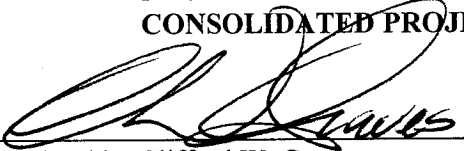




City of Carson Report to Redevelopment Agency

June 7, 2011
Special Orders of the Day

SUBJECT: JOINT PUBLIC HEARING TO CONSIDER RESOLUTION NO. 11-26 APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND OLSON URBAN HOUSING, LLC, FOR THE SALE AND DEVELOPMENT OF A 0.92-ACRE PARCEL OF AGENCY-OWNED PROPERTY LOCATED AT 2535-2569 EAST CARSON STREET (CARSON CONSOLIDATED PROJECT AREA)


Submitted by Clifford W. Graves
Economic Development General Manager


Approved by Clifford W. Graves
Interim Executive Director

THIS IS A JOINT AGENDA ITEM

I. SUMMARY

The subject of this report is a Disposition and Development Agreement (DDA) by and between the Carson Redevelopment Agency (Agency) and Olson Urban Housing, LLC, a Delaware Corporation (Developer) (Exhibit No. 2), for development of 12 workforce, for sale, single-family residential units (Project). Adoption of Resolution No. 11-26 (Exhibit No. 1) will authorize the DDA.

The Developer wishes to purchase approximately a 0.92-acre parcel of Agency-owned land located at 2535-2569 East Carson Street (Agency Property) (Exhibit No. 3) for the fair-market value of \$1,302,000.00. The Developer also requests that the Agency provide financial assistance in an amount up to \$1,328,495.00 from the housing set-aside funds for additional assistance.

II. RECOMMENDATION

TAKE the following actions:

1. OPEN the Joint Public Hearing, TAKE public testimony, and CLOSE the Joint Public Hearing.
2. WAIVE further reading and ADOPT Resolution No. 11-26, "A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF CARSON, CALIFORNIA, MAKING CERTAIN FINDINGS AND APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND OLSON URBAN HOUSING, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AND THE RELATED CALIFORNIA ENVIRONMENTAL QUALITY ACT EXEMPTION, RELATING TO THE DEVELOPMENT OF 2535-2569 EAST CARSON STREET."

3. AUTHORIZE the Agency Chairman to execute the Disposition and Development Agreement following approval as to form by the Agency Counsel.

III. ALTERNATIVES

1. MODIFY and APPROVE the agreement as the Agency Board may require.
2. TAKE another action the Agency Board deems appropriate.

IV. BACKGROUND

In July 2009, the Agency purchased the approximately 0.92-acre parcel property with housing funds, with the intention of developing a workforce-housing project. The Agency issued a request for proposals (RFP) in March 2010, soliciting residential developers. No proposals were received at the end of the 30-day response period.

In June 2010, the Developer approached the Agency with a proposal to construct workforce single-family homes that would be sold to qualifying moderate-income families. Agency staff found the proposal's overall vision for development to be consistent with the city's mission to develop quality workforce-housing. The Agency and Developer entered into an exclusive negotiating agreement on August 3, 2010 (Exhibit No. 4), and are now prepared to enter into the DDA.

The Project will consist of 12 single-family detached units that will be sold to moderate-income households. As part of the Project, the Developer will also provide upgraded project amenities such as secured gated on-site parking, community space for gathering and grilling and casual dining, all enhanced with benches and pathways bordered by landscaped planters. The site plan (Exhibit No. 5) is detailed below:

- Twelve 1,250 square foot, single-family detached units consisting of three bedrooms and two and one half bathrooms
- 24 two-car attached garages
- 10 surface spaces guest parking
- Outdoor community open space and barbeque amenities
- Secured access controlled gate entry

A regulatory agreement restricting income affordability levels will be recorded against the Project to specify the terms of affordability restrictions of the units to moderate-income residents. These terms will be in effect for a minimum of 45 years following the issuance of the Certificate of Occupancy. Affordability restrictions are as follows:

- 12 moderate-income units
- Ownership properly reported to the Agency

- Units to be sold continuously to qualified buyers during the term of the agreement
- Site to be properly maintained

An independent highest- and best-use appraisal was prepared for the Agency Property, which listed the fair-market value at \$1,302,000.00. The Agency will transfer the Agency Property to the Developer for \$1,302,000.00 (Purchase Price). In addition, the Agency will provide Project assistance in an amount up to \$1,328,495.00 from housing set-aside funds (Agency Assistance) toward Project development costs. The Purchase Price and Agency Assistance will be in the form of a loan and evidenced by a promissory note and secured by a Deed of Trust. Subsequent to the initial sale, any future sales of the units will be restricted to qualified moderate-income buyers for a period of 45 years. The \$2,630,495.00 Agency loan will be forgiven once all of the units are sold. The Agency will receive a homeowner's note (Note) from each qualified buyer in the amount of \$35,000.00. The Note will not bear interest but will be secured by a Homeowner's Deed of Trust and repayment required only upon default of the 45-year affordability covenant.

The estimated total development cost of the Project is \$3,785,000.00. Redevelopment law requires that agencies convey property for at least the fair reuse value. Based on a fair reuse analysis (Exhibit No. 6) conducted by the Agency's economic consultant, Keyser Marston & Associates (KMA), the reuse value of the Agency Property is a negative \$1.34 million. Therefore, the Developer's request for \$2,630,000.00 in financial assistance is considered to be warranted and the Purchase Price for the Agency Property of \$1,302,000.00 is considered to meet the requirement of meeting or exceeding the fair reuse value.

The Agency Property was purchased with housing set-aside funds; the use of all housing set-aside funds exempts the Project from prevailing wage requirements.

A summary report has been prepared pursuant to the requirements of Section 33433 of the California Health and Safety Code (Summary Report) (Exhibit No. 7). The Summary Report must include:

- 1) The cost of the agreement to the Agency.
- 2) The estimated value of the interest to be conveyed determined at the highest- and best-use permitted under the plan (current market value).
- 3) The estimated value of the interest to be conveyed or leased, determined at the use with the conditions, covenants, and development costs required by the sale or lease. This is determined by a reuse appraisal previously prepared for the Project.
- 4) An explanation of why the sale or lease of the property will assist in the elimination of blight.

Agency support of workforce-housing projects is consistent with the city's Housing Element and with the Redevelopment Agency Plan and related Five-Year

Implementation Plan 2010-2014. The amount of Agency assistance takes into consideration that the Developer is providing quality workforce-housing for the community.

Staff recommends that the Agency enter into the DDA with Olson Urban Housing, LLC, a Delaware Corporation.

V. FISCAL IMPACT

The Agency will credit the \$1,302,000.00 value of the land to the Developer at close of escrow and provide the Agency Assistance of up to \$1,328,495.00 to the Developer from taxable housing set-aside bond funds during the course of construction. Funds are available in the FY 2010/11 housing fund of the Carson Consolidated Project Area.

VI. EXHIBITS

1. Resolution No. 11-26. (pgs. 5-6)
2. Disposition and Development Agreement. (pgs. 7-163)
3. Site map. (pg. 164)
4. Minutes August 3, 2010, Item No. 3. (pg. 165)
5. Site plan. (pg. 166)
6. Fair reuse analysis. (pgs. 167-180)
7. Summary Report pursuant to Section 33433 of the California Community Redevelopment Law. (pgs. 181-188)

Prepared by: Michelle Chambers, Redevelopment Project Manager
 TO:Rev010511

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Development Services
Economic Development Services	Public Services

Action taken by Redevelopment Agency

Date _____ Action _____

RESOLUTION NO. 11-26

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF CARSON, CALIFORNIA, MAKING CERTAIN FINDINGS AND APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND OLSON URBAN HOUSING, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AND THE RELATED CALIFORNIA ENVIRONMENTAL QUALITY ACT EXEMPTION, RELATING TO THE DEVELOPMENT OF 2535-2569 EAST CARSON STREET

WHEREAS, the Carson Redevelopment Agency (the "Agency") has been duly created, established and authorized to transact business and exercise its powers under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California); and

WHEREAS, to effectuate the provisions of the Redevelopment Plan (the "Redevelopment Plan") for Carson Consolidated Project Area (the "Project Area"), the Agency is considering the transfer of the site located at 2535-2569 East Carson Street (the "Site") to Olson Urban Housing, LLC, a Delaware limited liability company (the "Developer"), pursuant to a Disposition and Development Agreement ("DDA") with the Developer for the construction of twelve (12) workforce single-family residential homes ("Project") as further described in the DDA; and

WHEREAS, Section 33433 requires that the Agency Board and the City Council approve the DDA, that certain findings be made and that the Summary Report and a Notice of Exemption from the California Environmental Quality Act (CEQA) and a copy of the DDA be made available for public inspection; and

WHEREAS, on June 7, 2011, the Agency and the Carson City Council conducted and concluded a duly noticed Joint Public Hearing pursuant to Section 33433 to consider the DDA and the Summary Report; and

WHEREAS, all legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, based on the evidence presented to the Agency, including the written staff report and oral testimony on this matter, and the DDA, the 33433 Report, and the Notice of Exemption and the Agency does hereby find, determine and resolve as follows:

Section 1. The above recitals are all true and correct and adopted as findings.

Section 2. The Project is categorically exempt from CEQA pursuant to Sections 15332, 15192, 15194 and 15195 of the CEQA Guidelines.

Section 3. The DDA is consistent with the Agency's adopted Redevelopment Plan for the Project Area and the Agency's Implementation Plan adopted pursuant to California Health

and Safety Code Section 33490. The facts set forth in the Summary Report prepared for the DDA are incorporated herein.

Section 4. The consideration to be paid by Developer for the Site pursuant to the DDA is not less than fair-market value at its highest- and best-use in accordance with the Redevelopment Plan. The facts set forth in the Summary Report prepared for the DDA are incorporated herein.

Section 5. The sale of the Site will assist in the elimination of blight in the Project Area and will provide workforce-housing. The facts set forth in the Summary Report prepared for the DDA are incorporated herein.

Section 6. The DDA, a copy of which is available at the Economic Development Department, and by this reference incorporated herein, and the instruments referenced therein are hereby approved.

Section 7. The Chairman and/or Executive Director and/or any other authorized officers are hereby authorized to take such actions, perform such deeds, and execute, acknowledge and deliver such instruments and documents as they deem necessary to effectuate the transactions contemplated under the DDA.

PASSED, APPROVED and ADOPTED this _____ day of June, 2011.

Chairman Jim Dear

ATTEST:

Agency Secretary Helen S. Kawagoe

APPROVED AS TO FORM:

Agency Counsel



DISPOSITION AND DEVELOPMENT AGREEMENT

By and Between

CARSON REDEVELOPMENT AGENCY

and

OLSON URBAN HOUSING, LLC



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DISPOSITION AND DEVELOPMENT AGREEMENT

THIS DISPOSITION AND DEVELOPMENT AGREEMENT ("Agreement") is entered into this ___ day of _____, 2011 (the "Effective Date") by and between the CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), and OLSON URBAN HOUSING, LLC, a Delaware limited liability company ("Developer").

RECITALS

A. Agency is a public body, corporate and politic, exercising governmental functions and powers and organized and existing under the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000, *et seq.*) ("Community Redevelopment Law").

B. Agency desires to implement the Redevelopment Plan for the Carson Consolidated Project Area ("Project Area") by providing for the development of property which is within the Project Area, and which benefits the Project Area. Such property is designated herein as the "Site" and the development thereon as the "Project" (as those terms are defined herein).

C. Developer has proposed developing the Site with twelve affordable for sale single family Residential Units ("Project"). The development will require disposition to Developer of approximately 40,075 square feet of land (0.92) acres located at 2535 - 2569 East Carson Street, Carson, California 90810 (collectively, the "Site") as more particularly described on Exhibit "A".

D. On August 3, 2010, the Agency and Developer entered into an Exclusive Negotiation Agreement ("ENA") in connection with the Developer's proposed development of the Project on the Site. The ENA included a Right of Entry Agreement to allow Developer to enter the Site to investigate the physical condition of the Site.

E. Developer will develop the Project on the Site in compliance with the City's land use requirements and, as described herein, all of the Residential Units shall be restricted for sale to Qualified Buyers (as defined below).

F. The Agency and the City held a joint public hearing on June 7, 2011 pursuant to Health and Safety Code Section 33433 to consider approval of this Agreement. Said hearing was noticed and the report describing the Project was made available for two successive weeks prior to the hearing date.

G. On June 7, 2011, the Agency found that the assembly, preparation for development and ultimate construction of the Project on the Site as proposed by Developer pursuant to this Agreement, and the fulfillment generally of this Agreement, will effectuate the Redevelopment Plan and are in the vital and best interests of the City and the health, safety, and welfare of its residents and in accord with the public purposes and provisions of the applicable state and local laws and requirements under which the Project has been undertaken.



H. The Project involves the construction of an in-fill development project, which is an activity that is Categorically Exempt from CEQA, pursuant to Sections 15332, 15192, 15194 and 15195 of the CEQA Guidelines.

NOW THEREFORE, in consideration of the promises and covenants contained herein, the above recitals, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS.**

1.1 Affordability Period. The term "Affordability Period" means the forty-five (45) year period, commencing upon the close of escrow transferring title to each Residential Unit from Developer to that unit's original Qualifying Buyer, during which each Residential Unit shall be designated and deed restricted as an affordable housing unit.

1.2 Agreement. The term "Agreement" shall mean this entire Disposition and Development Agreement, including all exhibits, which exhibits are a part hereof and incorporated herein in their entirety, and all other documents incorporated herein by reference, as if set forth in full.

1.3 Certificate of Completion. The term "Certificate of Completion" shall mean that certain Certificate of Completion attached hereto as Exhibit "E".

1.4 City. The term "City" shall mean the City of Carson, a municipal corporation, having its offices at 701 East Carson Street, Carson, California 90745.

1.5 Days. The term "days" shall mean calendar days and the statement of any time period herein shall be calendar days, and not working days, unless otherwise specified.

1.6 Declaration of Covenants, Conditions and Restrictions. The term "Declaration of Covenants, Conditions and Restrictions" or "CC&Rs" shall mean that document to be executed by Developer and recorded against the Site which sets forth the requirements for the creation of an association to be responsible for the maintenance of the Site. The CC&Rs shall be provided to the Agency and the City prior to recordation and may be reviewed by the Agency and City for consistency with the provisions of this Agreement, Community Redevelopment Law and other applicable laws. The CC&Rs are not to be confused with the Regulatory Agreement (Exhibit "I"), which pertains only to the affordability requirements for the Residential Units, and which is defined below.

1.7 Deed. The term "Deed" or "Grant Deed" shall mean that certain Grant Deed for the transfer of the Site, executed by the parties substantially in the form attached hereto as Exhibit "F".

1.8 Deed of Trust. The term "Deed of Trust" shall mean the Deed of Trust to secure the repayment of the Promissory Note which pledges repayment by Developer to Agency of the Agency Financial Assistance, which shall be in the form attached hereto and is incorporated herein as Exhibit "K".

1.9 Effective Date. The Effective Date of this Agreement shall occur after public hearing and approval hereof by the Agency, and shall mean the date this Agreement is executed on behalf of Agency first written above.

1.10 Escrow Agent. Shall mean Fidelity National Title Insurance Company or another mutually acceptable escrow company agreed to by the parties hereto.

1.11 Force Majeure. The term "Force Majeure" shall have the meaning set forth in Section 8.6 below.

1.12 Homeowner's Deed of Trust. The term "Homeowner's Deed of Trust" means that deed of trust given as security by a Qualified Buyer for the repayment of its share of the Agency Contribution to Agency, which shall be in the form attached hereto and incorporated herein as Exhibit "L".

1.13 Homeowner's Note. The term "Homeowner's Note" means that promissory note to be executed by a Qualified Buyer in favor of Agency to evidence that Qualified Buyer's obligation to repay a portion of the Agency Contribution, which shall be in the form attached hereto and incorporated herein as Exhibit "M".

1.14 Moderate Income Household. The term "Moderate Income Household" shall mean a household whose annual household income does not exceed the income limit for moderate income households for Los Angeles County, adjusted for applicable household size, as computed in accordance with the Community Redevelopment Law and the regulations promulgated pursuant thereto or incorporated therein, including, without limitation, all regulations promulgated pursuant to Health and Safety Code Section 50093, or any successor statute.

1.15 Project. The term "Project" shall mean all of the preparation and development, construction, and improvements to be undertaken by Developer on the Site pursuant to this Agreement which shall include the development of twelve (12) affordable single family Residential Units. The Project is more particularly described in the Scope of Development attached hereto as Exhibit "D".

1.16 Promissory Note. The term "Promissory Note" shall mean the Promissory Note to be executed by Developer in favor of the Agency to evidence Developer's obligation to repay the Agency Financial Assistance, which shall be substantially in the form attached hereto and incorporated herein as Exhibit "J".

1.17 Qualified Buyer. The term "Qualified Buyer" shall mean, at the time that Developer sells each of the newly constructed Residential Units, a household whose annual income qualifies as a Moderate Income Household with adjustments for household size, which is buying a Residential Unit to serve as that household's primary residence. Thereafter, this term means any Moderate Income Household buying one of the Residential Units to serve as that household's primary residence during the Affordability Period.

1.18 Redevelopment Plan. The term "Redevelopment Plan" shall mean the Redevelopment Plan for the Carson Consolidated Project Area which was adopted by Ordinance

Number 10-1459 of the City Council of the City on October 5, 2010. A copy of the Redevelopment Plan is on file in the Office of the City Clerk of the City. The Redevelopment Plan is incorporated herein by this reference as though fully set forth herein.

1.19 Regulatory Agreement. The term "Regulatory Agreement" shall mean that document to be executed by Developer and recorded against the Site concurrent with the Close of Escrow which sets forth the affordability requirements for the use and maintenance of the Residential Units, which shall be substantially in the form of Exhibit "I" attached hereto and incorporated herein.

1.20 Residential Unit. The term "Residential Unit" shall mean and refer to each of the residential units to be developed as the Project, as further described in the Scope of Development (Exhibit "D").

1.21 Schedule of Performance. The term "Schedule of Performance" shall mean that certain Schedule attached hereto as Exhibit "C" and incorporated herein by reference. As described on the Schedule, construction of the Project shall be completed within one year from the commencement of construction.

1.22 Scope of Development. The term "Scope of Development" shall mean that certain exhibit attached hereto as Exhibit "D" and incorporated herein by reference which sets forth the description of the Project.

1.23 Site. The term "Site" shall mean the approximately 0.92 acres of the combined parcels located at 2535 - 2569 East Carson Street, Carson, California, 90810. The Site is legally described on Exhibit "A" and shown on Exhibit "B" (the "Site Map"), attached hereto and incorporated herein.

1.24 Title Company. The term "Title Company" shall mean Fidelity National Title Insurance Company or another mutually acceptable title company agreed to by the parties hereto.

2. PURPOSE OF AGREEMENT.

This Agreement and the Exhibits attached hereto are intended to effectuate the Redevelopment Plan for the Project Area by providing for the disposition of the Site and development of the Project on the Site to create workforce housing. Developer has agreed to participate in the development of the Site by entering into this Agreement with Agency. The disposition of the Site, the development of the Site pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the best interests of the Agency and City and the welfare of the City's residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements under which the Project has been undertaken.

This Agreement is entered into by the Agency pursuant to its authority under the Community Redevelopment Law, which authorizes the Agency to make agreements with owners, purchasers and lessees of property in the Redevelopment Project Area providing for the development of property in conformity with the Redevelopment Plan, and providing that the



Agency retain controls and establish restrictions or covenants running with the land so that the property will be developed, operated, and used in conformity with this Agreement and the Redevelopment Plan.

3. REPRESENTATIONS AND WARRANTIES.

3.1 Developer Representations and Warranties. Developer hereby makes the following representations, covenants, and warranties for the benefit of Agency, and Agency's successors and assigns, and acknowledges that the execution of this Agreement by Agency has been made in MATERIAL reliance by Agency on such representations and warranties:

(i) Identification. Developer is Olson Urban Housing, LLC, a Delaware limited liability company. The principal office of Developer for the purposes of this Agreement is located at 3010 Old Ranch Parkway, Suite 100, Seal Beach, California 90740. Developer's performance shall be guaranteed by Olson Urban Housing, LLC, as set forth in the guaranty attached hereto as Exhibit "G".

(ii) Litigation. To the Developer's knowledge, there are no pending or threatened claims, actions, proceedings, or lawsuits of any kind, whether for personal injury, property damage, landlord-tenant disputes, property taxes, or otherwise, that could adversely affect title to or the operation or value of the Site or which questions the validity or enforceability of this transaction, nor is there any governmental investigation of any type or nature, pending or threatened, against or relating to the Site or the transactions contemplated hereby (other than those conducted by City and Agency).

(iii) No Default. The execution and delivery of this Agreement will not constitute or result in any default or event that with notice or the lapse of time, or both, would be a default, breach, or violation of any lease, mortgage, deed of trust, or other agreement, instrument or arrangement by which Developer is bound or any event which would permit any party to terminate an agreement or accelerate the maturity of any indebtedness or other obligation affecting Developer.

(iv) No Violation. The execution and delivery of this Agreement and the consummation of the transactions contemplated herein will not violate any provision of, or require any consent, authorization, or approval under any law or administrative regulation or any other order, award, judgment, writ, injunction or decree applicable to, or any governmental permit or license issued to, Developer or relating to the Site.

(v) No Bankruptcy. Neither Developer nor the entities constituting Developer, if any, have filed or been the persons or subject of any filing of a petition under the Federal Bankruptcy Law or any insolvency laws, or any laws for the discharge of indebtedness or for the reorganization of debtors.

(vi) No Misrepresentation. No representation, warranty, or covenant of Developer in this Agreement, or in any document or certificate furnished or to be furnished to Agency pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit, to Developer's knowledge, to state a material fact necessary to make the statements contained herein or therein not misleading.

(vii) Due Execution. This Agreement has been duly executed by Developer and constitutes a valid, binding, and enforceable obligation of Developer. Developer is qualified to do business in and is in good standing with the State of California, has full power and authority to enter this Agreement and all authorizations required to make this Agreement binding upon Developer have been obtained.

3.2 Agency Representations and Warranties. Agency hereby represents and warrants for the benefit of Developer and Developer's successors and assigns, that the following facts are true as of the execution of this Agreement:

(i) No Approvals. No approvals or consents not heretofore obtained by Agency are necessary in connection with the execution of this Agreement by Agency or with the performance by Agency of Agency's obligations hereunder.

(ii) Due Execution. This Agreement has been duly executed by Agency or its duly authorized officers or agents and constitutes a valid, binding, and enforceable obligation of Agency.

(iii) Litigation. To the best of Agency's knowledge, there are no lawsuits or other proceedings filed or threatened with respect to the ownership, operation or environmental condition of the Site or any part thereof or with respect to the title to or proposed development of the Site which could adversely affect Agency's performance.

(iv) Governmental Approvals. Notwithstanding anything contained herein to the contrary, the Agency makes no representations or warranties with respect to the approvals required by any other governmental entity or with respect to approvals hereinafter required from the City or the Agency. The City reserves full police power authority over the Project and Developer acknowledges that the City retains such full police power as well. Nothing in this Agreement shall be deemed to be a prejudgment or commitment with respect to such items nor to guaranty that such approvals or permits will be issued within any particular time or with or without any particular conditions.

(v) Existing Violations. To the best of Agency's knowledge, the Site has no existing violations of local, state or federal law which has not been previously disclosed to Developer.

3.3 Restrictions on Transfer. The parties agree that the qualifications and identity of Developer are of particular concern to the Agency, and it is because of such qualifications and identity that Agency has entered into this Agreement with Developer. The Agency has considered the experience, financial capability, and product being marketed by Developer, the Site location and characteristics, the public costs of acquiring and developing the Site and return on investment to produce a successful residential project for the community. Accordingly, the Agency hereby imposes the following restrictions on transfer.

(i) Transfer Defined. As used in this section, the term "Transfer" shall include any assignment, hypothecation, mortgage, pledge, conveyance, or encumbrance of this Agreement, the Site, or the improvements thereon. A Transfer shall also include the transfer to any person or group of persons acting in concert of more than twenty-five percent (25%) of



the present ownership and/or control of Developer in the aggregate, taking all Transfers into account on a cumulative basis, except transfers of such ownership or control interest between members of the same immediate family, or Transfers to a trust, testamentary or otherwise, in which the beneficiaries are limited to members of the Transferor's immediate family. In the event Developer or its successor is a corporation or trust, such Transfer shall refer to the Transfer of the issued and outstanding capital stock of Developer, or of beneficial interests of such trust. In the event that Developer is a limited or general partnership, such Transfer shall refer to the Transfer of more than twenty-five percent (25%) of the limited or general partnership interest. In the event that Developer is a joint venture, such Transfer shall refer to the Transfer of more than twenty-five percent (25%) of the ownership and/or control of any such joint venture interest, taking all Transfers into account on a cumulative basis.

(ii) Restrictions Prior to Completion. Any Transfer of the Developer's interest in the Site or the Project, in whole or in part, and any Transfer of the Developer's interest in all or any part of this Agreement, shall be subject to the approval of the Agency, which shall be given or withheld within thirty (30) days of the Developer's written request therefor. The Agency's approval shall not be unreasonably withheld or delayed, and the Agency shall consent to any such Transfer by the Developer, without any adjustment to the financial terms and conditions of this Agreement, including the Exhibits, if prior to such Transfer, each of the following requirements is satisfied: (1) the Developer submits or causes to be submitted to the Agency all information reasonably requested for the Agency to make its determination required hereunder; (2) there is no event of default continuing under this Agreement; (3) the transferee executes an assumption agreement that is acceptable to the Agency and that, among other things, requires the transferee to perform all obligations of the Developer set forth in this Agreement; and (4) the Developer pays, or causes the proposed transferee to pay, the amount of the Agency's out-of-pocket costs (including reasonable attorneys' fees) incurred in reviewing the Transfer request.

In the absence of specific written agreement by Agency, prior to the issuance of a Certificate of Completion for the Site, no Transfer by Developer of all or any portion of its interest in the Site or this Agreement (including without limitation an assignment or transfer not requiring Agency approval hereunder) shall be deemed to relieve it or any successor party from any obligations under this Agreement with respect to the completion of the development of the Project with respect to that portion of the Site which is so transferred. In addition, no attempted assignment of any of Developer's obligations hereunder shall be effective unless and until the successor party executes and delivers to Agency an assumption agreement, in a form approved by the Agency, assuming such obligations.

(iii) Exceptions. The foregoing prohibition shall not apply to any of the following:

- (a) Any mortgage, deed of trust, or other form of conveyance for financing, as provided in Section 6.12, but Developer shall notify Agency in advance of any such mortgage, deed of trust, or other form of conveyance for financing pertaining to the Site and any transfer resulting from a

foreclosure or deed in lieu of foreclosure related to any such permitted financing.

- (b) Any mortgage, deed of trust, or other form of conveyance for restructuring or refinancing of any amount of indebtedness described in subsection (a) above, provided that the amount of indebtedness incurred in the restructuring or refinancing is at a loan to value coverage ratio of not more than 0.7.
- (c) The granting of easements to any appropriate governmental agency or utility or permits to facilitate the development of the Site.
- (d) A sale or Transfer resulting from or in connection with a reorganization as contemplated by the provisions of the Internal Revenue Code of 1986, as amended or otherwise, in which the ownership interests of a corporation are assigned directly or by operation of law to a person or persons, firm or corporation which acquires the control of the voting capital stock of such corporation or all or substantially all of the assets of such corporation.
- (e) A sale or Transfer of 49% or more of an ownership or controlling interest between members of the same immediate family, or Transfers to a trust, testamentary or otherwise, in which the beneficiaries consist solely of immediate family members of the Trustor or Transfers to a corporation or partnership in which the immediate family members or shareholders of the Transferor have a controlling majority interest of 51% or more.
- (f) The agreement to sell Residential Units to Qualified Buyers.
- (g) The Transfer of common area within the Site to an association formed for the development of the Project contemplated under this Agreement.
- (h) A Transfer of this Agreement or the Developer's interest in the Project to a wholly-owned subsidiary of the Developer or an affiliate of Developer. For the purpose of this definition of "transfer," an "affiliate" of Developer is an entity comprised of the same people who constitute Developer.

3.4 Restrictions After Completion. It is hereby acknowledged by Developer and Agency that the Agency agreed to sell the Site to Developer in exchange for Developer's

agreement to deed restrict the Residential Units constructed within the Project as owner-occupied affordable housing residential units. Therefore, subsequent to the issuance of the Certificate of Completion for the Site, until each of the required Residential Units has been sold to a Qualified Buyer, except as otherwise permitted under Section 3.3, Developer may not sell, Transfer, convey, hypothecate, assign or lease all or any portion of its interest in the Site without complying with any Transfer restrictions contained within the Deed (Exhibit "F"), or the Regulatory Agreement (Exhibit "I"), or the Notice of Affordability Restrictions (Exhibit "H") as applicable.

4. CONSTRUCTION OF THE PROJECT.

4.1 Development in Accordance with Plans. Within the times set forth in the Schedule of Performance, as they may be extended by the parties or pursuant to Section 8.6 below, Developer shall develop the Project in accordance with this Agreement, the Scope of Development, and the plans and permits required and approved by City (collectively "Development Plans").

4.2 Other Governmental Permits. Developer shall, at its own expense and before commencement of construction, rehabilitation, restoration, revitalization, or development of any buildings, structures, or other work of improvement upon the Site, secure or cause to be secured any and all permits and approvals which may be required by City or any other governmental agency affected by such construction, development or work to be performed by Developer pursuant to the Scope of Development, including but not limited to, necessary building permits and all approvals required under the California Environmental Quality Act ("CEQA").

4.3 Cost of Development. Other than the Agency Financial Assistance, Developer shall bear all costs of preparing and developing the Project and constructing all improvements thereon, including, but not limited to, any and all costs for installing utilities, preparing architectural and engineering plans, preparing the Site, costs associated with meeting applicable seismic standards, interim and permanent financing, broker's and leasing commissions, and fees or charges for development and building.

4.4 Construction Schedule. Developer shall commence and complete construction of the Project within the times set forth in the Schedule of Performance. In no event shall Developer complete construction later than twelve (12) months from the Close of Escrow, as such period may be extended by the parties pursuant to Section 8.6 below. Once construction is commenced, Developer shall diligently pursue such construction to completion. In the event construction of the Project has not been completed within twelve (12) months from the Close of Escrow (as such period may be extended as a result of Force Majeure Delay) for a reason other than the negligence, gross negligence or intentional acts of the Developer, then the Executive Director, or his designee, may, in its sole discretion, extend the date of completion for a maximum of an additional six (6) months. Extensions which are the result of a Force Majeure Delay are governed by the terms of Section 8.6. The Project shall, in any event, be completed not later than eighteen (18) months after the commencement of construction of the Project, if the Executive Director has authorized extensions, subject to any Force Majeure Delay.



4.5 Anti-discrimination During Construction. Developer, for himself and his successors and assigns, agrees that in the construction of the improvements to be constructed by Developer, it shall not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, ancestry or national origin.

4.6 Easements. Developer shall grant all necessary and appropriate easements for development of public improvements consistent with the approved Project plans, including but not limited to streets, rights of vehicular access, sidewalks, sewers, storm drains, and water improvements.

4.7 Employment of Local Residents. A goal of the Agency with respect to this Project and other major projects within the City is to secure employment opportunities for Carson residents. To that end, Developer covenants that Developer shall make best faith efforts to cause all solicitations for full or part-time, new or replacement, employment relating to the construction of the Project, including minority owned business enterprises, to be listed with the Carson Career Center, 1 Civic Plaza, Suite 500, Carson, CA 90745, (310) 233-4888, or the South Bay Workforce Investment Board, 11539 Hawthorne Boulevard, Suite 500, Hawthorne, CA 90250, (310) 970-7700. Prior to commencement of construction, and as soon as practicable, Developer and its general contractor ("Prime Contractor") shall contact the Carson Career Center to schedule a Pre-Construction Orientation Meeting to discuss requirements of the local hire program ("Local Hire Program"), recordkeeping and monthly reporting requirements necessary for the evaluation of the Project's compliance with the Local Hire Program. In addition, the Prime Contractor shall: (1) establish a point of contact to provide information about available job opportunities, (2) conduct outreach efforts to attract local subcontractors and tradesmen, and (3) coordinate Local Hire Program workshops with the Carson Career Center to educate potential local subcontractors and tradesmen about construction employment opportunities with respect to the Project. In addition, Developer shall include in each contract with any contractor undertaking work on the Project, a provision obligating such contractor to make such efforts or to cause its subcontractors to make such efforts. Developer shall be deemed to have complied with its obligations set forth in this Section 4.9 if its construction contract(s) contain language substantially as follows (or as may otherwise be approved by Agency's Counsel in writing): "[Name of contractor] shall make reasonable efforts to cause all solicitations for full or part-time, new or replacement, employment relating to the construction/installation of [describe the applicable work of improvements], including minority owned business enterprises, to be listed with the Carson Career Center, or the South Bay Workforce Investment Board and any other replacement job listing clearing house reasonably selected by the Agency and designated in writing to [name of Developer] and [name of contractor]. If the Agency designates a replacement job listing clearinghouse to [name of Developer], [name of Developer] shall promptly notify [name of contractor] in writing so that [name of contractor] can timely comply with the foregoing obligation. The Agency is an express third party beneficiary of the foregoing obligations of [name of contractor] and shall have the authority to enforce the same (provided that no such exercise by the Agency of its rights or remedies provided for herein impairs or jeopardizes the rights of [name of Developer]." The provisions of this Section are not intended, and shall not be construed, to benefit or be enforceable by any Person whatsoever other than Agency. In addition, and notwithstanding any other provision set forth in this Agreement to the contrary, in no event shall Developer be deemed to be in Default of its obligations set forth in

this Agreement if it performs its obligations set forth in this Section 4.9 but a contractor of Developer commits a default under the applicable provisions of its construction contract.

5. DISPOSITION OF THE SITE.

5.1 Sale of Site.

(i) Consideration. The "Purchase Price" for the Site is One Million Three Hundred Two Thousand Dollars (\$1,302,000.00), which Developer and Agency agree is the fair market price of the Site based on the Site's highest and best use. Subject to all of the terms and conditions set forth in this Agreement, Agency shall convey the Site to Developer at Close of Escrow, with the payment of the Purchase Price secured by Developer's execution of a Promissory Note as described in Section 5.6 below, which Promissory Note shall be tendered to Agency at the Closing.

The Agency is providing the Site to the Developer at Closing as the Agency believes that increasing its stock of workforce housing with the construction of the Project will provide a significant benefit to the community. Developer's commitment to develop an affordable housing project is memorialized in Developer's obligation to deed restrict the Residential Units for the forty-five year Affordability Period as described in Section 5.3 below.

5.2 Prevailing Wage Laws. Developer acknowledges and agrees that should any third party including, but not limited to, the Director of the Department of Industrial Relations ("DIR"), require Developer or any of its contractors or subcontractors to pay the general prevailing wage rates of per diem wages and overtime and holiday wages and any penalties or damages for not complying with prevailing wages laws as determined by the DIR pursuant to Section 1720, *et seq.*, of the California Labor Code for all or any of the work performed on the Project, Developer shall indemnify, defend, and hold the Agency and City harmless from any such determinations, actions (whether legal, equitable or administrative in nature), or other proceedings, liability, damage, cost or expense arising from or as a result of any action or determination by the DIR, and shall assume all obligations and liabilities for the payment of such wages and any penalties or other costs and for compliance with the provisions of the prevailing wage law. The Agency makes no representation that any construction completed by Developer that is part of this Agreement is or is not subject to prevailing wage law.

5.3 Affordability Covenant. In exchange for the Agency agreeing to convey the Site to Developer, Developer agrees to the recordation of the notices against the Site stating that, for a continuous forty-five (45) year period from the initial sale of a Residential Unit to a Qualified Buyer, such Residential Unit shall be used and maintained in compliance with the terms of this Agreement and the Regulatory Agreement, the Homeowner's Regulatory Agreement, and the Notice of Affordability Restrictions including, but not limited to, for the purpose of providing affordable housing within the City. The Regulatory Agreement and the Notice of Affordability Restrictions will be recorded concurrent with the Grant Deed at Close of Escrow and shall require that each of the Residential Units be limited to sale to a Qualified Buyer for 45 years from the initial close of escrow from the initial sale of each Residential Unit from the Developer.

Thereafter, as Developer sells each of the Residential Units, concurrent with the close of escrow for such sale, the Agency shall release the Regulatory Agreement with respect to each sold unit upon Developer's demonstration to Agency, to Agency's satisfaction, that a Homeowner's Regulatory Agreement (substantially in the form attached hereto as Exhibit "N") and a Homeowner's Deed of Trust (substantially in the form attached hereto as Exhibit "M") have been recorded against said Residential Unit and, following such release, the Regulatory Agreement shall be of no further force or effect with respect to that Residential Unit.

5.4 Security for Completion of the Project; Guaranty. Developer shall cause to be executed and delivered to the Agency a completion Guaranty as security to ensure that the Project is developed as required pursuant to this Agreement. Olson Urban Housing, LLC, a Delaware limited liability company, shall execute a Guaranty substantially in the form of the Guaranty attached hereto and incorporated herein as Exhibit "G". Upon request from Developer, upon Developer's demonstration to the Agency's Executive Director that the appropriate milestones have been reached, Agency shall sign an amendment to the Guaranty allowing the Guaranty to be reduced at the following construction milestones: 25%, 50% and 75%.

5.5 Development of the Project. Developer shall commence and diligently prosecute the Project to completion within the time provided and otherwise in strict compliance with this Agreement. Subject to Section 8.6 below, construction on the Project shall commence within thirty (30) days of the Close of Escrow.

5.6 Agency Financial Assistance; Agency Contribution. In addition to the conveyance of the Site to the Developer for the Promissory Note, the Agency shall provide Developer with financial assistance in the amount between Seven Hundred Seventy Thousand Dollars (\$770,000.00) and One Million Three Hundred Twenty-Eight Thousand Four Hundred Ninety-Five Dollars (\$1,328,495.00)("Agency Contribution"), to assist with the cost of constructing the Project as an affordable housing development. Although the Parties intend the Agency Contribution to be limited to \$770,000.00, there is a variable in the amount of the Agency Contribution because, at the time of execution of this Agreement, it is unclear what the final Project conditions of approval will include. Hence, should the final Project conditions of approval include the requirement to construct a 10 year flood storm retention system, the use of enhanced paving at the entry, and/or the requirement for internal concrete streets, upon Developer's demonstration of the actual costs to construct these improvements, the Agency Contribution shall be increased by the cost of those improvements but not to exceed \$1,328,495.00.

The sum of the Purchase Price and the Agency Contribution, which totals between Two Million Seventy-Two Thousand Dollars (\$2,072,000.00) and Two Million Six Hundred Thirty Thousand Four Hundred Ninety-Five Dollars (\$2,630,495.00), shall be collectively referred to as the "Agency Financial Assistance." The loan of the Agency Financial Assistance to Developer for the Project shall be evidenced by the Promissory Note and Deed of Trust attached to this Agreement as Exhibits "J" and "K," respectively. The Deed of Trust shall be recorded against the Site as subordinate only to construction loan. Agency represents and warrants to Developer that the Agency Financial Assistance provided to Developer following the Effective Date of Agreement shall be provided solely from the Agency's Low and Moderate Income Housing

Fund established and maintained pursuant to Sections 33334.2 and 33334.3 of the Health and Safety Code.

The Agency Contribution shall be disbursed as described in this Section. All distributions and use of the Agency Contribution shall be subject to the following:

(i) Disbursement of Funds. The Agency Contribution shall be disbursed by Agency to Developer, provided that Developer has submitted all required documentation to the Agency in connection with such draw (as further described below), as follows: (i) Developer may request a draw down on amounts necessary to pay Agency-approved predevelopment costs, which draw, if requested, shall be funded within fifteen (15) days after the Close of Escrow and after the Developer's construction loan closes, if applicable, and (ii) after construction has commenced, disbursements, less ten percent (10%) of the balance of Agency Contribution which shall not be disbursed until Completion, shall be tendered no more than every thirty (30) days, in arrears.

(a) Predevelopment Costs. Agency agrees to provide the Agency Contribution in phases. The first draw on the Agency Contribution shall serve as reimbursement to Developer for certain predevelopment and construction costs of the Project and shall be in an amount not to exceed One Hundred Fifty-Thousand Dollars (\$150,000.00). Said predevelopment draw may reimburse Developer for costs such as the architect and engineering costs.

(b) Applications for Disbursement. On or about the 30th day of each month after the Close of Escrow, and after the close of all construction financing, if applicable, for the construction costs and continuing until all of the Agency Contribution has been disbursed, the Developer shall submit to the Agency an "Application for Disbursement" which shall include:

(1) A written, itemized statement, signed by a representative of the Developer which sets forth: (i) a description of the work performed, material supplied, and/or costs incurred or due for which disbursement is requested; (ii) the total amount incurred, expended and/or due for the requested disbursement; and (iii) invoices and conditional or unconditional releases shall be presented to substantiate the disbursement request. All moneys applied for and disbursed pursuant to this Section shall be applied only for the corresponding improvements and the statement(s) by the representative of the Developer shall so affirm, in a writing signed under penalty of perjury.

- (2) Mechanics lien waivers including: (i) a Conditional Waiver and Release Upon Progress Payment (California Civil Code Section 3262(d)(1)) for itself and each contractor covered by such Request Payment, (ii) an Unconditional Waiver and Release Upon Progress Payment (California Civil Code Section 3262(d)(2)) for itself and each of its contractors covering the full amount of all previous payments made to Developer, and (iii) an Unconditional Waiver and Release Upon Final Payment (California Civil Code Section 3262(d)(4)) for its contractors who have completed their work and for whom Developer has received full payment.
- (3) Certification by Developer that in completing construction pursuant to this Section, the Developer has complied with all applicable laws.

Each Application for Disbursement by the Developer shall constitute a representation and warranty by the Developer that all work encompassed by the Application has been accomplished in accordance with City standards for such work and sound construction practices, and that the Developer is in compliance with all of the provisions of this Agreement.

- (c) Approval and Payment. Upon receipt of a complete Application for Disbursement, the Agency shall review the same and shall approve the same subject to such exceptions as the Agency deems reasonably necessary and appropriate under the then current circumstances based on the status of the Project as compared to the construction schedule. Such approval may not unreasonably be withheld or delayed. The Agency shall pay, or cause to be paid, any approved disbursements within thirty (30) days following the Agency's receipt of the corresponding complete Application for Disbursement.

- (ii) Term of Agency Financial Assistance to Developer. In the event of termination of this Agreement due to a default by the Developer which is not cured within the applicable cure period provided in this Agreement ("Uncured Default") prior to the completion of the sale of all of the Residential Units by Developer to the Qualified Purchasers, Developer shall pay the Purchase Price to the Agency or shall return the Site to the Agency, at Agency's option, and shall also repay to the Agency an amount equal to the portion of the Agency Contribution previously disbursed by the Agency to the Developer as evidenced by the Promissory Note. Notwithstanding the forgoing, concurrent with the close of escrow for the sale of each Residential Unit to a Qualified Purchaser, the amount of any such reimbursement



obligation shall be immediately and automatically reduced by an amount equal to Thirty-Five Thousand Dollars (\$35,000.00) upon the delivery to Agency of an executed Homeowner's Deed of Trust and an executed Homeowner's Regulatory Agreement, to the Agency's satisfaction. Upon Agency's receipt of such documents for the final Residential Unit, Developer's reimbursement obligation shall be deemed terminated and satisfied in full and Developer shall have no further reimbursement obligation with respect thereto, and the Note evidencing that obligation shall be cancelled and returned to Developer and the Deed of Trust securing that obligation shall be reconveyed and removed from record.

If the Developer does not complete the Project in compliance with this Agreement, the Agency Financial Assistance shall be due and payable by Developer.

Developer's contingent obligation to repay the Promissory Note, or any portion thereof, shall be a non-recourse obligation secured by the subordinate Deed of Trust. Agency agrees to provide for subordination of the Deed of Trust to the Developer's Construction Loan if the Developer or its affiliate is not the general contractor through a subordination agreement as Developer's Construction Loan lender shall require in accordance with customary commercial practice. The Deed of Trust shall provide for partial release of each Residential Unit from the lien of that Deed of Trust upon the close of escrow for transfer of the Residential Unit to the Qualified Purchaser.

(iii) Term of Agency Contribution. Upon each sale or other transfer of a Residential Unit from a Qualified Buyer to another Qualified Buyer during the Affordability Period the Agency shall receive an executed Homeowner's Note from the purchasing party in the amount of \$35,000.00 payable upon default of the Homeowner's Regulatory Agreement and the Agency shall reconvey the prior owner's Homeowner's Deed of Trust and consent to the removal of the prior Homeowner's Regulatory Agreement. The arrangements for such Homeowner's Note shall be made by escrow.

5.7 Subordination. Mortgages, deeds of trust, or any other reasonable method of financing the construction of the Project by Developer are permitted, subject to the conditions imposed by this Agreement. Additionally, mortgages, deeds of trust, or any other reasonable method of financing a Residential Unit by a Qualified Buyer are permitted, but only for the purpose of securing loans or funds to be used solely and exclusively for the purchase of the Residential Unit by a Qualified Buyer in accordance with the terms of this Agreement or the subsequent repair of a Residential Unit by its owner. Developer shall give prior written notice to the Agency of any such proposed mortgage, deed of trust or financing which Developer proposes to enter into before executing said documents. Developer shall not enter into any mortgage, deed of trust or financing without the prior written approval of Agency. Accordingly, during Developer's period of ownership, Developer hereby agrees to promptly notify the Agency of any mortgage, deed of trust, encumbrance or lien that has been created or attached to the Site whether such encumbrance or lien has been established by voluntary act of Developer or otherwise. The terms mortgage and deed of trust, as used herein, shall be deemed to include all means of financing real estate acquisition, construction and redevelopment.

5.8 Sale of the Residential Units.

(i) Initial Sale of the Residential Units. Developer shall contact the City and Agency to request a copy of the City or Agency's waiting list for affordable housing prospective purchasers, and, if the City/Agency list fails to yield a purchaser, Developer shall market and sell each of the Residential Units to Moderate Income Households for a purchase price which does not exceed the maximum sales price authorized to be charged to that Qualified Buyer. The Developer shall give the Agency ten (10) working days' notice before Developer informs a household that it has been selected to purchase one of the Residential Units.

Developer shall conduct affirmative marketing and utilize affirmative marketing procedures, copies of which will be provided to the Agency and reasonably approved. Developer's marketing plan shall include methods for informing the public of fair housing laws and opportunities.

Developer shall be solely responsible for determining whether an applicant is a Qualified Buyer. Developer shall verify income and anticipated income using source documentation compliant with all laws, regulations, or notices issued by an applicable governing agency. Additionally, in the process of qualifying each Qualified Buyer, Developer shall require applicants to attend training on budgeting and financial advice intending to aid first time home buyers.

(ii) Affordability Cost Calculations. The Residential Units shall be sold at a price such that the annual cost of ownership is affordable at an "Affordable Housing Cost." An Affordable Housing Cost is an annual housing cost that includes principal and interest on a mortgage, property taxes and assessments, fire and casualty insurance, property maintenance and repairs, an allowance for utilities and home owner fees, the total of which does not exceed the amount calculated using Health and Safety Code Section 50052.5 and Title 25 of the California Code of Regulations, Section 6920. For a Moderate Income Household, the purchase price for a Residential Unit shall be limited to an amount such that the annual cost of ownership is no greater than the product of thirty-five percent (35%) times one hundred ten percent (110%) of the area median income adjusted for family size appropriate for the Residential Unit.

5.9 Escrow for Sale of the Site. Within ten (10) days of the Effective Date, the parties shall deliver to Escrow Agent a duplicate original of this Agreement which shall constitute the joint Escrow instructions of the Agency and the Developer for the Site. Escrow Agent is empowered to act under these instructions. Agency and Developer shall promptly prepare, execute, and deliver to the Escrow Agent such additional Escrow instructions consistent with the terms herein as shall be reasonably necessary. No provision of any additional Escrow instructions shall modify this document without specific written approval of the modifications by both Developer and Agency.

5.10 Conditions to Close of Escrow.

(i) Developer's Conditions to Closing. Developer's obligation to acquire the Site and to close Escrow hereunder, shall, in addition to any other conditions set forth

herein in favor of Developer, be conditional and contingent upon the satisfaction, or waiver by Developer, of each and all of the following conditions (collectively the “Developer’s Conditions to Closing”) within the time provided in the Schedule of Performance:

- (a) Title shall be conveyed in a good condition subject only to conditions and exceptions recited in the Deed and those exceptions to title approved pursuant to Section 5.12.
- (b) Agency shall have deposited into Escrow a certificate (“FIRPTA Certificate”) in such form as may be required by the Internal Revenue service pursuant to Section 1445 of the Internal Revenue Code.
- (c) Agency shall have deposited into Escrow the executed Grant Deed.
- (d) Developer shall have obtained from the City all required approvals and permits, including site plan review, conditional use, subdivision, grading, and others for development of the Site and after expiration of any applicable statute of limitation to challenge said approvals and building permits shall be ready to be issued.
- (e) No uncured default of Agency shall then exist under this Agreement.
- (f) No litigation, administrative or adjudicative proceeding, including without limitation, an application for writ of mandate, shall have been filed which seeks to challenge or enjoin the Project or the transactions contemplated by this Agreement, or to obtain damages in connection therewith, or which affects Agency’s title to the Site or its performance hereunder, or, if timely filed, such action shall have been finally concluded or terminated in a manner reasonably satisfactory to Developer.
- (g) No later than five (5) days before Closing, unless Developer has elected to self-finance as provided in Section 5.13 below, Developer shall have provided evidence of financing necessary to complete the Project and insurance certificates, to the satisfaction of the Executive Director or his designee, as required by Section 5.13.
- (h) Developer shall have deposited the executed and, where applicable, recordable Agency Note, the Deed of Trust, the Regulatory Agreement, the Guaranty and Notice of Affordability Restrictions.

- (i) Developer has approved in writing all Due Diligence matters on or before the expiration of the Due Diligence period.

Any waiver of the foregoing conditions must be express and in writing. In the event that the foregoing conditions have not been satisfied within the time provided therefor in the Schedule of Performance, as extended pursuant to Section 8.6 or as otherwise provided in this Agreement, the Developer may terminate this Agreement by delivering a written notice in accordance with Section 5.17.

(ii) Agency's Conditions to Closing. Agency's obligation to sell the Site and to close Escrow hereunder, shall, in addition to any other conditions set forth herein in favor of Agency, be conditional and contingent upon the satisfaction, or waiver by Agency, of each and all of the following conditions (collectively the "Agency's Conditions to Closing") within the time provided in the Schedule of Performance:

- (a) Developer shall have obtained from the City all required approvals and permits, including site plan review, conditional use, subdivision, grading, and others for development of the Site and after expiration of any applicable statute of limitation to challenge said approvals and building permits shall be ready to be issued.
- (b) Developer shall have executed and deposited into Escrow, in recordable form where applicable, the Regulatory Agreement, the Promissory Note, the Deed of Trust, the Guaranty and the Notice of Affordability Restrictions.
- (c) Developer shall have deposited in Escrow its share of the Closing Costs.
- (d) Developer shall not be in default under any provision of this Agreement.
- (e) No later than five (5) days before Closing, unless Developer has elected to self-finance as provided in Section 5.13 below, Developer shall have provided evidence of financing necessary to complete the Project and insurance certificates, to the satisfaction of the Executive Director or his designee, as required by Section 5.13.
- (f) City shall have issued all approvals required for the development of the Project on the Site.
- (g) Agency shall have approved the construction contract with the general contractor, unless Developer elects to act as its own general contractor as provided in Section 5.13 below.

Any waiver of the foregoing conditions must be express and in writing. In the event that Developer fails to satisfy Agency's foregoing conditions or defaults in the performance of its obligations hereunder, Agency may terminate this Escrow by delivering a written notice in accordance with Section 5.17.

5.11 Conveyance of the Site.

(i) Time for Conveyance. Escrow shall close after satisfaction of all conditions to the Close of Escrow, but not later than nine (9) months from deposit into Escrow of a fully executed copy of this Agreement, unless extended by the mutual agreement of the parties or any Force Majeure Delay or as otherwise expressly provided in this Agreement. Possession of the Site shall be delivered to Developer concurrently with the conveyance of title free of all tenancies, occupants and other rights of possession and subject only to those title matters approved in accordance with Section 5.12.

(ii) Escrow Agent to Advise of Costs. The Escrow Agent shall advise the Agency and the Developer in writing of the fees, charges, and costs necessary to clear title and close Escrow, and of any documents which have not been provided by said party and which must be deposited in Escrow to permit timely Closing.

(iii) Deposits By Agency Prior to Closing. On or before the day prior to the Close of Escrow, Agency shall execute, acknowledge and deposit the Deed into Escrow and any other documents reasonably requested by Escrow Holder.

(iv) Deposits By Developer Prior to Closing. On or before, but not later than one (1) day prior to, Close of Escrow, Developer shall execute and acknowledge as may be required and deposit into Escrow: (i) payment to Escrow Agent of Developer's share of costs as determined by the Escrow Agent; and (ii) all documents required pursuant to Section 5.10(ii).

(v) Recordation and Disbursement of Funds. Upon the completion by the Agency and Developer of the deliveries and actions specified in these escrow instructions precedent to Closing, the Escrow Agent shall be authorized to buy, affix and cancel any documentary stamps and pay any transfer tax and recording fees, if required by law, and thereafter cause to be recorded in the appropriate records of Los Angeles County, California, the Deed, the Regulatory Agreement, the Deed of Trust, the Notice of Affordability Restrictions and any other appropriate instruments delivered through this Escrow, if necessary or proper to, and provided that the fee title interest can, vest in Developer in accordance with the terms and provisions herein. Recordation of such Deed in the Official Records of the Los Angeles County Recorder shall occur at "Close of Escrow". Concurrent with recordation, Escrow Agent shall deliver the Title Policy to Developer insuring title and conforming to the requirements of Section 5.13. Following recordation, the Escrow Agent shall deliver copies of said instruments to Developer and Agency.

5.12 Title Matters.

(i) Condition of Title. Agency shall convey to Developer fee interest in the Site, subject only to: (i) the Redevelopment Plan, this Agreement, the Deed of Trust, the

Regulatory Agreement, the Notice of Affordability Restrictions and the conditions in the Deed; (ii) current taxes, a lien not yet payable; (iii) quasi-public utility, public alley and public street easements of record approved by Developer, which approval shall not be unreasonably withheld; and (iv) covenants, conditions and restrictions and other encumbrances and title exceptions approved by Developer under this Section. Agency shall convey title pursuant to the Deed in the form set forth in Exhibit "F" hereto.

(ii) Exclusion of Oil, Gas, and Hydrocarbons. Title shall be conveyed subject to the exclusion therefrom to the extent now or hereafter validly excepted and reserved by the parties named in deeds, leases and other documents of record of all oil, gas, hydrocarbon substances and minerals of every kind and character lying more than five hundred feet (500') below the surface, together with the right to drill into, through, and to use and occupy all parts of the Site lying more than five hundred feet (500') below the surface thereof for any and all purposes incidental to the exploration for and production of oil, gas, hydrocarbon substances or minerals from the Site but, without, however, any right to use either the surface of the Site or any portion thereof within five hundred feet (500') of the surface for any purpose or purposes whatsoever.

(iii) Agency Not to Encumber Site. Agency hereby warrants to Developer that it has not and will not, from the time of Developer's review of the Preliminary Title Report to Close of Escrow, transfer, sell, hypothecate, pledge, or otherwise encumber the Site without express written permission of Developer.

(iv) Approval of Title Exceptions. Within ten (10) days of the deposit of this Agreement into Escrow, Agency shall deliver a current preliminary title report, to Developer, including copies of all documents referenced therein. Within ten (10) days of receipt, Developer shall deliver to Agency written notice, with a copy to Escrow Agent, specifying in detail any exception disapproved and the reason therefor. Agency shall deliver written notice to Developer within ten (10) days of receipt of written notice of Developer's disapproval, as to whether Agency will or will not cure the disapproved exceptions; provided, however, that Agency shall elect to cure all disapproved exceptions which are monetary or possessory interests. If Agency elects not to cure the disapproved exceptions, Developer may terminate the Escrow but without any liability of Agency to Developer. If Agency so elects to cure the disapproved exceptions, Agency shall do so on or before the Closing.

(v) Title Policy. At the close of Escrow, Developer shall receive a CLTA Standard Policy of Title Insurance (the "Title Policy") issued by Fidelity National Title Insurance Company for the Developer's interest, wherein the Title Company shall insure that title to the Site shall be vested in Developer, containing no exception to such title which has not been approved or waived by Developer in accordance with this Section with coverage in the amount of the Purchase Price (\$1,302,000.00). The Title Policy shall include any available additional title insurance, extended coverage or endorsements that Developer has reasonably requested or, in the alternative, an ALTA Policy of Title Insurance if the Developer so elects. The Agency shall pay only for that portion of the title insurance premium attributable to the standard coverage of a CLTA Policy, and Developer shall pay for the premium for said additional title insurance, extended coverage, special endorsements and differences between the ALTA coverage and the CLTA coverage.



5.13 Evidence of Financial Capability. Not less than thirty (30) days prior to Close of Escrow, Developer shall submit to Agency's Executive Director or his designee for approval, evidence reasonably satisfactory to the Executive Director or his designee that Developer has the financial capability necessary for the development of the Project on the Site pursuant to this Agreement. Such evidence of financial capability shall include all of the following:

(i) Reliable cost estimates for Developer's total cost of developing the Project (including both "hard" and "soft" costs).

(ii) Developer shall demonstrate that it has adequate funds available and committed to finance the development of the Project with either: (a) a complete copy of the construction loan commitment obtained by Developer to finance the development of the Project, or (b) should Developer elect to self-finance the construction, Developer shall deposit fifty percent (50%) of its contribution to the cost of construction into a specific bank account for this Project under and deliver confirmation of same to Agency, to Agency's satisfaction, before construction commences. Should Developer elect to self-finance the construction, Developer shall deliver to Agency, at least once per month while such funds are maintained in said account, a balance sheet from the above-described bank account showing that the funds in said account are only being used for this Project.

(iii) A financial statement and/or other documentation reasonably satisfactory to the Executive Director or his designee sufficient to demonstrate that Developer has adequate funds available and/or committed to cover the difference between the development costs of the Project (subparagraph (i) above) and the proceeds of the construction loan commitment (subparagraph (ii) above).

(iv) A copy of the proposed contract between Developer and its general contractor for all of the improvements required to be constructed by Developer hereunder, certified by Developer to be a true and correct copy thereof, a detailed schedule of values with a timeline and a copy of the general contractor's license. The Executive Director or his designee shall also have the right to review and approve any revisions that are made to the proposed contract after its approval by the Executive Director or his designee. Agency agrees that Developer, acting on its own behalf, or through a licensed affiliate, shall have the right to act as the general contractor with respect to the Project.

Developer covenants and agrees to take all action, furnish all information, give all consents and pay all sums reasonably required to keep the construction loan commitment in full force and effect and shall comply in all material aspects with all conditions thereof, and shall promptly execute, acknowledge and deliver all applications, credit applications and data, financial statements, and documents in connection therewith. Agency review of the foregoing items shall only be for purposes of confirming the consistency of the foregoing with the requirements of this Agreement and the adequacy of funding.

5.14 Due Diligence. The environmental condition of the Site is unknown. Developer acknowledges that Agency has not undertaken any environmental assessment of the Site whatsoever and that the Agency makes no representations regarding the condition of the Site



or the Site's fitness for residential development and related uses. Accordingly, as Developer executed a Right of Entry Agreement concurrent with the execution of the ENA, Developer has already had the right to enter upon the Site to conduct testing. Said right shall continue for a period of sixty (60) days following the date of Opening of Escrow ("Due Diligence Period"), during which Developer shall have the right to make an analysis of the Site including such engineering, feasibility studies, soils tests, environmental studies and other investigations as Developer, in its sole discretion, may desire, to permit Developer to determine the suitability of the Site for Developer's contemplated uses and to conduct such other review and investigation which Developer deems appropriate to satisfy itself to acquire the Site. Developer shall further have the right to make an examination of all permits, approvals and governmental regulations which affect the Site, including zoning and land use issues and conditions imposed upon the Site by governmental agencies.

(i) Entry for Investigation; Right of Entry. Subject to the conditions hereafter stated, during the Due Diligence Period, Agency grants to Developer, its agents and employees, a limited license to enter upon the Site for the purpose of conducting engineering surveys, soil tests, investigations or other studies reasonably necessary including, without limitation, any "Phase I" and/or "Phase II" environmental investigations of the Site, to evaluate the condition of the Site, which studies, surveys, investigations and tests shall be done at Developer's sole cost and expense. Developer shall indemnify, defend, and hold Agency harmless from any injury or property damage caused or liability arising out of Developer's exercise of this right of access.

As a condition to Developer's entry, inspection or testing, Developer shall keep the Site free and clear of all materialmen's liens, lis pendens and other liens arising out of the entry and work performed under this Agreement.

(ii) Approval of Due Diligence Matters. Developer shall notify Agency in writing ("Developer's Due Diligence Notice") on or before the expiration of the Due Diligence Period of Developer's approval or disapproval of the condition of the Site and Developer's investigations with respect thereto (excluding title matters), which approval may be withheld in Developer's sole and absolute discretion. Developer's failure to deliver Developer's Due Diligence Notice on or before the expiration of the Due Diligence Period shall be conclusively deemed Developer's disapproval thereof. Developer's disapproval of said matters shall automatically terminate this Agreement.

5.15 Condition of Site.

(i) Remediation. Notwithstanding Section 5.14, should any unknown contaminants or underground tanks or Hazardous Materials be discovered on the Site during grading, the Agency shall reimburse the Developer for Developer's costs incurred to characterize and remediate such contaminants up to and not to exceed reimbursement of Fifty Thousand Dollars (\$50,000.00). If the parties determine during the expenditure of the first \$50,000.00 that the remediation will cost more than the parties agree to spend and the Developer does not agree to fund such excess cost, then the parties may agree to terminate this Agreement. Upon completion of all of the required remediation or the earlier termination of the Agreement in the event of any excess costs, Developer shall submit an application for disbursement of the Agency

remediation reimbursement amount substantially as required pursuant to the process set forth in Section 5.7. Developer shall be solely responsible for the payment of the remediation costs in excess of this Agency reimbursement amount, for a total cost not to exceed Fifty Thousand Dollars (\$50,000.00). Should remediation be required in excess of this amount, the parties agree to meet and confer regarding the financial responsibility for any additional costs. Should the parties be unable to agree on a resolution, Developer shall transfer the Site back to Agency clear of any exceptions to title or liens which were not in place when the Site was transferred to Developer, and the Agency shall not be responsible for more than the Agency remediation reimbursement amount and the parties shall take all other actions necessary to unwind this Agreement. All remediation work shall be performed by contractors selected by the Developer.

(ii) Disclaimer of Warranties. Upon the Close of Escrow, the Agency shall deliver the Site to Developer clear of all on-site monitoring wells; otherwise, other than the potential reimbursement requirement set forth in Subsection (i) immediately above, Developer shall acquire the Site in its "AS-IS" condition and shall be responsible for any defects in the Site, whether patent or latent, including, without limitation, the physical, environmental and geotechnical condition of the Site, and the existence of any contamination, Hazardous Materials, debris, pipelines or other structures located on, under or about the Site. Agency makes no representation or warranty concerning the physical, environmental, geotechnical or other condition of the Site, the suitability of the Site for the Project, or the present use of the Site, and specifically disclaims any other representations or warranties of any nature concerning the Site made by it, the City and their employees, agents and representatives. The foregoing disclaimer includes, without limitation, topography, climate air, water rights, utilities, present and future zoning, soil, subsoil, existence of Hazardous Materials or similar substances, the purpose for which the Site is suited, or drainage. The Agency makes no representation or warranty concerning the compaction of soil upon the Site, nor of the suitability of the soil for construction.

(iii) Hazardous Materials. Developer understands and agrees that in the event Developer incurs any loss or liability concerning Hazardous Materials (as hereinafter defined) and/or oil wells and/or underground storage tanks and/or pipelines whether attributable to events occurring prior to or following the Closing, then Developer may look to prior owners of the Site, but, except as expressly provided in Section 5.15(i) above, under no circumstances shall Developer look to Agency or City for any liability or indemnification regarding Hazardous Materials and/or oil wells and/or underground storage tanks and/or pipelines. Developer, and each of the entities constituting Developer, if any, from and after the Closing, hereby waives, releases, remises, acquits and forever discharges Agency, City, their directors, officers, shareholders, employees, and agents, and their respective heirs, successors, personal representatives and assigns, of and from any and all Environmental Claims, Environmental Cleanup Liability and Environmental Compliance Costs, as those terms are defined below, and from any and all actions, suits, legal or administrative orders or proceedings, demands, actual damages, punitive damages, loss, costs, liabilities and expenses, which concern or in any way relate to the physical or environmental conditions of the Site, the existence of any Hazardous Material thereon, or the release or threatened release of Hazardous Materials therefrom, whether existing prior to, at or after the Closing, except as expressly provided in Section 5.15(i) above. It is the intention of the parties pursuant to this release that any and all responsibilities and obligations of Agency and City, and any and all rights, claims, rights of action, causes of action, demands or legal rights of any kind of Developer, its successors, assigns or any affiliated entity

of Developer, arising by virtue of the physical or environmental condition of the Site, the existence of any Hazardous Materials thereon, or any release or threatened release of Hazardous Material therefrom, whether existing prior to, at or after the Closing, are by this Release provision declared null and void and of no present or future force and effect as to the parties, except as expressly provided in Section 5.15(i) above. In connection therewith, Developer and each of the entities constituting Developer, expressly agree to waive any and all rights which said party may have under Section 1542 of the California Civil Code which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

DEVELOPER’S INITIALS: _____ AGENCY’S INITIALS: _____

Subject to the provisions of Section 5.15(i) above, Developer shall, from and after the Closing, defend, indemnify and hold harmless Agency, City and their officers, directors, employees, agents and representatives (collectively, the “Indemnified Parties”) from and against any and all Environmental Claims, Environmental Cleanup Liability, Environmental Compliance Costs, and any other claims, actions, suits, legal or administrative orders or proceedings, demands or other liabilities resulting at any time from the physical and/or environmental conditions of the Site whether before or after the Closing or from the existence of any Hazardous Materials or the release or threatened release of any Hazardous Materials of any kind whatsoever, in, on or under the Site occurring at any time whether before or after the Closing, including, but not limited to, all foreseeable and unforeseeable damages, fees, costs, losses and expenses, including any and all attorneys’ fees and environmental consultant fees and investigation costs and expenses, directly or indirectly arising therefrom, and including fines and penalties of any nature whatsoever, assessed, levied or asserted against any Indemnified Parties to the extent that the fines and/or penalties are the result of a violation or an alleged violation of any Environmental Law. Developer further agrees that in the event Developer obtains, from former or present owners of the Site or any other persons or entities, releases from liability, indemnities, or other forms of hold harmless relating to the subject matter of this Section, Developer shall use its diligent efforts to obtain for Agency and City the same releases, indemnities and other comparable provisions.

For purposes of this Section, the following terms shall have the following meanings.

- a. “Environmental Claim” means any claim for personal injury, death and/or property damage made, asserted or prosecuted by or on behalf of any third party, including, without limitation, any governmental entity, relating to the Site or its operations and arising or alleged to arise under any Environmental Law.
- b. “Environmental Cleanup Liability” means any cost or expense of any nature whatsoever incurred to contain, remove, remedy, clean up, or abate any contamination or any Hazardous Materials on or under all or any part of the Site, including the ground water thereunder, including, without limitation, (A) any direct costs or expenses for investigation, study, assessment, legal representation, cost recovery by governmental agencies, or ongoing monitoring in connection therewith and (B) any cost, expense, loss



or damage incurred with respect to the Site or its operation as a result of actions or measures necessary to implement or effectuate any such containment, removal, remediation, treatment, cleanup or abatement.

c. “Environmental Compliance Cost” means any cost or expense of any nature whatsoever necessary to enable the Site to comply with all applicable Environmental Laws in effect. “Environmental Compliance Cost” shall include all costs necessary to demonstrate that the Site is capable of such compliance.

d. “Environmental Law” means any federal, state or local statute, ordinance, rule, regulation, order, consent decree, judgment or common-law doctrine, and provisions and conditions of permits, licenses and other operating authorizations relating to (A) pollution or protection of the environment, including natural resources, (B) exposure of persons, including employees, to Hazardous Materials or other products, raw materials, chemicals or other substances, (C) protection of the public health or welfare from the effects of by-products, wastes, emissions, discharges or releases of chemical substances from industrial or commercial activities, or (D) regulation of the manufacture, use or introduction into commerce of chemical substances, including, without limitation, their manufacture, formulation, labeling, distribution, transportation, handling, storage and disposal.

e. “Hazardous Material” is defined to include any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government. The term “Hazardous Material” includes, without limitation, any material or substance which is: (A) petroleum or oil or gas or any direct or derivate product or byproduct thereof; (B) defined as a “hazardous waste,” “extremely hazardous waste” or “restricted hazardous waste” under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (C) defined as a “hazardous substance” under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (D) defined as a “hazardous material,” “hazardous substance,” or “hazardous waste” under Sections 25501(j) and (k) and 25501.1 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (E) defined as a “hazardous substance” under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (F) “used oil” as defined under Section 25250.1 of the California Health and Safety Code; (G) asbestos; (H) listed under Chapter 11 of Division 4.5 of Title 22 of the California Code of Regulations, or defined as hazardous or extremely hazardous pursuant to Chapter 10 of Division 4.5 of Title 22 of the California Code of Regulations; (I) defined as waste or a hazardous substance pursuant to the Porter-Cologne Act, Section 13050 of the California Water Code; (J) designated as a “toxic pollutant” pursuant to the Federal Water Pollution Control Act, 33 U.S.C. § 1317; (K) defined as a “hazardous waste” pursuant to the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.* (42 U.S.C. § 6903); (L) defined as a “hazardous substance” pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 *et seq.* (42 U.S.C. § 9601); (M) defined as “Hazardous Material” pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. § 5101 *et seq.*; or (N) defined as such

or regulated by any "Superfund" or "Superlien" law, or any other federal, state or local law, statute, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning Hazardous Materials and/or oil wells and/or underground storage tanks and/or pipelines, as now, or at any time hereafter, in effect.

Notwithstanding any other provision of this Agreement, Developer's release and indemnification as set forth in the provisions of this Section, as well as all provisions of this Section shall survive the termination of this Agreement and shall continue in perpetuity.

5.16 Costs of Escrow.

(i) Allocation of Costs. The Escrow Agent is authorized to allocate costs as follows: Agency and Developer shall allocate the cost of the Title Policy as provided in Section 5.13(v). Agency shall pay the documentary transfer tax as well as all recording fees. Developer and Agency shall each pay one-half of all Escrow and similar fees, except that if one party defaults under this Agreement, the defaulting party shall pay all Escrow fees and charges. Each party shall pay its own attorneys' fees.

(ii) Proration and Adjustments. Ad valorem taxes and assessments on the Site for the current year shall be prorated by the Escrow Agent as of the date of Closing with the Agency responsible for those levied, assessed or imposed prior to Closing and the Developer responsible for those after Closing. If the actual taxes are not known at the date of Closing, the proration shall be based upon the most current tax figures. When the actual taxes for the year of Closing become known, Developer and Agency shall, within thirty days thereafter, reprorate the taxes in cash between the parties.

5.17 Termination of Escrow.

(i) Termination. Escrow may be terminated by demand of either party who then shall have fully performed its obligations hereunder if:

- (a) The Conditions to Closing for the benefit of the terminating party have not occurred or have not been approved, disapproved, or waived as the case may be, by the approving party by the date established herein for the occurrence of such Condition, including any grace period pursuant to this Section; or
- (b) Escrow is not in a condition to close by the date set for Closing; or
- (c) The other party is in breach of the terms and conditions of this Agreement and has not cured that breach within any applicable cure period.



In the event of the foregoing, the terminating party may, in writing, demand return of its money, papers, or documents from the Escrow Agent and shall deliver a copy of such demand to the non-terminating party.

No demand for termination pursuant to this provision shall be recognized by the Escrow Agent until thirty (30) days after the Escrow Agent shall have mailed copies of such demand to the non-terminating party, and no objections are raised in writing to the terminating party and the Escrow Agent by the non-terminating party within that thirty (30) day period. In the event of such objections, an opportunity to cure shall be provided as stated below in subsection (c)(ii) of this Section. In addition, the Escrow Agent is authorized to hold all money, papers, and documents until instructed in writing by both Developer and Agency or, upon failure thereof, by a court of competent jurisdiction. If no such demands are made, the Escrow shall be closed as soon as possible.

(ii) Opportunity to Cure. Prior to Closing, in the event any of the Conditions to Closing are not satisfied or waived by the party with the power to approve said Conditions (the “approving party”), then such party shall explain in writing to the other party (the “nonapproving party”) the reason for the disapproval. Thereafter, the nonapproving party shall have an additional thirty (30) days to satisfy any such Condition to Closing, or such additional time as is reasonably necessary to complete satisfaction of such Conditions provided such party is diligently pursuing such satisfaction, and only if such Conditions still cannot be satisfied may the approving party terminate the Escrow. In the event Escrow is not in a condition to close because of a default by any party, and the performing party has made demand as stated above, then upon the non-performing party’s delivering its objection to Escrow Agent and the performing party within the above thirty (30) day period, the non-performing party shall have the right to cure the default within thirty (30) days of such objection, or such additional time as is reasonably necessary to cure such default provided the curing party is diligently pursuing the cure thereof as provided in Section 7.9 below.

6. DEVELOPMENT OF THE SITE.

6.1 Scope of Development. The Site shall be developed by Developer as provided in this Agreement, the Scope of Development, the Regulatory Agreement, and the plans and permits approved by Agency and City.

6.2 Development Plans.

(i) Agency’s Right to Review Plans. As listed in the Schedule of Performance, the Developer shall submit Design Development Plans to Agency within thirty (30) day of opening Escrow. The Design Development Plans submitted to Agency shall be approved or disapproved within fifteen (15) days of Agency’s receipt of said plans. Any disapproval by Agency shall be communicated to Developer in writing by a notice of disapproval (“Notice of Disapproval”) which shall set forth the reasons for disapproval. Developer shall submit the Final Plans and specifications to Agency within sixty (60) days of the receipt of Project approvals. Agency shall approve or disapprove of the Final Plans within fifteen (15) days of Agency’s receipt of said plans.

Developer understands that the design, quality and architectural treatment of the improvements to be constructed as the Project are of significant concern to Agency, and that Agency's review of the plans will include, but not be limited to, such aesthetic and architectural concerns. Developer understands and agrees that Agency reserves the right to disapprove any plans that fail to reflect materials, workmanship, design and architectural treatment of a high quality acceptable to Agency in its reasonable discretion.

Agency makes no representations or warranties with respect to approvals required by any other governmental entity or with respect to approvals hereinafter required from City and Agency, City reserving full police power authority over the Project. Nothing in this Agreement shall be deemed to be a prejudgment or commitment with respect to such items, nor a guarantee that such approvals or permits will be issued within any particular time or with or without any particular conditions.

In addition to securing Agency's approval of all Plans required hereby, Developer shall, in order to accommodate the various activities set forth in the Schedule of Performance, and at its own cost and expense, secure any and all grading, building or other permits required by any governmental agency affected by such construction, development or work. Developer acknowledges that approval by Agency does not constitute approval by City under any required code, ordinance, law or regulation, or in connection with any building/development permit.

6.3 Developer Responsibilities During Construction. The Developer shall be solely responsible for all actions necessary for the development of the Project and cause all construction of the Project to be performed in accordance with this Agreement and the Scope of Development, as modified from time to time, as well as in accordance with all other applicable provisions of this Agreement and all applicable laws and regulations. The cost of constructing all of the improvements required to be constructed for the Project shall be borne by Developer.

6.4 Schedule of Performance; Progress Reports. Subject to Section 8.6, Developer shall begin and complete all plans, reviews, construction and development specified in the Scope of Development within the times specified in the Schedule of Performance or such reasonable extensions of said dates as may be mutually approved in writing by the parties.

Once construction is commenced, it shall be diligently pursued to completion, and shall not be abandoned for more than thirty (30) consecutive days, except when due to Force Majeure Delay. Developer shall keep the Agency informed of the progress of construction and, shall submit monthly written reports of the progress of the construction to the Agency in the form required by the Agency.

6.5 Indemnification During Construction. During the periods of construction on the Site and until such time as the Agency has issued a Certificate of Completion with respect to the construction of the improvements thereon, the Developer agrees to and shall indemnify and hold the Agency and the City and their officers, employees and agents harmless from and against all liability, loss, damage, costs, or expenses (including reasonable attorneys' fees and court costs) arising from or as a result of the death of any person or any accident, injury, loss, or damage whatsoever caused to any person or to the property of any person which shall occur on the Site and which shall be directly or indirectly caused by any acts done thereon or any

errors or omissions of the Developer or its agents, servants, employees, or contractors. The Developer shall not be responsible for (and such indemnity shall not apply to) any acts, errors, or omissions of the Agency or the City, or their respective agents, servants, employees, or contractors. The Agency and City shall not be responsible for any acts, errors, or omissions of any person or entity except the Agency and the City and their respective agents, servants, employees, or contractors, subject to any and all statutory and other immunities. The provisions of this Section shall survive the termination of this Agreement.

6.6 Insurance. Except as provided in this Section, prior to the entry by Developer on the Site and prior to the commencement of any construction by Developer on the Project, Developer or its general contractor shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Agency, during the entire term of such entry or construction, the following policies of insurance:

(i) Liability Insurance. Prior to entry onto the Site and at all subsequent times during the term of this Agreement prior to issuance of the Certificate of Completion, Developer shall, at its sole expense, obtain and/or cause to be maintained, and shall keep in force, a commercial general liability policy of insurance in the amount of Three Million Dollars (\$3,000,000.00), combined single limit, providing coverage, on an occurrence basis, with respect to Property damage or personal injury occurring on the Site and arising from Developer's use thereof or construction thereon.

(ii) Worker's Compensation Insurance. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure and provide legal defense for the Developer, Agency and the City against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by the Developer in the course of carrying out the work or services contemplated in this Agreement.

(iii) Automobile Insurance. A policy of automobile liability insurance written on a per occurrence basis in an amount not less than One Million Dollars (\$1,000,000.00) combined single limit per accident for bodily injury and property damage covering owned, leased, hired, and non-owned vehicles.

(iv) Builder's Risk Insurance. A policy of "Builder's Risk" insurance covering the full replacement value of all of the improvements to be constructed by Developer pursuant to this Agreement plus Developer's personal property and equipment. Developer shall procure the builder's risk insurance policy prior to commencing construction.

All of the above policies of insurance, except the Builder's Risk Insurance, shall be primary insurance and shall name Agency, City, and their officers, employees, and agents as additional insureds. The insurer shall waive all rights of subrogation and contribution it may have against Agency, City, and their officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be materially amended or cancelled without providing thirty (30) days prior written notice to Agency and City. In the event any of said policies of insurance are cancelled, Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to the Executive

Director. No work or services under this Agreement shall commence until the Developer has provided Agency with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders are approved by Agency.

The policies of insurance required by this Agreement shall be satisfactory only if issued by companies qualified to do business in California, rated "A" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the Risk Manager of the City ("Risk Manager") due to unique circumstances.

Developer shall provide in all contracts with contractors and subcontractors that said contractor and subcontractor shall maintain the same policies of insurance required to be maintained by Developer pursuant to this Section, unless waived or modified by the Risk Manager or unless such coverage is provided by Developer or the general contractor under a wrap-up or master policy of coverage.

The Developer agrees that the provisions of this Section shall not be construed as limiting in any way the extent to which the Developer may be held responsible for the payment of damages to any persons or property resulting from the Developer's activities or the activities of any person or persons for which the Developer is otherwise responsible.

6.7 City and Other Governmental Agency Permits. Before commencement of construction or development of any buildings, structures, or other works of improvement upon the Site which are Developer's responsibility under the applicable Scope of Development, Developer shall at his own expense secure or cause to be secured any and all permits which may be required by City or any other governmental agency affected by such construction, development or work. Developer shall not be obligated to construct if any permit is not issued despite good faith effort by Developer. If there is delay beyond the usual time for obtaining any such permits due to no fault of Developer, the Schedule of Performance shall be extended to the extent such delay prevents any action which could not legally or would not in accordance with good business practices be expected to occur before such permit was obtained. Developer shall pay all City fees and charges applicable to such permits and any fees or charges hereafter imposed by City which are standard for and uniformly applied to similar projects in the City.

6.8 Rights of Access. Representatives of the Agency shall have the reasonable right to access the Site without charges or fees, at any time during normal construction hours during the period of construction and upon reasonable notice to Developer, for the purpose of assuring compliance with this Agreement, including but not limited to the inspection of the construction work being performed by or on behalf of Developer. Such representatives of Agency shall be those who are so identified in writing by the Executive Director of Agency or his designee. Each such representative of Agency shall identify himself or herself at the job site office upon his or her entrance to the Site, and shall provide Developer, or the construction superintendent or similar person in charge on the Site, a reasonable opportunity to have a representative accompany him or her during the inspection. Agency shall indemnify, defend, and hold Developer harmless from any injury or property damage caused or liability arising out of Agency's exercise of this right of access. Agency representatives shall comply

with all safety rules and shall not interfere with, delay or interrupt Developer's construction activities.

6.9 Applicable Laws. Developer shall carry out the construction of the improvements to be constructed by Developer in conformity with all applicable laws, including all applicable federal and state labor laws.

6.10 Nondiscrimination During Construction. Developer, for himself and his successors and assigns, agrees that in the construction of the improvements to be constructed by Developer, it shall not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, ancestry or national origin.

6.11 Taxes, Assessments, Encumbrances and Liens. Subject to its right to contest the same in good faith, Developer shall pay, prior to delinquency, all real estate taxes and assessments assessed or levied on the portion of the Site owned by Developer subsequent to conveyance of title. Until the date Developer is entitled to the issuance by Agency of a Certificate of Completion, Developer shall not place or allow to be placed thereon any mortgage, trust deed, encumbrance or lien (except mechanic's liens prior to suit to foreclose the same being filed) prohibited by this Agreement. Developer shall remove or have removed any levy or attachments made on the Site, or assure the satisfaction thereof, within a reasonable time, but in any event prior to a sale thereunder. Nothing herein contained shall be deemed to prohibit Developer from contesting the validity or amounts of any tax, assessment, encumbrance or lien, or to limit the remedies available to Developer in respect thereto.

6.12 Rights of Holders of Approved Security Interests in Site.

(i) Definitions. As used in this Section, the term "Mortgage" shall include any mortgage, whether a leasehold mortgage or otherwise, deed of trust, or other security interest, or sale and lease-back, or any other form of conveyance for financing. The term "Holder" shall include the holder of any such mortgage, deed of trust, or other security interest, or the lessor under a lease-back, or the grantee under any other conveyance for financing.

(ii) No Encumbrances Except Mortgages to Finance The Project. Notwithstanding the restrictions on transfer in Section 3.3, Mortgages required for any reasonable method of financing of the construction of the improvements are permitted before issuance of a Certificate of Completion but only for the purpose of securing loans of funds used or to be used for financing the acquisition of the Site, for the construction of improvements thereon, and for any other expenditures necessary and appropriate to develop the Site under this Agreement, or for restructuring or refinancing any for same, so long as the refinancing does not exceed the then outstanding balance of the existing financing, including any additional costs for completion of construction, whether direct or indirect, based upon the estimates of architects and/or contractors. The Developer (or any entity permitted to acquire title under this Section) shall notify the Agency in advance of any Mortgage, if the Developer or such entity proposes to enter into the same before issuance of the Certificate of Completion. The Developer or such entity shall not enter into any such conveyance for financing without the prior written approval of the Agency, which shall not be unreasonably withheld, conditioned or delayed. Any Holder approved by the Agency shall not be bound by any amendment, implementation, or modification

to this Agreement subsequent to its approval without such Holder giving its prior written consent thereto. In any event, the Developer shall promptly notify the Agency of any encumbrance, lien or Mortgage that has been created or attached thereto prior to issuance of a Certificate of Completion, whether by voluntary act of the Developer or otherwise.

(iii) Developer's Breach Not to Defeat Mortgage Lien. Developer's breach of any of the covenants or restrictions contained in this Agreement shall not defeat or render invalid the lien of any Mortgage made in good faith and for value as to the Site, or any part thereof or interest therein, but unless otherwise provided herein, the terms, conditions, covenants, restrictions, easements, and reservations of this Agreement shall be binding and effective against the Holder of any such Mortgage of the Site whose interest is acquired by foreclosure, trustee's sale or otherwise.

(iv) Holder Not Obligated to Construct or Complete Improvements. The Holder of any Mortgage shall in no way be obligated by the provisions of this Agreement to construct or complete the improvements or to guarantee such construction or completion. Nothing in this Agreement shall be deemed or construed to permit or authorize any such Holder to devote the Site or any portion thereof to any uses, or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

(v) Notice of Default to Mortgages, Deed of Trust or other Security Interest Holders. Whenever Agency shall deliver any notice or demand to Developer with respect to any breach or default by Developer hereunder, Agency shall at the same time deliver a copy of such notice or demand to each Holder of record of any Mortgage who has previously made a written request to Agency therefor, or to the representative of such Holder as may be identified in such a written request by the Holder. No notice of default shall be effective as to the Holder unless such notice is given.

(vi) Right to Cure. Each Holder (insofar as the rights of Agency are concerned) shall have the right, at its option, within ninety (90) days after the receipt of the notice and expiration of any cure period applicable to Developer, to:

- (a) obtain possession, if necessary, and to commence and diligently pursue said cure until the same is completed, and
- (b) add the cost of said cure to the security interest debt and the lien or obligation on its security interest;

Provided that in the case of a default which cannot with diligence be remedied or cured within such ninety (90) day period, such holder shall have additional time as reasonably necessary to remedy or cure such default.

In the event there is more than one such Holder, the right to cure or remedy a breach or default of Developer under this Section shall be exercised by the Holder first in priority or as the Holders may otherwise agree among themselves, but there shall be only one exercise of such right to cure and remedy a breach or default of Developer under this Section.

No Holder shall undertake or continue the construction or completion of the improvements (beyond the extent necessary to preserve or protect the improvements or construction already made) without first having expressly assumed Developer's obligations to Agency, by written agreement satisfactory to Agency, with respect to the Site or any portion thereof in which the Holder has an interest. The Holder must agree to complete, in the manner required by this Agreement, the improvements to which the lien or title of such holder relates, and submit evidence satisfactory to the Agency that it has the qualifications and financial responsibility necessary to perform such obligations. Any holder properly completing such improvements shall be entitled, upon written request made to Agency, to a Certificate of Completion from Agency.

(vii) Agency's Rights upon Failure of Holder to Complete Improvements. In any case where one hundred eighty (180) days after default by Developer in completion of construction of improvements under this Agreement, the Holder of any Mortgage creating a lien or encumbrance upon the Site or improvements thereon has not exercised the option to construct afforded in this Section or if it has exercised such option and has not proceeded diligently with construction, then Agency may, after ninety (90) days' notice to such Holder and provided such Holder has not exercised such option to construct within said ninety (90) day period, purchase the Mortgage, upon payment to the Holder of an amount equal to the sum of the following:

- (a) The unpaid Mortgage debt plus any accrued and unpaid interest (less all appropriate credits, including those resulting from collection and application of rentals and other income received during foreclosure proceedings, if any);
- (b) All expenses incurred by the Holder with respect to foreclosure, if any;
- (c) The net expenses (exclusive of general overhead), incurred by the holder as a direct result of the ownership or management of the Site, such as insurance premiums or real estate taxes, if any;
- (d) The costs of any improvements made by such Holder, if any; and
- (e) An amount equivalent to the interest that would have accrued on the aggregate of such amounts had all such amounts become part of the Mortgage debt and such debt had continued in existence to the date of payment by the Agency.

In the event that the Holder does not exercise its option to construct afforded in this Section, and Agency elects not to purchase the Mortgage of Holder, then, upon written request by the Holder to Agency, Agency agrees to use reasonable efforts to assist the Holder in selling

the Holder's interest to a qualified and responsible party or parties (as determined by Agency), who shall assume the obligations of making or completing the improvements required to be constructed by Developer, or such other improvements in their stead as shall be satisfactory to Agency. The proceeds of such a sale shall be applied first to the Holder in the amount of those items specified in subparagraphs a. through e. hereinabove, and any balance remaining thereafter shall be applied as follows:

- (a) First, to reimburse Agency, on its own behalf and on behalf of the City, for all costs and expenses actually and reasonably incurred by Agency, including but not limited to payroll expenses, management expenses, legal expenses, and others.
- (b) Second, to reimburse Agency, on its own behalf and on behalf of the City, for all payments made by Agency to discharge any other encumbrances or liens on the Site or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults, or acts of Developer, its successors or transferees.
- (c) Third, to reimburse Agency, on its own behalf and on behalf of the City, for all costs and expenses actually and reasonably incurred by Agency, in connection with its efforts assisting the Holder in selling the Holder's interest in accordance with this Section.
- (d) Fourth, to pay the Promissory Note that reimburses Agency for the Agency Financial Assistance.
- (e) Fifth, any balance remaining thereafter shall be paid to Developer.

(viii) Right of Agency to Cure Mortgage, Deed of Trust or Other Security Interest Default. In the event of a default or breach by Developer (or entity permitted to acquire title under this Section) of a Mortgage prior to the issuance by Agency of a Certificate of Completion for the Site or portions thereof covered by said Mortgage, and if the Holder of any such Mortgage has not exercised its option to complete the development, Agency may cure the default prior to completion of any foreclosure. In such event, Agency shall be entitled to reimbursement from Developer or other entity of all costs and expenses incurred by Agency in curing the default, to the extent permitted by law, as if such Holder initiated such claim for reimbursement, including legal costs and attorneys' fees, which right of reimbursement shall be secured by a lien upon the Site to the extent of such costs and disbursements. Any such lien shall be subject to:

- (a) Any Mortgage for financing permitted by this Agreement; and



- (b) Any rights or interests provided in this Agreement for the protection of the Holders of such Mortgages for financing;

Provided that nothing herein shall be deemed to impose upon Agency any affirmative obligations (by the payment of money, construction or otherwise) with respect to the Site in the event of its enforcement of its lien.

(ix) Right of Agency to Satisfy Other Liens on the Site After Conveyance of Title. After the conveyance of title and prior to the recordation of a Certificate of Completion for construction and development, and after the Developer has had a reasonable time to challenge, cure, or satisfy any liens or encumbrances on the Site or any portion thereof, the Agency shall have the right to satisfy any such liens or encumbrances; provided, however, that nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount thereof, and so long as such delay in payment shall not subject the Site or any portion thereof to forfeiture or sale.

(x) Modification at Request of Holder. If a Holder or prospective Holder of a Mortgage providing financing for the Project, or a portion thereof, requests a modification to the provisions of this Agreement concerning the lender's rights and protections hereunder, including the provisions of this Section 6.12, Agency agrees to meet and confer on such proposed changes.

6.13 Certificate of Completion. Upon the completion of all construction required to be completed by Developer on the Site, Agency shall furnish Developer with a Certificate of Completion for the Site in the form attached hereto upon written request therefor by Developer. Hence, a single Certificate of Completion will be issued for the entire Site, regardless of whether the Project is undertaken in phases. The Certificate of Completion shall be executed and notarized so as to permit it to be recorded in the office of the Recorder of Los Angeles County. A Certificate of Completion shall be, and shall state that it constitutes, conclusive determination of satisfactory completion of the construction and development of the improvements required by this Agreement upon the Site and of full compliance with the terms of this Agreement with respect thereto. A partial Certificate of Completion applicable to less than the entire Site shall not be permitted.

After the issuance of a Certificate of Completion, any party then owning or thereafter purchasing, leasing or otherwise acquiring any interest in the Site shall not (because of such ownership, purchase, lease, or acquisition) incur any obligation or liability under this Agreement with respect to the Site, except that such party shall be bound by the covenants, encumbrances, and easements contained in the Deed, the Deed of Trust, the CC&Rs, the Notice of Affordability Restrictions, the Guaranty and the Regulatory Agreement or Homeowner's Regulatory Agreement, as applicable, attached hereto. After issuance of a Certificate of Completion, the Agency shall not have any rights or remedies under this Agreement with respect to the Site, except as otherwise set forth in the Deed, the Deed of Trust, the Notice of Affordability Restrictions or the Regulatory Agreement, the Guaranty, or Homeowner's Regulatory Agreement, as applicable. Notwithstanding anything to the contrary in this Agreement, following the purchase of an individual Residential Unit from Developer, the purchaser of that

Residential Unit shall not (because of such ownership, purchase or acquisition) incur any obligation or liability under this Agreement with respect to the Site, except that such purchaser shall be bound by the covenants, encumbrances and easements contained in the Deed applicable to its Residential Unit, and the Notice of Affordability Restrictions, the Homeowner's Note, Homeowner's Deed of Trust and the Homeowner's Regulatory Agreement applicable to its Residential Unit. In any event, the purchaser of a completed Residential Unit shall not be subject to any rights of Agency under Section 8.4 of this Agreement.

Agency shall not unreasonably withhold a Certificate of Completion. If Agency refuses or fails to furnish a Certificate of Completion within thirty (30) days after written request from Developer or any entity entitled thereto, Agency shall provide a written statement of the reasons Agency refused or failed to furnish a Certificate of Completion. The statement shall also contain Agency's opinion of the action Developer must take to obtain a Certificate of Completion. If the reason for such refusal is confined to the immediate availability of specific items or materials for landscaping, or other minor so called "punch list" items, Agency will issue its Certificate of Completion upon the posting of a bond in an amount representing the fair value of the work not yet completed or other assurance reasonably satisfactory to Agency.

A Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any holder of a mortgage, or any insurer of a mortgage securing money loaned to finance the improvements, or any part thereof. Such Certificate of Completion is not notice of completion as referred to in the California Civil Code Section 3093. Nothing herein shall prevent or affect Developer's right to obtain a Certificate of Occupancy from the City before the Certificate of Completion is issued.

6.14 Estoppels. No later than thirty (30) days after the written request of Developer or any Holder of a Mortgage, Agency shall, from time to time and upon the request of Developer or such Holder, execute and deliver to Developer or such Holder a written statement of Agency that (i) no default or breach exists (or would exist with the passage of time, or giving of notice, or both) by Developer under this Agreement, if such be the determination of the Agency, and certifying as to whether or not Developer has at the date of such certification complied with any obligation of Developer hereunder as to which such Holder may inquire, (ii) that the Agreement is in full force and effect and is unmodified (or identifying any existing modifications), and (iii) such other estoppels or confirmations which Developer or Holder may reasonably request. The form of any estoppel letter shall be prepared by the Holder or Developer and shall be at no out-of-pocket cost to Agency.

7. USE OF THE SITE.

7.1 Use of the Site. Developer covenants and agrees, for itself and its successors and assigns, that beginning on the Effective Date and ending upon termination of the Affordability Period, Developer and such successors shall use and maintain the Site, or any part thereof, pursuant to the terms of the Redevelopment Plan, the Regulatory Agreement and this Agreement; provided that, in the event of any inconsistency, the provisions of the Redevelopment Plan shall prevail over all others. Developer shall have sole and exclusive responsibility and financial liability for constructing all works of improvement on the Site as may be necessary in order to use the Site for the Project.



7.2 No Inconsistent Uses. Developer covenants and agrees, for itself and its successors and assigns, that beginning on the Effective Date and ending upon termination of the Affordability Period, Developer and such successors shall not devote the Site, or any part thereof, to uses inconsistent with the Redevelopment Plan, the applicable zoning restrictions, the Regulatory Agreement or this Agreement.

7.3 Time Extensions. The Executive Director of Agency, or his designee, shall have the authority on behalf of Agency to approve extensions of time not to exceed a cumulative total of one hundred eighty (180) days with respect to the development of the Site.

7.4 Nondiscrimination in Employment. The Developer covenants and agrees for itself, its successors and assigns and any successor-in-interest to the Site or part thereof, that all persons employed by or applying for employment by it, its affiliates, subsidiaries, or holding companies, and all subcontractors, bidders and vendors, are and will be treated equally by Developer without regard to race, color, religion, ancestry, national origin, sex, age, pregnancy, childbirth, or related medical condition, medical condition (cancer related) or physical or mental disability in compliance with Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 200, *et seq.*, the Federal Equal Pay Act of 1963, 29 U.S.C. § 206(d), the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 621, *et seq.*, the Immigration Discrimination in Employment Act of 1967, 29 U.S.C. § 621, *et seq.*, the Immigration Reform and Control Act of 1986, 8 U.S.C. § 1324b, *et seq.*, 42 U.S.C. § 1981, the California Fair Employment and Housing Act, California Government Code § 12900, *et seq.*, the California Equal Pay Law, California Labor Code § 1197.5, California Government Code § 11135, the Americans with Disabilities Act, 42 U.S.C. § 12101, *et seq.*, and all other anti-discrimination laws and regulations for the United States and the State of California as they now exist or may hereafter be amended.

7.5 Obligation to Refrain from Discrimination.

(i) The Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, handicap, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall the Developer itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site. The foregoing covenants shall run with the land.

(ii) The Developer shall refrain from restricting the rental, sale or lease of the Site on the basis of race, color, creed, religion, sex, marital status, handicap, national origin or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation

of, any person or group of persons on account of race, color, creed, religion, sex, marital status, handicap, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or herself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

- (b) In leases: “The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

“There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, handicap, ancestry or national origin in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the premises herein leased.”

- (c) In contracts: “There shall be no discrimination against or segregation of, any person, or group of persons on account of race, color, creed, religion, sex, marital status, handicap, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the transferee himself or herself of any person claim under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the premises.”

7.6 Maintenance of Improvements. Developer covenants and agrees for itself, its successors and assigns, and every successor in interest to the Site or any part thereof, that, after Agency’s issuance of its Certificate of Completion for the Site, the Developer and subsequently the homeowners association to be created by Developer (“Association”) pursuant to the CC&Rs, shall be responsible for maintenance of all improvements that may exist on the

Site from time to time, including without limitation buildings, parking lots, lighting, signs, and walls, in reasonable condition and repair, and shall keep the Site free from any accumulation of debris or waste materials. The Developer/Association shall also maintain all landscaping in a healthy condition, including replacement of any dead or diseased plants. The foregoing maintenance obligations shall run with the land in accordance with and for the term of the CC&Rs. Developer's/Association's further obligations to maintain the Site, and Agency's remedies in the event of Developer's/Association's default in performing such obligations, are set forth in the Regulatory Agreement and the Homeowner's Regulatory Agreement, as applicable. Upon the sale or transfer of any portion of the Site by Developer to a third party, including transfer of any portion of the Site to the Association, Developer (but not Developer's successor) shall be released from the requirements imposed by this Section, and the financial liability therefor, as to the portion of the Site conveyed.

7.7 Defaults, Right to Cure and Waivers. Subject to extension for Force Majeure Delay, the failure or delay by either party to timely perform any covenant of this Agreement constitutes a default under this Agreement, but only if the party who so fails or delays does not commence to cure, correct or remedy such failure or delay within thirty (30) days after receipt of a written notice specifying such failure or delay, and does not thereafter prosecute such cure, correction or remedy with diligence to completion.

The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Except as required to protect against further damages, the injured party may not institute proceedings against the party in default until thirty (30) days after giving such notice, unless the default cannot be reasonably cured within such thirty (30) days in which case the defaulting party shall have a reasonable time to effect such cure so long as the defaulting party is diligently acting to do so in as timely a fashion as is reasonable. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

Developer's members shall have the right but not the obligation to cure any default of Developer under this Agreement and Agency agrees to accept any cure tendered by Developer's members on behalf of Developer within the cure periods stated in this section.

Except as otherwise provided in this Agreement, waiver by either party of the performance of any covenant, condition or promise, shall not invalidate this Agreement, nor shall it be considered a waiver of any other covenant, condition, or promise. Waiver by either party of the time for performing any act shall not constitute a waiver of time for performing any other act or an identical act required to be performed at a later time. The delay or forbearance by either party in exercising any remedy or right as to any default shall not operate as a waiver of any default or of any rights or remedies or to deprive such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

7.8 Effect of Covenants. Agency is deemed a beneficiary of the terms and provisions of this Agreement and of the restrictions and covenants running with the land, for and in its own right and for the purposes of protecting the interests of the community in whose favor and for whose benefit the covenants running with the land have been provided. The covenants in



favor of the Agency shall run without regard to whether Agency has been, remains or is an owner of any land or interest therein in the Site, or in the Project Area, and shall be effective as both covenants and equitable servitudes against the Site. Agency shall have the right, if any of the covenants set forth in this Agreement which are provided for its benefit are breached, to exercise all rights and remedies and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it may be entitled. With the exception of the City, no other person or entity shall have any right to enforce the terms of this Agreement under a theory of third-party beneficiary or otherwise. With respect to covenants in this Agreement which run with the land or are binding on Developer's successors and assigns by their terms, after issuance of the Certificate of Completion for the Site, Developer shall be released from any further liability under such covenant with respect to the Site affected by or subject to such covenant, if a Certificate of Completion has been issued for the Site, following Developer's approved transfer of all of its interest, liabilities and obligations in the Site to a third party.

8. MISCELLANEOUS.

8.1 Notices. Formal notices, demands, and communications between Agency and Developer shall be sufficiently given if (i) personally delivered; (ii) dispatched by registered or certified mail, postage prepaid, return receipt requested; or (iii) sent by Federal Express or another reputable overnight delivery service to the following addresses:

- If to Agency: Carson Redevelopment Agency
1 Civic Plaza Drive, Suite 500
Carson, California 90745
Attn: Clifford W. Graves
- With a copy to: Aleshire & Wynder, LLP
18881 Von Karman Avenue, Suite 1700
Irvine, California 92612
Attn: Tiffany J. Israel, Esq.
- If to Developer: The Olson Company
3010 Old Ranch Parkway, Suite 100
Seal Beach, California 90740
Attn: Todd Olson, President of Community Development
- With a copy to: Olson Land Projects, LLC
c/o Olson Urban Housing, LLC
3010 Old Ranch Parkway, Suite 100
Seal Beach, California 90740
Attn: Katherine M. Chandler, Esq.
- With a copy to: McKenna Long & Aldridge LLP
300 S. Grand Avenue, Suite 1400
Los Angeles, California 90071
Attn: Dennis S. Roy, Esq.



All notices shall be deemed to be received as of the earlier of: actual receipt by the addressee thereof; the expiration of forty-eight (48) hours after depositing in the United States Postal System in the manner described in this Section; one (1) day after delivery to Federal Express or another overnight delivery service. Such written notices, demands, and communications may be sent in the same manner to such other addresses as a party may from time to time designate by mail.

8.2 Legal Actions.

(i) Institution of Legal Actions. In addition to any other rights or remedies, and subject to the requirements of Section 8.1, either party may institute legal action to cure, correct or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this Agreement. Legal actions must be instituted and maintained in the Superior Court of the County of Los Angeles, State of California, in any other appropriate court in that county, or in the Federal District Court in the Central District of California.

(ii) Applicable Law and Forum. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

(iii) Acceptance of Service of Process. In the event that any legal action is commenced by Developer against Agency, service of process on Agency shall be made by personal service upon the Executive Director or Secretary of Agency or in such other manner as may be provided by law.

In the event that any legal action is commenced by Agency against Developer, service of process on Developer shall be made in such manner as may be provided by law and shall be valid whether made within or outside of the State of California.

8.3 Specific Performance. In addition to any other remedies permitted by this Agreement, if either party defaults hereunder by failing to perform any of its obligations herein, each party agrees that the other shall be entitled to the judicial remedy of specific performance, and each party agrees (subject to its reserved right to contest whether in fact a default does exist) not to challenge or contest the appropriateness of such remedy. In this regard, Developer specifically acknowledges that Agency is entering into this Agreement for the purpose of accomplishing the redevelopment of the Site and not for the purpose of enabling Developer to speculate with land.

8.4 Right of Reverter. After the expiration of any cure period provided for in this Agreement, Agency shall have the right, at its option, to reenter and take possession of the Site with all improvements thereon and to terminate and re-vest in the Agency the estate conveyed to Developer, if, after Closing and prior to Completion, Developer (or his successors-in-interest) shall:

(i) Fail to obtain building permits for the Project within twelve (12) months of the approval of this Agreement, provided that Developer shall not have obtained an extension or postponement to which the Developer may be entitled pursuant to this Agreement;
or



(ii) Fail to commence construction of the improvements for a period of sixty (60) days after issuance of building or other applicable permits and after written notice to proceed from Agency, provided that Developer shall not have obtained an extension or postponement to which the Developer may be entitled pursuant to this Agreement; or

(iii) Abandon or substantially suspend construction of the improvements for a period of thirty (30) consecutive days after written notice of such abandonment or suspension from the Agency, provided that Developer shall not have obtained an extension of time to which Developer may be entitled to pursuant to this Agreement; or

(iv) Assign or attempt to assign this Agreement, or any rights herein, or transfer, or suffer any involuntary transfer of the Site, or any part thereof, in violation of this Agreement, and such violation shall not be cured within thirty (30) days after the date of receipt of written notice thereof by Agency to Developer.

(v) Fail to complete construction of the Project and to receive the Certificate of Occupancy and Certificate of Completion within sixteen (16) months from commencement of construction plus any additional extension of time granted by Agency or to which Developer may be entitled pursuant to this Agreement.

The right to re-enter, repossess, terminate, and re-vest shall be subject to and be limited by and shall not defeat, render invalid, or limit:

(i) Any mortgage, deed of trust, or other security interests permitted by this Agreement; or

(ii) Any rights or interests provided in this Agreement for the protection of the holders of such mortgages, deeds of trust or other security interests.

Upon the re-vesting in Agency of possession to the Site, or any part thereof, as provided in this Section 8.4, Agency shall, pursuant to its responsibilities under state law, use its best efforts to re-convey the Site, or any part thereof, as soon and in such manner as Agency shall find feasible and consistent with the objectives of such law and of the Redevelopment Plan to a qualified and responsible party or parties (as determined by Agency), who will assume the obligation of making or completing the improvements, or such other improvements in their stead, as shall be satisfactory to Agency and in accordance with the uses specified for the Site, or any part thereof, in the Redevelopment Plan.

In the event of a resale, the proceeds thereof shall be applied after payment of all sums described in Section 6.12, Paragraph (vii) (a) through (e) due to Developer's lender(s) as follows:

(i) First, to reimburse Agency on its own behalf or on behalf of the City for all costs and expenses incurred by Agency, including but not limited to, payment of the Promissory Note securing repayment of the Agency Financial Assistance, salaries to personnel, legal costs and attorneys' fees, and all other contractual expenses in connection with the recapture, management, and resale of the Site (but less any income derived by Agency from the Site or part thereof in connection with such management); all taxes, assessments and water and sewer charges with respect to the Site (or, in the event that the Site is exempt from taxation or

assessment or such charges during the period of ownership, then such taxes, assessments, or charges, as determined by the City, as would have been payable if the Site were not so exempt); any payments made or necessary to be made to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations incurred with respect to the making or completion of the agreed improvements or any part thereof on the Site or part thereof; and amounts otherwise owing the Agency by the Developer, its successors, or transferees; and

(ii) Second, to reimburse the Developer, its successor or transferee, up to the amount equal to costs actually incurred for the development of the Site and for the agreed improvements existing on the Site at the time of the re-entry and repossession, less any gains or income withdrawn or made by Developer from the Site or the improvements thereon; and

(iii) Any balance remaining after such reimbursements shall be retained by Agency as its property.

To the extent that the right established in this Section involves a forfeiture, it must be strictly interpreted against Agency, the party for whose benefit it is created. The rights established in this Section are to be interpreted in light of the fact that Agency will sell the Site to Developer for development and not for speculation in undeveloped land.

8.5 Books and Records.

(i) Developer to Keep Records. Developer shall prepare and maintain all books, records and reports necessary to substantiate Developer's compliance with the terms of this Agreement or reasonably required by the Agency.

(ii) Right to Inspect. Agency shall have the right, upon not less than seventy-two (72) hours notice, at all reasonable times during business hours, to inspect the books and records of the Developer pertaining to the Site as pertinent to the purposes of this Agreement.; provided, such inspection shall be at the principal offices of the Developer and shall be performed without cost or expense to the Developer. Agency shall protect the confidentiality of all information obtained from such inspection to the maximum extent permitted by law.

(iii) Delivery of Documents. Copies of all drawings, specifications, reports, records, documents and other materials prepared by Developer, its employees, agents and subcontractors, in the performance of this Agreement, which documents are in the possession of Developer and are not confidential shall be delivered to Agency upon request in the event of a termination of this Agreement for a reason other than the Agency's default, however, Developer shall be entitled to reimbursement from Agency concurrent with such delivery for the cost to prepare any such drawings, specifications, reports, records, documents and other materials prepared by Developer's agents or subcontractors as a result of the exercise by Agency of its rights hereunder. Any drawings, specifications, reports, records, documents and other materials shall be delivered without representation or warranty by Developer and subject to all third party rights therein. Agency shall have an unrestricted right to use such documents and materials as if it were in all respects the owner of the same. Developer makes no warranty or representation regarding the accuracy or sufficiency of such documents for any future use by Agency, and Developer shall have no liability therefor.

8.6 Nonliability of Agency Officials and Employees. No member, official, employee, or consultant of Agency or City shall be personally liable to Developer, or any successor in interest of Developer, in the event of any default or breach by Agency or for any amount which may become due to Developer or to its successor, or on any obligations under the terms of this Agreement.

8.7 Force Majeure: Extension of Times of Performance. Time is of the essence in the performance of this Agreement. Notwithstanding the foregoing, in addition to specific provisions of this Agreement, performance by either party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; supernatural causes; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority, litigation; unusually severe weather; inability to secure necessary labor, materials or tools; acts of the other party; acts or the failure to act of a public or governmental agency or entity (except that acts or the failure to act of City or Agency shall not excuse performance by Agency unless the act or failure is caused by the acts or omissions of Developer); or any other causes beyond the reasonable control or without the fault of the party claiming an extension of time to perform. In the event of such a delay (herein "Force Majeure Delay"), the party delayed shall continue to exercise reasonable diligence to minimize the period of the delay. An extension of time for any such cause shall be limited to the period of the Force Majeure Delay, and shall commence to run from the time that the notice by the party claiming such extension is sent to the other party. The following shall not be considered as events or causes beyond the control of Developer, and shall not entitle Developer to an extension of time to perform: (i) Developer's failure to obtain financing for the Project, and (ii) Developer's failure to negotiate agreements with prospective users for the Project or the alleged absence of favorable market conditions for such uses.

8.8 Modifications. Any alteration, change or modification of or to this Agreement, in order to become effective, shall be made by written instrument or endorsement thereon and in each such instance executed on behalf of each party hereto.

8.9 Binding Effect of Agreement. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their legal representatives, successors, and assigns. This Agreement shall likewise be binding upon and obligate the Site and the successors in interest, owner or owners thereof, and all of the tenants, lessees, sublessees, and occupants of such Site.

8.10 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If, however, any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

8.11 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not

be construed to limit or extend the meaning of this Agreement. This Agreement includes all attachments attached hereto, which are by this reference incorporated in this Agreement in their entirety. This Agreement also includes the Redevelopment Plan and any other documents incorporated herein by reference, as though fully set forth herein. All references herein to "day" shall mean a calendar day, unless otherwise expressly provided herein. If the date for performance of any action required by this Agreement falls on a weekend or State of California or national holiday, the date for performance of that action shall be extended to the next business day. The words "include" and "including", and any variations thereof, used in this Agreement shall be interpreted as words of illustration rather than limitation and shall be construed to be followed by the words "without limitation".

8.12 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and this Agreement supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement, unless specified otherwise herein, must be in writing and signed by the appropriate authorities of Agency or Developer, as applicable, and all amendments hereto must be in writing and signed by the appropriate authorities of Agency and Developer.

8.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

8.14 Attorneys' Fees. If either party to this Agreement is required to initiate or defend any action or proceeding in any way arising out of the parties' agreement to, or performance of, this Agreement, or is made a party to any such action or proceeding by the Escrow Agent or other third party, such that the parties hereto are adversarial, the prevailing party, as between the Developer and Agency only, in such action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees from the other. As used herein, the "prevailing party" shall be the party determined as such by a court of law, pursuant to the definition Code of Civil Procedure Section 1032(a)(4), as it may be subsequently amended. Attorneys' fees shall include attorneys' fees on any appeal, and in addition a party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, taking depositions and discovery and all other necessary costs the court allows which are incurred in such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

8.15 Non Collusion. No official, officer, or employee of the Agency has any financial interest, direct or indirect, in this Agreement, nor shall any official, officer, or employee of the Agency participate in any decision relating to this Agreement which may affect his/her financial interest or the financial interest of any corporation, partnership, or association in which (s)he is directly or indirectly interested, or in violation of any interest of any corporation, partnership, or association in which (s)he is directly or indirectly interested, or in violation of any State or municipal statute or regulation. The determination of "financial interest" shall be consistent with State law and shall not include interest found to be "remote" or "non interest" pursuant to California Government Code Sections 1091 and 1091.5. Except for normal and

customary payments to its consultants and advisors, Developer warrants and represents that (s)he/it has not paid or given, and will not pay or give, to any third party including, but not limited to, and Agency official, officer, or employee, any money, consideration, or other thing of value as a result or consequence of obtaining or being awarded this Agreement. Developer further warrants and represents that (s)he/it has not engaged in any act(s), omission(s), or other conduct or collusion that would result in the payment of any money, consideration, or other thing of value to any third party including, but not limited to, any Agency official, officer, or employee, as a result or consequence of obtaining or being awarded any agreement. Developer is aware of and understands that any such act(s), omission(s) or other conduct resulting in the payment of money, consideration, or other thing of value will render this Agreement void and of no force or effect.

Developer: Initials _____

8.16 General Indemnity. Except as to the negligence, active negligence or willful misconduct of Agency or the City, or their respective officers, officials, agents, employees or contractors, Developer expressly agrees to and shall indemnify, defend, release and hold Agency, City and their officers, officials, agents, servants, employees, attorneys and contractors harmless from and against, any claim, liability, loss, damage, cost, or expense (including, but not limited to, attorneys' fees, expert fees, and court costs) which arises out of or is in any way connected with (i) Developer's performance, or failure to perform, under this Agreement, (ii) Developer's possession and use of the Site, (iii) a legal challenge to the approval of this Agreement, provided Developer shall have the right to settle rather than continue litigation of the same, (iv) fraud or a material misrepresentation by the Developer under or in connection with this Agreement, including any of the exhibits; and/or (iv) losses resulting from the Developer's failure to maintain insurance as required hereunder. This indemnification provision shall apply to any acts or omissions, willful misconduct or negligent conduct, whether active or passive, on the part of the employees, agents, servants, or subcontractors of Developer or its tenants or the tenants' invitees. The parties expressly agree that any payment, attorneys' fees, costs or expense that the Agency or City incurs or makes to or on behalf of an injured employee under Agency's or City's self administered workers' compensation and which falls within the scope of the above indemnity is included as a loss, expense or cost for the purpose of this provision. Neither Agency nor City shall be responsible for any acts, errors or omissions of any person or entity except Agency and City and their respective officers, officials, agents, servants, employees or contractors. The parties expressly agree that the obligations of Developer under this Section shall survive the expiration or early termination of the Agreement.

8.17 Exhibits. This Agreement includes forty-five (45) pages of text and thirteen (13) Exhibits, each of which is attached hereto and incorporated herein by reference, as follows:

- | | |
|-----------|---------------------------|
| Exhibit A | Legal Description |
| Exhibit B | Site Map |
| Exhibit C | Schedule of Performance |
| Exhibit D | Scope of Development |
| Exhibit E | Certificate of Completion |
| Exhibit F | Grant Deed |
| Exhibit G | Guaranty |



- Exhibit H Notice of Affordability Restrictions
- Exhibit I Regulatory Agreement
- Exhibit J Promissory Note
- Exhibit K Deed of Trust
- Exhibit L Homeowner's Note
- Exhibit M Homeowner's Deed of Trust
- Exhibit N Homeowner's Regulatory Agreement

IN WITNESS WHEREOF the Agency and Developer have executed this Agreement as of the date first written above.

“Agency”

CARSON REDEVELOPMENT AGENCY,
a public body, corporate
and politic

ATTEST:

By: _____
Agency Secretary Helen S. Kawagoe

By: _____
Chairman Jim Dear

APPROVED AS TO FORM:

ALESHIRE & WYNDER, LLP

By: _____
Agency Counsel



“Developer”

OLSON URBAN HOUSING, LLC, a
Delaware limited liability company

By: In Town Living, Inc.,
a Delaware corporation
Its Manager

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____



EXHIBIT A

EXHIBIT "A"

LEGAL DESCRIPTION

PARCEL 1:

Parcel 1-A:

Lots 906, 907, 908, 909 and 910 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California. Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-B:

Lot 911 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-C:

Lots 912 and 913 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-D:

Lot 914 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-E:

Lot 915 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.



Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

PARCEL 2:

Lots 916, 917 and 918 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom by the deed recorded September 11, 1992, as Instrument No. 92-1700996, of Official Records, described as follows:

Those portions of Lots 916 and 917 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California, within a strip of land 76 feet wide lying 38 feet on each side of the following described center line:

Commencing at the intersection of the centerline of Carson Street, as said last mentioned centerline is shown on map of Tract No. 11900, filed in Book 256, Page 7 of said maps, with the centerline of Bataan Avenue, as said last mentioned centerline is shown on said last mentioned map; thence South $0^{\circ}10'14''$ east along said last mentioned centerline 8.48 feet to the true point of beginning; thence South $89^{\circ}46'43''$ 20.18 feet to the beginning of a tangent curve concave to the north and having a radius of 500 feet; thence westerly along said curve through a central angle of $18^{\circ}08'25''$ a distance of 158.30 feet.

PARCEL 3:

Lots 919, 920, 921, and 922 of Tract 6720, in the city of Carson, as per map recorded in book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

PARCEL 4:

Parcel 4-A:

Lots 923 and 924 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California, subject to restrictions, reservations and encumbrances if any of record.

Parcel 4-B:

Lot 925 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

This legal description is not intended to be used in the conveyance of land in violation of the Subdivision Map Act of the State of California.



EXHIBIT A

EXHIBIT "B"

SITE MAP

[To be Inserted]



EXHIBIT A

EXHIBIT "C"

SCHEDULE OF PERFORMANCE

	<u>Item To Be Performed</u>	<u>Time For Performance</u>
1.	Agency holds public hearing on the DDA	
2.	Agency approves and executes DDA	Within 10 days of Public Hearing on the DDA
3.	Open Escrow	Within 5 days of Agency execution of the DDA
4.	Developer provides Agency with Design Development Plans	Within 30 days of opening Escrow
5.	Agency approves or disapproves of the Design Development Plans	Within 15 days of receipt of plans
6.	Developer obtains all necessary entitlements (city, state, etc.) for Project approval	Within 9 months of the Effective Date of the DDA
7.	Developer provides Agency with Final Plans and specifications.	Within 60 days of Project approval
8.	Agency approves Final Plans	Within 15 days of receipt of Plans
9.	Developer provides Agency with evidence of its financial capability to acquire the Site and develop the Project	No later than 30 days prior to the Close of Escrow
10.	Agency approves or disapproves of Developer's financial capability	Within 10 days after Agency's receipt of evidence of Developer's financial capability
11.	Developer provides Agency with executed construction contract for Project, if applicable	Within 20 days prior to the Close of Escrow
12.	Developer obtains grading permits	Within 10 days prior to the Close of Escrow
13.	Developer obtains building permits	Within 45 days after Close of Escrow



	<u>Item To Be Performed</u>	<u>Time For Performance</u>
14.	Close of Escrow	No later than 9 months from the Opening of Escrow
15.	Deposit into Escrow of all required items by both Developer and Agency	No later than 2 days prior to Close of Escrow
16.	Commencement of construction	Within 30 days of the Close of Escrow
17.	Completion of construction of the Project	12 months from Close of Escrow (item 14)
18.	Agency issues Certificate of Completion	Within 30 days of written request by Developer, and Developer's satisfactory completion of all improvements
19.	Developer delivers executed and recordable Homeowner's Note and Homeowner's Deed of Trust to Agency	Upon each initial sale of a residential unit to a Qualified Buyer
20.	Agency reconveys the Deed of Trust	Upon Agency's receipt of all 12 Homeowner's Deeds of Trust (Partial Release of each Residential Unit upon Close of Escrow for that Unit)



EXHIBIT A

EXHIBIT "D"

SCOPE OF DEVELOPMENT

[TO BE INSERTED]



EXHIBIT A

EXHIBIT "E"

CERTIFICATE OF COMPLETION

FREE RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

The Olson Company
3010 Old Ranch Parkway, Suite 100
Seal Beach, CA 90740
Attn: Todd Olson,
President of Community Development

(Space Above Line for Recorder's Use Only)

CERTIFICATE OF COMPLETION

WHEREAS, by a Disposition and Development Agreement (hereinafter referred to as the "Agreement") dated _____, 20__, by and between the CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency") and THE OLSON COMPANY, a Delaware limited liability company ("Developer"), Developer has redeveloped the real property (the "Site"), legally described and depicted in Attachment No. 1 attached hereto and incorporated herein by reference, according to the terms and conditions of said Agreement; and

WHEREAS, pursuant to the Agreement, promptly after completion of all construction work to be completed by Developer upon the Site, and upon request by Developer, Agency shall furnish Developer with a Certificate of Completion in such form as to permit it to be recorded in the Official Records of the County of Los Angeles; and

WHEREAS, the issuance by Agency of the Certificate of Completion shall be conclusive evidence that Developer has complied with the terms of the Agreement pertaining to the redevelopment of the Site; and

WHEREAS, Developer has requested that Agency furnish Developer with the Certificate of Completion; and

WHEREAS, Agency has conclusively determined that the redevelopment of the Site has been satisfactorily completed as required by the Agreement; and

WHEREAS, the Agreement provided for certain covenants to run with the land, which covenants were incorporated in the grant deed conveying the Site to Developer.

NOW, THEREFORE:

1. As provided in the Agreement, Agency does hereby certify that redevelopment of the Site has been fully and satisfactorily performed and completed, and that such redevelopment is in full compliance with said Agreement.



2. This Certificate of Completion shall not constitute evidence of Developer's compliance with the Regulatory Agreement, the Deed of Trust or the Notice of Affordability Restrictions, the provisions of which shall continue to run with the land.

3. This Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance construction work on the Site, or any part thereof. Nothing contained herein shall modify in any way any other provision of said Agreement.

4. This Certificate is not a Notice of Completion as referred to in California Civil Code Section 3093.

5. Except as stated herein, nothing contained in this instrument shall modify in any way any other provisions of the Agreement or any other provisions of the documents incorporated therein.

IN WITNESS WHEREOF, Agency has executed this Certificate as of this ____ day of _____ 20__.

CARSON REDEVELOPMENT AGENCY,
a public body, corporate and politic

By: _____
Executive Director

ATTEST:

By: _____
Agency Secretary



LEGAL DESCRIPTION

PARCEL 1:

Parcel 1-A:

Lots 906, 907, 908, 909 and 910 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California. Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-B:

Lot 911 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-C:

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Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-D:

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Parcel 1-E:

Lot 915 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.



PARCEL 2:

Lots 916, 917 and 918 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom by the deed recorded September 11, 1992, as Instrument No. 92-1700996, of Official Records, described as follows:

Those portions of Lots 916 and 917 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California, within a strip of land 76 feet wide lying 38 feet on each side of the following described center line:

Commencing at the intersection of the centerline of Carson Street, as said last mentioned centerline is shown on map of Tract No. 11900, filed in Book 256, Page 7 of said maps, with the centerline of Bataan Avenue, as said last mentioned centerline is shown on said last mentioned map; thence South $0^{\circ}10'14''$ east along said last mentioned centerline 8.48 feet to the true point of beginning; thence South $89^{\circ}46'43''$ 20.18 feet to the beginning of a tangent curve concave to the north and having a radius of 500 feet; thence westerly along said curve through a central angle of $18^{\circ}08'25''$ a distance of 158.30 feet.

PARCEL 3:

Lots 919, 920, 921, and 922 of Tract 6720, in the city of Carson, as per map recorded in book 71; page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

PARCEL 4:

Parcel 4-A:

Lots 923 and 924 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California, subject to restrictions, reservations and encumbrances if any of record.

Parcel 4-B:

Lot 925 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

This legal description is not intended to be used in the conveyance of land in violation of the Subdivision Map Act of the State of California.



EXHIBIT A

EXHIBIT "F"

GRANT DEED

FREE RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

OLSON URBAN HOUSING, LLC
10877 Wilshire Boulevard, 12th Floor
Los Angeles, CA 90024
Attn: Mr. Con Howe

With a copy to:
CARSON REDEVELOPMENT AGENCY
1 Civic Plaza Drive, Suite 500
Carson, California 90745
Attn: Economic Development General Manager

(Space Above Line for Recorder's Use Only)

GRANT DEED

FOR A VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, the CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic, herein called "Grantor," acting under the Community Redevelopment Law of the State of California, hereby grants to THE OLSON URBAN HOUSING, LLC, a Delaware limited liability company, herein called "Grantee," the real property, hereinafter referred to as the "Site," in the City of Carson, County of Los Angeles, State of California, more particularly described in Attachment No. 1 attached hereto and incorporated herein by this reference.

As conditions of this conveyance, the Grantee covenants by and for itself and any successors-in-interest for the benefit of Grantor and the City of Carson, a municipal corporation, as follows:

1. Governing Documents.

The Site is being conveyed (i) pursuant to a Disposition and Development Agreement (the "DDA") entered into by and between Grantor and Grantee and dated _____, 201__, and (ii) subject to the terms of the DDA, the Deed of Trust, the Regulatory Agreement, the Notice of Affordability Restrictions and this Deed. The DDA is a public record on file in the office of the City Clerk of the City of Carson, located at 701 East Carson Street, Carson, California 90745-2224, and is incorporated herein by this reference. Any capitalized terms not defined herein shall have the meanings ascribed to them in the DDA. Grantee covenants and agrees for itself and its successors and assigns to develop the Site in accordance with the DDA and thereafter to use, operate, maintain and Transfer (as defined herein) the Site in accordance



with the Redevelopment Plan, the Regulatory Agreement, the Notice of Affordability Restrictions and this Deed. The Site is also conveyed subject to easements and rights-of-way of record and other matters of record. In the event of any conflict between this Deed and the DDA, the provisions of the DDA shall control.

2. Term of Restriction.

Pursuant to the DDA, Grantee hereby covenants and agrees for itself, its successors, its assigns, and every successor in interest to the Site that Grantee, such successors and such assigns, shall not develop, operate, Transfer, maintain or use the Site in violation of the terms and conditions of the Redevelopment Plan, Regulatory Agreement, the Deed of Trust and the Notice of Affordability Restrictions or of this Deed (unless expressly waived in writing by Grantor) for the term of the Redevelopment Plan; provided that, however, the covenants contained in Sections 4 and 5 shall remain in effect in perpetuity.

Moreover, Grantor shall retain a Right of Reverter as described in Section 8.4 of the DDA.

3. Reservation of Existing Streets.

Grantor excepts and reserves any existing street, proposed street, or portion of any public street or proposed public street lying outside the boundaries of the Site which might otherwise pass with a conveyance of the Site.

4. Non-Discrimination.

Grantee covenants that there shall be no discrimination against, or segregation of, any persons, or group of persons, on account of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin in the rental, sale, lease, sublease, transfer, use, occupancy, or enjoyment of the Site, or any portion thereof, nor shall Grantee, or any person claiming under or through Grantee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of purchasers, tenants, lessees, subtenants, sublessees, or vendees of the Site or any portion thereof. The nondiscrimination and nonsegregation covenants contained herein shall remain in effect in perpetuity.

5. Form of Nondiscrimination Clauses in Agreements.

Grantee shall refrain from restricting the rental, sale, or lease of any portion of the Site on the basis of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) **Deeds:** In deeds the following language shall appear: “. . . the grantee herein covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin in the sale, lease,



rental, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee itself, or any persons claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

(b) **Leases:** In leases the following language shall appear: “The lessee herein covenants by and for itself, its heirs, executors, administrators, successors, and assigns, and all persons claiming under or through them, and this lease is made and accepted upon and subject to the following conditions: “that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin in the leasing, subleasing, renting, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased.”

(c) **Contracts:** In contracts the following language shall appear: “there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin in the sale, lease, rental, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land.”

The foregoing covenants shall remain in effect in perpetuity.

6. Covenants to Run With the Land.

The covenants contained in this Deed shall be construed as covenants running with the land and not as conditions which might result in forfeiture of title, and shall be binding upon Grantee, its heirs, successors and assigns to the Site, whether their interest shall be fee, easement, leasehold, beneficial or otherwise.

7. Counterparts.

This Deed may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

8. Restrictions on Transfer.

(a) **Transfer Defined.** As used in this Deed, the term “Transfer” shall include any assignment, hypothecation, mortgage, pledge, conveyance, or encumbrance of the DDA, the Site, or the improvements thereon. A Transfer shall also include the transfer to any person or group of persons acting in concert of more than twenty-five percent (25%) of the present ownership and/or control of Grantee in the aggregate, taking all Transfers into account on a cumulative basis, except transfers of such ownership or control interest between members of



the same immediate family, or Transfers to a trust, testamentary or otherwise, in which the beneficiaries are limited to members of the Transferor's immediate family. In the event Grantee or its successor is a corporation or trust, such Transfer shall refer to the Transfer of the issued and outstanding capital stock of Grantee, or of beneficial interests of such trust. In the event that Grantee is a limited or general partnership, such Transfer shall refer to the Transfer of more than twenty-five percent (25%) of the limited or general partnership interest. In the event that Grantee is a joint venture, such Transfer shall refer to the Transfer of more than twenty-five percent (25%) of the ownership and/or control of any such joint venture partner, taking all Transfers into account on a cumulative basis.

(b) Restrictions Prior to Completion. Any Transfer of the Grantee's interest in the Site or the Project (as defined in the DDA), in whole or in part, and any Transfer of the Grantee's interest in all or any part of the DDA, shall be subject to the approval of the Grantor, which shall be given or withheld within thirty (30) days of the Grantee's written request therefor. The Grantor's approval shall not be unreasonably withheld or delayed, and the Grantor shall consent to any such Transfer by the Grantee, without any adjustment to the financial terms and conditions of the DDA if, prior to such Transfer, each of the following requirements is satisfied: (1) the Grantee submits or causes to be submitted to the Grantor all information reasonably requested for the Grantor to make its determination required hereunder; (2) there is no event of default under the DDA; (3) the transferee executes an assumption agreement that is acceptable to the Grantor and that, among other things, requires the transferee to perform all obligations of the Grantee set forth in the DDA; and (4) the Grantee pays, or causes the proposed transferee to pay, the amount of the Grantor's out-of-pocket costs (including reasonable attorneys' fees) incurred in reviewing the Transfer request.

In the absence of specific written agreement by Grantor, prior to the issuance of a Certificate of Completion for the Site, no Transfer by Grantee of all or any portion of its interest in the Site or the DDA (including without limitation an assignment or transfer not requiring Grantor approval) shall be deemed to relieve it or any successor party from any obligations under the DDA with respect to the completion of the development of the Project with respect to that portion of the Site which is so transferred. In addition, no attempted assignment of any of Grantee's obligations hereunder shall be effective unless and until the successor party executes and delivers to Grantor an assumption agreement, in a form approved by the Grantor, assuming such obligations.

(c) Exceptions. The foregoing prohibition shall not apply to any of the following:

- (i) Any mortgage, deed of trust, or other form of conveyance for financing, as provided in Section 6.12 of the DDA, but Grantee shall notify Grantor in advance of any such mortgage, deed of trust, or other form of conveyance for financing pertaining to the Site and any transfer resulting for a foreclosure or deed in lieu of foreclosure related to any such permitted financing.



- (ii) Any mortgage, deed of trust, or other form of conveyance for restructuring or refinancing of any amount of indebtedness described in subsection (A) above, provided that the amount of indebtedness incurred in the restructuring or refinancing is at a loan to value coverage ratio of not more than 0.7.
- (iii) The granting of easements to any appropriate governmental agency or utility or permits to facilitate the development of the Site.
- (iv) A sale or Transfer resulting from or in connection with a reorganization as contemplated by the provisions of the Internal Revenue Code of 1986, as amended or otherwise, in which the ownership interests of a corporation are assigned directly or by operation of law to a person or persons, firm or corporation which acquires the control of the voting capital stock of such corporation or all or substantially all of the assets of such corporation.
- (v) A sale or Transfer of 49% or more of an ownership or controlling interest between members of the same immediate family, or Transfers to a trust, testamentary or otherwise, in which the beneficiaries consist solely of immediate family members of the Trustor or Transfers to a corporation or partnership in which the immediate family members or shareholders of the Transferor have a controlling majority interest of 51% or more.
- (vi) The agreement to sell Residential Units to Qualified Buyers (as defined in the DDA).
- (vii) The Transfer of common area within the Site to an association formed for the development of the Project contemplated under the DDA.
- (viii) A Transfer of the DDA or the Grantee's interest in the Project to a wholly-owned subsidiary of the Grantee or an affiliate of Grantee for the purpose of this definition of "transfer," in "affiliate" of Grantee is an entity comprised of the same people who constitute Grantee.

(d) **After Completion.** The purchaser of a Residential Unit by a Qualified Buyer shall not be subject to any rights of Grantor under Section 6.13 or 8.4 of the DDA.



IN WITNESS WHEREOF, Grantor and Grantee have caused this instrument to be executed on their behalf by their respective officers or agents hereunto as of the date first above written.

GRANTOR:

CARSON REDEVELOPMENT AGENCY,
a public body, corporate and politic

By: _____
Chairman Jim Dear

ATTEST:

By: _____
Agency Secretary Helen S. Kawagoe

APPROVED AS TO FORM:

ALESHIRE & WYNDER, LLP

By: _____
Agency Counsel



By its acceptance of this Deed, Grantee hereby agrees as follows:

1. Grantee expressly understands and agrees that the terms of this Deed shall be deemed to be covenants running with the land and shall apply to all of the Grantee's successors and assigns (except as specifically set forth in the Deed).
2. The provisions of this Deed are hereby approved and accepted.

GRANTEE:

OLSON URBAN HOUSING, LLC, a Delaware limited liability company

By: In Town Living, Inc.
A Delaware corporation
Its Manager

By: _____
Name: _____
Title: _____

By: _____
Name: _____



STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 20__, before me, _____, a Notary Public, personally appeared _____, 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 _____
(Seal)

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 20__, before me, _____, a Notary Public, personally appeared _____, 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 _____
(Seal)



LEGAL DESCRIPTION

PARCEL 1:

Parcel 1-A:

Lots 906, 907, 908, 909 and 910 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California. Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-B:

Lot 911 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-C:

Lots 912 and 913 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-D:

Lot 914 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-E:

Lot 915 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.



PARCEL 2:

Lots 916, 917 and 918 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom by the deed recorded September 11, 1992, as Instrument No. 92-1700996, of Official Records, described as follows:

Those portions of Lots 916 and 917 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California, within a strip of land 76 feet wide lying 38 feet on each side of the following described center line:

Commencing at the intersection of the centerline of Carson Street, as said last mentioned centerline is shown on map of Tract No. 11900, filed in Book 256, Page 7 of said maps, with the centerline of Bataan Avenue, as said last mentioned centerline is shown on said last mentioned map; thence South 0°10'14" east along said last mentioned centerline 8.48 feet to the true point of beginning; thence South 89°46'43" 20.18 feet to the beginning of a tangent curve concave to the north and having a radius of 500 feet; thence westerly along said curve through a central angle of 18°08'25" a distance of 158.30 feet.

PARCEL 3:

Lots 919, 920, 921, and 922 of Tract 6720, in the city of Carson, as per map recorded in book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

PARCEL 4:

Parcel 4-A:

Lots 923 and 924 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California, subject to restrictions, reservations and encumbrances if any of record.

Parcel 4-B:

Lot 925 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

This legal description is not intended to be used in the conveyance of land in violation of the Subdivision Map Act of the State of California.



EXHIBIT A

EXHIBIT "G"

GUARANTY

THIS GUARANTY (the "Guaranty") is executed as of _____, 20__, by OLSON URBAN HOUSING, LLC, a Delaware limited liability company ("Guarantor"), for the benefit of the CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic (the "Agency") is executed _____, 20__ ("Effective Date") with reference to the following facts:

RECITALS

A. Pursuant to that certain Disposition and Development Agreement dated as of _____, 201__ ("Agreement") by and between the Agency and Olson Urban Housing, LLC, a Delaware limited liability company (the "Developer"), Developer has agreed to purchase from the Agency that certain real property consisting of approximately 0.92 acres located at 2535 - 2569 East Carson Street in the City of Carson, County of Los Angeles, State of California, as described in the Agreement. Capitalized terms used and not otherwise defined herein shall have the definitions ascribed to said terms in the Agreement.

B. Pursuant to the terms of the Agreement, upon the consummation of the transactions contemplated therein (the "Closing"), Developer shall have certain post-Closing obligations and liabilities, including, without limitation, the construction and development of the Project in accordance with the terms of the Agreement.

C. As a condition to the Closing under the Agreement, the Agency has required that Guarantor guaranty the Developer's timely performance and payment of the Developer's obligations to construct the Project under the Agreement in accordance with the terms of this Guaranty.

AGREEMENT

NOW, THEREFORE, in consideration of the Closing under the Agreement and of other valuable consideration, the receipt and sufficiency of which are acknowledged, Guarantor hereby certifies, represents and warrants to the Agency, and agrees as follows:

ARTICLE 1

REPRESENTATIONS AND WARRANTIES

Guarantor makes the following representations and warranties which shall be continuing representations and warranties until this Guaranty expires in accordance with the provisions contained herein:

1.1 No Conflict. The execution and delivery of this Guaranty are not, and the performance of this Guaranty will not be, in contravention of, or in conflict with, any agreement, indenture or undertaking to which Guarantor is a party or by which it or any of its property is or



may be bound or affected and do not, and will not cause any security interest, lien or other encumbrance to be created or imposed upon any such property.

1.2 Financial Condition. Guarantor's financial statements, which have heretofore been submitted in writing by Guarantor to the Agency in connection herewith, are true and correct and fairly present the financial condition of Guarantor for the period covered thereby. Since the date of said financial statements, there has been no materially adverse change in Guarantor's financial condition. Guarantor has no knowledge of any liabilities, contingent or otherwise, as of the date of said financial statements which are not reflected in said financial statements; and, other than in the ordinary course of its business, Guarantor has not entered into any commitments or contracts which are not reflected in said financial statements or which may have a materially adverse effect upon its financial condition, operations or business as now conducted.

1.3 Solvency. The execution and delivery of this Guaranty will not (i) render Guarantor insolvent under generally accepted accounting principals nor render Guarantor Insolvent (as defined below), (ii) leave Guarantor with remaining net assets which constitute unreasonably small capital given the nature of Guarantor's business, or (iii) result in the incurrence of Debts (as defined below) beyond Guarantor's ability to pay them when and as they mature. For the purposes of this Guaranty, "Insolvent" means that the present fair market value of assets is less than the amount that will be required to pay the probable liability on existing Debts as they become absolute and matured. For the purposes of this Guaranty, "Debts" includes any legal liability for indebtedness, whether matured or unmatured, absolute, fixed or contingent.

1.4 Financial or other Benefit or Advantage. Guarantor hereby acknowledges and warrants that Guarantor is an affiliate of the Developer and that Guarantor has derived or expects to derive a financial or other benefit or advantage from the consummation of the transactions contemplated by the Agreement.

ARTICLE 2

GUARANTEED OBLIGATIONS

2.1 Guaranty. Guarantor hereby unconditionally and irrevocably guarantees the full and faithful performance of all of the terms, covenants, conditions and agreements (and all renewals, extensions, modifications and assignments thereof) on the part of Developer to be performed and observed under the Agreement and the due and punctual payment of all amounts due under or required to be made by the Developer under or in connection with the construction of the Project pursuant to the Agreement (collectively, the "Guaranteed Obligations"). This is a guaranty of payment and performance and not of collection only.

2.2 Obligations Absolute. The obligations of Guarantor hereunder shall remain in full force and effect without regard to, and shall not be affected or impaired by the following, any of which may be taken without the consent of, or notice to, Guarantor, nor shall any of the following give Guarantor any recourse or right of action against the Developer:

2.2.1 Any express or implied amendment, modification, renewal, addition, supplement, extension, acceleration or assignment of or to any of the Guaranteed Obligations;



2.2.2 Any exercise or non-exercise by the Agency of any right or privilege under this Guaranty or the documents evidencing the Guaranteed Obligations;

2.2.3 Any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Guarantor, the Developer, or any other guarantor (which term shall, for the purposes of this Guaranty, include any other party at any time directly or contingently liable for any of the Guaranteed Obligations under the Agreement, or any other documents relating thereto) or any affiliate of the Developer, or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not Guarantor shall have had notice or knowledge of any of the foregoing;

2.2.4 Any release or discharge of the Developer from its liability under the Guaranteed Obligations or any release or discharge of any guarantor or of any other party at any time directly or contingently liable for the Guaranteed Obligations;

2.2.5 Any assignment or other transfer of this Guaranty in whole or in part; and/or

2.2.6 Any acceptance of partial performance of the Guaranteed Obligations.

2.3 Waivers. Guarantor unconditionally waives any defense to the enforcement of this Guaranty, including, without limitation:

2.3.1 All presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Guaranty;

2.3.2 Any right to require the Agency to proceed against the Developer or any other guarantor at any time or to proceed against or exhaust any security held by the Agency at any time or to pursue any other remedy whatsoever at any time;

2.3.3 The defense of any statute of limitations affecting the liability of Guarantor hereunder, the liability of the Developer or any guarantor in respect of the Guaranteed Obligations, or the enforcement hereof, to the extent permitted by law;

2.3.4 Any defense arising by reason of any invalidity or unenforceability of all or any portion of the Guaranteed Obligations, or any disability of the Developer or any guarantor, or of any manner in which the Agency has exercised its rights and remedies in respect of the Guaranteed Obligations, or by any cessation from any cause whatsoever of the liability of the Developer or any guarantor;

2.3.5 Any defense based upon an election of remedies by the Agency;

2.3.6 Any duty of the Agency to advise Guarantor of any information known to the Agency regarding the financial condition of the Developer and all other circumstances affecting the Developer's ability to perform its obligations to the Agency, it being agreed that Guarantor assumes the responsibility for being and keeping informed regarding such condition or any such circumstances;

2.3.7 Any rights of subrogation, reimbursement, exoneration, contribution and indemnity, and any rights or claims of any kind or nature against the Developer which arise out of or are caused by this Guaranty, and any rights to enforce any remedy which the Agency now has or may hereafter have against the Developer and any benefit of, and any right to participate in, any security now or hereafter held by the Agency, until all of the Guaranteed Obligations have been fully paid and performed; and

2.3.8 Without limiting the generality of the foregoing or any other provision hereof, any rights and benefits which might otherwise be available to Guarantor under California Civil Code Sections 2809, 2810, 2819, 2839, 2845, 2848, 2849, 2850, 2899 and 3433, or any successor sections.

2.4 Subrogation. Guarantor understands that the exercise by the Agency of certain rights and remedies may affect or eliminate Guarantor's right of subrogation against the Developer or any other guarantor and that Guarantor may therefore incur partially or totally nonreimbursable liability hereunder. Nevertheless, Guarantor hereby authorizes and empowers the Agency, its successors, endorsees and/or assigns, to exercise in its or their sole discretion, any rights and remedies, or any combination thereof, which may then be available, it being the purpose and intent of Guarantor that the obligations hereunder shall be absolute, continuing, independent and unconditional under any and all circumstances.

2.5 Independent and Separate Obligations. The obligations of Guarantor hereunder are independent of the obligations of the Developer in respect of the Guaranteed Obligations and, in the event of any default hereunder, a separate action or actions may be brought and prosecuted against Guarantor whether or not Guarantor is the alter ego of the Developer and whether or not the Developer is joined therein or a separate action or actions are brought against the Developer. Agency's rights hereunder shall not be exhausted until all of the Guaranteed Obligations have been fully paid and performed.

2.6 Bankruptcy No Discharge: Repayments. So long as any of the Guaranteed Obligations hereunder shall be owing to the Agency, Guarantor shall not, without the prior written consent of the Agency, commence or join with any other party in commencing any bankruptcy, reorganization or insolvency proceedings of or against the Developer. Guarantor understands and acknowledges that by virtue of this Guaranty, it has specifically assumed any and all risks of a bankruptcy or reorganization case or proceeding with respect to the Developer. As an example and not in any way of limitation, a subsequent modification or assignment of the Guaranteed Obligations in any reorganization case concerning the Developer shall not affect the obligation of Guarantor to pay and perform the Guaranteed Obligations in accordance with their respective original terms. If claim is ever made upon the Agency for repayment of any amount or amounts received by the Agency in payment of the obligations in respect of the Guaranteed Obligations and the Agency repays all or any part of said amount, then, notwithstanding any revocation or termination of this Guaranty or the cancellation of the Guaranteed Obligations, Guarantor shall be and remain liable to the Agency for the amount so repaid to the same extent as if such amount had never originally been received by the Agency.

2.7 Payments and Performance. Guarantor agrees that whenever Guarantor shall make any payment to the Agency or otherwise perform any of the Guaranteed Obligations

hereunder on account of the liability hereunder, Guarantor will deliver such payment or tender such performance to the Agency at the address provided in Section 3.6 below or at such other address as may be required by the Agency and notify the Agency in writing that such payment is made or performance tendered under this Guaranty for such purpose. It is understood that the Agency, without impairing this Guaranty, may apply payments from the Developer to the Guaranteed Obligations or to such other obligations owed by the Developer to the Agency in such amounts and in such order as the Agency in its complete discretion determines. No payment made hereunder by Guarantor to the Agency shall constitute Guarantor as a creditor of the Agency.

2.8 Minimum Tangible Net Worth. At all times Guarantor shall maintain a Tangible Net Worth (defined below) of at least \$3,000,000.00. If at anytime Guarantor's Tangible Net Worth is less than \$3,000,000.00, Guarantor shall (i) deposit with the Agency an irrevocable direct pay letter of credit (in form and substance and from a bank or other financial institution acceptable to the Agency) or other security acceptable to the Agency in the amount of the difference between the Tangible Net Worth of Guarantor and \$3,000,000.00 or (ii) make other arrangements, in form and substance acceptable to the Agency, to achieve that Guarantor shall have a Tangible Net Worth of at least \$3,000,000.00. Upon Guarantor's obtaining a Tangible Net Worth of at least \$3,000,000.00, the Agency shall release any such letter of credit or security to Guarantor. As used herein "Tangible Net Worth" shall mean, with respect to Guarantor, the sum of Guarantor's total assets, less (i) all of Guarantor's intangible assets (including costs in excess of book value for acquisitions) and (ii) all of Guarantor's total liabilities, in each case as determined in accordance with generally accepted accounting principles as in effect on the date of this Guaranty and consistently applied throughout the periods covered by the applicable financial statements.

2.9 Financial Statements. Guarantor shall deliver to Agency: (i) on a semi-annual basis, but no later than 60 days after the last day of each semi-annual period, a prepared consolidated balance sheet and income statement covering Guarantor's consolidated operations during the covered period, in a form reasonably acceptable to the Agency and certified by a duly appointed and authorized officer of Guarantor ("Authorized Officer") together with a certificate of compliance in respect of the financial covenant in Section 2.8 above, executed by an Authorized Officer and (ii) as soon as available, audited consolidated fiscal year end financial statements prepared under generally accepted accounting principles, consistently applied.

ARTICLE 3

MISCELLANEOUS

3.1 Exercise of Remedies; Successors; Etc. No delay or failure by the Agency to exercise any remedy against the Developer or Guarantor will be construed as a waiver of that right or remedy. All remedies of the Agency are cumulative. When the context in which the words are used in this Guaranty indicates that such is the intent, words in the singular number shall include the plural and vice-versa. If anyone or more of the provisions of this Guaranty should be determined to be illegal or unenforceable, all other provisions shall remain effective. The Guarantor shall not have the right to assign any of its rights or obligations under this Guaranty.

3.2 Governing Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of California.

3.3 Assignability by the Agency. The Agency may, at any time and from time to time, assign, conditionally or otherwise, all of the rights of the Agency, in respect of the Guaranteed Obligations under this Guaranty, whereupon such assignee shall succeed to all rights of the Agency hereunder. The Agency may give written notice to Guarantor of any such assignment, but any failure to give, or delay in giving, such notice shall not affect the validity or enforceability of any such assignment.

3.4 Demands. Each demand by the Agency for performance or payment hereunder shall be in writing and shall be made in the manner set forth in Section 3.6 below. A dated statement signed by an authorized representative of the Agency setting forth the amount at the time owing to the Agency by Developer in respect of the Guaranteed Obligations shall be conclusive evidence thereof as between Guarantor and the Agency in any legal proceedings against Guarantor in connection with this Guaranty.

3.5 Term. The obligations of Guarantor under this Guaranty shall terminate upon the Agency's issuance of the Certificate of Completion, unless as of such date (i) an Event of Default shall have occurred and be continuing or (ii) a Guaranteed Obligation shall be then due or owing, then in either of such cases the obligations of the Guarantor hereunder shall continue in full force and effect so long as such Event of Default remains uncured or such Guaranteed Obligations remain outstanding. Upon termination of this Guaranty, the Agency, upon receipt of a written request therefor from Guarantor, shall provide the Guarantor with written confirmation of the termination of this Guaranty.

3.6 Notices. All notices and demands hereunder shall be deemed to have been duly given if personally delivered or mailed by United States registered or certified mail, with return receipt requested, postage prepaid to the parties at the following addresses (or at such other addresses as shall be given by written notice by any party to the others) or if deposited with a nationally recognized overnight courier, with all charges prepaid, and shall be deemed complete upon any such mailing or deposit:

To Guarantor:

To the Agency:

Carson Redevelopment Agency
Attn: Economic Development General Manager
1 Civic Plaza Drive, Suite 500
Carson, California 90745

3.7 Complete Agreement. This Guaranty supersedes any prior negotiations, discussions or communications among Guarantor and the Agency and constitutes the entire agreement among the Agency and Guarantor with respect to the Guaranteed Obligations.



3.8 Counterparts. This Guaranty may be executed in any number of counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the undersigned has executed this Guaranty as of the Effective Date.

GUARANTOR:

By: _____

By: _____



EXHIBIT A

EXHIBIT "H"

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

CARSON REDEVELOPMENT AGENCY
1 Civic Plaza Drive, Suite 500
Carson, California 90745
Attn: Economic Development General Manager

Space above this line for Recorder's use.

**NOTICE OF AFFORDABILITY RESTRICTIONS ON
TRANSFER OF PROPERTY**

THIS NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY ("Notice") is dated as of _____, 20__ with reference to that certain real property located at 2535 - 2569 E. Carson Street, Carson, California, known as Los Angeles County Assessor's Parcel No. _____, ("Property").

1. Pursuant to a Disposition and Development Agreement ("DDA") between the Carson Redevelopment Agency ("Agency") and Olson Urban Housing, LLC, a Delaware limited liability company ("Owner"), Owner has acquired the Property from Agency to develop twelve (12) affordable single family homes. As required by the DDA, the Agency and Owner have entered into that certain Regulatory Agreement ("Regulatory Agreement") dated as of _____, 20__ and recorded in the Official Records of Los Angeles County concurrently herewith.

2. The Regulatory Agreement requires that all 12 of the residential units be developed on the Property be restricted for sale to Moderate Income Households.

3. The restrictions set forth in the Regulatory Agreement will be in effect for each unit for a period of forty-five (45) years, commencing upon the sale of each of the residential units from Owner to the initial Moderate Income Household, which is estimated to occur in 2013 and which would result in the termination of the Affordability Period in 2058.



This Notice is intended to provide notice of documents that affect title to the Property. Reference should be made to the Regulatory Agreement for a more detailed description of all matters described in this Notice. In the event of any conflict between the terms of this Notice and the terms of the Regulatory Agreement, the Regulatory Agreement shall prevail.

IN WITNESS WHEREOF, Agency and Owner have executed this Notice as of the date first written above.

AGENCY:

CARSON REDEVELOPMENT
AGENCY, a public body, corporate
and politic

By: _____
Chairman Jim Dear

ATTEST:

By: _____
Helen S. Kawagoe Agency
Secretary

OWNER:

OLSON URBAN HOUSING, LLC, a
Delaware limited liability company

By: In Town Living, Inc.
A Delaware corporation
Its Manager

By: _____
Name: _____
Title: _____

By: _____
Name: _____



STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, 20____, before me, _____, a Notary Public, personally appeared _____ 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 _____ (Seal)

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, 20____, before me, _____, a Notary Public, personally appeared _____ 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 _____ (Seal)



EXHIBIT "I"

**REGULATORY AGREEMENT AND
DECLARATION OF COVENANTS AND RESTRICTIONS**

FREE RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

CARSON REDEVELOPMENT AGENCY
1 Civic Plaza Drive, Suite 500
Carson, CA 90745
Attn: Economic Development General Manager

(Space Above Line for Recorder's Use Only)

**REGULATORY AGREEMENT AND
DECLARATION OF COVENANTS AND RESTRICTIONS**

THIS REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Agreement") is made and entered into this ____ day of _____, _____, by and between the CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), and OLSON URBAN HOUSING, LLC, a Delaware limited liability company ("Owner").

RECITALS:

A. Pursuant to a Disposition and Development Agreement by and between Agency and Owner dated _____, 2011 ("DDA"), Agency has transferred title to the Site (as defined below) to Owner and will contribute funding to the Project (as defined below) in exchange for Owner's agreement to restrict the sale of each of the residential units constructed on the Site to sale to not to exceed moderate income households at an affordable housing cost. The "Site" is that certain real property located at 2535-2569 East Carson Street in the City of Carson, County of Los Angeles, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

B. As described in the DDA, Owner shall develop twelve (12) homes on the Site (collectively, the "Project").

C. Agency and Owner now desire to place restrictions upon the use and maintenance of the Project to ensure that ownership and occupancy of each of the residential units (each an "Affordable Unit") is (i) properly reported to the Agency, and (ii) sold continuously to Qualified Buyers during the term of this Agreement and that the Site is properly maintained.

D. It is the intent of the parties that the terms hereof shall be binding on the Owner and its successors in interest for so long as this Regulatory Agreement shall remain in effect.



E. Agency agrees to release this Agreement as it relates to each Affordable Unit in the Project upon proof from Developer, to Agency's satisfaction, that a Homeowner's Regulatory Agreement has been recorded against that Affordable Unit.

A G R E E M E N T:

NOW, THEREFORE, the Owner and Agency declare, covenant and agree, by and for themselves, their heirs, executors, administrators and assigns, and all persons claiming under or through them, that the Site shall be held, transferred, encumbered, used, sold, conveyed, leased and occupied, subject to the covenants and restrictions hereinafter set forth, all of which are declared to be in furtherance of a common plan for the improvement and sale of the Site, and are established expressly and exclusively for the use and benefit of the Agency, the residents of the City, and every person purchasing an Affordable Unit on the Site during the Affordability Period.

A. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given unless expressly provided to the contrary:

1. **Los Angeles County Median Income.** The term "Los Angeles County Median Income" shall be determined by reference to the regulations published by the California Department of Housing and Community Development pursuant to Health and Safety Code Section 50093, or its successor.

2. **Moderate Income Household.** The term "Moderate Income Household" shall mean a household whose annual household income does not exceed one hundred twenty percent (120%) of the area median income for Los Angeles County, adjusted for applicable household size, as described in Health and Safety Code Section 50093, or its successor.

3. **Qualified Buyer.** The term "Qualified Buyer" shall refer to a purchaser of an Affordable Unit who is a member of a not to exceed Moderate Income Household.

B. RESIDENTIAL PROPERTY. Owner agrees that each of the Affordable Units is to be used as the primary residence for a not to exceed Moderate Income Household, for a term of forty-five (45) years commencing, for each Affordable Unit, upon the Close of Escrow conveying that Affordable Unit from Developer to the original purchaser of that Affordable Unit ("Affordability Period"). To that end, and for the Affordability Period, the Owner hereby represents, covenants, warrants and agrees as follows:

1. **Purpose.** The Affordable Units shall be developed to provide improved housing stock within the community as well as the opportunity to provide owner-occupied housing to not to exceed Moderate Income Households. Accordingly, Owner understands that each time one of the Affordable Units is proposed for sale during the Affordability Period, the City of Carson ("City") and/or Agency must be given written notice and the seller must verify the eligibility of the proposed purchaser as a Moderate Income Household, utilizing the following calculation methods and stipulations:

a. Affordability Cost Calculations. Each Affordable Unit shall be sold to a Qualified Buyer at a price such that the annual cost of ownership is affordable to the purchaser at an "Affordable Housing Cost" as defined by applicable State laws for a Moderate Income Household. An Affordable Housing Cost is an annual housing cost that includes principal and interest on a mortgage, property taxes and assessments, fire and casualty insurance, property maintenance and repairs, an allowance for utilities and home owner fees, the total of which does not exceed the amount calculated using Health and Safety Code Section 50052.5 and Title 25 of the California Code of Regulations, Section 6920.

2. Subsequent Sales of the Affordable Units During the Affordability Period. Upon the proposed sale of each Affordable Unit at any time during the Affordability Period, the then current owner of the Affordable Unit shall contact the City and Agency to request a copy of the City and Agency's waiting list of affordable housing prospective purchasers and shall concurrently market the Affordable Unit to Moderate Income Households. The Owner shall verify income and anticipated income using source documentation compliant with all laws, regulations, notices or other documents issued by an applicable governing agency.

3. Residential Use. None of the Affordable Units may be used at any time on a transient basis or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park without the prior consent of the City and Agency, which consent may be given or withheld in their sole and absolute discretion.

4. Conversion of Project. No part of any of the Affordable Units will at any time be owned by a cooperative housing corporation, nor shall the Owner take any steps in connection with the conversion to any other form of ownership besides the approved condominium units, without the prior written approval of the City and Agency, which approval may be given or withheld in their sole and absolute discretion.

C. MAINTENANCE.

1. Maintenance Obligation. Owner hereby covenants and agrees to maintain and repair, or cause to be maintained and repaired, (by keeping current with all required payments to the homeowner's association for the Project once the association has been formed) the Affordable Units and all related on-site improvements and landscaping including, without limitation, buildings, parking areas and lighting in a first class condition and repair, free of rubbish, debris and other hazards to persons using the same, and in accordance with all applicable laws, rules, ordinances and regulations of all federal, state, and local bodies and agencies having jurisdiction, at Owner's sole cost and expense. Such maintenance and repair shall include, but not be limited to, the following: (i) sweeping and trash removal; (ii) the care and replacement of all shrubbery, plantings, and other landscaping in a healthy condition; and (iii) all graffiti and defacement of any type including marks, words or pictures shall be removed from any Affordable Unit and any necessary repair or painting completed within a reasonable time but in no event more than one week after the notice to Owner from City. In addition, Owner shall be required to ensure that the homeowner's association maintains the Site in such a manner as to avoid the reasonable determination of a duly authorized official of the City that a public nuisance has been created by the absence of adequate maintenance such as to be detrimental to the public health, safety or general welfare.

2. Right of Entry. In the event that Owner fails to ensure the maintenance of any portion of the Site in the above-mentioned condition, and satisfactory progress is not made in correcting the condition within thirty (30) days from the date of written notice from City, or if Owner and City agree such condition cannot reasonably be cured within such 30-day period, Owner shall have such time as the parties mutually agree may be reasonably necessary to correct the condition provided that Owner is diligent in pursuit of the cure, City may, at its option, and without further notice to Owner declare the unperformed maintenance to constitute a public nuisance. Thereafter, City, its employees, contractors or agents, may cure a default by entering the Site and performing the necessary landscaping and/or maintenance. The City shall give Owner reasonable notice of the time and manner of entry and entry shall only be at such times and in such manner as is reasonably necessary to carry out this Agreement. Owner shall pay such costs as are reasonably incurred by City for such maintenance, including attorneys' fees and costs.

3. Lien. If such costs are not reimbursed within thirty (30) days after Owner's receipt of notice thereof, the same shall be deemed delinquent, and the amount thereof shall bear interest thereafter at a rate of the lower of ten percent (10%) per annum or the legal maximum until paid. Any and all delinquent amounts, together with said interest, costs and reasonable attorneys' fees, shall be a personal obligation of Owner, as well as a lien and charge, with power of sale, upon the property interests of Owner, and the rents, issues and profits of such property. City may bring an action at law against Owner to obligate Owner to pay any such sums or foreclose the lien against the property interests of the Owner. Any such lien may be enforced by sale by the City following recordation of a Notice of Default of Sale given in the manner and time required by law as in the case of a deed of trust; such sale to be conducted in accordance with the provisions of Section 2924, et seq., of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law.

Any monetary lien provided for herein shall be subordinate to any bona fide mortgage or deed of trust covering an ownership interest in and to the Affordable Unit, and any purchaser at any foreclosure or trustee's sale (as well as any deed or assignment in lieu of foreclosure or trustee's sale) under any such mortgage or deed of trust shall take title free from any such monetary lien, but otherwise subject to the provisions hereof; provided that, after the foreclosure of any such mortgage and/or deed of trust, all other assessments provided for herein to the extent they relate to the expenses incurred subsequent to such foreclosure, assessed hereunder to the purchaser at the foreclosure sale, as owner of the Site after the date of such foreclosure sale, shall become a lien upon the Site upon recordation of a Notice of Assessment or Notice of Claim of Lien as herein provided.

D. COMPLIANCE WITH LAWS.

1. State and Local Laws. The Owner shall comply with all ordinances, regulations and standards of the City applicable to the Site. The Owner shall also comply with all rules and regulations of any assessment district of the City and/or any agency with jurisdiction over the Site, if any.

E. INSURANCE.

1. **Duty to Procure Insurance.** The Owner covenants and agrees for itself, and its assigns and successors-in-interest to the Site that until the expiration of the Affordability Period, the Owner shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of the Owner, the Agency and the City, and shall provide Agency and City evidence reasonably acceptable to City's Risk Manager, insurance policies meeting the minimum requirements set forth below:

a. General Liability insurance with respect to each Affordable Unit in an amount, including any umbrella policy coverage, not less than One Million Dollars (\$1,000,000) per occurrence combined single limit including products, completed operations, incidental, contractual, bodily injury, personal injury, death and property damage liability per occurrence, subject to such increases in amount as City may reasonably require from time to time. The insurance to be provided by Owner may provide for a deductible or self-insured retention of not more than Twenty-Five Thousand Dollars (\$25,000), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above.

b. With respect to the improvements and any fixtures and furnishings to be owned by the Owner at the Site, "All Risk" property insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks, not including earthquakes, as now are or may be included in the standard "all risk" form in general use in Los Angeles County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. Such insurance shall contain a replacement cost endorsement.

c. All policies of insurance required to be carried by the Owner shall be written by responsible and solvent insurance companies licensed or authorized to do business in the State of California and having a policy-holder's rating of A or better, in the most recent addition of "Best's Key Rating Guide -- Property and Casualty." A copy of each policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City prior to Close of Escrow for the Site and thereafter, upon renewals, not less than ten (10) days prior to the expiration of coverage. City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by the Owner hereunder. In no event shall the limits of any policy be considered as limiting the liability of Owner hereunder.

d. Each insurance policy required to be carried by the Owner pursuant to this Agreement shall contain the following endorsements, provisions or clauses:

(1) The insurer will not cancel or materially alter the coverage provided by such policy in a manner adverse to the interest of the insured without first giving City a minimum of ten (10) days prior written notice by certified mail, return receipt requested.



(2) A waiver by the insurer of any right to subrogation against City, and its agents, employees, or representatives, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City and its agents, officers, members, officials, employees, or representatives.

(3) The City and its respective agents, officers, members, officials, employees, volunteers, and representatives shall be named as additional insureds on the General Liability policies.

(4) Coverage provided by these policies shall be primary and non-contributory to any insurance carried by the City and its officers, officials, employees, volunteers, agents, or representatives.

(5) Coverage provided by these policies shall be primary and non-contributory to any insurance carried by the City and its officers, officials, employees, volunteers, agents, or representatives.

(6) Failure to comply with reporting provisions shall not affect coverage provided to City and its officers, employees, volunteers, agents, or representatives.

e. City's Risk Manager may require an increase in the minimum limits of the insurance policies required by this Section as such increases are reasonably determined necessary to provide for changes in cost of living, liability exposure, the market for insurance, or the use of the Site. Such increases in insurance coverage shall be effective upon receipt of written notice from the Risk Manager, provided that the Owner shall have the right to appeal a determination of increased coverage by the Risk Manager to the City Council within 10 days of receipt of notice from the Risk Manager.

f. City's Risk Manager may waive or modify the insurance requirements set forth herein if such insurance is determined by the Risk Manager not to be commercially available. Should the Owner request a modification, Owner shall submit such evidence of commercial availability as is reasonably required by the Risk Manager. At least annually, Owner shall review the availability of any insurance requirement waived or modified pursuant to this Section, and shall meet any such insurance requirement as such insurance becomes commercially available.

2. Failure to Procure Insurance. If the Owner fails to procure and maintain the above-required insurance despite its commercial availability, then City, in addition to any other remedy which City may have hereunder for Owner's failure to procure, maintain, and/or pay for the insurance required herein, may (but without any obligation to do so) at any time or from time to time, after thirty (30) days written notice to Owner, procure such insurance and pay the premiums therefor, in which event the Owner shall immediately repay City all sums so paid by City, together with interest thereon at the maximum legal rate.

F. OBLIGATION TO REPAIR.

1. Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. Subject to Section F(2) below, if any portion of an Affordable Unit is totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Owner, Owner shall promptly proceed to obtain insurance proceeds and take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, promptly and diligently commence the repair or replacement of the Affordable Unit to substantially the same condition as the Affordable Unit is required to be maintained in pursuant to this Regulatory Agreement, whether or not the insurance proceeds are sufficient to cover the actual cost of repair, replacement, or restoration, and Owner shall complete the same as soon as possible thereafter so that the Affordable Unit can continue to be operated and occupied as an affordable housing unit in accordance with this Regulatory Agreement. Subject to extensions of time for "force majeure" events described in the DDA, in no event shall the repair, replacement, or restoration period exceed one (1) year from the date Owner obtains insurance proceeds unless City's City Manager, in his or her sole and absolute discretion, approves a longer period of time. City shall cooperate with Owner at no expense to City, in obtaining any governmental permits required for the repair, replacement or restoration.

If Owner fails to obtain insurance as required by this Regulatory Agreement (and City has not procured such insurance and charged Owner for the cost), Owner shall nevertheless be obligated to reconstruct and repair any partial or total damage to the Affordable Unit and all related improvements in accordance with this Section F(1).

2. Damage or Destruction Due to Cause Not Required to be Covered by Insurance. If the improvements comprising any portion of an Affordable Unit is completely destroyed or substantially damaged by a casualty for which the Owner is not required to (and has not) insured against, the Owner shall not be required to repair, replace, or restore such improvements and may elect not to repair, replace or restore within ninety (90) days after such substantial damage or destruction. In such event, the Owner shall remove all debris from the Site. As used in this Section F(2), "substantial damage" caused by a casualty not required to be and not covered by insurance shall mean damage or destruction which is fifty percent (50%) or more of the replacement cost of the improvements comprising the Affordable Unit, as applicable. In the event the Owner does not repair, replace or restore the improvements as set forth in the first sentence of this Section F(2), the Owner shall provide notice of such election to the City promptly following such decision.

G. LIMITATION ON TRANSFERS; ANNUAL REPORTING REQUIREMENTS.

The Owner covenants that it shall not transfer the Site or any of its interests therein except as provided in this Section.

1. Transfer Defined. As used in this Section, the term "Transfer" shall include any assignment, hypothecation, mortgage, pledge, conveyance, or encumbrance of this Regulatory Agreement, an Affordable Unit, or the improvements thereon. A Transfer shall also include the transfer to any person or group of persons acting in concert of more than twenty-five



percent (25%) (in the aggregate) of the present ownership and/or control of any person or entity constituting the Owner or its general partners, taking all transfers into account on a cumulative basis, except transfers of such ownership or control interest between members of the same immediate family, or transfers to a trust, testamentary or otherwise, in which the beneficiaries are limited to members of the transferor's immediate family, or among the entities constituting the Owner or its general partners or their respective shareholders. In the event any entity constituting the Owner, its successor or the constituent partners of the Owner or any successor of the Owner, is a corporation or trust, such transfer shall refer to the transfer of the issued and outstanding capital stock of such corporation, of beneficial interests of such trust. In the event that any entity constituting the Owner, its successor or the constituent partners of the Owner or any successor of the Owner is a limited or general partnership, such transfer shall refer to the transfer of more than twenty-five percent (25%) of such limited or general partnership interest. In the event that any entity constituting the Owner, its successor or the constituent partners of the Owner or any successor of the Owner is a joint venture, such transfer shall refer to the transfer of more than twenty-five percent (25%) of the ownership and/or control of any such joint venture interest, taking all transfers into account on a cumulative basis.

2. City/Agency Approval of Transfer Required. Owner agrees that it shall not Transfer the Site or any of its rights hereunder, or any interest in the Site or in the improvements thereon (including any Affordable Unit), directly or indirectly, voluntarily or by operation of law, except as provided below, without the prior written approval of the Agency, and if so purported to be Transferred, the same shall be null and void. Moreover, during the Affordability Period, whenever the Owner desires to transfer an Affordable Unit, the Owner shall comply with Section B(2) above.

In the absence of specific written agreement by the Agency, no Transfer by an Owner of all or any portion of its interest in the Site (including without limitation a Transfer not requiring Agency approval hereunder, but not including any Affordable Unit) shall be deemed to relieve it or any successor party from the obligation to complete any of its other obligations under this Regulatory Agreement. In addition, no attempted transfer of any of an Owner's obligations hereunder shall be effective unless and until the successor party executes and delivers to Agency an assumption agreement in a form approved by the Agency assuming such obligations.

3. Exceptions. The foregoing prohibition shall not apply to any of the following:

- a. Any mortgage, deed of trust, or other form of conveyance for financing, as provided in Section 6.12 of the DDA, but Owner shall notify Agency in advance of any such mortgage, deed of trust, or other form of conveyance for financing pertaining to the Site and any transfer resulting from a foreclosure or deed in lieu of foreclosure related to any such permitted financing.
- b. Any mortgage, deed of trust, or other form of conveyance for restructuring or refinancing of any amount of indebtedness described in subsection (a) above, provided that the amount of

indebtedness incurred in the restructuring or refinancing is at a loan to value coverage ratio of not more than 0.7.

- c. The granting of easements to any appropriate governmental agency or utility or permits to facilitate the development of the Site.
- d. A sale or Transfer resulting from or in connection with a reorganization as contemplated by the provisions of the Internal Revenue Code of 1986, as amended or otherwise, in which the ownership interests of a corporation are assigned directly or by operation of law to a person or persons, firm or corporation which acquires the control of the voting capital stock of such corporation or all or substantially all of the assets of such corporation.
- e. A sale or Transfer of 49% or more of an ownership or controlling interest between members of the same immediate family, or Transfers to a trust, testamentary or otherwise, in which the beneficiaries consist solely of immediate family members of the Trustor or Transfers to a corporation or partnership in which the immediate family members or shareholders of the Transferor have a controlling majority interest of 51% or more.
- f. The agreement to sell Residential Units to Qualified Buyers.
- g. The Transfer of the common area of the Site to an association formed for the development of the Project contemplated under this Agreement.
- h. A Transfer of this Agreement or the Developer's interest in the Project to a wholly-owned subsidiary of the Developer or an affiliate of Developer. For the purposes of this definition of "transfer," an "affiliate" of Developer is an entity comprised of the same people who constitute Developer.

4. Annual Reporting. No later than April 1st of each year during the Affordability Period, the then-current Owner shall deliver to City and Agency a letter stating whether (a) each/its Affordable Unit is owner-occupied, (b) explaining whether there was a change in ownership of its Affordable Unit from the prior year and, if so, (c) the income and family size of the new Affordable Unit owner. The income information shall be submitted under penalty of perjury.

H. ENFORCEMENT. In the event that Owner defaults in the performance or observance of any covenant, agreement or obligation of Owner pursuant to this Regulatory Agreement, and if such default remains uncured for a period of thirty (30) days after written notice thereof shall have been given by City and/or Agency, or, in the event said default cannot be cured within said time period, and Owner has failed to commence to cure such default within said thirty (30) days and thereafter fails to diligently prosecute said cure to completion, then City

and/or Agency shall declare an "Event of Default" to have occurred hereunder, and, at its option, may take one or more of the following steps:

1. By mandamus or other suit, action or proceeding at law or in equity, require Owner to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of this Regulatory Agreement; or
2. Take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of Owner hereunder; or
3. Enter the Site and cure the Event of Default as provided in Section C above.
4. Impose, through the City Manager, an administrative fine for each day the violation continues. The amount of the fine shall be Twenty-Five Dollars (\$25.00) per day, unless the violation is deemed a major violation, in which case the fine shall be Seventy-Five Dollars (\$75.00) per day. The amounts of the foregoing fines shall be automatically increased by Five Dollars (\$5.00) every five (5) years during the Affordability Period of this Regulatory Agreement. A "major" violation shall be one which affects adjacent property or the health and safety of persons. The Owner may appeal the assessment of any fine to the City Council who may reverse, modify or uphold the decision of the City Manager. In making this decision, the City Council shall determine whether the violation exists and whether the amount of the fine is appropriate under the circumstances.

Except as otherwise expressly stated in this Regulatory Agreement, the rights and remedies of the parties are cumulative, and the exercise by any party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by another party.

I. NONDISCRIMINATION. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, age, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of any portion of the Site, nor shall the Owner, or any person claiming under or through Owner, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants or lessees of the Site, or any part thereof (except as permitted by this Regulatory Agreement).

J. FORM OF NONDISCRIMINATION CLAUSES IN AGREEMENTS. Subject to the tenancy/occupancy restrictions not prohibited by federal law as embodied in the DDA, which may modify the following nondiscrimination clauses, the following shall apply: Owner shall refrain from restricting the rental, sale, or lease of any portion of the Site on the basis of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. **Deeds.** In deeds the following language shall appear: "The grantee herein covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons,



claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin in the sale, lease, rental, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee itself, or any persons claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

2. Leases. In leases the following language shall appear: “The lessee herein covenants by and for itself, its heirs, executors, administrators, successors, and assigns, and all persons claiming under or through them, and this lease is made and accepted upon and subject to the following conditions:

“That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin in the leasing, subleasing, renting, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased.”

3. Contracts. In contracts the following language shall appear: “There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin in the sale, lease, rental, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land.”

The foregoing covenants shall remain in effect in perpetuity.

K. AFFORDABILITY RESTRICTIONS.

1. General Restriction. It is hereby declared that it is the intent of the parties hereto, and expressly made a condition herein, that, during the Affordability Period, each Affordable Unit, once constructed, shall be maintained exclusively as an affordable housing unit to be owned and occupied as follows: the Affordable Units shall each originally be owned and occupied by a Qualified Buyer. Thereafter, any proposed sale, transfer or conveyance of any Affordable Unit prior to the expiration of the Affordability Period shall be subject to the terms, covenants and restrictions set forth in the DDA and this Regulatory Agreement. If any Affordable Unit ceases to be used and owned by a Qualified Buyer prior to the expiration of the Affordability Period, said event shall constitute a default under the DDA.

2. Occupancy. During the Affordability Period, each Affordable Unit must be the principal place of residence of its owner for at least ten (10) months out of each calendar year. Hence, none of the Affordable Units may be rented or leased, in whole or in part, without having first received the prior written approval of the Agency. Any rental or lease agreement in violation of the restrictions set forth herein is expressly prohibited and will be deemed void.

3. Notice to Transfer or Vacate. In the event that the Owner intends to Transfer or vacate an Affordable Unit, the Owner shall promptly notify the Agency in writing, by certified mail, return receipt requested, at the respective addresses set forth in this Regulatory Agreement (or at such other address(es) as may otherwise be designated in accordance with the terms hereof).

L. COVENANTS TO RUN WITH THE LAND. The Owner hereby subjects each/its Affordable Unit to the covenants, reservations, and restrictions set forth in this Regulatory Agreement. Agency and the Owner hereby declare their express intent that all such covenants, reservations, and restrictions shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to each Affordable Unit; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. All covenants without regard to technical classification or designation shall be binding for the benefit of the City and Agency, and such covenants shall run in favor of the City and Agency for the entire Affordability Period. Each and every contract, deed or other instrument hereafter executed covering or conveying any Affordable Unit or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations, and restrictions, regardless of whether such covenants, reservations, and restrictions are set forth in such contract, deed or other instrument.

Agency and Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that Owner's legal interest in each Affordable Unit is rendered less valuable thereby. Agency and Owner hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Affordable Units by Qualified Buyers, the intended beneficiaries of such covenants, reservations, and restrictions, and by furthering the public purposes for which the Agency was formed.

Owner hereby agrees to hold, sell, and convey each of the Affordable Units subject to the terms of this Regulatory Agreement. Owner also grants to the City and Agency the right and power to enforce the terms of this Regulatory Agreement against the Owner and all persons having any right, title or interest in the Site, or any part thereof, their heirs, successive owners and assigns, including the then-current Affordable Unit owner.

Upon request of Owner, as Owner sells each of the Affordable Units, concurrent with the close of escrow for such sale, the Agency shall release the Regulatory Agreement upon Owner's demonstration to the Agency's satisfaction that a Homeowner Regulatory Agreement in the required form has been recorded against said Affordable Unit, and, following such release, the Regulatory Agreement shall be of no further force or effect with respect to that Affordable Unit. Upon release of the Regulatory Agreement from the last Affordable Unit, this Regulatory Agreement shall terminate.



M. INDEMNIFICATION. Owner agrees for itself and its successors and assigns to indemnify, defend, and hold harmless City and Agency and their respective officers, members, officials, employees, agents, volunteers, and representatives from and against any loss, liability, claim, or judgment relating in any manner to Owner's use or occupancy of the Site, or use or occupancy by Owner's officers, agents, employees, contractors and subcontractors, excepting only any such loss, liability, claim, or judgment arising out of the intentional wrongdoing or gross negligence of City, Agency or their officers, officials, employees, members, agents, volunteers, or representatives. Owner, while in possession of the Site, and each successor or assign of Owner while in possession of any portion of the Site shall remain fully obligated for the payment of property taxes and assessments in connection with such portion of the Site. The foregoing indemnification, defense, and hold harmless agreement shall only be applicable to and binding upon the party then owning the Site or applicable portion thereof.

N. ATTORNEYS' FEES. In the event that a party to this Regulatory Agreement brings an action against the other party hereto by reason of the breach of any condition, covenant, representation or warranty in this Regulatory Agreement, or otherwise arising out of this Regulatory Agreement, the prevailing party in such action shall be entitled to recover from the other reasonable expert witness fees, and its attorneys' fees and costs. Attorneys' fees shall include attorneys' fees on any appeal, and a party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, including, but not limited to, the conducting of discovery, motions and expert witness fees.

O. AMENDMENTS. This Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Los Angeles.

P. NOTICE. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, certified or registered mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto:

City/Agency: Carson Redevelopment Agency
1 Civic Plaza Drive
Carson, California 90745
Attn: Economic Development General Manager

Copy to: Aleshire & Wynder, LLP
18881 Von Karman, Suite 1700
Irvine, California 92612
Attn: Tiffany J. Israel, Esq.

Owner: Olson Urban Housing, LLC
3010 Old Ranch Parkway, Suite 100
Seal Beach, California 90740
Attn: Todd Olson and John Reekstin

Copy to: McKenna Long & Aldridge LLP
300 South Grand Avenue, Suite 1400
Los Angeles, California 90071-3124
Attn: Dennis Roy, Esq.

The notice shall be deemed given three (3) business days after the date of mailing, or, if personally delivered, when received.

Q. SEVERABILITY/WAIVER/INTEGRATION.

1. **Severability.** If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

2. **Waiver.** A waiver by either party of the performance of any covenant or condition herein shall not invalidate this Regulatory Agreement nor shall it be considered a waiver of any other covenants or conditions, nor shall the delay or forbearance by either party in exercising any remedy or right be considered a waiver of, or an estoppel against, the later exercise of such remedy or right.

3. **Integration.** This Regulatory Agreement contains the entire agreement between the parties and neither party relies on any warranty or representation not contained in this Regulatory Agreement.

R. GOVERNING LAW. This Regulatory Agreement shall be governed by the laws of the State of California.

S. COUNTERPARTS. This Regulatory Agreement may be executed in any number of counterparts, each of which shall constitute one original and all of which shall be one and the same instrument.



IN WITNESS WHEREOF, the Agency and Owner have executed this Regulatory Agreement and Declaration of Covenants and Restrictions by duly authorized representatives on the date first written hereinabove.

“AGENCY”

CARSON REDEVELOPMENT AGENCY,
a public body corporate and politic

Date: _____

By: _____
Chairman Jim Dear

ATTEST:

By: _____
Agency Secretary Helen S. Kawagoe

“OWNER”

OLSON URBAN HOUSING, LLC,
a Delaware limited liability company

By: In Town Living, Inc.,
a Delaware corporation
Its Manager

Date: _____

By: _____
Name: _____
Title: _____

Date: _____

By: _____
Name: _____
Title: _____

[End of Signatures]



ATTACHMENT NO. 1

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Carson, County of Los Angeles, State of California, more particularly described as:



ATTACHMENT NO. 2

Period Covered _____

**CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE
CARSON REDEVELOPMENT AGENCY**

The undersigned, Olson Urban Housing, LLC, a Delaware limited liability company (“Owner”), has read and is thoroughly familiar with the provisions of the Disposition and Development Agreement (“DDA”) and documents referred to therein executed by Owner and Carson Redevelopment Agency (“Agency”) including, but not limited to, the “Regulatory Agreement”, as such term is defined in the DDA.

As of the date of this Certificate, the following Affordable Units in the Project are: (i) owner-occupied by Qualified Buyers (as defined in the Regulatory Agreement), or (ii) currently vacant and being held available for such occupancy and have been so held continuously since the completion of construction or the date that a Qualified Buyer vacated such Affordable Unit:

	Occupied	Vacant
Affordable Unit Numbers	_____	_____

As of the date of this Certificate, the following are the addresses for each Qualified Buyer who purchased an Affordable Unit during the preceding year:

Addresses: _____

Attached is a separate sheet (“Occupancy Summary”) listing, among other items, the following information for each Affordable Unit: the number of each Affordable Unit, and the size and number of bedrooms of each Affordable Unit. The Owner certifies that the information contained in the Occupancy Summary is true and accurate.

The undersigned hereby certifies that (1) a review of the activities of the Owner during such period and of the Owner’s performance under the DDA and the documents referred to therein has been made under the supervision of the undersigned, and (2) to the best knowledge of the undersigned, based on the review described in clause (1) hereof, the Owner is not in default under any of the terms and provisions of the above documents (or describe the nature of any default and set forth the measures being taken to remedy such defaults).



“OWNER”

OLSON URBAN HOUSING, LLC,
a Delaware limited liability company

By: In Town Living, Inc.,
a Delaware corporation
Its Manager

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____



EXHIBIT "J"

PROMISSORY NOTE

Not to Exceed \$2,630,495.00 ("Loan Amount")

_____, 201__ ("Note Date")

FOR VALUE RECEIVED, the undersigned (herein, "Maker") hereby promises to pay to the order of the CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Holder" or "Agency"), at a place designated by Holder, the principal sum of Two Million Six Hundred Thirty Thousand Four Hundred Ninety-Five Dollars (\$2,630,495.00), or so much thereof as has been disbursed by Agency to Maker as Agency Financial Assistant pursuant to the DDA, as defined below, ("Note Amount") plus accrued interest, or such lesser amount which shall from time to time be owing hereunder pursuant to the terms hereof. The principal sum hereof shall be disbursed pursuant to the terms and conditions set forth in that certain Disposition and Development Agreement by and between Maker and Holder dated _____, 201__, ("DDA") pertaining to Maker's acquisition and development of certain real property defined in the Agreement as the "Site."

Reference is also made to the following additional agreements and documents involving Maker and Holder and/or pertaining to the Site:

(i) The Deed of Trust with Assignment of Rents by and between Maker as borrower, Holder as beneficiary, and _____ as Trustee, dated _____, _____, and recorded on _____, _____, as Instrument No. _____, in the Office of the Los Angeles County Recorder ("Deed of Trust"). The Deed of Trust partially secures repayment of this Note; and

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions, dated _____, _____, by and between Maker and Holder, for the benefit of Holder, and recorded on _____, _____, as Instrument No. _____ in the Office of the Los Angeles County Recorder ("Regulatory Agreement").

All of the foregoing listed documents are referred to herein collectively as the "Agency Agreements" and individually as an "Agency Agreement." The Agency Agreements are incorporated herein as though fully set forth.

Except as otherwise provided herein, the defined terms used in this Note shall have the same meaning as set forth in the DDA.

1. Purpose of Agency Loan; Affordability Period.

Pursuant to the terms and conditions of the DDA, the Holder has contributed the Agency Financial Assistance for the redevelopment of the Site which requires the construction of twelve (12) single family houses (each a "Unit"). The Holder accepts this Promissory Note as evidence of the Agency Financial Assistance in the amount of the Note Amount.



As described in the DDA, Holder agrees that each of the Units is to be used as the primary residence for a not to exceed moderate income household (as defined in the DDA) with adjustments for household size for a period of not less than forty-five (45) years from the sale of each Unit from Maker to the initial purchaser ("Affordability Period").

2. Promissory Loan Amount.

The principal amount of the Loan shall not exceed Two Million Six Hundred One Thousand Two Hundred Twenty-Nine Dollars (\$2,601,229.00). Maker shall make no interest payments on the Note for the term of this Promissory Note except as set forth in Section 4.3 herein. Payment of the Promissory Note shall be as described in Section 3.

3. Term of Note; Repayment; Partial Repayment.

As described in the DDA, upon (a) Holder's receipt of a Homeowner's Note for each of the Units, (b) the issuance of the Certificate of Occupancy for the twelfth Residential Unit, and (c) after receipt of a written request from Maker, if Maker is not in default of any provision of the DDA which would trigger termination of the DDA, the Note Amount shall be deemed forgiven and the Deed of Trust shall be reconveyed. Upon Maker's Sale of a Unit to a Qualified Buyer and delivery to Holder of a Homeowner's Note pursuant to which the Qualified Buyer assumes a repayment obligation upon default of the amount of Thirty-Five Thousand Dollars (\$35,000.00), this Note shall be reduced by the same amount and the Deed of Trust shall be released from the Qualified Buyer's Unit by recordation of a partial release of the Deed of Trust.

4. Default; Cross-Default; Acceleration.

4.1 In addition to Maker's failure to perform the requirements of this Promissory Note, Maker shall also be in default of this Promissory Note if Maker violates or fails to obtain or perform any provision of the DDA or any of the Agency Agreements which violation or failure would trigger termination of the DDA.

4.2 An uncured default by Maker of this Promissory Note or of any of the Agency Agreements, shall constitute a default of this Promissory Note and all of the Agency Agreements.

4.3 In the event Maker fails to perform hereunder or under any of the Agency Agreements, for a period of thirty (30) days after the date of written notice from Holder that such performance was due, Maker shall be in default of this Promissory Note. Prior to exercising any of its remedies hereunder, Agency shall give Maker written notice of such default, and Maker shall thereafter have thirty (30) days to cure such default; provided, however, that if the default hereunder is solely as a result of a default under any of the Agency Agreements, the default, notice, and cure provisions of the applicable Agency Agreement shall apply. If Maker cures a default under an Agency Agreement within the cure period set forth in the applicable Agency Agreement, Maker shall be deemed to have also cured that default under this Promissory Note. If Maker does not cure a default under any of the Agency Agreements within the cure period set forth in the applicable Agency Agreement, Maker shall be deemed in default under all of the Agency Agreements and under this Promissory Note. In the event Maker is deemed in default under this Promissory Note, and has not cured the default within the time set forth in the



applicable notice of default, Holder may, at its option, declare this Promissory Note and the entire obligation hereby evidenced immediately due and payable and collectible then or thereafter as Holder may elect. (However, should a default occur after the Holder has received individual Homeowner's Notes for different Units, Maker shall not be considered to be in default with respect to any Unit it does not own and Maker's repayment obligation shall be decreased for each Unit no longer owned by Maker as described in Section 3.) Upon such occurrence, the balance of the Promissory Note will be due and owing together with interest which shall accrue from the date of the default at the then prevailing Bank of America prime rate plus four percent (4%), or the maximum allowable under California law, whichever amount is lower, per year.

5. Collection Costs; Attorneys' Fees.

If, because of any event of default under this Note or any of the Agency Agreements, any attorney is engaged by Holder to enforce or defend any provision of this instrument, whether or not suit is filed hereon, then Maker shall pay upon demand reasonable attorneys' fees, expert witness fees and all costs so incurred by Holder together with interest thereon until paid at the applicable rate of interest payable hereunder, as if such fees and costs had been added to the principal owing hereunder.

6. Waivers by Maker.

Maker and all endorsers, guarantors and persons liable or to become liable on this Note waive presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Note and any and all other notices or matters of a like nature, and consent to any and all renewals and extensions near the time of payment hereof and agree further that at any time and from time to time without notice, the terms of payment herein may be modified or the security described in any documents securing this Note released in whole or in part, or increased, changed or exchanged by agreement between Holder and any owner of the premises affected by said documents securing this Note, without in any way affecting the liability of any party to this Note or any persons liable or to become liable with respect to any indebtedness evidenced hereby.

7. Severability.

The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.

8. Notices.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be given by personal delivery, certified mail, return receipt requested, or overnight guaranteed delivery service and addressed as follows:

If to Holder: Carson Redevelopment Agency
1 Civic Plaza Drive, Suite 500
Carson, California 90745
Attn: Economic Development General Manager

With a copy to: Aleshire & Wynder, LLP
18881 Von Karman Avenue, Suite 1700
Irvine, California 92612
Attn: Tiffany J. Israel, Esq.

If to Maker: Olson Urban Housing, LLC
3010 Old Ranch Parkway, Suite 100
Seal Beach, CA 90740
Attn: Todd Olson, President of Community Development

With a copy to: Olson Land Projects, LLC
c/o Olson Urban housing, LLC
3010 Old Ranch Parkway, Suite 100
Seal Beach, CA 90740
Attn: Katherine M. Chandler, Esq.

Notices shall be effective upon the earlier of receipt or refusal of delivery. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Note.

9. Modifications.

Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Maker and Holder. No delay or omission on the part of Holder in exercising any right hereunder shall operate as a waiver of such right or of any other right under this Note.

10. No Waiver by Holder.

No waiver of any breach, default or failure of condition under the terms of this Note shall be implied from any failure of the Holder of this Note to take, or any delay be implied from any failure by the Holder in taking action with respect to such breach, default or failure from any prior waiver of any similar or unrelated breach, default or failure.

11. Usury.

Notwithstanding any provision in this Note, the total liability for payment in the nature of interest shall not exceed the limit imposed by applicable laws of the State of California.

12. Nonassignability.

Maker may not transfer, assign, or encumber this Note in any manner without the prior, express, written authorization of Holder, which may be given or withheld by Holder in Holder's sole and absolute discretion. It shall be deemed reasonable for Holder to refuse authorization for any reason or no stated reason. Holder may freely transfer, assign, or encumber Holder's interest in this Note in any manner, at Holder's sole discretion.

13. Governing Law.

This Note has been executed and delivered by Maker in the State of California and is to be governed and construed in accordance with the laws thereof.

14. Time of Essence.

Time is of the essence in the performance of the obligations and provisions set forth in this Note.

15. Non-Recourse.

Notwithstanding anything to the contrary herein contained, this Note may be enforced only by the termination or other extinguishment of Maker's interest in the Site by foreclosure of the Deed of Trust. Notwithstanding the foregoing, it is expressly understood and agreed that the aforesaid limitation on liability shall in no way restrict or abridge Maker's continued personal liability for any other obligations of the Maker under the Agency Agreements including Maker's obligations as set forth in the Guaranty. This Note is expressly non-recourse.

16. Subordination.

Mortgages, deeds of trust, or any other reasonable method of financing the construction of the Project by Maker are permitted, subject to the conditions imposed by the DDA. Additionally, mortgages, deeds of trust, or any other reasonable method of financing a Residential Unit by a Qualified Buyer (as those terms are defined in the DDA) are permitted, but only for the purpose of securing loans or funds to be used solely and exclusively for the purchase of the Residential Unit by a Qualified Buyer in accordance with the terms of the DDA or the subsequent repair of a Residential Unit by its owner. Maker shall give prior written notice to the Holder of any such proposed mortgage, deed of trust or financing which Maker proposes to enter into before executing said documents. Maker shall not enter into any mortgage, deed of trust or financing without the prior written approval of Holder. Accordingly, during Maker's period of ownership, Maker hereby agrees to promptly notify the Holder of any mortgage, deed of trust, encumbrance or lien that has been created or attached to the Site whether such encumbrance or lien has been established by voluntary act of Maker or otherwise. The terms mortgage and deed of trust, as used herein, shall be deemed to include all means of financing real estate acquisition, construction and redevelopment.

IN WITNESS WHEREOF, the parties have executed this Note as of the date first above written.

“Maker”

OLSON URBAN HOUSING, LLC, a
Delaware limited liability company

By: In Town Living, Inc.
A Delaware corporation
Its Manager

By: _____
Name: _____
Title: _____

By: _____
Name: _____



EXHIBIT A

EXHIBIT "K"

**DEED OF TRUST AND
ASSIGNMENT OF RENTS**

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

CARSON REDEVELOPMENT AGENCY
Attn: Economic Development General Manager
1 Civic Plaza Drive, Suite 500
Carson, CA 90745

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

Original Note Amount not to exceed \$2,630,495.00

DEED OF TRUST AND ASSIGNMENT OF RENTS

THIS DEED OF TRUST AND ASSIGNMENT OF RENTS is made as of the ____ day of _____, 201__, by and between Olson Urban Housing, LLC, Inc. ("Trustor"), whose address is 3010 Old Ranch Parkway, Suite 100, Seal Beach, California 90740, _____ Title Company ("Trustee"), whose address is _____, California, _____, and the Carson Redevelopment Agency ("Beneficiary"), whose address is 1 Civic Plaza Drive, Suite 500, Carson, California 90745.

FOR GOOD AND VALUABLE CONSIDERATION, including the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably grants, transfers, conveys and assigns to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, the property is described as 2535 – 2569 East Carson Street, Carson, California 90810, as legally described on Exhibit "1" attached hereto and incorporated herein by this reference ("Property").

TOGETHER WITH all rents, issues, profits, royalties, income and other benefits derived from the Property (collectively, the "rents"), provided that so long as Trustor is not in default hereunder, it shall be permitted to use the Project (as defined below), in accordance with the requirements of that certain Disposition and Development Agreement (as defined below) or the Covenant Agreement (as defined below) entered into between Trustor and the Beneficiary dated as of _____, 201__, which agreements are on file with the Beneficiary as a public record and are incorporated by reference herein;

TOGETHER WITH all interests, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property and the rents;



TOGETHER WITH all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, including, without limiting the generality of the foregoing, all tenements, hereditaments and appurtenances thereof and thereto;

TOGETHER WITH any and all buildings and improvements now or hereafter erected upon the Property (including, in each instance, improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefore); and all fixtures, attachments, heating equipment and machinery and the like to the extent permitted by law to be deemed to be permanently affixed to and a part of the realty;

TOGETHER WITH all leasehold estate, right, title and interest of Trustor in and to all leases covering the Property or any portion thereof now or hereafter existing or entered into, and all right, title and interest of Trustor thereunder, including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of similar nature;

TOGETHER WITH all right, title and interest of Trustor in and to the Property;

TOGETHER WITH all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property, and any and all sidewalks, alleys and strips of land adjacent to or used in connection with the Property;

TOGETHER WITH all the estate, interest, right, title, other claim or demand, of every nature, in and to such property, including the Property, both in law and in equity, including, but not limited to, all deposits made with or other security given by Trustor to utility companies, the proceeds from any or all of such property, including the Property, claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire, any and all awards made for the taking by eminent domain or by any proceeding or purchase in lieu thereof of the whole or any part of such Property, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages; and

All of the foregoing, together with the Property, is herein referred to as the "Security".

FOR THE PURPOSE OF SECURING:

(a) Payment of the loan according to the "Promissory Note" sometimes referred to herein as "Note";

(b) Payment of any sums advanced by Beneficiary to protect the Security pursuant to the terms and provisions of this Deed of Trust following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period and upon five (5) business days notice to the Trustor, with interest thereon as provided herein;

(c) Payment of such additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, by Beneficiary, when evidenced by a promissory note or notes or other documents reciting that they are secured by this Deed of Trust; and



(d) Performance of every obligation, covenant or agreement of Trustor contained herein or in the Promissory Note, Covenant Agreement or the Disposition and Development Agreement and any amendments thereto.

I DEFINITIONS

A. "Covenant Agreement" means that certain Regulatory Agreement and Declaration of Covenants, Conditions and Restrictions entered into by the Beneficiary and Trustor, dated _____, 20__; said Covenant Agreement (a copy of which is on file with the Beneficiary at the address stated above, and including all of its attachments) is incorporated herein by reference.

B. "Disposition and Development Agreement" means the agreement to be entered into by the Carson Redevelopment Agency and Trustor for the acquisition and redevelopment of the Property to provide affordable housing units.

C. "Expiration Date" means that date on which the Promissory Note has been repaid or terminated.

D. "Mortgage" means any permanent or long-term loan, or any other financing device (including without limitation deeds of trust) the proceeds of which are used to finance the acquisition or redevelopment of the Project, which loan is secured by a security financing interest in the Trustor's interest in the Property.

E. "Promissory Note" means the Note in the amount of Two Million Six Hundred Thirty Thousand Four Hundred Ninety-Five Dollars (\$2,630,495.00) or less executed by Trustor to memorialize the grant by Beneficiary for the redevelopment of the Property as well as the Agency's cash contribution to the redevelopment of the Property as well as the Agency's cash contribution to the redevelopment of the Property as described in the Disposition and Development Agreement.

F. "Project" means the redevelopment of the Property with twelve (12) single family homes which shall be deed restricted for sale to not to exceed Moderate Income Households (as defined and described in the Disposition and Development Agreement and the Covenant Agreement).

Unless the context clearly requires otherwise, any capitalized term used herein and not defined herein shall have the meaning given to it under the Disposition and Development Agreement (and any amendments thereto).

II CONDITION OF THE PROJECT

Section 2.1 Continuous Use of the Project. As set forth and more specifically described in the Disposition and Development Agreement, Trustor and its successors-in-interest agree to restrict the continuous use of each home to be constructed on the Property, for a period of not less than forty-five (45) years from the Close of Escrow conveying each home to the

initial Qualified Buyer, as the primary owner-occupied residence of a not to exceed Moderate Income Household ("Affordability Period").

Section 2.2 Maintenance and Modification of the Project by Trustor. The Trustor (including its successors and assigns) agrees that at all times through the Affordability Period, the Trustor will, at the Trustor's own expense, maintain, preserve and keep the Property, or cause the Property to be maintained, preserved and kept in a good first class condition and, with respect to the portion of the Property owner or controlled by Trustor, consisting only of those uses allowed by the Disposition and Development Agreement. The Trustor will from time to time make or cause to be made all repairs, replacements and renewals deemed proper and necessary by it. The Beneficiary shall have no responsibility in any of these matters or for the making of improvements or repairs to the Property.

III TAXES AND INSURANCE

Section 3.1 Taxes, Other Governmental Charges and Utility Charges. Trustor shall pay, or cause to be paid, prior to delinquency, all taxes, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Property or the Security or any part thereof.

Section 3.2 Trustor agrees to provide insurance in Connection with the Property as follows:

a. **Commercial General Liability Insurance.** A policy of comprehensive broad form commercial general liability insurance, including an umbrella policy coverage, in an amount not less than Three Million Dollars (\$3,000,000.00), combined single limit, providing coverage, on an occurrence basis, with respect to property damage or personal injury occurring on the Property and arising from Trustor's use thereof or construction thereon.

b. **Worker's Compensation Insurance.** A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure and provide legal defense for the Trustor, Beneficiary and the City of Carson ("City") against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by the Trustor in the course of carrying out the work or services contemplated in the DDA.

c. **Automobile Insurance.** A policy of automobile liability insurance written on a per occurrence basis in an amount not less than One Million Dollars (\$1,000,000.00) combined single limit per accident for bodily injury and property damage covering owned, leased, hired, and non-owned vehicles.

d. **Builder's Risk Insurance.** A policy of "Builder's Risk" insurance covering the full replacement value of all of the improvements to be constructed by Trustor pursuant to the DDA plus Trustor's personal property and equipment. Trustor shall procure the builder's risk insurance policy prior to commencing construction.

All of the above policies of insurance, except the Builder's Risk Insurance, shall be primary insurance and shall name Beneficiary, City, and their officers, employees, and agents as additional insureds. The insurer shall waive all rights of subrogation and contribution it may have against Beneficiary, City, and their officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be materially amended or cancelled without providing thirty (30) days prior written notice to Beneficiary and City. In the event any of said policies of insurance are cancelled, Trustor shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to the Beneficiary's Executive Director. No work or services under the DDA shall commence until the Trustor has provided Beneficiary with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders are approved by Beneficiary.

The policies of insurance required by the DDA shall be satisfactory only if issued by companies qualified to do business in California, rated "A" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the Risk Manager of the City ("Risk Manager") due to unique circumstances.

VI DAMAGE, DESTRUCTION OR CONDEMNATION

Section 4.1 Damage and Destruction. If, during the Affordability Period, the Security or any portion thereof owned by Trustor is destroyed (in whole or in part) or is damaged by fire or other casualty, the Trustor shall either (a) repay the Promissory Note in full, or (b) cause any insurance proceeds arising from insurance referred to in Section 3.2 hereof and any other coverage acquired by the Trustor to be used to promptly rebuild and replace the Security, and repair and replace the Security as necessary to bring the Security into conformity with the standards; provided that such covenants shall be subordinated to the provisions of all senior obligations to which this Deed of Trust is subordinate.

Section 4.2 Condemnation. Subject to the provisions of senior obligations to which this Deed of Trust is subordinate, if title to or any interest in or the temporary use of the Property or any part thereof is taken under the exercise of the power of eminent domain by any governmental authority or by any person acting under governmental authority, including any proceeding or purchase in lieu thereof, the proceeds as a result of such taking shall be paid as provided by the law of the State of California to all persons or entities as their interests appear of record.

V REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE TRUSTOR

Section 5.1 Defense of the Title. The Trustor covenants that it is lawfully seized and possessed of title in fee simple to the Property, that it has good right to sell, convey or otherwise transfer or encumber the same, and that the Trustor, for itself and its successors and assigns, warrants and will forever defend the right and title to the foregoing described and conveyed



property unto the Beneficiary, its successors and assigns, against the claims of all persons whomsoever, excepting only encumbrances approved by the Beneficiary.

Section 5.2 Inspection of the Property. The Trustor covenants and agrees that the Beneficiary and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right to enter the Property during normal business hours following 24 hours notice to Trustor.

Section 5.3 Granting of Easements. Trustor covenants and agrees that it will grant easements, licenses, rights-of-way or other similar rights or privileges in the nature of easements with respect to any property or rights included in the Security which facilitate the use of the Property but do not diminish the Security with the prior written approval of the Beneficiary, which approval shall not be unreasonably withheld.

VI AGREEMENTS AFFECTING THE PROPERTY; FURTHER ASSURANCES

Section 6.1 Other Agreements Affecting Property. The Trustor shall duly and punctually perform all terms, covenants, conditions and agreements binding upon it under the Disposition and Development Agreement and the Covenant Agreement.

Section 6.2 Further Assurances; After Acquired Property. At any time, and from time to time, upon request by the Beneficiary, the Trustor shall make, execute and deliver, or cause to be made, executed and delivered to the Beneficiary and, where appropriate, cause to be recorded and/or filed, and from time to time thereafter to be recorded and/or filed, at such time and in such offices and places as shall be deemed desirable by the Beneficiary, any and all such other and further deeds of trust, security agreements, financing statements respecting personal property, instruments of further assurance, certificates and other documents as may, in the opinion of the Beneficiary, be necessary or desirable in order to effectuate, complete or perfect, or to continue and preserve: (a) the obligations of the Trustor under this Deed of Trust, and (b) the lien of this Deed of Trust as a lien prior to all liens except those obligations which shall be senior obligations pursuant to the provisions of this Deed of Trust. Upon any failure by the Trustor to do so, the Beneficiary may make, execute, record, file, re-record and/or refile any and all such deeds of trust, security agreements, instruments, certificates and documents for and in the name of the Trustor, and the Trustor hereby irrevocably appoints the Beneficiary the agent and attorney-in-fact of the Trustor to do so. The lien hereof shall automatically attach, without further act, to all after-acquired property deemed to be part of the Security as defined herein.

Section 6.3 Agreement to Pay Attorneys' Fees and Expenses. In the event of an Event of Default hereunder, and if the Beneficiary should employ attorneys or incur other expenses for the collection of amounts due or the enforcement of performance or observance of an obligation or agreement on the part of the Trustor in this Deed of Trust, the Trustor agrees that it will, on demand therefore, pay to the Beneficiary the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Beneficiary; and any such amounts paid by the Beneficiary shall bear interest from the date such expenses are incurred at the maximum rate permitted by Article XV of the California Constitution.

Section 6.4 Subrogation; Payment of Claims. Provided that the Beneficiary gives notice, the Beneficiary's claim shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid by the Beneficiary pursuant to the provisions hereof. If permitted in the Disposition and Development Agreement, the Beneficiary shall have the right to pay and discharge the obligations secured by this Deed of Trust.

Section 6.5 Transfer. No sale, transfer, lease, pledge, encumbrance, creation of a security interest in, or other hypothecation of the Security shall relieve the Trustor from primary liability under this Deed of Trust, the Disposition and Development Agreement or the Covenant Agreement without the express written release of the Beneficiary.

Section 6.6 Acceleration by Reason of Transfer of Financing. The qualifications and identity of Trustor are of particular concern to the Beneficiary, and it is because of such qualifications and identity that Beneficiary has entered into the DDA with Trustor. The Beneficiary has considered the experience, financial capability, and product being marketed by Trustor, the Property's location and characteristics, the public costs of acquiring and developing the Property and return on investment to produce a successful residential project for the community. Accordingly, the Beneficiary hereby imposes the following restrictions on transfer.

a. Transfer Defined. As used in this section, the term "Transfer" shall include any assignment, hypothecation, mortgage, pledge, conveyance, or encumbrance of the DDA, the Property, or the improvements thereon. A Transfer shall also include the transfer to any person or group of persons acting in concert of more than twenty-five percent (25%) of the present ownership and/or control of Trustor in the aggregate, taking all Transfers into account on a cumulative basis, except transfers of such ownership or control interest between members of the same immediate family, or Transfers to a trust, testamentary or otherwise, in which the beneficiaries are limited to members of the Transferor's immediate family. In the event Trustor or its successor is a corporation or trust, such Transfer shall refer to the Transfer of the issued and outstanding capital stock of Trustor, or of beneficial interests of such trust. In the event that Trustor is a limited or general partnership, such Transfer shall refer to the Transfer of more than twenty-five percent (25%) of the limited or general partnership interest. In the event that Trustor is a joint venture, such Transfer shall refer to the Transfer of more than twenty-five percent (25%) of the ownership and/or control of any such joint venture interest, taking all Transfers into account on a cumulative basis.

b. Restrictions Prior to Completion. Any Transfer of the Trustor's interest in the Property or the Project, in whole or in part, and any Transfer of the Trustor's interest in all or any part of the DDA, shall be subject to the approval of the Beneficiary, which shall be given or withheld within thirty (30) days of the Trustor's written request therefor. The Beneficiary's approval shall not be unreasonably withheld or delayed, and the Beneficiary shall consent to any such Transfer by the Trustor, without any adjustment to the financial terms and conditions of the DDA, including the Exhibits, if prior to such Transfer, each of the following requirements is satisfied: (1) the Trustor submits or causes to be submitted to the Beneficiary all information reasonably requested for the Beneficiary to make its determination required hereunder; (2) there is no event of default continuing under the DDA; (3) the transferee executes an assumption agreement that is acceptable to the Beneficiary and that, among other things, requires the transferee to perform all obligations of the Trustor set forth in the DDA; and (4) the Trustor pays,

or causes the proposed transferee to pay, the amount of the Beneficiary's out-of-pocket costs (including reasonable attorneys' fees) incurred in reviewing the Transfer request.

In the absence of specific written agreement by Beneficiary, prior to the issuance of a Certificate of Completion for the Property, no Transfer by Trustor of all or any portion of its interest in the Property or the DDA (including without limitation an assignment or transfer not requiring Beneficiary approval hereunder) shall be deemed to relieve it or any successor party from any obligations under the DDA with respect to the completion of the development of the Project with respect to that portion of the Property which is so transferred. In addition, no attempted assignment of any of Trustor's obligations thereunder shall be effective unless and until the successor party executes and delivers to Beneficiary an assumption agreement, in a form approved by the Beneficiary, assuming such obligations.

c. Exceptions. The foregoing prohibition shall not apply to any of the following:

(i) Any mortgage, deed of trust, or other form of conveyance for financing, as provided in Section 6.12 of the DDA, but Trustor shall notify Beneficiary in advance of any such mortgage, deed of trust, or other form of conveyance for financing pertaining to the Site and any transfer resulting from a foreclosure or deed in lieu of foreclosure related to any such permitted financing.

(ii) Any mortgage, deed of trust, or other form of conveyance for restructuring or refinancing of any amount of indebtedness described in subsection (a) above, provided that the amount of indebtedness incurred in the restructuring or refinancing is at a loan to value coverage ratio of not more than 0.7.

(iii) The granting of easements to any appropriate governmental agency or utility or permits to facilitate the development of the Property.

(iv) A sale or Transfer resulting from or in connection with a reorganization as contemplated by the provisions of the Internal Revenue Code of 1986, as amended or otherwise, in which the ownership interests of a corporation are assigned directly or by operation of law to a person or persons, firm or corporation which acquires the control of the voting capital stock of such corporation or all or substantially all of the assets of such corporation.

(v) A sale or Transfer of 49% or more of an ownership or controlling interest between members of the same immediate family, or Transfers to a trust, testamentary or otherwise, in which the beneficiaries consist solely of immediate family members of the Trustor or Transfers to a corporation or partnership in which the immediate family members or shareholders of the Transferor have a controlling majority interest of 51% or more.

(vi) The agreement to sell Residential Units to Qualified Buyers (as those terms are defined in the DDA).

(vii) The Transfer of common area within the Property to an association formed for the development of the Project contemplated under the DDA.

(viii) A Transfer of the DDA or the Trustor's interest in the Project to a wholly-owned subsidiary of the Trustor or an affiliate of Trustor. For the purpose of this definition of "transfer," an "affiliate" of Trustor is an entity comprised of the same people who constitute Trustor.

Section 6.7 Restrictions After Completion. It is hereby acknowledged by Trustor and Beneficiary that the Beneficiary agreed to sell the Property to Trustor in exchange for Trustor's agreement to deed restrict the Residential Units constructed within the Project as owner-occupied affordable housing residential units. Therefore, subsequent to the issuance of the Certificate of Completion for the Property, until each of the required Residential Units has been sold to a Qualified Buyer, except as otherwise permitted under Section 6.6, Trustor may not sell, Transfer, convey, hypothecate, assign or lease all or any portion of its interest in the Property without complying with any Transfer restrictions contained within the Grant Deed, or the Regulatory Agreement, or the Notice of Affordability Restrictions, as applicable.

VII EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Default Defined. The failure of Trustor to perform any term or condition of the Disposition and Development Agreement, the Covenant Agreement, the Promissory Note, or this Deed of Trust, and the failure of the Defaulting Party to cure any such breach or failure within the cure period provided in the applicable agreement, after receipt of written notice from Beneficiary in accordance with the agreement, shall be an Event of Default hereunder.

Section 7.2 The Beneficiary's Right to Enter and Take Possession. If an Event of Default shall have occurred and be continuing, the Beneficiary may:

a. Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Property and take possession thereof (or any part thereof) and of any of the Security, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Property, or part thereof or interest therein, increase the income therefrom or protect the Security hereof and, with or without taking possession of the Property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any amounts owed to Beneficiary, all in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such rents, issues and profits and the application thereof, as aforesaid, shall not cure or waive any Default or notice of Default hereunder or invalidate any act done in response to such Default or pursuant to such notice of Default and, notwithstanding the continuance in possession of the Property or the collection, receipt and application of rents, issues or profits, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust, the Promissory Note, the Disposition and Development Agreement, the Covenant Agreement or by law upon occurrence of any Event of Default, including the right to exercise the power of sale. A copy of any Notice of Default and a copy of any Notice of Sale hereunder shall be mailed to Trustor at its address herein given;

b. Utilize all Project funds and all incomes collected to cause the correction or completion of the work and correct the work and prosecute it to completion, and Beneficiary may employ or contract with all forces necessary to do the work and may use all Project funds for such purposes;

c. Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

d. Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the property to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of the County in which the Property is located; or

e. Exercise all other rights and remedies provided herein, in the instruments by which the Trustor acquires title to the Property, including any Security, or in any other document or agreement now or hereafter evidencing, creating or securing all or any portion of the obligations secured hereby, or provided by law.

Section 7.3 Foreclosure by Power of Sale. Should the Beneficiary elect to foreclose by exercise of the power of sale herein contained, the Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust which is secured hereby, and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

a. Upon receipt of such notice from the Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and after Notice of Sale having been given as required by law, sell the Property, at the time and place of sale fixed by it in said Notice of Sale, either as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine, at public auction to the highest bidder, for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale, and Trustor hereby covenants to warrant and defend the title of such purchaser or purchasers.

b. After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale to payment of all sums then secured hereby and the remainder, if any, to the person or persons legally entitled thereto.

c. Trustee may postpone sale of the Property by public announcement at such time and place of sale, and from time to time thereafter, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

Section 7.4 Receiver. If an Event of Default shall have occurred and be continuing, Beneficiary, as a matter of right and without further notice to Trustor or anyone claiming under Security, and without regard to the then value of the Property or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Security (or a part thereof), and Trustor hereby irrevocably consents to such appointment and waives further notice of any application therefor. Any such receiver or receivers shall have all the powers and duties of receivers in like or similar cases, and all the powers and duties of Beneficiary in case of entry as provided herein, and shall continue as such and exercise all such powers until the date of confirmation of sale of the Property, unless such receivership is sooner terminated.

Section 7.5 Remedies Cumulative. No right, power or remedy conferred upon or reserved to the Beneficiary by this Deed of Trust is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.6 No Waiver.

a. No delay or omission of the Beneficiary to exercise any right, power or remedy accruing upon any Default shall exhaust or impair any such right, power or remedy, or shall be construed to be a waiver of any such Default or acquiescence therein; and every right, power and remedy given by this Deed of Trust to the Beneficiary may be exercised from time to time and as often as may be deemed expeditious by the Beneficiary. No consent or waiver, expressed or implied, by the Beneficiary to or of any breach by the Trustor in the performance of the obligations hereunder shall be deemed or construed to be a consent to or waiver of obligations of the Trustor hereunder. Failure on the part of the Beneficiary to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by the Beneficiary of its right hereunder or impair any rights, powers or remedies consequent on any breach or Default by the Trustor.

b. If the Beneficiary (i) takes other or additional security, (ii) waives or does not exercise any right granted herein or in the Disposition and Development Agreement or the Covenant Agreement, (iii) certifies completion of any part of the Security from the lien of this Deed of Trust, or otherwise changes any of the terms, covenants, conditions or agreements of this Deed of Trust, the Disposition and Development Agreement or the Covenant Agreement, (iv) consents to the filing of any map, plat or replat affecting the Security, (v) consents to the granting of any easement or other right affecting the Security, or (vi) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not discharge, modify, change or affect the original liability under this Deed of Trust, or any other obligation of the Trustor or any subsequent purchaser of the Security or any part thereof, or any maker, co-signer, endorser, surety or guarantor; nor shall any such act or omission preclude the Beneficiary from exercising any right, power or privilege herein granted or intended to be granted in the event of any Default then made or of any subsequent Default, nor, except as otherwise expressly provided in an instrument or instruments executed by the Beneficiary shall the lien of this Deed of Trust be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Property, the Beneficiary, without notice, is hereby authorized and empowered to



deal with any such vendee or transferee with reference to the Security (or a part thereof) or the indebtedness secured hereby, or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it might deal with the Trustor and without in any way releasing or discharging any liabilities, obligations or undertakings of the Trustor.

Section 7.7 Suits to Protect the Security. The Beneficiary shall have power (upon ninety (90) days notice to the Trustor) to (a) institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Security (and the rights of the Beneficiary as secured by this Deed of Trust) by any acts which may be unlawful or any violation of this Deed of Trust, (b) preserve or protect its interest (as described in this Deed of Trust) in the Security and in the rents, issues, profits and revenues arising therefrom, and (c) restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement for compliance with such enactment, rule or order would impair the security thereunder or be prejudicial to the interests of the Beneficiary.

Section 7.8 Trustee May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting the Trustor, its creditors or its property, the Beneficiary, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Beneficiary allowed in such proceedings for any amount which may become due and payable by the Trustor hereunder after such date.

VIII RELEASES

Section 8.1 Release. This Deed of Trust shall only be fully released upon termination of the repayment obligation as described in Section 3 of the Promissory Note without the occurrence of an Event of Acceleration as described in Section 4 of the Promissory Note, Beneficiary shall cause a partial release of this Deed of Trust from each Residential Unit upon the transfer of that Residential Unit to the Qualified Buyer purchasing the Residential Unit from Trustor and the recordation of a Homeowner's Deed of Trust against that Residential Unit.

IX MISCELLANEOUS

Section 9.1 Amendments. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

Section 9.2 Trustor Waiver of Rights. Trustor hereby acknowledges that it is aware of and has the advice of counsel of its choice with respect to its rights under the Constitution of the United States, including, but not limited to, its rights arising under the Fourth, Fifth, Sixth and Fourteenth Amendments thereto, and the Constitution of the State of California. Trustor agrees that Beneficiary may exercise its rights hereunder in accordance with the provisions hereof, including, but not limited to, the exercise of the power of sale pursuant to Section 7.3 hereof, and Trustor hereby expressly waives its rights under such Constitutions with respect

thereto, including, but not limited to, its rights, if any, to notice and a hearing upon the occurrence of an Event of Default hereunder; provided, however, nothing contained herein shall be deemed to be a waiver of Trustor's rights to reinstate or redeem this Deed of Trust in accordance with applicable law. Trustor further waives to the extent permitted by law, (a) the benefit of all laws now existing or that may hereafter be enacted providing for any appraisal before sale of any portion of the Security, (b) all rights of valuation, appraisal, stay of execution, and marshaling in the event of foreclosure of the liens hereby created, and (c) all rights and remedies which Trustor may have or be able to assert by reason of the laws of the State of California pertaining to the rights and remedies of sureties.

Section 9.3 Reconveyance by Trustee. Upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey to Trustor, or to the person or persons legally entitled thereto, without warranty, any portion of the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or person legally entitled thereto."

Section 9.4 Notices. Whenever Beneficiary, Trustor or Trustee shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request, or other communication shall be in writing and shall be effective only if the same is delivered by personal service or mailed by registered or certified mail, postage prepaid, return receipts requested, or by telegram, addressed to the address set forth in the first paragraph of this Deed of Trust. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change.

Section 95 Acceptance by Trustee. Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

Section 96 Invalidity of Certain Provisions. Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

Section 9.7 No Merger. If title to the Property shall become vested in the Beneficiary, this Deed of Trust and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger and, in such event, Beneficiary shall continue to have and enjoy all of the rights and privileges of Beneficiary under this Deed of Trust. In addition, upon foreclosure under this Deed of Trust pursuant to the provisions hereof, any leases or subleases then existing and affecting all or any portion of the Security shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Beneficiary or any purchaser at any such foreclosure shall so elect. No act by or on behalf of Beneficiary or any such purchaser shall constitute a termination of any lease or sublease unless Beneficiary or such purchaser shall give written notice of termination to such tenant or subtenant.

Section 9.8 Governing Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of California. Any action to enforce the provisions hereof shall be instituted and maintained in the Superior Court of the County of Los Angeles, State of California, or in any other appropriate court in that county.

Section 9.9 Non-Recourse. Notwithstanding anything to the contrary herein contained, the Note may be enforced only by the termination or other extinguishment of Trustor's interest in the Property by foreclosure of this Deed of Trust. Notwithstanding the foregoing, it is expressly understood and agreed that the aforesaid limitation on liability shall in no way restrict or abridge Trustor's continued personal liability for any other obligations of the Trustor under the DDA including Trustor's obligations as set forth in the Guaranty.

Section 9.10 Subordination. Mortgages, deeds of trust, or any other reasonable method of financing the construction of the Project by Trustor are permitted, subject to the conditions imposed by the DDA, the Regulatory Agreement and this Deed of Trust. Additionally, mortgages, deeds of trust, or any other reasonable method of financing a Residential Unit by a Qualified Buyer are permitted, but only for the purpose of securing loans or funds to be used solely and exclusively for the purchase of the Residential Unit by a Qualified Buyer in accordance with the terms of the DDA, the Regulatory Agreement and this Deed of Trust or the subsequent repair of a Residential Unit by its owner. Trustor shall give prior written notice to the Beneficiary of any such proposed mortgage, deed of trust or financing which Trustor proposes to enter into before executing said documents. Trustor shall not enter into any mortgage, deed of trust or financing without the prior written approval of Beneficiary. Accordingly, during Trustor's period of ownership, Trustor hereby agrees to promptly notify the Beneficiary of any mortgage, deed of trust, encumbrance or lien that has been created or attached to the Property whether such encumbrance or lien has been established by voluntary act of Trustor or otherwise. The terms mortgage and deed of trust, as used herein, shall be deemed to include all means of financing real estate acquisition, construction and redevelopment.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the date and year first above written.

"Trustor"

OLSON URBAN HOUSING, LLC, a
Delaware limited liability company

By: In Town Living, Inc.
A Delaware corporation
Its Manager

By: _____
Name: _____
Title: _____

Date: _____

By: _____
Name: _____



EXHIBIT "1"
LEGAL DESCRIPTION OF PROPERTY

PARCEL 1:

Parcel 1-A:

Lots 906, 907, 908, 909 and 910 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California. Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-B:

Lot 911 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-C:

Lots 912 and 913 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-D:

Lot 914 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

Parcel 1-E:

Lot 915 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.



Excepting therefrom that portion of said land conveyed to the city of Carson, a municipal corporation and charter city under the laws of the State of California by Corrective Grant Deed recorded July 9, 2009 as Instrument No. 2009-1032930 of Official Records.

PARCEL 2:

Lots 916, 917 and 918 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

Excepting therefrom by the deed recorded September 11, 1992, as Instrument No. 92-1700996, of Official Records, described as follows:

Those portions of Lots 916 and 917 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California, within a strip of land 76 feet wide lying 38 feet on each side of the following described center line:

Commencing at the intersection of the centerline of Carson Street, as said last mentioned centerline is shown on map of Tract No. 11900, filed in Book 256, Page 7 of said maps, with the centerline of Bataan Avenue, as said last mentioned centerline is shown on said last mentioned map; thence South $0^{\circ}10'14''$ east along said last mentioned centerline 8.48 feet to the true point of beginning; thence South $89^{\circ}46'43''$ 20.18 feet to the beginning of a tangent curve concave to the north and having a radius of 500 feet; thence westerly along said curve through a central angle of $18^{\circ}08'25''$ a distance of 158.30 feet.

PARCEL 3:

Lots 919, 920, 921, and 922 of Tract 6720, in the city of Carson, as per map recorded in book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

PARCEL 4:

Parcel 4-A:

Lots 923 and 924 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California, subject to restrictions, reservations and encumbrances if any of record.

Parcel 4-B:

Lot 925 of Tract 6720, in the city of Carson, as per map recorded in Book 71, page(s) 79 and 80 of Maps, in the office of the County Recorder of Los Angeles County, California.

This legal description is not intended to be used in the conveyance of land in violation of the Subdivision Map Act of the State of California.



STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 20__, before me, _____, a Notary Public, personally appeared _____, 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 _____
(Seal)

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 20__, before me, _____, a Notary Public, personally appeared _____, 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 _____
(Seal)

EXHIBIT A

EXHIBIT "L"

HOMEOWNER'S NOTE

\$35,000.00 ("Loan Amount")

_____, 20__ ("Note Date")

FOR VALUE RECEIVED, the undersigned (herein, "Maker"), hereby promises to pay to the order of the CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Holder" or "Agency"), at a place designated by Holder, the principal sum not to exceed Thirty-Five Thousand Dollars (\$35,000.00) ("Note Amount"), plus accrued interest, or such lesser amount which shall from time to time be owing hereunder pursuant to the terms hereof. This Note is made pursuant to the terms and conditions set forth in that certain Disposition and Development Agreement ("DDA") by Olson Urban Housing, LLC ("Developer") and Holder regarding 2535 – 2569 East Carson Street, Carson, California ("Site"), which DDA is fully incorporated herein by this reference. Maker incurs this obligation upon Maker's purchase of _____ East Carson Street ("This Unit") which is a portion of the Site.

Reference is also made to the following additional agreements and documents involving Maker and Holder and/or pertaining to the Site:

(i) The Homeowner's Deed of Trust and Assignment of Rents by and between Maker as borrower, Holder as beneficiary, securing payment of this Note, which shall be recorded in the Office of the Los Angeles County Recorder; and

(ii) The Homeowner's Regulatory Agreement and Declaration of Covenants and Restrictions, dated _____, _____, restricting the use and maintenance of This Unit ("Regulatory Agreement"), which shall be recorded in the Office of the Los Angeles County Recorder.

All of the foregoing listed documents are referred to herein collectively as the "Agency Agreements" and individually as an "Agency Agreement." The Agency Agreements are incorporated herein as though fully set forth.

Except as otherwise provided herein, the defined terms used in this Note shall have the same meaning as set forth in the Agreement.

1. Promissory Loan Amount.

The principal amount of the Loan shall not exceed Thirty-Five Thousand Dollars (\$35,000.00). Maker shall make no interest payments on the Note for the term of this Promissory Note except as set forth in Section 4.3 herein. As the Holder and Maker intend the Loan Amount to be a grant that only requires repayment upon default of the affordability restrictions set forth in the Agency Agreements, repayment of this Note shall be as described in Sections 3 and 4.



2. Purpose of Agency Loan: Affordability Period.

Pursuant to the DDA, the Site has been developed with twelve (12) for sale single family homes (each a "Unit"), which Units shall each be deed restricted for use as the primary residence of a not to exceed Moderate Income Household (as defined in the DDA) for a period of not less than forty-five (45) years from the close of escrow transferring the applicable Unit from the Developer to the original Moderate Income Household ("Affordability Period"). As described in the DDA, the Agency tendered a payment to the Developer in exchange for Developer's agreement to restrict This Unit for sale to a not to exceed Moderate Income Household. Accordingly, Maker herein agrees to repay the Note Amount to Agency if Maker defaults on its performance under the affordability restrictions set forth in the Agency Agreements.

3. Term of Note; Repayment.

During the Affordability Period, upon the transfer of This Unit from one not to exceed Moderate Income Household to a subsequent not to exceed Moderate Income Household, the Note Amount shall be assumed by the subsequent not to exceed Moderate Income Household upon acquisition of This Unit as evidenced by the execution of a new Homeowner's Note and Homeowner's Deed of Trust, which documents shall be immediately tendered to Agency, at which time Agency shall reconvey the prior Homeowner's Note and Homeowner's Deed of Trust if the prior and current owner are in compliance with the affordability restrictions set forth in the Agency Agreements. This process shall continue until this Note has been completely repaid or forgiven pursuant to the paragraph below. Permitted Transfers of This Unit are defined in Section 16 below.

Accordingly, if the Note has not been previously accelerated under Section 4.3 below, upon expiration of the Affordability Period, Holder's receipt of a written request from Maker to reconvey the Homeowner's Deed of Trust and Agency's verification that no default of the affordability restrictions exists and that the Affordability Period has expired, Holder shall reconvey the Homeowner's Deed of Trust.

4. Default; Cross-Default; Acceleration.

4.1 In addition to Maker's failure to perform the requirements of this Note, Maker shall also be in default of this Note if Maker violates or fails to perform any provision of any of the Agency Agreements which violation would trigger termination of the DDA.

4.2 An uncured default by Maker of this Note or of any of the Agency Agreements shall constitute a default of this Note and all of the Agency Agreements.

4.3 In the event Maker fails to perform hereunder or under any of the Agency Agreements for a period of thirty (30) days after the date of written notice from Holder that such performance was due, Maker shall be in default of this Note. Prior to exercising any of its remedies hereunder, Agency shall give Maker written notice of such default, and Maker shall thereafter have thirty (30) days to cure such default; provided, however, that if the default hereunder is solely as a result of a default under any of the Agency Agreements, the default, notice, and cure provisions of the applicable Agency Agreement shall apply. If Maker cures a default under an Agency Agreement within the cure period set forth in the applicable Agency

Agreement, Maker shall be deemed to have also cured that default under this Note. If Maker does not cure a default under any of the Agency Agreements within the cure period set forth in the applicable Agency Agreement, Maker shall be deemed in default under all of the Agency Agreements and under this Note. In the event Maker is deemed in default under this Note and has not cured the default within the time set forth in the applicable notice of default, Holder may, at its option, declare this Note and the entire obligation hereby evidenced immediately due and payable and collectible then or thereafter as Holder may elect. Upon such occurrence, the balance of this Note will be due and owing together with interest which shall accrue from the date of the default at the then prevailing Bank of America prime rate plus four percent (4%), or the maximum allowable under California law, whichever amount is lower, per year.

5. Collection Costs; Attorneys' Fees.

If, because of any event of default under this Note or any of the Agency Agreements, any attorney is engaged by Holder to enforce or defend any provision of this instrument, whether or not suit is filed hereon, then Maker shall pay upon demand reasonable attorneys' fees, expert witness fees and all costs so incurred by Holder together with interest thereon until paid at the applicable rate of interest payable hereunder, as if such fees and costs had been added to the principal owing hereunder.

6. Waivers by Maker.

Maker and all endorsers, guarantors and persons liable or to become liable on this Note waive presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Note and any and all other notices or matters of a like nature, and consent to any and all renewals and extensions near the time of payment hereof and agree further that at any time and from time to time without notice, the terms of payment herein may be modified or the security described in any documents securing this Note released in whole or in part, or increased, changed or exchanged by agreement between Holder and any owner of the premises affected by said documents securing this Note, without in any way affecting the liability of any party to this Note or any persons liable or to become liable with respect to any indebtedness evidenced hereby.

7. Severability.

The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.

8. Notices.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be given by personal delivery, certified mail, return receipt requested, or overnight guaranteed delivery service and addressed as follows:



If to Holder: Carson Redevelopment Agency
1 Civic Plaza Drive, Suite 500
Carson, California 90745
Attn: Executive Director

With a copy to: Aleshire & Wynder, LLP
18881 Von Karman Avenue, Suite 1700
Irvine, California 92612
Attn: Tiffany J. Israel, Esq.

If to Maker:

Notices shall be effective upon the earlier of receipt or refusal of delivery. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Note.

9. Modifications.

Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Maker and Holder. No delay or omission on the part of Holder in exercising any right hereunder shall operate as a waiver of such right or of any other right under this Note.

10. No Waiver by Holder.

No waiver of any breach, default or failure of condition under the terms of this Note shall be implied from any failure of the Holder of this Note to take, or any delay be implied from any failure by the Holder in taking action with respect to such breach, default or failure from any prior waiver of any similar or unrelated breach, default or failure.

11. Usury.

Notwithstanding any provision in this Note, the total liability for payment in the nature of interest shall not exceed the limit imposed by applicable laws of the State of California.

12. Nonassignability.

Maker may not transfer, assign, or encumber this Note in any manner without the prior, express, written authorization of Holder, which may be given or withheld by Holder in Holder's sole and absolute discretion. It shall be deemed reasonable for Holder to refuse authorization for any reason or no stated reason. Holder may freely transfer, assign, or encumber Holder's interest in this Note in any manner, at Holder's sole discretion.

13. Governing Law.

This Note has been executed and delivered by Maker in the State of California and is to be governed and construed in accordance with the laws thereof.



14. Time of Essence.

Time is of the essence in the performance of the obligations and provisions set forth in this Note.

15. Subordination

Mortgages, deeds of trust, or any other reasonable method of financing the acquisition of This Unit by Maker are permitted, but only for the purpose of securing loans or funds to be used solely and exclusively for the purchase or repair of This Unit by a not to exceed Moderate Income Household, subject to the conditions imposed by the DDA and the Homeowner's Regulatory Agreement. Maker shall give prior written notice to the Holder of any such proposed mortgage, deed of trust or financing which Maker proposes to enter into before executing said documents. Maker shall not enter into any mortgage, deed of trust or financing without the prior written approval of Holder. Accordingly, Maker hereby agrees to promptly notify the Holder of any mortgage, deed of trust, encumbrance or lien that has been created or attached to the Site whether such encumbrance or lien has been established by voluntary act of Maker or otherwise. The terms mortgage and deed of trust, as used herein, shall be deemed to include all means of financing real estate acquisition.

16. Permitted Transfers.

16.1 Defined. This Section shall define those "Transfers" of This Unit that constitute "Permitted Transfers." Each of the following shall constitute a Permitted Transfer provided the Transfer is made in compliance with the terms and procedures set forth in Section 16.1.2:

(i) Conveyance as a Result of Marriage. A transfer of title to This Unit by Maker to himself/herself and his/her spouse (such that the spouses become co-owners of This Unit as a result of a marriage.

(ii) Conveyance to a Trust. A transfer of title to This Unit by Maker to a revocable living trust established by such Maker for estate planning purposes.

(iii) Conveyances between Co-Owner as a Result of Death, Voluntary Conveyance, or Divorce. If there is more than one individual constituting Maker (i.e., spouses, joint tenants, etc.), a transfer of one Maker's interest in This Unit to the other Maker by reason of death, voluntary conveyance, or divorce.

(iv) Conveyance to a Party who is Not a Co-Owner as a Result of Death. Upon the death of a Maker, a transfer of This Unit to a Moderate Income Household that meets the other requirements of Holder to own This Unit. If the transferee of This Unit upon the death of a Maker is not a Moderate Income Household who meets the requirements of Holder to own This Unit, the transfer is not a Permitted Transfer and the transferee shall, within one hundred twenty (120) days after the date the transferee obtains title to This Unit, transfer fee title to This Unit to a Qualified Buyer at an Affordable Housing Cost pursuant to the DDA and the Homeowner's Regulatory Agreement.

(v) Refinancing of First Deed of Trust. The execution of a deed of trust in favor of an institutional lender to secure repayment of a loan the proceeds of which are used only for the purpose of repaying the First Deed of Trust for This Unit to refinance This Unit, provided that the loan is being created in good faith and for value and the amount does not exceed the then outstanding sum secured by the First Deed of Trust or a successor loan executed in connection with refinancing of the prior encumbrance plus reasonable closing costs associated with the refinance.

16.2 Transferee of Permitted Transfer Subject to Note. This Note shall remain in full force and effect upon a Permitted Transfer. Other than a Permitted Transfer that is for the recordation of the First Deed of Trust in accordance with Section 16.1.1(vi), the transferee of a Permitted Transfer shall constitute the "Maker" under this Note upon the Permitted Transfer and shall be subject to, and required to comply with, all of the terms and conditions of this Note, including without limitation the requirement that the Maker occupy This Unit as its principal place of residence.

IN WITNESS WHEREOF, the parties have executed this Note as of the date first above written.

"Maker"



EXHIBIT "M"

HOMEOWNER'S DEED OF TRUST

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

CARSON REDEVELOPMENT AGENCY
Attn: Economic Development General Manager
1 Civic Plaza Drive, Suite 500
Carson, CA 90745

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

Original Note Amount not to exceed \$35,000.00

HOMEOWNER'S DEED OF TRUST AND ASSIGNMENT OF RENTS

THIS HOMEOWNER'S DEED OF TRUST AND ASSIGNMENT OF RENTS is made as of the ____ day of _____, 20____, by and between _____ (collectively, "Trustor"), whose address is _____ East Carson Street, Carson, California 90810, _____ Title Company ("Trustee"), whose address is _____, California, _____, and the Carson Redevelopment Agency ("Beneficiary"), whose address is 1 Civic Plaza Drive, Suite 500, Carson, California 90745.

FOR GOOD AND VALUABLE CONSIDERATION, including the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably grants, transfers, conveys and assigns to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, the property is described as _____ **East Carson Street, Carson, California 90810**, as legally described on Exhibit "1" attached hereto and incorporated herein by this reference ("Property").

TOGETHER WITH all rents, issues, profits, royalties, income and other benefits derived from the Property (collectively, the "rents"), provided that so long as Trustor is not in default hereunder, it shall be permitted to use the Property, in accordance with the requirements of the Covenant Agreement (as defined below), which agreements are on file with the Beneficiary as a public record and are incorporated by reference herein;

TOGETHER WITH all interests, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property and the rents;

TOGETHER WITH all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, including, without limiting the generality of the foregoing, all tenements, hereditaments and appurtenances thereof and thereto;



TOGETHER WITH any and all buildings and improvements now or hereafter erected upon the Property (including, in each instance, improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefore); and all fixtures, attachments, heating equipment and machinery and the like to the extent permitted by law to be deemed to be permanently affixed to and a part of the realty;

TOGETHER WITH all leasehold estate, right, title and interest of Trustor in and to all leases covering the Property or any portion thereof now or hereafter existing or entered into, and all right, title and interest of Trustor thereunder, including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of similar nature;

TOGETHER WITH all right, title and interest of Trustor in and to the Property;

TOGETHER WITH all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property, and any and all sidewalks, alleys and strips of land adjacent to or used in connection with the Property;

TOGETHER WITH all the estate, interest, right, title, other claim or demand, of every nature, in and to such property, including the Property, both in law and in equity, including, but not limited to, all deposits made with or other security given by Trustor to utility companies, the proceeds from any or all of such property, including the Property, claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire, any and all awards made for the taking by eminent domain or by any proceeding or purchase in lieu thereof of the whole or any part of such Property, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages; and

All of the foregoing, together with the Property, is herein referred to as the "Security".

FOR THE PURPOSE OF SECURING:

(a) Payment of the loan according to the "Homeowner's Note" sometimes referred to herein as "Note";

(b) Payment of any sums advanced by Beneficiary to protect the Security pursuant to the terms and provisions of this Deed of Trust following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period and upon five (5) business days notice to the Trustor, with interest thereon as provided herein;

(c) Payment of such additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, by Beneficiary, when evidenced by a promissory note or notes or other documents reciting that they are secured by this Homeowner's Deed of Trust; and

(d) Performance of every obligation, covenant or agreement of Trustor contained herein or in the Homeowner's Note and Covenant Agreement and any amendments thereto.

I. DEFINITIONS

A. "Covenant Agreement" means that certain Homeowner's Regulatory Agreement and Declaration of Covenants, Conditions and Restrictions entered into by the Beneficiary and Trustor, as the owner of the Property, dated _____, 20__; said Covenant Agreement (a copy of which is on file with the Beneficiary at the address stated above, and including all of its attachments) is incorporated herein by reference.

B. "Developer" means Olson Urban Housing, LLC, the developer of the Property.

C. "Expiration Date" means, for the purposes of this Homeowner's Deed of Trust, the date on which the Homeowner's Note has been repaid or forgiven upon expiration of the Affordability Period as described in the Homeowner's Note.

D. "Homeowner's Note" means the note in an original amount not to exceed Thirty-Five Thousand Dollars (\$35,000.00) executed by Trustor to memorialize the grant by Beneficiary in connection with the development of the Property as described in the Covenant Agreement.

E. "Mortgage" means any permanent or long-term loan, or any other financing device (including without limitation deeds of trust) the proceeds of which are used to finance Beneficiary's purchase of the Property, which loan is secured by a security financing interest in the Beneficiary's interest in the Property. The terms mortgage, as used herein, shall also include second mortgages or home equity lines of credit (HELOCS) sought for purposes other than securing funding for the purchase of the Property; however such loans shall require approval by the Beneficiary at the Beneficiary's discretion.

Unless the context clearly requires otherwise, any capitalized term used herein and not defined herein shall have the meaning given to it under the Disposition and Development Agreement entered into by and between Beneficiary and Developer on _____, 2011 relating to the redevelopment of the Property (and any amendments thereto).

II. CONDITION OF THE PROPERTY

2.1 Continuous Use of the Property. As set forth in the Covenant Agreement, Trustor and its successors-in-interest agree to oversee the continuous use of the Property, for a period of not less than forty-five (45) years from the sale of the Property from Developer as the primary owner-occupied residence of a not to exceed Moderate Income Household ("Affordability Period").

2.2 Maintenance and Modification of the Property by Trustor. The Trustor agrees that at all times commencing upon Trustor's acquisition of the Property and continuing through the Affordability Period, the Trustor will, at the Trustor's own expense, maintain, preserve and keep the Property, or cause the Property to be maintained, preserved and kept in a good first class condition and consisting only of those uses allowed by the Covenant Agreement. The Trustor will from time to time make or cause to be made all repairs, replacements and renewals deemed proper and necessary by it. The Beneficiary shall have no responsibility in any of these matters or for the making of improvements or repairs to the Property.



III. TAXES AND INSURANCE

3.1 Taxes, Other Governmental Charges and Utility Charges. Trustor shall pay, or cause to be paid, prior to delinquency, all taxes, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Property or the Security or any part thereof.

3.2 Trustor agrees to provide, or cause to be provided through its homeowner's association, insurance for the Property as follows:

A. General Liability Insurance. A policy of comprehensive broad form general liability insurance, including an umbrella policy coverage, in an amount not less than Three Hundred Thousand Dollars (\$300,000.00).

B. Standard "All Risk" Insurance. A policy with fire and extended coverage, including vandalism and malicious mischief endorsements, for 100% of full replacement value insuring against "all risks of physical loss" including without limitation a guaranteed replacement cost and code compliance coverage endorsement (excluding earthquake coverage, boiler and machinery insurance coverage, heating, air conditioning equipment, and other equipment of such nature), and insurance against loss or damage to personal property located on the Property by fire and other hazards covered by such insurance (without any deductible clause unless approved in writing by the Beneficiary). Beneficiary hereby consents to the Trustor's use of an insurance policy with a \$10,000 deductible.

IV. DAMAGE, DESTRUCTION OR CONDEMNATION

4.1 Damage and Destruction. If, during the Affordability Period, the Security or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, the Trustor shall either (a) repay the Homeowner's Note in full, or (b) cause any insurance proceeds arising from insurance referred to in Section 3.2 hereof and any other coverage acquired by the Trustor to be used to promptly rebuild and replace the Security, and repair and replace the Security as necessary to bring the Security into conformity with the standards; provided that such covenants shall be subordinated to the provisions of all senior obligations to which this Homeowner's Deed of Trust is subordinate.

4.2 Condemnation. Subject to the provisions of senior obligations to which this Homeowner's Deed of Trust is subordinate, if title to or any interest in or the temporary use of the Property or any part thereof is taken under the exercise of the power of eminent domain by any governmental authority or by any person acting under governmental authority, including any proceeding or purchase in lieu thereof, the proceeds as a result of such taking shall be paid as provided by the law of the State of California to all persons or entities as their interests appear of record.

V. REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE TRUSTOR

5.1 Defense of the Title. The Trustor covenants that it is lawfully seized and possessed of title in fee simple to the Property, that it has good right to sell, convey or otherwise transfer or encumber the same, and that the Trustor, for itself and its successors and assigns,

warrants and will forever defend the right and title to the foregoing described and conveyed property unto the Beneficiary, its successors and assigns, against the claims of all persons whomsoever, excepting only encumbrances approved by the Beneficiary.

5.2 Inspection of the Property. The Trustor covenants and agrees that the Beneficiary and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right to enter the Property during normal business hours following 24 hours notice to Trustor.

5.3 Granting of Easements. Trustor covenants and agrees that it will grant easements, licenses, rights-of-way or other similar rights or privileges in the nature of easements with respect to any property or rights included in the Security which facilitate the use of the Property but do not diminish the Security with the prior written approval of the Beneficiary, which approval shall not be unreasonably withheld.

VI. AGREEMENTS AFFECTING THE PROPERTY; FURTHER ASSURANCES

6.1 Other Agreements Affecting Property. The Trustor shall duly and punctually perform all terms, covenants, conditions and agreements binding upon it under the Covenant Agreement.

6.2 Further Assurances; After Acquired Property. At any time, and from time to time, upon request by the Beneficiary, the Trustor shall make, execute and deliver, or cause to be made, executed and delivered to the Beneficiary and, where appropriate, cause to be recorded and/or filed, and from time to time thereafter to be recorded and/or filed, at such time and in such offices and places as shall be deemed desirable by the Beneficiary, any and all such other and further deeds of trust, security agreements, financing statements respecting personal property, instruments of further assurance, certificates and other documents as may, in the opinion of the Beneficiary, be necessary or desirable in order to effectuate, complete or perfect, or to continue and preserve: (a) the obligations of the Trustor under this Homeowner's Deed of Trust, and (b) the lien of this Homeowner's Deed of Trust as a lien prior to all liens except those obligations which shall be senior obligations pursuant to the provisions of this Homeowner's Deed of Trust. Upon any failure by the Trustor to do so, the Beneficiary may make, execute, record, file, re-record and/or refile any and all such deeds of trust, security agreements, instruments, certificates and documents for and in the name of the Trustor, and the Trustor hereby irrevocably appoints the Beneficiary the agent and attorney-in-fact of the Trustor to do so. The lien hereof shall automatically attach, without further act, to all after-acquired property deemed to be part of the Security as defined herein.

6.3 Agreement to Pay Attorneys' Fees and Expenses. In the event of an Event of Default hereunder, and if the Beneficiary should employ attorneys or incur other expenses for the collection of amounts due or the enforcement of performance or observance of an obligation or agreement on the part of the Trustor in this Homeowner's Deed of Trust, the Trustor agrees that it will, on demand therefore, pay to the Beneficiary the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Beneficiary; and any such amounts paid by the Beneficiary shall bear interest from the date such expenses are incurred at the maximum rate permitted by Article XV of the California Constitution.

6.4 Subrogation; Payment of Claims. Provided that the Beneficiary gives notice, the Beneficiary's claim shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid by the Beneficiary pursuant to the provisions hereof.

6.5 Transfer. No sale, transfer, lease, pledge, encumbrance, creation of a security interest in, or other hypothecation of the Security shall relieve the Trustor from primary liability under this Homeowner's Deed of Trust or the Covenant Agreement without the express written release of the Beneficiary.

6.6 Acceleration by Reason of Transfer of Financing. In order to induce Beneficiary to make the loan secured hereby, Trustor agrees that in the event of any transfer of the Property without the prior written consent of Beneficiary, which is not otherwise permitted by the Covenant Agreement or Homeowner's Note, Beneficiary shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. Consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions. Beneficiary may grant or deny such consent in its sole discretion and, if consent should be given, any such transfer shall be subject to this Homeowner's Deed of Trust, and any such transferee shall assume all obligations hereunder and agree to be bound by all provisions contained herein. Such assumption shall not, however, release Trustor or any maker or guarantor of the Homeowner's Note from any liability thereunder without the prior written consent of Beneficiary. As used herein, "transfer" includes the sale, agreement to sell, transfer or conveyance of the Property, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, the execution of any installment land sale contract or similar instrument affecting all or a portion of the Property, or the lease of all or substantially all of the Property. "Transfer" shall also include the transfer, assignment, hypothecation or conveyance of legal or beneficial ownership of any partnership interest in Trustor or any conversion of Trustor to a business entity form other than that of a public benefit nonprofit corporation. In the event of any financing, refinancing or partial refinancing (including any additional financing) not contemplated by the Covenant Agreement or the Homeowner's Note, the Homeowner's Note shall be immediately due and payable.

VII. EVENTS OF DEFAULT AND REMEDIES

7.1 Default Defined. The failure of Trustor to perform any term or condition of the Covenant Agreement, the Homeowner's Note, or this Homeowner's Deed of Trust, and the failure of the Defaulting Party to cure any such breach or failure within the cure period provided in the applicable document, after receipt of written notice from Beneficiary in accordance with the Homeowner's Note or this Homeowner's Deed of Trust shall be an Event of Default hereunder.

7.2 The Beneficiary's Right to Enter and Take Possession. If an Event of Default shall have occurred and be continuing, the Beneficiary may:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Property and take possession thereof (or any part thereof) and of any of the Security, in its



own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Property, or part thereof or interest therein, increase the income therefrom or protect the Security hereof and, with or without taking possession of the Property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any amounts owed to Beneficiary, all in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such rents, issues and profits and the application thereof, as aforesaid, shall not cure or waive any Default or notice of Default hereunder or invalidate any act done in response to such Default or pursuant to such notice of Default and, notwithstanding the continuance in possession of the Property or the collection, receipt and application of rents, issues or profits, Beneficiary shall be entitled to exercise every right provided for in this Homeowner's Deed of Trust, the Homeowner's Note, the Covenant Agreement or by law upon occurrence of any Event of Default, including the right to exercise the power of sale. A copy of any Notice of Default and a copy of any Notice of Sale hereunder shall be mailed to Trustor at its address herein given;

(b) Utilize all Property funds and all incomes collected to cause the correction or completion of the work and correct the work and prosecute it to completion, and Beneficiary may employ or contract with all forces necessary to do the work and may use all Property funds for such purposes;

(c) Commence an action to foreclose this Homeowner's Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

(d) Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the property to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of the County in which the Property is located; or

(e) Exercise all other rights and remedies provided herein, in the instruments by which the Trustor acquires title to the Property, including any Security, or in any other document or agreement now or hereafter evidencing, creating or securing all or any portion of the obligations secured hereby, or provided by law.

7.3 Foreclosure by Power of Sale. Should the Beneficiary elect to foreclose by exercise of the power of sale herein contained, the Beneficiary shall notify Trustee and shall deposit with Trustee this Homeowner's Deed of Trust which is secured hereby, and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

(a) Upon receipt of such notice from the Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this Homeowner's Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and after Notice of Sale having been given as required by law, sell the Property, at the time and place of sale fixed by it in said Notice of Sale, either as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may

determine, at public auction to the highest bidder, for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale, and Trustor hereby covenants to warrant and defend the title of such purchaser or purchasers.

(b) After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale to payment of all sums then secured hereby and the remainder, if any, to the person or persons legally entitled thereto.

(c) Trustee may postpone sale of the Property by public announcement at such time and place of sale, and from time to time thereafter, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

7.4 Receiver. If an Event of Default shall have occurred and be continuing, Beneficiary, as a matter of right and without further notice to Trustor or anyone claiming under Security, and without regard to the then value of the Property or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Security (or a part thereof), and Trustor hereby irrevocably consents to such appointment and waives further notice of any application therefor. Any such receiver or receivers shall have all the powers and duties of receivers in like or similar cases, and all the powers and duties of Beneficiary in case of entry as provided herein, and shall continue as such and exercise all such powers until the date of confirmation of sale of the Property, unless such receivership is sooner terminated.

7.5 Remedies Cumulative. No right, power or remedy conferred upon or reserved to the Beneficiary by this Homeowner's Deed of Trust is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

7.6 No Waiver.

(a) No delay or omission of the Beneficiary to exercise any right, power or remedy accruing upon any Default shall exhaust or impair any such right, power or remedy, or shall be construed to be a waiver of any such Default or acquiescence therein; and every right, power and remedy given by this Homeowner's Deed of Trust to the Beneficiary may be exercised from time to time and as often as may be deemed expeditious by the Beneficiary. No consent or waiver, expressed or implied, by the Beneficiary to or of any breach by the Trustor in the performance of the obligations hereunder shall be deemed or construed to be a consent to or waiver of obligations of the Trustor hereunder. Failure on the part of the Beneficiary to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by the Beneficiary of its right hereunder or impair any rights, powers or remedies consequent on any breach or Default by the Trustor.



(b) If the Beneficiary (i) takes other or additional security, (ii) waives or does not exercise any right granted herein or in the Homeowner's Note or the Covenant Agreement, (iii) or otherwise changes any of the terms, covenants, conditions or agreements of this Homeowner's Deed of Trust, the Homeowner's Note or the Covenant Agreement, (iv) consents to the filing of any map, plat or replat affecting the Security, (v) consents to the granting of any easement or other right affecting the Security, or (vi) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not discharge, modify, change or affect the original liability under this Homeowner's Deed of Trust, or any other obligation of the Trustor or any subsequent purchaser of the Security or any part thereof, or any maker, co-signer, endorser, surety or guarantor; nor shall any such act or omission preclude the Beneficiary from exercising any right, power or privilege herein granted or intended to be granted in the event of any Default then made or of any subsequent Default, nor, except as otherwise expressly provided in an instrument or instruments executed by the Beneficiary shall the lien of this Homeowner's Deed of Trust be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Property, the Beneficiary, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Security (or a part thereof) or the indebtedness secured hereby, or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it might deal with the Trustor and without in any way releasing or discharging any liabilities, obligations or undertakings of the Trustor.

7.7 Suits to Protect the Security. The Beneficiary shall have power (upon ninety (90) days notice to the Trustor) to (a) institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Security (and the rights of the Beneficiary as secured by this Homeowner's Deed of Trust) by any acts which may be unlawful or any violation of this Homeowner's Deed of Trust, (b) preserve or protect its interest (as described in this Homeowner's Deed of Trust) in the Security and in the rents, issues, profits and revenues arising therefrom, and (c) restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement for compliance with such enactment, rule or order would impair the security thereunder or be prejudicial to the interests of the Beneficiary.

7.8 Trustee May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting the Trustor, its creditors or its property, the Beneficiary, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Beneficiary allowed in such proceedings for any amount which may become due and payable by the Trustor hereunder after such date.

VIII. RELEASES

8.1 Release. This Homeowner's Deed of Trust shall only be released upon termination of the repayment obligation as described in Section 3 of the Homeowner's Note without the occurrence of an Event of Acceleration as described in Section 4 of the Homeowner's Note.

IX. MISCELLANEOUS

9.1 Amendments. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

9.2 Trustor Waiver of Rights. Trustor hereby acknowledges that it is aware of and has the advice of counsel of its choice with respect to its rights under the Constitution of the United States, including, but not limited to, its rights arising under the Fourth, Fifth, Sixth and Fourteenth Amendments thereto, and the Constitution of the State of California. Trustor agrees that Beneficiary may exercise its rights hereunder in accordance with the provisions hereof, including, but not limited to, the exercise of the power of sale pursuant to Section 7.3 hereof, and Trustor hereby expressly waives its rights under such Constitutions with respect thereto, including, but not limited to, its rights, if any, to notice and a hearing upon the occurrence of an Event of Default hereunder; provided, however, nothing contained herein shall be deemed to be a waiver of Trustor's rights to reinstate or redeem this Homeowner's Deed of Trust in accordance with applicable law. Trustor further waives to the extent permitted by law, (a) the benefit of all laws now existing or that may hereafter be enacted providing for any appraisal before sale of any portion of the Security, (b) all rights of valuation, appraisal, stay of execution, and marshaling in the event of foreclosure of the liens hereby created, and (c) all rights and remedies which Trustor may have or be able to assert by reason of the laws of the State of California pertaining to the rights and remedies of sureties.

9.3 Reconveyance by Trustee. Upon surrender of this Homeowner's Deed of Trust to Trustee for cancellation and retention, after Beneficiary has paid all sums secured hereby or said sums have otherwise been assumed or forgiven, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey, to Trustor, or to the person or persons legally entitled thereto, without warranty, any portion of the Property then held hereunder. The grantee in any reconveyance may be described as the person or person legally entitled thereto.

9.4 Notices. Whenever Beneficiary, Trustor or Trustee shall desire to give or serve any notice, demand, request or other communication with respect to this Homeowner's Deed of Trust, each such notice, demand, request, or other communication shall be in writing and shall be effective only if the same is delivered by personal service or mailed by registered or certified mail, postage prepaid, return receipts requested, or by telegram, addressed to the address set forth in the first paragraph of this Homeowner's Deed of Trust. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change.

9.5 Acceptance by Trustee. Trustee accepts this Trust when this Homeowner's Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

9.6 Invalidity of Certain Provisions. Every provision of this Homeowner's Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

9.7 No Merger. If title to the Property shall become vested in the Beneficiary, this Homeowner's Deed of Trust and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger and, in such event, Beneficiary shall continue to have and enjoy all of the rights and privileges of Beneficiary under this Homeowner's Deed of Trust. In addition, upon foreclosure under this Homeowner's Deed of Trust pursuant to the provisions hereof, any leases or subleases then existing and affecting all or any portion of the Security shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Beneficiary or any purchaser at any such foreclosure shall so elect. No act by or on behalf of Beneficiary or any such purchaser shall constitute a termination of any lease or sublease unless Beneficiary or such purchaser shall give written notice of termination to such tenant or subtenant.

9.8 Governing Law. This Homeowner's Deed of Trust shall be governed by and construed in accordance with the laws of the State of California. Any action to enforce the provisions hereof shall be instituted and maintained in the Superior Court of the County of Los Angeles, State of California, or in any other appropriate court in that county.

9.9 Subordination. Notwithstanding any other provisions hereof, Beneficiary hereby finds and determines that the covenants and restrictions set forth in this Homeowner's Deed of Trust are and shall be subordinated to the first deed of trust securing repayment of a loan to acquire the Property pursuant to an affordable transfer (a "First Deed of Trust") and to any refinancing of that loan the proceeds of which are used only for the purpose of repaying the First Deed of Trust described above or any successor loan executed in connection with refinancing of the prior encumbrance, plus any reasonable closing costs associated with refinance; provided, that the holder of such senior deed of trust (the "First Lienholder") shall agree to provide Beneficiary with written notice of any default under such senior deed of trust and provide Beneficiary with not less than ninety (90) days thereafter in which to cure such default before proceeding with any foreclosure or deed in lieu of foreclosure with respect to the Property. Any notice delivered to Beneficiary under this paragraph shall be delivered in the manner specified in Section 9.4 for delivery of notices to the Beneficiary. Upon timely cure of the default under such senior deed of trust and Beneficiary's acquisition, at its election, of Trustor's interest in the Property, Beneficiary shall have the right to assume the loan secured by such senior deed of trust so long as Beneficiary maintains ownership of the Property, and, so long as Beneficiary continues as owner, the First Lienholder shall not exercise any due on sale clause contained in such senior deed of trust. In the event that Beneficiary fails to timely cure a default under such senior deed of trust and the First Lienholder proceeds with foreclosure or a deed in lieu of foreclosure of such senior deed of trust, then any provisions herein or in any other collateral agreement restricting the use of the Property to moderate income households or otherwise restricting the lender's ability to sell the Property based upon income qualification of the purchaser (with the understanding that any such agreement or restriction that is imposed on the Property from a source other than the DDA shall not constitute a collateral agreement within the meaning of the foregoing provision) shall terminate and shall have no further force or effect on subsequent owners or purchasers of the Property. In that event any person, including the lender's successors or assigns, receiving title to the Property through foreclosure or a deed in lieu of foreclosure of such senior deed of trust shall receive title to the Property free and clear from such restrictions. Beneficiary's Executive Director shall have the authority on behalf of Beneficiary to execute subordination agreements confirming the above subordination in such form as

reasonably approved by the Executive Director and Beneficiary's legal counsel consistent with the foregoing provisions.

IN WITNESS WHEREOF, Trustor has executed this Homeowner's Deed of Trust as of the date and year first above written.

"Trustor"

Date

Name:

Name:



EXHIBIT "1"

LEGAL DESCRIPTION OF PROPERTY



STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 201__, before me, _____, a Notary Public, personally appeared _____, 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 _____
(Seal)

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 201__, before me, _____, a Notary Public, personally appeared _____, 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 _____
(Seal)

EXHIBIT "N"

FREE RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

CARSON REDEVELOPMENT AGENCY
1 Civic Plaza Drive, Suite 500
Carson, CA 90745
Attn: Economic Development General Manager

(Space Above This Line for Recorder's Office Use Only)

**HOMEOWNER'S REGULATORY AGREEMENT
AND DECLARATION OF COVENANTS AND RESTRICTIONS**

THIS HOMEOWNER'S REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Regulatory Agreement") is made and entered into this ____ day of _____, _____, by and between the CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), and _____ ("Owner").

RECITALS:

A. Pursuant to a Disposition and Development Agreement by and between Agency and OLSON URBAN HOUSING, LLC, a Delaware limited liability company ("Olson") dated _____, 2011 ("DDA"), Agency sold the property located at 2535-2569 East Carson Street in the City of Carson, California ("Property") to Developer and provided financial assistance to the Developer in exchange for Developer's agreement to construct twelve (12) residential homes on the Property, and to restrict the sale of each of these residential units to sale to moderate income households at an affordable housing cost as further described herein. The Owner has purchased ____ East Carson Street, in the City of Carson, California, and the home constructed thereon (the "Affordable Unit") following the development of the Property pursuant to the DDA.

B. Agency and Owner now desire to place restrictions upon the use and maintenance of the Affordable Unit to ensure that the ownership and occupancy of the Affordable Unit is (i) properly reported to the Agency, and (ii) sold continuously to Qualified Buyers during the term of this Regulatory Agreement, and that the Affordable Unit is properly maintained.

C. It is the intent of the parties that the terms hereof shall be binding on the Owner and its successors in interest to this Affordable Unit, for so long as this Regulatory Agreement shall remain in effect.

AGREEMENT:

NOW, THEREFORE, the Owner and Agency declare, covenant and agree, by and for themselves, their heirs, executors, administrators and assigns, and all persons claiming under or through them, that the Affordable Unit shall be held, transferred, encumbered, used, sold, conveyed, leased and occupied, subject to the covenants and restrictions hereinafter set forth, all of which are declared to be in furtherance of a common plan for the improvement and sale of the Affordable Unit, and are established expressly and exclusively for the use and benefit of the Agency, the residents of the City, and every person purchasing the Affordable Unit during the Affordability Period.

A. DEFINITIONS.

The following terms as used in this Regulatory Agreement shall have the meanings given unless expressly provided to the contrary:

1. **Affordability Period.** The term "Affordability Period" shall mean a term of forty-five (45) years commencing upon the close of escrow for the conveyance of this Affordable Unit from Olson to the original purchaser of this Affordable Unit.

2. **Los Angeles County Median Income.** The term "Los Angeles County Median Income" shall be determined by reference to the regulations published by the California Department of Housing and Community Development pursuant to Health and Safety Code Section 50093, or its successor.

3. **Moderate Income Household.** The term "Moderate Income Household" shall mean a household whose annual household income does not exceed one hundred twenty percent (120%) of the area median income for Los Angeles County, adjusted for applicable household size, as described in Health and Safety Code Section 50093, or its successor.

4. **Qualified Buyer.** The term "Qualified Buyer" shall refer to a purchaser of the Affordable Unit who is a member of a not to exceed Moderate Income Household.

B. **RESIDENTIAL PROPERTY.** Owner hereby agrees that the Affordable Unit is to be used as the primary residence for a not to exceed Moderate Income Household throughout the Affordability Period. To that end, and for the Affordability Period, the Owner hereby represents, covenants, warrants and agrees as follows:

1. **Purpose.** The Affordable Unit was developed to provide improved housing stock within the community as well as the opportunity to provide owner-occupied housing to a not to exceed Moderate Income Household. Accordingly, Owner understands that each time the Affordable Unit is proposed for sale during the Affordability Period, the Owner must contact the City of Carson ("City") and/or Agency to obtain a copy of their waiting lists of affordable housing prospective purchasers and the seller must verify the eligibility of the proposed purchaser as a not to exceed Moderate Income Household, utilizing the following calculation methods and stipulations:

a. **Affordability Cost Calculations.** The Affordable Unit shall be sold to a Qualified Buyer at a price such that the annual cost of ownership is affordable to the purchaser at an "Affordable Housing Cost." An Affordable Housing Cost is an annual housing cost that includes principal and interest on a mortgage, property taxes and assessments, fire and casualty insurance, property maintenance and repairs, an allowance for utilities and home owner fees, the total of which does not exceed the amount calculated using Health and Safety Code Section 50052.5 and Title 25 of the California Code of Regulations, Section 6920.

2. **Subsequent Sales of the Affordable Unit During the Affordability Period.** Upon the proposed sale of the Affordable Unit at any time during the Affordability Period, the then-current Owner of the Affordable Unit shall contact the City and Agency to request a copy of the City or Agency's waiting list of affordable housing prospective purchasers and shall concurrently market the Affordable Unit to not to exceed Moderate Income Households. The Owner shall verify income and anticipated income using source documentation compliant with all laws, regulations, notices, or other documents issued by any applicable governing agency.

Moreover, until the Homeowner's Note (repaying a portion of the Agency Contribution to the Project) is forgiven upon expiration of the Affordability Period, upon each sale or other transfer of the Affordable Unit from Owner to another Qualified Buyer, the purchaser must execute a Homeowner's Note which shall be delivered to Agency from the escrow for the sale of the Affordable Unit to the Qualified Buyer. Each Homeowner's Note reflects a grant by the Agency to the development of the Affordable Unit, which grant amount must be repaid upon violation of the terms of this Regulatory Agreement.

3. **Residential Use.** The Affordable Unit may not be used at any time on a transient basis or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park without the prior consent of the City and Agency, which consent may be given or withheld in their sole and absolute discretion.

4. **Conversion of Project.** No part of the Affordable Unit will at any time be owned by a cooperative housing corporation, nor shall the Owner take any steps in connection with the conversion to any other form of ownership besides the approved condominium units, without the prior written approval of the City and Agency, which approval may be given or withheld in their sole and absolute discretion.

C. **MAINTENANCE.**

1. **Maintenance Obligation.** Owner hereby covenants and agrees to maintain and repair, or cause to be maintained and repaired, the Affordable Unit by keeping current with all required payments to the homeowner's association for the Project.

D. **COMPLIANCE WITH LAWS.**

1. **State and Local Laws.** The Owner shall comply with all ordinances, regulations and standards of the City applicable to the Affordable Unit and the Property. The



Owner shall also comply with all rules and regulations of any assessment district of the City and/or any agency with jurisdiction over the Affordable Unit, if any.

E. ANNUAL REPORTING REQUIREMENTS.

1. **Annual Reporting.** No later than April 1st of each year during the Affordability Period, the Owner shall deliver to City and Agency a letter stating whether (a) the Affordable Unit is owner-occupied, (b) explaining whether there was a change in ownership of the Affordable Unit from the prior year and, if so, (c) the income and family size of the new Owner. The income information shall be submitted under penalty of perjury.

F. REMEDIES. Except as otherwise expressly stated in this Regulatory Agreement, the rights and remedies of the parties are cumulative, and the exercise by any party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by another party.

G. NONDISCRIMINATION. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, age, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of any portion of the Property or Affordable Unit, nor shall the Owner, or any person claiming under or through Owner, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants or lessees of the Property or the Affordable Unit, or any part thereof (except as permitted by this Regulatory Agreement).

H. AFFORDABILITY RESTRICTIONS.

1. **General Restriction.** It is hereby declared that it is the intent of the parties hereto, and expressly made a condition herein, that, during the Affordability Period, the Affordable Unit shall, once constructed, be maintained exclusively as an affordable housing unit to be owned and occupied as follows: the Affordable Unit shall be purchased and occupied by a Qualified Buyer. Thereafter, any proposed sale, transfer or conveyance of the Affordable Unit prior to the expiration of the Affordability Period shall be subject to the terms, covenants and restrictions set forth in this Regulatory Agreement. If the Affordable Unit ceases to be used and owned by a Qualified Buyer prior to the expiration of the Affordability Period, said event shall constitute a default under this Regulatory Agreement.

2. **Occupancy.** During the Affordability Period, the Affordable Unit must be the principal place of residence of its owner for at least ten (10) months out of each calendar year. Hence, the Affordable Unit may not be rented or leased, in whole or in part, without having first received the prior written approval of the Agency. Any rental or lease agreement in violation of the restrictions set forth herein is expressly prohibited and will be deemed void.

3. **Notice to Transfer or Vacate.** In the event that the Owner intends to Transfer or vacate the Affordable Unit, the Owner shall promptly notify the Agency in writing, by certified mail, return receipt requested, at the addresses set forth in this Regulatory Agreement



(or at such other address(es) as may otherwise be designated in accordance with the terms hereof) and shall comply with the requirements set forth in Section B above.

I. FINANCING AND LIENS.

1. Subordination to First Deed of Trust. Notwithstanding any other provisions hereof, Agency hereby finds and determines that the covenants and restrictions set forth in this Regulatory Agreement are and shall be subordinated to the First Deed of Trust securing repayment of a loan to acquire the Property pursuant to an affordable transfer and to any refinancing of that loan the proceeds of which are used only for the purpose of repaying the First Deed of Trust described above or any successor loan executed in connection with refinancing of the prior encumbrance, plus any reasonable closing costs associated with refinance; provided, that the holder of such senior deed of trust (the "First Lienholder") shall agree to provide Agency with written notice of any default under such senior deed of trust and provide Agency with not less than ninety (90) days thereafter in which to cure such default before proceeding with any foreclosure or deed in lieu of foreclosure with respect to the Property. Any notice delivered to Agency under this paragraph shall be delivered in the manner specified in Section M for delivery of notices to the Agency. Upon timely cure of the default under such senior deed of trust and Agency's acquisition, at its election, of Owner's interest in the Property, Agency shall have the right to assume the loan secured by such senior deed of trust so long as Agency maintains ownership of the Unit, and, so long as Agency continues as Owner, the First Lienholder shall not exercise any due on sale clause contained in such senior deed of trust. In the event that Agency fails to timely cure a default under such senior deed of trust and the First Lienholder proceeds with foreclosure or a deed in lieu of foreclosure of such senior deed of trust, then any provisions herein or in any other collateral agreement restricting the use of the Property to moderate income households or otherwise restricting the lender's ability to sell the Property based upon income qualification of the purchaser (with the understanding that any such agreement or restriction that is imposed on the Property from a source other than the DDA shall not constitute a collateral agreement within the meaning of the foregoing provision) shall terminate and shall have no further force or effect on subsequent owners or purchasers of the Property. In that event any person, including the lender's successors or assigns, receiving title to the Property through foreclosure or a deed in lieu of foreclosure of such senior deed of trust shall receive title to the Property free and clear from such restrictions. Agency's Executive Director shall have the authority on behalf of Agency to execute subordination agreements confirming the above subordination in such form as reasonably approved by the Executive Director and Agency's legal counsel consistent with the foregoing provisions.

J. COVENANTS TO RUN WITH THE LAND. The Owner hereby subjects its Affordable Unit to the covenants, reservations, and restrictions set forth in this Regulatory Agreement. Agency and the Owner hereby declare their express intent that all such covenants, reservations, and restrictions shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Affordable Unit; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. All covenants without regard to technical classification or designation shall be binding for the benefit of the City and Agency, and such covenants shall run in favor of the City and Agency for the entire Affordability Period. Each and every contract, deed or other

instrument hereafter executed covering or conveying any Affordable Unit or any portion thereof during the Affordability Period shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations, and restrictions, regardless of whether such covenants, reservations, and restrictions are set forth in such contract, deed or other instrument.

Agency and Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that Owner's legal interest in the Affordable Unit is rendered less valuable thereby. Agency and Owner hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Affordable Unit by Qualified Buyers, the intended beneficiaries of such covenants, reservations, and restrictions, and by furthering the public purposes for which the Agency was formed.

Owner hereby agrees to hold, sell, and convey the Affordable Unit subject to the terms of this Regulatory Agreement. Owner also grants to the City and Agency the right and power to enforce the terms of this Regulatory Agreement against the Owner and all persons having any right, title or interest in the Affordable Unit or the Property, or any part thereof, their heirs, successive owners and assigns.

K. INDEMNIFICATION. Owner agrees for itself and its successors and assigns to indemnify, defend, and hold harmless City and Agency and their respective officers, members, officials, employees, agents, volunteers, and representatives from and against any loss, liability, claim or judgment relating in any manner to the Affordable Unit or the Property excepting only any such loss, liability, claim, or judgment arising out of the intentional wrongdoing or gross negligence of City, Agency or their officers, officials, employees, members, agents, volunteers, or representatives. Owner, while in possession of the Affordable Unit, and each successor or assign of Owner while in possession of any portion of the Affordable Unit, shall remain fully obligated for the payment of property taxes and assessments in connection with such portion of the Affordable Unit. The foregoing indemnification, defense, and hold harmless agreement shall only be applicable to and binding upon the party then owning the Affordable Unit or applicable portion thereof.

L. ATTORNEYS' FEES. In the event that a party to this Regulatory Agreement brings an action against the other party hereto by reason of the breach of any condition, covenant, representation or warranty in this Regulatory Agreement, or otherwise arising out of this Regulatory Agreement, the prevailing party in such action shall be entitled to recover from the other reasonable expert witness fees, and its attorneys' fees and costs. Attorneys' fees shall include attorneys' fees on any appeal, and a party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, including, but not limited to, the conducting of discovery, motions and expert witness fees.

M. AMENDMENTS. This Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Los Angeles.

N. NOTICE. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, certified or registered mail, postage prepaid, return

receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto:

City/Agency: Carson Redevelopment Agency
1 Civic Plaza Drive
Carson, California 90745
Attn: Clifford W. Graves

Copy to: Aleshire & Wynder, LLP
18881 Von Karman, Suite 1700
Irvine, California 92612
Attn: Tiffany J. Israel, Esq.

Owner: _____

Attn: _____

The notice shall be deemed given three (3) business days after the date of mailing, or, if personally delivered, when received.

O. SEVERABILITY/WAIVER/INTEGRATION.

1. **Severability.** If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

2. **Waiver.** A waiver by either party of the performance of any covenant or condition herein shall not invalidate this Regulatory Agreement nor shall it be considered a waiver of any other covenants or conditions, nor shall the delay or forbearance by either party in exercising any remedy or right be considered a waiver of, or an estoppel against, the later exercise of such remedy or right.

3. **Integration.** This Regulatory Agreement contains the entire agreement between the parties and neither party relies on any warranty or representation not contained in this Regulatory Agreement.

P. GOVERNING LAW. This Regulatory Agreement shall be governed by the laws of the State of California.

Q. COUNTERPARTS. This Regulatory Agreement may be executed in any number of counterparts, each of which shall constitute one original and all of which shall be one and the same instrument.

IN WITNESS WHEREOF, the Agency and Owner have executed this Homeowner's Regulatory Agreement and Declaration of Covenants and Restrictions by duly authorized representatives on the date first written hereinabove.

AGENCY:

CARSON REDEVELOPMENT AGENCY,
a public body, corporate and politic

By: _____
Chairman Jim Dear

Date: _____

ATTEST:

By: _____
Agency Secretary Helen S. Kawagoe

"OWNER"

Date: _____

[End of Signatures]



ATTACHMENT NO. 1

Period Covered _____

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

CARSON REDEVELOPMENT AGENCY

The undersigned, _____ ("Owner"), has read and is thoroughly familiar with the provisions of the "Regulatory Agreement", to which this Certificate is attached.

As of the date of this Certificate, the Affordable Unit is: (i) owner-occupied by a Qualified Buyer (as defined in the Regulatory Agreement), or (ii) currently vacant and being held available for such occupancy and have been so held continuously since the date that a Qualified Buyer vacated the Affordable Unit:

	Occupied	Vacant
East Carson Street	_____	_____

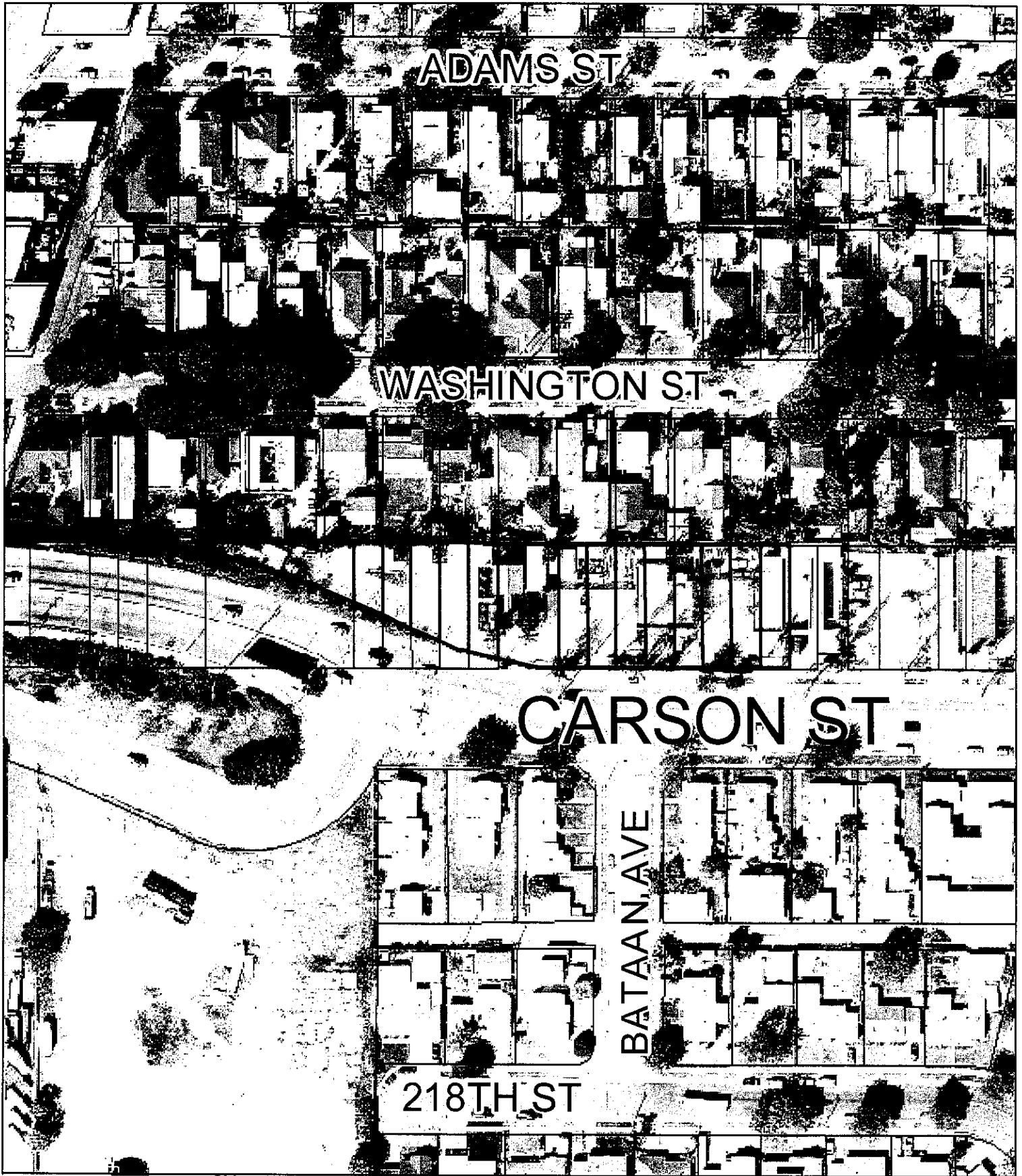
Ownership of the Affordable Unit was transferred during the preceding year:

Yes : _____ No: _____

The undersigned owns the Affordable Unit located at _____ East Carson Street, which contains _____ square feet and _____ bedrooms. The Owner certifies that the information contained in this Occupancy Summary is true and accurate, that the Owner is not in default under any of the terms and provisions of the Regulatory Agreement (or describe the nature of any detail and set forth the measures being taken to remedy such defaults).

"OWNER"

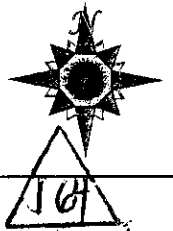




City of
Carson

2535-2569 E Carson St
Site Map

EXHIBIT NO. - 3





**MINUTES
CARSON REDEVELOPMENT AGENCY
REGULAR MEETING
AUGUST 3, 2010**

**ITEM NO. (3) CONSIDER ENTERING INTO AN EXCLUSIVE NEGOTIATING
AGREEMENT WITH OLSON URBAN HOUSING, LLC, FOR THE
AGENCY-OWNED PROPERTY LOCATED AT 2535-2569 EAST
CARSON STREET (MERGED AND AMENDED PROJECT AREA)
(ECONOMIC DEVELOPMENT)**

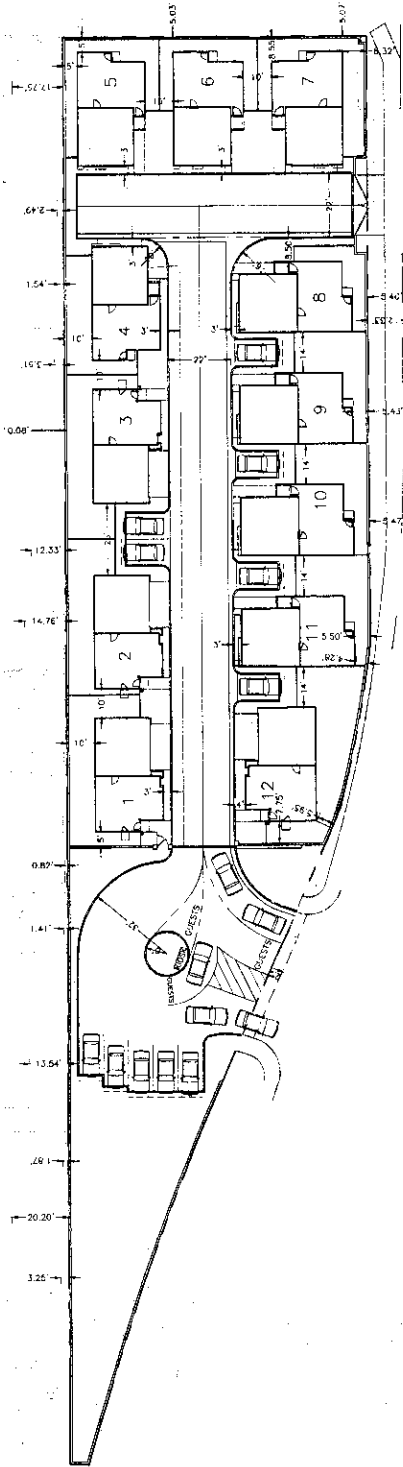
RECOMMENDATION for the Redevelopment Agency:

TAKE the following actions:

1. APPROVE the Exclusive Negotiating Agreement between the Carson Redevelopment Agency and Olson Urban Housing, LLC.
2. AUTHORIZE the Agency Chairman to execute the Exclusive Negotiating Agreement following approval as to form by Agency Counsel.

ACTION: Item No. 3 was approved on the New Business Consent Calendar on motion of Dear, seconded by Gipson and unanimously carried by the following roll call vote:

Ayes: Chairman Dear, Vice Chairman Santarina, Agency Member Davis-Holmes, Agency Member Gipson, and Agency Member Ruiz-Raber
Noes: None
Abstain: None
Absent: None



CARSON STREET

SITE PLAN
 CARSON & BATAAN
 THE OLSON COMPANY
 11/22/10

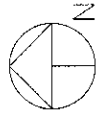


EXHIBIT NO. - 5

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KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

NEWSPAPER
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
ROBERT J. WETMORE
REED E. KAWAHARA

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SOO-HOO
KEVIN T. ENGSTROM
JULIE L. ROMLEY
DENISE BICKERSLAFF

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

To: Jeff Westbrook, Redevelopment Manager
City of Carson

From: Julie Romey

Date: May 18, 2011

Subject: Carson & Bataan – Fair Reuse Analysis (Revised)

At your request, Keyser Marston Associates, Inc. (KMA) revised the reuse valuation analysis of Carson & Bataan, a single-family detached residential project proposed to be developed on an approximately 0.92-acre site located at 2535-2569 East Carson Street (Site). The Olson Company (Developer) proposes to develop 12 units restricted to moderate income households (Project). The analysis is based on the Developer's pro forma dated March 18, 2011 and the draft Disposition and Development Agreement (Agreement) dated May 9, 2011 between the Developer and the Carson Redevelopment Agency (Agency). The purpose of the KMA analysis is to determine the fair reuse value of the Site given the proposed scope of development.

EXECUTIVE SUMMARY

The requirement to sell 100% of the units to moderate income households creates an affordability gap that is estimated at \$35,000 per affordable unit, for a total affordability gap of \$420,000. However, the Project is also estimated to have a \$923,000 feasibility gap due to the extraordinary site improvement requirements imposed by the Agreement. The resulting fair reuse value is negative \$1,343,000.

The following summarizes the proposed deal terms outlined in the Agreement:

1. The Site will be sold to the Developer for \$1,302,000, which is the established fair market value of the Site.



To: Jeff Westbrook, City of Carson
Subject: Carson & Bataan – Fair Reuse Analysis (Revised)

May 18, 2011
Page 2

2. The Agency will provide up to \$2,630,495 to the Project, which will be applied to the \$1,302,000 purchase price and the remaining balance will be disbursed during construction.
3. When the units are sold, the difference between the market sales price and the affordable sale price at that time will be secured with a second trust deed that will restrict future sales to moderate income households for a period of 45 years. The remaining balance of the \$2,630,495 Agency loan will be forgiven once all of the units are sold.
4. The Developer profit will be set at \$345,000 and the Developer is responsible for any increase in the financial gap as a result of a reduction in the affordable sales prices for marketability purposes or cost increases.

METHODOLOGY

KMA performed a pro forma analysis to estimate the fair reuse value supported by the Site. This analysis is based on the following assumptions:

1. The fair market land value was determined for the Project assuming no income restrictions are imposed on the residential units.
2. The fair reuse value is equal to the fair market land value supported by a 100% market rate project, minus the affordability gap associated with the 12 moderate income units.
3. The affordable sales price for the moderate income units was estimated based on the calculation methodology mandated by California Health and Safety Code Section 50052.5 (Section 50052.5).
4. The affordability gap was determined by identifying the price differential between the market rate and moderate income units.

The financial analysis is organized as follows:

Appendix A:	
Table 1:	Estimated Construction Costs
Table 2:	Revenue Projections
Table 3:	Fair Reuse Value Calculation

Appendix B:	
Table 1:	Affordable Housing Cost Calculation

PROJECT DESCRIPTION

The scope of development being proposed can be described as follows:

- 1. The Site includes approximately 40,075 square feet, or 0.92 acres of land area.
- 2. The scope of development for the proposed Project complies with the RM-25 zoning in place on the Site, which allows up to 25 units per acre, 23 units. The proposed Project has a density of 13 units per acre.
- 3. The Project includes 15,000 square feet of residential space, or a 0.37 FAR. The 12 residential units are proposed to be provided in the following mix:

	Number of Units	Unit Size (Sf)	Income Restriction
Plan 1	12	1,250	Moderate Income

- 4. The Project will be served by 34 parking spaces, which equates to a 2.83 spaces per unit parking ratio:
 - a. Each residential unit will include a two-car attached garage.
 - b. The 10 guest parking spaces will be provided in on-site surface parking spaces.

FAIR REUSE VALUE ANALYSIS

Estimated Construction Costs (Table 1)

KMA reviewed the Developer's construction cost estimate, and then independently prepared a pro forma analysis for the Project. The Developer is assuming that the Project will not be subject to prevailing wage requirements, and the KMA direct construction cost estimates reflect this assumption. The resulting construction costs are estimated as follows:

Direct Costs

The following direct costs assumptions are applied to the analysis:

- 1. The Developer did not provide an allowance for off-site improvements. The City of Carson (City) Public Works Department should verify the accuracy of that assumption.



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2. The on-site improvements and demolition costs are estimated at \$29 per square foot of land area, or \$1,143,000. This cost assumes that the Project's final conditions of approval include the requirement for the Developer to construct a 10-year flood storm retention system and/or the use of decorative concrete at the entry and along the street. The cost to construct these improvements has been estimated by the Developer and should be confirmed by the Agency.
3. The building costs are estimated at \$70 per square foot of gross building area (GBA), or \$1,050,000. This estimate reflects the cost reductions that have recently been occurring in Southern California.
4. The contractor-related costs are estimated at 11% of construction costs and direct cost contingency allowance are estimated at 5% of other direct costs, which totals to \$353,000.

KMA estimates the total direct costs at \$2,546,000, or \$170 per square foot of GBA. In comparison, the Developer assumed a 10% contingency allowance which results in a total direct cost estimate to be \$90,000 higher than the KMA estimate.

Indirect Costs

KMA utilized the following assumptions for estimating the indirect costs:

1. The architecture, engineering and consulting costs are estimated at 8% of direct costs.
2. The public permits and fees are estimated at \$28,608 per unit, or \$343,000.
3. The taxes, legal and accounting costs are estimated at 2.5% of direct costs.
4. The insurance costs are estimated at \$5,920 per unit, or \$71,000.
5. The marketing costs are estimated at \$5,700 per unit, or \$68,000.
6. The Developer Management Fee is set at 3.0% of the total contract sales revenues.¹ It should be noted that the Developer has not included a specific management fee in the development cost estimates.
7. A soft cost contingency allowance equal to 5% of other indirect and financing costs is provided.

¹ The estimated contract price is based on the affordable price plus the 2nd trust deed amount up to the market rate sales price.

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KMA estimates the total indirect costs at \$907,000. This estimate is \$162,000 higher than the Developer's estimate predominantly due to the inclusion of a Developer Management Fee and soft cost contingency allowance by KMA.

Financing /Closing Costs

The financing costs for the Project are estimated as follows:

1. KMA estimated the interest costs to be incurred during construction and absorption based on the following assumptions:
 - a. A 7.0% interest rate for debt and equity;
 - b. A nine-month construction period and a five-month absorption period; and
 - c. Ten percent (10%) of the residential units are presold and close during the first month after completion.
2. The financing fees are based on the following assumptions:
 - a. Sixty percent (60%) of the construction costs are financed; and
 - b. The loan origination fees are set at 2.0 points.
3. The closing costs, commissions and warranties are estimated based on the following assumptions:
 - a. Three percent (3%) of contract sales revenues for commissions;
 - b. Two percent (2%) of contract sales revenues for closing costs;
 - c. One half percent (0.5%) of contract sales revenues for department of real estate and FHA processing; and
 - d. A \$2,500 per unit allowance for warranty costs.

KMA estimates the total financing costs at approximately \$332,000, which is \$20,000 lower than the Developer's estimate due to lower construction interest costs calculated by KMA.

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Total Construction Costs

As shown in Table 1, KMA estimates the total construction costs at \$3,785,000. This equates to \$252 per square foot of GBA and \$315,400 per unit. In comparison, the Developer estimates the total costs at \$3,743,000, which is \$41,000 lower than the KMA estimate.

Revenue Projections

The Project includes 12 three-bedroom, 1,250 square foot single-family detached units. The Developer estimated the market rate sales price of the units at \$265,000, or \$212 per square foot. Given that there are no new construction project comparables, KMA reviewed the resale comparables within the market area. KMA found that the Developer's estimate of the market rate sales price is reasonable.

The fair market value of the Site is based on the assumption that all 12 units will be sold at market rate sales prices. As shown in Table 2, KMA estimates the total residential sales revenue at \$3,180,000. This equates to an average price of \$265,000 per unit.

Fair Reuse Value Calculation (Table 3)

Fair Market Land Value

The Project's fair market land value is equal to the difference between the Project's total sales revenue and the Project's construction cost plus a reasonable developer profit. Based on the characteristics of the Project, KMA set the threshold return at 10% of the projected sales revenue based on the contract sales revenues. Based on these assumptions, the fair market land value is estimated as follows:

Total Project Sales Revenue	\$3,180,000
<u>Project Costs</u>	
Total Construction Costs	\$3,785,000
Threshold Profit	318,000
Total Project Costs	\$4,103,000
Fair Market Land Value / (Feasibility Gap)	(\$923,000)
Per Square Foot of Land Area	(\$23)

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The Developer estimates the feasibility gap to be \$15,000 lower than the KMA estimate. The differential between the two estimates is due to KMA estimating the total construction costs to be \$42,000 higher than the Developer's estimate as well as KMA setting the threshold profit at 10% of the market rate sales prices. In comparison, the Developer set the profit to be \$27,000 higher than the KMA estimate at 10.8% of the market rate sales prices.

In comparison, an August 2, 2010 appraisal by Goepner and Associates, Inc. (Appraiser) estimates the highest and best use value for the Site is \$24 per square foot of land area, or \$961,880. However, the highest and best use is determined to be a 23-unit project, which is the maximum number of residential units based on the current zoning. In addition, the proposed Project is required to construct a 10-year flood storm retention system and/or the use of decorative concrete at the entry and along the street.

Therefore, KMA concludes that the proposed Project could not support a land payment even without any affordability restrictions placed on the units. In fact, the proposed Project would need free land plus \$923,000 in financial assistance to be feasible.

Affordability Gap (Appendix B)

The Developer is proposing to sell 100% of the units to moderate income households. KMA estimates the affordable sales price of these moderate income units at \$230,000. This price is based on the Section 50052.5 calculation methodology, and the following assumptions:

1. The household income used in the calculations is based on the 2010 Los Angeles County median income for a four-person household. This information is distributed by the California Department of Housing and Community Development.
2. The Developer estimated the monthly homeowners association dues at \$275 per month.
3. The monthly utilities costs are set at \$155 based on allowances provided by the Los Angeles County Housing Authority.
4. The property tax cost is based on the 1.10% levy currently imposed on the Site.
5. No private mortgage insurance (PMI) payments are assumed.

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6. The mortgage interest rate is set at 6.5%; and the mortgage is assumed to be fully amortizing over a 30-year term.
7. The home buyer down payment is set at 5% of the affordable price.

The affordability gap is equal to the difference between the market rate sales price and the affordable sales price. The estimated affordability gap for the proposed Project is calculated as follows:

Market Rate Sales Price	\$265,000
(Less) Affordable Sales Price	(230,000)
Affordability Gap Per Unit	\$35,000
Number of Affordable Units	12
Total Affordability Gap	\$420,000

There is concern about the fact that the differential between the market rate sales price and the affordable sales price is less than 15%. It should be noted that buyers typically require at least a 15% differential between the affordable sales price and the market price in order to accept the long-term resale covenants. If the units cannot be sold at the affordable prices, the Developer will need to lower the affordable prices, which will lower their profit margin. The Developer has noted that there are a limited number of resales in the area and the proposed units will be marketable given the age and condition of the surrounding product.

Fair Reuse Value

The Project's fair reuse value is equal to the difference between the fair market land value and the total affordability gap. The fair reuse value for the Project is estimated as follows:

Fair Market Land Value / (Feasibility Gap)	(\$923,000)
Affordability Gap	(420,000)
Fair Reuse Value / (Financial Gap)	(\$1,343,000)
Per Unit	(\$112,000)
Per Square Foot of Land Area	(\$34)

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CONCLUSIONS

The Developer is offering to purchase the Site from the Agency for \$1,302,000 and is requesting \$2,630,000 in financial assistance from the Agency. Based on the results of the preceding financial analysis, KMA estimates that the Project has a \$923,000 feasibility gap and a \$420,000 affordability gap, which total to a reuse value of negative \$1,343,000.

Therefore, the Project cannot support a land payment and needs up to \$1,343,000 plus the purchase price in financial assistance, which totals \$2,645,000. Therefore, the Developer's request for \$2,630,000 in financial assistance is considered to be warranted and the proposed purchase price for the Site at \$1,302,000 is considered to meet the requirement of meeting or exceeding the fair reuse value.

Attachment

APPENDIX A
PRO FORMA ANALYSIS
12 MODERATE INCOME SINGLE FAMILY DETACHED UNITS
CARSON & BATAAN
CARSON, CALIFORNIA

APPENDIX A - TABLE 1

ESTIMATED CONSTRUCTION COSTS
12 MODERATE INCOME SINGLE FAMILY DETACHED UNITS
CARSON & BATAAN
CARSON, CALIFORNIA

I. <u>Direct Costs</u>¹				
Off-Site Improvements				\$0
On-Site Improvements	40,075 Sf of Land	\$29 /Sf		1,143,000
Building Costs	15,000 Sf of GBA	\$70 /Sf of GBA		1,050,000
Contractor Fee/General Requirements	11% Construction Costs			232,000
Contingency Allowance	5% Other Direct Costs			121,000
Total Direct Costs	15,000 Sf of GBA	\$170 /Sf of GBA		\$2,546,000
II. <u>Indirect Costs</u>²				
Arch, Engineering & Consulting	8.0% Direct Costs			\$204,000
Public Permits & Fees	12 Units	\$28,608 /Unit		343,000
Taxes, Legal & Accounting	2.5% Direct Costs			64,000
Insurance	12 Units	\$5,920 /Unit		71,000
Marketing	12 Units	\$5,700 /Unit		68,000
Developer Management Fee	3.0% Market Rate Sales Prices			95,000
Soft Cost Contingency Allowance	5.0% Ind+Fin Costs			62,000
Total Indirect Costs				\$907,000
III. <u>Financing/Closing Costs</u>²				
Construction Interest ³				\$97,000
Loan Origination Fees	60.0% Financed	2.0 Points		30,000
Closing Costs/Comm/Warranties ⁴	7.4% Total Revenue			205,000
Total Financing/Closing Costs				\$332,000
IV. Total Construction Costs	15,000 Sf of GBA	\$252 /Sf		\$3,785,000

¹ Construction costs are based on the Developer's estimates. It is assumed that prevailing wage requirements will NOT be imposed on the Project. The contingency allowance is based on KMA estimate.

² Based on KMA estimates.

³ Based on a 7.0% interest cost for debt and equity; a 9 month construction period; a 5 month absorption period; and 10% of the units are presold and close during first month after completion.

⁴ See APPENDIX A - TABLE 2 for sales revenue estimates. Assumes 3.0% and 2.0% of sales revenues for commissions and closing costs, respectively. Assumes 0.5% of sales revenues for DRE/FHA processing. Includes \$2,500/unit allowance for warranty costs.

APPENDIX A - TABLE 2

REVENUE PROJECTIONS
 12 MODERATE INCOME SINGLE FAMILY DETACHED UNITS
 CARSON & BATAAN
 CARSON, CALIFORNIA

I.	Residential Sales Revenue ¹			
	Plan 1 - 3 Bdrms	12 Units @	\$265,000 /Unit	\$3,180,000
	Total Residential Sales Revenue			\$3,180,000
II.	Options / Upgrades (Net) ²			\$0
III.	Model Premiums ²			\$0
IV.	Total Project Revenue	12 Units @	\$265,000 /Unit	\$3,180,000

¹ The sales price projections are based on the Developer's estimates and KMA's review of resale resale prices. The sales prices equate to \$184 per square foot for the Plan 1 units.

² Based on Developer estimate.



APPENDIX A - TABLE 3

FAIR REUSE VALUE CALCULATION
 12 MODERATE INCOME SINGLE FAMILY DETACHED UNITS
 CARSON & BATAAN
 CARSON, CALIFORNIA

I. Fair Market Land Value Calculation

Total Project Revenue	See APPENDIX A - TABLE 2	\$3,180,000
<u>Project Costs</u>		
Total Construction Costs	See APPENDIX A - TABLE 1	\$3,785,000
Threshold Profit	10.0% Market Rate Sales Prices	318,000
Total Project Costs		<u>\$4,103,000</u>

Fair Market Land Value / (Feasibility Gap)	40,075 Sf Land	(\$23) /Sf	(\$923,000)
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II. Affordability Gap Calculation

Market Rate Sales Price	\$265,000 /Unit
Affordable Sales Price ¹	<u>\$230,000 /Unit</u>
Affordability Gap / Unit	\$35,000 /Unit

Total Affordability Gap	12 Affordable Units	\$35,000 /Unit	\$420,000
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III. Fair Reuse Value

Fair Market Land Value / (Feasibility Gap)	(\$923,000)
Less: Total Affordability Gap	<u>(420,000)</u>

Fair Reuse Value / (Financial Gap)	12 Units	(\$111,900) /Unit	(\$1,343,000)
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¹ See APPENDIX B - TABLE 1 for affordable housing cost calculations.



APPENDIX B - TABLE 1

AFFORDABLE HOUSING COST CALCULATIONS
 2010 INCOME STANDARDS
 CARSON & BATAAN
 CARSON, CALIFORNIA

	<u>Three Bdrms</u>
I. <u>Income Allotted to Housing Expenses</u>	
Household Income @ 110% Median	\$69,300
Income Allotted to Housing @ 35% of Income	\$24,260
II. <u>Ongoing Expenses</u>	
Annual Utilities	\$1,860
Maintenance & Insurance	3,300
Private Mortgage Insurance	0
Property Taxes @ 1.1% of Affordable Price	2,530
Total Ongoing Expenses	\$7,690
III. Income Available for Mortgage	\$16,570
IV. <u>Affordable Housing Price</u>	
Supportable Mtg @ 6.5% Interest	\$218,500
Home Buyer Down Pymt @ 5% Affordable Price	11,500
Maximum Moderate Income Purchase Price	\$230,000



**SUMMARY REPORT PURSUANT TO
SECTION 33433
CALIFORNIA HEALTH AND SAFETY CODE
ON A
DISPOSITION AND DEVELOPMENT AGREEMENT
BY AND BETWEEN
THE CARSON REDEVELOPMENT AGENCY
AND
OLSON URBAN HOUSING, LLC**

The following Summary Report has been prepared pursuant to California Health and Safety Code Section 33433 (Section 33433). The report sets forth certain details of the proposed Disposition and Development Agreement (Agreement) between the following parties:

1. Carson Redevelopment Agency (Agency); and
2. Olson Urban Housing, LLC (Developer).

The purpose of the Agreement is to increase the availability of sanitary, safe and affordable housing within the City of Carson (City) and effectuate the Carson Consolidated Project Area Redevelopment Plan (Redevelopment Plan) by developing 12 single-family detached units that will be sold to moderate income households (Project) on the 0.92-acre site located at 2535-2569 East Carson Street (Site). The Agency currently owns the Site and the Agreement requires the Developer to purchase the Site from the Agency and subsequently, develop the proposed Project.

The following Summary Report is based on information contained within the Agreement, and is organized into the following seven sections:

- I. **Salient Points of the Agreement:** This section summarizes the major responsibilities imposed on the Agency and Developer by the Agreement.
- II. **Cost of the Agreement to the Agency:** This section details the total cost to the Agency associated with implementing the Agreement.
- III. **Estimated Value of the Interest to be Conveyed Determined at the Highest and Best Use Permitted under the Redevelopment Plan:** This section estimates the value of the interests to be conveyed determined at the highest and best use permitted under the Site's existing zoning and the requirements imposed by the Redevelopment Plan for the Carson Consolidated Project Area (Project Area).
- IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required Scope of Development, and the other conditions and covenants required by the Agreement.

- V. **Consideration Received and Comparison with the Established Value:** This section describes the compensation to be received by the Agency, and explains any difference between the compensation to be received and the established value of the Site.
- VI. **Blight Elimination:** This section describes the existing blighting conditions on the Site, and explains how the Agreement will assist in alleviating the blighting influence.
- VII. **Conformance with the AB 1290 Implementation Plan:** This section describes how the Agreement is in conformance with the Agency's adopted AB 1290 Implementation Plan.

This report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. SALIENT POINTS OF THE DISPOSITION AND DEVELOPMENT AGREEMENT

A. Project Description

The Agreement requires the Developer to complete the following Scope of Development:

1. The Site is currently vacant and consists of 40,075 square feet of land area. The Site is zoned RM-25, high-density residential development and permits development of a maximum of 25 units per acre.
2. The 12 single-family detached, 1,250 square foot homes will include three-bedrooms, attached garages and associated landscaping.
3. The 12 units will be restricted to Moderate Income Households for 45-years (Affordability Period).¹
4. A total of 34 parking spaces will be provided on-site, which equates to 2.83 spaces per unit. A total of 24 spaces will be provided in two-car garages and 10 surface spaces will be provided for guests.
5. A condition of Project approval includes the requirement for the Developer to provide a 10-year flood storm retention system on-site. The Developer estimates the cost of constructing these improvements at \$558,000.
6. The Project will be completed in one phase.

¹ As defined in the California Health and Safety Code.

B. Agency Responsibilities

The Agreement requires the Agency to accept the following responsibilities:

1. The Agency shall convey the Site to the Developer at closing for \$1,302,000 (Purchase Price).
2. The Agency will provide between \$2,072,000 and \$2,630,000 (Agency Financial Assistance) to the Project in the form of a Promissory Note. The Promissory Note is summarized as follows:
 - a. The initial principal amount of the Promissory Note (\$2,072,000 to \$2,630,495) is the sum of the Purchase Price and the Agency Contribution. The Purchase Price is the agreed upon fair market value for the Site. The Agency Contribution (\$770,000 to \$1,328,495) is the amount of assistance offered by the Agency to assist with the construction of the Project.
 - b. The Promissory Note will be disbursed as follows:
 - i. Predevelopment – Up to \$150,000 will be disbursed for predevelopment costs.
 - ii. At close of escrow – \$1,302,000 for the Purchase Price will be deemed disbursed.
 - iii. During construction – The proceeds will be disbursed on a monthly draw basis with 10% of the total held back until Project completion.
 - c. The Promissory Note will not bear interest.
 - d. The Promissory Note will be secured by a Deed of Trust that is subordinate only to the construction loan.
 - e. The Promissory Note will be reduced by \$35,000 and the Deed of Trust shall be partially released upon the sale of each unit to a qualified buyer and the delivery to the Agency of the Homeowner's Note and Homeowner's Deed of Trust for each unit.
 - f. The remaining balance of the Promissory Note will be forgiven at the issuance by the Agency of the completion of construction (COC) for the last unit.
3. The Agency will receive a Homeowner's Note from each qualified buyer in the amount of \$35,000. The following summarizes the terms of the Homeowner's Note:
 - a. The initial principal amount of the Homeowner's Note will be \$35,000.

- b. The Homeowner's Note will not bear interest.
 - c. The Homeowner's Note will be secured by a Homeowner's Deed of Trust.
 - d. The Homeowner's Note requires repayment only upon default of the affordability restrictions. The minimum affordability period is 45 years.
4. The units will be restricted by income and price covenants (Affordable Housing Covenants), which are described as follows:
 - a. The units must be sold to Moderate Income Households per Section 50093 of the California Health and Safety Code;
 - b. The units must be sold at an Affordable Sales Price in accordance with Section 50052.5(b)(4) of the California Health and Safety Code; and
 - c. A term of 45 years during which each homeowner must sell the unit to another Moderate Income Household at the Affordable Sales Price.
5. The Agency agrees to reduce the amount of the Developer's Guaranty by 25%, 50%, and 75% upon Developer's demonstration that the appropriate construction milestone has been reached.
6. The Agency shall pay for the title insurance premium attributable to the CLTA Standard Policy of Title Insurance, plus the following fees and costs:
 - a. Documentary transfer taxes;
 - b. All recording fees; and
 - c. One half of all escrow and similar fees.
7. The Agency will reimburse the Developer's costs incurred to remediate contaminants up to \$50,000.

C. Developer Responsibilities

The Agreement requires the Agency to accept the following responsibilities:

1. The Developer will purchase the Site in the 'as is' condition from the Agency for \$1,302,000, which is the established fair market value at the highest and best use.
2. The Developer agrees to develop the Project in accordance with the Scope of Development and the Schedule of Performance.

3. The Developer agrees to comply with all applicable development standards in the City's municipal code and will comply with all building code, landscaping, signage, and parking requirements.
4. Developer agrees to bear all costs of developing the Project.
5. The Developer agrees to deed restrict all of the residential units (12 units) for sale to Moderate Income buyers, as described in the Agreement.
6. The Developer agrees to deed-restrict the Affordable Units and covenants that each Affordable Unit will remain in compliance with the Agreement, the Regulatory Agreement, the Homeowner's Regulatory Agreement, and the Notice of Affordability Restrictions for a period of forty-five (45) years from the initial sale of each Affordable Unit.
7. The Developer agrees to the following with regard to the sale of the residential units:
 - a. The Developer shall contact the City/Agency and request a copy of the City or Agency's waiting list for affordable housing;
 - b. The Developer will conduct affirmative marketing procedures which include methods for informing the public of fair housing laws and opportunities. The Developer shall provide a copy of the marketing plan to the Agency;
 - c. The Developer is responsible for determining whether an applicant for an Affordable Unit is a qualified buyer; and
 - d. The Developer will give the Agency ten (10) working days' notice before informing a household that it has been selected to purchase one of the units.
8. The Developer will execute a Guaranty guaranteeing the full performance of all obligations under the Agreement.
9. The Developer agrees that it will not discriminate against any person, employee, group, or applicant, for any reason, during the construction of the Project, or in the sale, lease, occupancy, or enjoyment of the Site.
10. The Developer will grant all easements required for the development of the public improvements including streets, rights of vehicular access, sidewalks, sewers, storm drains, and water improvements.
11. The Developer covenants that it will make best faith efforts to list all employment opportunities related to the construction of the Project through the Carson Career Center or the South Bay Workforce Investment Board. The Developer will comply with all requirements related to the employment of local residents, as specified in the Agreement.

12. The Developer agrees to pay for the difference in premium between the CLTA Standard Policy of Title Insurance and the ALTA Extended Coverage Policy of Title Insurance.
13. The Developer will comply with the following insurance requirements:
 - a. A commercial general liability policy in the amount of \$3,000,000, combined single limit, on a per occurrence basis;
 - b. A worker's compensation insurance policy that is fully compliant with the State of California requirements;
 - c. Automobile liability insurance in the amount of \$1,000,000, combined single limit, on an occurrence basis; and
 - d. Builder's risk insurance that covers the full replacement value of all of the improvements to be constructed by the Developer, including personal property and equipment.
14. Prior to the close of escrow, Developer will obtain or provide the following:
 - a. All necessary approvals from the City and Agency;
 - b. Executed copies of the following documents:
 - i. The Promissory Note;
 - ii. The Deed of Trust;
 - iii. The Guaranty;
 - iv. The Regulatory Agreement; and
 - v. The Notice of Affordability Restrictions;
 - c. A copy of the construction contract for Agency approval;
 - d. Evidence of financial capability and insurance, as defined in the Agreement; and
 - e. Grading and building permits as necessary to commence construction of the Project.
15. Indemnify the Agency and City against all liability loss, damage, costs relating to the Project as well as any prevailing wage judgments.
16. The Developer and the homeowners association (Association) to be created by the Developer are responsible for the maintenance of all improvements that exist on the Site, including the landscaping.

II. COST OF AGREEMENT TO THE AGENCY

The costs to the incurred by the Agency to implement the Agreement are estimated as follows:

<u>Agency Costs</u>	
<u>Land Acquisition Costs</u>	
Agency Purchase Price	\$1,273,000
Escrow Cost	4,000
Asbestos Survey	12,000
Appraisal	8,000
Other Predevelopment Costs	5,000
Total Land Acquisition Costs	\$1,302,000
Agency Contribution	1,328,495
Total Agency Costs	\$2,610,495

While the total cost to the Agency is estimated at \$3,610,495, the Agreement requires the Developer to purchase the Site for \$1,302,000. In addition, the \$35,000 per unit, or \$420,000, in silent second trust deeds will be repaid in 45 years.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST AND BEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN

Section 33433 requires the Agency to identify the value of the interests being conveyed at the highest and best use allowed by the Site's zoning and the requirements imposed by the Redevelopment Plan. The valuation must be based on the assumption that near-term development is required, but the valuation does not take into consideration any extraordinary use, quality and/or income restrictions that are being imposed on the development by the Agency.

An August, 2, 2010 appraisal by Goepfner & Associates, Inc. (Appraiser) concludes that the fair market value of the Site at the highest use allowed under the Redevelopment Plan is estimated at \$1,302,000, or \$24 per square foot of land area.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

Keyser Marston Associates, Inc. (KMA), the Agency's economic consultant, prepared a reuse valuation analysis of the Project based on the financial terms and conditions imposed by the Agreement. The analysis took into account the imposition of long-term income and affordability restrictions and the limitation of the density to 13 units per acre. In addition, the Developer is required to construct an underground storm water retention basin which has added significant costs to the Project. The KMA reuse valuation analysis resulted in a fair reuse value of the Site,

given the terms and conditions imposed by the Agreement, to be negative \$1,343,000. In other words, the Project requires the land to be donated at no cost to the Project, and the Developer requires \$1,343,000 in financial assistance in order for the Project to be considered feasible.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agreement requires the Developer to purchase the Site for \$1,302,000, which will be financed with the \$2,630,495 in financial assistance to be provided to the Project. The fair reuse value has been established to be negative \$1,343,000, based on the terms and conditions required by the Agreement. Since the Purchase Price of the Site is higher than the fair reuse value, it is concluded that the Agency is receiving fair consideration for the Site.

VI. BLIGHT ELMINIATION

Section 33433 requires that all projects assisted by the Agency must alleviate blighting conditions. In addition, Section 33433 states that the conveyance of property that results in the provision of housing for low or moderate income persons satisfies the blight elimination criteria imposed by Section 33433. Thus, the Project fulfills the Section 33433 blight elimination requirement.

VII. CONFORMANCE WITH THE AB 1290 IMPLEMENTATION PLAN

The Project conforms to the Project Area's Implementation Plan for 2010 - 2014. Specifically, the Project meets the goal to improve the community's supply of affordable housing available to low and moderate income persons and families, with an emphasis on home ownership.