

EXCLUSIVE NEGOTIATING AGREEMENT

This Exclusive Negotiating Agreement [Agreement or ENA], dated as of this ____ day of _____, 2010 [Effective Date], is made by and between the Redevelopment Agency of the City of San Diego, a public body, corporate and politic [Agency], and MRW Development Company, LLC, a California limited liability company [Developer]. In consideration of the mutual covenants and promises set forth below, the Agency and Developer [collectively, the Parties] agree as follows:

RECITALS

This Agreement is entered into with reference to the following facts:

A. This Agreement pertains to negotiations regarding potential future development to be situated on two separate legal parcels [collectively, the Site] owned by the Agency and located within the Linda Vista Redevelopment Project Area in the City of San Diego, State of California, as more particularly described in Exhibit A attached hereto and incorporated herein by this reference. One of the parcels comprising the Site is located at 6901 Linda Vista Road, is designated as Assessor's Parcel Number 431-320-15-00, contains approximately 17,115 square feet, and is presently vacant. The other parcel comprising the Site is located at 6905-6921 Linda Vista Road, is designated as Assessor's Parcel Number 431-320-19-00, contains approximately 52,708 square feet, and is presently developed with a multi-use complex.

B. Developer desires to acquire the Site from the Agency, then construct and operate an adaptive reuse, mixed-use project on the Site including approximately 14,585 square-feet in retail commercial uses, approximately 16,850 square-feet in a new Bayside Community Center, and related parking and landscaping [collectively, the Project], all in accordance with plans and specifications subject to approval by the City of San Diego and the Agency.

C. The Agency conducted a competitive Request for Qualifications and Proposals (RFQ/P) process and solicited qualifications and specific development proposals from various firms and individuals. From the submittal provided to the Agency in response to the subject RFQ/P as well as information supplied by Developer and all of the professionals represented to be part of the Project's development team per said submittal and subsequent Agency RFQ/P review process, an RFQ/P Review Panel chose Developer as the entity to be recommended to the Agency Board for purposes of entering into this Agreement.

D. During the Exclusive Negotiating Period (as defined below), the Developer and the Agency shall negotiate provisions that are vital to the integrity of the community, and the general public health, safety, and welfare. These provisions include but are not limited to the following: project financing, project budget, conceptual project design, pedestrian and vehicular circulation, parking, and overall design standards as these pertain to the interaction of the subject development to its surroundings.

E. As a result of the qualifications, experience and identity of Developer, which are of particular interest to the Agency, the Agency desires to enter into this Agreement with Developer with the objective of subsequently considering entering into a mutually acceptable Disposition and Development Agreement [DDA] for the Project.

F. The Agency anticipates that following execution of this Agreement and through the period of negotiation and preparation of a DDA with respect to the Project, the Agency, as well as certain consultants and attorneys for the Agency, will devote substantial time and effort in reviewing documents, proposals and plans, and meeting with Developer, each other, and other necessary third parties. Developer and its consultants and attorneys will likewise devote substantial time and effort. The Agency will consider providing other aid and assistance to Developer in connection with the development of the Site, and negotiating and preparing a DDA consistent with the basic terms and mutual understandings in this Agreement.

G. The Agency and Developer desire to enter into this Agreement in order to set forth the rights and duties of the Parties during the term of the Exclusive Negotiating Period.

Section 1. Definitions

In addition to terms defined elsewhere in this Agreement, the following terms shall have the corresponding meanings, unless the context requires otherwise:

"Agency Executive Director" means the Agency's Executive Director, the Agency's Assistant Executive Director, or designee.

"City" means the City of San Diego, a municipal corporation, organized and existing pursuant to the Constitution and laws of the State of California.

"Detailed Drawings" refers to more thorough and complete illustration of the Project to include: (1) a scaled site plan that illustrates the footprint and spot elevations of the structure as improved, parcel boundaries, location and number of parking spaces, curb cuts and vehicle circulation, improvements within the immediate public right of way as well as location and type of any other public improvements at the street level; and, proposed landscape elements; (2) west, east, south and north elevations which call out key dimensions and illustrate major elements such as the location of windows, doors and signage and include architectural details and identify materials; (3) floor plans which call out uses and their allocation in terms of square footage and key dimensions; (4) at a minimum, two site sections which are perpendicular to one another, (5) a contextual site plan that identifies key landscape and hardscape elements and illustrates the parking and circulation of the Project users in relation to the Project site and its surroundings, including contiguous parcels and the public right of way; (5) a schematic drawing that illustrates the proposed ownership structure and calls out uses and their approximate square footage for the ground and second floors; and, (6) at the discretion of Developer, any additional drawing which illustrates the Project.

"Development Program" means a bullet point narrative that details Developer's proposal for the Project, including the following:

- (1) The complete scope of work of the Project;
- (2) Identification of key persons and firms comprising the development team and their role in the Project;
- (3) Developer's approach and commitment to ensure the Project:
 - a. is consistent with the Secretary of Interior Standards for the Rehabilitation of Historic Buildings;
 - b. incorporates spaces and/or amenities that can be used by the public at large;
 - c. provides substantive opportunities for small businesses;
 - d. integrates sustainable development practices through the design, construction and operation phases; and,
 - e. serves as an example of the application of high-quality architectural design within the context of adaptive reuse.
- (4) The targeted floor area (existing to remain and additions on a per floor basis) and its respective uses;
- (5) A description of how parking needs are to be generally met and how the Project improves pedestrian and vehicular circulation between the Site as improved and its immediate surroundings;
- (6) Discretionary entitlements expected to be required to implement the Project;
- (7) Approach to be followed to identify sources of funds for implementation of the Project, providing specifics as these pertain to the for-profit and non-profit Project elements;
- (8) Ownership structure of the Project; and,
- (9) Project schedule focusing on key milestones.

"Diligence Period" means the period of time commencing on the Effective Date and continuing until one hundred eighty (180) days after the Effective Date.

"Exclusive Negotiating Period" means the period of time commencing on the Effective Date and continuing until one hundred eighty (180) days after the Effective Date, except as shortened or extended pursuant to the provisions of this Agreement. This Agreement terminates at 5:00 p.m. local San Diego time on the last day of the Exclusive Negotiating Period.

"Preliminary Drawings" refers to schematic plans and/or drawings of the proposed Project to include: (1) a site plan that illustrates the footprint and provides key spot elevations of the structure, parcel boundaries, general location and number of parking spaces, curb cuts and vehicle circulation, improvements within the immediate public right of way as well as location and type of any other public improvements at the street level; and, proposed landscape/hardscape elements; (2) west and south elevations which illustrate major elements such as the location of windows and doors; (3) floor plans which call out the proposed uses and their allocation in terms of square footage; and, (4) at the discretion of Developer, any additional drawing which illustrates the Project.

"Preliminary Pro Forma" refers to a preliminary accounting that summarizes hard and soft development costs to bring the project to full operation, cash flow anticipated during the operation of the Project and the financing for the Project. The Preliminary Pro Forma shall follow the format of the attached Exhibit B and identify assumptions made to date.

“Progress Report” refers to a written report which provides information as to the progress being made by Developer to meet its obligations as described in this Agreement and it shall include, but not be limited to, the following items:

- (1) A list which identifies all the consultants and firms and key individuals which comprise Developer’s Project team;
- (2) A list of the studies and/or surveys and/or investigations that have been commissioned to date in order to implement the Project and conduct due diligence and their status. The list shall identify who is completing said studies and/or surveys and/or investigations;
- (3) A list of the institutions and individuals that the Developer has been in contact with in order to identify the equity, financing and pledge commitments necessary to implement the Project. Said list shall identify the institutions and individuals that have expressed interest in exploring participation in the Project;
- (4) A list of the current and planned tasks that Developer is working on and/or will be working on in order to meet its obligations under this Agreement and their schedule and status;
- (5) A description of Developer’s accomplishments to date; and,
- (6) A description of any significant challenges and/or constraints that Developer has encountered to date and the steps that are being followed to resolve such challenges and/or constraints.

"Site Plan" refers collectively to those architectural and engineering drawings and documents pertaining to the Project, as set forth in Section 3 of this Agreement. A preliminary conceptual Site Plan is depicted in Exhibit C, attached hereto and incorporated herein by this reference.

Section 2. Obligations of Agency

(a) During the Exclusive Negotiating Period, the Agency shall use its good faith efforts to undertake the following actions, provided that the Agency shall not incur any liability for costs or expenses incurred by Developer to third parties in connection with the Project:

- (i) Work with the Developer to evaluate certain documents pertaining to the Project, as further described in Section 3, including, but not limited to, the pro forma and the financing plan;
- (ii) Respond in a timely manner on all submittals made by Developer pursuant to Section 3; and
- (iii) Work with Developer to establish a reasonable time schedule for the negotiation of a DDA and the completion of all necessary approvals and permits to implement the Project.

(b) In addition, the Agency, its staff, consultants and agents agree, and such parties shall so notify any and all other parties, that during the Exclusive Negotiating Period, the Agency and its staff, consultants and/or agents shall not negotiate, discuss, or otherwise communicate with any person or entity, other than Developer, regarding entering into a DDA for the development of the

Project, the transactions contemplated by this ENA or a DDA, the availability of the Site for redevelopment or any other matter related to the foregoing.

(c) Throughout the Exclusive Negotiating Period, Agency staff shall be available to meet with Developer to discuss the Project, the Site Plan and architectural renderings, and any other issues pertinent to the preparation of a DDA for the development of the Project.

Section 3. Obligations of Developer

To ensure that Developer makes adequate progress towards formulating a feasible plan for the Project, Developer shall comply with the following milestones, or shall deliver the pertinent information for each phase as soon as reasonably practicable after the specified schedule:

- (a) PHASE I: Within sixty (60) days after the Effective Date of this Agreement, Developer shall provide the Agency with a Development Program as set forth above;
- (b) PHASE II: Within ninety (90) days after the Effective Date of this Agreement, Developer shall provide to the Agency the following items, all in form and substance reasonably acceptable to the Agency:
 - i. A financing and fund raising plan that identifies any and all sources of equity and/or funding and includes documentation to substantiate said equity. Such equity shall be in an amount sufficient to qualify for the construction and take-out loans as will be required of Developer for the development of the Project;
 - ii. Preliminary Pro Forma; and,
 - iii. Progress Report.
- (c) PHASE III: Within one-hundred and twenty (120) days after the Effective Date of this Agreement, Developer shall provide to the Agency the following items, all in form and substance reasonably acceptable to the Agency:
 - i. Preliminary Drawings;
 - ii. A narrative which describes in reasonable detail how the Project conforms to the Secretary of Interior Standards for the Rehabilitation of Historic Buildings;
 - iii. A narrative which outlines in reasonable detail the sustainability and green building concepts, principles and concepts that will be incorporated into the Project through the design, construction and operation phases;
 - iv. A pro forma; a table describing the sources and uses of funds; cash flow projections and distributions concerning the Project; and, a narrative describing the fundamental economics of the Project. Each of these documents shall include reasonable detail and shall address the non-profit and the for-profit elements of the project as applicable;
 - v. One or more Letters of Interest to Finance indicating to the Agency's reasonable satisfaction that acceptable institution(s) have expressed interest in financing the construction and development of the Project by Developer. Such Letter(s) of Interest shall also outline any conditions pursuant to which the affected institution would consider committing funds to the Project; and,

- vi. One or more Letters of Interest to Pledge indicating to the Agency's reasonable satisfaction that acceptable institution(s) and/or individuals have expressed interest in contributing funds for the non-profit portion of the development. Such Letter(s) of Interest shall also outline any conditions pursuant to which the affected institution(s) and/or individuals would consider committing funds to the Project.
- (d) PHASE IV: Within one-hundred and eighty (180) days after the Effective Date of this Agreement, Developer shall provide to the Agency the following items, all in form and substance reasonably acceptable to the Agency:
- i. For profit portion (retail and/or office use): Letter(s) of Intent indicating to the Agency's reasonable satisfaction that acceptable institutions(s) and/or equity partner(s) and/or investor(s) approved by the Agency have expressed interest in financing and/or providing equity funds to the Project. Such Letter(s) of Intent shall also outline the financial terms pursuant to which such institution(s) and/or equity partner(s) and/or investor(s) would provide financing and/or equity to the Project and shall identify the dollar amounts of said loans and/or equity funds.
 - ii. For non-profit portion (Bayside): Pledge commitments, equity, and/or financing acceptable to the Agency equal to a minimum of 35% of the estimated Project budget established for the Bayside portion of the Development budget based on the submittal of documents identified in Phase II.
 - iii. Detailed Drawings
- (e) Developer shall provide Agency with the applicable documents and information in the Due Diligence Checklist attached as Exhibit D, as such information and documentation becomes available, but such information should be provided no later than forty (40) days prior to the termination of this Agreement or a potential hearing of the Project by the Agency. The Agency will request additional or supplemental information only as reasonably necessary for purposes of conducting its analysis and evaluation of the Project.
- (f) Developer shall be responsible for the preparation, including all associated costs, of any and all permits and environmental documents required pursuant to Section 8 of this Agreement.

Section 4. Obligations of Agency and Developer

During the Diligence Period, the Parties shall investigate the Site and the Project to determine whether the same are acceptable to the Parties, including without limitation as to physical, environmental, entitlement, regulatory, legal and financial matters. If the Parties determine that either the Site or the Project are not suitable or feasible for any reason, on or before the last day of the Diligence Period, either Party may send written notice of such determination to the other Party, and this Agreement shall immediately terminate, except for those provisions that expressly survive termination.

- (c) The Agency's conveyance of the Site to Developer, which is expected to be completed in exchange for nominal consideration based on a report detailing the fair reuse value of the Site to be completed by a qualified economic consultant retained by the Agency;
- (d) The construction of the Project by Developer in accordance with final plans and specifications to be provided by Developer and approved by the Agency and the City, pursuant to a detailed schedule of performance by Developer;
- (e) The operation and management of the Project by Developer in a good and professional manner, and subject to long-term use restrictions in favor of the Agency and the City, and a right of reverter in favor of the Agency and the City in the event of a material, uncured breach of any such use restrictions;
- (f) The maintenance of landscaping, buildings, and improvements in good condition and satisfactory state of repair so as to be attractive and consistent with all applicable standards;
- (g) The operation of the Project by Developer in compliance with all equal opportunity standards established by Federal, State, and local law;
- (h) The right of the Agency and the City to inspect the Project from time to time to assure compliance with these provisions;
- (i) A provision stating that, upon the Agency's reasonable request and notice, Developer shall give to the Agency copies of concepts, schematics, and the final plans and working drawings for the Project, and that Developer shall participate in presentations with respect to the Project;
- (j) A provision stating that Developer shall have a performance bond and labor and materials payment bond to assure completion of any public improvements built by Developer for the Project free of mechanics' liens;
- (k) A provision requiring Developer to pursue opportunities to accommodate small business and/or small business incubators as part of the use and operation of the Project;
- (l) A requirement that the Project be constructed and operated according to high-quality standards, commensurate with similar projects in the vicinity of the Site and taking into account relevant factors such as the contemplated uses of the Site and the age of the improvements constructed on the Site;
- (m) Items above may be modified by mutual consent during negotiations of the DDA without the need for a formal amendment to this Agreement; and,

- (n) All other provisions deemed customary and reasonable by the Agency for development projects to be partially subsidized by the Agency.

Section 7. Developer Deposit

Upon approval of this ENA by the Agency, Developer shall submit to the Agency a non-refundable deposit in the amount of \$25,000 [Developer Deposit]. The Developer Deposit shall be used exclusively by the Agency to pay certain administrative costs and expenses (including but not limited to, financial or economic analysis, special legal counsel, Redevelopment Division and City Attorney costs, and other special consultant services as required) incurred by the Agency [Agency Expenses] relative to the negotiation and preparation of a DDA with Developer following the execution of this Agreement and implementation of the various obligations of the Agency as set forth in Section 2 of this Agreement. The Agency shall provide Developer with an accounting of the Agency's expenditure of the Developer Deposit upon reasonable request. The Agency reserves the right to increase the amount of the required Developer Deposit as needed in order to meet its expenses as described above.

Section 8. Schedule of Performance

The Parties intend that the redevelopment of the Site be completed in a timely and an expeditious manner. Accordingly, the DDA shall provide in reasonable detail the tasks to be completed by the Parties in the development process and the projected date of completion for each task.

Section 9. Environmental

Execution of a DDA by the Agency shall be subject to the Project's compliance with the California Environmental Quality Act [CEQA], California Public Resources Code section 21000 et seq., as amended, and including any successor statutes and regulations. In this regard, unless Agency staff determines that the Project is exempt from CEQA, the Agency may conduct an Initial Study of the proposed Project pursuant to CEQA Guidelines Section 15063 in order to determine whether further environmental review will be necessary to examine the proposed Project's potentially significant effects (if any) on the environment. Developer agrees to provide reasonable assistance to the Agency, and shall be responsible for all reasonably necessary costs associated with carrying out the obligations under CEQA.

Section 10. Termination

Either Party may terminate this Agreement if the other Party fails to comply with and perform in a timely manner in any material respect the provisions to be performed by that Party, or if no progress is being made in the disposition and development negotiations as provided for in this Agreement. The Party wishing to terminate shall give thirty (30) days written notice to the other Party specifying any such failure to comply with the terms of this Agreement. The Party wishing to terminate shall not terminate this Agreement if the other Party cures the deficiency(ies) specified in the notice within thirty (30) days after delivery of the notice.

Section 11. Governing Law

This Agreement and the legal relations between the Parties shall be governed by and construed and enforced in accordance with the laws of the State of California.

Section 12. Entire Agreement

This ENA constitutes the entire agreement of the Parties with respect to the Project. There are no agreements or understandings between the Parties and no representations by either Party to the other as an inducement to enter into this Agreement, except as expressly set forth in this Agreement. All prior negotiations between the Parties are superseded by this Agreement. This Agreement may not be altered, amended, or modified except by a writing executed by both Parties. Notwithstanding anything provided to the contrary, whether expressed or implied, neither Party shall have any obligation to enter into a DDA. Neither Party, nor its officers, members, staff, or agents have made any promises to the other Party to this Agreement other than to exclusively negotiate in good faith during the Exclusive Negotiating Period, and no statements of either Party or its officers, members, staff, or agents as to future obligations shall be binding upon the Parties until a DDA has been approved by the Developer and governing body of the Agency and has been duly executed by the Parties.

Section 13. Prohibition Against Assignment

Developer shall not assign all or any part of this Agreement without the prior written approval of the Agency's Executive Director. Such approval shall be within the reasonable discretion of the Agency's Executive Director in light of financial and other pertinent considerations.

Notwithstanding the foregoing, an entity other than Developer may be the developer party in the DDA, provided that MRW Development Company, LLC, or its principals are the managers or majority members of the DDA Developer, and provided further that the Agency has adequate assurance that the DDA Developer is financially capable of completing the Project or that the completion of the Project is guaranteed in a reasonable manner.

Section 14. Notices

Any notice which is required or which may be given pursuant to this Agreement may be delivered or mailed to the Party to be notified, as follows:

(a) To DEVELOPER:

Ivar Leetma
Chief Operating Officer
MRW Development Company, LLC
2040 Harbor Drive, Suite 250
San Diego, CA 92101

With a copy to:

Michael Weber
President
MRW Development Company, LLC
PO Box 2036
Fallbrook, CA 92088

(b) To the AGENCY:

Janice L. Weinrick, Deputy Executive Director
Redevelopment Agency of the City of San Diego
1200 Third Avenue, Suite 1400
San Diego, CA 92101

With a copy to:

Redevelopment Agency General Counsel
Office of the City Attorney
1200 Third Avenue, Suite 1100
San Diego, CA 92101

Any notice, demand, or other communication given or made solely by mail in the manner prescribed in this Section shall be deemed to have been given and to be effective three (3) days after the date of such mailing; provided, however, that any notice, demand, or other communication which would otherwise be deemed to have been given on a day which is not a working day shall be deemed to have been given on the next subsequent working day.

Section 15. Public Hearing

Any DDA that may be negotiated between the Parties, and any related matters pertaining to the Project, are subject to consideration at a public hearing by the Agency and the City. Nothing in this Agreement shall commit or be construed as committing the Agency or the City to approve any DDA or any other matter pertaining to the Project.

Section 16. Counterparts

This Agreement may be executed in counterparts, each of which when so executed shall be deemed an original, and all of which, together, shall constitute one and the same instrument.

Section 17. Force Majeure

Neither Party shall be in default of this Agreement if its performance hereunder is delayed, prohibited, or prevented because of conditions beyond such Party's control, including without limitation, acts of God, governmental restriction, strike, war, insurrection, litigation or administrative proceedings or the threat thereof, initiatives, referenda, environmental conditions, riots, floods, earthquakes, fires, casualties, severe weather or acts of the other Party [Force Majeure Delay]. At such Party's option, (a) the Exclusive Negotiating Period may be extended for each day of the Force Majeure Delay with the other Party's consent, in its reasonable

discretion, or (b) this Agreement shall terminate, except for those obligations that expressly survive termination.

Section 18. Effect of Agreement

Notwithstanding any other provision of this ENA, the Parties expressly acknowledge and agree as follows:

Except for the Agency's obligations in Sections 2, 5, 7, 17 and 18 and its obligation to negotiate the terms of the DDA in good faith, none of the matters described in this Agreement as a purported commitment or obligation of the Agency shall have any effect unless and only to the extent such matters are expressly set forth in a DDA or other written agreement duly authorized and approved by the Parties. Notwithstanding any provision of this Agreement to the contrary, Developer acknowledges and expressly agrees as follows:

- (a) That this Agreement does not obligate the Agency or the City in any way to approve, in whole or in part, any of the matters described in this Agreement, including, without limitation, matters pertaining to land use entitlements or approvals, permits, waivers, or reduction of fees, development or financing of the Site, or any other matters to be acted on by the Agency or the City, as applicable;
- (b) That all such matters shall be considered and processed by the Agency in accordance with all otherwise applicable Agency and City requirements and procedures;
- (c) Except as may be expressly set forth in this Agreement, that the Agency reserves all rights to approve, disapprove, or approve with conditions, all such matters in its sole discretion;
- (d) Upon the execution of a DDA by the Parties, this Agreement shall be null and void and of no effect and shall be superseded by the terms and conditions of the DDA.
- (e) The Parties shall promptly commence the good faith negotiation of a DDA upon execution of this Agreement by the Agency.

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IN WITNESS WHEREOF, the duly authorized representatives of the Parties have executed this Agreement as of the Effective Date. The later date on which the duly authorized representative(s) of each Party (excluding their legal counsel) has executed this Agreement shall be inserted as the Effective Date in the Preamble of this Agreement.

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

Date _____

By: _____
Janice Weinrick
Deputy Executive Director

**DEVELOPER
MRW Development Company, LLC,
a California limited liability company**

Date 5/13/10

By: Ivar Leetma
Name: Ivar Leetma
Title: Chief Operating Officer

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH
Agency General Counsel

By: _____
Kevin Reisch
Deputy General Counsel

EXHIBIT A

Site Plan: 6901 – 6925 Linda Vista Road
San Diego, CA 92111

EXHIBIT B

Preliminary Proforma

TABLE 1

**PROJECT DESCRIPTION
CITY OF SAN DIEGO REDEVELOPMENT AGENCY**

I. Site Area _____ SF
 _____ Acres

II. Gross Building Area (GBA)

A. Residential - For Sale
 Net Saleable Area _____ SF
 Common Areas _____ SF
 Total Gross Building Area - Residential-For-Sale _____ SF

B. Residential - Rental
 Net Rentable Area _____ SF
 Common Areas _____ SF
 Total Gross Building Area - Residential -Rental _____ SF

C. Retail
 Net Leasable Area _____ SF
 Common Areas _____ SF
 Total Gross Building Area - Retail _____ SF

D. Grand Total GBA _____ SF

III. Construction Type Type _____

IV. Number of Stories _____ Stories

V. Unit Mix

		<u>Average Unit Size</u>
A. Residential - For-Sale		
Studio	_____ Units	_____ SF
One Bedroom	_____ Units	_____ SF
Two Bedroom	_____ Units	_____ SF
Three Bedroom	_____ Units	_____ SF
Four Bedroom	_____ Units	_____ SF
Total Number of Units - For-Sale	_____ Units	_____ SF

B. Residential - Rental		
Studio	_____ Units	_____ SF
One Bedroom	_____ Units	_____ SF
Two Bedroom	_____ Units	_____ SF
Three Bedroom	_____ Units	_____ SF
Four Bedroom	_____ Units	_____ SF
Total Number of Units - Rental	_____ Units	_____ SF

TABLE 1

PROJECT DESCRIPTION
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

VI. Affordability Mix

A. Residential - For-Sale		
Market-Rate Units	_____	Units
Affordable Units	_____	Units
Total Residential - For-Sale Units	_____	Units
B. Residential - Rental		
Market-Rate Units	_____	Units
Affordable Units	_____	Units
Total Residential - Rental Units	_____	Units

VII. Parking

A. Parking Type			Gross Building Area
Attached Garage	_____	Spaces	_____ SF
Surface	_____	Spaces	_____ SF
Structured - Above Grade	_____	Spaces	_____ SF
Structured - Below Grade	_____	Spaces	_____ SF
Total Parking	_____	Spaces	_____ SF
B. Parking by Use			
Residential - For-Sale	_____	Spaces	
Residential - Rental	_____	Spaces	
Retail	_____	Spaces	
Total Parking	_____	Spaces	
C. Parking Ratio			
Residential - For-Sale	_____	Spaces/For-Sale Unit	
Residential - Rental	_____	Spaces/Rental Unit	
Retail	_____	Spaces/1,000 SF Retail	

TABLE 2

**DEVELOPMENT COSTS
CITY OF SAN DIEGO REDEVELOPMENT AGENCY**

	<u>Totals</u>	<u>Notes</u>
I. Direct Costs		
Off-Site Improvements	\$ _____	\$ _____ Per SF Site Area
On-Site Improvements (1)	\$ _____	\$ _____ Per SF Site Area
Parking - Above Grade	\$ _____	\$ _____ Per Space - Above Grade
Parking - Below Grade	\$ _____	\$ _____ Per Space - Below Grade
Shell Construction - Residential - For-Sale	\$ _____	\$ _____ Per SF GBA - For-Sale
Shell Construction - Residential - Rental	\$ _____	\$ _____ Per SF GBA - Rental
Shell Construction - Retail	\$ _____	\$ _____ Per SF GBA - Retail
Tenant Improvements - Retail	\$ _____	\$ _____ Per SF Net - Retail
Amenities/FF&E	\$ _____	Allowance
Contingency	\$ _____	% of Directs
Subtotal Direct Costs	\$ _____	\$ _____ Per SF GBA
II. Indirect Costs		
Architecture & Engineering	\$ _____	% of Directs
Permits & Fees	\$ _____	\$ _____ Per SF GBA
Legal & Accounting	\$ _____	% of Directs
Taxes & Insurance	\$ _____	% of Value
Developer Fee	\$ _____	% of Directs
Marketing/Lease-Up	\$ _____	% of Value
Contingency	\$ _____	% of Indirects
Subtotal Indirect Costs	\$ _____	% of Directs
III. Financing Costs		
Loan Fees	\$ _____	% of Directs
Interest During Construction	\$ _____	% of Directs
Interest During Sales/Lease-Up	\$ _____	% of Directs
HOA Dues on Unsold Units (2)	\$ _____	% of Directs
TCAC Fees/Syndication Costs (3)	\$ _____	% of Directs
Operating/Lease-Up Reserves (4)	\$ _____	% of Directs
Subtotal Financing Costs	\$ _____	% of Directs

IV. Total Development Costs	\$ _____	\$ _____ Per SF GBA
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Please check the appropriate statement:	Check box:
1. Prevailing wage requirements are included in the direct costs above.	<input type="checkbox"/>
2. Prevailing wages are not reflected in the direct costs above.	<input type="checkbox"/>

- (1) Inclusive of landscaping and surface parking.
- (2) Applies to for-sale residential projects.
- (3) Applies to residential Low-Income Housing Tax Credit projects (rental).
- (4) Applies to rental residential projects.

TABLE 3

**SALES PROCEEDS - RESIDENTIAL - FOR-SALE
CITY OF SAN DIEGO REDEVELOPMENT AGENCY**

		<u>Average Unit Size (SF)</u>	<u># of Units</u>	<u>Price Per SF</u>	<u>Price Per Unit</u>	<u>Gross Sales</u>
I. Market-Rate Units						
Studio	@ Market	_____ SF	_____	\$ _____	\$ _____	\$ _____
One Bedroom	@ Market	_____ SF	_____	\$ _____	\$ _____	\$ _____
Two Bedroom	@ Market	_____ SF	_____	\$ _____	\$ _____	\$ _____
Three Bedroom	@ Market	_____ SF	_____	\$ _____	\$ _____	\$ _____
Four Bedroom	@ Market	_____ SF	_____	\$ _____	\$ _____	\$ _____
Total/Average - Market-Rate Units		_____ SF	_____	\$ _____	\$ _____	\$ _____
II. Affordable Units						
Studio	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Studio	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Studio	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
One Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
One Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
One Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Two Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Two Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Two Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Three Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Three Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Three Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Four Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Four Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Four Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Total/Average - Affordable Units		_____ SF	_____	\$ _____	\$ _____	\$ _____
III. Total Gross Sales Proceeds		_____ SF	_____	\$ _____	\$ _____	\$ _____

IV. Net Sales Proceeds

Gross Sales Proceeds (III, above)		\$ _____
(Less) Cost of Sale @ _____%	% of Gross Sales Proceeds	(\$ _____)
(Less) Target Developer Profit @ _____%	% of Gross Sales Proceeds	(\$ _____)

Net Sales Proceeds - Residential - For-Sale	\$ _____
--	----------

TABLE 4

**NET OPERATING INCOME - RESIDENTIAL - RENTAL
CITY OF SAN DIEGO REDEVELOPMENT AGENCY**

		Average Unit Size	# of Units	Monthly Rent	Rent/SF	Total Annual
I. Gross Scheduled Income (GSI)						
A. Market-Rate Units						
Studio	@ Market	_____ SF	_____	\$ _____	\$ _____	\$ _____
One Bedroom	@ Market	_____ SF	_____	\$ _____	\$ _____	\$ _____
Two Bedroom	@ Market	_____ SF	_____	\$ _____	\$ _____	\$ _____
Three Bedroom	@ Market	_____ SF	_____	\$ _____	\$ _____	\$ _____
Four Bedroom	@ Market	_____ SF	_____	\$ _____	\$ _____	\$ _____
Total/Average - Market-Rate Units		_____ SF	_____	\$ _____	\$ _____	\$ _____
B. Affordable Units						
Studio	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Studio	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Studio	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
One Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
One Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
One Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Two Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Two Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Two Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Three Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Three Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Three Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Four Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Four Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Four Bedroom	@ _____% AMI	_____ SF	_____	\$ _____	\$ _____	\$ _____
Total/Average - Affordable Units		_____ SF	_____	\$ _____	\$ _____	\$ _____
C. Add: Other Income @			\$ _____ /Unit/Month			\$ _____
D. Total Gross Scheduled Income			_____ SF	\$ _____	\$ _____	\$ _____
II. Effective Gross Income (EGI)						
(Less) Vacancy @			_____ % of GSI			(\$ _____)
Total Effective Gross Income						\$ _____

TABLE 4 (CONT'D.)

**NET OPERATING INCOME - RESIDENTIAL - RENTAL
CITY OF SAN DIEGO REDEVELOPMENT AGENCY**

III. Operating Expenses

(Less) Operating Expenses	(\$ _____)
(Less) Service Amenities	(\$ _____)
(Less) Replacement Reserves	(\$ _____)
(Less) Property Taxes	(\$ _____)
Total Operating Expenses	(\$ _____)

IV. Net Operating Income (NOI) - Residential - Rental \$ _____

V. Maximum Supportable Debt and Equity Investment (1)

A. Net Operating Income (IV, above)	\$ _____
B. Target Return on Investment (ROI) @	_____ %

C. Maximum Supportable Debt and Equity Investment (A ÷ B)	\$ _____
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(1) Applies to all components except Low-Income Housing Tax Credit projects. See Table 7.

TABLE 5

**NET OPERATING INCOME - RETAIL
CITY OF SAN DIEGO REDEVELOPMENT AGENCY**

	<u>SF</u>	<u>Rent/SF</u>	<u>Total Annual</u>
I. Gross Scheduled Income (GSI)			
Retail		\$ _____ /SF/Month/NNN	\$ _____
Total/Average Retail GSI	_____	\$ _____	\$ _____
II. Effective Gross Income (EGI)			
(Less) Vacancy - Retail		_____ % of GSI - Retail	\$ _____
Total Effective Gross Income			\$ _____
III. Operating Expenses			
(Less) Retail Operating Expenses @			(\$ _____)
Total Operating Expenses			(\$ _____)
IV. Net Operating Income (NOI) - Retail			
			\$ _____
<hr/>			
V. Maximum Supportable Debt and Equity Investment			
A. Net Operating Income (IV, above)			\$ _____
B. Target Return on Investment (ROI) @			_____ %
C. Maximum Supportable Debt and Equity Investment (A ÷ B)			\$ _____

TABLE 6

RESIDUAL LAND VALUE - NON-LIHTC COMPONENTS (1)
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

	<u>Totals</u>
I. Supportable Investment	
A. Net Sales Proceeds - Residential - For-Sale (Table 3)	\$ _____
B. Maximum Supportable Investment - Residential - Rental (Table 4)	\$ _____
C. Maximum Supportable Investment - Retail (Table 5)	\$ _____
D. Income During Construction/Lease-Up	\$ _____
E. Total Supportable Investment (A + B + C + D = E)	\$ _____
II. (Less) Development Costs (Table 2)	(\$ _____)
III. Residual Land Value (E + II)	\$ _____
Per SF Site Area	\$ _____

(1) Applies to all components except Low-Income Housing Tax Credit projects. See Table 7.

TABLE 7

**RESIDUAL LAND VALUE - LIHTC COMPONENTS (1)
CITY OF SAN DIEGO REDEVELOPMENT AGENCY**

		<u>Totals</u>
I. Supportable Debt		
A. Net Operating Income (Table 4, IV)	\$ _____	
B. Debt Service Coverage Ratio @	_____	
C. Interest Rate @	_____ %	
D. Term (Years)	_____	
E. Total Supportable Debt		\$ _____
II. Sources of Funds		
A. Supportable Debt (I-E, above)		\$ _____
B. Market Value of Tax Credits		\$ _____
C. Deferred Developer Fee		\$ _____
D. Other Funding Sources (specify)		\$ _____
E. Income During Construction/Lease-Up		\$ _____
F. Total Supportable Investment (A + B + C + D + E = F)		\$ _____
III. (Less) Development Costs (Table 2)		(\$ _____)
IV. Residual Land Value (II-F + III)		\$ _____
Per SF Site Area		\$ _____

(1) Applies to Low-Income Housing Tax Credit projects.

EXHIBIT C

Conceptual Site Plan
Linda Vista Redevelopment Project

Conceptual Site Plan
Linda Vista Redevelopment Project
Prepared by: Architects Hanna Gabriel Wells

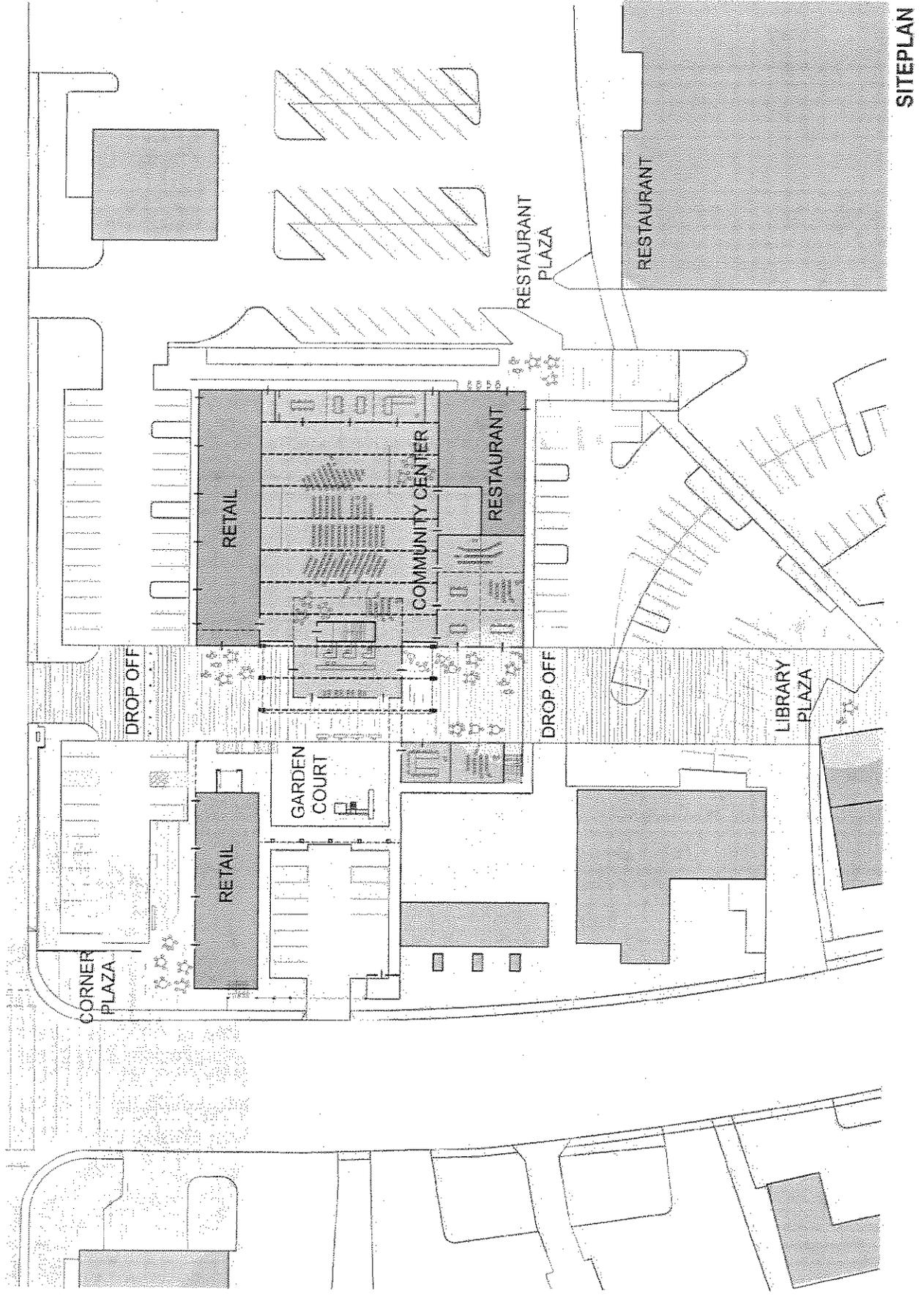


EXHIBIT D

Due Diligence Checklist

Name of Project: Linda Vista Redevelopment Project

Location of Project: 6901 – 6925 Linda Vista Road, San Diego, CA 92111
APN's 431-320-15-00 & 431-320-19-00

Owner of Project Site: San Diego Redevelopment Agency

Project Area: Linda Vista

Agreement: Exclusive Negotiation Agreement (ENA)

Name of Developer: MRW Development Company, LLC

Agency Contact: Eliana Barreiros, Project Manager, (619) 236-6267

*** Please note that some of the items identified as "received" and/or "not applicable" below may be required to be submitted as the Project evolves and investors and/or institutions and/or individuals are newly identified as part of the development team and/or to provide funds so that the Project is realized.

**DUE DILIGENCE REQUEST LIST
FOR ALL DEVELOPMENT PROJECTS**

Number	Request	Received (X)	Required (X)	N/A (X)
DEVELOPER/DEVELOPMENT TEAM INFORMATION				
1.	List names of any subsidiaries, corporations, joint ventures, or firms the Developer is affiliated with.		X	
2.	Provide Developer's most recent audited annual financial statements.	X		
3.	Provide Business Financial Statements for the prior 3 years.	X		
4.	Provide Business Federal Income Tax Returns for the prior 3 years.	X		
5.	Provide a Dun & Bradstreet Business Information Report.	X		

Number	Request	Received (X)	Required (X)	N/A (X)
6.	Schedule of litigation involving the Developer or its properties, whether plaintiff or defendant, and all material claims within the last 10 years.		X	
7.	Has the developer or the parent corporation or any subsidiary or affiliated corporation of the developer's officers or principal members, shareholders or investors been adjudged bankrupt, either voluntary or involuntary within the past 10 years?		X	
8.	Describe the developer's track record for developing projects similar to the proposed Project(s). List of projects in the planning stage or currently underway and any development agreements. Is the Developer in compliance with all agreements related to other projects?	X		
9.	As applicable, determination letters from the Internal Revenue Service for the Developer stating that the Developer is an organization described in Section 501(c)(3) of the Internal Revenue Code.		X	
10.	Names and address of three (3) relevant project profiles/references.	X		
11.	Does Developer have an ownership interest in other Businesses or Firms? List all with percentage of ownership.		X	
12.	List the names of individuals on Developer's Board. Do any of these individuals have a financial interest in the Project?			TBD
13.	Identify Development Team include: role in the project, firm contact, and ownership of the firm.		X	
PROJECT DESCRIPTION AND DEVELOPMENT SCHEDULE				

Number	Request	Received (X)	Required (X)	N/A (X)
14.	General description of the proposed project. Include gross square feet of proposed development site, proposed development, commercial portion, parking, and total number of parking spaces. <i>See ENA</i>			
15.	Provide a proposed Development Schedule <i>See ENA</i>			
16.	Provide a description of the public improvements anticipated to be provided with the development.		X	
17.	Agency's 15% Inclusionary Housing requirement: State the number of affordable units to be provided on-site, with the affordability level, and affordability restriction.			X
18.	Identify other public agencies anticipated to be involved in the project.		X	
PROJECT FINANCING				
19.	Provide a predevelopment/development budget for the project.		X	
20.	Provide a project Pro-forma including sources and anticipated uses of funds.		X	
21.	If <u>not</u> included in the Project Pro-forma: What are anticipated total Project costs? Cost of land acquisition? Cost of construction? Is this new construction or rehabilitation? <i>See ENA</i>			
22.	Provide a letter from Developer's financial institution outlining the preliminary terms under which it would provide the financing resources necessary for the acquisition, construction, and development of the project. <i>See ENA</i>			

Number	Request	Received (X)	Required (X)	N/A (X)
23.	Provide any relevant evidence showing the Developer has financial capability to meet equity requirements of the proposed undertaking.		X	
24.	Provide names and addresses of three (3) bank references.		X	
25.	Provide a description and analysis of what will be the anticipated Agency financial involvement in project.			X
26.	Provide information relating to any private loan to Developer. What is the term of the loan and what basis is the loan to be repaid? What is the security of the loan? Is the loan subordinated?		X	
27.	Provide an estimate of the anticipated amount of private equity in the project.		X	
SITE ACQUISITION/SITE ASSEMBLY				
28.	Provide a copy of a recent appraisal of the property or properties included in the project.			X
29.	When did Developer acquire the property? How much did Developer pay (or how much will the Developer pay) to acquire the property? Is the Developer's payment consistent with the appraisal report?			X
30.	Provide a copy of purchase and sale agreement(s) for the property.			X
31.	Provide a copy of lease agreement(s) for the property.			X
32.	Are there any known environmental issues or problems with the property? <i>See ENA</i>			
33.	Have any conditions or waivers been included in sales agreements for the property?			X
TENANT/LEASEHOLD ACQUISITION				

Number	Request	Received (X)	Required (X)	N/A (X)
34.	Are there existing owners, tenants or leaseholders on the property who will require relocation assistance?			X
LAND ENTITLEMENT/PLANNING/ENVIRONMENTAL				
35.	Provide all documentation relating to any environmental investigations relating to the real property.		X	
36.	Provide all documentation relating to any environmental concerns relating to the real property.		X	
37.	Prepare the appropriate level of environmental documentation for the project. Provide a copy of a recent Phase I or Phase II environmental assessment of the property.		X	
38.	What is the current status of zoning, building, environmental approvals and status of property for the Project.			X
39.	Is the proposed project in the coastal zone?			X
40.	Is it anticipated that the project will require a change in zoning and/or amendment to any relevant documents included but not limited to the community plan, redevelopment plan, etc.?			TBD
AGENCY CONTRACT COMPLIANCE				
41.	Provide evidence of compliance with Equal Opportunity Contracting Program.		X	
42.	Provide a listing of insurance policies stating type, name, broker, amount of coverage, deductible requirement and expiration.		X	
43.	Developer will be required to comply with Universal Design Guidelines		X	
44.	Developer will be required to comply with the Affirmative Marketing Program—Residential Projects			X

Number	Request	Received (X)	Required (X)	N/A (X)
45.	Provide evidence of compliance with Prevailing Wage/Davis Bacon requirements.		X	
OTHER INFORMATION AS REQUESTED BY THE AGENCY (LIST ITEMS BELOW)				
46.	Provide all other significant documents with respect to operations of the Developer or the Project.		X	