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Alameda County
Environmental Health

January 26, 2009

Ms. Donna Drogos
Alameda County Environmental Health
1131 Harbor Bay Parkway, Suite 250
Alameda, CA 94502-6577

Re: Park Village Apartments
Summary of Transaction and Ownership

Dear Ms. Drogos:

At your request, I have prepared the following transaction summary and ownership information for the Park Village Apartments. Park Village is an existing 84-unit housing community for seniors located at 3761 Park Boulevard Way in the City of Oakland. The project was originally constructed in 1977 with an insured mortgage loan and a rent subsidy contract provided by the federal Department of Housing and Urban Development ("HUD"). Although the regulatory agreement related to the initial financing terminated at payoff of the loan several years ago, the Section 8 rent subsidy contract continued to restrict occupancy to low and very low income seniors and provided a significant public benefit to the community.

Proposed Transaction

As the result of efforts by the owner to terminate the rent subsidy and convert the project to a market rate property that could have increased the tenants' rents as much as four times above what they were paying under the subsidy agreement, the City of Oakland and the tenants separately initiated legal action against the owner. Details of these actions are described below.

In addition to initiating its lawsuit, the City approached EAH Inc., a California nonprofit public benefit corporation ("EAH") about the possibility of EAH acquiring the property. EAH is working with the Oakland Housing Authority ("OHA") to acquire Park Village and maintain the property as permanently affordable housing for seniors. EAH and OHA will take advantage of state and federal funding mechanisms, primarily Low Income Housing Tax Credits ("LIHTC"), to pay for necessary capital improvements and to subsidize the continued operation of the property.

The acquisition would be a two step transaction. OHA would provide the funds for acquisition from the current owner. OHA would become the owner of the land and enter into a ground lease

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with EAH, which would own the improvements. Once other financing, including LIHTCs had been obtained, ownership would then be transferred to a limited partnership (yet to be formed), with EAH and OHA as the general partners and a for-profit investor as the limited partner.

Litigation

Mr. Howard failed to renew his subsidy contract with HUD in an effort to convert the property to market rate housing. However, the legal process required for market rate conversions was not followed, and the owner was sued under State law by the City of Oakland and sued under federal law by the National Housing Law Project (“NHLP”) on behalf of the tenants. The City lawsuit has been temporarily suspended to assist with the proposed sale and the NHLP lawsuit has been decided in favor of NHLP imposing serious consequences on the owner should the terms of the settlement agreement be violated. In addition, Bay Area Legal Aid, on behalf of the tenants, brought a complaint before the Oakland Rent Board related to the owner’s attempt to increase rents.

It is the City’s wish for the proposed transaction to be completed as early as possible. The 84-unit complex is now occupied by only 17 households who are protected by a court injunction to keep rents at the levels required under the prior HUD subsidy contract (approximately \$300 per month). The parties to the lawsuits have also agreed to settle contingent upon the sale of the property to EAH and OHA and the new owners’ commitment to preserve Park Village as affordable senior housing for the foreseeable future.

Parties to Transaction

Current Owner and Seller

Mortimer Howard Trust
Mr. Mortimer Howard, Trustee
2901 Jackson Street
Alameda, CA 94501
510-390-4953

The current owner of the property is the Mortimer Howard Trust with Mr. Mortimer Howard acting as trustee. Mr. Howard also acted as the original contractor and developer of the property.

Nonprofit Developer, Co-General Partner

EAH Inc.
2169 E. Francisco Blvd.
San Rafael, CA 94901
Attention: Lynn Berard, Senior Project Manager
415-295-8825
lberard@eahhousing.org

EAH Inc. is a California nonprofit public benefit corporation whose mission is to develop and manage affordable housing communities. EAH has 40 years of experience in this area. After a

significant period of negotiation, on September 30, 2008, EAH signed a purchase and sale agreement to purchase the property from the seller. The purchase and sale agreement calls for an escrow closing date of January 28, 2009.

EAH has engaged ACC Environmental Consultants to perform an environmental assessment of the property. To date, ACC has completed a Phase I site assessment of the property and conducted additional soil and groundwater testing with the results of this testing provided in Phase II reports. Extension of the contract is under negotiation as a result of the information obtained during due diligence.

Public Agency Partner and Co-developer, Co-General Partner

Oakland Housing Authority
1801 Harrison Street
Oakland, CA 94612
Attention: Phil Neville, Deputy Executive Director
(510) 587-2112
pneville@Oakha.org

The Oakland Housing Authority (“OHA”) has agreed to fund the purchase of Park Village and to act as a co-developer of the project. As part of the agreement to provide funds for the acquisition, OHA will become the owner of the land and enter into a long term ground lease initially with EAH. This ground lease will be assigned to the tax credit limited partnership that will acquire the improvements from EAH, upon close of the financing described above under Proposed Transaction.

Please contact me at (415) 295-8825 if you have any questions regarding the information contained in this letter or need additional information on Park Village.

Sincerely,



Lynn Berard
Senior Project Manager