

EXCLUSIVE NEGOTIATION AGREEMENT FOR THE DEVELOPMENT OF AFFORDABLE HOUSING ON LOT T PROPERTY BY AND BETWEEN THE CITY OF PALO ALTO AND ALTA HOUSING CORPORATION

This EXCLUSIVE NEGOTIATION AGREEMENT (ENA) is entered into by and between the City OF PALO ALTO, a chartered municipal corporation (City) and ALTA HOUSING, a California nonprofit public benefit corporation (Developer) under the terms and conditions set forth below. The City and Developer shall collectively be referred to herein as the “Parties” and individually as “Party.”

RECITALS

Cities across California are facing a severe housing shortage. The housing shortage is particularly acute in the San Francisco Bay Area region, where the demand for housing—specifically affordable housing—vastly exceeds the available supply.

The City’s 2023-2031 Housing Element seeks to develop significant additional housing in the City’s downtown area to meet its Regional Housing Needs Allocation targets.

Program 1.4 of the City’s 2023-2031 Housing Element contemplates increasing the City’s affordable housing stock through redevelopment of City-owned surface parking lots with a stated objective of providing replacement public parking and 100% affordable housing units serving households earning up to 80% of the Area Median Income or for workforce housing for City employees and Palo Alto Unified School District employees.

The City is the fee title owner of a surface parking lot, APN 120-15-100, situated at the corner of Lytton Avenue and Kipling Street in Palo Alto, CA (Lot T Property).

In furtherance of Housing Element Program 1.4, the City has identified the Lot T Property for redevelopment with affordable housing.

In January 2023, the City issued a Request for Information seeking development concepts for affordable housing and public parking structures on one or more of the City’s twelve surface parking lots in the downtown and received submittals from two firms, Alta Housing and MidPen Housing.

In December 2023, the City directed City staff to solicit refined proposals that focused on redeveloping the Lot T Property with 100% affordable housing.

In September 2024, the City issued a Request for Refined Proposals for an affordable housing development (Project) on the Lot T Property from Alta Housing and MidPen Housing.

On December 2, 2024, the City Council approved a contract for design, environmental review, and construction administration services for a new downtown parking garage on a City-owned surface parking lot situated at the corner of Hamilton Avenue and Waverley Street (Lot D Garage). The Lot D Garage is intended to provide replacement public parking in furtherance of Housing Element Program 1.4.

On January 21, 2025 the Palo Alto City Council directed City staff to enter into an exclusive negotiating agreement with Alta Housing and provided preliminary direction on key project components, namely parking, building height, and the number and composition of housing units.

The City and Developer wish to negotiate and reach agreement on the terms and conditions for the ground lease of the Lot T Property and a project to design, construct, operate, and maintain an affordable housing development, all in furtherance of Housing Element Program 1.4.

The purpose of this ENA is to establish the procedures and desired outcomes for the Parties' negotiation of a ground lease, project agreement, project financing, regulatory agreements, and any ancillary agreements necessary to design, construct, and operate the affordable housing development on the Lot T Property.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants and promises contained herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and Developer mutually agree as follows:

ARTICLE 1. Negotiations

A. Agreement Term.

This agreement shall commence on the date on which the agreement is executed by the Parties ("Effective Date"). If the agreement is executed in counterparts, the Effective Date shall be the later of the dates indicated on either counterpart. Unless earlier terminated in accordance with Article 3, Section D, the Parties shall exclusively negotiate with one another in good faith regarding the items set forth in Article 2 for a period of One Year ("Term"), commencing on the Effective Date, or as such Term may be extended pursuant to Article 1, Section D below. The Term of this agreement shall be tolled during any period of time in which either Party's is enjoined from performing its obligations by order of a court with competent jurisdiction.

B. Good Faith Negotiations

During the Term, the Parties shall negotiate a proposed Disposition and Development Agreement ("DDA") for the Project. The DDA shall incorporate provisions from the Term Sheet attached hereto and incorporated herein as "Exhibit A" (the "Term Sheet"), which will be subject to modification, the addition of greater details regarding the proposed Project, and such other matters as the Parties shall mutually agree, as set forth in Article 2 below. The Term Sheet is not intended to be binding on either Party, but rather to a starting point for the negotiations anticipated herein.

The parties shall meet and confer with one another as is reasonably necessary to discharge their respective obligations under this ENA.

C. Scope of Exclusivity

During the Term, the City shall not: (1) solicit, receive, entertain, negotiate with, or consider any offers or solicitations from any person or entity other than from Developer, to acquire or lease all or any portion of the Lot T Property; (2) propose or process any legislative or administrative actions,

authorizations, or entitlements for any change of use of the Lot T Property from its present use other than pursuant to this ENA; (3) conduct any public hearing to consider approve, or conditionally approve any development of the Lot T Property other than pursuant to this ENA.

D. Extension of ENA Term by City

If this ENA has not been terminated in accordance with Article 3 Section D and Developer, as determined by the Palo Alto City Manager ("City Manager") in the exercise of his/her reasonable and good faith discretion, is in substantial compliance with this ENA, and the Parties' negotiation of the items set forth in Article 2 have not been completed, the City Manager may approve an extension for up to twelve (12) months.

E. Extension of ENA Term by Mutual Agreement of the Parties

If this ENA has not been terminated in accordance with Article 3 Section D and completion of the Negotiation Tasks set forth in Article 2 is delayed, through no action or omission of Developer, then Developer and the City Manager may mutually agree to an extension for a period no longer than twelve (12) months. The Parties may agree to an extend this ENA under this Section separately from, or in addition to, an extension granted by the City under Article 1 Section D above.

ARTICLE 2. Negotiation Tasks

A. Drafting of Disposition and Development Agreement (DDA)

The Parties will prepare a mutually acceptable DDA Term Sheet addressing and expanding upon each of the issues identified in Term Sheet, including but not limited to the description, uses, configuration, design, and timeline of a mutually acceptable Project.

The Parties shall agree upon a definition and timeline of key pre-development and development milestones (e.g., design development drawings, entitlement submissions, etc.) that will form the basis of Project progress in the DDA.

The Parties shall prepare a mutually acceptable DDA setting forth the terms and conditions upon which Develop will lease the Lot T Property from the City consistent with the agreed upon DDA Term Sheet.

The Parties shall prepare mutually acceptable terms for property management and resident/supportive services to be provided in connection with the Project.

B. Community Outreach and Engagement Plan

City and Developer will confer and jointly prepare a plan for community outreach and engagement regarding the proposed Project.

C. Developer's Obligations in Connection with Negotiation Tasks

Developer shall, at its sole cost and expense consistent with the proposed Project and the Term Sheet:

1. Retain such architects, engineers, market analysts, financial Developers, attorneys and environmental consultant as are necessary to assist Developer in the discharge of its responsibilities under this ENA.
2. During the Term, the Developer will prepare and submit the following to the City for the DDA:

- a. A proposed draft DDA Term Sheet, which builds from the Term Sheet at Exhibit A;
- b. A market feasibility study for all aspects of the Project;
- c. A proposed draft DDA based upon and consistent with the DDA Term Sheet;
- d. A detailed pro forma showing the financial feasibility for all aspects of the Project consistent with the proposed draft DDA; and
- e. Such additional analysis, information, documents and reports for the City's review, processing, and approval as are requested by the City to enable the City to comply with its obligations.

C. City's Obligations in Connection with Negotiation Tasks

1. Comply with the City's lead agency responsibilities, as applicable, under the California Environmental Quality Act ("CEQA"), subject to reimbursement for any necessary environmental review documents.
2. The City shall retain such architects, engineers, market analysts, financial Developers, attorneys and environmental and planning Developers as are necessary to assist the City in the discharge of its obligations under this ENA.

D. Due diligence

1. Due Diligence. Developer shall conduct, at its sole cost and expense, all due diligence investigation in connection with its potential lease of the Lot T Property and its suitability for development of the Project as Developer deems appropriate and necessary in its absolute and sole discretion.
2. Within thirty (30) business days after the Effective Date, the City will provide copies of all leases, agreements, covenants, tests, surveys, maps, plans, records, studies, reports, operating statements, rent rolls, property records, documents, permits and entitlements and materials, soils and hazardous materials reports and other relevant documents pertaining to the Lot T Property, that are in City's possession or reasonable control. City will reasonably cooperate with Developer as required in connection with all of Developer's due diligence investigations, at Developer's sole cost and expense, and will timely provide Developer with all additional documents and other materials in City's possession or control reasonably requested by Developer.
3. During the term of this ENA, Developer and its representatives may, during normal business hours and upon not less than one (1) business day prior notice (which may be oral notice) to City, enter upon the Lot T Property to conduct such inspections, investigations and tests of the Lot T Property (including, but not limited to geologic, soil and water testing) as Developer deems appropriate in its sole and absolute discretion. Prior to entering upon the the Lot T Property to conduct any invasive or potentially destructive testing, including without limitation a Phase II environmental survey or any testing or investigation that might disrupt or materially interfere with City's normal use of the Lot T Property or cause physical disturbance or damage to the

Lot T Property or any buildings or infrastructure thereon, Developer shall obtain City's written approval of a written scope of work and protocol prepared by Developer for conducting such invasive or potentially destructive testing. Developer shall conduct its invasive or potentially destructive testing only in accordance with such approved protocol. Upon the conclusion of Developer's inspections, investigations and tests, Developer shall promptly restore the Lot T Property to substantially the same condition as it was in prior to such inspections, investigations and tests at Developer's sole cost and expense. Developer shall cause Developer's inspections, investigations and tests to be conducted (i) in a safe and professional manner, (ii) so as not to create any dangerous or hazardous condition on or the Lot T Property, and (iii) in compliance with all applicable laws and only after obtaining all permits required to be obtained with respect to such activities. Developer shall have no obligation to repair any problems or defects disclosed by Developer's inspections, investigations and tests. Upon City's request thereof, Developer shall provide copies of all tests and reports generated in connection with Developer's investigation activities on the Lot T Property, at no cost to City. Developer shall indemnify, hold harmless, and defend City, its officers, employees and agents from and against any and all claims, demands, suits, liabilities, losses, damages and payments, including reasonable attorney fees and court costs, claimed or made against City, its officers, employees or agents resulting from or arising out of Developer's inspection activities on the Lot T Property, except to the extent caused by City's gross negligence or willful misconduct. Developer and Developer's contractors performing any work or conducting any investigations on the Lot T Property, if any, shall obtain and maintain in full force and effect during the Term, insurance consistent with the requirements in Attachment One to this ENA which is incorporated herein by this reference.

E. Planning Approvals

The Parties acknowledges that the proposed Project will require the City's approval of certain land use or other discretionary approvals and/or other entitlements and permits (collectively, "Entitlements").

Developer will be required to obtain any and all discretionary approvals and Entitlements for the proposed Project.

Developer shall be responsible for submitting all planning applications and required information required for Entitlements, including, but not limited to site plans, preliminary designs, building plans and specifications for the proposed Project.

The Parties acknowledge and agree that: (1) nothing in this ENA shall obligate the City to approve any Entitlement, approve the DDA, or sell or convey all or any part of the Property to Developer; (2) nothing in this ENA shall obligate Developer to enter into the DDA, acquire, or lease all or any part of the Property from the City, or develop all or any part of the Project.

ARTICLE 3. General Terms and Conditions

A. Notices

Formal notices, demands and communications between the City and Developer shall be sufficiently given if, and shall not be deemed given unless, dispatched by certified mail, postage prepaid, return receipt requested, or sent by express delivery or overnight courier service, to the office of the Parties shown as follows, or such other address as the Parties may designate in writing from time to time:

To City:

City of Palo Alto

250 Hamilton Avenue

Palo Alto, CA 94301

Attn: Ed Shikada, City Manager

With a Copy to:

Jonathan Lait, Director of Planning and Development Services

To Developer:

Alta Housing

3460 West Bayshore Road, Suite 104

Palo Alto, CA 94303

Attn: Randy Tsuda, President and CEO

Such formal notices, demands and communications shall be effective on the date shown on the delivery receipt as the date delivered or the date on which delivery was refused. For purposes of obligations to be performed by the City or of calculation of noticing under this Agreement, a business day on which the City is closed will not constitute a business day under this Agreement.

B. Limited Right of Entry to Property

During the Term of this Agreement, Developer shall have the right to enter upon the Property for purposes of fulfilling the terms, conditions, and obligations of this Agreement, including but not limited to Developer's due diligence tasks described in Article 2.

C. Defaults and Remedies

1. Default. If a Party defaults with regard to any of the provisions of this Agreement, then the non-defaulting Party shall give formal notice of a default to the defaulting Party, specifying the nature of the default and the required action to cure the default. If a default remains uncured thirty (30) calendar days after receipt by the defaulting Party of such formal notice, the non-defaulting Party may immediately exercise the remedies set forth in Paragraph 2, below. If such default cannot reasonably be satisfactorily cured in such thirty-day (30-day) period, then,

provided Developer has and continues to diligently pursue the cure, Developer shall have up to such additional time as is reasonably necessary to cure, but in no event more than ninety (90) days to cure, satisfactorily, the failure or material breach, as long as Developer has initiated the cure of the same within such thirty-day (30-day) period and thereafter diligently prosecutes such cure to completion.

2. Remedies. Neither Party would have agreed to any part of this ENA if it were to be liable to the other Party for any amount of monetary damages. Accordingly, except for a default or breach of Developer with respect to Developer's indemnification, defense and hold harmless obligations set forth in this ENA or any amendment thereto, for which the City shall have all remedies available at law or in equity, the non-defaulting Party's sole and exclusive remedy in the event of an uncured default by the City or Developer shall be to terminate this Agreement or seek specific performance of this ENA, as applicable. Following such termination, no Party shall have any further duties, obligations, rights, or liabilities under this Agreement, except that Developer's indemnification, defense and hold harmless obligations set forth in this Agreement shall survive such termination and be enforceable against Developer. The prevailing Party in any action brought pursuant to this subsection shall also be entitled to an award of actually incurred and reasonable attorney's fees and costs.
3. No Liability. Except as expressly provided in Paragraphs 1 and 2, above, no Party shall have any liability to any other Party for damages or otherwise for any default or breach, nor shall any Party have any other claims with respect to performance under this Agreement. Each Party specifically waives and releases any such rights or claims it may otherwise have at law or in equity.

D. Termination

1. Failure of Good Faith Negotiations. Either Party may terminate this ENA at any time by formal notice given in accordance with Section A above to the other Party in the event that the terminating Party is in compliance with its obligations under the ENA and the Parties, after good faith negotiations in accordance with this ENA, have been unable to agree on a mutually acceptable Project and proposed DDA for processing by the City.
2. Termination after City Council Consideration. In the event this ENA is not otherwise terminated pursuant to the provisions of this Section D, this ENA shall automatically be terminated at the end of the Term, unless extended as otherwise provided herein, whether or not the parties were able to successfully negotiate a proposed DDA for the Project. This ENA shall automatically terminate after the City Council's consideration and final actions regarding the proposed DDA and the City's Discretionary Actions, in which case this ENA shall be superseded by the City Council's final actions regarding the DDA and the City's Discretionary Actions, whether approved or denied by the City Council.
3. Developer's Breach. In the event Developer materially breaches any of its obligations under this ENA, then, provided the City is not in material breach of its obligations, the City Manager may terminate this ENA provided the City has given Developer formal notice of the failure or material breach and Developer has failed to cure such failure or material breach in the allowable period.

4. Termination as a Result of Litigation. If the Parties mutually determine, in their reasonable discretion, that City's performance of its obligations under this ENA will be made impossible or impracticable as a result of litigation initiated by a third party then either or both Parties may terminate this Agreement upon 30 days' written notice. Such termination will be effective on the date stated in the notice. Notwithstanding any provision in this ENA to the contrary, Developer shall be entitled to reimbursement of its actual costs to the date of such termination incurred in connection with its performance of its obligations under this ENA, which reimbursement shall not exceed Two Hundred Thousand Dollars (\$200,000.00). As used in this paragraph, the phrase actual costs shall mean costs, including Developer staff time, and expenses incurred and paid by Developer to third party architects, consultants, and engineers hired by Developer for the performance of Negotiation Tasks from the effective date of this ENA through the effective date of termination. Developer shall request reimbursement in writing and provide an accounting of actual costs, along with any other supporting documentation reasonably requested by City. City shall use reasonable efforts to provide reimbursement in a prompt manner, not to exceed ninety (90) days from the date of receipt of the reimbursement request and supporting documentation. All of Developer's work product, including but not limited to designs, drawings, analyses, and applications for funding assistance, shall become the sole property of City, and Developer agrees to execute all necessary documents to assign all rights, title, and interest in such work product to City.

E. Assignment

Developer understands the City is entering into this Agreement based on the experience and qualifications of Developer and of the key individuals representing or employed by Developer as of the date of this Agreement. Therefore, Developer will not assign, sell, or otherwise transfer any or all of its rights under this Agreement, or interest herein, without the prior written approval of the City, which approval may be withheld in the City's sole and absolute discretion. Further, no voluntary or involuntary successor in interest of Developer will acquire any rights or powers under this Agreement except as expressly set forth herein. For the reasons cited herein, Developer represents and agrees for itself and any successor in interest that prior to the expiration of the Term, and without the prior written approval of the City (which approval may be withheld in the City's sole and absolute discretion), there will be no significant change in the management or control of Developer. Developer will promptly notify the City of all changes whatsoever in the identity of the parties in control of or exercising the management of Developer, or the degree of control or management, of which it or any of its officers have been notified or otherwise have knowledge or information. This Agreement may be terminated by the City if there is any significant change (voluntary or involuntary) in membership, management or control, of Developer. For purposes of this paragraph, a significant change will mean any change in the identity of the CEO, President, or similar person or persons having ultimate control over the day to day management of Developer, or the appointment of a receiver or trustee to operate or exercise direct or indirect control over Developer). Periodic, routine changes in membership that cumulatively affect less than 50% of the membership of the Developer's board of directors will not be considered a "significant change".

F. No Third-Party Beneficiaries.

This Agreement is made and entered into solely for the benefit of the City and Developer and no other person shall have any right or cause of action under or by reason of this Agreement.

G. Governing law; venue.

This Agreement and the legal relations between the Parties will be governed by and enforced in accordance with the Palo Alto Municipal Code and the laws of the State of California without reference to the rules governing the conflict of laws. This Agreement is made and entered into in the County of Santa Clara, California, and any legal actions or proceedings arising from or related to this Agreement will be brought in the Superior Court of California, County of Santa Clara.

H. Time is of Essence

Time is of the essence of every portion of this Agreement in which time is a material part.

I. Headings/Captions

The headings and captions of the various sections and paragraphs of this Agreement have been inserted only for the purpose of convenience and are not a part of this Agreement and will not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement.

J. Severability

Every provision of this Agreement is intended to be severable. If any provision of this Agreement or the application of any provision hereof to any Party or circumstance is declared to be illegal, invalid or unenforceable for any reason whatsoever by statute or a court of competent jurisdiction, such invalidity will not affect the other terms and provisions hereof or the application of the provision in question to any other Party or circumstance, all of which will continue in full force and effect.

K. Waivers/Amendments

All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of the Parties. Except as otherwise expressly provided in this Agreement, any failure or delay by any Party in asserting any of its rights or remedies as to any default will not operate as a waiver of said default or of any rights or remedies in connection therewith or of any subsequent default or any rights or remedies in connection therewith, or deprive 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.

L. Independent Contractor

Developer acknowledges and agrees that Developer and any agent or employee of Developer will act as and shall be deemed at all times to be an independent contractor and shall be wholly responsible for the manner in which Developer performs the Services requested by City under this Agreement. Developer and any agent or employee of Developer will not have employee status with City, nor be entitled to participate in any plans, arrangements, or distributions by City pertaining to or in connection with any retirement, health or other benefits that City may offer its employees. Developer will be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, workers' compensation, unemployment compensation, insurance, and other similar responsibilities related to Developer's performance of the Services, or any agent or employee of Developer providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between City and Developer or any agent or employee of Developer. Any terms in this Agreement referring to direction from City shall be construed as providing

for direction as to policy and the result of Developer's provision of the Services only, and not as to the means by which such a result is obtained.

M. Conflicts of Interest

In executing this Agreement, Developer covenants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services.

Developer further covenants that, in the performance of this Agreement, it will not employ subcontractors or other persons or parties having such an interest. Developer certifies that no person who has or will have any financial interest under this Agreement is an officer or employee of City; this provision will be interpreted in accordance with the applicable provisions of the Palo Alto Municipal Code and the Government Code of the State of California, as amended from time to time. Developer agrees to notify City if any conflict arises.

If the Developer meets the definition of a "Consultant" as defined by the Regulations of the Fair Political Practices Commission, Developer will file the appropriate financial disclosure documents required by the Palo Alto Municipal Code and the Political Reform Act of 1974, as amended from time to time.

N. Nondiscrimination; Compliance with the Americans with Disabilities Act

As set forth in Palo Alto Municipal Code Section 2.30.510, as amended from time to time, Developer certifies that in the performance of this Agreement, it shall not discriminate in the employment of any person due to that person's race, skin color, gender, gender identity, age, religion, disability, national origin, ancestry, sexual orientation, pregnancy, genetic information or condition, housing status, marital status, familial status, weight or height of such person. Developer acknowledges that it has read and understands the provisions of Section 2.30.510 of the Palo Alto Municipal Code relating to Nondiscrimination Requirements and the penalties for violation thereof, and agrees to meet all requirements of Section 2.30.510 pertaining to nondiscrimination in employment.

Developer understands and agrees that pursuant to the Americans with Disabilities Act ("ADA"), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor or subcontractor, are required to be accessible to the disabled public. Developer will provide the Services specified in this Agreement in a manner that complies with the ADA and any other applicable federal, state and local disability rights laws and regulations, as amended from time to time. Developer will not discriminate against persons with disabilities in the provision of services, benefits or activities provided under this Agreement.

O. Environmentally Preferred Purchasing and Zero Waste Requirements

Developer shall comply with the City's Environmentally Preferred Purchasing policies which are available at City's Purchasing Department, hereby incorporated by reference and as amended from time to time. Developer shall comply with waste reduction, reuse, recycling and disposal requirements of City's Zero Waste Program. Zero Waste best practices include, first, minimizing and reducing waste; second, reusing waste; and, third, recycling or composting waste. In particular, Developer shall comply with the following Zero Waste requirements:

1. All printed materials provided by Developer to City generated from a personal computer and printer including but not limited to, proposals, quotes, invoices, reports, and public

education materials, shall be double-sided and printed on a minimum of 30% or greater post-consumer content paper, unless otherwise approved by City's Project Manager. Any submitted materials printed by a professional printing company shall be a minimum of 30% or greater post-consumer material and printed with vegetable-based inks.

2. Goods purchased by Developer on behalf of City shall be purchased in accordance with City's Environmental Purchasing Policy including but not limited to Extended Producer Responsibility requirements for products and packaging. A copy of this policy is on file at the Purchasing Department's office.
3. Reusable/returnable pallets shall be taken back by Developer, at no additional cost to City, for reuse or recycling. Developer shall provide documentation from the facility accepting the pallets to verify that pallets are not being disposed.

P. Counterparts.

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

Q. Entire Agreement.

This Agreement represents the entire agreement of the Parties hereto and integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements, oral or written, between the Parties with respect to acquisition and development of the Property or the proposed Project.

For Alta Housing:

Name:

Title:

Date:_____

For City of Palo Alto:

Ed Shikada

City Manager

Date:_____

Approved as to form

Caio Arellano

Chief Assistant City Attorney

City of Palo Alto - Lot T Affordable Housing
Scenario A - 54 Units Updated 6/4/2025

| UNIT MIX | | | | | | | |
|-----------|-----------|----------|-----------|------------|-----------|---------|-----------|
| Unit Size | No. Units | % AMI | RRH Units | Family PBV | Base Rent | Subsidy | Income |
| 1 BR | 10 | 30% | 10 | | 114,960 | | 114,960 |
| 2 BR | 8 | 30% | 2 | 6 | 109,248 | 135,936 | 245,184 |
| 3 BR | 9 | 30% | 2 | 7 | 140,616 | 216,216 | 356,832 |
| 3 BR | 3 | 50% | | 3 | 81,396 | 58,140 | 139,536 |
| 1 BR | 13 | 60% | | | 311,220 | | 311,220 |
| 2 BR | 6 | 60% | | | 171,504 | | 171,504 |
| 3 BR | 4 | 60% | | | 131,520 | | 131,520 |
| 2 BR | 1 | Mgr Unit | | | 0 | | |
| TOTAL | 54 | 44.2% | 14 | 16 | 1,060,464 | 410,292 | 1,470,756 |

| PERMANENT SOURCES | | | | | |
|-------------------------------------|------------|-----------|----------|----------|------|
| | Amount | Per Unit | Interest | Term-Yrs | DCR |
| Permanent Loan | 7,373,950 | 136,555 | 7.14% | 35 | 1.15 |
| CA HCD MHP | 13,500,000 | 250,000 | 3% | 55 | |
| City of Palo Alto | 4,140,000 | 76,667 | 3% | 55 | |
| Gap (County, Regional, FHLB) | 2,034,314 | 37,672 | | | |
| Equity from LIHTC (Federal & State) | 30,802,206 | 570,411 | | | |
| Total Sources | 57,850,470 | 1,071,305 | | | |

| CONSTRUCTION SOURCES | | | | |
|-----------------------------------|------------|-----------|----------|----------|
| | Amount | Per Unit | Interest | Term-Mos |
| Tax Exempt Construction Loan | 29,090,000 | 538,704 | 7.16% | 28 |
| Taxable Construction Loan | 18,921,454 | 350,397 | 7.26% | 28 |
| City of Palo Alto | 4,140,000 | 76,667 | 3% | 28 |
| Costs Deferred until Perm Closing | 2,618,795 | 48,496 | | |
| Equity from LIHTC | 3,080,222 | 57,041 | | |
| Total Sources | 57,850,470 | 1,071,305 | | |

| USES | | |
|----------------------------------|------------|-----------|
| | Amount | Per Unit |
| Hard Costs | 41,345,415 | 765,656 |
| Design & Engineering | 2,139,801 | 39,626 |
| Development Impact & Permit Fees | 986,205 | 18,263 |
| Insurance During Construction | 1,364,399 | 25,267 |
| Developer Fee | 2,500,000 | 46,296 |
| Other Soft Costs | 2,134,717 | 39,532 |
| Financing Costs | 7,379,932 | 136,665 |
| Total Development Cost | 57,850,469 | 1,071,305 |

| CASH FLOW ANALYSIS | | | | | | | | | |
|-------------------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | |
| Gross Potential Income | | | | | | | | | |
| Gross TCAC Rent | 1,060,464 | 1,086,976 | 1,114,150 | 1,142,004 | 1,170,554 | 1,199,818 | 1,229,813 | 1,260,558 | |
| Section 8 Incremental Income | 410,292 | 420,549 | 431,063 | 441,840 | 452,886 | 464,208 | 475,813 | 487,708 | |
| Miscellaneous Income | 6,750 | 6,919 | 7,092 | 7,269 | 7,451 | 7,637 | 7,828 | 8,024 | |
| Less Vacancy/Loss - TCAC Rents | (53,023) | (54,349) | (55,707) | (57,100) | (58,528) | (59,991) | (61,491) | (63,028) | |
| Less Vacancy/Loss - Sec 8 Incr | (20,515) | (21,027) | (21,553) | (22,092) | (22,644) | (23,210) | (23,791) | (24,385) | |
| Effective Gross Income | 1,403,968 | 1,439,067 | 1,475,044 | 1,511,920 | 1,549,718 | 1,588,461 | 1,628,173 | 1,668,877 | |
| Less Operating Expenses | (648,000) | (670,680) | (694,154) | (718,449) | (743,595) | (769,621) | (796,557) | (824,437) | |
| Less Replacement Reserve | (27,000) | (27,000) | (27,000) | (27,000) | (27,000) | (27,000) | (27,000) | (27,000) | |
| Less HCD Annual Fee 0.42% | (56,700) | (56,700) | (56,700) | (56,700) | (56,700) | (56,700) | (56,700) | (56,700) | |
| Less City Annual Fee 125 | (12,150) | (12,150) | (12,150) | (12,150) | (12,150) | (12,150) | (12,150) | (12,150) | |
| Net Operating Income | 660,118 | 672,537 | 685,040 | 697,621 | 710,273 | 722,990 | 735,765 | 748,590 | |
| Less Debt Service | (574,016) | (574,016) | (574,016) | (574,016) | (574,016) | (574,016) | (574,016) | (574,016) | |
| Less Issuer Fee 4,000 | (4,000) | (4,000) | (4,000) | (4,000) | (4,000) | (4,000) | (4,000) | (4,000) | |
| Net Cash Flow, First Cut | 82,102 | 94,522 | 107,024 | 119,605 | 132,257 | 144,975 | 157,749 | 170,574 | |
| Debt Coverage Ratio | 1.15 | 1.17 | 1.19 | 1.22 | 1.24 | 1.26 | 1.28 | 1.30 | |
| Less Ptrship Mgmt Fee - LP 7,500 | (7,500) | (7,725) | (7,957) | (8,195) | (8,441) | (8,695) | (8,955) | (9,224) | |
| Less Ptrship Mgmt Fee - GP 19,500 | (19,500) | (20,085) | (20,688) | (21,308) | (21,947) | (22,606) | (23,284) | (23,983) | |
| Net Cash Flow, 2nd Cut | 55,102 | 66,712 | 78,380 | 90,102 | 101,869 | 113,674 | 125,510 | 137,368 | |
| Deferred Fee/Incentive Mgmt Fee 33% | (18,349) | (22,215) | (26,101) | (30,004) | (33,922) | (37,854) | (41,795) | (45,743) | |
| Cash Distribution | | | | | | | | | |
| CA HCD 13,500,000 69.1% | (25,400) | (30,751) | (36,130) | (41,533) | (46,957) | (52,399) | (57,855) | (63,321) | |
| Gap Source 2,034,314 10.4% | (3,828) | (4,634) | (5,444) | (6,259) | (7,076) | (7,896) | (8,718) | (9,542) | |
| City 4,000,000 20.5% | (7,526) | (9,111) | (10,705) | (12,306) | (13,913) | (15,526) | (17,142) | (18,762) | |
| | 19,534,314 | 100.0% | | | | | | | |
| Remaining Cash Flow | 0 | 0 | (0) | (0) | 0 | (0) | 0 | 0 | |

| | Year 9 | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | |
|-------------------------------------|------------|-----------|-----------|-----------|-----------|-------------|-------------|--|
| Gross Potential Income | | | | | | | | |
| Gross TCAC Rent | 1,292,072 | 1,324,374 | 1,357,484 | 1,391,421 | 1,426,206 | 1,461,861 | 1,498,408 | |
| Section 8 Incremental Income | 499,901 | 512,398 | 525,208 | 538,339 | 551,797 | 565,592 | 579,732 | |
| Miscellaneous Income | 8,224 | 8,430 | 8,641 | 8,857 | 9,078 | 9,305 | 9,538 | |
| Less Vacancy/Loss - TCAC Rents | (64,604) | (66,219) | (67,874) | (69,571) | (71,310) | (73,093) | (74,920) | |
| Less Vacancy/Loss - Sec 8 Incr | (24,995) | (25,620) | (26,260) | (26,917) | (27,590) | (28,280) | (28,987) | |
| Effective Gross Income | 1,710,599 | 1,753,364 | 1,797,198 | 1,842,128 | 1,888,181 | 1,935,386 | 1,983,770 | |
| Less Operating Expenses | (853,292) | (883,157) | (914,068) | (946,060) | (979,172) | (1,013,444) | (1,048,914) | |
| Less Replacement Reserve | (27,000) | (27,000) | (27,000) | (27,000) | (27,000) | (27,000) | (27,000) | |
| Less HCD Annual Fee 0.42% | (56,700) | (56,700) | (56,700) | (56,700) | (56,700) | (56,700) | (56,700) | |
| Less City Annual Fee 125 | (12,150) | (12,150) | (12,150) | (12,150) | (12,150) | (12,150) | (12,150) | |
| Net Operating Income | 761,457 | 774,356 | 787,280 | 800,218 | 813,159 | 826,092 | 839,006 | |
| Less Debt Service | (574,016) | (574,016) | (574,016) | (574,016) | (574,016) | (574,016) | (574,016) | |
| Less Issuer Fee 4,000 | (4,000) | (4,000) | (4,000) | (4,000) | (4,000) | (4,000) | (4,000) | |
| Net Cash Flow, First Cut | 183,441 | 196,341 | 209,264 | 222,202 | 235,143 | 248,076 | 260,990 | |
| Debt Coverage Ratio | 1.33 | 1.35 | 1.37 | 1.39 | 1.42 | 1.44 | 1.46 | |
| Less Ptrship Mgmt Fee - LP 7,500 | (9,501) | (9,786) | (10,079) | (10,382) | (10,693) | (11,014) | (11,344) | |
| Less Ptrship Mgmt Fee - GP 19,500 | (24,702) | (25,443) | (26,206) | (26,993) | (27,802) | (28,636) | (29,495) | |
| Net Cash Flow, 2nd Cut | 149,238 | 161,112 | 172,978 | 184,827 | 196,647 | 208,426 | 220,151 | |
| Deferred Fee/Incentive Mgmt Fee 33% | (49,696) | (53,650) | (57,602) | (61,548) | (65,484) | (69,406) | (73,310) | |
| Cash Distribution | | | | | | | | |
| CA HCD 13,500,000 69.1% | (68,792) | (74,266) | (79,736) | (85,198) | (90,646) | (96,076) | (101,480) | |
| Gap Source 2,034,314 10.4% | (10,366) | (11,191) | (12,015) | (12,838) | (13,659) | (14,478) | (15,292) | |
| City 4,000,000 20.5% | (20,383) | (22,005) | (23,625) | (25,244) | (26,858) | (28,467) | (30,068) | |
| | 19,534,314 | 100.0% | | | | | | |
| Remaining Cash Flow | (0) | (0) | (0) | (0) | 0 | 0 | (0) | |