AGENDA ITEM NO. 7.b.

CITY OF GARDEN GROVE

INTER-DEPARTMENT MEMORANDUM

Garden Grove City Council
and
Garden Grove Agency for Community Development

To:	Matthew Fertal	From:	Economic Development
Dept:	City Manager/Director	Dept:	
Subject:	DISPOSITION AND DEVELOPMENT AGREEMENT (DDA) WITH NEW AGE BROOKHURST, LLC	Date:	November 23, 2010

OBJECTIVE

This report is provided to the Garden Grove City Council (the "City") and the Garden Grove Agency for Community Development (the "Agency") in connection with its consideration of a Disposition and Development Agreement (the "DDA") with New Age Brookhurst, LLC (the "Developer") for the disposition and development in two (2) phases of up to 600 residential units (120 of which would be affordable), up to 80,000 square feet of retail, including restaurant(s), with associated parking and open space improvements on 13.9-acres of real property at the northwest corner of Brookhurst Street and Garden Grove Boulevard, commonly referred to as the "Brookhurst Triangle, (the "Site").

BACKGROUND

The Site has a premier location on two major arterial roads, Brookhurst Street and Garden Grove Boulevard, located in the center of the city. It is in close proximity to the Korean Business District, the Vietnamese Business District, and the Community Center District, just north of the Garden Grove SR 22 Freeway, and is an ideal site for a signature mixed-use development.

Deal Point Summary

The DDA (Attachment 1) contains the business terms for implementing the project. It establishes the obligations and responsibilities for both the Agency and the Developer. The DDA is based on the business terms approved by the Agency. The deal points are summarized as follows:

1. Disposition of Property
   - Developer pays a total of $30,400,000 for the Site. The Site would be conveyed in two phases. Phase I consisting of approximately 3.7-acres, for $6,000,000; and Phase II: consisting of approximately 10.2-acres, for $24,400,000.

2. Development of Property
   - The Developer has proposed to develop up to 600 residential units in two (2) phases that includes 148 attached for-sale units in Phase I, and 452 attached for-sale units.

   - Phase II development will includes up to 200 units, which could be rental units or for sale units and a minimum of 60 units would be affordable. At the option of the Developer, the number of affordable units may increase to 120.

   - In Phase II, the Developer has proposed to develop a minimum of 80,000 square feet of retail, including restaurant(s) with associated parking and open space improvements. The Developer is required to perform a market demand study to determine if there is sufficient demand for a hotel at this location.

A Summary Report was prepared by the Agency's economic consultant, Keyser Marston Associates, Inc. (KMA), to analyze the proposed financial terms, which provides, among other items, an estimated value of the interests to be conveyed at the highest and best use permitted under the redevelopment plan. See Summary Report (Attachment 4).

In order to determine the fair market value of the Site, KMA reviewed the appraisal report prepared for the Agency by Lidgard and Associates, Inc. (Lidgard). The Site's "highest and best use" is mixed-use development with residential and commercial uses. Lidgard relied on the comparable sales approach to value, with a conclusion of value for the Site of $22,115,000 or $36 per square foot of land. KMA undertook its own review and determined after analyzing all data, that the median and average sales prices were $37 and $36 per square foot of land, respectively, essentially the same as the Lidgard finding of value for the Site. KMA concluded that the fair market value of the Property is at its highest and best use at $22,115,000, or $36 per square foot of land.

Pursuant to SB 975, acceptance of cash or in-kind governmental assistance may result in a "private" development project being reclassified as "public works" subject to all of the prevailing wage law requirements set forth in the California Labor Code. Thus, the Developer has agreed to pay $30,400,000; therefore, the Developer is not required to pay prevailing wages.

KMA estimated the reuse value is a negative $ 4,558,000. KMA analysis was conservative for both the development cost and future sale prices. Despite the negative reuse value, the Developer is confident that he can build the project. The Developer has factored in the following analysis: the Site has been entitled, which adds value; a phased development is less risky; Developer's method of construction is valued engineered and more cost effective, and the Developer is optimistic about future sale prices.

Environmental

On November 24, 2009, the City Council adopted Ordinance No. 2759, which adopted a Mitigated Negative Declaration and approved Planned Unit Development No. PUD-123-09, which changing the Site zoning designation from C-2 (Community Commercial) and Planned Unit Development No. PUD-102-88, to Planned Unit Development No. PUD-123-09. On that date, the City also adopted Ordinance No. 2760, which approved a Development Agreement between the City and the Agency for development of the Site. The Mitigated Negative Declaration analyzed the potential impacts of the proposed development, which included up to 700 residential dwelling units and 200,000 square feet of commercial/office space.

The DDA contemplates a project of substantially less intensity than was previously studied in the Mitigated Negative Declaration. Pursuant to Public Resources Code Section 21166 and California Code of Regulations, Title 14, Section 15162, no further environmental review is required prior to the approval of the DDA. The DDA does not involve substantial changes, which would require major revisions of the Mitigated Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. No substantial changes have occurred with respect to the circumstances under which the DDA is being implemented, which would require major revisions of the Mitigated Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.

No new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the Mitigated Negative Declaration was adopted shows any of the following: (a) the DDA would have one or more significant effects not discussed in the Mitigated Negative Declaration; (b) Significant effects previously examined would be substantially more severe than shown in the Mitigated Negative Declaration; (c) Mitigation measures previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects of the Project; or (d) Mitigation measures which are considerably different from those analyzed in the Mitigated Negative Declaration would substantially reduce one or more significant effects on the environment.

FINANCIAL IMPACT

- It is estimated that this project would generate new Agency revenue of $3,100,000 annually when all phases of the project are complete, as well as $30,400,000 in land sale proceeds.

- The Agency purchased the Wang parcel for $5,600,000 with Agency set-aside funds. It is anticipated that the Agency may infuse an additional $6,400,000 set-aside funds to the Developer if the Developer elects to provide up to 120 affordable units.

- The Agency economic consultant KMA has projected this project to generate approximately 400 to 600 construction jobs and approximately 200 to 400 permanent and temporary retail jobs.

RECOMMENDATION

Staff recommends the following actions be taken:

City Council

- Conduct a Public Hearing; and
- Adopt the attached Resolution consenting to the approval of the Disposition and Development Agreement between the Agency and the New Age Brookhurst, LLC.

Agency

- Conduct a Public Hearing:
- Adopt the attached Resolution approving the attached Disposition and Development Agreement with New Age Brookhurst, LLC for the development of the 13.9-acre site in the City of Garden Grove within the area known as the "Brookhurst Triangle", and
- Authorize the Director to execute the Disposition and Development Agreement and any other pertinent documents to effectuate the agreement.

GREG BLODGETT
Senior Project Manager

Approved for Agenda Listing

Matthew Fertal
City Manager

By: Paul Guerrero
Senior Economic Development Specialist

Attachment 1: Disposition and Development Agreement
Attachment 2: City Resolution
Attachment 3: Agency Resolution
Attachment 4: Summary Report

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE CONSENTING TO THE APPROVAL BY THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT OF THE DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT AND NEW AGE BROOKHURST, LLC

WHEREAS, the Garden Grove Agency for Community Development (Agency) is a community redevelopment agency duly organized and existing under the California Community Redevelopment Law, California Health and Safety Code Section 33000 *et seq.* (CRL) and has been authorized to transact business and exercise the power of a redevelopment agency pursuant to action of the City Council (City Council) of the City of Garden Grove (City);

WHEREAS, the existing Garden Grove Community Project and the boundaries of the Community Project Area (Project Area) were duly established by various ordinances of the City Council, which ordinances approved a redevelopment plan for the Garden Grove Community Project, as amended (Redevelopment Plan);

WHEREAS, the Agency is vested with the power to implement the Redevelopment Plan and carry out the goals and objectives of the Garden Grove Community Project, including, without limitation, the goals and objectives adopted by the Agency's Implementation Plan (Implementation Plan) pursuant to the CRL;

WHEREAS, the Agency is authorized and empowered by the CRL to enter into agreements for the acquisition, disposition, and development of real property within a redevelopment project area in conformity with a Redevelopment Plan adopted for such area; to acquire real and personal property in redevelopment project areas; to receive consideration for the provision by the Agency of redevelopment assistance; to make and execute contracts and other instruments necessary or convenient to the exercise of its powers; and to incur indebtedness to finance or refinance redevelopment projects;

WHEREAS, New Age Brookhurst, LLC (Developer) is a limited liability company duly organized under the laws of the State of California and is experienced in the acquisition, construction and development of residential and retail projects;

WHEREAS, the Agency wishes to assist the Developer in the construction of the Project (as hereinafter defined) by conveying to the Developer certain real property (Site) that is comprised of certain property owned by the Agency as shown on the Site Map attached hereto as Exhibit A and incorporated herein by reference;

WHEREAS, the Agency desires to enter into that certain Disposition and Development Agreement (DDA) with the Developer relating to the disposition of the Site and development of up to 600 residential units, 80,000 square feet of retail space and potentially a hotel of not less than 100 rooms on the Site (Project);

WHEREAS, the Agency is authorized to convey an interest in its real property to the Developer pursuant to the CRL;

WHEREAS, the City has adopted an Implementation Plan pursuant to CRL Section 33490, which sets forth the objective of increasing the community's economic base by encouraging new investment in the community, ensuring the optimum generation of local revenues by facilitating the redevelopment and reuse of land, maximizing the use of property to achieve the highest, best use, and a feasible economic return;

WHEREAS, by providing for the development of the Project on the Site, the DDA will assist the Agency in meeting the development policies and objectives set forth in the Implementation Plan, specifically the goal of reducing blighting economic conditions and increasing employment opportunities by encouraging new investment in the community through facilitating the development and rehabilitation of commercial properties and through the implementation of economic development programs;

WHEREAS, pursuant to Sections 33430 and 33431 of the CRL, the Agency is authorized, after a duly noticed Public Hearing, to convey the Site for development pursuant to the Redevelopment Plan;

WHEREAS, on November 23, 2010, the City Council and the Agency held a duly noticed joint Public Hearing on the proposed DDA in accordance with Health and Safety Code Sections 33430 and 33431, at which time the City Council and the Agency reviewed and evaluated all of the information, testimony, and evidence presented during the Public Hearing;

WHEREAS, notice of the Public Hearing was published in the Garden Grove Journal, and the proposed DDA was made available for public inspection prior to the Public Hearing as stated in the published notice of Public Hearing;

WHEREAS, all actions required by all applicable law with respect to the proposed DDA have been taken in an appropriate and timely manner;

WHEREAS, the City Council has previously determined, in its adoption of Ordinance No. 2455 approving the Redevelopment Plan, that the Site was blighted;

WHEREAS, the DDA will assist in the elimination of blight by providing for the development of the Project on the Site;

WHEREAS, on November 24, 2009, the City Council adopted Ordinance No. 2759 approving Planned Unit Development No. PUD-123-09, changing the zoning designation from C-2 (Community Commercial) and Planned Unit Development No. PUD-102-88 to Planned Unit Development No. PUD-123-09 for the Site, in addition

to Ordinance No. 2760 adopting a Development Agreement between the City and the Agency for development of the Site (Entitlements);

WHEREAS, on November 24, 2009, the City Council as the Lead Agency pursuant to the California Environmental Quality Act, California Public Resources Code Section 21000 *et seq.,* (CEQA) adopted a Mitigated Negative Declaration prior to approving the Entitlements (Mitigated Negative Declaration);

WHEREAS, the City Council has duly considered the Mitigated Negative Declaration previously adopted by the City Council; and

WHEREAS, the City Council has duly considered all terms and conditions of the proposed DDA and believes that the Project is in the best interests of the City of Garden Grove and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable State and local law requirements.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GARDEN GROVE DOES RESOLVE AS FOLLOWS:

1. The foregoing recitals are true and correct and are incorporated herein by this reference.

2. The City Council finds and determines that, based upon substantial evidence provided in the record before it, the consideration for the Agency's conveyance of the Site pursuant to the terms and conditions of the DDA is not less than the fair market value at its highest and best use in accordance with the Redevelopment Plan and Implementation Plan.

3. The City Council hereby finds and determines that the conveyance of the Site and construction of the Project pursuant to the DDA will eliminate blight within the Project Area by providing for the proper reuse and development of a portion of the Project Area that was previously declared blighted.

4. The City Council hereby finds and determines that the DDA is consistent with the provisions and goals of the Redevelopment Plan and Implementation Plan.

5. The City Council has reviewed and considered the Mitigated Negative Declaration. The City Council finds that the Project does not involve substantial changes that will require major revisions of the Mitigated Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. No substantial changes have occurred with respect to the circumstances under which the Project is being implemented that will require major revisions of the Mitigated Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. No

new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the Mitigated Negative Declaration was adopted, shows any of the following: (a) the Project will have one or more significant effects not discussed in the Mitigated Negative Declaration; (b) Significant effects previously examined will be substantially more severe than shown in the Mitigated Negative Declaration; (c) Mitigation measures previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects of the Project; or (d) Mitigation measures that are considerably different from those analyzed in the Mitigated Negative Declaration would substantially reduce one or more significant effects on the environment. No further environmental review is required for the Project.

6. The City Council hereby consents to and approves the DDA between the Agency and Developer, which has been submitted herewith, and further authorizes the Agency Director (or his designee), on behalf of the Agency, to make revisions to the DDA that do not materially or substantially increase the Agency's obligations thereunder or materially or substantially change the uses or development permitted on the Site, to sign all documents, to make all approvals, and take all actions necessary or appropriate to carry out and implement the DDA and to administer the Agency's obligations, responsibilities, and duties to be performed under the DDA and related documents.

7. The City Clerk shall certify to the adoption of this Resolution.

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

RESOLUTION NO.

A RESOLUTION OF THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT APPROVING THE DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT AND NEW AGE BROOKHURST, LLC

WHEREAS, the Garden Grove Agency for Community Development (Agency) is a community redevelopment agency duly organized and existing under the California Community Redevelopment Law, California Health, and Safety Code Section 33000 *et seq.* (CRL) and has been authorized to transact business and exercise the power of a redevelopment agency pursuant to action of the City Council (City Council) of the City of Garden Grove (City);

WHEREAS, the existing Garden Grove Community Project and the boundaries of the Community Project Area (Project Area) were duly established by various ordinances of the City Council, which ordinances approved a redevelopment plan for the Garden Grove Community Project, as amended (Redevelopment Plan);

WHEREAS, the Agency is vested with the power to implement the Redevelopment Plan and carry out the goals and objectives of the Garden Grove Community Project, including, without limitation, the goals and objectives adopted by the Agency's Implementation Plan (Implementation Plan) pursuant to the CRL;

WHEREAS, the Agency is authorized and empowered by the CRL to enter into agreements for the acquisition, disposition, and development of real property within a redevelopment project area in conformity with a Redevelopment Plan adopted for such area; to acquire real and personal property in redevelopment project areas; to receive consideration for the provision by the Agency of redevelopment assistance; to make and execute contracts and other instruments necessary or convenient to the exercise of its powers; and to incur indebtedness to finance or refinance redevelopment projects;

WHEREAS, New Age Brookhurst, LLC (Developer) is a limited liability company duly organized under the laws of the State of California and is experienced in the acquisition, construction, and development of residential and retail projects;

WHEREAS, the Agency wishes to assist the Developer in the construction of the Project (as hereinafter defined) by conveying to the Developer certain real property (Site) that is comprised of certain property owned by the Agency as shown on the Site Map attached hereto as Exhibit A and incorporated herein by reference;

WHEREAS, the Agency desires to enter into that certain Disposition and Development Agreement (DDA) with the Developer relating to the disposition of the Site and development of up to 600 residential units, 80,000 square feet of retail space and potentially a hotel of not less than 100 rooms on the Site (Project);

WHEREAS, the Agency is authorized to convey an interest in its real property to the Developer pursuant to the CRL;

WHEREAS, the City has adopted an Implementation Plan pursuant to CRL Section 33490, which sets forth the objective of increasing the community's economic base by encouraging new investment in the community, ensuring the optimum generation of local revenues by facilitating the redevelopment and reuse of land, maximizing the use of property to achieve the highest, best use, and a feasible economic return;

WHEREAS, by providing for the development of the Project on the Site, the DDA will assist the Agency in meeting the development policies and objectives set forth in the Implementation Plan, specifically the goal of reducing blighting economic conditions and increasing employment opportunities by encouraging new investment in the community through facilitating the development and rehabilitation of commercial properties and through the implementation of economic development programs;

WHEREAS, pursuant to Sections 33430 and 33431 of the CRL, the Agency is authorized, after a duly noticed Public Hearing, to convey the Site for development pursuant to the Redevelopment Plan;

WHEREAS, on November 23, 2010, the Agency and the City Council held a duly noticed Public Hearing on the proposed DDA in accordance with California Health and Safety Code Sections 33430 and 33431, at which time the Agency reviewed and evaluated all of the information, testimony, and evidence presented during the Public Hearing;

WHEREAS, notice of the Public Hearing was published in the Garden Grove Journal, and the proposed DDA was made available for public inspection prior to the Public Hearing as stated in the published notice of Public Hearing;

WHEREAS, all actions required by all applicable law with respect to the proposed DDA have been taken in an appropriate and timely manner;

WHEREAS, the City Council has previously determined, in its adoption of Ordinance No. 2455 approving the Redevelopment Plan, that the Site was blighted;

WHEREAS, the DDA will assist in the elimination of blight by providing for the development of the Project on the Site;

WHEREAS, on November 24, 2009, the City Council adopted Ordinance No. 2759 approving Planned Unit Development No. PUD-123-09, changing the zoning designation from C-2 (Community Commercial) and Planned Unit Development No. PUD-102-88 to Planned Unit Development No. PUD-123-09 for the Site, in addition to Ordinance No. 2760 adopting a Development Agreement between the City and the Agency for development of the Site (Entitlements);

WHEREAS, on November 24, 2009, the City Council as the Lead Agency pursuant to the California Environmental Quality Act, California Public Resources Code Section 21000 *et seq.,* (CEQA) adopted a Mitigated Negative Declaration prior to approving the Entitlements (Mitigated Negative Declaration);

WHEREAS, the Agency has duly considered the Mitigated Negative Declaration previously adopted by the City; and

WHEREAS, the Agency has duly considered all terms and conditions of the proposed DDA and believes that the Project is in the best interests of the City of Garden Grove and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable State and local law requirements.

NOW, THEREFORE, BE IT RESOLVED by the Garden Grove Agency for Community Development as follows:

1. The foregoing recitals are true and correct and are incorporated herein by this reference.

2. The Agency finds and determines that, based upon substantial evidence provided in the record before it, the consideration for the Agency's conveyance of the Site pursuant to the terms and conditions of the DDA is not less than the fair market value at its highest and best use in accordance with the Implementation Plan and the Redevelopment Plan.

3. The Agency finds and determines that the conveyance of the Site and construction of the Project, and the payment of the Covenant Consideration and Parking Structure Contribution pursuant to the DDA will eliminate blight within the Project Area by providing for the proper reuse and development of a portion of the Project Area, which was previously declared blighted.

4. The Agency hereby finds and determines that the DDA is consistent with the provisions and goals of the Implementation Plan and the Redevelopment Plan.

5. The Agency has reviewed and considered the Mitigated Negative Declaration. The Agency finds that the Project does not involve substantial changes that will require major revisions of the Mitigated Negative Declaration due to the

involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. No substantial changes have occurred with respect to the circumstances under which the Project is being implemented that will require major revisions of the Mitigated Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. No new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the Mitigated Negative Declaration was adopted, shows any of the following: (a) the Project will have one or more significant effects not discussed in the Mitigated Negative Declaration; (b) Significant effects previously examined will be substantially more severe than shown in the Mitigated Negative Declaration; (c) Mitigation measures previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects of the Project; or (d) Mitigation measures that are considerably different from those analyzed in the Mitigated Negative Declaration would substantially reduce one or more significant effects on the environment. No further environmental review is required for the Project.

6. The Agency hereby approves the DDA between the Agency and Developer, in the form of the DDA, which has been submitted herewith.

7. The Agency Director and the Agency Secretary are hereby authorized to execute and attest the DDA, including any related attachments, on behalf of the Agency. Copies of the final form of the DDA, when duly executed and attested, shall be placed on file in the Office of the City Clerk.

8. The Agency Director or his duly authorized representative is further authorized to implement the DDA and take all further actions and execute all documents referenced therein and/or necessary and appropriate to carry out the DDA. The Agency Director or his duly authorized representative is hereby authorized to the extent necessary during the implementation of the DDA to make technical or minor changes thereto after execution to properly implement and carry out the DDA provided the changes shall not in any manner materially affect the rights and obligations of the Agency.

9. The Agency Secretary shall certify to the adoption of this Resolution.

DISPOSITION AND DEVELOPMENT AGREEMENT

By and Between the

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

and

NEW AGE BROOKHURST, LLC

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DISPOSITION AND DEVELOPMENT AGREEMENT

This **DISPOSITION AND DEVELOPMENT AGREEMENT** (the "Agreement") is entered into as of _____, 2010, by and between the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic (the "Agency"), and **NEW AGE BROOKHURST, LLC.** a California limited liability company (the "Developer").

RECITALS

The following recitals are a substantive part of this Agreement:

A. In furtherance of the objectives of the California Community Redevelopment Law, the Agency desires to cooperate with the Developer in the redevelopment of approximately 13.91 acres of real property in the City of Garden Grove known as the "Brookhurst Triangle," and owned by the Agency which is bounded by Brookhurst Street on the east, Garden Grove Boulevard on the south, and Brookhurst Way on the northern and western edge (the "Site"). The Site is described in the Legal Description and shown on the Site Map.

B. The Agency and the Developer desire by this Agreement for the Agency to convey the Site to the Developer in two separate Phases, and for the Developer to purchase the Site and to develop a two Phase mixed use residential and retail project thereon, together with other onsite and offsite improvements (collectively, the "Improvements").

C. Phase I of the Improvements will consist of approximately 148 attached For Sale Units in three (3) four-story buildings. Phase II of the Improvements will be developed in multiple Subphases and will consist of approximately 252 attached For Sale Units in five (5) four-story buildings, approximately 200 Rental Units, of which 60 will be Affordable Rental Units or, at the election of the Developer, the Affordable Rental Units may be increased to 120, approximately 80,000 square feet of retail space. Phase 2 may include a Hotel Component of approximately One Hundred (100) rooms.

D. The Agency's sale of the Site to the Developer and the Developer's acquisition and development of the Improvements and sale or operation of the Project, as applicable, as provided for in this Agreement, is in the vital and best interest of the City and the health, safety and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements under which the redevelopment of the Garden Grove Community Project has been undertaken.

NOW, THEREFORE, the Agency and the Developer hereby agree as follows:

100. DEFINITIONS

"Actual Knowledge" is defined in Section 206.1(d) hereof.

"Affiliate" means an entity owned and controlled by Kam Sang Company, Inc.

"Affordability Period" is defined in Section 502.

"Affordable Rent" means the maximum monthly rent chargeable for an Affordable Rental Unit as described in Section 505.

"Affordable Rental Unit" means the Rental Units that will be offered for rent to Persons and Families of Moderate Income at an Affordable Rent.

"Affordable Rental Unit(s)" means the Housing Unit(s) that are to be constructed and developed within the Rental Units all of which shall be rented or leased to Persons and Families of Low or Moderate Income at Affordable Rents for Fifty-Five (55) years, as provided within this Agreement.

"Affordable Unit(s)" means Affordable Rental Unit(s) and/or For-Sale Housing Units.

"Agency" means the Garden Grove Agency for Community Development, a public body, corporate and politic, exercising governmental functions and powers and organized and existing under Chapter 2 of the Community Redevelopment Law and any assignee of or successor to its rights, powers and responsibilities.

"Agency's Phase I Conditions Precedent" is defined in Section 205.1.

"Agency's Phase II Conditions Precedent" is defined in Section 205.3.

"Agreement" means this Disposition and Development Agreement between the Agency and the Developer, including the Attachments hereto.

"Association CC&Rs" is defined in Section 403.

"Breach" is defined in Section 701.

"City" means the City of Garden Grove, a California municipal corporation. The City is not a party to this Agreement and has no obligations hereunder.

"Closing" means the close of Escrow for each Conveyance of a Phase of the Site from the Agency to the Developer, as set forth in Section 202 hereof.

"Closing Date" means the date of each Closing, as set forth in Section 202.4 hereof.

"Community Redevelopment Law" means California Health and Safety Code Section 33000, *et seq.* as the same now exists or may hereinafter be amended.

"Conceptional Site Plan" is attached to the PUD.

"Condition(s) Precedent" means the Agency's Conditions Precedent to Phase I Closing, the Developer's Conditions Precedent to Phase I, the Agency's Conditions Precedent to Phase II and/or the Developer's Conditions Precedent to Phase II, as applicable.

"Conveyance" or ***"Conveyed"*** means each conveyance of a Phase by the Agency to the Developer on the applicable Closing Date.

"County" means the County of Orange.

"Date of Agreement" means the date this Agreement is approved by the Agency at a public meeting, which date is set forth in the first paragraph hereof.

"Declaration of Uses" means the Declaration of Uses, substantially in the form of Attachment No. 7, which is incorporated herein, which shall be recorded as an encumbrance to the parcels containing the Retail Improvements.

"Default" is defined in Section 701.

"Deposit" is defined in Section 201.1.

"Developer" means New Age Brookhurst, LLC., and its permitted successors and assigns.

"Developer's Phase I Conditions Precedent" is defined in Section 205.2.

"Developer's Phase II Conditions Precedent" is defined in Section 205.4.

"Environmental Consultant" means the environmental consultant which may be employed by the Developer pursuant to Section 208.3 hereof.

"Environmental Report" means the report setting forth the results of the environmental investigation of the Site which may be conducted by the Environmental Consultant, as set forth in Section 208.3 hereof.

"Eligible Person" means any individual, partnership, corporation or association which qualifies as a "displaced person" pursuant to the definition provided in Government Code Section 7260(c) of the California Relocation Assistance Act of 1970, as amended, and any other applicable state laws or regulations.

"Escrow" is defined in Section 202 hereof.

"Escrow Agent" is defined in Section 202 hereof.

"Exceptions" is defined in Section 203 hereof.

"FIRPTA" means the Foreign Investment in Real Property Transfer Act.

"For Sale Housing Unit(s)" mean the 148 condominium units in Phase I and the 252 condominium units in Phase II which will be offered for sale, including all common areas associated therewith.

"Force Majeure" is defined in Section 702.

"Governmental Requirements" means all applicable laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State, the County, the City, or any other political subdivision in which the Property is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over the City, the Developer or the Property, including all applicable state labor standards, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City's Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the

Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Sections 51, *et seq.* Developer and its contractors and subcontractors shall comply with all applicable public works requirements, including without limitation, if applicable, the payment of prevailing wages in compliance with Labor Code Section 1770, *et seq.*, keeping of all records required pursuant to Labor Code Section 1776, complying with the maximum hours requirements of Labor Code Sections 1810 through 1815, and complying with all regulations and statutory requirements pertaining thereto.

"Grant Deed" means the grant deed for the Conveyance of each Phase of the Site from the Agency to the Developer, substantially in the form of Attachment No. 3 hereto which is incorporated herein.

"Hazardous Materials" means any substance, material, or waste which is or becomes, regulated by any local governmental authority, the State, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste," or "restricted hazardous waste" under Section 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)), (ii) 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), (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) 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), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated biphenyls, (viii) methyl tertiary butyl ether, (ix) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Division 4, Chapter 20, (x) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (xi) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §§6901, *et seq.* (42 U.S.C. §6903) or (xii) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, *et seq.*

"Hotel Component" means a limited-select service hotel, such as Aloft, Element, Hyatt Place, Hyatt Summerfield Suite, or Marriott Springhill Suites of approximately 100 guest rooms.

"Housing Set Aside Fund" means the fund established by the Agency pursuant to Health & Safety Code Section 33334.2.

"Housing Units" means the For Sale Units and Rental Units, which are constructed on the Site pursuant to the Scope of Development.

"Improvements" or ***"Project"*** means the improvements to be constructed by the Developer upon the Site and the offsite perimeter improvements relating thereto, all as more particularly described in Sections 301-303 hereof and in the Scope of Development.

"Kam Sang Company, Inc." is a California corporation of which Ronnie Lam is the majority shareholder. Kam Sang Company, Inc. is the managing member and principal owner of the Developer.

"Land Use Approvals" is defined in Section 303.

"Legal Description" means the description of the Site and the Phases within the Site which is attached hereto as Attachment No. 1 and incorporated herein.

"Management Plan" is defined in Section 407.

"Marketing Program" is defined in Section 507.

"Master Association" is defined in Section 403.

"Ministerial Approvals" is defined in Section 303.

"Notice" shall mean a notice in the form prescribed by Section 701 hereof.

"Notice of Affordability Restrictions" is attached hereto as Attachment No. 9 and incorporated herein by reference.

"Option Agreement" is attached hereto as Attachment No. 10 and incorporated herein by reference.

"Party" means either the Agency or Developer, as applicable, and ***"Parties"*** means the Agency and Developer, including their respective permitted successors and assigns.

"Persons and Families of Low or Moderate Income" is defined in Health & Safety Code Section 50093.

"Phase(s)" means Phase I and/or Phase II, Phase II, Subphase A and/or other Subphases within Phase II, as applicable.

"Phase I" means the approximately 3.7 acre portion of the Site which is so identified in the Legal Description and the Site Map.

"Phase I Closing" means the Closing for the Agency's Conveyance of Phase I to the Developer.

"Phase I Improvements" means the approximately 148 attached For Sale Units in three (3) four-story buildings.

"Phase I Outside Date" means the last date the Phase I Closing shall occur, as set forth in Section 202.4 hereof.

"Phase I Purchase Price" means the purchase price payable by Developer to Agency in consideration for the Agency's Conveyance of Phase I, to the Developer, in the amount set forth in Section 201 hereof.

"Phase II" means the approximately 10.21 acre portion of the Site which is so identified in the Legal Description and the Site Map.

"Phase II Closing" means the Closing for the Agency's Conveyance of Phase II to the Developer.

"Phase II Improvements" means the approximately 252 attached For Sale Units in five (5) four-story buildings, approximately 200 Rental Units of which 60 will be Affordable Rental Units, or, at the election of the Developer, the Affordable Rental Units may be increased to 120, approximately 80,000 square feet of Retail Improvements, and the Hotel Component.

"Phase II Outside Date" means the last date the Phase II Closing shall occur, as set forth in Section 202.4 hereof.

"Phase II Purchase Price" means the purchase price payable by Developer to Agency in consideration for the Agency's Conveyance of Phase II to the Developer, in the amount set forth in Section 201 hereof.

"Phase II, Subphase A" means the first Subphase of Phase II.

"Physical and Environmental Condition" means with respect to the Site, the square footage, supporting infrastructure; if any, development rights and exactions, expenses associated with the Site and development thereof in the manner proposed herein, taxes, assessments, bonds, permissible uses, title exceptions, water or water rights, topography, utilities, zoning of the Site, soil, subsoil, geology, drainage, environmental or building laws, rules or regulations, toxic waste or Hazardous Materials, required scope of remediation, or any other matters affecting or relating to the Site and its development in the manner proposed herein.

"Property Manager" is defined in Section 403.

"PUD" means that certain planned unit development approved as PUD 123-09 on November 10, 2009.

"Purchase Price" is defined in Section 201 hereof.

"Redevelopment Plan" means the Redevelopment Plan for the Redevelopment Project, adopted by ordinance of the City Council of the City of Garden Grove, as amended from time to time.

"Redevelopment Project" means the Garden Grove Community Project, adopted by the City pursuant to the Redevelopment Plan.

"Regulatory Agreement" is attached hereto as Attachment No. 8 and incorporated herein by reference.

"Release of Construction Covenants" means the document which evidences the Developer's satisfactory completion of the Improvements, as set forth in Section 310 hereof. The Release of Construction Covenants shall be in the form of Attachment No. 6 hereto which is incorporated herein.

"Rental Unit(s)" means the 200 apartment units that will be offered for rent in Phase II of which 60 will be Affordable Rental Units in Phase II.

"Residential Improvement" or *"Residential Component"* means the Housing Units.

"Retail Improvements" or *"Retail Component"* means the Improvements to be constructed on the Site in accordance with the Scope of Development which will contain retail uses, and at least one (1) restaurant whose identity is approved by the Agency acting in its sole and absolute discretion.

"Schedule of Performance" means the Schedule of Performance attached hereto as Attachment No. 5 and incorporated herein, setting out the dates and/or time periods by which certain conditions and obligations set forth in this Agreement must be accomplished.

"Scope of Development" means the Scope of Development which describes the scope, amount and quality of development of the Improvements to be constructed by the Developer pursuant to the terms and conditions of this Agreement, as provided in Section 301 hereof. The Scope of Development is attached hereto as Attachment No. 4 and incorporated herein.

"Site" means that certain approximately 13.91 acres of real property in the City of Garden Grove known as the "Brookhurst Triangle," which is bounded by Brookhurst Street on the east, Garden Grove Boulevard on the south, and Brookhurst Way on the northern and western edge. The Site is legally described in the Legal Description and depicted on the Site Map.

"Site Map" means the map of the Site which is attached hereto as Attachment No. 2 and incorporated herein.

"State" means the State of California.

"Subphase(s)" means the separate multiple subphase(s)s within Phase II.

"Title Company" is defined in Section 203 hereof.

"Title Policy" is defined in Section 204 hereof.

"Title Report" means the preliminary title report, as described in Section 203 hereof.

"Transfer" is defined in Section 703.1 hereof.

200. ACQUISITION AND CONVEYANCE OF THE SITE

201. Agreement to Purchase and Sell; Purchase Price. The Developer agrees to purchase the Site from the Agency and the Agency agrees to sell the Site to the Developer at fair market price, in accordance with and subject to all of the terms, covenants, and conditions of this Agreement. The combined purchase price for Phase I and Phase II shall be Thirty Million, Four Hundred Thousand Dollars ($30,400,000) (the "Purchase Price") allocated Six Million Dollars ($6,000,000) for Phase I (the "Phase I Purchase Price") and Twenty Four Million, Four Hundred Thousand Dollars ($24,400,000) (the "Phase II Purchase Price"). The Phase I Purchase Price and Phase II Purchase Price are each equal to or greater than the fair market value of the applicable portion of the Site, as determined by an appraisal performed by a state-certified appraiser.

201.1 Payment of Agency Costs by Developer. The Developer has hereto provided the Agency with the sum of Fifty Thousand Dollars ($50,000) for use and retention by the

Agency in connection with the preparation and implementation of this Agreement (the "Deposit"). The Deposit shall not be applied to the Purchase Price.

201.2 Payment of the Purchase Price. The Developer shall deposit into the Escrow for the Phase I Closing the all cash sum of Six Million Dollars ($6,000,000) and for Phase II the all cash sum of Twenty Four Million, Four Hundred Thousand Dollars ($24,400,000) in cash, wire transfer or other immediately available funds.

202. Escrow. Within five (5) days after the Date of Agreement, the Parties shall open escrow ("Escrow") with First American Title Insurance Company in its Orange County office or with another escrow company mutually satisfactory to both Parties (the "Escrow Agent").

202.1 Costs of Escrow. The Agency and the Developer shall each pay its respective share of the premium for each Title Policy as set forth in Section 204 hereof, the Agency shall pay the documentary transfer taxes due with respect to the Conveyance of each Phase of the Site, and the parties shall each pay one-half of all other usual fees, charges, and costs which arise from Escrow.

202.2 Escrow Instructions. This Agreement constitutes the joint escrow instructions of Developer and Agency, and Escrow Agent to whom these instructions are delivered is hereby empowered to act under this Agreement. The Parties hereto agree to execute and deliver such documents (in recordable form as required), pay or deposit such funds, do all such acts consistent with their respective obligations hereunder as may be reasonably necessary to close the Escrow for each Phase in the shortest possible time and in any event on or before the Outside Date for each Phase. All funds received in the Escrow shall be deposited with other escrow funds in a general escrow account(s) and may be transferred to any other such escrow trust account in any State or National Bank doing business in the State. All disbursements shall be made by check from such account. If in the opinion of Escrow Agent or either Party it is necessary or convenient in order to accomplish the Closing of this transaction, such Party may require that the Parties sign supplemental escrow instructions; provided that if there is any inconsistency between this Agreement and the supplemental escrow instructions, then the provisions of this Agreement shall control. The Parties agree to execute such other and further documents as may be reasonably necessary, helpful or appropriate to effectuate the provisions of this Agreement. Escrow Agent is instructed to release Agency's and Developer's escrow closing statements to both Parties.

202.3 Authority of Escrow Agent. Escrow Agent is authorized to, and shall:

(a) Pay and charge the Agency and the Developer for their respective shares of the premium of the Title Policies, any endorsements thereto as set forth in Section 204 and any amount necessary to place title in the Condition of Title provided for in Section 203 of this Agreement.

(b) Pay and charge Agency and Developer each for one-half of any escrow fees, charges, and costs payable in accordance with Section 202.1 of this Agreement.

(c) Disburse funds and deliver and record, as applicable, the Grant Deed, the Regulatory Agreement, Notice of Affordability Restrictions, Option Agreement, Association CC&Rs, and Declaration of Uses each for the applicable Phase.

(d) Do such other actions as necessary, including, without limitation, obtaining the Title Policies for each Phase, to fulfill its obligations set forth in this Agreement and to close the transactions contemplated hereby.

(e) Within the discretion of Escrow Agent, direct the Agency and the Developer to execute and deliver any instrument, affidavit, and statement, and to perform any act reasonably necessary to comply with the provisions of FIRPTA and any similar state act and regulation promulgated thereunder. Agency agrees to execute a Certificate of Non-Foreign Status by individual transferor and/or a Certification of Compliance with Real Estate Reporting Requirement of the 1986 Tax Reform Act as may be required by Escrow Agent, on the form to be supplied by Escrow Agent.

(f) Prepare and file with all appropriate governmental or taxing authorities a uniform settlement statement, closing statement, tax withholding forms including an IRS 1099-S form, and be responsible for withholding taxes, if any such forms are provided for or required by law.

202.4 Closing. The Site shall be Conveyed in two Phases, Phase I and Phase II. Each Conveyance shall close (the "Closing") simultaneously with or as soon as practical after satisfaction of all of the Conditions Precedent applicable to such Phase. In no event, however, shall the Phase I Closing occur later than September 1, 2011, (the "Phase I Outside Date") and, in no event, shall the Phase II Closing occur later than the earlier of September 1, 2013 or 720 days after the Phase I Closing (the "Phase II Outside Date"). The "Closing" shall mean the time and day the Grant Deed for the applicable Phase is filed for recorded with the County Recorder. The "Closing Date" shall mean the day on which each Closing occurs.

202.5 Termination. If the Escrow is not in a condition to close by the Phase I Outside Date and/or Phase II Outside Date, as applicable, then either Party which is not then in Default (and has not received Notice of a potential Default hereunder which has not been cured) may, in writing, demand the return of its money, documents, or property and terminate the Escrow for such portion of the Site; provided that termination hereunder as to Phase I shall be termination of both Phases and of this Agreement. If either Party makes a written demand for the return of its money, documents, or properties, the Escrow shall not terminate until five (5) days after Escrow Agent shall have delivered copies of such demand to the other Party at its address shown in this Agreement. If any objections are raised within said five (5) day period, Escrow Agent is authorized to hold all funds, documents, and property until instructed by a court of competent jurisdiction or by mutual written instructions of the Parties. Termination of the Escrow shall be without prejudice as to whatever legal rights either Party may have against the other as set forth in Sections 503 and 504 hereof. If no demands are made, the Escrow Agent shall proceed with the Closing as soon as possible.

202.6 Closing Procedure. Escrow Agent shall close each Escrow for the Site as follows:

(a) Record the Grant Deed for the applicable Phase;

(b) Record the Option Agreement;

(c) Record the Regulatory Agreement and Notice of Affordability Restrictions, as applicable;

(d) Record the Declaration of Uses [for the applicable] Retail Improvement parcels;

(e) Record the Association CC&Rs;

(f) Deliver to the Agency the Purchase Price for the applicable Phase, less Escrow and title costs payable by the Agency;

(g) Deliver and record any loan or financing documents as may be requested by the Developer or its construction lender (if applicable);

(h) Instruct the Title Company to deliver the owner's Title Policy to the Developer;

(i) File any informational reports required by Internal Revenue Code Section 6045(e), as amended, and any other applicable requirements;

(j) Deliver the FIRPTA Certificate, if any, to the Developer; and

(k) Forward to both the Developer and the Agency a separate accounting of all funds received and disbursed for each Party and copies of all executed and recorded or filed documents deposited into Escrow, with such recording and filing date and information endorsed thereon.

203. Review of Title. Within the time set forth in the Schedule of Performance, the Agency shall cause First American Title Insurance Company or another title company mutually agreeable to both parties (the "Title Company"), to deliver to the Developer a preliminary title report or reports (collectively, the "Title Report") with respect to the title to each Phase of the Site, together with legible copies of the documents underlying the exceptions ("Exceptions") set forth in the Title Report. The Developer shall have the right to reasonably approve or disapprove the Exceptions; provided, however, that the Developer hereby approves the following Exceptions:

(a) The Redevelopment Plan,

(b) The lien of any non-delinquent property taxes and assessments (to be prorated as of the Closing Date), and

(c) The provisions set forth in the Grant Deed and the Declaration of Uses.

The Developer shall have thirty (30) days from the date of its receipt of the Title Report to give written Notice to the Agency and Escrow Agent of the Developer's approval or disapproval of any of such Exceptions set forth in the Title Report, within its reasonable discretion. Developer's failure to provide Notice of its approval of the Title Report within such time limit shall be deemed disapproval of the Title Report. If the Developer delivers Notice to the Agency of its disapproval of any Exceptions in the Title Report, the Agency shall have the right, but not the obligation, to elect to remove any disapproved Exceptions within thirty (30) days after receiving written Notice of the Developer's disapproval or to deliver Notice to the Developer providing assurances satisfactory to

the Developer within said time period that such Exception(s) will be removed on or before the Closing. If the Agency cannot or does not elect to remove any of the disapproved Exceptions within that period, the Developer shall have fifteen (15) days after the expiration of such thirty (30) day period to either give the Agency written Notice that the Developer elects to proceed with the purchase of the Site subject to the disapproved Exceptions or to give the Agency written Notice that the Developer elects to terminate this Agreement and the Developer's failure to give timely written Notice shall be deemed as an election to terminate this Agreement. Fee simple merchantable title subject only to the Exceptions to title approved by the Developer as provided herein shall hereinafter be referred to as the "Condition of Title." The Developer shall have the right to approve or disapprove any further Exceptions reported by the Title Company after the Developer has approved the Condition of Title for the Site (which are not created by the Developer). The Agency shall not voluntarily create any new exceptions to title following the Date of Agreement.

204. Title Insurance. Concurrently with recordation of the Grant Deed conveying title to each Phase of the Site, the Title Company shall issue to the Developer, at the Developer's election, a CLTA or an ALTA owner's policy of title insurance (the "Title Policy"), together with such endorsements as are reasonably requested by the Developer, insuring that the title to such Phase of the Site is vested in the Developer in the Condition of Title approved by the Developer as provided in Section 203 of this Agreement. The Title Company shall provide the Agency with a copy of the Title Policy. The Agency shall pay the portion of the premium for the Title Policy equal to the cost of a CLTA standard policy of title insurance in the amount of the Purchase Price for such Phase, and the Developer shall pay for any additional costs thereof, including the incremental additional cost of obtaining an ALTA policy, any endorsements to the title policy, and the cost of any survey which is performed.

205. Conditions Precedent to Closing. The Closing of the Conveyance of each portion of the Site is conditioned upon the satisfaction (or written waiver by the benefited Party or Parties in its or their sole and absolute discretion) of the following terms and conditions within the times designated below:

205.1 Agency's Conditions Precedent to the Phase I Closing. The Agency's obligation to proceed with the Phase I Closing is subject to the fulfillment or waiver by Agency of each and all of the conditions precedent (a) through (i), inclusive, described below (the "Agency's Phase I Conditions Precedent"), which are solely for the benefit of the Agency, and which shall be fulfilled or waived by the time periods provided for herein:

(a) No Breach or Default. At the Phase I Closing, the Developer shall not be in Breach or Default of any of its obligations set forth in this Agreement and all representations and warranties of Developer contained herein shall be true and correct in all material respects.

(b) Execution of Documents. The Developer shall have executed the Regulatory Agreement, Notice to Affordability Restrictions, Option Agreement, Association CC&Rs and the Declaration of Uses for Phase I, and any other documents required to be executed by the Developer hereunder, and delivered such documents into Escrow.

(c) Payment of Funds. Prior to the Close of Escrow, the Developer shall have paid the Phase I Purchase Price and deposited into Escrow all costs of Closing that are the Developer's responsibility in accordance with Sections 201, 202, and 204 hereof.

(d) Land Use Approvals. The Developer shall have received all land use approvals, permits and other entitlements that are required for development of the Improvements on the Site pursuant to Sections 302 and 303 of this Agreement. There shall be no litigation pending which challenges such Land Use Approvals, permits or other entitlements, or the validity of this Agreement.

(e) Insurance. The Developer shall have provided proof of insurance for Phase I as required by Section 306 hereof.

(f) Financing. The Agency shall have approved financing of the Improvements for Phase I as provided in Section 311.1 hereof, and such financing shall have closed and funded or shall be ready to close and fund upon the Phase I Closing.

(g) Site Clearance and Relocation. The Agency shall have cleared Phase I and relocated all tenants or other occupants from Phase I.

(h) Developer Approval of Physical and Environmental Condition of the Site. Developer shall have approved the Physical and Environmental Condition of the Site pursuant to Section 208 hereof.

(i) Title Policy. The Title Company is unconditionally committed to issue to Agency a lender's Title Policy for the Site in accordance with Section 204 hereof.

205.2 Developer's Conditions Precedent to the Phase I Closing. Developer's obligation to proceed with the purchase of Phase I is subject to the fulfillment or waiver by Developer of each and all of the conditions precedent (a) through (g), inclusive, described below (the "Developer's Phase I Conditions Precedent"), which are solely for the benefit of Developer, and which shall be fulfilled or waived by the time periods provided for herein:

(a) No Breach or Default. At the Phase I Closing, the Agency shall not be in Breach or Default of any of its obligations set forth in this Agreement and all representations and warranties of Agency contained herein shall be true and correct in all material respects.

(b) Execution of Documents. The Agency shall have executed the Phase I Grant Deed and the Declaration of Uses for Phase I and any other documents required to be executed by the Agency hereunder, and delivered such documents into Escrow.

(c) Financing. The financing of the Improvements for Phase I shall have closed and funded or shall be ready to close and fund upon the Phase I Closing.

(d) Land Use Approvals. The Developer shall have received all Land Use Approvals, permits and other entitlements that are required for development of the Improvements on the Site pursuant to Sections 302 and 303 of this Agreement. There shall be no litigation pending which challenges such Land Use Approvals, or the validity of this Agreement.

(e) Site Clearance and Relocation. The Agency shall have cleared Phase I and relocated all tenants or other occupants from Phase I.

(f) Condition of Site. Developer shall have approved the Physical and Environmental Condition of the Site pursuant to Section 208 hereof.

(g) Title Policy. The Title Company is unconditionally committed to issue to Developer an owner's Title Policy for the Site in accordance with Section 204 hereof.

205.3 Agency's Conditions Precedent to the Phase II Closing. The Agency's obligation to proceed with the Phase II Closing is subject to the fulfillment or waiver by Agency of each and all of the conditions precedent (a) through (g), inclusive, described below (the "Agency's Phase II Conditions Precedent"), which are solely for the benefit of the Agency, and which shall be fulfilled or waived by the time periods provided for herein:

(a) No Breach or Default. At the Phase II Closing, the Developer shall not be in Breach or Default of any of its obligations set forth in this Agreement and all representations and warranties of Developer contained herein shall be true and correct in all material respects.

(b) Execution of Documents. The Developer shall have executed the Regulatory Agreement, Notice to Affordability Restrictions, Option Agreement, Association CC&Rs and the Declaration of Uses for Phase II, and any other documents required to be executed by the Developer hereunder, and delivered such documents into Escrow.

(c) Payment of Funds. Prior to the Close of Escrow, the Developer shall have paid the Phase II Purchase Price and deposited into Escrow all costs of Closing that are the Developer's responsibility in accordance with Sections 201, 202, and 204 hereof.

(d) No Litigation. There shall be no litigation pending which challenges the Land Use Approvals or the validity of this Agreement.

(e) Insurance. The Developer shall have provided proof of insurance for Phase II as required by Section 306 hereof.

(f) Financing. The Agency shall have approved financing of the Improvements for Phase II, Subphase A as provided in Section 311.1 hereof, and such financing shall have closed and funded or shall be ready to close and fund upon the Phase II Closing.

(g) Site Clearance and Relocation. The Agency shall have cleared Phase II and relocated all tenants or other occupants from Phase II.

(h) Ministerial Approvals. Developer shall have secured Ministerial Approvals for Phase II, Subphase A.

205.4 Developer's Conditions Precedent to the Phase II Closing. Developer's obligation to proceed with the purchase of Phase II is subject to the fulfillment or waiver by Developer of each and all of the conditions precedent (a) through (e), inclusive, described below (the "Developer's Phase II Conditions Precedent"), which are solely for the benefit of Developer, and which shall be fulfilled or waived by the time periods provided for herein:

(a) No Breach or Default. At the Phase II Closing, the Agency shall not be in Breach or Default of any of its obligations set forth in this Agreement and all representations and warranties of Agency contained herein shall be true and correct in all material respects.

(b) Execution of Documents. The Agency shall have executed the Grant Deed, the Regulatory Agreement, Notice of Affordability Restrictions, Option Agreement, Association CC&Rs and the Declaration of Uses for Phase II and any other documents required to be executed by the Agency hereunder, and delivered such documents into Escrow.

(c) Financing. The Financing for Phase II, Subphase A shall have closed and funded or shall be ready to close and fund upon the Phase II Closing.

(d) No Litigation. There shall be no litigation pending which challenges the Land Use Approvals or the validity of this Agreement.

(e) Site Clearance and Relocation. The Agency shall have cleared Phase II and relocated all tenants or other occupants from Phase II.

206. Representations and Warranties.

206.1 Agency Representations. The Agency represents and warrants to the Developer as follows:

(a) Authority. The Agency is a public body, corporate and politic, existing pursuant to the Community Redevelopment Law, which has been authorized to transact business pursuant to action of the City. The execution, performance and delivery of this Agreement by the Agency has been fully authorized by all requisite actions on the part of the Agency.

(b) FIRPTA. The Agency is not a "foreign person" within the parameters of FIRPTA or any similar state statute, or is exempt from the provisions of FIRPTA or any similar state statute, or the Agency has complied and will comply with all the requirements under FIRPTA or any similar state statute.

(c) No Conflict. The Agency's execution, delivery and performance of its obligations set forth in this Agreement will not constitute a default or a breach under any contract, agreement or order to which the Agency is a party or by which it is bound.

(d) Condition of the Site. To its Actual Knowledge, the Agency is not aware of and neither the Agency nor the City has received any notice or communication from any government agency having jurisdiction over the Site notifying the Agency or the City of the presence of surface or subsurface zone Hazardous Materials in, on, or under the Site, or any portion thereof. "Actual Knowledge," as used herein, shall not impose a duty of investigation, and shall be limited to the best knowledge of Agency and City employees and agents who are responsible for the management of the Site or have participated in the preparation of this Agreement, and all documents and materials in the possession of the Agency and the City.

(e) No Litigation. To the Agency's Actual Knowledge, there is no threatened or pending litigation against the City or Agency challenging the validity of this Agreement or any of the actions proposed to be undertaken by the City, Agency, or Developer pursuant to this Agreement (including without limitation any of the existing or proposed land use entitlements, permits or approvals).

Until each Closing has occurred, the Agency shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 206.1 to not be true as of

such Closing, immediately give written Notice of such fact or condition to the Developer. So long as the representations and warranties contained herein were true as of the Date of Agreement, a change of facts or conditions that renders any such representation or warranty to no longer be true at a later date shall not be deemed a Default by the Agency hereunder if the Agency does not take any affirmative action to cause such representation or warranty to no longer be true, and in such event (i.e., in the event the Agency is not in Default) the changed fact or condition shall constitute an exception which the Developer shall have a right to approve or disapprove if the Developer determines in its reasonable discretion that such exception would have an effect on the value and/or development of the Site. If the Developer elects to close Escrow following the Agency's disclosure of such exception(s), the Agency's representations and warranties contained herein shall be deemed to have been made as of the Closing subject to such exception(s). If, following the disclosure of such exception(s), the Developer elects to not close Escrow, then this Agreement and the Escrow may be terminated by Developer as set forth in Section 503 hereof. The representations and warranties set forth in this Section 206.1 shall survive the Closings.

206.2 Developer's Representations. The Developer represents and warrants to the Agency as follows:

(a) Experience. The Developer is an experienced developer of mixed use residential, including affordable housing, rental, and commercial/retail developments.

(b) Authority. The Developer is a duly organized corporation formed within and in good standing under the laws of the State of California. The Developer has full right, power and lawful authority to purchase and accept the Conveyance of the Site and undertake all obligations as provided herein and the execution, performance and delivery of this Agreement by the Developer has been fully authorized by all requisite actions on the part of the Developer.

(c) No Conflict. The Developer's execution, delivery and performance of its obligations set forth in this Agreement will not constitute a default or a breach under any contract, agreement or order to which the Developer is a party or by which it is bound.

(d) No Developer Bankruptcy. The Developer is not the subject of a current or threatened bankruptcy proceeding.

Until each Closing has occurred, the Developer shall, upon learning of any fact or condition which would cause any of the representations and warranties in this Section 206.2 to not be true as of each of the Closings, immediately give written Notice of such fact or condition to the Agency. So long as the representations and warranties contained herein were true as of the Date of Agreement, a change of facts or conditions that renders any such representation or warranty to no longer be true at a later date shall not be deemed a Default by the Developer hereunder if the Developer does not take any affirmative action to cause such representation or warranty to no longer be true, and in such event (i.e., in the event the Developer is not in Default) the changed fact or condition shall constitute an exception which Agency shall have a right to approve or disapprove if the Agency determines in its reasonable discretion that such exception would have an effect on the Developer's authority or ability to timely develop the Site as provided in this Agreement. If the Agency elects to close Escrow following the Developer's disclosure of such exception(s), the Developer's representations and warranties contained herein shall be deemed to have been made as of the Closing subject to such exception(s). If, following the disclosure of such exception(s), the Agency elects to not close Escrow, then this Agreement and the Escrow may be terminated by the Agency as provided in

Section 504 hereof. The representations and warranties set forth in this Section 206.2 shall survive the Closings.

207. Studies and Reports; Access to the Site for Inspection and Testing. Within the time set forth in the Schedule of Performance, the Agency shall deliver to the Developer a copy of all information in its possession and/or in the possession of the City with respect to the Physical and Environmental Condition of the Site. The Developer shall be permitted to enter onto the Site within the first one hundred twenty (120) days after the date of this Agreement for the purpose of obtaining data and making surveys and tests necessary to carry out this Agreement, including the investigation of the Physical and Environmental Condition of the Site (the "Tests"). The Developer shall execute a right of entry agreement, in the form provided by the Agency, prior to its entry. Any preliminary investigation or work shall be undertaken only after securing any necessary permits from the appropriate governmental agencies.

208. Physical and Environmental Condition of the Site.

208.1 Site Clearance. The Agency shall deliver each Phase free and clear of any above ground structures.

208.2 As-Is Condition; Exceptions. Except as otherwise set forth in this Agreement, the Site shall be conveyed to the Developer in an "as is," with no warranty, express or implied, by the Agency as to its Physical and Environmental Condition, and it shall be the sole responsibility of the Developer at its expense to investigate and determine the Physical and Environmental Condition for the Improvements to be constructed and the proposed use of same. If the Physical or Environmental Condition is not in all respects entirely suitable for the use or uses to which the Site will be put, the Developer may terminate this Agreement as provided in Section 208.2 hereof. If the Developer approves the Physical and Environmental Condition of the Site and accepts the Conveyance of Phase I (and assuming the Agency has not elected to pay for the cost of curing or correcting physical or environmental defects or problems with the Site pursuant to the optional provisions of the fourth sentence of Section 208.2), then it shall be the sole responsibility and obligation of the Developer to take such action as may be necessary to place the Physical and Environmental Conditions of the entire Site in a condition entirely suitable for its development.

208.3 Physical and Environmental Investigation and Testing of Site. The Developer shall have the right, at its sole cost and expense, to engage its own environmental consultant (the "Environmental Consultant") to make such investigations of the Site as the Developer deems necessary, and the Agency shall promptly be provided a copy of all reports and test results provided to the Developer by the Environmental Consultant (collectively, the "Environmental Report"). The Developer shall reasonably approve or disapprove of the Physical and Environmental Condition of the Site within the time set forth in the Schedule of Performance. The Developer's failure to deliver written Notice of its approval within such time limit shall be deemed disapproval of the Physical and Environmental Condition of the Site. If the Developer, based upon the above environmental reports, reasonably disapproves the physical or environmental condition of the Site, then the Agency shall have the right, but not the obligation, to elect to pay for the cost of correcting or curing any physical or environmental defect or problem with the Site identified by the Developer, provided that the Developer must approve in writing the content and timing of any plan requiring removal and/or remediation of Hazardous Materials. If the Agency and the Developer do not agree on such matters within ninety (90) days after the date the Developer initially disapproves or is deemed to have disapproved the Physical and Environmental Condition of the Site, as provided

above, the Developer shall be deemed to have adhered to its initial disapproval and either party may terminate this Agreement by written Notice to the other pursuant to Section 503 hereof.

208.4 Release of Agency. The Developer hereby waives, releases and discharges forever the Agency and the City, and their respective employees, officers, agents and representatives, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the Physical and Environmental Condition of the Site, any Hazardous Materials on or under the Site, or the existence of Hazardous Materials contamination due to the generation of Hazardous Materials from the Site, however they came to be placed there.

The Developer acknowledges that it is aware of and familiar with the provisions of 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."

As such relates to this Section 208.3, the Developer hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

208.5 Developer Precautions After Closing. Upon and after each Closing, the Developer shall take all necessary but reasonable precautions to prevent the release into the environment of any Hazardous Materials which are located in, on or under the Phase which has been conveyed to the Developer, except as may be provided otherwise by applicable Governmental Requirements. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, the Developer shall install and utilize such equipment and implement and adhere to such procedures as are consistent with commercially reasonable standards as respects the disclosure, storage, use, removal and disposal of Hazardous Materials.

208.6 Developer Indemnity. Upon and after each Closing, the Developer agrees to indemnify, defend and hold the Agency and City and their respective employees, officers, agents and representatives harmless from and against any claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense (including, without limitation, reasonable attorneys' fees), resulting from, arising out of, or based upon the Physical and Environmental Condition of the Phase acquired, including without limitation, (i) the presence, release, use, generation, discharge, storage or disposal of any Hazardous Materials on, under, in or about, or the transportation of any such Hazardous Materials to or from the Site which occurs during the period of the Developer's ownership of the Site, or (ii) the violation, or alleged violation, of any statute, ordinance, order, rule, regulation, permit, judgment or license relating to the use, generation, release, discharge, storage, disposal or transportation of Hazardous Materials on, under, in or about, to or from, the Site which occurs during the period of the Developer's ownership of the Site. This indemnity shall include, without limitation, any damage, liability, fine, penalty, or expense arising from or out of any claim, action, suit or proceeding for personal injury (including sickness, disease or death), tangible or intangible property damage, compensation for lost wages, business income, profits or other economic loss, damage to the natural resource or the environment, nuisance, contamination, leak, spill, release or other adverse effect on the environment. At the request of the Developer, the Agency shall cooperate with and assist the Developer in its defense of any such claim, action, suit,

proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense; provided that the Agency shall not be obligated to incur any expense in connection with such cooperation or assistance.

300. DEVELOPMENT OF THE SITE

301. Scope of Development.

301.1 Developer's Obligation to Construct Improvements. Subject to all of the other terms and conditions set forth in this Agreement, the Developer shall develop or cause the development of the Improvements in accordance with the Scope of Development, the City's Municipal Code, and the plans, drawings and documents submitted by the Developer and approved by the Agency as set forth herein. The Improvements shall generally consist of the following: Phase I of the Improvements will consist of approximately 148 attached For Sale Units in three (3), four (4)-story buildings. Phase II of the Improvements will be developed in multiple Subphases and will consist of approximately 252 attached For Sale Units in five (5), four (4)-story buildings, approximately 200 Rental Units, of which 60 will be Affordable Rental Units or, at the election of the Developer, the Affordable Rental Units may be increased to 120, and approximately 80,000 square feet of retail space. Developer shall also construct related onsite improvements and all public improvements, all as identified in the Scope of Development or required pursuant to the land use approvals listed in Sections 302-303 hereof. Phase II will be developed in multiple Subphases. Phase II may also include the Hotel Component.

301.2 Local Contractors. The Developer shall use good faith efforts to solicit and obtain bids from local businesses for the construction of the Improvements by making available to local contractors all plans for the Improvements in the manner reasonably selected by the Developer, which may include, without limitation, submission to the Building and Trades Council of Orange County, the Plan Room and/or the Green Sheet. To the extent the Developer reasonably determines it is feasible, contracts for work to be performed in connection with the construction of the Improvements shall be awarded to business concerns which are located in, or owned in substantial part by persons residing within, the City, provided, however, the Developer shall not be required to award contracts to the lowest bidder, and may award contracts in accordance with the Developer's normal contracting and purchasing policies based upon criteria such as the experience, financial strength, and dependability of the contractors and subcontractors submitting bids.

302. Design Review.

302.1 Developer Submissions. As a Condition Precedent to the Phase I Closing, and at or prior to the time set forth in the Schedule of Performance, the Developer shall submit to the City any plans and drawings (collectively, the "Design Development Drawings") which may be required by the City with respect to any permits and entitlements which are required to be obtained to develop the Phase I Improvements. Developer, on or prior to the date set forth in the Schedule of Performance, shall further submit to the City such plans for the Phase I Improvements as required by the City in order for Developer to obtain building permits for the Phase I Improvements. To the extent required by the City in order to accept such plans and permit applications for processing (given that the Developer may not own fee title to the Site at the time and may not have obtained the written authorization from the owners of the Parcels to apply for and process such plans and permits), provided that such submittal is in accordance with this Agreement and Developer is not in Breach or Default hereunder, the Agency shall sign any such application as a co-applicant with the Developer

and cooperate with the Developer in order to expedite the City's review thereof (but without any representation or warranty by the Agency that the City will approve any such application or approve such application with or without any particular conditions). Within thirty (30) days after the City's disapproval or conditional approval of such plans, Developer shall revise the portions of such plans identified by the City as requiring revisions and resubmit the revised plans to the City; provided, however, that the Developer reserves the right to deliver a Notice of termination to the Agency pursuant to Section 503 hereof if the Developer determines in its sole and absolute discretion that the required revisions adversely and materially affect the value or development of the Site.

302.2 City Review and Approval. The City shall have all rights to review and approve or disapprove all Design Development Drawings and other required submittals in accordance with the City Municipal Code, and nothing set forth in this Agreement shall be construed as the City's approval of any or all of the Design Development Drawings.

302.3 Revisions. Subject to the Developer's reserved termination right as set forth herein, any and all change orders or revisions required by the City and its inspectors which are required under the Municipal Code and all other applicable Uniform Codes (e.g. Building, Plumbing, Fire, Electrical, etc.) and under other applicable laws and regulations shall be included by the Developer in its Design Development Drawings and other required submittals and shall be completed during the construction of the Improvements.

302.4 Defects in Plans. The Agency and the City shall not be responsible either to the Developer or to third parties in any way for any defects in the Design Development Drawings, nor for any structural or other defects in any work done according to the approved Design Development Drawings, nor for any delays reasonably caused by the City review and approval processes established by this Section 302.

303. Land Use Approvals. As a Condition Precedent to the Phase I Closing, the Developer shall, at its own expense, secure or cause to be secured any and all land use, development and building entitlements, permits and approvals which may be required for the construction and sale and/or operation by the City or any other governmental agency with jurisdiction over such construction or work including, without limitation, those listed in (a) through (g) below ("Land Use Approvals"). The staff of the Agency shall cooperate with and assist the Developer in obtaining such entitlements, permits and approvals (including without limitation signing any applications for such entitlements, permits, and approvals as a co-applicant with the Developer, as provided in Section 302 hereof); provided, however, that this Agreement does not constitute the granting of such entitlements, permits and approvals. The Developer shall, without limitation, apply for and exercise commercially reasonable efforts to secure the following, to the extent required by the City, and the Developer shall pay all normal costs, charges and fees associated therewith:

(a) General Plan Amendment and zoning change for the Site.

(b) Site Plan.

(c) A subdivision map.

(d) A development agreement between the Developer and the City that provides for the Developer's payment of the City's standard development impact fee ("DIF") for the Improvements.

(e) All other discretionary entitlements, permits, and approvals required by the City, County, and other governmental agencies with jurisdiction over the Improvements.

(f) Any environmental studies and documents required pursuant to the California Environmental Quality Act ("CEQA"), Public Resources Code Section 21000, *et seq.*, with respect to any of the discretionary entitlements, permits, and approvals referred to in clauses (a)-(e), inclusive.

(g) All ministerial entitlements, permits, and approvals as to the Phase I Improvements that may be required, including without limitation and to the extent applicable a final tract map, rough and precise grading permit(s), and approval of final building plans and permits, utility plans, public works improvement plans for the perimeter offsite improvements and any encroachment permits required for work to be performed within the public right-of-way, and landscaping plans ("Ministerial Approvals").

As a Condition Precedent to the Phase II Closing, Developer shall secure the Ministerial Approvals for Phase II, Subphase A.

304. Schedule of Performance. The Developer shall submit all Design Development Drawings, Plan Drawings and Construction Drawings, commence and complete all construction of the Improvements, and satisfy in all material respects all other obligations and conditions of this Agreement, and the Agency shall satisfy all of its obligations and conditions pursuant to this Agreement, within the times established therefor in the Schedule of Performance.

305. Cost of Construction. All of the costs of planning, designing, developing and constructing all of the Improvements, site preparation and grading shall be borne solely by the Developer.

306. Insurance Requirements. The Developer shall take out and maintain or shall cause its contractor to take out and maintain until the issuance of the Release of Construction Covenants pursuant to Section 310 of this Agreement, a commercial general liability policy including contractual liability, in the minimum amount of Five Million Dollars ($5,000,000), and an automobile liability policy in the minimum amount of Two Million Dollars ($2,000,000), combined single limit, as shall protect the Developer, the City, and the Agency from claims for such damages, and which policies shall be issued by an "A" rated insurance carrier. Such policy or policies shall be written on an occurrence form. The Developer shall also furnish or cause to be furnished to the Agency evidence satisfactory to the Agency that the Developer and any contractor with whom it has contracted for the performance of work on the Site or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law. Prior to and as an Agency Condition Precedent to each Phase or Subphase, as applicable, the Developer shall furnish a certificate of insurance countersigned by an authorized agent of the insurance carrier on a form approved by the Agency setting forth the general provisions of the insurance coverage. This countersigned certificate shall name the City and the Agency and their respective officers, agents, and employees as additionally insured parties under the policy, and the certificate shall be accompanied by a duly executed endorsement evidencing such additional insured status. The certificate and endorsement by the insurance carrier shall contain a statement of obligation on the part of the carrier to notify the City and the Agency of any material change, cancellation or termination of the coverage at least thirty (30) days in advance of the effective date of any such material change, cancellation or termination. Coverage provided hereunder by the Developer shall be primary insurance and not be contributing

with any insurance maintained by the Agency or the City, and the policy shall contain such an endorsement. The insurance policy or the endorsement shall contain a waiver of subrogation for the benefit of the City and the Agency. The required certificate shall be furnished by the Developer at the time set forth therefor in the Schedule of Performance.

307. Developer's Indemnity. The Developer shall defend, indemnify, assume all responsibility for, and hold the Agency and the City, and their representatives, volunteers, officers, employees and agents, harmless from all claims, demands, defense costs, and liability of any kind or nature arising out of or related to the design, construction, or operation of the Improvements or the Site, which may be caused by any acts or omissions of the Developer, whether such acts or omissions be by the Developer or by anyone directly or indirectly employed or contracted with by the Developer and whether such damage shall accrue or be discovered before or after termination of this Agreement. The Developer shall further defend, indemnify, assume all responsibility for, and hold the Agency and the City, and their officers, employees, agents, representatives and volunteers, harmless from challenges to the approval, validity, applicability, interpretation or implementation of this Agreement or the California Environmental Quality Act approvals made in connection therewith. The Developer shall not be liable for and this Section 307 not apply to any such matters occasioned by the gross negligence or intentional misconduct of the Agency or its agents or employees, or the Agency's Default of its obligations or breach of its representations or warranties hereunder.

The Developer shall have the obligation to defend any such action as to which this Section 307 applies; provided, however, that this obligation to defend shall not be effective if and to the extent that Developer determines in its reasonable discretion that such action is meritorious or that the interests of the parties justify a compromise or a settlement of such action, in which case Developer shall compromise or settle such action in a way that fully protects Agency and City from any liability or obligation. In this regard, Developer's obligation and right to defend shall include the right to hire (subject to written approval by the Agency and City) attorneys and experts necessary to defend, the right to process and settle reasonable claims, the right to enter into reasonable settlement agreements and pay amounts as required by the terms of such settlement, and the right to pay any judgments assessed against Developer, Agency, or City. If Developer defends any such action as to which this Section 307 applies, as set forth above, it shall indemnify and hold harmless Agency and City and their officers, employees, representatives and agents from and against any claims, losses, liabilities, or damages assessed or awarded against either of them by way of judgment, settlement, or stipulation.

308. Rights of Access. Prior to the issuance of a Release of Construction Covenants (as specified in Section 310 of this Agreement), for purposes of assuring compliance with this Agreement, representatives of the Agency shall have the right of access to the Site, without charges or fees, at normal construction hours during the period of construction for the purposes of this Agreement, including but not limited to, the inspection of the work being performed in constructing the Improvements so long as Agency representatives comply with all safety rules. The Agency (or its representatives) shall, except in emergency situations, notify the Developer prior to exercising its rights pursuant to this Section 308. The Agency shall defend, indemnify, assume all responsibility for, and hold the Developer and its representatives, officers, employees, agents, contractors, and subcontractors harmless from all claims, demands, defense costs, and liability of any kind or nature arising out of the Agency's exercise of this right of access, except to the extent caused by the negligence or willful misconduct of the Developer or its representatives, officers, employees, agents, contractors, or subcontractors.

309. Compliance With Governmental Requirements. The Developer shall carry out the design, construction, and operation of the Improvements in conformity with all applicable laws, including the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all Governmental Requirements.

309.1 Taxes and Assessments. The Developer shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Site accruing after the Closing Date, subject to the Developer's right to contest in good faith any such taxes. The Developer shall remove or have removed any levy or attachment made on any portion of the Site which has been conveyed to the Developer with respect to real estate taxes and assessments on the Site accruing after the Closing Date, or assure the satisfaction thereof within a reasonable time. The Developer shall not apply for or receive any exemption from the payment of property taxes or assessments on any interest in or to the Site or the Improvements.

309.2 Relocation; Obligations. The Agency shall be responsible for causing all occupants of the Site to vacate prior to the Closing, and for complying and/or causing compliance with all applicable laws and regulations concerning the displacement and/or relocation of all Eligible Persons from the Site, if any, including without limitation, compliance with the California Relocation Assistance Law, California Government Code Section 7260, *et seq.*, all state and local regulations implementing such laws, and all other applicable state and local laws and regulations relating to such Eligible Persons.

310. Release of Construction Covenants. Promptly after completion of the Improvements or any portion thereof in conformity with this Agreement free and clear of any claims and/or liens, and upon the request of the Developer, the Agency Director shall furnish the Developer with a "Release of Construction Covenants" substantially in the form of Attachment No. 9 hereto which is incorporated herein by reference. The Agency Director shall not unreasonably withhold, condition, or delay delivery of such Release of Construction Covenants. The Release of Construction Covenants shall be a conclusive determination of satisfactory completion of the applicable portion of the Improvements and the Release of Construction Covenants shall so state.

If the Agency Director refuses or fails to furnish the Release of Construction Covenants, after written request from the Developer, the Agency Director shall, within fifteen (15) days of written request therefor, provide the Developer with a written statement of the reasons the Agency Director refused or failed to furnish the Release of Construction Covenants. The statement shall also contain the Agency Director's opinion of the actions the Developer must take to obtain the Release of Construction Covenants. If the Agency shall have failed to provide such written statement within such fifteen day period, the Developer shall be deemed entitled to the Release of Construction Covenants as to the Site. The Release of Construction Covenants shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder of any mortgage, or any insurer of a mortgage securing money loaned to finance the Improvements, or any part thereof. The Release of Construction Covenants is not a notice of completion as referred to in Section 3093 of the California Civil Code.

311. Financing of the Improvements.

311.1 Approval of Financing. As required herein, the Developer shall submit to the Agency Director reasonable evidence that the Developer has obtained sufficient equity capital and/or that the Developer has obtained commitments for construction financing necessary to

undertake the development of each and the construction of the Improvements for Phase I (as a Condition Precedent to the Phase I Closing) and Phase II, Subphase A (as a Condition Precedent to the Phase II Closing) in accordance with this Agreement. Such evidence of financing shall include, as applicable, the following: (a) the annual report or audited financial statement of the institutional lender proposing to provide the construction financing, (b) a copy of a loan commitment(s) obtained by Developer from one or more institutional lenders, reasonably acceptable to the Agency, for the mortgage loan or loans for financing to fund the construction of the Improvements, subject to such lenders' reasonable, customary and normal conditions and terms, and/or (c) evidence reasonably satisfactory to Agency that Developer has sufficient funds for such construction, and that such funds have been committed to such construction, and/or other documentation reasonably satisfactory to the Agency Director as evidence of other sources of capital sufficient to demonstrate that Developer has adequate funds to cover the difference between the total cost of the construction of the Improvements, less financing authorized by those loans set forth in clause (a) above.

The Agency Director shall approve or disapprove such institutional lender and evidence of financing capacity or commitments within thirty (30) days of receipt of a complete submission. Approval shall not be unreasonably withheld, delayed or conditioned. If the Agency Director shall disapprove any such evidence of financing, he or she shall do so by written Notice to Developer stating the reasons for such disapproval. Upon receipt of the Agency Director's disapproval of the proposed financing, the Developer shall either promptly obtain and submit new evidence of financing to the Agency Director or terminate this Agreement as provided in Section 503 hereof. The Agency Director shall approve or disapprove such new evidence of financing in the same manner and within the same times established in this Section 311.1 for the approval or disapproval of the evidence of financing as initially submitted. If any portion of the Developer's financing consists of secured third party loans, the Developer shall close the approved construction financing at the Closing.

311.2 No Encumbrances Except Mortgages, Deeds of Trust, or Sale and Lease-Back for Development. Mortgages, deeds of trust and sales and leasebacks shall be permitted prior to the issuance of the Release of Construction Covenants only with the Agency Director's prior written approval, which shall not be unreasonably withheld or delayed, but only for the purpose of securing loans of funds to be used for financing the construction of the Improvements (including architecture, engineering, legal, and related direct costs as well as indirect costs) on or in connection with the Site, and any other purposes necessary and appropriate in connection with development under this Agreement. The Developer shall notify the Agency Director in advance of any mortgage, deed of trust or sale and lease-back financing, if the Developer proposes to enter into the same before completion of the construction of the Improvements. The words "mortgage" and "trust deed" as used hereinafter shall include sale and leaseback. Prior to the Agency's issuance of its Release of Construction Covenants for the Site, the Developer shall not enter into any such conveyance for financing encumbering the Site without the prior written approval of the Agency Director.

311.3 Holder Not Obligated to Construct Improvements. The holder of any mortgage or deed of trust authorized by this Agreement shall not be obligated by the provisions of this Agreement to construct or complete the Improvements or any portion thereof, or to guarantee such construction or completion; nor shall any covenant or any other provision in this Agreement be construed so as to obligate such holder. Nothing in this Agreement shall be deemed to construe, permit or authorize any such holder to devote the Site to any uses or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

311.4 Notice of Default to Mortgagee or Deed of Trust Holders; Right to Cure. With respect to any mortgage or deed of trust granted by the Developer as provided herein, whenever the Agency may deliver any notice or demand to the Developer with respect to any Default by the Developer in completion of construction of the Improvements, the Agency may at the same time deliver to each holder of record of any mortgage or deed of trust authorized by this Agreement a copy of such notice or demand. Each such holder shall (insofar as the rights granted by the Agency are concerned) have the right, at its option, within ninety (90) days after the receipt of the notice, to cure or remedy or commence to cure or remedy and thereafter to pursue with due diligence the cure or remedy of any such Default and to add the cost thereof to the mortgage debt and the lien of its mortgage. Nothing contained in this Agreement shall be deemed to permit or authorize such holder to undertake or continue the construction or completion of the Improvements, or any portion thereof (beyond the extent necessary to conserve or protect the improvements or construction already made) without first having expressly assumed the Developer's obligations to the Agency by written agreement reasonably satisfactory to the Agency. The holder, in that event, must agree to complete, in the manner provided in this Agreement, the improvements to which the lien or title of such holder relates. Any such holder properly completing such improvement shall be entitled, upon compliance with the requirements of Section 310 of this Agreement, to a Release of Construction Covenants. It is understood that a holder shall be deemed to have satisfied the ninety (90) day time limit set forth above for commencing to cure or remedy a Developer Default which requires title and/or possession of the Site (or portion thereof) if and to the extent any such holder has within such ninety (90) day period commenced proceedings to obtain title and/or possession and thereafter the holder diligently pursues such proceedings to completion and cures or remedies the Default.

311.5 Failure of Holder to Complete Developer Improvements. In any case where, thirty (30) days after the holder of any mortgage or deed of trust creating a lien or encumbrance upon the Site or any part thereof receives a notice from Agency of a Default by the Developer in completion of construction of the Developer Improvements under this Agreement, and such holder has not exercised the option to construct as set forth in Section 311, or if it has exercised the option but has Defaulted hereunder and failed to timely cure such Default, the Agency may purchase the mortgage or deed of trust by payment to the holder of the amount of the unpaid mortgage or deed of trust debt, including principal and interest and all other sums secured by the mortgage or deed of trust. If the ownership of the Site or any part thereof has vested in the holder, the Agency, if it so desires, shall be entitled to a conveyance from the holder to the Agency upon payment to the holder of an amount equal to the sum of the following:

(a) The unpaid mortgage or deed of trust debt at the time title became vested in the holder (less all appropriate credits, including those resulting from collection and application of rentals and other income received during foreclosure proceedings);

(b) All expenses with respect to foreclosure including reasonable attorneys' fees;

(c) The net expense, if any (exclusive of general overhead), incurred by the holder as a direct result of the subsequent management of the Site or part thereof;

(d) The costs of any improvements made by such holder;

(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 or deed of trust debt and such debt had continued in existence to the date of payment by the Agency; and

(f) Any customary prepayment charges or defeasance costs imposed by the lender pursuant to its loan documents and agreed to by the Developer.

(g) Any or all other amounts, costs or expenses payable to the holder under the holder's loan document approved pursuant to Section 311.2.

(h) The Agency's right to purchase any mortgage or deed of trust under this Section 311.5 shall terminate upon the issuance of a Release of Construction Covenants pursuant to Section 310.

311.6 Right of the Agency to Cure Mortgage or Deed of Trust Default. In the event of a mortgage or deed of trust default or breach by the Developer prior to the completion of the construction of any of the Improvements or any part thereof, the Developer shall immediately deliver to Agency a copy of any mortgage holder's notice of default. If the holder of any mortgage or deed of trust has not exercised its option to construct, the Agency shall have the right but no obligation to cure the default. In such event, the Agency shall be entitled to reimbursement from the Developer of all proper costs and expenses incurred by the Agency in curing such default. The Agency shall also be entitled to a lien upon the Site to the extent of such costs and disbursements. Any such lien shall be junior and subordinate to the mortgages or deeds of trust pursuant to this Section 311.

400. USE, MAINTENANCE, AND NON-DISCRIMINATION COVENANTS AND RESTRICTIONS

401. Use and Operation in Accordance with the Agreement and the Redevelopment Plan. The Developer covenants and agrees for itself, its successors, assigns, and every successor in interest to the Site or any part thereof to use, operate, and maintain the Site in accordance with in the Redevelopment Plan and this Agreement. All uses conducted on the Site, including, without limitation, all activities undertaken by the Developer pursuant to this Agreement, shall conform to the Redevelopment Plan, all applicable provisions of the City Municipal Code and the recorded documents pertaining to and running with the Site. The foregoing covenant shall run with the land.

402. Use of Retail Improvements. Until the expiration of the Redevelopment Plan, the Retail Improvements shall be used only for retail and commercial purposes. Upon the Closing for each Phase, the Agency and Developer shall execute and record a Declaration of Uses, substantially in the form attached hereto as Attachment No. 6 and incorporated herein.

403. Maintenance and CC&Rs. The Developer shall maintain or cause to be maintained the Improvements and the Site in a decent, safe and sanitary manner, in accordance with the standard of maintenance of similar mixed-use developments within Orange County, California. The Developer shall prepare and submit to the Agency's legal counsel for its reasonable approval a Declaration of Covenants, Conditions and Restrictions for each of the separate Housing Units and Retail Improvements to be constructed within the Site and a master association over all of the Improvements (the "Association CC&Rs"), which establishes a separate property owner's association for the For Sale Units, Rental Units, and Retail Improvements (each, an "Association(s)") and a property owner's association for all of the Improvements ("Master Association"). Each

Association CC&Rs shall require the owners of the Housing Units and Retail Improvements to be members of the Associations. In addition, the Master Association CC&Rs shall require reciprocal access and parking and the maintenance of the Improvements and the Site in accordance with the standards of this Section 403 and the standards of similar mixed-use developments within the County. The Association CC&Rs shall be enforceable by the Agency, and any substantive amendments to such Association CC&Rs shall require the consent of the Agency, which consent shall not unreasonably be withheld. The Association CC&Rs shall be recorded against the applicable portion of the Site concurrently with the Applicable Closing. The Association CC&Rs shall specifically state that the Agency is an intended third party beneficiary of the Association CC&Rs with the ability to enforce all the obligations set forth therein, including, without limitation, the ability to cause any and all maintenance and repair obligations to be performed. Upon the formation of the Association and its acquisition of the common areas of the Improvements, the Association shall assume the Developer's obligations under this Section 403.

Specifically with respect to the Rental Units, the Developer shall submit for the reasonable approval of the Agency a "Management Plan" which sets forth in detail the Developer's property management duties, a tenant selection process and crime prevention program, the procedures for the collection of rent, the procedures for eviction of tenants, the rules and regulations of the Rental Units and manner of enforcement, a standard lease form, an Operating Budget, the identity of the manager of the Rental Units (the "Property Manager"), and other matters relevant to the management of the Rental Units. The management of the Rental Units shall be in compliance with the Management Plan which is approved by the Agency. The Agency hereby approves Kam Sang Company, Inc. or an Affiliate as the Property Manager for the Rental Units.

If the Agency determines that the performance of the Property Manager is deficient based upon the standards set forth in the Management Plan and in this Agreement, the Agency shall provide notice to the Developer of such deficiencies, and the Developer shall use its best efforts to correct such deficiencies. In the event that such deficiencies have not been cured within ninety (90) days of the date on which Agency provides such notice of deficiencies, the Agency shall have the right to require the Developer to immediately remove and replace the Property Manager with another property manager or property management company which is reasonably acceptable to the Agency, which is not related to or affiliated with the Developer, and which has not less than five (5) years experience in property management, including significant experience managing housing facilities of the size, quality and scope of the applicable Phase of the Rental Units.

404. Nondiscrimination Covenants. Developer herein covenants by and for itself, its successors and assigns, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any 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 premises herein conveyed. The foregoing covenants shall run with the land.

Notwithstanding the immediately preceding paragraph, with respect to familial status, the immediately preceding paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the

immediately preceding paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the immediately preceding paragraph.

All deeds, leases or contracts entered into by Developer relating to the Site 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 any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any 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 premises herein conveyed. The foregoing covenants shall run with the land.

"Notwithstanding the immediately preceding paragraph, with respect to familial status, the immediately preceding paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the immediately preceding paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the immediately preceding paragraph."

(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:

"That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, 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.

"Notwithstanding the immediately preceding paragraph, with respect to familial status, the immediately preceding paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the immediately preceding paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the immediately preceding paragraph."

(c) **In contracts**: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any 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 premises herein conveyed. The foregoing covenants shall run with the land."

"Notwithstanding the immediately preceding paragraph, with respect to familial status, the immediately preceding paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the immediately preceding paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the immediately preceding paragraph."

The foregoing covenants shall, without regard to technical classification and designation, be binding for the benefit and in favor of Agency, its successors and assigns, any occupants of the Site, and any successor in interest to the Site. The covenants against discrimination shall remain in effect in perpetuity. In no event shall anything in this Section 404 be construed as authority to lease Residential Units unless otherwise permitted herein.

405. Effect of Violation of the Terms and Provisions of this Agreement After Completion of Construction. The covenants and obligations established in this Agreement and the Grant Deeds shall, without regard to technical classification and designation survive the Closing, and be binding for the benefit and in favor of the Agency, its successors and assigns, as to those covenants which are for its benefit. The covenants contained in this Agreement shall remain in effect for the periods of time specified therein. The covenants against discrimination shall remain in effect in perpetuity. The Agency is deemed the beneficiary of the terms and provisions of this Agreement and of the covenants running with the land, for and in its own rights and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Agreement and the covenants running with the land have been provided. The Agreement and the covenants and obligations shall run in favor of the Agency, without regard to whether the Agency has been, remains or is an owner of any land or interest therein in the Site or in the Redevelopment Project Area. The Agency shall have the right, if the Agreement or covenants 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 or any other beneficiaries of this Agreement and covenants may be entitled. After issuance of a Release of Construction Covenants for the Improvements, all of the terms, covenants, agreements and conditions set forth in this Agreement relating to the construction and development of the Site shall cease and terminate.

500. RENTAL UNITS -- PROVISION OF MODERATE INCOME RENTAL HOUSING

501. Number of Affordable Rental Units. Pursuant to this Agreement and the Regulatory Agreement, the Developer covenants and agrees to make available, restrict occupancy to, and rent not less than one hundred twenty (120) Affordable Rental Units to Persons and Families of Low or Moderate Income at an Affordable Rent as follows:

(a) Seventy (70) of the one (1) bedroom Rental Units in Phase II to Persons and Families of Low or Moderate Income at an Affordable Rent.

(b) Forty (40) of the two (2) bedroom Rental Units in Phase II to Persons and Families of Low or Moderate Income at an Affordable Rent.

(c) Ten (10) of the three (3) bedroom Rental Units in Phase II to Persons and Families of Low or Moderate Income at an Affordable Rent.

502. Duration of Affordability Requirements. The Affordable Rental Units shall be subject to the requirements of this Agreement for fifty-five (55) years from the date of the City's issuance of a certificate of occupancy for the applicable Phase (the "Affordability Period").

503. Selection of Tenants. The Developer shall be responsible for the selection of tenants for the Affordable Rental Units in compliance with lawful and reasonable criteria, as set forth in the Regulatory Agreement and the Management Plan which is required to be submitted and approved by the Agency pursuant to Section 403.

504. Household Income Requirements. Following the initial lease-up of the Affordable Rental Units in Phase II, and annually thereafter, the Developer shall submit to the Agency, at the Developer's expense, a summary of the income, household size and rent payable by each of the tenants of the Affordable Rental Units of such Phase. At the Agency's request, the Developer shall also provide to the Agency completed income computation and certification forms, in a form reasonably acceptable to the Agency, for any such tenant or tenants. The Developer shall obtain, or shall cause to be obtained by the Property Manager, a certification from each household leasing a Affordable Rental Unit demonstrating that such household is/are Persons and Families of Low or Moderate Income, and meets the eligibility requirements established for the Affordable Rental Unit. The Developer shall verify, or shall cause to be verified by the Property Manager, the income certification of the household.

505. Affordable Rent. The maximum Monthly Rent chargeable for the Affordable Rental Units shall be annually determined in accordance with the following requirements. The Monthly Rent for the Affordable Rental Units to be rented to Persons and Families of Low or Moderate Incomes shall not exceed the amount set forth in Section 50093 of the California Health and Safety Code.

For purposes of this Agreement, "Monthly Rent" means the total of monthly payments charged to and paid by tenants for (a) use and occupancy of each Affordable Rental Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Developer which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than the

Developer. In the event that all utility charges are paid by the landlord rather than the tenant, no utility allowance shall be deducted from the rent. "Monthly Rent" does not include optional payments by tenants for optional services provided by the Developer or the Property Manager.

506. Occupancy Limits. The maximum occupancy of the Affordable Rental Units shall not exceed more than such number of persons as is equal to the sum of the number of bedrooms in the unit, multiplied by two (2), plus one (1). For the two (2) bedroom units, the maximum occupancy shall not exceed five (5) persons. For the one (1) bedroom unit, the maximum occupancy shall not exceed three (3) persons.

507. Marketing Program. The Developer shall prepare and obtain Agency Director's approval, which approval shall not be unreasonably withheld, of a marketing program for the leasing of the Affordable Rental Units within each Phase (the "Marketing Program"). The leasing of the Affordable Rental Units shall be marketed in accordance with the approved Marketing Program as the same may be amended from time to time with Agency Director's prior written approval, which approval shall not unreasonably be withheld. The Developer shall provide the Agency with periodic reports with respect to the leasing of the Affordable Rental Units. The Developer shall be responsible to organize, schedule and coordinate a lottery drawing to select potential tenants for the Affordable Rental Units for initial lease-up only, which shall be open to the public. The lottery shall take place not less than 90 days prior to completion of the applicable Phase of the Affordable Rental Units. Preference in the lottery, so long as not inconsistent with federal and State law (including, without limitation, all fair housing laws, rules and regulations), shall be given as follows:

(1) Any persons who have been displaced from their residences due to programs or projects implemented by the Agency; and

(2) Other households who live or work in Garden Grove.

Subject to all fair housing laws, rules, and regulations, all categories shall receive preference in the order listed. The requirements of this Section 507 shall only apply to the extent that the number of applicants for Affordable Rental Units exceeds the number of Affordable Rental Units available for lease upon initial lease-up.

For the purpose of the lottery drawing, the lottery will be divided by those who have claimed a preference and those who do not. All lottery forms will be drawn and numbered to create a complete list of alternate applications.

The Developer shall provide written notification to lottery participants informing them of the results and their priority number. This priority number represents the order with which prospective tenants will be reviewed for final determination of eligibility. If a household who was selected claimed a preference but could not verify such preference, then that participant will be deemed ineligible and the next selected participant will be notified.

508. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall comply with all applicable recordkeeping and monitoring requirements set forth in Health and Safety Code Section 33418 and shall annually complete and submit to the Agency a report, prior to January 30th of each year, for the Affordable Rental Units which includes the name, address, income and age of each occupant of a Affordable Rental Unit, the bedroom count and Monthly Rent for such Affordable Rental Unit. Representatives of the Agency shall be entitled to enter the Rental Units,

upon at least seventy-two (72) hours prior written notice, to monitor compliance with this Agreement, to inspect the records, and to conduct an independent audit or inspection of such records. The Developer agrees to cooperate with the Agency in making the Rental Units available for such inspection or audit. The Developer agrees to maintain records in a businesslike manner, and to maintain such records for the term of this Agreement.

509. Regulatory Agreement and Notice of Affordability Restrictions. The requirements of this Agreement which are applicable to the Affordable Rental Units after the conveyance of the Site to the Developer are set forth in each Regulatory Agreement. Additionally, the Developer shall record a Notice of Affordability Restrictions on Transfer of Property ("Notice of Affordability Restrictions") as to each Phase of the Rental Units, which shall run with the land and shall be enforceable against any owner who violates a covenant or restriction and each successor in interest who continues the violation pursuant thereto. The execution of a Regulatory Agreement and the Developer's execution of a Notice of Affordability Restrictions is a Condition Precedent to the Closing for each Phase, as set forth in Section 205. The Agency shall not subordinate this Agreement, each Regulatory Agreement and Notice of Affordability Restrictions to the construction and permanent financing approved pursuant to Section 311.1. Any such lender shall specifically subordinate its lien to the lien of each Regulatory Agreement and Notice of Affordability Restrictions.

510. Option to Increase Number of Affordable Rental Units. Not less than thirty (30) days prior to the Phase II Closing, the Developer may elect to increase the number of Affordable Rental Units from 60 to 120 in which case the Agency will pay to Developer the all cash sum of Six Million, Four Hundred Thousand Dollars ($6,400,000) at the Phase II Closing from its Housing Set Aside Fund for the purpose of providing funds sufficient to allow the Developer to provide the additional 60 Affordable Rental Units to Families of Low or Moderate Income at Affordable Rent. In the event of such election, Developer shall identify the Subphase in which the Affordable Rental Units will be located.

600. DEFAULTS, TERMINATION, AND REMEDIES

601. Default Remedies. Subject to any extensions of time of the deadlines for performance that may be permitted in accordance with Section 702 of this Agreement, failure by either Party to perform any action or covenant required by this Agreement, constitutes a "Breach" under this Agreement. A Party claiming a Breach shall give written Notice of Breach to the other Party specifying the Breach complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against the other Party, and the other Party shall not be in Default if such Party cures such Breach within thirty (30) days from receipt of such Notice, or if such Breach cannot reasonably be cured within such thirty (30) day period, if the other Party immediately, with due diligence, commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy with diligence, but in no event later than ninety (90) days after the date of receipt of the Notice. Failure to cure the Breach as described in the immediately preceding sentence is a "Default" hereunder.

602. Institution of Legal Actions. In addition to any other rights or remedies and subject to the restrictions otherwise set forth in this Agreement, either Party may institute an action at law or equity to seek specific performance of the terms of this Agreement, or to cure, correct or remedy any Breach, to recover damages for any Default, or to obtain any other remedy consistent with the

purpose of this Agreement. Such legal actions must be instituted in the Superior Court of the County of Orange, State of California.

603. Termination by the Developer Prior to the Conveyance. In the event that prior to the Conveyance of any Phase of the Site the Developer is not in Breach or Default of its obligations set forth in this Agreement and either (a) one or more of the Developer's Conditions Precedent is not fulfilled within the time set forth in the Schedule of Performance, or (b) the Agency is in Default of this Agreement, then this Agreement may, at the option of the Developer, be terminated by written Notice thereof to the Agency. From the date of the written Notice of termination of this Agreement by the Developer to the Agency and thereafter this Agreement shall be deemed terminated, and. Upon such a termination, there shall be no further rights or obligations between the Parties with respect to the Site by virtue of or with respect to this Agreement, except that (i) this Agreement shall remain in effect as to any Phases of the Site which have previously been conveyed to the Developer, and (ii) the Developer reserves all of its damages remedies in the event of a termination made pursuant to clause (b) above.

604. Termination by the Agency Prior to the Conveyance. In the event that prior to the Conveyance of any Phase of the Site the Agency is not in Breach or Default of its obligations set forth in this Agreement and either (a) one or more of the Agency's Conditions Precedent is not fulfilled within the time set forth in the Schedule of Performance, or (b) the Developer is in Default of this Agreement, then this Agreement may, at the option of the Agency, be terminated by the Agency by written Notice thereof to the Developer. From the date of the written Notice of termination of this Agreement by the Agency to the Developer and thereafter this Agreement shall be deemed terminated. Unless otherwise stated herein, upon such a termination, there shall be no further rights or obligations between the Parties, except that (i) this Agreement shall remain in effect as to any Phases of the Site which have previously been conveyed to the Developer, and (ii) the Agency reserves all of its damages remedies in the event of a termination made pursuant to clause (b) above.

605. Option to Acquire Site Upon Default. Developer agrees to enter into an Option Agreement, in substantially the form attached hereto as Attachment No. 10, which grants to Agency an option to purchase each Phase within the Site and the Improvements thereon in the event that the Developer (or its successors in interest) shall:

(a) fail to start the construction of the Improvements as required by this Agreement for a period of ninety (90) days after written notice thereof from the Agency; or

(b) abandon or substantially suspend construction of the Improvements required by this Agreement for a period of ninety (90) days after written notice thereof from the Agency; or

(c) contrary to the provisions of Section 703, transfer or suffer any involuntary transfer in violation of this Agreement, and such transfer has not been approved by the Agency or rescinded within thirty (30) days of notice thereof from Agency to Developer.

606. Acceptance of Service of Process. In the event that any legal action is commenced by the Developer against the Agency, service of process on the Agency shall be made by personal service upon the Agency's Director or in such other manner as may be provided by law. In the event that any legal action is commenced by the Agency against the Developer, service of process on the Developer shall be made in the manner required by law or, in the alternative, by personal service

upon any officer of the Developer so long as a copy of such service is delivered in accordance with Section 701 of this Agreement, and said service shall be effective whether made within or outside the State of California.

607. Rights and Remedies Are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such 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 the other Party.

608. Inaction Not a Waiver of Default. Any failures or delays by either Party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive either 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.

609. Applicable Law. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

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

611. Attorneys' Fees. In any action between the Parties to interpret, enforce, reform, modify, rescind, or otherwise in connection with any of the terms or provisions of this Agreement, the prevailing Party in the action shall be entitled, in addition to damages, injunctive relief, or any other relief to which it might be entitled, reasonable costs and expenses including, without limitation, litigation costs, expert witness fees and reasonable attorneys' fees.

700. GENERAL PROVISIONS

701. Notices, Demands and Communications Between the Parties. Any approval, disapproval, demand, document or other notice ("Notice") which either Party may desire to give to the other Party under this Agreement must be in writing and delivered either personally, by first class United States mail with postage prepaid, or by a national commercial delivery services (such as Federal Express) that provides a receipt verifying the date and time of delivery. Notices shall be directed to the address or addresses of the Party as set forth below, or to any other address or addresses as that Party may later designate by Notice delivered in accordance with this Section 701. Any delivered Notices shall be deemed effective upon actual receipt.

To Agency: Garden Grove Agency for Community Development
11222 Acacia Parkway
P.O. Box 3070
Garden Grove, California 92842
Attention: Director

Copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Thomas P. Clark, Jr.

To Developer: New Age Brookhurst, LLC
411 E. Huntington Drive, Suite 305
Arcadia, California 91016
Attention: Mr. Ronnie Lam

Copy to: _____
_____, Suite _____
_____, California _____
Attention: _____

702. Force Majeure; Extension of Times of Performance. In addition to specific provisions of this Agreement, performance by either Party hereunder shall not be deemed to be in Breach, and all performance and other dates specified in this Agreement shall be extended, where a delay or Breach is due to causes beyond the control and without the fault of the Party claiming an extension of time to perform, which may include the following: war; acts of terrorism; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God; 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; delays of any contractor, subcontractor or supplier; acts or omissions of the other party; acts or failures to act of the City or any other public or governmental agency or entity, other than the acts or failures to act of the Agency which shall not excuse performance by the Agency ("Force Majeure")). Notwithstanding anything to the contrary in this Agreement, an extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by the mutual agreement of Agency and Developer. Notwithstanding any provision of this Agreement to the contrary, the lack of funding to complete the Improvements, and/or lack of financial feasibility shall not constitute grounds of enforced delay pursuant to this Section 702.

703. Transfers of Interest in Site or Agreement.

703.1 Prohibition. The qualifications and identity of the Developer are of particular concern to the Agency. It is because of those qualifications and identity that the Agency has entered into this Agreement with the Developer. Furthermore, the parties acknowledge that the Agency has negotiated the terms of this Agreement in contemplation of the construction of the Improvements and the property tax increment revenues to be generated by the operation of the Improvements on the Site. Accordingly, for the period commencing upon the date of this Agreement and until the expiration of the Declaration of Uses, no changes in the owner of the Retail Improvements shall occur, and for the period commencing upon the date of this Agreement and until the issuance of the Release of Construction Covenants, no voluntary or involuntary successor in interest of the Developer shall acquire any rights or powers under this Agreement, nor shall the Developer make any total or partial sale, transfer, conveyance, assignment, or lease of the whole or

any part of the Site or the Improvements thereon (collectively referred to herein as a "Transfer"), without the prior written approval of the Agency, except as expressly set forth herein.

703.2 Permitted Transfers. Notwithstanding any other provision of this Agreement to the contrary, Agency approval of a Transfer shall not be required in connection with any of the following:

(a) The conveyance or dedication of any portion of the Site to the City or other appropriate governmental agency, or the granting of easements or permits to facilitate construction of the Improvements.

(b) Any requested assignment for financing purposes (subject to such financing being considered and approved by the Agency pursuant to Section 311.1 herein), including the grant of a deed of trust to secure the funds necessary for land acquisition, construction and permanent financing of the Improvements, and further including the approved lender's acquisition of the Site by foreclosure or deed in lieu of foreclosure.

(c) The sale of completed For Sale Units to individual homebuyers or the lease of Rental Units or Retail Improvements all in the ordinary course of business.

(d) If Developer is a publicly held corporation, real estate investment trust or publicly held partnership, a Transfer of stock or other shares, provided there is no material change in the actual management and control of the Developer.

In the event of a Transfer by Developer under subparagraph (a) above not requiring the Agency's prior approval, Developer nevertheless agrees that prior to such Transfer it shall give written Notice to Agency of such assignment and satisfactory evidence that the assignee has assumed in writing through an assignment and assumption agreement all of the Developer's obligations set forth in this Agreement. Such assignment shall not, however, release the assigning Developer from any obligations to the Agency hereunder.

703.3 Agency Consideration of Requested Transfer. The Agency agrees that it will not unreasonably withhold, condition, or delay approval of a request for approval of a Transfer made pursuant to this Section 703 which requires the Agency's approval, provided the Developer delivers written Notice to the Agency requesting such approval. Such Notice shall be accompanied by evidence regarding the proposed transferee's development and/or operational qualifications and experience and its financial commitments and resources in sufficient detail to enable the Agency to evaluate the proposed assignee or purchaser pursuant to the criteria set forth in this Section 703 and as reasonably determined by the Agency. The Agency may, in considering any such request, take into consideration such factors as, without limitation, the transferee's experience and expertise, the transferee's past performance as developer or operator of similar developments, and the transferee's current financial condition and capabilities.

An assignment and assumption agreement in form reasonably satisfactory to the Agency's legal counsel shall also be required for all proposed Transfers requiring the Agency's approval hereunder. Within fifteen (15) days after the receipt of the Developer's written Notice requesting Agency approval of a Transfer pursuant to this Section 703, the Agency shall either approve or disapprove such proposed assignment or shall respond in writing by stating what further information, if any, the Agency reasonably requires in order to determine the request complete and determine

whether or not to grant the requested approval. Upon receipt of such a response, the Developer shall promptly furnish to the Agency such further information as may be reasonably requested and the Agency shall approve or disapprove the requested Transfer within fifteen (15) days after the receipt of such information. Upon the effective date of an assignment approved by the Agency, the assignor or transferor shall be released from all obligations to the Agency hereunder.

703.4 Successors and Assigns. All of the terms, covenants and conditions set forth in this Agreement shall be binding upon the Developer and its permitted successors and assigns. Whenever the term "Developer" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

703.5 Assignment by Agency. The Agency may assign or transfer any of its rights or obligations under this Agreement with the approval of the Developer, which approval shall not be unreasonably withheld; provided, however, that the Agency may assign or transfer any of its interests in the affordable housing covenants hereunder to the City at any time without the consent of the Developer.

704. Relationship Between Agency and Developer. It is hereby acknowledged that the relationship between the Agency and the Developer is not that of a partnership or joint venture and that the Agency and the Developer shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, except as expressly provided herein or in the Attachments hereto, the Agency shall have no rights, powers, duties or obligations with respect to the development, operation, maintenance or management of the Improvements.

705. Agency Approvals and Actions. The Agency shall maintain authority of this Agreement and the authority to implement this Agreement through the Agency Director (or his or her duly authorized representative). The Agency Director shall have the authority to make approvals, issue interpretations, waive provisions, sign documents and/or enter into certain amendments of this Agreement on behalf of the Agency so long as such actions do not materially or substantially change the uses or development permitted on the Site, or add to the costs incurred or to be incurred by the Agency as specified herein, and such approvals, interpretations, waivers and/or amendments may include extensions of time to perform as specified in the Schedule of Performance. All other material and/or substantive interpretations, waivers, or amendments shall require the consideration, action and written consent of the Agency Board.

706. Counterparts. This Agreement may be signed in multiple counterparts which, when signed by both Parties, shall constitute a binding agreement. This Agreement is executed in three (3) originals, each of which is deemed to be an original.

707. Integration. This Agreement contains the entire understanding between the Parties relating to the transaction contemplated by this Agreement, notwithstanding any previous negotiations or agreements between the Parties or their predecessors in interest with respect to all or any part of the subject matter hereof. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, including without limitation the Exclusive Negotiating Agreement, are merged in this Agreement and shall be of no further force or effect. Each Party is entering this Agreement based solely upon the representations set forth herein and upon each Party's own independent investigation of any and all facts such Party deems material. This Agreement includes Attachment Nos. 1 through 11, which are incorporated herein.

708. Real Estate Brokerage Commission. The Developer shall be responsible for any brokerage fees payable in connection with this transaction, which fees shall be included in the Site Acquisition Costs. The Agency and the Developer each represents that it has not engaged the services of any other finder or broker and that it is not liable for any other real estate commissions, broker's fees, or finder's fees which may accrue by reason of the acquisition and the conveyance of all or part of the Site, and agrees to hold harmless the other party from such commissions or fees as are alleged to be due from the Party making such representations.

709. Titles and Captions. Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of this Agreement or of any of its terms. Reference to section numbers are to sections in this Agreement, unless expressly stated otherwise.

710. Interpretation. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. The word "including" shall be construed as if followed by the words "without limitation." This Agreement shall be interpreted as though prepared jointly by both Parties.

711. No Waiver. A waiver by either Party of a breach of any of the covenants, conditions or agreements under this Agreement to be performed by the other Party must be in writing and executed by the waiving Party to be enforceable and no such waiver shall be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Agreement.

712. Modifications. Any alteration, change or modification of or to this Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each Party. The Agency agrees to reasonably consider making changes to this Agreement and entering into supplemental agreements which are proposed by the Developer's lender.

713. Severability. If any term, provision, condition or covenant of this Agreement or its application to a Party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

714. Computation of Time. The time in which any act is to be done under this Agreement is computed by excluding the first day (such as the day escrow opens), and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

715. Legal Advice. Each Party represents and warrants to the other the following: it has carefully read this Agreement, and in signing this Agreement it does so with full knowledge of any right which it may have; it has received independent legal advice from its legal counsel as to the matters set forth in this Agreement, or has knowingly chosen not to consult legal counsel as to the matters set forth in this Agreement; and, it has freely signed this Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other Party or its agents, employees, or attorneys, except as specifically set forth in this Agreement, and without duress or coercion, whether economic or otherwise.

716. Time of Essence. Time is expressly made of the essence with respect to the performance by the Agency and the Developer of each and every obligation and condition of this Agreement.

717. Cooperation. Each Party agrees to cooperate with the other in this transaction and, in that regard, to sign any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Agreement including, but not limited to, releases or additional agreements.

718. Conflicts of Interest. No member, official or employee of the Agency shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

719. Time for Acceptance of Agreement by Agency. This Agreement, when executed by the Developer and delivered to the Agency, must be authorized, executed and delivered by the Agency on or before forty-five (45) days after signing and delivery of this Agreement by the Developer or this Agreement shall be void, except to the extent that the Developer shall consent in writing to a further extension of time for the authorization, execution and delivery of this Agreement.

720. Estoppel Certificate. Each of the Parties shall at any time and from time to time upon not less than twenty (20) days prior notice by the other, execute, acknowledge and deliver to such other Party a statement in writing certifying that this Agreement is unmodified and is in full force and effect (or if there shall have been modifications that this Agreement is in full force and effect as modified and stating the modifications), and stating whether or not to the best knowledge of the signer of such certificate such other Party is in Breach or Default in performing or observing any provision of this Agreement, and, if in Breach or Default, specifying each such Breach or Default of which the signer may have knowledge, and such other matters as such other Party may reasonably request, it being intended that any such statement delivered by Developer may be relied upon by Agency or any successor in interest to Agency, and it being further intended that any such statement delivered by Agency may be relied upon by any prospective assignee of Developer's interest in this Agreement or any prospective mortgagee or encumbrancer thereof. Reliance on any such certificate may not extend to any Breach or Default as to which the signer of the certificate shall have had no actual knowledge. The Party requesting the Estoppel Certificate shall reimburse the other Party for all actual and direct third party costs incurred by such Party in connection with such Estoppel Certificate within ten (10) days after written demand therefor which notice shall contain all relevant invoices or other evidence of such costs.

721. No Third Party Beneficiaries. Except to the extent the City is given express rights hereunder, there are no third party beneficiaries of this Agreement.

IN WITNESS WHEREOF, the Agency and the Developer have executed this Disposition and Development Agreement to be effective as of the Date of Agreement first set forth above.

AGENCY:

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT,
a public body, corporate and politic

By: _____
Chairman

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:

_____
Stradling Yocca Carlson & Rauth,
Agency General Counsel

DEVELOPER:

NEW AGE BROOKHURST, LLC., a California limited liability company

By: _____

By: _____

ATTACHMENT NO. 1

LEGAL DESCRIPTION

Parcel A

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

That Portion Of The Southwest Quarter Of The Southwest Quarter Of Section 32, Township 4 South, Range 10 West, In The Rancho Las Bolsas, As Shown On A Map Recorded In Book 51, Page 10 Of Miscellaneous Maps, Records Of Orange County, California, Described As Follows:

Beginning At The Southwest Corner Of The North 5 Acres Of The West Half Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32; Thence North 0° 35' 50" West, Along The West Line Of Said North 5 Acres, A Distance Of 100.00 Feet; Thence North 89° 52' 10" East, Parallel With The South Line Of Said North 5 Acres, A Distance Of 36.14 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide, Said Point Being The "TRUE POINT OF BEGINNING-A (TPOB-A)" ; Thence North 89° 52' 10" East, Parallel With Said South Line Of North 5 Acres, A Distance Of 308.81 Feet To A Point On The West Right-Of-Way Of Brookhurst Street, 120 Feet Wide ; Thence South 33° 33' 43" East Along Said West Right-Of-Way Of Brookhurst Street, A Distance Of 418.60 Feet ; Thence South 56° 26' 17" West, A Distance Of 272.86 Feet ; Thence North 33° 33' 43" West Parallel To Said West Right-Of-Way Of Brookhurst Street, A Distance Of 250.53 Feet ; Thence South 89° 24' 10" West, A Distance Of 171.32 Feet To A Point On Said Easterly Right-Of-Way Of Brookhurst Way, 80' Wide ; Thence North 0° 35' 50" West, A Distance Of 292.00 Feet To The " TRUE POINT OF BEGINNING-A."

Containing total of 3.700 acres, more or less.

Parcel B

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

That Portion Of The Southwest Quarter Of The Southwest Quarter Of Section 32, Township 4 South, Range 10 West, In The Rancho Las Bolsas, As Shown On A Map Recorded In Book 51, Page 10 Of Miscellaneous Maps, Records Of Orange County, California, Described As Follows:

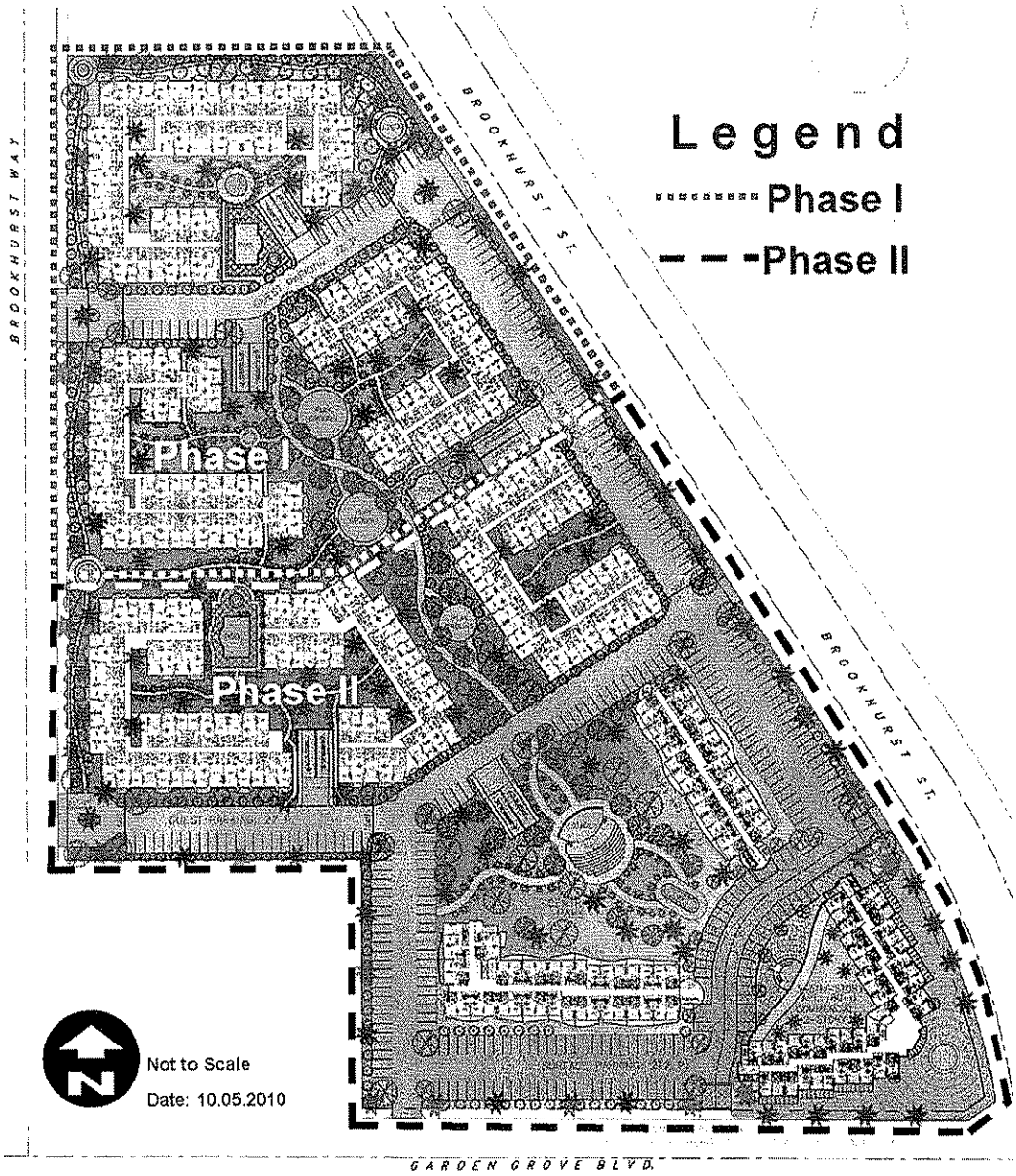
Beginning At The Southwest Corner Of The North 5 Acres Of The West Half Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32; Thence North 89° 52' 10" East, Along The South Line Of Said North 5 Acres, A Distance Of 36.49 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide ; Thence South 0° 35' 50" East, Along Said Easterly Right-Of-Way Of Brookhurst Way, A Distance Of 192.00 Feet To The "TRUE POINT OF BEGINNING-B (TPOB-B)" ; Thence North 89° 24' 10" East, A Distance Of 171.32 Feet ; Thence South 33° 33' 43" East Parallel To West Right-Of-Way Of Brookhurst Street, A Distance Of 250.53 Feet ; Thence North 56° 26' 17" East, A Distance Of 272.86 Feet To A Point On The Westerly Right-Of-Way Of Said Brookhurst Street, 120 Feet Wide ; Thence South 33° 33' 43" East Along Said Westerly Right-Of Way Of Brookhurst Street, A Distance Of 494.74 Feet To The Beginning Of A Curve, Concave To The West And Having A Radius Of 740.00 Feet ; Thence Southeasterly Along Said Curve, Through A Central Angle Of 22° 25' 30", An Arc Distance Of 289.63 Feet ; Thence South 39° 46' 16" West, A Distance Of 25.66 Feet To A Point On The Northerly Right-Of-Way Of Garden Grove Blvd., 100 Feet Wide, Thence South 89° 53' 57" West Along Said Northerly Right-Of-Way Of Garden Grove Blvd., A Distance Of 603.69 Feet To A Point On The Westerly Line Of The East Half Of The Southwest Quarter Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32 ; Thence North 0° 24' 30" West Along Said Westerly Line, A Distance Of 229.94 Feet ; Thence South 89° 54' 35" West, A Distance Of 292.91 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide ; Thence North 0° 35' 50" West, A Distance Of 525.89 Feet To The " TRUE POINT OF BEGINNING-B."

Containing total of 10.228 acres, more or less.

ATTACHMENT NO. 2

SITE MAP

Site Plan



ATTACHMENT NO. 2-1

ATTACHMENT NO. 3

RECORDING REQUESTED BY,
MAIL TAX STATEMENTS TO
AND WHEN RECORDED MAIL TO:

New Age Brookhurst, LLC
411 E. Huntington Drive, Suite 305
Arcadia, California 91006
Attention: Mr. Ronnie Lam

This document is exempt from payment of a recording fee pursuant to Government Code Section 27383.

GRANT DEED

For valuable consideration, receipt of which is hereby acknowledged,

The **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic (the "Agency"), hereby grants to **NEW AGE BROOKHURST, LLC.**, a California limited liability company ("Developer"), the real property hereinafter referred to as the "Phase ___ Site," as applicable, described in Exhibit A attached hereto and incorporated herein, subject to the following:

1. **Conveyance in Accordance With Disposition and Development Agreement.** The Site is conveyed in accordance with and subject to the provisions of the Disposition and Development Agreement entered into by and between Agency and Developer dated _____, 2010 (the "DDA"), a copy of which is on file with the Agency at its offices located at 11222 Acacia Parkway, Garden Grove, California 92840, as a public record and which is incorporated herein by reference. The DDA generally requires the Developer to construct and develop the Improvements, and to comply with all of the other requirements set forth therein. The covenants in the DDA shall run with the land and shall be binding upon the Developer and all of the successors and assigns of the Developer's right, title, and interest in and to any portion of the Site for the periods of time set forth therein. All the terms used herein, unless otherwise defined herein shall have the meaning as in the DDA.

2. **Nondiscrimination.** Developer herein covenants by and for itself, its successors and assigns, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any 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 premises herein conveyed. The foregoing covenants shall run with the land.

Notwithstanding the immediately preceding paragraph, with respect to familial status, the immediately preceding paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the immediately preceding paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the immediately preceding paragraph.

All deeds, leases or contracts entered into by Developer relating to the Phase ___ Site 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 any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any 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 premises herein conveyed. The foregoing covenants shall run with the land.

"Notwithstanding the immediately preceding paragraph, with respect to familial status, the immediately preceding paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the immediately preceding paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the immediately preceding paragraph."

(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:

"That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, 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.

"Notwithstanding the immediately preceding paragraph, with respect to familial status, the immediately preceding paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status,

nothing in the immediately preceding paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the immediately preceding paragraph."

(c) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any 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 premises herein conveyed. The foregoing covenants shall run with the land."

"Notwithstanding the immediately preceding paragraph, with respect to familial status, the immediately preceding paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the immediately preceding paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the immediately preceding paragraph."

(d) The foregoing covenants shall, without regard to technical classification and designation, be binding for the benefit and in favor of Agency, its successors and assigns, any occupants of the Phase ___ Site, and any successor in interest to the Phase ___ Site. The covenants against discrimination shall remain in effect in perpetuity. In no event shall anything in this Section 2 be construed as authority to lease Residential Units unless otherwise permitted herein.

3. **Violations Do Not Impair Liens.** No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Grant Deed shall defeat or render invalid or in any way impair the lien or charge of any mortgage or deed of trust or security interest permitted by the DDA; provided, however, that any subsequent owner of the Site shall be bound by such remaining covenants, conditions, restrictions, limitations and provisions, whether such owner's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

4. **Covenants For Benefit of Agency Only.** All covenants without regard to technical classification or designation shall be binding for the benefit of the Agency, and such covenants shall run in favor of the Agency for the entire period during which such covenants shall be in force and effect consistent with Paragraphs 2 and 3 hereof, without regard to whether the Agency is or remains an owner of any land or interest therein to which such covenants relate. The Agency, in the event of any breach of any such covenants, shall have the right to exercise all the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach. The covenants contained in this Grant Deed, without regard to technical classification, shall not benefit or be enforceable by any owner of any other real property within or outside the Project Area, or any person or entity having any interest in any other such realty.

AGENCY:

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT,
a public body, corporate and politic

By:_____

ATTEST:

_____
Secretary of the Agency

APPROVED AS TO FORM:

_____
Stradling Yocca Carlson & Rauth
Agency General Counsel

ACCEPTED BY DEVELOPER:

NEW AGE BROOKHURST, LLC., a California limited liability company

By: _____

By: _____

EXHIBIT A TO ATTACHMENT NO. 3

LEGAL DESCRIPTION OF SITE

[TO BE INSERTED]

ATTACHMENT NO. 4

SCOPE OF DEVELOPMENT

Unless otherwise specified herein, all capitalized terms in the Scope of Development shall have the meaning(s) set forth for the same Disposition and Development Agreement to which this Scope of Development is attached (DDA).

I. DEVELOPER OBLIGATIONS

A. PROJECT

The Project shall be a first-class mixed use commercial residential development and related parking, open space, landscape and hardscape improvements. The Project shall be consistent with the Redevelopment Plan and the approved PUD.

B. ARCHITECTURE AND DESIGN

1. The Developer shall develop construction plans and design documents shall be developed in compliance with the approved PUD for the Site and shall be consistent with the Conceptual Site Plan. The Residential Component shall include the use of high quality materials including the incorporation of glass, and stone building materials. Each Phase of the project will include architecture that is varied in modern and contemporary Architectural styles. Particular attention shall be paid to massing, scale, color, and materials in order to articulate the buildings elevations. The elevations shall be articulated to extent as possible, avoid flat or one-dimensional elevations. Architectural icon shall be incorporated at the corner of Garden Grove Boulevard and Brookhurst Street, which is a major focal point for the Project.

2. The Project shall have amenities including, but not limited to interior passive water feature, outdoor seating arrangements, decorative trellis shaded area, grassy recreational areas, common BBQ cooking facilities, landscaped meandering walks, urban walking trail along right-of-way on the perimeter of the property, exterior balconies for each unit, enhanced landscaped and paved entry, private streets with decorative paving accent areas, and water fountain in included in the open space program.

C. BUILDING SERVICE, PROJECT TRAFFIC AND MANAGEMENT

1. The Developer shall develop a building service, project traffic and management plan to be included in the Declaration. The Declaration shall specifically include without limitation, the following:

   (a) A service plan that includes general times for deliveries, trash collection, street cleaning and the agreed upon routing for such service-vehicles. This plan shall include routing and stopping for patron drop-off and small service-vehicles including mail, overnight delivery and messengers as well as conference facility deliveries.

This plan shall also include routing and marked areas for emergency services.

(b) A traffic plan that includes the Developer's commitment to pay for traffic control officers at the entrances to the parking structures during holiday peak periods and for special events that are expected to generate large volumes of traffic.

(c) A maintenance and management plan that includes cleaning and refuse policing, no visibility into service areas from public streets, degreasing and deodorizing (particularly for the service, trash and garbage areas), re-stripping, re-painting, re-lighting, drainage cleaning, signage, graffiti management and security.

D. LANDSCAPING

All areas of the Site that are not used for buildings, sidewalks, driveways or other hardscape improvements shall be landscaped in accordance with a landscaping plan to be approved by the Agency. The Developer, at its sole cost and expense, shall be responsible for all these area. Landscaping shall consist of ground cover, trees, potted plants, and fountains, pools, or other water features, if applicable. A permanent automatic water sprinkler system shall be provided in all landscaped areas as required for adequate coverage/maintenance.

E. REFUSE

Refuse areas shall be provided in accordance with the requirements of the Land Use Approvals.

F. SIGNS

The Developer shall develop a sign program. The Project shall have a comprehensive graphics/logos and sign program that shall govern the entire Project; all signs shall conform as to location, size, shape, illumination system, cabinet and copy face colors, letter style, shall be complementary to the overall architectural theme, and comply with the high standards of Underwriter Laboratories. The sign program is to be approved by the Agency.

G. UTILITIES

The Developer shall be responsible for, adequate utilities and utility capacity, roadway and traffic improvements, traffic mitigation measures required by the City to accommodate the project and offsite landscape work to incorporate the proposed urban pedestrian trial on the outside public right-of-way perimeter on Garden Grove Boulevard, Brookhurst Way and Brookhurst Street.

The provision of water, sewer, gas, cable television, and electricity to the Agency Property, although the point of connection will be the responsibility of the Developer, regardless of whether of whether the point of connection is at the property line of the Agency Property or within the public right-of-way adjacent to the Agency Property.

The provision for roadway and traffic improvements and traffic mitigation measures required to accommodate the Project.

H. HOTEL COMPONENT ALTERNATIVE

Developer may, at its election, construct a Hotel Component with approximately one hundred (100) rooms. The Hotel Component shall include the use of high quality materials including the incorporation of glass, and stone building materials. Particular attention shall be paid to massing, scale, color, and materials in order to articulate the buildings elevations. The elevations shall be articulated to extent as possible, avoid flat or one-dimensional elevations. The Hotel Component shall be a Limited-Select Service Hotel such as Aloft Element, Hyatt Place, Hyatt Summerfield Suites, or Marriot Springhill Suites.

II. AGENCY OBLIGATIONS

1. Acquisition of the Site and relocation of all occupants of the Site in compliance with all applicable federal, state and local laws and regulations concerning displacement and relocation;

2. The demolition and removal of all existing structures and above ground improvements, in compliance with all applicable federal, state and local laws and regulations with respect to demolition and/or disposal and mitigation as described above; and

3. The vacation or abandonment of all existing utilities on the Site which would interfere with the proposed development, provided that the Developer agrees to grant easement rights which do not interfere with proposed buildings or which are required to serve the Project.

ATTACHMENT NO. 5

CONDENSED SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE	TIME FOR PERFORMANCE
Initial consideration of DDA by the Agency Board.	Within thirty (30) days after Developer's delivery to the Agency of three (3) executed copies of this DDA.
Developer submits Deposit.	Prior to consideration of the DDA by the Agency.
Agency and Developer open Escrow.	Within ten (10) days after Agency and Developer execute DDA.
Developer completes its Site Investigation pursuant to Section 208.3.	On or before the Due Diligence Date.
Developer commences Construction Documents.	Within ninety (90) days after Agency approves DDA.
Developer presents Site Plan and Tentative Tract Map to the Planning Commission.	Within 180 days after Agency approves DDA.
Developer completes and submits Construction Documents.	Within 270 days after Agency approves DDA.
Developer to provide Agency evidence of Financing for Phase I Improvements.	Within 360 days after Agency approves DDA.
Developer presents Final Tract Map for Phase I Improvements to the City Council and Agency Board.	Within 270 days after Agency approves DDA.
Close of Escrow.	On or before December 1, 2011.
Developer secures Permits and commences Construction on Phase I Improvements.	Within fifteen (15) days after Close of Escrow.
Developer completes the first building (80) units of the Phase I Improvements.	Within 455 days after Phase 1 Close of Escrow.
Developer to provide Agency evidence of Financing for Phase II , Subphase A Improvements.	The earlier to occur 470 days after Phase I Close of Escrow or one hundred eighty 180 days after completion of the first building of Phase 1
Phase II Close of Escrow.	On or before the earlier of September 1, 2013 or 570 days after the Phase 1 Closing.

ATTACHMENT NO. 6

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
New Age Brookhurst, LLC)
411 E. Huntington Drive, Suite 305)
Arcadia, California 91006)
Attention: Mr. Ronnie Lam)
)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

RELEASE OF CONSTRUCTION COVENANTS

THIS RELEASE OF CONSTRUCTION COVENANTS (the "Release") is made as of _____, 200_, by the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT,** a public body, corporate and politic (the "Agency"), in favor of **[DEVELOPER]**, a _____ (the "Developer"), as of the date set forth below.

RECITALS

A. The Agency and the Developer have entered into that certain Disposition and Development Agreement (the "DDA") dated _____, 2010 concerning the redevelopment of certain real property situated in the City of Garden Grove, California, as more fully described therein (the "Site").

B. As referenced in Section 310 of the DDA, the Agency is required to furnish the Developer or its successors with a Release of Construction Covenants upon completion of construction of the Improvements (as defined in Section 100 of the DDA) within the Site, which Release is required to be in such form as to permit it to be recorded in the Recorder's office of Orange County.

C. The Agency has determined that the construction and development of **[Specify Improvements]** has been satisfactorily completed on and with respect to that certain real property within the Site more fully described in Exhibit "A" attached hereto and made a part hereof (the "Site"). This Release is conclusive determination of satisfactory completion of the construction and development required by the DDA on and with respect to the **[Specify Improvements]**.

NOW, THEREFORE, the Agency hereby certifies as follows:

1. The **[Specify Improvements]** to be constructed by the Developer on and with respect to the Site have been fully and satisfactorily completed in conformance with the DDA free and clear of any claims and/or liens. Any operating requirements and all use, maintenance or nondiscrimination covenants contained in the DDA and other documents executed and recorded pursuant to the DDA shall remain in effect and enforceable according to their terms.

2. Nothing contained in this instrument shall modify in any other way any provisions of the DDA.

IN WITNESS WHEREOF, the Agency has executed this Release as of the date set forth above.

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT,
a public body, corporate and politic

By: _____

Its: _____

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:

_____
Stradling Yocca Carlson & Rauth
Agency General Counsel

APPROVED BY DEVELOPER:

NEW AGE BROOKHURST, LLC., a California limited liability company

By: _____

EXHIBIT A EXHIBIT A TO ATTACHMENT NO. 6

PROPERTY DESCRIPTION

Parcel A

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

That Portion Of The Southwest Quarter Of The Southwest Quarter Of Section 32, Township 4 South, Range 10 West, In The Rancho Las Bolsas, As Shown On A Map Recorded In Book 51, Page 10 Of Miscellaneous Maps, Records Of Orange County, California, Described As Follows:

Beginning At The Southwest Corner Of The North 5 Acres Of The West Half Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32; Thence North 0° 35' 50" West, Along The West Line Of Said North 5 Acres, A Distance Of 100.00 Feet; Thence North 89° 52' 10" East, Parallel With The South Line Of Said North 5 Acres, A Distance Of 36.14 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide, Said Point Being The "TRUE POINT OF BEGINNING-A (TPOB-A)" ; Thence North 89° 52' 10" East, Parallel With Said South Line Of North 5 Acres, A Distance Of 308.81 Feet To A Point On The West Right-Of-Way Of Brookhurst Street, 120 Feet Wide ; Thence South 33° 33' 43" East Along Said West Right-Of-Way Of Brookhurst Street, A Distance Of 418.60 Feet ; Thence South 56° 26' 17" West, A Distance Of 272.86 Feet ; Thence North 33° 33' 43" West Parallel To Said West Right-Of-Way Of Brookhurst Street, A Distance Of 250.53 Feet ; Thence South 89° 24' 10" West, A Distance Of 171.32 Feet To A Point On Said Easterly Right-Of-Way Of Brookhurst Way, 80' Wide ; Thence North 0° 35' 50" West, A Distance Of 292.00 Feet To The " TRUE POINT OF BEGINNING-A."

Containing total of 3.700 acres, more or less.

Parcel B

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

That Portion Of The Southwest Quarter Of The Southwest Quarter Of Section 32, Township 4 South, Range 10 West, In The Rancho Las Bolsas, As Shown On A Map Recorded In Book 51, Page 10 Of Miscellaneous Maps, Records Of Orange County, California, Described As Follows:

Beginning At The Southwest Corner Of The North 5 Acres Of The West Half Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32; Thence North 89° 52' 10" East, Along The South Line Of Said North 5 Acres, A Distance Of 36.49 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide ; Thence South 0° 35' 50" East, Along Said Easterly Right-Of-Way Of Brookhurst Way, A Distance Of 192.00 Feet To The "TRUE POINT OF BEGINNING-B (TPOB-B)" ; Thence North 89° 24' 10" East, A Distance Of 171.32 Feet ; Thence South 33° 33' 43" East Parallel To West Right-Of-Way Of Brookhurst Street, A Distance Of 250.53 Feet ; Thence North 56° 26' 17" East, A Distance Of 272.86 Feet To A Point On The Westerly Right-Of-Way Of Said Brookhurst Street, 120 Feet Wide ; Thence South 33° 33' 43" East Along Said Westerly Right-Of Way Of Brookhurst Street, A Distance Of 494.74 Feet To The Beginning Of A Curve, Concave To The West And Having A Radius Of 740.00 Feet ; Thence Southeasterly Along Said Curve, Through A Central Angle Of 22° 25' 30", An Arc Distance Of 289.63 Feet ; Thence South 39° 46' 16" West, A Distance Of 25.66 Feet To A Point On The Northerly Right-Of-Way Of Garden Grove Blvd., 100 Feet Wide, Thence South 89° 53' 57" West Along Said Northerly Right-Of-Way Of Garden Grove Blvd., A Distance Of 603.69 Feet To A Point On The Westerly Line Of The East Half Of The Southwest Quarter Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32 ; Thence North 0° 24' 30" West Along Said Westerly Line, A Distance Of 229.94 Feet ; Thence South 89° 54' 35" West, A Distance Of 292.91 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide ; Thence North 0° 35' 50" West, A Distance Of 525.89 Feet To The " TRUE POINT OF BEGINNING-B."

Containing total of 10.228 acres, more or less.

ATTACHMENT NO. 7

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
Garden Grove Agency for)
Community Development)
11222 Acacia Parkway)
Garden Grove, California 92840)
Attn: Director)
)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

DECLARATION OF USES

THIS DECLARATION OF USES (the "Declaration") is made as of _____, 200_, by and between the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body corporate and politic (the "Agency"), and **NEW AGE BROOKHURST, LLC.**, a California limited liability company (the "Developer"), with reference to the following:

A. The Agency and the Developer have executed a Disposition and Development Agreement (the "Agreement"), dated as of _____, 2010, which provides for the development of retail improvements on certain real property located in the City of Garden Grove, County of Orange, State of California, more fully described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Retail Improvements"). The Agreement is available for public inspection and copying at the office of the Agency, 11222 Acacia Parkway, Garden Grove, California 92840. All of the terms, conditions, provisions and covenants of the Agreement are incorporated in this Declaration by reference as though written out at length herein. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in Section 100 of the Agreement.

B. The Agreement provides for, among other things, the Developer's execution of this Declaration with respect to the retail improvements to be developed on the Retail Improvements (the "Retail Improvements").

NOW, THEREFORE, the Developer and the Agency hereby agree as follows:

1. Use Covenant. For a term commencing upon the date that the Agency issues a Release of Construction Covenants for the Retail Improvements, and ending upon the _____ anniversary thereof, the Developer hereby covenants and agrees that the Retail Improvements shall be used only for commercial retail uses, and Developer shall use good faith, commercially reasonable efforts to lease all of the Retail Improvements within the Retail Improvements to retail and commercial businesses.

2. Prohibited Uses. Without limitation upon the foregoing, no use or operation will be made, conducted or permitted on or with respect to all or any part of the Retail Improvements, which use or operation is obnoxious to, or out of harmony with, the development or operation of retail or commercial uses and facilities, including but not limited to, the following:

(a) any public or private nuisance, any noise or sound that is objectionable due to intermittence, beat, frequency, shrillness or loudness, or any obnoxious odor;

(b) any excessive quantity of dust, dirt, or fly ash; provided, however, this prohibition shall not preclude the sale of soils, fertilizers, or other garden materials or building materials in containers if incident to the operation of a home improvement or general merchandise store;

(c) any fire, explosion or other damaging or dangerous hazard, including the storage, display or sale of explosives or fireworks;

(d) any adult bookstore, adult entertainment establishment, or other establishment primarily selling or displaying sexually oriented materials;

(e) any distillation (except for a microbrewery associated with a restaurant use, or similar operation), refining, smelting, agriculture or mining operations;

(f) any mobilehome or trailer court, labor camp, junk yard, stock yard or animal raising;

(g) any drilling for and/or removal of subsurface substances; provided, however, that slant drilling is permitted so long as no drilling equipment is located upon the surface of the Property;

(h) any dumping of garbage or refuse, other than in enclosed receptacles intended for such purpose;

(i) any cemetery, mortuary or similar service establishment;

(j) any car washing establishment;

(k) any automobile body and fender repair work;

(l) any skating rink, bowling alley, teenage discotheque, discotheque, dance hall, pool room, massage parlor, off-track betting facility, casino, card club, bingo parlor or facility containing gaming equipment;

(m) any fire sale, flea market, bankruptcy sale (unless pursuant to a court order) or auction operation;

(n) any automobile, truck, trailer or recreational vehicle sales, leasing or display which is not entirely conducted inside of a building;

(o) any bar, tavern, restaurant or other establishment whose annual gross revenues from the sale of alcoholic beverages for on-premises consumption exceeds fifty percent (50%) of the gross revenues of such business, except for a microbrewery or wine bar associated with a restaurant use or similar operation;

(p) any school, training, educational or day care facility, including but not limited to: beauty schools, barber colleges, nursery schools, diet centers, reading rooms, places of instruction or other operations catering primarily to students or trainees rather than to customers;

(q) any church, synagogue, mosque or other place of worship;

(r) any apartment, home or other residential use; and

(s) any industrial use.

3. **Nuisances.** No noxious or offensive trade or activity shall be carried on within the Retail Improvements, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment by each of the owners of the neighboring property, or which shall in any way increase the rate of insurance for any other neighboring property. No uses shall violate the nuisance provisions of the Garden Grove Municipal Code.

4. **Unsightly Items.** All weeds, rubbish, debris or unsightly material or objects of any kind shall be regularly removed from the Retail Improvements, at the sole expense of the Developer and its tenants, and shall not be allowed to accumulate thereon. All refuse containers, trash cans, wood piles, storage areas, machinery and equipment shall be prohibited upon the Retail Improvements except in accordance with rules adopted by the parties to this Declaration.

5. **Mineral Exploration.** No oil development, oil refining, coring or mining operations of any kind shall be permitted upon or in the Retail Improvements, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of the Retail Improvements or within five hundred (500) feet below the surface of the Retail Improvements. No derrick or other structure designed for use in boring for water, oil, natural gas or other minerals hall be erected, maintained or permitted on the Retail Improvements.

6. **Compliance with Governmental Regulations.** Nothing herein contained shall be deemed or constitute approval of any use which is inconsistent with ordinances of the City of Garden Grove or the other provisions of this Declaration.

7. **Miscellaneous Provisions.**

a. If any provision of this Declaration or portion thereof, or the application to any person or circumstances, shall to any extent be held invalid, inoperative or unenforceable, the remainder of this Declaration, or the application of such provision or portion thereof to any other persons or circumstances, shall not be affected thereby; it shall not be deemed that any such invalid provision affects the consideration for this Declaration; and each provision of this Declaration shall be valid and enforceable to the fullest extent permitted by law.

b. This Declaration shall be construed in accordance with the laws of the State of California.

c. This Declaration shall be binding upon and inure to the benefit of the successors and assigns of the Developer and the Agency.

d. In the event action is instituted to enforce any of the provisions of this Declaration, the prevailing party in such action shall be entitled to recover from the other party thereto as part of the judgment, reasonable attorney's fees and costs.

8. Effect of Declaration. The covenants and agreements established in this Declaration shall, without regard to technical classification and designation, run with the land and be binding on each owner of the Retail Improvements and any successor in interest to the Retail Improvements, or any part thereof (including each parcel thereof), for the benefit of and in favor of the Agency, its successor and assigns, and the City of Garden Grove.

IN WITNESS WHEREOF, the parties hereto have executed this Declaration the day and year first hereinabove written.

AGENCY:

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body, corporate and politic

_____

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:

_____
Stradling Yocca Carlson & Rauth,
Agency General Counsel

DEVELOPER:

NEW AGE BROOKHURST, LLC., a California limited liability company

By: _____

EXHIBIT A TO ATTACHMENT NO. 7

LEGAL DESCRIPTION OF SITE

Parcel A

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

That Portion Of The Southwest Quarter Of The Southwest Quarter Of Section 32, Township 4 South, Range 10 West, In The Rancho Las Bolsas, As Shown On A Map Recorded In Book 51, Page 10 Of Miscellaneous Maps, Records Of Orange County, California, Described As Follows:

Beginning At The Southwest Corner Of The North 5 Acres Of The West Half Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32; Thence North 0° 35' 50" West, Along The West Line Of Said North 5 Acres, A Distance Of 100.00 Feet; Thence North 89° 52' 10" East, Parallel With The South Line Of Said North 5 Acres, A Distance Of 36.14 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide, Said Point Being The "TRUE POINT OF BEGINNING-A (TPOB-A)" ; Thence North 89° 52' 10" East, Parallel With Said South Line Of North 5 Acres, A Distance Of 308.81 Feet To A Point On The West Right-Of-Way Of Brookhurst Street, 120 Feet Wide ; Thence South 33° 33' 43" East Along Said West Right-Of-Way Of Brookhurst Street, A Distance Of 418.60 Feet ; Thence South 56° 26' 17" West, A Distance Of 272.86 Feet ; Thence North 33° 33' 43" West Parallel To Said West Right-Of-Way Of Brookhurst Street, A Distance Of 250.53 Feet ; Thence South 89° 24' 10" West, A Distance Of 171.32 Feet To A Point On Said Easterly Right-Of-Way Of Brookhurst Way, 80' Wide ; Thence North 0° 35' 50" West, A Distance Of 292.00 Feet To The " TRUE POINT OF BEGINNING-A."

Containing total of 3.700 acres, more or less.

Parcel B

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

That Portion Of The Southwest Quarter Of The Southwest Quarter Of Section 32, Township 4 South, Range 10 West, In The Rancho Las Bolsas, As Shown On A Map Recorded In Book 51, Page 10 Of Miscellaneous Maps, Records Of Orange County, California, Described As Follows:

Beginning At The Southwest Corner Of The North 5 Acres Of The West Half Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32; Thence North 89° 52' 10" East, Along The South Line Of Said North 5 Acres, A Distance Of 36.49 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide ; Thence South 0° 35' 50" East, Along Said Easterly Right-Of-Way Of Brookhurst Way, A Distance Of 192.00 Feet To The "TRUE POINT OF BEGINNING-B (TPOB-B)" ; Thence North 89° 24' 10" East, A Distance Of 171.32 Feet ; Thence South 33° 33' 43" East Parallel To West Right-Of-Way Of Brookhurst Street, A Distance Of 250.53 Feet ; Thence North 56° 26' 17" East, A Distance Of 272.86 Feet To A Point On The Westerly Right-Of-Way Of Said Brookhurst Street, 120 Feet Wide ; Thence South 33° 33' 43" East Along Said Westerly Right-Of Way Of Brookhurst Street, A Distance Of 494.74 Feet To The Beginning Of A Curve, Concave To The West And Having A Radius Of 740.00 Feet ; Thence Southeasterly Along Said Curve, Through A Central Angle Of 22° 25' 30", An Arc Distance Of 289.63 Feet ; Thence South 39° 46' 16" West, A Distance Of 25.66 Feet To A Point On The Northerly Right-Of-Way Of Garden Grove Blvd., 100 Feet Wide, Thence South 89° 53' 57" West Along Said Northerly Right-Of-Way Of Garden Grove Blvd., A Distance Of 603.69 Feet To A Point On The Westerly Line Of The East Half Of The Southwest Quarter Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32 ; Thence North 0° 24' 30" West Along Said Westerly Line, A Distance Of 229.94 Feet ; Thence South 89° 54' 35" West, A Distance Of 292.91 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide ; Thence North 0° 35' 50" West, A Distance Of 525.89 Feet To The " TRUE POINT OF BEGINNING-B."

Containing total of 10.228 acres, more or less.

ATTACHMENT NO. 8

REGULATORY AGREEMENT

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
Garden Grove Agency for)
Community Development)
11222 Acacia Parkway)
Garden Grove, California 92840)
Attention: Agency Director)
)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT

THIS REGULATORY AGREEMENT (the "Agreement") is entered into as of _____, 2010, by and between the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body corporate and politic (the "Agency"), and **NEW AGE BROOKHURST, LLC.**, a California limited liability company (the "Developer").

RECITALS

A. Developer has acquired from the Agency certain real property located within the City of Garden Grove, as particularly described in the Legal Description attached hereto as Exhibit A, which is incorporated herein by reference (the "Site").

B. Developer desires to construct a multifamily affordable housing development, which will consist of a minimum of one hundred forty (140) units (the "Rental Units"), and to make available and rent not less than one hundred twenty (120) of the Rental Units to Moderate Income Households at Affordable Rent (the "Affordable Rental Units").

C. Developer and Agency have entered into a Disposition and Development Agreement (the "DDA") dated as of _____, 2010. Capitalized terms not defined herein shall have the meaning set forth in the DDA. Subject to the terms and conditions therein, the Developer has agreed to acquire the Site and construct and operate, among other things, the Affordable Rental Units and the Developer has agreed to make available and lease all of the Affordable Rental Units to Persons and Families of Low or Moderate Income, all at an Affordable Rent (as those terms are defined herein). The execution and recording of this Agreement is a requirement of the DDA.

NOW, THEREFORE, the parties hereto agree as follows:

1. Number of Affordable Rental Units. The Developer covenants and agrees to make available, restrict occupancy to, and rent not less than one hundred twenty (120) Affordable Rental Units to Persons and Families of Low or Moderate Income at an Affordable Rent as follows:

(a) _____ (____) of the two (2) bedroom Rental Units in Phase I to Persons and Families of Low or Moderate Income at an Affordable Rent;

(b) _____ (____) of the one (1) bedroom Rental Units in Phase I to Persons and Families of Low or Moderate Income at an Affordable Rent;

(c) _____ (____) of the two (2) bedroom Rental Units in Phase II to Persons and Families of Low or Moderate Income at an Affordable Rent; and

(d) _____ (____) of the one (1) bedroom Rental Units in Phase II to Persons and Families of Low or Moderate Income at an Affordable Rent.

2. **Duration of Affordability Requirements.** The Affordable Rental Units shall be subject to the requirements of this Agreement for fifty-five (55) years from the date of the City's issuance of a certificate of occupancy for the applicable Phase.

3. **Selection of Tenants.** The Developer shall be responsible for the selection of tenants for the Affordable Rental Units in compliance with lawful and reasonable criteria, as set forth in the Regulatory Agreement and the Management Plan which is required to be submitted and approved by the Agency pursuant to Section 403.

4. **Household Income Requirements.** Following the initial lease-up of the Rental Units in each of Phase R-1 and Phase R-2, and annually thereafter, the Developer shall submit to the Agency, at the Developer's expense, a summary of the income, household size and rent payable by each of the tenants of the Rental Units of such Phase. At the Agency's request, the Developer shall also provide to the Agency completed income computation and certification forms, in a form reasonably acceptable to the Agency, for any such tenant or tenants. The Developer shall obtain, or shall cause to be obtained by the Property Manager, a certification from each household leasing a Rental Unit demonstrating that such household is/are Persons and Families of Low or Moderate Income, and meets the eligibility requirements established for the Affordable Rental Unit. The Developer shall verify, or shall cause to be verified by the Property Manager, the income certification of the household.

5. **Affordable Rent.** The maximum Monthly Rent chargeable for the Affordable Rental Units shall be annually determined in accordance with the following requirements. The Monthly Rent for the Affordable Rental Units to be rented to Persons and Families of Low or Moderate Incomes shall not exceed the amount set forth in Section 50093 of the California Health and Safety Code.

For purposes of this Agreement, "Monthly Rent" means the total of monthly payments charged to and paid by tenants for (a) use and occupancy of each Affordable Rental Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Developer which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than the Developer. In the event that all utility charges are paid by the landlord rather than the tenant, no

utility allowance shall be deducted from the rent. "Monthly Rent" does not include optional payments by tenants for optional services provided by the Developer or the Property Manager.

6. **Occupancy Limits**. The maximum occupancy of the Affordable Rental Units shall not exceed more than such number of persons as is equal to the sum of the number of bedrooms in the unit, multiplied by two (2), plus one (1). For the two (2) bedroom units, the maximum occupancy shall not exceed five (5) persons. For the one (1) bedroom unit, the maximum occupancy shall not exceed three (3) persons.

7. **Marketing Program.** The Developer shall prepare and obtain Agency Director's approval, which approval shall not be unreasonably withheld, of a marketing program for the leasing of the Affordable Rental Units within each Phase (the "Marketing Program"). The leasing of the Affordable Rental Units shall be marketed in accordance with the approved Marketing Program as the same may be amended from time to time with Agency Director's prior written approval, which approval shall not unreasonably be withheld. The Developer shall provide the Agency with periodic reports with respect to the leasing of the Affordable Rental Units. The Developer shall be responsible to organize, schedule and coordinate a lottery drawing to select potential tenants for the Affordable Rental Units for initial lease-up only, which shall be open to the public. The lottery shall take place not less than 90 days prior to completion of the applicable Phase of the Affordable Rental Units. Preference in the lottery, so long as not inconsistent with federal and State law (including, without limitation, all fair housing laws, rules and regulations), shall be given as follows:

(1) Any persons who have been displaced from their residences due to programs or projects implemented by the Agency; and

(2) Other households who live or work in Garden Grove.

Subject to all fair housing laws, rules, and regulations, all categories shall receive preference in the order listed. The requirements of this Section 507 shall only apply to the extent that the number of applicants for Affordable Rental Units exceeds the number of Affordable Rental Units available for lease upon initial lease-up.

For the purpose of the lottery drawing, the lottery will be divided by those who have claimed a preference and those who do not. All lottery forms will be drawn and numbered to create a complete list of alternate applications.

The Developer shall provide written notification to lottery participants informing them of the results and their priority number. This priority number represents the order with which prospective tenants will be reviewed for final determination of eligibility. If a household who was selected claimed a preference but could not verify such preference, then that participant will be deemed ineligible and the next selected participant will be notified.

8. **Monitoring and Recordkeeping.** Throughout the Affordability Period, Developer shall comply with all applicable recordkeeping and monitoring requirements set forth in Health and Safety Code Section 33418 and shall annually complete and submit to the Agency a report, prior to January 30th of each year, for the Affordable Rental Units which includes the name, address, income and age of each occupant of a Affordable Rental Unit, the bedroom count and Monthly Rent for such Affordable Rental Unit. Representatives of the Agency shall be entitled to enter the Rental Units, upon at least seventy-two (72) hours prior written notice, to monitor compliance with this

Agreement, to inspect the records, and to conduct an independent audit or inspection of such records. The Developer agrees to cooperate with the Agency in making the Rental Units available for such inspection or audit. The Developer agrees to maintain records in a businesslike manner, and to maintain such records for the term of this Agreement.

9. Successors and Assigns. This Agreement shall run with the land, and all of the terms, covenants and conditions of this Agreement shall be binding upon the Developer and the Agency and the permitted successors and assigns of the Developer and the Agency. Whenever the term "Developer," or "Agency" is used in this Agreement, such term shall include any other successors and assigns as herein provided.

10. No Third Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit of the Agency and its successors and assigns, and Developer and its successors and assigns, and no other person or persons shall have any right of action hereon.

11. Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

12. Governing Law. This Agreement and the documents and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

13. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Developer and the Agency.

14. Definitions. Any word, term or phrase not specifically defined in this Agreement shall have the same meaning as ascribed to it in the DDA.

[Signature block begins on follow page.]

IN WITNESS WHEREOF, the Agency and the Developer have executed this Disposition and Development Agreement to be effective as of the Date of Agreement first set forth above.

AGENCY:

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT,
a public body, corporate and politic

By: _____
Chairman

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:

_____
Stradling Yocca Carlson & Rauth,
Agency General Counsel

DEVELOPER:

NEW AGE BROOKHURST, LLC., a California limited liability company

By: _____

By: _____

ATTACHMENT NO. 9

NOTICE OF AFFORDABILITY RESTRICTION

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
Garden Grove Agency for)
Community Development)
11222 Acacia Parkway)
Garden Grove, California 92840)
Attn: Director)
)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

This NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY (or "Notice of Affordability Restrictions") is executed and recorded pursuant to Section 33334.3(f)(3)(B) of the California Health & Safety Code as amended by AB 987, Chapter 690, Statutes of 2007 (herein, "Chapter 690"), and affects that certain real property generally located at _____ in the City of Garden Grove, California ("City") as legally described in Exhibit A hereto ("Property"). The GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body corporate and politic ("Agency"), and NEW AGE BROOKHURST, LLC. ("Developer") have entered into that certain DISPOSITION AND DEVELOPMENT AGREEMENT dated as of _____, 20___ ("DDA") and have entered into that certain REGULATORY AGREEMENT as of _____, 20____ ("Regulatory Agreement"). Capitalized terms not defined herein shall have the meaning set forth in the DDA.

1. The Regulatory Agreement provides for affordability restrictions and restrictions on the transfer of the Property, as more particularly set forth in the Regulatory Agreement. A copy of the Regulatory Agreement is on file with Agency as a public record and is deemed incorporated herein. Reference is made

to the Regulatory Agreement with regard to the complete text of the provisions of such agreement and all defined terms therein, which provides for affordability restrictions and restrictions on the transfer of the Site.

2. The Regulatory Agreement generally provides for the Developer to construct and operate not less than one twenty (120) Affordable Rental Units for rent to Moderate Income Households at Affordable Rents for a period commencing upon the date on which certificates of occupancy are granted for the Affordable Rental Unit and terminating on the fifty-fifth (55th) anniversary thereof.

3. Section 500 of the DDA provides as follows:

"501. Number of Affordable Rental Units. Pursuant to this Agreement and the Regulatory Agreement, the Developer covenants and agrees to make available, restrict occupancy to, and rent not less than one hundred twenty (120) Affordable Rental Units to Persons and Families of Low or Moderate Income at an Affordable Rent as follows:

(a) Seventy (70) of the one (1) bedroom Rental Units in Phase II to Persons and Families of Low or Moderate Income at an Affordable Rent.

(b) Forty (40) of the two (2) bedroom Rental Units in Phase II to Persons and Families of Low or Moderate Income at an Affordable Rent.

(c) Ten (10) of the three (3) bedroom Rental Units in Phase II to Persons and Families of Low or Moderate Income at an Affordable Rent.

"502. Duration of Affordability Requirements. The Affordable Rental Units shall be subject to the requirements of this Agreement for fifty-five (55) years from the date of the City's issuance of a certificate of occupancy for the applicable Phase (the "Affordability Period").

"503. Selection of Tenants. The Developer shall be responsible for the selection of tenants for the Affordable Rental Units in compliance with lawful and reasonable criteria, as set forth in the Regulatory Agreement and the Management Plan which is required to be submitted and approved by the Agency pursuant to Section 403.

"504. Household Income Requirements. Following the initial lease-up of the Affordable Rental Units in each of Phase I and Phase II, and annually thereafter, the Developer shall submit to the Agency, at the Developer's expense, a summary of the income, household size and rent payable by each of the tenants of the Affordable Rental Units of such Phase. At the Agency's request, the Developer shall also provide to the Agency completed income computation and certification forms, in a form reasonably acceptable to the Agency, for any such tenant or tenants. The Developer shall obtain, or shall cause to be obtained by the Property Manager, a certification from each household leasing a Affordable Rental Unit demonstrating that such household is/are Persons and Families of Low or Moderate Income, and meets the eligibility requirements established for the Affordable Rental Unit. The Developer shall verify, or shall cause to be verified by the Property Manager, the income certification of the household.

"505. Affordable Rent. The maximum Monthly Rent chargeable for the Affordable Rental Units shall be annually determined in accordance with the following requirements. The Monthly Rent for the Affordable Rental Units to be rented to Persons and Families of Low or Moderate Incomes shall not exceed the amount set forth in Section 50093 of the California Health and Safety Code.

For purposes of this Agreement, "Monthly Rent" means the total of monthly payments charged to and paid by tenants for (a) use and occupancy of each Affordable Rental Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Developer which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than the Developer. In the event that all utility charges are paid by the landlord rather than the tenant, no utility allowance shall be deducted from the rent. "Monthly Rent" does not include optional payments by tenants for optional services provided by the Developer or the Property Manager.

"506. Occupancy Limits. The maximum occupancy of the Affordable Rental Units shall not exceed more than such number of persons as is equal to the sum of the number of bedrooms in the unit, multiplied by two (2), plus one (1). For the two (2) bedroom units, the maximum occupancy shall not

exceed five (5) persons. For the one (1) bedroom unit, the maximum occupancy shall not exceed three (3) persons.

"507. Marketing Program. The Developer shall prepare and obtain Agency Director's approval, which approval shall not be unreasonably withheld, of a marketing program for the leasing of the Affordable Rental Units within each Phase (the "Marketing Program"). The leasing of the Affordable Rental Units shall be marketed in accordance with the approved Marketing Program as the same may be amended from time to time with Agency Director's prior written approval, which approval shall not unreasonably be withheld. The Developer shall provide the Agency with periodic reports with respect to the leasing of the Affordable Rental Units. The Developer shall be responsible to organize, schedule and coordinate a lottery drawing to select potential tenants for the Affordable Rental Units for initial lease-up only, which shall be open to the public. The lottery shall take place not less than 90 days prior to completion of the applicable Phase of the Affordable Rental Units. Preference in the lottery, so long as not inconsistent with federal and State law (including, without limitation, all fair housing laws, rules and regulations), shall be given as follows:

(1) Any persons who have been displaced from their residences due to programs or projects implemented by the Agency; and

(2) Other households who live or work in Garden Grove.

Subject to all fair housing laws, rules, and regulations, all categories shall receive preference in the order listed. The requirements of this Section 507 shall only apply to the extent that the number of applicants for Affordable Rental Units exceeds the number of Affordable Rental Units available for lease upon initial lease-up.

For the purpose of the lottery drawing, the lottery will be divided by those who have claimed a preference and those who do not. All lottery forms will be drawn and numbered to create a complete list of alternate applications.

The Developer shall provide written notification to lottery participants informing them of the results and their priority number. This priority number represents the order with which prospective tenants will be reviewed for final determination of eligibility. If a household who was selected claimed a preference but could not verify such preference, then that participant will be deemed ineligible and the next selected participant will be notified.

"508. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall comply with all applicable recordkeeping and monitoring requirements set forth in Health and Safety Code Section 33418 and shall annually complete and submit to the Agency a report, prior to January 30th of each year, for the Affordable Rental Units which includes the name, address, income and age of each occupant of a Affordable Rental Unit, the bedroom count and Monthly Rent for such Affordable Rental Unit. Representatives of the Agency shall be entitled to enter the Rental Units, upon at least seventy-two (72) hours prior written notice, to monitor compliance with this Agreement, to inspect the records, and to conduct an independent audit or inspection of such records. The Developer agrees to cooperate with the Agency in making the Rental Units available for such inspection or audit. The Developer agrees to maintain records in a businesslike manner, and to maintain such records for the term of this Agreement.

"509. Regulatory Agreement and Notice of Affordability Restrictions. The requirements of this Agreement which are applicable to the Affordable Rental Units after the conveyance of the Site to the Developer are set forth in each Regulatory Agreement. Additionally, the Developer shall record a Notice of Affordability Restrictions on Transfer of Property ("Notice of Affordability Restrictions") as to each Phase of the Rental Units, which shall run with the land and shall be enforceable against any owner who violates a covenant or restriction and each successor in interest who continues the violation pursuant thereto. The execution of a Regulatory Agreement and the Developer's execution of a Notice of Affordability Restrictions is a Condition Precedent to the Closing for each Phase, as set forth in Section 205. The Agency shall subordinate this Agreement, each Regulatory Agreement and Notice of Affordability Restrictions to the construction and permanent financing approved pursuant to Section 311.1 by the execution of a subordination agreement in a form determined to be reasonably acceptable to the Executive Director."

[Signature block begins on follow page.]

HOMEBUYER:

By:_____

Printed Name:_____

By:_____

Printed Name:_____

AGENCY:

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT,
a public body, corporate and politic

By: _____
Chairman

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:

_____
Stradling Yocca Carlson & Rauth,
Agency General Counsel

EXHIBIT A EXHIBIT A TO ATTACHMENT 9

LEGAL DESCRIPTION

Parcel A

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

That Portion Of The Southwest Quarter Of The Southwest Quarter Of Section 32, Township 4 South, Range 10 West, In The Rancho Las Bolsas, As Shown On A Map Recorded In Book 51, Page 10 Of Miscellaneous Maps, Records Of Orange County, California, Described As Follows:

Beginning At The Southwest Corner Of The North 5 Acres Of The West Half Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32; Thence North 0° 35' 50" West, Along The West Line Of Said North 5 Acres, A Distance Of 100.00 Feet; Thence North 89° 52' 10" East, Parallel With The South Line Of Said North 5 Acres, A Distance Of 36.14 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide, Said Point Being The "TRUE POINT OF BEGINNING-A (TPOB-A)" ; Thence North 89° 52' 10" East, Parallel With Said South Line Of North 5 Acres, A Distance Of 308.81 Feet To A Point On The West Right-Of-Way Of Brookhurst Street, 120 Feet Wide ; Thence South 33° 33' 43" East Along Said West Right-Of-Way Of Brookhurst Street, A Distance Of 418.60 Feet ; Thence South 56° 26' 17" West, A Distance Of 272.86 Feet ; Thence North 33° 33' 43" West Parallel To Said West Right-Of-Way Of Brookhurst Street, A Distance Of 250.53 Feet ; Thence South 89° 24' 10" West, A Distance Of 171.32 Feet To A Point On Said Easterly Right-Of-Way Of Brookhurst Way, 80' Wide ; Thence North 0° 35' 50" West, A Distance Of 292.00 Feet To The " TRUE POINT OF BEGINNING-A."

Containing total of 3.700 acres, more or less.

Parcel B

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

That Portion Of The Southwest Quarter Of The Southwest Quarter Of Section 32, Township 4 South, Range 10 West, In The Rancho Las Bolsas, As Shown On A Map Recorded In Book 51, Page 10 Of Miscellaneous Maps, Records Of Orange County, California, Described As Follows:

Beginning At The Southwest Corner Of The North 5 Acres Of The West Half Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32; Thence North 89° 52' 10" East, Along The South Line Of Said North 5 Acres, A Distance Of 36.49 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide ; Thence South 0° 35' 50" East, Along Said Easterly Right-Of-Way Of Brookhurst Way, A Distance Of 192.00 Feet To The "TRUE POINT OF BEGINNING-B (TPOB-B)" ; Thence North 89° 24' 10" East, A Distance Of 171.32 Feet ; Thence South 33° 33' 43" East Parallel To West Right-Of-Way Of Brookhurst Street, A Distance Of 250.53 Feet ; Thence North 56° 26' 17" East, A Distance Of 272.86 Feet To A Point On The Westerly Right-Of-Way Of Said Brookhurst Street, 120 Feet Wide ; Thence South 33° 33' 43" East Along Said Westerly Right-Of Way Of Brookhurst Street, A Distance Of 494.74 Feet To The Beginning Of A Curve, Concave To The West And Having A Radius Of 740.00 Feet ; Thence Southeasterly Along Said Curve, Through A Central Angle Of 22° 25' 30", An Arc Distance Of 289.63 Feet ; Thence South 39° 46' 16" West, A Distance Of 25.66 Feet To A Point On The Northerly Right-Of-Way Of Garden Grove Blvd., 100 Feet Wide, Thence South 89° 53' 57" West Along Said Northerly Right-Of-Way Of Garden Grove Blvd., A Distance Of 603.69 Feet To A Point On The Westerly Line Of The East Half Of The Southwest Quarter Of The Southwest Quarter Of The Southwest Quarter Of Said Section 32 ; Thence North 0° 24' 30" West Along Said Westerly Line, A Distance Of 229.94 Feet ; Thence South 89° 54' 35" West, A Distance Of 292.91 Feet To A Point On The Easterly Right-Of-Way Of Brookhurst Way, 80 Feet Wide ; Thence North 0° 35' 50" West, A Distance Of 525.89 Feet To The " TRUE POINT OF BEGINNING-B."

Containing total of 10.228 acres, more or less.

ATTACHMENT NO. 10

OPTION AGREEMENT

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
Garden Grove Agency for)
Community Development)
11222 Acacia Parkway)
Garden Grove, California 92840)
Attn: Executive Director)
)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

OPTION AGREEMENT

This **OPTION AGREEMENT** is entered into as of _____, 200__, by and between the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic (the "Agency"), and **NEW AGE BROOKHURST, LLC.**, a California limited liability company ("Developer").

RECITALS

A. Developer and Agency have executed a Disposition and Development Agreement (the "DDA"), dated as of _____, 2010, pursuant to which Developer has purchased that certain approximately _____ acres of real property in the City of Garden Grove known as the "Brookhurst Triangle," which is bounded by Brookhurst Street on the east, Garden Grove Boulevard on the south, and Brookhurst Way on the northern and western edge, more particularly described in Exhibit "A" attached hereto and incorporated herein (the "["Phase _____ Site"]).

B. Pursuant to Section 505 of the DDA, the Developer has agreed to grant to Agency an option to repurchase the Site or any parcel within the Site upon the occurrence of certain events, as set forth therein.

C. Developer desires to grant to Agency an option to purchase the ["Phase _____ Site"], on the terms and conditions set forth hereinbelow. For purposes of this Option Agreement, ["Phase _____ Site"], shall also be deemed to include any and all improvements located on the real property.

NOW, THEREFORE, in consideration of the foregoing, and the mutual covenants and conditions contained herein, the parties hereto agree as follows:

1. Grant of Option. Developer grants to Agency an option ("Option") to purchase the ["Phase _____ Site"], on the terms and conditions set forth in this Option Agreement. The purchase price payable by Agency to the Developer for the ["Phase _____ Site"], shall be the Purchase Price for the ["Phase _____ Site"], under the DDA, plus the fair market value of the Improvements on the ["Phase _____ Site"], as of the date of the Exercise Notice ("Option Price"). The agreed fair market

value of the Improvements shall be reflected in a memorandum signed by Developer and Agency. In the event Developer and Agency are unable to agree on the fair market value of the Improvements on the ["Phase _____ Site"], within ten (10) days of delivery of the Exercise Notice, the fair market value of the Improvements on the ["Phase _____ Site"], shall be determined by appraisal, as follows: If Developer and Agency cannot agree to the fair market value, each party shall immediately retain, at its expense, an MAI appraiser to appraise the fair market value of the Improvements on the ["Phase _____ Site"]. Each party shall be advised promptly of the appraiser selected by the other, and each shall receive a written and signed copy of the other's appraisal report. The average of the two appraisals of fair market value shall become fair market value; provided, however, if the difference between the two appraisals exceed 10% of the lower appraisal the two appraisers shall immediately select a third MAI appraiser and in the event of their failure to do so, the presiding judge of the Superior Court of Orange County shall upon request of either party appoint the third appraiser. Any valuation then agreed upon by a majority of the three appraisers shall be accepted as final and conclusive between the parties hereto and by any court of competent jurisdiction and shall become the fair market value for the Improvements on the ["Phase _____ Site"]. Should a majority of the three appraisers not be able to agree upon the fair market value, then the average of the three appraisers' reports shall become the fair market value for the ["Phase _____ Site"], or applicable parcel and be binding and conclusive upon the parties. Each party will receive a written and signed copy of the third appraiser's report. The expenses and cost of the third appraiser and any cost incurred to obtain said third appraisal shall be divided equally between Developer and Agency.

2. **Term and Consideration for Option.** The term of the Option ("Option Term") shall commence on the date of this Option Agreement, and shall expire upon the recordation of a Release Of Construction Covenants with respect to the ["Phase _____ Site"].

3. **Exercise of Option.** The Option may be exercised by Agency's delivery to Developer of written notice of such exercise ("Exercise Notice") only upon the occurrence of any of the following defaults of the DDA ("Exercise Events"):

(a) Developer shall fail to start the construction of the Improvements as required by the DDA for a period of ninety (90) days after written notice thereof from the Agency; or

(b) Developer shall abandon or substantially suspend construction of the Improvements required by the DDA for a period of ninety (90) days after written notice thereof from the Agency; or

(c) Developer shall, contrary to the provisions of Section 703 of the DDA, transfer or suffer any involuntary transfer in violation of the DDA, and such transfer has not been approved by the Agency or rescinded within thirty (30) days of notice thereof from Agency to Developer.

In the event that Agency exercises the Option, but the Developer cures the default of the DDA prior to the sale of the ["Phase _____ Site"], or applicable parcel to Agency, Agency's exercise of the Option shall be deemed revoked. The revocation of the exercise of the Option shall not terminate this Option Agreement or preclude Agency from subsequently exercising the Option upon a later occurrence of one or more of the Exercise Events.

4. **Escrow and Completion of Sale.** Within five (5) days after Agency has exercised the Option, or as soon thereafter as reasonably practicable, an escrow shall be opened with an escrow

company mutually acceptable to Agency and Developer for the conveyance of the ["Phase _____ Site"], to Agency. Agency shall deposit the Option Price in escrow not later than one (1) business day prior to the anticipated close of escrow date. Agency's obligation to close escrow shall be subject to Agency's approval of a then-current preliminary title report and, at Agency's option, environmental and other site testing. Any exceptions shown on such preliminary title report created on or after the Developer's acquisition of the ["Phase _____ Site"], shall be removed by Developer at its sole expense prior to the close of escrow pursuant to this Section 4 unless such exception(s) is(are) accepted by Agency in its reasonable discretion; provided, however, that Agency shall accept the following exceptions to title: (i) current taxes not yet delinquent, (ii) matters affecting title existing on the date of Developer's acquisition of the ["Phase _____ Site"], (iii) liens and encumbrances in favor of the City of Garden Grove, and (iv) matters shown as printed exceptions in the standard form ALTA owner's policy of title insurance. The parties shall each be responsible for one-half of the escrow fees, documentary transfer taxes, recording fees and any other costs and expenses of the escrow, and the Developer shall be responsible for the cost of a ALTA owner's policy of title insurance to be provided to the Agency. Agency shall have thirty (30) days after exercise of the Option to enter upon the ["Phase _____ Site"], to conduct any tests, inspections, investigations, or studies of the condition of the ["Phase _____ Site"]. Developer shall permit Agency access to the ["Phase _____ Site"], for such purposes. Agency shall indemnify, defend, and hold harmless Developer and its officers, directors, shareholders, partners, employees, agents, and representatives from and against all claims, liabilities, or damages, and including expert witness fees and reasonable attorney's fees and costs, caused by Agency's activities with respect to or arising out of such testing, inspection, or investigatory activity on the ["Phase _____ Site"]. Escrow shall close promptly after acceptance by Agency of the condition of title and the Physical and Environmental Condition of the ["Phase _____ Site"]. Until the Closing, the terms of the DDA and the documents executed and recorded pursuant thereto shall remain in full force and effect.

5. **Failure to Exercise Option.** If the Option is not exercised in the manner provided in Section 3 above before the expiration of the Option Term, the Option shall terminate. Upon receipt of the written request of Developer, Agency shall cause a quitclaim deed terminating or releasing any and all rights Agency may have to acquire the ["Phase _____ Site"], ("Quitclaim Deed") to be recorded in the Official Records of Orange, California.

6. **Assignment and Nomination.** Agency shall not assign its interest hereunder without the approval of the Developer, which may be given or withheld in Developer's sole and absolute discretion; provided that Agency may nominate another person or entity to acquire the ["Phase _____ Site"], and the identity of such nominee shall not be subject to the approval of the Developer.

7. **Title.** Following the date hereof, except as permitted by the DDA, Developer agrees not to cause, and shall use commercially reasonable efforts not to permit, any lien, easement, encumbrance or other exception to title to be recorded against the ["Phase _____ Site"], without Agency's prior written approval, such approval not to be unreasonably withheld.

8. **Representations and Warranties of Developer.** Developer hereby represents, warrants and covenants to Agency as follows, which representations and warranties shall survive the exercise of the Option and the Close of Escrow:

(a) that this Option Agreement and the other documents to be executed by Developer hereunder, upon execution and delivery thereof by Developer, will have been duly entered into by Developer, and will constitute legal, valid and binding obligations of Developer;

(b) neither this Option Agreement, nor anything provided to be done under this Option Agreement, violates or shall violate any contract, document, understanding, agreement or instrument to which Developer is a party or by which it is bound; and

(c) Developer shall pay, prior to delinquency, any and all real property taxes and assessments which affect the ["Phase _____ Site"].

Developer agrees to indemnify, protect, defend, and hold Agency and the City of Garden Grove harmless from and against any damage, claim, liability, or expense of any kind whatsoever (including, without limitation, reasonable attorneys' fees and fees of expert witnesses) arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of Developer, shall be true and correct on and as of the date of this Option Agreement and on and as of the date of the Close of Escrow.

9. Representations and Warranties of Agency. Agency hereby represents and warrants and covenants to Developer, as follows, which representations and warranties shall survive the Close of Escrow:

(a) that this Option Agreement and the other documents to be executed by Agency hereunder, upon execution and delivery thereof by Agency, will have been duly entered into by Agency, and will constitute legal, valid and binding obligations of Agency, and

(b) neither this Option Agreement, nor anything provided to be done under this Option Agreement, violates or shall violate any contract, document, understanding, agreement or instrument to which Agency is a party or by which it is bound.

Agency agrees to indemnify, protect, defend, and hold Developer and the Site harmless from and against any damage, claim, liability, or expense of any kind whatsoever (including, without limitation, reasonable attorneys' fees and fees of expert witnesses) arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of Agency, and any other representations and warranties of Agency contained elsewhere in this Option Agreement shall be true and correct on and as of the date of this Option Agreement and on and as of the date of the Close of Escrow.

10. General Provisions.

10.1 Paragraph Headings. The paragraph headings used in this Option Agreement are for purposes of convenience only. They shall not be construed to limit or extend the meaning of any part of this Option Agreement.

10.2 Notices. Any notice, demand, approval, consent, or other communication required or desired to be given under this Option Agreement shall be in writing and shall be either personally served, sent by telecopy, mailed in the United States mails, certified, return receipt requested, postage prepaid, or sent by other commercially acceptable means, addressed to the party to be served with the copies indicated below, at the last address given by that party to the other under the provisions of this section. All communications shall be deemed delivered at the earlier of actual receipt, the next business day after deposit with Federal Express or other overnight delivery service or two (2) business days following mailing as aforesaid, or if telecopied, when sent, provided a copy is mailed or delivered as provided herein:

To Developer:	Kam Sang Company, Inc. 411 E. Huntington Drive, Suite 305 Arcadia, California 91006 Attention: Mr. Ronnie Lam
To Agency:	Garden Grove Agency for Community Development 11222 Acacia Parkway Garden Grove, California 92840 Attn: Executive Director
Copy to:	Stradling Yocca Carlson & Rauth 660 Newport Center Drive, Suite 1600 Newport Beach, California 92660 Attention: Thomas P. Clark, Jr.

10.3 Binding Effect. The terms, covenants and conditions of this Option Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and transferees.

10.4 Entire Agreement. This Option Agreement sets forth the entire agreement between the parties hereto respecting the Option, and supersedes all prior negotiations and agreements, written or oral, concerning or relating to the subject matter of this Option Agreement.

10.5 California Law. This Option Agreement shall be governed by the laws of the State of California and any question arising hereunder shall be construed or determined according to such laws.

10.6 Time of the Essence. Time is of the essence of each and every provision of this Option Agreement.

10.7 Counterparts. This Option Agreement may be signed by the parties hereto in duplicate counterparts which together shall constitute one and the same agreement between the parties and shall become effective at such time as both of the parties shall have signed such counterparts.

10.8 Attorneys' Fees. If either party commences an action against the other to enforce any of the terms hereof or because of the breach by either party of any of the terms hereof, the losing party shall pay to the prevailing party reasonable attorneys' fees, costs and expenses incurred in connection with the prosecution or defense of such action, including appeal of and/or enforcement of a judgment.

10.9 Computation of Time. All periods of time referred to in this Option Agreement shall include all Saturdays, Sundays and state or national holidays, unless the period of time is specified as business days (which shall not include Saturdays, Sundays and state or national holidays), provided that if the date or last date to perform any act or give any notice with respect to this Option Agreement shall fall on a Saturday, Sunday or state or national holiday, such act or notice may be timely performed or given on the next succeeding day which is not a Saturday, Sunday or state or national holiday.

10.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the DDA.

IN WITNESS WHEREOF, this Option Agreement is executed by the parties hereto on the date first above written.

DEVELOPER:

NEW AGE BROOKHURST, LLC., a California limited liability company

By: _____

By: _____

AGENCY:

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body, corporate and politic

By: _____

Its: _____

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:

_____
Stradling Yocca Carlson & Rauth
Agency General Counsel

EXHIBIT A TO ATTACHMENT NO. 10
OPTION AGREEMENT

LEGAL DESCRIPTION

Parcel A

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

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Containing total of 3.700 acres, more or less.

Parcel B

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Containing total of 10.228 acres, more or less.

GARDEN GROVE REDEVELOPMENT PROJECT

GARDEN GROVE, CALIFORNIA

SUMMARY REPORT PERTAINING TO THE PROPOSED SALE OF CERTAIN PROPERTY WITHIN THE GARDEN GROVE COMMUNITY PROJECT AREA

California Community Redevelopment Law
Section 33433

PURSUANT TO PROPOSED DISPOSITION AND DEVELOPMENT AGREEMENT
BETWEEN
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
AND
NEW AGE BROOKHURST, LLC

Garden Grove Agency for Community Development
Garden Grove, California

November 2010

KEYSER MARSTON ASSOCIATES

TABLE OF CONTENTS

I. INTRODUCTION

A. Purpose of Report

This Summary Report was prepared in accordance with Section 33433 of the California Community Redevelopment Law in order to inform the Garden Grove Agency for Community Development (Agency) and the public about the proposed transaction between the Agency and New Age Brookhurst, LLC (Developer). The Report describes and specifies:

1. The costs to be incurred by the Agency under the Disposition and Development Agreement (DDA);

2. Estimated value of the interests to be conveyed at the highest and best use permitted under the Redevelopment Plan;

3. The estimated value of the interests to be conveyed at the proposed use and with the conditions, covenants, and development costs required by the sale of the Property;

4. The compensation to be paid to the Agency pursuant to the proposed transaction;

5. An explanation of the difference, if any, between the compensation to be paid to the Agency under the proposed transaction, and the fair market value at the highest and best use consistent with the Redevelopment Plan; and

6. An explanation of why the sale of the Property will assist with the elimination of blight.

B. Summary of Findings

The Agency engaged its economic consultant, Keyser Marston Associates, Inc. (KMA), to analyze the proposed financial terms. KMA reviewed the draft DDA under discussion between the Agency and the Developer as of November 19, 2010 and additional information on project description provided by Agency staff. The KMA conclusions are summarized as follows:

- The estimated costs of the DDA to the Agency total $38,086,000.

- The estimated fair market value of the Phase I Property and Phase II Property (collectively, Property) at its highest and best use is $22,115,000.

- The estimated fair re-use values of the interests to be conveyed are as follows:

    - Phase I Property, proposed as 148 units on 3.70 acres, estimated fair re-use value of *negative* $4,207,000.

    - Phase II Property, proposed as 452 units, 80,000 square feet (SF) of retail, and a possible 100-room hotel on 10.21 acres, estimated fair re-use value of *negative* $12,035,000.

- The estimated value of the compensation to be received by the Agency is $24,000,000 as follows:

    - Phase I Property, $6,000,000

    - Phase II Property, $18,000,000

C. Description of Area and Proposed Project

The site to be developed is a 13.91-acre site (Property) located within the Garden Grove Community Project Area (Project Area). The Property will be developed in two major phases: Phase I and Phase II. Within those two phases, there will be multiple sub-phases to allow for construction and sales/lease-up of residential units.

	Project Description		
	Phase I	**Phase II**	**Total**
Site Size	3.70 Acres	10.21 Acres	13.91 Acres
Number of Units	148 Units	452 Units	600 Units
Retail Space	--	80,000 SF	80,000 SF
Hotel (optional)	--	100 Rooms	100 Rooms

The Property is situated at the northwest corner of Garden Grove Boulevard and Brookhurst Street, and extends west to Brookhurst Way, within the City of Garden Grove. The Property is flat and triangular in shape and partially improved with older commercial buildings.

Proposed Development

The Developer intends to build Center Park, comprised of a total of 600 for-sale and rental residential units; 80,000 SF of retail space; a possible 100-room hotel; wrap and podium parking structures; and 320 surface parking spaces (Project). It is assumed that the residential units will be comprised of one, two, and three bedroom units, as shown below.

	Unit Mix by Phase			
	Phase I		Phase II	
	For-Sale	Rental	For-Sale	Rental
One Bedroom	37 Units	--	63 Units	110 Units
Two Bedroom	92 Units	--	156 Units	70 Units
Three Bedroom	19 Units	--	33 Units	20 Units
Total	148 Units	--	252 Units	200 Units

D. Proposed Transaction Terms

This section summarizes the salient aspects contained in the DDA between the Agency and Developer as of November 19, 2010 and additional information on project description provided by Agency staff.

- The Agency will convey the Property to the Developer for $24,000,000, as follows:
  - Phase I Property, $6,000,000
  - Phase II Property, $24,400,000. If the Developer chooses to restrict an additional 60 units (for a total of 120 Affordable Units), the Agency will pay $6,400,000 in housing set-aside funds to the Developer, resulting in an effective purchase price to the Agency of $18,000,000.
- The Agency will have cleared the Property and relocated all tenants and occupants prior to conveyance for each phase.
- The Developer will acquire the necessary land use approvals for construction and operation of the Project.

- The Developer will construct a total of 600 residential units as follows:
    - 540 market-rate residential units (Market-Rate Units)
    - A minimum of 60 residential units, affordable to moderate-income households earning between 81% and 120% of Area Median Income (AMI) (Affordable Units). At the Developer's discretion, the number of Affordable Units may be increased to 120 units.
- The Developer may elect to develop a hotel component (Hotel) in Phase II. The Hotel will include a minimum of 100 guest rooms and be a limited-select service hotel.
- The Affordable Units will remain affordable for a term of 55 years.
- The Phase I Property must have a closing date no later than December 1, 2011.
- The Phase II Property must have a closing date the earlier of:
    - September 1, 2013, or
    - 720 days after the closing of the Phase I Property

II. COSTS OF THE DDA TO THE AGENCY

The estimated costs of the DDA to the Agency total $38,086,000, and include the following items:

Agency Costs (1)	**Amount**
Site Acquisition	$32,073,000
Acquisition-Related Costs (2)	$973,000
Other Agency Third Party Costs (3)	$52,000
Agency Contribution toward Phase II Affordable Units	$6,400,000
Subtotal Total Agency Costs	$39,498,000
(Less) Estimated Income from Interim Leases	
Phase I	($0)
Phase II	($1,412,000)
Net Agency Costs	**$38,086,000**

(1) Per Agency.
(2) Reflects costs such as remediation, demolition, and relocation.
(3) Reflects legal and economic consultants.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED AT THE HIGHEST AND BEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN

This section presents an analysis of the fair market value of the Property at its highest and best use.

In appraisal terminology, the highest and best use is that use of the Property that generates the highest property value and is physically possible, financially feasible, and legally permitted. Therefore, value at highest and best use is based solely on the value created and not on whether or not that use carries out the redevelopment goals and policies for the City of Garden Grove. By definition, the highest and best use is that use which is physically possible, financially feasible, and legally permitted. The Property is zoned for a high density mixed-use commercial/residential development [PUD (C) and C-2].

In order to determine the fair market value of the Property, KMA first reviewed the appraisal prepared for the Agency by Lidgard and Associates, Inc. (Lidgard) with a date of value of October 29, 2010. The appraisal states that the Property's optimal utility is for a mixed-use development with residential and commercial uses. Lidgard relied on the comparable sales approach to value, with a conclusion of value for the Property of $22,115,000, or $36 per SF of land.

In addition, KMA undertook its own independent review of selected land sales in the City of Garden Grove and surrounding communities. Table A-1 summarizes the KMA review of land sales. The KMA survey focused on sales of sites for the time period from July 2008 to the present. As shown in the table, sales prices ranged from $15 to $57 per SF of land. The surveyed comparable sales varied in terms of location, intended use, and prevailing market conditions at time of sale. However, the median and average sales prices were $37 and $36 per SF of land, respectively, i.e., essentially the same as the Lidgard finding of value for the Property.

KMA concludes that the fair market value of the Property at its highest and best use is $22,115,000, or $36 per SF of land.

IV. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED AT THE USE AND WITH THE CONDITIONS, COVENANTS, AND DEVELOPMENT COSTS REQUIRED BY THE SALE OF THE PROPERTY

This section explains the principal conditions and covenants which the Developer of the Property must meet in order to comply with the Redevelopment Plan. The DDA contains specific covenants and conditions designed to ensure that the conveyance of the Property will be carried out in a manner to achieve the Agency's objectives, standards, and criteria under the Redevelopment Plan. Based on a detailed financial feasibility analysis of the Project, KMA concludes that the fair re-use value of the Property is as follows:

- Phase I Property, estimated fair re-use value of *negative* $4,207,000
- Phase II Property, estimated fair re-use value of *negative* $12,035,000.

KMA estimated the re-use value of the Property based on the anticipated income characteristics of the proposed Project. Re-use value is defined as the highest price in terms of cash or its equivalent which a property or development right is expected to bring for a specified use in a competitive open market, subject to the covenants, conditions, and restrictions imposed by the DDA.

KMA reviewed and analyzed the financial pro forma submitted by the Developer for the Project. KMA then prepared an independent financial pro forma analyses for the Project using inputs and assumptions consistent with our experience with comparable projects and industry standards in Southern California. Appendices B and C present the KMA pro forma analyses for Phase I and Phase II of the Project, respectively.

Estimated Development Costs

KMA estimated total development costs excluding development of the hotel and acquisition for all components of the Project except the hotel. The Developer has the option to construct a limited-select service hotel on the Phase II Property. The KMA analysis of supportable land value for the hotel component is presented at the end of this section.

The estimated development costs for the Project are broken out as follows:

	Development Costs	
	Phase I	Phase II
Direct Costs	$35,591,000	$108,801,000
Indirect Costs	$8,507,000	$24,187,000
Financing Costs	$2,985,000	$8,826,000
Total Development Costs (1)	$47,083,000	$141,814,000

(1) Excludes hotel development costs and acquisition costs.

Total development costs are estimated to be $47,083,000, or $254 per SF gross building area (GBA) for Phase I, and $141,814,000, or $245 per SF GBA for Phase II. These include the following:

- Direct construction costs consist of such items as off- and on-site improvements, parking, shell construction, tenant improvements, and contingency. The estimated direct construction costs total $35,591,000, or $192 per SF GBA, and $108,801,000, or $188 per SF GBA, for Phase I and Phase II, respectively. These cost estimates assume that the Developer will not be required to pay prevailing wages.

- Indirect costs consist of architecture and engineering, permits and fees, legal and accounting, taxes and insurance, developer fee, marketing/sales/lease-up, and contingency. Phase I and Phase II have estimated indirect costs of 24% and 22% of direct costs, respectively.

- Financing costs consist of such items as loan fees, interest during construction and sales, and homeowner association dues on unsold units. These items are estimated at 8% of direct costs for both Phase I and Phase II.

Gross Sales Proceeds

The following table summarizes the anticipated gross sales proceeds of the Project by phase and component.

	Valuation Factors	Phase I	Phase II
Residential – For-Sale	Average Sales Price: $320/SF	$50,442,000	$85,848,000
Residential – Rental	Average Rent: $1.94/SF	--	$35,600,000
Retail	Average Rent: $2.50/SF (NNN)	--	$28,880,000
Total Gross Sales Proceeds		$50,442,000	$150,328,000

Residual Land Value

The following table delineates the residual land value calculation on a per-phase basis. KMA has allowed factors for cost of sale and target developer profit of 3.0% and 12.0% of gross sales proceeds, respectively.

	Residual Land Value	
	Phase I	Phase II
Gross Sales Proceeds	$50,442,000	$150,328,000
(Less) Cost of Sale/Target Profit	($7,566,000)	($22,549,000)
Supportable Investment	$42,876,000	$127,779,000
(Less) Development Costs (1)	($47,083,000)	($141,814,000)
Residual Land Value	($4,207,000)	($14,035,000)
Add: Hotel Component	--	$2,000,000
Adjusted Residual Land Value	($4,207,000)	($12,035,000)

(1) Excludes hotel development costs and acquisition costs.

KMA also prepared an estimate of supportable land value for the hotel component. The Developer has the option to construct a 100-room limited-select service hotel on the Phase II Property. KMA surveyed comparable land sales for proposed hotel developments in Southern California from January 2008 to present. Based on this review of surveyed comparables, as well as KMA experience with comparable developments, KMA estimates a supportable land value for the potential hotel on the

order of $20,000 per room. This equates to a total land value of $2,000,000 for the 100-room hotel. This land value partially offsets the negative residual land value from the balance of the Phase II development.

Conclusion

Based on the foregoing analysis, KMA concludes that the fair re-use values for the respective phases are as follows:

- Phase I Property, *negative* $4,207,000.
- Phase II Property, *negative* $12,035,000.

V. THE COMPENSATION WHICH THE DEVELOPER WILL BE REQUIRED TO PAY

The estimated value of the compensation to be received by the Agency for the Property is $24,000,000, as follows:

- Phase I Property, $6,000,000

- Phase II Property, $24,400,000. If the Developer chooses to restrict an additional 60 units (for a total of 120 Affordable Units), the Agency will pay $6,400,000 in housing set-aside funds to the Developer, resulting in an effective purchase price to the Agency of $18,000,000.

VI. EXPLANATION OF THE DIFFERENCE, IF ANY, BETWEEN THE COMPENSATION TO BE PAID TO THE AGENCY BY THE PROPOSED TRANSACTION AND THE FAIR MARKET VALUE OF THE INTERESTS TO BE CONVEYED AT THE HIGHEST AND BEST USE CONSISTENT WITH THE REDEVELOPMENT PLAN

The estimated fair market value of the interests to be conveyed at their highest and best use is $22,115,000.

The compensation to be paid to the Agency is $24,000,000.

The compensation to be paid to the Agency exceeds the fair market value at highest and best use.

VII. EXPLANATION OF WHY THE SALE OF THE PROPERTY WILL ASSIST WITH THE ELIMINATION OF BLIGHT

The Redevelopment Plan (Plan) for the Garden Grove Community Project Area governs the Property. In accordance with Section 33490 of the California Community Redevelopment Law, the Plan contains the goals and objectives and the projects and expenditures proposed to eliminate blight within the Project Area. Implementation of the DDA can be expected to assist in the alleviation of blighting conditions through the following:

- Eliminate blighting influences including deteriorating buildings, uneconomic land uses, obsolete structures, and other environmental, economic and social deficiencies.

- Encourage private sector investment in development in the Project Area.

- Provide housing to satisfy the needs and desires of various age, income, and ethnic groups of the community, maximizing the opportunity for individual choice.

VIII. LIMITING CONDITIONS

The estimates of re-use and fair market value at the highest and best use contained in this Summary Report assume compliance with the following assumptions:

1. There are no known soil or subsoil problems, including toxic or hazardous conditions on the Property that need to be remediated in order to develop the Property.

2. The ultimate development will not vary significantly from that assumed in this Report.

3. The title of the Property is good and marketable; no title search has been made, nor have we attempted to determine the ownership of the property. The value estimates are given without regard to any questions of title, boundaries, encumbrances, liens or encroachments. It is assumed that all assessments, if any are paid.

4. The Property will be in conformance with the applicable zoning and building ordinances.

5. Information provided by such local sources as governmental agencies, financial institutions, realtors, buyers, sellers, and others was considered in light of its source, and checked by secondary means.

6. If an unforeseen change occurs in the economy, the conclusions herein may no longer be valid.

7. The Project will adhere to the schedule of performance described in the DDA.

8. Both parties are well informed and well advised and each is acting prudently in what he/she considers his/her own best interest.

attachments

Appendix A

RESIDENTIAL AND COMMERCIAL LAND COMPARABLES

Center Park

Garden Grove Agency for Community Development

TABLE A-1

RESIDENTIAL AND COMMERCIAL LAND SALES COMPARABLES IN CENTRAL ORANGE COUNTY (1)
CENTURY VILLAGE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

Sale Date	Address	City	Sale Price	Site Area Acres	Site Area $/SF	Land Improvements	Intended Use
07/23/10	3321 Fairview Street	Santa Ana	$5,700,000	4.67	$28	Industrial building	Single family development
06/15/10	520 S. Harbor Blvd.	Santa Ana	$1,500,000	2.28	$15	N/A	Hold for development
01/19/10	9491 Edinger Ave.	Westminister	$1,200,000	0.52	$53	N/A	Commercial
11/04/09	320 W. 4th Street	Santa Ana	$150,000	0.09	$37	Previously developed	Retail, office
09/10/09	1580 E. Warner Ave.	Santa Ana	$2,259,279	2.82	$18	Previously developed	Commercial
08/26/09	9051 Katella Ave.	Anaheim	$2,250,000	1.12	$46	Asphalt paved lot	Auto repair
05/13/09	208 E. Walnut St.	Santa Ana	$350,000	0.25	$32	Previously developed	Hold for development
02/13/09	1680 Lincoln Ave.	Anaheim	$1,185,000	0.48	$57	N/A	Retail
02/11/09	1225 W. Center St.	Anaheim	$550,000	0.69	$18	N/A	N/A
12/19/08	2629 E. Chapman Ave.	Orange	$3,500,000	2.20	$37	Previously developed	Medical
08/28/08	322 N. Harbor Blvd.	Santa Ana	$750,000	0.34	$50	N/A	N/A
		Minimum	$150,000	0.09	$15		
		Maximum	$5,700,000	4.67	$57		
		Median	$1,200,000	0.69	$37		
		Average	$1,763,116	1.41	$36		

(1) Reflects sales from July 2008 to present.

Source: CoStar Comps, Inc.
Prepared by: Keyser Marston Associates, Inc.
Filename: i:Garden Grove\Appendix A_ 2010_Center Park_Re-Use Comps;11/19/2010;rks

Appendix B

FINANCIAL PRO FORMA ANALYSIS

Center Park - Phase I

Garden Grove Agency for Community Development

TABLE B-1

PROJECT DESCRIPTION
CENTER PARK
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

I. Site Area	3.70 Acres		
II. Gross Building Area			
Net Residential Area	157,400 SF	85%	
Common Area/Circulation	28,000 SF	15%	
Total Gross Building Area (GBA)	185,400 SF	100%	
III. Unit Mix - For-Sale	Number of Units		Unit Size
One Bedroom	37 Units	25%	800 SF
Two Bedroom	92 Units	62%	1,100 SF
Three Bedroom	19 Units	13%	1,400 SF
Total/Average	148 Units	100%	1,064 SF
IV. Parking			
Structured Parking	259 Spaces		1.8 Spaces/Unit
Surface Parking	0 Spaces		
Total Number of Spaces	259 Spaces		

Prepared by: Keyser Marston Associates, Inc.
Filename: i:Garden Grove\Appendix B_2010_Center Park_Re-Use_Phase I;11/19/2010;rks

TABLE B-2

ESTIMATED DEVELOPMENT COSTS
CENTER PARK
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

	Totals	Per Unit	Comments
I. Direct Costs (1)			
Off-Site Improvements (2)	$484,000	$3,270	$3 Per SF Site
On-Sites/Landscaping	$1,612,000	$10,892	$10 Per SF Site
Parking	$6,475,000	$43,750	$25,000 Per Structured Space
Shell Construction	$25,029,000	$169,115	$135 Per SF GBA
FF&E/Amenities	$296,000	$2,000	Allowance
Contingency	$1,695,000	$11,453	5.0% of Directs
Total Direct Costs	$35,591,000	$240,480	$192 Per SF GBA
II. Indirect Costs			
Architecture & Engineering	$1,424,000	$9,622	4.0% of Directs
Permits & Fees (2)	$2,220,000	$15,000	$12 Per SF GBA
Legal & Accounting	$534,000	$3,608	1.5% of Directs
Taxes & Insurance	$1,500,000	$10,135	Allowance
Developer Fee	$1,068,000	$7,216	3.0% of Directs
Marketing/Sales	$1,513,000	$10,223	3.0% of Value
Contingency	$248,000	$1,676	3.0% of Indirects
Total Indirect Costs	$8,507,000	$57,480	23.9% of Directs
III. Financing Costs			
Loan Fees	$530,000	$3,581	1.5% of Directs
Interest During Construction	$1,907,000	$12,885	5.4% of Directs
Interest During Sales	$424,000	$2,865	1.2% of Directs
HOA Dues on Unsold Units	$124,000	$838	0.3% of Directs
Total Financing Costs	$2,985,000	$20,169	8.4% of Directs
IV. Total Development Costs	**$47,083,000**	**$318,128**	**$254 Per SF GBA**

(1) Does not assume payment of prevailing wages.
(2) Estimate. Not verified by KMA or City.

Prepared by: Keyser Marston Associates, Inc.
Filename: i:Garden GroveAppendix B_2010_Center Park_Re-Use_Phase I;11/19/2010;rks

TABLE B-3

NET SALES PROCEEDS / RESIDUAL LAND VALUE
CENTER PARK
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

	Unit Size	# of Units	$/SF	Purchase Price	Total Sales
I. Residential Sales Proceeds					
One Bedroom	800 SF	37	$365	$292,000	$10,804,000
Two Bedroom	1,100 SF	92	$315	$347,000	$31,924,000
Three Bedroom	1,400 SF	19	$290	$406,000	$7,714,000
Total/Average	1,064 SF	148	$320	$340,824	$50,442,000
(Less) Cost of Sale			3.0% of Value		($1,513,000)
(Less) Developer Profit			12.0% of Value		($6,053,000)
Net Sales Proceeds					**$42,876,000**

II. Residual Land Value

Net Sales Proceeds	$42,876,000
(Less) Development Costs	($47,083,000)
Residual Land Value	**($4,207,000)**

Prepared by: Keyser Marston Associates, Inc.
Filename i:garden grove\Appendix B_2010_Center Park_Re-Use_Phase I;11/19/2010;rks

Appendix C

FINANCIAL PRO FORMA ANALYSIS

Center Park - Phase II

Garden Grove Agency for Community Development

TABLE C-1

PROJECT DESCRIPTION
CENTER PARK
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

I. Site Area	10.21 Acres		
II. Gross Building Area			
Net Residential - For-Sale	268,200 SF	54%	
Net Residential - Rental	156,500 SF	31%	
Common Area/Circulation	75,000 SF	15%	
Total Residential Building Area	499,700 SF	100%	
Add: Retail	80,000 SF		
Total Gross Building Area (GBA)	579,700 SF		

III. Unit Mix - For-Sale	Number of Units		Unit Size
One Bedroom	63 Units	25%	800 SF
Two Bedroom	156 Units	62%	1,100 SF
Three Bedroom	33 Units	13%	1,400 SF
Total/Average	252 Units	100%	1,064 SF

IV. Unit Mix - Rental	Number of Units		Unit Size
One Bedroom	110 Units	55%	650 SF
Two Bedroom	70 Units	35%	900 SF
Three Bedroom	20 Units	10%	1,100 SF
Total/Average	200 Units	100%	783 SF

V. Total Residential Units	452 Units	940 SF

VI. Parking		
Structured Parking	731 Spaces	1.6 Spaces/Unit
Surface Parking	320 Spaces	4.0 Spaces/1,000 SF
Total Number of Spaces	1,051 Spaces	

TABLE C-2

ESTIMATED DEVELOPMENT COSTS
CENTER PARK
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

	Totals	Per Unit	Comments
I. Direct Costs (1)			
Off-Site Improvements	$1,334,000	$2,951	$3 Per SF Site
On-Sites/Landscaping	$4,447,000	$9,838	$10 Per SF Site
Parking	$18,275,000	$40,431	$25,000 Per Structured Space
Shell Construction - Residential	$67,460,000	$149,248	$135 Per SF GBA - Res.
Shell Construction - Retail	$8,800,000	$19,469	$110 Per SF Retail
Tenant Improvements	$2,400,000	$5,310	$30 Per SF Retail
FF&E/Amenities	$904,000	$2,000	Allowance
Contingency	$5,181,000	$11,462	5.0% of Directs
Total Direct Costs	$108,801,000	$240,710	$188 Per SF GBA
II. Indirect Costs			
Architecture & Engineering	$4,352,000	$9,628	4.0% of Directs
Permits & Fees (2)	$7,060,000	$15,619	$12 Per SF GBA
Legal & Accounting	$1,632,000	$3,611	1.5% of Directs
Taxes & Insurance	$4,000,000	$8,850	Allowance
Developer Fee	$3,264,000	$7,221	3.0% of Directs
Marketing/Sales	$2,575,000	$5,697	3.0% of Value
Marketing/Lease-Up - Rental	$200,000	$442	$1,000 Per Unit - Rental
Marketing/Lease-Up - Retail	$400,000	$885	$5 Per SF Retail
Contingency	$704,000	$1,558	3.0% of Indirects
Total Indirect Costs	$24,187,000	$53,511	22.2% of Directs
III. Financing Costs			
Loan Fees	$1,595,000	$3,529	1.5% of Directs
Interest During Construction	$5,743,000	$12,706	5.3% of Directs
Interest During Lease-Up/Sales	$1,276,000	$2,823	1.2% of Directs
HOA Dues on Unsold Units	$212,000	$469	0.2% of Directs
Total Financing Costs	$8,826,000	$19,527	8.1% of Directs
IV. Total Development Costs	**$141,814,000**	**$313,748**	**$245 Per SF GBA**

(1) Does not assume payment of prevailing wages.
(2) Estimate. Not verified by KMA or City.

Prepared by: Keyser Marston Associates, Inc.
Filename: i:Garden GroveAppendix C_2010_Center Park_Re-Use_Phase II;11/19/2010;rks

TABLE C-3

NET SALES PROCEEDS - FOR-SALE - MARKET-RATE
CENTER PARK
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

	Unit Size	# of Units	$/SF	Purchase Price	Total Sales
I. Residential Sales Proceeds					
One Bedroom	800 SF	63	$365	$292,000	$18,396,000
Two Bedroom	1,100 SF	156	$315	$346,500	$54,054,000
Three Bedroom	1,400 SF	33	$290	$406,000	$13,398,000
Total/Average	1,064 SF	252	$320	$340,667	$85,848,000
(Less) Cost of Sale			3.0% of Value		($2,575,000)
(Less) Developer Profit			12.0% of Value		($10,302,000)
Net Sales Proceeds					**$72,971,000**

Prepared by: Keyser Marston Associates, Inc.
Filename i:garden grove\Appendix C_2010_Center Park_Re-Use_Phase II;11/19/2010;rks

TABLE C-4

NET SALES PROCEEDS - RENTAL
CENTER PARK
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

	Average Unit Size	# of Units	$/SF	$/Month	Total Annual
I. Gross Scheduled Income					
One Bedroom at 110% AMI (1)	650 SF	70	$2.00	$1,300	$1,092,000
One Bedroom at Market-Rate	650 SF	40	$2.00	$1,300	$624,000
Two Bedroom at 110% AMI (1)	900 SF	40	$1.90	$1,710	$821,000
Two Bedroom at Market-Rate	900 SF	30	$1.90	$1,710	$616,000
Three Bedroom at 110% AMI (1)	1,100 SF	10	$1.85	$2,035	$244,000
Three Bedroom at Market-Rate	1,100 SF	10	$1.85	$2,035	$244,000
Total/Average	783 SF	200	$1.94	$1,517	$3,641,000
Add: Other Income			$25 /Unit/Month		$60,000
Total Gross Scheduled Income (GSI)					$3,701,000
(Less) Vacancy @			5.0% of GSI		($185,000)
Effective Gross Income (EGI)					$3,516,000
II. Operating Expenses					
(Less) Operating Expenses			$4,500 /Unit/Year		($900,000)
(Less) Property Taxes			$2,050 /Unit/Year		($409,000) (2)
(Less) Replacement Reserves			$350 /Unit/Year		($70,000)
Total Expenses			$6,900 /Unit/Year 39.2% of EGI		($1,379,000)
III. Net Operating Income					**$2,137,000**
IV. Net Sales Proceeds - Rental					
Net Operating Income					$2,137,000
Capitalized Value @			6.0% Cap Rate		$35,617,000
(Less) Cost of Sale			3.0% of Value		($1,069,000)
(Less) Target Developer Profit			12.0% of Value		($4,274,000)
Net Sales Proceeds - Rental					**$30,274,000**

(1) Units will be restricted to moderate-income households [households earning between 81% and 120% of Area Median Income (AMI) and affordable at 110% of AMI]. Affordable rents have been adjusted downward to reflect current market rents.

(2) Based on capitalized income approach; assumes a 1.15% tax rate and 6.0% cap rate.

Prepared by: Keyser Marston Associates, Inc.
Filename i:\Garden Grove\Appendix C_2010_Center Park_Re-Use_Phase II;11/19/2010;rks

TABLE C-5

NET SALES PROCEEDS - RETAIL
CENTER PARK
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

		Rent/SF	Annual
I. Gross Scheduled Income (GSI)			
Retail Space (NNN)	80,000 SF	$2.50	$2,400,000
II. Effective Gross Income (EGI)			
(Less) Vacancy		5.0% of GSI	($120,000)
Total Effective Gross Income (EGI)			$2,280,000
III. Expenses			
(Less) Unreimbursed Expenses		5.0% of EGI	($114,000)
IV. Net Operating Income (NOI) - Retail			**$2,166,000**
V. Net Sales Proceeds - Retail			
Net Operating Income			$2,166,000
Capitalized Value @		7.5% Cap Rate	$28,880,000
(Less) Cost of Sale		3.0% of Value	($866,000)
(Less) Target Developer Profit		12.0% of Value	($3,466,000)
Net Sales Proceeds - Retail			**$24,548,000**

Prepared by: Keyser Marston Associates, Inc.
Filename: i:\Garden Grove\Appendix C_2010_Center Park_Re-Use_Phase II;11/19/2010;rks

TABLE C-6

RESIDUAL LAND VALUE
CENTER PARK
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

I. Supportable Investment	
Net Sales Proceeds - For-Sale	$72,971,000
Net Sales Proceeds - Rental	$30,274,000
Net Sales Proceeds - Retail	$24,548,000
Net Sales Proceeds - Hotel (1)	$2,000,000
Total Supportable Investment	$129,793,000
II. (Less) Development Costs	($141,814,000)
III. Residual Land Value	**($12,021,000)**

(1) Estimate of supportable land value based on $20,000/room for a 100-room limited-service hotel.

Prepared by: Keyser Marston Associates, Inc.
Filename: i:garden grove\Appendix C_2010_Center Park_Re-Use_Phase II;11/19/2010;rks