed to name all of Landlord and Landlord Personnel as additional insureds. The commercial general liability shall be endorsed on an ISO Form CG 20 10 for ongoing operations and CG 20 37 for completed operations (current version) or equivalent forms. Tenant waives its right to recover against Landlord and all Landlord Parties and their respective insurers for all claims and losses covered by the insurance policies required by this Ground Lease, and shall cause its insurers to waive all rights of subrogation and contribution it may have against Landlord and Landlord Personnel and their respective insurers and shall provide an endorsement affecting such. All of said policies of insurance shall provide that said insurance may not be amended or cancelled without providing thirty (30) days' prior written notice to Landlord. If a carrier will not provide the required notice of cancellation, the Tenant shall provide written notice to the Landlord of a cancellation no later than ten (10) business days before cancellation. In the event any of said policies of insurance are cancelled, Tenant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to City Manager. Not later than the Effective Date, Tenant shall provide City Manager with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders shall be subject to the approval of City Manager.

(B) The policies of insurance required by this Ground Lease shall be satisfactory only if issued by companies of recognized good standing authorized to do business in California, rated "A-" or better in the most recent edition of Best Rating Guide,

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The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by City Manager due to unique circumstances.

(C) City Manager is hereby authorized to increase, reduce, or otherwise modify Tenant's insurance requirements set forth herein in the event he or she determines, in his or her sole and absolute discretion, that such increase, reduction, or modification is warranted by changes in construction costs, inflationary changes after the Effective Date, or otherwise, and is consistent with commercial practices.

(D) Any available insurance proceeds broader than, or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified; or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured; whichever is greater. No representation is made that the minimum insurance requirements are sufficient to cover the obligations of the Tenant.

(E) Tenant agrees that the provisions of this Section shall not be construed as limiting in any way Landlord's right to indemnification or the extent to which Tenant may be held responsible for the payment of damages to any persons or property resulting from Tenant's activities or the activities of any person or persons for which Tenant is otherwise responsible.

9.7 Remedies for Defaults Re: Insurance. In addition to any other remedies Landlord may have if Tenant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, Landlord may, at its sole option, after fifteen (15) days' Notice to Tenant:

(A) Obtain such insurance and charge Tenant the amount of the premium for such insurance, in which event Tenant shall promptly remit such sum to Landlord;

(B) Withhold any payment(s) which become due to Tenant hereunder until Tenant demonstrates compliance with the requirements hereof; and

(C) Declare Tenant in Default and exercise its rights and remedies under this Ground Lease.

Exercise of any of the above remedies, however, is an alternative to other remedies Landlord may have and is not the exclusive remedy for Tenant's failure to maintain insurance or secure appropriate endorsements.

Nothing herein contained shall be construed as limiting in any way the extent to which Tenant may be held responsible for payment of damages to persons or property resulting from Tenant's contractors or any subcontractor's performance under this Ground Lease.

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9.8 Indemnification. Tenant shall defend (with counsel acceptable to Landlord), indemnify, assume all responsibility for, and hold Landlord and Landlord Personnel harmless from, all claims, demands, damages, defense costs (including attorneys' fees and costs) and liability of any kind or nature (any of the foregoing, a "**Loss**") arising out of or in connection with Tenant's failure to perform any obligation or requirement under this Ground Lease or the Regulatory Agreement and/or any activities, occupancy, access, acts, errors, omissions, performance, work and the like under or in connection with this Ground Lease, whether such activities, performance or the like thereof be by Tenant or by anyone directly or indirectly employed, controlled, or contracted by Tenant and whether such damage shall accrue or be discovered before or after termination of this Ground Lease, including but not limited to any damages to property or injuries to persons, including accidental death, to the extent arising out of or in connection with any of the foregoing. Tenant shall not be liable for any such Loss or indemnification therefore to the extent occasioned by the gross negligence or willful misconduct of any of Landlord and Landlord Personnel.

ARTICLE 10. MAINTENANCE; REPAIRS

Tenant shall, throughout the entire Term of this Ground Lease, maintain the Property and all improvements thereon, including, without limitation, lighting and signage, in good condition and repair, free of debris, waste, and graffiti, and in compliance with all applicable laws and regulations. Tenant shall maintain the Improvements and landscaping on the Property strictly in accordance with the Maintenance Standards (defined below). Such Maintenance Standards shall apply to all buildings, walls, systems, electrical, plumbing, HVAC, water/sewer, signage, lighting, roof, landscaping, irrigation of landscaping, architectural elements of the Property, and any and all other Improvements on the Property. To accomplish the maintenance, Tenant shall either staff or contract with and hire licensed and qualified personnel to perform all such work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Ground Lease.

Tenant and its maintenance staff, contractors, consultants, agents or subcontractors shall comply with the following standards ("**Maintenance Standards**"):

(A) The Property, including, without limitation, all buildings, walls systems, electrical, plumbing, HVAC, water/sewer, signage, lighting, roof, landscaping, irrigation of landscaping, architectural elements of the Property, and any and all other Improvements on the Property, shall be maintained in conformance and in compliance with the approved Plans and permits, and maintenance standards for similar, neighboring structures, including but not limited to painting and cleaning of all exterior surfaces and other exterior facades comprising all private improvements and public improvements to the curb line. The Property shall be maintained in good condition and repair and in accordance with the custom and practice generally applicable to comparable market-rate apartment complexes located in San Mateo County.

(B) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub

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pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

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

Upon Landlord's written notification to Tenant of any maintenance deficiency, Tenant shall have thirty (30) days within which to correct, remedy, or cure the deficiency, or such longer period as is reasonably necessary to complete the cure (not to exceed ninety (90) days), provided such correction, remedy, or cure is commenced within such thirty (30) day period and diligently prosecuted to completion. If the written notification states the problem is urgent relating to the public health and safety of Landlord, then Tenant shall have three (3) business days to rectify the problem, or such longer period as is reasonably necessary to complete the cure (not to exceed ten (10) business days). In the event Tenant does not maintain the Property in the manner set forth herein and in accordance with the Maintenance Standards (as determined by Landlord), Landlord shall have, in addition to any other rights and remedies hereunder, the right to maintain the Property, or to contract for the correction of such deficiencies, after Notice to Tenant, and Tenant shall be responsible for the payment of all such costs incurred by Landlord within thirty (30) days of Landlord's demand for payment.

ARTICLE 11. OWNERSHIP OF AND RESPONSIBILITY FOR IMPROVEMENTS.

11.1 Ownership During Term.

11.1.1 Improvements. Subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, all Improvements on the Property as permitted or required by this Ground Lease shall, during the Term, be and remain the property of Tenant, and Landlord shall not have title thereto. Tenant shall not, however, demolish, remove, sell, encumber, lease, assign, or otherwise convey any Improvements from the Property except as permitted herein.

11.1.2 Personal Property. All personal property, furnishings, fixtures and equipment, including, without limitation, Tenant-owned appliances, which are not so affixed to the Property or the buildings thereon as to require substantial damage to the buildings upon removal thereof shall constitute personal property. If Tenant is not then in default under this Ground Lease, at any time during the Term and at termination thereof, Tenant shall have the right to remove any and all such personal property, furnishings,

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fixtures and equipment; provided, that Tenant repairs any damage to the Property or the Improvements caused by such removal.

11.1.3 Basic Building Systems. For purposes of this Ground Lease, the personal property, furnishings, fixtures and equipment described in this Section 11.1 shall not include those major building components or fixtures necessary for operation of the basic building systems such as, but not limited to, the elevators, plumbing, sanitary fixtures, lighting fixtures, electrical fixtures, and the heating and central air-cooling systems.

11.2 Ownership at Expiration or Termination.

11.2.1 Property of Landlord. In accordance with provisions of Sections 5.3.1 and 5.3.2 hereof, and except as provided in Section 11.2.2, all Improvements which constitute or are a part of the Property shall, upon termination of this Ground Lease, become (without the payment of compensation to Tenant or others) the property of Landlord free and clear of all claims and encumbrances on such Improvements by Tenant, and anyone claiming under or through Tenant, except for such title exceptions permitted or required during the Term with Landlord's prior written consent. Tenant shall then quitclaim to Landlord any and all rights, interests and claims to the Improvements. Tenant agrees to and shall defend (with counsel acceptable to Landlord), indemnify, and hold Landlord harmless from and against all claims, liability, and loss which may arise from the assertion of any such claims and any encumbrances on such Improvements (except to the extent such claims arise due to Landlord's gross negligence or intentional misconduct) and except for such title exceptions permitted or required during the Term and approved in advance and in writing by Landlord.

11.2.2 Removal by Tenant. Tenant shall not be required or permitted to remove the Improvements, or any of them, at the expiration or sooner termination of the Term unless otherwise directed by Landlord in writing no less than thirty (30) days prior to the expiration of the Term or within thirty (30) days of any earlier termination thereof; provided, however, that, subject to the provisions of Section 5.3.2 hereof, within thirty (30) days following the expiration or sooner termination of the Term, Tenant shall remove all personal property, furniture, and equipment.

11.2.3 Unremoved Property. Any personal property, furnishings or equipment not removed by Tenant pursuant to Section 11.2.2 hereof, shall, without compensation to Tenant, become Landlords' property, free and clear of all claims to or against them by Tenant or any third person, firm or entity arising by, through or under Tenant. Landlord shall have no duty to store such items, provide any notices to Tenant, sell or dispose of such items, and/or remit any proceeds from any such sale or disposal to Tenant in accordance with otherwise applicable statutory procedures, and Tenant hereby waives any statutory or other right Tenant might have with respect thereto.

11.2.4 Maintenance and Repair of Improvements. Subject to the provisions of this Ground Lease concerning condemnation, alterations, repair, damage, and destruction, Tenant agrees to assume full responsibility for the operation, repair and

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maintenance of the Property and the Improvements and all fixtures and furnishings thereon or therein throughout the Term hereof without expense to Landlord, and to perform all repairs and replacements necessary to maintain and preserve the Property, the Improvements, fixtures, and furnishings in a decent, safe, sanitary and operational condition consistent with good practices and in compliance with all applicable laws. Tenant agrees that Landlord shall not be required to perform any maintenance, repairs, or services, or to assume any expense in connection with the Property and the Improvements thereon unless specifically required under the terms of this Ground Lease. Except as otherwise provided in this Section 11.2 and in Section 11.4, the condition of the Improvements required to be maintained hereunder upon completion of the work of maintenance or repair shall be equal or better in quality and use to the condition of such Improvements before the event giving rise to the work.

11.3 Waste. Subject to the alteration rights of Tenant set out in this Ground Lease and damage, destruction, or condemnation of the Property or any part thereof as further described herein, Tenant shall not commit or suffer to be committed any waste of the Property or the Improvements, or any part thereof. Tenant agrees at all times to keep the Property and the Improvements clean and clear of graffiti, refuse, and obstructions, to store all garbage, trash, and rubbish in a safe and sanitary manner, and to promptly and properly dispose of all garbage, trash, and rubbish.

11.4 Alteration of Improvements. Except as provided in Section 7.1, Tenant shall not make or permit to be made any material exterior alteration of, addition to or change in, the Improvements which would affect the exterior elevations (including materials selection and color) or the size, bulk, and scale of the Property, other than routine maintenance and repairs, nor demolish all or any part of the Improvements, without the prior written consent of Landlord, which consent Landlord may withhold in its reasonable discretion. Nothing herein shall prohibit interior alterations or decorations, or the removal and replacement of interior improvements consistent with the specified use of the Property. In requesting consent for such exterior improvements as required by the foregoing, Tenant shall submit to Landlord detailed plans and specifications of the proposed work and an explanation of the need and reasons thereof. Tenant may make such other improvements, alterations, additions or changes to the Improvements which do not materially affect the exterior elevations (including materials selection and color) or the size, bulk, and scale thereof without Landlord's prior written consent, which consent Landlord may withhold in its sole and absolute discretion, and provided that Tenant has obtained all required governmental permits and approvals therefor and such improvements, alterations, additions, or changes comply with applicable laws.

Notwithstanding the prohibition in this Section 11.4, Tenant may make such changes, repairs, alterations, improvements, renewals or replacements to the exterior elevations, materials, size, bulk, or scale of the Improvements as are required (a) by reason of any law, ordinance, regulation, or order of a competent government authority, or (b) to continue to receive any government funding that may be available to the Project.

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ARTICLE 12. HAZARDOUS MATERIALS.

12.1 Definitions of "Hazardous Materials", "Environmental Laws" and "Hazardous Materials Activity."

(A) Hazardous Materials. The term "**Hazardous Materials**" is defined in Article 2.

(B) Environmental Laws. The term "**Environmental Laws**" means any and all present and future federal, state and local laws (whether under common law, statute, rule, regulation or otherwise), court or administrative orders or decrees, requirements of permits issued with respect thereto, and other requirements of governmental authorities relating to the environment, health or safety, or to any Hazardous Materials or Hazardous Materials Activity (defined below).

(C) Hazardous Materials Activity. The term "**Hazardous Materials Activity**" means any actual, proposed or threatened storage, holding, existence or suspected existence, release or suspected release, emission, discharge, generation, processing, abatement, removal, disposition, handling or transportation of any Hazardous Materials from, under, into, on, or across the Project, Improvements, or surrounding property, or any other use of or operation on the Project, Improvements, or surrounding property that creates a risk of Hazardous Materials contamination of the Project or Improvements thereon.

12.2 Tenant's Covenants. Tenant shall: (i) comply with all applicable Environmental Laws; (ii) not engage in, permit or acquiesce to any Hazardous Materials Activity on, under, over, or about the Property, Project or the Improvements thereon, except in strict accordance with all Environmental Laws, and all applicable best practices, (iii) promptly advise Landlord in writing of (1) the receipt by Tenant of notice of any and all Hazardous Materials claims or Hazardous Materials Activity, (2) any knowledge by Tenant of any Hazardous Materials claim or Hazardous Materials Activity related to the Property, Project or the Improvements thereon, (3) any remedial action to be taken or in the case of an imminent emergency, taken by Tenant or others in response to any Hazardous Materials on, under or about the Property, Project or the Improvements thereon, or to any Hazardous Materials claims or any Hazardous Materials Activity, (4) any enforcement, cleanup, or other regulatory action taken or threatened with respect to the presence of any Hazardous Material on, under, or around the Property, Project or the Improvements thereon, or (5) Tenant's discovery of the presence of any Hazardous Materials or Hazardous Materials Activity on, under or about the Property, Project or the Improvements thereon whether or not the same requires notice to be given to any governmental entity or agency under Environmental Laws; (iv) submit to Landlord, promptly upon receipt or preparation, copies of any and all reports, studies, analyses, correspondence, governmental comments or approvals, proposed removal or other remedial work contracts and similar information prepared or received by Tenant in connection with any remedial work or Hazardous Materials relating to the Property,

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Project or the Improvements thereon; and (v) provide for periodic inspections of the Property, Project and the Improvements thereon and for periodic meetings with representatives of Landlord and, upon request, Landlord may, but shall not be required to, review the results of such inspections.

12.3 Environmental Cleanup.

(A) Tenant's Compliance. Throughout the Term of this Lease, Tenant shall, at Tenant's sole cost and expense, comply, and cause each Tenant Party to comply with, any and all Environmental Laws with respect to any Hazardous Materials used, generated, stored or disposed of at the Project or the Improvements during the Term.

(B) Environmental Authority. Tenant shall, at Tenant's sole cost and expense, make, and require and use commercially reasonable efforts to cause each Tenant Party to make, all required submissions to, provide all information required by, and comply with any and all requirements of any and all Governmental Authority having jurisdiction over the environmental condition of the Property, Project or the Improvements thereon.

(C) Cleanup Plan. Should any Governmental Authority having jurisdiction over the Project or the Improvements thereon demand in accordance with Environmental Laws that a cleanup plan be prepared and that a cleanup be undertaken in accordance with Environmental Laws because of any Hazardous Materials Activity that Tenant or any of its agents, assignees, subtenants, contractors, consultants, subcontractors or employees (each, a "**Tenant Party**") caused during the Term in violation of Environmental Laws or this Ground Lease, at, on, or from the Property, Project or the Improvements thereon, or which arises at any time as a result of Tenant's or any Tenant Party's use or occupancy of the Project or the Improvements thereon, then Tenant shall, at Tenant's sole cost and expense and subject to Force Majeure Delay, prepare and submit the required plans and all bonds and other financial assurances required under Environmental Laws to Landlord for written approval. Following Tenant's receipt of Landlord's written approval, Tenant shall carry out all such cleanup plans in a timely manner, all as may be required by any such Governmental Authority in accordance with Environmental Laws and this Ground Lease. Landlord's consent to any remediation action by Tenant or its agents shall not constitute Landlord's endorsement, ratification or liability therefor and shall not constitute a waiver of any default of this Lease.

(D) Reporting. Tenant shall promptly provide all information regarding the any Hazardous Materials Activity, including the use, generation, storage, transportation, or disposal of Hazardous Material by Tenant on or about the Project or the Improvements thereon, as requested by Landlord in writing

12.4 Landlord's Self-Help Right. If Tenant fails to comply with the provisions of this Article 12 and such failure continues and becomes a Tenant Event of Default, Landlord may, at its option and in its sole discretion, take all reasonably necessary actions to remedy the Tenant Event of Default at Tenant's sole expense, which sums shall be

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payable to Landlord within thirty (30) days of written demand. The obligations of Tenant under this Article 12 shall survive the expiration or termination of this Ground Lease.

12.5 Tenant Indemnification for Hazardous Materials. Tenant shall defend (with counsel acceptable to Landlord), indemnify and hold harmless Landlord and all Landlord Personnel from and against all threatened or actual liability, suits, proceedings, liens, orders, judgments, fines, encumbrances, actions, claims, including third party claims, environmental requirements and damages, environmental claims, costs of investigation and cleanup, expenses, penalties, fines, and losses (including, without limitation, diminution in value of Landlord's fee interest in the Property and Project and reversionary interest in Improvements after the Term of this Lease) of whatever kind or nature, which result from or are in any way connected with the release, escape, seepage, leakage, receipt, deposit, spill, handling, use, storage, accumulation, transportation, generation, discharge, or disposal of any Hazardous Materials which occurs in, on, under, from or about the Property, Project or the Improvements thereon during the Term of this Ground Lease or to the extent caused by Tenant or any Tenant Party, except to the extent caused by the gross negligence or willful misconduct of any Landlord.

ARTICLE 13. DAMAGE OR DESTRUCTION OF PROPERTY OR IMPROVEMENTS.

13.1 Tenant's Repair Obligation.

13.1.1 In case of damage to or destruction of the Property or the Improvements, or any part thereof, by fire or other cause at any time during the Term of this Ground Lease, Tenant, if and to the extent insurance proceeds are available, shall restore the same as nearly as possible to their value, condition, and character immediately prior to such damage or destruction. Such restoration shall be commenced with due diligence and in good faith, and prosecuted with due diligence and in good faith, unavoidable delays excepted.

13.1.2 In case of damage to or destruction of the Improvements by fire or other cause resulting in a loss exceeding in the aggregate Ten Thousand Dollars ($10,000), Tenant shall promptly give written notice thereof to Landlord.

13.1.3 In the event insurance proceeds are insufficient to restore the Property or the Improvements to substantially its condition, and character immediately prior to such damage or destruction such that the Property may be operated in a manner comparable to prior to such damage or destruction, then, subject to the rights of the Mortgagees, either Tenant or Landlord shall have the right to terminate this Ground Lease by providing written notice thereof to the other party.

13.2 Tenant's Restoration of Project.

13.2.1 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss does not exceed thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld. The proceeds shall be paid directly to a Mortgagee (if

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required by Mortgagee), if any, and if there is not a Mortgagee, to Landlord, for the sole purpose of making the restoration of the Improvements in accordance with this Article 13.

13.2.2 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss exceeds thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld, and the insurance company shall immediately pay the proceeds to a Mortgagee (if required by Mortgagee), if any, and if there is not a Mortgagee, then to a bank, trust company or escrow company selected by Landlord and approved by Tenant ("**Insurance Trustee**"), which approval shall not be unreasonably withheld, conditioned or delayed. All sums deposited with the Insurance Trustee shall be held for the following purposes and the Insurance Trustee shall have the following powers and duties:

(a) The sums shall be paid in installments by Insurance Trustee to the contractor retained by Tenant and approved by Landlord as construction progresses, for payment of the cost of restoration. A ten percent (10%) retention fund shall be established that will be paid to the contractor on completion of restoration, payment of all costs, expiration of all applicable lien periods, and proof that the Property and the Improvements are free of all mechanics' liens and lienable claims;

(b) Payments shall be made on presentation of certificates or vouchers from the architect or engineer retained by Tenant and approved by Landlord (which approval shall not be unreasonably withheld) showing the amount due. If Insurance Trustee determines that the certificates or vouchers are being improperly approved by the architect or engineer retained by Tenant, Insurance Trustee shall have the right to appoint an architect or an engineer to supervise construction and to make payments on certificates or vouchers approved by the architect or engineer retained by Insurance Trustee. The expenses and charges of the architect or engineer retained by Insurance Trustee shall be paid by Insurance Trustee out of the trust fund;

(c) If, after the work of restoration has commenced, the sums held by Insurance Trustee are not sufficient to pay the actual cost of restoration, Tenant shall deposit the amount of the deficiency with Insurance Trustee within ten (10) days after receipt of request for payment of such amount from Insurance Trustee, which request shall be made by Insurance Trustee promptly after it is determined there will be a deficiency;

(d) If Insurance Trustee has received notice from Landlord that Tenant is in default under this Ground Lease, then, subject to the lien of a Mortgagee's Mortgage and the Mortgagee's prior written consent, Insurance Trustee shall pay itself an amount sufficient to cure such default as specified in Landlord's notice to the Insurance Trustee;

(e) Any amounts remaining after making the payments hereinabove referred to in clauses (a), (b), (c), and (d) shall be paid to any leasehold

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Mortgagee to the extent (x) required by any Mortgage and (y) such leasehold Mortgagee makes written demand therefor to the Insurance Trustee;

(f) Any undisbursed funds remaining after compliance with all of the provisions of this Section 13.2 shall, if and to the extent required by any Mortgage, be delivered to the Mortgagee, and if there is no leasehold Mortgagee, to Tenant; and

(g) All actual costs and charges of Insurance Trustee in administering such funds shall be paid by Tenant. If any Insurance Trustee resigns or for any reason is unwilling to act or continue to act, Landlord shall substitute a new Insurance Trustee in the manner described in this Section.

13.2.3 Both parties shall promptly execute all documents and perform all acts reasonably required by Insurance Trustee to perform its obligations under this Section 13.2.

13.3 Procedure for Restoring Improvements.

13.3.1 If and to the extent Tenant is obligated to restore the Improvements pursuant to this Article 13, Tenant shall restore the Improvements substantially in accordance with the Plans and otherwise in conformance with this Article 13. Within forty-five (45) days after the date of such damage or destruction, Tenant, at its cost, shall prepare and deliver to Landlord final plans and specifications and working drawings complying with applicable laws that will be necessary for such restoration. Such plans and specifications shall specify differences from the Plans. The plans and specifications and working drawings are subject to the approval of Landlord only insofar as they vary from the Plans; provided that nothing in this Ground Lease is intended or shall be interpreted to release Tenant from the obligations to obtain any applicable governmental permits or comply with applicable laws with respect thereto. Landlord shall have thirty (30) days after receipt of the plans and specifications and working drawings to either approve or disapprove the plans and specifications and working drawings and return them to Tenant. If Landlord disapproves the plans and specifications and working drawings, Landlord shall notify Tenant of its objections in writing, specifying the objections clearly and stating what modifications are required for Landlord's approval. Tenant acknowledges that the plans and specifications and working drawings shall be subject to approval of the appropriate government bodies and that they will be prepared in such a manner as to obtain that approval.

13.3.2 The restoration shall be accomplished as follows:

(a) Tenant shall complete the restoration with reasonable diligence and in all events within eighteen (18) months after final plans and specifications and working drawings have been approved by the appropriate government bodies and all required permits have been obtained.

(b) Tenant shall retain a licensed contractor that is bondable. The contractor shall be required to carry public liability and property damage insurance, builders risk insurance, standard fire and extended coverage insurance, with vandalism

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and malicious mischief endorsements, during the period of construction in accordance with Article 9. Such insurance shall contain waiver of subrogation clauses in favor of Landlord and Tenant in accordance with the provisions of and to the extent required by Section 9.6.

(c) Tenant shall notify Landlord of the date of commencement of the restoration not later than thirty (30) days before commencement of the restoration to enable Landlord to post and record notices of non-responsibility. The contractor retained by Tenant shall not commence construction until a completion bond and a labor and materials bond have been delivered to Landlord to insure completion of the construction.

(d) Tenant shall accomplish the restoration in a manner that will cause the least inconvenience, annoyance, and disruption to the Property, Project and the Improvements.

(e) On completion of the restoration, Tenant shall immediately record a notice of completion, or else Landlord shall have the right to do so.

(f) The restoration shall not be commenced until sums sufficient to cover the cost of restoration are placed with Landlord or the escrow company (if any) as provided in Section 13.2.

13.4 Mortgagee Protection. The following provisions are for the protection of a Mortgagee and shall, notwithstanding anything contained in this Ground Lease to the contrary, control:

13.4.1 Insurance. Any insurance proceeds payable from any policy of insurance (other than liability insurance) required by the Ground Lease shall be paid to and applied by the Mortgagees, if any, in accordance with their respective Mortgage. Each Mortgagee, if any, shall have the right to participate in all adjustments, settlements, negotiations, or actions with the insurance company regarding the amount and allocation of any such insurance proceeds. Any insurance policies permitted or required by this Ground Lease shall name each Mortgagee, if any, as an additional insured or loss payee, as appropriate, if required by such Mortgagees.

13.4.2 Restoration Tenant shall have no obligation to restore or repair the Improvements following the occurrence of any casualty for which insurance is not required under this Ground Lease**.** The Mortgagee, if any, and if it exercises any of its remedies set forth in this Ground Lease to acquire the leasehold estate hereunder, shall have no obligation to restore or repair damage to the Improvements that cost in excess of available insurance proceeds. Tenant shall have no obligation to restore or repair damage to the Improvements if the casualty occurs during the last five (5) years of the Ground Lease term. In the event such a loss occurs in the last five (5) years, then, at the election of Tenant, with the prior written consent of Mortgagee, if any, insurance proceeds shall be used, first, to clear the Property of the damaged Improvements and any debris, and second, to reduce or pay in full the Mortgage, with any excess being payable as provided in this Ground Lease.

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ARTICLE 14. CONDEMNATION.

14.1 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 Property or any interest in Tenant's leasehold estate is taken by condemnation, the rights and obligations of the parties will be determined under this Article 14, subject to the rights of any lender. Accordingly, Tenant waives any right to terminate this Ground Lease upon the occurrence of a partial condemnation under Sections 1265.120 and 1265.130 of the California Code of Civil Procedure, as those Sections may from time to time be amended, replaced, or restated

14.2 Notice. In case of the commencement of any proceedings or negotiations that might result in a condemnation of all or any portion of the Property during the Term, the party learning of such proceedings will promptly give written notice of the proceedings or negotiations to the other party. The notice will describe with as much specific specificity as is reasonable, the nature and extent of such condemnation or the nature of such proceedings or negotiations and of the condemnation that might result, as the case may be.

14.3 Total Taking. If a condemnation takes the entirety of the Property, this Ground Lease will terminate on the date the condemnor has the right to possession of the Property.

14.4 Partial Taking. If any portion of the Property is taken by condemnation, but less than the entire Property, this Ground Lease will remain in effect, except that Tenant may, with lender's written consent, elect to terminate this Ground Lease if, in Tenant's reasonable judgment, the remaining portion of the Improvements, after taking into account any compensation awarded to Tenant and any repairs or reconstruction of the Improvements that can reasonably be undertaken, is rendered physically unsuitable for Tenant's continued operation of the Project, or is not capable of producing a reasonable net annual income. If Tenant elects to terminate this Ground Lease, Tenant must exercise its right to terminate under this paragraph by giving notice to Landlord within thirty (30) days after Landlord notifies Tenant of the nature and the extent of the taking. Tenant's termination notice must include the date of termination, which date may not be earlier than thirty (30) days or later than six (6) months after the date of Tenant's notice; except that this Ground Lease will terminate on the date the condemnor has the right to possession of the Property and Project if that date falls on a date before the date of termination as designated by Tenant. If Tenant does not terminate this Ground Lease within the thirty (30) day notice period, this Ground Lease will continue in full force and effect.

14.5 Restoration of Improvements. If there is a partial taking of the Property and Project and this Ground Lease remains in full force and effect under Section 14.4, then Tenant shall, subject to the terms of any Mortgage, use the proceeds of the taking first to accomplish any necessary restoration to the Improvements.

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14.6 Award and Distribution. Any compensation awarded, paid, or received on a total or partial condemnation of the Project or threat of condemnation of the Project will belong to and be distributed in the following order (except that, in the case of a partial taking, the following distributions shall be made after payment of any necessary restoration costs as provided in Section 14.5):

14.6.1 First, to pay the balance due on any outstanding Mortgages and other outstanding or unpaid obligations and/or liabilities, including but not limited to, trade accounts, taxes, payroll accruals, and lease residuals, to the extent provided therein; and

14.6.2 Second, to Landlord in an amount equal to the then fair market value of Landlord's fee interest in the Property and the reversionary interest in the Improvements, such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the site; and

14.6.3 Third, to Tenant in an amount equal to the then fair market value of Tenant's interest in the Project, such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the Site.

14.6.4 Notwithstanding anything to the contrary set forth in this Section, any portion of the compensation awarded that has been specifically designated by the condemning authority or in the judgment of any court to be payable to Landlord or Tenant on account of any interest in the Property or the Improvements separate and apart from the condemned land value, the value of Landlord's reversionary interest in the Improvements, Tenant's leasehold estate, or the value of the Improvements on the Property for the remaining unexpired portion of the Term, will be paid to Landlord or Tenant, as applicable, as so designated by the condemning authority or judgment.

14.7 Payment to Lenders. In the event the Improvements are subject to the lien of a Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Tenant, the award will be disposed of as provided in the Mortgage(s), except to the extend provided in Section 14.5.

14.8 Temporary Condemnation. If there is a condemnation of all or any portion of the Property for a temporary period lasting less than the remaining Term, this Ground Lease will remain in full force and effect, and the entire award will be payable to Tenant.

14.9 Personal Property; Goodwill. Notwithstanding Section 14.6, Landlord will not be entitled to any portion of any award payable in connection with the condemnation of the personal property of Tenant or any of its subtenants, or any moving expenses, loss of goodwill or business loss or interruption of Tenant, severance damages with respect to any portion of the Property and Improvements remaining under this Ground Lease, or other damages suffered by Tenant.

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ARTICLE 15. ASSIGNMENT.

Because of the importance that Landlord places on Tenant's qualification, expertise and identity, and the reliance Landlord makes upon Tenant's ability to construct and operate the Project, during the Term, Tenant shall not assign or attempt to assign this Ground Lease, the Agreement or the Regulatory Agreement or any right herein. Notwithstanding the foregoing, however, Tenant may do the following without consent: (i) transfer limited partner interests; (ii) remove the general partner for a default under the Partnership Agreement; and (iii) transfer and assign its rights and duties hereunder to Mercy Housing California or an Affiliate of Mercy Housing California pursuant to the purchase option and/or right of first refusal entered into between Mercy Housing California (or an Affiliate of Mercy Housing California) and Tenant.

ARTICLE 16. MORTGAGES.

16.1 Ground Leasehold Mortgages. Notwithstanding anything to the contrary contained elsewhere herein, at all times during the Term, Tenant shall have the right to mortgage, pledge, deed in trust, assign rents, issues, and profits and/or collaterally (or absolutely for purposes of security if required by any lender) assign its leasehold interest in this Ground Lease, or otherwise encumber this Ground Lease, and/or the interest of Tenant hereunder, in whole or in part, and any interests or rights appurtenant to this Ground Lease, and to assign or pledge the same as security for any debt (the holder of any such mortgage, pledge, or other encumbrance, and the beneficiary of any such deed of trust being hereafter referred to as "**Mortgagee**" and the mortgage, pledge, deed of trust, or other instrument hereafter referred to as "**Mortgage**"), upon and subject to each and all of the terms and conditions listed in Paragraphs (A), (B), and (C) below:

(A) Tenant shall be limited in purpose to and the principal amount of all such Mortgages shall not exceed the amount necessary and appropriate to develop the Improvements, and to acquire and install equipment and fixtures thereon. Said amount shall include all hard and soft costs of acquisition, development, construction, lease-up, and operation of the Improvements.

(B) Any permitted Mortgages entered into by Tenant are to be originated only by Project lenders.

(C) All rights acquired by said Mortgagee shall be subject to each and all of the covenants, conditions and restrictions set forth in this Ground Lease, the Regulatory Agreement and the Agreement, and to all rights of Landlord thereunder, none of which covenants, conditions, and restrictions is or shall be waived by Landlord by reason of the giving of such Mortgage. By way of clarification, Tenant shall have no right to encumber all or any portion of Landlord's fee interest in the Property.

If Tenant encumbers its leasehold estate by way of a Mortgage as permitted herein, and should Landlord be advised in writing of the name and address of the Mortgagee, then this Ground Lease shall not be terminated or canceled on account of any Event of Default by Tenant in the performance of the terms, covenants or conditions

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hereof until Landlord shall have complied with the provisions of this Ground Lease as to the Mortgagee's rights to cure, so long as Landlord has been given written notice of the name and address of the Mortgagee, as required above. In addition, after the creation of any Mortgage permitted by this Ground Lease, no agreement by Landlord and Tenant to cancel, surrender, terminate, amend, or modify this Ground Lease shall be effective without the written consent of each Mortgagee; provided that this sentence is not intended to prohibit Landlord from exercising its rights and remedies for a Tenant default as provided herein.

16.2 Landlord's Forbearance and Right to Cure Defaults on Ground Leasehold Mortgages. Landlord will give to any Mortgagee, at such address as is specified by the Mortgagee in accordance with Section 22.1 hereof, a copy of each notice or other communication with respect to any claim that a default exists or is about to exist from Landlord to Tenant hereunder at the time of giving such notice or communication to Tenant, and Landlord will give to the Mortgagee a copy of each notice of any rejection of this Ground Lease by any trustee in bankruptcy of Tenant; provided, however, that a failure by Landlord to provide any such notice to Mortgagee shall not excuse a default by Tenant or extend Tenant's time to perform its obligations hereunder or effectuate a cure of said default. Each such notice to a Mortgagee shall be given by U.S. certified mail, postage prepaid, return receipt requested, and shall be effective upon receipt.

16.3 Landlord Cooperation. Landlord covenants and agrees that it will act and fully cooperate with Tenant in connection with Tenant's right to grant leasehold mortgages as hereinabove provided, provided such is at no cost to Landlord. At the request of Tenant or any proposed or existing Mortgagee, Landlord shall promptly execute and deliver (i) any documents or instruments reasonably requested to evidence, and/or acknowledge the rights of the Mortgagees as herein provided; and (ii) an estoppel certificate certifying the status of this Ground Lease and Tenant's interest herein and such matters relating thereto as are reasonably requested by Tenant or such Mortgagees. Such estoppel certificate shall include, but not be limited to, certification by Landlord that (a) this Ground Lease is unmodified and in full force and effect (or, if modified, a statement as to the nature of such modification and certification that this Ground Lease, as so modified, is in full force and effect, if applicable), (b) all rents currently due under the Ground Lease have been paid (or, if unpaid, the period and amount of any arrearages, penalties, interest and other charges), (c) there are not, to Landlord's actual, present knowledge, any uncured Events of Default on the part of Tenant under the Ground Lease or facts, acts or omissions which, with the giving of notice or passing of time, or both, would constitute an Event of Default (or, if there is a default, the nature and scope of the default). Any such estoppel certificate may be conclusively relied upon by any proposed or existing leasehold Mortgagee or assignee of Tenant's interest in this Ground Lease. As a condition to Landlord's obligation to execute and deliver any such document, instrument, or estoppel certificate, Tenant or the proposed or existing Mortgagee requesting the same shall be responsible to pay all of Landlord's actual and costs, including in-house payroll and administrative costs and out-of-pocket costs for third party consultants and attorneys, to investigate and respond to such request.

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16.4 No Subordination of Landlord's Interest. Landlord's fee interest in the Property shall be senior to, and not be subordinated to, any financing obtained by Tenant in connection with the Property.

16.5 Priority. This Ground Lease, and any extensions, renewals or replacements thereof, and any Sublease entered into by Tenant as sublessor, and any Mortgage or other encumbrance now or hereafter recorded by any Mortgagee shall be superior to any future mortgages, deeds of trust or similar encumbrances placed by Landlord on the Property and to any lien right of Landlord on the buildings or any furniture, fixtures, equipment or other personal property of Tenant upon the Property or any interest of Landlord in Sublease rentals or similar agreements. For avoidance of doubt, any rights of Landlord created by this Ground Lease, including without limitation any rights in the leasehold, the Improvements, the personal property of Tenant, or Sublease rentals, shall be superior to the rights of any Mortgagee.

16.6 Claims. Landlord and Tenant shall deliver to each Mortgagee written notice of any litigation or arbitration proceedings between the parties or involving the Property, Project, the Regulatory Agreement, the Agreement or this Ground Lease. Any Mortgagee shall have the right, at its option and its expense, to intervene and become a party to any such proceedings. If a Mortgagee elects not to intervene or become a party, Landlord and Tenant shall deliver to said Mortgagee prompt written notice of and a written copy of any award, decision or settlement agreement made in connection with any such proceeding.

16.7 Further Amendments. Landlord and Tenant shall reasonably consider including in this Ground Lease by suitable amendment from time to time any provision which may be reasonably requested by any proposed Mortgagee for the purpose of implementing the mortgagee protection provisions contained in this Ground Lease and allowing the Mortgagee reasonable means to protect or preserve the lien of its Mortgage upon the occurrence of a default under the terms of this Ground Lease. Landlord and Tenant each agree to execute and deliver (and to acknowledge for recording purposes, if necessary) any agreement reasonably required to effect any such amendment.

16.8 [reserved]

16.9 Liens and Encumbrances Against Tenant's Interest in the Leasehold Estate

(A) Tenant (and Foreclosure Transferee) shall have the right to encumber the leasehold estate created by this Ground Lease and the Improvements with one or more deeds of trust or mortgages in conformance with the requirements of Section 16.1 hereof.

(B) Tenant shall not have the right to encumber Landlord's fee interest in the Property or Landlord's reversionary interest in the Improvements, provided, however, that Landlord shall permit the following to be recorded on the fee interest, provided such are each in a form and substance that is acceptable to Landlord: (i) the covenant required in connection with the California Department of Housing and

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Community Development Infill Infrastructure Grant; (ii) the covenant required in connection with Joe Serna Farmworker funds from the California Department of Housing and Community Development; (iii) any required lease rider to the extent required by HCD; and (iv) any required lease rider to the extent required by TCAC.

(C) For as long as there is any lien securing any permitted Mortgage loan:

(1) Each permitted Mortgagee which has an outstanding Mortgage loan secured by Tenant's leasehold interest in the Property shall have the right, but not the obligation, at any time to pay any or all of the Rent due pursuant to the terms of this Ground Lease, and do any other act or thing required of Tenant by the terms of this Ground Lease, to prevent termination of this Ground Lease. Each Mortgagee and its agents and contractors shall have a right to enter the Property for purposes of accomplishing the foregoing, so long as such Mortgagee indemnifies and holds Landlord harmless from any and all liability arising from such entry upon the Property. Each Mortgagee shall have thirty (30) days after receipt of written notice from Landlord describing a default by Tenant to cure any default in the payment of Rent (including any monetary obligation of Tenant hereunder) and any other default the cure of which does not require physical possession of the Property.

This Ground Lease shall not be deemed terminated as to Mortgagee, and any payments so made and all things so done by or on behalf of a permitted Mortgagee shall be as effective to prevent a termination of this Ground Lease as the same would have been if made and performed by Tenant instead of by Mortgagee(s). If Tenant's default is such that possession of the Property is reasonably necessary to remedy the default, each permitted Mortgagee which has an outstanding Mortgage loan shall have such additional time after the expiration of such thirty (30) day period as such Mortgagee may reasonably require to remedy such default, provided that (i) such Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease within such thirty (30) day period and shall continue to pay currently such monetary obligations when the same are due, and (ii) within one hundred twenty (120) days after receipt of Landlord's notice of default, such Mortgagee shall have acquired Tenant's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings, shall be diligently prosecuting the same, and, after such Mortgagee acquires Tenant's leasehold estate hereunder such Mortgagee performs all of Tenant's obligations under this Ground Lease and the Agreement and promptly completes cure of Tenant's default.

(2) If a Mortgagee is prohibited, stayed, or enjoined by any bankruptcy, insolvency, or other judicial proceedings involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified in subparagraph (1) above for commencing or prosecuting such foreclosure or other proceedings and completing a cure that requires possession of the Property shall be extended for the period of such stay prohibition or injunction; provided that any Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease and shall continue to pay currently such monetary obligations

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when the same fall due (subject to the notice and cure provision contained herein).

(3) Landlord shall deliver, by U.S. certified mail, postage prepaid, return receipt requested, to each permitted Mortgagee which has any outstanding Mortgage loan a duplicate copy of all notices which Landlord may from time to time give to Tenant pursuant to this Ground Lease.

(4) If this Ground Lease is terminated, whether by foreclosure, order of a bankruptcy court, or otherwise, upon written request by any permitted Mortgagee given within sixty (60) days after Landlord gives written notice of such termination to each permitted Mortgagee, Landlord shall enter into a new lease of the Property with the permitted Mortgagee for the remainder of the Term with the same agreements, covenants, reversionary interests, and conditions (except for any requirements which have been fulfilled by Tenant prior to termination) as are contained in this Ground Lease and with priority equal to this Ground Lease, which new lease shall be effective as of the date of termination of the original Ground Lease; provided, however, that a requesting Mortgagee shall promptly cure any defaults by Tenant reasonably susceptible to cure by the Mortgagee. Tenant under the new lease shall have the same right, title, and interest in and to all Improvements located on the Property as Tenant had under the terminated Ground Lease immediately prior to its termination. Landlord shall by quitclaim deed or by the terms of the new lease convey to the permitted Mortgagee, title to the improvements, if any, which become vested in Landlord as a result of the termination of the Ground Lease. The permitted Mortgagee shall be responsible for all costs reasonably incurred by Landlord in connection with the preparation and execution of such new lease. The rights and obligations in this paragraph shall survive termination of this Ground Lease.

(5) No Mortgagee shall be required to perform any act which is not susceptible to performance by a Mortgagee, such as to cure a filing or condition of bankruptcy or insolvency.

(D) Any Mortgage created pursuant to subsection (A) of this Section shall be subject to the provisions of this Ground Lease and all rights of Landlord under this Ground Lease.

(E) On transfer of this Ground Lease at any foreclosure sale, or upon creation of a new Ground Lease, any or all of the following Events of Default relating to the prior owner of the Ground Lease shall be deemed cured:

(1) Attachment, execution, or other judicial levy upon the Ground Lease;

(2) Assignment of the Ground Lease for the direct or indirect benefit of creditors of the prior Tenant;

(3) Judicial appointment of a receiver or similar officer to take possession of the Ground Lease;

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(4) Filing a petition by, for, or against Tenant under any chapter of the federal Bankruptcy Act or any federal or state debtor relief statute, as amended; and

(5) Any other defaults personal to Tenant and/or not otherwise reasonably curable by Mortgagee.

(F) A Foreclosure Transferee shall succeed to all interest of Tenant in any security or other deposits or other impound payments paid by Tenant to Landlord, except to the extent such security or other deposit or impound payment is used by Landlord to cure an Event of Default of Tenant hereunder.

(G) Foreclosure of any Mortgage or any sale thereunder, whether by judicial proceedings or by virtue of any power of sale contained in such Mortgage, or any conveyance of the leasehold estate under this Ground Lease from Tenant to a Foreclosure Transferee in lieu of foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Landlord or constitute a breach of any provision or a default under this Ground Lease. Landlord shall recognize the Foreclosure Transferee as Tenant under this Ground Lease following any such transfer, subject to the obligations of the Foreclosure Transferee to comply with this Ground Lease.

16.10 Cost of Loans to be Paid by Tenant. Tenant affirms that it shall bear all of the costs and expenses in connection with (i) the preparation and securing of the Mortgage loans, (ii) the delivery of any instruments and documents and their filing and recording, if required, (iii) all taxes and charges payable in connection with the Mortgage loans, and (iv) all costs reasonably incurred by Landlord in making any amendments of this Lease requested by Tenant or Mortgagees.

16.11 No Merger. There shall be no merger, without the consent of the permitted Mortgagee under any Mortgage, of the leasehold estate and the fee estate in the Property merely because both estates are acquired or become vested in the same person or entity.

16.12 Transfer Rights. Foreclosure of any permitted Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Mortgage, or any conveyance of the leasehold estate hereunder from Tenant to any Mortgagee or an affiliate of Mortgagee or entity controlled by Mortgagee, through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof (any of the foregoing, a "**Foreclosure Action**"), shall not require the consent of Landlord or constitute a breach of any provision of or a default under this Ground Lease, and upon such foreclosure, sale, or conveyance, Landlord shall recognize the purchaser or other transferee in connection therewith as Tenant hereunder. Further, with respect to the first subsequent transfer of the Property following a Foreclosure Action, Landlord shall recognize such transferee, provided that prior to such transfer the transferee has provided evidence reasonably acceptable to Landlord that the transferee has experience in owning and operating affordable housing rental developments of similar scale as the Project and with income and rent restrictions similar to the restrictions set forth in the Ground Lease, and a business reputation and record of fair dealing that is similar to that of Tenant as of the

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Commencement Date. Any further assignments shall require the approval of Landlord, which shall not be unreasonably withheld.

ARTICLE 17. SUBLEASING.

17.1 Subleasing of Property. Tenant will Sublease individual residential units to income-qualified Heads of Household in accordance with the Affordability Restrictions and occupancy covenants set forth in this Ground Lease and the Regulatory Agreement. The Tenant will Sublease the approximately 2,658 square foot tenant space on the ground floor of the Project for the operation of community serving space ("**Resource Center Sublease**"). All Subleases entered into by Tenant with residents of the individual residential units in the Project ("**Resident Subleases**") shall be in compliance with the any applicable regulations of HCD, the Regulatory Agreement and any other applicable regulatory agreement required in connection with Project funding. The form and substance of the Resource Center Sublease and the Resident Subleases shall be reviewed and approved by the Landlord prior to implementation and execution, and shall include the following provisions and restrictions:

17.1.1 Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall contain a provision, satisfactory to Landlord, requiring the subtenant to attorn to Landlord upon (a) an Event of Default by Tenant under this Ground Lease, and (b) receipt by such sublessee of written notice of such Event of Default and instructions to make such sublessee's rental payments to Landlord. Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall also contain a provision, satisfactory to Landlord, prohibiting each subtenant from sub-subleasing its space.

17.1.2 On any termination of this Ground Lease prior to the expiration of the Term, all of Tenant's interest as sublessor under any and all existing valid and enforceable Resident Subleases and Resource Center Sublease for which Landlord has issued a non-disturbance agreement shall be deemed automatically assigned, transferred, and conveyed to Landlord and subtenants under such Resident Subleases and Resource Center Sublease shall be deemed to have attorned to Landlord. Landlord shall thereafter be bound on such Resident Subleases and Resource Center Sublease to the same extent Tenant, as sublessor, was bound thereunder and Landlord shall have all the rights under such Resident Subleases and Resource Center Sublease that Tenant, as sublessor, had under such Resident Subleases and Resource Center Sublease; provided, however, that any amendments to any such Resident Sublease and Resource Center Sublease made after the issuance of a non-disturbance agreement to a subtenant shall not be binding on Landlord.

17.1.3 Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall expressly provide that it is subject to each and all of the covenants, conditions, restrictions, and provisions of this Ground Lease. On expiration of the Term, all Subleases shall terminate.

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17.2 Operator of Community-Serving Space and Operational Program. ALAS will be the initial operator of the community serving space, operating an Agricultural Worker resource center subject to the terms, conditions and operational requirements in the Community Resource Center Sublease entered into by ALAS and Tenant. The operational program consists of providing ongoing supportive services and programming to enrich resident well-being and quality of life, and includes applicable fees and other restrictions related to use by the general public. The operational program shall consist of providing health, wellness and other social services to residential tenants of the Project in accordance with requirements of City and Project funders. The operational program also includes the provision of a multi-purpose community space to be used at the sole discretion of City for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy of the Project, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and ALAS's proposed use of the space. ALAS (and any successor) shall comply with all terms, conditions and operational requirements of the applicable Sublease, as approved by the City Manager. The operational program may be amended from time to time, as requested by the operator and approved in writing by City Manager. In the event that ALAS's subtenancy with Tenant is terminated, Tenant shall replace ALAS with an operator that provides services to the residents, consistent with the approved program described above. Tenant shall submit the proposed replacement community serving space subtenant and its proposed operational program to City Manager for review and approval.

17.3 Rights of Mortgagees. Notwithstanding anything contained in this Ground Lease to the contrary, all attornment provisions applicable to Landlord shall also be applicable to a permitted Mortgagee and, as between Landlord and the permitted Mortgagee, the permitted Mortgagee shall have priority in any attornment situation.

ARTICLE 18. PERFORMANCE OF TENANT'S COVENANTS.

18.1 Right of Performance. If Tenant shall at any time fail to pay any Imposition or other charge in accordance with Article 4 hereof, within the time period therein permitted, or shall fail to pay for or maintain any of the insurance policies provided for in Article 9 hereof, within the time therein permitted, or to make any other payment or perform any other act on its part to be made or performed hereunder, within the time permitted by this Ground Lease, then Landlord, after ten (10) days' written notice to Tenant (or, in case of an emergency, on such notice, or without notice, as may be reasonable under the circumstances) and without waiving or releasing Tenant from any obligation of Tenant hereunder, may (but shall not be required to):

(A) pay such Imposition or other charge payable by Tenant pursuant to the provisions of Article 4 hereof, or

(B) pay for and maintain such insurance policies provided for in Article 9 hereof, or

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(C) make such other payment or perform such other act on Tenant's part to be made or performed as in this Ground Lease provided.

18.1.1 Rights of Mortgagees. Notwithstanding anything in this Ground Lease to the contrary, all of the performance rights available to Landlord under Section 19.1 shall also be available to any Mortgagee.

18.2 Reimbursement and Damages. All sums paid by Landlord pursuant to Section 18.1 and all costs and expenses incurred by Landlord in connection with the performance of any such act, together with interest thereon at the rate provided in Section 4.5 from the respective dates of Landlord's making of each such payment or incurring of each such cost or expense, shall constitute additional Rent payable by Tenant under this Ground Lease and shall be paid by Tenant to Landlord on demand. Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force insurance as aforesaid, to the amount of the insurance premium or premiums not paid or incurred by Tenant and which would have been payable upon such insurance, but Landlord shall also be entitled to recover as damages for such breach, the uninsured amount of any loss (to the extent required to be insured against pursuant to the terms of this Ground Lease), damages, costs and expenses of suit, including reasonable attorneys' fees, suffered or incurred by reason of damage to, or destruction of, the Improvements, occurring during any period in which Tenant shall have failed or neglected to provide insurance as aforesaid.

ARTICLE 19. EVENTS OF DEFAULT; REMEDIES.

19.1 Events of Default. Any one or all of the following events shall, subject to Section 21.1, constitute an "**Event of Default**" hereunder:

19.1.1 If Tenant shall default in the payment of any Rent when and as the same becomes due and payable and such default shall continue for more than ten (10) days after Landlord shall have given written notice thereof to Tenant; or

19.1.2 If Tenant shall materially default under this Ground Lease, the Regulatory Agreement or under the Agreement, and such default is not timely cured within the time provided for herein or therein; or

19.1.3 The abandonment or vacation of the Property by Tenant for a period of thirty (30) days after prior written notice thereof by Landlord; or

19.1.4 The entry of any decree or order for relief by any court with respect to Tenant, or any assignee or transferee of Tenant ("**Assignee**"), in any involuntary case under the Federal Bankruptcy Code or any other applicable federal or state law; or the appointment of or taking possession by any receiver, liquidator, assignee, trustee, sequestrator or other similar official of Tenant or any Assignee (unless such appointment is in connection with a permitted Mortgagee's exercise of its remedies under its Mortgage), or of any substantial part of the property of Tenant or such Assignee, or the ordering or winding up or liquidating of the affairs of Tenant or any Assignee and the continuance of such decree or order unstayed and in effect for a period of ninety (90)

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days or more (whether or not consecutive); or the commencement by Tenant or any such Assignee of a voluntary proceeding under the Federal Bankruptcy Code or any other applicable state or federal law, or consent by Tenant or any such Assignee to the entry of any order for relief in an involuntary case under any such law, or consent by Tenant or any such Assignee to the appointment of or taking of possession by a receiver, liquidator, assignee, trustee, sequestrator, or other similar official of Tenant or any such Assignee, or of any substantial property of any of the foregoing, or the making by Tenant or any such Assignee of any general assignment for the benefit of creditors; or Tenant or any such Assignee takes any other voluntary action related to the business of Tenant or any such Assignee or the winding up of the affairs of any of the foregoing.

19.2 Remedies.

19.2.1 If an Event of Default shall occur and continue as aforesaid, then in addition to any other remedies available to Landlord at law or in equity, but subject to Article 16, Landlord shall have the immediate option to terminate this Ground Lease and bring suit against Tenant and recover as an award in such suit or arbitration proceeding the following:

(a) the worth at the time of award of the unpaid rent and all other sums due hereunder which had been earned at the time of termination;

(b) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(c) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided;

(d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Ground Lease and/or any of the Transaction Documents, as applicable, or which in the ordinary course of things could be likely to result therefrom; and

(e) such amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

19.2.2 The "worth at the time of the award" of the amounts referred to in Subparagraphs 19.2.1(a) and 19.2.1(b) above shall be computed by allowing interest at the rate provided in Section 4.5 as of the date of the award. The "worth at the time of award" of the amount referred to in subparagraph 19.2.1(c) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

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19.3 Receipt of Rent, No Waiver of Default. No failure by Landlord to insist upon the strict performance of any term hereof or to exercise any right, power, or remedy consequent upon a default under this Ground Lease, and no acceptance of Rent during the continuance of any such default, shall constitute a waiver of any such default or of any such term. Not by way of limitation of the foregoing, the receipt by Landlord of the rents or any other charges due to Landlord, with knowledge of any breach of this Ground Lease by Tenant or of any default on the part of Tenant in the observance or performance of any of the conditions or covenants of this Ground Lease, shall not be deemed to be a waiver of any provisions of this Ground Lease. No acceptance by Landlord of a lesser sum than the rents or any other charges then due shall be deemed to be other than on account of the earliest installment of the rents or other charges due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of rent or charges due be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy provided in this Ground Lease. The receipt by Landlord of any rent or any other sum of money or any other consideration paid by Tenant after the termination of this Ground Lease, or after giving by Landlord of any notice hereunder to effect such termination, shall not, except as otherwise expressly set forth in this Ground Lease, reinstate, continue, or extend the term of this Ground Lease, or destroy, or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by Landlord to Tenant prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by Landlord. Neither acceptance of the keys nor any other act or thing done by Landlord or by its agents or employees during the Term shall be deemed to be an acceptance of a surrender of the Property or the Improvements, excepting only an agreement in writing signed by Landlord accepting or agreeing to accept such a surrender.

19.4 Effect on Indemnification. Notwithstanding the foregoing, nothing contained in this Article 19 shall be construed to limit Landlord's right to indemnification as otherwise provided in this Ground Lease.

19.5 Remedies Cumulative. The various rights, options, elections, and remedies of Landlord and Tenant, respectively, contained in this Ground Lease shall be cumulative and no one of them shall be construed as exclusive of any other, or of any right, priority, or remedy allowed or provided for by law and not expressly waived in this Ground Lease.

ARTICLE 20. PERMITTED CONTESTS.

Tenant, at no cost or expense to Landlord, may contest (after prior written notice to Landlord), by appropriate legal proceedings conducted with due diligence, the amount or validity or application, in whole or in part, of any Imposition or lien, provided that (a) in the case of liens of mechanics, materialmen, suppliers or vendors, or Impositions or liens therefor, such proceedings shall suspend the collection thereof from Landlord, and shall suspend a foreclosure against the Property and/or the Improvements, or any interest therein, or any Rent, if any, (b) neither the Property or the Improvements, nor any part thereof or interest therein, or the Rent, if any, or any portion thereof, would be in any danger of being sold, forfeited, or lost by reason of such proceedings, and (c) Tenant shall

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have furnished to Landlord, if requested, a bond or other security, satisfactory to Landlord. If Tenant shall fail to contest any such matters, or to give Landlord security as hereinabove provided, Landlord may, but shall not be obligated to, contest the matter or settle or compromise the same without inquiring into the validity or the reasonableness thereof. Landlord, at the sole cost and expense of Tenant, will cooperate with Tenant and execute any documents or pleadings legally required for any such contest.

ARTICLE 21. FORCE MAJEURE.

21.1 Delay of Performance. Subject to Section 21.2 below, Tenant's performance of its obligations set forth in Article 7, Sections 11.2.4 and 11.4, Article 13, and Article 14 to timely make any required improvements, additions, changes, repairs, and replacements to the Property shall be excused during the period of time that Tenant, after and despite its exercise of commercially reasonable diligence to perform such work, is prohibited, prevented, or materially delayed from proceeding with the work due to any of the following causes: any regulation, order, act, restriction, or requirement or limitation imposed by any federal, state, municipal, or foreign government or any department or agency thereof, or civil or military authority; acts of God; fire, explosion, or floods (subject to Tenant's obligations herein to promptly repair and restore the damage caused thereby); strikes, walkouts, or inability to obtain materials; war, terrorism, riots, sabotage or civil insurrection; epidemics or pandemics; or any other causes without the fault and beyond the reasonable control of Tenant following Tenant's exercise of good faith efforts to resolve. In no event shall adverse economic or market conditions, Tenant's inability to obtain financing, increases in interest rates, or similar causes justify an extension of Tenant's obligation to timely perform any of such obligations.

21.2 Notice and Cure Requirements. No prevention, delay, or stoppage of performance shall be excused unless:

(A) Tenant notifies Landlord within thirty (30) days of such prevention, delay, or stoppage that it is claiming excuse of its obligations under this Article 21; and

(B) Tenant diligently proceeds within thirty (30) days of the conclusion of such prevention, delay, or stoppage to cure the condition causing the prevention, delay or stoppage; and

(C) Tenant effects such cure within a reasonable time.

ARTICLE 22. GENERAL PROVISIONS.

22.1 Notices. Written notices, demands and communications between Landlord and Tenant ("**Notices**") shall be sufficiently given if (i) delivered by hand, (ii) delivered by reputable same-day or overnight messenger service that provides a receipt showing date and time of delivery, or (iii) dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of Landlord and Tenant at the addresses specified in this Section 22.1. Such Notices may be sent in the same manner to such other addresses as either party may from time to time designate by mail as provided in this Section 22.1.

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Any Notice shall be deemed received immediately if delivered by hand or delivered by messenger in accordance with the preceding paragraph, and shall be deemed received on the third (3rd) day from the date it is postmarked if delivered by registered or certified mail in accordance with the preceding paragraph.

If to Tenant: Mercy Housing California 110, L.P.
1256 Market Street
San Francisco, CA 94102
Attn: Kelly Hollywood
Email: kelly.hollywood@mercyhousing.org

with a copy to: Gubb and Barshay LLP
235 Montgomery St., Suite 1110
San Francisco, CA 94104
Attn: CJ Highley, Evan Gross
Email: cjhigley@gubbandbarshay.com;
egross@gubbandbarshay.com

If to Landlord: Landlord of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager
Reference: 555 Kelly
Email: mchidester@halfmoonbay.gov

with a copy to Half Moon Bay City Attorney's Office
c/o Burke, Williams & Sorensen
1999 Harrison Street, Suite 1650
Oakland, CA 94612
Attn: Denise Bazzano, Esq.

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Addresses for Notice may be changed from time to time by delivery of a Notice to all other parties in compliance herewith. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any Notice as the result of a change of address of which the sending party was not notified shall be deemed receipt of such Notice.

22.2 Certificates. Landlord or Tenant, as the case may be, shall execute, acknowledge, and deliver to the other, promptly upon request by Landlord, Tenant, or a Mortgagee, an estoppel certificate of Landlord or Tenant, as the case may be, certifying, to the knowledge of the certifying party (a) that this Ground Lease is unmodified and in full force and effect (or, if there have been modifications, that the Ground Lease is in full force and effect, as modified, and stating the date of each instrument so modifying the Ground Lease), (b) the date, if any, through which the Rent, if any, has been paid, (c) whether there are then existing any offsets or defenses against the enforcement of any term hereof on the part of Tenant to be performed or complied with (and, if so, specifying

the same), and (d) whether any default exists hereunder and, if any such default exists, specifying the nature and period of existence thereof and what action Landlord or Tenant, as the case may be, is taking or proposes to take with respect thereto and whether notice thereof has been given to the party in default. Any Certificate may be relied upon by any prospective purchaser, transferee, mortgagee, or trustee under a deed of trust or leasehold estate in the Property or any part thereof or of Landlord's or Tenant's interest under this Ground Lease. Tenant will also deliver to Landlord, promptly upon request, such information with respect to the Property or any part thereof as from time to time may reasonably be requested. Tenant or the existing or prospective Mortgagee requesting an estoppel certificate from Landlord shall, as a condition to receipt of such estoppel certificate, pay Landlord for Landlord's actual and reasonable costs incurred to investigate and respond to the same, including Landlord's in-house payroll and administrative costs and the amounts paid by Landlord to consultants and attorneys.

22.3 No Merger of Title. There shall be no merger of this Ground Lease or the leasehold estate created by this Ground Lease with any other estate in the Property or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly:(a) this Ground Lease or the leasehold estate created by this Ground Lease or any interest in this Ground Lease or in any such leasehold estate, and (b) any other estate in the Property and the Improvements or any part thereof or any interest in such estate, and no such merger shall occur unless and until all persons, corporations, firms and other entities, including any leasehold Mortgagee or leasehold Mortgagees, having any interest (including a security interest) in (i) this Ground Lease or the leasehold estate created by this Ground Lease, and (ii) any other estate in the Property or the Improvements or any part thereof shall join in a written instrument effecting such merger and shall duly record the same.

22.4 Quiet Enjoyment. Tenant, upon paying the Rent, if any, and other charges herein provided for and upon performing and complying with all covenants, agreements, terms and conditions of this Ground Lease to be performed or complied with by it, shall lawfully and quietly hold, occupy and enjoy the Property during the Term of this Ground Lease without hindrance or molestation by Landlord, or any person or persons claiming through Landlord.

22.5 No Claims Against Landlord. Nothing contained in this Ground Lease shall constitute any consent or request by Landlord, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof, nor as giving Tenant any right, power, or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Landlord or its interest in the Property in respect thereof.

22.6 Non-Liability of Landlord or Landlord Officials and Employees. Neither Landlord or any Landlord Personnel shall be personally liable to Tenant, including any successor in interest of Landlord or any Landlord Personnel, in the event of any default or breach by Landlord or for any amount which may become due to Tenant or its successors, or on any obligations under the terms of this Ground Lease, the Agreement

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and the Regulatory Agreement. Tenant hereby waives and releases any claim it may have against Landlord and all Landlord Personnel with respect to any default or breach by Landlord or any of the Landlord Personnel or for any amount which may become due to Tenant or its successors, or on any obligations under the terms of this Ground Lease, the Agreement or the Regulatory Agreement. Tenant makes such release with full knowledge of Civil Code Section 1542 and hereby waives any and all rights thereunder to the extent of this release, if such Section 1542 is applicable. Section 1542 of the Civil Code provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."
>
> _____
> Tenant's Initials

22.7 Inspection. Landlord and its authorized representatives may enter the Property and Project or any part thereof at all times for the purpose of inspecting, servicing, or posting notices, protecting the Property, Project or the Improvements, or for any other lawful purposes; provided, that except in cases of emergency Landlord shall provide Tenant prior telephonic or other notice of Landlord's intent to enter onto the Property or Project, Landlord's entries shall occur only during normal business hours (8 AM-6 PM Monday-Friday), and Landlord may only enter an occupied residential unit after giving the sublessee three (3) days prior written notice and either obtaining the consent of the occupant(s) or obtaining an inspection warrant, if required by law.

22.8 Holding Over. In the event Tenant shall hold over or remain in possession of the Property, Project or the Improvements with the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a tenancy for month-to-month only, upon the same terms and conditions as are herein set forth so far as the same are applicable. In the event Tenant shall hold over or remain in possession of the Property, Project or the Improvements without the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a hold over tenancy, upon the same terms and conditions as are herein set forth so far as the same are applicable, except that Rent shall be adjusted to the then fair market value rent, as reasonably determined by Landlord.

22.9 Relationship Between Landlord and Tenant. It is hereby acknowledged by Tenant that the relationship between Landlord and Tenant is not that of a partnership or joint venture and that Landlord and Tenant shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, with the exception of any provisions expressly set forth to the contrary herein, in the Agreement, or in the attachments or exhibits hereto, Landlord shall have no rights, powers, duties, or obligations with respect

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to the development, operation, maintenance, repair or management of the Project. Tenant agrees to indemnify, defend (with counsel acceptable to Landlord), and hold harmless Landlord from and against any and all claims, liabilities, and losses arising from a claimed relationship of partnership, joint venture, or agency between Landlord and Tenant with respect to the development, operation, maintenance, repair or management of the Property or the Project, except to the extent occasioned by the gross negligence or willful misconduct of Landlord or its designated agents or employees.

22.10 Inaction Not a Waiver of Default. Any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

22.11 Venue for Legal Actions. All legal actions by either party to enforce this Agreement or seeking any remedy arising out of or related to this Agreement must be instituted and maintained in the Superior Court of the County of San Mateo, State of California, or in the United States District Court for the Northern District of California.

22.12 Service of Process. In the event that any legal action is commenced by Tenant against Landlord, service of process on Landlord shall be made by personal service upon City Manager or in such other manner as may be provided by law. In the event that any legal action is commenced by Landlord against Tenant, service of process on Tenant shall be made by personal service upon the general partner of Tenant or in such other manner as may be provided by law. Service shall be effective regardless of whether it is made within the State of California.

22.13 Attorney's Fees. In the event of a dispute between the parties arising out of or in connection with this Ground Lease, the Agreement or the Regulatory Agreement whether or not such dispute results in arbitration or litigation, the prevailing party (whether resulting from settlement before or after arbitration or litigation is commenced) shall be entitled to have and recover from the losing party reasonable attorneys' fees and costs of suit, including expert witness fees, incurred by the prevailing party.

22.14 Time Is of The Essence. Time is of the essence of this Ground Lease and all of the terms, provisions, covenants, and conditions hereof.

22.15 Survival of Representations, Warranties and Covenants. The respective representations, warranties, and covenants contained herein shall survive the Commencement Date and continue throughout the Term.

22.16 Construction of Agreement. This Ground Lease shall be construed in accordance with the internal laws of the State of California, without regard to the choice of law rules thereof. The rule of construction that a document be construed strictly against its drafter shall have no application to this Ground Lease. Titles and captions are for convenience of reference only and do not define, describe, or limit the scope or the intent

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of this Ground Lease or of any of its terms. Reference to Section numbers are to Sections in this Ground Lease unless expressly stated otherwise.

22.17 Severability. If one or more of the provisions of this Ground Lease shall be held to be illegal or otherwise void or invalid, the remainder of this Ground Lease shall not be affected thereby and shall remain in full force and effect to the maximum extent permitted under applicable laws and regulations.

22.18 Entire Agreement; Modification. This Ground Lease, the Regulatory Agreement and the Agreement collectively contain the entire agreement of the parties with respect to the matters discussed herein and supersede all prior discussions and negotiations between the parties with respect thereto. This Ground Lease may be amended only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extensions, or discharge is sought.

22.19 Binding Effect and Benefits. This Ground Lease and the Regulatory Agreement shall inure to the benefit of and be binding on the parties hereto and their respective successors and assigns. Except as otherwise set forth herein, nothing in this Ground Lease, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Ground Lease.

22.20 No Third-Party Rights. Except as may otherwise be expressly set forth herein, the parties intend that no rights nor remedies be granted to any third party as a beneficiary of this Ground Lease or of any covenant, duty, obligation, or undertaking established herein.

22.21 Real Estate Brokerage Commissions. Landlord and Tenant each represent and warrant to the other that no broker or finder is entitled to any commission or finder's fee in connection with this transaction, and each agrees to defend and hold harmless the other from any claim to any such commission or fee resulting from any action on its part.

22.22 Computation of Time. The time in which any act is to be done under this Ground Lease is computed by excluding the first day and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

22.23 Counterparts. This Ground Lease may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Ground Lease.

22.24 Number and Gender. Whenever the singular number is used in this Ground Lease and required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders.

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22.25 Conflicts. To the extent conflicting provisions exist in this Ground Lease and the Agreement, the provisions of this Ground Lease shall control over any conflicting provision in the Agreement.

22.26 Incorporation by Reference. Every Exhibit attached to this Ground Lease and referred to herein is hereby incorporated by reference.

22.27 Approval/Requests. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of Landlord, such approval shall not be unreasonably withheld and shall be given on behalf of Landlord by City Council, except as expressly set out in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required of Landlord by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request of Landlord may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request made to Landlord or make a determination made to Landlord that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. This Section 22.27 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

22.28 U.S. Immigration and Customs Enforcement. Landlord agrees that access to private, non-public areas of the Property shall only be accessed by the County of San Mateo, State and Federal officials by consent of Tenant or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access to the private non-public areas of the Property. If such a judicial warrant or other legal instrument is presented to Tenant, Tenant shall confirm identification of the County of San Mateo, State or Federal official and shall observe and document the locations accessed by the official and provide Landlord with written notice of the warrant or other legal instrument, the areas accessed, and the observations. Tenant shall be responsible for compliance with all applicable State and Federal laws relating to immigration in performance of its obligations set forth in this Ground lease, including but not limited to, the Immigration and Nationality Act, and shall defend and indemnify Landlord and Landlord Personnel in accordance with Section 9.8 to the extent any Loss arises from alleged violations of State and Federal immigration laws.

22.29 Legal Advice. Each party represents and warrants to the other party the following: such party has carefully read this Ground Lease and in signing this Ground Lease it does so with full knowledge of any right which it may have; it has received independent legal advice from its respective legal counsel as to the matters set forth in this Ground Lease,

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or it has knowingly chosen not to consult legal counsel as to the matters set forth in this Ground Lease and it has freely signed this Ground Lease without any reliance upon any agreement, promise, statement, or representation by or on behalf of the other party, or its respective agents, employees, or attorneys, except as specifically set forth in this Ground Lease, and without duress or coercion, whether economic or otherwise.

[*Remainder of page intentionally left blank; signatures on next page*]

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IN WITNESS WHEREOF, the undersigned have executed this Ground Lease as of the date first above written.

"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

Date: _____, 2026

By: _____
Matthew Chidester, City Manager

Approved as to form:

_____
Denise Bazzano, Interim City Attorney

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC, a California limited liability company
Its General Partner

By: Mercy Housing California, a California nonprofit public benefit corporation
Its: Sole member/manager

Date: _____, 2026

By: _____
Ramie Dare
Vice President

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EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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EXHIBIT B

MEMORANDUM OF LEASE

(See following document)

DRAFT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

Exempt From Recording Fee Pursuant to
Government Code Sections 6103 and 27383

MEMORANDUM OF GROUND LEASE

This **MEMORANDUM OF GROUND LEASE** ("**Memorandum**") is hereby entered into as of [Date] by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.**, a California limited partnership ("**Tenant**").

RECITALS

A. Landlord and Tenant have entered into a "Ground Lease" dated concurrently herewith for that certain real property owned by Landlord ("**Property**"), which provides for the construction, maintenance, management and operation of a forty (40) unit Senior Agricultural Worker multifamily apartment project, to be made available long term at an affordable housing cost, property management office space, a community serving space and parking ("**Project**"). The Property is legally described in Exhibit A, which is attached hereto and incorporated herein by this reference. A copy of the Ground Lease is available for public inspection at the office of the Landlord, 501 Main Street, Half Moon Bay, CA 94019.

B. The term of the Ground Lease commences on the date of recordation of this Memorandum of Unrecorded Ground Lease in the Official Records of San Mateo County ("**Commencement Date**") and, subject to the provisions set forth in the Ground Lease and applicable law that may result in an earlier termination of the Ground Lease, continues until the ninety-ninth (99^{th}) anniversary of the Commencement Date.

C. The Ground Lease provides that a short form memorandum of the Ground Lease shall be executed and recorded in the Official Records of San Mateo County, California.

NOW, THEREFORE, the parties hereto certify as follows:

Landlord, pursuant to the Ground Lease, hereby leases the Property to Tenant upon the terms and conditions provided for therein. This Memorandum of Lease is not a complete summary of the Ground Lease, and shall not be used to interpret the provisions of the Ground Lease.

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"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

By: _____

Date:

Matthew Chidester, City Manager

Approved as to form:

_____

Denise Bazzano, Interim City Attorney

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC, a California limited liability company
Its General Partner

By: Mercy Housing California, a California nonprofit public benefit corporation
Its sole member/manager

By: _____
Ramie Dare
Vice President

Date: _____

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A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DRAFT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DRAFT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

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EXHIBIT A TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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EXHIBIT C

REGULATORY AGREEMENT

(See following document)

DRAFT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

EXEMPT FROM RECORDING FEES
PER GOVERNMENT CODE §§6103, 27383

Space above this line for Recorder's use.

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AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

This **AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS** ("**Agreement**") is entered into as of _____, 2026 ("**Effective Date**"), by and between the CITY OF HALF MOON BAY, a municipal corporation ("**City**"), and MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership ("**Developer**"). City and Developer may be referred to individually as a "**Party**" or together as "**Parties**."

RECITALS

A. City is the owner of that certain real property located at 535 Kelly Avenue and 555 Kelly Avenue, Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) ("**Property**"), as more particularly described in Exhibit A, attached hereto and incorporated herein by this reference.

B. City and Developer are parties to that certain Affordable Housing and Property Disposition Agreement ("**AHPDA**") and Ground Lease ("**Ground Lease**") both of even date. The terms and conditions of the AHPDA and Ground Lease are incorporated herein by reference. Accordingly, terms not otherwise defined in this Agreement shall have the meaning given to them in the AHPDA or the Ground Lease.

C. Pursuant to the Ground Lease, Developer is the holder of a leasehold interest in the Property. As further described in the AHPDA and Ground Lease, Developer shall develop the Property with a new multifamily residential project with thirty nine (39) affordable rental units for current or Senior Agricultural Workers, plus one (1) unrestricted manager's unit (collectively, "**Project**").

D. The AHPDA and Ground Lease require Developer to develop the Project and to make thirty-nine (39) of the Project's units affordable to extremely low income and very low income households ("**Restricted Units**"). The Restricted Units consist of ten (10) units affordable to households earning up to 30% of AMI (as defined in Section 3.2.a), and twenty-nine (29) units affordable to households earning up to 50% of AMI, as further set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, City and Developer agree as follows.

1. CONSTRUCTION OF THE PROJECT.

1.1. Construction of the Project. Developer agrees to construct the Project in accordance with the AHPDA and Ground Lease, including the Schedule of Performance attached to the AHPDA, and all applicable state and local building codes, development standards, ordinances and zoning ordinances.

1.2. City and Other Governmental Permits. As further described in the AHPDA and Ground Lease, before commencement of the Project, Developer shall secure or cause its contractor to secure any and all permits which may be required by City or any other governmental agency, including without limitation building permits. Developer shall pay all necessary fees and timely submit to City final drawings with final corrections to obtain such permits; City staff will, without incurring liability or expense therefore, process applications in the ordinary course of business for the issuance of building permits and certificates of occupancy for construction that meets the requirements of all applicable laws and regulations.

1.3. Compliance with Laws. As further described in the AHPDA and Ground Lease, Developer shall carry out the design, construction and operation of the Project in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.,* Government Code Section 4450, *et seq.,* Government Code Section 11135, *et seq.,* and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

2. OPERATION OF THE RESTRICTED UNITS

2.1. Affordability Period. The Property shall be subject to the requirements of this Agreement from the Effective Date until the expiration of the Ground Lease term of ninety-nine (99) years. The duration of this requirement shall be known as the "**Affordability Period**."

2.2. Maintenance. Developer shall comply with every condition of the AHPDA and Ground Lease applicable to the Project and shall, at all times, maintain the Project and the Property in good repair and working order, reasonable wear and tear excepted, and in a safe and sanitary condition, and from time to time shall make all necessary and proper repairs, renewals, and replacements to keep the Project and the Property in a good, clean, safe, and sanitary condition.

2.3. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall maintain sufficient records to demonstrate compliance with this Agreement, the AHPDA and the Ground Lease. City shall have the right to inspect the books and records of Developer and its rental agent or bookkeeper upon reasonable notice during normal business hours. Representatives of City shall be entitled to enter the Property, upon at least 48-hour prior written notice, which can be provided via email, to monitor compliance with this Agreement, the AHPDA and the Ground Lease to inspect the records of the Project with respect to the Restricted Units, and to conduct, or cause to be conducted, an independent audit or inspection of such records. Developer agrees to cooperate with City in making the Property available for such inspection or audit. Developer agrees to maintain records in businesslike manner, and to maintain such records for Affordability Period.

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2.4. Non-Discrimination Covenants. Developer covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, marital status, familial status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. Notwithstanding the foregoing, with respect to familial status, this shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code nor shall it be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Developer shall include such provision in all deeds, leases, contracts and other instruments executed by Developer, and shall enforce the same diligently and in good faith.

a. In deeds, the following language shall appear:

(1) Grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through it, that there shall be no discrimination against or segregation of a person or of a group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the property herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

b. In leases, the following language shall appear:

(1) The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns, and all persons claiming under the lessee or through the lessee, that this lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the property herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination of segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the property herein leased.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9

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of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

c. In contracts pertaining to management of the Project, the following language, or substantially similar language prohibiting discrimination and segregation shall appear:

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

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

3. AFFORDABILITY REQUIREMENTS.

3.1. Restricted Units. Developer agrees to make available, restrict occupancy to, and lease not less than thirty-nine (39) Restricted Units to Qualifying Households, as hereinafter defined, at an affordable rent, pursuant to the terms set forth below.

a. Until the 55th anniversary of Developer's receipt of a temporary certificate of occupancy for the Project, the Project shall include ten (10) Extremely Low-Income Units (as defined below), and twenty-nine (29) Very Low-Income Units (as defined below).

b. After the 55th anniversary of Developer's receipt of a temporary certificate of occupancy for the Project, the Project shall include thirty-nine (39) Low-Income Units.

3.2. Qualifying Households. For purposes of this Agreement, "**Qualifying Households**" shall mean those households with incomes as follows:

a. "**AMI**" means the median income for San Mateo County, California, adjusted for actual household size, as determined by California Tax Credit Allocation Committee ("**TCAC**") regulations, and as published from time to time by the State of California Department of Housing and Community Development in Section 6932 of Title 25 of the California Code of Regulations or successor provision.

b. "**Extremely Low-Income Unit**": means units restricted to households with incomes of not more than thirty percent (30%) of AMI.

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c. "**Very Low Income Unit**": means units restricted to households with incomes of not more than fifty percent (50%) of AMI.

d. "**Low-Income Unit**": means units restricted to households with incomes of not more than eighty percent (80%) of AMI.

3.3. Income Verification and Annual Report. On or before July 1 of each year, commencing with the calendar year that the first residential unit in the Project is rented to a subtenant, and annually thereafter, Developer shall obtain from each household occupying a Restricted Unit and submit to City an income computation and certification form, completed by a subtenant of such unit, which shall certify that the income of each Qualifying Household is truthfully set forth in the income certification form, in the form required by TCAC ("**Annual Report**"). Developer shall make a good faith effort to verify that each household leasing a Restricted Unit meets the income and eligibility restrictions for the Restricted Unit by taking by taking the following steps as a part of the verification process: (a) obtain a minimum of the three (3) most current pay stubs for all adults age eighteen (18) or older; (b) obtain an income tax return for the most recent tax year; (c) conduct a credit agency or similar search; (d) obtain the three (3) most current savings and checking account bank statements; (e) obtain an income verification form from the applicant's current employer; (f) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (g) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. Copies of subtenant income certifications shall be available to City upon request. The Annual Report shall, at a minimum, include the following information for each Restricted Unit: unit number, number of bedrooms, current rent and other charges, dates of any vacancies during the reporting period, number of people residing in the unit, total household Gross Income (as defined below), and lease commencement and termination dates. The Annual Report shall also provide a statement of the owner's management policies, communications with the subtenants and maintenance of the Restricted Unit, including a statement of planned repairs to be made and the dates for the repairs.

3.4. Affordable Rent. The maximum Monthly Rent, defined below, chargeable for the Restricted Units and paid by the occupants shall be as follows:

a. "**Extremely Low-Income Household**": 1/12th of thirty percent (30%) of not to exceed thirty percent (30%) of the AMI. The Monthly Rent for an Extremely Low-Income Unit rented to an Extremely Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one-bedroom unit, 3 persons for a two-bedroom unit and 4.5 persons for a three-bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Extremely Low-Income Households.

b. "**Very Low-Income Household**": 1/12th of thirty percent (30%) of not to exceed fifty percent (50%) of the AMI. The Monthly Rent for a Very Low-Income Unit rented to a Very Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one- bedroom unit, 3 persons for a two-bedroom unit and 4.5 persons for a three- bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Very Low-Income Households.

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c. "**Low-Income Household**": shall be 1/12th of thirty percent (30%) of not to exceed eighty percent (80%) of the AMI. The Monthly Rent for a Low-Income Unit rented to a Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one- bedroom unit, 3 persons for a two-bedroom unit and 4.5 persons for a three- bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Low-Income Households.

For purposes of this Agreement, "**Monthly Rent**" means the total of monthly payments actually made by the household for (a) use and occupancy of each Restricted Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer which are required of all subtenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in subsections (a) or (b) above, and which are not paid directly by Developer, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone or internet service, which reasonable allowance for utilities is set forth in the County of San Mateo's Utility Allowance Schedule for detached homes, apartments, condominiums and duplexes, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Developer.

For purposes of this Agreement, "**Gross Income**" means the total anticipated annual income of all persons in a household calculated using the methods set forth in TCAC regulations, or if TCAC regulations do not address such matter, the total anticipated annual income of all persons in a household as defined in Title 24 of the Code of Federal Regulations, Section 5.609.

Notwithstanding the foregoing, no subtenant qualifying for a Restricted Unit shall be denied continued occupancy of a unit in the Project because, after admission, such subtenant's household Gross Income increases to exceed the qualifying limit for such Restricted Unit. A household which at initial occupancy qualifies in a particular income category shall be treated as continuing to be of such income category so long as the household's Gross Income does not exceed one hundred forty percent (140%) of the applicable income limit. In the event a subtenant's household Gross Income exceeds the limits specified in this Section, Developer shall apply the rules applicable to the Project pursuant to Section 42 of the Internal Revenue Code of 1986, as amended and the federal regulations applicable thereto.

In the event that recertification of subtenant incomes indicates that the number of Restricted Units actually occupied by Qualifying Households falls below the number reserved for each income group as specified in Sections 3.1, Developer shall rectify the condition by renting the next available dwelling unit(s) in the Project to Qualifying Household(s) until the required income mix is achieved.

In the event of inconsistency between the provisions of this Section and the rules applicable to the Project in connection with low-income housing tax credits, tax-exempt bonds, or other sources of public financing provided for the Project, the rules and regulations applicable to such other financing sources shall prevail.

3.5. **Sublease Requirements**. No later than one hundred eighty (180) days prior to the initial lease up of the Restricted Units, Developer shall submit a standard sublease form ("**Sublease**") to City for approval by City Manager after review by City Council. City Council

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shall reasonably approve the Sublease within sixty (60) business days of City's receipt thereof upon finding that the Sublease is consistent with this Agreement and contains all of the provisions required pursuant to the Ground Lease. City's failure to respond to Owner's request for approval of the standard lease form within sixty (60) business days of City's receipt of such Sublease form shall be deemed City's approval of the Sublease form. Developer shall enter into a written Sublease, in the form approved by City Council, with each new subtenant of a Restricted Unit prior to a subtenant or subtenant household's occupancy of a Restricted Unit. Each Sublease shall be for an initial term of not less than one (1) year which may be renewed pursuant to applicable local and State laws, and shall not contain any of the provisions which are prohibited pursuant to the TCAC regulations, local, state and Federal laws.

3.6. **Preference Program.** Except to the extent prohibited by applicable federal or state law or any Project funding sources, Developer shall evaluate applications for residential tenancies on the Property and offer tenancies to applicants according to the preferences and procedures described below and as established in an ordinance or resolution adopted by the City Council, as the same may be amended from time to time. For the purposes of this Agreement, the following terms shall have the following meanings:

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"Disability" means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Work**" means the particular days of the Week during which an individual regularly performs work or fulfills duties for wages or salary.

When the units are constructed and ready for occupancy, Developer will create an application process that will result in a pool of applicants. The pool of applicants to be sorted according to this preference order for the head of household:

1. "**First Preference**": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in Half Moon Bay.

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2. "**Second Preferen**ce": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in the Coastside of San Mateo County: Pacifica, Montara, Moss Beach, San Gregorio, El Granada or Pescadero.

3. "**Third Preference**": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in County of San Mateo.

Developer will screen all applicants who meet the criteria for the First Preference and household income restrictions, and those applicants will be offered units first. After all First Preference applications are exhausted and if there are any vacant units to fill, Developer will screen applicants who meet the criteria for the Second Preference and household income restrictions and offer those eligible applicants any remaining units. After all Second Preference applications are exhausted and if there are any remaining vacant units, Developer will screen applicants who meet the criteria for the Third Preference and household income restrictions and offer those eligible applications any remaining units.

4. DEFAULT AND REMEDIES

4.1. Events of Default. The following shall constitute an "**Event of Default**" by Developer under this Agreement: there shall be a breach of any condition, covenant, warranty, promise or representation contained in this Agreement and such breach shall continue for a period of thirty (30) days after written notice thereof to the defaulting Party without the defaulting Party curing such breach, or if such breach cannot reasonably be cured within such thirty (30) day period, commencing the cure of such breach within such thirty (30) day period and thereafter diligently proceeding to cure such breach through completion; provided, however, that if a different period or notice requirement is specified for any particular breach under any other paragraph of this Agreement, the specific provision shall control, provided that no cure period or any extension thereof applicable to Developer in this Agreement shall be longer than one hundred twenty (120) days.

4.2. Remedies. The occurrence of any Event of Default under Section 4.1 shall give the non-defaulting Party the right to proceed with any remedy available to it in law or in equity, including, without limitation, an action in equity to require the defaulting Party to specifically perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement.

4.3. Obligations Personal to Developer. The liability of Developer under this Agreement to any person or entity is limited to Developer and Developer's interest in the Project, and City and any other such persons and entities shall look exclusively thereto for the satisfaction of obligations arising out of this Agreement or any other agreement securing the obligations of Developer under this Agreement.

4.4. Force Majeure. Subject to a Party's compliance with the notice requirements as set forth below, performance by either Party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the Party claiming an extension of time to perform, but where such Party required to perform has exercised good faith commercially reasonable efforts and due diligence to perform the particular obligation, which may include, without limitation, the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy,

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epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other Party, or acts or failures to act of any public or governmental entity (except that City's acts or failure to act shall not excuse performance of City hereunder). An extension of the time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause.

4.5. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either Party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder, the prevailing Party shall be entitled to recover from the other Party its costs of suit and reasonable attorneys' fees. This Section shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

4.6. Remedies Cumulative. No right, power, or remedy given by the terms of this Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given by the terms of any such instrument, or by any statute or otherwise.

4.7. Waiver of Terms and Conditions. City may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

4.8. Non-Liability of City Officials and Employees. No member, official, employee or agent of City shall be personally liable to Developer or any tenant, subtenant, or occupant of any Restricted Unit, or any successor in interest, in the event of any default or breach by City or for any amount which may become due to Developer, its successors, any tenant, subtenant or occupant of any Restricted Unit, or on any obligations under the terms of this Agreement.

4.9. Cure Rights. Notwithstanding anything to the contrary contained herein, City hereby agrees that any cure of any default made or tendered by Developer's mortgage lender, shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer.

5. GENERAL PROVISIONS

5.1. Time. Time is of the essence in this Agreement.

5.2. Notices. Unless otherwise indicated in this Agreement, any notice requirement set forth herein shall be deemed to be satisfied three days after mailing of the notice first-class United States certified mail, postage prepaid, or by personal delivery, addressed to the appropriate Party as follows:

DEVELOPER:

Mercy Housing California 110, L.P.
1256 Market Street
San Francisco, CA 94102

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CITY:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

Such addresses may be changed by notice to the other Party given in the same manner as provided above.

5.3. Successors and Assigns. This Agreement constitutes a covenant and legal restriction on the Property and shall run with the land, provided the Project remains on the Property, and all of the terms, covenants and conditions of this Agreement shall be binding upon Developer and the permitted successors and assigns of Developer.

5.4. Intended Beneficiaries. City is the intended beneficiary of this Agreement and shall have the sole and exclusive power to enforce this Agreement. It is intended that City may enforce this Agreement to satisfy its obligations to improve, increase and preserve affordable housing within City, as required by the AHPDA and Ground Lease, and to provide that a certain percentage of new housing is made available at affordable housing cost. No other person or persons, other than City and Developer and their assigns and successors, shall have any right of action hereon.

5.5. Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

5.6. Governing Law. This Agreement and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto. The venue for any action shall be the County of San Mateo.

5.7. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Developer and City.

5.8. Approvals. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as otherwise expressly set out in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request or make a determination that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. This Section 5.8 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

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5.9. Indemnification. To the greatest extent permitted by law, Developer shall indemnify, defend (with counsel reasonably approved by City) and hold City, its elected and appointed officials, employees, directors, officials, members, agents, volunteers, successors and assigns ("**Indemnitees**") harmless from and against any and all demands. losses, claims, costs and expenses, and any other liability whatsoever, including without limitation, reasonable accountants' and attorneys' fees, charges and expense (collectively, "**Claims**") arising directly or indirectly, in whole or in part, as a result of or in connection with Developer's entitlement, construction, management, leasing, maintenance, repair, operation, condition or other of mater with respect to the Property and the Project or any failure to perform any obligation as and when required by this Agreement, the AHPDA and/or the Ground Lease. Developer's indemnification obligations under this Section 5.9 shall not extend to Claims to the extent resulting from the gross negligence or willful misconduct of Indemnitees. The provisions of this Section 5.9 shall survive the expiration or earlier termination of this Agreement, but only as to claims arising from events occurring during the Affordability Period.

5.10. Transfer and Encumbrance.

5.10.1. Restrictions on Transfer and Encumbrance. During the term of this Agreement, except as permitted pursuant to this Agreement, Developer shall not directly or indirectly, voluntarily, involuntarily or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or lease (other than a lease of a Restricted Unit) (collectively, "**Transfer**") of the whole or any part of any Restricted Unit, the Property or Project, without the prior written consent of City, which approval shall not be unreasonably withheld. In addition, prior to the expiration of the term of this Agreement, except as expressly permitted by this Agreement, Developer shall not undergo any significant change of ownership without the prior written approval of City, which shall not be unreasonably withheld. For purposes of this Agreement, a "significant change of ownership" shall mean a transfer of the beneficial interest of more than twenty-five percent (25%) in aggregate of the present ownership and /or control of Developer, taking all transfers into account on a cumulative basis; provided however, neither the admission of an investor limited partner, nor the transfer by the investor limited partner to subsequent limited partners shall be restricted by this provision.

5.10.2. Permitted Transfers. Subject to Section 5.10.1, the prohibitions on Transfer set forth herein shall not be deemed to prevent: (i) the granting of easements or permits to facilitate development of the Property; (ii) assignments creating security interests for the purpose of financing the acquisition, construction, or permanent financing of the Project or the Property, or Transfers directly resulting from the foreclosure of, or granting of a deed in lieu of foreclosure of, such a security interest; (iii) transfer of any limited partner interests in Developer; (iv) removal and replacement of the general partner of Developer; or (v) transfers between entities owned or controlled by Mercy Housing California.

5.10.3. Requirements for Proposed Transfers. City may, in the exercise of its discretion, which approval shall not be unreasonably withheld, consider the following in determining whether or not to consent to a Transfer; provided however, the requirements of this Section 5.10.3 shall not apply to Transfers described in 5.10.2.

(i) The proposed transferee demonstrates to City's satisfaction that it has the qualifications, experience and financial resources necessary and adequate as may be determined by City to competently complete and manage the Project and to otherwise fulfill the obligations undertaken by Developer under this Agreement.

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(ii) Developer and the proposed transferee shall submit for City review and approval all instruments and other legal documents proposed to effect any Transfer of all or any part of or interest in the Restricted Unit or this Agreement together with such documentation of the proposed transferee's qualifications and development capacity as City may request.

(iii) The proposed transferee shall expressly assume all of the rights and obligations of Developer under this Agreement arising after the effective date of the Transfer and all obligations of Developer arising prior to the effective date of the Transfer (unless Developer expressly remains responsible for such obligations) and shall agree to be subject to and assume all of Developer's obligations pursuant to conditions, and restrictions set forth in this Agreement.

(iv) The Transfer shall be effectuated pursuant to a written instrument satisfactory to City in form and substance and recordable in the Official Records.

City will have sixty (60) days to accept or reject a proposed Transfer or request additional information regarding a proposed Transfer in writing.

5.11. Effect of Transfer without City Consent. In the absence of specific written agreement by City, no Transfer of any Restricted Unit, the Property or the Project shall be deemed to relieve Developer or any other Party from any obligation under this Agreement. This Section 5.11 shall not apply to Transfers described in Section 5.10.2.

5.12. Recovery of City Costs. Developer shall reimburse City for all reasonable City costs, including but not limited to reasonable attorneys' fees (whether in-house or outside attorneys), incurred in reviewing instruments and other legal documents proposed to effect a Transfer under this Agreement and in reviewing the qualifications and financial resources of a proposed successor, assignee, or transferee within ten (10) days following City's delivery to Developer of an invoice detailing such costs.

IN WITNESS WHEREOF, Developer and City have executed this Agreement as of the Effective Date.

CITY:

CITY OF HALF MOON BAY, a municipal corporation

By: _____
Matthew Chidester, City Manager

Approved as to Form:

_____
Denise Bazzano, Interim City Attorney

[***SIGNATURES ON FOLLOWING PAGE***]

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DEVELOPER:

MERCY HOUSING CALIFORNIA 110, L.P.,
a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its: Sole member/manager

By: _____
Ramie Dare
Vice President

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Exhibit A
Property Description

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

EXEMPT FROM RECORDING FEES
PER GOVERNMENT CODE §§6103, 27383

Space above this line for Recorder's use.

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AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

This **AFFORDABLE HOUSING REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS** ("**Agreement**") is entered into as of _____, 2026 ("**Effective Date**"), by and between the CITY OF HALF MOON BAY, a municipal corporation ("**City**"), and MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership ("**Developer**"). City and Developer may be referred to individually as a "**Party**" or together as "**Parties**."

RECITALS

A. City is the owner of that certain real property located at 535 Kelly Avenue and 555 Kelly Avenue, Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) ("**Property**"), as more particularly described in Exhibit A, attached hereto and incorporated herein by this reference.

B. City and Developer are parties to that certain Affordable Housing and Property Disposition Agreement ("**AHPDA**") and Ground Lease ("**Ground Lease**") both of even date. The terms and conditions of the AHPDA and Ground Lease are incorporated herein by reference. Accordingly, terms not otherwise defined in this Agreement shall have the meaning given to them in the AHPDA or the Ground Lease.

C. Pursuant to the Ground Lease, Developer is the holder of a leasehold interest in the Property. As further described in the AHPDA and Ground Lease, Developer shall develop the Property with a new multifamily residential project with thirty nine (39) affordable rental units for current or Senior Agricultural Workers, plus one (1) unrestricted manager's unit (collectively, "**Project**").

D. The AHPDA and Ground Lease require Developer to develop the Project and to make thirty-nine (39) of the Project's units affordable to extremely low income and very low income households ("**Restricted Units**"). The Restricted Units consist of ten (10) units affordable to households earning up to 30% of AMI (as defined in Section 3.2.a), and twenty-nine (29) units affordable to households earning up to 50% of AMI, as further set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, City and Developer agree as follows.

1. CONSTRUCTION OF THE PROJECT.

1.1. Construction of the Project. Developer agrees to construct the Project in accordance with the AHPDA and Ground Lease, including the Schedule of Performance attached to the AHPDA, and all applicable state and local building codes, development standards, ordinances and zoning ordinances.

1.2. City and Other Governmental Permits. As further described in the AHPDA and Ground Lease, before commencement of the Project, Developer shall secure or cause its contractor to secure any and all permits which may be required by City or any other governmental agency, including without limitation building permits. Developer shall pay all necessary fees and timely submit to City final drawings with final corrections to obtain such permits; City staff will, without incurring liability or expense therefore, process applications in the ordinary course of business for the issuance of building permits and certificates of occupancy for construction that meets the requirements of all applicable laws and regulations.

1.3. Compliance with Laws. As further described in the AHPDA and Ground Lease, Developer shall carry out the design, construction and operation of the Project in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.,* Government Code Section 4450, *et seq.,* Government Code Section 11135, *et seq.,* and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

2. OPERATION OF THE RESTRICTED UNITS

2.1. Affordability Period. The Property shall be subject to the requirements of this Agreement from the Effective Date until the expiration of the Ground Lease term of ninety-nine (99) years. The duration of this requirement shall be known as the "**Affordability Period**."

2.2. Maintenance. Developer shall comply with every condition of the AHPDA and Ground Lease applicable to the Project and shall, at all times, maintain the Project and the Property in good repair and working order, reasonable wear and tear excepted, and in a safe and sanitary condition, and from time to time shall make all necessary and proper repairs, renewals, and replacements to keep the Project and the Property in a good, clean, safe, and sanitary condition.

2.3. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall maintain sufficient records to demonstrate compliance with this Agreement, the AHPDA and the Ground Lease. City shall have the right to inspect the books and records of Developer and its rental agent or bookkeeper upon reasonable notice during normal business hours. Representatives of City shall be entitled to enter the Property, upon at least 48-hour prior written notice, which can be provided via email, to monitor compliance with this Agreement, the AHPDA and the Ground Lease to inspect the records of the Project with respect to the Restricted Units, and to conduct, or cause to be conducted, an independent audit or inspection of such records. Developer agrees to cooperate with City in making the Property available for such inspection or audit. Developer agrees to maintain records in businesslike manner, and to maintain such records for Affordability Period.

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2.4. Non-Discrimination Covenants. Developer covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, marital status, familial status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. Notwithstanding the foregoing, with respect to familial status, this shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code nor shall it be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Developer shall include such provision in all deeds, leases, contracts and other instruments executed by Developer, and shall enforce the same diligently and in good faith.

a. In deeds, the following language shall appear:

(1) Grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through it, that there shall be no discrimination against or segregation of a person or of a group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the property herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

b. In leases, the following language shall appear:

(1) The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns, and all persons claiming under the lessee or through the lessee, that this lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the property herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination of segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the property herein leased.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9

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of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

c. In contracts pertaining to management of the Project, the following language, or substantially similar language prohibiting discrimination and segregation shall appear:

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

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11 and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

3. AFFORDABILITY REQUIREMENTS.

3.1. Restricted Units. Developer agrees to make available, restrict occupancy to, and lease not less than thirty-nine (39) Restricted Units to Qualifying Households, as hereinafter defined, at an affordable rent, pursuant to the terms set forth below.

a. Until the 55th anniversary of Developer's receipt of a temporary certificate of occupancy for the Project, the Project shall include ten (10) Extremely Low-Income Units (as defined below), and twenty-nine (29) Very Low-Income Units (as defined below).

b. After the 55th anniversary of Developer's receipt of a temporary certificate of occupancy for the Project, the Project shall include thirty-nine (39) Low-Income Units.

3.2. Qualifying Households. For purposes of this Agreement, "**Qualifying Households**" shall mean those households with incomes as follows:

a. "**AMI**" means the median income for San Mateo County, California, adjusted for actual household size, as determined by California Tax Credit Allocation Committee ("**TCAC**") regulations, and as published from time to time by the State of California Department of Housing and Community Development in Section 6932 of Title 25 of the California Code of Regulations or successor provision.

b. "**Extremely Low-Income Unit**": means units restricted to households with incomes of not more than thirty percent (30%) of AMI.

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c. "**Very Low Income Unit**": means units restricted to households with incomes of not more than fifty percent (50%) of AMI.

d. "**Low-Income Unit**": means units restricted to households with incomes of not more than eighty percent (80%) of AMI.

3.3. Income Verification and Annual Report. On or before July 1 of each year, commencing with the calendar year that the first residential unit in the Project is rented to a subtenant, and annually thereafter, Developer shall obtain from each household occupying a Restricted Unit and submit to City an income computation and certification form, completed by a subtenant of such unit, which shall certify that the income of each Qualifying Household is truthfully set forth in the income certification form, in the form required by TCAC ("**Annual Report**"). Developer shall make a good faith effort to verify that each household leasing a Restricted Unit meets the income and eligibility restrictions for the Restricted Unit by taking by taking the following steps as a part of the verification process: (a) obtain a minimum of the three (3) most current pay stubs for all adults age eighteen (18) or older; (b) obtain an income tax return for the most recent tax year; (c) conduct a credit agency or similar search; (d) obtain the three (3) most current savings and checking account bank statements; (e) obtain an income verification form from the applicant's current employer; (f) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (g) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. Copies of subtenant income certifications shall be available to City upon request. The Annual Report shall, at a minimum, include the following information for each Restricted Unit: unit number, number of bedrooms, current rent and other charges, dates of any vacancies during the reporting period, number of people residing in the unit, total household Gross Income (as defined below), and lease commencement and termination dates. The Annual Report shall also provide a statement of the owner's management policies, communications with the subtenants and maintenance of the Restricted Unit, including a statement of planned repairs to be made and the dates for the repairs.

3.4. Affordable Rent. The maximum Monthly Rent, defined below, chargeable for the Restricted Units and paid by the occupants shall be as follows:

a. "**Extremely Low-Income Household**": 1/12th of thirty percent (30%) of not to exceed thirty percent (30%) of the AMI. The Monthly Rent for an Extremely Low-Income Unit rented to an Extremely Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one-bedroom unit, 3 persons for a two-bedroom unit and 4.5 persons for a three-bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Extremely Low-Income Households.

b. "**Very Low-Income Household**": 1/12th of thirty percent (30%) of not to exceed fifty percent (50%) of the AMI. The Monthly Rent for a Very Low-Income Unit rented to a Very Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one- bedroom unit, 3 persons for a two-bedroom unit and 4.5 persons for a three- bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Very Low-Income Households.

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c. "**Low-Income Household**": shall be 1/12th of thirty percent (30%) of not to exceed eighty percent (80%) of the AMI. The Monthly Rent for a Low-Income Unit rented to a Low-Income Household and paid by the household shall be based on an assumed average occupancy per unit of one person per studio unit, 1.5 persons for a one- bedroom unit, 3 persons for a two-bedroom unit and 4.5 persons for a three- bedroom unit. If the Project receives an allocation of state or federal low-income housing tax credits from TCAC, affordable rent shall mean a rent that is consistent with the maximum TCAC rent levels for Low-Income Households.

For purposes of this Agreement, "**Monthly Rent**" means the total of monthly payments actually made by the household for (a) use and occupancy of each Restricted Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer which are required of all subtenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in subsections (a) or (b) above, and which are not paid directly by Developer, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone or internet service, which reasonable allowance for utilities is set forth in the County of San Mateo's Utility Allowance Schedule for detached homes, apartments, condominiums and duplexes, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Developer.

For purposes of this Agreement, "**Gross Income**" means the total anticipated annual income of all persons in a household calculated using the methods set forth in TCAC regulations, or if TCAC regulations do not address such matter, the total anticipated annual income of all persons in a household as defined in Title 24 of the Code of Federal Regulations, Section 5.609.

Notwithstanding the foregoing, no subtenant qualifying for a Restricted Unit shall be denied continued occupancy of a unit in the Project because, after admission, such subtenant's household Gross Income increases to exceed the qualifying limit for such Restricted Unit. A household which at initial occupancy qualifies in a particular income category shall be treated as continuing to be of such income category so long as the household's Gross Income does not exceed one hundred forty percent (140%) of the applicable income limit. In the event a subtenant's household Gross Income exceeds the limits specified in this Section, Developer shall apply the rules applicable to the Project pursuant to Section 42 of the Internal Revenue Code of 1986, as amended and the federal regulations applicable thereto.

In the event that recertification of subtenant incomes indicates that the number of Restricted Units actually occupied by Qualifying Households falls below the number reserved for each income group as specified in Sections 3.1, Developer shall rectify the condition by renting the next available dwelling unit(s) in the Project to Qualifying Household(s) until the required income mix is achieved.

In the event of inconsistency between the provisions of this Section and the rules applicable to the Project in connection with low-income housing tax credits, tax-exempt bonds, or other sources of public financing provided for the Project, the rules and regulations applicable to such other financing sources shall prevail.

3.5. **Sublease Requirements**. No later than one hundred eighty (180) days prior to the initial lease up of the Restricted Units, Developer shall submit a standard sublease form ("**Sublease**") to City for approval by City Manager after review by City Council. City Council

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shall reasonably approve the Sublease within sixty (60) business days of City's receipt thereof upon finding that the Sublease is consistent with this Agreement and contains all of the provisions required pursuant to the Ground Lease. City's failure to respond to Owner's request for approval of the standard lease form within sixty (60) business days of City's receipt of such Sublease form shall be deemed City's approval of the Sublease form. Developer shall enter into a written Sublease, in the form approved by City Council, with each new subtenant of a Restricted Unit prior to a subtenant or subtenant household's occupancy of a Restricted Unit. Each Sublease shall be for an initial term of not less than one (1) year which may be renewed pursuant to applicable local and State laws, and shall not contain any of the provisions which are prohibited pursuant to the TCAC regulations, local, state and Federal laws.

3.6. **Preference Program.** Except to the extent prohibited by applicable federal or state law or any Project funding sources, Developer shall evaluate applications for residential tenancies on the Property and offer tenancies to applicants according to the preferences and procedures described below and as established in an ordinance or resolution adopted by the City Council, as the same may be amended from time to time. For the purposes of this Agreement, the following terms shall have the following meanings:

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"Disability" means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Work**" means the particular days of the Week during which an individual regularly performs work or fulfills duties for wages or salary.

When the units are constructed and ready for occupancy, Developer will create an application process that will result in a pool of applicants. The pool of applicants to be sorted according to this preference order for the head of household:

1. "**First Preference**": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in Half Moon Bay.

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2. "**Second Preferen**ce": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in the Coastside of San Mateo County: Pacifica, Montara, Moss Beach, San Gregorio, El Granada or Pescadero.

3. "**Third Preference**": Prospective Senior resident is a current or Agricultural Worker who Reside or Work in County of San Mateo.

Developer will screen all applicants who meet the criteria for the First Preference and household income restrictions, and those applicants will be offered units first. After all First Preference applications are exhausted and if there are any vacant units to fill, Developer will screen applicants who meet the criteria for the Second Preference and household income restrictions and offer those eligible applicants any remaining units. After all Second Preference applications are exhausted and if there are any remaining vacant units, Developer will screen applicants who meet the criteria for the Third Preference and household income restrictions and offer those eligible applications any remaining units.

4. DEFAULT AND REMEDIES

4.1. Events of Default. The following shall constitute an "**Event of Default**" by Developer under this Agreement: there shall be a breach of any condition, covenant, warranty, promise or representation contained in this Agreement and such breach shall continue for a period of thirty (30) days after written notice thereof to the defaulting Party without the defaulting Party curing such breach, or if such breach cannot reasonably be cured within such thirty (30) day period, commencing the cure of such breach within such thirty (30) day period and thereafter diligently proceeding to cure such breach through completion; provided, however, that if a different period or notice requirement is specified for any particular breach under any other paragraph of this Agreement, the specific provision shall control, provided that no cure period or any extension thereof applicable to Developer in this Agreement shall be longer than one hundred twenty (120) days.

4.2. Remedies. The occurrence of any Event of Default under Section 4.1 shall give the non-defaulting Party the right to proceed with any remedy available to it in law or in equity, including, without limitation, an action in equity to require the defaulting Party to specifically perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement.

4.3. Obligations Personal to Developer. The liability of Developer under this Agreement to any person or entity is limited to Developer and Developer's interest in the Project, and City and any other such persons and entities shall look exclusively thereto for the satisfaction of obligations arising out of this Agreement or any other agreement securing the obligations of Developer under this Agreement.

4.4. Force Majeure. Subject to a Party's compliance with the notice requirements as set forth below, performance by either Party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the Party claiming an extension of time to perform, but where such Party required to perform has exercised good faith commercially reasonable efforts and due diligence to perform the particular obligation, which may include, without limitation, the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy,

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epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other Party, or acts or failures to act of any public or governmental entity (except that City's acts or failure to act shall not excuse performance of City hereunder). An extension of the time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause.

4.5. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either Party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder, the prevailing Party shall be entitled to recover from the other Party its costs of suit and reasonable attorneys' fees. This Section shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

4.6. Remedies Cumulative. No right, power, or remedy given by the terms of this Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given by the terms of any such instrument, or by any statute or otherwise.

4.7. Waiver of Terms and Conditions. City may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

4.8. Non-Liability of City Officials and Employees. No member, official, employee or agent of City shall be personally liable to Developer or any tenant, subtenant, or occupant of any Restricted Unit, or any successor in interest, in the event of any default or breach by City or for any amount which may become due to Developer, its successors, any tenant, subtenant or occupant of any Restricted Unit, or on any obligations under the terms of this Agreement.

4.9. Cure Rights. Notwithstanding anything to the contrary contained herein, City hereby agrees that any cure of any default made or tendered by Developer's mortgage lender, shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer.

5. GENERAL PROVISIONS

5.1. Time. Time is of the essence in this Agreement.

5.2. Notices. Unless otherwise indicated in this Agreement, any notice requirement set forth herein shall be deemed to be satisfied three days after mailing of the notice first-class United States certified mail, postage prepaid, or by personal delivery, addressed to the appropriate Party as follows:

DEVELOPER:

Mercy Housing California 110, L.P.
1256 Market Street
San Francisco, CA 94102

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CITY:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

Such addresses may be changed by notice to the other Party given in the same manner as provided above.

5.3. Successors and Assigns. This Agreement constitutes a covenant and legal restriction on the Property and shall run with the land, provided the Project remains on the Property, and all of the terms, covenants and conditions of this Agreement shall be binding upon Developer and the permitted successors and assigns of Developer.

5.4. Intended Beneficiaries. City is the intended beneficiary of this Agreement and shall have the sole and exclusive power to enforce this Agreement. It is intended that City may enforce this Agreement to satisfy its obligations to improve, increase and preserve affordable housing within City, as required by the AHPDA and Ground Lease, and to provide that a certain percentage of new housing is made available at affordable housing cost. No other person or persons, other than City and Developer and their assigns and successors, shall have any right of action hereon.

5.5. Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

5.6. Governing Law. This Agreement and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto. The venue for any action shall be the County of San Mateo.

5.7. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Developer and City.

5.8. Approvals. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as otherwise expressly set out in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request or make a determination that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. This Section 5.8 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

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5.9. Indemnification. To the greatest extent permitted by law, Developer shall indemnify, defend (with counsel reasonably approved by City) and hold City, its elected and appointed officials, employees, directors, officials, members, agents, volunteers, successors and assigns ("**Indemnitees**") harmless from and against any and all demands. losses, claims, costs and expenses, and any other liability whatsoever, including without limitation, reasonable accountants' and attorneys' fees, charges and expense (collectively, "**Claims**") arising directly or indirectly, in whole or in part, as a result of or in connection with Developer's entitlement, construction, management, leasing, maintenance, repair, operation, condition or other of mater with respect to the Property and the Project or any failure to perform any obligation as and when required by this Agreement, the AHPDA and/or the Ground Lease. Developer's indemnification obligations under this Section 5.9 shall not extend to Claims to the extent resulting from the gross negligence or willful misconduct of Indemnitees. The provisions of this Section 5.9 shall survive the expiration or earlier termination of this Agreement, but only as to claims arising from events occurring during the Affordability Period.

5.10. Transfer and Encumbrance.

5.10.1. Restrictions on Transfer and Encumbrance. During the term of this Agreement, except as permitted pursuant to this Agreement, Developer shall not directly or indirectly, voluntarily, involuntarily or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or lease (other than a lease of a Restricted Unit) (collectively, "**Transfer**") of the whole or any part of any Restricted Unit, the Property or Project, without the prior written consent of City, which approval shall not be unreasonably withheld. In addition, prior to the expiration of the term of this Agreement, except as expressly permitted by this Agreement, Developer shall not undergo any significant change of ownership without the prior written approval of City, which shall not be unreasonably withheld. For purposes of this Agreement, a "significant change of ownership" shall mean a transfer of the beneficial interest of more than twenty-five percent (25%) in aggregate of the present ownership and /or control of Developer, taking all transfers into account on a cumulative basis; provided however, neither the admission of an investor limited partner, nor the transfer by the investor limited partner to subsequent limited partners shall be restricted by this provision.

5.10.2. Permitted Transfers. Subject to Section 5.10.1, the prohibitions on Transfer set forth herein shall not be deemed to prevent: (i) the granting of easements or permits to facilitate development of the Property; (ii) assignments creating security interests for the purpose of financing the acquisition, construction, or permanent financing of the Project or the Property, or Transfers directly resulting from the foreclosure of, or granting of a deed in lieu of foreclosure of, such a security interest; (iii) transfer of any limited partner interests in Developer; (iv) removal and replacement of the general partner of Developer; or (v) transfers between entities owned or controlled by Mercy Housing California.

5.10.3. Requirements for Proposed Transfers. City may, in the exercise of its discretion, which approval shall not be unreasonably withheld, consider the following in determining whether or not to consent to a Transfer; provided however, the requirements of this Section 5.10.3 shall not apply to Transfers described in 5.10.2.

(i) The proposed transferee demonstrates to City's satisfaction that it has the qualifications, experience and financial resources necessary and adequate as may be determined by City to competently complete and manage the Project and to otherwise fulfill the obligations undertaken by Developer under this Agreement.

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(ii) Developer and the proposed transferee shall submit for City review and approval all instruments and other legal documents proposed to effect any Transfer of all or any part of or interest in the Restricted Unit or this Agreement together with such documentation of the proposed transferee's qualifications and development capacity as City may request.

(iii) The proposed transferee shall expressly assume all of the rights and obligations of Developer under this Agreement arising after the effective date of the Transfer and all obligations of Developer arising prior to the effective date of the Transfer (unless Developer expressly remains responsible for such obligations) and shall agree to be subject to and assume all of Developer's obligations pursuant to conditions, and restrictions set forth in this Agreement.

(iv) The Transfer shall be effectuated pursuant to a written instrument satisfactory to City in form and substance and recordable in the Official Records.

City will have sixty (60) days to accept or reject a proposed Transfer or request additional information regarding a proposed Transfer in writing.

5.11. Effect of Transfer without City Consent. In the absence of specific written agreement by City, no Transfer of any Restricted Unit, the Property or the Project shall be deemed to relieve Developer or any other Party from any obligation under this Agreement. This Section 5.11 shall not apply to Transfers described in Section 5.10.2.

5.12. Recovery of City Costs. Developer shall reimburse City for all reasonable City costs, including but not limited to reasonable attorneys' fees (whether in-house or outside attorneys), incurred in reviewing instruments and other legal documents proposed to effect a Transfer under this Agreement and in reviewing the qualifications and financial resources of a proposed successor, assignee, or transferee within ten (10) days following City's delivery to Developer of an invoice detailing such costs.

IN WITNESS WHEREOF, Developer and City have executed this Agreement as of the Effective Date.

CITY:

CITY OF HALF MOON BAY, a municipal corporation

By: _____
Matthew Chidester, City Manager

Approved as to Form:

_____
Denise Bazzano, Interim City Attorney

[***SIGNATURES ON FOLLOWING PAGE***]

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DEVELOPER:

MERCY HOUSING CALIFORNIA 110, L.P.,
a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its: Sole member/manager

By: _____
Ramie Dare
Vice President

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Exhibit A
Property Description

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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GRANT AGREEMENT
BETWEEN THE CITY OF HALF MOON BAY AND MERCY HOUSING

This Grant Agreement ("**Agreement**") is entered into as of the Effective Date (defined herein) by and between the City of Half Moon Bay, a municipal corporation ("**Grantor**" or "**City**"), and Mercy Housing California, a California non-profit public benefit corporation ("**Grantee**"). City and Grantee may be collectively referred to herein as "**Parties**" and individually as "**Party**".

* * *

WHEREAS, City has received Two Million Dollars and Zero Cents ($2,000,000) in State funds to support pre-development and development work for an affordable housing project; and

WHEREAS, Grantee is seeking to construct an affordable housing project located at 555 Kelly Avenue and a portion of the property located at 553 Kelly Avenue in Half Moon Bay for local agricultural households with extremely low income (30% of the area median income for San Mateo, adjusted for household size ("**Adjusted AMI**")) or low income (50% of Adjusted AMI) ("**Project**"); and

WHEREAS, City has entered into an Exclusive Negotiations Agreement, as such may have been extended, with Grantee in order to enable Grantee's affiliate, Mercy Housing California 110, L.P., a California limited partnership ("**Developer**"), to carry out pre-development and development activities associated with the Project; and

WHEREAS, in connection with this Project, City and Developer may also enter into an Affordable Housing and Property Disposition Agreement ("**AHPDA**"), a Ground Lease ("**Ground Lease**"), and an Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants ("**Regulatory Agreement**"); and

WHEREAS, upon execution, the terms and conditions of the AHPDA, the Ground Lease and the Regulatory Agreement shall be incorporated herein by reference. Accordingly, terms not otherwise defined in this Agreement shall have the meaning given to them in the AHPDA, the Ground Lease and/or the Regulatory Agreement, as applicable.

WHEREAS, City, by resolution of its City Council on April 28, 2026, has authorized the City Manager to enter into this Agreement to grant to Developer funds in the amount of Two Million Dollars and Zero Cents ($2,000,000) to support pre-development and development work for the Project; and

WHEREAS, City, in furtherance of its efforts to develop the Project, desires to enter into this Agreement with Developer to fund expenses incurred in connection with the Project.

NOW, THEREFORE, in consideration of the foregoing, which are incorporated herein by reference, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed by the Parties to this Agreement as follows:

1. Attachments.

The following exhibits are attached hereto and incorporated by reference as if fully set forth herein and Grantee shall be required to comply in all respects with the terms and conditions contained in the exhibits:

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Exhibit A – Grant Disbursement; and

Exhibit B – Reporting and Process.

2. Grant.

Subject to the terms and conditions specified herein, City hereby grants to Grantee a grant in a total amount not to exceed Two Million Dollars and Zero Cents ($2,000,000.00) ("**Grant**"), provided that (i) in no event shall City's total fiscal obligation under this Agreement exceed the amount of the Grant; and (ii) Grantee shall only use the Grant for the Grant Purpose, as set forth in Section 3.

3. Grant Purpose.

a. The Parties agree that the purpose of the Grant is to provide funding solely and exclusively for expenses reasonably and necessarily incurred in connection with pre-development and development activities for the Project ("**Grant Purpose**"). The Grant shall not be used by Grantee or Developer for any other purpose without the prior written consent of City, which City may withhold or grant in its sole and absolute discretion.

b. Grantee agrees that at no time will any Grant funds be used: (i) to attempt to influence the outcome of any specific public election, or to participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office; (ii) to attempt to influence the selection, nomination, election or appointment of any individual to any public office or office in a political organization within the meaning of Internal Revenue Code Section 527(e)(2); and/or (iii) for any activity that is in violation of federal, state, or local law or any effort to induce or encourage violations of law or public policy.

4. Grant Disbursement. City Manager shall be solely responsible for disbursing the Grant to Grantee pursuant to the terms and conditions of this Agreement and terms and conditions of the disbursement process attached hereto as Exhibit A.

5. Grantee's Representations and Warranties.

Grantee represents and warrants to City the following:

a. Grantee shall use best efforts to (i) cause the Project to be completed and when completed, to serve households with extremely low income (30% of Adjusted AMI) or low income (50% of Adjusted AMI) in full compliance with all terms and conditions of this Agreement, the AHPDA, the Ground Lease and the Regulatory Agreement, and (ii) ensure that the Project is developed in compliance with applicable law and regulations.

b. Grantee has full power, authority, and legal right to execute and deliver this Agreement and all other agreements, documents, and instruments contemplated hereby or thereby and to incur and perform its obligations hereunder and thereunder.

c. Grantee is not in default under or in violation of any indenture or agreement to which it is a party or by which it is bound, or any order, regulation, ruling, or requirement of a court or other public body or authority. No creditor has given Grantee a notice or threatened to give it any notice of default under any agreement. No event has occurred and is continuing

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and no condition exists that would constitute an event of default or an event which, with the lapse of time or the giving of notice, or both, would become an event of default.

d. As of the Effective Date, to the best of Grantee's knowledge, no action, suit or proceeding is pending against Grantee before any court or administrative agency, (i) the outcome of which, by itself or taken together with other such action, suit or litigation, would be reasonably expected to have a material adverse effect on Grantee's business, assets, operations, or financial condition, or (ii) which purports to affect the legality, enforceability, or validity of this Agreement, the AHPDA, the Ground Lease or the Regulatory Agreement.

e. Grantee is in compliance with all federal, state and local laws, rules, regulations, ordinances, and orders applicable to it, including, without limitation, all applicable health and safety, environmental, and building and zoning laws.

f. Grantee will submit to City an IRS W-9 Form and such other documentation as requested by City to facilitate disbursement of the Grant.

Grantee agrees to provide records sufficient to substantiate its representations and warranties upon City's request. Grantee understands and agrees that the foregoing representations and warranties are material to City's approval of the Grant.

6. Relationship of Parties

Notwithstanding any publicity or other references to City, the Parties understand and agree that any activities funded by the Grant are not performed by Grantee or any other person or entity as an independent contractor of City, or as an employee of City, and that neither Grantee, nor its employees, officers, agents, representatives, contractors or subsidiaries acquire any of the rights, privileges, powers, or advantages of City contactors or City employees. Grantee acknowledges and agrees that it is not, and will not hold itself out as, an agent, partner, or co-venturer of City, and that this Agreement is not intended to and does not create an agency, partnership, or joint venture between the Parties. This Agreement is entered into for the sole benefit of the Parties and is not for the benefit of, nor may any provision hereof, be enforced by any other person or entity; thus nothing contained herein or in the Parties' course of dealings shall be construed as conferring any third-party beneficiary status on any person or entity not a party to this Agreement.

7. Term & Termination

Subject to compliance with all terms and conditions of this Agreement, the term of this Agreement shall commence on the Effective Date and continue through the date the Project receives a temporary certificate of occupancy under the building permit(s) for the Project ("**Expiration Date**"). Grantee's reporting/auditing obligations under the Agreement, as well as such other obligations hereunder that expressly survive expiration or termination, shall survive the expiration or termination of the Agreement. This Agreement will not automatically renew, nor shall it create any reliance on or expectation of the possibility of future grants. Grantee understands and agrees that, to the extent that all Grant funds are not expended or disbursed by the Expiration Date, Grantee must promptly return all unexpended funds to City, and any unexpended or undisbursed funds at the time of termination shall be forfeited.

City may suspend and/or terminate this Agreement if (a) Grantee fails to comply with the terms and conditions of this Agreement (including, among other reasons, breach of any representation and warranty provided herein), (b) prior to the Expiration Date, Grantee defaults (beyond applicable notice and cure periods) under the AHPDA, Ground Lease or Regulatory Agreement,

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or (c) City exercises its Obstacle Termination Right, as described in Exhibit B. Thereafter, City may, in its sole discretion, withhold or cancel pending and future disbursements of funds and/or require Grantee to immediately return some or all funds disbursed under this Agreement. Notwithstanding anything to the contrary contained herein, in the event that the State of California requires City to return funds disbursed under this Agreement due to Grantee's actions or omissions in connection with this Agreement and/or the Project, City may require Grantee to immediately return funds in the amount required to be returned to the State.

8. Duty to Defend, Indemnify and Hold Harmless

Grantee shall indemnify, defend (with counsel acceptable to City) and save harmless City and its directors, officers, officials, members, employees, representatives, agents and volunteers from all claims, suits, or actions of every name, kind, and description resulting from or arising in connection with this Agreement, the performance of any work or services funded under this Agreement, or payments made pursuant to this Agreement brought for, or on account of, any of the following:

(A) injuries to or death of any person, including City or Grantee or any of their respective directors, officers, members, employees, officers, agents and representatives;

(B) damage to any property of any kind whatsoever and to whomsoever belonging;

(C) any sanctions, penalties, or claims of damages resulting from Grantee's failure to comply, if applicable, with the requirements set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended;

(D) Grantee's breach or default (beyond applicable notice and cure periods) under this Agreement; or

(E) any other loss or cost, including but not limited to that caused by the concurrent active or passive negligence of City and/or its directors, officers, officials, members, employees, representatives, agents and volunteers. However, Grantee's duty to indemnify, defend and save harmless under this Section shall not apply to injuries or damage for which City has been found in a court of competent jurisdiction to be solely liable by reason of its own gross negligence or willful misconduct.

The duty of Grantee to indemnify and save harmless as set forth by this Section shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

9. Insurance

a. **General Requirements**. Grantee shall not commence work funded under this Agreement unless and until all insurance required under this Section has been obtained and such insurance has been approved by City Manager. Grantee shall use best efforts to obtain such insurance and the approval of City Manager. Grantee shall furnish City with certificates of insurance evidencing the required coverage and there shall be a specific contractual liability endorsement extending coverage to include the contractual liability assumed by Grantee pursuant to this Agreement. These certificates shall specify or be endorsed to provide that thirty (30) days' written notice must be given to City of any pending change in the limits of liability or of any cancellation or modification of the policy. Grantee shall ensure that any of its contractors, consultants, or subgrantees engaged in connection with the Project obtains and maintains all insurance required under this Section and that such insurance has been approved by City Manager.

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b. **Workers' Compensation and Employer's Liability Insurance**. Grantee shall ensure that any of its contractors, consultants, or subgrantees engaged in connection with the Project have in effect during the entire term of this Agreement workers' compensation and employer's liability insurance providing full statutory coverage. In signing this Agreement, Grantee certifies, as required by Section 1861 of the California Labor Code, that (a) it is aware of the provisions of Section 3700 of the California Labor Code, which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of the Labor Code, and (b) it will ensure compliance with such provisions before commencing the performance of work funded under this Agreement.

c. **Liability Insurance**. Grantee shall ensure that such bodily injury liability and property damage liability insurance as shall protect Grantee and all of its employees/officers/agents while performing work funded by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims for property damage which may arise from Grantee's operations under this Agreement, whether such operations be by Grantee, any contractor, anyone directly or indirectly employed by them, or an agent of either of them is maintained during the term of this Agreement. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall not be less than the amounts specified below:

(A) Comprehensive General Liability……. $1,000,000

(B) Motor Vehicle Liability Insurance……. $1,000,000

(C) Professional Liability……. $1,000,000

City and its officers, agents, employees, and servants shall be named as additional insured on any such policies of insurance (or equivalent proof of statutory self-insurance), which shall also contain a provision that (a) the insurance afforded thereby to City and its officers, elected and appointed officials, agents, employees, and servants shall be primary insurance to the full limits of liability of the policy, and (b) if City or its officers, elected and appointed officials, agents, employees, and servants have other insurance against the loss covered by such a policy, such other insurance shall be excess insurance only.

In the event of the breach of any provision of this Section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, City, at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further payment under this Agreement.

Grantee shall ensure that any of its contractors, consultants, or subgrantees engaged in connection with the Project obtains and maintains all insurance required under this Section and that such insurance has been approved by City Manager.

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10. Assignability and Subcontracting

Grantee shall not assign this Agreement or any portion of it to a third party. Any such assignment or subcontract without City's prior written consent shall give City the right to automatically and immediately terminate this Agreement without penalty or advance notice and City shall have the right to an immediate refund of all funds disbursed under this Agreement.

11. Compliance With Laws

Grantee, shall cause all services to be performed by its contractors, consultants and subgrantees in connection with this Agreement be performed in accordance with all applicable Federal, State, County, and municipal laws, ordinances, and regulations, including but not limited to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Federal Regulations promulgated thereunder, as amended (if applicable), the Business Associate requirements set forth in Attachment H (if attached), the Americans with Disabilities Act of 1990, as amended, and Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of disability in programs and activities receiving any Federal or City financial assistance. Such services shall also be performed in accordance with all applicable ordinances and regulations, including but not limited to appropriate licensure, certification regulations, and provisions pertaining to confidentiality of records. In the event of a conflict between the terms of this Agreement and any applicable State, Federal, City, or municipal law or regulation, the requirements of the applicable law or regulation will take precedence over the requirements set forth in this Agreement. Grantee will timely and accurately complete, sign, and submit all necessary documentation of compliance.

12. Notices

Any notice, request, demand, or other communication required or permitted under this Agreement shall be deemed to be properly given when both: (1) transmitted via email to the email address listed below (with a copy promptly delivered pursuant to another delivery method described herein); and (2) sent to the physical address listed below by either being deposited in the United States mail, postage prepaid, or deposited for overnight delivery, charges prepaid, with an established overnight courier that provides a tracking number showing confirmation of receipt.

In the case of City, to:	In the case of Grantee, to:
City of Half Moon Bay 501 Main Street, Half Moon Bay, CA 94019 Attn: City Manager Reference: 555 Kelly Email: mchidester@halfmoonbay.gov	Kelly Hollywood 1256 Market Street San Francisco, CA 94102 (415) 355-7132 kelly.hollywood@mercyhousing.org
Half Moon Bay City Attorney's Office c/o Burke, Williams & Sorensen 1999 Harrison Street, Suite 1650 Oakland, CA 94612 Attn: Denise Bazzano, Esq.	Gubb and Barshay LLP 235 Montgomery St., Suite 1110 San Francisco, CA 94104 Attn: CJ Higley, Evan Gross Email: cjhigley@gubbandbarshay.com; egross@gubbandbarshay.com

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13. Electronic Signature

The Parties wish to permit this Agreement and future documents relating to this Agreement to be digitally signed in accordance with California law and City's electronic signature policy. Any party to this Agreement may revoke such agreement to permit electronic signatures at any time in relation to all future documents by providing notice pursuant to this Agreement.

14. Reporting Requirements

In addition to Grantee's reporting and/or auditing requirements set forth in Exhibit B, Grantee shall provide City with written quarterly reports, submitted electronically on Grantee's official letterhead to the attention of the City Manager, or designee, detailing: (a) Project status and progress toward meeting the Grant Purpose, including as to any Project Obstacles; (b) expenditures to which the Grant funds have been applied; and (c) any further reporting reasonably requested by City Manager with respect to the Grant. For purposes of this Agreement, the quarterly reporting periods while the Agreement remains in place are from January 1 through March 31, from April 1 through June 30, from July 1 through September 30, and from October 1 through December 31, and Grantee's quarterly reporting shall be due within seven (7) days after end of each quarter.

15. Payment of Permits/Licenses

Grantee shall cause any contractor, consultant, or subgrantee engaged in connection with the Project to obtain any license, permit, or approval required from any agency for work/services to be funded under this Agreement prior to commencement of said work/services. Failure to do so will result in forfeit of any right to reimbursement under this Agreement and shall constitute a default hereunder.

16. Approval/Request

Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as expressly set forth in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request or make a determination that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. This Section 16 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

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17. Effective Date

This Agreement shall be effective upon the last date that all signatories have executed the Agreement ("**Effective Date**").

THIS AGREEMENT IS NOT VALID UNTIL SIGNED BY ALL PARTIES. NO FUNDS WILL BE DISTRIBUTED UNTIL THIS DOCUMENT HAS BEEN SIGNED BY CITY'S AUTHORIZED DESIGNEE AND GRANTEE HAS PROVIDED CITY MANAGER WITH EVIDENCE THAT IT HAS OBTAINED ALL INSURANCE REQUIRED HEREIN, WHICH EVIDENCE SHALL BE ACCEPTABLE TO CITY MANAGER.

For Grantee:

Mercy Housing California, a California non-profit public benefit corporation

_____ _____
(Signature) Date

_____
Job Title (please print)

_____
(Print Name)

For City:

The City of Half Moon Bay, a municipal corporation

_____
Date

_____
Mathew Chidester
City Manager
City of Half Moon Bay

Approved as to form:

_____
Date

_____
Denise Bazzano
Interim City Attorney
City of Half Moon Bay

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Exhibit A – Grant Disbursement

Disbursement Requests. Grantee shall submit to City Manager for approval verified copies of contracts, invoices, and other documents as may be requested by City Manager to confirm the need to expend portions of the Grant funds on Project pre-development and development expenses, which may include the following expenses, as well as other expenses approved in writing by City Manager: architect, engineering, survey, environmental, construction manager, financial consultant, market study, appraisal, application and permit fees, legal, administrative costs, community outreach, and financing costs and fees ("**Eligible Development Costs**").

I. Grantee shall, in writing, request City to make disbursements to Grantee of a portion of the Grant. No disbursements shall be made by City unless and until the City Manager or his or her designee ("**City Manager**"):

(a) receives each of the following, the form and substance of which shall be acceptable to the City Manager: (i) invoices for the Eligible Development Costs for which payment is due or has been made, (ii) documentary evidence that the activities for which such Eligible Predevelopment Costs are requested have been performed in accordance with the contractor's, consultant's or vendor's contract, (iii) if applicable, written certification from an officer of Grantee that lien releases in compliance with applicable law have been obtained from all contractors, consultants and vendors, and if requested by City Manager, copies of all such lien releases, and (iv) such other documentation and evidence as the City Manager may reasonably request; and

(b) Determines, in the City Manager's reasonable discretion, that the costs for which Grant funds have been requested are Eligible Development Costs.

II. Notwithstanding the provision of Grant funds, Grantee and not City shall be solely responsible for all payments due any contractor, subcontractor, supplier or vendor engaged by Grantee for any work, services or the provision of materials. City shall provide disbursements to Developer within a reasonable period of time (consistent with City's customary payment procedures) after the City Manager receives all information described in clause (a) above and makes the determinations described in clause (b) above. Without prior written approval of the City Manager, Borrower shall not submit more than one (1) request for a disbursement of Grant funds per month, and no individual request for a disbursement of Grant funds shall exceed Five Hundred Thousand Dollars ($500,000).

III. Grantee shall ensure all requests are dated and reference the Grant Agreement.

IV. Grantee shall annually deliver to City, within fifteen (15) days of completion thereof, a copy of Grantee's internal audit report related to use of the Grant funds.

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* * * *

Exhibit B – Reporting and Process

a. **Project Obstacles**. The Parties understand and agree that, as of the Effective Date, the Project is currently in its predevelopment stage and that future events and conditions (including as specified in reports generated in connection with predevelopment and development work funded by the Grant) could prevent the Project from being fully developed or completed or lead to a reasonable belief that the Project will not be fully developed or completed, including, without limitation, issues arising from or related to construction, regulatory issues, litigation, inability to obtain sufficient Project funding and/or lack of feasibility of the Project or other issues ("**Project Obstacles**"). Grantee shall include with its quarterly reporting required under Section 14 of this Agreement a written report detailing any current or anticipated Project Obstacles and their impact (or potential impact) on the Project and its development and completion. Notwithstanding any other provision in this Agreement, including, without limitation, the Grant disbursement process specified herein, City Manager will make a determination in his/her reasonable discretion as to whether any Project Obstacles warrant termination of any further disbursements of the Grant and return of any unspent Grant funds to City ("**Obstacle Termination Right**"). Grantee agrees to return any unspent Grant funds within thirty (30) days of City's notification under this provision that it is exercising its Obstacle Termination Right. For the avoidance of doubt, any exercise by City of the Obstacle Termination Right under this specific provision shall not require Grantee to return any already disbursed Grant funds, unless demanded by the State of California, as described in Section 7 of the Agreement.

a. **Quarterly Cost Reporting**. Grantee's quarterly reporting required under Section 14 of this Agreement shall also include Grantee's actual costs incurred for the Project for the preceding quarter with supporting documentation for such costs to which the Grant funds have been applied, including without limitation, invoices, receipts, payroll, and activity logs sufficient to substantiate the costs. Invoice documentation must be accompanied by a line-item accounting for monthly expenses and evidence of work performed, or costs incurred, including, but not limited to, timesheets, copies of bills, and/or packing slips. Grantee shall include a written certification that the costs were actually incurred for the Project and that the supporting documentation is true, correct and complete.

b. **True-Up Process**. City Manager shall review Grantee's quarterly cost reporting and supporting documentation and periodically reconcile the actual Project costs reported and substantiated with the amount of the disbursed installments of the Grant. To the extent that Grantee's reasonable and necessary, actual costs of the Project incurred *exceed* the amount of the prior installment of the Grant, the excess amounts may be applied or otherwise credited against future installments of the Grant; to the extent that Grantee's reasonable and necessary, actual costs of the Project incurred are *less than* the amount of the prior installment of the Grant, City may adjust the amount of later installments accordingly. In no event, however, shall City's total disbursements exceed the total amount of the Grant (i.e., $2,000,000). City's disbursement of any installment of the Grant is conditioned upon Grantee's compliance with its quarterly cost reporting obligations and other terms and conditions of this Agreement. Grantee shall promptly return to City any amount of the Grant that has not been spent as of the Expiration Date stated in the Agreement.

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RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: City Manager

Exempt From Recording Fee Pursuant to
Government Code Sections 6103 and 27383

MEMORANDUM OF GROUND LEASE

This **MEMORANDUM OF GROUND LEASE** ("**Memorandum**") is hereby entered into as of [Date] by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.**, a California limited partnership ("**Tenant**").

RECITALS

A. Landlord and Tenant have entered into a "**Ground Lease**" dated concurrently herewith for that certain real property owned by Landlord ("**Property**"), which provides for the construction, maintenance, management and operation of a forty (40) unit Senior Agricultural Worker multifamily apartment project, to be made available long term at an affordable housing cost, property management office space, a community serving space and parking ("**Project**"). The Property is legally described in Exhibit A, which is attached hereto and incorporated herein by this reference. A copy of the Ground Lease is available for public inspection at the office of the Landlord, 501 Main Street, Half Moon Bay, CA 94019.

B. The term of the Ground Lease commences on the date of recordation of this Memorandum of Unrecorded Ground Lease in the Official Records of San Mateo County ("**Commencement Date**") and, subject to the provisions set forth in the Ground Lease and applicable law that may result in an earlier termination of the Ground Lease, continues until the ninety-ninth (99^{th}) anniversary of the Commencement Date.

C. The Ground Lease provides that a short form memorandum of the Ground Lease shall be executed and recorded in the Official Records of San Mateo County, California.

NOW, THEREFORE, the parties hereto certify as follows:

Landlord, pursuant to the Ground Lease, hereby leases the Property to Tenant upon the terms and conditions provided for therein. This Memorandum of Lease is not a complete summary of the Ground Lease, and shall not be used to interpret the provisions of the Ground Lease.

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"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

By:_____
Matthew Chidester, City Manager

Date: _____

Approved as to form:

_____
Denise Bazzano, Interim City Attorney

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its sole member/manager

By: _____
Ramie Dare
Vice President

Date: _____

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A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

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A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

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A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

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EXHIBIT A TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel “A”, as shown on that certain Map entitled “Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California”, filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13’ 55” East 649.12 feet (called North 8° 10’ East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31’ 07” West (called North 81° 18’ West in said Deed) 20.00 feet; thence leaving said line South 8° 13’ 55” West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30’ East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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555 Kelly Avenue - Affordable Housing Development

City Council – March 18, 2026

THE CITY OF HALF MOON BAY CALIFORNIA

Purpose

- Provide overview of Project and negotiations
- Review proposed deal structure (ground lease + AHPDA)
- Identify and Discuss Additional policy considerations
- Obtain Council direction on next steps

Project Overview

- **Developer:** Mercy Housing
- **Location:** 555 Kelly Avenue (City-owned site)
- **Project type:** 100% affordable housing
- **Target population:** Retired and Senior farmworkers
- **Unit Mix:**
  - **3** Studios
  - **34** 1-bedroom
  - **3** 2-bedroom (1 manager unit)
- **Max Occupancy:** 86

AHPDA Overview

- **The Affordable Housing and Property Disposition Agreement (AHPDA) is a contract between the City as the property owner, and Mercy as the developer, which governs the development, financing, and long-term operation of affordable housing at 555 Kelly.**
- **Key Terms:**
  - City retains ownership of the land
  - Mercy receives site control via long-term ground lease (separate but linked agreement)
  - AHPDA functions as the master development agreement controlling the project
  - Establishes terms and conditions on which City will ground lease the property to Developer
  - Obligates Developer to provide City with a Financing Plan for the Project and establishes the elements of that plan.
  - Establishes terms and conditions on which Developer will construct and operate the residential units as well as the residential common space, property management office, and community serving space.
  - Requires compliance with Affordability Covenants and creates obligation to enter into Regulatory Agreement.
  - Terminates upon issuance of Temporary Certificate of Occupancy for the project.

AHPDA Overview (continued)

- **Mercy Obligations:**
  - Construct the approved project (40 units + office and common space + community serving space + parking)
  - Comply with all entitlements, permits, and design approvals
  - Deliver project within defined timelines and milestones
  - *Includes provisions for default if project is not completed*

- **Affordability Requirements**
  - 100% affordable housing
  - Target population: Senior and Retired farmworkers 55+
  - Income targeting: Mix of units at 30% and 50% of Area Median Income (AMI)
  - Long-term affordability: 55+ years

AHPDA Overview (continued)

- **Tenant Preferences (in order):**
  - Half Moon Bay senior and current or retired farmworkers
  - Coastside senior and current or retired farmworkers (Coastside of San Mateo)
  - Broader San Mateo County senior and current or retired farmworkers
  - *Subject to fair housing laws and regulatory agreements*

- **Affordability Requirements**
  - Target population: Senior and Retired farmworkers 55+
  - Target incomes: Mix of units at 30% and 50% of Area Median Income (AMI)
  - Long-term affordability: 55+ years

Ground Lease Overview

- **The Lease Agreement enables a partnership where the City contributes the land (not cash) as a subsidy to deliver long-term affordable housing, while maintaining ownership and regulatory control.**
- **Key Terms:**
  - Term – 99 years.
  - Rent - $1 per year (utilities, taxes and maintenance paid by Mercy/tenants)
  - Reinforces affordability restrictions and preferences
  - Condition of Property/Warranties- As-is/ No Warranties.
  - Improvements-Tenant to construct Improvements at Tenant's costs and in compliance with plans and specifications and applicable laws.
  - Covenants- Affordability Restrictions as set forth in Ground Lease and Regulatory Agreement apply (Preference Program Included).
  - Surrender – establishes condition Property must be in upon termination or earlier expiration of the lease.
  - Insurance/Indemnity obligations set out.

Ground Lease Overview (continued)

- **Mercy Responsibilities:**
  - Term – 99 years
  - Rent - $1 per year
  - Restrictions – must be 100% affordable (minus manager's unit), senior and retired farmworkers
  - Maintenance and repair of Improvements
  - Must comply with all applicable Environmental Laws and not use Hazardous Materials

Revisions Summary (AHPDA)

- Section 5: Revised Section 5 (Right to Enter Property; As-Is; Physical and Environmental Condition) to specify that Developer has the ability to inspect and investigate the condition of the Property and that the Developer is leasing the Property from the City in an as-is condition, with no representations or warranties on the condition of the Property. Revisions were made to the General Release provisions in Section 5.2 to clarify the terms of the release and specify that the section survives termination of the Agreement.
- Section 5.3: Revised Section 5.3 (Indemnity) to make the language stronger for the City.
- Section 5.5: Revised Section 5.5 to clarify that Developer bears all cost for remediation of hazardous materials.
- Section 6.1: Made changes to Section 6.1 (Financing for Project Site) to specify that the Developer can make changes to the financing identified, but those changes are subject to advance written approval by the City.
- Section 7.2: In Section 7.2 established a requirement that a separate Regulatory Agreement be entered into and incorporated reference to the Regulatory Agreement throughout agreement, consistent with Ground Lease.

Revisions Summary (AHPDA) (continued)

- Section 8.1: Property Closing was revised to ensure that the Ground Lease and the Regulatory Agreement and other documents must be given to the Escrow Holder and that the Escrow Holder must record and deliver copies of the documents to the City once the conditions for the escrow have been satisfied. Section 8.2 (Property Closing Expenses) was revised to require the Developer to pay all the Property's closing expenses, including, among other things, transfer taxes and recording fees, since this is the typical practice.
- Section 10.4: Indemnity in Section 10.4 was revised to add clarification and terms to strengthen obligation to indemnify City.
- Section 10.5: Insurance Requirements in Section 10.5 were reviewed by City's Insurance Representative and Updated, include tenant's insurance, commercial general, automobile, workers' compensation and builder's risk insurance.
- Section 11: The affordability covenants in Section 11 were revised to clarify that the project must remain affordable for the duration of the Ground Lease term.

Revisions Summary (Lease)

- Recital C: Added reference to separate Regulatory Agreement in Recital C and throughout agreement to be recorded as an encumbrance on the title.
- Project: Expanded description of the Project by adding square footage and on-site and off-site parking requirements to definition of “Project”.
- Article 2 (Definitions): Added and/or revised a number of terms.
- Article 3 (Term): At Mercy’s request, we revised the term of the Ground Lease from 65 to up to 99 years.
- Article 4 (Rent) Clarified Section 4.3 (Utilities) relating to utilities to specify that Tenant shall establish utility accounts for utilities or services used by Tenant on or at the Property.
- Article 5 (Possession of Property) Revised Section 5.3 (Surrender of Property) to clarify the requirements for the surrender upon an early termination or at the expiration of the lease when the Property would be returned to the City.
- Article 6 (Representations and Warranties) Added a new section 6.3 (AS-IS; Release) to specify that the Tenant is leasing the Property in an as-is condition with no representations or warranties on the condition of the Property and to add a General Release of the City from any and all claims, causes of action, damages or losses that may be incurred by Tenant concerning the condition of the Property.
- Article 7(Construction of Improvements) clarified Section 7.1 to specify that the Tenant must construct the Improvements in accordance with other approved documents such as the plans and specifications and that the Tenant is responsible for paying the costs of construction, entitling, permitting, etc. Revised section 7.3 to require the Tenant to protect the Property from liens recorded against the Property.

Revisions Summary (Lease) (continued)

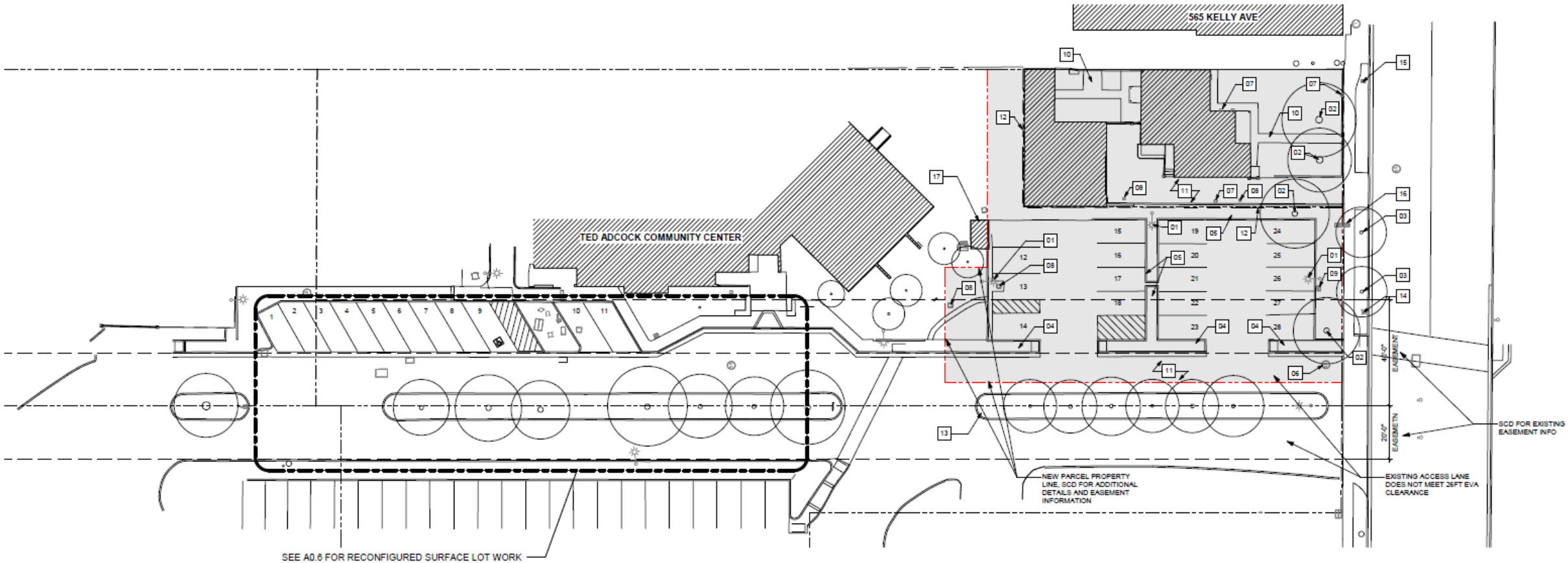
- Article 8 (Use of the Property) revised Section 8.1 to specify the affordability covenant is to be recorded as an encumbrance on the title to the Property.
- Article 9 (Insurance) Insurance Requirements were reviewed by City's Insurance Representative and Updated, include tenant's insurance, commercial general, automobile, workers' compensation and builder's risk insurance. Section 9.8 (Indemnification) was revised to specify that the counsel used to defend City must be acceptable to the City and to specify that the indemnity obligation may be triggered by Tenant's failure to perform any obligation or requirement under the Ground Lease or Regulatory Agreement and/or any activities, occupancy, access, acts, errors, omissions, performance and the like in connection with the Ground Lease.
- Article 10 (Maintenance and Repairs): Added various edits/specific requirements to maintenance and repair obligations, including adding specific time-frames related to Tenant's maintenance obligations.
- Article 12: Added a new Article 12 entitled Hazardous Materials to define and regulate Hazardous Materials and require that Tenant comply with applicable Environmental Laws and not engage in or permit any Hazardous Materials activity.
- Article 13(Damage or Destruction of Property or Improvements): Revised to clarify Tenant's obligations to restore the Property or the Improvements if there is damage to or destruction of the Property or the Improvements.
- Article 17(Subleasing): Revised to specify that subleasing to individual residential units were subject to Affordability Restrictions and occupancy covenants set forth in this Ground Lease and the Regulatory Agreement. Also, clarified sublease regulations relating to the 2,658 square foot tenant space on the ground floor of the Project for the operation of community-serving space.
- Article 22(General Provisions) Revised section 22.6 regarding Non-Liability of Landlord and its officials and employees to clarify that none of the "Landlord Personnel" have personal liability to Tenant. Also revised section 22.8 regarding holding over in the Property such that if Tenant holds over after the term without the City's permission, Tenant must pay market rate rent.

Traffic/Bike and Pedestrian Safety

- **City projects/plans**
  - HMB Highway 1 South Corridor Study
  - Safe Streets for All Road Safety Action Plan
  - Safe Streets for All Schools Improvement Plan – Cunha
  - E-Bike/E-Moto regulations
- **Caltrans State Route 1 Multi Asset Project (SHOPP)**
  - Intersection improvements at Kelly/Highway 1
- **Potential Transit Authority Highway 1 Crossing Improvement Plan**

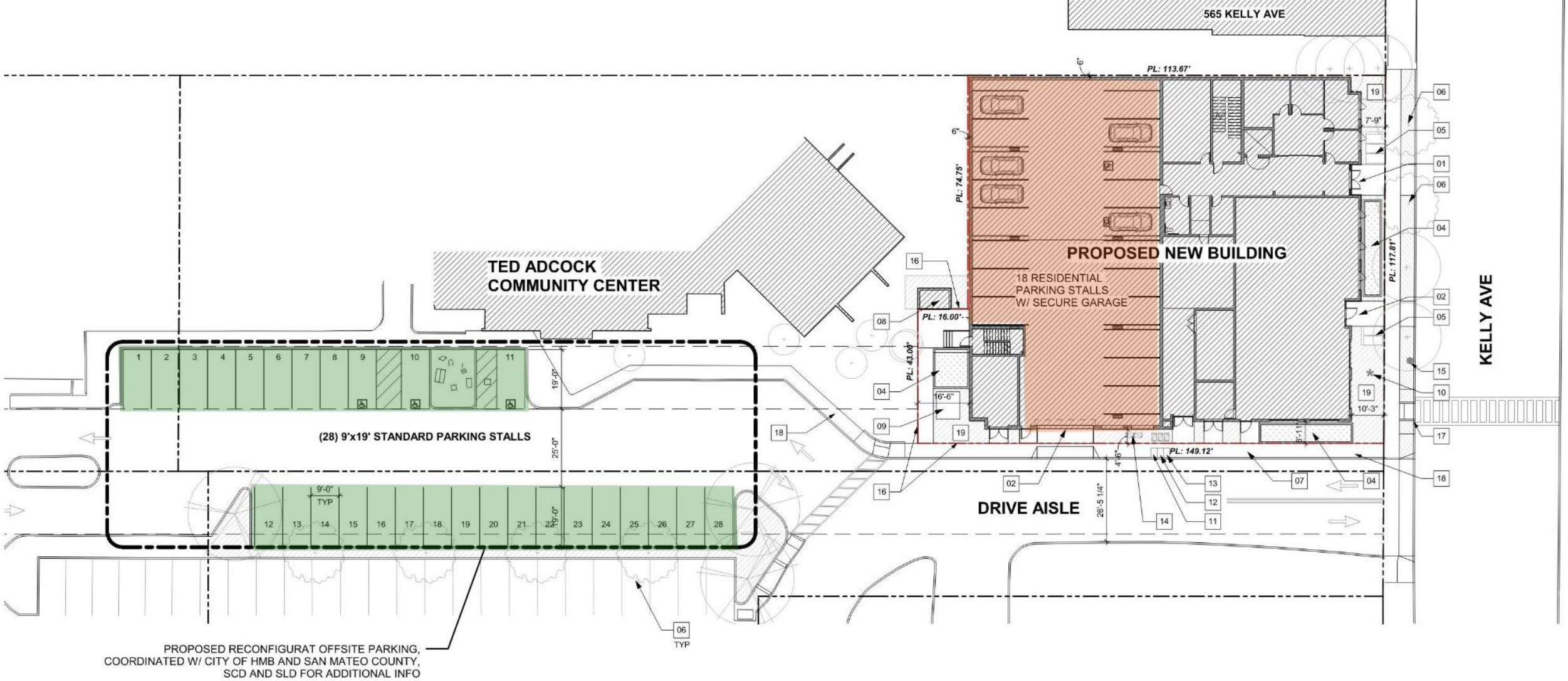
Parking Management

- **18 on-site spaces + 32 bicycle spaces**
- **28 public spaces at TACC**
- **2 spaces at Abundant Grace (515 Kelly)**
- **5 spaces at ALAS (507 Purissima)**
- **Potential shared use with County at Coastside Clinic**
- **900+ public parking spaces within ½ mile**
  - 35 ADA parking spaces



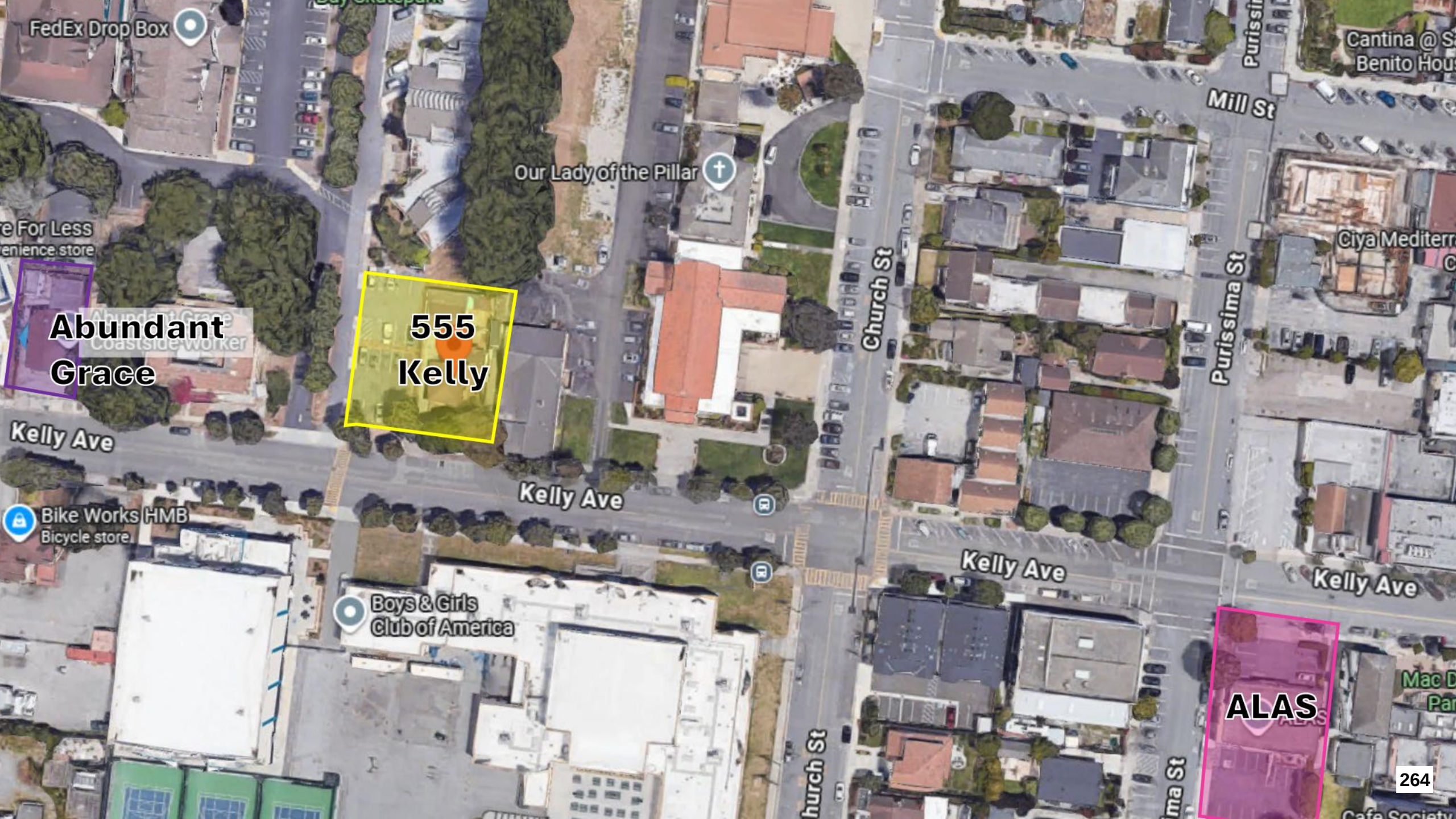
1 / A0.5 **EXISTING SITE PLAN**

SCALE: 1" = 20'-0"



PARKING

TACC PARKING LOT BEING REMOVED	18 SPACES
TACC PARKING LOT RECONFIGURATION	28 SPACES (10 EXISTING SPACES + 18 NEW SPACES CREATED TO REPLACE THOSE BEING REMOVED)
NEW ON-SITE RESIDENTIAL PARKING IN GARAGE	18 SPACES (0.45 PER UNIT)


FedEx Drop Box
Our Lady of the Pillar
Abundant Grace
555 Kelly
Kelly Ave
Kelly Ave
Bike Works HMB
Bicycle store
Boys & Girls Club of America
Church St
Purissima St
Mill St
Kelly Ave
Kelly Ave
ALAS
264

John L Carter Memorial Park
Mill St
Half Moon Bay
Johnston St
Main St
Zaballa House
Giorghetti Building
Correas St
Purissima St
Half Moon Bay Branch San Mateo County Library
Myrtle St
Main St
Pilarcitos Creek
Church St
7-Eleven
Manuel F. Cunha Intermediate School
Half Moon Bay Police Department
Manuel F Cunha Intermediate School
Kelly St
San Mateo Rd
Alliance
Amesport Lndg
Cabrillo Hwy S
Cabrillo Hwy S
1
265

State Funding Earmark

- $2 million in 2023-24 State Budget – Senator Becker
- Currently in City AHF – set aside for 555 Kelly
- Grant Agreement with Mercy - similar to County ARPA grant?
- Timing?

THANK YOU

555 Kelly Ave Special Study Session
Of the Half Moon Bay City Council
March 18, 2026

555 Kelly
Affordable Senior Farmworker Housing

- **Head of Household must be a current or retired farmworker who is a senior 55 years or older**
- Aligned with CDP COA + Serna Farmworker Grant of $13.35 M
- **Other household members** will be restricted to persons who are 18 years or older except for a disabled child or grandchild per the CA Civil Code

Half Moon Bay, Coastside and County Preferences

Units will be offered to applicants according to this order:

- ***First Preference:*** Senior is a current or retired agricultural worker who lives or works in **Half Moon Bay**.

- ***Second Preference:*** Senior is a current or retired agricultural worker who lives or works in the **Coastside** of San Mateo County: Pacifica, Montara, Moss Beach, Princeton, El Granada, Miramar, San Gregorio, Pescadero.

- ***Third Preference***: Senior is a current or retired agricultural worker who lives or works in **County of San Mateo.**

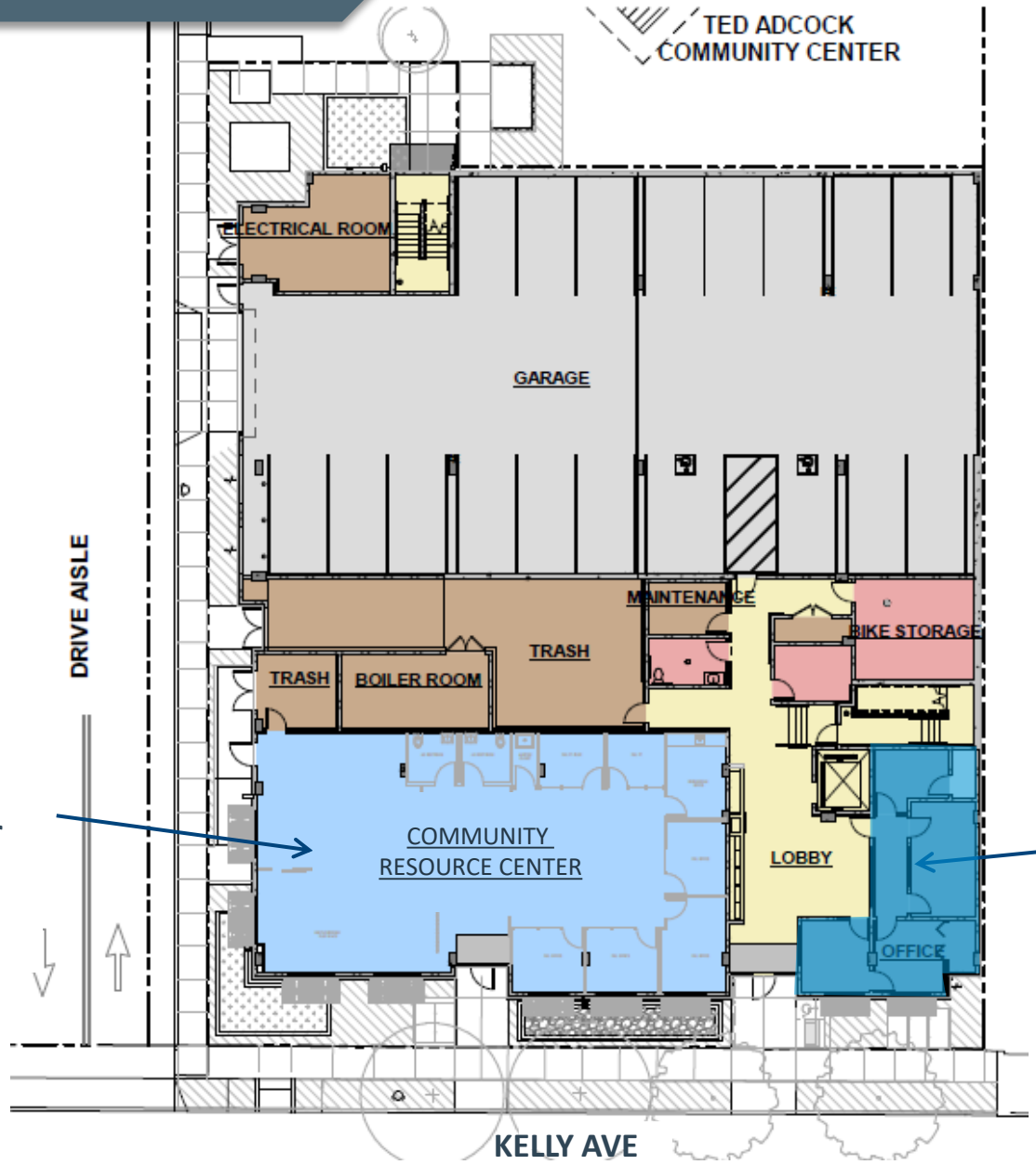
City Ordinance for Half Moon Bay and Coastside Preferences to be researched, drafted and adopted in 2026

Unit Mix

Unit Type	Feasible Unit Mix	Max persons per unit	Max # of occupants
Studios	3	2	6
1-bedroom	34	2	68
2-bedroom	3	4	12
TOTAL	**40**		**86**

- Meets COA by replacing 6 two-bedroom units with 6 one-bedroom units
- Meets COA to be competitive for financing
- Generates rental income for maintenance, utilities, taxes and other costs
- Seniors can age in place in suitably sized apartment home
- Only 4 more potential residents compared to Original 2020 Mix

Ground Floor Plan



CIRCULATION
- 1,324 SF

COMMON
- 345 SF

COMMUNITY RESOURCE CENTER
- 2.663 SF

RESIDENTIAL MANAGEMENT OFFICE
- 710 SF

SERVICES
- 1,735 SF

PARKING
- 6,126 SF

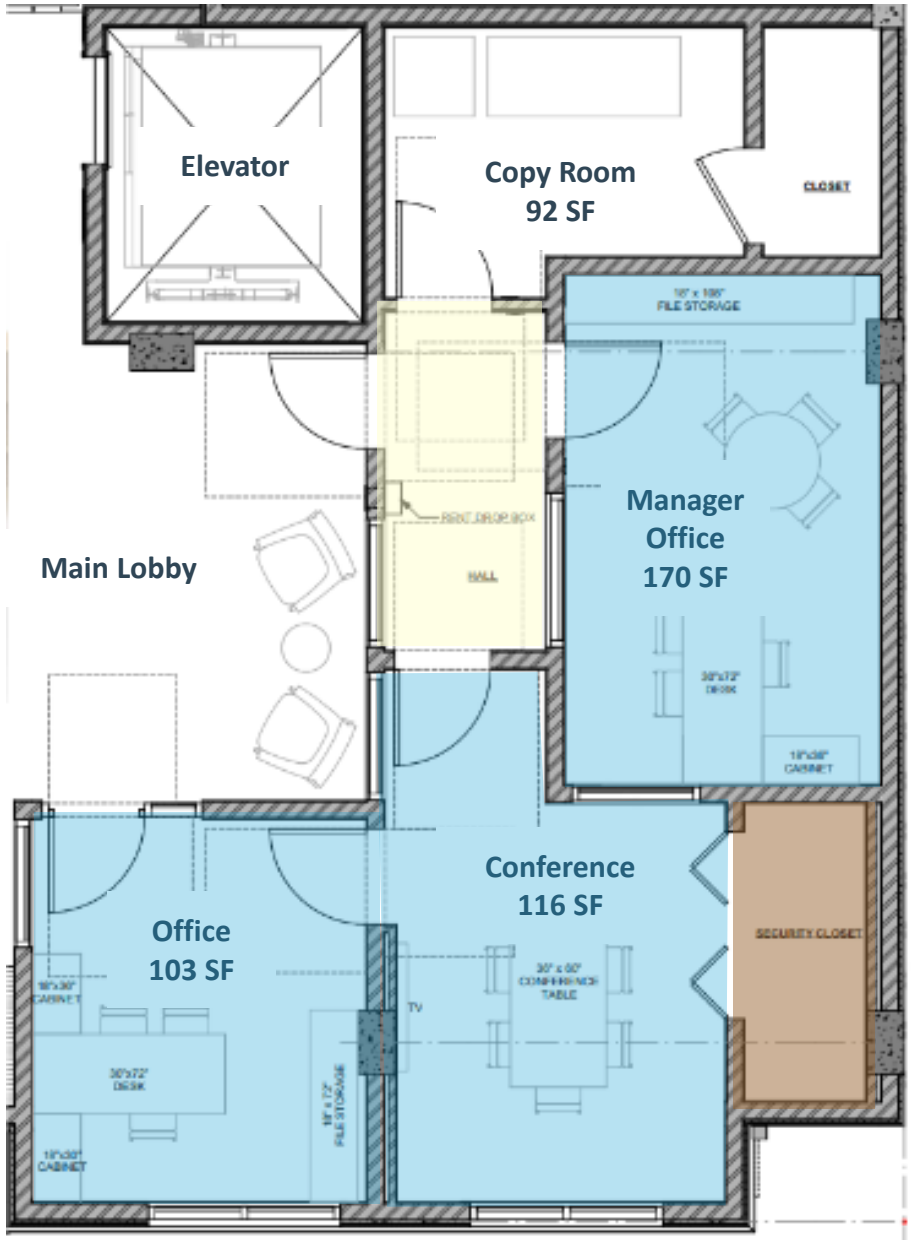
TOTAL GROSS AREA – 13,694 SF

Community Resource Center 2,663 sf

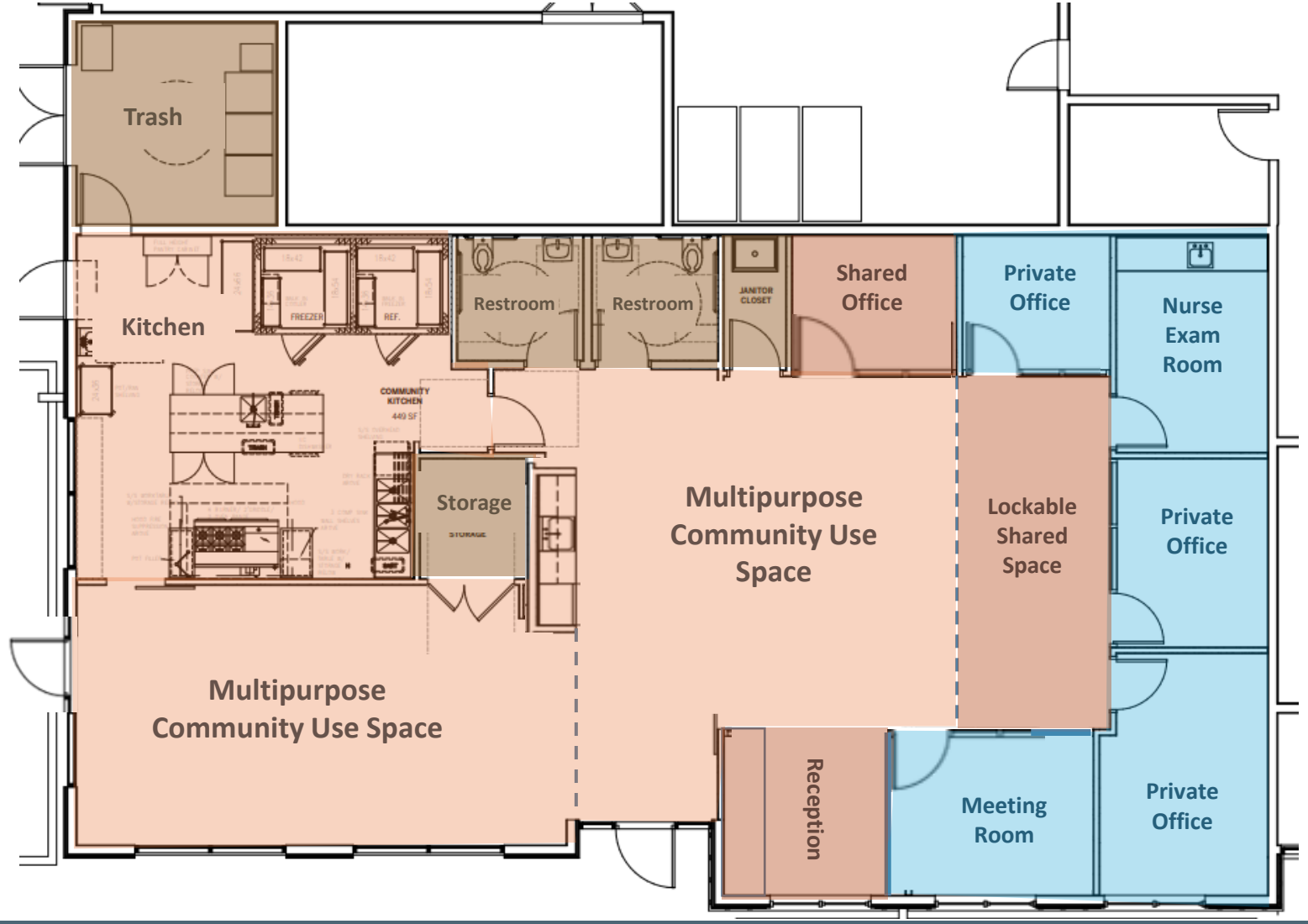
Mercy Residential Management Offices 710 sf

Ground Floor Plan: Residential Management Offices

Mercy Residential Management Offices
Total 710 SF



Ground Floor Plan: Community Resource Center



Community Resource Center Total 2,663 SF
Space Allocation: 22% ALAS Service Offices, 78% Multipurpose Community Space

Building Height: Comparison of RFQ and Current Designs

2020 Response to City RFQ

49’6” tall at top of parapet

45’ tall at roof deck

Current Design

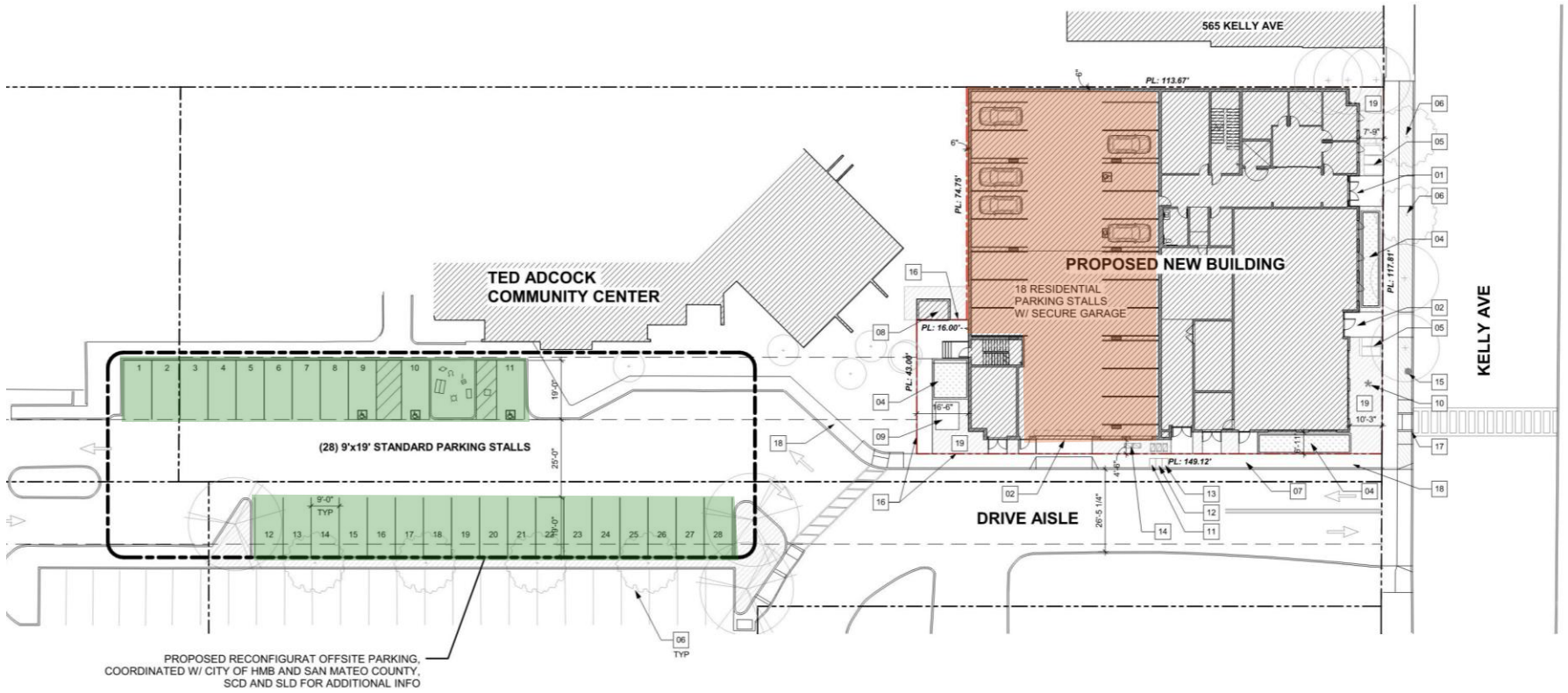
54’6” tall at 5 story portion (5 ft change)

45’6’ tall at 4 story portion

Building Height Relationship to Nearby Buildings

Site Parking Plan

- **555 Kelly residential garage parking:** 18 autos and 32 bicycles
- **TACC:** 28 public spaces / residential overnight use

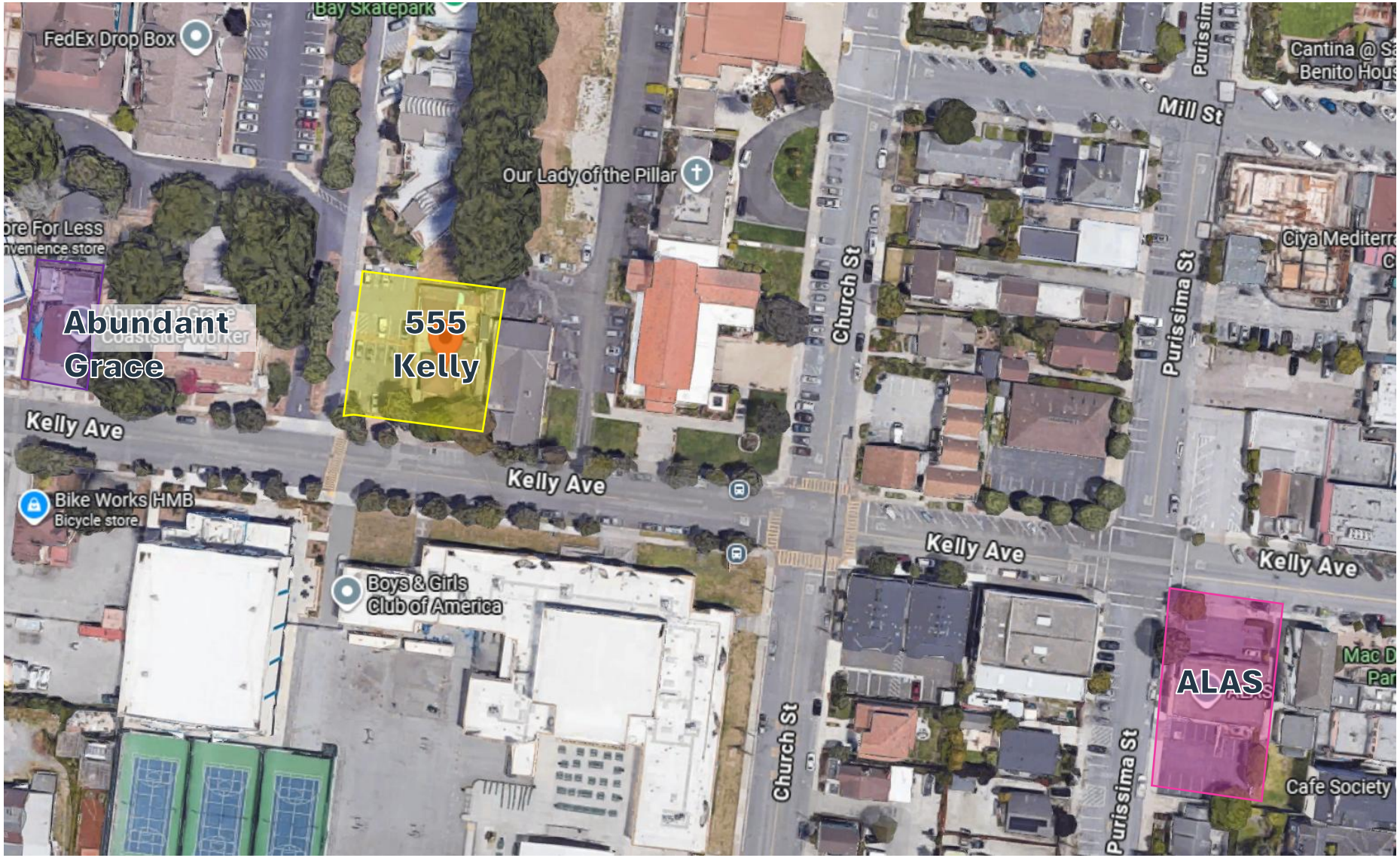


PARKING

TACC PARKING LOT BEING REMOVED	18 SPACES
TACC PARKING LOT RECONFIGURATION	28 SPACES (10 EXISTING SPACES + 18 NEW SPACES CREATED TO REPLACE THOSE BEING REMOVED)
NEW ON-SITE RESIDENTIAL PARKING IN GARAGE	18 SPACES (0.45 PER UNIT)

Additional Parking

- **555 Kelly residential garage parking:** 18 autos and 32 bicycles
- **ALAS:** 5 spaces residential daytime/overnight use, weekend
- **Abundant Grace:** 2 spaces residential overnight use, weekend
- **TACC:** 28 Spaces residential use overnight, weekend



Parking Schedule

- **Per DKS: 0.61 - 0.80 spaces for each unit**
- Off Street Residential Parking – 25-32 Spaces
- ***As entitled with Workforce Housing Overlay (WHO) and Super Density Bonus, as 100% affordable, there are no minimum parking requirements for 555 Kelly.*

Car Parking Available	Weekday	Weeknight	Weekends	Notes
Off Street spaces inside 555 Kelly garage	18	18	18	2 ADA spaces. Access control.
ALAS Wellness Center at 507 Purissima	5	5	5	Two lots 1.5 blocks away. Bus is parked at large lot 2 hours M-F.
Abundant Grace at 515 Kelly Ave	0	2	2	1/2 block away. M-F 4:15pm-7am, and all day weekends
Ted Adcock Comm Center Lot (*shared*)	0	28	28	Rebuilding 28 spaces. 3 ADAs. Per COA, residential after hours and overnight parking is allowed. Shared parking agreement required. Overnight parking 7:30 pm - 8:30 am with permit.
Total Available	***23***	***53***	***53***	

- Total available parking: **53 Spaces** = 1.33 spaces for each unit
- Total available parking not including TACC: **25 Spaces** = .63 spaces for each unit
- Mercy comparable suburban senior properties average .64 spaces for each unit

555 Kelly St Parking Map

Parking Inventory

- Parking Space (1028)
- ADA Parking Space (35)
- Crosswalks
- Red Curb (Pre Daylighting Law)

- **City Street Parking Survey**
- Green highlights available street parking spaces

Artistic Renderings of Current Design

Artistic Renderings of Current Design

Artistic Renderings of Current Design

Upper Floor Plans

2nd Floor / Courtyard
Includes the courtyard, laundry and community rooms

3rd and 4th Floors
Stacks of units some of which face the courtyard

5th Floor
Consists of smaller units mostly studios and is significantly set back from the street edges

Joe Serna, Jr. Farmworker Housing Grant Program

Definitions

Agricultural Worker – an individual who derives, or prior to retirement or disability derived, a substantial portion of his/her income from Agricultural Employment

Agricultural Employment - means employed in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

Affordability & Unit Mix

Unit Type	Total Units	Number of Units at 30% AMI	30% AMI Monthly Rent	Number of Units at 50% AMI	50% AMI Monthly Rent
Studios	3	2	$ 957	1	$ 1,621
1-bedroom	34	7	$ 1,015	27	$ 1,727
2-bedroom	2	1	$ 1,203	1	$ 2,057
2-bedroom Manager Unit	1				
Total	**40**	**10**		**29**	

AMI is Area Median Income

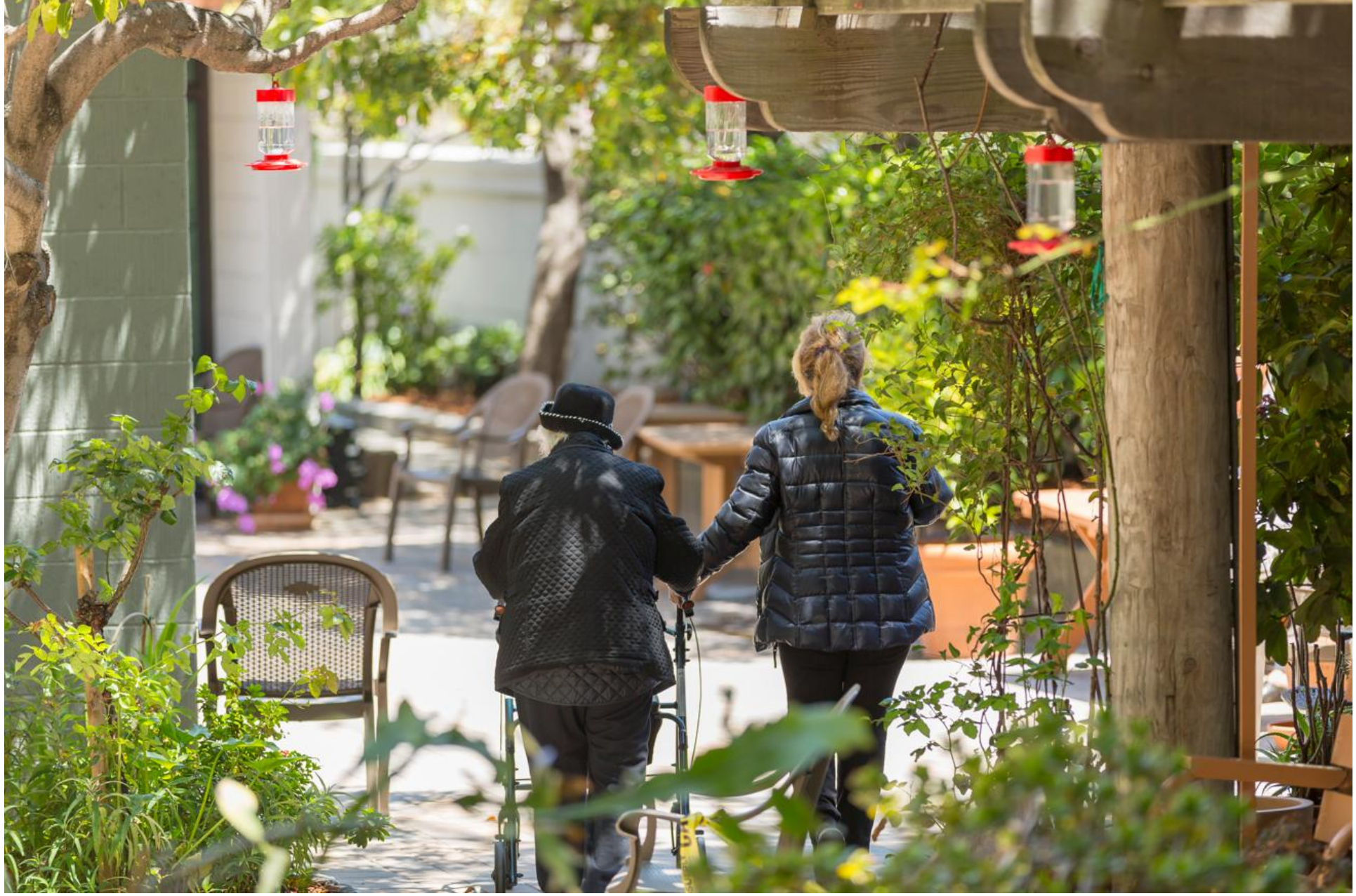
Monthly Rent per 2025 Rent published by San Mateo County less Utility Allowance

Financing Plan

CA Serna Farmworker Housing Program	$	13,350,000	Secured
State Earmark: Senator Josh Becker	$	2,000,000	Secured
CA Infrastructure Infill Grant	$	2,756,304	Secured
San Mateo County ARPA	$	1,141,234	Secured
San Mateo County AHF	$	7,750,000	Application in 2026
Federal Earmark: Anna Eshoo	$	1,800,000	Secured
Low Income Housing Tax Credit Program	$	15,143,778	Application in 2026
Total Sources	**$**	**43,941,316**	

Development Uses (Costs)

Demolition, TACC Parking Reconfiguration and Infrastructure Required for Project	$	2,756,304
New Building Construction	$	28,530,377
Architecture, Engineering, Construction Supervision	$	2,017,665
Local Permit and Utility Fees	$	1,730,431
Financing Costs: Construction Interest and Insurance, Lender Fees, Reserves, Other	$	8,531,539
Furnishings, Marketing and Lease Up	$	375,000
Total Development Costs	$	43,941,316



Thank You

GROUND LEASE

By and Between

CITY OF HALF MOON BAY

"Landlord"

and

MERCY HOUSING CALIFORNIA 110, L.P.

"Tenant"

DRAFT

Dated as of _____ __, 2026

GROUND LEASE

This **GROUND LEASE** ("**Ground Lease**") dated as of _____ ("**Effective Date**"), is entered into by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.,** a California limited partnership ("**Tenant**").

R E C I T A L S

A. Landlord owns fee title to that certain real property located at 535 and 555 Kelly Avenue, in the City of Half Moon Bay, State of California more particularly described in Exhibit ~~"A"~~A, which is attached hereto and incorporated herein by this reference ("**Property**").

B. Tenant is controlled by an experienced owner, developer and manager of affordable housing for low and moderate-income families.

C. Landlord entered into an Affordable Housing and Property Disposition Agreement with Tenant, dated as of _____ __, 2026 ("**Agreement**"). Landlord will also enter into a regulatory agreement with Tenant ("**Regulatory Agreement**"), which will be recorded as an encumbrance on title to the Property and evidence the obligations of Tenant with respect to the Affordability Restrictions (as defined below).

D. The Agreement provides for Landlord to ground lease the Property to Tenant, and for Tenant to (i) construct and operate a forty (40) unit ~~senior farmworker~~ Senior Agricultural Worker multifamily apartment project with all but one (1) of such units restricted for occupancy by extremely low and very low income households, as further described in Section 8.1 ("**Affordability Restrictions**"), (ii) construct and operate, or provide for the operation of, residential common space and property management office space, (iii) construct and provide for the operation of an approximately ~~2,600~~ 2,658 square feet community-serving space, and (iv) provide parking spaces for 18 on-site parking spaces (including two (2) ADA spaces) and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces (collectively, "**Project**").

E. All conditions precedent to the parties entering into this Ground Lease have been satisfied or waived by the applicable party.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, Landlord and Tenant agree as follows:

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ARTICLE 1. LEASE OF THE PROPERTY

1.1 Ground Lease of the Property; Acquisition of Improvements. Landlord leases the Property to Tenant, and Tenant leases the Property from Landlord, on the terms and conditions as set forth in this Ground Lease. Pursuant to the Agreement and subject to the provisions of Section 5.3 hereof, concurrent with the Effective Date of this Ground Lease Tenant will acquire title to all Improvements on the Property and hold title to such Improvements during the Term hereof. For purposes of this Ground Lease, the Property is the leased premises.

1.2 Purpose of Ground Lease. The purpose of this Ground Lease is to provide for the construction, maintenance, repair, management and operation of the Project as a forty (40) unit ~~senior farmworker~~ Senior Agricultural Worker multifamily apartment project, encumbered by the Regulatory Agreement, with a ground floor community serving space and a property management office. Tenant will not occupy or use the Property, nor permit the Property to be occupied or used, nor do or permit anything to be done in or on the Property, in whole or in part, for any other purpose.

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1.3 Recorded Encumbrances. This Ground Lease, the interests of Landlord and Tenant hereunder, and the Property, are in all respects subject to and bound by all of the covenants, conditions, restrictions, reservations, rights, rights-of-way, and easements of record prior to the recordation of this Ground Lease.

1.4 Memorandum of Ground Lease. A short form Memorandum of Ground Lease referring to this Ground Lease, substantially in the form attached hereto and incorporated herein as "Exhibit B", shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records of the County of San Mateo, California ("**Official Records**").

1.5 Regulatory Agreement. The Regulatory Agreement, substantially in the form attached hereto and incorporated herein as "Exhibit C", shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records.

ARTICLE 2. DEFINITIONS.

Capitalized terms used herein are defined where first used in this Ground Lease and/or as set forth in this Article 2. All capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement. For the purpose of supplying such definitions, the Agreement, notwithstanding anything contained therein or herein to the contrary, shall not merge with this Ground Lease.

"**Adjusted AMI**" has the meaning in Section 8.1.1.

"Affiliate" means any "Person," directly or indirectly, "Controlling" or "Controlled" by or under common "Control" with such Person, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company,

limited liability company, partnership, trust, unincorporated organization, or other entity of any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"Affordability Restrictions" has the meaning set forth in Recital D.

"Agreement" has the meaning set forth in Recital C.

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"ALAS" means Ayudando Latinos A Soñar (ALAS), the currently approved operator of the ground-floor community serving space.

"Assignee" has the meaning set forth in Section 19.1.4.

"Base Rent" means the sum of One Dollar ($1.00) per year.

"Certificate of Occupancy" means the temporary or final certificate of occupancy issued by City for the Project.

"**City**" means the City of Half Moon Bay.

"City Manager" means the person duly appointed to the position of City Manager, or his or her designee.

"Commencement Date" means the date upon which the Memorandum of Ground Lease is recorded in the Official Records.

"CPI Adjustment" means the percentage increase in the cost of living index, as measured by the Consumer Price Index for all urban consumers, San Francisco-Oakland-Hayward statistical area, all items (1982-84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics ("CPI") between the CPI figure in effect as of the date on which the final Certificate of Occupancy is issued and the CPI figure in effect as of the date on which an adjustment is made. If such index is discontinued or revised, such other index with which such index is replaced (or if not replaced, another

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index which reasonably reflects and monitors consumer prices) shall be used in order to obtain substantially the same results as would have been obtained if the discontinued index had not been discontinued or revised. If the CPI is changed so that the base year is other than 1982-84, the CPI shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

~~**"Director"** means the person duly appointed to the position of Director of Landlord, or his or her designee. The Director shall represent Landlord in all matters pertaining to this Ground Lease. Whenever a reference is made herein to an action or approval to be undertaken by Landlord, the Director is authorized to act unless this Ground Lease specifically provides otherwise or the context should otherwise require.~~

"Disability" means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

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"Environmental Laws" has the meaning set forth in Section ~~12.1(b~~12.1(B).

"Event of Default" has the meaning set forth in Article ~~18~~19.

"First Preference," "Second Preference" and "Third Preference" each have the meaning set forth in Section 8.5.

"Foreclosure Transferee" means any Mortgagee or other transferee of the leasehold interest under this Ground Lease as a result of a judicial foreclosure, non-judicial foreclosure or assignment of the leasehold in lieu of foreclosure.

"Governmental Requirements" means all past, present and future laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State of California, the City, or any other political subdivision in which the Property is located, and any other state, county city, political subdivision, agency, instrumentality or other entity exercising jurisdiction over the Property, including common law.

"Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under

Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any Governmental Requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"Hazardous Materials Activity" has the meaning set forth in Section ~~12.1(c~~12.1(C).

"**HCD**" means the California Department of Housing and Community Development.

"**Head of Household**," means, for purposes of this Agreement, a Senior Agricultural Worker who submits an application to Reside in the Project.

"HUD" means the U.S. Department of Housing and Urban Development.

"Impositions" means all taxes (including, without limitation, sales and use taxes); assessments (including, without limitation, all assessments for public improvements or benefits whether or not commenced or completed prior to the Commencement Date and whether or not to be completed within the Term); water, sewer or other rents, rates and charges; excises; levies; license fees; permit fees; inspection fees and other authorization fees and other charges; in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including all interests and penalties thereon), which are attributable or applicable to any portion of the Term and may be assessed, levied, confirmed, or imposed on or in respect of, or be a lien upon (a) the Property or the Improvements, or any part thereof, or any estate, right, or interest therein, (b) any occupancy, use, or possession of or activity conducted on the Property or the Improvements, or any part thereof, or (c) this Ground Lease. The term "Impositions" shall also include any and all increases in the foregoing, whether foreseen or unforeseen, ordinary or extraordinary, including, without limitation, any increase in ~~real property taxes~~ Real Property Taxes resulting from a sale of the Property by Landlord.

"Improvements" means all buildings, structures and other improvements, including the building fixtures thereon, now located on the Property or hereafter constructed on the Property; all landscaping, fencing, walls, paving, curbing, drainage

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facilities, lighting, parking areas, roadways, and similar site improvements now located or hereafter placed upon the Property.

"Landlord and Landlord Personnel" means Landlord and ~~their~~ its respective directors, officers, officials, members, employees, agents, representatives, and volunteers.

"Loss" has the meaning set forth in Section 9.8.

"Maintenance Standards" means those standards set forth in Article 10 ~~hereof~~.

"Memorandum of Ground Lease" refers to the memorandum of ground lease which has been recorded as described in Section 1.4.

"Mortgage" has the meaning set forth in Section ~~15.1~~ 16.1 of this Ground Lease. The term "Mortgage" shall include the deed of trust recorded in favor of _____ as the senior construction lender, _____, as construction loan [TO INSERT AT CLOSING] secured by Tenant's leasehold interest in the Property.

"Mortgagee" has the meaning set forth in Section ~~15.1~~ 16.1 of this Ground Lease and shall include the Mortgage in favor of construction lender .

"Notices" has the meaning set forth in Section 22.1.

"Official Records" has the meaning set forth in Section 1.4.

"Partnership Agreement" means the agreement which sets forth the terms of Tenant's limited partnership, as such agreement may be amended from time to time.

"Plans" means the plans and specifications for the construction of the Project, a set of which, initialed by Tenant, are on file in the offices of Landlord.

"Project" has the meaning set forth in Recital D above and includes and all on-site improvements necessary to serve the development, all as more particularly described in the Agreement.

"Property" has the meaning set forth in Recital A above.

"Real Property Tax" has the meaning set forth in Section 4.4.3 of this Ground Lease.

~~**"Rent"** means the rent payable pursuant to Article 4 of this Ground Lease.~~

"Regulatory Agreement" has the meaning set forth in Recital C.

"Rent" means the rent payable pursuant to Article 4 of this Ground Lease.

"**Reside**" means the location of an individual's permanent residence.

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"**Resident Subleases**" has the meaning in Article 17.

"Resource Center Sublease" has the meaning in Article 17.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Spouse**" means, for purposes of this Ground Lease, a person legally married to another, as recognized by the State of California, and includes same-sex marriages and registered domestic partners.

"**Sublease**" means an agreement pursuant to which Tenant leases a portion of the Project to another tenant, referred to as a subtenant, pursuant to the terms and conditions of this Ground Lease.

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"TCAC" means the California Tax Credit Allocation Committee.

"**Tenant Party**" has the meaning given to it in Section 12.3.

"Term" has the meaning set forth in Article 3 of this Ground Lease.

"Transaction Documents" means, collectively, the Agreement (until such time as the Agreement, by its terms, terminates), and the Ground Lease.

"**Week**" means a seven-day calendar period starting with Sunday and continuing through Saturday.

"**Weekend**" means the days of Saturday and Sunday during a Week.

"Work" means the particular days of the Week during which an individual regularly performs work or fulfills duties for wages or salary.

"**Work Week**" means the days of Monday through Friday during a Week.

ARTICLE 3. TERM.

The term of this Ground Lease ("**Term**") shall commence on the date of recordation of the Memorandum of Ground Lease in the Official Records ("**Commencement Date**") and, subject to the provisions set forth in this Ground Lease and applicable law that may result in an earlier termination of this Ground Lease, shall continue until the ninety-ninth (99th) anniversary of the Commencement Date.

ARTICLE 4. RENT.

4.1 Rent. On the Effective Date, Tenant shall pay to Landlord Base Rent.

4.2 Payment of Rent. All Rent that becomes due and payable pursuant to this Ground Lease shall be paid to Landlord at the address listed in Section 21.1 or such other place as Landlord may from time to time designate by written notice to Tenant without notice or demand, and without setoff, counterclaim, abatement, deferment, suspension or deduction. Except as expressly provided herein or in the Agreement, under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Landlord be expected or required to make any payment of any kind whatsoever or to perform any act or obligation whatsoever or be under any obligation or liability hereunder or with respect to the Property.

4.3 Utilities. Tenant shall be responsible for the payment of and shall establish accounts for all and each of water, gas, electricity, refuse collection and disposal, internet service, broadband coverage, and/or other communication system fees, and all other utilities or services used by Tenant on or at the Property. Landlord expressly has no obligation regarding provision of or payment for any utilities serving the Property.

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4.4 Taxes and Assessments.

4.4.1 Notice of Possessory Interest; Payment of Taxes and Assessments on Value of Entire Property. In accordance with California Revenue and Taxation Code Section 107.6(a), Landlord notices Tenant that by entering into this Ground Lease, a possessory interest subject to assessment and collection of property taxes may be created. Tenant or other party in whom the possessory interest is vested may be subject to the payment of property taxes levied on such interest. If possessory interest taxes are assessed, Tenant agrees it is responsible for payment thereof and Landlord has no obligation or liability of any kind or nature relating to payment of property taxes. Tenant shall, at its sole cost and expense, seek exemption from, or contest the payment of, assessments and the collection of property taxes pursuant to Revenue and Taxation Code Section 214, or a successor statute. During the pendency of such contest or request for exemption, Tenant's non-payment of assessments or taxes when due shall not constitute a default hereunder if (i) the validity of such assessments and taxes is actively contested in good faith and by appropriate proceedings, (ii) Tenant has demonstrated to Landlord's reasonable satisfaction that leaving such assessments or taxes unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such assessments or taxes or otherwise impair Landlord's estate in the Property, (iii) Tenant has furnished Landlord with a bond or other security satisfactory to Landlord in an amount not less than 100% of the applicable claim (including interest and penalties), and (iv) upon the final disposition of such proceedings, Tenant shall promptly pay all taxes and assessments then due, inclusive of any unpaid accrued penalties and interest. Landlord is a political subdivision of the State of California, and no property taxes will be or are legally assessable against its fee interest.

4.4.2 Payment of Taxes and Impositions. Subject to any applicable exemptions, Tenant is responsible for and shall pay the real property and/or possessory interest taxes and other Impositions applicable to the Property during the Term of this Ground Lease. Except as provided in Section 4.4.1, all such payments shall be made prior to the delinquency date of such payment. Tenant shall promptly furnish Landlord

with satisfactory evidence that such taxes and Impositions have been paid or that an exemption from such taxes has been obtained. If any such taxes and Impositions paid by Tenant shall cover any period of time prior to or after the expiration of the Term, Tenant shall have sole responsibility for seeking any reimbursement due from the appropriate taxing entity. If Tenant fails to pay any such taxes or Impositions, Landlord shall have the right to pay the same, in which case Tenant shall repay such amount to Landlord within ten (10) days after demand from Landlord together with interest at the rate set forth in Section 4.5.

4.4.3 Definition. As used herein, the term "~~real property tax~~Real Property Tax" shall include any form of real estate tax or assessment (including, without limitation, on possessory interests), general, special, ordinary, or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income, or estate taxes) imposed on the Property or any interest (including, without limitation, possessory interests) therein by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Landlord or Tenant in the Property or in the real property of which the Property are a part, as against Landlord's right to rent or other income therefrom, and as against Landlord's business of leasing the Property. The term "~~real property tax~~Real Property Tax" shall also include any tax, fee, levy, assessment, or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "~~real property tax,"~~ Real Property Tax," or (ii) the nature of which was hereinbefore included within the definition of "~~real property tax,"~~ Real Property Tax," or (iii) which is imposed as a result of a transfer, either partial or total, of Landlord's interest in the Property or which is added to a tax or charge hereinbefore included within the definition of ~~real property tax~~ Real Property Tax by reason of such transfer, or (iv) which is imposed by reason of this lease transaction, any modifications or changes hereto, or any transfers hereof.

4.4.4 Personal Property. Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment, and all other personal property of Tenant contained in the Property or elsewhere. When possible, Tenant shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

4.4.5 Apportionment. If any of Tenant's said personal property shall be assessed with Landlord's real property, first Tenant shall advise the County of San Mateo Tax Assessor and Tax Collector of the same in writing, and Tenant shall pay Landlord the taxes attributable to Tenant not later than the later of (a) ten (10) days after receipt of a written statement setting forth the taxes applicable to Tenant's property, or (b) thirty (30) days prior to the date said taxes are due and payable.

4.5 Overdue Interest. Any amount due to Landlord, if not paid when due and on or before expiration of the period for cure as set forth herein, after Landlord's delivery of notice thereof to Tenant, shall bear interest from the date due until paid at the lower of: (a) the reference or prime rate of Bank of America, N.T. & S.A., in effect from time to time

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plus three percent (3%); or (b) the highest rate of interest allowed under applicable usury law.

4.6 Right to Audit. Tenant shall keep full and accurate books of account, records, and other pertinent data with respect to operations of the Project. Such books of account, records, and other pertinent data shall be kept for at least five (5) years. At any time, Landlord shall be entitled to examine and conduct an independent audit of all of Tenant's books of account, records, and other pertinent data for the prior three (3) years.

ARTICLE 5. POSSESSION OF PROPERTY.

5.1 Acceptance of Premises. As further described in Section 6.3, Tenant hereby accepts the Property as-is and acknowledges that the Property is in the condition called for by the Agreement and this Ground Lease.

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5.2 Ownership of Improvements. Unless otherwise provided herein, during the Term of this Ground Lease, as it may be extended pursuant to the terms hereof, title to all Improvements, now existing or later made, on the Property are and shall be vested in Tenant as set forth in Article 11 ~~hereof~~.

5.3 Surrender of Property.

5.3.1 Expiration or Termination. Tenant agrees that on the expiration or earlier termination of the Term, the leasehold estate hereby granted to Tenant shall terminate unless extended by mutual agreement of Landlord and Tenant. Upon such termination, the leasehold estate shall be forfeited and shall revert to Landlord, its successors and assigns, and all Improvements on the Property shall become the property of Landlord, its successors and assigns, free and clear from any liens or claims whatsoever (other than non-monetary liens previously approved or otherwise accepted in writing by Landlord), in good condition and repair and in compliance with the Maintenance Standards described in Section 10, reasonable wear and tear excepted, without further compensation therefor from Landlord to Tenant or any other person. Following any such expiration or termination, Tenant shall execute, acknowledge and deliver to Landlord a quitclaim deed, or other document required by a reputable title company and reasonably acceptable to Landlord, conveying all Tenant's right, title, and interest in and to the Property and the Improvements to Landlord. In the event Tenant receives a written default notice relating to or arising from any Construction Loan, Take-Out Loan, or any mortgage, deed of trust, or security instrument secured by the leasehold interest granted hereunder, the Property or the Improvements, or from HCD, the California Debt Limit Allocation Committee, the Internal Revenue Service, or any other agency or entity that provided any form of financing to the Project, then Tenant shall provide written notice of such alleged default to ~~the Director~~ City Manager within five (5) days of receipt thereof. Tenant hereby irrevocably appoints Landlord as Tenant's agent and attorney-in-fact (such agency being coupled with an interest), and as such agent and attorney-in-fact Landlord may, without the obligation to do so, in Tenant's name, or in the name of Landlord, prepare, execute and file or record such statements, applications, and other documents necessary to create, perfect, or preserve any of Landlord's interests and rights in or to the

Property and any of the Improvements, and, upon the expiration or earlier termination of the Term, take any other action required of Tenant.

5.3.2 Condition. On expiration or earlier termination of the Term and in furtherance of the provisions relating to surrender of the Property set forth in Section 5.3.1 above, Tenant shall peaceably and quietly leave and surrender the Property and the Improvements to Landlord in good order, condition, and repair and in compliance with the Maintenance Standards, reasonable wear and tear excepted, free of debris, waste and Hazardous Materials. Tenant shall leave in place and in good order, condition, and repair, all fixtures and machinery; except (if Tenant is not then in default under this Ground Lease) Tenant shall have the right to remove only Tenant-owned appliances, other unattached equipment, furniture and merchandise, to the extent installed by Tenant, which removal must be done without damage to the Property or Improvements. Tenant shall remove any such appliances, unattached equipment, furniture and merchandise prior to expiration or termination of the Term. Landlord shall have the right to have the Property and the Improvements inspected at Tenant's cost to determine whether the Property and the Improvements have been properly maintained, repaired, and restored in accordance with the Maintenance Standards and the terms of this Ground Lease. If it is determined by Landlord that, at the expiration or earlier termination of this Ground Lease, the condition of all or any portion of the Property is not in compliance with the Maintenance Standards or other provisions of this Ground Lease, including, without limitation, those contained in Article 12 with respect to Hazardous Materials, then Landlord may elect to either (i) require Tenant to hold over possession of the Property until Tenant can surrender the Property to Landlord in the condition required herein, or (ii) undertake the required work to place the Property in the condition required under this Ground Lease and Tenant shall immediately reimburse Landlord for all such costs upon demand from Landlord.

5.3.3 Delivery of Documents. Contemporaneous with the expiration or earlier termination of the Term, as it may be extended pursuant to the terms hereof, and subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, Tenant shall immediately deliver to Landlord, at Tenant's sole cost, the following:

(a) Such documents, instruments, and conveyances as Landlord may reasonably request to enable Landlord's ownership of the Property and the Improvements to be reflected of record, including, without limitation, a quitclaim deed in recordable form to the Property and the Improvements.

(b) An owner's policy of title insurance, surety bond, or other security reasonably acceptable to Landlord insuring against all claims and liens against the Property and the Improvements other than those incurred by Landlord or accepted by Landlord in writing.

(c) All construction plans, surveys, permits, existing contracts for services, maintenance, operation, and any other documents relating to use, operation, management, and maintenance of the Improvements as may be in effect and/or in the possession of Tenant at the time and from time to time thereafter.

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(d) All documents and instruments required to be delivered by Tenant to Landlord pursuant to this Section shall be in form ~~reasonably~~ satisfactory to Landlord, including without limitation such documents and instruments shall be complete, originals or true copies, and legible.

5.4 Abandonment. Tenant shall not abandon or vacate the Property or the Improvements at any time during the Term. If Tenant shall abandon, vacate, or otherwise surrender the Property or the Improvements, or be dispossessed (other than dispossession as the result of condemnation, which shall be subject to Section 20.1 below) thereof by process of law or otherwise, the same shall constitute a default under this Ground Lease on the part of Tenant and, in addition to any other remedy available on the part of Landlord, (i) Landlord may relet the Property and Tenant shall be responsible for all of Landlord's costs in connection therewith, including without limitation Landlord's attorneys' fees, and (ii) any of Tenant's property left in, upon or about the Property or the Improvements (except for underground storage tanks) shall, at Landlord's option, be deemed to be abandoned and shall become the property of Landlord. The appointment of a receiver pursuant to a Mortgagee's exercise of its rights under a Mortgage, or the foreclosure of a Mortgage, shall not be a default under this Section.

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ARTICLE 6. REPRESENTATIONS AND WARRANTIES.

6.1 Landlord's Representations. Landlord represents and warrants to Tenant it owns the Property in fee simple and has the power and authority to enter into this Ground Lease and perform all obligations and agreements incidental or pertinent to this Ground Lease. Landlord makes no representation or warranty with respect to the condition of the Property or its fitness or availability for any particular use, and Landlord shall not be liable for any latent or patent defect therein. Landlord represents and warrants to Tenant as follows:

(A) Landlord. Landlord is a political subdivision of the State of California. The execution, performance, and delivery of this Ground Lease by Landlord has been fully authorized by all requisite actions on the part of Landlord.

(B) No Conflict. To Landlord's actual, present knowledge, Landlord's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement, or order to which Landlord is a party or by which it is bound.

(C) No Landlord Bankruptcy. Landlord is not the subject of a bankruptcy proceeding.

As used herein, "Landlord's knowledge" shall be limited to the actual knowledge of ~~Director~~City Manager, with no duty of inquiry or investigation.

6.2 Tenant's Representations. Tenant represents and warrants to Landlord as follows:

(A) Tenant. Tenant is a duly organized limited partnership formed within and in good standing under the laws of the State of California. Upon request by Landlord or a title company, Tenant shall deliver to Landlord and the title company true and complete copies of the original documents evidencing the organization of Tenant, as amended to the date of this Ground Lease. Tenant has full right, power and lawful authority to undertake all obligations as provided herein and the execution, performance and delivery of this Ground Lease by Tenant have been fully authorized by all requisite actions on the part of Tenant.

(B) No Conflict. To the best of Tenant's knowledge, Tenant's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement or order to which Tenant is a party or by which it is bound.

(C) No Tenant Bankruptcy. Tenant is not the subject of a bankruptcy proceeding.

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Tenant shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section not to be true, immediately give written notice of such fact or condition to Landlord.

6.3 AS-IS; Release. Tenant acknowledges and agrees that Tenant is leasing the Property from Landlord solely in reliance on its own investigation, and that no representations and/or warranties of any kind whatsoever, express or implied, have been made by any of the Indemnitees.

AS A MATERIAL PART OF THE CONSIDERATION FOR LANDLORD'S AGREEMENT TO LEASE THE PROPERTY TO TENANT, TENANT AGREES TO ACCEPT THE PROPERTY "AS IS" AND "WHERE IS", WITH ALL FAULTS. SUBJECT TO APPLICABLE CALIFORNIA LAW, NO WARRANTY OR REPRESENTATION IS MADE BY LANDLORD WITH RESPECT TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO (I) FITNESS FOR ANY PARTICULAR PURPOSE, (II) MERCHANTABILITY, (III) CONDITION, (IV) ABSENCE OF DEFECTS OR FAULTS, (V) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (VI) FLOODING, OR (VII) COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, LAWS AND REGULATIONS RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT, AS THEY MAY APPLY TO THE CURRENT CONDITION OF THE PROPERTY OR TENANT'S INTENDED DEVELOPMENT OR PROJECT, CONSTRUCTION OR USE, OR FOR ANY OTHER PURPOSE. TENANT ACKNOWLEDGES THAT TENANT WILL BE RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC USE, TITLE, COMPLIANCE AND LEGAL CONDITION OF THE PROPERTY.

On and after the Effective Date, Tenant will be deemed to have waived and released Indemnitees of and from any and all claims, causes of action, damages or losses that may be incurred by Tenant concerning the condition of the Property, whether known

or unknown as of the Effective Date. Such waiver will be deemed to be a release of all rights held by Tenant under California Civil Code §1542, which states:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.
>
> Tenant Initials _____

This Section 6.3 shall survive termination of the Agreement.

ARTICLE 7. CONSTRUCTION OF THE IMPROVEMENTS.

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7.1 Construction. Tenant shall construct the Improvements within the times and subject to all of the terms and conditions set forth in the Agreement, the Regulatory Agreement and this Ground Lease and in accordance with plans and specifications, including the Final Construction Documents (as defined in the Ground Lease) (collectively, "**Plans**") approved by Landlord. All Improvements shall be constructed in a good and workmanlike manner using materials of good quality, and shall comply with all applicable Governmental Requirements. Tenant shall keep the Property and its leasehold interest free of all liens arising out of any work performed, materials or services furnished, or obligations incurred by Tenant or any of its contractors or agents.

7.2 Construction Cost. Tenant and not Landlord shall bear the entire and sole cost of planning, designing, engineering, entitling, permitting, financing, constructing, supervising, and inspecting the Improvements, including all fees, costs, assessments and mitigation measures arising from or related thereto.

7.3 Landlord's Right to Discharge Lien. If Tenant does not, within forty-five (45) days of obtaining knowledge of a lien, cause to be recorded the bond described in California Civil Code Section 3143 or otherwise protect the Property or Tenant's leasehold interest under any alternative or successor statute and in a manner reasonably acceptable to Landlord, Landlord shall have the right, but not the duty, subject to the notice and cure rights of Mortgagees set forth elsewhere in this Ground Lease, to pay or otherwise discharge, stay, or prevent the execution of any such judgment or lien or both. Tenant shall reimburse Landlord for all sums paid by Landlord under this Section, together with all Landlord's reasonable attorneys' fees and costs, plus interest on those sums, fees, and costs from the date of payment until the date of reimbursement at the rate set forth in Section 4.5.

7.4 Notice of Non-Responsibility. After the filing of a notice of completion pursuant to Section 7.5, Tenant shall provide Landlord with prior written notice of not less than thirty (30) days before commencing construction of any structural alteration of the Improvements, or any non-structural alteration which will cost more than One Hundred

Thousand Dollars ($100,000), and shall permit Landlord to record and post appropriate notices of non-responsibility on the Property. This One Hundred Thousand Dollar ($100,000) limitation shall be recalculated each calendar year after the calendar year in which the final COO is issued by applying the CPI Adjustment to the One Hundred Thousand Dollar ($100,000) limitation.

7.5 Notice of Completion. Promptly after completion of construction of the Improvements, Tenant shall file or cause to be filed a notice of completion. Tenant hereby appoints Landlord as Tenant's attorney-in-fact to file the notice of completion, at Tenant's cost and expense, if Tenant fails to do so.

7.6 Subsequent Alterations. Following completion of the construction of the Improvements in accordance with the Plans, Tenant may from time to time, at its sole expense, make improvements and other alterations to the Property which Tenant reasonably determines to be beneficial, subject to compliance with all applicable Governmental Requirements and with no obligation on Landlord's part to allow any variances or deviations from the Land Use Entitlements or the Scope of Development. As used in this Section, the terms "**alterations**" and "**improvements**" shall not apply to repairs of existing improvements. Notwithstanding the foregoing, any improvement which will cost more than One Hundred Thousand Dollars ($100,000) shall require the approval of Landlord, which shall not be unreasonably withheld ~~or delayed~~.

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ARTICLE 8. USE OF THE PROPERTY.

8.1 Covenants Regarding Affordability, Occupancy, and Unit Mix.

8.1.1 Affordability. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof, that Tenant shall comply during the Term of this Ground Lease with the Affordability Restrictions which specifically means that ten (10) dwelling units in the Project shall be rented to households whose incomes do not exceed thirty percent (30%) of the area median income for San Mateo, adjusted for household size, as published by HUD ("**Adjusted AMI**"), and (ii) twenty-nine (29) of the dwelling units in the Project shall be rented to households whose incomes do not exceed fifty percent (50%) of the Adjusted AMI, with all of such dwelling units rented at an affordable rent, pursuant to TCAC regulations. The Affordability Restrictions described above and Tenant's obligation to comply therewith shall be evidence in the Regulatory Agreement, which shall be recorded as an encumbrance on the Property.

8.1.2 Unit Mix. The Project will contain three (3) studio units, thirty-four (34) 1-bedroom units, and three (3) 2-bedroom units. One 2-bedroom unit will be a manager's unit and not subject to Affordability restrictions.

8.1.3 Occupancy. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof that, except as otherwise required by federal, state, or local law or any Project funding source:

(a) ~~Such with~~ With the exception of the one manager's unit, the ~~head of household~~ Head of Household for each unit must be a ~~senior aged 55 years or older and be a current or retired agricultural worker living~~ Senior and an Agricultural Worker residing in the City of Half Moon Bay or San Mateo County, and shall be selected based on the preference program described in Section 8.5, below.

(b) household members in addition to the ~~head of household~~ Head of Household shall be limited to persons who are 45 years of age or older, or are the ~~spouse~~Spouse, or person providing primary physical or economic support to the ~~senior~~Senior; including hired healthcare workers. Children (i.e., persons under the age of 18) may occupy a unit only in the event that the child is disabled and is the child or grandchild of the ~~senior~~ Senior and needs to live with the ~~senior~~ Senior because of the disabling condition.

(c) if the ~~senior head of household~~ Senior Head of Household in a unit dies or is permanently relocated to another residence or care facility, the other qualified residents of the units will be allowed to continue to ~~reside~~ Reside in the unit for one (1) year but live-in health care aids must vacate the unit within ninety (90) days.

(d) occupancy in the Project shall be limited to 2 persons maximum per studio and 1-bedroom unit, and 4 persons maximum per 2-bedroom unit. Landlord is imposing these occupancy limits in compliance with HUD's two person per sleeping area standard in order to (1) provide the ~~senior~~ Senior community that ~~reside~~ Reside in the Project with a quieter home environment free of overcrowding in order to prevent accidents/falls and to promote physical recovery and mental health; and (2) alleviate demands on available parking given that the Project provides limited on site parking; and (3) prevent wear and tear of publicly funded housing.

8.1.4 Covenants Running With the Land. The foregoing covenants in this Section 8.1 shall run with the land for the duration of the Term.

8.2 Annual Reporting. Tenant will provide Landlord with an annual report to confirm that the above requirements for Affordability and Occupancy are being fulfilled. Landlord may rely on reports produced by Tenant to fulfill Project funding source reporting requirements, if applicable.

8.3 Covenant to Pay Taxes and Assessments. Tenant shall pay prior to delinquency all ad valorem real estate taxes, special taxes, assessments and special assessments levied against the Property, subject to Tenant's right to contest any such tax in good faith and any property tax exemptions.

8.4 Covenants Regarding Nondiscrimination. Tenant covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person, or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy,

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tenure, or enjoyment of the Property, or any part thereof, nor shall Tenant, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property, or any part thereof. The foregoing covenants shall run with the land for the duration of the Term. ~~[Mercy confirming conformance with tenant leases.]~~

Tenant agrees for itself and any successor in interest that Tenant shall refrain from restricting the rental, sale, or lease of any portion of the Property, or contracts relating to the Property, on the basis of race, color, creed, religion, sex, marital status, ancestry, or national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

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

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

(C) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this agreement, nor shall the grantee or any person claiming under or through

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him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, Tenants, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.

Notwithstanding the foregoing, Tenant acknowledges and agrees that it shall have no right to sell or transfer all or any portion of the fee interest in the Property or Project and that Tenant's only rights with respect to the Property and Project shall arise under this Ground Lease as a tenant.

8.5 Preference Program. Except to the extent prohibited by applicable federal or state law or any Project funding sources, Tenant shall evaluate applications for residential tenancies on the Property and offer tenancies to applicants according to the preferences and procedures described below and as established in an ordinance or resolution adopted by the City Council, as the same may be amended from time to time.

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When the units are constructed and ready for occupancy, Tenant will create an application process that will result in a pool of applicants. The pool of applicants ~~to~~ will be sorted according to this preference order for the ~~head of household~~Head of Household in the following manner:

1. "**First Preference**": Prospective ~~senior~~ Senior resident is ~~a current or retired agricultural worker who lives or works~~ an Agricultural Worker who Resides or Works in Half Moon Bay.

2. "**Second Prefere**nce": Prospective ~~senior~~ Senior resident is ~~a current or retired agricultural worker who lives or works~~ an Agricultural Worker who Resides or Works in the Coastside of San Mateo County: Pacifica, Montara, Moss Beach, San Gregorio, El Granada or Pescadero.

3. "**Third Preference**": Prospective ~~senior~~ Senior resident is ~~a current or retired agricultural worker who lives or works~~ an Agricultural Worker who Resides or Works in County of San Mateo.

Tenant will screen all applicants who meet the criteria for the First Preference and household income restrictions, and those applicants will be offered units first. After all First Preference applications are exhausted and if there are any vacant units to fill, Tenant will screen applicants who meet the criteria for the Second Preference and household income restrictions and offer those eligible applicants any remaining units. After all Second Preference applications are exhausted and if there are any remaining vacant units, Tenant will screen applicants who meet the criteria for the Third Preference and household income restrictions and offer those eligible applications any remaining units.

The covenants established in this Ground Lease and the Regulatory Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of Landlord, its successors and assigns, Landlord and any successor in interest to the Property. The covenants against discrimination shall remain in effect in perpetuity.

ARTICLE 9. INSURANCE. ~~[Under review by Mercy.]~~

9.1 Tenant's Insurance. Without limiting Landlord's right to indemnification, Tenant shall secure and maintain insurance coverage as set forth in this Article 9.

9.2 Commercial General and Automobile Liability; Worker's Compensation. Commencing on the Effective Date and continuing throughout the Term of this Ground Lease, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Landlord's ~~Director~~City Manager, the following policies of insurance:

(A) Commercial General Liability Insurance covering bodily injury, property damage, personal injury, and advertising injury written on an occurrence basis with coverage at least as broad as Insurance Services Office (ISO) form CG 00 01, containing the following minimum limits: (i) general aggregate limit (including excess coverage) of Ten Million Dollars ($10,000,000.00); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000.00); (iii) personal and advertising injury limit of Three Million Dollars ($3,000,000.00); and (iv) each occurrence limit of Three Million Dollars ($3,000,000.00). Said policy shall include the following coverages: (I) products and completed operations; (II) independent contractors; (III) Owner's broad form property damage; (IV) severability of interest; (V) cross liability; and (VI) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards). The policy shall be endorsed to have the general aggregate apply to this Project only.

(B) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for Landlord and Tenant against any loss, claim, or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by Tenant in the course of carrying out the work or services contemplated in this Ground Lease, and Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(C) A policy of comprehensive automobile liability insurance written on an occurrence basis using ISO Business Automobile Coverage form CA 00 01 (or equivalent), in an amount not less than Two Million Dollars ($2,000,000.00) each accident covering all owned, non-owned, leased, and hired vehicles used in connection with the ~~Work~~Project; provided, however, that if Tenant does not own vehicles it may satisfy this provision through a rider to its general liability coverage for non-owned/hired vehicles.

9.3 Builders Risk. Commencing on the Effective Date and continuing until Landlord issues a temporary Certificate of Occupancy, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Landlord's ~~Director~~City Manager, Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the

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Project during construction; the completed Project until such time as the City of Half Moon Bay issues a temporary Certificate of Occupancy, and storage and transportation risks. Such insurance shall protect/insure the interests of Tenant/owner and all of Tenant's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or portion which failed. Landlord shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

9.4 Property; Business Interruption; Boiler and Machinery Insurance. Commencing on the date Landlord issues a temporary Certificate of Occupancy and continuing throughout the term of this Ground Lease, Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to ~~the Director~~City Manager, the following insurance:

(A) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in San Mateo County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. Landlord shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

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(B) Business interruption and extra expense insurance to protect Tenant and Landlord covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all risk physical damage insurance, covering a period of suspension, delay, or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period.

(C) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance.

9.5 Contractor Insurance Requirements. Tenant shall cause any general contractor with whom it has contracted for the performance of work on the Property to secure and maintain insurance that satisfies all of the requirements of Section 9.2 and Section 9.6 prior to the general contractor commencing any activities on the Property.

9.6 Additional Requirements. The following additional requirements shall apply to all of the above policies of insurance:

(A) All of the above policies of insurance shall allow and be endorsed primary insurance, except the Worker's Compensation, Employer Liability insurance. The commercial general liability and automobile liability insurance, shall be endorsed to name all of Landlord and Landlord Personnel as additional insureds. The commercial general liability shall be endorsed on an ISO Form CG 20 10 for ongoing operations and CG 20

37 for completed operations (current version) or equivalent forms. Tenant waives its right to recover against Landlord and all Landlord Parties and their respective insurers for all claims and losses covered by the insurance policies required by this Ground Lease, and shall cause its insurers to waive all rights of subrogation and contribution it may have against Landlord and Landlord Personnel and their respective insurers and shall provide an endorsement affecting such. All of said policies of insurance shall provide that said insurance may not be amended or cancelled without providing thirty (30) days' prior written notice to Landlord. If a carrier will not provide the required notice of cancellation, the Tenant shall provide written notice to the Landlord of a cancellation no later than ten (10) business days before cancellation. In the event any of said policies of insurance are cancelled, Tenant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to ~~the Director~~City Manager. Not later than the Effective Date, Tenant shall provide ~~the Director~~ City Manager with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders shall be subject to the ~~reasonable~~ approval of ~~the Director~~City Manager.

(B) The policies of insurance required by this Ground Lease shall be satisfactory only if issued by companies of recognized good standing authorized to do business in California, rated "A-" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by ~~the Director~~ City Manager due to unique circumstances.

(C) ~~The Director~~ City Manager is hereby authorized to increase, reduce, or otherwise modify Tenant's insurance requirements set forth herein in the event he or she determines, in his or her sole and absolute discretion, that such increase, reduction, or modification is warranted by changes in construction costs, inflationary changes after the Effective Date, or otherwise, and is consistent with ~~reasonable~~ commercial practices.

(D) Any available insurance proceeds broader than, or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified; or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured; whichever is greater. No representation is made that the minimum insurance requirements are sufficient to cover the obligations of the Tenant.

(E) Tenant agrees that the provisions of this Section shall not be construed as limiting in any way Landlord's right to indemnification or the extent to which Tenant may be held responsible for the payment of damages to any persons or property resulting from Tenant's activities or the activities of any person or persons for which Tenant is otherwise responsible.

9.7 Remedies for Defaults Re: Insurance. In addition to any other remedies Landlord may have if Tenant fails to provide or maintain any insurance policies or policy

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endorsements to the extent and within the time herein required, Landlord may, at its sole option, after fifteen (15) days' Notice to Tenant:

(A) Obtain such insurance and charge Tenant the amount of the premium for such insurance, in which event Tenant shall promptly remit such sum to Landlord;

(B) Withhold any payment(s) which become due to Tenant hereunder until Tenant demonstrates compliance with the requirements hereof; and

(C) Declare Tenant in Default and exercise its rights and remedies under this Ground Lease.

Exercise of any of the above remedies, however, is an alternative to other remedies Landlord may have and is not the exclusive remedy for Tenant's failure to maintain insurance or secure appropriate endorsements.

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Nothing herein contained shall be construed as limiting in any way the extent to which Tenant may be held responsible for payment of damages to persons or property resulting from Tenant's contractors or any subcontractor's performance under this Ground Lease.

9.8 Indemnification. Tenant shall defend (with counsel acceptable to Landlord), indemnify, assume all responsibility for, and hold Landlord and Landlord Personnel harmless from, all claims, demands, damages, defense costs (including attorneys' fees and costs) and liability of any kind or nature (any of the foregoing, a "**Loss**") arising out of or in connection with Tenant's failure to perform any obligation or requirement under this Ground Lease or the Regulatory Agreement and/or any activities, occupancy, access, acts, errors, omissions, performance, work and the like under or in connection with this Ground Lease, whether such activities, performance or the like thereof be by Tenant or by anyone directly or indirectly employed, controlled, or contracted by Tenant and whether such damage shall accrue or be discovered before or after termination of this Ground Lease, including but not limited to any damages to property or injuries to persons, including accidental death, to the extent arising out of or in connection with any of the foregoing. Tenant shall not be liable for any such Loss or indemnification therefore to the extent occasioned by the gross negligence or willful misconduct of any of Landlord and Landlord Personnel.

ARTICLE 10. MAINTENANCE; REPAIRS

Tenant shall, throughout the entire Term of this Ground Lease, maintain the Property and all improvements thereon, including, without limitation, lighting and signage, in good condition and repair, free of debris, waste, and graffiti, and in compliance with all applicable laws and regulations. Tenant shall maintain the Improvements and landscaping on the Property strictly in accordance with the Maintenance Standards (defined below). Such Maintenance Standards shall apply to all buildings, walls, systems, electrical, plumbing, HVAC, water/sewer, signage, lighting, roof, landscaping, irrigation of

landscaping, architectural elements of the Property, and any and all other Improvements on the Property. To accomplish the maintenance, Tenant shall either staff or contract with and hire licensed and qualified personnel to perform all such work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Ground Lease.

Tenant and its maintenance staff, contractors, consultants, agents or subcontractors shall comply with the following standards ("**Maintenance Standards**"):

(A) The Property, including, without limitation, all buildings, walls systems, electrical, plumbing, HVAC, water/sewer, signage, lighting, roof, landscaping, irrigation of landscaping, architectural elements of the Property, and any and all other Improvements on the Property, shall be maintained in conformance and in compliance with the approved Plans and permits, and ~~reasonable~~ maintenance standards for similar, neighboring structures, including but not limited to painting and cleaning of all exterior surfaces and other exterior facades comprising all private improvements and public improvements to the curb line. The Property shall be maintained in good condition and repair and in accordance with the custom and practice generally applicable to comparable market-rate apartment complexes located in San Mateo County.

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

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

Upon Landlord's written notification to Tenant of any maintenance deficiency, Tenant shall have thirty (30) days within which to correct, remedy, or cure the deficiency, or such longer period as is reasonably necessary to complete the cure (not to exceed ninety (90) days), provided such correction, remedy, or cure is commenced within such thirty (30) day period and diligently prosecuted to completion. If the written notification states the problem is urgent relating to the public health and safety of Landlord, then Tenant shall have three (3) business days to rectify the problem, or such longer period as is reasonably necessary to complete the cure (not to exceed ten (10) business days). In the event Tenant does not maintain the Property in the manner set forth herein and in accordance with the Maintenance Standards (as determined by Landlord), Landlord shall have, in addition to any other rights and remedies hereunder, the right to maintain the

Property, or to contract for the correction of such deficiencies, after Notice to Tenant, and Tenant shall be responsible for the payment of all such costs incurred by Landlord within thirty (30) days of Landlord's demand for payment.

ARTICLE 11. OWNERSHIP OF AND RESPONSIBILITY FOR IMPROVEMENTS.

11.1 Ownership During Term.

11.1.1 Improvements. Subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, all Improvements on the Property as permitted or required by this Ground Lease shall, during the Term, be and remain the property of Tenant, and Landlord shall not have title thereto. Tenant shall not, however, demolish, remove, sell, encumber, lease, assign, or otherwise convey any Improvements from the Property except as permitted herein.

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11.1.2 Personal Property. All personal property, furnishings, fixtures and equipment, including, without limitation, Tenant-owned appliances, which are not so affixed to the Property or the buildings thereon as to require substantial damage to the buildings upon removal thereof shall constitute personal property. If Tenant is not then in default under this Ground Lease, at any time during the Term and at termination thereof, Tenant shall have the right to remove any and all such personal property, furnishings, fixtures and equipment; provided, that Tenant repairs any damage to the Property or the Improvements caused by such removal.

11.1.3 Basic Building Systems. For purposes of this Ground Lease, the personal property, furnishings, fixtures and equipment described in this Section 11.1 shall not include those major building components or fixtures necessary for operation of the basic building systems such as, but not limited to, the elevators, plumbing, sanitary fixtures, lighting fixtures, electrical fixtures, and the heating and central air-cooling systems.

11.2 Ownership at Expiration or Termination.

11.2.1 Property of Landlord. In accordance with provisions of Sections 5.3.1 and 5.3.2 hereof, and except as provided in Section 11.2.2, all Improvements which constitute or are a part of the Property shall, upon termination of this Ground Lease, become (without the payment of compensation to Tenant or others) the property of Landlord free and clear of all claims and encumbrances on such Improvements by Tenant, and anyone claiming under or through Tenant, except for such title exceptions permitted or required during the Term with Landlord's prior written consent. Tenant shall then quitclaim to Landlord any and all rights, interests and claims to the Improvements. Tenant agrees to and shall defend (with counsel acceptable to Landlord), indemnify, and hold Landlord harmless from and against all claims, liability, and loss which may arise from the assertion of any such claims and any encumbrances on such Improvements (except to the extent such claims arise due to Landlord's gross negligence or intentional misconduct) and except for such title exceptions permitted or required during the Term and approved in advance and in writing by Landlord.

11.2.2 Removal by Tenant. Tenant shall not be required or permitted to remove the Improvements, or any of them, at the expiration or sooner termination of the Term unless otherwise directed by Landlord in writing no less than thirty (30) days prior to the expiration of the Term or within thirty (30) days of any earlier termination thereof; provided, however, that, subject to the provisions of Section 5.3.2 hereof, within thirty (30) days following the expiration or sooner termination of the Term, Tenant shall remove all personal property, furniture, and equipment.

11.2.3 Unremoved Property. Any personal property, furnishings or equipment not removed by Tenant pursuant to Section 11.2.2 hereof, shall, without compensation to Tenant, become Landlords' property, free and clear of all claims to or against them by Tenant or any third person, firm or entity arising by, through or under Tenant. Landlord shall have no duty to store such items, provide any notices to Tenant, sell or dispose of such items, and/or remit any proceeds from any such sale or disposal to Tenant in accordance with otherwise applicable statutory procedures, and Tenant hereby waives any statutory or other right Tenant might have with respect thereto.

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11.2.4 Maintenance and Repair of Improvements. Subject to the provisions of this Ground Lease concerning condemnation, alterations, repair, damage, and destruction, Tenant agrees to assume full responsibility for the operation, repair and maintenance of the Property and the Improvements and all fixtures and furnishings thereon or therein throughout the Term hereof without expense to Landlord, and to perform all repairs and replacements necessary to maintain and preserve the Property, the Improvements, fixtures, and furnishings in a decent, safe, sanitary and operational condition consistent with good practices and in compliance with all applicable laws. Tenant agrees that Landlord shall not be required to perform any maintenance, repairs, or services, or to assume any expense in connection with the Property and the Improvements thereon unless specifically required under the terms of this Ground Lease. Except as otherwise provided in this Section 11.2 and in Section 11.4, the condition of the Improvements required to be maintained hereunder upon completion of the work of maintenance or repair shall be equal or better in quality and use to the condition of such Improvements before the event giving rise to the work.

11.3 Waste. Subject to the alteration rights of Tenant set out in this Ground Lease and damage, destruction, or condemnation of the Property or any part thereof as further described herein, Tenant shall not commit or suffer to be committed any waste of the Property or the Improvements, or any part thereof. Tenant agrees at all times to keep the Property and the Improvements clean and clear of graffiti, refuse, and obstructions, to store all garbage, trash, and rubbish in a safe and sanitary manner, and to promptly and properly dispose of all garbage, trash, and rubbish.

11.4 Alteration of Improvements. Except as provided in Section 7.1, Tenant shall not make or permit to be made any material exterior alteration of, addition to or change in, the Improvements which would affect the exterior elevations (including materials selection and color) or the size, bulk, and scale of the Property, other than routine maintenance and repairs, nor demolish all or any part of the Improvements, without the prior written consent of Landlord, which consent Landlord may withhold in its reasonable discretion.

Nothing herein shall prohibit interior alterations or decorations, or the removal and replacement of interior improvements consistent with the specified use of the Property. In requesting consent for such exterior improvements as required by the foregoing, Tenant shall submit to Landlord detailed plans and specifications of the proposed work and an explanation of the need and reasons thereof. Tenant may make such other improvements, alterations, additions or changes to the Improvements which do not materially affect the exterior elevations (including materials selection and color) or the size, bulk, and scale thereof without Landlord's prior written consent, which consent Landlord may withhold in its sole and absolute discretion, and provided that Tenant has obtained all required governmental permits and approvals therefor and such improvements, alterations, additions, or changes comply with applicable laws.

Notwithstanding the prohibition in this Section 11.4, Tenant may make such changes, repairs, alterations, improvements, renewals or replacements to the exterior elevations, materials, size, bulk, or scale of the Improvements as are required (a) by reason of any law, ordinance, regulation, or order of a competent government authority, or (b) to continue to receive any government funding that may be available to the Project.

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ARTICLE 12. HAZARDOUS MATERIALS.

12.1 Definitions of "Hazardous Materials", "Environmental Laws" and "Hazardous Materials Activity."

(A) Hazardous Materials. The term "**Hazardous Materials**" is defined in Article 2.

(B) Environmental Laws. The term "**Environmental Laws**" means any and all present and future federal, state and local laws (whether under common law, statute, rule, regulation or otherwise), court or administrative orders or decrees, requirements of permits issued with respect thereto, and other requirements of governmental authorities relating to the environment, health or safety, or to any Hazardous Materials or Hazardous Materials Activity (defined below).

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(C) Hazardous Materials Activity. The term "**Hazardous Materials Activity**" means any actual, proposed or threatened storage, holding, existence or suspected existence, release or suspected release, emission, discharge, generation, processing, abatement, removal, disposition, handling or transportation of any Hazardous Materials from, under, into, on, or across the Project, Improvements, or surrounding property, or any other use of or operation on the Project, Improvements, or surrounding property that creates a risk of Hazardous Materials contamination of the Project or Improvements thereon.

12.2 Tenant's Covenants. Tenant shall: (i) comply with all applicable Environmental Laws; (ii) not engage in, permit or acquiesce to any Hazardous Materials Activity on, under, over, or about the Property, Project or the Improvements thereon, except in strict accordance with all Environmental Laws, and all applicable best practices, (iii) promptly advise Landlord in writing of (1) the receipt by Tenant of notice of any and all Hazardous Materials claims or Hazardous Materials Activity, (2) any knowledge by Tenant of any Hazardous Materials claim or Hazardous Materials Activity related to the Property, Project or the Improvements thereon, (3) any remedial action to be taken or in the case of an imminent emergency, taken by Tenant or others in response to any Hazardous Materials on, under or about the Property, Project or the Improvements thereon, or to any Hazardous Materials claims or any Hazardous Materials Activity, (4) any enforcement, cleanup, or other regulatory action taken or threatened with respect to the presence of any Hazardous Material on, under, or around the Property, Project or the Improvements thereon, or (5) Tenant's discovery of the presence of any Hazardous Materials or Hazardous Materials Activity on, under or about the Property, Project or the Improvements thereon whether or not the same requires notice to be given to any governmental entity or agency under Environmental Laws; (iv) submit to Landlord, promptly upon receipt or preparation, copies of any and all reports, studies, analyses, correspondence, governmental comments or approvals, proposed removal or other remedial work contracts and similar information prepared or received by Tenant in

connection with any remedial work or Hazardous Materials relating to the Property, Project or the Improvements thereon; and (v) provide for periodic inspections of the Property, Project and the Improvements thereon and for periodic meetings with representatives of Landlord and, upon request, Landlord may, but shall not be required to, review the results of such inspections.

12.3 Environmental Cleanup.

(A) Tenant's Compliance. Throughout the Term of this Lease, Tenant shall, at Tenant's sole cost and expense, comply, and cause each Tenant Party to comply with, any and all Environmental Laws with respect to any Hazardous Materials used, generated, stored or disposed of at the Project or the Improvements during the Term.

(B) Environmental Authority. Tenant shall, at Tenant's sole cost and expense, make, and require and use commercially reasonable efforts to cause each Tenant Party to make, all required submissions to, provide all information required by, and comply with any and all requirements of any and all Governmental Authority having jurisdiction over the environmental condition of the Property, Project or the Improvements thereon.

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(C) Cleanup Plan. Should any Governmental Authority having jurisdiction over the Project or the Improvements thereon demand in accordance with Environmental Laws that a cleanup plan be prepared and that a cleanup be undertaken in accordance with Environmental Laws because of any Hazardous Materials Activity that Tenant or any of its agents, assignees, subtenants, contractors, consultants, subcontractors or employees (each, a "**Tenant Party**") caused during the Term in violation of Environmental Laws or this Ground Lease, at, on, or from the Property, Project or the Improvements thereon, or which arises at any time as a result of Tenant's or any Tenant Party's use or occupancy of the Project or the Improvements thereon, then Tenant shall, at Tenant's sole cost and expense and subject to Force Majeure Delay, prepare and submit the required plans and all bonds and other financial assurances required under Environmental Laws to Landlord for written approval. Following Tenant's receipt of Landlord's written approval, Tenant shall carry out all such cleanup plans in a timely manner, all as may be required by any such Governmental Authority in accordance with Environmental Laws and this Ground Lease. Landlord's consent to any remediation action by Tenant or its agents shall not constitute Landlord's endorsement, ratification or liability therefor and shall not constitute a waiver of any default of this Lease.

(D) Reporting. Tenant shall promptly provide all information regarding the any Hazardous Materials Activity, including the use, generation, storage, transportation, or disposal of Hazardous Material by Tenant on or about the Project or the Improvements thereon, as ~~reasonably~~ requested by Landlord in writing

12.4 Landlord's Self-Help Right. If Tenant fails to comply with the provisions of this Article 12 and such failure continues and becomes a Tenant Event of Default, Landlord may, at its option and in its sole discretion, take all reasonably necessary actions to

remedy the Tenant Event of Default at Tenant's sole expense, which sums shall be payable to Landlord within thirty (30) days of written demand. The obligations of Tenant under this Article 12 shall survive the expiration or termination of this Ground Lease.

12.5 Tenant Indemnification for Hazardous Materials. Tenant shall defend (with counsel acceptable to Landlord), indemnify and hold harmless Landlord and all Landlord Personnel from and against all threatened or actual liability, suits, proceedings, liens, orders, judgments, fines, encumbrances, actions, claims, including third party claims, environmental requirements and damages, environmental claims, costs of investigation and cleanup, expenses, penalties, fines, and losses (including, without limitation, diminution in value of Landlord's fee interest in the Property and Project and reversionary interest in Improvements after the Term of this Lease) of whatever kind or nature, which result from or are in any way connected with the release, escape, seepage, leakage, receipt, deposit, spill, handling, use, storage, accumulation, transportation, generation, discharge, or disposal of any Hazardous Materials which occurs in, on, under, from or about the Property, Project or the Improvements thereon during the Term of this Ground Lease or to the extent caused by Tenant or any Tenant Party, except to the extent caused by the gross negligence or willful misconduct of any Landlord.

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ARTICLE 13. DAMAGE OR DESTRUCTION OF PROPERTY OR IMPROVEMENTS.

13.1 Tenant's Repair Obligation.

13.1.1 In case of damage to or destruction of the Property or the Improvements, or any part thereof, by fire or other cause at any time during the Term of this Ground Lease, Tenant, if and to the extent insurance proceeds are available, shall restore the same as nearly as possible to their value, condition, and character immediately prior to such damage or destruction. Such restoration shall be commenced with due diligence and in good faith, and prosecuted with due diligence and in good faith, unavoidable delays excepted.

13.1.2 In case of damage to or destruction of the Improvements by fire or other cause resulting in a loss exceeding in the aggregate Ten Thousand Dollars ($10,000), Tenant shall promptly give written notice thereof to Landlord.

13.1.3 In the event insurance proceeds are insufficient to restore the Property or the Improvements to substantially its condition, and character immediately prior to such damage or destruction such that the Property may be operated in a manner comparable to prior to such damage or destruction, then, subject to the rights of the Mortgagees, either Tenant or Landlord shall have the right to terminate this Ground Lease by providing written notice thereof to the other party.

13.2 Tenant's Restoration of Project.

13.2.1 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss does not exceed thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the

insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld ~~or delayed~~. The proceeds shall be paid directly to a Mortgagee (if required by Mortgagee), if any, and if there is not a Mortgagee, to Landlord, for the sole purpose of making the restoration of the Improvements in accordance with this Article 13.

13.2.2 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss exceeds thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld ~~or delayed~~, and the insurance company shall immediately pay the proceeds to a Mortgagee (if required by Mortgagee), if any, and if there is not a Mortgagee, then to a bank, trust company or escrow company selected by Landlord and approved by Tenant ("**Insurance Trustee**"), which approval shall not be unreasonably withheld, conditioned or delayed. All sums deposited with the Insurance Trustee shall be held for the following purposes and the Insurance Trustee shall have the following powers and duties:

(a) The sums shall be paid in installments by Insurance Trustee to the contractor retained by Tenant and approved by Landlord as construction progresses, for payment of the cost of restoration. A ten percent (10%) retention fund shall be established that will be paid to the contractor on completion of restoration, payment of all costs, expiration of all applicable lien periods, and proof that the Property and the Improvements are free of all mechanics' liens and lienable claims;

(b) Payments shall be made on presentation of certificates or vouchers from the architect or engineer retained by Tenant and approved by Landlord (which approval shall not be unreasonably withheld~~, conditioned, or delayed~~) showing the amount due. If Insurance Trustee~~, in its reasonable discretion,~~ determines that the certificates or vouchers are being improperly approved by the architect or engineer retained by Tenant, Insurance Trustee shall have the right to appoint an architect or an engineer ~~(subject to Landlord's reasonable approval)~~ to supervise construction and to make payments on certificates or vouchers approved by the architect or engineer retained by Insurance Trustee. The ~~reasonable~~ expenses and charges of the architect or engineer retained by Insurance Trustee shall be paid by Insurance Trustee out of the trust fund;

(c) If, after the work of restoration has commenced, the sums held by Insurance Trustee are not sufficient to pay the actual cost of restoration, Tenant shall deposit the amount of the deficiency with Insurance Trustee within ten (10) days after receipt of request for payment of such amount from Insurance Trustee, which request shall be made by Insurance Trustee promptly after it is determined there will be a deficiency;

(d) If Insurance Trustee has received notice from Landlord that Tenant is in default under this Ground Lease, then, subject to the lien of a Mortgagee's Mortgage and the Mortgagee's prior written consent, Insurance Trustee shall pay itself an amount sufficient to cure such default as specified in Landlord's notice to the Insurance Trustee;

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(e) Any amounts remaining after making the payments hereinabove referred to in clauses (a), (b), (c), and (d) shall be paid to any leasehold Mortgagee to the extent (x) required by any Mortgage and (y) such leasehold Mortgagee makes written demand therefor to the Insurance Trustee;

(f) Any undisbursed funds remaining after compliance with all of the provisions of this Section 13.2 shall, if and to the extent required by any Mortgage, be delivered to the Mortgagee, and if there is no leasehold Mortgagee, to Tenant; and

(g) All actual costs and charges of Insurance Trustee in administering such funds shall be paid by Tenant. If any Insurance Trustee resigns or for any reason is unwilling to act or continue to act, Landlord shall substitute a new Insurance Trustee in the manner described in this Section.

13.2.3 Both parties shall promptly execute all documents and perform all acts reasonably required by Insurance Trustee to perform its obligations under this Section 13.2.

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13.3 Procedure for Restoring Improvements.

13.3.1 If and to the extent Tenant is obligated to restore the Improvements pursuant to this Article 13, Tenant shall restore the Improvements substantially in accordance with the Plans and otherwise in conformance with this Article 13. Within forty-five (45) days after the date of such damage or destruction, Tenant, at its cost, shall prepare and deliver to Landlord final plans and specifications and working drawings complying with applicable laws that will be necessary for such restoration. Such plans and specifications shall specify differences from the Plans. The plans and specifications and working drawings are subject to the approval of Landlord only insofar as they vary from the Plans; provided that nothing in this Ground Lease is intended or shall be interpreted to release Tenant from the obligations to obtain any applicable governmental permits or comply with applicable laws with respect thereto. Landlord shall have thirty (30) days after receipt of the plans and specifications and working drawings to either approve or disapprove the plans and specifications and working drawings and return them to Tenant. If Landlord disapproves the plans and specifications and working drawings, Landlord shall notify Tenant of its objections in writing, specifying the objections clearly and stating what modifications are required for Landlord's approval. Tenant acknowledges that the plans and specifications and working drawings shall be subject to approval of the appropriate government bodies and that they will be prepared in such a manner as to obtain that approval.

13.3.2 The restoration shall be accomplished as follows:

(a) Tenant shall complete the restoration with reasonable diligence and in all events within eighteen (18) months after final plans and specifications and working drawings have been approved by the appropriate government bodies and all required permits have been obtained.

(b) Tenant shall retain a licensed contractor that is bondable. The contractor shall be required to carry public liability and property damage insurance, builders risk insurance, standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, during the period of construction in accordance with Article 9. Such insurance shall contain waiver of subrogation clauses in favor of Landlord and Tenant in accordance with the provisions of and to the extent required by Section 9.6.

(c) Tenant shall notify Landlord of the date of commencement of the restoration not later than thirty (30) days before commencement of the restoration to enable Landlord to post and record notices of non-responsibility. The contractor retained by Tenant shall not commence construction until a completion bond and a labor and materials bond have been delivered to Landlord to insure completion of the construction.

(d) Tenant shall accomplish the restoration in a manner that will cause the least inconvenience, annoyance, and disruption to the Property, Project and the Improvements.

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(e) On completion of the restoration, Tenant shall immediately record a notice of completion, or else Landlord shall have the right to do so.

(f) The restoration shall not be commenced until sums sufficient to cover the cost of restoration are placed with Landlord or the escrow company (if any) as provided in Section 13.2.

13.4 Mortgagee Protection. The following provisions are for the protection of a Mortgagee and shall, notwithstanding anything contained in this Ground Lease to the contrary, control:

13.4.1 Insurance. Any insurance proceeds payable from any policy of insurance (other than liability insurance) required by the Ground Lease shall be paid to and applied by the Mortgagees, if any, in accordance with their respective Mortgage. Each Mortgagee, if any, shall have the right to participate in all adjustments, settlements, negotiations, or actions with the insurance company regarding the amount and allocation of any such insurance proceeds. Any insurance policies permitted or required by this Ground Lease shall name each Mortgagee, if any, as an additional insured or loss payee, as appropriate, if required by such Mortgagees.

13.4.2 Restoration Tenant shall have no obligation to restore or repair the Improvements following the occurrence of any casualty for which insurance is not required under this Ground Lease**.** The Mortgagee, if any, and if it exercises any of its remedies set forth in this Ground Lease to acquire the leasehold estate hereunder, shall have no obligation to restore or repair damage to the Improvements that cost in excess of available insurance proceeds. Tenant shall have no obligation to restore or repair damage to the Improvements if the casualty occurs during the last five (5) years of the Ground Lease term. In the event such a loss occurs in the last five (5) years, then, at the election of Tenant, with the prior written consent of Mortgagee, if any, insurance proceeds

shall be used, first, to clear the Property of the damaged Improvements and any debris, and second, to reduce or pay in full the Mortgage, with any excess being payable as provided in this Ground Lease.

ARTICLE 14. CONDEMNATION.

14.1 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 Property or any interest in Tenant's leasehold estate is taken by condemnation, the rights and obligations of the parties will be determined under this Article 14, subject to the rights of any lender. Accordingly, Tenant waives any right to terminate this Ground Lease upon the occurrence of a partial condemnation under Sections 1265.120 and 1265.130 of the California Code of Civil Procedure, as those ~~sections~~ Sections may from time to time be amended, replaced, or restated

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14.2 Notice. In case of the commencement of any proceedings or negotiations that might result in a condemnation of all or any portion of the Property during the Term, the party learning of such proceedings will promptly give written notice of the proceedings or negotiations to the other party. The notice will describe with as much specific specificity as is reasonable, the nature and extent of such condemnation or the nature of such proceedings or negotiations and of the condemnation that might result, as the case may be.

14.3 Total Taking. If a condemnation takes the entirety of the Property, this Ground Lease will terminate on the date the condemnor has the right to possession of the Property.

14.4 Partial Taking. If any portion of the Property is taken by condemnation, but less than the entire Property, this Ground Lease will remain in effect, except that Tenant may, with lender's written consent, elect to terminate this Ground Lease if, in Tenant's reasonable judgment, the remaining portion of the Improvements, after taking into account any compensation awarded to Tenant and any repairs or reconstruction of the Improvements that can reasonably be undertaken, is rendered physically unsuitable for Tenant's continued operation of the Project, or is not capable of producing a reasonable net annual income. If Tenant elects to terminate this Ground Lease, Tenant must exercise its right to terminate under this paragraph by giving notice to Landlord within thirty (30) days after Landlord notifies Tenant of the nature and the extent of the taking. Tenant's termination notice must include the date of termination, which date may not be earlier than thirty (30) days or later than six (6) months after the date of Tenant's notice; except that this Ground Lease will terminate on the date the condemnor has the right to possession of the Property and Project if that date falls on a date before the date of termination as designated by Tenant. If Tenant does not terminate this Ground Lease within the thirty (30) day notice period, this Ground Lease will continue in full force and effect.

14.5 Restoration of Improvements. If there is a partial taking of the Property and Project and this Ground Lease remains in full force and effect under Section 14.4, then

Tenant shall, subject to the terms of any Mortgage, use the proceeds of the taking first to accomplish any necessary restoration to the Improvements.

14.6 Award and Distribution. Any compensation awarded, paid, or received on a total or partial condemnation of the Project or threat of condemnation of the Project will belong to and be distributed in the following order (except that, in the case of a partial taking, the following distributions shall be made after payment of any necessary restoration costs as provided in Section ~~13.5~~14.5):

14.6.1 First, to pay the balance due on any outstanding Mortgages and other outstanding or unpaid obligations and/or liabilities, including but not limited to, trade accounts, taxes, payroll accruals, and lease residuals, to the extent provided therein; and

14.6.2 Second, to Landlord in an amount equal to the then fair market value of Landlord's fee interest in the Property and the reversionary interest in the Improvements, such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the site; and

14.6.3 Third, to Tenant in an amount equal to the then fair market value of Tenant's interest in the Project, such value to be determined as it existed immediately preceding the earliest taking or threat of taking of the Site.

14.6.4 Notwithstanding anything to the contrary set forth in this Section, any portion of the compensation awarded that has been specifically designated by the condemning authority or in the judgment of any court to be payable to Landlord or Tenant on account of any interest in the Property or the Improvements separate and apart from the condemned land value, the value of Landlord's reversionary interest in the Improvements, Tenant's leasehold estate, or the value of the Improvements on the Property for the remaining unexpired portion of the Term, will be paid to Landlord or Tenant, as applicable, as so designated by the condemning authority or judgment.

14.7 Payment to Lenders. In the event the Improvements are subject to the lien of a Mortgage on the date when any compensation resulting from a condemnation or threatened condemnation is to be paid to Tenant, the award will be disposed of as provided in the Mortgage(s), except to the extend provided in Section 14.5.

14.8 Temporary Condemnation. If there is a condemnation of all or any portion of the Property for a temporary period lasting less than the remaining Term, this Ground Lease will remain in full force and effect, and the entire award will be payable to Tenant.

14.9 Personal Property; Goodwill. Notwithstanding Section 14.6, Landlord will not be entitled to any portion of any award payable in connection with the condemnation of the personal property of Tenant or any of its subtenants, or any moving expenses, loss of goodwill or business loss or interruption of Tenant, severance damages with respect to any portion of the Property and Improvements remaining under this Ground Lease, or other damages suffered by Tenant.

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ARTICLE 15. ASSIGNMENT.

Because of the importance that Landlord places on Tenant's qualification, expertise and identity, and the reliance Landlord makes upon Tenant's ability to construct and operate the Project, during the Term, Tenant shall not assign or attempt to assign this Ground Lease, the Agreement or the Regulatory Agreement or any right herein. Notwithstanding the foregoing, however, Tenant may do the following without consent: (i) transfer limited partner interests; (ii) remove the general partner for a default under the Partnership Agreement; and (iii) transfer and assign its rights and duties hereunder to Mercy Housing California or an Affiliate of Mercy Housing California pursuant to the purchase option and/or right of first refusal entered into between Mercy Housing California (or an Affiliate of Mercy Housing California) and Tenant.

ARTICLE 16. MORTGAGES.

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16.1 Ground Leasehold Mortgages. Notwithstanding anything to the contrary contained elsewhere herein, at all times during the Term, Tenant shall have the right to mortgage, pledge, deed in trust, assign rents, issues, and profits and/or collaterally (or absolutely for purposes of security if required by any lender) assign its leasehold interest in this Ground Lease, or otherwise encumber this Ground Lease, and/or the interest of Tenant hereunder, in whole or in part, and any interests or rights appurtenant to this Ground Lease, and to assign or pledge the same as security for any debt (the holder of any such mortgage, pledge, or other encumbrance, and the beneficiary of any such deed of trust being hereafter referred to as "**Mortgagee**" and the mortgage, pledge, deed of trust, or other instrument hereafter referred to as "**Mortgage**"), upon and subject to each and all of the terms and conditions listed in Paragraphs (~~a~~A), (~~b~~B), and (~~c~~C) below:

(A) Tenant shall be limited in purpose to and the principal amount of all such Mortgages shall not exceed the amount necessary and appropriate to develop the Improvements, and to acquire and install equipment and fixtures thereon. Said amount shall include all hard and soft costs of acquisition, development, construction, lease-up, and operation of the Improvements.

(B) Any permitted Mortgages entered into by Tenant are to be originated only by Project lenders.

(C) All rights acquired by said Mortgagee shall be subject to each and all of the covenants, conditions and restrictions set forth in this Ground Lease, the Regulatory Agreement and the Agreement, and to all rights of Landlord thereunder, none of which covenants, conditions, and restrictions is or shall be waived by Landlord by reason of the giving of such Mortgage. By way of clarification, Tenant shall have no right to encumber all or any portion of Landlord's fee interest in the Property.

If Tenant encumbers its leasehold estate by way of a Mortgage as permitted herein, and should Landlord be advised in writing of the name and address of the Mortgagee, then this Ground Lease shall not be terminated or canceled on account of any Event of Default by Tenant in the performance of the terms, covenants or conditions

hereof until Landlord shall have complied with the provisions of this Ground Lease as to the Mortgagee's rights to cure, so long as Landlord has been given written notice of the name and address of the Mortgagee, as required above. In addition, after the creation of any Mortgage permitted by this Ground Lease, no agreement by Landlord and Tenant to cancel, surrender, terminate, amend, or modify this Ground Lease shall be effective without the written consent of each Mortgagee; provided that this sentence is not intended to prohibit Landlord from exercising its rights and remedies for a Tenant default as provided herein.

16.2 Landlord's Forbearance and Right to Cure Defaults on Ground Leasehold Mortgages. Landlord will give to any Mortgagee, at such address as is specified by the Mortgagee in accordance with Section 22.1 hereof, a copy of each notice or other communication with respect to any claim that a default exists or is about to exist from Landlord to Tenant hereunder at the time of giving such notice or communication to Tenant, and Landlord will give to the Mortgagee a copy of each notice of any rejection of this Ground Lease by any trustee in bankruptcy of Tenant; provided, however, that a failure by Landlord to provide any such notice to Mortgagee shall not excuse a default by Tenant or extend Tenant's time to perform its obligations hereunder or effectuate a cure of said default. Each such notice to a Mortgagee shall be given by U.S. certified mail, postage prepaid, return receipt requested, and shall be effective upon receipt.

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16.3 Landlord Cooperation. Landlord covenants and agrees that it will act and fully cooperate with Tenant in connection with Tenant's right to grant leasehold mortgages as hereinabove provided, provided such is at no cost to Landlord. At the request of Tenant or any proposed or existing Mortgagee, Landlord shall promptly execute and deliver (i) any documents or instruments reasonably requested to evidence, and/or acknowledge the rights of the Mortgagees as herein provided; and (ii) an estoppel certificate certifying the status of this Ground Lease and Tenant's interest herein and such matters relating thereto as are reasonably requested by Tenant or such Mortgagees. Such estoppel certificate shall include, but not be limited to, certification by Landlord that (a) this Ground Lease is unmodified and in full force and effect (or, if modified, a statement as to the nature of such modification and certification that this Ground Lease, as so modified, is in full force and effect, if applicable), (b) all rents currently due under the Ground Lease have been paid (or, if unpaid, the period and amount of any arrearages, penalties, interest and other charges), (c) there are not, to Landlord's actual, present knowledge, any uncured Events of Default on the part of Tenant under the Ground Lease or facts, acts or omissions which, with the giving of notice or passing of time, or both, would constitute an Event of Default (or, if there is a default, the nature and scope of the default). Any such estoppel certificate may be conclusively relied upon by any proposed or existing leasehold Mortgagee or assignee of Tenant's interest in this Ground Lease. As a condition to Landlord's obligation to execute and deliver any such document, instrument, or estoppel certificate, Tenant or the proposed or existing Mortgagee requesting the same shall be responsible to pay all of Landlord's actual and ~~reasonable~~ costs, including in-house payroll and administrative costs and out-of-pocket costs for third party consultants and attorneys, to investigate and respond to such request.

16.4 No Subordination of Landlord's Interest. Landlord's fee interest in the Property shall be senior to, and not be subordinated to, any financing obtained by Tenant in connection with the Property.

16.5 Priority. This Ground Lease, and any extensions, renewals or replacements thereof, and any ~~sublease~~ Sublease entered into by Tenant as sublessor, and any Mortgage or other encumbrance now or hereafter recorded by any Mortgagee shall be superior to any future mortgages, deeds of trust or similar encumbrances placed by Landlord on the Property and to any lien right of Landlord on the buildings or any furniture, fixtures, equipment or other personal property of Tenant upon the Property or any interest of Landlord in ~~sublease~~ Sublease rentals or similar agreements. For avoidance of doubt, any rights of Landlord created by this Ground Lease, including without limitation any rights in the leasehold, the Improvements, the personal property of Tenant, or ~~sublease~~ Sublease rentals, shall be superior to the rights of any Mortgagee.

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16.6 Claims. Landlord and Tenant shall deliver to each Mortgagee written notice of any litigation or arbitration proceedings between the parties or involving the Property, Project, the Regulatory Agreement, the Agreement or this Ground Lease. Any Mortgagee shall have the right, at its option and its expense, to intervene and become a party to any such proceedings. If a Mortgagee elects not to intervene or become a party, Landlord and Tenant shall deliver to said Mortgagee prompt written notice of and a written copy of any award, decision or settlement agreement made in connection with any such proceeding.

16.7 Further Amendments. Landlord and Tenant shall reasonably consider including in this Ground Lease by suitable amendment from time to time any provision which may be reasonably requested by any proposed Mortgagee for the purpose of implementing the mortgagee protection provisions contained in this Ground Lease and allowing the Mortgagee reasonable means to protect or preserve the lien of its Mortgage upon the occurrence of a default under the terms of this Ground Lease. Landlord and Tenant each agree to execute and deliver (and to acknowledge for recording purposes, if necessary) any agreement reasonably required to effect any such amendment.

16.8 [reserved]

16.9 Liens and Encumbrances Against Tenant's Interest in the Leasehold Estate

(A) Tenant (and Foreclosure Transferee) shall have the right to encumber the leasehold estate created by this Ground Lease and the Improvements with one or more deeds of trust or mortgages in conformance with the requirements of Section 16.1 hereof.

(B) Tenant shall not have the right to encumber Landlord's fee interest in the Property or Landlord's reversionary interest in the Improvements, provided, however, that Landlord shall permit the following to be recorded on the fee interest, provided such are each in a form and substance that is ~~reasonably~~ acceptable to Landlord: (i) the covenant required in connection with the California Department of

Housing and Community Development Infill Infrastructure Grant; (ii) the covenant required in connection with Joe Serna Farmworker funds from the California Department of Housing and Community Development; (iii) any required lease rider to the extent required by HCD; and (iv) any required lease rider to the extent required by TCAC.

(C) For as long as there is any lien securing any permitted Mortgage loan:

(1) Each permitted Mortgagee which has an outstanding Mortgage loan secured by Tenant's leasehold interest in the Property shall have the right, but not the obligation, at any time to pay any or all of the Rent due pursuant to the terms of this Ground Lease, and do any other act or thing required of Tenant by the terms of this Ground Lease, to prevent termination of this Ground Lease. Each Mortgagee and its agents and contractors shall have a right to enter the Property for purposes of accomplishing the foregoing, so long as such Mortgagee indemnifies and holds Landlord harmless from any and all liability arising from such entry upon the Property. Each Mortgagee shall have thirty (30) days after receipt of written notice from Landlord describing a default by Tenant to cure any default in the payment of Rent (including any monetary obligation of Tenant hereunder) and any other default the cure of which does not require physical possession of the Property ~~before this Ground~~ .

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This Ground Lease shall not be deemed terminated as to Mortgagee, and any payments so made and all things so done by or on behalf of a permitted Mortgagee shall be as effective to prevent a termination of this Ground Lease as the same would have been if made and performed by Tenant instead of by Mortgagee(s). If Tenant's default is such that possession of the Property is reasonably necessary to remedy the default, each permitted Mortgagee which has an outstanding Mortgage loan shall have such additional time after the expiration of such thirty (30) day period as such Mortgagee may reasonably require to remedy such default, provided that (i) such Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease within such thirty (30) day period and shall continue to pay currently such monetary obligations when the same are due, and (ii) within one hundred twenty (120) days after receipt of Landlord's notice of default, such Mortgagee shall have acquired Tenant's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings, shall be diligently prosecuting the same, and, after such Mortgagee acquires Tenant's leasehold estate hereunder such Mortgagee performs all of Tenant's obligations under this Ground Lease and the Agreement and promptly completes cure of Tenant's default.

(2) If a Mortgagee is prohibited, stayed, or enjoined by any bankruptcy, insolvency, or other judicial proceedings involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified in subparagraph (1) above for commencing or prosecuting such foreclosure or other proceedings and completing a cure that requires possession of the Property shall be extended for the period of such stay prohibition or injunction; provided that any Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease and shall continue to pay currently such monetary obligations

when the same fall due (subject to the notice and cure provision contained herein).

(3) Landlord shall deliver, by U.S. certified mail, postage prepaid, return receipt requested, to each permitted Mortgagee which has any outstanding Mortgage loan a duplicate copy of all notices which Landlord may from time to time give to Tenant pursuant to this Ground Lease.

(4) If this Ground Lease is terminated, whether by foreclosure, order of a bankruptcy court, or otherwise, upon written request by any permitted Mortgagee given within sixty (60) days after Landlord gives written notice of such termination to each permitted Mortgagee, Landlord shall enter into a new lease of the Property with the permitted Mortgagee for the remainder of the Term with the same agreements, covenants, reversionary interests, and conditions (except for any requirements which have been fulfilled by Tenant prior to termination) as are contained in this Ground Lease and with priority equal to this Ground Lease, which new lease shall be effective as of the date of termination of the original Ground Lease; provided, however, that a requesting Mortgagee shall promptly cure any defaults by Tenant reasonably susceptible to cure by the Mortgagee. Tenant under the new lease shall have the same right, title, and interest in and to all Improvements located on the Property as Tenant had under the terminated Ground Lease immediately prior to its termination. Landlord shall by quitclaim deed or by the terms of the new lease convey to the permitted Mortgagee, title to the improvements, if any, which become vested in Landlord as a result of the termination of the Ground Lease. The permitted Mortgagee shall be responsible for all costs reasonably incurred by Landlord in connection with the preparation and execution of such new lease. The rights and obligations in this paragraph shall survive termination of this ~~Agreement~~Ground Lease.

(5) No Mortgagee shall be required to perform any act which is not susceptible to performance by a Mortgagee, such as to cure a filing or condition of bankruptcy or insolvency.

(D) Any Mortgage created pursuant to subsection (~~a~~A) of this Section shall be subject to the provisions of this Ground Lease and all rights of Landlord under this Ground Lease.

(E) On transfer of this Ground Lease at any foreclosure sale, or upon creation of a new Ground Lease, any or all of the following Events of Default relating to the prior owner of the Ground Lease shall be deemed cured:

(1) Attachment, execution, or other judicial levy upon the Ground Lease;

(2) Assignment of the Ground Lease for the direct or indirect benefit of creditors of the prior Tenant;

(3) Judicial appointment of a receiver or similar officer to take possession of the Ground Lease;

(4) Filing a petition by, for, or against Tenant under any chapter of the federal Bankruptcy Act or any federal or state debtor relief statute, as amended; and

(5) Any other defaults personal to Tenant and/or not otherwise reasonably curable by Mortgagee.

(F) A Foreclosure Transferee shall succeed to all interest of Tenant in any security or other deposits or other impound payments paid by Tenant to Landlord, except to the extent such security or other deposit or impound payment is used by Landlord to cure an Event of Default of Tenant hereunder.

(G) Foreclosure of any Mortgage or any sale thereunder, whether by judicial proceedings or by virtue of any power of sale contained in such Mortgage, or any conveyance of the leasehold estate under this Ground Lease from Tenant to a Foreclosure Transferee in lieu of foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Landlord or constitute a breach of any provision or a default under this Ground Lease. Landlord shall recognize the Foreclosure Transferee as Tenant under this Ground Lease following any such transfer, subject to the obligations of the Foreclosure Transferee to comply with this Ground Lease.

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16.10 Cost of Loans to be Paid by Tenant. Tenant affirms that it shall bear all of the costs and expenses in connection with (i) the preparation and securing of the Mortgage loans, (ii) the delivery of any instruments and documents and their filing and recording, if required, (iii) all taxes and charges payable in connection with the Mortgage loans, and (iv) all costs reasonably incurred by Landlord in making any amendments of this Lease requested by Tenant or Mortgagees.

16.11 No Merger. There shall be no merger, without the consent of the permitted Mortgagee under any Mortgage, of the leasehold estate and the fee estate in the Property merely because both estates are acquired or become vested in the same person or entity.

16.12 Transfer Rights. Foreclosure of any permitted Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Mortgage, or any conveyance of the leasehold estate hereunder from Tenant to any Mortgagee or an affiliate of Mortgagee or entity controlled by Mortgagee, through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof (any of the foregoing, a "**Foreclosure Action**"), shall not require the consent of Landlord or constitute a breach of any provision of or a default under this Ground Lease, and upon such foreclosure, sale, or conveyance, Landlord shall recognize the purchaser or other transferee in connection therewith as Tenant hereunder. Further, with respect to the first subsequent transfer of the Property following a Foreclosure Action, Landlord shall recognize such transferee, provided that prior to such transfer the transferee has provided evidence reasonably acceptable to Landlord that the transferee has experience in owning and operating affordable housing rental developments of similar scale as the Project and with income and rent restrictions similar to the restrictions set forth in the Ground Lease, and a business reputation and record of fair dealing that is similar to that of Tenant as of the

Commencement Date. Any further assignments shall require the approval of Landlord, which shall not be unreasonably ~~be~~ withheld~~, conditioned, or delayed~~.

ARTICLE 17. SUBLEASING.

17.1 Subleasing of Property. Tenant will ~~sublease~~ Sublease individual residential units to income-qualified ~~heads of household~~ Heads of Household in accordance with the Affordability Restrictions and occupancy covenants set forth in this Ground Lease and the Regulatory Agreement. The Tenant will ~~sublease~~ Sublease the approximately 2,658 square foot tenant space on the ground floor of the Project for the operation of community-serving space ("**Resource Center ~~Lease~~Sublease**"). All ~~subleases~~ Subleases entered into by Tenant with residents of the individual residential units in the Project ("**Resident ~~Leases~~Subleases**") shall be in compliance with the any applicable regulations of HCD, the Regulatory Agreement and any other applicable regulatory agreement required in connection with Project funding. The ~~Residential Leases~~ form and substance of the Resource Center ~~Lease shall be subject to~~ Sublease and the Resident Subleases shall be reviewed and approved by the Landlord prior to implementation and execution, and shall include the following provisions and restrictions:

17.1.1 Each Resident ~~Lease~~ Sublease (or addendum thereto) and the Resource Center ~~Lease~~ Sublease shall contain a provision, satisfactory to Landlord, requiring the subtenant to attorn to Landlord upon (a) an Event of Default by Tenant under this Ground Lease, and (b) receipt by such sublessee of written notice of such Event of Default and instructions to make such sublessee's rental payments to Landlord. Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall also contain a provision, satisfactory to Landlord, prohibiting each subtenant from sub-subleasing its space.

17.1.2 On any termination of this Ground Lease prior to the expiration of the Term, all of Tenant's interest as sublessor under any and all existing valid and enforceable Resident ~~Leases~~ Subleases and Resource Center ~~Lease~~ Sublease for which Landlord has issued a non-disturbance agreement shall be deemed automatically assigned, transferred, and conveyed to Landlord and subtenants under such Resident ~~Leases~~ Subleases and Resource Center ~~Lease~~ Sublease shall be deemed to have attorned to Landlord. Landlord shall thereafter be bound on such Resident ~~Leases~~ Subleases and Resource Center ~~Lease~~ Sublease to the same extent Tenant, as sublessor, was bound thereunder and Landlord shall have all the rights under such Resident ~~Leases~~ Subleases and Resource Center ~~Lease~~ Sublease that Tenant, as sublessor, had under such Resident ~~Leases~~ Subleases and Resource Center ~~Lease~~Sublease; provided, however, that any amendments to any such Resident ~~Lease~~ Sublease and Resource Center ~~Lease~~ Sublease made after the issuance of a non-disturbance agreement to a subtenant shall not be binding on Landlord.

17.1.3 Each Resident ~~Lease~~ Sublease (or addendum thereto) and the Resource Center ~~Lease~~ Sublease shall expressly provide that it is subject to each and all of the covenants, conditions, restrictions, and provisions of this Ground Lease. On expiration of the Term, all ~~subleases~~ Subleases shall terminate.

17.2 ~~Approval of~~ Operator of Community-Serving Space and Operational Program. ALAS will be the initial operator of the community serving space, operating ~~a farmworker~~ an Agricultural Worker resource center subject to the terms ~~and~~, conditions and operational requirements in the Community Resource Center ~~Lease~~ Sublease entered into by ALAS and Tenant. The operational program consists of providing ongoing supportive services and programming to enrich resident well-being and quality of life, and includes applicable fees and other restrictions related to use by the general public. The operational program shall consist of providing health, wellness and other social services to residential tenants of the Project~~, and~~ in accordance with requirements of City and Project funders. The operational program also includes the provision of a multi-purpose community space to be used ~~by the wider public~~ at the sole discretion of City for meetings and activities ~~for up to 16 hours per week on weekdays. ALAS shall comply with the operational program outlined in the Community Resource Center Lease and approved by the Director, which approval shall not be unreasonably withheld or delayed~~of the general public for no less than 16 hours per Work Week. Prior to occupancy of the Project, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and ALAS's proposed use of the space. ALAS (and any successor) shall comply with all terms, conditions and operational requirements of the applicable Sublease, as approved by the City Manager. The operational program may be amended from time to time, as requested by ~~Tenant and reasonably approved by the Director, which approval shall not be unreasonably withheld or delayed~~the operator and approved in writing by City Manager. In the event that ALAS's subtenancy with Tenant is terminated, Tenant shall replace ALAS with an operator that provides services to the residents, consistent with the approved program described above. Tenant shall submit the proposed replacement community~~-~~ serving space subtenant and its proposed operational program to ~~the Director~~ City Manager for review and approval~~, which shall not be unreasonably withheld or delayed~~.

17.3 Rights of Mortgagees. Notwithstanding anything contained in this Ground Lease to the contrary, all attornment provisions applicable to Landlord shall also be applicable to a permitted Mortgagee and, as between Landlord and the permitted Mortgagee, the permitted Mortgagee shall have priority in any attornment situation.

ARTICLE 18. PERFORMANCE OF TENANT'S COVENANTS.

18.1 Right of Performance. If Tenant shall at any time fail to pay any Imposition or other charge in accordance with Article 4 hereof, within the time period therein permitted, or shall fail to pay for or maintain any of the insurance policies provided for in Article 9 hereof, within the time therein permitted, or to make any other payment or perform any other act on its part to be made or performed hereunder, within the time permitted by this Ground Lease, then Landlord, after ten (10) days' written notice to Tenant (or, in case of an emergency, on such notice, or without notice, as may be reasonable under the circumstances) and without waiving or releasing Tenant from any obligation of Tenant hereunder, may (but shall not be required to):

(A) pay such Imposition or other charge payable by Tenant pursuant to the provisions of Article 4 hereof, or

(B) pay for and maintain such insurance policies provided for in Article 9 hereof, or

(C) make such other payment or perform such other act on Tenant's part to be made or performed as in this Ground Lease provided.

18.1.1 Rights of Mortgagees. Notwithstanding anything in this Ground Lease to the contrary, all of the performance rights available to Landlord under Section 19.1 shall also be available to any Mortgagee.

18.2 Reimbursement and Damages. All sums paid by Landlord pursuant to Section 18.1 and all costs and expenses incurred by Landlord in connection with the performance of any such act, together with interest thereon at the rate provided in Section 4.5 from the respective dates of Landlord's making of each such payment or incurring of each such cost or expense, shall constitute additional Rent payable by Tenant under this Ground Lease and shall be paid by Tenant to Landlord on demand. Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force insurance as aforesaid, to the amount of the insurance premium or premiums not paid or incurred by Tenant and which would have been payable upon such insurance, but Landlord shall also be entitled to recover as damages for such breach, the uninsured amount of any loss (to the extent required to be insured against pursuant to the terms of this Ground Lease), damages, costs and expenses of suit, including reasonable attorneys' fees, suffered or incurred by reason of damage to, or destruction of, the Improvements, occurring during any period in which Tenant shall have failed or neglected to provide insurance as aforesaid.

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ARTICLE 19. EVENTS OF DEFAULT; REMEDIES.

19.1 Events of Default. Any one or all of the following events shall, subject to Section 21.1, constitute an "**Event of Default**" hereunder:

19.1.1 If Tenant shall default in the payment of any Rent when and as the same becomes due and payable and such default shall continue for more than ten (10) days after Landlord shall have given written notice thereof to Tenant; or

19.1.2 If Tenant shall materially default under this Ground Lease, the Regulatory Agreement or under the Agreement, and such default is not timely cured within the time provided for herein or therein; or

19.1.3 The abandonment or vacation of the Property by Tenant for a period of thirty (30) days after prior written notice thereof by Landlord; or

19.1.4 The entry of any decree or order for relief by any court with respect to Tenant, or any assignee or transferee of Tenant ("**Assignee**"), in any involuntary case

under the Federal Bankruptcy Code or any other applicable federal or state law; or the appointment of or taking possession by any receiver, liquidator, assignee, trustee, sequestrator or other similar official of Tenant or any Assignee (unless such appointment is in connection with a permitted Mortgagee's exercise of its remedies under its Mortgage), or of any substantial part of the property of Tenant or such Assignee, or the ordering or winding up or liquidating of the affairs of Tenant or any Assignee and the continuance of such decree or order unstayed and in effect for a period of ninety (90) days or more (whether or not consecutive); or the commencement by Tenant or any such Assignee of a voluntary proceeding under the Federal Bankruptcy Code or any other applicable state or federal law, or consent by Tenant or any such Assignee to the entry of any order for relief in an involuntary case under any such law, or consent by Tenant or any such Assignee to the appointment of or taking of possession by a receiver, liquidator, assignee, trustee, sequestrator, or other similar official of Tenant or any such Assignee, or of any substantial property of any of the foregoing, or the making by Tenant or any such Assignee of any general assignment for the benefit of creditors; or Tenant or any such Assignee takes any other voluntary action related to the business of Tenant or any such Assignee or the winding up of the affairs of any of the foregoing.

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19.2 Remedies.

19.2.1 If an Event of Default shall occur and continue as aforesaid, then in addition to any other remedies available to Landlord at law or in equity, but subject to Article 16, Landlord shall have the immediate option to terminate this Ground Lease and bring suit against Tenant and recover as an award in such suit or arbitration proceeding the following:

(a) the worth at the time of award of the unpaid rent and all other sums due hereunder which had been earned at the time of termination;

(b) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(c) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided;

(d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Ground Lease and/or any of the Transaction Documents, as applicable, or which in the ordinary course of things could be likely to result therefrom; and

(e) such amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

19.2.2 The "worth at the time of the award" of the amounts referred to in Subparagraphs 19.2.1(a) and 19.2.1(b) above shall be computed by allowing interest at the rate provided in Section 4.5 as of the date of the award. The "worth at the time of award" of the amount referred to in subparagraph 19.2.1(c) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

19.3 Receipt of Rent, No Waiver of Default. No failure by Landlord to insist upon the strict performance of any term hereof or to exercise any right, power, or remedy consequent upon a default under this Ground Lease, and no acceptance of Rent during the continuance of any such default, shall constitute a waiver of any such default or of any such term. Not by way of limitation of the foregoing, the receipt by Landlord of the rents or any other charges due to Landlord, with knowledge of any breach of this Ground Lease by Tenant or of any default on the part of Tenant in the observance or performance of any of the conditions or covenants of this Ground Lease, shall not be deemed to be a waiver of any provisions of this Ground Lease. No acceptance by Landlord of a lesser sum than the rents or any other charges then due shall be deemed to be other than on account of the earliest installment of the rents or other charges due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of rent or charges due be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy provided in this Ground Lease. The receipt by Landlord of any rent or any other sum of money or any other consideration paid by Tenant after the termination of this Ground Lease, or after giving by Landlord of any notice hereunder to effect such termination, shall not, except as otherwise expressly set forth in this Ground Lease, reinstate, continue, or extend the term of this Ground Lease, or destroy, or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by Landlord to Tenant prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by Landlord. Neither acceptance of the keys nor any other act or thing done by Landlord or by its agents or employees during the Term shall be deemed to be an acceptance of a surrender of the Property or the Improvements, excepting only an agreement in writing signed by Landlord accepting or agreeing to accept such a surrender.

19.4 Effect on Indemnification. Notwithstanding the foregoing, nothing contained in this Article 19 shall be construed to limit Landlord's right to indemnification as otherwise provided in this Ground Lease.

19.5 Remedies Cumulative. The various rights, options, elections, and remedies of Landlord and Tenant, respectively, contained in this Ground Lease shall be cumulative and no one of them shall be construed as exclusive of any other, or of any right, priority, or remedy allowed or provided for by law and not expressly waived in this Ground Lease.

ARTICLE 20. PERMITTED CONTESTS.

Tenant, at no cost or expense to Landlord, may contest (after prior written notice to Landlord), by appropriate legal proceedings conducted with due diligence, the amount

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or validity or application, in whole or in part, of any Imposition or lien, provided that (a) in the case of liens of mechanics, materialmen, suppliers or vendors, or Impositions or liens therefor, such proceedings shall suspend the collection thereof from Landlord, and shall suspend a foreclosure against the Property and/or the Improvements, or any interest therein, or any Rent, if any, (b) neither the Property or the Improvements, nor any part thereof or interest therein, or the Rent, if any, or any portion thereof, would be in any danger of being sold, forfeited, or lost by reason of such proceedings, and (c) Tenant shall have furnished to Landlord, if requested, a bond or other security, satisfactory to Landlord. If Tenant shall fail to contest any such matters, or to give Landlord security as hereinabove provided, Landlord may, but shall not be obligated to, contest the matter or settle or compromise the same without inquiring into the validity or the reasonableness thereof. Landlord, at the sole cost and expense of Tenant, will cooperate with Tenant and execute any documents or pleadings legally required for any such contest.

ARTICLE 21. FORCE MAJEURE.

21.1 Delay of Performance. Subject to Section 21.2 below, Tenant's performance of its obligations set forth in Article 7, Sections 11.2.4 and 11.4, Article 13, and Article 14 to timely make any required improvements, additions, changes, repairs, and replacements to the Property shall be excused during the period of time that Tenant, after and despite its exercise of commercially reasonable diligence to perform such work, is prohibited, prevented, or materially delayed from proceeding with the work due to any of the following causes: any regulation, order, act, restriction, or requirement or limitation imposed by any federal, state, municipal, or foreign government or any department or agency thereof, or civil or military authority; acts of God; fire, explosion, or floods (subject to Tenant's obligations herein to promptly repair and restore the damage caused thereby); strikes, walkouts, or inability to obtain materials; war, terrorism, riots, sabotage or civil insurrection; epidemics or pandemics; or any other causes without the fault and beyond the reasonable control of Tenant following Tenant's exercise of good faith efforts to resolve. In no event shall adverse economic or market conditions, Tenant's inability to obtain financing, increases in interest rates, or similar causes justify an extension of Tenant's obligation to timely perform any of such obligations.

21.2 Notice and Cure Requirements. No prevention, delay, or stoppage of performance shall be excused unless:

(A) Tenant notifies Landlord within thirty (30) days of such prevention, delay, or stoppage that it is claiming excuse of its obligations under this Article 21; and

(B) Tenant diligently proceeds within thirty (30) days of the conclusion of such prevention, delay, or stoppage to cure the condition causing the prevention, delay or stoppage; and

(C) Tenant effects such cure within a reasonable time.

ARTICLE 22. GENERAL PROVISIONS.

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22.1 Notices. Written notices, demands and communications between Landlord and Tenant ("**Notices**") shall be sufficiently given if (i) delivered by hand, (ii) delivered by reputable same-day or overnight messenger service that provides a receipt showing date and time of delivery, or (iii) dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of Landlord and Tenant at the addresses specified in this Section 22.1. Such Notices may be sent in the same manner to such other addresses as either party may from time to time designate by mail as provided in this Section 22.1.

Any Notice shall be deemed received immediately if delivered by hand or delivered by messenger in accordance with the preceding paragraph, and shall be deemed received on the third (3rd) day from the date it is postmarked if delivered by registered or certified mail in accordance with the preceding paragraph.

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If to Tenant: Mercy Housing California 110, L.P.
1256 Market Street
San Francisco, CA 94102
Attn: Kelly Hollywood
Email: kelly.hollywood@mercyhousing.org

with a copy to: Gubb and Barshay LLP
235 Montgomery St., Suite 1110
San Francisco, CA 94104
Attn: CJ Highley, Evan Gross
Email: cjhigley@gubbandbarshay.com;
egross@gubbandbarshay.com

If to Landlord: Landlord of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: ~~Community Development Director~~City Manager
Reference: 555 Kelly
Email: ~~llacko@hmbcity.com~~mchidester@halfmoonbay.gov

with a copy to Half Moon Bay City Attorney's Office
c/o Burke, Williams & Sorensen
1999 Harrison Street, Suite 1650
Oakland, CA 94612
Attn: Denise Bazzano, Esq.

Addresses for Notice may be changed from time to time by delivery of a Notice to all other parties in compliance herewith. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any Notice as the result of a change of address of which the sending party was not notified shall be deemed receipt of such Notice.

22.2 Certificates. Landlord or Tenant, as the case may be, shall execute, acknowledge, and deliver to the other, promptly upon request by Landlord, Tenant, or a Mortgagee, an estoppel certificate of Landlord or Tenant, as the case may be, certifying, to the knowledge of the certifying party (a) that this Ground Lease is unmodified and in full force and effect (or, if there have been modifications, that the Ground Lease is in full force and effect, as modified, and stating the date of each instrument so modifying the Ground Lease), (b) the date, if any, through which the Rent, if any, has been paid, (c) whether there are then existing any offsets or defenses against the enforcement of any term hereof on the part of Tenant to be performed or complied with (and, if so, specifying the same), and (d) whether any default exists hereunder and, if any such default exists, specifying the nature and period of existence thereof and what action Landlord or Tenant, as the case may be, is taking or proposes to take with respect thereto and whether notice thereof has been given to the party in default. Any Certificate may be relied upon by any prospective purchaser, transferee, mortgagee, or trustee under a deed of trust or leasehold estate in the Property or any part thereof or of Landlord's or Tenant's interest under this Ground Lease. Tenant will also deliver to Landlord, promptly upon request, such information with respect to the Property or any part thereof as from time to time may reasonably be requested. Tenant or the existing or prospective Mortgagee requesting an estoppel certificate from Landlord shall, as a condition to receipt of such estoppel certificate, pay Landlord for Landlord's actual and reasonable costs incurred to investigate and respond to the same, including Landlord's in-house payroll and administrative costs and the amounts paid by Landlord to consultants and attorneys.

22.3 No Merger of Title. There shall be no merger of this Ground Lease or the leasehold estate created by this Ground Lease with any other estate in the Property or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly:(a) this Ground Lease or the leasehold estate created by this Ground Lease or any interest in this Ground Lease or in any such leasehold estate, and (b) any other estate in the Property and the Improvements or any part thereof or any interest in such estate, and no such merger shall occur unless and until all persons, corporations, firms and other entities, including any leasehold Mortgagee or leasehold Mortgagees, having any interest (including a security interest) in (i) this Ground Lease or the leasehold estate created by this Ground Lease, and (ii) any other estate in the Property or the Improvements or any part thereof shall join in a written instrument effecting such merger and shall duly record the same.

22.4 Quiet Enjoyment. Tenant, upon paying the Rent, if any, and other charges herein provided for and upon performing and complying with all covenants, agreements, terms and conditions of this Ground Lease to be performed or complied with by it, shall lawfully and quietly hold, occupy and enjoy the Property during the Term of this Ground Lease without hindrance or molestation by Landlord, or any person or persons claiming through Landlord.

22.5 No Claims Against Landlord. Nothing contained in this Ground Lease shall constitute any consent or request by Landlord, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the

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Property or any part thereof, nor as giving Tenant any right, power, or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Landlord or its interest in the Property in respect thereof.

22.6 Non-Liability of Landlord or Landlord Officials and Employees. Neither Landlord or any Landlord Personnel shall be personally liable to Tenant, including any successor in interest of Landlord or any Landlord Personnel, in the event of any default or breach by Landlord or for any amount which may become due to Tenant or its successors, or on any obligations under the terms of this Ground Lease, the Agreement and the Regulatory Agreement. Tenant hereby waives and releases any claim it may have against Landlord and all Landlord Personnel with respect to any default or breach by Landlord or any of the Landlord Personnel or for any amount which may become due to Tenant or its successors, or on any obligations under the terms of this Ground Lease, the Agreement or the Regulatory Agreement. Tenant makes such release with full knowledge of Civil Code Section 1542 and hereby waives any and all rights thereunder to the extent of this release, if such Section 1542 is applicable. Section 1542 of the Civil Code provides as follows:

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> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."
>
> _____
> Tenant's Initials

22.7 Inspection. Landlord and its authorized representatives may enter the Property and Project or any part thereof at all ~~reasonable~~ times for the purpose of inspecting, servicing, or posting notices, protecting the Property, Project or the Improvements, or for any other lawful purposes; provided, that except in cases of emergency Landlord shall provide Tenant prior telephonic or other notice of Landlord's intent to enter onto the Property or Project, Landlord's entries shall occur only during normal business hours (8 AM-6 PM Monday-Friday), and Landlord may only enter an occupied residential unit after giving the sublessee three (3) days prior written notice and either obtaining the consent of the occupant(s) or obtaining an inspection warrant, if required by law.

22.8 Holding Over. In the event Tenant shall hold over or remain in possession of the Property, Project or the Improvements with the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a tenancy for month-to-month only, upon the same terms and conditions as are herein set forth so far as the same are applicable. In the event Tenant shall hold over or remain in possession of the Property, Project or the Improvements without the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a hold over tenancy,

upon the same terms and conditions as are herein set forth so far as the same are applicable, except that Rent shall be adjusted to the then fair market value rent, as reasonably determined by Landlord.

22.9 Relationship Between Landlord and Tenant. It is hereby acknowledged by Tenant that the relationship between Landlord and Tenant is not that of a partnership or joint venture and that Landlord and Tenant shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, with the exception of any provisions expressly set forth to the contrary herein, in the Agreement, or in the attachments or exhibits hereto, Landlord shall have no rights, powers, duties, or obligations with respect to the development, operation, maintenance, repair or management of the Project. Tenant agrees to indemnify, defend (with counsel acceptable to Landlord), and hold harmless Landlord from and against any and all claims, liabilities, and losses arising from a claimed relationship of partnership, joint venture, or agency between Landlord and Tenant with respect to the development, operation, maintenance, repair or management of the Property or the Project, except to the extent occasioned by the gross negligence or willful misconduct of Landlord or its designated agents or employees.

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22.10 Inaction Not a Waiver of Default. Any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

22.11 Venue for Legal Actions. All legal actions by either party to enforce this Agreement or seeking any remedy arising out of or related to this Agreement must be instituted and maintained in the Superior Court of the County of San Mateo, State of California, or in the United States District Court for the Northern District of California.

22.12 Service of Process. In the event that any legal action is commenced by Tenant against Landlord, service of process on Landlord shall be made by personal service upon ~~the Director~~ City Manager or in such other manner as may be provided by law. In the event that any legal action is commenced by Landlord against Tenant, service of process on Tenant shall be made by personal service upon the general partner of Tenant or in such other manner as may be provided by law. Service shall be effective regardless of whether it is made within the State of California.

22.13 Attorney's Fees. In the event of a dispute between the parties arising out of or in connection with this Ground Lease, the Agreement or the Regulatory Agreement whether or not such dispute results in arbitration or litigation, the prevailing party (whether resulting from settlement before or after arbitration or litigation is commenced) shall be entitled to have and recover from the losing party reasonable attorneys' fees and costs of suit, including expert witness fees, incurred by the prevailing party.

22.14 Time Is of The Essence. Time is of the essence of this Ground Lease and all of the terms, provisions, covenants, and conditions hereof.

22.15 Survival of Representations, Warranties and Covenants. The respective representations, warranties, and covenants contained herein shall survive the Commencement Date and continue throughout the Term.

22.16 Construction of Agreement. This Ground Lease shall be construed in accordance with the internal laws of the State of California, without regard to the choice of law rules thereof. The rule of construction that a document be construed strictly against its drafter shall have no application to this Ground Lease. Titles and captions are for convenience of reference only and do not define, describe, or limit the scope or the intent of this Ground Lease or of any of its terms. Reference to ~~section~~ Section numbers are to ~~sections~~ Sections in this Ground Lease unless expressly stated otherwise.

22.17 Severability. If one or more of the provisions of this Ground Lease shall be held to be illegal or otherwise void or invalid, the remainder of this Ground Lease shall not be affected thereby and shall remain in full force and effect to the maximum extent permitted under applicable laws and regulations.

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22.18 Entire Agreement; Modification. This Ground Lease, the Regulatory Agreement and the Agreement collectively contain the entire agreement of the parties with respect to the matters discussed herein and supersede all prior discussions and negotiations between the parties with respect thereto. This Ground Lease may be amended only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extensions, or discharge is sought.

22.19 Binding Effect and Benefits. This Ground Lease and the Regulatory Agreement shall inure to the benefit of and be binding on the parties hereto and their respective successors and assigns. Except as otherwise set forth herein, nothing in this Ground Lease, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Ground Lease.

22.20 No Third-Party Rights. Except as may otherwise be expressly set forth herein, the parties intend that no rights nor remedies be granted to any third party as a beneficiary of this Ground Lease or of any covenant, duty, obligation, or undertaking established herein.

22.21 Real Estate Brokerage Commissions. Landlord and Tenant each represent and warrant to the other that no broker or finder is entitled to any commission or finder's fee in connection with this transaction, and each agrees to defend and hold harmless the other from any claim to any such commission or fee resulting from any action on its part.

22.22 Computation of Time. The time in which any act is to be done under this Ground Lease is computed by excluding the first day and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

22.23 Counterparts. This Ground Lease may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Ground Lease.

22.24 Number and Gender. Whenever the singular number is used in this Ground Lease and required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders.

22.25 Conflicts. To the extent conflicting provisions exist in this Ground Lease and the Agreement, the provisions of this Ground Lease shall control over any conflicting provision in the Agreement.

22.26 Incorporation by Reference. Every Exhibit attached to this Ground Lease and referred to herein is hereby incorporated by reference.

~~**22.27 Consent Rights.** Unless otherwise expressly provided in this Ground Lease, all approvals or consents of Landlord (or Director), Tenant, or any Mortgagee shall not be unreasonably withheld, conditioned, or delayed.~~

22.27 Approval/Requests. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of Landlord, such approval shall not be unreasonably withheld and shall be given on behalf of Landlord by City Council, except as expressly set out in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required of Landlord by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request of Landlord may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request made to Landlord or make a determination made to Landlord that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for such approving such determination or request. This Section 22.27 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation.

22.28 U.S. Immigration and Customs Enforcement. Landlord agrees that access to private, non-public areas of the Property shall only be accessed by the County of San Mateo, State and Federal officials by consent of Tenant or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access to the private non-public areas of the Property. If such a judicial warrant or other legal instrument is presented to Tenant, Tenant shall confirm identification of the County of San Mateo, State or Federal official and shall observe and document the locations

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accessed by the official and provide Landlord with written notice of the warrant or other legal instrument, the areas accessed, and the observations. Tenant shall be responsible for compliance with all applicable State and Federal laws relating to immigration in performance of its obligations set forth in this Ground lease, including but not limited to, the Immigration and Nationality Act, and shall defend and indemnify Landlord and Landlord Personnel in accordance with Section 9.8 to the extent any Loss arises from alleged violations of State and Federal immigration laws.

22.29~~22.28~~ **Legal Advice**. Each party represents and warrants to the other party the following: such party has carefully read this Ground Lease and in signing this Ground Lease it does so with full knowledge of any right which it may have; it has received independent legal advice from its respective legal counsel as to the matters set forth in this Ground Lease, or it has knowingly chosen not to consult legal counsel as to the matters set forth in this Ground Lease and it has freely signed this Ground Lease without any reliance upon any agreement, promise, statement, or representation by or on behalf of the other party, or its respective agents, employees, or attorneys, except as specifically set forth in this Ground Lease, and without duress or coercion, whether economic or otherwise.

[*Remainder of page intentionally left blank; signatures on next page*]

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IN WITNESS WHEREOF, the undersigned have executed this Ground Lease as of the date first above written.

"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

Date: _____, 2026

By: _____
Matthew Chidester, City Manager

Approved as to form:

_____
Denise Bazzano, Interim City Attorney

DRAFT

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC, a California limited liability company
Its General Partner

By: Mercy Housing California, a California nonprofit public benefit corporation
Its: Sole member/manager

Date: _____, 2026

By: _____
Ramie Dare
Vice President

EXHIBIT ~~"A"~~A

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

~~[INSERT LEGAL DESCRIPTION]~~

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property:
Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

~~EXHIBIT "A"~~

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EXHIBIT ~~"B"~~B

MEMORANDUM OF LEASE

(See following document)

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~~EXHIBIT "B"~~

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Half Moon Bay
501 Main Street,
Half Moon Bay, CA 94019
Attn: ~~Director of Community Development~~City Manager

Exempt From Recording Fee Pursuant to
Government Code Sections 6103 and 27383

MEMORANDUM OF GROUND LEASE

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This **MEMORANDUM OF GROUND LEASE** ("**Memorandum**") is hereby entered into as of [Date] by and between **CITY OF HALF MOON BAY**, a municipal corporation ("**Landlord**"), and **MERCY HOUSING CALIFORNIA 110, L.P.**, a California limited partnership ("**Tenant**").

RECITALS

A. Landlord and Tenant have entered into a "Ground Lease" dated concurrently herewith for that certain real property owned by Landlord (~~the~~ "**Property**"), which provides for the construction, maintenance, management and operation of a forty (40) unit ~~senior farmworker~~ Senior Agricultural Worker multifamily apartment project, to be made available long term at an affordable housing cost, property management office space, a community serving space and parking (~~the~~ "**Project**"). The Property is legally described in Exhibit ~~"A,"~~ A, which is attached hereto and incorporated herein by this reference. A copy of the Ground Lease is available for public inspection at the office of the Landlord, 501 Main Street, Half Moon Bay, CA 94019.

B. The term of the Ground Lease commences on the date of recordation of this Memorandum of Unrecorded Ground Lease in the Official Records of San Mateo County (~~the~~ "**Commencement Date**") and, subject to the provisions set forth in the Ground Lease and applicable law that may result in an earlier termination of the Ground Lease, continues until the ~~sixty-fifth~~ ninety-ninth (~~65th~~99th) anniversary of the Commencement Date.

C. The Ground Lease provides that a short form memorandum of the Ground Lease shall be executed and recorded in the Official Records of San Mateo County, California.

NOW, THEREFORE, the parties hereto certify as follows:

Landlord, pursuant to the Ground Lease, hereby leases the Property to Tenant upon the terms and conditions provided for therein. This Memorandum of Lease is not a complete summary of the Ground Lease, and shall not be used to interpret the provisions of the Ground Lease.

"Landlord"

CITY OF HALF MOON BAY, a political subdivision of the State of California

By: _____
Matthew Chidester, City Manager

Date:

Approved as to form:

_____
Denise Bazzano, Interim City Attorney

DRAFT

"Tenant"

MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership

By: Mercy Housing California 110 LLC, a California limited liability company
Its General Partner

By: Mercy Housing California, a California nonprofit public benefit corporation
Its sole member/manager

By: _____
Ramie Dare
Vice President

Date: _____

~~EXHIBIT "B"~~
~~2~~

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DRAFT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DRAFT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

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EXHIBIT ~~"A"~~ A TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

~~[INSERT LEGAL DESCRIPTION]~~

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

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Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to

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Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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~~EXHIBIT "B"~~
~~7~~

EXHIBIT ~~"C"~~C

REGULATORY AGREEMENT

(See following document)

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AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT

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By and Between

CITY OF HALF MOON BAY

and

MERCY HOUSING CALIFORNIA 110, L.P.

Dated as of _____ __, 2026

AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT

THIS AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT ("**Agreement**") is made and entered into as of _____, 2026 ("**Effective Date**"), by and between CITY OF HALF MOON BAY, a municipal corporation ("**City**"), and MERCY HOUSING CALIFORNIA 110, L.P., a California limited partnership ("**Developer**"). City and Developer are sometimes referred to hereinafter individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

A. City owns fee title to that unimproved certain real property located at 535 and 555 Kelly Avenue, in Half Moon Bay, California (APNs: 056-150-220 (partial) and 056-150-200) ("**Property**").

B. On February ~~25~~15, 2022, City issued a Request for Qualifications ("**RFQ**") to select a developer to develop an affordable housing development, consistent with the general goals and requirements contained in the RFQ, on the Property.

C. Through the RFQ process, Mercy Housing California, a California nonprofit public benefit corporation ("**Mercy**"), was selected to potentially develop, pending subsequent negotiations, the proposed development on the Property. Mercy was established to develop and operate safe, decent affordable housing in California.

D. Developer is a California limited partnership, the general partner of which is Mercy Housing California 110 LLC, a California limited liability company, of which Mercy Housing California, a California nonprofit public benefit corporation, is its sole member/manager.

E. On May 14, 2024, the City's Planning Commission conditionally approved a Coastal Development Permit (~~CDP~~"**CDP**") for the Project (PDP-23-034). Following the Planning Commission action, three separate appeals to City Council were filed, challenging the Planning Commission decision to approve the CDP. On June 26, 2024, the City Council held a hearing and voted to deny the appeals, upholding the CDP.

F. The Parties now desire to enter into this Agreement to set forth the terms and conditions on which City will ground lease the Property to Developer for Developer~~'s development and subsequent operation thereon of a rental affordable housing development containing~~ to: (i) construct and operate a forty (40) ~~rental dwelling units~~unit Senior Agricultural Worker multifamily apartment project with all but one (1) of such units restricted for occupancy by extremely low and very low income households, ~~a community-~~

~~serving space~~ as further described in Section 8.1 of the form of Ground Lease attached to this Agreement as Attachment No. 6, (ii) construct and operate, or provide for the operation of, residential common space and property management office space ~~and parking (~~, (iii) construct and provide for the operation of an approximately 2,658 square feet community-serving space, and (iv) provide parking spaces for 18 on-site parking spaces (including two (2) ADA spaces) and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces (collectively, "**Project**"). The Property consists of approximately 16,395 square feet, and is more particularly described in Attachment No. 1 to this Agreement. ~~[Mercy to confirm parcel size.]~~The terms and conditions of this Agreement will govern until the date (if such occurs) that the Ground Lease becomes effective, which shall occur upon the recordation of the Memorandum of Ground Lease.

G. The ground lease of the Property to Developer and the development and subsequent operation of the Project on the Property pursuant to this Agreement, and the fulfillment generally of this Agreement, are in furtherance of City's goals to provide permanent affordable housing in the City of Half Moon Bay, are in the vital and best interests of the City of Half Moon Bay and the welfare of its residents, and are in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements under which the Project has been undertaken.

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NOW, THEREFORE, for and in consideration of the foregoing Recitals, which are incorporated herein by this reference, and the mutual promises, covenants, and conditions herein contained, City and Developer hereto agree as follows:

1. DEFINITIONS

As used in this Agreement, capitalized terms are defined where first used or as set forth in this Section 1. Capitalized terms used in an attachment attached hereto and not defined therein shall also have the meanings set forth in this Section 1.

"**Adjusted AMI**" has the meaning given to it in Section 11.

"**Affiliate**" means any Person, directly or indirectly, Controlling or Controlled by or under common Control with such Person, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"**Agricultural Employment**" means employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry;

dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

"Agricultural Worker" means an individual who derives, or prior to retirement or Disability derived, a substantial portion of his/her income from Agricultural Employment.

"**Building Permit**" means all permits issued by City and required for commencement of construction of the Project.

"**California Prevailing Wage Law**" has the definition given it in Section ~~10.9(i~~10.9(b)(i)).

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"**Cash Flow Projection**" means a financial forecast estimating future cash inflows and outflows over the term of the Ground Lease.

"**CDLAC**" means the California Debt Limit Allocation Committee.

"**CDP**" is defined in Recital E.

"**City**" means the City of Half Moon Bay, California.

"**City Manager**" means the person duly appointed to the position of City Manager, or his or her designee.

"**City Title Policy**" has the meaning set forth in Section ~~7.2(j~~7.2(k) of this Agreement.

"**Condition of Property Title**" has the meaning set out in Section 5.8.

"**Construction Lender**" means the lender that provides construction financing for the Project. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Lender shall be understood to mean the institution or institutions that hold such Tax-Exempt Bonds through the construction period (e.g., until the Conversion Date). The Construction Lender may or may not also be the Take-Out Lender.

"**Construction Loan**" means the construction loan for the Project secured by the Construction Loan Security Documents, in the amount set forth in the Final Project Budget. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"**Construction Loan Security Documents**" means the documents and instruments required by the Construction Lender to secure the Construction Loan.

"**Conversion Date**" has the meaning set forth in the Construction Loan Security Documents, or, if such term is not defined therein, means the date the Construction Loan converts from a construction loan to a permanent loan.

"**Developer**" has the meaning set forth in the opening paragraph of this Agreement.

"**Developer Title Policy**" has the meaning set forth in Section 7.3(e) of this Agreement.

~~"**Director**" means the person duly appointed to the position of Director of the Community Development Department, or his or her designee. The Director shall represent City in all matters pertaining to this Agreement. Whenever a reference is made herein to an action or approval to be undertaken by City, the Director is authorized to act unless this Agreement specifically provides otherwise or the context should otherwise require.~~

"Disability" means an actual or perceived physical or mental disability or medical condition that is disabling, potentially disabling or perceived to be disabling or potentially disabling, which limits a major life activity, as defined by the California Fair Employment and Housing Act, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Environmental Inquiries**" has the meaning given to it in Section 5.6.

"**Escrow**" means the escrow through which the Property Closing is conducted.

"**Escrow Holder**" means Old Republic Title Company, with its offices located at Old Republic Title - 555 12th St. Ste. 2000, Oakland, CA. 94607 or such other escrow company as may be agreed to by Developer and ~~the Director~~City Manager.

"**Event of Default**" has the meaning set forth in Section 13.1 of this Agreement.

"**Final Construction Documents**" means the final plans, drawings and specifications upon which the Building Permit is issued.

"**Final Project Budget**" shall mean the final budget for the Project, as more fully discussed in Section 6.3 below.

"**First Year Operating Budget**" means a detailed financial plan projecting the Project's expected revenues and expenses for its first year of operation.

"**Governmental Requirements**" means all laws, ordinances, statutes, codes, rules, regulations, requirements, orders and decrees, of the United States, the State of California, the City of Half Moon Bay, the County of San Mateo, and of any other political

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subdivision, agency or instrumentality exercising jurisdiction over City, Developer, the Property, and/or the Project, including common law.

"**Ground Lease**" means a ground lease substantially in the form attached hereto and incorporated herein as Attachment No. 6, to be executed by Developer and City to set forth the terms and conditions for City's lease of the Property to Developer.

"**Hazardous Materials**" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) ~~listed under Article 9 or~~ defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any governmental requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"**Hazardous Materials Contamination**" means the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Property by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time emanating from the Property.

"**IIG**" is defined in Section 6.1(d).

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"**Indemnitees**" means City, and its respective directors, officers, officials, members, employees, representatives, agents and volunteers.

"**Investor**" means the low income housing tax credit limited partner of the Developer.

"**Land Use Entitlements**" has the meaning set forth in Section 4 of this Agreement.

"**Liabilities**" has the meaning set forth in Section 5.3 of this Agreement.

"**Management Agreement**" has the meaning set forth in Section 7.2(h) of this Agreement.

"**Memorandum of Ground Lease**" means the Memorandum of Unrecorded Ground Lease to record in the Official Records pursuant to Section 1.4 of the Ground Lease.

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"**Mercy**" has the meaning set forth in Recital C.

"**Notices**" has the meaning set forth in Section 14 of this Agreement.

"**Official Records**" means the Official Records of the County of San Mateo.

"**Outside Closing Date**" means the date that is one hundred ninety-four (194) days after the first date on which Developer has received an allocation of Tax Credits from TCAC, provided, however, that such date may be extended to the extent the required closing date is extended by CDLAC and/or TCAC.

"**Partnership Agreement**" means the limited partnership agreement for Developer.

"**Preliminary Project Budget**" shall mean that certain preliminary project budget attached hereto and incorporated herein as Attachment No. 5.

"**Preliminary Title Report**" has the meaning given it in Section 5.8.

"**Project**" ~~means Developer's construction of (i) an affordable rental housing development consisting of forty (40) residential rental dwelling units~~has the meaning set forth in Recital F, ~~with thirty-nine (39) of such units restricted for rental to and occupancy by senior and farmworker income-qualified households, and all required on-site improvements necessary to serve the development, and (ii) a community-serving space,~~ above, all in accordance with this Agreement, including, without limitation, the Scope of Development, the Land Use Entitlements, and the Final Construction Documents.

"**Project Costs**" means all costs of any nature incurred in connection with the planning, design, and development of the Project.

"**Project Documents**" means, collectively, this Agreement, the Ground Lease, the Memorandum of Ground Lease, and any other agreement, document or instrument that Developer and City enter into pursuant to this Agreement or in order to effectuate the purposes of this Agreement.

"**Property**" means that certain real property referred to in Recital A and legally described in Attachment No. 1 and depicted in Attachment No. 2, both of which attachments are attached hereto and incorporated herein by this reference. The Property comprises approximately 16,395 square feet of land.

~~"**Project Financing**" has the meaning set forth in Section 6.1 of this Agreement.~~

"**Property Closing**" means closing of the construction sources of Project Financing, execution of the Ground Lease and delivery of possession of the Property to Developer pursuant thereto.

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"**Project Financing**" has the meaning set forth in Section 6.1 of this Agreement.

"**Regulatory Agreement**" is defined in Section 7.3(i).

"**Response Action**" is defined in Section 5.5 of this Agreement.

"**RFQ**" has the meaning give it in Recital A.

"**Schedule of Performance**" means the Schedule of Performance attached hereto and incorporated herein as Attachment No. 3.

"**Scope of Development**" means the Scope of Development attached hereto and incorporated herein as Attachment No. 4.

"**Senior**" means an individual who is 55 years old or older, except to the extent stated otherwise in (i) state and federal law, as the same may be amended from time to time, and (ii) the requirements of any Project funding.

"**Site Map**" means the site map attached hereto and incorporated herein as Attachment No. 2.

"**Sources and Uses of Funds Statement**" means a statement attached to each of the Preliminary Project Budget and Final Project Budget detailing the sources of capital for the Project and uses for which those funds will be spent.

"**Sublease**" means an agreement pursuant to which Developer, as tenant under the Ground Lease, leases a portion of the Project to another tenant, referred to as a subtenant, pursuant to the terms and conditions of the Ground Lease.

"**Take-Out Lender**" means the lending institution that makes the Take-Out Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Lender

shall be understood to mean the institution that holds or institutions that hold such Tax-Exempt Bonds from and after the construction period (e.g., from and after the Conversion Date). The Take-Out Lender may or may not also be the Construction Lender.

"**Take-Out Loan**" means the long-term loan made by the Take-Out Lender to Developer to take out the Construction Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"**Tax Credits**" has the meaning set forth in Section 6.1(b) of this Agreement.

"**Tax Credit Program**" means the low-income housing tax credit program authorized pursuant to Internal Revenue Code Section 42, California Health and Safety Code Sections 50199.6-50199.19, Revenue and Taxation Code Sections 17057.5, 17058, 23610.4, 23610.5, and applicable federal and State regulations such as 4 California Code of Regulations Sections 10300-10340.

"**Tax-Exempt Bonds**" means tax-exempt multifamily housing mortgage revenue bonds.

"**TCAC**" means the California Tax Credit Allocation Committee.

~~"**TCO**" has the meaning given to it in Section 10.5.~~

"**Title Company**" means Old Republic Title Company, with its offices located at Old Republic Title - 555 12th St. Ste. 2000, Oakland, CA. 94607, or such other title insurance company as may be agreed to by Developer and ~~the Director~~City Manager.

"**Title Exceptions**" has the meaning given to it in Section 5.8.

"**Week**" means a seven-day calendar period starting with Sunday and continuing through Saturday.

"**Weekend**" means the days of Saturday and Sunday during a Week.

"**Work Week**" means the days of Monday through Friday during a Week.

2. DEVELOPER

Developer is a California limited partnership, the general partner of which is Mercy Housing California 110, LLC, a California limited liability company, of which Mercy is its sole member/manager.

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3. SCHEDULE OF PERFORMANCE

The Schedule of Performance sets forth the times by which the parties are required to perform certain obligations set forth in this Agreement.

4. LAND USE ENTITLEMENTS

Developer and City acknowledge and agree that prior to the Effective Date, Developer obtained all discretionary governmental permits and approvals necessary to allow Developer to develop the Project in the manner required by this Agreement (collectively, "**Land Use Entitlements**"), and that Developer has accepted all of the Land Use Entitlements, including all of the terms and conditions pertaining thereto.

5. RIGHT TO ENTER PROPERTY; AS-IS; PHYSICAL AND ENVIRONMENTAL CONDITION

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5.1 Right to Enter Property. Developer acknowledges and agrees that Developer has had ample opportunity to examine, inspect, and investigate the physical and environmental condition of the Property, and has approved the physical and environmental condition of the Property and determined it is acceptable to Developer and suitable for Developer's intended use. Commencing as of the Effective Date and until the Property Closing, Developer and Developer's representatives and agents shall be entitled to enter onto the Property to conduct additional examinations and investigations as provided herein. For avoidance of doubt, such additional examinations and investigations shall not affect Developer's approval of the physical and environmental condition of the Property or Developer's determination that the Property is suitable for Developer's intended use.

Developer shall provide to City a copy of all reports, studies and test results prepared by Developer's consultants as a result of such additional examinations and/or investigations, without representation or warranty. Developer shall submit a written request to and receive the approval of City prior to any proposed entry by Developer or Developer's representatives on the Property. City Manager shall reasonably consider any such request and shall endeavor to provide a response to Developer within one (1) business day. Any such entry shall occur during normal business hours. City Manager or his or her designee shall have the right, but not the obligation, to accompany Developer during any such additional examinations and/or investigations. As a condition of such entry, Developer shall (i) conduct all additional examinations and/or investigations in a diligent, expeditious, and safe manner and not allow any dangerous or hazardous conditions to occur on the Property during or after the additional examinations and/or investigations; (ii) obtain any required governmental permits and comply with all applicable laws and governmental regulations; (iii) keep the Property free and clear of all materialmen's liens, lis pendens and other liens arising out of the entry and additional examinations and/or investigations under this paragraph; (iv) maintain or assure maintenance of workers' compensation insurance (or state approved self-insurance) for all persons entering the Property in the amounts required by the State of California; and

(v) provide to City Manager prior to initial entry a certificate of insurance evidencing that Developer and/or the persons entering the Property have procured and have in effect commercial general liability insurance that satisfies the requirements set forth in Section 10.5 hereof. Developer shall, in a timely manner, repair any and all damage to the Property caused by such additional examinations and/or investigations, and shall indemnify, defend, and hold harmless the Indemnitees from and against any claims, liabilities, and losses arising from the entry of Developer or its representatives or agents on the Property pursuant to this Section 5.1, except to the extent that such claims liabilities and losses arise out of the intentional misconduct or gross negligence of any of the Indemnitees.

5.2 AS-IS; Release. Developer acknowledges and agrees that Developer is leasing the Property from City solely in reliance on its own investigation, and that no representations and/or warranties of any kind whatsoever, express or implied, have been made by any of the Indemnitees.

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AS A MATERIAL PART OF THE CONSIDERATION FOR CITY'S AGREEMENT TO LEASE THE PROPERTY TO DEVELOPER, DEVELOPER AGREES TO ACCEPT THE PROPERTY "AS IS" AND "WHERE IS", WITH ALL FAULTS. SUBJECT TO APPLICABLE CALIFORNIA LAW, NO WARRANTY OR REPRESENTATION IS MADE BY INDEMNITEES WITH RESPECT TO THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO (I) FITNESS FOR ANY PARTICULAR PURPOSE, (II) MERCHANTABILITY, (III) CONDITION, (IV) ABSENCE OF DEFECTS OR FAULTS, (V) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (VI) FLOODING, OR (VII) COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, LAWS AND REGULATIONS RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT, AS THEY MAY APPLY TO THE CURRENT CONDITION OF THE PROPERTY OR DEVELOPER'S INTENDED DEVELOPMENT, CONSTRUCTION OR USE, OR FOR ANY OTHER PURPOSE. DEVELOPER ACKNOWLEDGES THAT DEVELOPER WILL BE RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC USE, TITLE, COMPLIANCE AND LEGAL CONDITION OF THE PROPERTY.

On and after the Property Closing, Developer will be deemed to have waived and released Indemnitees of and from any and all claims, causes of action, damages or losses that may be incurred by Developer concerning the condition of the Property, whether known or unknown as of the Effective Date. Such waiver will be deemed to be a release of all rights held by Developer under California Civil Code ~~§1542~~Section 1542, which states:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE

MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Developer Initials _____

This Section 5.2 shall survive termination of the Agreement.

5.3 Developer Indemnity. Developer shall save, protect, defend (with counsel reasonably acceptable to City), indemnify, and hold harmless the Indemnitees from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, reasonable attorneys' fees and remedial and response costs) (collectively, "**Liabilities**") which may now or in the future be incurred or suffered by any of the Indemnitees by reason of, resulting from, in connection with, or existing in any manner whatsoever as a direct or indirect result of (i) Developer's failure to comply with all applicable Governmental Requirements; (ii) Developer's placement on, under or about the Property of any Hazardous Materials or Hazardous Materials Contamination; or (iii) Developer's breach of its obligations under this Article 5. Except for obligations assumed by Developer in this Article 5, Developer shall have no indemnity obligation to any of the Indemnitees for any Liabilities arising from or related to Hazardous Materials Contamination of the Property that existed prior to the Property Closing, except to the extent such contamination is exacerbated by Developer or any of its Affiliates, agents, contractors, consultants or employees.

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5.4 Duty to Prevent Hazardous Materials Contamination. Developer shall take commercially reasonable actions to prevent the exacerbation of an existing release of any Hazardous Materials located on the Property and the release of new Hazardous Materials to the Property after the Property Closing. For the avoidance of ambiguity, nothing in the previous sentence shall limit Developer from maintaining Hazardous Materials existing on the Property prior to the Property Closing or consolidating such Hazardous Materials on the Property, all to the extent such actions will not exacerbate any existing release of such Hazardous Materials and are permitted by law. Developer's duty to prevent Hazardous Materials Contamination shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Developer shall comply with any state or local Government Requirements pertaining to apartment complexes in San Mateo County, California, as respects the disclosure, permitting, notification, storage, use, removal, and disposal of Hazardous Materials.

5.5 Obligation to Remediate Premises. Developer acknowledges that, as of the Property Closing, City shall have no obligation to undertake any action to address or respond to Hazardous Materials present on, under, or about the Property regardless of when the Hazardous Materials first occurred or when they were first discovered. After the Property Closing, any remediation, investigation, mitigation or other response action (collectively "**Response Action**") shall be performed by Developer at Developer's sole

cost and expense without any reimbursement from City, including without limitation (i) all Response Actions required by any federal, state, regional, or local governmental agency or political subdivision or to fulfill any Governmental Requirements and (ii) all actions necessary to use the Property for the purposes contemplated by the Regulatory Agreement, this Agreement, and the Ground Lease. Developer shall bear sole responsibility, cost and expense for any Response Action regardless of whether the Hazardous Materials or Hazardous Materials Contamination that is the subject of such Response Action arose before or after the Property Closing and regardless of when it was first discovered. Such Response Actions shall include, but not be limited to, the investigation of the environmental condition of the Property, the preparation of any feasibility studies, risk assessments or other reports, and the performance of any cleanup, remedial, removal, mitigation or restoration work.

5.6 Environmental Inquiries. Developer, when it has received any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, or cease and desist orders related to Hazardous Materials or Hazardous Materials Contamination from any governmental agency, or when Developer is required by any regulatory authority to report any violation or potential violation of any Governmental Requirement pertaining to Hazardous Materials or Hazardous Materials Contamination (collectively, "**Environmental Inquiries**"), shall promptly provide ~~the Director~~ City Manager a copy or copies of the Environmental Inquiries received or reported.

In the event of a release of any Hazardous Materials into the environment in violation of law, Developer shall, as soon as possible after it becomes aware of the release, furnish to ~~the Director~~ City Manager a notification that the release occurred and a copy of any and all test results and final reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of ~~the Director~~City Manager, Developer shall furnish to ~~the Director~~ City Manager a copy or copies of any and all other Environmental Inquires relating to or affecting the Property including, but not limited to, all environmental permit applications for permits, test results and final environmental reports, including, without limitation, those reports and other matters which may be characterized by Developer as confidential. For the avoidance of ambiguity, Developer shall be under no obligation to furnish any attorney-client privileged documents; provided, however, that Developer may not withhold from City facts regarding a violation of law that affects the Property.

5.7 Materiality. Developer acknowledges and agrees that the defense, indemnification, protection and hold harmless obligations of Developer for the benefit of Indemnitees set forth in this Agreement are a material element of the consideration to City under this Agreement, and that City would not have entered into this Agreement unless Developer's obligations were as provided for herein.

5.8 Review of Title of Site. Developer acknowledges and agrees that City provided Developer preliminary title reports prepared by the Title Company on ~~March 11~~November 10, ~~2024~~ 2025, as its Order Nos. ~~0227029602 and 0227029629 [~~Mercy to

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~~provide updated title reports.]~~ 111703064 and 1117030644 ("**Preliminary Title Report**") with respect to the title to the Property, together with legible copies of the documents underlying the exceptions ("**Title Exceptions**") set forth in the Preliminary Title Report, and that Developer, through its Affiliate, Mercy, has had ample opportunity to review the Preliminary Title Report and Title Exceptions, and has approved the Preliminary Title Report and Title Exceptions and determined the condition of title to the Property ("**Condition of Property Title**") is acceptable to Developer and suitable for Developer's intended use. From and after the date of the approved Preliminary Title Report, and continuing until the earlier of (i) the Property Closing, or (ii) termination of this Agreement, City shall not further encumber the Property with additional Title Exceptions without Developer's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

6. FINANCING PLAN FOR THE PROJECT

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6.1 Financing Plan. As of the date of this Agreement, it is contemplated that Developer will finance the Project ("**Project Financing**") through a combination of funds from the proceeds of the following:

(a) Construction Loan. The Construction Loan;

(b) Tax Credits. Developer equity, consisting of equity raised by the syndication to reputable investors of state and/or federal low-income housing credit and obtained pursuant to 26 U.S.C. §42 ("**Tax Credits**");

(c) Take-Out Loan. The Take-Out Loan;

(d) IIG Grant. A grant of Infill Infrastructure Grant ("**IIG**") funds from the California Department of Housing and Community Development in the amount of $2,756,304;

(e) State Funds. $2,000,000 in funds from the State of California, to be provided as either a grant or loan;

(f) ~~APRA~~ ARPA Grant. A grant of funds from the County of San Mateo to the City of Half Moon Bay to provide American Rescue Plan Act (ARPA) funds to Developer, in an amount to be set forth in the Final Project Budget; and

(g) Serna Loan. A loan of Joe Serna Farmworker funds from the California Department of Housing and Community Development, in the amount of $13,350,000.

Notwithstanding the foregoing, (i) Developer shall continue to use commercially reasonable efforts to pursue additional sources of funds that may be available to assist with the costs of developing the Project; and (ii) the Project Financing above may be changed by Developer in its discretion prior to Property Closing, subject to

City's Manager's advance written approval, which shall not be unreasonably withheld; and (iii) Developer shall not accept federal Section 8 Housing Choice Vouchers or other federal funds as a source of funding

6.2 Tax Credits; Applications to TCAC. Developer shall, at the times described in the Schedule of Performance, prepare and submit a complete application to TCAC for an allocation of Tax Credits, and apply to reputable institutional investors and syndicators qualified to act as the Investor.

Developer agrees to promptly submit to City Manager all of the following documents at such time as the same are submitted by Developer to TCAC or other applicable body or when such documents are received by Developer, as applicable:

(1) A true and correct copy of the preliminary reservation letter from TCAC, a copy of the letter of intent from the Investor reflecting the total amount of the syndication proceeds and the timing of the payment of such proceeds.

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(2) A complete copy of the tax credit regulatory agreement required by TCAC.

(3) Complete copies of all correspondence or transmittals from TCAC or other jurisdiction (such as the Internal Revenue Service) containing any notification regarding the Project's noncompliance with applicable provisions of the Tax Credit Program.

6.3 Preliminary Project Budget; Final Project Budget. The Preliminary Project Budget includes a Sources and Uses of Funds Statement; the "**Final Project Budget**" will include all of the following: (i) a Sources and Uses of Funds Statement; (iii) a Cash Flow Projection; and (iv) a First Year Operating Budget. The Parties acknowledge and agree that (a) the Preliminary Project Budget represents the financing that, as of the Effective Date, Developer contemplates it will obtain for development of the Project, and (b) at such time as Developer has obtained commitments for all of the financing necessary for Developer to develop the Project, Developer shall submit to City Manager for its written approval the Final Budget to City.

6.4 Developer Submittals. Promptly upon Developer's receipt of a notification of an award of any of the financing described in the Preliminary Project Budget or any other sources of financing, Developer shall submit to the Director City Manager copies of the award documentation received in connection with the same.

6.5 Financing Commitments. Developer shall submit to the DirectorCity Manager, for informational purposes, preliminary commitments for the Project Financing, including, without limitation, bids received from qualified investors for the Tax Credits.

7. GROUND LEASE OF PROPERTY

7.1 Agreement. City, subject to the conditions set forth in Section 7.2 below, agrees to ground lease the Property to Developer pursuant to the Ground Lease, and Developer, subject to the conditions set forth in Section 7.3 below, agrees to ground lease the Property from City for a term of ninety-nine (99) years. Subject to each party's reserved rights hereunder, the parties shall cooperate with one another and shall exercise commercially reasonable diligence in an effort to ensure that the conditions precedent set forth in Sections 7.2 and 7.3 are timely satisfied.

7.2 Conditions for City's Benefit. City's obligation to ground lease the Property to Developer shall be subject to (i) satisfaction of all of the following conditions precedent ~~or~~ ; or (ii) City's written waiver of such conditions precedent ~~in its sole and absolute discretion~~:

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(a) Organizational Documents. ~~The Director~~ City Manager shall have received and approved a copy of such portions of the organizational documents of Developer or Developer's successor-in-interest as ~~the Director~~ City Manager deems reasonably necessary to document the power and authority of Developer to perform its obligations set forth in this Agreement. Developer shall have made full disclosure to City of the names and addresses of all persons and entities that have a beneficial interest in Developer.

(b) Insurance. Developer shall have submitted to City Manager and City Manager shall have approved Developer's evidence of the liability insurance required pursuant to Section 10.5.

(c) Evidence of Project Financing. ~~The Director~~ City Manager shall have received commitments from all Project Financing sources, as evidenced by letters of commitment and/or true and complete copies of loan documents, the form and substance of which shall be ~~reasonably~~ acceptable to City Manager and the total amount of which is sufficient to cover all Project Costs shown in the approved Final Project Budget.

(d) Construction Contract. City Manager shall have received a true and complete copy of a contract by and between Developer and the general contractor pursuant to which the general contractor has agreed to construct the Project at a cost that is no greater than the costs set forth therefor in the Final Project Budget.

(e) Final Construction Documents. City Manager shall have approved the Final Construction Documents for the Project and City Manager shall have received a full set thereof.

(f) Building Permit. The Building Permit for the Project shall have issued or shall be ready to issue subject only to the payment of applicable fees, the posting of required security, or both.

(g) Construction to Commence. ~~The Director~~ City Manager shall be ~~reasonably~~ satisfied, based on evidence provided by Developer, that construction of the Project will commence not later than thirty (30) days after the Property Closing and thereafter will be pursued to completion in a diligent and continuous manner.

(h) Management Agreement. Developer shall have submitted an executed agreement by and between Developer and Mercy Housing Management Group, a Nebraska nonprofit corporation, or another property manager approved by City Manager for management of the Project ("**Management Agreement**"), which Management Agreement shall be consistent with this Agreement, and ~~the Director~~ City Manager shall have ~~reasonably~~ approved the same, which approval shall not be unreasonably withheld.

(i) Regulatory Agreement. Developer shall have submitted an executed regulatory agreement with signatures acknowledged by and between Developer and City, which will be recorded as an encumbrance on title to the Property and evidence the obligations of Developer with respect to the Affordability Restrictions (as defined in the Ground Lease) which shall continue for the term of the Ground Lease ("**Regulatory Agreement**"). ~~[CJ to provide draft Regulatory Agreement with suggested float-up language.]~~

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(j) Documents Executed. Developer shall have duly executed the Ground Lease and Memorandum of Ground Lease with signatures acknowledged (as applicable) and deposited them into Escrow.

(k) Title Policy. If requested by City Manager, Title Company is prepared to issue an owner's policy of title insurance, the form and substance of which shall be reasonably acceptable to City, naming City as the insured, showing Developer as holding leasehold title to the Property ("**City Title Policy**").

(l) Approval of Proposed Final Project Budget. Developer shall have submitted a proposed Final Project Budget to ~~the Director~~City Manager, and ~~the Director~~ City Manager shall have ~~reasonably~~ approved the same.

(m) Total Project Cost. Nothing shall have come to the attention of Developer and/or City to indicate that the Project cannot be completed at a cost that is no more than stated in the Final Project Budget and, if there has been such an indication, Developer has provided evidence~~,~~ reasonably satisfactory to ~~Director~~City Manager, of the availability of funding sources other than City to complete the Project. If Developer becomes aware of any such information, Developer shall promptly give written notice thereof to City.

(n) Community~~-~~ Serving Space. Developer shall have submitted to ~~the Director~~ City Manager a proposed program for the community-serving space, which outlines ongoing supportive services and programming to enrich resident well-being and quality of life, and ~~the Director shall have reasonably approved the same. Without limiting~~

~~the foregoing, the proposed program for the community-serving space shall include at least 16 weekday hours per week during which members of the general public may reserve the community-serving space. The proposed program will include~~ includes applicable fees and other restrictions related to use by the general public. The operational program shall consist of providing health, wellness and other social services to residential subtenants of the Project in accordance with requirements of City and Project funders. The operational program shall also include the provision of a multi-purpose community space to be used at the sole discretion of City, for meetings and activities of the general public for no less than 16 hours per Work Week. Prior to occupancy of the Project, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and the community space operator's proposed use of the space. The program operator shall comply with all terms, conditions and operational requirements of the applicable Sublease, as approved by City Manager. The operational program may be amended from time to time, as requested by the operator and approved in writing by City Manager.

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(o) Representations and Warranties. The representations of Developer contained in this Agreement shall be correct in all material respects as of the Property Closing as though made on and as of that date and, if requested by ~~the Director~~City Manager, City shall have received a certificate to that effect signed by Developer.

(p) No Default. No Event of Default by Developer shall then exist, and no event shall then exist which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer and, if requested by ~~the Director~~City Manager, City shall have received a certificate to that effect signed by Developer.

7.3 Conditions for Developer's Benefit. Developer's obligation to ground lease the Property from City shall be subject to satisfaction of all of the following conditions precedent or Developer's written waiver of such conditions precedent in its sole and absolute discretion:

(a) Condition of Property. No material changes shall have occurred after the Effective Date with respect to the condition of the Property, which would cause the Property to be unusable for the Project. For avoidance of doubt, the discovery of new information about the condition of the Property as of the Effective Date is not a material change in the condition of the Property for purposes of this paragraph.

(b) Evidence of Project Financing. ~~The~~ Developer shall have received commitments for all Project Financing, the total amount of which is sufficient to cover all Project Costs shown in the approved Final Project Budget.

(c) Total Project Cost. Nothing shall have come to the attention of Developer and/or City to indicate that the Project cannot be completed at a cost substantially consistent with the Final Project Budget and, if there has been such an indication, Developer has provided evidence~~,~~ reasonably satisfactory to ~~Director,~~ City Manager of the availability of funding sources other than City to complete the Project.

(d) Building Permit. The Building Permit for the Project shall have issued or shall be ready to issue subject only to the payment of applicable fees, the posting of required security, or both.

(e) Title Insurance. The Title Company shall be prepared to issue its ALTA leasehold form policy of title insurance, with liability in the amount not less than the total of the equity raised from the sale of the Tax Credits plus the principal amount of the Take-Out Loan, showing leasehold title to the Property and fee title to the improvements located thereon vested in Developer, in the Condition of Property Title, with no other encumbrances or title exceptions, except (i) the Project Documents being recorded at the Property Closing pursuant to the terms of this Agreement, (ii) the lien of the Construction Loan Security Documents, (iii) the standard conditions and exceptions contained in an ALTA standard owner's policy of title insurance that is regularly issued by the Title Company in transactions similar to the one contemplated by this Agreement, and (iv) such other exceptions reasonably acceptable to Developer ("**Developer Title Policy**"). The Title Company shall provide City with a copy of the Developer Title Policy.

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(f) No Default. No Event of Default by City shall then exist, and no event shall then exist which, with only the giving of notice or the passage of time or both, would constitute an Event of Default by City.

(g) Documents Executed. City shall have duly executed the Ground Lease and Memorandum of Ground Lease with signatures acknowledged (as applicable) and deposited them into Escrow.

7.4 Developer Right to Terminate. If, by the Outside Closing Date~~-~~, any of the conditions set forth in Section 7.3 have not been satisfied, or waived by Developer, then Developer, provided that it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to City.

7.5 City Right to Terminate. If, by the Outside Closing Date~~–~~, any of the conditions set forth in Section 7.2 have not been satisfied, or waived by City, then City, provided that it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to Developer.

7.6 Waiver of Conditions. The conditions set forth in Section 7.2 are for City's benefit only and ~~the Director~~ City may waive all or any part of such rights by written notice to Developer. The conditions set forth in Section 7.3 are for Developer's benefit only and Developer may waive all or any part of such rights by written notice to City.

8. PROPERTY CLOSING; ESCROW EXPENSES

8.1 Property Closing. Upon receipt by the Escrow Holder of (i) counterparts of the Ground Lease executed by ~~the~~ City and Developer, (ii) counterparts of the

Memorandum of Ground Lease executed and acknowledged by ~~the~~ City and Developer, (iii) the Regulatory Agreement executed by Developer, and (iv) all other funds and documents required to conduct the Property Closing in accordance with this Agreement, and when ~~the Director~~ City Manager has notified Escrow Holder that the conditions precedent described in Section 7.2 have been satisfied, or waived by ~~the Director~~City , and Developer has notified Escrow Holder that the conditions precedent described in Section 7.3 have been satisfied, or waived by Developer, the Escrow Holder shall take all of the following actions:

(a) Recordation. Escrow Holder shall record the following documents in the Official Records in an order or priority to be determined by the Parties prior to the Property Closing:

(i) the Regulatory Agreement,

(ii) the Memorandum of Ground Lease; and

(iii) such other documents required to close the Escrow in accordance with this Agreement or other Project funding sources.

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(b) Deliveries to City. Escrow Holder shall deliver to City:

(i) the original of the fully executed Ground Lease;

(ii) a conformed copy of each of the documents recorded pursuant to paragraph (a) above; and

(iii) City Title Policy.

(c) Deliveries to Developer. Escrow Holder shall deliver to Developer:

(i) a copy of the fully executed Ground Lease;

(ii) a conformed copy of each of the documents recorded pursuant to paragraph (a) above; and

(iii) Developer Title Policy.

8.2 Property Closing Expenses. Developer shall pay from one or more of the sources identified in the Project Budget all Property Closing Expenses, including, among others: (a) any and all documentary transfer taxes and recording fees arising from the leasehold conveyance of the Property from City to Developer by the Ground Lease, (b) the Escrow fee, (c) the premium for the City Title Policy and Developer Title Policy, (d) all such other costs and expenses related to the Escrow and not expressly provided for herein, and (e) all of City's legal fees related to or arising from the Property Closing and City's review and preparation of documents and information related thereto.

8.3 Instruction to Escrow Holder Regarding Waiver of Transfer Taxes and Recording Fees. The Escrow Holder is hereby instructed to seek such waivers and exemptions from transfer taxes and recording fees as are available pursuant to Revenue and Taxation Code Section 11922 and Government Code Sections 6103 and 27383, respectively.

8.4 Broker's Commissions. Developer represents and warrants to City that Developer has not engaged any broker, agent or finder in connection with this Agreement, and Developer agrees to indemnify, protect, hold harmless, and defend the Indemnitees from any claim by any brokers, agents or finders retained by Developer. City represents and warrants to Developer that City has not engaged any broker, agent, or finder in connection with this Agreement, and City agrees to indemnify, protect, hold harmless, and defend Developer and its officers, officials, members, employees, representatives, agents, and volunteers from any claim by any brokers, agents, or finders retained by City.

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9. INTENTIONALLY OMITTED

10. DEVELOPMENT OF THE PROJECT

10.1 Scope of Development. As further described in the Ground Lease, Developer shall construct the Project on the Property in accordance with all applicable Governmental Requirements, the approved Land Use Entitlements, and the Scope of Development. In the event of any conflict between the approved Land Use Entitlements and the Scope of Development, the approved Land Use Entitlements shall govern and control. Subject to Section 17.12 below, Developer shall commence and complete construction of the Project on the Property by the respective times established therefor in the Schedule of Performance. The Scope of Development shall be deemed to include any plans and specifications submitted to City for approval, and shall incorporate or show compliance with all mitigation measures.

10.2 Additional Governmental Permits and Approvals.

(a) Before commencement of construction or development of any buildings, structures or other works of improvement upon the Property by Developer, Developer shall, at its own expense, secure or cause to be secured any and all permits and approvals not included in the Land Use Entitlements which may be required by City or any other governmental agency affected by or with jurisdiction over such construction, development or work.

(b) Developer shall pay all necessary fees and timely submit to City Final Construction Documents with final corrections required by City to obtain a Building Permit.

10.3 Cost of Development. Developer acknowledges and agrees that all Project Costs shall be borne exclusively by Developer. Developer shall also bear all costs related to discharging the duties of Developer set forth in this Agreement. Developer shall also

be responsible for all fees associated with development of the Project, including, but not limited to, school facilities fees and development impact fees.

10.4 Indemnity. Developer shall defend (by counsel reasonably satisfactory to City Manager), indemnify, and hold harmless the Indemnitees from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including expert witness fees, attorney's fees and costs), to the extent arising out of the activities and/or performance of Developer or any of Developer's employees, agents, representatives, contractors, subcontractors or consultants under or with respect to (i) this Agreement, the Ground Lease or the Regulatory Agreement, (ii) a claim, demand or cause of action that any person has or asserts against Developer and/or any of the indemnitees; (iii) any act or omission of Developer, any of Developer's contractors, subcontractors or material suppliers, engineers, architects or other persons with respect to the Property; or (iv) the lease, occupancy or use of the Property by Developer, whether such damage shall accrue or be discovered before or after termination of this Agreement. Developer's indemnification obligations pursuant to this Section 10.4 shall not apply to the extent that such claims, suits, or damages arise out of the intentional misconduct or gross negligence of any of the Indemnitees. The obligations and indemnifications in this Section 10.4 shall constitute covenants running with the land.

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~~10.5 Insurance Requirements. [Under review by Mercy.]~~

10.5 Insurance Requirements. Commencing on the date of the Property Closing

~~(i) and continuing throughout the term of this Agreement and the term of the Ground Lease, Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the Director, the following policies of insurance:Commercial General Liability Insurance covering bodily injury, property damage, personal injury and advertising injury written on an occurrence basis with coverage at least as broad as Insurance Services Office (ISO) form CG 00 01, containing the following minimum limits: (i) general aggregate limit (including excess coverage) of Ten Million Dollars ($10,000,000); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000); (iii) personal and advertising injury limit of Three Million Dollars ($3,000,000); and (iv) each occurrence limit of Three Million Dollars ($3,000,000). Said policy shall include the following coverages: (i) products and completed operations; (ii) independent contractors; (iii) Owner's broad form property damage; (iv) severability of interest; (vi) cross liability; and (vi) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards). The policy shall be endorsed to have the general aggregate apply to this Project only. Notwithstanding the foregoing, if prior to the Property Closing~~

Developer provides evidence reasonably satisfactory to City that the Ten Million Dollar $10,000,000 general aggregate limits in this section will result in commercially unreasonable Project costs, City and Developer shall meet and confer regarding potential options that will not result in an unreasonable risk to City, as determined by City in City's sole and absolute discretion, including, without limitation, a reduction in the limit to a level that will reduce such insurance coverage to a financially feasible level.

(ii) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for City and Developer against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by Developer in the course of carrying out the work or services contemplated in this Agreement, and Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(iii) A policy of comprehensive automobile liability insurance written on an occurrence basis using ISO Business Automobile Coverage form CA 00 01 (or equivalent), in an amount not less than Two Million Dollars ($2,000,000) each accident covering all owned, non-owned, leased, and hired vehicles used in connection with the work; provided, however, that if Developer does not own vehicles it may satisfy this provision through a rider to its general liability coverage for non-owned/hired vehicles.

(b) Commencing on the date of the Property Closing and continuing until City issues a temporary certificate of occupancy ("**TCO**") for the Project, Developer shall procure and maintain, at its sole cost and expense, in a form and content reasonably satisfactory to the Director, Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as City issues a TCO for the Project; and storage and transportation risks. Such insurance shall protect/insure the interests of Developer/owner and all of Developer's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or portion which failed. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement

(c) Developer shall cause any general contractor with whom it has contracted for the performance of work on the Property to secure and thereafter to

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maintain insurance that satisfies all of the requirements of Section 10.5(a) and Section 10.5(e) prior to the general contractor commencing any activities on the Property.

Commencing on the date City issues a TCO, and continuing throughout the term of the Ground Lease, Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the DirectorCity Manager, the following types policies of insurance: described in and required by the Ground Lease.

(i) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in the City of Half Moon Bay, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

(ii) Business interruption and extra expense insurance to protect Developer and City covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all risk physical damage insurance, covering a period of suspension, delay or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period.

(iii) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance.

(d) The following additional requirements shall apply to all of the above policies of insurance:

(i) All of the above policies of insurance shall allow and be endorsed primary insurance, except the Worker's Compensation, Employer Liability insurance. The commercial general liability and automobile liability insurance, shall be endorsed to name the Indemnitees as additional insureds. The commercial general liability shall be endorsed on an ISO Form CG 20 10 for ongoing operations and CG 20 37 for completed operations (current version) or equivalent forms. Developer waives its right to recover against Indemnitees and their respective

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insurers for all claims and losses covered by the insurance policies required by this Agreement, and shall cause its insurers to waive all rights of subrogation and contribution it may have against the Indemnitees and their respective insurers and shall provide an endorsement affecting such. All of said policies of insurance shall provide that said insurance may not be amended or cancelled without providing thirty (30) days' prior written notice to City. If a carrier will not provide the required notice of cancellation, the Developer shall provide written notice to the City of a cancellation no later than ten (10) business days before cancellation. In the event any of said policies of insurance are cancelled, Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to the Director. Not later than the Effective Date, Developer shall provide the Director with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders shall be subject to the reasonable approval of the Director.

(ii) The policies of insurance required by this Agreement shall be satisfactory only if issued by companies of recognized good standing authorized to do business in California, rated "A-" or better in the most recent edition of AM Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the Director due to unique circumstances.

(iii) Any available insurance proceeds broader than, or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified; or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured; whichever is greater. No representation is made that the minimum insurance requirements are sufficient to cover the obligations of the Developer.

(iv) Developer agrees that the provisions of this Section shall not be construed as limiting in any way City's right to indemnification or the extent to which Developer may be held responsible for the payment of damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible.

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10.6 Remedies for Defaults Regarding Insurance. In addition to any other remedies City may have, if Developer commits a default hereunder by failing to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may obtain such insurance and invoice Developer for the amount of said premium, which sums shall be due from Developer to City upon receipt of the invoice.

10.7 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. If the Project shall be totally or partially destroyed or rendered uninhabitable by fire or other casualty required to be insured against by Developer, Developer shall, subject to the rights of the Construction Lender, promptly proceed to obtain all available insurance proceeds and, to the extent proceeds are available, take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project to substantially the same condition as it existed prior to the casualty, and Developer shall complete or cause to be completed the same as soon as possible thereafter so that the Project can be operated in accordance with this Agreement. City Manager shall cooperate with Developer, at no expense to City, in an effort to obtain any governmental permits required for such repair, replacement, or restoration.

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10.8 Rights of Access. For purposes of assuring compliance with this Agreement, representatives of City shall have the right of access to the Property without charges or fees, at normal business hours during the construction of the Project (subject to reasonable job safety rules as may be imposed by Developer or the Developer's general contractor), including, but not limited to, the inspection of the work being performed in constructing the Project, so long as they comply with all safety rules. Such representatives of City shall be those who are so identified in writing by ~~the Director~~City Manager.

10.9 Compliance with Laws; Compliance with Prevailing Wage Laws.

(a) Compliance with Laws. Developer shall carry out the construction, development and operation of the Project in conformity with all Governmental Requirements, including without limitation, all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq.

(b) Compliance with Prevailing Wage Laws.

(i) Developer shall carry out the construction through completion of the Project and the overall development of the Property in conformity with all applicable Governmental Requirements relating to the payment of prevailing wages and

compliance with prevailing wage rules, including, without limitation~~,~~ ~~if applicable~~, the requirements to pay prevailing wages under California law (Labor Code Section 1720, et seq.) ("**California Prevailing Wage Law**"). The parties acknowledge that a financing structure utilizing certain federal and/or state funding sources and financing scenarios may trigger compliance with applicable state and federal prevailing wage laws and regulations. Developer shall determine the applicability of federal, state, and local prevailing wage laws based upon the final financing structure and sources of funding of the Project, as approved by ~~the Director~~City Manager.

(ii) Developer shall be solely responsible, expressly or impliedly, and legally and financially, for determining and effectuating compliance with all applicable federal, state, and local public works requirements, prevailing wage laws, and labor laws and standards, and City makes no representation, either legally and/or financially, as to the applicability or non-applicability of any federal, state, and local laws to the construction of the Project. Developer expressly, knowingly, and voluntarily acknowledges and agrees that City has not previously represented to Developer or to any representative, agent, or Affiliate of Developer, or any contractor(s) or any subcontractor(s) for the demolition work, construction, or development of the Project, in writing or otherwise, in a call for bids or otherwise, that the work and construction of the Project is (or is not) a "public work," as defined in Section 1720 of the Labor Code.

(iii) Developer knowingly and voluntarily agrees that Developer, and not City, shall have the obligation to provide any and all disclosures or identifications to any contractor for the Project as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law or regulation. Developer shall indemnify, protect, pay for, defend, and hold harmless the Indemnitees, with legal counsel reasonably acceptable to City Manager, from and against any and all loss, liability, damage, claim, cost, expense, and/or "increased costs" (including reasonable attorney's fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Project, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (i) the noncompliance by Developer or its agents or contractor with any applicable local, state, and/or federal law or regulation, including, without limitation, any applicable federal and/or state labor laws or regulations (including,

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without limitation, if applicable, the requirement to pay state and/or federal prevailing wages and hire apprentices); (ii) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law or regulation; and/or (iii) failure by Developer to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law or regulation. It is agreed by the parties that, in connection with the demolition work, development, and construction (as defined by applicable law or regulation) of the Project, including, without limitation, any and all public works (as defined by applicable law or regulation), Developer shall bear all risks of payment or non-payment of prevailing wages under applicable federal, state, and local law or regulation and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law or regulation. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Project by Developer.

(iv) "**Increased costs**," as used in this Section ~~10.10~~10.9, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

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10.10 Anti-Discrimination. Developer for itself and its successors and assigns, agrees, that in the construction of the Project on the Property or other performance under this Agreement, Developer shall not discriminate against any employee or applicant for employment on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code.

10.11 Taxes and Assessments. After the Property Closing, Developer shall pay prior to delinquency all real estate taxes and assessments on the Property so long as Developer retains any interest therein. Notwithstanding the above, Developer shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance available to Developer in respect thereto, or obtain any available exemptions, provided that Developer does so in a diligent manner.

10.12 Right of City to Satisfy Other Liens on the Property(s). If Developer obtains written notice or actual knowledge of any lien or encumbrance on the Property which is not permitted under this Agreement, and Developer has failed after a reasonable time (but not less than forty-five (45) days) thereafter to challenge, cure, adequately bond against, or satisfy such lien or encumbrance, City shall have the right (but not the obligation) to satisfy any such lien or encumbrance, and Developer shall be liable to City,

upon written demand, for all costs incurred by City in pursuit thereof, including without limitation City's reasonable attorneys' fees and costs. Nothing in the foregoing sentence shall be construed as limiting any right available to Developer to contest the validity or amounts of any tax, assessment, or encumbrance on the Property. This Section 10.12 shall survive termination of the Agreement.

10.13 Non-liability of City. Developer acknowledges and agrees that:

(a) City neither undertakes nor assumes any responsibility to review, inspect, supervise, approve (other than for aesthetics) or inform Developer of any matter in connection with the Project, including matters relating to: (i) the Final Construction Documents, (ii) architects, contractors, subcontractors and materialmen, or the workmanship of or materials used by any of them, (iii) the Final Project Budget, and/or (iv) the progress of the Project and its conformity with the Final Construction Documents; and Developer shall rely entirely on its own judgment with respect to such matters and acknowledge that any review, inspection, supervision, approval or information supplied to Developer by City in connection with such matters is solely for the protection of City and that neither Developer nor any third party is entitled to rely on it;

(b) City is not a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Developer and City does not intend to ever assume any such status; and City shall not be deemed responsible for or a participant in any acts, omissions or decisions of Developer;

(c) City shall not be directly or indirectly liable or responsible for any loss or injury of any kind to any person or property resulting from any construction on, or occupancy or use of, the Property whether arising from: (i) any defect in any building, grading, landscaping or other onsite or offsite improvement or condition; (ii) any act or omission of Developer or any of Developer's agents, employees, contractors, consultants, licensees or invitees; or (iii) from and after the Property Closing any accident on the Property or any fire or other casualty or hazard thereon; and

(d) By accepting or approving anything required to be performed or given to City under this Agreement, including any certificate, financial statement, survey, appraisal or insurance policy, City shall not be deemed to have warranted or represented the sufficiency or legal effect of the same, and no such acceptance or approval shall constitute a warranty or representation by City to anyone.

11. AFFORDABILITY COVENANTS

As more particularly provided in Ground Lease, ten (10) dwelling units in the Project shall be rented to households whose incomes do not exceed thirty percent (30%) of the area median income for San Mateo, adjusted for household size (~~the~~ "**Adjusted AMI**"), and twenty-nine (29) of the dwelling units in the Project shall be rented to households whose incomes do not exceed fifty percent (50%) of the Adjusted AMI; with all of such dwelling units rented at an affordable rent, pursuant to TCAC regulations.

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Notwithstanding the foregoing, however, if Developer or its Investor reasonably determines prior to the Property Closing that based on the Project's residual analysis test, maximum rent levels would need to be increased after the fifty-fifth (55th) year of operation, then the Ground Lease shall permit such increase after the fifty-fifth (55th) year of operation, but only to the extent necessary to satisfy the residual analysis test and subject to the reasonable approval of City Manager. By way of clarification, City and Developer agree that to the extent the rent levels need to be increased, as described above, such increase shall cause the rent to remain within an affordable level and shall not cause the rent to increase to a market rate rent.

12. GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

12.1 Developer's Formation, Qualification and Compliance. Developer represents and warrants that (a) it is validly existing and in good standing under the laws of the State of California, (b) it has all requisite authority to conduct its business and own and lease its properties, (c) it has all requisite authority to execute and perform its obligations under this Agreement, (d) this Agreement is binding upon Developer in accordance with its terms, and (e) the individuals executing this Agreement on behalf of Developer are duly authorized to execute and deliver this Agreement on behalf of Developer.

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12.2 Litigation. Developer represents and warrants that there are no actions, lawsuits or proceedings pending or, to the best of Developer's knowledge, threatened against or affecting Developer, the outcome of which could have a material adverse effect on Developer's ability to perform its obligations under this Agreement.

12.3 City. City represents and warrants that (a) it is validly existing and in good standing under the laws of the State of California, (b) it has all requisite authority to conduct its business and own and lease its properties, (c) it has all requisite authority to execute and perform its obligations under this Agreement, (d) this Agreement is binding upon City in accordance with its terms, and (e) the individuals executing this Agreement on behalf of City are duly authorized to execute and deliver this Agreement on behalf of City.

13. DEFAULTS AND REMEDIES

13.1 Event of Default. Any of the following events or occurrences with respect to either Party shall constitute a material breach of this Agreement and, after the expiration of any applicable cure period, shall constitute an "**Event of Default**" by such party:

(a) The failure by either Party to pay any amount in full when it is due under this Agreement, if the failure has continued for a period of ten (10) days after the Party entitled to payment demands in writing that the other Party cure that failure.

(b) The failure by either Party to perform any other obligation under this Agreement, if the failure has continued for a period of thirty (30) days after demand in writing that such Party cure the failure, or such shorter time period as may be provided for in one of the other Project Documents. If, however, by its nature the failure cannot reasonably be cured within said time period, such Party may have such longer period of time as is reasonably necessary to cure the failure, provided that such Party commences said cure within said thirty (30)-day period, and thereafter diligently prosecutes said cure to completion within a period of no more than ninety (90) days.

13.2 Remedies. The occurrence of any Event of Default shall give City the right to proceed with an action in equity to require Developer to specifically perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement.

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13.3 No Waiver. Except as otherwise expressly provided in this Agreement, any failure or delay by either Party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default, or of any such rights or remedies, or deprive any such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

13.4 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by the other Party.

13.5 Attorneys' Fees. If either Party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing Party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees.

13.6 Reimbursement of City. Within thirty (30) days after its receipt of written demand from City, Developer shall reimburse City for all costs reasonably incurred by City (including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants) in connection with City enforcement of the Project Documents and all related matters, including, without limitation, the following: (a) City's commencement of, appearance in, or defense of any action or proceeding purporting to affect the rights or obligations of the Parties to any Project Document; and (b) all claims, demands, causes of action, liabilities, losses, and other costs against which any of the Indemnitees is indemnified under the Project Documents. Such reimbursement obligations shall bear interest from the date occurring fifteen (15) days after City makes written demand to Developer at the rate of ten percent (10%) per annum or the maximum legal rate, whichever is less. Such reimbursement obligations shall survive termination of this Agreement.

14. NOTICES

All notices, consents, demands, approvals and other communications (~~the~~ "**Notices**") that are given pursuant to this Agreement shall be in writing to the appropriate Party and shall be deemed to have been fully given when delivered, including delivery by reputable commercial delivery service that provides a receipt with the time and date of delivery, or if deposited in the United States mail, certified or registered, postage prepaid, within two (2) days after deposit. All Notices shall be addressed as follows:

If to Developer:	Mercy Housing California 110, L.P. 1256 Market Street San Francisco, CA 94102 Attn: Kelly Hollywood Email: kelly.hollywood@mercyhousing.org
with a copy to:	Gubb & Barshay LLP 235 Montgomery St., Suite 1110 San Francisco, CA 94104 Attn: CJ Higley and Evan Gross Email: cjhigley@gubbandbarshay.com; egross@gubbandbarshay.com
If to City:	City of Half Moon Bay 501 Main Street, Half Moon Bay, CA 94019 Attn: ~~Director~~City Manager Reference: 555 Kelly Email: ~~llacko@halfmoonbay.gov~~mchidester@halfmoonbay.gov
with a copy to	Half Moon Bay City Attorney's Office c/o Burke, Williams & Sorensen 1999 Harrison Street, Suite 1650 Oakland, CA 94612 Attn: Denise Bazzano, Esq.

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Addresses for notice may be changed from time to time by notice to the other Party. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any Notice as the result of a change of address of which the sending Party was not notified shall be deemed receipt of such Notice.

15. ASSIGNMENT

15.1 Generally Prohibited. Except as otherwise expressly provided to the contrary in this Agreement, Developer shall not assign any of its rights or delegate any of its duties under this Agreement, nor shall any changes occur with respect to the ownership and/or control of Developer, including, without limitation, stock transfers, or transfers, sales or issuances of membership or ownership interests, or statutory conversions, without the prior written consent of ~~the Director~~City, which consent may be withheld in his or her sole and absolute discretion. Any such assignment or delegation without such consent shall, at City's option, be void. Notwithstanding the foregoing, however, (i) the Investor may be admitted to the Developer as a 99.99% Tax Credit limited partner without obtaining any consent, and such Investor may assign any or all of its interests as a 99.99% Tax Credit limited partner without any consent, provided notice thereof is delivered in writing to City concurrently with such assignment; (ii) the Investor may remove the general partner for a default under the Partnership Agreement; and (iii) Developer may transfer and assign its rights and duties hereunder to Mercy or an Affiliate of Mercy pursuant to the purchase option and/or right of first refusal entered into between Mercy (or an Affiliate of Mercy) and Developer, provided notice thereof is delivered in writing to City concurrently with such assignment. This Section 15.1 shall not be applicable to the leasing of individual dwelling units to income eligible households in accordance with the Ground Lease or to the leasing of the Project's commercial space in accordance with the Ground Lease.

15.2 Release of Developer. Upon any such assignment made in compliance with Section 15.1 above which is evidenced by a written assignment and assumption agreement in a form approved by City in its sole and absolute discretion, the transferor shall be released from any liability under this Agreement arising from and after the effective date of such assignment.

16. ADMINISTRATION/APPROVALS/REQUESTS

16.1 Administration. Following approval of this Agreement by City Council, this Agreement shall be administered and executed on behalf of City by ~~the Director~~City Manager. ~~The Director~~ City Manager shall have the authority to issue interpretations, waive terms and conditions, enter into subordination agreements with other Project funding sources, and enter into implementing agreements and amendments to this Agreement (including, without limitation, to the Schedule of Performance) on behalf of City~~,~~ , provided that such actions do not substantially change the uses or development permitted on the Property, materially add to the costs or obligations, increase the risk of liability, or impair the rights or remedies~~,~~ of City provided herein, or materially decrease the revenues or other compensation to be received by City hereby. All other waivers or amendments shall require the formal ~~consent~~ approval of the City Council.

16.2 Approval/Requests. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement

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only if made in writing. Where this Agreement requires an approval or consent of City, such approval shall not be unreasonably withheld and shall be given on behalf of City by City Council, except as expressly described in Section 16.1 and elsewhere in this Agreement. As used in this Agreement, the phrase "shall not be unreasonably withheld" (or comparable language) when used as a standard applicable to an approval required by this Agreement shall mean that the particular approval shall not be withheld by City Council or City Manager, as applicable, unless City Council or City Manager has a good faith justification for such disapproval. Where this Agreement indicates that a request may be made by City Manager in his or her "reasonable discretion" (or comparable language) or that a "reasonable request" (or comparable language) may be made by City Manager, such request shall be made by City Manager based on a good faith justification. Where this Agreement indicates that City Manager shall "reasonably consider" (or comparable language) a request or make a determination that a request is "reasonably acceptable" (or comparable language) or "reasonable necessary" (or comparable language), such phrases shall indicate that City Manager will consider if there is a good faith justification for approving such determination or request. This Section 16.2 supplements, but does not supplant, common law definitions of reasonableness and principles of interpretation"

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17. MISCELLANEOUS

17.1 Counterparts. This Agreement may be executed in counterparts, all of which, taken together, shall be deemed to be one and the same document.

17.2 Prior Agreements; Amendments. This Agreement contains the entire agreement between City and Developer with respect to the Project and the Property, and all prior negotiations, understandings and agreements are superseded by this Agreement. No modification of this Agreement (including waivers of rights and conditions) shall be effective unless in writing and signed by the Party against whom enforcement of such modification is sought, and then only in the specific instance and for the specific purpose given. City agrees to consider in good faith making reasonable modifications to this Agreement that are necessary to finance the development of the Project.

17.3 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California, without regard to conflict of law principles.

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

17.5 Severability of Provisions. No provision of this Agreement that is held to be unenforceable or invalid shall affect the remaining provisions if and to the extent that the primary purposes of this Agreement can still be accomplished without materially impairing

the rights or increasing the obligations or risks of each Party, as reasonably determined by that Party, and to that extent all provisions of this Agreement are hereby declared to be severable.

17.6 Interpretation. Both Parties have participated in the drafting of this Agreement and any ambiguities in this Agreement shall not be construed for or against either Party on account of the authorship or presumed authorship hereof. Article and ~~section~~ Section headings are included in this Agreement for convenience of reference only and shall not be used in construing this Agreement. Any defined term used in the plural in this Agreement shall refer to all members of the relevant class and any defined term used in the singular shall refer to any of the members of the relevant class. References herein to Articles, Sections, and Attachments shall be construed as references to this Agreement unless a different document is named. References to subparagraphs shall be construed as references to the same Section in which the reference appears. The terms "including" and "include" mean "including (include) without limitation."

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17.7 Accounting Principles. Any accounting term used and not specifically defined in this Agreement shall be construed, and all financial data required to be submitted under this Agreement shall be prepared, in conformity with generally accepted accounting principles applied on a consistent basis or in accordance with such other principles or methods as are reasonably acceptable to City Manager.

17.8 Attachments Incorporated. All attachments to this Agreement, as now existing and as the same may from time to time be modified, are incorporated herein by this reference.

17.9 Time of the Essence. Time is of the essence of this Agreement.

17.10 Warranty Against Payment of Consideration. Developer warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement.

17.11 Non-liability of City Officials and Employees. No member, director, officer, employee, or volunteer of City shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by City or for any amount which may become due to Developer or successor, or on any obligation under the terms of this Agreement.

17.12 Force Majeure. In addition to specific provisions of this Agreement, performance by either Party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God or other deities; acts of the public enemy; epidemics; pandemics; quarantine restrictions; freight embargoes; litigation beyond the reasonable control of a Party; referendum; unusually severe weather; inability, despite commercially reasonable efforts, to secure necessary labor, materials or tools; delays of any contractor,

subcontractor or supplier beyond the reasonable control of a Party; acts or the failure to act of any public or governmental entity (except that acts or the failure to act of City shall not excuse performance by City); or any other acts or causes beyond the reasonable control of the Party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause. Force Majeure shall serve also to extend the time by which any condition, for the benefit of either Party, shall be satisfied under this Agreement. Notwithstanding any provision of this Agreement to the contrary, in no event shall adverse market conditions, interest rates, the lack of funding or difficulty obtaining the financing necessary to complete the Project constitute a Force Majeure event under this Section.

17.13 Nondiscrimination Covenants. Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land. ~~[Mercy reviewing for conformance with tenant leases.]~~

Developer shall refrain from restricting the rental, sale or lease of the Property on any of the bases listed above in this Section 17.13. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

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

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

> "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

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

The covenants established in this Section 17.13 shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its successors and assigns, and shall remain in effect in perpetuity. Notwithstanding the foregoing, Developer acknowledges and agrees that it shall have no right to sell or transfer all or any portion of the fee interest in the Property or Project and that Developer's only rights with respect to the Property and Project shall arise under the Ground Lease pursuant to which it is the ground lessee.

~~17.14 Consents and Approvals. Any consent or approval to be given by a Party under this Agreement shall not be unreasonably withheld, conditioned or delayed, except where this Agreement states that the consent or approval is within the sole discretion of a Party.~~

17.14 ~~17.15~~No Third Party Beneficiary. No person or entity other than City and Developer, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

17.15 U.S. Immigration and Customs Enforcement. Developer agrees that access to private, non-public areas of the Property shall only be accessed by the County of San Mateo, State and Federal officials by consent of Developer or, if no consent is granted, as required by law through a valid judicial warrant or other legal instrument mandating access to the private non-public areas of the Property. If such a judicial warrant or other legal instrument is presented to Developer, Developer shall confirm identification of the County, State or Federal official and shall observe and document the locations accessed by the official and provide City with written notice of the warrant or other legal instrument, the areas accessed, and the observations. Developer shall be responsible for compliance with all applicable State and Federal laws relating to immigration in performance of its obligations set forth in this Agreement, including but not limited to, the Immigration and Nationality Act, and shall defend and indemnify Indemnitees in accordance with Section 5.3 to the extent any Liabilities arises from alleged violations of State and Federal immigration laws.

~~17.15~~17.16 Termination. This Agreement shall automatically terminate upon ~~City's issuance of a TCO for the Project~~recordation of the Memorandum of Ground Lease, which is the date upon which the Ground Lease commences. Such termination shall not terminate any indemnification obligations set forth in this Agreement, whether or not their survival is expressly stated,

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or any other provisions in this Agreement which are expressly stated in this Agreement to survive termination of this Agreement.

~~[End of Agreement – Signature page follows]~~

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

"City"

CITY OF HALF MOON BAY, a municipal corporation

By: _____
Matthew Chidester, City Manager

Approved as to form:

By: _____
Denise Bazzano, Interim City Attorney

"Developer"

MERCY HOUSING CALIFORNIA 110, L.P.,
a California limited partnership

By: Mercy Housing California 110 LLC,
a California limited liability company
Its: General Partner

By: Mercy Housing California,
a California nonprofit public benefit corporation
Its: Sole member/manager

By: _____
Ramie Dare
Vice President

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ATTACHMENTS

1 - Legal Description of Property

2 - Site Map

3 - Schedule of Performance

4 - Scope of Development

5 - Preliminary Project Budget

6 - Form of Ground Lease

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ATTACHMENT NO. 1

LEGAL DESCRIPTION OF PROPERTY

The land referred to is situated in the County of San Mateo, City of Half Moon Bay, State of California, and is described as follows:

~~[INSERT LEGAL DESCRIPTION]~~

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535 Kelly Avenue, Half Moon Bay, CA 94019

PARCEL ONE:
Parcel "A", as shown on that certain Map entitled "Parcel Map of the Lands of Driesbock, also being a portion of the Rancho Miramontes, as acquired by Deed Serial No. 26986AS, Records of San Mateo County, Half Moon Bay, California", filed in the Office of the County Recorder of San Mateo County, State of California, on August 25, 1982 in Volume 52 of Parcel Maps at Pages 77 and 78.
APN: 056-150-220

PARCEL TWO:
An Easement for ingress, egress and underground utilities over the following described real property: Beginning at the Southwesterly corner of that Parcel Map filed August 25, 1982 in Book 52, Parcel Maps of San Mateo County, Pages 77 and 78, and running thence along the Westerly line of said Map, said line being also the Easterly line of that property described in Deed recorded August 2, 1983, as Document No. 83080516, Official Records of San Mateo County, North 8° 13' 55" East 649.12 feet (called North 8° 10' East 655.80, more or less, in said Deed) to the Northerly corner common to said Map and Deed; thence along the Northerly line of said Deed North 81° 31' 07" West (called North 81° 18' West in said Deed) 20.00 feet; thence leaving said line South 8° 13' 55" West 649.12 feet to the Southerly line of said Deed; thence along said line South 81° 30' East 20.00 feet to the Point of Beginning.

555 Kelly Avenue, Half Moon Bay, CA 94019
Beginning at a point on the Northerly line of Kelly Avenue, said point being on the Westerly line of that certain Parcel conveyed to Joseph Sadoc Alemany, by Deed from Antone Louis Flores, recorded April 3, 1875, in Book 24 of Deeds, at Page 398, Official Records; thence Northerly along the Westerly line of said Parcel conveyed to Alemany 120 feet to a point; thence Westerly parallel with the Northerly line of Kelly Avenue, 51.72 feet to a point; thence Southerly parallel with the Westerly line of said Parcel, conveyed to Alemany, 120 feet to a point on the Northerly line of Kelly Avenue; thence Easterly 51.72 feet to the point of beginning.
APN: 056-150-200

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ATTACHMENT NO. 2

SITE MAP

~~ATTACHMENT NO. 1~~

ATTACHMENT NO. 3

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Developer submits applications for State of California Infrastructure Infill Grant and Joe Serna Jr. Farmworker financing	Completed: IIG funding secured in 2023 Serna funding secured in 2025
2.	Developer prepares and submits application to TCAC for a preliminary reservation of Tax Credits and applies to reputable institutional investors and syndicators qualified to act as the Investor	Next available TCAC round immediately following Developer securing financing commitments to be competitive for Tax Credits and Developer determines that City's Building Permit will be issued no later than 180 days after a Tax Credit award.
3.	If the first application for Tax Credits is not successful, Developer submits second application for Tax Credits	Next available TCAC round immediately following disapproval of previous application.
4.	Developer submits Final Project Budget to City	Immediately after Developer secures final financing terms and credit approval from Construction Lender and Tax Credit Investor
5.	Property Closing occurs	Upon satisfaction or waiver of conditions set forth in Section 7.2 and 7.3, but in no event later than the Outside Closing Date.
6.	Developer obtains Building Permit and commences construction of the Project.	~~By the earliest of (i) 30 days after Closing, (ii) 194 days after receipt of allocation of Tax Credits from TCAC, or [Mercy and CJ to revise as needed.]~~No later than 30 days after Property Closing.

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~~ATTACHMENT NO. 2~~

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
7.	Developer completes construction of the Project	Within 25 months after commencement of construction.
8.	Developer provides quarterly progress reports to City.	Until Project is 100% occupied at initial lease up; after lease up, Developer to provide annual reports. Developer's obligation to provide quarterly reports shall survive termination of this Agreement.

It is expressly understood and agreed by the Parties that the foregoing schedule of performance is subject to all of the terms and conditions set forth in the text of the Agreement including, without limitation, extension due to Force Majeure. Times of performance under the Agreement may be extended by request of any Party memorialized by a mutual written agreement between the Parties, which agreement may be granted or denied in the non-requesting Party's sole and absolute discretion (subject to events of ~~force majeure~~ Force Majeure set forth in this Agreement).

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ATTACHMENT NO. 4

SCOPE OF DEVELOPMENT

The proposed ~~project~~Project, located at 535-555 Kelly Avenue, includes the construction of a 40-unit ~~senior farmworker~~ Senior Agricultural Worker multifamily housing affordable housing complex. All of the units~~,~~ except one manager's unit in the proposed ~~project~~ Project, will be affordable and income-restricted to households earning from ~~30% to 50% of the Area Median Income (AMI)~~thirty (30%) to fifty (50%) of the Adjusted AMI, and will be set aside for ~~current or retired farmworkers 55 years of age and older~~Agricultural Workers who are Seniors. The project also includes 2,358 sq. ft. of residential common space, a 2,658 sq. ft. community-serving space, a 717 sq. ft. property management office space, 18 on-site parking spaces for residents and 18 off-site parking spaces to replace the spaces lost at the Ted Adcock Community Center and thirty-two (32) bicycle parking spaces.

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ATTACHMENT NO. 5

PRELIMINARY PROJECT BUDGET

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~~ATTACHMENT NO. 4~~

555 Kelly Financing Plan

Development Sources

CA Serna Farmworker Housing Program	$	13,350,000	Secured
State Earmark: Senator Josh Becker	$	2,000,000	Secured
CA Infrastructure Infill Grant	$	2,756,304	Secured
San Mateo County ARPA	$	1,141,234	Secured
San Mateo County AHF	$	6,563,763	Application in 2026
Federal Earmark: Anna Eshoo	$	1,800,000	Secured
Low Income Housing Tax Credit Program	$	14,021,364	Application in 2026-2027
Total Sources	**$**	**41,632,665**	

Development Uses (Costs)

Demolition, TACC Parking Reconfiguration and Infrastructure Required for Project	$	2,756,304
New Building Construction	$	27,407,963
Architecture, Engineering, Construction Supervision	$	2,017,665
Local Permit and Utility Fees	$	1,730,431
Financing Costs: Construction Interest and Insurance, Lender Fees, Reserves, Other	$	7,345,302
Furnishings, Marketing and Lease Up	$	375,000
	$	**41,632,665**

~~[Mercy to update.]~~

555 Kelly Financing Plan

CA Serna Farmworker Housing Program	$	13,350,000	Secured
State Earmark: Senator Josh Becker	$	2,000,000	Secured
CA Infrastructure Infill Grant	$	2,756,304	Secured
San Mateo County ARPA	$	1,500,000	Secured
Federal Earmark: Anna Eshoo	$	1,800,000	Secured
Low Income Housing Tax Credit Program	$	20,997,800	Application in 2026
Total Sources	**$**	**42,404,104**	

Development Uses (Costs)		
Demolition, TACC Parking Reconfiguration and Infrastructure Required for Project	$	2,756,304
New Building Construction	$	28,616,642
Architecture, Engineering, Construction Supervision	$	2,107,665
Local Permit and Utility Fees	$	1,933,271
Financing Costs: Construction Interest and Insurance, Lender Fees, Reserves, Other	$	6,607,773
Furnishings, Marketing and Lease Up	$	382,450
Total Development Costs	**$**	**42,404,105**

ATTACHMENT NO. 6

GROUND LEASE

[to be inserted]

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MEMORANDUM

April 3, 2026

To: City Manager Matthew Chidester and Community Development Director Leslie Lacko

Fr: Elaine Palacios, Kelly Hollywood and Ramie Dare, Mercy Housing CA

Re: 555 Kelly Financing Plan

Per the ENA, we are providing the Financing Plan for 555 Kelly, which consists of the following:

- Financing Plan Narrative (in this memo)
- Development Sources and Uses
- 15 year operating proforma

Development Sources Narrative

The development sources for 555 Kelly are per the attached chart and are as follows:

- San Mateo County ARPA $1,141,234
- Becker State Earmark of $2,000,000
- Eshoo Federal Earmark of $1,800,000 for Community Resource Center
- State HCD Infill Infrastructure Grant (IIG) of $2,756,304
- State HCD Joe Serna Farmworker Housing Program funding of $13,350,000
- Seeking approximately $6.5 million from County Affordable Housing Fund in 2026
- Seeking 9% tax credits in Q1 2027

To date, Mercy and ALAS have already secured a significant amount of competitive state and federal funding awards. This includes $1.14 million in federal pandemic recovery funds (ARPA) through San Mateo County, $2 million from the State through Senator Becker, and $1.8 million in federal funding secured by Congresswoman Anna Eshoo specifically for building out the Community Resource Center portion of the project. The ARPA funds have been expended and the State funds secured by Senator Becker will be administered by the City through a Funding Agreement between the City and Mercy Housing California. The federal earmark will go directly to ALAS, who has been working with staff at the U.S. Department of Housing and Urban Development (HUD) on satisfying the requirements for the release of funds. One of the last remaining steps is to obtain NEPA clearance, which is an environmental review. A NEPA consultant has been retained and is ready to coordinate with the City to finalize the submission to HUD. Once received, the federal funds will be used solely for the construction of the Community Resource Center. As the funds are a Congressional earmark, they will not affect the 555 Kelly residential occupancy requirements.

The California Housing and Community Development Department (HCD) has awarded significant funding to 555 Kelly. In 2023, the State awarded $2.76 million through its Infill Infrastructure Grant program, which will be used for site work, utilities and reconfiguration of the Ted Adcock Community Center parking lot. Last year, HCD awarded over $13.3 million through the Joe Serna Farmworker Housing Program. This is a highly competitive program focused on housing low income agricultural workers, and receiving this award reflects strong alignment with state priorities and a high level of readiness of 555 Kelly.

This year, we will apply to the San Mateo County Department of Housing for approximately $6.5 million of funds that will be made available in the upcoming Affordable Housing Fund Round 13.0. The application is anticipated to be due in June and any County award is anticipated to be made in August or September. With a County funding commitment, we will be competitive for the final source required to complete the development funding stack: federal 9% Low-Income Housing Tax Credits and state tax credits. We will apply for a tax credit allocation in the first application round of 2027 and expect an award three months later. At the time of award (or before) we will select a tax credit investor who will use the tax credits and in exchange, provide equity proceeds to pay for the development. Construction will start approximately 6 months after that.

In total, this approach reflects a "leveraging" strategy: the City's land lease for 555 Kelly is leveraging significant county, state and federal funding to build and operate the 40 units of the 555 Kelly affordable housing that is part of the City's housing plan. The City will not need to contribute any City funding to build the 555 Kelly affordable housing, Community Resource Center or TACC parking lot improvements.

Development Uses Narrative

The Development Uses (Costs) fall into these primary categories:

Demolition, TACC Parking Reconfiguration and Infrastructure

HCD awarded the IIG funds for the site demolition, reconfiguring the parking, and providing utility infrastructure and a portion of the new building cost. The existing single-family home on the property along with the drive isle and parking lot at the TACC will be demolished. Following demolition, new underground utility services including water and sewer will be installed and the parking lot at the TACC will be reconfigured and repaved.

New Building Construction

The budget reflects the most recent cost estimate provided by a general contractor for the 75% construction documents (CDs) for the construction of the new building according to the design approved by the Architecture Design Review Committee and the Planning Commission. The new building will consist of 40 apartments, property management offices, 18 space parking garage and bicycle parking, outdoor courtyard with garden, resident community room, and trash room. It will also include a ground floor community resource center that will house support services for

the senior farmworker households living at 555 Kelly, as well as provide multi-purpose space for use by the wider public.

Architecture, Engineering, Construction Supervision
This budget reflects the cost for these professional services to design, engineer and supervise the new construction and the site and infrastructure improvements described above.

Local Permits and Utility Fees
This line item includes the city's fees for planning and building permits, and utility fees charged for the construction and installation of new utilities to serve the 555 Kelly development.

Financing Costs, Construction Interest, Insurance, Lender Fees, Reserves, Other
The majority of the tax credit proceeds are disbursed when the construction of the new development has been completed. A construction loan from a bank is used to pay for construction and then is paid off with the tax credit proceeds after construction is completed. The bank costs to provide this loan include loan fees and monthly construction interest which are included in this budget line item. This line item also includes the premium for construction period builder's risk insurance that is required by the bank and tax credit investor. The tax credit investor, HCD and County will require operating and other reserves to be established and included in the development budget. Miscellaneous other costs such as cost certification audit required by the tax credit investor are also included. This line item includes the industry standard of $2,500,000 to cover the cost of Mercy Housing California providing the financial guaranties required by the bank construction lender and tax credit investor, and the project management costs for the 6 years of predevelopment and construction.

Furnishings, Marketing and Lease Up
This line item includes the cost to furnish and equip the outdoor space, community room, and property management offices. It also includes the staffing and expenses related to the marketing and leasing of the 39 apartments in accordance with the city mandated preferences for local senior farmworkers outlined in the ground lease.

<u>Operating Proforma Narrative</u>
The 555 Kelly property will consist of this rental unit mix: 3 studio, 34 one bedroom and 3 two bedrooms for a total of 40 apartments. One of the two-bedroom units will be the on-site manager's apartment, 29 units will be affordable to senior farmworker households at or below 50% of Area Median Income (AMI), and 10 units will be affordable to senior farmworker households at or below 30% AMI.

Affordable housing developments that utilize public funding are required to charge rents no greater than yearly rates published by the California Tax Credit Allocation Committee (TCAC). These published rents for 2025 San Mateo County are:

AMI Income Level	Studio	1-bedroom	2-bedroom
50%	$1,692	$1,813	$2,393
30%	$1,015	$1,088	$1,305

To increase the affordability for senior farmworkers, we are working with the San Mateo County Department of Housing (DOH) on an operating subsidy that would allow the senior households to pay less than the rents in the above chart. Our goal is to obtain sufficient operating subsidy to allow the senior farmworker households to pay approximately $350 per month for rent and utilities if their income was such that deeper affordability was needed. A Utility Allowance is calculated by San Mateo County for each unit based on bedroom count and those amounts are listed on the upper right corner of the "555 Kelly Unit Mix and Rent" page. The difference between $350 per unit per month and the Utility Allowance is considered rent paid by the tenant household and is included on the "555 Kelly Operating Proforma" page as Residential Income.

The DOH would cover the difference between the tenant payment and the cost to operate the property. This DOH operating subsidy is shown on the 15-year Operating Proforma as "County Operating Subsidy". Benefits of the DOH operating subsidy to the residents include the ability to pay rents that are truly affordable relative to their income, leading to greater housing stability for the senior farmworkers. The operating subsidy would allow residents to pay lower rents while ensuring the property operating expenses are covered, and the property remains financially stable and well-managed. The Unit Mix and Rent page and the 15-year proforma page reflect a County Operating Subsidy for all 39 units.

The County Operating Subsidy combined with the tenant rent payments, called Residential Income on the 15-year proforma, would be sufficient to cover the operating costs. Operating costs include all ongoing expenses necessary to manage and sustain the property, including staffing (property management, maintenance, janitorial), utilities, insurance, and routine property operations. These costs also encompass required financial obligations such as replacement reserves for future capital needs, mandatory debt service to the California Housing and Community Development Department (HCD), and asset management fees to ensure compliance with regulatory requirements, as well as resident services typical for senior housing communities.

555 Kelly Financing Plan

Development Sources

CA Serna Farmworker Housing Program	$	13,350,000	Secured
State Earmark: Senator Josh Becker	$	2,000,000	Secured
CA Infrastructure Infill Grant	$	2,756,304	Secured
San Mateo County ARPA	$	1,141,234	Secured
San Mateo County AHF	$	6,563,763	Application in 2026
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Low Income Housing Tax Credit Program	$	14,021,364	Application in 2026-2027
Total Sources	**$**	**41,632,665**	

Development Uses (Costs)

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Local Permit and Utility Fees	$	1,730,431
Financing Costs: Construction Interest and Insurance, Lender Fees, Reserves, Other	$	7,345,302
Furnishings, Marketing and Lease Up	$	375,000
	$	**41,632,665**

555 Kelly Unit Mix and Rents

Studio Utility Allowance	$	76
One BR Utility Allowance	$	92
Two BR Utility Allowance	$	167

40 units total comprised of 1 manager unit (no income) and 39 units subsidized by County Operating Subsidy (COS)
This proforma assumes all 39 households pay only $350 per month in rent and utilities and County Operating Subsidy covers the cost to operate the property

Monthly Rents	# Units	# with COS	Monthly tenant rent payment	# Households with Max Income of 30% AMI	# Households with Max Income at 50% AMI	Manager Unit
Studios	3	3	$ 274	2	1	
One Bedroom	34	34	$ 258	7	27	
Two Bedroom	2	2	$ 183		1	
Two Bedroom Manager Unit	1	0				1
Total	**40**	**39**		**9**	**29**	**1**

AMI is Area Median Income
The AMI represent the maximum annual household income for households to qualify to move in

Annual Rental Income	Total	# with COS	Annual tenant payments
Studios	3	3	$ 9,864
One Bedroom	34	34	$ 105,264
Two Bedroom	2	2	$ 4,392
Two Bedroom Manager Unit	1	0	$ -
Total	**40**	**39**	**$ 119,520**

See next page for 15 year operating proforma

555 Kelly Operating Proforma	Standards	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Residential Income	2%	$ 119,520	$ 121,910	$ 124,349	$ 126,836	$ 129,372	$ 131,960	$ 134,599	$ 137,291	$ 140,037	$ 142,837	$ 145,694	$ 148,608	$ 151,580	$ 154,612	$ 157,704
County Operating Subsidy		$ 656,146	$ 677,977	$ 700,606	$ 724,062	$ 748,374	$ 773,573	$ 799,691	$ 826,761	$ 854,816	$ 883,893	$ 914,027	$ 945,257	$ 977,621	$ 1,011,160	$ 1,045,917
Less Vacancy	5%	$ (5,976)	$ (6,096)	$ (6,217)	$ (6,342)	$ (6,469)	$ (6,598)	$ (6,730)	$ (6,865)	$ (7,002)	$ (7,142)	$ (7,285)	$ (7,430)	$ (7,579)	$ (7,731)	$ (7,885)
Gross Effective Income		*$ 769,690*	*$ 793,792*	*$ 818,737*	*$ 844,555*	*$ 871,277*	*$ 898,935*	*$ 927,560*	*$ 957,187*	*$ 987,851*	*$ 1,019,588*	*$ 1,052,437*	*$ 1,086,434*	*$ 1,121,622*	*$ 1,158,041*	*$ 1,195,735*
Less Total Operating Expenses	3.5%	$ (650,460)	$ (673,226)	$ (696,789)	$ (721,177)	$ (746,418)	$ (772,542)	$ (799,581)	$ (827,567)	$ (856,532)	$ (886,510)	$ (917,538)	$ (949,652)	$ (982,890)	$ (1,017,291)	$ (1,052,896)
Less Replacement Reserve (required)		$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)
Less State of CA Debt Service (required)		$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)
Less Asset Management Fees to General and Limited Partners	3.5%	$ (38,160)	$ (39,496)	$ (40,878)	$ (42,309)	$ (43,789)	$ (45,322)	$ (46,908)	$ (48,550)	$ (50,249)	$ (52,008)	$ (53,828)	$ (55,712)	$ (57,662)	$ (59,681)	$ (61,769)
Remaining Cash Flow		*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*

dated: April 3, 2026

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PROPERTY MANAGEMENT AGREEMENT

555 KELLY

This Property Management Agreement (this **"Agreement"**) is entered into as of _____ 2026 by and between Mercy Housing California 110, L.P., a California Limited Partnership (**"Owner"**), having an address of 1256 Market Street, San Francisco, CA 94102, and [**MERCY HOUSING MANAGEMENT GROUP, INC**, a Nebraska not-for-profit corporation ("Agent") having an address of 1256 Market Street, San Francisco, CA 94102.

The property to be managed by the Agent under this Agreement is a housing development consisting of land, building(s), and other improvements described below:

Name: **555 Kelly**

Address: **555 Kelly Avenue, Half Moon Bay, CA 94019**

Number of Units: **39**

W I T N E S S E T H:

In consideration of the terms, conditions, and covenants hereinafter set forth, Owner and Agent hereby mutually agree as follows:

1. **Appointment and Acceptance**. Owner appoints Agent as exclusive agent for the management of the housing development consisting of the land, buildings and other improvements located at 555 Kelly Avenue, Half Moon Bay, CA 94019 and commonly known as 555 Kelly (the **"Project"**), and Agent accepts the appointment, subject to the terms and conditions set forth in this Agreement. Agent represents that it is experienced in professional management of property of the character and occupancy of the Project, and Agent agrees to manage the Project in accordance with the highest professional standards for such property.

2. **Basic Information**. Upon the mutual execution of this Agreement, Owner shall furnish Agent with a complete set of general plans and specifications for the Project and copies of all guarantees and warranties pertinent to construction and fixtures and equipment of the Project. With the aid of this information and inspection by competent personnel, Agent shall thoroughly familiarize itself with the character, location, construction, layout, plan and operation of the Project, and especially the electrical, heating, plumbing, and ventilating system, and all other mechanical equipment in the Project.

3. **Leasing**. Agent shall offer for rent and shall rent the dwelling units in the Project in accordance with a rent schedule and leasing guidelines established and approved in writing by Owner. Incident thereto, the following provisions shall apply:

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(a) Agent shall show dwelling units for rent in the Project to all prospective tenants.

(b) Agent shall take and process applications for rentals, including prospective tenant interviews and credit checks. If an application is rejected, Agent shall promptly give to the applicant a proper written notice stating the reason for rejection.

(c) Agent shall, subject to prior written approval by Owner of any deviation from Owner's approved rent schedule, execute in Agent's name, identified thereon as agent for Owner, any lease in which Owner has agreed to let and a tenant has agreed to accept the dwelling unit of the Project (each, a **"Lease"**).

(d) Owner shall direct Agent in management of commercial space. .

(e) Agent shall collect, deposit, and disburse security deposits, if required, in accordance with the terms of each Lease. The amount of the security deposit will be determined by MHM as Agent. Security deposits shall be held by Agent in a trust account, separate from all other accounts and funds. Such account shall be in the name of the Agent, also identifying the Project, and designated of record as **"Security Deposit Account."** Interest on security deposits shall be paid according to law or regulatory agreement, if applicable.

(f) Agent shall maintain a current list of acceptable prospective tenants and undertake all arrangements necessary and incidental to the acceptance of rental applications and the execution of Leases. Agent shall exercise its best efforts (including, but not limited to, placement of advertising, interview of prospective tenants, assistance in completion of rental applications and execution of Leases, processing of documents and credit and employment verifications, and explanation of the program.), to effect the leasing of dwelling units, renewal of Leases, and, in accordance with the terms of the Lease, subleasing of dwelling units in the Project.

(g) Agent shall perform such other acts and deeds requested by Owner as are reasonable, necessary, and proper in the discharge of Agent's rental duties under this Agreement.

(h) Agent shall prorate the first month's rent collected from a tenant under a Lease (each, a **"Tenant"**) should the Lease term commence on any other day than the first day of the month.

(i) Agent shall participate in the inspection of the dwelling unit identified in the Lease together with the Tenant prior to move-in and upon move-out, and shall record in writing any previous damage to the unit and any damage occurring during the Tenant's occupancy. Should the tenant not be available following reasonable attempts to schedule a move-out inspection, Agent shall perform the inspection without the tenant and record same information.

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(j) Agent shall, unless otherwise agreed by Owner and Agent in writing, (i) comply with the leasing guidelines established by Mercy Housing Management Group, and (ii) use for each Lease the form of lease agreement appropriate for each property.

(k) Agent shall cause a representative of Agent to confer with Owner and to attend meetings with Owner at any reasonable time or times requested by Owner.

(l) If the Project is of pre-1978 construction then the Agent must provide each prospective tenant a copy of the Government Printing Office published informational pamphlet entitled Lead-Based Paint: Protect Your Family and a copy of the Lead Hazard Evaluation report on the building prepared by the Owner's environmental consultant.

4. **Affordability Restrictions.** Agent shall comply with the affordability restrictions and requirements concerning leasing and related matters described in **Exhibit A** attached hereto.

5. **Collection of Rents, Etc.** Agent shall collect when due, directly or through an on-site manager, all rents, charges, and other amounts receivable on Owner's account in connection with the management and operation of the Project. Such receipts shall be held in an account in Agent's name and designated of record in an account name identifying the Project and approved by Owner in writing, at such financial institution as Owner may specify from time to time in writing (the **"Operating Account"**), and shall be held separate from all other accounts and funds.

6. **Enforcement of Leases**. Agent shall secure full compliance by each Tenant with the terms of such Tenant's Lease. Voluntary compliance shall be emphasized and Agent shall make referrals to community agencies in cases of financial hardship or other circumstances deemed appropriate by Agent. . Nevertheless, Agent may, and shall if requested by Owner, lawfully terminate any tenancy when, in Agent's reasonable judgment, sufficient cause for such termination occurs under the terms of the Tenant's Lease, including, but not limited to, nonpayment of rent. For this purpose, Agent is authorized to consult with legal counsel selected by the Agent and approved by Owner and bring actions for eviction and execute notices to vacate and judicial pleadings incident to such actions. Unless otherwise instructed by Owner, Agent shall provide monthly reporting of all eviction procedures. . Reasonable attorneys' fees and other necessary costs incurred in connection with such actions, as determined by Owner, shall be paid out of the Operating Account as a Project expense. Agent shall properly assess and collect from each Tenant or forfeit from the security deposit the cost of repairing any damages to the dwelling unit arising during the Tenant's occupancy.

7. **Maintenance and Repairs**. Agent shall cause the Project to be maintained in a decent, safe, and sanitary condition and in a rentable and tenantable state of repair, all in accordance with applicable law, and Agent otherwise shall maintain the Project at all times in a condition acceptable to Owner, including, but not limited to, performance of cleaning, painting, decorating, plumbing, carpentry, grounds care, and such other maintenance and repair work as may be necessary. Incident thereto, the following provisions shall apply:

(a) Attention shall be given to preventive maintenance, and to the greatest extent feasible, the services of regular maintenance personnel shall be used.

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(b) Where deemed necessary by Agent, Agent shall contract with qualified independent contractors for the maintenance and repair of major mechanical systems, and for the performance of extraordinary repairs beyond the capability of regular maintenance personnel provided that such contract is within budgeted guidelines approved by Owner. Prior to commencement of any work, Agent shall obtain appropriate written evidence that the contractor's insurance meets Owner's vendor's insurance requirements. Agent shall be responsible to obtain certificates evidencing renewal of each contractor's insurance upon its expiration.

(c) Agent shall systematically and promptly receive and investigate all service requests from Tenants, take such action thereon as may be justified, and keep records of the same. Emergency requests shall be received and serviced on a 24-hour basis. Reports of significant damage shall be reported to Owner within 24 hours or Owner shall have the right to receive copies of all service requests and the reports of action taken thereon.

(d) Agent shall use best efforts to take such action as may be necessary to comply with any and all orders or requirements of federal, state, county, or municipal authorities having jurisdiction over the Project.

(e) Subject to the provisions of Section 14 hereof, Agent is authorized to purchase all materials, equipment, tools, appliances, supplies, and services necessary for proper maintenance or repair of the Project, the cost of which shall be paid out of the Operating Account.

(f) Notwithstanding any of the foregoing provisions, the prior approval of Owner shall be required for any expenditure exceeding $5,000.00 in any one instance for labor, materials, or otherwise, in connection with the maintenance and repair of the Project, except for emergency repairs involving manifest danger to persons or property, or required to avoid suspension of any necessary service to the Project. (Budgeted routine expenses including utilities exceeding $5,000.00 will not require prior approval) In the event of significant emergency repairs, Agent shall notify Owner of the fact promptly, and in no event later than 24 (or the next business day) hours from the occurrence of the event.

(g) Within 24 hours (or the next business day) of any incident or loss, Agent shall furnish Owner with a full report as to all accidents, fires, claims and potential claims for damages relating to the Project, and will cooperate with Owner's insurers in connection therewith. Agent shall have no authority to take any actions (such as admitting or stating opinions of liability) which might or would operate to bind Owner or bar Owner, including its partners, from obtaining any protection afforded by any policies of insurance it may hold or which operate to prejudice the defense of any legal proceeding involving Owner or the Project, or which might otherwise prevent Owner from protecting itself against any such claims, demands, or legal proceedings. Owner shall have the sole and exclusive right to conduct, and Agent shall fully cooperate with Owner in, the defense of any such claims, demands or legal proceedings.

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8. **Utilities and Services**. Agent shall make arrangements for water, electricity, gas, sewage, and trash disposal, vermin extermination, decorating, laundry facilities, and telephone service in connection with the Project.

9. **Personnel**. Agent shall use it's best efforts to have sufficient personnel physically present at the Project for the full and efficient performance of its duties under this Agreement, including physical presence of responsible persons at such times as may be requested by Owner. The compensation (including fringe benefits) of the on-site staff will be within Agent's reasonable discretion considering market rates for the type of personnel employed, provided minimum wage standards are met. Owner will reimburse Agent for compensation (including fringe benefits) payable to Agent's on-site personnel, and for all local, state and Federal taxes and assessments (including but not limited to Social Security taxes, unemployment insurance and workers compensation insurance) incident to the employment of such personnel. Such reimbursements will be made out of the Operating Account Project expenses.

10. **Operating Account**. Disbursements from the Operating Account shall be governed by the following:

From the funds collected and held by Agent in the Operating Account pursuant to Section 5 hereof, and subject to Owner's approved operating budget, Agent shall make the following disbursements promptly when payable, in the following order of priority: salaries and any other compensation due and payable to the employees referred to in Section 9 hereof, together with related payroll taxes;

(i) the Management Fee in accordance with Section 20;

(ii) real estate taxes and assessments, and fire and other hazard insurance premiums (including any required monthly escrow payments therefore), utilities, interest on all mortgages from time to time encumbering the Project and all promissory notes secured thereby (collectively, **"Mortgages"**), amortization of the principal of the Mortgages, fees, and establishment and maintenance of all reserve funds;

(iii) the cost of insurance maintained by Owner in accordance with Section 17(b);

(iv) the cost of enforcement of Leases in accordance with Section 6;

(v) the cost of maintenance and repairs pursuant to Section 7;

(vi) the cost of all records and reporting pursuant to Section 12;

(vii) the cost of insurance maintained by Owner in accordance with Section 17(b);

(viii) other payments due and payable by Owner as Project expenses incurred pursuant to Owner's approved operating budget and in accordance with this Agreement; and

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(ix) distributions to or at the written direction of Owner.

(b) In the event that the balance in the Operating Account is at any time insufficient to pay disbursements due and payable under Subsection 10(a) hereof, Agent shall promptly inform Owner of the fact and Owner shall remit to Agent sufficient funds to cover the deficiency within three (3) business days. In no event shall Agent be required to use its own funds to pay such disbursements.

11. **Operating Budget**. Agent shall prepare a recommended annual operating budget for the Project for each fiscal year during the term of this Agreement, and shall submit the same to Owner in accordance with the approved annual budget calendar. Agent shall perform a full property inspection report, including all units, prior to the start of the budget process. The annual operating budget shall include recommended rent increases with respect to Lease renewals and new Leases. In preparing each proposed annual operating budget, Agent shall use its best efforts to take account for anticipated increases in real estate taxes, utility charges and other operating costs. Proposed annual operating budgets for the Project shall be subject to approval by Owner. Owner shall promptly inform Agent of any changes incorporated in the approved operating budget the Project and Agent shall make no expenditures in excess of the amounts set forth in such approved operating budget category without the prior written approval of Owner, except as permitted pursuant to Section 7(f) hereof for emergency repairs involving manifest danger to persons or property, or required to avoid suspension of any services to the Project.

12. **Records and Reports**. Agent shall have the following responsibilities with respect to records and reports:

(a) Within thirty (30) days after the mutual execution of this Agreement, Agent shall ascertain the general condition of the Project, including, but not limited to, the taking of an inventory of all furniture, equipment, tools, and supplies.

(b) Agent shall establish and maintain a comprehensive system of records, books, and accounts, *including computerized systems*, in a manner reasonably satisfactory to Owner. Following reasonable notification all records, books, and accounts may be subject to examination during normal hours by any authorized representative of Owner.

(c) Agent shall prepare a monthly report, in a form reasonably satisfactory to Owner. Agent shall promptly furnish such additional information (including monthly occupancy reports) as may be requested from time to time by Owner with respect to the renting and financial, physical or operational condition of the Project.

(d) Owner shall prepare, execute, and file all forms, reports, and returns required by law in connection with the employment of personnel, unemployment insurance, workman's compensation insurance, disability benefits, Social Security, and other similar insurance, and all other benefits or taxes now in effect or hereafter imposed.

(e) Agent shall establish tenant files containing copies of leases, certification forms, notices, and other documentation required by regulatory agencies, if and to the extent applicable.

(f) Except as may otherwise be expressly provided in this Agreement, all bookkeeping, data processing services, and management overhead expenses shall be paid out of the Operating Account as an expense of the Project.

13. **Crime Insurance**. Owner shall furnish and maintain, at its own expense for the duration of this Agreement and any extensions thereof, plus thirty (30) days after the expiration or termination thereof, a commercial crime insurance policy or fidelity bond in an amount not less than two (2) months gross potential rent or $500,000. Such crime insurance policy shall cover losses discovered by Owner within two (2) years after the occurrence of such losses. The certificate of insurance shall state that Agent is an additional insured, and shall be given at least thirty (30) days' prior written notice of cancellation. The cost of such coverage may be paid out of the Operating Account as an expense of the Project.

14. **Bids, Discounts, and Rebates**. Agent shall obtain contracts, materials, supplies, utilities, and services on the most advantageous terms to the Project, and unless otherwise approved by Owner shall solicit a minimum of three (3) competitive bids on all contracts or purchases exceeding $2,500.00 for those items which can be obtained from more than one source. Agent shall credit to Owner all discounts, rebates, or commissions obtainable with respect to purchase, service contracts, and all other transactions on Owner's behalf.

15. **Liability of Agent**. Except as expressly provided to the contrary herein, the obligations and duties of Agent under this Agreement shall be performed as agent of Owner, but Agent, shall be liable for its breaches of this Agreement; provided, however, that the Agent shall not be responsible for incurring any expenditures in excess of existing or reasonably projected available funds from the Project or funds supplied by Owner. All expenses incurred by Agent in accordance with its obligations and duties under this Agreement and consistent with Owner's approved operating budget shall be for the account of and on behalf of Owner.

16. **Indemnification**.

(a) Owner agrees to defend, indemnify, and save harmless Agent from all losses, costs, damages, liability and expenses, including without limitation, reasonable attorneys' fees, arising directly or indirectly out of any (i) matter related to the Project, the conduct of the business of Owner, or any reasonable action taken by Agent expressly within the scope of its duties or authority under this Agreement; or (ii) bodily injury, sickness, disease or death, or to injury to or destruction of tangible property, and such claims and suits arise, or are alleged to arise, in whole or in part out of any grossly negligent act or omission of or the willful misconduct of Owner, its officers, employees, or agents. Owner agrees to include Agent as an additional insured in Owner's general liability policy. Owner shall provide Agent with a certificate of insurance evidencing such liability insurance and providing not less than ten (10) days' notice to Agent prior to cancellation.

(b) Agent agrees to defend, indemnify, and hold Owner harmless from and against any and all claims, investigations, and suits, or from actions or failures to act of Agent, with respect to any alleged or actual violation of state or federal labor or other laws pertaining to employees, it being expressly agreed and understood that as between Owner and Agent, all persons employed in connection with the Project are employees of Agent,

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not Owner. Additionally, Agent agrees to defend, indemnify, and hold Owner harmless from and against any and all losses, costs, damages, liability and expenses, including without limitation, reasonable attorneys' fees, arising from any breach of this Agreement by Agent, any negligent act or omission of Agent and any intentional tort, criminal activity, reckless and other willful misconduct, and any other act or omission by Agent, its agents or employees, outside the scope of the agency relationship created by this Agreement.

17. **Insurance**.

(a) Agent shall at all times work with Ownership to ensure that its employees are insured for statutory workers' compensation and other employee benefits required by all applicable laws and shall maintain, and provide Owner with certificates evidencing, the following coverage:

(i) General liability in the amount of $1,000,000.00 per occurrence, $2,000,000.00 annual aggregate;

(ii) Professional liability in the amount of $500,000.00 per occurrence;

(iii) Workers compensation as referenced above, with employer's liability of $500,000.00;

(iv) Automobile insurance covering Agent's owned or leased vehicles; and

(v) Personal property insurance written on a replacement cost basis, in an amount sufficient to cover Agent's personal property items.

The cost of all insurance required under this Section 17(a) shall be at the sole cost and expense of Owner.

(b) Owner shall maintain comprehensive commercial liability insurance and property fire damage/legal liability insurance covering the Project. The cost of all insurance required under this Section 17(b) shall be paid out of the Operating Account.

18. **Limitation of Liability**. Agent agrees that it will not seek recourse against the individual partners, shareholders, directors, officers, employees or agents of Owner or any of their personal assets for satisfaction of any liability with respect to this Agreement.

19. **Compensation**.

(a) As compensation for all of Agent's ongoing property leasing, management, and related services under this Agreement, Agent shall receive a monthly management fee in an amount equal to Seventy dollars ($70.00) per unit in the Project per month (the **"Management Fee"**), to be paid out of the Operating Account as an expense of the Project.

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Such fee shall be payable on or before the tenth (10th) day of the month following the month in which the services were rendered.

(b) Agent agrees to the following conditions governing amount and timing of payment of the Management Fee under this Agreement:

(i) The monthly Management Fee shall be deemed earned in its entirety and accrued as an expense to the Project. Owner shall be responsible for the payment of any deferred Management Fees upon the termination of this Agreement.

(ii) "**Operating Expenses**" means all cash expended, reserved, or required for debts or expenses (including all required or advisable deposits into required reserves), interest, and principal payments on indebtedness, capital expenditures, replacements, expansion, or other reasonable requirements of Owner's business (excluding cash expended from capital contributions or for capital transactions) related to the Project.

(iii) "**Operating Income**" means all cash received from operations of Owner in the ordinary course of business (excluding capital contributions and net proceeds of capital transactions) related to the Project.

(c) In lieu of compensation defined in section (a) above, as compensation for providing marketing and property set up services for new construction or acquisition rehabilitation properties Owner shall compensate Agent in an amount equal to ($450.00) per unit Agent reserves the right to bill 50% of the stated fee upon successful occupancy of 50% of the project, with the remaining fee to be billed upon meeting lease up requirements.

20. **Compliance with Laws**. In the performance of its obligations under this Agreement, Agent shall use it's best efforts to comply with applicable local, state, and federal laws and regulations.

21. **Term of Agreement**. This Agreement shall be in effect for the period commencing as of the date hereof and ending on the first (1st) anniversary of the date hereof, and shall be automatically extended for one (1) year periods thereafter, subject to the following conditions:

(a) Either Owner or Agent may elect not to extend this Agreement by notifying the other party at least sixty (60) calendar days in advance of the last day of the initial period hereunder or any annual extension period thereafter.

(b) This Agreement may be terminated by mutual written consent of Owner and Agent.

(c) In the event Agent fails to perform any of its duties hereunder or to comply with any of the provisions hereof and the failure of which has a material adverse effect on the Project, Owner shall notify Agent in writing and Agent shall have thirty (30) days

thereafter within which to cure such default to the reasonable satisfaction of Owner, and if such default cannot be cured within such thirty (30) day period, Agent shall have such additional time as may be necessary to cure the same provided that Agent demonstrates to the continuing satisfaction of Owner that it is diligently pursuing all necessary actions to cure such default and that the same will be cured within a reasonable time without damage or expense to Owner.

(d) In the event a petition in bankruptcy is filed by or against Owner or Agent, or in the event Owner or Agent makes an assignment for the benefit of creditors or takes advantage of any insolvency act, Owner or Agent may terminate this Agreement without notice to the other.

(e) In the event of a sale of the Project by Owner, a material condemnation involving the Project or a total casualty involving the Project, Owner may elect to terminate this Agreement by notifying Agent upon not less than thirty (30) days notice.

(f) Within fifteen (15) days after the termination of this Agreement, Agent shall close all accounts and pay the balances or assign all certificates of deposit regarding the Project to Owner. Within fifteen (15) days after the termination of this Agreement, Agent shall (i) deliver to Owner all plans and surveys of the Project in its possession and all books and records concerning the Project; and (ii) submit to Owner all reports required under Section 12 hereof to the date of such termination, and Agent and Owner shall account to each other with respect to all matters outstanding as of the date of termination.

22. **Notices**. All notices or other communications required or desired to be given under this Agreement shall be in writing and shall be delivered either personally or by U.S. certified mail, return receipt requested, which shall be deemed delivered upon personal delivery or two (2) business days after mailing, to the parties at the addresses set forth in the initial paragraph of this Agreement. In the event of a change in the mailing addresses, any addressee whose address changes hereby agrees to give notice of a new or forwarding address within seven (7) days of the effective date of said change to the other addressee, whereupon subsequent notices shall be addressed to such new or forwarding address.

23. **Increased Risk**. Agent shall give Owner written notice if any facts of which Agent is aware evidence an increase in the risk of casualty loss or a claim of liability in connection with the Project or its operation. Such notice shall be given as soon as Agent has knowledge of such facts.

24. **Audit Right**. Owner shall have the right, within seven (7) days written notice to Agent, to audit all files and accounts pertaining to the Project at Agent's principal office during normal business hours.

25. **Amendment.** This Agreement constitutes the entire agreement between Owner and Agent, and no amendment or modification thereof shall be valid or enforceable except by supplemental agreement in writing, executed by the parties hereto or the party to be bound thereby.

26. **Enforceability**. The invalidity of any clause, part, or provision of this Agreement shall not affect the validity of the remaining portions thereof. Owner's remedies under this Agreement are cumulative, and the exercise of one remedy shall not be deemed an election of remedies nor foreclose the exercise of Owner's other remedies. No waiver by Owner of any breach of this Agreement shall be deemed to be a waiver of any other or subsequent breach. Owner or Agent may apply to any court, state or federal, for specific performance of this Agreement, for an injunction against any violation of this Agreement, or for such other relief as may be appropriate, since the injury arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.

27. **Governing Law**. The law of the state in which the Project is located shall govern the interpretation and enforcement of this Agreement.

28. **Captions**. The captions used in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope or the intent of this Agreement.

29. **Execution of Counterparts**. For the convenience of the parties, this Agreement may be executed in multiple counterparts, each of which shall constitute a complete original of this Agreement, which may be introduced in evidence or used for any other purpose without the production of any other counterparts.

30. **Successors and Assigns**. This Agreement shall inure to the benefit of and constitute a binding obligation upon Owner and Agent and their respective successors and assigns; provided, however, that Agent shall not assign this Agreement, or any of its duties hereunder, without the prior written consent of Owner.

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IN WITNESS WHEREOF, the Owner and Agent have executed this Agreement as the date first above written.

OWNER:

Mercy Housing California 110, L.P.,
a California Limited Partnership

By:_____
Name: Melissa Clayton
Title: Vice President

Attest:

_____
Title:

[SEAL]

AGENT:

[MERCY HOUSING MANAGEMENT GROUP, INC, a Nebraska not-for-profit corporation PROPERTY MANAGER]

By:_____
Name: Jacquie Hoffman
Title: Vice President

Attest:

_____
Title:

[SEAL]

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EXHIBIT A

AFFORDABILITY RESTRICTIONS

[Tax Credit Requirements. Agent acknowledges that Owner is required to use best efforts to lease one hundred percent (100%) of the units in the Project (the **"Credit Units"**) to tenants whose income and rent levels qualify such apartments for inclusion in determining federal low-income housing tax credits (the **"Credits"**) for the Project. Owner shall furnish Agent with written descriptions of such requirements as they relate to Agent's leasing and management duties hereunder. Incident thereto, the following provisions shall apply for all Credit Units:

(a) Agent shall, prior to approving each rental application and prior to allowing prospective tenant to take occupancy, (i) require prospective tenant to complete, execute, and deliver all forms required in connection with the Credits (which forms shall be provided by Owner to Agent), and (ii) shall perform such other verifications of such tenant's non-employment income as are necessary or appropriate, in order to provide necessary certification and verification of the amount of such tenant's annual family income, family size, and any other information reasonably requested by Owner in writing in connection with the Credits. Agent shall require tenants to certify in writing as to such matters on an annual basis, prior to such time as the information is required for tax reporting purposes for the Credits. Owner shall give Agent advance written notice of such requirements. Agent shall, prior to leasing Credit Units, determine tenant income eligibility for purposes of the Credits pursuant to applicable laws, using such forms as Owner shall furnish to Agent from time to time. Without Owner's express prior written consent, Agent shall not enter into any Lease on behalf of Owner to a tenant who fails to meet the income eligibility requirements for the Credits. Agent shall deliver copies of all reporting surrounding Leases, certifications, and verifications for the Credit Units to Owner as requested

(b) Owner shall from time to time furnish Agent with a written schedule of maximum rents for the apartments, depending on family size for purposes of the Credits. Without Owner's express prior written consent, Agent shall not enter into any Lease on behalf of Owner at a rental amount exceeding the applicable maximum.

(c) Agent shall maintain and preserve all written records of tenant family income and size, and any other information reasonably requested by Owner in writing in connection with the Credits, throughout the term of the Agreement, and shall turn all such records over to Owner upon the termination or expiration of the Agreement.

(d) If requested by Owner in writing, Agent shall prepare reports of low-income leasing and occupancy in form suitable for submission in connection with the Credits.]

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Mercy Housing California

555 Kelly Residential Services Plan

Services Overview:

555 Kelly will provide thirty nine (39) high-quality affordable rental units for current or Senior Agricultural Workers, plus one (1) unrestricted manager's unit. The property will also feature a new Community Resource Center (CRC), co-located on the ground floor, serving as a hub for health, wellness, and social services for senior farmworker residents, along with a multipurpose community space. The Resource Center will be operated by Ayudando Latinos A Soñar (ALAS), and the senior apartments will be owned and operated by Mercy Housing California (MHC) and Mercy Housing Management Group (MHMG).

MHC and ALAS will be coordinating residential services and community building activities for 555 Kelly. Mercy Housing will be the lead service provider (LSP), and partner with ALAS to ensure that all residents of 555 Kelly have access to culturally appropriate services and programming that help individuals improve their economic, health, and social wellbeing. The coordination of services will be done through multi-disciplinary team meetings between ALAS and MHC to ensure that duplication is avoided, and residents are able to receive the broadest scope of services and programming offered.

Senior Program Model:

Mercy Housing will hire and supervise a Resident Services Coordinator who will provide a minimum of 24 hours per week of dedicated services to the residents and ensure that MHC's senior program model is implemented. MHC's senior program model focuses on four areas: Health & Wellness, Housing Stabilization, Education, and Community Engagement.

Health & Wellness

Mercy Housing will provide service coordination, linkages and referrals to all 39 households, offering the following direct services: basic health & needs assessments, ADL (Activities of Daily Living) support & screening, physical activities, and wellbeing checks. In partnership with MHC, ALAS, will offer the following services in the Community Resource Center for all residents. ALAS will offer access to food; mental and physical health services on site and will refer off site as needed. The Farmworker Liaison Caseworker team will have private offices for confidential meetings with clients.

Onsite Resident Services: Health & Wellness Assessments, Health Screening Services, ADL Screenings, Fitness Classes, Health and Wellness Education workshops

Housing Stabilization

In order to achieve housing stability, MHC will work closely with residents and property management, to ensure the following services are provided: eviction prevention coaching, housing inspection support and lease education. In partnership with ALAS, MHC will coordinate with ALAS on any available outreach programs and services that provide rental assistance for residents, where keeping people housed is the priority.

Onsite Services: Lease Education, Housing Support Plan, Linkages to subsidized or discounted Utility Programs

Education

Either provided directly, or through staff at the Community Resource Center, MHC will offer the following services: financial stability seminars, financial benefit acquisition, employment and job readiness support, and technology literacy.

Onsite Services: Financial Stability Seminars in budgeting and/or fraud prevention

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Community Engagement
In order to enhance social connections and build community among residents, the following activities will be provided for residents: Ongoing weekly community projects & events, volunteer opportunities, voter registration, leadership programming, community safety initiatives, family reconciliation, and technology literacy. The Community Resource Center will also host community lunch and dinner events where meals will be prepared in the community kitchen and served in the multi-purpose area.

Onsite Services: Holiday Celebrations, Social Activities, Volunteer Club, Disaster Preparedness Workshops

Residential Services Plan:
Services and programming will be provided free of charge. Resident services will be paid through the developments residential operating budget.

MHC's service delivery will begin prior to residents moving in, by offering support and being present during resident interviews, showing units, and participating in lease signings. After move-in, MHC will focus on the following service objectives:

- 100% of residents will be screened using the following assessment tools: 1) HUDs ADL/IADL 2) Health & Wellness Interview 3) Individual Service Plan (ISP). These screening tools will be offered within 90 days of move in. The ISP will emphasize residents' goals and action plans regarding stabilizing housing, benefits, as well as improving health, economic and social well-being. Ongoing support provided as needed to meet ISP goals.
- 100 % of residents who may be experiencing housing instability due to incidents, lease violations and/or non-payment of rent will be offered support services at least once for each known incident as documented by staff in their incident reports and encounter records.
- 85% of residents who engage services to remedy incidences reported and/or lease violations will establish a written plan (Housing Support Plan, HSP) to resolve the current and prevent future violations of tenancy agreements that could lead to eviction as measured by the incident reports with completed written resolution sections.
- 100% of all residents should receive outreach efforts at a minimum of every 30 days.

Staffing:

Onsite Staffing	Programming & Service
MHC Resident Services Coordinator	24 hours per week

Coordination with Mercy Housing Management Group (MHMG):
At time of move-in, the services team, together with property management will ensure a warm handoff, which includes welcoming the resident to the community, introducing staff, and explaining individual roles to the resident. This is an opportunity to set up subsequent meetings with residents to ensure that they understand the lease, sign relevant releases of information, and have the team address any immediate needs. This will also be an important time to introduce the residents to the ALAS Mercy Housing partnership and make residents aware of the services that will be provided through ALAS at the Community Resource Center and MHC.

The services team recognizes that communication and collaboration is essential to housing stability. Collaboration will take the form of weekly meetings to address concerns as they arise with the goal of intervening early and problem-solving issues that may affect housing stability.

Mercy Housing utilizes a housing success tool that includes offering residents the option in participating in a Housing Support Plan (HSP). The HSP is individualized, resident driven, 100% voluntary and collaborative. The resident, property manager, and services team work together to develop and implement a plan of action that aims to achieve housing stability and avoid eviction.

In addition to weekly meetings where housing concerns are discussed, the services and property management team will meet frequently to address any operational needs. Collaborative meetings allow for reinforcement of delineation of responsibilities, review of protocols, and ongoing planning to ensure the needs of individual residents are balanced with the safety and security of the property. An important component to such meetings will be discussion of critical tenant issues and eviction prevention strategies. Staff meetings will be an important space in which to strategize about how to increase tenant utilization of services. Program management and agency directors will meet monthly to resolve program issues, reinforce collaborations and ensure contract compliance.

Community Resource Center:
A Community Resource Center of approximately 2,600 square feet will be on the ground floor of 555 Kelly, with an entrance directly from Kelly Avenue. Previously planned as a Farmworker Resource Center, this space will serve two functions:

- Delivery of health, wellness and other social services required by the 555 Kelly senior farmworker residents to be provided by ALAS, community agencies and the County.

- A multipurpose community space to be used by the wider public for meetings and activities.

The Community Resource Center will be designed with offices and spaces for resident services, and for more open flexible spaces for programming and activities to be organized in support of residents. The operational program also includes a multi-purpose community space to be made available, at the sole discretion of City, for general public meetings and activities for 16 hours per work week. Prior to occupying the center, Developer and City Manager will collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and ALAS's proposed use of the space. They will also determine an appropriate reservation system (such as the City's Recreation and Parks system), and establish an affordable user fee structure for the community users. The City and Mercy Housing will continue to refine the details to provide an affordable community serving space in this location.

The Community Resource Center space will be leased to ALAS by Mercy Housing, the owner of the 555 Kelly development. ALAS will be one of the key service providers for the senior farmworker residents of 555 Kelly. The Community Resource Center will be relying on a federal funding appropriation to ALAS that former Congresswoman Anna Eshoo secured specifically to complete the buildout of a Farmworker Resource Center. ALAS has agreed to use this federal funding to build the Community Resource Center, and the City and Mercy Housing will not need to seek additional funding from other parties. The lease rate will consist of a pro rata share of building operations and maintenance costs and a nominal rent given the use of the Community Resource Center for resident services and to provide affordable accessible multi- purpose space for community use. The proposed conditions of the lease will be outlined in a seperate Lease Letter of Intent (LOI) a preliminary, non-binding document that outlines the key business terms of a proposed lease before the parties commit to a full, legally binding lease agreement. This LOI is a way for the landlord, Mercy Housing, and tenant, ALAS, to confirm that they are aligned on major deal points before investing time and legal costs into drafting the full lease.

The Community Resource Center at 555 Kelly requires approximately $2.2 million in capital funding from a combination of federal earmarks, philanthropy, and other sources to complete buildout on the ground floor. Initial funding commitments include a $500,000 grant from The Sobrato Foundation over two years, along with the federal appropriations secured through Congresswoman Anna Eshoo and support from additional philanthropic partners including the Sobrato Family Foundation and the Kataly Foundation. Ongoing funding will be required to support the Center operations and programming; however, there is no anticipated request for City funding for these costs, as ALAS will continue to pursue and secure external funding sources to sustain the Community Resource Center.

Program Overview - Community Resource Center (CRC):

- **Purpose**: Address the specific needs of all resident and farmworkers by providing access to essential resources, support for well-being, and community-building opportunities.
- **Goals**:
    - Enhance quality of life for all residents, farmworkers and their families.
    - Provide health, wellness, education, and legal support services.
    - Create a welcoming and culturally sensitive environment.
    - Foster a sense of community and empowerment among farmworkers.

The Community Resource Center (CRC) will serve as a hub for health, wellness, and social services for senior farmworker residents, along with a multipurpose community space.. Designed to support aging in place, the CRC will house case managers/promotores, San Mateo County health counselors, and other service providers delivering coordinated, culturally competent care tailored to the specific needs of both senior and working farmworkers. Many individuals in this community face significant barriers—including limited English proficiency, lack of transportation, and unmet service needs—which the CRC directly addresses by co-locating essential services such as mental health care, education, crisis response, health referrals, and cultural programming in one accessible location.

Purpose-built to accommodate programming, counseling, and group activities, the CRC eliminates fragmented service access while fostering community through food, art, and social engagement in residents' primary language and cultural context. This integrated approach ensures consistent, equitable support and creates a welcoming environment that strengthens connection, improves health and wellness outcomes, and enhances overall quality of life for both onsite residents and the broader farmworker and coastal community.

Grounded in community-identified needs and ALAS's and MHC service model, the CRC strengthens partnerships with organizations such as Coastside Hope and Puente de la Costa Sur, formalizing collaboration and expanding the reach and quality of services. By integrating providers into a single, coordinated setting, the CRC fosters community connection, cultural engagement, and skill-building opportunities while enhancing overall service delivery and long-term outcomes for the farmworker community.

The CRC is designed with key functional spaces to support high-quality service delivery and community engagement, including a dedicated kitchen for meal programs and cultural events, a multipurpose room for programming and partnerships, and private offices to ensure confidentiality and professionalism in service provision. In addition to the CRC, a separate private residential community room on the second floor of the building will serve 555 Kelly's senior tenants by

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providing space for services and a place for residents to gather and support their daily lives. This dedicated space meets the funding and regulatory requirements for on-site services. Together, these components create a comprehensive, well-equipped environment that supports the health, wellness, and long-term stability of the farmworker community and residents.

Designed to meet both immediate and long-term needs, the CRC is a fully realized and necessary component of the 555 Kelly development, improving quality of life, reducing isolation, and advancing the overall health and resilience of the farmworker and senior community. Addressing social isolation and loneliness is essential for ensuring the housing stability and health of senior farmworkers and the Coastside community, as these issues are closely linked to poor health outcomes such as cognitive decline, heart disease, and a weakened immune system.

The local residents served throughout the year by the CRC will be carefully coordinated with other nearby programming and events ensuring that the community's resources are utilized efficiently and without undue disruption to the surrounding area.

CRC Services Offered:

- **Health Services**: Basic medical check-ups, mental health counseling, referrals to local health clinics.
- **Educational Programs**: English language classes, financial literacy, workforce development workshops.
- **Legal Aid**: Immigration assistance, worker rights, and labor law education.
- **Social Services**: Assistance with housing applications, food security resources, and childcare.
- **Recreational Activities**: Cultural events, community gatherings, and wellness activities like yoga or fitness

CRC Staffing:

The Community Resource Center (CRC) will be staffed by a multidisciplinary team providing both on-site and field-based support to senior farmworker households. Key roles include a full-time Center Manager overseeing daily operations and coordination of services and partnerships; a full-time Social Worker/Case Manager delivering direct services such as assessments, outreach, and referrals; and a full-time Licensed Mental Health Clinician providing mental health services and supervising interns. A full-time Farmworker Promotore will focus on wellness and community engagement, while part-time Community Legal Aid staff will offer immigration and labor law support. Volunteers will supplement services through classes, events, and resource distribution.

The CRC will operate primarily on weekdays from 8 AM to 7 PM, with limited weekend hours for special events, avoiding Saturday mornings due to the Farmer's Market. Programming will include consistent daily services along with occasional evening activities focused on meals, wellness, and group engagement. Larger events and regular weekend programming will be limited on-site; instead, they will be accommodated at the alternate Cultural Arts Center. CRC staff will be available onsite to coordinate access for community programming for 16 hours per work week, in accordance with a City-established reservation system for public use.

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LETTER OF INTENT

This DRAFT Letter of Intent is for the purpose of securing preliminary understanding between Landlord and Tenants below, and to serve as the preliminary basis for a written lease ("Lease") that will contain additional material terms, conditions, and provisions not yet negotiated or agreed upon by the parties for the premises known as 555 Kelly Avenue, Half Moon Bay, CA 94109. The initial proposed terms and conditions of the Lease are as follows:

Date:	April 15, 2026 DRAFT
Landlord:	Mercy Commercial California, a California nonprofit public benefit corporation ("Landlord")
Landlord's Address: (send notices to):	1256 Market Street San Francisco, CA 94102 Attention: Commercial Asset Manager
Send Rent Payments to:	Commercial Property Manager Mercy Housing Management Group 1256 Market Street, San Francisco, CA 94102 We encourage all Tenants to sign up for online payments via our Commercial Café.
Tenant(s):	Ayudando Latinos A Soñar (ALAS) 507 Purissima Street Half Moon Bay, CA 94109
Building:	The building consists of ground floor retail and five stories of residential use located on the land commonly known as *555 Kelly Avenue, Half Moon Bay, CA 94109.*
Premises:	555 Kelly Avenue Specific Address/Suite for Premises TBD
Premises Interior Area:	2,658 square feet
Total Commercial Net Rentable Area:	2,658 square feet
Tenant's Pro-rata Share of Commercial Net Rentable Area:	100.00% 2,658 square feet
Building Area:	49,559 square feet
Premises Pro-rata Share of Building Area:	5.36%

LETTER OF INTENT

Common Area:	1. Sidewalks in front of the Premises 2. MPOE Room
Tenant Improvement Allowance:	Tenant has secured $1.8 million in federal funds through Congresswoman Anna Eshoo for construction of tenant improvements at Premises
Use:	Community Resource Center to be operated by Tenant with two uses: Delivery of health, wellness and other social services required by the 555 Kelly senior farmworker residents to be provided by ALAS, community agencies and the County. A multipurpose community space to be used by the wider public for meetings and activities.
Conditions of Use:	1. Tenant to provide access to the wider public for meetings and activities for sixteen (16) hours per week (Monday through Friday). Tenant and Landlord will coordinate with City's Recreation Department on the operational program, applicable reservation and fee structure, and guidelines for use of the Premises by the general public. 2. Tenant shall make the commercial space available for inspections upon 24-hour notice from site staff in preparation for maintenance and inspections. 3. Tenant shall make the commercial space available for inspection by regulatory agencies, lenders and investors as appropriate. 4. Tenant shall conduct its business and otherwise utilize the Premises, and use reasonable efforts to control its agents, employees, invitees, contractors and visitors, in such a manner as not to create any nuisance, or unreasonably interfere with annoy or disturb the quiet enjoyment of any other tenant or Landlord.
Prohibitions of Use:	Vehicle or equipment maintenance, bulk storage of loose material, sale of liquor, cigarettes, or any other use unreasonably disturbing to residents is expressly prohibited.

	Additional restrictions will be specified in the lease. Lease can be ended depending on abiding by rules.
Hours of Operation:	Generally 8:00am-7:00pm with different hours for special events and limited weekend hours. Must comply with local jurisdiction requirements for residential neighborhoods. Tenant shall have 24-hour access to the Premises seven (7) days a week.
Initial Term:	The Term commencing on the Term Commencement Date and ending on the Lease Termination Date subjective to any Options to Renew, noted below.
Term Commencement Date:	Estimated at Construction Start Date of Tenant Improvements or date of possession when the Premises is delivered to Tenant, which shall be captured by both parties signing a Certification of Commencement Date.
Lease Termination Date:	Twenty (20) calendar years after the certified Commencement Date.
Renewal Option:	Two (2) Optional Period(s) of five (5) years each, as long as Tenant is in good standing and not in Default at the end of the Initial Term.
Base Rent:	$1 per year.
Prepaid Rent:	One month's Base Rent, to be paid at Lease signing.
Rent Commencement Date:	Rent shall commence on the same date as the Term Commencement Date.
Rent Structure:	Triple Net (NNN), with Tenant paying its own utilities, janitorial, repairs, maintenance, trash removal, wi-fi, and other operating expenses related to the use of the Premises, as further specified in the Lease. Tenant shall also pay to Landlord its "Common Area Maintenance" (CAM) charge, and Pro-Rata Share of its Real Estate Tax and Landlord's Insurance payments.
Utilities:	a. Electrical: Electrical service will be individually metered. Tenant is responsible for setting up its own electrical account and paying those expenses in a timely manner. b. Gas: No gas service available to Premises.

c. Water/Sewer: Water service will be individually metered. Tenant is responsible for setting up its own water account and paying those expenses in a timely way.

d. Trash: Tenant is required to procure and pay for its own trash removal service. There is a trash room located in the tenant space.

e. HVAC: Landlord has installed heating, ventilation, and air conditioning system ("HVAC") and connected that system to Tenants Electric Service.

Common Area Maintenance Charges: Landlord to provide and pay for the Building's "Building Common Operating Expenses", and Tenant will reimburse Landlord. These expenses are not included in the Base Rent. These expenses shall include but not be limited to the following: maintenance of the fire sprinkler and fire alarm systems (testing and monitoring); cleaning, maintenance and repair of the Trash Room; hydro-jetting of the sewer laterals; back-flow testing of the water lines; maintenance, repair and replacement of the sidewalk; electrical service for exterior lighting; water and sewer service for landscaping and cleaning the trash room as well as power-washing the sidewalks; and commercial property management fees. Landlord reconciles operating expenses approximately every three years.

Trash Removal: Tenant's trash room located in the Premises will be for the storage of their trash and recycling. Tenant is responsible for arranging an account with the City and paying the City directly for Tenant's trash disposal service. Tenant is responsible for the cleaning and maintenance of bins provided for their business. Any broken or leaking bins must be replaced immediately. Coffee grounds should be composted correctly and not allowed down any drains. Tenant must exercise due diligence as spills and food and beverage spills and stains occur. All refuse must be securely bagged to avoid spillage once bins are set out for pick-up.

Tenant's Maintenance: Tenant will make all necessary repairs and replacements to the interior walls, window glass, window casements and moldings, doors, interior floor coverings, hardware, furnishings, fixtures, equipment, electrical and lighting systems, plumbing and plumbing fixtures, ducts, pipes, and wiring conduits within the

Premises, except to the extent that Tenant will not be responsible for any defects in Landlord's Work. Tenant will maintain and keep in a clean and orderly manner the Outside Area in front of their Premises on a daily basis. All coffee or food stains to sidewalks in front of the Premises must be removed on a daily basis, and Tenant should coordinate with site staff's schedule to power-wash the sidewalk. If the property is in a drought zone and is mandated to reduce the use of water, Tenant must work with site staff to determine alternative methods for removal of coffee stains and food debris. Tenant is responsible for the maintenance of the exterior windows, casements, and moldings specific to the Premises including removal of graffiti and replacement of broken glass.

Landlord Maintenance: Landlord will maintain and repair, as needed, the exterior grounds, the Building foundation and structural elements, ceiling, floor slab, exterior walls and roof, and the portion of the basic electrical, plumbing, sewer and mechanical hook-ups that are exterior to the Premises.

Real Estate Taxes: Tenant will pay its pro-rata share of all Real Estate Taxes and Assessments levied on the Premises based on its Pro-rata Share of the Commercial Area. This Tax Charge is a stand-alone charge and is not included in the Base Rent or the CAM Charge. Tenant will submit annual application to the assessor for welfare tax exemption, if applicable.

Landlord's Property Insurance: Tenant will pay a portion of the Landlord's Property Insurance based on its Pro-rata Share of the Building. This Insurance Charge is a stand-alone charge and is not included in the Base Rent or the CAM Charge. In the event that an insurance claim is filed, both Landlord and Tenant shall have its own insurance. Tenant's pro-rata share of Landlord's insurance does not waive Tenant's obligation to carry the required coverage for its own Insurance, as listed below, nor does it imply Landlord's policy will cover any of Tenant's damages in any insurance event.

Tenant's Insurance: Tenant shall carry the following insurance:

a. General liability insurance naming Landlord and affiliates as additional insured, with a single occurrence limit of $1 million, general aggregate $2 million;

b. Property insurance on all Tenant's property in the

Premises;
c. Workers compensation insurance on all employees;
d. Business interruption insurance equal to 100% of Rent for no less than twelve (12) months;
e. Umbrella insurance in the amount of $2,000,000.
f. Build-out insurance ("**Builders Risk**") for the entire period covering any Build-out or Alterations.

Alterations: Tenant shall make no Alterations that affect the Property's plumbing, mechanical, electrical systems, foundation or façade, or the Property's Residential Area or any Commercial Area outside the Premises, without Landlord's prior written approval, which approval shall not be unreasonably withheld. In all cases, Tenant shall make no Alterations greater than $2,000 in each instance without Landlord's prior written approval, which approval shall not be unreasonably withheld. Tenant shall construct its Alterations after securing all building permits required by the City building department.

Signage/Facade: Tenant shall have the right to install signage at its sole cost and expense to the Premises' exterior, under the condition that such signage must comply with the Property's Master signage program and is approved by Landlord, and the City Planning Department. Tenant shall be responsible for cleaning and maintaining any signage including awnings.

AGREED AND ACCEPTED:

TENANT

Ayundando Latinos A Sonar,
a California nonprofit public benefit corporation

By: _____

Name:
Title: CEO

Date: _____

LANDLORD

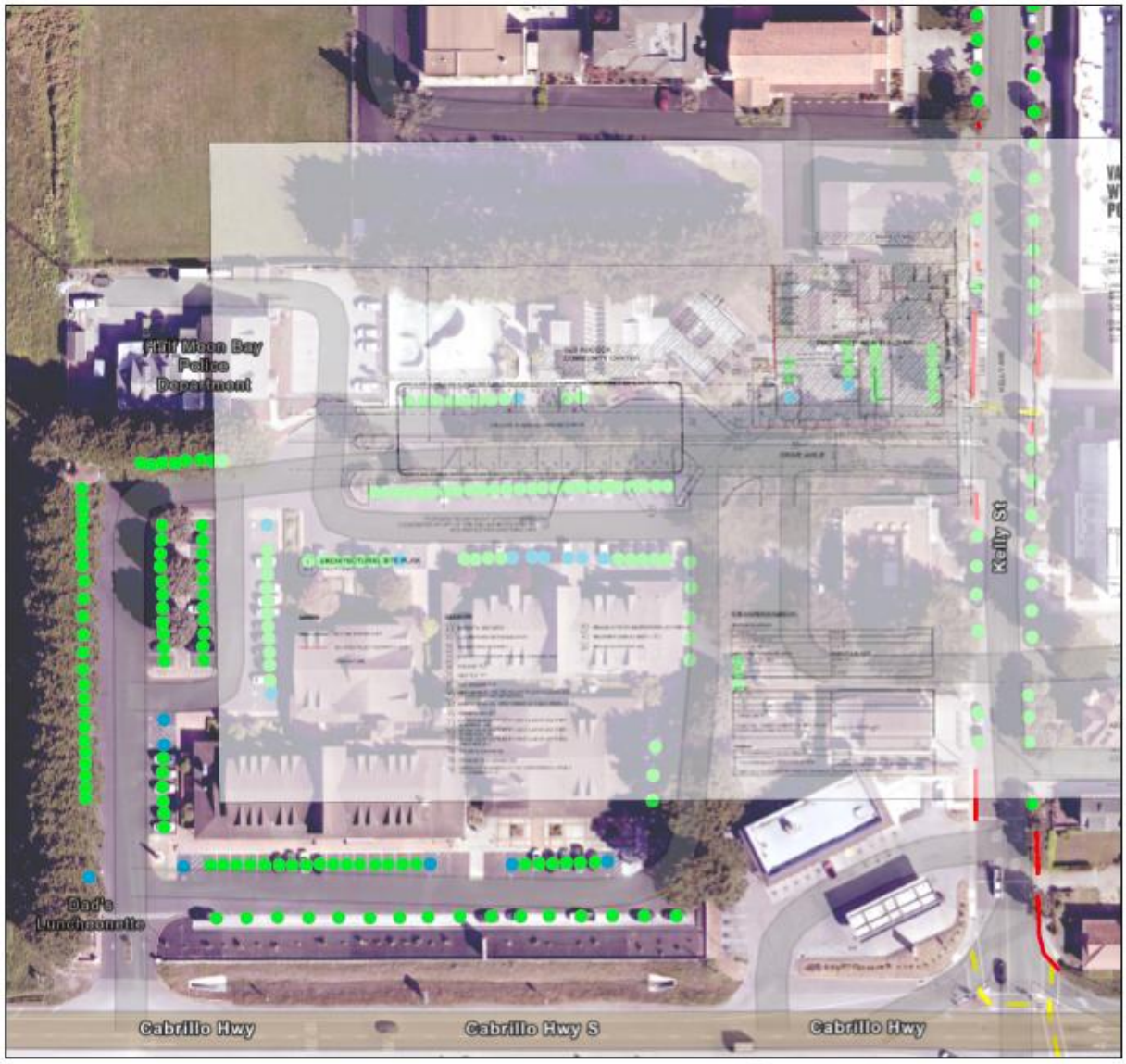
Mercy Commercial California,
a California nonprofit public benefit corporation

By: _____

Name:
Title: Vice President

Date: _____

LETTER OF INTENT



555 Kelly St Parking Map

0 100 200 Feet

Parking Inventory

- Parking Space (220)
- ADA Parking Space (19)
- Crosswalks
- Red Curb (Pre Daylighting Law)

City of Half Moon Bay, Van Meter Williams Pollack LLP, County of San MateoSources: Esri, TomTom, Garmin, FAO, NOAA, USGS, (c) OpenStreetMap contributors, and the GIS User Community

555 Kelly St Parking Map

0 250 500 Feet

Parking Inventory

- Parking Space (935)
- ADA Parking Space (35)
- Crosswalks
- Red Curb (Pre Daylighting Law)

City of Half Moon Bay, Van Meter Williams Pollack LLP, County of San MateoSources: Esri, TomTom, Garmin, FAO, NOAA, USGS, (c) OpenStreetMap contributors, and the GIS User Community

555 Kelly Ave Executive Summary

Independent Analysis by Rick Hernandez, Planning Commissioner, City of Half Moon Bay

Summary

This memo provides a practical, on-the-ground assessment of the City of Half Moon Bay's effort to deliver affordable housing within the framework established by State policy, as it relates to the 555 Kelly Avenue project and conformance with the City's Housing Element. The City's Local Coastal Land Use Plan policies are strongly aligned with State housing goals and override legacy zoning constraints. The City is actively working to meet its obligations, including planning for approximately 1,000 units over the next 13 years and updating its implementation plan and zoning. The purpose of this brief is to create a framework for determining whether projects are ultimately financeable and deliverable, including cost, legal certainty, readiness, and permitting timelines. It is intended to provide context on how these factors are playing out in this project and to outline a path forward that supports housing production while ensuring that public resources are used effectively and with a higher probability of success.

Background

California is in a widely acknowledged housing crisis. In response, the State has taken an increasingly aggressive approach to increase housing production, including streamlining approvals and enforcing compliance through the California Department of Housing and Community Development. The City of Half Moon Bay has aligned with this direction. Previous City Councils have supported the development of affordable housing, including housing for farm workers and other essential members of the workforce. Under State requirements, the City must plan for approximately 480 housing units in the current cycle and another 600 in the next. That is roughly 1,000 homes over the next 13 years or a 20% increase in Half Moon Bay's total housing stock. This is not discretionary. The question is how to deliver housing in a way that is competitive, financeable, and achievable within the constraints of our LCLUP and the Coastal Act.

Affordable housing is publicly funded through a competitive process. Projects that are too costly, too risky, or subject to challenge do not get funded. Projects that are not funded do not get built. Affordable housing is typically financed through a layered capital stack that combines federal tax credits, state housing funds, local contributions, and private investment. The primary source is the Low-Income Housing Tax Credit program, which provides tax credits to investors in exchange for equity in the project. These credits are allocated through a competitive process and are the cornerstone of most affordable housing developments. Projects are also supported by a combination of state programs, local subsidies, and, in some cases, federal grants. Each of these sources has its own requirements related to cost, readiness, and long-term compliance. Because funding is limited, projects are evaluated based on cost efficiency, certainty of

execution, and risk. **Projects that are fully entitled, clearly compliant, and ready to move forward are more competitive.**

If a project has unresolved legal questions, unclear assumptions, or an incomplete financing plan, it becomes less attractive to funding partners and less likely to receive an allocation. In this system, certainty and cost discipline are what determine which projects move forward. Projects that generate sustained public controversy, or include public statements from members of the co-applicant team that draw scrutiny, may face additional challenges in attracting funding and partners. There is also a broader policy question being raised by residents. Many are asking whether it is the responsibility of a small coastal city, with limited financial capacity, to directly subsidize and carry the risk of complex affordable housing developments. This project must be evaluated within that context.

Cost and Competitiveness

The applicant has testified that 555 Kelly will cost approximately 1.4 million dollars per unit. By comparison, local projects, including Creekside, 880 Stone Pine, and 940 Main Street, are closer to 800,000 dollars per unit, inclusive of land costs. This difference is material. The 555 Kelly project includes 40 homes. At 800,000 dollars per unit, the same level of investment could produce approximately 70 homes. In a constrained funding environment, cost efficiency directly affects competitiveness and the likelihood of receiving funding.

Entitlement Basis, Transit, and Legal Risk

The project was approved using State Density Bonus law, including provisions that allow increased height, reduced setbacks, reduced parking requirements, and higher density. A key assumption underlying that approval was the existence of a qualifying major transit stop. Since 555 Kelly Ave was approved, the City completed a legal analysis and made the finding that the conditions for a major transit stop do not exist in Half Moon Bay. There is also evidence that the Metropolitan Transportation Commission has conducted a similar analysis and come to the same conclusion. If a qualifying transit stop does not exist, the assumptions supporting the project's height, density, and parking reductions are called into question. This may affect the legal footing of the project and it certainly affects its competitiveness for public funding.

In addition, residents of this project, including farm workers, will need to travel to jobs that are not located within immediate proximity. Without reliable transit or sufficient on-site parking, that becomes more difficult. These factors introduce both legal and practical risk.

Infrastructure and Traffic Constraints

The traffic analysis indicates that the intersection at Kelly Avenue and the access point to Shoreline Station is barely operating above acceptable standards and requires improvement. The addition of approximately 40 housing units, representing an estimated 85 to 100 residents

and associated vehicles, will increase demand on an already constrained intersection and parking environment. When the Coastal Development Permit was approved, the Planning Commission directed city staff to independently address issues of circulation and safety as this project moves forward. This is a practical concern raised consistently by members of the community. Infrastructure limitations, if not addressed, can affect both project feasibility and long-term livability.

Funding and Readiness

After multiple extensions, there is still no clear evidence of sufficient tax credit allocations, a closed capital stack, a defined construction timeline, or a completed operating budget. Projects that are not fully capitalized and ready to proceed are less competitive for funding. At the same time, the City is being asked to enter into a 99-year ground lease for 99 dollars. If the project is not funded, the land is tied up, the units are not delivered, and the City remains accountable under state law to meet its housing obligations. The existing residence at 555 Kelly will remain uninhabited until construction begins and demolition is permitted. In its current condition, it continues to deteriorate and contributes to neighborhood blight.

Role of Private Investment and Incentives

In addition to publicly funded projects, the City should recognize the role of private investment and targeted incentives in delivering housing. The City has already seen this work in practice. Through a combination of policy and private investment, housing has been delivered incrementally, including three ADUs and four below market rate homes, without relying entirely on competitive public funding programs. The City also has strong policies that prioritize workforce housing for farm workers, teachers, first responders, and other essential members of the community. Encouraging mixed-use and mixed-income development in the commercial downtown may provide a more efficient and scalable path to delivering housing. This approach allows the City to leverage private capital, deliver housing more quickly, integrate below market rate units into broader development, and reduce reliance on limited public funding sources. Concentrating development in areas where zoning and infrastructure already support higher density helps preserve the scenic and coastal character of Half Moon Bay while meeting long-term housing obligations.

Permitting Timeline and Delivery Constraints

The length of the permitting and entitlement process remains a major constraint on housing delivery. It can take up to 10 years for a multi-unit housing project to move from concept to completion in Half Moon Bay. At that pace, the City will not meet its obligation to plan for and deliver approximately 1,000 units over the next 13 years. If the City is serious about meeting its housing goals, the entitlement and permitting process must be reduced significantly. A reasonable target is to reduce the entitlement and permitting phase to approximately 10 to 12 months for qualifying housing projects. Shortening timelines does not reduce standards. It

increases certainty and improves the likelihood that projects can secure funding and move forward. This has been accomplished in many communities, including Palo Alto.

Project Support and Appropriate Accountability

If the City chooses to proceed with 555 Kelly, it should take a constructive role in helping the project reach financial close. The City should provide what is reasonably necessary for the applicant to secure funding, including timely coordination, clear direction, and predictable decision-making. At the same time, the City should avoid imposing unnecessary requirements that could delay or complicate the project's ability to compete for funding.

However, support must be paired with appropriate accountability. Given the scale of the public commitment, the City must ensure that the project demonstrates a credible path to funding, that key milestones are clearly defined, that progress is measurable and transparent, and that the City retains the ability to transfer the project to another qualified applicant if those milestones are not met. The current draft lease agreement lacks this level of accountability.

Conclusion

The issue is not whether to build affordable housing. The City has already made that commitment. The issue is how to deliver housing in a way that is competitive, financeable, and achievable. If the project cannot demonstrate a clear path to funding, proceeding without conditions increases the risk of delay, not delivery. If those conditions cannot be met, then the City should be willing to acknowledge that this project, as currently structured, may not be the right vehicle to meet its housing obligations. If however, the applicant can demonstrate a clear path forward with measurable and enforceable milestones, we should lean in.

The City should act accordingly.

Law Offices of
GUBB & BARSHAY LLP

235 Montgomery Street, Suite 1110
San Francisco, California 94104
#

Telephone: (415) 781-6600

April 28, 2026

VIA ELECTRONIC MAIL

Denise Bazzano
Burke, Williams & Sorenson, LLP
Interim City Attorney
City of Half Moon Bay
DBazzano@bwslaw.com

Re: Government Code Section 37380 and Section 37364

Dear Ms. Bazzano,

This firm represents Mercy Housing in its efforts to develop affordable housing on City-owned property at 535 Kelly and 555 Kelly in the City of Half Moon Bay, California (the "Project"). In response to questions from the City Council and members of the public, we have previously objected to the suggestion that the approval of the long-term ground lease in connection with the Project is subject to California Government Code Section 37380, which requires (among other things) that certain long-term leases of City property must be approved by an ordinance that is subject to voter referendum. We understand the City disagrees with our position and intends to approve the proposed lease (subject, of course, to receipt of the requisite votes from City Council) pursuant to Section 37380. The purpose of this letter is to lodge our formal objection to the City's determination that approval of the proposed Lease is subject to Section 37380, and to object to the notion that the lease, if approved, will be subject to referendum on account of its having been approved pursuant to Section 37380.

As we have previously discussed, Mercy Housing contends the City is authorized by Government Code Section 37364 to approve the lease in support of affordable housing without regard to Section 37380, and to approve the lease "*under whatever terms and conditions the city deems best suited to the provision of such housing*," including for a term of 99 years. See Section 37364(1). In fact, under Section 37364, the City is authorized to convey the subject property to Mercy *in fee* for nominal consideration, should it determine to do so. In our experience, cities around the State of California have relied on Section 37364 as the statutory authority for approving long-term ground leases for affordable housing.

We respectfully object to the City's determination that Section 37380 applies to the approval of the proposed lease in connection with the Project, and reserve all rights with respect to any potential future referendum effort.

Very truly yours,

Charles J. Higley
Gubb & Barshay LLP

485.254/707531

From: Nancy
To: Maggie Rodriguez
Subject: Support for 555 Kelly Senior Farmworker Housing Project
Date: Tuesday, April 28, 2026 1:41:15 PM

[You don't often get email from nancy@kroplaw.com. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

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Hi

I urge the City of Half Moon Bay to move forward with the 555 Kelly Senior Farmworker Housing Project. Housing is desperately needed for low-income seniors.

Thank you
Nancy Krop
Palo Alto, CA

From: [redacted]
[redacted] Maggie Rodriguez
Cc: [redacted]
Subject: 555 Kelly Affordable Housing Project
Date: Tuesday, April 28, 2026 1:10:57 PM

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Hi,
I am writing in support of moving forward with the 555 Kelly affordable housing project. We need this housing for the senior farmworkers. Thank you for your consideration, N.

From: Matthew Chidester
To: Maggie Rodriguez; Denise S. Bazzano
Subject: Fwd: 555 Kelly - pls forward to City Council as public comment
Date: Monday, April 27, 2026 7:00:27 AM

Begin forwarded message:

[redacted]
Date: April 27, 2026 at 12:25:00 AM PDT
To: Matthew Chidester <mChidester@halfmoonbay.gov>
Subject: RE: 555 Kelly - pls forward to City Council as public comment

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Hi Matt –

I am not a tax attorney, but I can read the plain meaning of text.

The guidance referenced initially is from 2007, so one might ask if it is still relevant. With just a wee bit of digging, I find a 2025 reference to the same language, so I suspect it is still active.

https://www.mnhousing.gov/get/mhfa_1042363
See page 50.

You, and Council, and counsel, should know that I had a discussion about this very issue with a director at Mercy in spring of 2024 IIRC. I raised the issue of occupational targets vs Federal LIHTC funding, and got a very non-answer. From the language used, the woman I spoke with clearly knew it was a problem, but hoped to see it fly under the radar.

Or, when Federal funding fails, they will go whine to the County and beg for $13.5 mm – which they know right now is that their strategy will be. That is dishonest at best, and legally challengeable at worst. Were I on Council or staff, I would want to be miles away from shenanigans like that.

Please forward this to Council, Planning, staff, and make it part of the public record.

Thank you,

Dave Schorr
HMB
[redacted]

From: Matthew Chidester <mChidester@halfmoonbay.gov>
Sent: Saturday, April 25, 2026 3:58 PM
To: [redacted]
Subject: Re: 555 Kelly - pls forward to City Council as public comment

Thanks Dave. I have forwarded to Maggie (City Clerk) and Denise (City Attorney). Maggie will record in the records as a public comment and will forward to the entire Council.

[redacted]
Date: Friday, April 24, 2026 at 8:20 PM
To: Matthew Chidester <mChidester@halfmoonbay.gov>
Subject: RE: 555 Kelly - pls forward to City Council as public comment

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Please add:

The IRS' Guide for Completing Form 8823 (page 12-1), issued in January 2007, expanded the category of prohibited practices under the general public use rule to add occupational targeting. The Guide states, "**Residential rental units either designated for a single occupational group, or through a preference for an occupational group, also violate the general public use requirements."**

That's pretty darned clear. This project as proposed is simply not in compliance for purposes of LIHTC funding.

[redacted]>

Sent: Friday, April 24, 2026 8:09 PM
To: 'Matthew Chidester' <MChidester@hmbcity.com>
Subject: 555 Kelly - pls forward to City Council as public comment

Pls confirm this has been sent onwards to Council as public comment.

The 555 Kelly plan continues to be fictional and aspirational in nature.

Just last year, construction costs were estimated in the $45-48mm range IIRC. The public squawked, for good reason. Now, to make things magically line up with theoretical funding sources, we see a figure of $41.6 mm. That is horse hockey. I seriously doubt that construction costs have DECREASED since 2024-2025. Show me current construction estimates, in writing, to document decreased costs from prior estimates. Without that, it is irresponsible and dishonest for the City to knowingly sign off on a fictional set of documents. It may even be legally actionable.

Funding sources listed include:

SMCo AHF of $6.5mm to be applied for. Mercy was denied funding in June 2024 by the County, why would it be any different now? This is aspirational, not fact, the money is not in hand.

Federal Low Income Housing Tax Credit of $14mm to be applied for in the 2026-2027 fiscal year. Couple of problems here -

This is aspirational, not fact, the money is not in hand.

The LIHTC funding is extremely competitive, funding is far from assured

General Public Use Requirement: LIHTC projects cannot discriminate and must be open to the general public, **meaning they cannot restrict occupancy based on** membership in a specific social organization or **employment by a specific employer**. I would assume this stipulation extends to a specific industry/category, such as farmworker. Why not caregivers, or house cleaners, or restaurant workers, who also work very hard, doing important work, and need a place to live? This is arbitrary.

The rules on current location of applicants is also in play here, any location “preferences” (not requirements) must comply with additional sets of rules. If it is only a preference, there is no guarantee this project would serve the population intended and promised.

All of this is to say that even proposing using Federal funds for a farmworker housing project can likely be challenged legally.

This is a boondoggle, a windfall for Mercy and it's chosen contractors. There are better ways to spend tax dollars to house people in need. Stop the train, I wanna get off.

Dave Schorr
Half Moon Bay
[redacted]

From: Deborah Penrose
To: Maggie Rodriquez; Matthew Chidester
Subject: Fwd: Approve Kelly Avenue Farmworkers Housing
Date: Tuesday, April 28, 2026 12:50:23 PM
Attachments: preview.png

Sent from my iPhone

Begin forwarded message:

From: [redacted]
Date: April 28, 2026 at 12:44:56 PM PDT
To: Debbie Ruddock <DRuddock@halfmoonbay.gov>, Deborah Penrose <DPenrose@halfmoonbay.gov>, Robert Brownstone <RBrownstone@hmbcity.com>, Paul Nagengast <pnagengast@hmbcity.com>, Patric Jonsson <pjonsson@halfmoonbay.gov>
Subject: Approve Kelly Avenue Farmworkers Housing

Some people who received this message don't often get email from [redacted]
Learn why this is important

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Members of Half Moon Bay City Council,

I urge you to immediately approve the 555 Kelly Avenue Farmworker Housting Development in Half Moon Bay.

Everyone deserves safe, dignified and affordable housing, especially our local farmworkers.
They give their lives toiling in the fields doing backbreaking work and this is the least that we can do to respect and honor them.

A local minority have tried everything they can to put a stop to this beautiful and well designed project.
Is it only those with money and power that we listen to?

In the words from the poem of Antonio López, Poet Laureate of San Mateo County:

SOMOS
for the third anniversary of the Half Moon Bay shooting"

“We are
We are the best this country has to offer
We are Half Moon Bay…

We are America
We are Venezuela
We are China
We are El Salvador
We are the México that México forgot”

SOMOS

Kind regards,
Ellen Hage
Coastside Faith in Action

From: Maggie Rodriguez
Bcc: HMB City Council
Subject: Fwd: Public comment for April 28 council meeting
Date: Monday, April 27, 2026 12:52:40 PM

Sent from my iPhone

Begin forwarded message:

From: [redacted]>
Date: April 27, 2026 at 12:41:28 PM PDT
To: Maggie Rodriguez <mRodriguez@halfmoonbay.gov>
Subject: Public comment for April 28 council meeting

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To the esteemed City Council Members of Half Moon Bay,

Thank you for this opportunity to write a few words in favor of the building project at 555 Kelly. You have all heard from both sides of this project more times now than many of us can count, and there are always more voices in support of the project than those who oppose it. Change is hard, growth is hard. But that doesn't mean either is wrong. More than one thing can be true. 555 Kelly is a beautiful building, with fitting architectural designs, and will provide a place to call home to 89 farmworkers who have worked for years in the shadows of Half Moon Bay. It is time to do the right thing for these folks. I urge you to accept that nothing is perfect and see to supporting this housing solution for the community. Thank you.

Sincerely,

Lilli Rey
ALAS
President, Board of Directors

From: Maggie Rodriguez
Bcc: HMB City Council
Subject: Fwd: support for 555 Kelly
Date: Monday, April 27, 2026 6:55:00 PM

Sent from my iPhone

Begin forwarded message:

From: [redacted]
Date: April 27, 2026 at 6:49:10 PM PDT
To: Maggie Rodriguez <mRodriguez@halfmoonbay.gov>
Subject: support for 555 Kelly

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[CAUTION]: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear City Council,

I am writing to urge you to urgently move forward with the development of 555 Kelly as affordable farmworker housing.

Twenty-eight years ago, my husband and I chose to raise our children in this community because it was diverse and beautiful community, with a rich agricultural history, bilingual schools, and open-minded people.

Now is a critical time for HMB City Council to live up to our community's promise as a diverse and welcoming community that honors all its citizens, especially it's hardworking farmworkers. Our town would be nowhere without them, and we owe them our full and responsible civic response to their reasonable need for safe, affordable housing.

Remember the massacre two years ago, and the deplorable, shameful housing conditions it showed to the entire nation. Remember Governor Newsom coming to town and calling on us to do the right thing. Remember the state requirement that we comply with state housing requirements.

I urge you to do the right thing, the only thing that aligns with the conscience of this community.

Sincerely
Christina Conklin
[redacted]

From: [redacted]
To: Maggie Rodriquez
Subject: Yes on 555 Kelly ground lease and grant agreement
Date: Monday, April 27, 2026 8:30:56 PM

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Council Members:

Although I do not live in Half Moon Bay, I do spend time there and I am very aware of the hard work that people do on the farms. Please support their dignity by moving forward on the 555 Kelly ground lease and the grant agreement.

Thank you.

Cathy Baird

DEBBIE RUDDOCK QUESTIONS: (GL= Ground Lease, AH= AHPDA)	RESPONSE:
The Preliminary Project Budget (attachment 5 to AH) shows total project costs of $43,950,000 +/- with only $20 million +/- committed. What's the status of the other $23 million?	The Developer will apply for County San Mateo Affordable Housing Funds in May 2026. After securing County funds, the Developer will apply to Low Income Housing Tax Credits in early 2027.
The AH and GL have numerous provisions addressing a construction loan, and then a possible take-out loan, with extensive mortgagee protections and rights.What's the status of a construction loan (how much/what lenders/any loan commitment "locked in")? Is $25-28 million for the construction loan? Is that realistic?	A bank construction loan of approximately $13 million will be used to pay for construction and then is paid off with the tax credit proceeds after construction is completed. This loan amount is realisitic and there are a pool of banks willing to provide this construction loan.
What's the story with the possible take-out loan?	The construction loan will be paid off by tax credit equity proceeds.
Will this project likely always have a secured long-term loan and debt service? The current financing plan doesn't show it, and there is no info what, when, terms, etc.	There is no amortizing mortgage planned. The long term loans in the financing plan are from the State's Housing and Community Development Dept (HCD) Serna Farmworker program and San Mateo County Affordable Housing Fund. HCD requires a minimum annual debt service that is included in the operating proforma.
Was the City aware that there might be long-term institutional secured debt on its property?	The capital stack is largely composed of public "soft" loans (County, and State funds) and LIHTC Equity. These are are structured to support the deep affordability of the development. These public loans are secured by the property (or leasehold interest, since the City owns the land), but are not traditonal institutional hard debt.
What is the status of obtaining affordable tax credit allocations and credit investors for the needed balance? What happens if it's not available? What's the competition look like in CA?	Application for the low income housing tax credit allocation is planned for early 2027. Mercy Housing is working with an expert financing consultant to maximize the competitiveness of this application. There are at least two application rounds per year so if the initial application is unsuccessful, then a second application can be submitted in 2027.
Which funds are committed and which are in hand of the various funding sources?	All sources are committed with the exception of applications to be submitted for County funds and an allocation of low income housing tax credits. A construction loan commitment will be secured when the LIHTC are awarded.
Attachment A to AH. Where is the first-year operating budget, where are the cash flow projections, or other operating financials? Although they are conditions precedent to GL effectiveness (AH Section 7.2), why are there no operating or cash flow projections, especially given Mercy's extensive experience with affordable housing projects?	Please see the Financing Plan that contains a narrative, development sources and uses, and a 15 year operating proforma.
Does the project pencil out on an annual operating basis? And for how long without rent increases or other financial support?	The projected annual income is sufficient to cover the annual operating expenses. Mercy Housing is talking to the County Dept of Housing about a County operating subsidy that would cover the operating expenses and allow the senior farmworker households to pay an very affordable rent.
What are the anticipated rents, vacancy rates, operating expenses, debt service, capital needs and reserves, etc.? Is there enough head room for long-term well-maintained operations?	The rents are based on the levels published by the State and will be affordable to households at 30% and 50% of Area Median Income per the City's COA and proposed Regulatory Agreement. The Developer is talking to the County about a County operating subsidy that would allow the households to pay a lower amount for rent and the County would cover the operating costs. Please refer to the Financing Plan which includes a 15 year operating proforma with the Residential Income, vacancy factor, operating expenses, reserves, and HCD debt service.
GL Section 8.1.3 (a) says the head of household must be a senior, 55+, and a current or retired agricultural worker living in HMB or SMC and selected based on the preference program (GL Section 8.5). Previously the word used was farmworker. How do you define an agricultural worker? Does it include field workers? Nursery workers? People who drive trucks transporting goods used in nurseries? Farm fields? Mechanics?	Revisions to GL and AHPDA includes definition of Agricultural Worker: "Agricultural Employment"means employed in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the Labor Code.

What is the definition of retired -- from all working or just agricultural work? Living in HMB or SMC but working in outside areas?	Definitions in GL and AHPDA updated to be aligned with the Serna Farmworker Grant program. "*Agricultural Worker means an individual who derives, or prior to retirement or disability derived, a substantial portion of his/her income from Agricultural Employment.* " The preferences program in GL have also been updated to include these definitions.
Contrary to Section 8.1.3(a)I, Section 8.5 of preferences say a "senior current or retired agricultural worker who lives or works in … So current seniors working in HMB, the Coastside, or SMCo, but living in Solano, Gilroy, Fresno, Santa Cruz, etc. qualify?	Yes, This is a live or work preference based on the order detailed in 8.5 of th GL. Definitions in GL and AHPDA have been updated.
What does "living in" mean currently? How long – a month, a week. "Residing in" is typically used for legal purposes and might be a more appropriate standard.	The terms have been revised to change "living in" to "residing in". Definitions in GL and AHPDA have been updated.
Section 8.5 says the tenant qualifications/preferences are subject to federal or state law standards or project funding sources. What are these, how might they differ from the standards in the GL, and will the project possibly not be able to restrict tenants to HMB or SMCo residency? Could the agricultural worker standard be removed at some point in the future?	The "...subject to federal or state law standards or project funding sources" is included to ensure that the property can be in compliance with current laws and requirements that govern the property over time. Currently we are not aware of any differences between the City documents and these laws/requirements. In order for the geographic Preferences outlined in Section 8.5 of the Ground Lease to be implemented, the City will need to adopt a geographic preference policy separate from the 555 Kelly documents. The Serna Farmworker funding requires all units (except for the manager's unit) to be occupied by an Agricultural Worker as it is defined in the AHPDA and Ground Lease.
What is AH Section 11 about? It allows rent increases after 55 years if necessary to satisfy a residual analysis test as determined by Mercy or its investors. The city council should review the residual analysis test as it is assumed Mercy with all of its experience has it on hand.It says: "as determined by prior to property closing. Why isn't this item (with more clarification) in the GL? I think we should see this up front.	Section 11 allows for rents to be increased after year 55 only if necessary to be able to demonstrate that certain debt can be paid off. This is called the residual analysis test. This analysis is typically done by the tax credit investor a few months prior to construction start.
How is the rent calculated? Based on income of the qualifying senior or retiree or all of the people residing in a unit.	Income is calculated based on all household members in addition to the Head of Household
The agreements need to clarify that "subtenants" to Mercy as "Tenant" may not enter into subleases themselves.	Section 17.1.1 of the GL includes the following language: Each Resident Sublease (or addendum thereto) and the Resource Center Sublease shall also contain a provision, satisfactory to Landlord, prohibiting each subtenant from sub-subleasing its space.
There are no specified provisions in either the AH or GL outlining what this 2,600 SF space can be used for, limits on occupancy/visitors, night events, parking issues, community services scope (i.e. political events, fund raisers, non-HMB resident users, weddings and parties, legislative lobbying, sub leases, and ALAS staffing levels providing non-resident services, etc.).	These documents have been updated to incorporate a process in which the City, Developer and Subtenant will work together on these issues.
AH Section 7.2 (n) says a proposed program for community-servicing space "will be submitted prior to the GL effective date for the "Director's reasonable approval". I think the City Council and public should know before the AH and GL documents proceed. Mercy committed with the adoption of the ENA amended 01/2025 to provide a draft sublease within 45 days of council adoption in January 2025, as well as a draft sublease for any other service providers. Provide it as required.	The program of the community serving space are more fully described in the Preliminary Service Plan, and draft Letter of Intent between Mercy and ALAS.
The AH (Section 7.2(n) says the community-serving space can be used by the general public for "at least" 16 weekday hours per week", but GL Section 17.2 says "up to" 16 hours per week weekdays". Which one is it?	Section 17.2 of the GL and section 7.2(n) of the AHPDA were revised to specify that the City is authorized to use the Community Serving space for no less than 16 hours per Work Week. That section also specifies that Prior to occupancy, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatability between City's, Mercy Housing and ALAS's proposed use of the space.
Both the AH and GL give the "Director" final approval and decision-making authority over extensive matters, for example, construction issues, financing terms, project budgets, management agreements, mortgage/loan issues, building alterations, insurance requirements, agreement modifications). This is particularly relevant for all the critical City approvals and document reviews before the GL closing and its effectiveness (See AH Section 7.3). The AH says the "Director" is the Community Development Director (CDD).	The reference to the Community Development Director has been removed and replaced in various provisions of the agreements with the City Manager.
This authority and scope of decision making may be beyond the skill set/job description of the CDD, with the exception of some authorizations relating to construction and permitting issues, and needs to be more limited allowing the City Council to review/approve designated matters in consultation with the City Attorney, special counsel, and the CM.	The reference to the Community Development Director has been removed and replaced in various provisions of the agreements with the City Manager.
The insurance, mortgagee protection terms, post-foreclosure provisions and other loan related terms are very extensive and complex and should be reviewed carefully before any GL executions by the City, preferably by special real estate counsel. For example, the insurance policies discuss no acceptable deductible amounts, specific exclusions, riders and endorsements, increased coverages and coverage amounts over the 99-year term, and other potential insurance needs such as earthquake and Employer Relations.	Section 9.2 (B) does require Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.
From a mortgage protection standpoint, there are many issues to consider such as (a) the City's limited (or no control) over foreclosure transferees and their role in ongoing project management; (b) excess insurance coverage to address construction replacement obligations by mortgagees and first and last 5-year replacement provisions if insurance is unavailable; (c) mortgagee required consents to any Government Code Section 37380 changes after periodic lease reviews; (d) mortgagee vs. City loss payee provisions; (e) City approval rights over non-tenant subleases, approval of all mortgage agreements, certain corporate management /ownership changes in Mercy tenancy, etc.	We have included mortgagee protection provisions that are consistent with industry standards and those typically included in affordable housing documents. Future lenders will review the documents to confirm that these provisions are included and that they are acceptable to the lender. Any future foreclosure proceeding would be handled pursuant to applicable statutes.

I've never heard of first 5-year replacement provision. I understand last 5-year. First 5-year is unacceptable.	The Ground Lease indicates that Mercy does not have to restore damage to the Project in the last 5 years of the lease term. There does not seem to be any comparable language applicable to the first 5 years of the term.
Mercy and City need to consider City review of mortgage loan documents or loan structures. For example, multiple secured loans, excess debt, non-institutional lenders. The City's obligation to take all "actions and fully cooperate" with Mercy's right to grant mortgages assuming no cost to City, but what about other City interests, and bundling/cross collateralization of property, etc.	Mercy must provide City with evidence of funding commitments that are acceptable to City as a condition precedent to ground leasing the property from City. Financing that Mercy obtains for the Project will not encumber the City's fee interest in the property. Instead, Mercy may only encumber its leasehold interest and its interest in the improvements on the land.
What are the "Covenant" documents in GL Section 16.9(B) that can be recorded against the City's fee interest and be binding on the City for 99 years? Please identify these and provide.	These covenants are affordability covenants required of each financing source for the Project. These are similiar to the City's Regulatory Agreement and each evidence the obligation to operate the Project as an affordable housing project.
Section 10.9(b) of the AH addresses the requirement for paying prevailing wages on the project if state law requires it. Irrespective of the law, Will Mercy agree that prevailing wages will be paid regardless of any state, federal, or funding source requirement? Could Mercy enter into a project labor agreement?	The AHPDA has been updated to require payment of prevailing wages for construction. The HCD Serna program also requires payment of prevailing wages. A Project Labor Agreement is not required.
AH Section 17.16 provides that the Agreement terminates upon TOC issuance except for indemnification obligations and other provisions that are specifically stated to survive termination. However, several AH sections just say they continue throughout the GL term (e.g. Section 10.5(d), or they contain rights, obligations, or provisions that clearly apply during the entire lease term, but without any end date. What controls?	Section 17. 15 of the AHPDA has been revised to address termination of the AHPDA in the following manner:This Agreement shall automatically terminate upon recordation of the Memorandum of Ground Lease, which is the date upon which the Ground Lease commences. Such termination shall not terminate any indemnification obligations set forth in this Agreement, whether or not their survival is expressly stated, or any other provisions in this Agreement which are expressly stated in this Agreement to survive termination of this Agreement
Both the AH and GL have terms and conditions that overlap or address virtually the same issues but have slightly different (or sometime inconsistent) language. IF the AH basically terminates at TOC, why does it contain extensive post-TOC terms and conditions (i.e. insurance, affordability standards, loss payee status, mortgage issues). See for example under AH Section 10.5(C) and GL Section 9.3 the City is the loss payee under a builder's risk insurance loss but under the mortgage Section 13.4 it says the lender is the loss payee. What controls?	The AHPDA and GL will run sequentially. The AHPDA controls initially and once all conditions precedent set out in the AHPDA are met by Mercy, the GL will become effective and control during the term of the GL. The AHPDA applies during the predevelopment period, while the GL applies post-construction and during operation of the Project. These periods of time present different risks and as a result, the provisions are not identical, but designed to protect against the specific risks during each period of activity. The City is identified as the Loss Payee for certain policies (Builder's Risk and Property, Business Interruption and Boiler and Machinery). However, section 13.4 would control and require that any insurance proceeds payable from any policy of insurance (other than liability insurance) be paid and applied to each mortgagee and that each policy name the Mortgagee as an additional insured or loss payee, as appropriate, if required by such Mortgagees. These provisions can be harmonized in that the City would be identified as the Loss Payee unless, there is a Mortgagee and that Mortgagee desires to be identified as the loss payee.
Typos/drops – GL Section 16.9 (C)(1) ends with just "Ground". GL Section 16.9 (C)(4) should not be "Agreement" but rather "Ground Lease". GL9.2(C) the "Work" is undefined and clear. There are several other instances.	Revisions to GL section 16.9(C)(1) and 16.9 (C)(4) were made. "Work" is defined.
It appears Mercy Housing is operating under the assumption that this project is covered solely by the requirements of Government Code Section 37364, relating to an agency's authorities regarding BMR projects and that Government Code Section 37380 relating to public agency lease, periodic review, referendum, and bidding terms does not apply.As a reminder, Section 37380 subsection (B)(1) requires that there be periodic review by the City of the then "current market conditions" of any ground lease over 55 years. The current draft GL contains no specified periodic review time periods, review provisions, and lease sections. Subsection (B)(2) subjects any ordinance approving a GL over 55 years to a referendum. If 37380 applies, the conditions precedent in Section 7.2 of the AH should include a condition that says "the GL is not effective if its approval is subject to any pending referendum (City of citizen-initiated) or other legal challenge until and unless such referendum or legal challenge is conclusively resolved such that the GL is or can be legally approved and effective".	Based on statutory interpretation maxims, any specific requirements of other laws that are inconsistent or conflict with section 37364 would not apply. This would mean that the term limits and bidding requirements would not apply but other provisions in section 37380 that do not conflict with section 37364 may still be applied.
A provision(s) needs to be added to the AH and GL describing how Mercy as Tenant will respond to HSA/ICE enforcement on the property both inside and outside the facilities. The provision(s) should expressly protect the City, its staff, and councilmembers from any legal and cost exposure associated with enforcement of federal immigration laws, regulations, and administrative directives. A blanket provision pledging to uphold "federal law" is necessary but insufficient, thus the request for specific language.	This provision has been added to the AHPDA (17.15) and GL (section 22.28) as requested.

Subsection (b) (4) of 37380 requires competitive bidding for any GL over 55 years. When the City issued its RFQ for this proposed affordable housing project where all bidders are advised (in writing or orally) that the City would consider a 99 year GL, rent at $1 per year with no increases, a 2600 SF community service center at $0 rent available for non-resident “community” events, and other such terms so that all bidders understood the “deal” when they decided to bid or not?	See response to question 35 with regard to Government Code section 37380. When the City issued the RFQ on February 15, 2022, the RFQ contained the City's objectives for the Property and the parking lot at the Ted Adcock Community center. The RFQ indicated that the City desired to facilitate affordable housing at the project location site and was "willing to consider a range of affordable housing types, target populations, and project configurations." The RFQ also indicates that maximizing the number of affordable housing units is a City priority. In other words, the RFQ provided some of the objectives of the project but left it to developers submitting the proposals to provide the vision for the project.
The agreement says Mercy will not accept federal Section 8 housing choice vouchers or other federal funds as a source of funding, apparently for the 99-year term of the lease. Why not?	While we cannot discriminate against individuals who have Section 8 vouchers and apply for a unit, we are currently not planning to pursue federal funds.
What is the purpose of the AH in contrast to the Ground Lease (GL)? Since it terminates at TOC, why does it contain anything other than escrow instructions? Seems like there is a lot of needless overlap with GL.	See response to question 33.
In the insurance discussion, similar to the discussion of GL, there is no mention of earthquake insurance, employer insurance (re harassment and such), deductibles, wildfire exclusions, etc. Why not?	The City's Insurance Representative are the experts regarding insurance coverages and maximums for property and commercial coverage. The insurance requirements were reviewed by the City's Insurance Representative and found to be sufficient.
Re: insurance: 99 years is a long time to not require review of insurance and rates. Shouldn’t there be language requiring periodic review?	Section 9.6 (C) authorizes the "City Manager to increase, reduce or otherwise modify Tenant's insurance requirements in case it is determined that such increase, reduction or modification is warranted by changes in construction costs, inflationary changs after the Effective Date, or otherwise, and is consistent with commercial practices." Additionally, the proposed ordinance would include a requirement for the City Manager to conduct a periodic review of the Ground Lease terms.
What happens if there is severe damage to the building and it is not feasible technically or financially to repair or rebuild it?	Section 13.1.1. states that in case of damage to or destruction of the Property or the Improvement by fire or other cause, Tenant , if and to the extent insurance proceeds are available shall restore the damaged property to the condition prior to the damage or destruction. However, pursuant to section 13.1.3, if insurance proceeds are insufficient to restore the property or improvements, then subject to the rights of the Mortgagees, either Tenant or Landlord shall have the right to terminate the Ground Lease. Tenant's restoration obligations and procedures for restoration ar in sections 13.2 and 13.3.
What if the county can’t provide you any or insufficient rent subsidies?	We have provided the County with an estimate of the funds required for 15 years of operating subsidy and the County has confirmed it is within their budget.
Why is there mention of 55 years in the AH?	The term of the GL and the affordability period is 99 years. However, in the Reguatory Agreement the affordability requirement runs for 55 years because, in order to meet the "true debt" text administered by lenders, Mercy needs the flexibility to increase the level of affordabiltiy after year 55 if necessary in order to obtain financing for the project. The Project would remain affordable but the level of affordabiltiy may be increase if necessary.
The agreement requires the signing of covenants on the City’s fee interest in favor of HCD. Why would the City allow this language and for this to happen?	HCD requires that a regulatory agreement or a covenant be recorded against the proprty to evidence that this is an affordable project. This requirement is imposed by HCD on every project to which it provides funds. This is similiar to City's regulatory agreement that will be recorded on title. Government Code section 37364(d) also requires that "Dwelling units produced for persons and families of low or moderate income under this section shall be restricted by regulatory agreement to remain continually affordable to those persons and families for the longest feasible time, but not less than 30 years, pursuant to a method prescribed by the city."
Where is the periodic review of the operating budget	The operating budget will be provided in the annual report that Developer will submit to City.
Regulatory agreement: why does it need to be recorded as an encumbrance to the City’s fee title?	Recording this document as an encumbrance on title to the City's fee interest ensures that the covenant runs with the land and causes the project to be an affordable housing project for the duration of the covenant. The recording of the covenant gives notices of the affordable obligations to the world.
please identify all of the proposed encumbrances/covenants to City’s fee title.	These would include any regulatory agreements required by each funding source for the Project.
What is the proposed term of the affordability restrictions: 55 years or for 99 years?	99 years, but at 55 years the level of affordability may be increased, as described above.
Schedule of performance: where is removal of the existing structures on the property?	The demolition of the existing structures would occur during the Construction Period.
p. 31 Prior Agreements/Amendments. How can the AH be the entire agreement between the City and Mercy when it expires at TOC? The GL would be attached, but does the GL expire with the AH at TOC?	As described above, the AHPDA and the GL run sequentially. First the AHPDA controls and then the GL.
Which of the set asides will Mercy select to qualify for LIHTC in its application to the CTCAC? Non-profit? Rural? Senior? Farmworker?	Rural set aside.
The CTCAC requires among other items a full market study prepared or updated within 180 days of the application filing deadline by an independent third party having no identity of interest with the development partners or any other member of the development team. Please provide a copy to the city before consideration of the AH.	Mercy Housing is providing to the City Manager the market study that was commissioned last year

PAUL NAGENGAST QUESTIONS:(GL= Ground Lease, AH= AHPDA)	RESPONSE:
Does the meeting tonight (3/18/2026) and previous meetings 'count' toward a maximum meeting amount the City Council can have regarding Project or in tonights case the agreement approvals? This is similar to the Governors' Office interjecting during the Planning Commission deliberations meetings regarding 555 Kelly Ave (Max of 4). PC was being accused of delaying approval and cannot have more than a certain number of meetings for approval.	The five hearing meeting requirement in Government Code section 65905.5 applies to housing development projects prior to entitlements and not to the consideration of a real estate transaction or other policy decision. We are not limited to a certain number of meetings to decide on this proposed action.
Can you explain the relationship between the ENA, AHPDA and GL and any other agreements necessary?	The ENA is an agreement between the City and Mercy that shows that we're negotiating in good-faith towards a common purpose. It does not bind the City to approving the lease but it helps to ensure resources aren't wasted on a process that isn't agreed to by both parties, and Mercy can use the ENA as evidence to funders of their ongoing work towards this project. The ENA would become unnecessary and expire upon the execution of the AHPDA. The AHPDA controls the relationship between the City and Mercy during the pre-development period and establishes conditions precedent that must be met by Mercy in order for Mercy to be allowed to enter into a long-term Lease for the property with the City. The AHPDA would expire upon the recording of the Memorandum of the Ground Lease. The GL regulates the property once improvements are completed until the end of the term and relationship between the City and Mercy as it relates to the project.
Would the approval by City Council of any of these agreements ENA, AHPDA, GL and any future agreement be considered a legislative action subject to petitioning for a citizen voting ballot referendum?	The approval of the GL and AHPDA would likely be considered a legislative action because the approval of the GL and AHPDA involve, for the first time, a policy determination by the Council to allow construction and development of affordable housing on the City's property. Legislative actions are generally subject to referenda.
Can you highlight the sections of the Agreements the City Council should focus on as the landlord of the property typical of a landlord and tenant relationship? I wish the Agenda Report had provided to the community and City Council some guidance of the sections of the agreements that providing protections for the City as the landlord.	The Staff Report will include an explanation of the provisions in the GL that provide protections to the City as the landlord.
Did Mercy provide draft copies of both agreements to City Attorney or City?	Yes. They were based on agreements between Mercy and the County on a recent similar project in North Fair Oaks.
Who reviewed the agreements on behalf of the City?	Both the previous and current city attorneys, PLAN JPA, the City Manager, Community Development Director, and Administrative Services Director/Risk Manager.
Do you have tracked changes to the agreements and by whom (City and Mercy)? For example were the changes provided by:a. City Council AdHoc Committee? B. City staff? C. City Attorney or Shute or Burke or both? D. Mercy responses to City requested changes?	The presentation on March 18, 2026 included slides that summarized the more significant changes between the original version of the GL and AHPDA provided by Mercy and the version of the agreements presented to the Council on March 18, 2026 and included in the agenda package. The agenda package for April 28, 2026 will include redlined changes to show the revisions between March 18, 2026 and April 28, 2026.
Government Code section 37364 v. 3780 (Various)	Based on statutory interpretation maxims, any specific requirements of other laws that are inconsistent or conflict with section 37364 would not apply. This would mean that the term limits and bidding requirements would not apply but other provisions in section 37380 that do not conflict with section 37364 may still be applied.
On Attachments 3 of the GL and 5 of the AHPDA the Preliminary Project Budget indicates approximately $20M funding secured. What is the status of the $23M yet to be secured? And is the ability to secure funding a one-time request or are there multiple budget years to request for funding if initial request for funding is not successful?	There are two remaining sources to be secured. The Developer will apply for San Mateo County Affordable Housing Funds in May 2026. After securing those funds, the Developer will apply for an allocation of low income housing tax credits in early 2027. The County application is once a year. The tax credit application is 2-3 times a year.
What exactly does 'secured' funding mean? Does secured funding come with conditions or timeline for Project approval? If conditions are part of any funding, are they reflected in the Preliminary Financing Plan, and can you provide those conditions?	"Secured" means that the funding source has made an award and commitment to provide the funding to the 555 Kelly project. The key conditions include: provide affordable rents to low income senior farmworker households; construct to high quality standards and pay prevailing wage; fund reserves to allow the property to have funds for future replacement needs. There are other detailed conditions that are consistent with the conditions on the City AHDPA and Ground Lease.
Can Mercy provide a more detailed Preliminary Financing Budget Plan? From my experience with Development Agreements, Subdivision and Builder Agreements there will be necessary construction loans, take out loans and/or debt service loans to be shown in the financing plan with associated interest to be paid.	The Developer has prepared an updated Financing Plan.

Is there a Project Operating Budget available now? In Section 6.3 AHPDA it is mentioned Mercy to provide a First Year Operating Budget. I would request a 5-year operating budget to indicate costs and revenue. In addition, in an operating budget, I was trying to determine how annual costs will be determined and detailed. For example, during the Project approval reviews, I believe this Project indicated it was in an earthquake liquefaction zone which as a landlord, I would want the City protected by requiring adequate earthquake insurance. In addition, subsequent to the Project approval, updated Fire Hazard maps became available and Fire Insurance may affect annual Project costs. Furthermore, I heard at March 18 CC meeting, Mercy indicated it may be necessary for rent subsidies to be provided in the future from an unknown source at this time. I would want an operating budget to indicate when and how rent subsidies would be necessary if revenue was insufficient for an operating year. I am requesting a 5-year operating budget.	The Developer has prepared a Financing Plan that includes a 15 year operating proforma. The operating budget includes insurance premium for coverage required by the City, State and tax credit investor.
Definitions: a. Senior b. Agricultural Worker c. Farmworker d. Living in e. Lives in f. For c. and d. above the word Resides as defined would be better word in legal document in place of 'Living in' or Lives in g. Spouse h. Head of Household i. Retired j. Resident k. Work week l. Weekend	Definitions in the GL and AHPDA have been updated to add definition of Agricultural Employment and Agricultural Worker as well as Head of Household, Sublease, Work and Work Week, among others. "Living in" was replaced with "Resides in".
The Agreements mention tenants are subject to Fed, State or other requirements based on funding sources. Are there known funding sources that would not restrict tenants at 555 Kelly to being Half Moon Bay or San Mateo County residents, the period of time a tenant is a HMB/SMC resident, an agricultural worker, farmworker, senior or any other type of tenant than what is being promoted as a Retired or Senior City of Half Moon Bay Farmworker? Are Agreements language sufficient for future funding sources that may not be known at this time but necessary sometime in 55-, 65-or 99-year period?	The "...subject to federal or state law standards or project funding sources" is included to ensure that the property can be in compliance with current laws and requirements that govern the property over time. Currently we are not aware of any differences between the City documents and these laws/requirements. In order for the geographic Preferences outlined in Section 8.5 of the Ground Lease to be implemented, the City will need to adopt a geographic preference policy separate from the 555 Kelly documents. The Serna Farmworker funding requires all units (except for the manager's unit) to be occupied by an Agricultural Worker as it is defined in the AHPDA and Ground Lease.
Going back to my earlier question regarding an operating budget with detailed cost breakdowns, is the City Attorney comfortable or clearly understand the very very complex sections of the various insurance, mortgage and loans Section or Articles? It would be beneficial to explain to the City Council and community in very simple language what does happen in the event of a fire, flood, earthquake or other catastrophic coverages and we as the City and owner of the property know the consequences good or bad. I am trying to understand as simple as possible with the necessary legal language in the Agreements for a 99 year lease, how are the agreements protecting or providing a course of action for the City, good or bad, as owner of the land, to avoid or how we navigate possible bankruptcies, foreclosure transfers or other possible tenant courses of action from unfortunate tenant circumstances.	As indicated at the meeting on March 18th, the City Attorney's Office defers to the City's Insurance Representative as they are the experts regarding insurance coverages and maximums for property and commercial coverage. The insurance requirements were reviewed by the City's Insurance Representative and found to be sufficient. There will be a discussion in the Staff Report for April 28, 2026 regarding the various provisions in the GL that provide protections to the City as the Landlord.
The Ground Lease in Article 17 Subleasing discusses in 17.1 subleases from Mercy to residents are defined as Resident Leases. Do the Agreements provide which Sections or Articles in Agreements forbid or make illegal or not allow under penalty of resident removal any further subleasing by Resident Leasor of a residential unit or the Community Serving Space. It has been very clear by community members to not allow subleasing of units by the tenants of a unit. Since Mercy is the tenant of a building on City land, and their ability to rent units to residents is termed Subleasing, the Agreements need to be clear that no further 2nd or other subleases by the tenants of a Residential Lease or the Community Resource Center Lease can occur.	Section 17.1.1 of the GL was revised to include specific language to require that the Resident Sublease and Resource Center Sublease include a provision, satisfactory to the City, that prohibits each subtenant from sub-subleasing its space.
The Agreements discuss Community Serving Space in Section 7.2 of AHPDA of City use for up to 16 hours per week on weekdays, and shall include at least 16 weekday hours per week as detailed in 17.2 of the GL. Those are two (2) different periods of time of 16 hours or greater than 16 hours. I am trying to understand if these sections in the Agreements are similar to an agreement between the Half Moon Bay Library and the City. What type of use would be available for the City during the week up to 16 hours? I am trying to decide how 16 hours was decided to be the number of hours available for City use. It is also necessary to define weekday and week since many Fridays are now considered weekend days and not week days.	Section 17.2 of the GL and section 7.2(n) of the AHPDA were revised to specify that the City is authorized to use the Community Serving space for no less than 16 hours per Work Week. That section also specifies that Prior to occupancy, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatability between City's, Mercy Housing and ALAS's proposed use of the space.
Is there a Sublease Agreement available between Mercy (tenant) and ALAS for use of the Community Serving Space for the City to review now to determine if there should be parking considerations specifically stated in the Agreements for the types of uses at the Community Serving Space. I understand ALAS will be providing services to the residential units of the building, but ALAS has also stated publicly they will be providing additional services to the needs of the community.	The Developer has provided a draft Letter of Intent (LOI) which outlines key terms for the Sub Lease.
As the landlord, the City should know and coordinate potential Uses by ALAS other than serving the residents of 555 Kelly and times of day during the weekday or weekend. For example, will there be weddings and receptions on weekends or weekdays? Will there be County wide informative evening or weekend meetings, seminars or other meetings? Will there be large scale use of kitchen and on-site eating of meals during the week or weekends to include others than residents of the Project? Will there be parking needs required due to use of the Community Serving Space differing from the residential use?	The Developer has provided a draft Letter of Intent (LOI) which outlines key terms for the Sub Lease and a draft Residental Service Plan. These documents have been updated to incorporate a process in which the City, Developer and Subtenant will work together on the uses and schedule.
As landlord of the Property, and trying to structure a 99-year lease agreement, I believe the Agreements should address how to ensure the safe use of the Community Serving Space for participants, the surrounding neighborhood, community and the ingress and egress of Community Serving Space events by vehicles, bicycles and pedestrians on the roadways of Half Moon Bay.	The City, Developer and Subtenant will work together on this. the City is currently engaged in several studies to make traffic, pedestrian and bicycle safety improvements to the area surrounding the development.

I could not find (if detailed in Agreements, please provide the applicable Sections or Articles), in the Agreements any discussion of additional vehicles allowed to be parked by co-residents or non-residents as part of each residential unit parking allotment. Due to lack of any parking analysis as indicated in 10. above for the Community Serving Space, the Agreements should address the number of vehicles each unit can park on site or in immediate parking area near Shoreline Station and Ted Adcock Community Center (immediate area) in accordance with the parking requirements of 555 Kelly. Any number of vehicles greater than each unit allotted should find available parking outside of the aforementioned immediate area.	The Community Resource Center has two purposes: To provide services to the 555 Kelly senior farmworker households and to provide a multi purpose space that can be used for community activities and programs 16 hrs per Work Week. The latter will be programmed by the City. The City, Developer and Subtenant will coordinate on uses and schedule per the AHPDA and Ground Lease. The service providers for residents will park at the ALAS parking lot at their Purissima location or on the street. The multi purpose space uses will be determined by the City and can park on the street. The residents will participate in a lottery for the spaces on-site, and afterhours parking permits for surrounding parking lots. The Rules and Regs can provide education on where vehicles can and cannot be parked, similar to what the County did at Stone Pine Cove.
The Agenda Report did provide some information regarding proposed or existing engineering studies to study possible improvements to aid in the ability to safely walk or ride bicycles from the Project to the beach westerly along Kelly Avenue or access the Safeway shopping center northerly from Kelly Avenue along Highway 1 to the entrance at Highway 92. But I believe that there are safety concerns to be addressed now for any proposed use of City infrastructure for pedestrian and bicycle traffic from the Project to the beach or the major shopping center. Mercy and the community needs to remember there was a recent reminder of a bicycle fatality at Kelly Avenue near the entrance to the Ted Adcock Community Center (TACC) with the display of a ghost bike (white painted bicycle) near the TACC entrance. If the Agreements would specifically address these safety concerns for pedestrian and bicycle traffic from the Project through the intersection of Highway 1 and Kelly Avenue to the beach and shopping center, Mercy would need to agree to complete safety improvements prior to designated milestones such as Certificate of Occupancy for the Project. If Mercy would make these improvements, applicable Sections or Articles of the agreements would need to be modified to include the timing of completion (milestones) of the construction of these improvements.	The parking lot improvements and new driveway access are covered by the State infrastructurte grant. The City is leading other efforts to improve traffic, safety, and circulation in the broader area, including around Cunha and downtown, Kelly improvements from Main to the beach and 1 intersection. Caltrans is doing some improvements as part of the highway 1 shopp project including improvements at the iKelly/1 intersection and bike lanes along 1.
The Agreements should be consistent with the designation of a Director to make decisions on behalf of the City. The AHPDA indicates the Director is the Community Development Director. I believe there are decisions that should be made by the City Council, and at minimum should be made by someone under direct control of the City Council, such as the City Manager. The Director should be the City Manager and when needed the City Manager should recommend decisions to be made by the City Council.	The reference to the Community Development Director has been removed and replaced in various provisions of the agreements with the City Manager.
Upon review, there appears to be a discrepancy between the date the RFQ was published on the City's webpage (February 15, 2022) and the date cited in the agreement (February 25, 2022). This inconsistency raises questions about the timeline and the integrity of the procurement process. Clarification is requested as to why these dates differ, and whether this affects the validity or enforceability of the agreement	It was February 15, 2022 as per the webpage and actual RFQ document. This typographical error has been corrected in the GL and AHPDA
The RFQ document originally stated that the maximum building height would be up to four stories. However, the current project scope reflects a five-story building. This change represents a substantial modification from what was initially advertised, potentially altering the nature and impact of the development as advertised. I would like to know how this material change was properly disclosed to the public and whether it should have triggered further review or adjustment to the City's procurement process for this project.	The Request for Qualifications (RFQ) contained the City's objectives for the Property and the parking lot at the Ted Adcock Community center. The objectives explicity stated that the City would consider a range of affordable housing types and project configurations and that the City's priority was maximizing the number of affordable housing units. It included development parameters, instructions governing submittals and the requirements for eligible consideration and general evaluation criteria. The RFQ provided certain development standards but did not mandate any height requirements and in fact notes that the development standards applied to the housing project would depend on the development approach. The purpose of an RFQ is not to advertise a project, rather it is used to vet potential vendors or developers. The Exclusive Negotiating Agreement with the developer was voted on by City Council during a public meeting and after a public hearing. The Coastal Development Permit (CDP) that was issued for the project mandates the height maximums for the project. The CDP was also reviewed in a public Planning Commission meeting with a public hearing and was approved by a vote of the Planning Commission. There is no question of improper public disclosure about the size and scope of the project.
Information posted on the City's webpage states: "The City received one submittal from a two-agency team comprised of Mercy Housing and Ayudando Latinos A Soñar (ALAS)." However, the agreement does not include ALAS as a joint developer in its recitals, nor does it state ALAS as a developer in the agreement itself. Why is ALAS omitted from the recitals and should the recitals clarify why it is appropriate for the City to have selected Mercy Housing, given that their response (May 23, 2022) to the RFQ was based on a four-story proposal but not the current five-story project? What is the rationale as to the City determined Mercy Housing as the best entity to build a five-story building and the reasons the City believed no other entity could have provided a superior project for a five-story building?	ALAS was not proposed as the housing developer and therefore the GL and the AHPDA are with Mercy. ALAS will be the operator of the community serving space. See response to question 27 regarding development standards in the RFQ. The City selected Mercy based on the submitted proposal and their qualifications as a developer.
Under state and local procurement laws, material changes to project scope—such as an increase in building height—may require the City to re-advertise the request for proposals. This ensures that all interested parties have a fair opportunity to full and open competition. I respectfully request a legal review to determine whether the City's actions were compliant with relevant statutes and regulations, and whether the failure to re-advertise constitutes a procedural violation.	The RFQ and proposal process was a competitive process which has been completed and the parties have entered into an Exclusive Negotiating Agreement. There are no indications that the process was contrary to any applicable legal requirements.
These discrepancies and changes raise concerns about whether the City is acting in violation of procurement regulations or favoring one entity over others. Ensuring a fair and open process is critical to maintaining public trust and upholding the principles of competitive bidding.	See response to question 29.

Given that the RFQ initially specified as a maximum building height of four stories, but the current project scope now includes a five-story building, and considering the financial plan relies on ARPA funding, will the use of federal funds comply with the requirements set forth in 2 C.F.R. Part 200? Furthermore, does this substantial change in building height from what was originally advertised necessitate a new round of competitive bidding to ensure fairness and adherence to procurement regulations?	See response to questions 27 and 29.
Given that several years have passed since the COVID-19 pandemic, I request clarification as to whether the use of ARPA funds is appropriate as part of the current project financing plan and whether it is allowable as "certain affordable housing" Coronavirus State & Local Fiscal Recovery Funds: 2022 Overview of the Final Rule . Would the project's use of these funds be compliant with federal requirements, and does it meet the intended purposes outlined by ARPA and SLFRF? Please provide a detailed explanation regarding the eligibility and compliance of using ARPA funds at this stage in the project.	These funds were provided to the City for this project via a grant from the County, and met the terms of the use of ARPA. This was confirmed through an audit.
The AHPDA defines the "Property" as City-owned real property located at 535 and 555 Kelly Avenue, totaling approximately 16,395 square feet, while the Ground Lease definition of the "Property" is limited to 555 Kelly Avenue only.	Updated in the GL.
Both documents define "Adjusted AMI," but the AHPDA allows for post-Year-55 rent adjustments subject to City approval, while the Ground Lease frames affordability as a continuing covenant tied to HUD and TCAC requirements. Could this create ambiguity regarding whether future rent increases contemplated by the AHPDA are automatically permitted under the Ground Lease, or whether they would require amendment or approval under the Regulatory Agreement? Additionally, could rent-setting errors in the future create enforcement or compliance risk for the City?	Every year, HUD and TCAC publish the rents that can be charged for extremely low income and low income households. The Developer is required by the low income housing tax credit program and the State to use these rents. The Developer's property management, asset management and compliance departments comply with these published rents.
Although the technical definition of Hazardous Materials is very similar in both documents, the allocation of responsibility is distributed across multiple provisions. Given that environmental claims can represent significant long-term financial exposure in ground lease arrangements, I respectfully ask whether Mercy Housing or its operator could later assert that the City retained responsibility for Hazardous Materials or waste conditions that existed prior to property closing.	Section 5.2 of the AHPDA and 6.3 of the GL specify that Mercy acknowledges and agrees that Tenant is leasing the Property "as is" with no warranties, express or implied. Additionally, section 5.5 of the AHPDA provides that, as of the property closing, the City has no oblication to undertake any action to address or respond to Hazardous Materials present on the Property regardless of when the Hazardous Materials first occured or when they were discovered.
Both the AHPDA and the Ground Lease reference the Regulatory Agreement as the long-term enforcement mechanism for affordability and income restrictions. Is there an established hierarchy among these three documents for purposes of interpretation and enforcement? In a dispute scenario, could the Developer or operator argue that conflicting obligations exist among the three instruments?	The AHPDA and the Ground Lease run sequentially. Initially, the AHPDA is the controlling document. The AHPDA controls the relationship between the City and Mercy during the pre-development period and establishes conditions precedent that must be met by Mercy in order for Mercy to be allowed to enter into a long-term Lease for the property with the City. Once the Memorandum of Ground Lease is recorded, then the AHPDA terminates and the Ground Lease becomes effective. The Regulatory Agreement is a document that is recorded against the property, and causes the affordability covenants to encumber the Project. Because the documents are for different purposes and will apply for different periods of time, a hierarchy among the three documents would not be appropriate.
Which obligations—particularly indemnities, reimbursement duties, and reporting requirements—survive issuance of the Temporary Certificate of Occupancy (TCO), early termination, or a potential foreclosure scenario. Clear understanding of post-TCO responsibility is important to assessing long-term public risk.	For the GL, all of the terms survive issuance of TCO except the requirement for Builders Risk coverage which expires upon issuance of a TCO. Section 16. 9(C)(4) (preparation of new lease by Mortgagee in the case of termination due to bankruptcy or foreclosure or otherwise), section 6.3 (general release) and section 5.9 (indemnification) survive termination. For the AHPDA, the agrement automatically terminates upon the recordation of the Memorandum of Ground Lease. The indemnity requirements, section 10.9 (b)(iii) (prevailing wage requirement), section 10.12 (satisfying liens on the Property) survive termination.
To what extent was the Commission—and the public—relying on an interpretation [of "major transit stop" that may not align with the intent of State law? What was the legal basis for the interpretation? Was this interpretation formally vetted or endorsed by HCD? Does the City believe it remains consistent with State law today?	The explanation of the interpretation of the term "major transit stop" was included in the Staff report dated June 26, 2024, as it was one of the basis for the Moore appeal of the Planning Commission's approval of the Coastal Development Permit. The Council ultimately denied the appeals and upheld the determination of the Planning Commission. HCD did not issue any written opinion on the specific interpretation of "major transit stop" as it related to the 555 Kelly project however, HCD has issued two Letters of Support and Technical Assistance for the 555 Kelly Avenue Project (Dated May 10, 2024 and April 9, 2026). The CDP was approved based on the applicable law and was found to be consistent with local and State law at the time it was approved. The Planning Commission and the City Council determined that as conditioned, the development project was consistent with the Coastal Act, the Local Coastal Program (including Local Coastal Land Use Plan policies), State Density Bonus Law, the Half Moon Bay General Plan, and the zoning code.
Are we holding this project to same standard of livability and accesss that we would expect for other residents?	See response to Question 38.
Do MTC or ABAG identify Half Moon Bay as having a major transit stop or transit-rich corridor? If not, how does the City reconcile its project-specific interpretation with regional transportation planning?	See response to Question 38.
I have asked subsequent to March 18, 2026 meeting and City Council has asked when extending Exclusive Negotiations Agreement a detailed 5- year operating budget but it seems only narratives are provided for April 28 meeting.	There is a 15 year budget table attached to the narrative, not sure if you saw that and didn't feel it was sufficient or detailed enough. Please let us know if there is something more you would like to see.

I have also asked for what type of use other than directly related to serving the tenants of the building is proposed by ALAS for the Resource Center, and all I see is a draft Letter of Intent with essentially these requirements for unlimited use: "Tenant shall conduct its business and otherwise utilize the Premises, and use reasonable efforts to control its agents, employees, invitees, contractors and visitors, in such a manner as not to create any nuisance, or unreasonably interfere with annoy or disturb the quiet enjoyment of any other tenant or Landlord." "Generally, 8:00am-7:00pm with different hours for special events and limited weekend hours. Must comply with local jurisdiction requirements for residential neighborhoods. Tenant shall have 24-hour access to the Premises..." Hopefully I can find additional information for some requirement related to a use permit.	The Use section of the LOI states: " Community Resource Center to be operated by Tenant with two uses: Delivery of health, wellness and other social services required by the 555 Kelly senior farmworker residents to be provided by ALAS, community agencies and the County. " Under Prohibitions of Use, it reads "Vehicle or equipment maintenance, bulk storage of loose material, sale of liquor, cigarettes, or any other use unreasonably disturbing to residents is expressly prohibited." also, Section 17.2 of the Ground Lease reads: "The operational program consists of providing ongoing supportive services and programming to enrich resident well-being and quality of life,...The operational program shall consist of providing health, wellness and other social services to residential tenants of the Project in accordance with requirements of City and Project funders... Prior to occupancy of the Project, Developer and City Manager shall collaborate in good faith to determine appropriate activities and scheduling to ensure compatibility between City's, Developer's and ALAS's proposed use of the space. ALAS (and any successor) shall comply with all terms, conditions and operational requirements of the applicable Sublease, as approved by the City Manager. The operational program may be amended from time to time, as requested by the operator and approved in writing by City Manager. In the event that ALAS's subtenancy with Tenant is terminated, Tenant shall replace ALAS with an operator that provides services to the residents, consistent with the approved program described above. Tenant shall submit the proposed replacement community serving space subtenant and its proposed operational program to City Manager for review and approval."
City staff needs to explain what these rent subsidies provided by SMC are and are not. If Mercy is proposing a new subsidy program to the SMC Board of Supervisors, it will need to be submitted and approved by Board. Otherwise, rent subsidies are not a guaranteed approved item as shown in this 15 year performa budget. SMC does not know if any or all tenants will be eligible for a rent subsidy in any given year. SMC cannot approve rent subsides until each tenant has applied for a subsidy and SMC acknowledges the tenant is eligible for the subsidy. It is my understanding undocumented tenants will not qualify for subsidies (the City Council has been told undocumented residents could apply as tenants to 555 Kelly).	Mercy actually received a Letter of Intent from the County Department of Housing today, for a 15 year term. You are correct that it cannot be guaranteed until the Board of Supervisors takes action, which will not happen until after the City has provided all of it's approvals and the project can move forward. In my experience, the Board typically approved the recomended projects from the Department of Housing, as long as the funds are available and being used for the purpose the funds were originally allocated for. Their biggest concern would be that a project had the approvals needed to move forward. That doesn't guarantee anything, but the consequence of the subsidy not being approved would not be that the project is no longer financially feasible, but that rents would need to be increased (but remain under the state limits) in order to maintain feasibility. The purpose of this rental subsidy is not for feasibility, but to reduce the rents lower than the state limits for each income level, to help each household maintain more financial independence. The subsidy would not require special application or eligibility from each tenant, other than their eligibility to rent at cetain affordability levels at 555 Kelly. The rental subsidy would be applied to the operating costs each year, and then rents would be reduced across the board.

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DEPARTMENT OF HOUSING
COUNTY OF SAN MATEO

Main Office - Department of Housing
264 Harbor Blvd., Building A, Belmont, CA 94002-4017

Housing & Community Development (HCD)
Tel: (650) 802-5050

Housing Authority of the County of San Mateo (HACSM)
Tel: (650) 802-3300

Board of Supervisors:
Jackie Speier
Noelia Corzo
Ray Mueller
Lisa Gauthier
David Canepa

Director:
Raymond Hodges

April 24, 2026

Ramie Dare
Mercy Housing California
1256 Market Street
San Francisco, CA 94102

Subject: County Housing Voucher Program
Project Name: 555 Kelly Affordable Housing Development (Half Moon Bay)

Dear Ramie Dare,

The County of San Mateo's Department of Housing ("Department") has received Mercy Housing's request for rental subsidy funding from the County's Housing Voucher Program ("CHVP") for the 555 Kelly Property ("Property"). The Department supports Mercy Housing's efforts to increase housing affordability for low-income senior farmworkers, ensuring that residents pay rents affordable relative to their income.

The Department is preliminarily supportive of Mercy Housing's request for funding. Any award would be contingent on final approval from the County's Board of Supervisors ("Board") and the terms and conditions included in the final CHVP agreement ("Agreement"). The Property must receive all required development agreement approvals from the City of Half Moon Bay prior to the Department making a recommendation to the Board.

The preliminary terms of the rental subsidy funding are as follows:

1. The initial term of the Agreement will be for 15 years, subject to biennial appropriations.
2. A fixed per unit monthly subsidy will be made available to the Property at the estimated amounts listed below.
3. The first year of rental assistance is estimated to be a maximum of $682,536 and will escalate at two percent (2%) each year.

Unit Type	Number of Units	Fixed Per Unit Monthly Subsidy Amount	Year 1 Subsidy Total
Studio	3	$1,354	$48,744
1 Bedroom	34	$1,451	$592,008
2 Bedroom	2	$1,741	$41,784
TOTAL	**39 units**	**$682,536 (Year 1 rental assistance)**	

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Thank you for your efforts to provide stable housing for the low-income senior farmworker population.

If you need further information, please do not hesitate to contact me at rhodges@smchousing.org

Sincerely,

DocuSigned by:
Raymond Hodges
1AA8E80BC31C423...

Raymond Hodges
Director

Newport Realty Advisors
Real Estate Market & Economic Analysis

MARKET FEASIBLITY ANALYSIS
555 KELLY
CITY OF HALF MOON BAY, CA
APRIL 2025

Newport Realty Advisors
Real Estate Market & Economic Analysis

MARKET FEASIBLITY ANALYSIS

FOR

THE PROPOSED DEVELOPMENT OF
555 KELLY,
A 40-UNIT LOW INCOME HOUSING TAX CREDIT PROJECT

LOCATED IN THE
CITY OF HALF MOON BAY
SAN MATEO COUNTY, CALIFORNIA

APRIL 2025

PREPARED FOR:

MS. KELLY HOLLYWOOD
MERCY HOUSING CALIFORNIA
1256 MARKET STREET
SAN FRANCISCO, CA 94102

Prepared By

NEWPORT REALTY ADVISORS LLC
1699 Van Ness Avenue
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SECTION 1:

COVER LETTER

April 4, 2025

Ms. Kelly Hollywood
MERCY HOUSING CALIFORNIA
1256 Market Street
San Francisco, CA 94102

Subject: Market Feasibility Analysis for the Proposed Development of 555 Kelly, a 40-Unit Senior (55+) and Farmworkers Low Income Housing Tax Credit (LIHTC) Project Located in Half Moon Bay, San Mateo County, California.

Dear Ms. Hollywood:

Pursuant to our conversation, Newport Realty Advisors has completed the analysis relative to the above subject. The accompanying **NARRATIVE REPORT** summarizes our findings, conclusions, and recommendations.

The primary objective of this assignment was to survey and evaluate the rental housing market in the subject property's competitive market area (CMA) to determine the market potential of a senior and farmworkers LIHTC development in Half Moon Bay, California. The proposed development will offer a total of 39 LIHTC units, including three studio units, 34 1B/1b units, and two 2B/1b units, and one 2B unit will be designated as a non-revenue unit for the on-site manager. The subject's 39 LIHTC units will be at 30% to 50% of the area median income (AMI) for San Mateo County, California.

The objectives of this assignment were accomplished by 1) assessing the location of the subject site; 2) determining the primary market area; 3) conducting detailed surveys of comparable market-rate and LIHTC projects; 4) comparing current rents to adjusted market-rate rents; 5) conducting an economic and demographic overview of the PMA and SMA market; 6) analyzing the farmworkers housing market; 7) researching planned and proposed LIHTC and market-rate projects; 8) conducting a statistical demand analysis for LIHTC and market-rate units; and 9) completing all TCAC/CDLAC forms.

Newport Realty Advisors LLC has 20 years' multifamily experience and has completed 5+ full LIHTC market studies and site inspections in the PMA. Furthermore, the site visit for this assignment was conducted on March 25, 2025. This statement is to certify that Newport Realty Advisors LLC has no direct or indirect financial relationship with any of the Project Team Members associated with the proposed development of 555 Kelly, Half Moon Bay, California.

All information contained in this study is believed to be accurate, reliable, and timely and based on the professional opinion of Newport Realty Advisors LLC. We have no reason to question the accuracy of the data compiled in this report; however, we are unable to guarantee its contents.

Respectfully submitted,

Charles Castro
NEWPORT REALTY ADVISORS LLC

SECTION 2:

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Project Name: 555 Kelly
Location: 555 Kelly Avenue, Half Moon Bay, CA 94109
Census Tract #: 6137.02
Construction Type: New Construction
Product Type: Five-Story Building with podium-level parking
Buildings: One Building
Parking: 18 Podium-Levels Parking Spaces (0.45 spaces per unit)
Total Units: 39 LIHTC Units (plus one manager's unit)
Target Market: LIHTC Senior (55+) and Households Employed as Farmworkers.
Architect: Van Meter Williams Pollack - (415) 974-5352.
Timing: The subject development is fully approved and building permits are anticipated to be pulled prior to construction anticipated to commence in January 2027, and the development should be completed in 18 months or by July 2028, with leasing completed by the Third Quarter 2026.

Proposed Product Program

555 Kelly - Recommended Product Program

Unit Type	Median Income	Units	Mix	Avg. Unit Size	HUD Max. Rents (Gross) 1/	Proposed Gross Gross Rents	Utility Allow.	Subject's Net Rents	Rent Per SF 2/
Studio	30.0%	2	5%	411	$1,028	$1,028	$96	$932	$2.27
Studio	50.0%	1	3%	411	$1,713	$1,713	$96	$1,617	$3.93
1B/1b	30.0%	7	18%	545	$1,101	$1,101	$116	$985	$1.81
1B/1b	50.0%	27	69%	545	$1,836	$1,836	$116	$1,720	$3.16
2B/1b	30.0%	1	3%	955	$1,322	$1,322	$157	$1,165	$1.22
2B/1b	50.0%	1	3%	955	$2,203	$2,203	$157	$2,046	$2.14
Weighted Avg.		**39**	**100%**	**556**	**$1,656**	**$1,656**	**$117**	**$1,539**	**$2.77**

1/ Maximum allowable HUD/TCAC rents.
2/ Value Ratio (rent per square foot) based on "net" rents.
Note: Subject's sizes are a weighted average. Excludes 2B manager unit.

Subject Property and Site Description

- The proposed development will offer studio, 1B and 2B units that are targeted to seniors (55+) that are currently employed as farmworkers in the agriculture industry. The subject's senior LIHTC units will be targeted at 30% and 50% AMI levels.

- The subject development is proposed to offer a single, five-story building, with podium-level parking with an elevator servicing all floors. The "L" shaped building will contain 18 podium-level parking spaces (0.45 space per unit) in the rear of the building with approximately 2,400 square feet of community space to be occupied by Ayudando Latinos A Soñar (ALAS) (Helping Latinos to Dream in English) along Kelly Avenue. The ground level will also contain an entry lobby, bike storage, management offices, and mechanical, trash, and storage space. The second floor will contain a large terrace, a laundry room, and a 1,225 square foot community room, with 10 residential units. The third and fourth floors will contain 11 units per floor and the fifth floor will contain 8 residential units.

- Each unit in the subject development will comprise a full kitchen, including a refrigerator, an oven/range with ventilating hood, a sink, garbage disposal, and ample counter space and cabinet storage. Each unit will include a hall/coat closet, heat, and window blinds. Common area amenities include a laundry room, bike storage room, a community room, a large terrace with picnic area, and 18 podium-level parking spaces. The sponsor will partner with ALAS to provide comprehensive Support Services for the subject's residents.

- The subject site is located at 555 Kelly Avenue in the City of Half Moon Bay, on the northside of Kelly Avenue, between Church Street to the east and Pacific Coast Highway to the west. The subject site is approximately 2.5 blocks west of downtown Half Moon Bay, which offers shops and restaurants. Main Street is a two-lane, moderately traveled street providing the subject site with excellent access and visibility.

- The subject property offers good local public transportation. The subject site is within proximity to a market (0.20 miles), grocery store (0.32 miles), pharmacy (0.30 miles), senior center (0.51 miles), medical facility (0.51 miles), park (0.26) and public transportation (100 feet).

Market Area and Map

- The PMA includes the Cities of Half Moon Bay and Pacifica, and the unincorporated areas of El Granada, Moss Beach, and Montara. The PMA is bounded by the Half Moon Bay city border/Half Moon Bay Road (92) to the south, Pacific Ocean to the west, Pacifica city border to the north and Highway 280 to the east. Although the PMA extends approximately 18 miles from north to south, the area is sparsely populated and the represents a conservatively defined area as the subject property is anticipated to attract senior tenants throughout the PMA, given its desirable coastal location, nearby agricultural employment, and new product offering. SMA includes a larger area and is bordered by the Pacific Ocean to the west, San Mateo County border to the north, Highway 101 to the east and Highway 84 to the south.

Map of Secondary and Primary Market Area

Note: Map of PMA bordered in black; SMA bordered in red.

Market Feasibility Summary

- Our analysis indicates that there is a strong need for LIHTC senior farmworkers rental units in the local marketplace. This assumption is based on favorable supply/demand fundamentals, specifically the strong demand for LIHTC units in the PMA as evidenced by the near 100.0% senior LIHTC occupancy levels (applications in-process for all vacant units); 778+ household waiting list from the senior LIHTC projects; the 300+ waiting list at the only farmworkers property, Moonridge Apartments, in the county; the lack of new senior LIHTC projects proposed in the PMA; the statistics from the ALAS survey indicating the need for farmworkers housing for residents 55+; and finally, the subject property's Half Moon Bay coastal location and new product offering.

Market Strengths and Weaknesses

- The subject property's main strengths are its strong product offering, and coastal Half Moon Bay location in a market that has a shortage of affordable housing. There are no major weaknesses or risks associated with the proposed subject's development. No modifications or changes are recommended for the subject's development.

Proposed Affordable Projects

- According to Half Moon Bay planning officials, there are no approved large (50 unit+) senior market-rate multifamily projects proposed in the city. According to TCAC and CDLAC, there are no senior or farmworkers projects that have been awarded LIHTC; however, there is proposed general occupancy LIHTC development, of which, 18 of 71 units will be allocated for farmworkers. One farmworkers project that has been awarded Joe Serna Jr. credits. The development, located at 880 Stone Pine Road, 0.75 miles to the northeast, will offer 47 manufactured homes in 1B, 2B and 3B floorplans. The development recently started construction and is anticipated to be completed by early 2026. The property will also offer 117 surface parking spaces. The property is not age-restricted and open to all farmworkers who qualify.

Comparables

- Per TCAC requirements, market-rate comparables are required to be within one mile of the subject site. The nearest independent-living senior market-rate project is located roughly 12.0+ miles from the subject site, and given the distances the nearest general occupancy market-rate comparables were surveyed. Most land uses within one mile of the subject site are single family homes and the few multi-family projects in the area are generally smaller buildings (less than 5 units) or "mom and pop" managed buildings where property market-data is difficult to attain. Two individual rental units were identified in for-sale townhome and condominium complexes, but no multifamily building were identified within a one-mile radius of the subject site that had signage indicating market-rate apartments for rent or from on-line searches, such as www.Apartments.com, www.Zillow.com or www.Trulia.com. After an extensive search two 1B rental units and one studio unit were identified within the one-mile required area and the nearest rental units for each unit type were also surveyed. There is a low supply of multifamily rental units along the Half Moon Bay and nearby coastline and the nearest comps are located 0.60 to 6.2 miles from the subject site. Finally, the three nearest senior LIHTC properties with similar unit types to the proposed subject development were also surveyed and are located 8.78 to 16.6 miles from the subject site.

- According to TCAC/CDLAC/HCD, there are no Joe Serna Jr. financed farmworkers properties in San Mateo County and the nearest are in Santa Cruz County, specifically in the City of Watsonville, approximately 60 miles to the south. Other Joe Serna Jr and USDA farmworkers property are in Gilroy and Salinas, roughly 65-75 miles to the southeast. One senior property (62+), Los Abuelitos Senior Apartment, offers 25 1B units for retired farmworkers, located in Salinas. The nearest farmworkers property is Moonridge Apartments, located in Half Moon Bay approximately 3.0 miles to the south of the subject site. The LIHTC property offers 160 units in 2B, 3B and 4B units for general occupancy units (not age-restricted), of which 80 units have been allocated for farmworkers under an HCD financing layer.

- According to the State of California Tax Credit Allocation Committee (TCAC) there are three existing senior LIHTC projects located in Half Moon Bay; however, all offer PBV subsidies and aren't good comps for the purposes of this analysis. The three properties offer 1B units and one contains eight 2B units. In general, San Mateo County lack senior LIHTC properties and only three of these offer studio units and were surveyed for this analysis. The three nearest senior LIHTC comps for each unit types were also surveyed.

Market-Rate Comparables

	PROJECT NAME/ LOCATION/DISTANCE	YEAR BUILT	UNIT CHARACTERISTICS NO	VACANT	TYPE	SIZE	MONTHLY RENT RENTAL RANGE	$/SQ. FT.	PRODUCT TYPE	AMENITIES
1	653 GROVE STREET 653 Grove Street #C Half Moon Bay, CA 0.60 miles to the south	1960s	1	1	1B/1b	600	$2,300 - $2,300	$3.83 - $3.83	Two-Story Walk-Up Configuration	Carport and laundry room.
2	515 TERRACE AVENUE 515 Terrace Avenue #B Half Moon Bay, CA 0.65 miles to the west	2024	1	1	1B/1b	657	$2,995 - $2,995	$4.56 - $4.56	Single-Story ADU	In-unit washer/dryer.
3	1018 GOLDEN GATE 1018 Golden Gate Avernue #A Half Moon Bay, CA 0.95 miles to the NW	2021	1	1	Studio	330	$2,550 - $2,550	$7.73 - $7.73	Single-Story ADU	In-unit washer/dryer.
4	390 REDONDO ROAD 390 Redondo Road #B Half Moon Bay, CA 1.64 miles to the south	2025	1	1	2B/1b	995	$4,000 - $4,000	$4.02 - $4.02	Single-Story ADU	In-unit washer/dryer and surface parking.
5	214 WASHINGTON BLVD 214 Washington Boulevard #A Half Moon Bay, CA 2.07 miles to the north	1998	1	1	Studio	425	$2,900 - $2,900	$6.82 - $6.82	2nd Story ADU	Laundry room.
6	477 3RD AVENUE 477 3rd Avenue Half Moon Bay, CA 2.55 miles to the NW	2022	1	1	Studio	525	$2,995 - $2,995	$5.70 - $5.70	Single-Story ADU	In-unit washer/dryer and surface parking.
7	195 AVENUE CABRILLO 195 Avenue Cabrillo #9 El Granada, CA 3.18 miles to the NW	2018	1	1	2B/2b	1,000	$4,000 - $4,000	$4.00 - $4.00	Three-Story Elevator-Served Building	In-unit washer/dryer and covered, podium parking.
8	MAVERICK APARTMENTS 101 Avenue Portola Half Moon Bay, CA 3.4 miles to the NW	2017	10 2 12	0 0 0	2B/2b 3B/2b	1,082 1,330 1,123	$3,835 - $3,900 $4,095 - $4,295 $3,878 - $3,966	$3.54 - $3.60 $3.08 - $3.23 $3.45 - $3.53	Three-Story "Walk-Up" Configuration	In-unit washer/dryer and covered, podium parking.
9	279 VIRGINIA AVENUE 279 Virginia Avenue Moss Beach, CA 6.21 miles to the NW	1975	1	1	1B/1b	400	$2,500 - $2,500	$6.25 - $6.25	Two-Story Duplex Configuration	None

LIHTC Comparables

	PROJECT NAME/ LOCATION/	BUILT/ OCC./	UNIT CHARACTERISTICS NO	VACANT	TYPE	SIZE	MONTHLY RENT RENTAL RANGE	$/SQ. FT.	PRODUCT TYPE	TURNOVER RATE/CONCESSIONS COMMENTS/
10	SAN MATEO ROTARY FLORITAS 99 27th Avenue San Mateo, CA 8.78 miles to the NW	2005 100.0% Weighted Avg.	5 5 4 4 20 9 47	0 0 0 0 0 0 0	1B/1b @ 30% 1B/1b @ 35% 1B/1b @ 40% 1B/1b @ 45% 1B/1b @ 50% 2B/1b @ 50%	500 500 500 500 500 675 534	$610 - $610 $725 - $725 $805 - $805 $920 - $920 $1,200 - $1,200 $1,800 - $1,800 $1,144 - $1,144	$1.22 - $1.22 $1.45 - $1.45 $1.61 - $1.61 $1.84 - $1.84 $2.40 - $2.40 $2.67 - $2.67 $2.14 - $2.14	Three-Story "Elevator-Served" Configuration	Subterranean and/or podium-level parking, a community room, exercise room, picnic area, and laundry room.
11	OCEAN VIEW SENIOR APTS 555 Crespi Drive Pacifica, CA 94044 10.1 miles to the NE	1973 Rehab - 2016 87.0% Weighted Avg	10 49 10 69	0 2 7 9	1B/1b @ 30% 1B/1b @ 60% 1B/1b @ 80%	525 525 525 525	$1,016 - $1,016 $2,034 - $2,034 $2,712 - $2,712 $1,985 - $1,985	$1.94 - $1.94 $3.87 - $3.87 $5.17 - $5.17 $3.78 - $3.78	Three-Story "Elevator-Served" Configuration	Podium-level parking and laundry room.
12	METRO CENTER SENIOR 100 Village Lane Foster City, CA 10.8 miles to the NE	1995 Rehab - 2013 100.0% Weighted Avg.	8 25 4 8 10 4 59	0 0 0 0 0 0 0	1B/1b @ 40% 1B/1b @ 50% 1B/1b @ 60% 2B/1b @ 40% 2B/1b @ 50% 2B/1b @ 60%	600 600 600 873 873 873 702	$1,250 - $1,250 $1,525 - $1,525 $1,700 - $1,700 $1,550 - $1,550 $1,800 - $1,800 $2,100 - $2,100 $1,589 - $1,589	$2.08 - $2.08 $2.54 - $2.54 $2.83 - $2.83 $1.78 - $1.78 $2.06 - $2.06 $2.41 - $2.41 $2.26 - $2.26	Five-Story "Elevator-Served" Configuration	Podium-level parking, community room, laundry room.
13	ARROYO GREEN APTS 707 Bradford Street Redwood City, CA 11.3 miles to the east	2021 91.7% Weighted Avg	2 9 12 23	0 1 1 2	Studio @ 50% 1B/1b @ 50% 1B/1b @ 60%	362 362 563 467	$1,542 - $1,542 $1,747 - $1,747 $2,114 - $2,114 $1,921 - $1,921	$4.26 - $4.26 $4.83 - $4.83 $3.75 - $3.75 $4.11 - $4.11	Seven-Story "Elevator-Served" Configuration	Podium-level parking, exercise room, laundry room, computer room.

	PROJECT NAME/ LOCATION/	BUILT/ OCC./	UNIT CHARACTERISTICS NO	VACANT	TYPE	SIZE	MONTHLY RENT RENTAL RANGE	$/SQ. FT.	PRODUCT TYPE	TURNOVER RATE/CONCESSIONS COMMENTS/
14	VILLAGE AT THE CROSSING 1101 National Avenue San Bruno, CA 11.8 miles to the north	2007 100.0% Weighted Avg	21 8 149 8 4 38 228	0 0 0 0 0 0 0	1B/1b @ 30% 1B/1b @ 50% 1B/1b @ 60% 2B/1b @ 30% 2B/1b @ 50% 2B/1b @ 60%	619 619 619 847 847 847 669	$1,259 - $1,259 $1,679 - $1,679 $2,028 - $2,028 $1,160 - $1,160 $1,999 - $1,999 $2,419 - $2,419 $1,979 - $1,979	$2.03 - $2.03 $2.71 - $2.71 $3.28 - $3.28 $1.37 - $1.37 $2.36 - $2.36 $2.86 - $2.86 $2.96 - $2.96	Four-Story "Elevator-Served" Configuration	In-unit washer/dryer, podium-level parking, spa, and exercise room.
15	ROTARY PLAZA 433 Alida Way South San Francisco, CA 12.6 miles to the NW	1970 Rehab - 2015 100.0% Weighted Avg.	10 20 4 10 44	0 0 0 0 0	Studio @ 50% Studio @ 60% 1B/1b @ 50% 1B/1b @ 60%	380 380 600 600 450	$775 - $775 $775 - $775 $975 - $975 $975 - $975 $839 - $839	$2.04 - $2.04 $2.04 - $2.04 $1.63 - $1.63 $1.63 - $1.63 $1.86 - $1.86	Four-Story "Walk-Up" Configuration	Surface parking and carports, community room, exercise room, and laundry room.
16	BRUNSWICK STREET APTS 4619 Brunswick Street Daly City, CA 16.6 miles to the north	2020 97.5% Weighted Avg.	21 183 204	2 3 5	Studio @ 50% Studio @ 60%	422 422 422	$1,550 - $1,550 $1,550 - $1,550 $1,550 - $1,550	$3.67 - $3.67 $3.67 - $3.67 $3.67 - $3.67	Six-Story "Interior-Hallway" Configuration	Podium-level parking, community room, exercise room, and laundry room.

Conclusions

- The subject property's 39 LIHTC units would need to achieve a market capture of roughly 12.7% of the PMA's first year demand (308 households) to successfully achieve stabilization (95% occupancy). The projected capture is achievable given the near 100.0% occupancy rate (applications in-process for all vacant units) at existing senior LIHTC projects; the lack of proposed senior LIHTC projects in the PMA; the current waiting list at existing senior LIHTC projects (778+ households); the waiting list (300+) at the only farmworkers property in the county; and the relatively small size of PMA.

- The projected monthly absorption rate of approximately 25 units per month. The absorption rate is based on the overall size of the market, projected future household growth, current/demand levels, and waiting lists at existing senior LIHTC projects and farmworkers property. In general, our projected absorption rate is relatively conservative based on the lack of affordable housing in the PMA. Overall, the projected absorption rate at the subject property translates to a minimum lease-up period of approximately 1.5 months.

- Demand for each of the unit types is projected to be strong for the subject property within the PMA. Demand for studio units at 30% and 50% AMI will be 10 and 23 households; 1B units at 30% and 50% will be 14 and 17 households; and demand for 2B's at 30% and 50% will be 133 and 69 households.

- Finally, all demographic and economic data in the PMA and greater SMA, along with the current supply (existing rental comparables and proposed projects) indicate that demand for senior and farmworkers LIHTC units will continue to be strong in the mid- to long-term.

SECTION 3:

NARRATIVE REPORT

I. SUBJECT PROPERTY OVERVIEW

The objective of this analysis was to conduct a market feasibility analysis for Mercy Housing, (the project sponsor) who is proposing the development of 555 Kelly, a 40-unit senior (55+) Low Income Housing Tax Credit (LIHTC) project located in the City of Half Moon Bay, within the State of California. The subject development will offer a total of 40 units, including one 2B unit for the on-site manager. The proposed development will offer studio, 1B and 2B units that are targeted to seniors (55+) that are currently employed as farmworkers in the agriculture industry. The subject's senior LIHTC units will be targeted at 30% and 50% AMI levels.

The subject development will be financed using a variety of soft money, including 9% competitive tax credits, Infill Infrastructure Grant financing, a San Mateo County ARPA Funds administered by the City of Half Moon Bay and a conventional construction loan. The sponsor will be applying for a Joe Serna Jr. loan and an Affordable Housing Fund loan.

Proposed Site Development Plan

The subject development is proposed to offer a single, five-story building, with podium-level parking with an elevator servicing all floors. The "L" shaped building will contain 18 podium-level parking spaces (0.45 space per unit) in the rear of the building with approximately 2,400 square feet of community space to be occupied by Ayudando Latinos A Soñar (ALAS) (Helping Latinos to Dream in English) along Kelly Avenue. The ground level will also contain an entry lobby, bike storage, management offices, and mechanical, trash, and storage space. The second floor will contain a large terrace, a laundry room, and a 1,225 square foot community room, with 10 residential units. The third and fourth floors will contain 11 units per floor and the fifth floor will contain 8 residential units.

The subject site is currently used as a parking lot and there is also a residential cottage on the site. The subject site is a rectangular-shaped parcel situated along Kelly Avenue. The subject site consists of 0.38 acres or roughly 16,395 square feet, for an overall density of 105 units per acre. The subject site is currently zoned Commercial Downtown (C-D), Public Service (P-S), but will be rezoned as P-S with Workforce Housing Overlay (WHO) with an applicable density bonus. The subject development is fully approved and building permits are anticipated to be pulled prior to construction anticipated to commence in January 2027, and the development should be completed in 18 months or by July 2028, with leasing completed by the Third Quarter 2026.

The subject's units are at the maximum allowable TCAC/HUD rent levels at 30% and 50% AMI's. the subject's proposed rents meet TCAC's 10% (below market-rate rent) minimum requirement (see Rent Comparability Matrix in Appendix) as the subject's studio to 2B rents at 50% AMI (highest levels) are **34% to 41% below** adjusted market-rate rents.

The proposed unit mix, income levels and rents are summarized below.

555 Kelly - Recommended Product Program

Unit Type	Median Income	Units	Mix	Avg. Unit Size	HUD Max. Rents (Gross) 1/	Proposed Gross Gross Rents	Utility Allow.	Subject's Net Rents	Rent Per SF 2/
Studio	30.0%	2	5%	411	$1,028	$1,028	$96	$932	$2.27
Studio	50.0%	1	3%	411	$1,713	$1,713	$96	$1,617	$3.93
1B/1b	30.0%	7	18%	545	$1,101	$1,101	$116	$985	$1.81
1B/1b	50.0%	27	69%	545	$1,836	$1,836	$116	$1,720	$3.16
2B/1b	30.0%	1	3%	955	$1,322	$1,322	$157	$1,165	$1.22
2B/1b	50.0%	1	3%	955	$2,203	$2,203	$157	$2,046	$2.14
Weighted Avg.		**39**	**100%**	**556**	**$1,656**	**$1,656**	**$117**	**$1,539**	**$2.77**

1/ Maximum allowable HUD/TCAC rents.
2/ Value Ratio (rent per square foot) based on "net" rents.
Note: The subject's unit sizes represent a weighted average. Excludes one 2B manager units.

The weighted average unit size for the studios are 411 square feet, 1B's are 545 square feet, and 2B's are 955 square feet. The proposed net rents exclude utility allowances of $96 for the studio units, $116 for 1B's, and $157 for 2B's, which will be used to cover electric expenses (cooking, lighting, and heat). The sponsor will be responsible for all other utilities, such as hot water, sewer, trash, and common area expenses. In summary, the proposed rental rates for the subject property are achievable, given current market conditions and the proposed product type and unit features.

Proposed Amenities

In general, the subject property will offer a superior level of unit features and common area amenities relative to market-rate comparables, as these properties are generally older, inferior properties. The subject development will offer more-or-less comparable unit features and common area amenities to the existing senior LIHTC projects in the local marketplace. Each unit in the subject development will comprise a full kitchen, including a refrigerator, an oven/range with ventilating hood, a sink, garbage disposal, and ample counter space and cabinet storage. Each unit will include a hall/coat closet, heat, and window blinds. Common area amenities include a laundry room, bike storage room, a community room, a large terrace with picnic area, and 18 podium-level parking spaces. The sponsor will partner with ALAS to provide comprehensive Support Services for the subject's residents. The type of services will be determined at a future date. For a summary of proposed unit features and amenities at the subject property, please refer to Rental Comparability Matrix in the Appendix.

Area Overview

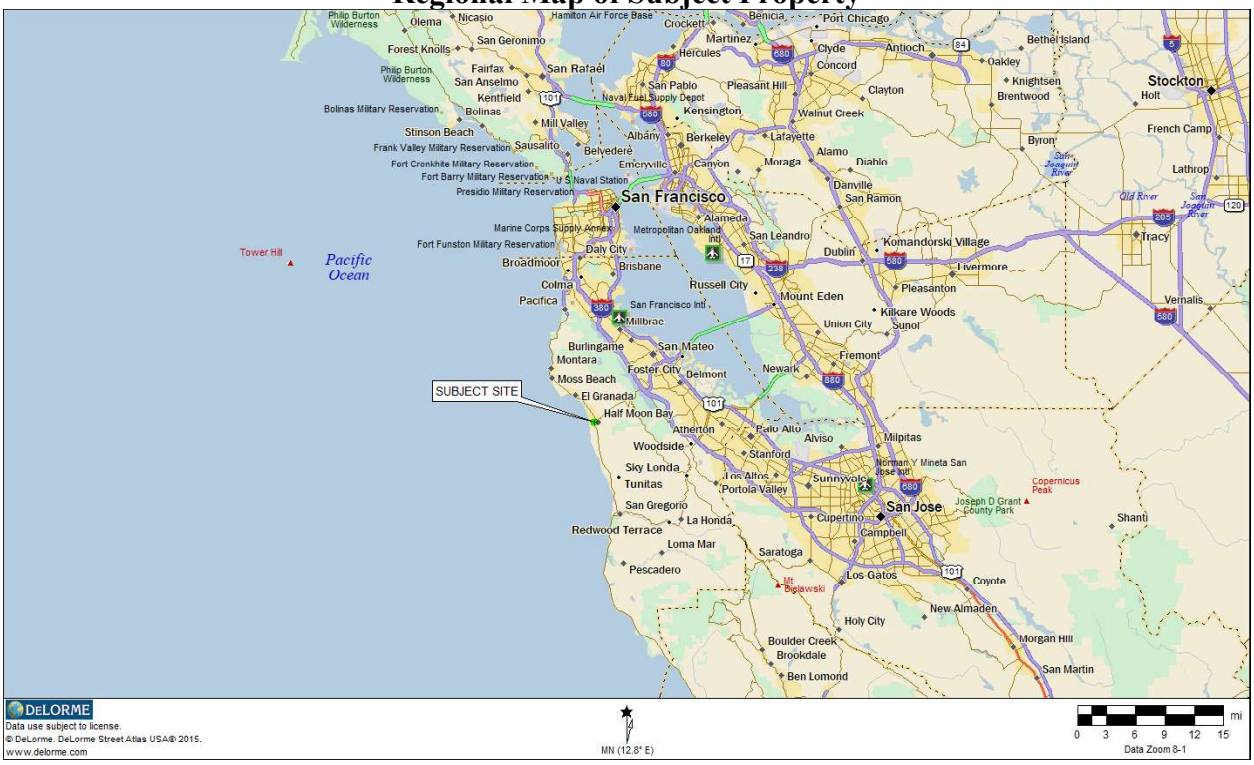
San Mateo County, officially the County of San Mateo, is a county located in the San Francisco Bay Area, the nine counties bordering San Francisco Bay. San Mateo County covers most of the San Francisco Peninsula and the San Francisco International Airport is located at the northern end of the county, and Silicon Valley begins at the southern end. The county's built-up areas are mostly suburban with some areas being urban and are home to several corporate offices, such as Oracle and Electronic Arts.

San Mateo County encompasses 15 municipalities with the five largest cities based on 2018 population include: Daly City (101,000+), City of San Mateo (98,000+), Redwood City

(78,000+), City of South Francisco (64,000+) and City of San Bruno (42,000+). According to the U.S. Census Bureau, the county has a total area of 741 square miles (1,920 km^2), of which 448 square miles (1,160 km^2) is land and 293 square miles (760 km^2) (40%) is water. San Mateo County is the third-smallest county in California by land area. A number of bayside watercourses drain the eastern part of the county including San Bruno Creek and Colma Creek. The northern and northeast parts of the county are heavily densely populated with largely urban and suburban areas, with many of its cities as edge-cities for the Bay Area, while the west central parts of the county are less heavy densely populated with more rural environment and coastal beaches areas.

San Mateo County comprises many bedroom communities and is also home to some of the nation's largest technology companies. A July 2013 *Wall Street Journal* article identified the Facebook initial public offering (IPO) as the cause of a change in the U.S.' national economic statistics, as Menlo Park, San Mateo County, the corporate headquarters, became the top wage-earning county in the country after the fourth quarter of 2012. The article revealed that the Bureau of Labor Statistics reported that the average weekly wage in the county was US$3,240, which is 107% higher than the previous year. San Mateo County hosts the headquarters of Oracle Corporation, Visa Inc, Sony Interactive Entertainment, Electronic Arts, YouTube, Genentech, and Gilead Sciences, as well as a hub of venture capital firms in Menlo Park and several other technology related companies. The growth of the technology sector has impacted housing in the county and has led to dramatic housing appreciation for the past decade.

Exhibit I-1
Regional Map of Subject Property



In March 2020, San Mateo County implemented a shelter-in-place (SIP) due to COVID-19. The impacts of COVID-19 in more urban areas or near urban areas were dramatic as many communities experienced rental decreases resulting from households vacating urban areas and

migrating to less urban, coastal, and inland areas; however, the county has rebounded and market-rate rental rents have nearly returned from pre-pandemic levels.

Half Moon Bay Overview

Half Moon Bay is a rural coastal city with a population of roughly 11,454 in 2023 (U.S. Census). The City and the surrounding unincorporated area are generally known as the "Coastside", which includes the area of Montara to the north and Pescadero to the south. Half Moon Bay is located approximately 25 miles south of San Francisco, 10 miles west of San Mateo, and 45 miles north of Santa Cruz. Neighboring towns in unincorporated San Mateo County include Montara, Moss Beach, and El Granada to the north and Purissima, San Gregorio, and Pescadero to the south. Primary access to Half Moon Bay is via State Route 1 (the Cabrillo Highway) from the north and south and State Route 92 from the east. The Coastside is nestled between the Santa Cruz Mountains and the Pacific Ocean. Because of the perceived geographic isolation, the area has not changed dramatically over the years. However, with Highway 92 cutting across the mountains to the Peninsula and Highway 1 running north and south the Coastside is very accessible to the entire Bay Area, although the area still has many rural characteristics.

According to the U.S. Census Bureau, Half Moon Bay has a total area of 6.5 square miles, of which, 6.5 square miles is land and 0.04 square miles (0.31%) is water. Half Moon Bay is situated on a bay of the same name. Major local industries include agriculture (houseplants, floriculture, Christmas trees, pumpkins, artichokes), fishing, and tourism. Half Moon Bay is the only incorporated City on the Coastside served by a City Council. The remaining communities of Montara, Moss Beach, Princeton-by-the-Sea, El Granada, Miramar, San Gregorio, Pescadero, and La Honda are unincorporated areas of San Mateo County governed by the County Board of Supervisors. Under a disincorporation plan, Half Moon Bay would revert to an unincorporated area within San Mateo County. Tax revenues would flow to the county, which would remain responsible for police and road maintenance.

Half Moon Bay is also known as a tourist destination within the Bay Area and boasts numerous Bed and Breakfasts, several motels, and some world-renowned hotels. Local activities include two award winning golf courses and a driving range, sport fishing, whale watching, horseback riding on the beach, and the historic Main Street with unique shops. The City hosts its Art and Pumpkin Festival on Main Street downtown in October and the Ritz-Carlton hotel chain operates a hotel located along the City's southern coast and is surrounded by Half Moon Bay Golf Links. At the north edge of Half Moon Bay is the famous big wave surf area, Mavericks, off Pillar Point, where pro surfers challenge waves over 50 feet. Fitzgerald Marine Reserve, located just north of Half Moon Bay past the small airport, is a natural refuge for plants and animals adapted to live at the edge of the ocean. Other tourist activities include whale-watching tours or sport fishing and escorted horse trail rides along the bluffs. Half Moon Bay and the surrounding area is also home to several state parks and beaches.

Half Moon Bay offers a small economic and employment base consisting mostly of service and retail jobs fueled by tourism. The largest industry is agriculture specializing in floriculture, seconded by tourism, then commercial fishing. Residential development and tourism development cater to the executive lifestyle. Outside of Half Moon Bay's small employment base, the largest nearby employment hubs are in downtown Foster City (10 miles to the east), Redwood City (10 miles to the southeast) and City of San Mateo (8 miles to the northeast). These outside employment hubs are within commuting distance to the subject site. In summary,

Half Moon Bay offers both a rural and small-town environment, proximity to services and recreation and a beautiful coastal setting ideal for senior affordable living.

Location Analysis and Site Description

The subject site is located at 555 Kelly Avenue in the City of Half Moon Bay, on the northside of Kelly Avenue, between Church Street to the east and Pacific Coast Highway to the west. Main Street, roughly 2.5 blocks to the west, is the central commercial district in the City, which extends from Spruce Street in the south to Highway 92 in the north. The subject site is approximately 2.5 blocks west of downtown Half Moon Bay, which offers shops and restaurants. Main Street is a two-lane, moderately traveled street providing the subject site with excellent access and visibility. The location of the subject site will provide residents with convenient access to services located within proximity or accessible through use of public transportation and private van/shuttle options.

The subject site offers a strong "marketing window" within Half Moon Bay and is in the densest part of the city near various services, shops, and amenities. The subject's pedestrian entrance will be off Kelly Avenue, while vehicular access will be located off a side street (alley) on the west side of the subject property. The subject site offers good local transportation access, although as previously stated Half Moon Bay does not offer immediate access to major freeways. The subject site is located 0.25 miles south of Highway 92, which provides direct access to the Junipero Serra (280 Freeway), located approximately 6.0 miles to the east of the Main Street and Highway 92 intersection. Immediate surrounding uses near the subject site include: The Boys and Girls Club and closed Cunha Elementary School located across-the-street from the subject site; a one-story building (unknown use) and church to the east; Shoreline Station, city owned facility and building to the west; and The Ted Adcock Community Center to the north.

The subject property will be targeted to residents within the local marketplace that have been "priced-out" of the rental and "for-sale" market. According to the Multiple Listing Service (MLS), there were no studio or 1B condominium units in Half Moon Bay sold in the last seven months; however, there were six 2B condominium sales with prices ranging from $625,000 to $962,000 $825,000. Assuming a 20% down payment and subsequent expenses such as property taxes, none of the potential residents at the subject property would qualify for home ownership in the local area. The subject development will provide an affordable option for residents in the local marketplace.

Proximity to Services

The location of the subject property is conducive to affordable rental units as evidenced by its proximity to services. The subject site is within proximity to stores, public transportation, a park, a senior center, and medical facility, as shown on the map on the following page (Exhibit I-2A and I-2B) and described below:

- **Retail Services:** The nearest market is called Cunha Country Store (#1), located at 448 Main Street, approximately 0.20 miles east of the subject site. The market offers meat, with a butcher counter, staples, and a product selection. The nearest full size grocery store are New Leaf Community Market (#2) located at 150 San Mateo Road, approximately 0.32 miles to the north. Half Moon Bay Pharmacy (#3) is located at 40 Stone Pine Road, roughly 0.30 miles to the northeast.

- **Senior Center:** The nearest senior center is Senior Coastsiders (#4) located at 920 Main Street, approximately 0.51 miles to the south. The center offers numerous programs and activities for seniors, and provides local van transportation.

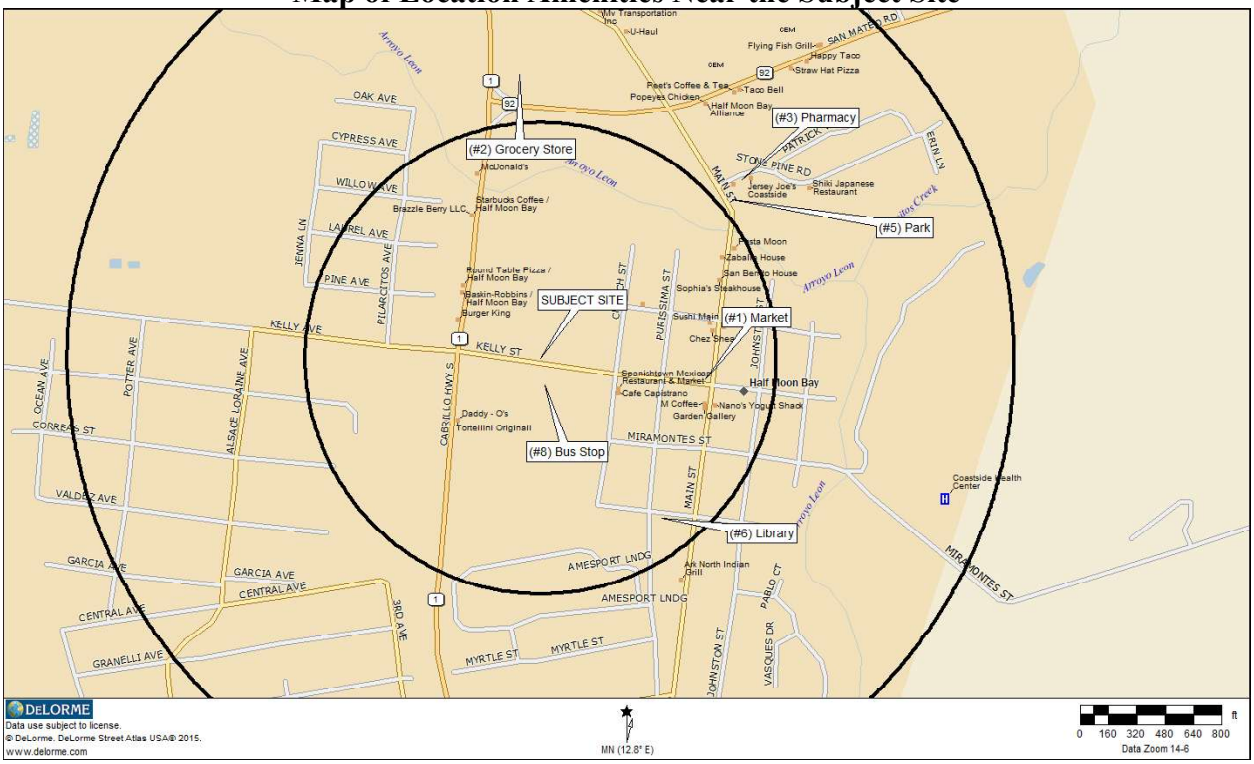
- **Parks:** John L. Carter Memorial Park (#5) is located just south of Stone Pine Road and Main Street, 0.26 miles to the northeast and offers hiking trails and a stream.

- **Library:** Half Moon Bay Library (#6) located at 620 Correas Street, approximately 0.23 miles southeast of the subject site.

- **Medical Facility:** Coastside Adult Day Health Center (#7) is located at 925 Main Street, approximately 0.51 miles south of the subject site. The health center offers numerous health services. The nearest medical clinic is Seton Medical Center Coastside in Moss Beach (not shown on the map), located approximately 6.2 miles to the northwest.

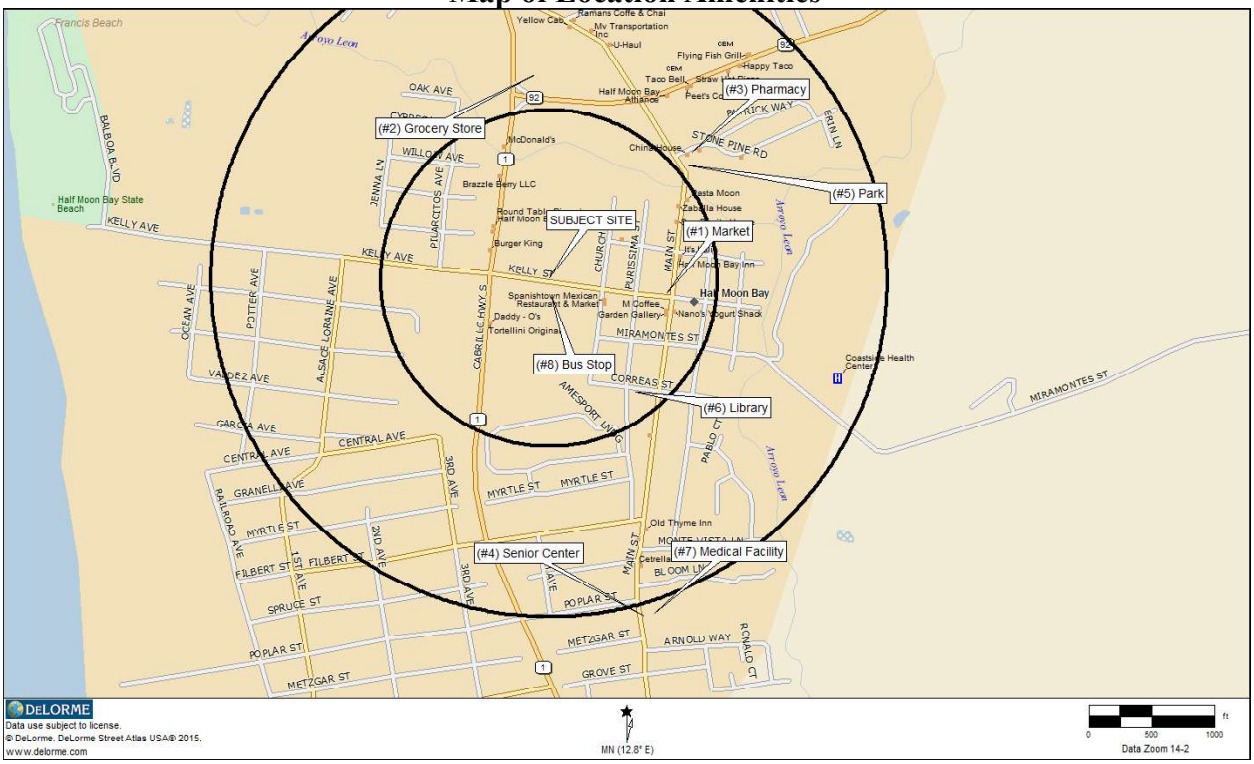
- **Transportation:** A public transportation bus stop is located off Kelly Street across-the-street from the subject site. San Mateo County Transit District Bus Service (SamTrans) offers a bus stop (#8) (less than 100 feet) and provides Route #18 that provides convenient access from Moss Beach in the north to Moonridge Apartments in Half Moon Bay in the south.

Exhibit I-2A
Map of Location Amenities Near the Subject Site



Note: Small ring represents 0.25 (¼) mile radius and large ring represents a 0.50 (½) mile ring.

Exhibit I-2B
Map of Location Amenities



Note: Small ring represents 0.25 (¼) mile radius and large ring represents a 0.50 (½) mile ring.

II. SOCIO-ECONOMIC AND DEMOGRAPHIC SUMMARY

Demographic trends for the Primary Market Area (PMA) and Secondary Market Area were analyzed for this assignment and are summarized below (refer to Exhibits II-2 to II-5). The PMA represents the area where most potential tenants currently reside (70%-80%) and includes in the City of Half Moon Bay and surrounding coastal areas. Specifically, the PMA includes the Cities of Half Moon Bay and Pacifica, and the unincorporated areas of El Granada, Moss Beach, and Montara. The PMA is bounded by the Half Moon Bay city border/Half Moon Bay Road (92) to the south, Pacific Ocean to the west, Pacifica city border to the north and Highway 280 to the east. Although the PMA extends approximately 18 miles from north to south, the area is sparsely populated and the represents a conservatively defined area as the subject property is anticipated to attract senior tenants throughout the PMA, given its desirable coastal location, nearby agricultural employment, and new product offering. SMA includes a larger area and is bordered by the Pacific Ocean to the west, San Mateo County border to the north, Highway 101 to the east and Highway 84 to the south. A detailed map of the PMA and SMA is provided below.

Exhibit II-1
Map of Primary Market Area

Note: SMA bordered with a red line and the PMA bordered in black.

General Demographic Sub-Section

- According to Claritas estimates, the SMA had a total population of over 408,526 in 2025 and is projected to decrease to 406,973 in 2028, an annual decrease of -0.08%. Households in the SMA are projected to also decrease from 141,898 in 2025 to 140,822 in 2030, an average annual decrease of -0.15% (Exhibit II-2).

- The PMA is projected to experience comparable population decreases. The PMA's population is projected to decrease from 103,728 in 2025 to 102,707 persons in 2030, an annual decrease of -0.20%. Households in the PMA are projected to decrease from 36,261 in 2025 to 35,799 in 2030, an average annual increase of -0.26% (Exhibit II-2). The

population and household decreases are attributed to population shifts from the pandemic and in no way should negatively impact the subject development. The future subject development residents are most likely all living in substandard housing and there is a significant need to senior farmworkers housing in the PMA.

Exhibit II-2
Population & Household Growth Trends
Secondary Market Area & Primary Market Area: 2000– 2030

Secondary Market Area (SMA)	2010 Census	2020 Census	2025 Estimate	2030 Projection
Population	402,136	427,578	408,526	406,975
Average Annual Change	N/A	2,544	-3,810	-310
Average Annual % Change	N/A	0.60%	-0.93%	-0.08%
Households	142,909	149,633	141,898	140,822
Average Annual Change	N/A	672	-1,547	-215
Average Annual % Change	N/A	0.45%	-1.09%	-0.15%
Average Household Size	N/A	N/A	2.84	N/A
Occupied Housing Units				
% Owner Occupied	N/A	N/A	57%	N/A
% Renter Occupied	N/A	N/A	43%	N/A
Population by Race	402,136	427,578	408,526	406,975
White	36.9%	N/A	31.3%	27.8%
Black	2.2%	N/A	1.7%	1.7%
Asian/Pacific Islander	33.4%	N/A	41.2%	41.7%
Other	4.0%	N/A	25.8%	6.0%
Totals	N/A	N/A	100.0%	N/A
Total Hispanic Distribution 1/	76.5%	N/A	23.6%	N/A
Primary Market Area	**2010 Census**	**2020 Census**	**2025 Estimate**	**2030 Projection**
Population	104,692	109,551	103,728	102,707
Average Annual Change	N/A	486	-1,165	-204
Average Annual % Change	N/A	0.44%	-1.12%	-0.20%
Households	36,943	38,562	36,261	35,799
Average Annual Change	N/A	162	-460	-92
Average Annual % Change	N/A	0.42%	-1.27%	-0.26%
Average Household Size	N/A	N/A	2.83	N/A
Occupied Housing Units				
% Owner Occupied	N/A	N/A	69.0%	N/A
% Renter Occupied	N/A	N/A	31.0%	N/A
Population by Race	104,692	109,551	103,728	102,707
White	N/A	N/A	40.0%	N/A
Black	N/A	N/A	1.7%	N/A
Asian/Pacific Islander	N/A	N/A	35.8%	N/A
Other	N/A	N/A	22.6%	N/A
Totals	N/A	N/A	100.0%	N/A
Total Hispanic Distribution 1/	N/A	N/A	19.6%	N/A

1/ Hispanic population defined as an ethnic group rather than race, so included in total distribution; separate Hispanic % of total included.
Note: Please refer to Exhibit II-1 for map of SMA and PMA.

- The average household size in the SMA was 2.84 people in 2025, compared to the PMA's household size of 2.83 in the same year. Renters in the SMA occupied 43% of housing units in 2025, while 31% of all housing units in the PMA were occupied by renters. It should be noted that average household sizes for renter households were unavailable from major demographic research firms.

Exhibit II-3
Household Income Distribution
Secondary Market Area & Primary Market Area: 2025

SMA	2025 Estimate	
	#	% of Total
UNDER $14,999	6,598	4.7%
$15,000 - $24,999	4,768	3.4%
$25,000 - $34,999	4,952	3.5%
$35,000-$49,999	8,329	5.9%
$50,000-$74,999	13,424	9.5%
$75,000-$99,999	13,267	9.4%
$100,000-$125,000	11,891	8.4%
$125,000-$150,000	11,096	7.8%
$150,000-$200,000	18,092	12.8%
$200,000+	49,466	34.9%
Total Households	141,898	100.0%
Median Household Income		$142,092

PMA	2025 Estimate	
	#	% of Total
UNDER $14,999	1,479	4.1%
$15,000 - $24,999	1,044	2.9%
$25,000 - $34,999	1,062	2.9%
$35,000-$49,999	1,857	5.1%
$50,000-$74,999	3,336	9.2%
$75,000-$99,999	3,166	8.7%
$100,000-$125,000	2,966	8.2%
$125,000-$150,000	2,778	7.7%
$150,000-$200,000	4,939	13.6%
$200,000+	13,631	37.6%
Total Households	36,261	100.0%
Median Household Income		$154,014

Note: Income distributions were unavailable for households under $15,000. Source: Claritas.

- The SMA's median income in 2025 was $142,092 and is $154,014 in the PMA (Exhibit II-3). The PMA's median household income level is a bit higher than the SMA. Finally, it should be noted that 2030 income estimates were used rather than 2028 (year units will be completed), since data for 2028 was unavailable from major research firms such as Claritas.

- The median age in the SMA was 43.2 in 2025, compared to 45.4 in the PMA (Exhibit II-4). Approximately 37.3% of the population in the PMA is 55+ 2025, which is projected to the age bracket of many residents at the subject property.

Exhibit II-4
Population Age Distribution
Secondary Market Area and Primary Market Area: 2025

SMA	2025 Estimate #	2025 Estimate % of Total
0-17	72,432	17.7%
18-24	30,027	7.4%
25-34	52,128	12.8%
35-54	114,346	28.0%
55-64	54,865	13.4%
65+	84,769	20.8%
Total Population	**408,526**	**100.0%**
Median Age		43.2

PMA	2025 Estimate #	2025 Estimate % of Total
0-17	17,862	17.2%
18-24	7,230	7.0%
25-34	11,431	11.0%
35-54	28,567	27.5%
55-64	14,719	14.2%
65+	23,909	23.1%
Total Population	**103,728**	**100.0%**
Median Age		45.4

Source: Claritas; Compiled by Newport Realty Advisors LLC.

Exhibit II-5
HUD Income Limits & Maximum Rent Levels
San Mateo County 2024

Household Size	Qualifier (% of Median) 20%	30%	40%	50%	60%	80%	100%
1 Person	$27,420	$41,130	$54,840	$68,550	$82,260	$109,680	$137,100
2 Person	$31,340	$47,010	$62,680	$78,350	$94,020	$125,360	$156,700
3 Person	$35,260	$52,890	$70,520	$88,150	$105,780	$141,040	$176,300
4 Person	$39,160	$58,740	$78,320	$97,900	$117,480	$156,640	$195,800
5 Person	$42,300	$63,450	$84,600	$105,750	$126,900	$169,200	$211,500
6 Person	$45,440	$68,160	$90,880	$113,600	$136,320	$181,760	$227,200
Household Size	**Maximum Rents (1) 20%**	**30%**	**40%**	**50%**	**60%**	**80%**	**100%**
Studio	$685	$1,028	$1,370	$1,713	$2,056	$2,741	$3,426
1 Bedroom	$734	$1,102	$1,469	$1,836	$2,202	$2,938	$3,672
2 Bedroom	$881	$1,322	$1,762	$2,203	$2,644	$3,525	$4,406
3 Bedroom	$1,018	$1,527	$2,036	$2,545	$3,054	$4,073	$5,090

Note: Maximum rents include utility allowances. Source: California Tax Credit Allocation Committee

Senior Demographic Sub-Section

- Despite moderate population declines in both the SMA and PMA, the senior segment is projected to experience some growth over the next five years. The SMA had over 38,788 senior households (65-84 age bracket) in 2025 and is projected to increase to 42,126 senior households in 2030, for an annual increase of 1.58% (Exhibit II-5). Senior households (65-84 years) in the PMA are projected to grow from 11,601 in 20 to 12,462 in 2030, for an annual increase of 1.38%.

- In 2025, approximately 23% of senior households in the PMA earn under $50,000. These levels represent the income bands for most tenants that will reside at the subject property.

- In the PMA, seniors (65+) represented 69% of renter households versus 231% that were owner occupied (Exhibit II-5). It should be noted that average household size for renter households were unavailable from major research firms such as Claritas and CACI.

EXHIBIT II-6
DISTRIBUTION OF SENIOR (65-84) HOUSEHOLD INCOME
SMA AND PMA: 2025-2030

	2000 Estimate		2025 Estimate		2030 Projection	
SMA	**Number**	**% of Total**	**Number**	**% of Total**	**Number**	**% of Total**
Under $14,999	N/A	N/A	2,749	7.1%	2,668	6.3%
$15,000 - $24,999	N/A	N/A	2,050	5.3%	1,953	4.6%
$25,000 - $34,999	N/A	N/A	1,924	5.0%	1,962	4.7%
$35,000 - $49,999	N/A	N/A	3,335	8.6%	3,210	7.6%
$50,000 - $74,999	N/A	N/A	5,539	14.3%	5,661	13.4%
$75,000-$99,999	N/A	N/A	4,522	11.7%	4,746	11.3%
$100,000+	N/A	N/A	18,669	48.1%	21,926	52.0%
Total Households (65-84)	N/A	N/A	38,788	100.0%	42,126	100.0%
Average Annual Change	N/A		N/A		668	
Average Annual Change	N/A		N/A		1.58%	

	2000 Estimate		2025 Estimate		2030 Projection	
PMA	**Number**	**% of Total**	**Number**	**% of Total**	**Number**	**% of Total**
Under $14,999	N/A	N/A	829	7.1%	794	6.4%
$15,000 - $24,999	N/A	N/A	489	4.2%	463	3.7%
$25,000 - $34,999	N/A	N/A	425	3.7%	430	3.5%
$35,000 - $49,999	N/A	N/A	948	8.2%	807	6.5%
$50,000 - $74,999	N/A	N/A	1,764	15.2%	1,722	13.8%
$75,000-$99,999	N/A	N/A	1,302	11.2%	1,370	11.0%
$100,000+	N/A	N/A	5,844	50.4%	6,876	55.2%
Total Households (65-84)	N/A	N/A	11,601	100.0%	12,462	100.0%
Average Annual Change	N/A		N/A		172	
Average Annual Change	N/A		N/A		1.38%	
Occupied Housing Units 2025 (Senior PMA)		Renter Occupied	31.0%			
		Owner Occupied	69.0%			

Crime Rates

According to the FBI Uniform Crime report for California in 2023 (latest year available), the violent and property crime rate is substantially lower than Half Moon Bay (see Exhibit II-7). For some unknown reason, the FBI hasn't released crime statistics for Half Moon Bay for the last few years, so the FBI state averages were compared to Half Moon Bay using another source (Neighborhood Scout). According to the 2023 report, Half Moon Bay experienced crime rates

well below the state for both violent and property crime. In no way should the city's current crime statistics diminish the need for affordable units at the subject property.

EXHIBIT II-7
CRIME STATISTICS
CALIFORNIA VERSUS HALF MOON BAY
2023

CRIME	Number of Crimes Per 100,000 Population	
	California	City of Half Moon Bay
Violent Crimes (Murder, rape, robbery & assault)	512.00	192.07
Property Crimes (Burglary, larceny-theft, motor vehicle theft, arson)	2,277.33	777.02

Source: Half Moon Bay based on Neighborhood Scout; San Mateo data based on 2021 FBI Uniform Crime Report.

Building Trends

According to the U.S. Bureau of the Census, San Mateo County has experienced solid building permit activity the last two years after the start of the pandemic as permit issuances have exceeded 1,700 in both 2021 and 2022, after a decade low of 677 issuances in 2020. From 2014 until 2019, permits exceeded 1,000 with permits exceeding 2,000 in both 2016 and 2017. Most permits issued in the county over the past six years have been for multifamily uses and have averaged 70% of all permits. The county has issued over 1,000 permits annually in the last few years. Permit activity is anticipated to be strong for the next few years, but below the levels of 2021 and 2022. As expected, issuances in Half Moon Bay have been low given the city's small size. The most permits were issued in 2002, 2014, and the city averaged only 10 permits annually the last five years. Permit issuances are anticipated to be low unless larger affordable multifamily projects, like the subject development, move forward (see Exhibit II-8 on below).

EXHIBIT II-8
BUILDING PERMITS
SAN MATEO COUNTY AND HALF MOON BAY
2001 TO 2024

San Mateo County

PERMITS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Single-Family Permits	875	699	831	613	481	442	579	310	259	224	241	315	347	384	473	473	384	308	360	345	513	427	389	527
% of Totals	50%	46%	61%	52%	65%	50%	75%	37%	57%	77%	33%	36%	36%	26%	39%	23%	19%	27%	25%	51%	29%	19%	37%	52%
Multi-Family Permits 1/	871	827	524	575	254	439	194	526	197	68	487	549	619	1,092	752	1,553	1,632	823	1,077	332	1,286	1,765	671	492
% of Totals	50%	54%	39%	48%	35%	50%	25%	63%	43%	23%	67%	64%	64%	74%	61%	77%	81%	73%	75%	49%	71%	81%	63%	48%
TOTALS	1,746	1,526	1,355	1,188	735	881	773	836	456	292	728	864	966	1,476	1,225	2,026	2,016	1,131	1,437	677	1,799	2,192	1,060	1,019

Half Moon Bay

PERMITS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Single-Family Permits	47	55	43	11	8	18	20	16	6	6	9	12	13	13	17	16	18	10	6	15	3	8	2	5
% of Totals	77%	45%	90%	100%	100%	100%	100%	89%	100%	75%	100%	100%	18%	15%	38%	32%	24%	100%	75%	100%	38%	73%	25%	100%
Multi-Family Permits 1/	14	66	5	0	0	0	0	2	0	2	0	0	59	71	28	34	56	0	2	0	5	3	6	0
% of Totals	23%	55%	10%	0%	0%	0%	0%	11%	0%	25%	0%	0%	82%	85%	62%	68%	76%	0%	25%	0%	63%	27%	75%	0%
TOTALS	61	121	48	11	8	18	20	18	6	8	9	12	72	84	45	50	74	10	8	15	8	11	8	5

1/ Represents the actual nunmber of housing units permitted.
Source: US Bureau of the Census

Economic Overview

- Non-agricultural employment in the San Francisco Metropolitan District (MD), which includes San Francisco, and San Mateo Counties, experienced robust growth until the COVID-19 pandemic shut down the economy in mid-March 2020. Historical job losses from 2001-2004 are the result of an economic downturn from the high-tech industry and national recession. The MD had been hit during the national recession in 2001 to 2004 and lost over 132,000 jobs in these four years after gaining 133,000 jobs in 1997 to 2000 (Exhibit II-9). In 2007, 21,200 jobs were added (the highest increase in six years), and another 11,200 jobs were added in 008. The MD lost 50,000 jobs in 2009 and 2010; however, since 2011 employment has been very strong in the MD until March 2020 and added 41,400 jobs in 2016, 24,100 jobs in 2017, 32,500 jobs in 2018, and 40,600 jobs in 2019. Due to COVID-19, the MD lost 104,000 jobs in 2020, but rebounded with 17,500 job gains in 2021, 79,000 job gains in 2022, but lost 16,000 job gains in 2023 and lost another 6,100 in 2024.

EXHIBIT II-9
TOTAL NON-AGRICULTURAL EMPLOYMENT BY INDUSTRY SECTORS
SAN FRANCISCO MD
2003 TO 2024

INDUSTRY	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Sector % of 2024 Total	2023-24 % CHANGE
TOTAL	**846,200**	**839,200**	**848,900**	**868,600**	**889,800**	**901,000**	**858,900**	**851,100**	**873,400**	**914,800**	**948,900**	**990,600**	**1,039,000**	**1,080,400**	**1,104,500**	**1,137,000**	**1,184,900**	**1,081,000**	**1,092,500**	**1,181,300**	**1,165,100**	**1,159,000**	**100%**	-0.5%
ANNUAL CHANGE	-32,600	-7,000	9,700	19,700	21,200	11,200	-42,100	-7,800	22,300	41,400	34,100	41,700	48,400	41,400	24,100	32,500	47,900	-103,900	11,500	88,800	-16,200	-6,100		-
ANNUAL % CHANGE	**-3.7%**	**-0.8%**	**1.2%**	**2.3%**	**2.4%**	**1.3%**	**-4.7%**	**-0.9%**	**2.6%**	**4.7%**	**3.7%**	**4.4%**	**4.9%**	**4.0%**	**2.2%**	**2.9%**	**4.2%**	**-8.8%**	**1.1%**	**8.1%**	**-1.4%**	**-0.5%**		-
UNEMPLOY. RATE	**6.4%**	**5.4%**	**4.6%**	**3.9%**	**4.0%**	**5.1%**	**8.8%**	**8.9%**	**7.9%**	**6.7%**	**5.4%**	**4.4%**	**3.6%**	**3.2%**	**2.9%**	**2.3%**	**2.2%**	**7.6%**	**4.9%**	**2.5%**	**3.2%**	**3.6%**		-
Natural Resources/Mining	100	100	100	100	100	100	100	100	100	0	100	100	100	100	100	100	200	200	200	100	100	100	0.0%	0.0%
Construction	37,000	35,800	35,100	36,600	38,400	37,300	29,400	26,900	27,400	29,100	30,500	32,600	36,000	38,600	39,800	42,400	44,400	42,600	41,100	40,900	40,900	39,500	3.5%	-3.4%
Manufacturing	42,100	41,400	40,100	41,100	41,400	40,000	36,100	35,000	34,400	34,100	34,900	35,900	36,400	38,200	39,400	39,000	41,100	37,800	37,200	38,900	35,700	34,500	3.3%	-3.4%
Trade, Transportation & Utilities	139,600	138,100	137,700	137,700	137,700	136,100	127,700	124,900	125,700	129,900	134,500	138,200	142,600	147,600	151,300	154,200	155,200	135,900	135,000	136,100	131,300	132,800	11.5%	1.1%
Information	43,400	40,600	38,200	37,200	37,500	39,000	38,000	37,300	40,900	46,600	49,800	55,200	63,200	70,300	76,600	85,400	97,500	105,300	112,200	125,300	117,600	107,500	10.6%	-8.6%
FIRE 1/	81,900	79,300	79,300	79,900	80,200	78,300	71,500	69,200	68,600	70,000	72,100	74,000	77,300	80,400	80,900	83,200	86,000	83,100	83,000	87,700	81,800	80,800	7.4%	-1.2%
Services 2/	385,300	388,100	400,000	415,700	432,600	447,400	435,500	436,400	455,900	485,600	508,100	533,900	558,900	577,500	586,500	601,300	629,000	547,500	554,500	616,100	618,700	622,300	52.2%	0.6%
GOVERNMENT	116,900	115,900	118,300	120,300	122,000	122,900	120,700	121,300	120,400	119,500	118,900	120,700	124,400	127,700	129,900	131,400	131,500	128,600	129,200	136,200	139,000	141,500	11.5%	1.8%

1/ Includes Finance, Insurance and Real Estate.
2/ Includes Professional and Business Services, Educational and Health Services, Leisure and Hospitality and other Services.
Source: State of California Employment Development Department; compiled by Newport Realty Advisors LLC.

- In December 2024 (most recent month), the San Francisco MD total labor force was 988,800 with an unemployment rate at 3.4%, compared to a statewide average of 5.2% for the same month. Amid the declining job market in the mid 2000's, the annual average unemployment rate in the MD has increased from 4.0% in 2006 to 8.7% in 2010, the highest levels in decades until unemployment rates in 2020. The unemployment decreases are attributed to the COVID-19 pandemic as unemployment rate increased from approximately 2.2% in February 2020 to 12.5% in April 2020, while the unemployment rate has steadily dropped in 2021 and 2022. The average unemployment rate was 7.5% in 2020 and declined to 4.9% in year-end 2021 and then 2.3% in 2022 and increasing to 3.2% in 2023. Prior to the pandemic, MD unemployment rate had decreased to 2.2% at year-end 2019, the lowest average unemployment rate since 2000, so economists believe the economy has rebounded from the COVID-19 pandemic.

- For the 1st Quarter 2024, the average annual wage within the MSA for all industries was $113,464, while major agricultural industry wages include: Agricultural Inspectors $71,761; Farmworkers, Laborers, Crop, Nursery workers $45,800; and Farmworkers, Farm, Ranch, and Animal workers $50,130. The range of annual wages for all industries versus agriculture illustrates the discrepancy of income levels.

- In February 2025, the unemployment rate for San Mateo County was 3.7%, while Half Moon Bay was 2.0% for the same month. Half Moon Bay has a small employment base, and its monthly labor force was 6,000 (or 1.4%) of San Mateo County total of 418,700.

EXHIBIT II-10
TOTAL LABOR FORCE AND UNEMPLOYMENT RATE (2010-2023)
HALF MOON BAY

INDUSTRY	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TOTAL LABOR FORCE 1/	6,300	6,400	6,600	6,800	4,100	7,300	7,500	7,600	7,500	7,600	6,800	6,500	6,800	6,800
ANNUAL CHANGE	N/A	100	200	200	-2,700	3,200	200	100	-100	100	-800	-300	300	0
ANNUAL % CHANGE	N/A	1.6%	3.1%	3.0%	-39.7%	78.0%	2.7%	1.3%	-1.3%	1.3%	-10.5%	-4.4%	4.6%	0.0%
UNEMPLOYMENT RATE	8.4%	7.5%	6.4%	5.2%	4.2%	3.4%	2.7%	2.0%	1.7%	1.7%	2.3%	2.2%	1.2%	1.4%

Note: State of California EDD.

- Half Moon Bay's labor force has slightly decreased over the past 13 years from 6,300 in 2010 to 6,000 in 2023, although the labor force increased to 7,600 in 2019 (pre-pandemic). Half Moon Bay's unemployment rate has remained consistent to the overall MSA levels over the past five years. For example, Half Moon Bay's unemployment rate has ranged from 1.7% to 2.7% from 2016 to 2023 (Exhibit II-10).

- According to Half Moon Bay's 2023 Annual Comprehensive Financial Report, the top employers in Half Moon Bay are Ritz Carlton, New Leaf Market, Safeway, Rocket Farms, Cabrillo Unified School District, and Seton Medical Center Coastside.

- The MD suffered from the great recession that occurred from 2008 to 2011 and rebounded in dramatic fashion into a diverse San Francisco and Bay Area economy that fosters the emerging industries of the 21st century (technology, biotech, alternative energy, green industries, etc.) may protect the Bay Area from future market downturns. The shutdown of the economy from COVID-19 in 2020 produced significant employment losses, although this was less pronounced from a duration perspective, relative to the great recession; however, this downturn is unique, and economists differ on the overall impact of COVID-19. From a housing perspective, the downturn reduced construction of high-end residential units in San Francisco and downward pressure on market-rate rental rates. Given that San Francisco and San Mateo County housing experienced dramatic increases in for-sale and market-rate rents from 2012 to 2020, a decline is welcome by affordable housing advocates and demand for affordable (income-restricted) rental units is anticipated to remain relatively strong in the foreseeable future.

<u>San Mateo County Agriculture Employment Summary</u>

- According to the County of San Mateo 2023 Agricultural Report (most recent report), the total estimated gross value of San Mateo County agricultural product in 2023 was $98.9 million, a 7.2% increase from 2022. (It should be noted that the 2024 report will not be released until July or August 2025). This figure does not account for inputs such as labor, packaging, transportation, and other production costs. Steady sales over 2022 indicate the county's agricultural industry has recovered after the pandemic year of 2020 that adverse resulted in a 28% loss in gross value.

- Numerous factors influence agricultural production, many of which are outside the control of a farmer. Winter storms of 2022-23 brought the water we had all begged for after several years of continuous drought, but not without a cost. While most crops were not planted in

the ground during the heaviest of the winter storms, many farms' operational infrastructures were severely damaged in the early part of the year.

- Across all commodity groups, vegetable production value saw the largest growth with a 30% increase in 2023. This is mainly attributed to the miscellaneous vegetables category, which includes commodities such as herbs, kale, mushrooms, etc. that are not specifically named.

- San Mateo County is recognized as one of the leading counties in California for floral and nursery crops. In fact, nearly 56% of the county's agricultural product in 2023 came from indoor and outdoor grown flowers, plotted plants, cut flowers, and bedding plants. By comparison, vegetable crops, such as artichokes, beans, brussels sprouts, leaks, peas, pumpkins, and indoor grown crops (herbs, kale, squash, and lettuce, etc.) accounted for roughly 27% of agricultural products in 2023. Rounding out agricultural products include livestock (6.6%), and forest products (8.5%).

- San Mateo County's agricultural land registered with the California Department of Food and Agriculture as organic product was an estimated 496 acres total an estimated gross product value of $12.3 million in 2023. The county has 21 registered organic producers, steadily decreasing from the peak of 34 in 2017, a downward trend seen both in our county and statewide. The declines may be attributed to several factors at the local level, including the pandemic, fires, water shortages, and alternative certifications for ecologically balanced farming practices.

San Mateo County 2023 Crop Production

Crop	2023 Value ($M)	2011 Crop Ranking
Floral & Nursery Crops	$55.2	1
Vegetables	$26.8	2
Livestock	$6.6	3
Forest Products	$3.7	4
Fruit and Nut Crops	$3.5	5
Field Crops	$1.8	5
Livestock Products & Apiary	$1.3	6
Total:	**$98.9**	

Source: San Mateo County Dept. of Agricultural/Weights & Measures.

- It is projected that crop production and the need for farm labor to assist in that production is likely to remain stable over the next five years. Mechanized production posed the only potential risk to continued demand for farm labor; however, the technologies to improve efficiencies take years to develop and new farming advances in the local labor force will most likely not occur in the next 5-10 years.

- Agriculture employment in San Mateo County MSA has been constant over the past 13 years. In 2010, the county had 1,700 agriculture jobs, roughly 0.53% of the entire county labor force. Agriculture employment also has declined to 1,500+ jobs over the past 13 years in 2023. The total county agricultural employment base is small; however, most of the jobs are centered around Half Moon Bay and the surrounding areas.

- According to EDD data for San Francisco and San Mateo County MD Q1 2024, the median hourly wage for farming, fishing and forestry occupations was $24.50, up from $18.70 in

Q1 2022. The median hour wage for farmworkers and laborers, crops, nurseries, and greenhouse employees is $22.03, although it's to be excepted that virtually all crop and laborers' farmworkers earn less. (See Exhibit II-11). Local wages will be discussed later based on surveys of local Half Moon Bay, farmworkers.

EXHIBIT II-11
TOTAL FARM EMPLOYMENT BY TYPE
SAN FRANCISCO MD 1/
Q1 2024

SOC Code	Occupational Title	1st Qtr Employment Estimates		25th Percentile Hourly Wage	Median Hourly Wage	75th Percentile Hourly Wage
45-0000	**Farming, Fishing, and Forestry Occupations**	**750**	**100%**	**$19.92**	**$24.50**	**$26.59**
45-1011	First-Line Supervisors/Managers of Farming, Fishing, and Forestry Workers	100	13%	$24.62	$33.97	$44.90
45-2011	Agricultural Inspectors	30	4%	$21.91	$29.46	$42.43
45-2092	Farmworkers and Laborers, Crop, Nursery, and Greenhouse	500	67%	$19.44	$22.03	$23.38
45-2093	Farmworkers, Farm, Ranch, and Aquacultural Animals	120	16%	$21.10	$24.10	$26.88

1/ Incluldes San Francisco and San Mateo County, but most of these jobs are located within San Mateo County.
Source: State of California Employment Development Department; compiled by Newport Realty Advisors LLC.

Primary Market Area (Half Moon Bay) Farmworkers Demand Analysis, Wages, and Locations

- In general, the Farmworkers Primary Market Area includes Half Moon Bay and extends a few miles inland along Highway 92, where several farms and nurseries are located. San Mateo County has approximately 27,000 acres of farm production and the majority is situated within the Primary Market. According to the San Mateo County of Agriculture, there are approximately 75 farms in the county and nearly 40% of all total farms and 45% of all nurseries in the county are in Half Moon Bay or just outside of city limits.

- As with farm acreage, it is difficult to quantify the number of farm workers in the local PMA area. As stated earlier, there are 1,500 total agricultural workers in San Mateo County (2023) and it is difficult to estimate what percentage of these jobs are in the PMA. Given the number of farms and nurseries in the Half Moon Bay area, versus the rest of the county, many of the 1,500 agricultural jobs are expected to be in the PMA.

- ALAS, a non-profit organization, that provides various types of assistance to the Latino community in and around Half Moon Bay currently provides services to nearly 500 farmworkers in the local PMA. Alas currently works with agricultural workers at 34 farms in Half Moon Bay and the surrounding area. ALAS conducted surveys in 2024 and of the 335 farmworkers that responded, 91% live/work on a farm in Half Moon Bay, El Granada, Moss Beach and Pescadero area, 3% live elsewhere in San Mateo County, 5% live throughout the county, and the remaining 1% live outside the Bay Area.

- In terms of commuting patterns, another survey with 349 respondents who work/live within a 10-mile radius of Half Moon Bay indicated that 28% live on a farm where they work; 12% live within 3 miles, 10% live within 1.5 to 2 miles, 9% live within five miles, 8% live within 4 miles, 5% live within 1 mile and 4% live within 6 miles. In total, 76% live within five miles of where they work.

- According to the San Mateo County Agricultural Workforce Housing Needs Assessment Report in 2016, approximately 70% of farmworkers live on farms in most likely substandard housing conditions, with the report also concluding there is an unmet need for between 1,020 and 1,140 housing units.

- Another survey conducted by ALAS, with all 492 responding, indicated that 40% of farmworkers are 40 to 59 years, 23% are 26 to 39 years, 18% are 60+, 12% are 16 to 25 years and 5% for missing age info. Another survey indicated that roughly 30% of farmworkers are 55 or older.

- An ALAS income survey with 278 respondents indicated that 73% earned $10,757 to $25,499, 22% earned $25,500 to $40,245, and 4% earned less than $10,756. Assuming a 50-week employment year at 40 hours per week the hourly rate ranges from $5.00 to $20.00. A 2-person and 4-person household at 30% AMI levels would be income-qualified earning less than $47,010 and $58,740, respectively, and assuming the range of incomes from the surveyed most farmworkers would fall within this AMI target. If there were two full-time earners in a 4-person household, some would be ineligible at 30%, but would fall within the 50% AMI levels, ranging from $58.740 to $93,200, depending on the household size.

- As previously mentioned, most of the farms/nurseries are in the immediate Half Moon Bay area. These farms/nurseries are a partial list of the major agricultural employers located within three miles of the subject site with an estimate of size (acres) per the San Mateo Department of Agriculture. The list includes Giusti (430 acres), Rocket Farms (250 acres), Repetto's (102 acres), Cozzolino's (31 acres), Figone (27 acres), Rudy's Greenhouse (15 acres), and Bongards (13 acres).

In summary, the employment data and ALAS surveys indicate there is an overwhelming need for affordable senior farmworkers housing in the Half Moon Bay area. The 40 units proposed at the subject development is only a fraction of farmworkers housing needed in the local area as exemplified for the following reasons:

- Most of the agricultural jobs in the county are in the local Half Moon Bay and surrounding area, and the largest farm, Rocket Farms, and 40% to 45% of all farms and nurseries in the county are in Half Moon Bay. Although the exact number of farmworkers in the Half Moon Bay is difficult to calculate, if there are 1,500 agricultural jobs in the county, it can be conservatively estimated that at least 50%, or 750, are in the immediate Half Moon Bay area. The ALAS surveys also indicated that 76% of farmworkers live within five miles of Half Moon Bay, and as such, there is a significant need for farmworkers housing. Finally, the ALAS survey indicated that 20%+ of all farmworkers in their database are 55+ years+.

- There is an undersupply of both farmworkers and senior housing in the immediate area. Moonridge Apartments, a 160-unit LIHTC property, with 80 units targeted to farmworkers, is 97.5% occupied (applications in-process for both vacant units) and has a waiting list of 300+ households. The nearby senior LIHTC properties (non-farmworkers), including Coastal Senior Housing and Half Moon Village are fully leased. The ALAS surveys also indicated that 28% of farmworkers in their database live at farms and the place of residence is unknown for 47% (from the 2022 survey). It can be assumed that the housing on existing farms is substandard, and there's a high probability that the 47% that were unwilling to

respond to their current place of residence either don't have a physical address or are living in overcrowded housing conditions.

III. COMPETITIVE MARKET OVERVIEW

To assess rental conditions in the marketplace, Newport Realty Advisors LLC conducted detailed surveys of market-rate rental projects in the competitive market area (CMA), the area in which the comparable projects are located that will compete with the subject property. Per TCAC requirements, market-rate comparables are required to be within one mile of the subject site. The nearest independent-living senior market-rate project is located roughly 12.0+ miles from the subject site, and given the distances the nearest general occupancy market-rate comparables were surveyed.

Most land uses within one mile of the subject site are single family homes and the few multi-family projects in the area are generally smaller buildings (less than 5 units) or "mom and pop" managed buildings where property market-data is difficult to attain. Three individual rental units were identified at small multifamily buildings or ADU's at single-family homes, but no multifamily building were identified within a one-mile radius of the subject site that had signage indicating market-rate apartments for rent or from on-line searches, such as www.Apartments.com, or www.Zillow.com. After an extensive search two 1B rental units and one studio unit were identified within the one-mile required area and the nearest rental units for each unit type were also surveyed. There is a low supply of multifamily rental units along the Half Moon Bay and nearby coastline and the nearest comps are located 0.60 to 6.2 miles from the subject site. Finally, the three nearest senior LIHTC properties with similar unit types to the proposed subject development were also surveyed and are located 8.78 to 16.6 miles from the subject site (For detailed information, maps and pictures of comparable market properties please refer to Exhibit III-1, III-2, and the Appendix of the report).

Competitive Market-Rate Rental Housing Analysis

Most residential land uses in Half Moon Bay are single-family homes and the area lacks multi-family rental units. Half Moon Bay is also a popular second-home destination market and rental units are rare. After an extensive on-line search for studio, 1B and 2B rental units in Half Moon Bay, only three properties were identified within the TCAC required one-mile area. Two of these units are separate ADU's at single-family homes and the other one is in a 16-unit multifamily building. The remaining units surveyed were the nearest studio, 1B and 2B rental units identified relative to the subject site. Given the lack of nearby rental units, it was necessary to survey units outside a typical competitive market area, but no other option was available. The surveyed units were identified as the majority were currently vacant and are actively marketed "for-rent". It is possible that other smaller multifamily rental buildings are in the Half Moon Bay area, but none of these buildings had signage or are not listed from on-line sources and weren't identified.

The comparables are as follows: 653 Grove Street #C (comparable #1), located 0.60 miles to the south; 515 Terrace Street #B (comp #2), located approximately 0.65 miles to the west; 1018 Golden Gate (comparable #3), located 0.95 miles to the northwest; 390 Redondo (comp #4), located approximately 1.64 miles to the south; 214 Washington Boulevard (comp #5), located approximately 2.07 miles to the south; 477 3rd Avenue (comp #6), located approximately 2.55 miles to the northwest; 195 Avenue Cabrillo (comp #7), located approximately 3.18 miles to the

northwest; Maverick Apartments (comp #8), located approximately 3.40 miles to the northwest;; and 279 Virginia Avenue (comp #9), located 6.21 miles to the northwest.

In total, nine comparables were surveyed for this analysis, three units for each unit type (Exhibit III-1). The units surveyed were all vacant excluding 12 units in a small multifamily building, Maverick Apartments (comp #8), which was found on-line even though the property had no vacancies. From a location perspective, the two 1B units and one studio are located within the required one-mile area offer relatively comparable location to the subject site. The remaining comparables are in more a "rural" setting that lacks nearby services amenities and are considered an inferior location unless a resident prefers to live in quiet or even isolated area.

The condition of most of the comparables are inferior to the proposed subject's new product offering, excluding the recently constructed comps. On average, the comparables were built in 2013, 15 years old. The comps that were recently built and offer a superior product type, include 515 Terrace Avenue, 1018 Golden Gate, 390 Redondo, 477 3rd Street, and Maverick Apartments. The proposed subject property will offer a superior product the remaining comparable units.

The studio comps are either in-law or ADU units in single-family homes or in a duplex. The studio unit sizes range from 330 to 525 square feet and are priced from $2,550 to $2,995. Two 1B comps are also in ADU's and another one is in a 16-unit building. The 1B unit sizes range from 400 to 657 square feet and are priced from $2,300 to $2,995. The 2B comps are also either in-law units in single-family homes or in a duplex. One of the 2B units is an ADU, while the two others are in smaller multifamily buildings (nine to 12 units). The 2B unit sizes range from 995 to 1,082 square feet and are priced from $3,835 to $4,000. (For a map of the comparable projects and pictures of the adjacent parcels for comps outside the 1.0-mile area, please refer to Exhibit III-2 in the Appendix.)

Farmworkers Housing Overview

According to TCAC/CDLAC/HCD, the nearest farmworkers property in San Mateo County, is Moonridge Apartments, located at 2001 Miramontes Point Road, in Half Moon Bay approximately 3.0 miles to the south of the subject site. The property's farmworkers component was financed under HCD's Farmworker Housing Grant Program. The nearest Joe Serna Jr. properties are in Santa Cruz County, specifically in the City of Watsonville, approximately 60 miles to the south. Other Joe Serna Jr and USDA farmworkers property are in Gilroy and Salinas, roughly 65-75 miles to the southeast. One senior property (62+), Los Abuelitos Senior Apartment, offers 25 1B units for retired farmworkers, located in Salinas. None of the farmworkers in the local area would commute those distances, so the property is not comparable. Moonridge Apartments offers 160 units in 2B, 3B and 4B units for general occupancy units (not age-restricted), of which 80 units have been allocated for farmworkers. The property was built in 2001 and offers units at 30% to 50% AMI levels with no PBV subsidies. The 80 farmworkers units have two vacancies, 97.5% occupied, but have applications in process for both units, and averages two units of turnover per year. The general occupancy property is 100% occupied. The 80 farmworkers component has a waiting list of 300+ and the waiting list was generated after being open for six weeks in July 2024, but the waiting list has been closed since that time. The extensive waiting list further indicates the need for farmworkers housing. Lastly, approximately 40 residents in the ALAS database reside at Moonridge Apartments. The low vacancies, extensive waiting list, and low turnover exemplifies the need for additional farmworkers housing in the local CMA.

Competitive Market Area Senior LIHTC Analysis

According to the State of California Tax Credit Allocation Committee (TCAC) there are three existing senior LIHTC projects located in Half Moon Bay; however, all offer PBV subsidies and aren't good comps for the purposes of this analysis. The three properties offer 1B units and one contains eight 2B units. In general, San Mateo County lack senior LIHTC properties and only three of these offer studio units and were surveyed for this analysis. The three nearest senior LIHTC comps for each unit type were also surveyed. One senior affordable property, Pacific Oaks Senior Apartments, in Pacifica, offers all its units under County bond (non-LIHTC) program at 80% AMI, so the property was deemed not comparable.

Given the lack of senior LIHTC projects in the local marketplace, the LIHTC senior subsidized properties in Half Moon Bay were summarized below. The properties' high occupancy and waiting lists further illustrate the need for affordable senior housing in the marketplace.

Project Name: Half Moon Bay Village II
Address: 9 Bloom Lane, and 801 Arnold Way, Half Moon Bay, CA
Distance: 0.70 miles to the south
Product Type: Three-Story Product Type
Year Built: 2015
Rental Type: LIHTC (62+)
Rental Program: All units offer a PBV subsidy.
Total Units: 114 LIHTC plus a manager's unit.
Unit Size: 107 – 1B units (630 square feet); 7 – 2B units (826 square feet)
Turnover: One per month or 11% annually
Occupancy: 100.0%
Waiting List: Maintained off-site from the Housing Authority.

Project Name: Coastside Senior Housing
Address: 925 Main Street, Half Moon Bay, CA
Distance: 0.75 miles to the south
Product Type: Three-Story Product Type
Year Built: 2014
Rental Type: LIHTC (62+)
Rental Program: All units offer a PBV subsidy.
Total Units: 39 LIHTC plus a manager's unit.
Unit Size: 39 – 1B units (541 square feet)
Turnover: 1 per year or 2% annually
Occupancy: 100.0%
Waiting List: Maintained off-site from the Housing Authority.

The comparable senior LIHTC projects that were surveyed for this analysis are summarized below.

San Mateo Rotary Floritas (comparable #10) is in the City of San Mateo roughly 8.7 miles to the northeast of the subject site. The property is the nearest non-subsidized senior LIHTC property relative to the subject site. The project offers a superior (more suburban/less rural) location to the subject site, although some senior residents may prefer a more rural/coastal location. San Mateo Rotary Floritas (62+) was built in 2005 and offers 47 senior LIHTC units in 1B and 2B floor

plans at 30% to 50% AMI levels. Rents are below maximum allowable HUD/TCAC rents. The property is 100.0% occupied and has a waiting list of 218+ households. Turnover averages 1 per year to 2% annually. San Mateo Rotary Floritas offers a three-story "elevator-served" product with approximately 39 podium-level parking spaces (0.82 spaces per unit ratio). In summary, the proposed subject property will offer a superior product type, relative to San Mateo Rotary Floritas (built in 2005).

Ocean View Senior Apartments (comparable #11) is in the City of Pacifica, 10.1 miles to the north, situated in a coastal area, similar to the subject site. In general, the property offers a comparable location, relative to the subject site. Ocean View Senior (62+) was built in 1973, but rehabilitated in 2016, and offers 99 senior LIHTC 1B units, of which 30 units offer a PBV subsidy. The 69 non-subsidized units are at 30% to 80% AMI levels with rents near the maximum allowable HUD/TCAC rents. The property is 87.0% occupied, with two applications in-process for the nine vacant units. According to the on-site manager, the property is short-staff and the manager has been unable to lease the units based on limited time availability, but that is anticipated to change as they are planning on hiring additional help. There is a short waiting list at the property, but the amount is unknown. Turnover averages 3 per year to 3% annually. Ocean View Senior offers a three-story "elevator-served" product with podium-level parking spaces. (The exact number of spaces is unknown). In summary, the subject property will offer a superior product type, relative to Ocean View Senior Apartments (built in 1973 and rehabbed in 2016).

Metro Center Senior (comparable #12) is in a somewhat urban setting in the central business district in Foster City, located approximately 10.1 miles to the northeast. In general, the property offers a superior location (more urban/less rural), although some senior residents may prefer a more rural/coastal location. Metro Center Senior (62+) was built in 1994 and offers 59 senior LIHTC units in 1B and 2B floor plans at 40% to 60% AMI levels. Rents are below maximum allowable HUD/TCAC rents. The property is 100.0% occupied and has a waiting list of 200+ households. Turnover averages 2 per year to 3% annually. Metro Center Senior offers a four-story "elevator-served" product with 21 podium-level parking spaces (0.35 spaces per unit). In summary, the subject property will offer a superior product type, relative to Metro Center Senior (built in 1994).

Arroyo Green Apartments (comparable #13) is in Redwood City, 11.3 miles to the north, offering a superior location to the subject site. Arroyo Green (62+) was built in 2021 and offers a total of 117 senior units, of which 94 units offer a PBV subsidy. The 23 non-subsidized units are studio and 1B units are at 50% to 60% AMI levels with rents at maximum allowable HUD/TCAC rents. The property is 91.3% occupied, with applications in-process for both vacant units. The property has a waiting list of 50+ households. Turnover averages 3 per year to 2.5% annually. Arroyo Green offers a seven-story "elevator-served" product with 83 podium-level parking spaces (0.70 spaces per unit). In summary, the subject property will offer a relatively comparable product type to Arroyo Green Apartments built in 2021.

Village at the Crossing (comparable #14) is in the City of San Bruno, located approximately 11.8 miles to the north. In general, the property offers a superior location (more urban/less rural), although some senior residents may prefer a more rural/coastal location. Village at the Crossing (62+) was built in 2007 and offers 228 senior LIHTC units in 1B and 2B floor plans at 30% to 60% AMI levels. Rents are at maximum allowable HUD/TCAC rents. The property is 100% occupied and has a waiting list of 110 households. Turnover averages 1 month to 5% annually. Village at the Crossing offers a four-story "elevator-served" product with podium-level parking

spaces (number unknown). In summary, the subject property will offer a superior product type, relative to Village at the Crossing (built in 2007).

Rotary Village (comparable #15) is in the City of South San Francisco, 12.6 miles to the north. In general, the property offers a superior location (more urban/less rural), although some senior residents may prefer a more rural/coastal location. Rotary Village (62+) was built in 1970, but rehabilitated in 2015, and offers 179 senior LIHTC studio and 1B units, of which, approximately 75% or 135 units offer a PBV subsidy. The estimated 44 non-subsidized units are at 50% and 60% AMI levels with rents are well maximum allowable HUD/TCAC rents. The property is 100% occupied and has a waiting list of 200+ households. Turnover averages 10 per year to 6% annually. Rotary Village offers a three-story "elevator-served" product with open surface and carport parking spaces. In summary, the subject property will offer a superior product type, relative to Rotary Village (built in 1970 and rehabbed in 2015).

Brunswick Street Apartments (comparable #16) is in Daly City, located approximately 16.6 miles to the north. In general, the property offers a superior location (more urban/less rural), although some senior residents may prefer a more rural/coastal location. Brunswick Street Apartments (55+) was built in 2020 and offers 204 senior LIHTC studio units with rents below maximum levels at 50% to 60% AMI levels. The property is 97.5% occupied, with applications in-process for the five vacant units. The property does not maintain a waiting list. Turnover averages 10 per year to 5% annually. Brunswick Street Apartments offers a six-story "elevator-served" product with 65 podium-level parking spaces (0.31 spaces per unit). In summary, the subject property will offer a comparable product type, relative to Brunswick Street Apartments (built in 2020).

Occupancy, Waiting List, Concessions and Turnover Analysis

Based on the lack of larger market-rate apartment complexes in the CMA, it was not possible to generate an accurate occupancy rate for the CMA. Additionally, secondary research publications do not track smaller apartment projects in the City of Half Moon Bay, so an overall occupancy rate for the City was unavailable. Based on the 18 units surveyed for this assignment, the overall occupancy rate was 75.0% (5 out of 20 vacant units); however, it should be noted that only vacant units were advertised and listed "for-rent". Given the lack of apartments in the local area it can be assumed that the rental vacancy level in Half Moon Bay is quite low.

Occupancy is strong for senior LIHTC projects. The occupancy rate for the senior LIHTC units is 97.6% (16 vacancies out of 697 units); however, there are applications in-process for 12 of the 19 vacant units. The units with no applications are all at Ocean View Senior Apartments. According to the on-site agent, there have staff storage issues and on-site managers hasn't had the resources and time to lease the units. Furthermore, the senior LIHTC projects had a combined waiting list of 778+ households. In addition, the only property in the entire county offering housing to farmworkers, Moonridge Apartments in Half Moon Bay has a waiting list of 300+ households and that list was generated during a three-week period in July 2024. Finally, according to the San Mateo Housing Authority, there are over 6,000 households on the Housing Choice Voucher waiting list and over 4,200 vouchers are in-use.

None of the market-rate projects offer move-in concessions. Turnover was unavailable for the market-rate units, but CMA has very low levels of turnover for senior LIHTC rental units. The senior LIHTC projects have a 3.7% average annual turnover rate ranging from a low of 2% at

San Mateo rotary Floritas to a high of 6% at Rotary Plaza. The extremely low turnover is the result of the lack of affordable senior units in the area and bode well for future leasing at the subject development.

Unit Composition and Sizes

A comparison of the subject property's unit sizes to market-rate and LIHTC projects is summarized below. The subject property units are roughly 1% to 11% smaller than market-rate units are equivalent, however, the 1B's and 2B's are 1% and 6% smaller, and the 2B's are 14% larger than respective LIHTC units, while the subject's 1B units are 6% smaller. The subject's units have been determined to be more than adequate for the local marketplace. Refer to the appendix of this report for the floor plans of the subject's units.

Unit Size Comparison

Unit Size	Subject Property (sf)	Market Rate (sf) 1/	Difference 3/	LIHTC 2/	Difference 3/
Studio	411	427	-4%	416	-1%
1B/1b	545	552	-1%	577	-6%
2B/1b	955	1,068	-11%	835	14%

1/ Based on the weighted average unit size of market-rate rental units (Exhibit III-1).
2/ Based on LIHTC projects in the CMA (Exhibit III-1).
3/ Positive (+) % indicates that subject is larger than competing units; negative (-) % indicates the subject is smaller.

Rental Structure Analysis

Current "net" (net of utility allowances) rents for the subject property were compared against market-rate rents, as shown in the table below. With adjustments, the subject's "net" rents for studio, 1B, and 2B units at all the AMI's are **34% to 41% below** market rents.

Subject Property Proposed "Net" Rents vs. Weighted Average Market Rents

Unit Type	Income Limits	Net Rents	Existing Rents 1/	Rent Differences 2/ $	Rent Differences 2/ %
Studio	30%	$932	$2,437	($1,505)	-62%
Studio	50%	$1,617	$2,437	($820)	-34%
1B/1b	30%	$985	$2,656	($1,671)	-63%
1B/1b	50%	$1,720	$2,625	($905)	-34%
2B/1b	30%	$1,165	$3,485	($2,320)	-67%
2B/1b	50%	$2,046	$3,485	($1,439)	-41%

1/ Represents the weighted average (adjusted) market-rate rents for 1B, 2B and 3B units (Exhibit III-1).
2/ (+) % indicate that subject is above market/LIHTC rents; negative (-) % indicates that subject rents are lower.

Using TCAC's Rent Comparability Matrix (located in the Appendix), the subject's studio unit rents at 50% AMI levels (highest rents) are **34% below** the adjusted market-rate studio units, while the subject's studio rents on a price per square foot basis are **35% below** market-rate studio unit price per square foot rents. The subject's 1B unit rents at 50% AMI levels (highest rents) are **35% below** the adjusted market-rate 1B units, while the subject's 1B rents on a price per square foot basis are **34% below** market-rate 1B unit price per square foot rents. Finally, the subject's 2B unit rents at 50% AMI levels (highest rents) are **41% below** the adjusted market-

rate 2B units, while the subject's 2B rents on a price per square foot basis are **37% below** market-rate 2B unit price per square foot rents.

Rental adjustments for the subject property were made in the Rent Comparability Matrix in the Appendix ranging from 87% to 113% for studio units, 91% to 113% for 1B units, and 83% to 95% for the 2B units. One of the studio comps, 214 Washington, exceeded TCAC's 110% maximum level, but the property did not offer a kitchen, and it was necessary to adjust the rents. One of the 1B comps, 279 Virginia, was built in 1975 and is in poor condition and yet to be rehabilitated and is only 400 square feet. Both comps that exceeded the 110% maximum were adjusted to 113%. In general, the adjustments for comparable properties were mainly for the lack of common area amenities and unit features offered at some of the market-rate comps. The largest dollar amount for adjustments was $150 for in-unit washer and dryer appliances offered at some of the market-rate properties. Under normal conditions, a 10% or higher difference between market-rate and LIHTC rents is considered favorable for the success of LIHTC projects. The difference between the subject rents and market-rate rents bode well for the subject property.

The adjustment assumptions in the matrix were based on typical market conditions in the greater PMA. Finally, if the subject property were not income-restricted its **Derived Market Rent** is estimated to be **$2,400** or $5.82 per square foot for the **studio unit** (411 square feet), **$2,750** or $5.05 per square foot for the **1B unit** (545 square feet), and **$3,300** or $3.46 per square foot for the **2B unit** (955 square feet),

Planned and Proposed Projects

According to Half Moon Bay planning officials, there are no approved large (50 unit+) senior market-rate multifamily projects proposed in the city. According to TCAC and CDLAC, there are no proposed senior developments, but one farmworkers project that has been awarded Joe Serna Jr. credits. The development, located at 880 Stone Pine Road, 0.75 miles to the northeast, will offer 47 manufactured homes in 1B, 2B and 3B floorplans. The development recently started construction and is anticipated to be completed by early 2026. The property will also offer 117 surface parking spaces. The property is not age-restricted and open to all farmworkers who qualify.

Another general occupancy LIHTC development, of which, 18 of 71 units will be allocated for farmworkers. The development, Cypress Point, is in Moss Beach, approximately 7.0 miles to the northwest of the subject site. Cypress Point has been awarded LIHTC's and has also received funding from the county. The development is slated to offer 71 units in 1B, 2B and 3B floorplans in a two-story product type with 142 parking spaces with rents ranging from 30% to 60% AMI's. Construction is anticipated to commence in mid-2025 and will be completed in mid-2026. Given the lack of farmworkers housing in the local PMA and the difference in target populations, neither of the proposed farmworkers projects will be competitive to the proposed subject development.

IV. DEMAND ANALYSIS

Newport Realty Advisors has prepared a statistical demand forecast based on current/projected household growth and income qualified residents to assess the overall depth of demand in the PMA (Exhibit IV-1). The model qualifies new household population and potential turnover population by such factors as age, household, income level and propensity to rent. Qualified new households were added to the likely turnover of qualified existing households for the total annual demand potential and the subject property's potential market penetration.

Exhibit IV-1
Estimated Annual Demand Potential at Subject Property

	Unit Type:	Total	S @ 30%	S @ 50%	1B @ 30%	1B @ 50%	2B @ 30%	2B @ 50%
	Qualified Income Range 1/	$27.960-$97,900	$27.960-$29,550	$49,510-$52,000	$29,550-$40,000	$52,000-$78,350	$37,000-$39,000	$78,350-$97,900
	Estimated Household Size (up to)		1-Person	1-Person	2-Person	2-Person	4-Person	4-Person
	Max. % of Income used for Rent (Qualification Ratio)		40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
	SOURCES OF DEMAND							
	New Household Growth, 2025-2030							
	Total Annual New Households Within PMA (65+)	173	173	173	173	173	173	173
x	Income and Age Qualified Households 2/	23.5%	0.8%	1.8%	4.6%	14.0%	1.1%	1.3%
=	Income and Age Qualified Households	41	1	3	8	24	2	2
x	% Renter 3/	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%
=	Income Qualified Renters	13	0	1	2	8	1	1
=	Annual Qualified Demand From New HH Growth	13	0	1	2	8	1	1
	Renter Turnover							
	Total 2025 Households (65-84)	11,601	11,601	11,601	11,601	11,601	11,601	11,601
x	Income and Age Qualified Households 3/	23.5%	0.8%	1.8%	4.6%	14.0%	1.1%	1.3%
=	Income and Age Qualified Households	2,720	87	203	528	1,624	128	151
x	% Renter 3/	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%
=	Income Qualified Renters	843	27	63	164	503	40	47
x	Annual Turnover 4/	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
=	Qualified Turnover Households	295	9	22	57	176	14	16
=	Annual Qualified Demand From Renter Turnover	295	9	22	57	176	14	16
	Total Estimated Annual Demand Potential	308	10	23	60	184	14	17
x	% Demand from Outside Primary Market Area 5/	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
=	Total Annual Demand in PMA	308	10	23	60	184	14	17
=	SubTotal Annual Demand in PMA	308	10	23	60	184	14	17
=	**Total Demand**	**308**	**10**	**23**	**60**	**184**	**14**	**17**
	Total Number of Units at the Subject	39	2	1	7	27	1	1
=	**Subject's Market Capture**	**12.7%**	**20.3%**	**4.4%**	**11.7%**	**14.7%**	**6.9%**	**5.9%**

1/ Income levels based on HUD maximum for respective household/income levels (Exhibit II-6). Assumes household will use up to 35% of income for rent.
2/ Claritas household income based on 2023 PMA for ages 65+ from Exhibit II-5.
3/ Percentage of senior renters (65+) in PMA from Census 2023 (Exhibit II-5).
4/ Represents average turnover in a typical unconstrained market.
5/ Estimate of demand coming outside PMA, based on the relative small size of the PMA.

The model indicates that there is enough demand to justify the development of 555 Kelly. The subject property's 39 LIHTC units would need to achieve a market capture of roughly 12.7% of the PMA's first year demand (308 households) to successfully achieve stabilization (95% occupancy). The projected capture is achievable given the near 100.0% occupancy rate

(applications in-process for nearly vacant units) at existing senior LIHTC projects; the lack of proposed senior LIHTC projects in the PMA; the current waiting list at existing senior LIHTC projects (778+ households); the waiting list (300+) at the only farmworkers property in the county; and the relatively small size of PMA. Finally, the penetration rate for the PMA is above 100% (subject 39 units + 697 existing LIHTC units divided by 308); however, it should be noted that all the senior LIHTC properties are located outside of the CMA as the local CMA does not offer any non-subsidized senior LIHTC units. The penetration rate is also deceiving given the number of senior LIHTC properties that were surveyed for this analysis. A more accurate indication of housing demand is current waiting lists at both existing senior LIHTC properties and the only farmworkers property, Moonridge Apartments, in the CMA.

Absorption Analysis – LIHTC Units

The projected absorption for the subject property, based on an overall monthly absorption rate of is determined to be approximately 25 units per month. The absorption rate is based on the overall size of the market, projected future household growth, current/demand levels, and waiting lists at existing senior LIHTC projects and farmworkers property. In general, our projected absorption rate is relatively conservative based on the lack of affordable housing in the PMA. Overall, the projected absorption rate at the subject property translates to a minimum lease-up period of approximately 1.5 months.

V. CONCLUSIONS AND RECOMMENDATIONS

Our analysis indicates that there is a strong need for LIHTC senior farmworkers rental units in the local marketplace. This assumption is based on favorable supply/demand fundamentals, specifically the strong demand for LIHTC units in the PMA as evidenced by the near 100.0% senior LIHTC occupancy levels (applications in-process for nearly all vacant units); 778+ household waiting list from the senior LIHTC projects; the 300+ waiting list at the only farmworkers property, Moonridge Apartments, in the county; the lack of new senior LIHTC projects proposed in the PMA; the statistics from the ALAS survey indicating the need for farmworkers housing for residents 55+; and finally, the subject property's Half Moon Bay coastal location and new product offering.

Additionally, the subject property will offer unit features that are more than adequate for the local marketplace. Under typical conditions, a 10.0% or higher difference between market-rate and LIHTC rents is favorable for the success of LIHTC projects. The proposed subject's recommended rents for studio to 2B units' position it **34% to 41% below** the adjusted comparable market rents for the subject's units at the highest 50% AMI level, based on the Rent Comparability Matrix in the Appendix.

All information contained in this study is believed to be accurate, reliable, and timely. Newport Realty Advisors LLC has no reason to question the accuracy of the data compiled in this report; however, we are unable to guarantee its contents.

SECTION 4:

APPENDIX

EXHIBIT III-1
SURVEY OF SELECTED MARKET RATE AND LOW-INCOME TAX CREDIT PROJECTS
COMPETITIVE MARKET AREA
MARCH 2025

	PROJECT NAME/ LOCATION/CONTACT	YEAR BUILT	UNIT CHARACTERISTICS NO	VACANT	TYPE	SIZE	MONTHLY RENT RENTAL RANGE	$/SQ. FT.	PRODUCT TYPE	COMMENTS/LOCATION
Market-Rate Comparables										
1	653 GROVE STREET 653 Grove Street #C Half Moon Bay, CA (650) 298-7766; Mira	1960s	1	1	1B/1b	600	$2,300 - $2,300	$3.83 - $3.83	Two-Story Walk-Up Configuration	Unit located in a fourplex and is party of a 16-unit building. Property offers tuck-under carport parking and the unit contains mostly original fixtures and kitchen cabinets. Unit size estimated. The property is located 0.60 miles to the south of the subject site.
2	515 TERRACE AVENUE 515 Terrace Avenue #B Half Moon Bay, CA (415) 358-7178; Jason	2024	1	1	1B/1b	657	$2,995 - $2,995	$4.56 - $4.56	Single-Story ADU	ADU unit in the rear of a single-family home. No parking offered. Brand new construction. The property is located 0.65 miles to the west.
3	1018 GOLDEN GATE 1018 Golden Gate Avernue #A Half Moon Bay, CA (631) 889-9210	2021	1	1	Studio	330	$2,550 - $2,550	$7.73 - $7.73	Single-Story ADU	ADU unit in the rear of a single-family home. No parking offered. Newer construction. The property is located 0.95 miles to the northwest.
4	390 REDONDO ROAD 390 Redondo Road #B Half Moon Bay, CA (916) 909-1731; Adrienne	2025	1	1	2B/1b	995	$4,000 - $4,000	$4.02 - $4.02	Single-Story ADU	ADU unit in the rear of a single-family home. No parking offered. Brand new construction. The property is located 1.64 miles to the south.
5	214 WASHINGTON BLVD 214 Washington Boulevard #A Half Moon Bay, CA (310) 879-5295; Lester	1998	1	1	Studio	425	$2,900 - $2,900	$6.82 - $6.82	2nd Story ADU	Second story of a single-family home converted to an ADU unit. No kitchen or parking with private entrance. The property is located 2.07 miles to the north of the subject site.
6	477 3RD AVENUE 477 3rd Avenue Half Moon Bay, CA (213) 319-6354; Rita	2022	1	1	Studio	525	$2,995 - $2,995	$5.70 - $5.70	Single-Story ADU	ADU unit of a single-family home. Open surface parking offered. The property is located 2.55 miles to the northwest of the subject site.
7	195 AVENUE CABRILLO 195 Avenue Cabrillo #9 El Granada, CA (650) 643-4851; Katrina	2018	1	1	2B/2b	1,000	$4,000 - $4,000	$4.00 - $4.00	Three-Story Elevator-Served Building	Nine-unit multifamily building with podium level parking. Property is located 3.18 miles to the north-west of the subject site.
8	MAVERICK APARTMENTS 101 Avenue Portola Half Moon Bay, CA (650) 740-3455; Camille	2017	10 2 12	0 0 0	2B/2b 3B/2b	1,082 1,330 1,123	$3,835 - $3,900 $4,095 - $4,295 $3,878 - $3,966	$3.54 - $3.60 $3.08 - $3.23 $3.45 - $3.53	Three-Story "Walk-Up" Configuration	12-unit apartment complex. The 2B units range in size from 983 to 1,089 SF. The last unit rented was 1,082 SF within the last month. Podium level covered parking offered. The property is located 3.40 miles to the northwest of the subject site.

EXHIBIT III-1
SURVEY OF SELECTED MARKET RATE AND LOW-INCOME TAX CREDIT PROJECTS
COMPETITIVE MARKET AREA

	PROJECT NAME/ LOCATION/CONTACT		UNIT CHARACTERISTICS NO	VACANT	TYPE	SIZE	MONTHLY RENT RENTAL RANGE	$/SQ. FT.	PRODUCT TYPE	COMMENTS/LOCATION
Market-Rate Comparables (Continued)										
9	279 VIRGINIA AVENUE 279 Virginia Avenue Moss Beach, CA (650) 420-1147; Andrea	1975	1	1	1B/1b	400	$2,500 - $2,500	$6.25 - $6.25	Two-Story Duplex Configuration	ADU unit built above the garage in a two-story home. Unit has a separate entrance. No parking offered. The property locatedd 6.21 miles to the northwest of the subject site.
	Market-Rate Projects-	**Studio**	**3**	**3**	**15%**	**427**	**$2,815 - $2,815**	**$6.60 - $6.60**		
		1B	**3**	**3**	**15%**	**552**	**$2,598 - $2,598**	**$4.70 - $4.70**		
		2B	**12**	**2**	**60%**	**1,068**	**$3,863 - $3,917**	**$3.62 $3.67**		
		3B	**2**	**0**	**10%**	**1,330**	**$4,095 - $4,295**	**$3.08 $3.23**		
	Weighted Averages	**75.0%**	**20**	**5**	**100%**	**788**	**$3,130 $3,162**	**$3.97 $4.01**		

	PROJECT NAME/ LOCATION/	BUILT/ OCC./	UNIT CHARACTERISTICS NO	VACANT	TYPE	SIZE	MONTHLY RENT RENTAL RANGE	$/SQ. FT.	PRODUCT TYPE	TURNOVER RATE/CONCESSIONS COMMENTS/
Senior LIHTC Comparable Projects										
10	SAN MATEO ROTARY FLORITAS 99 27th Avenue San Mateo, CA 650-286-1146; Jabbar	2005 100.0%	5 5 4 4 20 9	0 0 0 0 0 0	1B/1b @ 30% 1B/1b @ 35% 1B/1b @ 40% 1B/1b @ 45% 1B/1b @ 50% 2B/1b @ 50%	500 500 500 500 500 675	$610 - $610 $725 - $725 $805 - $805 $920 - $920 $1,200 - $1,200 $1,800 - $1,800	$1.22 - $1.22 $1.45 - $1.45 $1.61 - $1.61 $1.84 - $1.84 $2.40 - $2.40 $2.67 - $2.67	Three-Story "Elevator-Served" Configuration	Turnover averages 1/year or 2% annually. Property for seniors 62+. Rents are intentionally below maximum HUD/TCAC rents levels. Units are on "floating" system whereby current tenants, if eligible, can move into lower AMI units if they are vacated and new tenants will come in a higher AMI levels. The property has a waiting list of 218 households. The property is located 8.78 mile to the NW of the subject site.
		Weighted Avg.	47	0		534	$1,144 - $1,144	$2.14 - $2.14		
11	OCEAN VIEW SENIOR APTS 555 Crespi Drive Pacifica, CA 94044 650-359-2114; Wendy	1973 Rehab - 2016 87.0% Weighted Avg	10 49 10 69	0 2 7 9	1B/1b @ 30% 1B/1b @ 60% 1B/1b @ 80%	525 525 525 525	$1,016 - $1,016 $2,034 - $2,034 $2,712 - $2,712 $1,985 - $1,985	$1.94 - $1.94 $3.87 - $3.87 $5.17 - $5.17 $3.78 - $3.78	Three-Story "Elevator-Served" Configuration	Turnover averages 3/year or 3% annually. Property (62+) offers 99 LIHTC units, with 30 PBV's. The 69 non-subsidized units are near max. rent levels. Applications in-process for 2 of the vacant units. Property has a waiting list, but office is short staff so manager hasn't had the time to lease the units. Property is located 10.1 miles to the NE.
12	METRO CENTER SENIOR 100 Village Lane Foster City, CA 650-349-9959; Lenaya	1995 Rehab - 2013 100.0%	8 25 4 8 10 4	0 0 0 0 0 0	1B/1b @ 40% 1B/1b @ 50% 1B/1b @ 60% 2B/1b @ 40% 2B/1b @ 50% 2B/1b @ 60%	600 600 600 873 873 873	$1,250 - $1,250 $1,525 - $1,525 $1,700 - $1,700 $1,550 - $1,550 $1,800 - $1,800 $2,100 - $2,100	$2.08 - $2.08 $2.54 - $2.54 $2.83 - $2.83 $1.78 - $1.78 $2.06 - $2.06 $2.41 - $2.41	Five-Story "Elevator-Served" Configuration	Turnover averages 2/year or 3% annually. Senior (62+) LIHTC property. Rents below HUD/ TCAC maximum allowable rent levels. Property has a waiting list of 200+ households. Property is located 10.8 miles to the northeast of the subject site.
		Weighted Avg.	59	0		702	$1,589 - $1,589	$2.26 - $2.26		
13	ARROYO GREEN APTS 707 Bradford Street Redwood City, CA 650-509-5020; Myra	2021 91.3% Weighted Avg	2 9 12 23	0 1 1 2	Studio @ 50% 1B/1b @ 50% 1B/1b @ 60%	362 362 563 467	$1,542 - $1,542 $1,747 - $1,747 $2,114 - $2,114 $1,921 - $1,921	$4.26 - $4.26 $4.83 - $4.83 $3.75 - $3.75 $4.11 - $4.11	Seven-Story "Elevator-Served" Configuration	Turnover averages 3/year or 3% annually. Property (62+) has 117 LIHTC units, with 94 units offering PBV's for VASH or homeless residents. Rents for 23 units are at max. HUD/TCAC rents. Applications in process for both vacant units. Unit mix for 1B units estimated. Property has a waiting list of 50+ HH's. The property is located 11.3 miles to the east of the subject site.

EXHIBIT III-1
SURVEY OF SELECTED MARKET RATE AND LOW-INCOME TAX CREDIT PROJECTS
COMPETITIVE MARKET AREA

	PROJECT NAME/ LOCATION/	BUILT/ OCC./	UNIT CHARACTERISTICS NO	VACANT	TYPE	SIZE	MONTHLY RENT RENTAL RANGE	$/SQ. FT.	PRODUCT TYPE	TURNOVER RATE/CONCESSIONS COMMENTS/
	Senior LIHTC Comparable Projects (Continued)									
14	VILLAGE AT THE CROSSING	2007	21	0	1B/1b @ 30%	619	$1,259 - $1,259	$2.03 - $2.03	Four-Story	Turnover averages 1/month or 5% annually.
	1101 National Avenue	100.0%	8	0	1B/1b @ 50%	619	$1,679 - $1,679	$2.71 - $2.71	"Elevator-Served"	Senior (62+) LIHTC property. Rents at HUD/
	San Bruno, CA		149	0	1B/1b @ 60%	619	$2,028 - $2,028	$3.28 - $3.28	Configuration	TCAC maximum allowable rent levels. Property
	650-588-8036; Tina		8	0	2B/1b @ 30%	847	$1,160 - $1,160	$1.37 - $1.37		has a 110+ waiting list and is located 11.8 miles
			4	0	2B/1b @ 50%	847	$1,999 - $1,999	$2.36 - $2.36		north of the subject site.
			38	0	2B/1b @ 60%	847	$2,419 - $2,419	$2.86 - $2.86		
		Weighted Avg	228	0		669	$1,979 - $1,979	$2.96 - $2.96		
15	ROTARY PLAZA	1970	10	0	Studio @ 50%	380	$775 - $775	$2.04 - $2.04	Four-Story	Turnover averages 10/year or 6% annually.
	433 Alida Way	Rehab - 2015	20	0	Studio @ 60%	380	$775 - $775	$2.04 - $2.04	"Walk-Up"	Property (62+) offers 179 LIHTC units, with
	South San Francisco, CA	100.0%	4	0	1B/1b @ 50%	600	$975 - $975	$1.63 - $1.63	Configuration	roughly 75% of units offering a PBV subsidy &
	650-871-5323; Debra/Ricky		10	0	1B/1b @ 60%	600	$975 - $975	$1.63 - $1.63		25% of units tenants responsible for LIHTC rents
		Weighted Avg.	44	0		450	$839 - $839	$1.86 - $1.86		well below maximum allowable LIHTC rents.
										The on-site agent was unsure of the exact
										unit mix so it was estimated. Exhibit only shows
										an estimate of the non-subsidized LIHTC units.
										Property has a waiting list of 200+ HH and is
										located 12.6 miles to the NW of the subject site.
16	BRUNSWICK STREET APTS	2020	21	2	Studio @ 50%	422	$1,550 - $1,550	$3.67 - $3.67	Six-Story	Turnover averages 10/year or 5% annually.
	4619 Brunswick Street	97.5%	183	3	Studio @ 60%	422	$1,550 - $1,550	$3.67 - $3.67	"Interior-	Property (55+) with rents near maximum allow-
	Daly City, CA	Weighted Avg.	204	5		422	$1,550 - $1,550	$3.67 - $3.67	Hallway"	able rent for untis at 50%, but below max. rents
	650-731-4139; Tina								Configuration	for units at 60%. Applications are in-process for
										all vacant units. The properties does not have a
										waiting list. The property is located 16.6 miles
										to the north of the subject site.
	Senior LIHTC Projects-	**Studio**	**236**	**5**	**35%**	**416**	**$1,451 - $1,451**	**$3.49 - $3.49**		
		1B	**357**	**11**	**53%**	**577**	**$1,754 - $1,754**	**$3.04 - $3.04**		
		2B	**81**	**0**	**12%**	**835**	**$2,027 - $2,027**	**$2.43 - $2.43**		
	Weighted Average	**97.6%**	**674**	**16**	**100%**	**552**	**$1,681 $1,681**	**$3.05 $3.05**		

	PROJECT NAME/ LOCATION/		UNIT CHARACTERISTICS NO	VACANT	TYPE	SIZE	MONTHLY RENT GROSS	UTILITIES	NET	$/SQ. FT.	PRODUCT TYPE	UNIT FEATURES/ COMMENTS
	Subject Property											
	555 KELLY	2028	2	0	Studio @ 30%	411	$1,028	$96	$932	$2.27	Five-Story	Construction to start in January 2027 and is
	555 Kelly Avenue		1	0	Studio @ 50%	411	$1,713	$96	$1,617	$3.93	"Elevator-Served"	excepted to be completed in 18 months or by
	Half Moon Bay, CA 94019		7	0	1B/1b @ 30%	545	$1,101	$116	$985	$1.81	Configuration	June 2028.
			27	0	1B/1b @ 50%	545	$1,836	$116	$1,720	$3.16		
			1	0	2B/1b @ 30%	955	$1,322	$157	$1,165	$1.22		
			1	0	2B/1b @ 50%	955	$2,203	$157	$2,046	$2.14		
		Weighted Average	39	0		556	$1,656	$117	$1,539	$2.77		

Note: One 2B unit allocated as a non-revenue manager's unit (not shown above).

Source: Information based on interviews with leasing agents and compiled by Newport Realty Advisors LLC.

Exhibit III-2
Map of Subject Site and Comparable Properties (w 1.0 mile ring)

SECTION 5:

TCAC REQUIRED FORMS

PICTURES OF SUBJECT SITE

Pictures of the Subject Site's Neighborhood

Pictures of Comparable Market-Rate and LIHTC Projects

Pictures of Nearby Land Uses for Market-Rate Comps Located Outside Required 1.0-Mile Ring

PICTURES OF SUBJECT SITE

Picture in front of the subject site along Kelly Avenue facing a northern direction.

Picture in front of the subject site at Kelly Avenue facing a northeast direction.

PICTURES OF SUBJECT SITE

Picture in front of the subject site along Kelly Avenue facing a northern direction.

Picture from the middle of the subject site at Kelly Avenue facing a northeast direction.

PICTURES OF SUBJECT SITE'S NEIGHBORHOOD

Picture in front of the subject site along Kelly Avenue facing a western direction.

Picture in front of the subject site along Kelly Avenue facing an eastern direction.

PICTURES OF MARKET-RATE COMPARABLES

Comparable #1 – 653 Grove Street, #C, Half Moon Bay

Comparable #2 – 515 Terrace Avenue, #B, Half Moon Bay

PICTURES OF MARKET-RATE COMPARABLES

Comparable #3 – 1018 Golden Gate #B, Half Moon Bay

Comparable #4 – 390 Redondo Road, #B, Half Moon Bay

PICTURES OF MARKET-RATE COMPARABLES

Comparable #5 – 214 Washington Boulevard, #A, Half Moon Bay

Comparable #6 – 477 3rd Avenue, Half Moon Bay

PICTURES OF MARKET-RATE COMPARABLES

Comparable #7 – 195 Avenue Cabrillo, El Granada

Comparable #8 – Maverick Apartments, Half Moon Bay

PICTURES OF MARKET-RATE COMPARABLES

Comparable #9 – 279 Virginia Avenue, Moss Beach

PICTURES OF SENIOR LIHTC COMPARABLES

Comparable #10 – San Mateo rotary Floritas

PICTURES OF LIHTC COMPARABLES

Comparable #11 – Ocean View Senior Apartments

Comparable #12 – Metro Center Senior

PICTURES OF LIHTC COMPARABLES

Comparable #13 – Arroyo Green Apartments

Comparable #14 – Village at the Crossing

PICTURES OF LIHTC COMPARABLES

Comparable #15 – Rotary Plaza

Comparable #16 – Brunswick Street Apartments

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #4 – 390 Redondo Road, #B Half Moon Bay; Pictures around the site.

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #5 – 214 Washington, Half Moon Bay; Pictures around the site.

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #5 – 214 Washington, Half Moon Bay; Pictures around the site.

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #6 – 477 3rd Street, Half Moon Bay; Pictures around the site.

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #6 – 477 3rd Street, Half Moon Bay; Pictures around the site.

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #7 – 195 Avenue Cabrillo, El Granada; Pictures around the site.

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #7 – 195 Avenue Cabrillo, El Granada; Pictures around the site.

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #8 – Maverick Apartments, Half Moon Bay; Pictures around the site.

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #8 – Maverick Apartments, Half Moon Bay; Pictures around the site.

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #9 – 279 Virginia Avenue, Moss Beach; Pictures around the site.

PICTURES OF SURROUNDING LAND USES FOR MARKET-RATE COMPARABLES OUTSIDE 1.0 MILE MARKET AREA

Comparable #9 – 279 Virginia Avenue, Moss Beach; Pictures around the site.

RENT COMPARABILITY MATRIX

Market-Rate Property Comparables (Studio, 1B, and 2B units)

LIHTC Property Comparables (Studio, 1B, and 2B units)

Studio Rent Comparability Matrix

Enter Data in Blue or Blank Fields	555 Kelly	1018 Golden Gate		214 Washington 4/		477 3rd Avenue			
Date of Market Study:	555 Kelly	1018 Golden Gate #A		214 Washington Blvd #A		477 3rd Ave			
4-Apr-25	Half Moon Bay	Half Moon Bay		Half Moon Bay		Pacifica			
Prepared By:	N/A	650-298-7766		310-879-5295		650-238-7411			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
Analysis Using Highest Rents for Subject	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
("M"arket, "L"ow Income)	L	M		M		M			
Distance in Miles from Subject		0.95		2.07		2.55			
Number of Units		1		1		1		3	
Vacancy Rate		N/A		N/A		N/A			
Waiting List ("Y"es or "N"o)		N		N		N			
Turnover Rate		N/A		N/A		N/A			
Unit Size in SF	411	330		425		450		401.6667	
Aggregate Size in SF		330		425		450		1,205	
Base Rent	$1,617	$2,550		$2,900		$1,850		$2,433	-33.55%
Aggregate Rent		$2,550		$2,900		$1,850		$7,300	
Value Ratio ($/SF)	$3.93	$7.73		$6.82		$4.11		$6.06	-35.06%
# of stories	5-Story	1		2		1			
Elevator ("Y"es or "N"o)	Y	N		N	$10		$10		
# of Bedrooms	Studio	Studio		Studio		Studio			
# of Bathrooms	1	1		1		1			
Unit Size Adjustment 1/	411		$61		-$11		-$29		
Rent Concessions									
Age (built or last renovated)	2028	2021		1988	$250	2022			
Utilities Paid by Tenant									
Electricity	X	X		X		X			
Heat ("G"as or "E"lectric)	E	G		G		G			
Hot Water (G or E)	E	E		E		E			
Cooking (G or E)	E	G		G		E			
TV ("C"able or "S"atellite)	C	C		C		C			
Water						X	-$25		
Sewer									
Trash									
Unit Amenities									
Central Heat/Cool	Heat	Heat		Heat		Heat			
Blinds	X	X		X		X			
Carpet	Laminate	Wood	-$25	Plnak		Wood	-$25		
Ceiling Fan									
Skylight									
Storage Closet									
Coat Closet	X	X		X		X			
Walk-In Closet				X	-$25				
Fireplace		X	-$30			X	-$30		
Patio/Balcony		X	-$50	X	-$50	X	-$50		
Appliances 5/									
Refrigerator	X	X		X		X			
Stove/Oven	X	X			$50	X			
Dishwasher		X	-$50			X	-$50		
Garbage Disposal	X	X			$15	X			
Microwave		X	-$15			X	-$15		
Washer/Dryer		X	-$150			X	-$150		
Washer/Dryer Hook-ups									
Parking/Transportation 2/									
Surface Parking						X	-$25		
Carport									
Underground Parking									
Detached Garage									
Attached Garage									
Tuck-under Garage	X		$75		$75		$75		
Parking Garage									

Studio Rent Comparability Matrix

Enter Data in Blue or Blank Fields	555 Kelly	1018 Golden Gate		214 Washington 4/		477 3rd Avenue			
Date of Market Study:	555 Kelly	1018 Golden Gate #A		214 Washington Blvd #A		477 3rd Ave			
4-Apr-25	Half Moon Bay	Half Moon Bay		Half Moon Bay		Pacifica			
Prepared By:	N/A	650-298-7766		310-879-5295		650-238-7411			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
Analysis Using Highest Rents for Subject	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
Project Amenities									
Clubhouse/Community Room	X		$25		$25		$25		
Swimming Pool									
Spa/Jacuzzi									
Exercise Room									
Picnic Area	X		$20		$20		$20		
Tot Lot/Playground									
Tennis Court									
Basketball Court									
Volleyball Court									
On Site Manager	X		$20		$20		$20		
Laundry Room	X			X					
Computer Room									
Business Center									
Car Wash Area									
Security									
Gated 3/	X	X		X		X			
Courtesy Patrol									
Surveillance Camera	X								
Adjusted Rent	$1,617		$2,431		$3,280		$1,601	$2,437	-33.65%
Aggregate Adjusted Rent			$2,431		$3,280		$1,601	$7,311	
Adjusted Value Ratio ($/SF)	$3.93		$7.37		$7.72		$3.56	$6.07	-35.15%
***Adjusted Rent/Base Rent**			95%		113%		87%		

***Comps that exceed 10% (110%) above the adjusted rent/base rent must be thorougly justified and explained.**

1/ Unit adjustment assumes a $0.75/SF change for unit sizes larger or smaller than the subject's unit size.
2/ Subject will offer 18 podium-level parking spaces (0.45 spaces/unit). Partial adjustment as not every unit will offer parking.
3/ Assumes secured entry.
4/ 214 Washington does not have a kitchen, only a cooktop and small refrigerator, so adjustment made in the "age" column.

1B Rent Comparability Matrix

Enter Data in Blue or Blank Fields	555 Kelly	653 Grove Street		515 Terrace Avenue		279 Virginia Ave			
Date of Market Study:	555 Kelly	653 Grove Street #C		515 Terrace Avenue #B		279 Virginia Ave			
4-Apr-25	Half Moon Bay	Half Moon Bay		Half Moon Bay		Moss Beach			
Prepared By:	N/A	650-298-7766		415-358-7178		650-420-1147			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
Analysis Using Highest Rents for Subject	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
("M"arket, "L"ow Income)	L	M		M		M			
Distance in Miles from Subject		0.60		0.65		6.21			
Number of Units		1		1		1		3	
Vacancy Rate		N/A		N/A		N/A			
Waiting List ("Y"es or "N"o)		N		N		N			
Turnover Rate		N/A		N/A		N/A			
Unit Size in SF	545	600		657		400		552.3333	
Aggregate Size in SF		600		657		400		1,657	
Base Rent	$1,720	$2,300		$2,995		$2,500		$2,598	-33.80%
Aggregate Rent		$2,300		$2,995		$2,500		$7,795	
Value Ratio ($/SF)	$3.16	$3.83		$4.56		$6.25		$4.70	-32.91%
# of stories	5-Story	2		1		2			
Elevator ("Y"es or "N"o)	Y	N	$10	N		N	$10		
# of Bedrooms	1	1		1		1			
# of Bathrooms	1	1		1		1			
Unit Size Adjustment 1/	545		-$41		-$84		$109		
Rent Concessions									
Age (built or last renovated)	2028	1965	$75	2024		1976	$25		
Utilities Paid by Tenant									
Electricity	X	X		X			$25		
Heat ("G"as or "E"lectric)	E	E		E			$20		
Hot Water (G or E)	E	E		E			$20		
Cooking (G or E)	E	G		E			$15		
TV ("C"able or "S"atellite)	C	C		C		C			
Water				X	-$25				
Sewer									
Trash									
Unit Amenities									
Central Heat/Cool	Heat	Heat		Heat		Heat			
Blinds	X	X		X		X			
Carpet	Laminate	Tile/Vinyl		Wood	-$25	Wood	-$25		
Ceiling Fan									
Skylight									
Storage Closet									
Coat Closet	X	X		X		X			
Walk-In Closet				X	-$25				
Fireplace									
Patio/Balcony				X	-$50				
Appliances 5/									
Refrigerator	X	X		X		X			
Stove/Oven	X	X		X		X			
Dishwasher				X	-$50				
Garbage Disposal	X	X		X		X			
Microwave				X	-$15	X	-$15		
Washer/Dryer				X	-$150				
Washer/Dryer Hook-ups									
Parking/Transportation 2/									
Surface Parking									
Carport		X	-$50						
Underground Parking									
Detached Garage									
Attached Garage									
Tuck-under Garage	X		$75		$75		$75		
Parking Garage									

1B Rent Comparability Matrix

Enter Data in Blue or Blank Fields	555 Kelly	653 Grove Street		515 Terrace Avenue		279 Virginia Ave			
Date of Market Study:	555 Kelly	653 Grove Street #C		515 Terrace Avenue #B		279 Virginia Ave			
4-Apr-25	Half Moon Bay	Half Moon Bay		Half Moon Bay		Moss Beach			
Prepared By:	N/A	650-298-7766		415-358-7178		650-420-1147			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
Analysis Using Highest Rents for Subject	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
Project Amenities									
Clubhouse/Community Room	X		$25		$25		$25		
Swimming Pool									
Spa/Jacuzzi									
Exercise Room									
Picnic Area	X		$20		$20		$20		
Tot Lot/Playground									
Tennis Court									
Basketball Court									
Volleyball Court									
On Site Manager	X		$20		$20		$20		
Laundry Room	X	X		X					
Computer Room									
Business Center									
Car Wash Area									
Security									
Gated 3/	X	X		X		X			
Courtesy Patrol									
Surveillance Camera	X								
Adjusted Rent	$1,720		$2,434		$2,711		$2,824	$2,656	-35.25%
Aggregate Adjusted Rent			$2,434		$2,711		$2,824	$7,969	
Adjusted Value Ratio ($/SF)	$3.16		$4.06		$4.13		$7.06	$4.81	-34.37%
***Adjusted Rent/Base Rent**			106%		91%		113%		

***Comps that exceed 10% (110%) above the adjusted rent/base rent must be thorougly justified and explained.**

1/ Unit adjustment assumes a $0.75/SF change for unit sizes larger or smaller than the subject's unit size.
2/ Subject will offer 18 podium-level parking spaces (0.45 spaces/unit). Partial adjustment as not every unit will offer parking.
3/ Assumes secured entry.

2B Rent Comparability Matrix

Enter Data in Blue or Blank Fields	555 Kelly	390 Redondo Road		195 Avenue Cabrillo		Maverick Apartments			
Date of Market Study:	555 Kelly	390 Redondo Road #B		195 Avenue Cabrillo		101 Avenue Portola			
4-Apr-25	Half Moon Bay	Half Moon Bay		El Granada		Half Moon Bay			
Prepared By:	N/A	916-909-1731		650-643-4851		650-955-2534			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
Analysis Using Highest Rents for Subject	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
("M"arket, "L"ow Income)	L	M		M		M			
Distance in Miles from Subject		1.64		3.18		3.40			
Number of Units		1		1		1		3	
Vacancy Rate		N/A		N/A		N/A			
Waiting List ("Y"es or "N"o)		N		N		N			
Turnover Rate		N/A		N/A		N/A			
Unit Size in SF	955	995		1000		1082		1025.667	
Aggregate Size in SF		995		1000		1082		3,077	
Base Rent	$2,046	$4,000		$4,000		$3,835		$3,945	-48.14%
Aggregate Rent		$4,000		$4,000		$3,835		$11,835	
Value Ratio ($/SF)	$2.14	$4.02		$4.00		$3.54		$3.85	-44.30%
# of stories	5-Story	1		2		3			
Elevator ("Y"es or "N"o)	Y	N		Y		N	$10		
# of Bedrooms	2	2		2		2			
# of Bathrooms	1	1		2	-$150.00	2	-$150.00		
Unit Size Adjustment 1/	955		-$30		-$34		-$95		
Rent Concessions									
Age (built or last renovated)	2028	2025		2018	$25	2017	$10		
Utilities Paid by Tenant									
Electricity	X	X		X		X			
Heat ("G"as or "E"lectric)	E	G		G		G			
Hot Water (G or E)	E	G		G		G			
Cooking (G or E)	E	G		G		G			
TV ("C"able or "S"atellite)	C	C		C		C			
Water				X	-$25	X	-$25		
Sewer				X	-$10				
Trash									
Unit Amenities									
Central Heat/Cool	Heat	Heat/AC		Heat		Heat			
Blinds	X	X		X		X			
Carpet	Laminate	Wood	-$25	X/Wood	-$25	Wood	-$25		
Ceiling Fan									
Skylight									
Storage Closet									
Coat Closet	X	X		X		X			
Walk-In Closet		X	-$25			X	-$25		
Fireplace									
Patio/Balcony		X	-$50	X	-$50	X	-$50		
Appliances 5/									
Refrigerator	X	X		X		X			
Stove/Oven	X	X		X		X			
Dishwasher		X	-$50	X	-$50	X	-$50		
Garbage Disposal	X	X		X		X			
Microwave		X	-$15			X	-$15		
Washer/Dryer		X	-$150	X	-$150	X	-$150		
Washer/Dryer Hook-ups									
Parking/Transportation 2/									
Surface Parking		X							
Carport									
Underground Parking									
Detached Garage									
Attached Garage									
Tuck-under Garage	X		$75	X	-$125	X	-$125		
Parking Garage									

2B Rent Comparability Matrix

Enter Data in Blue or Blank Fields	555 Kelly	390 Redondo Road		195 Avenue Cabrillo		Maverick Apartments			
Date of Market Study:	555 Kelly	390 Redondo Road #B		195 Avenue Cabrillo		101 Avenue Portola			
4-Apr-25	Half Moon Bay	Half Moon Bay		El Granada		Half Moon Bay			
Prepared By:	N/A	916-909-1731		650-643-4851		650-955-2534			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
Analysis Using Highest Rents for Subject	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
Project Amenities									
Clubhouse/Community Room	X		$25		$25		$25		
Swimming Pool									
Spa/Jacuzzi									
Exercise Room									
Picnic Area	X		$20		$20	X			
Tot Lot/Playground									
Tennis Court									
Basketball Court									
Volleyball Court									
On Site Manager	X		$20		$20		$20		
Laundry Room	X								
Computer Room									
Business Center									
Car Wash Area									
Security									
Gated 3/	X	X		X		X			
Courtesy Patrol									
Surveillance Camera	X								
Adjusted Rent	$2,046		$3,795		$3,471		$3,190	$3,485	-41.30%
Aggregate Adjusted Rent			$3,795		$3,471		$3,190	$10,456	
Adjusted Value Ratio ($/SF)	$2.14		$3.81		$3.47		$2.95	$3.40	-36.95%
***Adjusted Rent/Base Rent**			95%		87%		83%		

***Comps that exceed 10% (110%) above the adjusted rent/base rent must be thoroughly justified and explained.**

1/ Unit adjustment assumes a $0.75/SF change for unit sizes larger or smaller than the subject's unit size.
2/ Subject will offer 18 podium-level parking spaces (0.45 spaces/unit). Partial adjustment as not every unit will offer parking.
3/ Assumes secured entry.

Studio Rent Comparability Matrix

Enter Data in Blue or Blank Fields	555 Kelly	Arroyo Green		Rotary Plaza		Brunswick Street Apts			
Date of Market Study:	555 Kelly Ave	707 Bradford Street		433 Alida Way		461 Brunswick St			
4-Apr-25	Half Moon Bay	Redwood City		South San Fran.		Daly City			
Prepared By:	N/A	650-509-5020		650-871-5323		650-731-4139			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
("M"arket, "L"ow Income)	L	L		L		L			
Distance in Miles from Subject		11.30		12.60		16.60			
Number of Units		2		20		183		205	
Vacancy Rate		9%		2%		3%			
Waiting List ("Y"es or "N"o)		Y		Y		N			
Turnover Rate		3%		6%		5%			
Unit Size in SF	411	362		380		422		417.3171	
Aggregate Size in SF		724		7600		77226		85,550	
Base Rent 1/	$1,617	$1,542		$775		$1,550		$1,474	9.68%
Aggregate Rent		$3,084		$15,500		$283,650		$302,234	
Value Ratio ($/SF)	$3.93	$4.26		$2.04		$3.67		$3.53	11.36%
# of stories	5	7		4		6			
Elevator ("Y"es or "N"o)	Y	Y		Y		Y			
# of Bedrooms	S	S		S		S			
# of Bathrooms	1	1		1		1			
Unit Size Adjustment	411								
Rent Concessions									
Age (built or last renovated)	2028	2021		2015		2020			
Utilities Paid by Tenant									
Electricity	X	X				X			
Heat ("G"as or "E"lectric)	E	E				E			
Hot Water (G or E)									
Cooking (G or E)	E	E				E			
TV ("C"able or "S"atellite)	C	C				C			
Water									
Sewer									
Trash									
Unit Amenities									
Central Heat/Cool	Heat	Heat/AC		Heat		Heat			
Blinds	X	X		X		X			
Carpet	Laminate	Plank		X		Plank			
Ceiling Fan		X				X			
Skylight									
Storage Closet									
Coat Closet	X	X		X		X			
Walk-In Closet									
Fireplace									
Patio/Balcony						X			
Appliances									
Refrigerator	X	X		X		X			
Stove/Oven	X	X		X		X			
Dishwasher									
Garbage Disposal	X	X		X					
Microwave									
Washer/Dryer									
Washer/Dryer Hook-ups									
Parking/Transportation 2/									
Surface Parking				X					
Carport				X					
Underground Parking									
Detached Garage									
Attached Garage									
Tuck-under Garage	X	X				X			
Parking Garage									

Studio Rent Comparability Matrix

Date of Market Study:	555 Kelly Ave	707 Bradford Street		433 Alida Way		461 Brunswick St			
4-Apr-25	Half Moon Bay	Redwood City		South San Fran.		Daly City			
Prepared By:	N/A	650-509-5020		650-871-5323		650-731-4139			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
Project Amenities									
Clubhouse/Community Room	X	X		X		X			
Swimming Pool									
Spa/Jacuzzi									
Exercise Room		X		X		X			
Picnic Area	X								
Tot Lot/Playground									
Tennis Court									
Basketball Court									
Volleyball Court									
On Site Manager	X	X		X		X			
Laundry Room	X	X		X		X			
Computer Room		X							
Business Center									
Car Wash Area									
Security									
Gated	X	X		X		X			
Courtesy Patrol									
Surveillance Camera	X								
Adjusted Rent	$1,617		$1,542		$775		$1,550	$1,474	9.68%
Aggregate Adjusted Rent			$3,084		$15,500		#######	$302,234	
Adjusted Value Ratio ($/SF)	$3.93		$4.26		$2.04		$3.67	$3.53	11.36%
Adjusted Rent/Base Rent			100%		100%		100%		

1/ The units at Arroyo Green have a PBV subsidy, so the rents quoted here are an average out-of-pocket amount.

2/ Subject will offer 18 podium-level parking spaces (0.45 spaces/unit).

1B Rent Comparability Matrix

Enter Data in Blue or Blank Fields	555 Kelly	San Mateo Rotary Floritas		Ocean View Senior		Metro Center Senior			
Date of Market Study:	555 Kelly Avenue	99 27th Avenue		555 Crespi Drive		100 Village Lane			
4-Apr-25	Half Moon Bay	San Mateo		Pacifica		Foster City			
Prepared By:	N/A	650-286-1146		650-359-2114		650-349-9959			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
("M"arket, "L"ow Income)	L	L		L		L			
Distance in Miles from Subject		8.78		10.10		10.80			
Number of Units		20		49		4		73	
Vacancy Rate		0%		10%		0%			
Waiting List ("Y"es or "N"o)		Y		Y		N			
Turnover Rate		2%		3%		3%			
Unit Size in SF	545	500		525		600		522.2603	
Aggregate Size in SF		10000		25725		2400		38,125	
Base Rent	$1,720	$1,200		$2,712		$1,700		$2,242	-23.29%
Aggregate Rent		$24,000		$132,888		$6,800		$163,688	
Value Ratio ($/SF)	$3.16	$2.40		$5.17		$2.83		$4.29	-26.49%
# of stories	5	3		3		5			
Elevator ("Y"es or "N"o)	Y	Y		Y		Y			
# of Bedrooms	1	1		1		1			
# of Bathrooms	1	1		1		1			
Unit Size Adjustment	545								
Rent Concessions									
Age (built or last renovated)	2028	2005		2016		2013			
Utilities Paid by Tenant									
Electricity	X	X		X		X			
Heat ("G"as or "E"lectric)	E	E		E		E			
Hot Water (G or E)									
Cooking (G or E)	E	E		G		E			
TV ("C"able or "S"atellite)	C	C		C		C			
Water									
Sewer									
Trash									
Unit Amenities									
Central Heat/Cool	Heat	X		Heat/AC		X			
Blinds	X	X		X		X			
Carpet	Laminate	X		X		X			
Ceiling Fan		X				X			
Skylight									
Storage Closet									
Coat Closet	X	X		X		X			
Walk-In Closet		X							
Fireplace									
Patio/Balcony		X		X		X			
Appliances									
Refrigerator	X	X		X		X			
Stove/Oven	X	X		X		X			
Dishwasher									
Garbage Disposal	X	X		X		X			
Microwave									
Washer/Dryer									
Washer/Dryer Hook-ups									
Parking/Transportation 1/									
Surface Parking									
Carport									
Underground Parking		X							
Detached Garage									
Attached Garage									
Tuck-under Garage	X			X		X			
Parking Garage									

1B Rent Comparability Matrix

Date of Market Study:	555 Kelly Avenue	99 27th Avenue		555 Crespi Drive		100 Village Lane			
4-Apr-25	Half Moon Bay	San Mateo		Pacifica		Foster City			
Prepared By:	N/A	650-286-1146		650-359-2114		650-349-9959			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
Project Amenities									
Clubhouse/Community Room	X	X		X		X			
Swimming Pool									
Spa/Jacuzzi									
Exercise Room		X							
Picnic Area	X	X							
Tot Lot/Playground									
Tennis Court									
Basketball Court									
Volleyball Court									
On Site Manager	X	X		X		X			
Laundry Room	X	X		X		X			
Computer Room									
Business Center									
Car Wash Area									
Security									
Gated	X	X		X		X			
Courtesy Patrol									
Surveillance Camera	X								
Adjusted Rent	$1,720		$1,200		$2,712		$1,700	$2,242	-23.29%
Aggregate Adjusted Rent			$24,000		$132,888		$6,800	$163,688	
Adjusted Value Ratio ($/SF)	$3.16		$2.40		$5.17		$2.83	$4.29	-26.49%
Adjusted Rent/Base Rent			100%		100%		100%		

1/ Subject will offer 18 podium-level parking spaces (0.45 spaces/unit).

2B Rent Comparability Matrix

Enter Data in Blue or Blank Fields	555 Kelly	San Mateo Rotary Floritas		Metro Center Senior		Village at the Crossing			
Date of Market Study:	555 Kelly Avenue	99 27th Avenue		100 Village Lane		1101 National Avenue			
4-Apr-25	Half Moon Bay	San Mateo		Foster City		San Bruno			
Prepared By:	N/A	650-286-1146		650-349-9959		6502-588-8036			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
("M"arket, "L"ow Income)	L	L		L		L			
Distance in Miles from Subject		8.78		10.80		11.80			
Number of Units		9		4		38		51	
Vacancy Rate		0%		0%		0%			
Waiting List ("Y"es or "N"o)		Y		Y		N			
Turnover Rate		2%		3%		5%			
Unit Size in SF	955	675		873		847		818.6863	
Aggregate Size in SF		6075		3492		32186		41,753	
Base Rent	$2,046	$1,800		$2,100		$2,419		$2,285	-10.45%
Aggregate Rent		$16,200		$8,400		$91,922		$116,522	
Value Ratio ($/SF)	$2.14	$2.67		$2.41		$2.86		$2.79	-23.23%
# of stories	5	3		5		4			
Elevator ("Y"es or "N"o)	Y	Y		Y		Y			
# of Bedrooms	2	2		2		2			
# of Bathrooms	1	1		1		1			
Unit Size Adjustment	955								
Rent Concessions									
Age (built or last renovated)	2028	2005		2013		2007			
Utilities Paid by Tenant									
Electricity	X	X		X		X			
Heat ("G"as or "E"lectric)	E	E		E		E			
Hot Water (G or E)									
Cooking (G or E)	E	E		E		E			
TV ("C"able or "S"atellite)	C	C		C		C			
Water									
Sewer									
Trash									
Unit Amenities									
Central Heat/Cool	Heat	X		X		X			
Blinds	X	X		X		X			
Carpet	Laminate	X		X		Vinyl			
Ceiling Fan		X		X					
Skylight									
Storage Closet									
Coat Closet	X	X		X		X			
Walk-In Closet		X							
Fireplace									
Patio/Balcony		X		X					
Appliances									
Refrigerator	X	X		X		X			
Stove/Oven	X	X		X		X			
Dishwasher						X			
Garbage Disposal	X	X		X		X			
Microwave									
Washer/Dryer						X			
Washer/Dryer Hook-ups									
Parking/Transportation 1/									
Surface Parking									
Carport									
Underground Parking		X							
Detached Garage									
Attached Garage									
Tuck-under Garage	X			X		X			
Parking Garage									

2B Rent Comparability Matrix

Date of Market Study:	555 Kelly Avenue	99 27th Avenue		100 Village Lane		1101 National Avenue			
4-Apr-25	Half Moon Bay	San Mateo		Foster City		San Bruno			
Prepared By:	N/A	650-286-1146		650-349-9959		6502-588-8036			
Newport Realty Advisors	Use Subject's Highest Rent							Totals & Weighted	
	Characteristic	Char	Adj	Char	Adj	Char	Adj	Averages	Differential
Project Amenities									
Clubhouse/Community Room	X	X		X		X			
Swimming Pool									
Spa/Jacuzzi						X			
Exercise Room		X				X			
Picnic Area	X	X							
Tot Lot/Playground									
Tennis Court									
Basketball Court									
Volleyball Court									
On Site Manager	X	X		X		X			
Laundry Room	X	X		X					
Computer Room									
Business Center						X			
Car Wash Area									
Security									
Gated	X	X		X		X			
Courtesy Patrol									
Surveillance Camera	X								
Adjusted Rent	$2,046		$1,800		$2,100		$2,419	$2,285	-10.45%
Aggregate Adjusted Rent			$16,200		$8,400		$91,922	$116,522	
Adjusted Value Ratio ($/SF)	$2.14		$2.67		$2.41		$2.86	$2.79	-23.23%
Adjusted Rent/Base Rent			100%		100%		100%		

1/ Subject will offer 18 podium-level parking spaces (0.45 spaces/unit).

BIBLIOGRAPHICAL LIST

Nielsen– Demographic Source and Employment Data
U.S. Census Data
San Mateo County Department of Agricultural
City of Half Moon Bay Planning Department
Employment Development Department (EDD) – Employment Data
FBI Uniform Report – Crime Statistics

DEMOGRAPHIC REPORTS

Secondary Market Area (SMA)

Pop-Facts® Demographic Snapshot | Summary

Trade Area: HMB SMA

Population	
2010 Census	402,136
2020 Census	427,578
2025 Estimate	408,526
2030 Projection	406,975
Population Growth	
Percent Change: 2010 to 2020	6.33
Percent Change: 2020 to 2025	-4.46
Percent Change: 2025 to 2030	-0.38

Households	
2010 Census	142,909
2020 Census	149,633
2025 Estimate	141,898
2030 Projection	140,822
Household Growth	
Percent Change: 2010 to 2020	4.71
Percent Change: 2020 to 2025	-5.17
Percent Change: 2025 to 2030	-0.76

Family Households	
2010 Census	98,138
2020 Census	104,357
2025 Estimate	98,864
2030 Projection	98,025
Family Household Growth	
Percent Change: 2010 to 2020	6.34
Percent Change: 2020 to 2025	-5.26
Percent Change: 2025 to 2030	-0.85

Benchmark: HMB SMA

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Pop-Facts® Demographic Snapshot | Population & Race

Trade Area: HMB SMA

Total Population: 408,526 | **Total Households:** 141,898

	Count	%
2025 Est. Population by Single-Classification Race		
White Alone	128,207	31.38
Black/African American Alone	6,874	1.68
American Indian/Alaskan Native Alone	3,307	0.81
Asian Alone	164,458	40.26
Native Hawaiian/Pacific Islander Alone	4,087	1.00
Some Other Race Alone	53,039	12.98
Two or More Races	48,554	11.88
2025 Est. Population by Hispanic or Latino Origin		
Hispanic/Latino	96,492	23.62
Not Hispanic or Latino	312,033	76.38
Mexican Origin	47,888	49.63
Puerto Rican Origin	2,733	2.83
Cuban Origin	903	0.94
All Other Hispanic or Latino	44,968	46.60
2025 Est. Pop by Race, Asian Alone, by Category		
Chinese, except Taiwanese	67,333	40.94
Filipino	60,655	36.88
Japanese	4,085	2.48
Asian Indian	9,430	5.73
Korean	3,402	2.07
Vietnamese	3,542	2.15
Cambodian	646	0.39
Hmong	733	0.45
Laotian	71	0.04
Thai	658	0.40
All Other Asian Races Including 2+ Category	13,903	8.45
2025 Est. Pop Age 5+ by Language Spoken At Home		
Speak Only English at Home	209,316	53.75
Speak Asian/Pacific Isl. Lang. at Home	97,507	25.04
Speak Indo-European Language at Home	22,855	5.87
Speak Spanish at Home	55,298	14.20
Speak Other Language at Home	1,569	0.40
2025 Est. Hisp. or Latino Pop by Single-Class. Race		
White Alone	13,194	13.67
Black/African American Alone	533	0.55
American Indian/Alaskan Native Alone	2,724	2.82
Asian Alone	1,702	1.76
Native Hawaiian/Pacific Islander Alone	232	0.24
Some Other Race Alone	49,744	51.55
Two or More Races	28,363	29.39
2025 Population by Ancestry		
Arab	4,695	1.15
Czech	747	0.18
Danish	832	0.20
Dutch	1,679	0.41
English	16,556	4.05
French (Excluding Basque)	4,154	1.02
French Canadian	513	0.13
German	18,639	4.56
Greek	2,856	0.70
Hungarian	1,245	0.30
Irish	21,857	5.35
Italian	18,135	4.44
Lithuanian	235	0.06
Norwegian	3,127	0.77
Polish	3,523	0.86
Portuguese	2,673	0.65
Russian	4,000	0.98
Scotch-Irish	1,668	0.41
Scottish	3,096	0.76
Slovak	269	0.07
Subsaharan African	787	0.19
Swedish	2,677	0.66
Swiss	849	0.21
Ukrainian	1,543	0.38
United States or American	12,265	3.00
Welsh	1,242	0.30
West Indian (Excluding Hispanic groups)	627	0.15
Other Ancestry	217,440	53.23
Ancestry Unclassified	60,597	14.83

Benchmark: HMB SMA

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Pop-Facts® Demographic Snapshot | Population & Race

Trade Area: HMB SMA

Total Population: 408,526 | **Total Households:** 141,898

	Count	%
2025 Est. Population by Sex		
Male	202,906	49.67
Female	205,620	50.33
2025 Est. Population by Age		
Age 0 - 4	19,108	4.68
Age 5 - 9	19,961	4.89
Age 10 - 14	20,638	5.05
Age 15 - 17	12,711	3.11
Age 18 - 20	12,813	3.14
Age 21 - 24	17,194	4.21
Age 25 - 34	52,107	12.76
Age 35 - 44	60,230	14.74
Age 45 - 54	54,121	13.25
Age 55 - 64	54,859	13.43
Age 65 - 74	46,873	11.47
Age 75 - 84	26,485	6.48
Age 85 and over	11,424	2.80
Age 16 and over	344,589	84.35
Age 18 and over	336,107	82.27
Age 21 and over	323,293	79.14
Age 65 and over	84,782	20.75
Median Age	--	43.23
Average Age	--	43.28
2025 Est. Pop Age 15+ by Marital Status		
Total, Never Married	124,769	35.77
Male, Never Married	67,970	19.49
Female, Never Married	56,798	16.28
Married, Spouse Present	156,070	44.74
Married, Spouse Absent	21,661	6.21
Widowed	18,819	5.39
Male, Widowed	3,833	1.10
Female, Widowed	14,985	4.30
Divorced	27,499	7.88
Male, Divorced	10,828	3.10
Female, Divorced	16,670	4.78
2025 Est. Male Population by Age		
Male: Age 0 - 4	9,740	4.80
Male: Age 5 - 9	10,188	5.02
Male: Age 10 - 14	10,641	5.24
Male: Age 15 - 17	6,558	3.23
Male: Age 18 - 20	6,612	3.26
Male: Age 21 - 24	8,882	4.38
Male: Age 25 - 34	27,264	13.44
Male: Age 35 - 44	31,040	15.30
Male: Age 45 - 54	27,327	13.47
Male: Age 55 - 64	27,034	13.32
Male: Age 65 - 74	22,130	10.91
Male: Age 75 - 84	11,439	5.64
Male: Age 85 and over	4,053	2.00
Median Age, Male	--	41.91
Average Age, Male	--	42.13
2025 Est. Female Population by Age		
Female: Age 0 - 4	9,368	4.56
Female: Age 5 - 9	9,774	4.75
Female: Age 10 - 14	9,997	4.86
Female: Age 15 - 17	6,153	2.99
Female: Age 18 - 20	6,201	3.02
Female: Age 21 - 24	8,312	4.04
Female: Age 25 - 34	24,844	12.08
Female: Age 35 - 44	29,190	14.20
Female: Age 45 - 54	26,794	13.03
Female: Age 55 - 64	27,825	13.53
Female: Age 65 - 74	24,743	12.03
Female: Age 75 - 84	15,046	7.32
Female: Age 85 and over	7,371	3.58
Median Age, Female	--	44.64
Average Age, Female	--	44.40

Benchmark: HMB SMA

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Pop-Facts® Demographic Snapshot | Housing & Households

Trade Area: HMB SMA

Total Population: 408,526 | **Total Households:** 141,898

	Count	%
2025 Est. Households by Household Type		
Total Households	141,898	100.00
Family Households	98,864	69.67
Other Households	43,034	--
2025 Est. Group Quarters Population		
2025 Est. Group Quarters Population	3,766	0.92
2025 HHs By Ethnicity, Hispanic/Latino		
2025 HHs By Ethnicity, Hispanic/Latino	26,627	18.77
2025 Est. Households by Type and Presence of Own Children		
Married Couple	72,747	51.27
With Own Kids < 18	28,139	19.83
Without Own Kids < 18	44,608	31.44
Cohabiting Couple	9,974	7.03
With Own Kids < 18	2,438	1.72
Without Own Kids < 18	7,536	5.31
Female Householder, No Spouse or Partner Present	34,701	24.45
Living Alone	19,622	13.83
With Own Kids < 18	3,367	2.37
Without Own Kids < 18	9,458	6.67
With Only Nonrelatives	2,254	1.59
Male Householder, No Spouse or Partner Present	24,477	17.25
Living Alone	15,598	10.99
With Own Kids < 18	1,649	1.16
Without Own Kids < 18	4,504	3.17
With Only Nonrelatives	2,726	1.92
With Own Kids < 18	35,592	25.08
Without Own Kids < 18	106,306	74.92
2025 Est. Households by Household Size		
1-Person Household	29,269	20.63
2-Person Household	43,417	30.60
3-Person Household	24,763	17.45
4-Person Household	23,841	16.80
5-Person Household	11,014	7.76
6-Person Household	4,509	3.18
7-or-more-person	5,085	3.58
2025 Est. Average Household Size	--	2.85
2025 Est. Households by Number of Vehicles		
No Vehicles	9,925	6.99
1 Vehicle	45,073	31.76
2 Vehicles	52,066	36.69
3 Vehicles	23,113	16.29
4 Vehicles	8,258	5.82
5 or more Vehicles	3,462	2.44
2025 Est. Average Number of Vehicles	--	1.92
2025 Occupied Housing Units by Tenure		
Housing Units, Owner-Occupied	80,652	56.84
Housing Units, Renter-Occupied	61,246	43.16
2025 Owner Occ. HUs: Avg. Length of Residence		
2025 Owner Occ. HUs: Avg. Length of Residence	--	21.15
2025 Renter Occ. HUs: Avg. Length of Residence		
2025 Renter Occ. HUs: Avg. Length of Residence	--	8.67
2025 Est. Owner-Occupied Housing Units by Value		
Value Less Than $20,000	797	0.99
Value $20,000 - $39,999	165	0.20
Value $40,000 - $59,999	104	0.13
Value $60,000 - $79,999	173	0.21
Value $80,000 - $99,999	208	0.26
Value $100,000 - $149,999	648	0.80
Value $150,000 - $199,999	324	0.40
Value $200,000 - $299,999	534	0.66
Value $300,000 - $399,999	583	0.72
Value $400,000 - $499,999	601	0.74
Value $500,000 - $749,999	5,396	6.69
Value $750,000 - $999,999	10,950	13.58
Value $1,000,000 - $1,499,999	26,617	33.00
Value $1,500,000 - $1,999,999	14,000	17.36
Value $2,000,000 or more	19,552	24.24
2025 Est. Median All Owner-Occupied Housing Value	--	1,360,176.64

Benchmark: HMB SMA

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Pop-Facts® Demographic Snapshot | Housing & Households

Trade Area: HMB SMA

Total Population: 408,526 | **Total Households:** 141,898

	Count	%
2025 Est. Housing Units by Units in Structure		
1 Unit Detached	85,521	55.80
1 Unit Attached	12,667	8.27
2 Units	3,717	2.42
3 to 4 Units	7,286	4.75
5 to 19 Units	16,778	10.95
20 to 49 Units	9,565	6.24
50 or More Units	15,884	10.36
Mobile Home or Trailer	1,696	1.11
Boat, RV, Van, etc.	143	0.09
2025 Est. Housing Units by Year Structure Built		
Built 2020 or Later	1,089	0.71
Built 2010 to 2019	6,303	4.11
Built 2000 to 2009	8,810	5.75
Built 1990 to 1999	8,619	5.62
Built 1980 to 1989	13,815	9.01
Built 1970 to 1979	25,885	16.89
Built 1960 to 1969	24,921	16.26
Built 1950 to 1959	33,894	22.12
Built 1940 to 1949	14,852	9.69
Built 1939 or Earlier	15,069	9.83
2025 Housing Units by Year Structure Built		
2025 Est. Median Year Structure Built	--	1,964.95

Benchmark: HMB SMA

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Pop-Facts® Demographic Snapshot | Affluence & Education

Trade Area: HMB SMA

Total Population: 408,526 | **Total Households:** 141,898

	Count	%
2025 Est. Pop Age 25+ by Edu. Attainment		
Less than 9th Grade	18,139	5.93
Some High School, No Diploma	11,267	3.68
High School Graduate (or GED)	52,171	17.04
Some College, No Degree	51,586	16.85
Associate's Degree	23,792	7.77
Bachelor's Degree	89,641	29.29
Master's Degree	38,557	12.60
Professional Degree	11,975	3.91
Doctorate Degree	8,972	2.93
2025 Est. Pop Age 25+ by Edu. Attain., Hisp./Lat.		
Less than High School Diploma	14,682	23.07
High School Graduate	16,180	25.42
Some College or Associate's Degree	16,748	26.31
Bachelor's Degree or Higher	16,036	25.20
2025 Est. Households by HH Income		
Income < $15,000	6,603	4.65
Income $15,000 - $24,999	4,770	3.36
Income $25,000 - $34,999	4,954	3.49
Income $35,000 - $49,999	8,326	5.87
Income $50,000 - $74,999	13,424	9.46
Income $75,000 - $99,999	13,262	9.35
Income $100,000 - $124,999	11,895	8.38
Income $125,000 - $149,999	11,100	7.82
Income $150,000 - $199,999	18,096	12.75
Income $200,000 - $249,999	10,781	7.60
Income $250,000 - $499,999	17,147	12.08
Income $500,000+	21,540	15.18
2025 Est. Average Household Income	--	205,357.00
2025 Est. Median Household Income	--	142,092.17
2025 Median HH Inc. by Single-Class. Race or Eth.		
White Alone	--	143,431.89
Black or African American Alone	--	84,772.63
American Indian and Alaskan Native Alone	--	109,548.15
Asian Alone	--	188,843.12
Native Hawaiian and Other Pacific Islander Alone	--	136,990.07
Some Other Race Alone	--	101,894.38
Two or More Races	--	124,984.03
Hispanic or Latino	--	106,371.17
Not Hispanic or Latino	--	181,149.18
2025 Est. Families by Poverty Status		
Families at or Above Poverty	94,749	95.84
Families at or Above Poverty with children	38,743	39.19
Families Below Poverty	4,115	4.16
Families Below Poverty, with children	2,095	2.12

Benchmark: HMB SMA

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Pop-Facts® Demographic Snapshot | Employment & Occupation

Trade Area: HMB SMA

Total Population: 408,526 | **Total Households:** 141,898

	Count	%
2025 Est. Employed Civilian Population 16+ by Occupation Classification		
White Collar	151,558	68.06
Blue Collar	33,948	15.25
Service and Farming	37,168	16.69
2025 Est. Workers Age 16+ by Travel Time to Work		
Less than 15 Minutes	39,459	21.67
15 - 29 Minutes	64,668	35.51
30 - 44 Minutes	46,643	25.61
45 - 59 Minutes	15,988	8.78
60 or more Minutes	15,351	8.43
2025 Est. Avg Travel Time to Work in Minutes	--	30.00
2025 Est. Workers Age 16+ by Transp. to Work		
2025 Est. Workers Age 16+ by Transp. to Work	217,319	100.00
Drove Alone	126,356	58.14
Carpooled	21,986	10.12
Public Transport	16,693	7.68
Walked	5,499	2.53
Bicycle	1,426	0.66
Other Means	3,709	1.71
Worked at Home	41,650	19.16
2025 Est. Civ. Employed Pop 16+ by Class of Worker		
2025 Est. Civ. Employed Pop 16+ by Class of Worker	222,674	100.00
For-Profit Private Workers	151,740	68.14
Non-Profit Private Workers	17,442	7.83
Local Government Workers	18,194	8.17
State Government Workers	6,801	3.05
Federal Government Workers	5,695	2.56
Self-Employed Workers	22,485	10.10
Unpaid Family Workers	315	0.14
2025 Est. Civ. Employed Pop 16+ by Occupation		
Architecture/Engineering	5,820	2.61
Arts/Design/Entertainment/Sports/Media	5,952	2.67
Building/Grounds Cleaning/Maintenance	8,188	3.68
Business/Financial Operations	16,377	7.36
Community/Social Services	2,773	1.25
Computer/Mathematical	14,868	6.68
Construction/Extraction	8,834	3.97
Education/Training/Library	10,657	4.79
Farming/Fishing/Forestry	1,062	0.48
Food Preparation/Serving Related	10,891	4.89
Healthcare Practitioner/Technician	15,515	6.97
Healthcare Support	6,581	2.96
Installation/Maintenance/Repair	4,933	2.21
Legal	3,188	1.43
Life/Physical/Social Science	5,966	2.68
Management	29,296	13.16
Office/Administrative Support	23,017	10.34
Production	5,342	2.40
Protective Services	4,325	1.94
Sales/Related	18,129	8.14
Personal Care/Service	6,121	2.75
Transportation/Material Moving	14,840	6.66
2025 Est. Pop Age 16+ by Employment Status		
In Armed Forces	256	0.07
Civilian - Employed	219,941	63.83
Civilian - Unemployed	8,432	2.45
Not in Labor Force	115,960	33.65

Benchmark: HMB SMA

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Pop-Facts® Senior Life Demographics | Summary

Trade Area: HMB SMA

	Population
2010 Census	402,136
2020 Census	427,578
2025 Estimate	408,526
2030 Projection	406,975

	Population Change (%)
Growth 2010 - 2020	6.33
Growth 2020 - 2025	-4.46
Growth 2025 - 2030	-0.38

Benchmark: HMB SMA

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Pop-Facts® Senior Life Demographics | Population & Race

Trade Area: HMB SMA

	2010 Census	%	2020 Census	%	2025 Estimate	%	2030 Projection	%
Total Population								
Total Population	402,136	100.00	427,578	100.00	408,526	100.00	406,975	100.00
Age 45 - 54	62,753	15.61	56,657	13.25	54,121	13.25	55,702	13.69
Age 55 - 64	52,353	13.02	57,329	13.41	54,859	13.43	53,377	13.12
Age 65 - 74	29,102	7.24	43,210	10.11	46,873	11.47	49,386	12.13
Age 75 - 84	18,722	4.66	21,792	5.10	26,485	6.48	31,997	7.86
Age 85 and over	8,999	2.24	10,144	2.37	11,424	2.80	12,428	3.05
Age 65 and over	56,822	14.13	75,146	17.57	84,782	20.75	93,811	23.05
Population by Single - Classification Race								
White Alone	191,231	47.55	147,115	34.41	128,207	31.38	114,999	28.26
Age 65 and over	36,093	18.87	36,187	24.60	37,141	28.97	37,255	32.40
Black/African American Alone	9,613	2.39	7,498	1.75	6,874	1.68	6,587	1.62
Age 65 and over	1,545	16.07	1,629	21.73	1,802	26.21	1,923	29.19
American Indian/Alaskan Native Alone	1,890	0.47	3,511	0.82	3,307	0.81	3,266	0.80
Age 65 and over	147	7.78	327	9.31	369	11.16	407	12.46
Asian Alone	131,374	32.67	159,663	37.34	164,458	40.26	176,157	43.28
Age 65 and over	15,467	11.77	26,396	16.53	32,945	20.03	39,869	22.63
Native Hawaiian/Pacific Islander Alone	4,871	1.21	4,437	1.04	4,087	1.00	3,915	0.96
Age 65 and over	425	8.72	630	14.20	720	17.62	769	19.64
Some Other Race Alone	41,118	10.22	54,584	12.77	53,039	12.98	53,534	13.15
Age 65 and over	1,933	4.70	4,531	8.30	5,361	10.11	6,218	11.62
Two or More Races	22,039	5.48	50,770	11.87	48,554	11.88	48,517	11.92
Age 65 and over	1,204	5.46	5,446	10.73	6,444	13.27	7,370	15.19
Population by Hispanic or Latino								
Hispanic/Latino	94,734	23.56	99,863	23.36	96,492	23.62	96,939	23.82
Age 65 and over	7,128	7.52	10,249	10.26	12,147	12.59	13,951	14.39
Not Hispanic/Latino	307,401	76.44	327,715	76.64	312,033	76.38	310,035	76.18
Total Population, Male								
Total Population, Male	196,793	48.94	210,412	49.21	202,906	49.67	201,908	49.61
Male: Age 45 - 54	30,618	15.56	27,733	13.18	27,327	13.47	27,991	13.86
Male: Age 55 - 64	25,169	12.79	27,426	13.03	27,034	13.32	26,516	13.13
Male: Age 65 - 74	13,051	6.63	20,030	9.52	22,130	10.91	23,426	11.60
Male: Age 75 - 84	7,715	3.92	9,189	4.37	11,439	5.64	13,975	6.92
Male: Age 85 and over	2,988	1.52	3,657	1.74	4,053	2.00	4,500	2.23
Male: Age 65 and over	23,754	12.07	32,877	15.63	37,621	18.54	41,901	20.75
Total Population, Female								
Total Population, Female	205,343	51.06	217,165	50.79	205,620	50.33	205,066	50.39
Female: Age 45 - 54	32,135	15.65	28,924	13.32	26,794	13.03	27,711	13.51
Female: Age 55 - 64	27,184	13.24	29,903	13.77	27,825	13.53	26,862	13.10
Female: Age 65 - 74	16,051	7.82	23,180	10.67	24,743	12.03	25,960	12.66
Female: Age 75 - 84	11,007	5.36	12,602	5.80	15,046	7.32	18,022	8.79
Female: Age 85 and over	6,011	2.93	6,487	2.99	7,371	3.58	7,928	3.87
Female: Age 65 and over	33,068	16.10	42,269	19.46	47,161	22.94	51,910	25.31

Benchmark: HMB SMA

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Pop-Facts® Senior Life Demographics | Household Income

Trade Area: HMB SMA

	2025 Estimate	%	2030 Projection	%
Householder Age 45 - 54				
Householder Age 45 - 54	25,602	18.04	25,765	18.30
Income Less than $15,000	572	2.23	483	1.88
Income $15,000 - $24,999	416	1.63	347	1.35
Income $25,000 - $34,999	523	2.04	459	1.78
Income $35,000 - $49,999	801	3.13	643	2.50
Income $50,000 - $74,999	1,716	6.70	1,507	5.85
Income $75,000 - $99,999	1,975	7.71	1,745	6.77
Income $100,000 - $124,999	2,024	7.91	1,844	7.16
Income $125,000 - $149,999	2,227	8.70	2,034	7.89
Income $150,000 - $199,999	3,979	15.54	3,836	14.89
Income $200,000 or more	11,369	44.41	12,867	49.94
Median Household Income	--	195,001.61	--	199,949.44
Householder Age 55 - 64				
Householder Age 55 - 64	26,830	18.91	25,566	18.16
Income Less than $15,000	1,009	3.76	811	3.17
Income $15,000 - $24,999	689	2.57	545	2.13
Income $25,000 - $34,999	776	2.89	637	2.49
Income $35,000 - $49,999	1,108	4.13	858	3.36
Income $50,000 - $74,999	2,107	7.85	1,780	6.96
Income $75,000 - $99,999	2,241	8.35	1,913	7.48
Income $100,000 - $124,999	2,145	8.00	1,862	7.28
Income $125,000 - $149,999	2,164	8.07	1,908	7.46
Income $150,000 - $199,999	3,732	13.91	3,456	13.52
Income $200,000 or more	10,860	40.48	11,796	46.14
Median Household Income	--	189,036.41	--	196,130.62
Householder Age 65 - 74				
Householder Age 65 - 74	24,221	17.07	24,932	17.70
Income Less than $15,000	1,472	6.08	1,327	5.32
Income $15,000 - $24,999	1,006	4.15	877	3.52
Income $25,000 - $34,999	996	4.11	922	3.70
Income $35,000 - $49,999	1,851	7.64	1,673	6.71
Income $50,000 - $74,999	3,334	13.77	3,193	12.81
Income $75,000 - $99,999	2,913	12.03	2,883	11.56
Income $100,000 - $124,999	2,537	10.47	2,523	10.12
Income $125,000 - $149,999	2,335	9.64	2,349	9.42
Income $150,000 - $199,999	2,696	11.13	2,875	11.53
Income $200,000 or more	5,081	20.98	6,310	25.31
Median Household Income	--	105,053.19	--	115,476.56
Householder Age 75 - 84				
Householder Age 75 - 84	14,566	10.27	17,193	12.21
Income Less than $15,000	1,277	8.77	1,341	7.80
Income $15,000 - $24,999	1,044	7.17	1,076	6.26
Income $25,000 - $34,999	928	6.37	1,040	6.05
Income $35,000 - $49,999	1,484	10.19	1,537	8.94
Income $50,000 - $74,999	2,205	15.14	2,468	14.36
Income $75,000 - $99,999	1,609	11.05	1,863	10.84
Income $100,000 - $124,999	1,254	8.61	1,467	8.53
Income $125,000 - $149,999	1,072	7.36	1,260	7.33
Income $150,000 - $199,999	1,207	8.29	1,514	8.81
Income $200,000 or more	2,487	17.07	3,628	21.10
Median Household Income	--	79,755.53	--	89,445.66
Householder Age 85 and over				
Householder Age 85 and over	6,540	4.61	6,945	4.93
Income Less than $15,000	899	13.75	877	12.63
Income $15,000 - $24,999	743	11.36	716	10.31
Income $25,000 - $34,999	555	8.49	551	7.93
Income $35,000 - $49,999	742	11.35	708	10.19
Income $50,000 - $74,999	885	13.53	902	12.99
Income $75,000 - $99,999	598	9.14	635	9.14
Income $100,000 - $124,999	417	6.38	445	6.41
Income $125,000 - $149,999	369	5.64	404	5.82
Income $150,000 - $199,999	415	6.35	484	6.97
Income $200,000 or more	917	14.02	1,226	17.65
Median Household Income	--	58,184.59	--	66,313.98

Benchmark: HMB SMA

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Pop-Facts® Senior Life Demographics | Housing & Households

Trade Area: HMB SMA

	2025 Estimate	%	2030 Projection	%
Households by Household Income				
Total Households	141,898	100.00	140,822	100.00
Income Less Than $15,000	6,603	4.65	5,968	4.24
Income $15,000 - $24,999	4,770	3.36	4,191	2.98
Income $25,000 - $34,999	4,954	3.49	4,516	3.21
Income $35,000 - $49,999	8,326	5.87	7,183	5.10
Income $50,000 - $74,999	13,424	9.46	12,349	8.77
Income $75,000 - $99,999	13,262	9.35	12,196	8.66
Income $100,000 - $124,999	11,895	8.38	11,120	7.90
Income $125,000 - $149,999	11,100	7.82	10,431	7.41
Income $150,000 - $199,999	18,096	12.75	17,496	12.42
Income $200,000 - $249,999	10,781	7.60	12,310	8.74
Income $250,000 - $499,999	17,147	12.08	18,664	13.25
Income $500,000 or more	21,540	15.18	24,399	17.33
Average Household Income	--	205,357.00	--	220,920.00
Median Household Income	--	142,092.17	--	156,283.39
Age 55+ Median Household Income	--	113,872.85	--	124,544.55
Age 65+ Median Household Income	--	90,216.90	--	99,733.95
Owner-Occupied Housing Units by Value				
Value Less Than $20,000	797	0.99	775	0.97
Value $20,000 - $39,999	165	0.20	154	0.19
Value $40,000 - $59,999	104	0.13	93	0.12
Value $60,000 - $79,999	173	0.21	141	0.18
Value $80,000 - $99,999	208	0.26	222	0.28
Value $100,000 - $149,999	648	0.80	632	0.79
Value $150,000 - $199,999	324	0.40	305	0.38
Value $200,000 - $299,999	534	0.66	498	0.62
Value $300,000 - $399,999	583	0.72	550	0.69
Value $400,000 - $499,999	601	0.74	570	0.71
Value $500,000 - $749,999	5,396	6.69	4,950	6.21
Value $750,000 - $999,999	10,950	13.58	10,085	12.64
Value $1,000,000 - $1,499,999	26,617	33.00	25,224	31.62
Value $1,500,000 - $1,999,999	14,000	17.36	14,578	18.27
Value $2,000,000+	19,552	24.24	20,990	26.31
Median All Owner-Occupied Housing Unit Value	--	1,360,176.64	--	1,405,676.13
Group Quarters by Population Type				
Group Quarters Population	3,766	0.92	3,807	0.94
Correctional Facilities	281	7.46	291	7.64
Nursing Homes	1,002	26.61	1,010	26.53
Other Facilities	42	1.11	42	1.10
Juvenile Facilities	26	0.69	26	0.68
College Dormitories	26	0.69	27	0.71
Military Quarters	0	0.00	0	0.00
Other Noninstitutional Quarters	2,388	63.41	2,410	63.30
Occupied Housing Units by Tenure				
Owner-Occupied	80,652	56.84	79,769	56.65
Renter-Occupied	61,246	43.16	61,053	43.35

Benchmark: HMB SMA

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Pop-Facts® Senior Life Demographics | Housing & Households

Trade Area: HMB SMA

	2020 Census	%	2025 Estimate	%	2030 Projection	%
Households by Tenure by Age of Householder						
Total Households	149,633	100.00	141,898	100.00	140,822	100.00
Owner-Occupied	85,388	57.06	80,652	56.84	79,769	56.65
Householder Age 55 - 64	20,032	13.39	17,893	22.18	16,567	20.77
Householder Age 65 - 74	17,532	11.72	17,873	22.16	18,150	22.75
Householder Age 75 - 84	9,746	6.51	11,143	13.82	12,984	16.28
Householder Age 85 and over	4,473	2.99	4,627	5.74	4,865	6.10
Renter-Occupied	64,245	42.94	61,246	43.16	61,053	43.35
Householder Age 55 - 64	9,253	6.18	8,937	14.59	8,999	14.74
Householder Age 65 - 74	5,743	3.84	6,348	10.37	6,781	11.11
Householder Age 75 - 84	2,700	1.80	3,423	5.59	4,209	6.89
Householder Age 85 and over	1,517	1.01	1,912	3.12	2,080	3.41

Benchmark: HMB SMA

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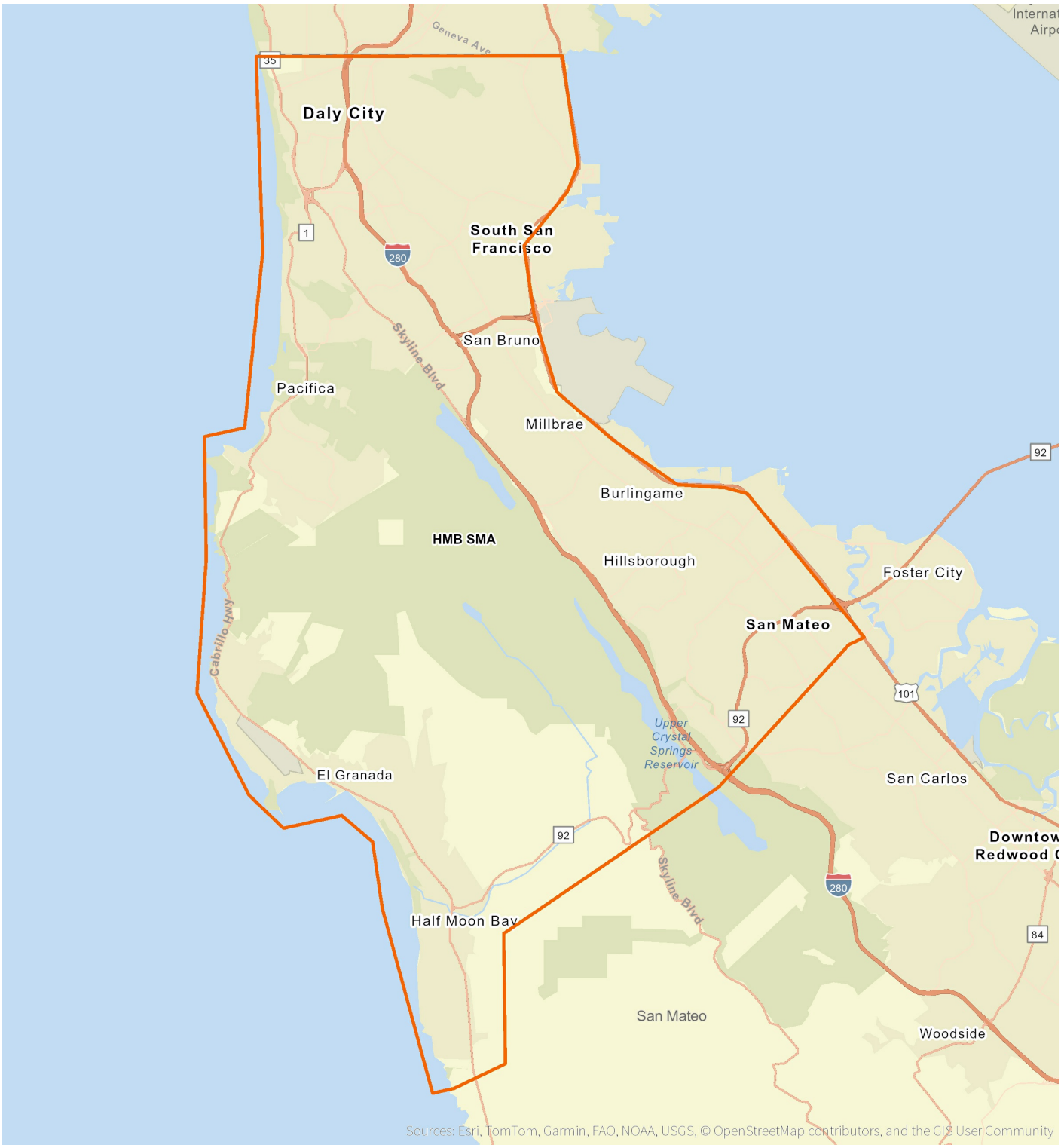
Pop-Facts® Senior Life Demographics | Map

Trade Area: HMB SMA



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DEMOGRAPHIC REPORTS

Primary Market Area (PMA)

Pop-Facts® Demographic Snapshot | Summary

Trade Area: HMB PMA

Population	
2010 Census	104,692
2020 Census	109,551
2025 Estimate	103,728
2030 Projection	102,707
Population Growth	
Percent Change: 2010 to 2020	4.64
Percent Change: 2020 to 2025	-5.32
Percent Change: 2025 to 2030	-0.98

Households	
2010 Census	36,943
2020 Census	38,562
2025 Estimate	36,261
2030 Projection	35,799
Household Growth	
Percent Change: 2010 to 2020	4.38
Percent Change: 2020 to 2025	-5.97
Percent Change: 2025 to 2030	-1.27

Family Households	
2010 Census	26,474
2020 Census	27,751
2025 Estimate	26,080
2030 Projection	25,729
Family Household Growth	
Percent Change: 2010 to 2020	4.82
Percent Change: 2020 to 2025	-6.02
Percent Change: 2025 to 2030	-1.35

Benchmark: HMB PMA

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Pop-Facts® Demographic Snapshot | Population & Race

Trade Area: HMB PMA

Total Population: 103,728 | **Total Households:** 36,261

	Count	%
2025 Est. Population by Single-Classification Race		
White Alone	41,478	39.99
Black/African American Alone	1,725	1.66
American Indian/Alaskan Native Alone	662	0.64
Asian Alone	36,290	34.99
Native Hawaiian/Pacific Islander Alone	801	0.77
Some Other Race Alone	9,319	8.98
Two or More Races	13,452	12.97
2025 Est. Population by Hispanic or Latino Origin		
Hispanic/Latino	20,306	19.58
Not Hispanic or Latino	83,422	80.42
Mexican Origin	11,255	55.43
Puerto Rican Origin	845	4.16
Cuban Origin	350	1.72
All Other Hispanic or Latino	7,856	38.69
2025 Est. Pop by Race, Asian Alone, by Category		
Chinese, except Taiwanese	13,113	36.13
Filipino	16,406	45.21
Japanese	1,053	2.90
Asian Indian	1,014	2.79
Korean	832	2.29
Vietnamese	932	2.57
Cambodian	66	0.18
Hmong	48	0.13
Laotian	0	0.00
Thai	195	0.54
All Other Asian Races Including 2+ Category	2,632	7.25
2025 Est. Pop Age 5+ by Language Spoken At Home		
Speak Only English at Home	63,776	64.44
Speak Asian/Pacific Isl. Lang. at Home	20,201	20.41
Speak Indo-European Language at Home	3,691	3.73
Speak Spanish at Home	10,360	10.47
Speak Other Language at Home	467	0.47
2025 Est. Hisp. or Latino Pop by Single-Class. Race		
White Alone	3,440	16.94
Black/African American Alone	120	0.59
American Indian/Alaskan Native Alone	484	2.38
Asian Alone	447	2.20
Native Hawaiian/Pacific Islander Alone	53	0.26
Some Other Race Alone	8,471	41.72
Two or More Races	7,291	35.91
2025 Population by Ancestry		
Arab	881	0.85
Czech	386	0.37
Danish	353	0.34
Dutch	613	0.59
English	5,934	5.72
French (Excluding Basque)	1,282	1.24
French Canadian	140	0.14
German	6,584	6.35
Greek	579	0.56
Hungarian	452	0.44
Irish	6,863	6.62
Italian	4,911	4.74
Lithuanian	71	0.07
Norwegian	1,266	1.22
Polish	930	0.90
Portuguese	1,183	1.14
Russian	958	0.92
Scotch-Irish	623	0.60
Scottish	798	0.77
Slovak	108	0.10
Subsaharan African	107	0.10
Swedish	845	0.81
Swiss	223	0.21
Ukrainian	529	0.51
United States or American	3,426	3.30
Welsh	440	0.42
West Indian (Excluding Hispanic groups)	139	0.13
Other Ancestry	47,920	46.20
Ancestry Unclassified	15,185	14.64

Benchmark: HMB PMA

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Pop-Facts® Demographic Snapshot | Population & Race

Trade Area: HMB PMA

Total Population: 103,728 | **Total Households:** 36,261

	Count	%
2025 Est. Population by Sex		
Male	51,189	49.35
Female	52,539	50.65
2025 Est. Population by Age		
Age 0 - 4	4,759	4.59
Age 5 - 9	4,981	4.80
Age 10 - 14	5,071	4.89
Age 15 - 17	3,055	2.94
Age 18 - 20	3,083	2.97
Age 21 - 24	4,148	4.00
Age 25 - 34	11,435	11.02
Age 35 - 44	14,749	14.22
Age 45 - 54	13,818	13.32
Age 55 - 64	14,721	14.19
Age 65 - 74	13,950	13.45
Age 75 - 84	7,492	7.22
Age 85 and over	2,466	2.38
Age 16 and over	87,904	84.75
Age 18 and over	85,863	82.78
Age 21 and over	82,780	79.81
Age 65 and over	23,908	23.05
Median Age	--	45.41
Average Age	--	44.52
2025 Est. Pop Age 15+ by Marital Status		
Total, Never Married	29,443	33.11
Male, Never Married	16,146	18.16
Female, Never Married	13,297	14.95
Married, Spouse Present	41,634	46.82
Married, Spouse Absent	5,889	6.62
Widowed	4,819	5.42
Male, Widowed	1,040	1.17
Female, Widowed	3,779	4.25
Divorced	7,132	8.02
Male, Divorced	2,690	3.02
Female, Divorced	4,442	5.00
2025 Est. Male Population by Age		
Male: Age 0 - 4	2,425	4.74
Male: Age 5 - 9	2,496	4.88
Male: Age 10 - 14	2,586	5.05
Male: Age 15 - 17	1,566	3.06
Male: Age 18 - 20	1,591	3.11
Male: Age 21 - 24	2,156	4.21
Male: Age 25 - 34	5,956	11.63
Male: Age 35 - 44	7,559	14.77
Male: Age 45 - 54	6,955	13.59
Male: Age 55 - 64	7,127	13.92
Male: Age 65 - 74	6,543	12.78
Male: Age 75 - 84	3,301	6.45
Male: Age 85 and over	928	1.81
Median Age, Male	--	44.02
Average Age, Male	--	43.46
2025 Est. Female Population by Age		
Female: Age 0 - 4	2,334	4.44
Female: Age 5 - 9	2,485	4.73
Female: Age 10 - 14	2,485	4.73
Female: Age 15 - 17	1,489	2.83
Female: Age 18 - 20	1,492	2.84
Female: Age 21 - 24	1,992	3.79
Female: Age 25 - 34	5,479	10.43
Female: Age 35 - 44	7,190	13.69
Female: Age 45 - 54	6,864	13.06
Female: Age 55 - 64	7,594	14.45
Female: Age 65 - 74	7,407	14.10
Female: Age 75 - 84	4,192	7.98
Female: Age 85 and over	1,538	2.93
Median Age, Female	--	46.93
Average Age, Female	--	45.55

Benchmark: HMB PMA

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Pop-Facts® Demographic Snapshot | Housing & Households

Trade Area: HMB PMA

Total Population: 103,728 | **Total Households:** 36,261

	Count	%
2025 Est. Households by Household Type		
Total Households	36,261	100.00
Family Households	26,080	71.92
Other Households	10,181	--
2025 Est. Group Quarters Population		
2025 Est. Group Quarters Population	947	0.91
2025 HHs By Ethnicity, Hispanic/Latino		
2025 HHs By Ethnicity, Hispanic/Latino	5,405	14.91
2025 Est. Households by Type and Presence of Own Children		
Married Couple	20,050	55.29
With Own Kids < 18	6,789	18.72
Without Own Kids < 18	13,261	36.57
Cohabiting Couple	2,319	6.39
With Own Kids < 18	454	1.25
Without Own Kids < 18	1,865	5.14
Female Householder, No Spouse or Partner Present	8,364	23.07
Living Alone	4,841	13.35
With Own Kids < 18	673	1.86
Without Own Kids < 18	2,347	6.47
With Only Nonrelatives	502	1.38
Male Householder, No Spouse or Partner Present	5,527	15.24
Living Alone	3,369	9.29
With Own Kids < 18	534	1.47
Without Own Kids < 18	1,096	3.02
With Only Nonrelatives	529	1.46
With Own Kids < 18	8,451	23.31
Without Own Kids < 18	27,810	76.69
2025 Est. Households by Household Size		
1-Person Household	6,860	18.92
2-Person Household	11,869	32.73
3-Person Household	6,575	18.13
4-Person Household	5,866	16.18
5-Person Household	2,781	7.67
6-Person Household	1,194	3.29
7-or-more-person	1,117	3.08
2025 Est. Average Household Size	--	2.83
2025 Est. Households by Number of Vehicles		
No Vehicles	1,446	3.99
1 Vehicle	9,711	26.78
2 Vehicles	14,250	39.30
3 Vehicles	7,156	19.73
4 Vehicles	2,382	6.57
5 or more Vehicles	1,315	3.63
2025 Est. Average Number of Vehicles	--	2.12
2025 Occupied Housing Units by Tenure		
Housing Units, Owner-Occupied	24,861	68.56
Housing Units, Renter-Occupied	11,400	31.44
2025 Owner Occ. HUs: Avg. Length of Residence		
2025 Owner Occ. HUs: Avg. Length of Residence	--	21.81
2025 Renter Occ. HUs: Avg. Length of Residence		
2025 Renter Occ. HUs: Avg. Length of Residence	--	8.60
2025 Est. Owner-Occupied Housing Units by Value		
Value Less Than $20,000	357	1.44
Value $20,000 - $39,999	72	0.29
Value $40,000 - $59,999	9	0.04
Value $60,000 - $79,999	3	0.01
Value $80,000 - $99,999	43	0.17
Value $100,000 - $149,999	175	0.70
Value $150,000 - $199,999	123	0.49
Value $200,000 - $299,999	151	0.61
Value $300,000 - $399,999	236	0.95
Value $400,000 - $499,999	201	0.81
Value $500,000 - $749,999	1,685	6.78
Value $750,000 - $999,999	3,255	13.09
Value $1,000,000 - $1,499,999	10,549	42.43
Value $1,500,000 - $1,999,999	5,124	20.61
Value $2,000,000 or more	2,878	11.58
2025 Est. Median All Owner-Occupied Housing Value	--	1,285,492.41

Benchmark: HMB PMA

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Pop-Facts® Demographic Snapshot | Housing & Households

Trade Area: HMB PMA

Total Population: 103,728 | **Total Households:** 36,261

	Count	%
2025 Est. Housing Units by Units in Structure		
1 Unit Detached	26,908	69.04
1 Unit Attached	2,877	7.38
2 Units	536	1.38
3 to 4 Units	1,266	3.25
5 to 19 Units	2,554	6.55
20 to 49 Units	1,427	3.66
50 or More Units	2,719	6.98
Mobile Home or Trailer	688	1.76
Boat, RV, Van, etc.	0	0.00
2025 Est. Housing Units by Year Structure Built		
Built 2020 or Later	111	0.28
Built 2010 to 2019	739	1.90
Built 2000 to 2009	2,613	6.70
Built 1990 to 1999	2,254	5.78
Built 1980 to 1989	4,415	11.33
Built 1970 to 1979	10,145	26.03
Built 1960 to 1969	8,472	21.74
Built 1950 to 1959	7,675	19.69
Built 1940 to 1949	1,263	3.24
Built 1939 or Earlier	1,286	3.30
2025 Housing Units by Year Structure Built		
2025 Est. Median Year Structure Built	--	1,970.77

Benchmark: HMB PMA

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Pop-Facts® Demographic Snapshot | Affluence & Education

Trade Area: HMB PMA

Total Population: 103,728 | **Total Households:** 36,261

	Count	%
2025 Est. Pop Age 25+ by Edu. Attainment		
Less than 9th Grade	3,034	3.86
Some High School, No Diploma	2,341	2.98
High School Graduate (or GED)	13,229	16.82
Some College, No Degree	14,300	18.19
Associate's Degree	7,122	9.06
Bachelor's Degree	24,116	30.67
Master's Degree	9,268	11.79
Professional Degree	3,228	4.11
Doctorate Degree	1,996	2.54
2025 Est. Pop Age 25+ by Edu. Attain., Hisp./Lat.		
Less than High School Diploma	2,558	19.49
High School Graduate	3,348	25.51
Some College or Associate's Degree	3,215	24.50
Bachelor's Degree or Higher	4,002	30.50
2025 Est. Households by HH Income		
Income < $15,000	1,480	4.08
Income $15,000 - $24,999	1,044	2.88
Income $25,000 - $34,999	1,062	2.93
Income $35,000 - $49,999	1,858	5.12
Income $50,000 - $74,999	3,334	9.20
Income $75,000 - $99,999	3,167	8.73
Income $100,000 - $124,999	2,967	8.18
Income $125,000 - $149,999	2,779	7.66
Income $150,000 - $199,999	4,940	13.62
Income $200,000 - $249,999	3,045	8.40
Income $250,000 - $499,999	4,728	13.04
Income $500,000+	5,856	16.15
2025 Est. Average Household Income	--	215,675.00
2025 Est. Median Household Income	--	154,014.94
2025 Median HH Inc. by Single-Class. Race or Eth.		
White Alone	--	183,463.14
Black or African American Alone	--	91,049.40
American Indian and Alaskan Native Alone	--	122,797.40
Asian Alone	--	191,289.85
Native Hawaiian and Other Pacific Islander Alone	--	188,847.32
Some Other Race Alone	--	116,994.79
Two or More Races	--	182,416.36
Hispanic or Latino	--	127,506.64
Not Hispanic or Latino	--	186,685.22
2025 Est. Families by Poverty Status		
Families at or Above Poverty	24,990	95.82
Families at or Above Poverty with children	9,332	35.78
Families Below Poverty	1,090	4.18
Families Below Poverty, with children	417	1.60

Benchmark: HMB PMA

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Pop-Facts® Demographic Snapshot | Employment & Occupation

Trade Area: HMB PMA

Total Population: 103,728 | **Total Households:** 36,261

	Count	%
2025 Est. Employed Civilian Population 16+ by Occupation Classification		
White Collar	39,717	71.06
Blue Collar	7,675	13.73
Service and Farming	8,504	15.21
2025 Est. Workers Age 16+ by Travel Time to Work		
Less than 15 Minutes	9,147	20.26
15 - 29 Minutes	15,488	34.31
30 - 44 Minutes	12,386	27.43
45 - 59 Minutes	4,543	10.06
60 or more Minutes	3,583	7.94
2025 Est. Avg Travel Time to Work in Minutes	--	31.00
2025 Est. Workers Age 16+ by Transp. to Work		
2025 Est. Workers Age 16+ by Transp. to Work	54,382	100.00
Drove Alone	33,693	61.96
Carpooled	4,925	9.06
Public Transport	2,807	5.16
Walked	933	1.72
Bicycle	268	0.49
Other Means	829	1.52
Worked at Home	10,926	20.09
2025 Est. Civ. Employed Pop 16+ by Class of Worker		
2025 Est. Civ. Employed Pop 16+ by Class of Worker	55,895	100.00
For-Profit Private Workers	35,915	64.25
Non-Profit Private Workers	4,316	7.72
Local Government Workers	5,606	10.03
State Government Workers	1,977	3.54
Federal Government Workers	1,689	3.02
Self-Employed Workers	6,377	11.41
Unpaid Family Workers	15	0.03
2025 Est. Civ. Employed Pop 16+ by Occupation		
Architecture/Engineering	1,616	2.89
Arts/Design/Entertainment/Sports/Media	1,915	3.43
Building/Grounds Cleaning/Maintenance	1,653	2.96
Business/Financial Operations	4,008	7.17
Community/Social Services	858	1.53
Computer/Mathematical	2,869	5.13
Construction/Extraction	1,896	3.39
Education/Training/Library	3,634	6.50
Farming/Fishing/Forestry	315	0.56
Food Preparation/Serving Related	2,286	4.09
Healthcare Practitioner/Technician	4,290	7.67
Healthcare Support	1,511	2.70
Installation/Maintenance/Repair	1,141	2.04
Legal	903	1.62
Life/Physical/Social Science	1,516	2.71
Management	7,663	13.71
Office/Administrative Support	6,172	11.04
Production	1,269	2.27
Protective Services	1,184	2.12
Sales/Related	4,275	7.65
Personal Care/Service	1,556	2.78
Transportation/Material Moving	3,369	6.03
2025 Est. Pop Age 16+ by Employment Status		
In Armed Forces	33	0.04
Civilian - Employed	55,051	62.63
Civilian - Unemployed	1,720	1.96
Not in Labor Force	31,100	35.38

Benchmark: HMB PMA

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Pop-Facts® Demographic Snapshot | Map

Trade Area: HMB PMA

Total Population: 103,728 | **Total Households:** 36,261

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Benchmark: HMB PMA

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Pop-Facts® Senior Life Demographics | Summary

Trade Area: HMB PMA

	Population
2010 Census	104,692
2020 Census	109,551
2025 Estimate	103,728
2030 Projection	102,707

	Population Change (%)
Growth 2010 - 2020	4.64
Growth 2020 - 2025	-5.32
Growth 2025 - 2030	-0.98

Benchmark: HMB PMA

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Pop-Facts® Senior Life Demographics | Population & Race

Trade Area: HMB PMA

	2010 Census	%	2020 Census	%	2025 Estimate	%	2030 Projection	%
Total Population								
Total Population	104,692	100.00	109,551	100.00	103,728	100.00	102,707	100.00
Age 45 - 54	17,281	16.51	14,601	13.33	13,818	13.32	14,213	13.84
Age 55 - 64	15,809	15.10	15,993	14.60	14,721	14.19	13,952	13.58
Age 65 - 74	8,050	7.69	13,130	11.98	13,950	13.45	14,408	14.03
Age 75 - 84	4,138	3.95	6,013	5.49	7,492	7.22	9,012	8.78
Age 85 and over	1,620	1.55	2,141	1.95	2,466	2.38	2,795	2.72
Age 65 and over	13,809	13.19	21,284	19.43	23,908	23.05	26,215	25.52
Population by Single - Classification Race								
White Alone	54,961	52.50	46,309	42.27	41,478	39.99	38,479	37.47
Age 65 and over	8,815	16.04	11,507	24.85	12,292	29.64	12,762	33.17
Black/African American Alone	2,542	2.43	1,900	1.73	1,725	1.66	1,657	1.61
Age 65 and over	414	16.29	463	24.37	505	29.27	536	32.35
American Indian/Alaskan Native Alone	497	0.47	715	0.65	662	0.64	648	0.63
Age 65 and over	37	7.45	79	11.05	83	12.54	89	13.73
Asian Alone	32,679	31.21	36,233	33.07	36,290	34.99	38,070	37.07
Age 65 and over	3,795	11.61	6,718	18.54	8,063	22.22	9,380	24.64
Native Hawaiian/Pacific Islander Alone	1,022	0.98	870	0.79	801	0.77	765	0.74
Age 65 and over	98	9.59	127	14.60	149	18.60	155	20.26
Some Other Race Alone	7,006	6.69	9,558	8.72	9,319	8.98	9,504	9.25
Age 65 and over	345	4.92	865	9.05	1,007	10.81	1,192	12.54
Two or More Races	5,985	5.72	13,967	12.75	13,452	12.97	13,585	13.23
Age 65 and over	296	4.95	1,526	10.93	1,808	13.44	2,101	15.47
Population by Hispanic or Latino								
Hispanic/Latino	18,570	17.74	20,992	19.16	20,306	19.58	20,555	20.01
Age 65 and over	1,466	7.89	2,306	10.98	2,687	13.23	3,106	15.11
Not Hispanic/Latino	86,123	82.26	88,559	80.84	83,422	80.42	82,152	79.99
Total Population, Male								
Total Population, Male	51,243	48.95	53,557	48.89	51,189	49.35	50,634	49.30
Male: Age 45 - 54	8,320	16.24	7,147	13.35	6,955	13.59	7,140	14.10
Male: Age 55 - 64	7,632	14.89	7,472	13.95	7,127	13.92	6,872	13.57
Male: Age 65 - 74	3,672	7.17	6,090	11.37	6,543	12.78	6,727	13.29
Male: Age 75 - 84	1,753	3.42	2,620	4.89	3,301	6.45	3,982	7.86
Male: Age 85 and over	546	1.06	813	1.52	928	1.81	1,067	2.11
Male: Age 65 and over	5,972	11.65	9,523	17.78	10,772	21.04	11,776	23.26
Total Population, Female								
Total Population, Female	53,449	51.05	55,993	51.11	52,539	50.65	52,073	50.70
Female: Age 45 - 54	8,961	16.77	7,454	13.31	6,864	13.06	7,074	13.59
Female: Age 55 - 64	8,178	15.30	8,522	15.22	7,594	14.45	7,080	13.60
Female: Age 65 - 74	4,378	8.19	7,040	12.57	7,407	14.10	7,681	14.75
Female: Age 75 - 84	2,385	4.46	3,393	6.06	4,192	7.98	5,030	9.66
Female: Age 85 and over	1,075	2.01	1,328	2.37	1,538	2.93	1,729	3.32
Female: Age 65 and over	7,837	14.66	11,761	21.00	13,136	25.00	14,439	27.73

Benchmark: HMB PMA

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Pop-Facts® Senior Life Demographics | Household Income

Trade Area: HMB PMA

	2025 Estimate	%	2030 Projection	%
Householder Age 45 - 54				
Householder Age 45 - 54	6,429	17.73	6,461	18.05
Income Less than $15,000	80	1.24	63	0.97
Income $15,000 - $24,999	77	1.20	61	0.94
Income $25,000 - $34,999	148	2.30	120	1.86
Income $35,000 - $49,999	145	2.25	138	2.14
Income $50,000 - $74,999	325	5.05	252	3.90
Income $75,000 - $99,999	419	6.52	359	5.56
Income $100,000 - $124,999	447	6.95	387	5.99
Income $125,000 - $149,999	591	9.19	537	8.31
Income $150,000 - $199,999	1,119	17.41	1,041	16.11
Income $200,000 or more	3,078	47.88	3,503	54.22
Median Household Income	--	198,425.59	--	200,000.08
Householder Age 55 - 64				
Householder Age 55 - 64	7,300	20.13	6,766	18.90
Income Less than $15,000	167	2.29	116	1.72
Income $15,000 - $24,999	144	1.97	119	1.76
Income $25,000 - $34,999	228	3.12	184	2.72
Income $35,000 - $49,999	210	2.88	175	2.59
Income $50,000 - $74,999	458	6.27	338	5.00
Income $75,000 - $99,999	535	7.33	442	6.53
Income $100,000 - $124,999	509	6.97	418	6.18
Income $125,000 - $149,999	657	9.00	567	8.38
Income $150,000 - $199,999	1,143	15.66	1,009	14.91
Income $200,000 or more	3,248	44.49	3,399	50.24
Median Household Income	--	195,135.85	--	200,000.01
Householder Age 65 - 74				
Householder Age 65 - 74	7,388	20.38	7,497	20.94
Income Less than $15,000	472	6.39	414	5.52
Income $15,000 - $24,999	242	3.28	213	2.84
Income $25,000 - $34,999	218	2.95	202	2.69
Income $35,000 - $49,999	512	6.93	398	5.31
Income $50,000 - $74,999	1,072	14.51	976	13.02
Income $75,000 - $99,999	849	11.49	841	11.22
Income $100,000 - $124,999	852	11.53	826	11.02
Income $125,000 - $149,999	520	7.04	540	7.20
Income $150,000 - $199,999	874	11.83	906	12.09
Income $200,000 or more	1,778	24.07	2,181	29.09
Median Household Income	--	109,203.47	--	120,877.43
Householder Age 75 - 84				
Householder Age 75 - 84	4,212	11.62	4,966	13.87
Income Less than $15,000	357	8.48	380	7.65
Income $15,000 - $24,999	247	5.86	250	5.03
Income $25,000 - $34,999	207	4.92	228	4.59
Income $35,000 - $49,999	436	10.35	409	8.24
Income $50,000 - $74,999	692	16.43	746	15.02
Income $75,000 - $99,999	453	10.76	529	10.65
Income $100,000 - $124,999	413	9.80	478	9.63
Income $125,000 - $149,999	231	5.48	290	5.84
Income $150,000 - $199,999	383	9.09	480	9.67
Income $200,000 or more	793	18.83	1,175	23.66
Median Household Income	--	83,263.11	--	96,948.66
Householder Age 85 and over				
Householder Age 85 and over	1,398	3.85	1,564	4.37
Income Less than $15,000	185	13.23	189	12.08
Income $15,000 - $24,999	157	11.23	158	10.10
Income $25,000 - $34,999	93	6.65	101	6.46
Income $35,000 - $49,999	150	10.73	143	9.14
Income $50,000 - $74,999	221	15.81	226	14.45
Income $75,000 - $99,999	124	8.87	139	8.89
Income $100,000 - $124,999	104	7.44	118	7.54
Income $125,000 - $149,999	54	3.86	68	4.35
Income $150,000 - $199,999	103	7.37	122	7.80
Income $200,000 or more	206	14.73	301	19.25
Median Household Income	--	61,886.84	--	70,642.15

Benchmark: HMB PMA

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Pop-Facts® Senior Life Demographics | Housing & Households

Trade Area: HMB PMA

	2025 Estimate	%	2030 Projection	%
Households by Household Income				
Total Households	36,261	100.00	35,799	100.00
Income Less Than $15,000	1,480	4.08	1,330	3.71
Income $15,000 - $24,999	1,044	2.88	936	2.62
Income $25,000 - $34,999	1,062	2.93	958	2.68
Income $35,000 - $49,999	1,858	5.12	1,578	4.41
Income $50,000 - $74,999	3,334	9.20	2,975	8.31
Income $75,000 - $99,999	3,167	8.73	2,924	8.17
Income $100,000 - $124,999	2,967	8.18	2,735	7.64
Income $125,000 - $149,999	2,779	7.66	2,581	7.21
Income $150,000 - $199,999	4,940	13.62	4,649	12.99
Income $200,000 - $249,999	3,045	8.40	3,402	9.50
Income $250,000 - $499,999	4,728	13.04	5,122	14.31
Income $500,000 or more	5,856	16.15	6,610	18.46
Average Household Income	--	215,675.00	--	231,863.00
Median Household Income	--	154,014.94	--	169,077.16
Age 55+ Median Household Income	--	122,706.05	--	135,383.10
Age 65+ Median Household Income	--	96,498.86	--	107,806.71
Owner-Occupied Housing Units by Value				
Value Less Than $20,000	357	1.44	336	1.37
Value $20,000 - $39,999	72	0.29	74	0.30
Value $40,000 - $59,999	9	0.04	11	0.04
Value $60,000 - $79,999	3	0.01	7	0.03
Value $80,000 - $99,999	43	0.17	41	0.17
Value $100,000 - $149,999	175	0.70	160	0.65
Value $150,000 - $199,999	123	0.49	114	0.47
Value $200,000 - $299,999	151	0.61	149	0.61
Value $300,000 - $399,999	236	0.95	215	0.88
Value $400,000 - $499,999	201	0.81	198	0.81
Value $500,000 - $749,999	1,685	6.78	1,576	6.44
Value $750,000 - $999,999	3,255	13.09	3,024	12.35
Value $1,000,000 - $1,499,999	10,549	42.43	9,696	39.59
Value $1,500,000 - $1,999,999	5,124	20.61	5,323	21.74
Value $2,000,000+	2,878	11.58	3,563	14.55
Median All Owner-Occupied Housing Unit Value	--	1,285,492.41	--	1,321,603.56
Group Quarters by Population Type				
Group Quarters Population	947	0.91	961	0.94
Correctional Facilities	281	29.67	291	30.28
Nursing Homes	173	18.27	175	18.21
Other Facilities	30	3.17	30	3.12
Juvenile Facilities	0	0.00	0	0.00
College Dormitories	0	0.00	0	0.00
Military Quarters	0	0.00	0	0.00
Other Noninstitutional Quarters	463	48.89	465	48.39
Occupied Housing Units by Tenure				
Owner-Occupied	24,861	68.56	24,488	68.40
Renter-Occupied	11,400	31.44	11,311	31.60

Benchmark: HMB PMA

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Pop-Facts® Senior Life Demographics | Housing & Households

Trade Area: HMB PMA

	2020 Census	%	2025 Estimate	%	2030 Projection	%
Households by Tenure by Age of Householder						
Total Households	38,562	100.00	36,261	100.00	35,799	100.00
Owner-Occupied	26,481	68.67	24,861	68.56	24,488	68.40
Householder Age 55 - 64	6,399	16.59	5,549	22.32	5,049	20.62
Householder Age 65 - 74	5,990	15.53	6,060	24.38	6,099	24.91
Householder Age 75 - 84	2,978	7.72	3,473	13.97	4,064	16.60
Householder Age 85 and over	996	2.58	1,072	4.31	1,184	4.83
Renter-Occupied	12,082	31.33	11,400	31.44	11,311	31.60
Householder Age 55 - 64	1,867	4.84	1,751	15.36	1,718	15.19
Householder Age 65 - 74	1,240	3.22	1,328	11.65	1,398	12.36
Householder Age 75 - 84	578	1.50	738	6.47	902	7.97
Householder Age 85 and over	242	0.63	326	2.86	380	3.36

Benchmark: HMB PMA

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Pop-Facts® Senior Life Demographics | Map

Trade Area: HMB PMA

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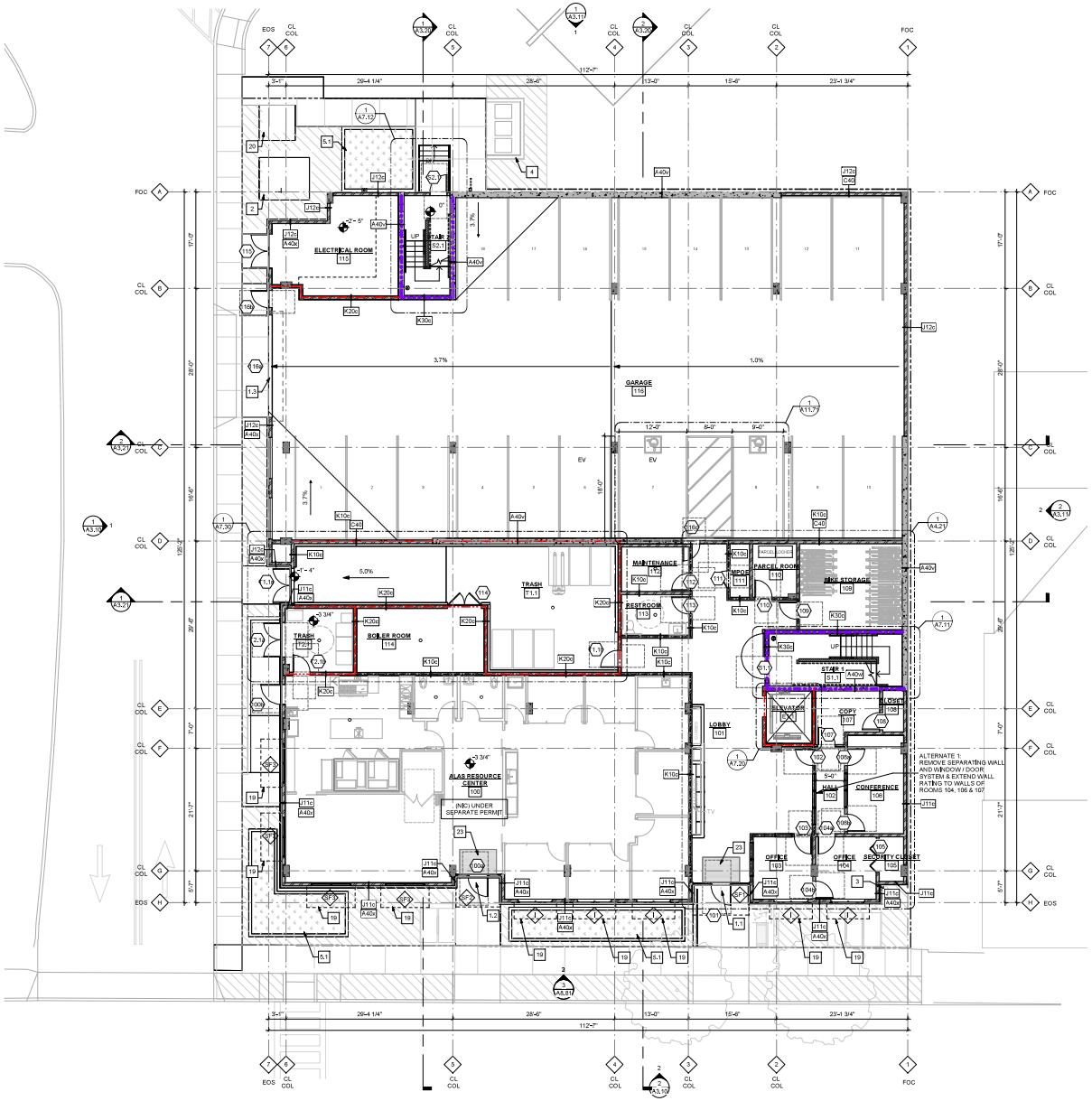
SUBJECT PROPERTY SITE PLAN, FLOOR PLANS/LAYOUT AND RENDERINGS



1 A2.11 **FLOOR PLAN - 1ST FLOOR**
SCALE: 1/8" = 1'-0"

WALL LEGEND

WOOD / STEEL FRAMING
CONCRETE WALL

FLOOR PLAN GENERAL NOTES

1. REFER TO A8.10 SERIES SHEETS FOR TYPICAL WALL, FLOOR / CEILING, AND ROOF ASSEMBLIES; REFER TO STRUCTURAL DRAWINGS FOR STUD SIZE LOCATIONS
2. U.O.N., NON-RATED INTERIOR PARTITIONS SHALL BE F10 (WOOD-FRAMED LEVELS) OR K10 (CFS FRAMED LEVELS)
3. FIRE CAULK ALL PENETRATIONS INTO RATED ASSEMBLIES, PER TESTED SYSTEMS OUTLINED IN SPEC SECTION 07 84 13
4. INTERIOR PARTITIONS AT BATHROOMS AND KITCHENS SHALL RECEIVE MOISTURE-RESISTANT SHEATHING PER SPEC, SEE DETAILS FOR ADDITIONAL LOCATIONS AND INFORMATION
5. AT MECHANICAL DUCT RUNS WITHIN UNITS, PROVIDE SOFFIT BELOW RATED ASSEMBLY, SEE REFLECTED CEILING PLANS FOR ADDITIONAL INFORMATION
6. AT WALL LOCATIONS SEPARATING RESIDENTIAL UNITS FROM OTHER UNITS, COMMON CIRCULATION SPACES, AND OTHER PUBLIC SPACES, PROVIDE MIN STC 50 RATING.
7. CLOSETS IN RESIDENTIAL UNITS TO INCLUDE SHELF AND POLE U.O.N, SEE SPEC FOR ADDITIONAL INFORMATION.
8. WINDOW DIMENSIONS ARE TO CENTERLINE OF OPENING U.O.N. DIMENSIONS WILL BE SHOWN ON FIRST FLOOR FOR WINDOWS THAT STACK AT UNITS; WINDOWS THAT ARE NOT IN ALIGNMENT WITH THE FLOOR BELOW WILL BE DIMENSIONED.
9. EXTERIOR WALL DIMENSIONS ARE TO FACE OF FRAMING U.O.N.
10. SSD FOR ACTUAL THICKNESS OF CONCRETE WALL ASSEMBLIES (WALL TYPE A40)
11. SSD FOR LOCATION AND ORIENTATION OF STRUCTURAL SHEAR WALLS
12. INTERIOR DOORS SHALL BE INSTALLED 4" CLEAR FROM FINISHED FACE OF PERPENDICULAR WALL SURFACE U.O.N.
13. FRAMED PARTITIONS AT GROUND LEVEL SHALL BE METAL STUD FRAMED. FRAMED PARTITIONS AT LEVELS 2-5 SHALL BE WOOD FRAMED. COORDINATE WITH ASSEMBLIES PER A8.10
14. FOR ACCESSIBILITY MOUNTING HEIGHTS AND DETAILS SEE SHEETS A0.40 TO A0.42. THE BUILDING MUST COMPLY WITH CBC 11B AT ALL COMMON AREAS AND AS SHOWN ON THE DRAWINGS.
15. SEE CIVIL DRAWINGS FOR SITE HORIZONTAL DIMENSIONS AND GROUND ELEVATIONS
16. SEE A4-SERIES SHEETS FOR ENLARGED UNIT INFORMATION

FLOOR PLAN SHEET NOTES

1.1	RESIDENTIAL MAIN ENTRY
1.2	ALAS RESOURCE CENTER MAIN ENTRY
1.3	GARAGE VEHICULAR ENTRY
2	PAD MOUNTED TRANSFORMER
3	RETRACTABLE LADDER FOR ACCESS TO REAR PODIUM AREA
4	TRASH ENCLOSURE FOR COMMUNITY CENTER
5.1	IN-GROUND BIO-RETENTION PLANTER, SCD
5.2	RAISED BIO-RETENTION PLANTER, SCD
6	JULIETTE BALCONY, TYP
7.2	ALAS ENTRY AWNING BELOW
7.1	MAIN ENTRY AWNING BELOW
8	FIRE DEPARTMENT ACCESS LADDER PAD, TYP
9.1	INTERNAL ROOF DRAIN AND SUMP, DRAIN TO BIO-RETNTION PLANTER BELOW, SCD
9.2	INTERNAL ROOF DRAIN OUTLET, DRAIN TO BIO-RETENTION PLANTER, SCD
10.1	DOWNSPOUT & OVERFLOW SCUPPER, DRAIN TO BIO-RETENTION PLANTER BELOW, SCD
10.2	DOWNSPOUT FROM ROOF ABOVE, DRAIN TO BIO-RETENTION PLANTER BELOW, SCD
11	ALTERNATING TREAD STAIRS
12.1	ROOF ACCESS HATCH
12.2	ROOF HATCH ABOVE, SHOWN DASHED
13	PERMANENTLY INSTALLED ROOF ACCESS LADDER
14	ROOF MAINTENANCE ACCESS DOOR
15	UNIT STORAGE BELOW, SHOWN IN DASH, NO PHOTOVOLTAIC PANEL IN THIS AREA
16	PHOTOVOLTAIC PANEL
17	STANDPIPE
18	METAL SUNSHADE
19	METAL SUNSHADE ABOVE SHOWN DASHED
20	PAD MOUNTED INTERRUPTOR
21	LOUVERS FOR ELEVATOR SHAFT AND ACCESS PANELS FOR SMOKE DETECTOR
22	WATER BOTTLE REFILL STATION, SPD
23	WALK-OFF MAT

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ID	DATE	NAME
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Client:

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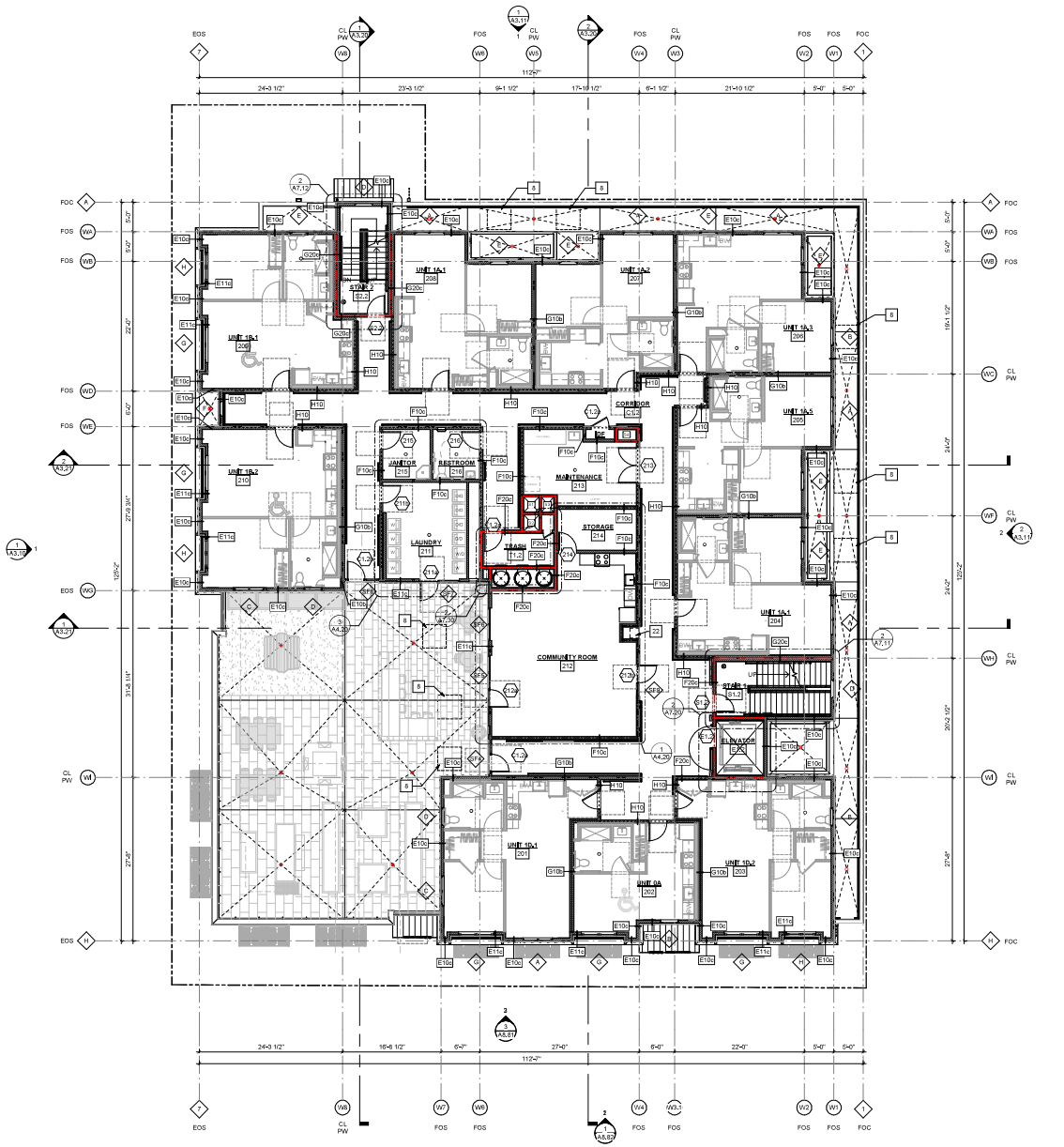
FLOOR PLAN - 1ST FLOOR

ISSUE:
DATE: Issue Date
JOB #: 2236
SCALE: As indicated

A2.11



1 A2.12 **FLOOR PLAN - 2ND FLOOR**
SCALE: 1/8" = 1'-0"

0' 4' 8' 16'

WALL LEGEND

WOOD / STEEL FRAMING

CONCRETE WALL

FLOOR PLAN GENERAL NOTES

1. REFER TO A8.10 SERIES SHEETS FOR TYPICAL WALL, FLOOR / CEILING, AND ROOF ASSEMBLIES; REFER TO STRUCTURAL DRAWINGS FOR STUD SIZE LOCATIONS
2. U.O.N., NON-RATED INTERIOR PARTITIONS SHALL BE F10 (WOOD-FRAMED LEVELS) OR K10 (CFS FRAMED LEVELS)
3. FIRE CAULK ALL PENETRATIONS INTO RATED ASSEMBLIES, PER TESTED SYSTEMS OUTLINED IN SPEC SECTION 07 84 13
4. INTERIOR PARTITIONS AT BATHROOMS AND KITCHENS SHALL RECEIVE MOISTURE-RESISTANT SHEATHING PER SPEC, SEE DETAILS FOR ADDITIONAL LOCATIONS AND INFORMATION
5. AT MECHANICAL DUCT RUNS WITHIN UNITS, PROVIDE SOFFIT BELOW RATED ASSEMBLY, SEE REFLECTED CEILING PLANS FOR ADDITIONAL INFORMATION
6. AT WALL LOCATIONS SEPARATING RESIDENTIAL UNITS FROM OTHER UNITS, COMMON CIRCULATION SPACES, AND OTHER PUBLIC SPACES, PROVIDE MIN STC 50 RATING.
7. CLOSETS IN RESIDENTIAL UNITS TO INCLUDE SHELF AND POLE U.O.N, SEE SPEC FOR ADDITIONAL INFORMATION.
8. WINDOW DIMENSIONS ARE TO CENTERLINE OF OPENING U.O.N. DIMENSIONS WILL BE SHOWN ON FIRST FLOOR FOR WINDOWS THAT STACK AT UNITS; WINDOWS THAT ARE NOT IN ALIGNMENT WITH THE FLOOR BELOW WILL BE DIMENSIONED.
9. EXTERIOR WALL DIMENSIONS ARE TO FACE OF FRAMING U.O.N.
10. SSD FOR ACTUAL THICKNESS OF CONCRETE WALL ASSEMBLIES (WALL TYPE A40)
11. SSD FOR LOCATION AND ORIENTATION OF STRUCTURAL SHEAR WALLS
12. INTERIOR DOORS SHALL BE INSTALLED 4" CLEAR FROM FINISHED FACE OF PERPENDICULAR WALL SURFACE U.O.N.
13. FRAMED PARTITIONS AT GROUND LEVEL SHALL BE METAL STUD FRAMED. FRAMED PARTITIONS AT LEVELS 2-5 SHALL BE WOOD FRAMED. COORDINATE WITH ASSEMBLIES PER A8.10
14. FOR ACCESSIBILITY MOUNTING HEIGHTS AND DETAILS SEE SHEETS A0.40 TO A0.42. THE BUILDING MUST COMPLY WITH CBC 11B AT ALL COMMON AREAS AND AS SHOWN ON THE DRAWINGS.
15. SEE CIVIL DRAWINGS FOR SITE HORIZONTAL DIMENSIONS AND GROUND ELEVATIONS
16. SEE A4-SERIES SHEETS FOR ENLARGED UNIT INFORMATION

FLOOR PLAN SHEET NOTES

1.1	RESIDENTIAL MAIN ENTRY
1.2	ALAS RESOURCE CENTER MAIN ENTRY
1.3	GARAGE VEHICULAR ENTRY
2	PAD MOUNTED TRANSFORMER
3	RETRACTABLE LADDER FOR ACCESS TO REAR PODIUM AREA
4	TRASH ENCLOSURE FOR COMMUNITY CENTER
5.1	IN-GROUND BIO-RETENTION PLANTER, SCD
5.2	RAISED BIO-RETENTION PLANTER, SCD
6	JULIETTE BALCONY, TYP
7.2	ALAS ENTRY AWNING BELOW
7.1	MAIN ENTRY AWNING BELOW
8	FIRE DEPARTMENT ACCESS LADDER PAD, TYP
9.1	INTERNAL ROOF DRAIN AND SUMP, DRAIN TO BIO-RETNTION PLANTER BELOW, SCD
9.2	INTERNAL ROOF DRAIN OUTLET, DRAIN TO BIO-RETENTION PLANTER, SCD
10.1	DOWNSPOUT & OVERFLOW SCUPPER, DRAIN TO BIO-RETENTION PLANTER BELOW, SCD
10.2	DOWNSPOUT FROM ROOF ABOVE, DRAIN TO BIO-RETENTION PLANTER BELOW, SCD
11	ALTERNATING TREAD STAIRS
12.1	ROOF ACCESS HATCH
12.2	ROOF HATCH ABOVE, SHOWN DASHED
13	PERMANENTLY INSTALLED ROOF ACCESS LADDER
14	ROOF MAINTENANCE ACCESS DOOR
15	UNIT STORAGE BELOW, SHOWN IN DASH, NO PHOTOVOLTAIC PANEL IN THIS AREA
16	PHOTOVOLTAIC PANEL
17	STANDPIPE
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FLOOR PLAN - 2ND FLOOR

ISSUE:
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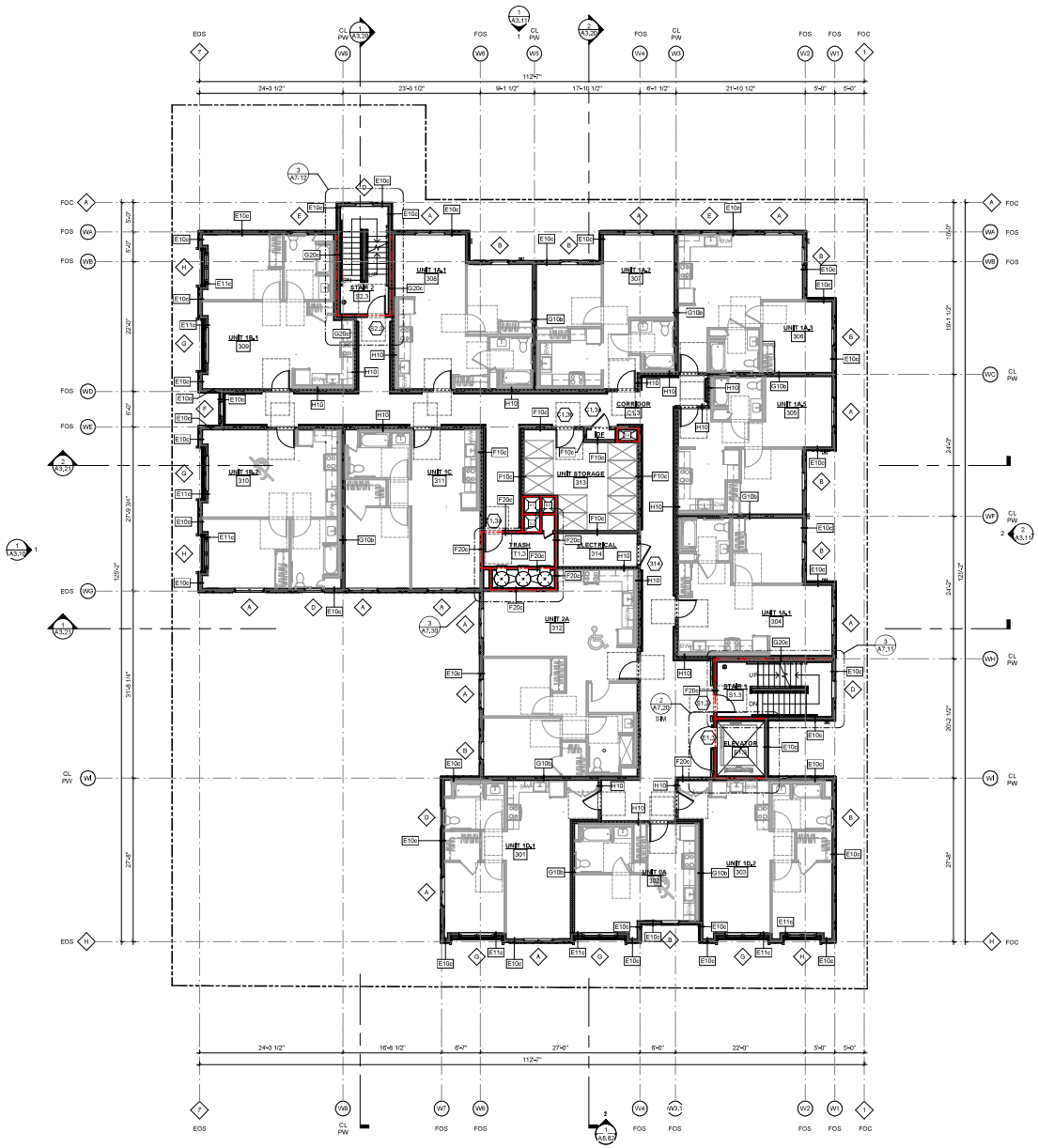

1 FLOOR PLAN - 3RD FLOOR
A2.13 SCALE: 1/8" = 1'-0"

WALL LEGEND

WOOD / STEEL FRAMING

CONCRETE WALL

FLOOR PLAN GENERAL NOTES

1. REFER TO A5.10 SERIES SHEETS FOR TYPICAL WALL, FLOOR / CEILING, AND ROOF ASSEMBLIES; REFER TO STRUCTURAL DRAWINGS FOR STUD SIZE LOCATIONS
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15. SEE CIVIL DRAWINGS FOR SITE HORIZONTAL DIMENSIONS AND GROUND ELEVATIONS
16. SEE A4-SERIES SHEETS FOR ENLARGED UNIT INFORMATION

FLOOR PLAN SHEET NOTES

1.1	RESIDENTIAL MAIN ENTRY
1.2	ALAS RESOURCE CENTER MAIN ENTRY
1.3	GARAGE VEHICULAR ENTRY
2	PAD MOUNTED TRANSFORMER
3	RETRACTABLE LADDER FOR ACCESS TO REAR PODIUM AREA
4	TRASH ENCLOSURE FOR COMMUNITY CENTER
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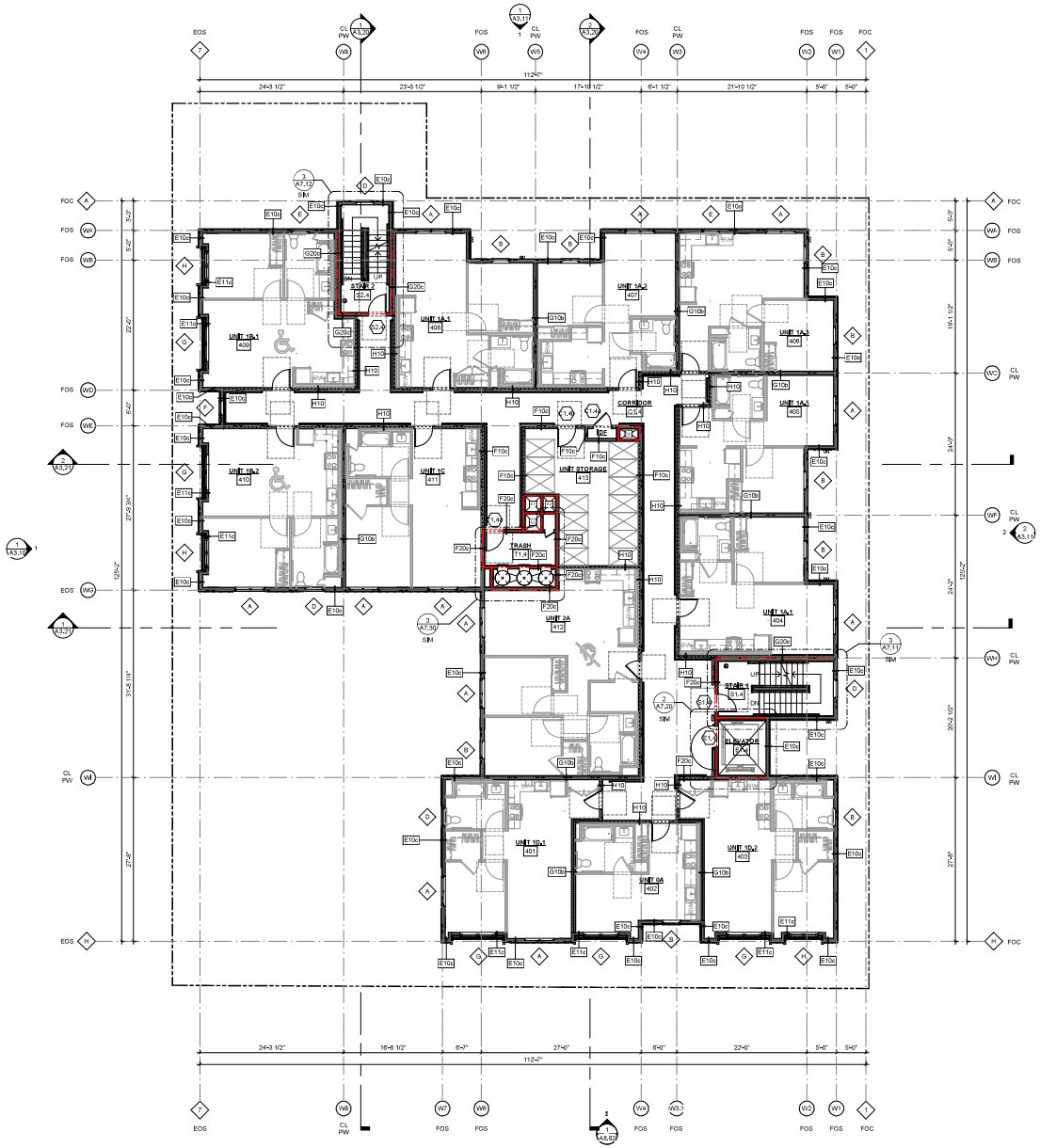
FLOOR PLAN - 3RD FLOOR

ISSUE:
DATE: Issue Date
JOB #: 2236
SCALE: As indicated

A2.13



1 A2.14 **FLOOR PLAN - 4TH FLOOR**
SCALE: 1/8" = 1'-0"

WALL LEGEND

WOOD / STEEL FRAMING
CONCRETE WALL

FLOOR PLAN GENERAL NOTES

1. REFER TO A5.10 SERIES SHEETS FOR TYPICAL WALL, FLOOR / CEILING, AND ROOF ASSEMBLIES; REFER TO STRUCTURAL DRAWINGS FOR STUD SIZE LOCATIONS
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15. SEE CIVIL DRAWINGS FOR SITE HORIZONTAL DIMENSIONS AND GROUND ELEVATIONS
16. SEE A4-SERIES SHEETS FOR ENLARGED UNIT INFORMATION

FLOOR PLAN SHEET NOTES

1.1	RESIDENTIAL MAIN ENTRY
1.2	ALAS RESOURCE CENTER MAIN ENTRY
1.3	GARAGE VEHICULAR ENTRY
2	PAD MOUNTED TRANSFORMER
3	RETRACTABLE LADDER FOR ACCESS TO REAR PODIUM AREA
4	TRASH ENCLOSURE FOR COMMUNITY CENTER
5.1	IN-GROUND BIO-RETENTION PLANTER, SCD
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6	JULIETTE BALCONY, TYP
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14	ROOF MAINTENANCE ACCESS DOOR
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FLOOR PLAN - 4TH FLOOR

ISSUE:
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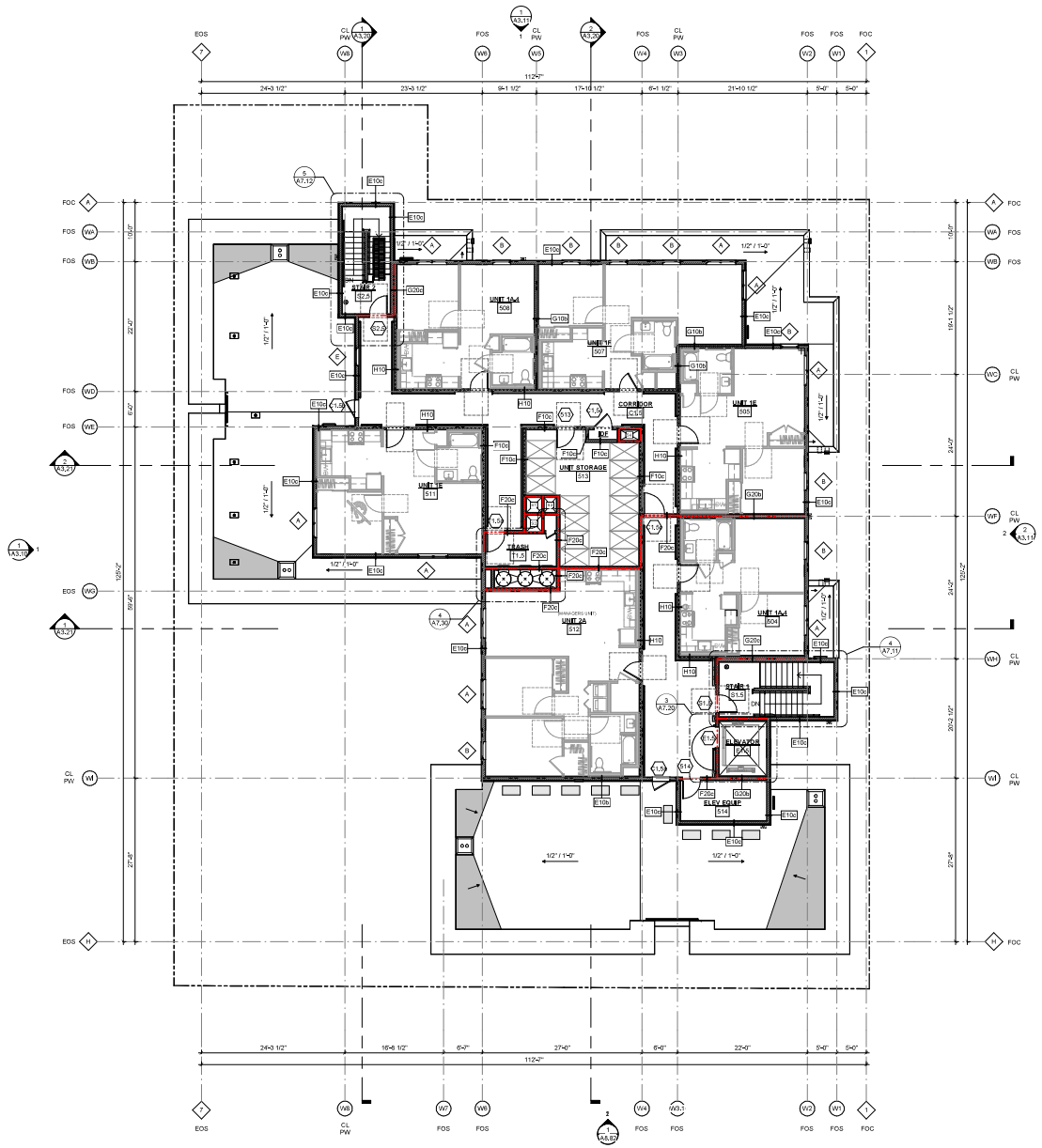
A2.14



1 A2.15 **FLOOR PLAN - 5TH FLOOR**
SCALE: 1/8" = 1'-0"

0' 4' 8' 16'

WALL LEGEND

WOOD / STEEL FRAMING

CONCRETE WALL

FLOOR PLAN GENERAL NOTES

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REVISION

ID	DATE	NAME
	09/27/24	100% DESIGN DEVELOPMENT

Project:

555 KELLY

555 KELLY AVE,
HALF MOON BAY, CA 94019

Client:

mercy HOUSING

1256 MARKET STREET,
SAN FRANCISCO, CA 94102

FLOOR PLAN - 5TH FLOOR

ISSUE:
DATE: Issue Date
JOB #: 2236
SCALE: As indicated

A2.15

LOOKING FROM THE SOUTHWEST ON KELLY AVE

LOOKING FROM THE SOUTHEAST NEAR THE ENTRY

LOOKING FROM THE SOUTH ON KELLY AVE

VAN METER WILLIAMS POLLACK LLP

ARCHITECTURE | URBANDESIGN ◆ SAN FRANCISCO | DENVER | MINNEAPOLIS

CIVIL ENGINEERING
BKF ENGINEERS
150 CALIFORNIA STREET, SUITE 600,
SAN FRANCISCO, CA 94111

LANDSCAPE ARCHITECT
JETT LANDSCAPE ARCHITECTURE + DESIGN
2 THEATER SQUARE, SUITE 218,
ORINDA, CA 94563

STRUCTURAL ENGINEER
KPFF
45 FREMONT ST 26TH FLOOR,
SAN FRANCISCO, CA 94105

MEP ENGINEER
EMERALD CITY ENGINEERS
21705 HIGHWAY 99,
LYNNWOOD, WA 98036

LOW VOLTAGE
E DESIGN C, INC.
582 MARKET STREET
SAN FRANCISCO, CA 94104

SECURITY/SURVEILLANCE
TELETECH SECURITY
3130 PACHECO STREET
SAN FRANCISCO CA 94116

JOINT TRENCH
UDCE
1 BUXOME STREET, SUITE 403
SAN FRANCISCO, CA 94107

SEAL

REVISION

ID	DATE	NAME
	09/27/24	100% DESIGN DEVELOPMENT

Project:

555 KELLY

555 KELLY AVE
HALF MOON BAY, CA 94019

Client:

mercy HOUSING

1256 MARKET STREET,
SAN FRANCISCO, CA 94102

PROJECT RENDERINGS

ISSUE:
DATE: Issue Date
JOB #: 2236
SCALE:

A0.02

IDENTITY OF INTEREST

Newport Realty Advisors
Real Estate Market & Economic Analysis

IDENTITY of INTEREST STATEMENT

Newport Realty Advisors LLC

555 Kelly, Half Moon Bay, CA

This statement is to certify that Newport Realty Advisors has no direct or indirect financial relationship with any of the Project Team Members associated with the proposed development of 555 Kelly, Half Moon Bay, San Mateo County, CA.

Furthermore, the site visit for this assignment was conducted on March 25, 2025.

By: Newport Realty Advisors LLC

By: Charles Castro

Title: Principal

Date: April 4, 2025

UTILITY ALLOWANCE SCHEDULE

Utility Allowance Schedule

See Public Reporting and Instructions on back.

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0169
(exp. 04/30/2026)

The following allowances are used to determine the total cost of tenant-furnished utilities and appliances.

Locality/PHA **Housing Authority of the County of San Mateo**		Unit Type: **Multi-Family (Apartment/Condo/Duplex)**				Date (mm/dd/yyyy) **05/01/2025**	
Utility of Service	**Fuel Type**	**0 BR**	**1 BR**	**2 BR**	**3 BR**	**4 BR**	**5 BR**
Heating	Natural Gas ***(Includes Climate Credit)***	$26.00	$32.00	$37.00	$41.00	$45.00	$50.00
	Bottle Gas						
	Electric	$26.00	$31.00	$39.00	$48.00	$56.00	$66.00
	Electric Heat Pump	N/A	N/A	N/A	N/A	N/A	N/A
	Fuel Oil						
Cooking	Natural Gas	$7.00	$7.00	$11.00	$13.00	$18.00	$20.00
	Bottle Gas						
	Electric	$11.00	$13.00	$18.00	$24.00	$30.00	$35.00
Other Electric	***(Includes Climate Credit)***	$34.00	$42.00	$62.00	$85.00	$109.00	$132.00
Air Conditioning		$5.00	$6.00	$8.00	$10.00	$13.00	$15.00
Water Heating	Natural Gas	$13.00	$15.00	$22.00	$31.00	$37.00	$44.00
	Bottle Gas						
	Electric	$25.00	$30.00	$38.00	$46.00	$54.00	$63.00
	Fuel Oil						
Water	***(avg)***	$76.00	$78.00	$101.00	$130.00	$162.00	$195.00
Sewer		N/A	N/A	N/A	N/A	N/A	N/A
Trash Collection	***(avg)***	$36.00	$36.00	$36.00	$36.00	$36.00	$36.00
Other specify:							
Other specify:							
Range/Microwave		$11.00	$11.00	$11.00	$11.00	$11.00	$11.00
Refrigerator		$12.00	$12.00	$12.00	$12.00	$12.00	$12.00

Actual Family Allowances- May be used by the family to compute allowance while searching for a unit.

Head of Household Name

Unit Address

Number of Bedrooms

Utility/Service/Appliance	Allowance
Heating	
Cooking	
Other Electric	
Air Conditioning	
Water Heating	
Water	
Sewer	
Trash Collection	
Other	
Range/Microwave	
Refrigerator	
Total	

adapted from form HUD-52667
(04/2023)

ATTACHMEN 21H – FORECLOSURES – NEGATIVE POINTS

555 Kelly

No Default or Foreclosures Statements for Sponsor

The undersigned hereby affirms that there have not been any circumstances that would require negative points to be assessed to the application by the California Tax Credit Allocation Committee.

The undersigned hereby affirms that Mercy Housing or Newport Realty Advisors LLC have not defaulted or suffered foreclosure on any loan, mortgage, or similar legal instrument.

Newport Realty Advisors LLC
By: Charlie Castro
Its: Principal

Date: April 4, 2025

MARKET STUDY MATRIX

State of California

California Tax Credit Allocation Committee &
California Debt Limit Allocation Committee

Market Study Index

Market Analysts must provide a checklist referencing all components of their market study. This checklist is intended to assist readers on the location and content of issues relevant to the evaluation and analysis of market studies. The page number of each component referenced is noted in the right column. In cases where the item is not relevant, the author has indicated "N/A" or not applicable. Where a conflict with or variation from client standards or client requirements exist, the author has indicated a "V" (variation) with a comment explaining the conflict. More detailed notations or explanations are also acceptable.

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MARKET STUDY EXPERIENCE IN THE PMA

MARKET STUDY EXPERIENCE IN PMA

According to TCAC's 2010 Market Study Guidelines, per Appendices IX, 4. a)

(i) "The number of market studies the Market Analyst has prepared in which this project would have been included in that previously prepared market study PMA;

Newport Realty Advisors has completed 10+ full LIHTC market studies in the PMA.

(ii) "The number of times, approximately, the Market Analyst has done a physical inspection in which this project would have been included in that previously prepared market study PMA;

Newport Realty Advisors has completed 5+ physical inspections in the PMA for previously completed LIHTC market studies.

Newport Realty Advisors LLC
By: Charlie Castro
Its: Principal

Date: April 4, 2025

RESUME

Company Resumes

Charles A. Castro

As the founding principal of ***NEWPORT REALTY ADVISORS LLC***, Mr. Castro oversees all consulting activities of the firm. He has nearly 20 years of professional real estate market, economic and financial consulting experience and has conducted analyses on all types of multifamily housing, including low income housing tax credit (LIHTC) and market-rate properties. Over the past 20 years, Newport Realty Advisors LLC has conducted nearly 400 affordable (income-restricted) and market-rate studies throughout California.

Prior to founding ***NEWPORT REALTY ADVISORS LLC*** in late 1996, Mr. Castro worked as a Consultant for The Meyers Group, a real estate consulting firm. He was responsible for conducting analyses on a wide variety of residential product types, including: Single-Family Residential, For-Sale Condominiums, Rental Apartments, Urban Infill Projects, Condominium Conversions and Master-Planned Communities. Specific studies conducted at The Meyers Group included: Market Feasibility and Opportunity Analysis, Absorption Studies, Disposition Strategies, Residential Pricing Analysis, Residual Land Value Analysis, and Portfolio and Land Acquisition Analysis.

Prior to The Meyers Group, Mr. Castro worked as an Associate with Robert Charles Lesser & Co., a nationally recognized real estate consulting and advisory firm. In this capacity, he was responsible for advising public and private sector clients on the technical and strategic aspects of real estate, including: Market and Financial Feasibility; Investment, Acquisition and Valuation Analysis; and Land-Use policy issues. He completed analysis on a number of product types including Office, Retail, Industrial, Rental Apartments and Residential Projects. Specific studies conducted at Robert Charles Lesser & Co. included: Market and Financial Feasibility Analysis, Land-Use Feasibility and Planning Analysis, Evaluation Strategies for Underutilized Land, and Pre-Acquisition (Investment) Due Diligence Analysis.

Mr. Castro commenced his real estate career as an Analyst with Keyser Marston & Associates, a real estate consulting firm based in San Diego, California. Keyser Marston & Associates specialized in providing consulting services to public sector clients throughout California on redevelopment, land planning and affordable housing issues. As an Analyst, Mr. Castro was responsible for the due diligence, specifically market and economic feasibility analysis on proposed affordable (income-restricted) and market-rate housing projects.

Mr. Castro completed his undergraduate studies in Marketing and Finance from California State University at Chico, and has completed a number of courses in the "Real Estate Development and Investment Program" at the U.C. Irvine Extended Education Center. In addition, he is a member of the Urban Land Institute (ULI), and author of various articles published in 1998 and 1999.

From: Matthew Chidester
To: Maggie Rodriguez; Bazzano, Denise S.
Cc: Leslie Lacko
Subject: Fw: 555 Kelly Financing Plan
Date: Tuesday, April 28, 2026 4:11:32 PM
Attachments: image.png
image.png
image.png
image.png
image.png
image.png
image.png
555KellyFinancingPlan_UnitMix_Opex_April2026_V2.pdf

FYI, not sure how we should share this as well.

From: Kelly Hollywood <Kelly.Hollywood@mercyhousing.org>
Sent: Tuesday, April 28, 2026 1:23 PM
To: Matthew Chidester <mChidester@halfmoonbay.gov>; Bazzano, Denise S. <dbazzano@bwslaw.com>; Maxwell, Lisa N. <lmaxwell@bwslaw.com>; Leslie Lacko <llacko@halfmoonbay.gov>
Cc: Emma Wynkoop <Emma.Wynkoop@mercyhousing.org>; Amy Bayley <ABayley@mercyhousing.org>; Elaine Palacios <Elaine.Palacios@mercyhousing.org>; Ramie Dare <RDARE@mercyhousing.org>; Evan Gross <egross@gubbandbarshay.com>; CJ Higley <cjhigley@gubbandbarshay.com>
Subject: Re: 555 Kelly Financing Plan

[CAUTION]: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good afternoon Matthew,

Please see the consolidated financing plan for 555 Kelly. It includes the following:

- Financing Plan Narrative
- Unit Mix, Rents, and 15-Year Operating Pro Forma
- Year 1 Detailed Operating Budget

The Year 1 detailed operating budget has been prepared by Mercy Housing Management Group specifically for 555 Kelly. It reflects expected day-to-day costs to operate the building, including staffing, maintenance, utilities, and resident services. This Year 1 budget serves as the foundation for the 15-year cash flow projection. Future expenses are projected using a standard 3.5% annual escalation to account for inflation and cost increases over time. This allows us to estimate how the property will perform financially and ensures it remains sustainable. The budget is reviewed and refined at key development milestones and compared against similar properties in our portfolio. Mercy

takes into account building size, location, and resident population, along with other factors to ensure it remains realistic and responsive to site-specific needs.

Thank you,

Kelly Hollywood (she/her/hers)
Mercy Housing California
1256 Market Street, San Francisco, CA 94102
415.355.7116

From: Ramie Dare
Sent: Friday, April 3, 2026 8:04 PM
To: Matthew Chidester; Leslie Lacko
Cc: Bazzano, Denise S.; Maxwell, Lisa N.; Elaine Palacios; Kelly Hollywood; Emma Wynkoop; Amy Bayley; Evan A. Gross (egross@gubbandbarshay.com); CJ Higley
Subject: Re: 555 Kelly Financing Plan

Matthew and Leslie,
Please find attached two pdfs that comprise our Financing Plan for 555 Kelly:

- Financing Plan Narrative
- Unit Mix/Rents and 15 year operating proforma

We appreciate any feedback or questions/comments you may have on this Plan. Thank you!

Ramie Dare
(she/her/hers)
DIRECTOR | Real Estate Development
415.355.7118 Direct

Mercy Housing California
1256 Market Street| San Francisco, CA 94102
t|415.355.7118 | mercyhousing.org/california

MEMORANDUM

April 3, 2026

To: City Manager Matthew Chidester and Community Development Director Leslie Lacko

Fr: Elaine Palacios, Kelly Hollywood and Ramie Dare, Mercy Housing CA

Re: 555 Kelly Financing Plan

Per the ENA, we are providing the Financing Plan for 555 Kelly, which consists of the following:

- Financing Plan Narrative (in this memo)
- Development Sources and Uses
- 15 year operating proforma

Development Sources Narrative

The development sources for 555 Kelly are per the attached chart and are as follows:

- San Mateo County ARPA $1,141,234
- Becker State Earmark of $2,000,000
- Eshoo Federal Earmark of $1,800,000 for Community Resource Center
- State HCD Infill Infrastructure Grant (IIG) of $2,756,304
- State HCD Joe Serna Farmworker Housing Program funding of $13,350,000
- Seeking approximately $6.5 million from County Affordable Housing Fund in 2026
- Seeking 9% tax credits in Q1 2027

To date, Mercy and ALAS have already secured a significant amount of competitive state and federal funding awards. This includes $1.14 million in federal pandemic recovery funds (ARPA) through the San Mateo County, $2 million from the State through Senator Becker, and $1.8 million in federal funding secured by Congresswoman Anna Eshoo specifically for the Community Resource Center portion of the project. The ARPA funds have been expended and the State funds secured by Senator Becker will be administered by the City through a Funding Agreement between the City and Mercy Housing California. The federal earmark will go directly to ALAS, who has been working with staff at the U.S. Department of Housing and Urban Development (HUD) on satisfying the requirements for the release of funds. One of the last remaining steps is to obtain NEPA clearance, which is an environmental review. A NEPA consultant has been retained and is ready to coordinate with the City to finalize the submission to HUD. Once received, the federal funds will be used solely for the construction of the Community Resource Center. As the funds are a Congressional earmark, they will not affect the 555 Kelly residential occupancy requirements.

The California Housing and Community Development Department (HCD) has awarded significant funding to 555 Kelly. In 2023, the State awarded $2.76 million through its Infill Infrastructure Grant program, which will be used for site work, utilities and reconfiguration of the Ted Adcock Community Center parking lot. Last year, HCD awarded over $13.3 million through the Joe Serna Farmworker Housing Program. This is a highly competitive program focused on housing low income agricultural workers, and receiving this award reflects strong alignment with state priorities and a high level of readiness of 555 Kelly.

This year, we will apply to the San Mateo County Department of Housing for approximately $6.5 million of funds that will be made available in the upcoming Affordable Housing Fund Round 13.0. The application is anticipated to be due in June and any County award is anticipated to be made in August or September. With a County funding commitment, we will be competitive for the final source required to complete the development funding stack: federal 9% Low-Income Housing Tax Credits and state tax credits. We will apply for a tax credit allocation in the first application round of 2027 and expect an award three months later. At the time of award (or before) we will select a tax credit investor who will use the tax credits and in exchange, provide equity proceeds to pay for the development. Construction will start approximately 6 months after that.

In total, this approach reflects a "leveraging" strategy: the city's land lease for 555 Kelly is leveraging significant county, state and federal funding to build and operate the 40 units of the 555 Kelly affordable housing that is part of the city's housing plan. The City will not need to contribute any city funding to build the 555 Kelly affordable housing, Community Resource Center or TACC parking lot improvements.

<u>Development Uses Narrative</u>

The Development Uses (Costs) fall into these primary categories:

Demolition, TACC Parking Reconfiguration and Infrastructure

HCD awarded the IIG funds for the site demolition, reconfiguring the parking and providing utility infrastructure and a portion of the new building cost. The existing single family home on the property along with the drive isle and parking lot at the TACC will be demolished. Following demolition, new underground utility services including water and sewer will be installed and the parking lot at the TACC will be reconfigured and repaved.

New Building Construction

The budget reflects the most recent cost estimate provided by a general contractor for the 75% construction documents (CDs) for the construction of the new building according to the design approved by the Architecture Design Review Committee and the Planning Commission. The new building will consist of 40 apartments, property management offices, 18 space parking garage and bicycle parking, outdoor courtyard with garden, resident community room and trash room.

It will also include a ground floor community resource center that will house support services for the senior farmworker households living at 555 Kelly, as well as provide multi-purpose space for use by the wider public.

Architecture, Engineering, Construction Supervision
This budget reflects the cost for these professional services to design, engineer and supervise the new construction and the site and infrastructure improvements described above.

Local Permits and Utility Fees
This line item includes the city's fees for planning and building permits, and utility fees charged for the construction and installation of new utilities to serve the 555 Kelly development.

Financing Costs, Construction Interest, Insurance, Lender Fees, Reserves, Other
The majority of the tax credit proceeds are disbursed when the construction of the new development has been completed. A construction loan from a bank is used to pay for construction and then is paid off with the tax credit proceeds after construction is completed. The bank costs to provide this loan include loan fees and monthly construction interest which are included in this budget line item. This line item also includes the premium for construction period builder's risk insurance that is required by the bank and tax credit investor. The tax credit investor, HCD and County will require operating and other reserves to be established and included in the development budget. Miscellaneous other costs such as cost certification audit required by the tax credit investor are also included. This line item includes the industry standard of $2,500,000 to cover the cost of Mercy Housing California providing the financial guaranties required by the bank construction lender and tax credit investor, and the project management costs for the 6 years of predevelopment and construction.

Furnishings, Marketing and Lease Up
This line item includes the cost to furnish and equip the outdoor space, community room and property management offices. It also includes the staffing and expenses related to the marketing and leasing of the 39 apartments in accordance with the city mandated preferences for local senior farmworkers outlines in the ground lease.

<u>Operating Proforma Narrative</u>
The 555 Kelly property will consists of this rental unit mix: 3 studio, 34 one bedroom and 3 two bedrooms for a total of 40 apartments. One of the two-bedroom units will be the on-site manager's apartment, 29 units will be affordable to senior farmworker households at or below 50% of Area Median Income (AMI) and 10 units will be affordable to senior farmworker households at or below 30% AMI.

Affordable housing developments that utilize public funding are required to charge rents no greater than yearly rates published by the California Tax Credit Allocation Committee (TCAC). These published rents for 2025 San Mateo County are:

AMI Income Level	Studio	1-bedroom	2-bedroom
50%	$1,692	$1,813	$2,393
30%	$1,015	$1,088	$1,305

To increase the affordability for senior farmworkers, we are working with the San Mateo County Department of Housing (DOH) on an operating subsidy that would allow the senior households to pay less than the rents in the above chart. Our goal is to obtain sufficient operating subsidy to allow the senior farmworker households to pay approximately $350 per month for rent and utilities if their income was such that deeper affordability was needed. A Utility Allowance is calculated by San Mateo County for each unit based on bedroom count and those amounts are listed on the upper right corner of the "555 Kelly Unit Mix and Rent" page. The difference between $350 per unit per month and the Utility Allowance is considered rent paid by the tenant household and is included on the "555 Kelly Operating Proforma" page as Residential Income.

The DOH would cover the difference between the tenant payment and the cost to operate the property. This DOH operating subsidy is shown on the 15 year Operating Proforma as "County Operating Subsidy". Benefits of the DOH operating subsidy to the residents include the ability to pay rents that are truly affordable relative to their income, leading to greater housing stability for the senior farmworkers. The operating subsidy would allow residents to pay lower rents while ensuring the property operating expenses are covered, and the property remains financially stable and well-managed. The Unit Mix and Rent page and the 15 year proforma page reflect a County Operating Subsidy for all 39 units.

The County Operating Subsidy combined with the tenant rent payments, called Residential Income on the 15 year proforma, would be sufficient to cover the operating costs. Operating costs include all ongoing expenses necessary to manage and sustain the property, including staffing (property management, maintenance, janitorial), utilities, insurance, and routine property operations. These costs also encompass required financial obligations such as replacement reserves for future capital needs, mandatory debt service to the California Housing and Community Development Department (HCD), and asset management fees to ensure compliance with regulatory requirements, as well as resident services typical for senior housing communities.

555 Kelly Financing Plan

Development Sources

CA Serna Farmworker Housing Program	$	13,350,000	Secured
State Earmark: Senator Josh Becker	$	2,000,000	Secured
CA Infrastructure Infill Grant	$	2,756,304	Secured
San Mateo County ARPA	$	1,141,234	Secured
San Mateo County AHF	$	6,563,763	Application in 2026
Federal Earmark: Anna Eshoo	$	1,800,000	Secured
Low Income Housing Tax Credit Program	$	14,021,364	Application in 2026-2027
Total Sources	**$**	**41,632,665**	

Development Uses (Costs)

Demolition, TACC Parking Reconfiguration and Infrastructure Required for Project	$	2,756,304
New Building Construction	$	27,407,963
Architecture, Engineering, Construction Supervision	$	2,017,665
Local Permit and Utility Fees	$	1,730,431
Financing Costs: Construction Interest and Insurance, Lender Fees, Reserves, Other	$	7,345,302
Furnishings, Marketing and Lease Up	$	375,000
	$	**41,632,665**

555 Kelly Unit Mix and Rents

Studio Utility Allowance	$	76
One BR Utility Allowance	$	92
Two BR Utility Allowance	$	167

40 units total comprised of 1 manager unit (no income) and 39 units subsidized by County Operating Subsidy (COS)
This proforma assumes all 39 households pay only $350 per month in rent and utilities and County Operating Subsidy covers the cost to operate the property

Monthly Rents	# Units	# with COS	Monthly tenant rent payment	# Households with Max Income of 30% AMI	# Households with Max Income at 50% AMI	Manager Unit
Studios	3	3	$ 274	2	1	
One Bedroom	34	34	$ 258	7	27	
Two Bedroom	2	2	$ 183		1	
Two Bedroom Manager Unit	1	0				1
Total	**40**	**39**		**9**	**29**	**1**

AMI is Area Median Income
The AMI represent the maximum annual household income for households to qualify to move in

Annual Rental Income	Total	# with COS	Annual tenant payments
Studios	3	3	$ 9,864
One Bedroom	34	34	$ 105,264
Two Bedroom	2	2	$ 4,392
Two Bedroom Manager Unit	1	0	$ -
Total	**40**	**39**	**$ 119,520**

See next page for 15 year operating proforma

555 Kelly Operating Proforma	Standards	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Residential Income	2%	$ 119,520	$ 121,910	$ 124,349	$ 126,836	$ 129,372	$ 131,960	$ 134,599	$ 137,291	$ 140,037	$ 142,837	$ 145,694	$ 148,608	$ 151,580	$ 154,612	$ 157,704
County Operating Subsidy		$ 656,146	$ 677,977	$ 700,606	$ 724,062	$ 748,374	$ 773,573	$ 799,691	$ 826,761	$ 854,816	$ 883,893	$ 914,027	$ 945,257	$ 977,621	$ 1,011,160	$ 1,045,917
Less Vacancy	5%	$ (5,976)	$ (6,096)	$ (6,217)	$ (6,342)	$ (6,469)	$ (6,598)	$ (6,730)	$ (6,865)	$ (7,002)	$ (7,142)	$ (7,285)	$ (7,430)	$ (7,579)	$ (7,731)	$ (7,885)
Gross Effective Income		*$ 769,690*	*$ 793,792*	*$ 818,737*	*$ 844,555*	*$ 871,277*	*$ 898,935*	*$ 927,560*	*$ 957,187*	*$ 987,851*	*$ 1,019,588*	*$ 1,052,437*	*$ 1,086,434*	*$ 1,121,622*	*$ 1,158,041*	*$ 1,195,735*
Less Total Operating Expenses	3.5%	$ (650,460)	$ (673,226)	$ (696,789)	$ (721,177)	$ (746,418)	$ (772,542)	$ (799,581)	$ (827,567)	$ (856,532)	$ (886,510)	$ (917,538)	$ (949,652)	$ (982,890)	$ (1,017,291)	$ (1,052,896)
Less Replacement Reserve (required)		$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)	$ (20,000)
Less State of CA Debt Service (required)		$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)	$ (61,070)
Less Asset Management Fees to General and Limited Partners	3.5%	$ (38,160)	$ (39,496)	$ (40,878)	$ (42,309)	$ (43,789)	$ (45,322)	$ (46,908)	$ (48,550)	$ (50,249)	$ (52,008)	$ (53,828)	$ (55,712)	$ (57,662)	$ (59,681)	$ (61,769)
Remaining Cash Flow		*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*

dated: April 3, 2026

OPERATING BUDGET YEAR 1

PROJECT NAME:	555 Kelly
FINANCE TYPE:	9%/ HCD IIG
HOUSING TYPE:	Senior
ADDRESS:	555 Kelly
COUNTY:	San Mateo
SPONSOR:	Mercy Housing California/ALAS

Units	**40**		
PAYROLL/PAYROLL TAXES			
Admin Payroll	78,459	1,961	0.5 FTE PM and 0.5 FTE APM
Operations and Maintenance Payroll	68,127	1,703	0.5 FTEMM and 0.5 FTE Janitor
Other Personnel Expenses	3,100	78	
Taxes and Benefits	52,370	1,309	
TOTAL PAYROLL EXPENSES	**202,056**	**5,051**	
ADMINISTRATIVE EXPENSE	**Yearly Expense**	**PUPA**	**Notes**
Administrative Expenses	25,644	641	
Advertising	1,200	30	
Audit Fees		-	
Bookkeeping and Accounting Fee	6,000	150	
TOTAL ADMINISTRATIVE EXPENSE	**32,844**	**671**	
UTILITIES EXPENSES			
Electricity	19,800	114	
Water	36,880	808	
Gas		270	
Sewer	37,800	777	
TOTAL UTILITIES EXPENSES	**94,480**	**1,969**	
OPERATING AND MAINTENANCE			
Operating Contracts	38,600	965	
Operating Supplies	4,580	115	
Garbage/Trash Removal	23,000	575	
HVAC Repairs &Contracts	7,000	175	
Maintenance Contracts	27,000	675	
Maintenance Supplies	9,500	238	
TOTAL OPERATING EXPENSES	**109,680**	**1,807**	
REAL ESTATE TAXES	**29,600**	**740**	
INSURANCE	**51,800**	**1,295**	
RESIDENT SERVICES	**96,400**	**2,410**	
MANAGEMENT FEE	**33,600**	**840**	
TOTAL OPERATING BUDGET	**650,460**	**16,262**	
RESERVES/GL/BOND FEES			
Ground Lease Base Rent	-	-	
Replacement Reserve Deposit	20,000	500	
TOTAL RESERVES/GL/BOND FEES	**20,000**	**500**	
DEBT SERVICE			
Hard Debt-First Lender	-	-	
Hard Debt-HCD	61,070	1,527	
TOTAL DEBT SERVICE EXPENSE	**61,070**	**1,527**	
BELOW THE LINE FEES			
Partnership Management Fee	30,660	767	
LP Asset Management Fee	7,500	188	
TOTAL BELOW THE LINE	**38,160**	**954**	

From: Matthew Chidester
To: Maggie Rodriguez; Bazzano, Denise S.
Cc: Leslie Lacko; Dale Leda
Subject: Fw: 555 Kelly - Seismic Conditions
Date: Tuesday, April 28, 2026 4:17:32 PM
Attachments: image.png
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FYI - another item to potentially add.

From: Kelly Hollywood <Kelly.Hollywood@mercyhousing.org>
Sent: Tuesday, April 28, 2026 4:14 PM
To: Matthew Chidester <mChidester@halfmoonbay.gov>; Bazzano, Denise S. <dbazzano@bwslaw.com>; Maxwell, Lisa N. <lmaxwell@bwslaw.com>
Cc: Emma Wynkoop <Emma.Wynkoop@mercyhousing.org>; Amy Bayley <ABayley@mercyhousing.org>; Elaine Palacios <Elaine.Palacios@mercyhousing.org>; Ramie Dare <RDARE@mercyhousing.org>; Evan Gross <egross@gubbandbarshay.com>; CJ Higley <cjhigley@gubbandbarshay.com>; Leslie Lacko <llacko@halfmoonbay.gov>
Subject: 555 Kelly - Seismic Conditions

[CAUTION]: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good afternoon, Matthew - Following our previous discussion regarding the property's seismic conditions, we wanted to share the specific details below to help address your questions.

1. **Will the property carry Earthquake insurance?**
   No, the property will not carry earthquake-specific insurance under its permanent insurance plan. The expense associated with this coverage significantly exceeds the property's operating budget, which is estimated at roughly $100,000 to $200,000 annually. Excluding earthquake is standard for other affordable developments and thus, our public sector and bank lenders do not require earthquake insurance. Mercy Housing does not maintain earthquake insurance across its California portfolio.

   Although this insurance is not intended for the property, 555 Kelly was engineered by an experienced team to endure major seismic events. The following information is provided by the development Geotechnical and Structural Engineers who adhere to recognized engineering standards and have experience in designing

projects of comparable or larger scale. The building meets all California Building Code (CBC) requirements and is specifically designed to modern seismic safety standards with multiple layers of protection. While no building can be completely damage-proof in a major earthquake, this building is engineered to protect occupants, remain standing, and perform reliably under severe conditions.

2. **How are site and soil conditions addressed?**
   Independent geotechnical and structural engineers work together to ensure a safe design. A geotechnical report evaluates soil conditions, seismic hazards, and foundation needs. The structural engineer uses this information to design the building accordingly. The building is analyzed using detailed modeling and designed with built-in safety margins above expected loads.

3. **What magnitude of earthquake can the building withstand?**
   The building is designed to perform safely during major earthquakes. It is designed to protect life during a strong earthquake, ***Magnitude 7.0 earthquake*** (similar in scale to the 1989 Loma Prieta earthquake). It is also designed to avoid collapse during an extreme earthquake, ***Magnitude 7.5-8.0 earthquake*** (similar to the 1906 San Francisco earthquake). In a major event, the building is designed to remain standing, and allow safe evacuation while sustain damage.

4. **Is the building designed to allow for movement?**
   Yes. All buildings are designed to move slightly during normal use and earthquakes. The design follows strict code limits for movement under gravity, wind, and seismic forces, specify for what is acceptable for construction deviations. These movements are anticipated and safely accounted for in the design.

5. **How much lateral movement occurs during an earthquake?**
   A small amount of lateral movement is expected and built into the design. The code limit is 2% of the height of the building or roughly 2” per level. 555 Kelly is designed to perform well within this limit, with significantly less movement than allowed.

6. **Is this building riskier than others of similar size?**
   No. This building type is common throughout the Bay Area. Its compact, square and balanced design actually reduces risk compared to many comparable buildings.

7. **Is liquefaction a concern at this site?**
   Liquefaction has been carefully studied and is not expected to significantly impact

the building. Potentially affected soils are deep below the surface and limited in extent. Estimated impact is very minor (about ½ inch of settlement) during an extreme earthquake. This level of movement is not expected to affect building safety or performance.

Thank you,

Kelly Hollywood (she/her/hers)
ASSOCIATE DIRECTOR | Real Estate Development

mercy HOUSING
Mercy Housing California
1256 Market Street | San Francisco, CA 94102
t|415.355.7116 | mercyhousing.org

*Please note that Mercy Housing offices close at 2PM on Fridays.

Law Offices of
GUBB & BARSHAY LLP

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San Francisco, California 94104
#

Telephone: (415) 781-6600

April 28, 2026

VIA ELECTRONIC MAIL

Denise Bazzano
Burke, Williams & Sorenson, LLP
Interim City Attorney
City of Half Moon Bay
DBazzano@bwslaw.com

Re: Government Code Section 37380 and Section 37364

Dear Ms. Bazzano,

This firm represents Mercy Housing in its efforts to develop affordable housing on City-owned property at 535 Kelly and 555 Kelly in the City of Half Moon Bay, California (the "Project"). In response to questions from the City Council and members of the public, we have previously objected to the suggestion that the approval of the long-term ground lease in connection with the Project is subject to California Government Code Section 37380, which requires (among other things) that certain long-term leases of City property must be approved by an ordinance that is subject to voter referendum. We understand the City disagrees with our position and intends to approve the proposed lease (subject, of course, to receipt of the requisite votes from City Council) pursuant to Section 37380. The purpose of this letter is to lodge our formal objection to the City's determination that approval of the proposed Lease is subject to Section 37380, and to object to the notion that the lease, if approved, will be subject to referendum on account of its having been approved pursuant to Section 37380.

As we have previously discussed, Mercy Housing contends the City is authorized by Government Code Section 37364 to approve the lease in support of affordable housing without regard to Section 37380, and to approve the lease "*under whatever terms and conditions the city deems best suited to the provision of such housing*," including for a term of 99 years. See Section 37364(1). In fact, under Section 37364, the City is authorized to convey the subject property to Mercy *in fee* for nominal consideration, should it determine to do so. In our experience, cities around the State of California have relied on Section 37364 as the statutory authority for approving long-term ground leases for affordable housing.

We respectfully object to the City's determination that Section 37380 applies to the approval of the proposed lease in connection with the Project, and reserve all rights with respect to any potential future referendum effort.

Very truly yours,

Charles J. Higley
Gubb & Barshay LLP

485.254/707531