

STAFF REPORT



ITEM NO. 7
CITY OF OCEANSIDE

DATE: May 21, 2008

TO: Chairman and Members of the Community Development Commission

FROM: Economic and Community Development Department

SUBJECT: **AMENDMENT TO OPTION AGREEMENT WITH SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**

SYNOPSIS

Staff recommends that the Community Development Commission approve Amendment 1 to the Option Agreement extending the term from May 31, 2008, to May 31, 2009, for the sale of property located north of Lake Boulevard between College Boulevard and Thunder Drive to Southern California Presbyterian Homes for the development of an affordable multifamily senior residential rental complex, and authorize the Chairman to execute the document.

BACKGROUND

In May 2004 the Commission entered into an Option Agreement with Southern California Presbyterian Homes, for the sale of Commission-owned property on Lake Boulevard for the development of an affordable housing project for very-low-income senior citizens. The term of the Option Agreement is due to expire on May 31, 2008.

Southern California Presbyterian Homes proposes to build the Lil Jackson Senior Community, an 80-unit apartment complex, on approximately 2.2 acres of the site using U.S. Department of Housing and Development ("HUD") Section 202 funds and loans from both the City and the Commission at an estimated project cost of \$15,974,243.

Delays in receiving development approvals and entitlements have caused delays in the project schedule necessitating an extension of the term of the option period. The delays have also required the extension of the HUD funding commitment, which Southern California Presbyterian Homes has secured from the agency.

ANALYSIS

By extending the option period for an additional year the Commission will enable Southern California Presbyterian Homes to maintain site control, which is critical to its ability to

secure the HUD 202 funding for the project. Therefore, it would be appropriate for the Commission to approve the extension of the option period through May 31, 2009.

FISCAL IMPACT

Although funding for the project is not being considered at this time the portion of the total project budget to be funded from City and Commission loans is: \$4,138,443 City gap loan of which \$2,638,443 will come from Inclusionary Housing In-lieu Trust Funds and \$1,500,000 from HOME Funds; and \$1,800,000 Agency ("Commission") loan for the land cost of \$1,800,000.

COMMISSION OR COMMITTEE REPORT

The Housing Commission has reviewed and supports the project proposed by Southern California Presbyterian Homes.

CITY ATTORNEY'S ANALYSIS

The referenced document has been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the Community Development Commission approve Amendment 1 to the Option Agreement extending the term from May 31, 2008, to May 31, 2009, for the sale of property located north of Lake Boulevard between College Boulevard and Thunder Drive to Southern California Presbyterian Homes for the development of an affordable multifamily senior residential rental complex, and authorize the Chairman to execute the document.

PREPARED BY:


William F. Marquis
Senior Property Agent

SUBMITTED BY:


Peter A. Weiss
Executive Director

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Jane McVey, Economic and Community Development Director

Douglas E. Eddow, Real Property Manager





AMENDMENT NO. 1 TO
OPTION AGREEMENT

THIS AMENDMENT NO. 1 TO OPTION AGREEMENT (this "Amendment"), dated, solely for identification purposes, as of May 21, 2008, is entered into by and between COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF OCEANSIDE, a public body, corporate and politic of the State of California ("Agency"), and SOUTHERN CALIFORNIA PRESBYTERIAN HOMES, a California non-profit public benefit corporation ("Optionee"). The effective date of this Amendment shall be the date that this Amendment is approved by the Agency (the "Effective Date").

RECITALS

A. Agency and Optionee are the parties to that certain Option Agreement, dated March 17, 2004 (the "Agreement"), under the terms of which Optionee has an option to purchase from Agency that certain real property consisting of approximately 5.03 acres located in the City of Oceanside, County of San Diego, State of California, more particularly described as being Parcel 2 of Parcel Map No. 4736, filed in the Office of the County Recorder of San Diego County, May 19, 1976, as File No. 76-152026 of Official Records (the "Property").

B. Agency and Optionee acknowledge that the purpose of the Agreement is for the disposition, development and operation of the Property as a multi-unit affordable senior rental residential project funded under the United States Department of Housing and Urban Development ("HUD") Section 202 of the Housing Act of 1959, as amended; 12 U.S.C. 1701q, program.

C. Due to circumstances beyond the control of Optionee, the entitlement process for the development of the Property as contemplated under the Agreement has delayed Optionee's ability to start construction of the proposed improvement and as a result Optionee has requested that the Agency grant an extension to the Option Period.

D. Agency and Optionee mutually desire to amend certain terms and conditions of the Agreement as set forth in this Amendment.

AGREEMENT

NOW, THEREFORE, in consideration of the payment of Ten Dollars (\$10.00), the receipt of which is hereby acknowledged, and other valuable considerations set forth herein the parties hereto do mutually agree that the Option Agreement be modified as follows:

1. Section 1.2 (Option Period) of the Agreement shall be and hereby is amended to read in its entirety as follows:

"1.2 Option Period. This Option shall commence on the Effective Date of the Agreement and expire on May 31, 2009."

2. Unless otherwise defined, or the context otherwise indicates, the terms as used herein have the meaning defined in the Agreement.

3. The provisions of this Amendment shall control over any inconsistent provisions of the Agreement.

4. All provisions in the Agreement that are not addressed and amended in this Amendment shall remain in full force and effect, and are hereby ratified and reaffirmed.

5. The individuals executing this Amendment represent and warrant that they have the right, power, legal capacity, and authority to enter into and to execute this Amendment on behalf of the respective entities of the City and Optionee.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 to the Option Agreement as of, but not necessarily on, the day and year first written hereinabove.

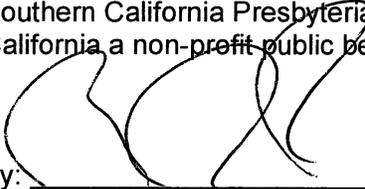
“Agency”
COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF OCEANSIDE, a public body,
corporate and politic

By: _____
Chairman

APPROVED AS TO FORM:
CITY ATTORNEY’S OFFICE

By: 
General Counsel

“Optionee”
Southern California Presbyterian Homes,
California a non-profit public benefit corporation

By: 
Benjamin F. Beckler, III
Its: Vice President, Facilities and
Project Development

Dated: 5/6/08

By: 
Howard Korwes
Its: Chief Financial Officer

Dated: 5/6/08

**OPTIONEE’S SIGNATURE MUST BE ACKNOWLEDGED BY A NOTARY PUBLIC
USING CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT FORM**

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Los Angeles }

On 5/7/08 before me, Kimberly A. Heintzelman, Notary Public
Date Here Insert Name and Title of the Officer

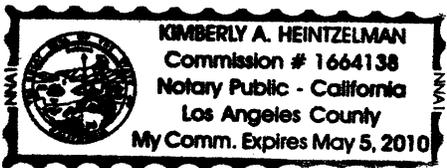
personally appeared Benjamin F. Becker, III and Howard Korwes
Name(s) of Signer(s)

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 Kimberly A. Heintzelman
Signature of Notary Public



Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

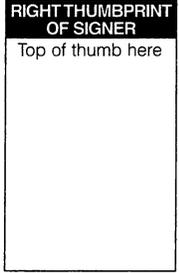
Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

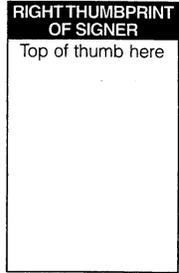
- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

OPTION AGREEMENT

This OPTION AGREEMENT (the "Agreement") is entered into this 17th day of March, 2004, by and between COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF OCEANSIDE, a public body, corporate and politic of the State of California ("Agency"), and SOUTHERN CALIFORNIA PRESBYTERIAN HOMES, a California non-profit, public benefit corporation ("Optionee"). The effective date of this Agreement shall be the date that this Agreement is approved by the Agency (the "Effective Date").

RECITALS

A. Agency is the owner in fee of that certain real property consisting of approximately 5.03 acres located in the City of Oceanside, County of San Diego, State of California, more particularly described as being Parcel 2 of Parcel Map No. 4736, filed in the Office of the County Recorder of San Diego County, May 19, 1976, as File No. 76-152026 of Official Records (the "Agency Parcel").

B. Agency and Optionee desire to enter into this Agreement to provide for Agency to grant to Optionee and Optionee to obtain from Agency, upon the terms set forth in this Agreement, an option to acquire the Land, and all improvements now or hereafter constructed thereon and easements, licenses and interests appurtenant thereto (collectively, the "Property").

C. Agency and Optionee acknowledge that the purpose of this Agreement is for the disposition, development and operation of the Property as a multi-unit affordable senior rental residential project funded under the United States Department of Housing and Urban Development ("HUD") Section 202 of the Housing Act of 1959, as amended; 12 U.S.C. 1701q, program.

AGREEMENT

Based upon the foregoing Recitals, which are incorporated herein by this reference, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Agency and Optionee agree as follows:

1. OPTION TO ACQUIRE.

1.1 Grant of Option. Agency hereby grants to Optionee an option to purchase the Property, upon all of the terms, covenants, and conditions contained in this Agreement (the "Option").

1.2 Option Period. This Option shall commence on the Effective Date hereof and, subject to Section 1.5, shall continue until the date that is twenty-four (24) months after the date Optionee receives notice from HUD that Optionee's application for a fund reservation under Section 202 of the Housing Act of 1959, 12 U.S.C. Section 1701q ("Fund Reservation") for the acquisition of the Property and the development of a senior citizen housing project containing not less than 75 or more than 125 units ("Project") has been approved ("Option Period"). Optionee shall provide Agency with a copy of said notice (the "HUD Fund Reservation Approval Notice"). Optionee's exercise of the Option to acquire the Property shall be contingent upon Optionee having received the HUD Fund Reservation Approval Notice. However, in no event shall the Option Period continue beyond May 31, 2008.

1.3 Consideration for Option. Concurrently with the execution and delivery of this Agreement, Optionee shall pay to Agency the sum of Ten Dollar (\$10.00) (the "Option Payment") the sufficiency of which is hereby acknowledged. The Option Payment consideration shall be part of the consideration for Agency's grant of the Option and shall not be applicable to the Purchase Price.

1.4 Exercise of Option. In the event Optionee elects to exercise the Option to purchase the Property and has performed all acts in the time and manner as required by the terms hereof, and is not in default under any provision of this Agreement, Optionee shall exercise the Option by delivering to Agency, on or before 4:00 p.m. on the last day of the Option Period, written notice of Optionee's election to acquire the Property.

1.5 Automatic Termination. In the event: (i) Optionee does not exercise the Option to purchase the Property in the manner set forth in Section 1.4 of this Agreement prior to the expiration of the Option Period; or, (ii) Optionee fails to file applications for the Fund Reservations by the due dates established by HUD for the 2004, 2005 or 2006 Section 202 funding cycles; or, (iii) Optionee's application for the Fund Reservation has not been approved by HUD by November 30, 2006; or, (iv) Optionee receives notice that the application for the 2006 Fund Reservation has been rejected, the Option shall automatically terminate without any notice to Optionee, and all rights of Optionee in and to the Property shall then and there cease. Such termination shall not release Optionee from its obligations to pay sums due and owing pursuant to the terms hereof up to and including the date of such termination, nor from Optionee's obligations pursuant to this Section 1.5 and Sections 6.1 and 6.3 hereof.

1.6 Document to Remove Cloud. This Agreement constitutes only an Option to purchase the Property, and although the Option granted hereby shall automatically terminate with respect to the Property unless exercised within the times provided for herein, or shall otherwise terminate as provided in Section 1.5, Optionee shall execute, acknowledge and deliver to Agency within ten (10) days after Agency's request therefor, any quitclaim deed or other document(s) required by a reputable title company of Agency's choice, which said title company might require to remove any cloud from the title of Agency to the Property that might arise as a result of the Option herein granted.

2. INSPECTIONS AND REVIEW.

2.1 Title Review. After the date of this Agreement, Agency shall obtain a Preliminary Title Report (the "Preliminary Report") for the Agency Parcel issued by Commonwealth Land Title Company or other title company mutually acceptable to Optionee and Agency, and provide Optionee with a copy of the Preliminary Report, together with legible copies of all support documents for the exceptions contained in the Preliminary Report. Within thirty (30) days of its receipt of the Preliminary Report Optionee shall notify Agency in writing ("Optionee's Title Notice") of any matters of title disapproved by Optionee (the "Disapproved Exceptions"). Optionee's failure to deliver Optionee's Title Notice within said thirty (30) day period shall constitute Optionee's approval of all the title exceptions in the Title Reports. Agency shall have a period of thirty (30) days after receipt of Optionee's Title Notice in which to notify Optionee in writing ("Agency's Title Notice") of Agency's election to either remove or decline to remove the Disapproved Exceptions prior to the close of escrow for the conveyance of the Property to Optionee. Agency's failure to provide Optionee with Agency's Title Notice within said thirty (30) day period shall be deemed Agency's election to decline to remove the Disapproved Title Exceptions. In the event Optionee elects to exercise the Option, Optionee shall be deemed to have agreed to accept title to the Property subject to any Disapproved Exceptions which Agency

in Agency's Title Notice notified Optionee it was declining to remove or which Agency shall be deemed to have declined to remove by its failure to deliver the Agency Title Notice.

Upon the issuance of any amendment or supplement to the Title Reports which adds additional exceptions, the foregoing right of review and approval shall also apply.

2.2 Investigation of Property. Optionee, at its sole cost and expense, shall have the right to make such independent investigations, inspections, tests, reviews, studies or surveys (collectively, the "Investigations") as Optionee deems necessary or appropriate concerning the condition or suitability for ownership, use, subdivision, development, construction, or sale of the Property by Optionee, including, without limitation, any desired Investigations of the soils or groundwater conditions, including a study and determination as to the existence of any noxious, toxic, flammable, explosive or radioactive matter or any hazardous materials or hazardous substances or any crude oil or byproducts of crude oil. Optionee's Investigations of the Property shall be conducted upon no less than 48 hours notice to Agency. Agency shall have the right, but not the obligation, to accompany Optionee during such Investigations. Optionee shall repair any and all damage to the Property caused by such Investigations in a timely manner and shall indemnify, defend and hold Agency harmless from and against any liability arising from Optionee's Investigations hereunder.

3. FUND RESERVATION.

As additional consideration for the granting of this Option, Optionee hereby agrees to submit to HUD an application for the Fund Reservation for the Project on or before the deadline date for such submission occurring in 2004 as imposed by HUD, and, thereafter, perform all actions as may be reasonably required to secure the Fund Reservation from HUD. Subject to Section 1.5, if unsuccessful in obtaining a Fund Reservation in 2004, Optionee shall submit an application to HUD in 2005, and, if necessary in 2006. Optionee shall request that HUD provide copies of all correspondence and notices regarding the Fund Reservation to Agency.

4. CONDITIONS TO CLOSE OF ESCROW.

If Optionee receives the HUD Fund Reservation Approval Notice and exercises the option, Agency and Optionee shall open escrow as provided in subsection (d) below and the following shall be conditions precedent to the close of escrow for the conveyance of the Property by the Agency to the Optionee.

a. Conveyance of the Property for the agreed-upon purchase price ("Purchase Price"). With respect to the Purchase Price, the parties agree that the Purchase Price shall be the sum of One Million Eight Hundred Thousand Dollars (\$1,800,000.00).

b. Agency and Optionee shall have entered into a Disposition and Development Agreement ("DDA") acceptable to HUD. The DDA shall contain the usual and customary terms of such agreements entered into by Agency for affordable housing projects, shall contain provisions for the sale of real property for the Purchase Price, and shall refer to or include, as applicable, the provisions set forth in this Section 4.

c. A regulatory agreement containing covenants, conditions, and restrictions pertaining to the development, operation, and maintenance of the Property of a senior citizen rental housing project consisting of not less than 75 or more than 125 units, with

all of the units to be leased at rents not exceeding the maximum "affordable rent" under California law for persons, families or households of "very-low income," i.e., persons and families whose income does not exceed fifty percent (50%) of the HUD area median income, adjusted for family or household size. The regulatory agreement shall run for not less than thirty (30) years from the date Project construction is completed. The regulatory agreement shall further provide that the Project shall comply with all HUD requirements with respect to rental rates, rental policies, availability to the general public, maintenance, reporting requirements and any other matter which is the subject of applicable HUD regulations. The regulatory agreement shall be subject to HUD approval.

d. An escrow shall be opened with Commonwealth Land Title Company or other escrow company mutually acceptable to Optionee and Agency, within five (5) business days of the exercise of the Option, with the following terms applicable:

- (i) the Purchase Price shall be paid at close of escrow;
- (ii) Agency shall pay the premium for a CLTA standard owner's policy of title insurance in the amount of the Purchase Price subject to the title exceptions Optionee approved or is deemed to have approved pursuant to Section 2.1, and Optionee shall pay for any extended or additional coverage or endorsements.
- (iii) Agency shall pay for documentary stamps on the deed;
- (iv) Agency and Optionee shall each pay for one-half of the escrow charges;
- (v) taxes and assessments shall be prorated to close of escrow; and
- (vi) escrow closing shall be subject to Optionee obtaining a Firm Commitment for Capital Advance Financing from HUD and any other funds required for the project, with the closing of the HUD and any other financing occurring concurrently with the close of escrow for the Property. Optionee at its election may waive this condition.

e. The close of escrow for the conveyance of the Property shall be on or before the date that is sixty (60) days following Optionee's exercise of the Option.

f. Optionee shall accept the Property in its "As-Is", "Where-Is" and "With-All-Faults" condition. Agency staff has no actual knowledge of the presence of hazardous substances or materials in, under, or upon the Property.

g. Agency, at time of escrow closing, agrees to loan Optionee the sum of One Million Eight Hundred Thousand Dollars (\$1,800,000.00) i.e. the sum of the Purchase Price for the Property (the "Agency Loan"), to pay for costs associated with the project that are not covered or included in the HUD Capital Advance. The Agency Loan documents including a note, deed of trust, and regulatory agreement shall comply with all HUD regulations, be subject to HUD approval and shall be subordinate to HUD financing documents.

h. Approval by the City of Oceanside, and any other governmental agency with jurisdiction, of any land use approvals and entitlements, which may be required for the Project. In the event that the development approval or entitlement process requires improvements to be constructed with the Project that are not covered by the Agency Loan and the HUD Capital Advance, Agency shall request the Oceanside City Council provide a loan of up to One Million Two Hundred Thousand Dollars (\$1,200,000.00), which loan shall be subject to the discretionary approval requirements of the Oceanside City Council. Optionee at its election may waive this condition.

5. AGENCY REPRESENTATIONS AND WARRANTIES.

5.1 Time. The representations and warranties by Agency in this Article are made as of the date of this Agreement and, subject to Sections 1.4 and 4 herein, as of the close of Escrow and will survive the close of Escrow and the recording of the Grant Deed.

5.2 Title. As of the date of this Agreement, Agency is or will be the legal and equitable owner of the Property, with full right to convey. Agency has not previously conveyed title to the Property to any other person. Agency has not granted any options or rights of first refusal or rights of first offer to third parties to purchase or otherwise acquire an interest in the Property. The Property is free and clear of all liens, encumbrances, claims, demands, easements, leases, agreements, covenants, conditions, or restrictions of any kind, except for the exceptions set forth in the Preliminary Report. Agency has obtained (or will obtain as of close of Escrow) all required consents, permissions or releases to convey good and marketable title to Optionee.

5.3 Hazardous Substances. To the best of Agency's knowledge the Property is free from Hazardous Substances and is not in violation of any Environmental Laws. Agency has received no notice, warning, notice of violation, administrative complaint, judicial complaint, or other formal or informal notice alleging that conditions on the Property is or has been in violation of any Environmental Law, or informing Agency that the Property is subject to investigation or inquiry regarding Hazardous Substances on the Property or the potential violation of any Environmental Law.

5.4 Violation of Law. To the best of Agency's knowledge, no condition on the Property violates any material health, environmental, building, zoning or other federal, state, or local law, code, ordinance, or regulation.

5.5 Litigation. To the best of Agency's knowledge, there is no pending or threatened litigation, administrative proceeding, or other legal or governmental action or condemnation with respect to the Property or which may adversely affect Agency's ability to fulfill the obligations of this Agreement.

5.6 Bankruptcy. No filing or petition under the United States Bankruptcy Law or any insolvency laws, or any laws for composition of indebtedness or for the reorganization of debtors has been filed with regard to Agency.

5.7 No Defaults. Agency has not received any notice of any default and has no reason to believe that there is likely to be any breach or default of any of Agency's obligations or liabilities pertaining to the Property.

5.8 Special Studies Zone. To the best of Agency's knowledge, the Property may or may not be within a special studies zone under the Alquist-Priolo Geologic Hazard Act [Pub. Res. Code §§ 2621.9 et seq.] (which generally requires sellers to inform purchasers if property is within a special studies zone, which zones are generally near potentially or recently active earthquake faults).

5.9 Foreign Investment Real Property Tax Act. Agency is not a "foreign person" within the meaning of 42 USC §1445(f)(3). Agency understands and agrees that Optionee may disclose the certification made in this Section to the Internal Revenue Service and that any false statement contained herein could be punished by fine, imprisonment or both. This certification is made under penalty of perjury under the laws of the State of California.

5.10 Disclosure. To the best of Agency's knowledge any information that Agency has delivered to Optionee directly or through Agency's employees, is complete and accurate in all material respects. Agency has disclosed to Optionee all material facts with respect to the Property to which Agency has access.

6. MISCELLANEOUS.

6.1 Attorney's Fees. If any legal action or other proceeding, including mediation, arbitration or an action for declaratory relief, is brought to enforce this Agreement or because of a dispute, breach, default, or misrepresentation in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorney fees and other costs in addition to any other relief. Venue for enforcement of this Agreement shall be in the Superior Court of San Diego County, North County Branch. The parties agree that before either party commences any legal or equitable action, action for the declaratory relief, suite, proceeding, or arbitration that the parties shall first attempt to resolve the dispute by submitting the dispute to mediation through a mutually acceptable professional mediator in San Diego County, or if a mediator cannot be agreed upon by a mediator appointed by the Judicial Arbitration and Mediation Service in San Diego County. The parties shall share the cost of mediation equally.

6.2 Notices. All notices required to be delivered under this Agreement to the other party must be in writing and shall be effective (i) when personally delivered by the other party or messenger or courier thereof; (ii) three (3) business days after deposit in the United States mail, registered or certified; (iii) twenty-four (24) hours after deposit before the daily deadline time with a reputable overnight courier or service; or (iv) upon receipt of a telecopy or fax transmission, provided a hard copy of such transmission shall be thereafter delivered in one of the methods described in the foregoing (i) through (iii); in each case postage fully prepaid and addressed to the respective parties as set forth below or to such other address and to such other persons as the parties may hereafter designate by written notice to the other parties hereto:

To Agency: Community Development Commission
 of the City of Oceanside
 300 North Coast Highway
 Oceanside, CA 92054
 Attn: William F. Marquis
 Telecopier: (760) 435-5169

Copy to: Anita C. Willis, City Attorney
City of Oceanside
300 North Coast Highway
Oceanside, CA 92054
Telecopier: (760) 435-3970

To Optionee: Southern California Presbyterian Homes
516 Burchett Street
Glendale, CA 91203
Attn: Benjamin F. Beckler III
Telecopier: (818) 247-3871

Copy to: Alan D. Ross Law Corporation
17530 Ventura Boulevard, Suite 205
Encino, CA 91316
Attn: Alan D. Ross, Esq.
Telecopier: (818) 501-8960

6.3 Broker's Fee. Agency and Optionee each represents and warrants to the other than no third party is entitled to a broker's commission and/or finder's fee with respect to the transactions contemplated by this Agreement. Each party agrees to indemnify and hold the other harmless from and against all liabilities, costs, damages and expenses, including, without limitation, attorney's fees, resulting from any claims or fees or commissions, based upon agreements by it, if any, to pay broker's commissions and/or finder's fees.

6.4 Assignment. Optionee shall have no right to assign the Option herein granted or any right or privilege Optionee might have in the Option, by operation of law or otherwise, without the prior written consent of Agency, which consent may be withheld in Agency's sole and absolute discretion. Any attempt by Optionee to make an assignment other than with the prior written consent of Agency shall be null and void. Agency's consent to an assignment by Optionee shall not relieve Optionee from its obligations under this Agreement. Notwithstanding the foregoing, without the consent of Agency, Optionee shall have the right to assign this Agreement to a non-profit corporation formed for the sole purpose of owning and operating the Project as required by HUD, but such assignment shall not be effective unless and until the assignee agrees in writing to carry out and observe Optionee's agreements hereunder.

6.5 Time of the Essence. Time is of the essence with respect to each of the terms, covenants and conditions of this Agreement.

6.6 Binding on Heirs. Subject to the limitations set forth in Section 6.4 above, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto.

6.7 Modification, Waivers and Entire Agreement. Any amendments or modifications to this Agreement must be in writing and executed by both parties to this Agreement. No delay or omission by either party hereto in exercising any right or power accruing upon the compliance or failure of performance by the other party hereto under the provisions of this Agreement shall impair any such right or power or be construed to be a waiver thereof. A waiver by either party hereto of a breach of any of the covenants, conditions or agreements hereof to be performed by the party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions thereof. This Agreement contains the entire

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agreement of the parties hereto with respect to the matters covered hereby, and all negotiations and agreements, statements or promises between the parties hereto or their agents with respect to this transaction are merged in this Agreement, which alone expresses the parties' rights and obligations. No prior agreements or understandings not contained herein shall be binding or valid against either of the parties hereto.

6.8 Interpretation; Governing Law; Forum. This Agreement shall be construed according to its fair meaning and as if prepared by both parties hereto. This Agreement shall be construed in accordance with the laws of the State of California in effect at the time of the execution of this Agreement. Title and captions are for convenience only and shall not constitute a portion of this Agreement. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others wherever and whenever the context so dictates. In the event of any litigation between the parties hereto, subject to Section 6.1, the Municipal and Superior Courts of the State of California in and for the County of San Diego shall have exclusive jurisdiction.

6.9 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

6.10 Authority to Execute. The person(s) executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other agreement to which said party is bound.

6.11 Execution in Counterpart. This Agreement may be executed in several counterparts, and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all parties are not signatories to the original or the same counterpart.

6.12 No Recordation. Optionee shall not cause or allow this Agreement, short form, memorandum or assignment hereof to become of record in any public office without Agency's prior written consent, which consent may be withheld in Agency's sole and absolute discretion.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY
[Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this option Agreement as of the day and year first above written.

"Agency"
COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF OCEANSIDE, a public body,
corporate and politic

By:  Chairman

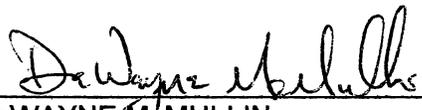
APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

By:  General Counsel

"Optionee"
SOUTHERN CALIFORNIA PRESBYTERIAN
HOMES, a California non-profit, public benefit corporation

By: 
BENJAMIN F. BECKLER III
Its: Vice President, Project Development

Dated: 3/08/2004

By: 
DeWAYNE McMULLIN
Its: Chief Financial Officer

Dated: 3/08/2004

OPTIONEE'S SIGNATURE MUST BE ACKNOWLEDGED BY A NOTARY PUBLIC
USING CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT FORM

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No. 5907

State of CALIFORNIA

County of LOS ANGELES

On March 8, 2004 before me, Linda Wreede, Notary Public

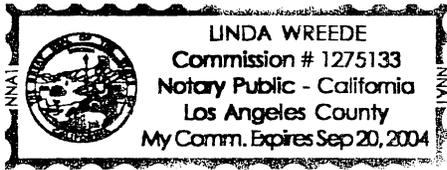
DATE

NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared Benjamin F. Beckler III

NAME(S) OF SIGNER(S)

personally known to me - OR - 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.



WITNESS my hand and official seal.

Linda Wreede
SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- INDIVIDUAL
- CORPORATE OFFICER
- VP, Project Development
TITLE(S)
- PARTNER(S) LIMITED
- GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

DESCRIPTION OF ATTACHED DOCUMENT

Option Agreement
TITLE OR TYPE OF DOCUMENT

Eight
NUMBER OF PAGES

Undated
DATE OF DOCUMENT

Community Develop, Commission of City of Oceanside
SIGNER(S) OTHER THAN NAMED ABOVE

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

So. California
Presbyterian Homes

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No. 5907

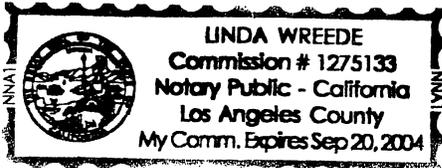
State of CALIFORNIA

County of LOS ANGELES

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DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

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Chief Financial Officer
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 GENERAL
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Southern California Presbyterian Homes

Community Develop. Commission of City of Oceanside
SIGNER(S) OTHER THAN NAMED ABOVE