

AGENDA ITEM SUMMARY

DATE: 3/28/2011

DEPARTMENT: Legal

DEPT. HEAD SIGNATURE: 

SUBJECT:

Resolution to approve River Street Lease

AUTHORITY: ID Code _____ IAR _____ City Ordinance/Code _____
(IF APPLICABLE)

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

I am enclosing a resolution to approve the River Street Lease which was previously signed. I inadvertently failed to present a resolution to approve this lease. Idaho law requires a resolution if a municipality executes a lease. This resolution is only presented to ensure that we comply with Idaho law.

Ned

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS: Case # _____
Budget Line Item # _____ YTD Line Item Balance \$ _____
Estimated Hours Spent to Date: _____ Estimated Completion Date: _____
Staff Contact: _____ Phone # _____
Comments:

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IF APPLICABLE)

___ City Attorney	___ Clerk / Finance Director	___ Engineer	___ Building
___ Library	___ Planning	___ Fire Dept.	___
___ Safety Committee	___ P & Z Commission	___ Police	___
___ Streets	___ Public Works, Parks	___ Mayor	___

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Make a motion to approve Resolution No. 2011-07 and authorize the council president to sign.

FOLLOW-UP REMARKS:

CITY OF HAILEY
RESOLUTION NO. 2011-_____

**RESOLUTION OF THE CITY COUNCIL FOR THE CITY OF HAILEY
AUTHORIZING THE EXECUTION OF A NINETY NINE (99) YEAR LEASE WITH
RIVER STREET APARTMENTS LIMITED PARTNERSHIP.**

WHEREAS, the City of Hailey ("Lessee") desires to lease real property located at 731 River Street No, Hailey, Idaho to River Street Apartments Limited Partnership ("Lessor") to facilitate the construction and operation of a twenty three (23) unit apartment complex for qualifying senior citizens; and

WHEREAS, the Lessee and Lessor have agreed to the terms and conditions of a ninety nine (99) year lease, a copy of which is attached hereto.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HAILEY, IDAHO, that the City of Hailey approves the attached Lease and that the Hailey City Council President is and was authorized to execute the attached Lease.

Passed this _____ day of March, 2011.

City of Hailey

Fritz X. Haemmerle, Council President

ATTEST:

Mary Cone, City Clerk

GROUND LEASE

THIS GROUND LEASE ("Lease") is entered into this 27th day of January, 2011, between CITY OF HAILEY, a municipality and political subdivision of the state of Idaho, ("Landlord") and RIVER STREET APARTMENTS LIMITED PARTNERSHIP, an Idaho limited partnership ("Tenant").

1. Leased Premises. Upon and subject to the terms, covenants and conditions set forth herein, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the unimproved property located at 731 River Street North, Hailey, Idaho and more particularly described as Lot 2A of a Replat of LOT 2A AND PARCEL A, SUTTON SUBDIVISION, BLAINE COUNTY, IDAHO, according to the official plat thereof, recorded December 8, 2006, as Instrument No. 542685, records of Blaine County, Idaho (the "Premises").

2. Lease Term. The term of this Lease shall be for a period of ninety-nine (99) years commencing at Noon on January 1, 2011 ("Commencement Date") and expiring, unless sooner terminated, at Noon on January 1, 2110 ("Lease Term").

3. Rent. Tenant shall pay, during the Lease Term, a fixed annual rent of One and 00/100 Dollar (\$1.00) per year, without any setoff or deduction whatever and without prior demand.

4. Construction and Alteration.

(a) Acceptance of Premises. Tenant accepts the Premises in its present condition and will not call on Landlord for any repairs, improvements or alterations thereto.

(b) Construction of Improvements. Subject to the satisfaction of the following conditions, Tenant shall, at its sole expense, construct improvements on the Premises consisting of a 24-unit three story apartment building consisting of 23 units utilized entirely for affordable senior housing and one unit used as a manager unit, and an at grade interior parking with 24 parking spaces, pursuant to concept previously approved by Landlord (the "Improvements"):

(i) Tenant shall submit to Landlord for approval comprehensive plans and specifications for the construction of the Improvements (the "Construction Plans"). Landlord shall not unreasonably withhold or delay its approval of the Construction Plans, and any failure by Landlord to respond to Tenant's request for approval within 15 days of receipt of such Construction Plans shall be deemed to be an approval of the same.

(ii) Subject to Tenant's right to contest set forth in Section 5(d) hereof, Tenant shall, at Tenant's own cost and expense, procure every permit, license, certificate or other authorization required in connection with the lawful and proper use of the Premises or required in connection with any building or improvements hereafter erected on the Premises.

(iii) Notwithstanding that Landlord has approved the Construction Plans, in the event (a) Tenant makes any substantial modification to the Construction Plans or (b) Tenant makes any substantial modification to the Improvements at any time after construction of the Improvements, Tenant shall submit modified plans to Landlord for Landlord's approval in accordance with the procedures and approval standards set forth in subsection (i) above. For the purposes of this Lease, the term "substantial modification" shall mean any expansion of the building envelope or any work involving estimated costs of \$250,000 or more.

(c) Workmanship. All construction, remodeling and alterations shall be made in a good and workmanlike manner and in substantial compliance with all building laws and ordinances applicable thereto.

(d) Mechanics' Liens. If, because of any act or omission of Tenant, any mechanics' or other lien or order for the payment of money shall be filed against the Premises or the Improvements, or against Landlord, Tenant shall, at Tenant's own cost and expense, cause the same to be cancelled and discharged of record within 90 days after Tenant's receipt of notice of such lien, insured against by an insurance company reasonably acceptable to Landlord or bonded by a surety company reasonably acceptable to Landlord in the event Tenant elects to contest the validity thereof, and Tenant shall have the right at its own expense to contest all such liens and orders. Tenant shall indemnify and save harmless Landlord from and against any and all costs, expenses, claims, losses or damages, including reasonable attorneys' fees, resulting therefrom.

(e) Ownership of Alterations and Improvements. The Improvements, and all alterations and additions thereto, placed upon the Premises by Tenant or any subtenant or other occupant (including but not limited to doors, partitions, tile and wood floorings, lighting fixtures and the like), as well as any fixtures attached to any building before the expiration or earlier termination of this Lease included in the Premises and used in connection with the operation and maintenance thereof (excepting in each case property removable by subtenants under their respective subleases) are and shall be the property of Tenant and Tenant shall be the absolute owner of the Improvements, and all alterations and additions thereto, during the Lease Term. The Improvements, and all alterations and additions thereto, in existence at the Premises at the expiration or termination of this Lease shall revert to and become the property of Landlord.

5. Use of Premises.

(a) Senior Low Income Housing Program. Following construction of the apartment community, twenty-three (23) units shall be continuously held for qualifying senior citizens during the Lease Term. At least twelve of the units shall be rented to families or person with incomes of 60% or less of the area medium gross income ("AMGI") established by the United States Department of Housing and Urban Development ("HUD") and the remaining eleven (11) units shall be rented to families or person with incomes of 50% or less of AMGI.

(b) Compliance with Law. Tenant shall, at the Tenant's own cost and expense, timely comply with all present and future laws, rules, requirements, orders, directions, ordinances and regulations of the United States of America or of the State, county and city governments, or of any other municipal, governmental or lawful authority whatsoever, affecting the Premises or appurtenances or any part thereof, and of all their departments, bureaus or officials (collectively, "Requirements of Law"), whether such requirements may relate to: (i) structural or other alterations, changes, additions, improvements; or (ii) repairs, inside or outside, extraordinary or ordinary; or (iii) the manner in which the Premises maybe used or occupied; or (iv) to any other matter affecting the Premises. If Tenant is required by the Requirements of Law to make any alterations, changes, additions, improvements or repairs or to change the manner in which the Premises may be used or occupied, Landlord hereby consents to such change to the extent required by the Requirements of Law.

(c) No Violations. Tenant shall upon the discovery of any material violation of a Requirement of Law which might subject Landlord to liability or forfeiture of any interest, take all necessary steps, legal and equitable, to compel the discontinuance thereof and to oust and remove any subtenants, occupants or other persons guilty of such use. Tenant shall indemnify and save harmless Landlord from and against any and all liabilities and penalties incurred by reason of any violation of this section. Tenant shall pay all costs and expenses, including reasonable attorneys fees, that may in any manner arise out of the failure of Tenant to comply with the provisions of this Section 5. As used in this section, the word "Premises" shall also include the streets, sidewalks, alleys and curbs adjacent thereto, and all vaults, passageways, rights of way and appurtenances of the Premises.

(d) Contest of Requirements. Tenant may contest in good faith, by appropriate proceedings conducted promptly at its own expense, in its name, or (whatever necessary) in Landlord's name, the validity or enforcement of any Requirement of Law and may defer compliance therewith provided that (i) such non-compliance shall not constitute a crime or misdemeanor on the part of the Landlord, (ii) Tenant shall diligently prosecute such contest to final determination by the court, department or governmental authority or body having final jurisdiction, and (iii) if so required by Landlord and if the amount in dispute is in excess of \$50,000 Tenant shall

furnish to Landlord a security or bond reasonably satisfactory to Landlord, in an amount equal to the cost of such compliance as estimated by Landlord, indemnifying Landlord against the cost thereof and all liability in connection therewith. Landlord agrees to cooperate reasonably with Tenant, and to execute all documents and pleadings required for the purpose of such contest, provided Tenant shall discharge any expense or liability of the Landlord in connection therewith.

6. Taxes, Assessments and Utilities.

(a) Payment by Tenant. Tenant shall pay all real estate taxes, special improvement and other assessments (ordinary and extraordinary), water rents and charges, and all other taxes, duties, charges, fees and payments imposed by any governmental or public authority, which shall be imposed, assessed or levied upon, or arise in connection with the use, occupancy or possession of the Premises or any part thereof during the Lease Term (collectively "Governmental Impositions"). In each case, upon written request of Landlord, Tenant shall deliver to Landlord prior to the last day upon which the same may be paid without penalty or interest, a receipt showing the payments thereof. The term "Governmental Impositions" shall not be deemed to include transfer, gift, inheritance, income, estate, intangible personal property, corporation, franchise or succession taxes or other similar taxes. It is specifically understood that Tenant shall pay all real estate and/or personal property taxes for the Improvements, and all alterations and additions thereto, but not for the land, only because Landlord is the owner of the land and as a governmental entity, Landlord is exempt from payment of real estate taxes.

(b) Utilities. Tenant shall promptly pay before the imposition of late charges or penalties, all charges for gas, electricity, water, sewer, garbage, telephone and other services furnished to the Premises or the occupants thereof during the Lease Term.

(c) Assessments. Tenant's obligation to pay assessments shall apply only to assessments which shall accrue and become payable during the Lease Term. Tenant may take the benefit of any statute or ordinance permitting assessments to be paid in installments over a period of time, and in that event Tenant shall be obligated to pay only such installments as shall become payable during the Lease Term.

(d) Charges Before Construction. Tenant shall have no obligation to pay taxes, charges, for insurance, utilities, maintenance for similar items, or any other costs of expenses with respect to the Premises, until the date upon which Tenant commences construction of the Improvements (the "Effective Date").

(e) First and Last Year. Governmental Impositions for the tax year in which the term shall commence and for the tax year in which the term shall expire shall be apportioned according to the number of days during which each party shall be in possession during such tax years, whether or not the same may be liens at the beginning

or end of the term. This provision shall not limit Landlord's right to receive prorated amounts in the event of earlier termination of this Lease by reason of Tenant's default.

(f) Contest of Taxes. Tenant may contest, in good faith, any Governmental Imposition by appropriate proceedings conducted promptly at Tenant's expense, in Tenant's name, or (whenever necessary) in Landlord's name. Landlord agrees to cooperate reasonably with Tenant and to execute any documents or pleadings reasonably required for such purpose, but Landlord shall not be obligated to incur any expense or liability in connection therewith. Tenant may defer payment of the contested Governmental Imposition pending such contest, if such deferment shall not subject Landlord's interest in the Premises to forfeiture. Tenant shall deposit with Landlord, if Landlord so requests, funds which shall be at least equal in value to the payment so deferred plus estimated penalties and interest thereon and Landlord shall deposit such funds in an interest-bearing account. When all contested Governmental Impositions shall have been paid or cancelled, funds so deposited to secure the same and interest earned thereon which was not applied by Landlord to the payment thereof, shall be repaid to Tenant. In lieu of any such deposit, Tenant may, at its election, furnish a bond in a form, in an amount, and with a surety reasonably satisfactory to Landlord or furnish security reasonable satisfactory to Landlord. All refunds of taxes and assessments shall be the property of Tenant to the extent they may be based on payments made by Tenant, any balance being Landlord's property.

7. Insurance.

(a) Fire, Casualty and Extended Coverage Insurance. Immediately following the Effective Date and during the remainder of the Lease Term, Tenant shall, at its own expense, maintain in full force, fire, casualty and extended coverage insurance for the Premises, and Improvements, and all alterations and additions thereto, and all related furniture, equipment and facilities, in an amount not less than one hundred percent (100%) of the then full insurable value of the Improvements, and all alterations and additions thereto, and all related furniture, equipment and facilities. The term "full insurable value" shall mean the actual replacement cost, less physical depreciation, excluding excavation and foundation costs. Such policy or policies shall insure against such insurable hazards as are commonly insured against in the case of Premises similarly situated, taking into account the height and type of the Improvements and other buildings and structures on the Premises (including any replacements or substitutions), and their construction, location, use and occupancy. This policy shall name the Landlord and Tenant as coinsureds.

(b) Comprehensive Liability Insurance. Immediately following the Effective Date and during the remainder of the Lease Term, Tenant shall, at its own expense, maintain in full force, comprehensive liability insurance, including public liability and property damage of the Tenant, written by a responsible insurance company licensed to do business in Idaho, and insuring Tenant and Landlord (and such other

persons, firms, or corporations designated by Landlord) as additional named insureds against liability for claims of damage, loss and damage for bodily injury, property damage, personal injury, death, civil rights violations, and errors and omissions occurring in or about the Premises, and the Improvements, and all alterations and additions thereto. Such policy shall provide insurance against property damage in an amount not less than \$1,000,000.00 and bodily injury with limits of not less \$1,000,000.00 per person and \$3,000,000.00 total for each occurrence; provided, however, the minimum limits of insurance as set forth herein shall be automatically increased at any time the liability limits of Landlord are increased pursuant to the Idaho Tort Claims Act, as amended (*Idaho Code Sections 6-901 et seq.*) The insurance shall be primary insurance such that the insurer shall be liable for the full amount of the loss without the right of contribution from any other insurance coverage held by Landlord.

(c) Waiver of Subrogation Rights. No party shall have the right or claim against the Landlord or Landlord's insurer for any losses, damages or injury, including losses, damages or injury to property or persons, including death, and for any business interruption, occurring on the Premises, and the Improvements, and all alterations and additions thereto, by way of subrogation or assignment. The Tenant hereby waives and relinquishes any such right. The Tenant shall request Tenant's insurance carrier to endorse all applicable policies waiving the carrier's right of recovery under subrogation or otherwise in favor of the Landlord and provide a certificate of insurance verifying this waiver.

(d) Form and Delivery of Policies. All insurance required by this Section shall be in a form and with companies satisfactory to Landlord and shall provide that it shall not be subject to cancellation or change except after at least thirty (30) days' prior written notice to Landlord. The policy or policies, or duly executed certificates for them, shall be deposited with Landlord within fifteen (15) days after the Effective Date and, upon renewal of such policies, not less than thirty (30) days prior to the expiration of the term of such coverage.

(e) Landlord's Right to Obtain Insurance. If Tenant fails to maintain coverage required by this Section 7, Landlord, in addition to other available remedies, may at its election (but shall not be obligated to), after 10 days' written notice to Tenant, procure such coverage as may be necessary to comply with this Section 7, with the cost payable to Landlord on demand, with interest accruing at the rate described in Section 20(o).

8. Repairs. Tenant, at its own expense, shall keep the entire Premises and the Improvements (including without limitation, the roof, walls, foundations and appurtenances, water sewer and gas connections, pipes and mains, elevators, heating, cooling, lighting and electrical distribution systems and all other fixtures, machinery and equipment forming part of the Premises and the Improvements) in constant good order, condition and repair (both inside and outside), whether the necessity of such repairs may

arise from wear, tear, casualty or any other cause, suffering no waste or injury. To that end, Tenant shall timely make or cause to be made all needed repairs, replacements (including replacements to fixtures, furnishings and equipment) and renewals, ordinary and extraordinary, structural or otherwise. Tenant shall, at its own expense, keep parking areas, sidewalks and curbs on the Premises, and the sidewalks and curbs adjoining the Premises, free of snow and ice and in a good state of repair.

9. End of Term.

(a) Surrender by Tenant. On the last day of the Lease Term or on the earlier termination of this Lease, Tenant shall peaceably and quietly leave, surrender and deliver up to Landlord the Premises, broom-clean, together with the Improvements, and all alterations and additions thereto, which may have been made upon the Premises (except for personal property removable by Tenant and subtenants) in the condition in which Tenant is required to maintain the same pursuant to Section 8, ordinary wear and tear excepted. Unless otherwise agreed to in writing by Landlord, all residential leases and subleases on the Premises shall expire or be terminated upon surrender of the Premises by Tenant.

(b) Removal of Personal Property. Tenant shall, by the date referred to in subsection 8(a) above, remove from the Premises all personal property and trade fixtures belonging to Tenant, repairing all damage caused in such removal and restoring the Premises to their condition prior to the installation of any such property, ordinary wear and tear excepted. All Tenant's property not so removed shall conclusively be deemed to have been abandoned and may be appropriated, sold, stored, destroyed or otherwise disposed of by Landlord without notice to Tenant or any other person and without obligation to account therefor, but subtenants, in the event of the termination of this Lease may for 30 days thereafter remove their property in accordance with the terms of their subleases. Subleases, at the option of the Landlord, may be extended beyond the 30 day period.

10. Damage or Destruction.

(a) Restoration by Tenant. In case of damage to or destruction of the Premises or any part thereof, or the Improvements, and all alterations and additions thereto, by any cause whatsoever, Tenant shall give Landlord prompt notice of such occurrence. In such event, the leasehold mortgagee shall, as indicated by written notice to Tenant and Landlord within 60 days after such damage or destruction, make any and all insurance proceeds available to Tenant so that Tenant may repair or rebuild the Improvements so as to make them at least as valuable as immediately before such occurrence.

(b) Termination Remedy. If the work of repairing, replacing or rebuilding the Improvements shall not have been commenced within 180 days from the

date of receipt of insurance proceeds, damages or destruction or if such work shall not after commencement be diligently carried out, Landlord shall have the right to terminate this Lease and the term hereof by giving to Tenant notice of such intention. If upon the expiration of the date fixed in such notice, such work shall not have been commenced and the other conditions hereof complied with, or if after commencement such work shall not have been diligently prosecuted, this Lease and the Lease Term shall at the option of the Landlord wholly cease and expire. If Landlord fails to exercise its option to cancel this Lease as provided in subsections (a) and (b) of this Section 10 within six months after the receipt of insurance proceeds, Tenant shall have the right to terminate this Lease by giving Landlord written notice to such effect. In the event of any termination provided for in this Section 10, the insurance proceeds received and recoverable under all policies of insurance shall be paid over to and be retained by Tenant and Landlord, or to any mortgagee (including any Affiliate of Tenant) to whom the same may be payable, as their interests may appear. For this purpose, any proceeds not payable to any mortgagee shall be apportioned between Tenant and Landlord based upon the relative values of Tenant's right to use the Improvements over the remaining lease term, and Landlord's right to the Improvements upon termination of this Lease.

11. Condemnation.

(a) Total Taking. If the entire Premises or Improvements and all alterations and additions thereto, shall be taken for any public or quasi-public use, under any statute, by right of eminent domain, or by purchase by public authority in lieu thereof, then in that event, this Lease and the Lease Term shall cease and expire as of the date upon which title shall vest in the condemning authority and all rents, taxes, insurance premiums and other charges shall be prorated and paid to the date of such termination. Each party shall be free to prove by judicial proceedings and to obtain and retain the rights of mortgagees in the condemnation proceedings. It is specifically agreed that Tenant's interest consists of the Improvements, and all alterations and additions thereto, fixtures and personal property on the Premises, its leasehold interest in the Premises and its business operations on the Premises; Landlord's interest consists of its reversionary interest in the Premises and its right to receive income from the Premises as provided in Section 3 above.

(b) Partial Taking. If less than the entire Premises or the Improvements, and all alterations and additions thereto, shall be taken for any public or quasi-public use, under any statute, by right of eminent domain, or by purchase by public authority in lieu thereof, and as a result, it is impractical for Tenant to conduct its business, then, Tenant shall have the option to terminate this Lease upon written notice to Landlord. If this Lease shall not be so terminated, this Lease shall remain unaffected except that within a reasonable time after such taking Tenant shall restore that part of the Premises and the Improvements not so taken to a complete architectural unit as approved by Landlord, which approval shall not be unreasonably withheld or delayed. Subject to the rights of mortgagees in the condemnation proceedings, all condemnation awards on

account of Landlord shall be paid to Landlord and all awards on account to Tenant's interest shall be paid to Tenant to be applied by Tenant to the cost of restoring the Improvements to a complete architectural unit as set forth above, as if the damages were caused by fire and such award consisted of insurance proceeds. The division of the award for partial taking between Landlord and Tenant (subject to the rights of mortgagees, if any) shall take into account (i) the value of Landlord's interest in the Premises affected by such taking and under this Lease, and (ii) the value of Tenant's interest therein under this Lease at the rent reserved and subject to all the terms and provisions of this Lease.

(c) Temporary Taking. If less than a fee title to all or any portion of the Premises or the Improvements, and all alterations and additions thereto, shall be so taken for temporary use or occupancy, the foregoing provisions of this section shall be inapplicable to such taking. This Lease shall continue in full force and effect without reduction or abatement of rent and Tenant shall be entitled to make claim for, recover and retain so long as it shall not be in default hereunder any awards in the form of rent recoverable in respect to such taking, except that if such taking shall be for a period extending beyond the expiration of the Lease Term, Landlord shall be entitled to receive such portion of the award as shall be attributable to the portion of such period occurring after such expiration.

12. Indemnity. Tenant agrees to indemnify, defend, save, hold and keep Landlord harmless from any loss, cost, expense or liability whatsoever, including reasonable attorneys' fees for, or in connection with the defense or investigation of, any and all claims for damages suffered or sustained by any person or person or for injury to or death of any person or persons arising or asserted to have arisen as a result of or incident to the Premises or the performance by Tenant of its obligations hereunder, including without limitation the construction, erection, maintenance, operation, use or occupancy of the Improvements throughout the Lease Term, except that Tenant shall not be obligated to indemnify or hold Landlord harmless for any loss, expense or liability caused by Landlord's willful misconduct or negligence or any such misconduct or negligence by any affiliate, agent or employee acting by, through or under the direction of Landlord.

13. Transfers.

(a) Assignment and Subletting.

(i) With Landlord's approval, which approval shall not be unreasonably withheld or delayed, Tenant may sell, assign, sublet or transfer this Lease, in whole or in part, to (a) any Affiliate of Tenant (an Affiliate of Tenant shall mean any organization or corporation directly affiliated with Tenant or the organizations that control Tenant) or any limited partnership in which an Affiliate or Tenant is a general partner, or (b) to any other party.

(ii) Any purchaser of the leasehold estate through foreclosure or deed in lieu of foreclosure, and any third party acquiring the leasehold estate through such purchaser shall be subject to the terms of this Section 13.

(iii) Notwithstanding anything to the contrary set forth herein, any transfer of a general partner or limited partner interest in Tenant in accordance with the terms of the Partnership Agreement shall be permitted and shall not require the Landlord's consent.

(b) Mortgages.

(i) On the Leasehold Interest. With the approval of Landlord, which approval shall not be unreasonably withheld or delayed, Tenant may at any time and from time to time mortgage its interest in the leasehold estate created hereby with a mortgage or deed of trust; so long as the term of any such mortgage or deed of trust shall not extend beyond the expiration of the Lease Term. It is specifically understood that any mortgage, deed of trust and/or security interest cannot encumber the Landlord's fee interest in the land of the Premises.

(A) Landlord agrees at any time and from time to time, when requested by Tenant, to enter into reasonable agreements for the benefit of lenders as may be necessary to enable Tenant to obtain financing for the Improvements, provided that such agreements do not in any manner materially adversely effect Landlord's interest in the Premises or place the Landlord in a position of liability with the Lender.

(B) Tenant may at any time and from time to time encumber the Premises with a land use required in connection with tax credits and other financing, and Landlord agrees to execute, acknowledge and deliver any such agreements. Such agreements shall terminate at the end of the Lease Term.

(C) The execution of a leasehold mortgage shall be permitted. The mortgagee of such a leasehold mortgage shall be considered a permitted assignee under this Lease. Furthermore, the parties specifically agree that the Improvements, and all alterations and additions thereto, shall be the property of Tenant until the expiration or earlier termination of the Lease Term, and that the Improvements, and all alterations and additions thereto, may be subject to a security interest created by mortgage, deed of trust or otherwise.

(D) Any such mortgage or deed of trust shall grant to the Landlord the right to cure any default by Tenant.

(ii) Landlord's Interest. Landlord shall have the right to freely mortgage its fee interest in the land of the Premises; provided that Landlord gives notice of its intent to make such an encumbrance to Tenant and provided any such mortgage

shall in no way impair the rights of the Tenant under this Section 13, and provided that any such mortgage shall be expressly subject and subordinate to this Lease and the prior lien of any leasehold mortgage. Landlord shall not transfer or otherwise dispose of the property without Tenant's consent, which consent shall not be unreasonably withheld.

(iii) Payment of Mortgages. Tenant covenants to and agrees with Landlord that all sums which fall due under any note secured by any mortgage on Tenant's interest in the Premises will be paid as and when due, and that Tenant, as borrower, will comply with all its obligations under the mortgage and the related loan documents. Tenant, on a monthly basis, shall, upon written request of Landlord, provide Landlord evidence, in form and substance reasonably satisfactory to Landlord, that such payments have been made.

(iv) Estoppel Certificate. Landlord agrees at any time and from time to time when requested by Tenant, or the holder of any mortgage or deed of trust, to execute, acknowledge and deliver to Tenant or the holder of such instrument within 45 days after receipt of such written request, a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications); that there are no defaults hereunder by Tenant, if such is the fact and otherwise specifying such defaults in detail; and the dates to which the rent and other charges have been paid. It is intended that any such statement delivered pursuant to this section may be relied upon by the holder of any such mortgage, deed of trust, or other instrument of security or any prospective purchaser of Tenant's leasehold estate. Landlord agrees to use its best efforts to provide such statement in a shorter period of time than requested by Tenant or any other interest holder.

(c) Mortgagee's Protection Clause.

(i) Each party agrees to send any mortgagee or holder of deed of trust, by registered or certified mail, return receipt requested, a copy of any notice of default under this Lease served upon the other party simultaneously with such notice and upon prior written notice of any modification, amendment or termination of this Lease, provided that prior to such notice such party has been notified, in writing, of the address of such mortgagees or holders of deeds of trust. Each party further agrees that if the other party shall have failed to cure such default within the time provided for in this Lease, then the mortgagee or holders of deeds of trust shall have an additional 30 days within which to (a) cure such default or if such default cannot be cured within that time, then in such additional time as may be necessary if within such 30 days any mortgagee or holder of a deed of trust has commenced and is diligently pursuing the remedies necessary to cure such default (including, but not limited to, commencement of foreclosure proceedings, if necessary to effect such cure) in which event this Lease shall not be terminated while such remedies are being so diligently pursued, or (b) if this Lease is

terminated due to a default by Tenant hereunder, give Landlord written notice of its intention to enter into a lease with Landlord as described below. If this Lease is terminated due to a default by Tenant hereunder and Landlord receives timely notice of the intention of a mortgagee or holder of a deed of trust to enter into a lease with Landlord, Landlord shall enter into a lease on the same terms and conditions as this Lease with any such mortgagee or holder of a deed of trust or any partner thereof covering the Premises, if such mortgagee or holder of a deed of trust so desires, on the condition that the mortgagee or holder of a deed of trust pay to the Landlord the monetary obligations of Tenant due hereunder up to and including the date such lease commences and that such mortgagee or holder of a deed of trust agrees to use the Premises for the purposes set forth in Section 5 hereof.

(ii) Landlord shall accord to persons who are limited partners or members of Tenant the same rights granted to mortgagees and holders of deeds of trust under this Section 13(c), and any performance by such limited partner(s) or member(s) of Tenant shall be considered performance by the Tenant hereunder.

14. Inspection. Tenant shall permit Landlord or Landlord's agents to enter the Premises or the Improvements, and all alterations and additions thereto, at all reasonable times upon 5 days written notice to Tenant for the purpose: (i) of inspecting the same; (ii) of performing obligations of Tenant hereunder which Tenant may neglect or refuse to perform after having given reasonable notice to Tenant; and (iii) for the purpose of showing the Premises to persons wishing to purchase Landlord's interest therein. If, at reasonable times, admission to the Premises for such purposes cannot be obtained, or if at any time an entry shall be deemed necessary for the protection of the Premises, Landlord, or Landlord's agents or representative may enter the Premises by force or otherwise, without rendering Landlord, or Landlord's agents or representatives, liable to any claim or cause of action for damages by reason thereof, except for damages resulting from Landlord's negligence or willful misconduct or the negligence or misconduct of Landlord's agents or representatives. The provisions contained in this section shall not increase Landlord's obligations under this Lease, and the right and authority hereby reserved does not impose upon Landlord any responsibility for the repair, care or supervision of the Premises, or any building, equipment or appurtenance thereto.

15. No Abatement. Except as otherwise specifically provided herein, there shall be no abatement or reduction of any rent payable by Tenant for any reason, including, but without limiting the generality of the foregoing: (a) by reason of any damage or destruction of the Premises whether caused by an insured or uninsured peril, condemnation or other matters like or unlike the foregoing, or during any period of restoration, or (b) by reason of diminution of the amount of usable space caused by legally required changes in the construction, equipment, operation or use of the Premises.

16. Quiet Enjoyment. Landlord covenants that, if and so long as Tenant pays the rent and other charges reserved by this Lease and performs all the obligations of Tenant hereunder, Tenant shall quietly enjoy the Premises.

17. Events of Default: Remedies.

(a) If any one or more of the following events ("Events of Default") shall occur, and after Notice by Landlord has been given as provided below, said Notice providing Tenant ninety (90) days to cure, Landlord shall have, at its election, the remedies stated in paragraphs 17 (b), (c), (d), (e) and (f).

(i) If Tenant shall fail to pay any rent or other sum payable hereunder by Tenant to Landlord within 10 days after written notice from Landlord that the same shall have become due and payable; or

(ii) If Tenant shall fail to use the Premises to provide low income housing without the consent of Landlord. This requirement shall be satisfied if (a) at least twelve (12) units are rented to families or person with incomes of 60% or less of the area medium gross income ("AMGI") established by the United States Department of Housing and Urban Development ("HUD") and the remaining eleven (11) units are rented to families or person with incomes of 50% or less of AMGI. It is Tenant's intention that twenty-three (23) units will be rented to families or person(s) at or below 60% of AMGI, although it may become necessary to rent at higher levels to obtain financing. Tenant may submit to Landlord for Landlord's consent, which consent shall not be unreasonably withheld, a financing plan reflecting anticipated rent and income levels. Landlord's approval of such plan shall be deemed to be consent to rent at higher rental rates or to persons or families with higher income. Notwithstanding the foregoing, it shall not be an Event of Default hereunder if Tenant is unable, after reasonable effort, to lease units to tenants meeting the applicable income guidelines and thereafter leases such units to others. In no event shall Tenant be required to force a tenant to move out of a unit if that tenant's income increases above permitted levels, provided, however, that the next vacancy shall be filled by a tenant meeting the applicable requirement; or

(iii) If Tenant shall fail to perform or comply with any other term hereof and such failure shall continue for more than 60 days after Notice thereof from Landlord, provided that such 60 day period shall be extended for up to one year so long as Tenant is diligently proceeding to cure such failure and is making reasonable progress toward that end; or

(iv) If any execution or attachment shall be issued whereby any of the Premises shall be taken or attempted to be taken by someone claiming through or under the Tenant, and the same shall not be vacated or bonded within 90 days after the issuance thereof; or

(v) If Tenant shall become unable to pay its debts as they fall due, or shall make a general assignment for the benefit of creditors, or shall be adjudicated bankrupt or insolvent, or shall file any petition or answer seeking, consenting to, or acquiescing in reorganization, arrangement, adjustment, composition, liquidation, dissolution or similar relief, under any present or future statute, law or regulation or shall file an answer admitting or shall fail to deny the material allegations of a petition against it for any such relief; or

(vi) If any proceeding against Tenant of the type referred to in subsection 17(a)(v) above, seeking any such relief shall not have been dismissed within 90 days after the commencement thereof; or

(vii) If a trustee, receiver or liquidator of Tenant or of any substantial part of its properties or assets shall be appointed with the consent or acquiescence of Tenant, or if any such appointment if not so consented to or acquiesced in, shall remain unvacated or unstayed for an aggregate of 90 days (whether or not consecutive), then and in any such event Landlord at any time thereafter, while such Event of Default shall continue, may give a written termination notice to Tenant, and upon the date specified in such notice (subject to the provision of this section relating to the survival of Tenant's obligations) the term of this Lease shall expire and terminate by limitation and all rights of Tenant under this Lease shall cease. Tenant shall pay, as additional rent, all reasonable costs and expenses incurred by or on behalf of Landlord, including, without limitation, reasonable attorneys' fees and expenses, occasioned by any default or Event of Default by Tenant under this Lease.

(b) Repossession. If an Event of Default shall have occurred, Landlord shall give Notice thereof to Tenant, Mortgagee(s) and to an Investor Limited Partner or Member (as later identified by Tenant), its affiliates, successors and/or assigns. If the event of Default is not cured within 90 days of such Notice, Landlord, whether or not the Lease Term shall have been terminated, may, to the extent permitted by applicable law, enter upon and repossess the Premises or any part thereof by force, summary proceedings, ejectment or otherwise, and may remove Tenant and all other persons and any and all property therefrom. Landlord shall be under no liability for or by reason of any such entry, repossession or removal.

(c) Reletting. At any time or from time to time after the repossession of the Premises or any part thereof, whether the term of this Lease shall have been terminated, Landlord may (but shall be under no obligation to) relet the Premises or any part thereof for the account of Tenant, in the name of Tenant or Landlord or otherwise, without notice to Tenant, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Lease Term) and on such conditions (which may include concessions or free rent) and for such uses as Landlord, in its reasonable judgment, may determine, and may collect and receive the rents therefor.

(d) Termination of Lease Not To Relieve Tenant of Obligations. No expiration or termination of the Lease Term pursuant to the terms of this Lease or by operation of law or otherwise (except as expressly provided herein), and no repossession of the Premises or any part thereof pursuant to this Lease or otherwise, shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination or repossession.

(e) Current Damages. In the event of any such expiration, termination or repossession, Tenant will pay to Landlord the rent and all other sums required to be paid by Tenant upon to the time of such expiration, termination or repossession, and thereafter Tenant, until the end of what would have been the term of this Lease in the absence of such expiration, termination or repossession, shall pay to Landlord, as liquidated and agreed damages for Tenant's default, (i) the rent and all other sums which would be payable under this Lease by Tenant in the absence of such expiration, termination or repossession less (ii) the net proceeds, if any, of any reletting effected for the account of Tenant pursuant to subsection 17(c), after deducting from such proceeds all of Landlord's reasonable expenses in connection with such reletting, including, without limitation, all reasonable repossession costs, reasonable brokerage commissions, reasonable legal expenses, reasonable attorneys' fees, reasonable employees' expenses, reasonable alteration costs, and reasonable expenses of preparation for such reletting.

(f) Right to Receivership. In addition to all other remedies of Landlord hereunder set forth, in the event of the nonpayment by Tenant of the rent reserved herein or of any other sum payable hereunder within the periods of time described herein, or in the event Tenant shall default in the performance of any of its other covenants, agreements or obligations herein contained and the Tenant shall fail to cure any such default in the manner and within the periods of time specified in this section, Landlord shall be entitled to a receiver for the Premises and the Improvements, fixtures and equipment thereon and appurtenances thereto and of the rents, issues and profits thereof as a matter of right, and such receiver may be appointed by any court of competent jurisdiction upon written notice to Tenant, and all rents, issues and profits, income and revenues from the Premises and the Improvements shall be applied by such receiver to the payment of the rent, together with taxes and insurance premiums and expenses of receivership. Upon the curing of all Tenant's defaults, the Premises shall be returned to Tenant and the receivership shall terminate.

(g) Right to Cure. Investor Limited Partner (as later identified by Tenant) or Member and the leasehold mortgagee each shall have the right to cure any Event of Default, and Landlord shall not terminate this Lease for Tenant's default unless and until Landlord has given Investor Limited Partner (as later identified by Tenant) or Member and the leasehold mortgagee Notice of such Event of Default and 30 days in addition to any applicable cure period given to Tenant in which to cure it. If any Event

of Default cannot reasonably be cured within 30 days, then Investor Limited Partner (as later identified by Tenant) or Member and/or the leasehold mortgagee shall have such additional time as it shall reasonably require, so long as Investor Limited Partner (as later identified by Tenant) or the leasehold mortgagee is proceeding with reasonable diligence and so long as such additional time to cure does not exceed a maximum of an additional 60 days beyond the initial 30-day cure period. Notwithstanding anything to the contrary contained herein, for any Event of Default that cannot be cured without possession of the Premises, Landlord shall allow such additional time as Investor Limited Partner (as later identified by Tenant) and/or the leasehold mortgagee shall reasonably require to prosecute and complete a foreclosure or equivalent proceeding and obtain such possession, including time to obtain relief from a bankruptcy stay in Tenant's bankruptcy.

18. Landlord's Representations and Warranties. Landlord hereby represents and warrants to Tenant that:

(a) Landlord owns fee simple title to the Premises, free and clear of all liens, charges, encumbrances, encroachments, easements, restrictions, leases, tenancies, occupancies or agreements and other matters affecting title, except for those matters affecting title which are of record. The Premises are in compliance with all easements, restrictions, and other matters affecting title as of the date hereof. As of the Commencement Date, Landlord has good and marketable title to the Premises. Landlord has, at Tenant's sole cost and expense, provided Tenant with a policy of title insurance covering the Premises, receipt of which is hereby acknowledged.

(b) Landlord has full right, power and authority to make, execute, deliver and perform its obligations under this Lease. Landlord has obtained and received all required and necessary consents and approvals to enter into this Lease with Tenant. The entry by Landlord into this Lease with Tenant and the performance of all the terms, provisions and conditions contained herein does not and will not violate or cause a breach of or default under any agreement or obligation to which Landlord is a party or by which it is bound.

(c) There are no tenants, lessees or other occupants of the Premises having any right or claim to possession or use of the Premises or a claimed preference for occupancy in the Premises.

(d) There are no unpaid special assessments of which Landlord has received notice, or of which Landlord is otherwise aware, for sewer, sidewalk, water, paving, gas electrical or utility improvements or other capital expenditure, matured or unmatured, affecting the Premises.

(e) Landlord is not obligated under any contract, lease or agreement, oral or written, with respect to ownership, use, operation, management, maintenance, lease, sale or financing of the Premises except as previously disclosed to Tenant.

(f) No representation, statement or warranty by Landlord contained in this Lease or in any exhibit attached hereto contains any untrue statement or omits a material fact necessary to make the statement of fact therein recited not misleading.

(g) There is no action, suit, litigation or proceeding pending or, to Landlord's knowledge, threatened against Landlord and/or the Premises which could prevent or impair Landlord's entry into this Lease and/or performance of its or any of

Tenant's obligations hereunder or materially and adversely impact Tenant's rights hereunder.

(h) The person signing this Lease on behalf of Landlord is duly and validly authorized to do so.

(i) There are no pending condemnation proceedings relating to any portion of the Premises, and Landlord has received no notices of the institution or the proposed institution of condemnation proceedings relating to any portion of the Premises or of any other proceedings against or any taking of all or any part of the Premises.

(j) There are no special assessments assessed or due with respect to pending or completed public improvements.

(k) There is no pending or threatened litigation, governmental proceedings, notice of action required to be taken, judgment or cause of action against or related to the Premises and the project, or any portion thereof, or against the Landlord or Landlord's agents with respect to the Premises or any portion thereof.

(l) Landlord shall not use, or permit the use of, any property currently owned by Landlord and adjacent to the Premises for commercial or industrial purposes (other than the present use) without first obtaining the prior written consent of Tenant, which consent shall not be unreasonably withheld or delayed. Landlord shall, at Tenant's cost and expense, execute, acknowledge and deliver a Memorandum of Ground Lease, setting forth this restriction on such adjacent property, or such other instrument as Tenant shall reasonably request to carry out the intention of this provision.

19. Tenant's Representations and Warranties. Tenant hereby warrants and represents to Landlord that:

(a) Tenant is lawfully organized as a limited partnership under the laws of the State of Idaho and the United States.

(b) Tenant has the full right, power and authority to make, execute, deliver and perform this Lease.

(c) Tenant's execution and delivery of this Lease has been authorized by all requisite action on the part of the Tenant, and the execution and delivery of this Lease by Tenant and the performance of its obligations hereunder will not violate or contravene any agreement or obligation to which Tenant is a party or by which it is bound.

(d) There is no action, suit, litigation or proceeding pending or, to Tenant's knowledge, threatened against Tenant that could prevent or impair Tenant's entry into this Lease and/or performance of its obligations thereunder.

(e) The person signing this Lease on behalf of Tenant is duly and validly authorized to do so.

(f) If Tenant becomes liable under any statute, regulation, ordinance or other provision of federal, state, or local law pertaining to the protection of the environment or otherwise pertaining to public health or employee health and safety, including, without limitation, protection from hazardous waste, lead-base paint, asbestos, methane gas, urea formaldehyde insulation, oil, toxic substance, underground storage tanks, polychlorinated biphenyls (PCBs), and radon, the Tenant is required to discharge such costs, expenses, damages, or liabilities in whole or in part from any source. The foregoing indemnification shall survive the dissolution of the Tenant and any transfer of the Premises.

20. Miscellaneous Provisions.

(a) Attorneys' Fees. In the event of any dispute with regard to the interpretation or enforcement of this Lease, the prevailing party shall be entitled to recover his/her/its reasonable costs and attorneys' fees incurred therein, whether or not a lawsuit is actually filed, and on any appeals, and in any bankruptcy proceeding.

(b) Severability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and such other provisions shall remain in full force and effect.

(c) Short Form. At the request of either party, the parties hereto shall execute and record a short form or memorandum of this Lease to evidence Tenant's interest in the Premises.

(d) Business Days. If any amount payable hereunder becomes due on a Saturday, Sunday or a banking holiday, then such amount shall be due and payable on the next business day following such Saturday, Sunday or holiday.

(e) Headings. The headings contained in this Lease are for the convenience of reference only and shall not be considered in the construction or interpretation of any provision hereof.

(f) Notices. All notices, demands and communications hereunder shall be in writing, shall be given at least 60 days prior to the event covered by the notice, and shall be served or given either in person or by certified or registered mail, addressed as follows:

City of Hailey, Idaho
c/o Mayor
115 Main Street South, Suite H
Hailey, Idaho 83333

River Street Apartments Limited Partnership
River Street Senior Housing, LLC, General
Partner
C/O ARCH Community Housing Trust, Inc.
Executive Director
P. O. Box 1292
Ketchum, Idaho 83340

Any notice given hereunder by mail shall be deemed delivered when received. At the request of the party giving a Notice, the party receiving the Notice shall use its best efforts to reply within less than the 60 days (or other period) otherwise given, and such period may be shortened (but in no event to less than 15 days) if required by the terms of any mortgage loan or other financing arrangement binding upon the Tenant.

(g) Consents. In any instance where Landlord's consent is required hereunder, if Landlord shall fail to notify Tenant of Landlord's approval or disapproval of the matter within 30 days after notice to Landlord by Tenant, it shall be concluded that Landlord has consent to such matter.

(h) Entire Agreement. This Lease, together with the exhibits attached hereto, contains the entire agreement between the parties with respect to the matters contained herein, and shall not be modified, altered or amended in any manner except (a) by an instrument in writing executed by the parties or their respective successors in interest and (b) with the prior written consent of any leasehold mortgagee.

(i) Binding Effect. Except as otherwise provided herein, the terms, covenants and conditions in this Lease and in any exhibits attached hereto shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and assigns.

(j) No Partnership or Joint Venture. The relationship created hereby between the parties in one of Landlord and Tenant. Nothing contained in this Lease shall create or be construed to create a partnership or joint venture between Landlord and Tenant.

(k) Tenant's Obligations Conditional. Tenant's obligations hereunder are conditioned upon Tenant receiving an environmental review of the Premises. The Tenant has received such an environmental review, which is acceptable to Tenant and satisfies the conditions set forth herein.

(l) Governmental Notices. Landlord and Tenant agree to promptly send copies of all notices received from governmental authorities to any leasehold mortgagee.

(m) Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of Idaho.

(n) Acts of God. In any case where either party is required to perform any work hereunder, delays caused by war, strike, riot, acts of God, shortages of material or labor, governmental regulation, or other causes beyond such party's reasonable control shall not be counted in determining the time during which such work shall be completed. In any case where work shall be paid for out of insurance proceeds or condemnation awards, due allowance shall be made, both to the party required to perform such work and to the party required to make such payment, for delays in the collection of such proceeds and awards.

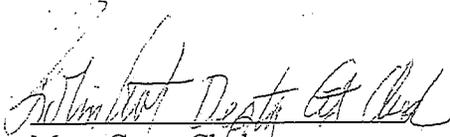
(o) Interest Upon Arrears or Upon Default. Every installment of rent accruing under this Lease and all other sums becoming due or payable to Landlord under this Lease or on account of any default by Tenant in performance or observance of any of the covenants of this Lease, shall, if it is not paid within 10 days after written notice from Landlord that the same is due and payable, bear interest from said date until the same shall be paid at one percent per year above the prime rate for commercial loans then being made by the largest bank in Idaho as ascertained by the Idaho Department of Finance. However, in no event shall such amount bear interest at a rate higher than the maximum rate of interest allowed by law. All sums so advanced or paid by Landlord under the provisions of this Lease shall become due and payable with the installment of rent next becoming due after the date of such advance or payment.

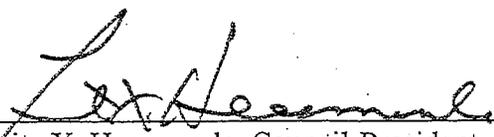
(p) Additional Documents. The parties hereto agree that they will, at any time hereafter, upon reasonable request of the other, execute and deliver such bills of sale, deeds, releases, and waivers, and other instruments, papers or documents as the other party may reasonably require for the purpose of giving full effect to the provisions of this Agreement.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Lease the day and year first above written.

ATTEST:

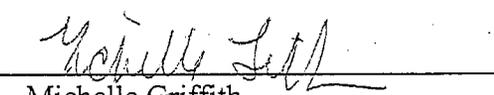
CITY OF HAILEY, IDAHO

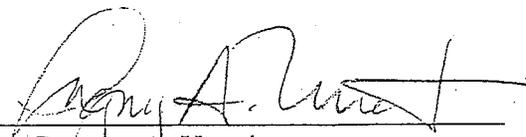

Mary Cone, Clerk

By: 
Fritz X. Haemmerle, Council President

RIVER STREET APARTMENTS
LIMITED PARTNERSHIP,
an Idaho limited partnership

By: River Street Senior Housing, LLC,
an Idaho limited liability company
General Partner

By: 
Michelle Griffith
Manager

By: 
Gregory A. Urrutia
Manager

