

CITY OF GARDEN GROVE

INTER-DEPARTMENT MEMORANDUM

Garden Grove Housing Authority

To: Matthew Fertal From: Economic Development

Dept: Director

Subject: ASSIGNMENT, ASSUMPTION, Date: May 22, 2012
RELEASE, AND CONSENT
AGREEMENT BETWEEN DALE
APARTMENTS, LLC AND MAX & MIN
PROPERTIES, LLC FOR THE
AFFORDABLE HOUSING PROJECT
LOCATED AT 12632 DALE STREET
GARDEN GROVE.

OBJECTIVE

To consider an Assignment, Assumption, Release, and Consent Agreement (Attachment) by and among the City of Garden Grove, the Garden Grove Housing Authority ("Housing Authority"), Dale Apartments, LLC ("Seller") and Max & Min Properties, LLC ("Buyer") for the affordable housing project located at 12632 Dale Street, Garden Grove.

BACKGROUND

On January 12, 2010, the Garden Grove Agency for Community Development (Agency) and Dale Apartments, LLC, entered into an Affordable Housing Agreement (AHA) for the Agency's purchase of low-income affordability covenants on six (6) units in the twenty-five (25) unit apartment building located at 12632 Dale Street, Garden Grove. Pursuant to the AHA, the units will be covenanted until the year 2065 and are secured by a \$200,000 Deed of Trust that was recorded against the title of the property. Pursuant to California State Assembly Bill x1 26, the Housing Authority adopted a resolution electing to assume the former Garden Grove Agency for Community Development's affordable housing assets and functions on January 24, 2012, including the AHA and Deed of Trust. The assumption and transfer of affordable housing assets and functions was confirmed by action of the Oversight Board to the Successor Agency on March 28, 2012 by Resolution No. 2-12.

DISCUSSION

The Buyer and Seller are currently in escrow for the sale of the property and have requested that the Housing Authority enter into an Assignment, Assumption, Release, and Consent Agreement with the Buyer and Seller to transfer the AHA, covenants, and the Deed of Trust to the Buyer. The Buyer's experience owning and operating multifamily rental buildings began in 2010 with the purchase a mixed-use building in downtown Long Beach consisting of 16 housing units and 2 retail units. The Buyer's preferred property management company, which will operate the

property after the close of escrow, is AMPAC Management, Inc., a company with over 26 years of experience providing property management services. AMPAC Management has managed government subsidized housing units since 1988.

FINANCIAL IMPACT

None.

RECOMMENDATION

Staff recommends that the Authority:

- Approve the Assignment, Assumption, Release, and Consent Agreement for the affordable housing project with Dale Apartments, LLC and Max & Min Properties, LLC for the property located at 12632 Dale Street, Garden Grove, and any related documents on behalf of the Housing Authority, including any minor modifications as appropriate.



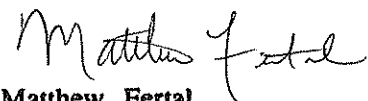
JIM DELLALONGA
Administrative Officer



By: Kathleen McCall Angel
Economic Development Specialist

Attachment: Assignment, Assumption, Release and Consent Agreement

Recommended for Approval



Matthew Feral
Director

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attn: Community Development Director

(Space above for Recorder's use)
(Exempt from Recording Fee Per Gov. Code § 27383)

ASSIGNMENT, ASSUMPTION, RELEASE, AND CONSENT AGREEMENT

This **ASSIGNMENT, ASSUMPTION, RELEASE, AND CONSENT AGREEMENT** ("Assignment/Assumption Agreement"), is made as of _____, 2012, by and among the **CITY OF GARDEN GROVE**, a California municipal corporation ("City"), the **GARDEN GROVE HOUSING AUTHORITY**, a body corporate and politic ("Authority"), **DALE APARTMENTS, LLC**, a California limited liability company ("Seller"), and **MAX & MIN PROPERTIES, LLC**, a California limited liability company ("Buyer"). All capitalized terms not defined herein shall have the meanings established therefor under the AHA (defined below).

WITNESSETH

A. The City of Garden Grove Acting as Successor Agency to the Garden Grove Agency for Community Development became the "Successor Agency" to the Garden Grove Agency for Community Development, a dissolved community redevelopment agency and former public body corporate and politic ("Agency"), pursuant to Assembly Bill x1 26 that adds Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code commencing with Section 34161, *et seq.* ("Dissolution Act"). Pursuant to Section 34176 of the Dissolution Act, on January 24, 2012 the Authority adopted a resolution by which the Authority elected to assume the housing assets and functions of the former Agency that occurred by operation of law on and as of February 1, 2012 and pursuant to Section 34181 and such assumption and transfer was confirmed by action of the Oversight Board to the Successor Agency on March 28, 2012 by Resolution No. 2-12; thereby, the Authority became the legal owner and holder of the former Agency's housing assets, including without limitation those Dale Agreements (as defined below) to which the former Agency was a party.

B. Seller is the owner in fee of approximately 38,629 square feet of real property in the City of Garden Grove, generally located at 12632 Dale Street, Garden Grove, California, Assessor's Parcel Number 215-091-26, as more particularly described in the Legal Description attached hereto as Exhibit "A" and incorporated herein by reference ("Site").

C. Seller has developed and currently operates an apartment complex on the Site ("Project") consisting of twenty-five (25) apartment units (each, a "Housing Unit").

D. The Project is subject to that certain Density Bonus Housing Agreement (“City Agreement”) between Seller and the City dated as of January 12, 2010 and recorded against the Site in the Official Records of Orange County, California on January 20, 2010 as Instrument No. 2010-000028888. The City Agreement requires Seller to make available, restrict occupancy to, and rent six (6) of the Housing Units to Lower Income Households at an Affordable Rent for a term of not less than thirty (30) years. A copy of the City Agreement is attached hereto as Exhibit “B”.

E. Seller entered into that certain Affordable Housing Agreement, dated as of January 12, 2010, (“AHA”) with the former Agency. The AHA provided for (i) the extension of a loan by the Agency to Seller, (ii) a requirement that the Seller restrict the use, operation, rental, and occupancy of six (6) of the Housing Units at the Project to Lower Income Households paying an Affordable Rent throughout the Affordability Period, and (iii) other matters. A copy of the AHA is attached hereto as Exhibit “C”.

F. Pursuant to the AHA and the documents and instruments referenced therein, the Seller executed a promissory note (“Note”) in the original principal amount of Two Hundred Thousand Dollars (\$200,000.00). A copy of the Note is attached hereto as Exhibit “D”. The Note is secured by that certain Deed of Trust with Assignment of Rents (“Deed of Trust”) recorded against the Site in the Official Records, County of Orange, State of California as Instrument No. 2010-000292596 on June 22, 2010. A copy of the Deed of Trust is attached hereto as Exhibit “E”.

G. The Site is subject to that certain Regulatory Agreement recorded against the Site in the Official Records, County of Orange, State of California as Instrument No. 2010-000292594 on June 22, 2010 (“Regulatory Agreement”). A copy of the Regulatory Agreement is attached hereto as Exhibit “F”.

H. Buyer is acquiring the Site from Seller and in connection with the now pending and resulting transfer and sale of the Site to Buyer by Seller, Buyer has submitted to the Authority true and complete documentation evidencing that Buyer meets certain criteria and will otherwise be able to perform its obligations under and operate the Project in compliance with the Dale Agreements (defined below, including rental of six (6) of the Housing Units to Lower Income Households at an Affordable Rent for the terms prescribed in the Dale Agreements (defined below).

I. The City and Authority are willing to consent to the transfer by Seller to Buyer, provided Buyer unconditionally and irrevocably assumes all of Seller’s obligations, liabilities, rights, duties and obligations under the City Agreement, AHA, Note, Deed of Trust, and Regulatory Agreement and related instruments (collectively, the “Dale Agreements”) pursuant and subject to the terms hereunder (and any other agreements as between Buyer and Seller so long as this Assignment/Assumption Agreement prevails in the event of inconsistent provisions.

NOW THEREFORE, City, Authority, Buyer, and Seller agree as follows:

1. Recitals. The foregoing recitals are true and correct and are a substantive part of this Assignment/Assumption Agreement.

2. Assignment by Seller. As of the "Effective Date" (as that term is defined in Section 8 below), Seller assigns, transfers, delivers, and sets over unto Buyer all of its rights, title, interests, liabilities, duties, responsibilities, and obligations in and under the Dale Agreements.

3. Assumption by Buyer. Buyer hereby accepts the assignment of all rights, title, interests, liabilities, duties, responsibilities, and obligations of the Seller in, under and to the Dale Agreements effected hereby and, for itself and its successors and assigns and any person or entity claiming by or through such person or entity, and for the benefit of the City, Authority, and Seller, hereby knowingly, voluntarily, and for good and valuable consideration exchanged hereby assumes, accepts, and agrees to perform all of the duties, obligations, and responsibilities of the Seller under the Dale Agreements that arise from and after the Effective Date and expressly agrees to be subject to all of the covenants, conditions and restrictions to which the Seller under the Dale Agreements is subject, including, without limitation as "Developer" under the City Agreement, AHA, and Regulatory Agreement, as "Trustor" under the Deed of Trust, and as "Maker" under the Note. Buyer further reaffirms and restates all of the representations, warranties, covenants and indemnities of Seller contained in the Dale Agreements with the same force and effect as if each were separately stated herein and made as of the date hereof.

4. Consent by City and Authority. As of the Effective Date, City and Authority consent to the transfer of the Site by Seller to Buyer, and such consent constitutes the consent and/or prior written approval required by Section 25 of the City Agreement, Section 604 of the AHA, and Section 9 of the Note. Such consent by City and Authority shall not constitute consent to any further or subsequent sale, conveyance or transfer of the Site, or any part thereof, or any interest therein, and in no manner whatsoever shall be intended or be construed that City or Authority accepts or assumes any liabilities, responsibilities, duties or obligations of or as between Seller and Buyer.

5. Buyer's and Seller's Obligation to Indemnify. Buyer and Seller shall save, protect, pay for, defend, indemnify and hold harmless City, Authority, and Successor Agency (including the former Agency) and all of their respective successors in interest, and their elected and appointed officials, officers, employees, representatives, attorneys, and agents, from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), personal injury, including death, property damage, including real and personal property, losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, attorneys' fees, expert witness' fees, and remedial and response costs) (the foregoing are hereinafter collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by City, Authority, Successor Agency, or the former Agency and all of their respective successors in interest, and their elected and appointed officials, officers, employees, representatives, attorneys, and agents by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of action or inaction relating to (i) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Site of any Hazardous Materials, (ii) the environmental condition of the Site, (iii) any Liabilities under any Governmental Requirements relating to Hazardous Materials; (iv) the operation, management, or maintenance of the Project (land and improvements) by Buyer or Seller or any condition of the Site, or (v) any transaction or occurrence occurring on or relating to the Site; provided, however,

that the foregoing indemnity shall not apply to any Liabilities arising or occurring as a proximate result of the sole gross negligence or sole willful misconduct of City, Authority, or Successor Agency.

6. Successor Agency as Beneficiary. The Successor Agency and any successors are hereby deemed to be third-party beneficiaries of this Assignment/Assumption Agreement.

7. Conditions Precedent. Before this Assignment/Assumption Agreement becomes effective and any party becomes obligated under it, all of the following conditions shall have been satisfied, at no cost to the City or Authority (or Successor Agency), and in a manner acceptable to City and Authority in the exercise of their sole judgment:

A. Execution of this Assignment/Assumption Agreement. Buyer and Seller shall have executed, with signatures notarized, and delivered to City and Authority this Assignment/Assumption Agreement.

B. Deed of Conveyance. Seller and Buyer shall have caused the grant deed effectuating the transfer of the Site from Seller to Buyer to have been duly executed, notarized and recorded in the Official Records of the County of Orange.

C. Insurance. All insurance requirements set forth in the Dale Agreements shall have been satisfied both as to the Seller for all times prior to the Effective Date and as to the Buyer from and after the Effective Date. In this regard, all required insurance certificates, endorsements, and evidence of required insurance coverages and additional insured conditions shall be submitted to and approved by the City's risk manager.

D. Title Endorsement. As required by City and Authority, Seller and Buyer shall have caused the title company that issued the policy of title insurance insuring the priority, validity and enforceability of the lien of the City Agreement, Deed of Trust and Regulatory Agreement to issue in City's favor a modified CLTA 111.4 endorsement (or an equivalent endorsement) insuring that the transfer does not and will not affect the priority, validity or enforceability of the lien of the City Agreement, Deed of Trust and Regulatory Agreement.

E. Legal Fees. The amount of \$10,000 has been deposited into the pending escrow as between Seller and Buyer for the benefit of the City and Authority pursuant to a separate letter agreement executed by Buyer and Seller in favor of the City and Authority. Pursuant to the terms thereof, in the event, more than \$10,000 in "Legal Fees" as defined therein have been incurred by City and/or Authority (or Successor Agency) then Buyer (and/or Seller) shall have deposited such additional sum into the escrow for disbursement to the City and Authority upon demand to escrow agent.

8. Effective Date. The date on which all of the conditions set forth in this Section 8 have been satisfied in the manner described above shall be referred to as the "Effective Date."

9. Legal Effect. Except as modified by this Assignment/Assumption Agreement, the Dale Agreements are unchanged and, as so modified, the Dale Agreements shall remain in full force and effect and are hereby ratified and reaffirmed by Buyer and Seller.

10. Obligations Joint and Several. If Buyer is comprised of more than one individual or entity, then the obligations of each such individual or entity under this Assignment/Assumption Agreement and under the Dale Agreements shall be joint and several.

11. Successors and Assigns. This Assignment/Assumption Agreement shall be binding upon and inure to the benefit of City, Authority, Successor Agency, Seller, and Buyer as well as their respective heirs, executors, administrators, successors and assigns.

12. Construction and Governing Jurisdiction. This Assignment/Assumption Agreement shall be governed by and construed in accordance with the internal laws of the State of California. This Assignment/Assumption Agreement is the result of negotiations between Buyer, Seller, City and Authority and shall not be construed against any party hereto because that party was responsible for the drafting or preparation of this Assignment/Assumption Agreement.

13. Counterparts. This Assignment/Assumption Agreement may be executed in three (3) or more counterparts, each of which shall be deemed an original but all of which together shall constitute but one and the same document.

14. Further Assurances. Buyer and Seller hereby agree to execute and deliver such other documents, instruments and certificates as may reasonably be required in order to evidence, perfect or confirm the assignment and assumption of the Dale Agreements which are being effected hereby.

15. Attorneys' Fees. If any lawsuit, arbitration or other proceeding is brought to interpret or enforce the terms of this Assignment/Assumption Agreement, the prevailing party shall be entitled to recover the reasonable fees and costs of its attorneys in such proceeding. Buyer shall compensate the City and Authority for any attorney's fees incurred by them for services relating to (i) the preparation of this Assignment/Assumption Agreement or (ii) performance of any other necessary and proper acts taken to effect the assignment of the Dale Agreements contemplated in this Assignment/Assumption Agreement.

16. Entire Agreement. This Assignment/Assumption Agreement contains the entire agreement among City, Authority, Seller and Buyer with respect to the subject matter hereof and supersedes all prior agreements, understandings, offers and negotiations, oral or written, with respect thereto.

[Signatures on next page]

[Signature blocks continue from previous page]

"Authority"

GARDEN GROVE HOUSING AUTHORITY,
a body corporate and politic

APPROVED AS TO FORM:

Special Counsel to the Authority

By: _____

Name: _____

Title : _____

"Buyer"

MAX & MIN PROPERTIES, LLC,
a California limited liability company

By: _____

Name: Peng Fei Guan

Title : Chief Executive Officer

"Seller"

DALE APARTMENTS, LLC, a California
limited liability company

By: _____

Name: Alwin Lee

Title : MANAGER

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On _____ before me, _____, Notary
Public, personally appeared _____,
(here insert name and title of officer)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

(SEAL)

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On _____ before me, _____, Notary
Public, personally appeared _____,
(here insert name and title of officer)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(SEAL)

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On _____ before me, _____, Notary
Public, personally appeared _____,
(here insert name and title of officer)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(SEAL)

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On _____ before me, _____, Notary
Public, personally appeared _____,
(here insert name and title of officer)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

(SEAL)

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On _____ before me, _____, Notary
Public, personally appeared _____,
(here insert name and title of officer)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

(SEAL)

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On _____ before me, _____, Notary
Public, personally appeared _____,
(here insert name and title of officer)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

(SEAL)

EXHIBIT "A"

LEGAL DESCRIPTION

That certain real property located in the City of Garden Grove, County of Orange, State of California, described as follows:

THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 11 WEST, SAN BERNARDINO BASE & MERIDIAN.

EXCEPT THE SOUTH 531.56 FEET THEREOF.

ALSO EXCEPT THE WEST 20 FEET LYING IN DALE STREET AS NOW ESTABLISHED.

Assessor's Parcel No. 215-091-26

EXHIBIT "B"

DENSITY BONUS HOUSING AGREEMENT

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840
Attention: City Clerk

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder



NO FEE

2010000028888 3:20 pm 01/20/10

62 413 A12 20

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This document is exempt from payment of a recording fee
pursuant to Government Code Sections 6103 and 27383.

**DENSITY BONUS HOUSING AGREEMENT
(Dale Apartments, LLC)**

This **DENSITY BONUS HOUSING AGREEMENT (Dale Apartments, LLC)** ("Agreement"), dated for identification purposes only as of January 12, 2008¹⁰ ("Date of Agreement"), is entered into by and between the **CITY OF GARDEN GROVE**, a California municipal corporation ("City"), and **DALE APARTMENTS, LLC**, a California limited liability company ("Developer").

RECITALS

A. Developer is the owner of approximately 38,629 square feet of real property in the City, generally located at 12632 Dale Street, Garden Grove, California, Assessor's Parcel Number 215-091-26, as more particularly described in the Legal Description attached hereto as Exhibit A and incorporated herein ("Site").

B. Developer submitted an application to City for approval of a site plan to construct a twenty-five (25) unit apartment complex on the Site ("Project").

C. Developer and City entered into that certain Development Agreement—Alwin Lee—Site Plan No. SP-384-05, dated as of January 24, 2006 and recorded in the Official Records of Orange County, California on March 3, 2006 as Instrument No. 2006000144434 with respect to Developer's development of the Project on the Site ("Development Agreement").

D. In response to Developer's Site Plan application, by Resolution No. 5522, City issued a discretionary permit for the Project, subject to certain "Conditions of Approval" which were accepted by Developer, as evidenced by Developer's execution of a "Notice of Agreement with Conditions of Approval and Discretionary Permit Approval" and recordation of such notice in the Official Records of Orange County on November 12, 2008 as Instrument No. 2008000528966.

E. The Development Agreement and Conditions of Approval provide a density bonus and other concessions and incentives to the Project pursuant to California Government Code Section 65915, *et seq.*, and Garden Grove Municipal Code Section 9.12.30.070 (collectively, "Density Bonus Law"), in exchange for Developer's agreement to restrict six (6) of the twenty-five (25) Housing Units at the Site to rental to and occupancy by Lower Income Households at an Affordable Rent (as those terms are defined below).

H
20P
NK
ICC

F. In connection with the density bonus granted to the Project, the Conditions of Approval require Developer to enter into this Agreement with City to implement Developer's affordable housing obligations at the Project. This Agreement must be executed and recorded against the Site in the Official Records of Orange County, California prior to City's issuance of building permits for the Project.

G. Concurrently herewith, Developer is entering into an Affordable Housing Agreement with the Garden Grove Agency for Community Development ("Agency") pursuant to which Agency has agreed to make a loan of Two Hundred Thousand Dollars (\$200,000) to Developer in exchange for Developer's conveyance to Agency of certain covenants restricting rental of and occupancy to six (6) of the Housing Units at the Project to Lower Income Households at an Affordable Rent for a term of not fewer than fifty-five (55) years.

H. Developer and City desire to enter into this Agreement to provide for Developer's rental of six (6) of the Housing Units at the Site to Lower Income Households at an Affordable Rent, as required by the Density Bonus Law, the Conditions of Approval, and the Development Agreement, in accordance with the terms, conditions, and restrictions set forth below in this Agreement.

I. This Agreement shall be recorded, prior to the issuance of building permits for the Project, in the Official Records of Orange County, California, as senior, non-subordinate covenants and as an encumbrance running with the land for the full Term (defined below) of this Agreement. In no event shall this Agreement be made junior or subordinate to any deed of trust or other documents providing financing for the construction or operation of the Project, or any other lien or encumbrance whatsoever for the entire Term of this Agreement. Nor shall this Agreement be made junior or subordinate to any extension, amendment, or modification of any lien or encumbrance recorded against the Site prior to the date hereof.

J. The foregoing Recitals are true and correct and constitute a substantive part of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the City and Developer agree as follows:

Section 1. Definitions.

(i) Affordable Rent. Affordable Rent means an affordable rent for Lower Income Households, as defined in California Health and Safety Code Section 50053. For Lower Income Households whose gross incomes exceed the maximum income for very low income households (as defined in Health and Safety Code Section 50105), Affordable Rent means the product of thirty (30) percent times sixty (60) percent of the Area Median Income for Orange County adjusted for family size appropriate for the unit. All of the Housing Units shall be two (2) bedroom units; thus, solely for purposes of calculating Affordable Rent pursuant to this Agreement, a "family size appropriate to the unit" shall be three persons.

For purposes of this Agreement, "Affordable Rent" means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by 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 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.

(ii) Affordable Units. Affordable Units means the six (6) Housing Units at the Project which are required to be made available for, rented to, and occupied by Lower Income Households paying an Affordable Rent, as set forth in more detail below.

(iii) Agency. Agency means the Garden Grove Agency for Community Development, a public body, corporate and politic, and a redevelopment agency duly formed, existing, and exercising powers pursuant to the California Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.*

(iv) Agreement. Agreement means this Density Bonus Housing Agreement (Dale Apartments, LLC) between City and Developer.

(v) Area Median Income. Area Median Income means the median income as determined and published annually for each county in California by HCD.

(vi) City. City means the City of Garden Grove, a California municipal corporation.

(vii) Conditions of Approval. Conditions of Approval means the conditions imposed by the City in connection with the approval of Developer's Site Plan No. SP-384-05, as referenced in that certain "Notice of Agreement with Conditions of Approval and Discretionary Permit Approval" recorded in the Official Records of Orange County on November 12, 2008 as Instrument No. 2008000528966.

(viii) Date of Agreement. Date of Agreement means the date set forth in the first paragraph of this Agreement.

(ix) Density Bonus Law. Density Bonus Law means California Government Code Section 65915, *et seq.*, and Garden Grove Municipal Code Section 9.12.30.070.

(x) Developer. Developer means Dale Apartments, LLC, a California limited liability company.

(xi) Development Agreement. Development Agreement means that certain Development Agreement—Alwin Lee—Site Plan No. SP-384-05, by and between Developer and City, dated as of January 24, 2006 and recorded in the Official Records of Orange County, California on March 3, 2006 as Instrument No. 2006000144434.

(xii) Housing Units. Housing Units means each of the twenty-five (25) apartment units to be constructed by Developer at the Site. Each of the Housing Units shall have two (2) bedrooms and two (2) bathrooms. Each of the Housing Units shall be the same size (approximately 960 square feet).

(xiii) Lower Income Household. Lower Income Household has the meaning set forth in California Health and Safety Code Section 50079.5.

(xiv) Project. Project means the apartment complex to be constructed by Developer on the Site, which shall consist of twenty five (25) Housing Units in a single three (3) story residential structure, referred to as the "Dale Apartments," all in accordance with Site Plan No. SP-384-05, the Development Agreement, the Conditions of Approval, and this Agreement.

(xv) Schedule of Performance. Schedule of Performance means the Schedule of Performance attached hereto as Exhibit B and incorporated herein.

(xvi) Site. Site means that certain approximately 38,629 square feet of real property in the City, generally located at 12632 Dale Street, Garden Grove, California, Assessor's Parcel Number 215-091-26, as more particularly described in the Legal Description attached hereto as Exhibit A and incorporated herein.

(xvii) Term. Term means the term of effectiveness of this Agreement, which shall continue for thirty (30) years from the date the final certificate of occupancy is issued for the Project.

Section 2. Density Bonus and Development Concessions and Incentives. As set forth in the Conditions of Approval, the Development Agreement, and the Density Bonus Law, Developer petitioned for and was granted the following concessions and incentives as part of the approval of Developer's Site Plan No. SP-384-05 for the Project:

(i) Density Bonus. Garden Grove Municipal Code Section 9.16.070 permits a maximum density of eighteen (18) residential units on property within the Multi-Family Residential (R-3) Zone of between 37,800 square feet and 39,599 square feet, such as the Site. The Density Bonus Law, the Development Agreement, and the Conditions of Approval permit Developer to develop the Site with an additional density of thirty five percent (35%), for a total of twenty-five (25) Housing Units.

(ii) Front (west) Setback. Garden Grove Municipal Code Section 9.16.050 requires a minimum front setback of twenty (20) feet. The Conditions of Approval permit Developer to develop the Site with a fifteen (15) foot front setback.

(iii) Building Separation. Garden Grove Municipal Code Section 9.16.070 requires the residential structure constructed at the Site to be separated from the vehicular access way by a minimum of ten (10) feet (including upper stories). The Conditions of Approval permit Developer to construct the Project with second and third story cantilevers over the drive aisle, leaving only seven (7) feet between those upper portions of the structure and the drive aisle.

(iv) Parking. Garden Grove Municipal Code Section 9.16.250 requires a minimum of 2.5 parking spaces per dwelling unit to be provided in connection with multifamily residential developments similar to the Project. Developer has agreed to construct fifty-two (52) parking spaces at the Project, which equals two (2) spaces for each Housing Unit, plus two (2) visitor spaces, in compliance with the Density Bonus Law and the Conditions of Approval.

Section 3. No Further Incentives or Waivers. Developer acknowledges and agrees that the waivers and incentives set forth in Section 2 above fully satisfy any duty City may have under the

Garden Grove Municipal Code, the Density Bonus Law, or any other law or regulation applicable to the Project, to provide any development incentive or to waive any building, zoning, or other requirement. By this Agreement, Developer releases any and all claims Developer may have against City in any way relating to or arising from City's obligation to waive requirements of or provide development incentives pursuant to any state, federal, or local law, rule, or regulation applicable to the Project.

Section 4. Affordable Units. Developer hereby agrees to make available, restrict occupancy to, and rent six (6) of the Housing Units at the Project to Lower Income Households at an Affordable Rent. The six (6) Affordable Units shall be "floating" units that are not permanently designated; however, at no time shall all six (6) Affordable Units be congregated to a certain section of the Project.

(a) A tenant who qualifies as a Lower Income Household at the time he or she first occupies an Affordable Unit shall be deemed to continue to be so qualified until such time as a recertification of such individual's or household's income in accordance with Section 14 below demonstrates that such individual or household no longer qualifies as a Lower Income Household. Moreover, a unit previously occupied by a Lower Income Household and then vacated shall be considered occupied by such Lower Income Household until reoccupied, other than for a temporary period, at which time the character of the unit shall be re-determined. In no event shall such temporary period exceed thirty-one (31) days.

(b) At such time as a tenant occupying an Affordable Unit ceases to qualify as a Lower Income Household, the unit occupied by such tenant shall cease to be an Affordable Unit. Developer shall replace each such Affordable Unit by designating the next available unit and any necessary units thereafter as an Affordable Unit. For purposes of this Agreement, such designated unit will be considered an Affordable Unit if it is held vacant and available for occupancy by a Lower Income Household and, upon occupancy, the income eligibility of the tenant as a Lower Income Household is verified and the tenant pays an Affordable Rent.

(c) In the event a tenant household occupying an Affordable Unit initially qualifies as a Lower Income Household but the income of such household increases, such increase shall not be deemed to result in a violation of the restrictions of this Agreement concerning limitations upon income of occupants, provided that the occupancy by such household is for a reasonable time of not to exceed one year (measured from the time the income of the household ceases to qualify as a Lower Income Household), at which time the Housing Unit shall cease to be an Affordable Unit and the provisions of the immediately preceding paragraph shall apply.

Section 5. Use of the Site. All uses conducted on the Site, including, without limitation, all activities undertaken by the Developer pursuant to this Agreement and the Development Agreement, shall conform to all applicable provisions of the Garden Grove Municipal Code and other applicable federal, state, and local laws, rules, and regulations. The Project shall at all times during the term of this Agreement be used as an apartment complex and none of the Housing Units in the Project shall at any time be utilized on a transient basis, nor shall the Site or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium or rest home, or be converted to condominium ownership. All of the community facilities and any social programs provided to the Project's residents shall be available at all times on an equal, non-discriminatory basis to residents of all Housing Units at the Project.

Section 6. Duration of Affordability Requirements. The six (6) Affordable Units shall be subject to the requirements of this Agreement throughout the entire Term of this Agreement.

Section 7. Schedule of Performance. The Affordable Units shall be constructed and completed concurrently with the non-restricted Housing Units in the Project. Construction of the Project shall be completed in accordance with the Schedule of Performance attached hereto as Exhibit B and incorporated herein.

Section 8. Occupancy Limits. The maximum occupancy for each of the Housing Units shall not exceed five (5) persons per Housing Unit, constituting two persons per bedroom, plus one, as set forth in the Conditions of Approval.

Section 9. Maintenance. Developer shall maintain or cause to be maintained the interior and exterior of the Project and the Site in a decent, safe and sanitary manner, and in accordance with the standard of maintenance of first class multifamily rental apartment complexes within Orange County. If at any time Developer fails to maintain the Project or the Site in accordance with this Agreement and such condition is not corrected within five days after written notice from City with respect to graffiti, debris, and waste material, or thirty days after written notice from City with respect to general maintenance, landscaping and building improvements, then City, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Project or the Site and perform all acts and work necessary to protect, maintain, and preserve the Project and the Site, and to attach a lien upon the Site, or to assess the Site, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by City and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Developer to City upon demand.

Section 10. Marketing Program. Each Affordable Unit shall be leased to Lower Income Households selected by Developer who meet all of the requirements provided herein. Within the time set forth in the Schedule of Performance, Developer shall prepare and obtain City's approval, which approval shall not be unreasonably withheld, of a marketing program for the leasing of the Housing Units at the Project ("Marketing Program"). The leasing of the Housing Units shall thereafter be marketed in accordance with the Marketing Program as the same may be amended from time to time with City's prior written approval, which approval shall not unreasonably be withheld. Developer shall provide City with periodic reports with respect to the leasing of the Housing Units in accordance with Sections 14 and 15.

Section 11. Management Plan. Within the time set forth in the Schedule of Performance, Developer shall submit for the reasonable approval of City a "Management Plan" which sets forth in detail Developer's property management duties, a tenant selection process in accordance with this Agreement, a security system and crime prevention program, the procedures for the collection of rent, the procedures for eviction of tenants, the rules and regulations of the Site and manner of enforcement, a standard lease form, an operating budget, the identity of the professional property management company to be contracted with to provide property management services at the Site ("Property Manager"), and other matters relevant to the management of the Site. The Management Plan shall require Developer to adhere to a fair lease and grievance procedure. The management of the Site shall be in compliance with the Management Plan as approved by City.

- If City determines that the performance of the Property Manager is deficient based upon the standards set forth in the approved Management Plan and in this Agreement, City shall provide

notice to Developer of such deficiencies and Developer shall use its best efforts to correct such deficiencies. In the event that such deficiencies have not been cured within the time set forth in Section 19 hereof, City shall have the right to require Developer to immediately remove and replace the Property Manager with another property manager or property management company which is reasonably acceptable to the City Manager, which is not related to or affiliated with 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 Project.

Section 12. Selection of Tenants. Developer shall be responsible for the selection of tenants for the Housing Units in compliance with lawful and reasonable criteria and the requirements of this Agreement. A reasonable preference in the leasing of the Housing Units shall be given as follows:

(i) First, to prospective tenants who have been displaced by Agency's redevelopment activities in the implementation of the Agency's Redevelopment Plan, to the extent authorized by applicable federal, state or local laws or regulations;

(ii) Second, to prospective tenants on the Garden Grove Housing Authority's Section 8 Housing Vouchers waiting list and Affordable Housing waiting list; and

(iii) Third, to prospective tenants that live or work in the City.

Prior to the rental or lease of an Affordable Unit to a tenant, Developer shall require the tenant to execute a written lease and to complete a Tenant Income Verification Form (in substantially the form attached hereto as Exhibit C) certifying that the tenant(s) occupying the Affordable Unit is/are a Lower Income Household and otherwise meet(s) the eligibility requirements established for the Affordable Unit. Developer shall verify the income of the tenant(s) as set forth in Section 14 below.

Section 13. Provisions regarding Section 8 Vouchers. Developer shall accept as tenants on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor; provided, Developer shall not rent one of the Affordable Units to a tenant holding a Section 8 certificate unless none of the Housing Units not restricted to occupancy by Lower Income Households pursuant to this Agreement are available. If the only available Housing Unit is an Affordable Unit, Developer shall no longer designate the Apartment Unit rented to a tenant holding a Section 8 certificate as an Affordable Unit, shall designate the next-available Housing Unit as an Affordable Unit, and shall make available, restrict occupancy to, and rent such newly designated Affordable Unit to a Lower Income Household at an Affordable Rent pursuant to this Agreement, such that at all times reasonably possible six (6) of the Housing Units at the Project shall be Affordable Units not occupied by tenants holding Section 8 certificates. If and to the extent the foregoing restrictions conflict with the provisions of Section 8 of the United States Housing Act of 1937 or any rules or regulations promulgated thereunder, the provisions of Section 8 of the United States Housing Act of 1937 and all implementing rules and regulations thereto shall control. Developer shall not apply selection criteria to Section 8 certificate holders which are more burdensome than criteria applied to any other prospective tenants.

Section 14. Income Verification and Certification. Following the initial lease-up of the Apartment Complex, and annually thereafter throughout the Term of this Agreement, Developer

shall submit to City, at Developer's expense, a summary of the income, household size and rent payable by each of the tenants of the Affordable Units. At City's request, Developer shall provide to City completed income computation and certification forms, in substantially the form of the Tenant Income Verification Form attached hereto as Exhibit C and incorporated herein or such other form as may reasonably be requested by City, for any Lower Income Households renting the Affordable Units at the Project. Developer shall obtain, or shall cause to be obtained by the Property Manager, a certification from each household leasing an Affordable Unit demonstrating that such household meets the applicable income requirements and eligibility requirements established for a Lower Income Household renting such Affordable Unit. Developer shall verify, or shall cause the Property Manager to verify, the income certification of the Lower Income Household.

Section 15. Monitoring and Recordkeeping. Throughout the Term of this Agreement, Developer shall comply with all applicable recordkeeping and monitoring requirements set forth in California Health and Safety Code Section 33418 and shall annually complete and submit to City a Certification of Continuing Program Compliance in the form provided by City. Representatives of City shall be entitled to enter the Site, upon at least thirty-six (36) hours notice, to monitor compliance with this Agreement, and shall be entitled to inspect the records of the Project and to conduct an independent audit or inspection of such records at a location within the City that is reasonably acceptable to the City Manager. Developer agrees to cooperate with City in making the Site and the records of the Project available for such inspection or audit. Developer agrees to maintain records for the Project in a businesslike manner, and to maintain such records throughout the Term of this Agreement.

Section 16. Indemnity. Developer shall, at its expense, defend (with counsel acceptable to City), indemnify, and hold harmless Agency, City, and their officers, agents, employees and representatives from any and all losses, liabilities, claims, lawsuits, causes of action, judgments, settlements, court costs, attorneys' fees, expert witness fees, and other legal expenses, costs of evidence of title, costs of evidence of value, and other damages of whatsoever nature arising out of or in connection with, or relating in any manner to this Agreement, Developer's ownership or operation of the Site, or the development of the Project, except that arising from the gross negligence or willful misconduct of City.

Section 17. Agreement to be Recorded; Priority. This Agreement shall be recorded, prior to the issuance of building permits for the Project, in the Official Records of Orange County, California, as senior, non-subordinate covenants and as an encumbrance running with the land for the full Term of this Agreement. In no event shall this Agreement be made junior or subordinate to any deed of trust or other documents providing financing for the construction or operation of the Project, or any other lien or encumbrance whatsoever for the entire Term of this Agreement. Nor shall this Agreement be made junior or subordinate to any extension, amendment, or modification of any lien or encumbrance recorded against the Site prior to the date hereof.

Section 18. Mortgage Protection. No breach or default under this Agreement shall defeat, terminate, extinguish, render invalid or otherwise affect the lien of any junior mortgage or deed of trust encumbering the Site, the Project, or any part thereof or interest therein.

Section 19. Default. An event of default occurs under this Agreement when: (a) there is a breach of any condition, covenant or promise set forth herein; (b) written notice thereof has been given to the defaulting party; and (c) such breach has not been cured within thirty (30) days after such notice was given to the defaulting party or, if such breach cannot reasonably be cured within

such thirty (30) day period, the defaulting party fails to commence to cure the breach and/or fails thereafter to diligently proceed to complete such cure. A waiver by either party of any such breach shall not be construed as a waiver of any succeeding breach of the same or other condition, covenant or promise.

Section 20. Remedies. The occurrence of an event of default hereunder shall give the non-defaulting party the right to proceed with any and all remedies available at law or equity. Such remedies may include an action for damages, an action or proceeding for specific performance, and/or an action or proceeding for injunctive relief. Such actions or proceedings may require the defaulting party to pay damages, to perform its obligations and covenants under this Agreement, and to enjoin or cease and desist from acts which may be unlawful or in violation of the provisions of this Agreement.

Section 21. Time of Essence. Time is expressly made of the essence with respect to the performance by City and Developer of each and every obligation and condition of this Agreement.

Section 22. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder or under any of the documents executed in connection herewith, the prevailing party shall be entitled to recover from the other party its costs of suit, including without limitation expert witness fees and reasonable attorneys' fees.

Section 23. Third Party Beneficiaries. Agency and its successors and assigns shall be intended third party beneficiaries of this Agreement. Agency shall have full right and ability (but no obligation) to enforce each and every covenant and restriction in this Agreement. No other person(s) or entity(ies) shall have any right of action hereunder.

Section 24. City Approvals and Actions. City shall maintain authority of this Agreement and the authority to implement this Agreement through City Manager (or his duly authorized representative). City Manager (or his designee) shall have the authority to make approvals, issue interpretations, waive provisions, make and execute further agreements and/or enter into amendments of this Agreement on behalf of City so long as such actions do not materially or substantially change the uses or development permitted on the Site, or materially or substantially add to the costs incurred or to be incurred by City as specified herein, and such interpretations, waivers and/or amendments may include extensions of time to perform. All other material and/or substantive interpretations, waivers, or amendments shall require the consideration, action and written consent of the City.

Section 25. Successor and Assigns. This Agreement shall run with the land, and all of the terms, conditions, restrictions, and covenants contained in this Agreement shall be binding upon Developer, City, their permitted successors and assigns, and all successors in interest to all or any portion of the Site or the Project. Whenever the terms "Developer" or "City" are used in this Agreement, such terms shall include any other successors and assigns as herein provided. Not later than thirty (30) days prior to a transfer of any interest in the Site or the Project or any interest in Developer, Developer shall provide written notice to the City of such proposed transfer.

Section 26. Notices. Any approval, disapproval, demand, document or other notice which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the

United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by notice:

If to the City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840
Attention: Community Development Director

If to the Developer: Dale Apartments, LLC
16509 Brookhurst Street, Suite A
Fountain Valley, CA 92708
Attention: Alwin Lee [Please confirm]

Section 27. Amendment. 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. Each alteration, change, or modification to this Agreement shall be recorded against the Site in the Official Records of Orange County, California.

Section 28. Legal Advice. Each party represents and warrants to the other the following: they have carefully read this Agreement, and in signing this Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Agreement, and they have freely signed this Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other party, or their respective agents, employees or attorneys, except as specifically set forth in this Agreement, and without duress or coercion, whether economic or otherwise.

Section 29. Severability. If any term, provision, condition or covenant of this Agreement or its application to any 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.

Section 30. Exhibits. This Agreement includes the following exhibits, each of which is attached hereto and incorporated herein by this reference:


- (i) Exhibit A: Legal Description of Site
- (ii) Exhibit B: Schedule of Performance
- (iii) Exhibit C: Tenant Income Verification Form

[Signatures appear on following page.]

IN WITNESS WHEREOF, City and Developer have executed this Density Bonus Housing Agreement (Dale Apartments, LLC) as of the date first set forth above.

DEVELOPER:

✓ **DALE APARTMENTS, LLC,**
a California limited liability company



Alwin Lee, Manager

CITY OF GARDEN GROVE,
a California municipal corporation



Matthew Feral, City Manager

ATTEST:




Kathleen Bauer 11/9/2010
City Clerk

APPROVED AS TO FORM:



Tom Nixon, City Attorney

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Orange

On January 20, 2010 before me, Allison Mills, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Alwin Lee
Name(s) of Signer(s)

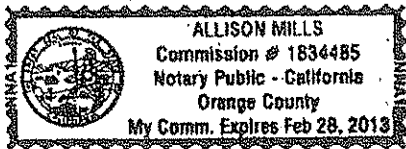
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/hers/their authorized capacity(ies), and that by his/hers/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Allison Mills
Signature of Notary Public

Place Notary Seal Above.



OPTIONAL

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

Description of Attached Document

Title or Type of Document: _____
 Document Date: _____ Number of Pages: _____
 Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney in Fact
 Trustee
 Guardian or Conservator
 Other: _____
 Signer Is Representing: _____



Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney in Fact
 Trustee
 Guardian or Conservator
 Other: _____
 Signer Is Representing: _____

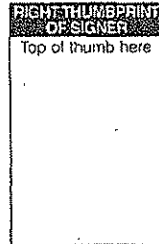


EXHIBIT A

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Garden Grove, County of Orange, State of California, described as follows:

THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 11 WEST, SAN BERNARDINO BASE & MERIDIAN.

EXCEPT THE SOUTH 531.56 FEET THEREOF.

ALSO EXCEPT THE WEST 20 FEET LYING IN DALE STREET AS NOW ESTABLISHED.

Assessor's Parcel No. 215-091-26

EXHIBIT A-1

EXHIBIT B

SCHEDULE OF PERFORMANCE

	Action Item	Status
1.	Approval and Execution of Agreement. City shall approve and execute the Agreement.	Within 30 days ¹ of submittal of signed Agreement by Developer.
2.	Record Agreement. Developer shall cause the Agreement to be recorded against the Site.	Within 10 days of City approval and execution of Agreement.
3.	Construction Drawings. Developer shall submit construction drawings for the Project to City for plan check.	Completed.
4.	Revision to Construction Drawings. Developer shall revise and resubmit construction drawings to address reasons for conditional approval or disapproval by City.	Completed.
5.	Building Permits. Developer shall obtain all required building permits for the Project.	Completed.
6.	Management Plan and Marketing Program. Developer shall submit its proposed Management Plan and Marketing Program to City for review and approval.	Within 90 days of approval and execution of Agreement by City.
7.	Approval of Management Plan and Marketing Program. City shall review and approve, conditionally approve, or disapprove Developer's proposed Management Plan and Marketing Program.	Within 30 days of receipt of a complete submittal from Developer.
8.	Revision to Management Plan and Marketing Program. Developer shall revise the Management Plan and/or Marketing Program to address reasons for conditional approval or disapproval by City.	Within 30 days of conditional approval or disapproval by City.
9.	Approval of Revised Management Plan and Marketing Program. City shall review and approve or disapprove revised Management Plan and Marketing Program.	Within 30 days of receipt of revised Management Plan and Marketing Program from Developer.
10.	Commencement of Construction. Developer shall commence the construction of the Project.	Completed.

¹ All days are calendar days unless otherwise noted.

Action Item	Status
11. Progress Reports. During the construction of the Project, Developer shall prepare and submit to City monthly written progress reports.	Commencing 30 days after start of construction and continuing until completion of construction.
12. Completion of Construction. Developer shall complete the construction of the Project.	On or before March 31, 2010.
13. Off-Site Improvements. Developer shall complete all off-site improvements required in connection with the construction of the Project.	On or before March 31, 2010.

EXHIBIT B-2

EXHIBIT C

TENANT INCOME VERIFICATION FORM

Part I -- General Information

1. Project Location: Dale Apartments, 12632 Dale Street, Garden Grove, California
2. Landlord's Name: Alwin Lee, Dale Apartments, LLC

Part II -- Unit Information

- | 3. Unit Number | 4. Number of Bedrooms | 5. Monthly Rent | 6. Number of Occupants |
|----------------|-----------------------|-----------------|------------------------|
| _____ | _____ | _____ | _____ |

Part III -- Affidavit of Tenant

1. I, _____, and I, _____, as applicants for rental of an apartment unit at the above-described location, do hereby represent and warrant that **(my/our) gross income (anticipated total annual income) does not exceed the maximum income set forth for a lower income household in Orange County, adjusted for a household size appropriate to the Apartment Unit**, as published from time to time by the State Department of Housing and Community Development in the California Code of Regulations. (I/We) understand that the current maximum income for a lower income household occupying a two bedroom unit in Orange County is \$_____. The following computation includes all income (I/we) anticipate receiving for the 12-month period beginning on the date (I/we) execute a rental agreement for an apartment unit or the date on which (I/we) will initially occupy such unit, whichever is earlier.

Tenant Initials

2. Tenants qualifying above must complete the following:

Monthly Gross Income (All Sources of Income of All Adult Household Members Must be Listed)

Source	Head of Household	Co-Tenants	Total
Gross amount, before payroll deductions, of wages, salaries, overtime pay, commissions, fees, tips and bonuses			
Interest and/or dividends			
Net income from business or from rental property			
Social security, annuities, insurance policies, pension/retirement funds, disability or death benefits received periodically			
Payment in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay			
Alimony, child support, other periodic allowances			
Public assistance, welfare payments			
Regular pay, special pay and allowances of members of Armed Forces			
Other			

Total: _____

Total x 12 _____ = Gross Annual Household Income

Note: The following items are **not** considered income: casual, sporadic or irregular gifts; amounts specifically for or in reimbursement of medical expenses; lump sum payments such as inheritances,

insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses; educational scholarships paid directly to the student or educational institution; government benefits to a veteran for education; special pay to a serviceman head of family away from home and under hostile fire; foster child care payments; value of coupon allotments for purpose of food under Food Stamp Act of 1964 which is in excess of amount actually charged the eligible household; relocation payments under federal, state, or local relocation law; payments received pursuant to participation in the following programs: VISTA, Service Learning Programs, and Special Volunteer Programs, SCORE, ACE, Retired Senior Volunteer Program, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience.

3. This affidavit is made with the knowledge that it will be relied upon by the Landlord to determine maximum income for eligibility and (I/we) warrant that all information set forth in this document is true, correct and complete and based upon information (I/we) deem reliable and that the statement contained in paragraph 1 and the information contained in paragraph 2 of this Part III is reasonable and based upon such investigation as the undersigned deemed necessary.
4. (I/We) will assist the Landlord in obtaining any information or documents required to verify the statements made in this Part III and have attached hereto copies of (my/our) federal income tax return(s) for the most recent tax year in which a return was filed (past two years federal income tax returns for self-employed persons).
5. (I/We) acknowledge that (I/we) have been advised that the making of any misrepresentation or misstatement in this affidavit will constitute a material breach of (my/our) agreement with the Landlord to rent the unit and will additionally enable the Landlord, the City of Garden Grove and/or the Garden Grove Agency for Community Development to initiate and pursue all applicable legal and equitable remedies with respect to the unit and to me/us.

(I/We) do hereby swear under penalty of perjury that the foregoing statements are true and correct.

Date

Tenant

Date

Tenant

EXHIBIT C-3

INCOME VERIFICATION
(for employed persons)

The undersigned employee has applied for a rental unit located in a project financed under a multifamily housing program of the City of Garden Grove and the Garden Grove Agency for Community Development for lower income households. Every income statement of a prospective tenant must be stringently verified. Please indicate below the employee's current annual income from wages, overtime, bonuses, commissions or any other form of compensation received on a regular basis.

Annual wages _____
Overtime _____
Bonuses _____
Commissions _____
Total current income _____

I hereby certify that the statements above are true and complete to the best of my knowledge.

Signature Date Title

I hereby grant you permission to disclose my income to _____ in order that they may determine my income eligibility for rental of an apartment located in their project which has been financed under a multifamily housing program of the City of Garden Grove and the Garden Grove Agency for Community Development.

Signature Date

Please send to:

INCOME VERIFICATION
(for self-employed persons)

I hereby attach copies of my individual federal and state income tax returns for the immediately preceding calendar year and certify that the information shown in such income tax returns is true and complete to the best of my knowledge.

Signature

Date

EXHIBIT "C"

AFFORDABLE HOUSING AGREEMENT

AFFORDABLE HOUSING AGREEMENT

by and between

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

and

DALE APARTMENTS, LLC

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AFFORDABLE HOUSING AGREEMENT

This AFFORDABLE HOUSING AGREEMENT ("Agreement") is entered into as of January 12, 2010 by and between the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body, corporate and politic ("Agency"), and DALE APARTMENTS, LLC, a California limited liability company ("Developer").

RECITALS

A. Agency is a redevelopment agency duly formed, existing, and exercising powers pursuant to the Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.* ("CRL"), and as required by Sections 33334.2 and 33334.3 of the CRL has deposited funds into its Low and Moderate Income Housing Fund ("Housing Fund") for the purpose of providing subsidies to, or for the benefit of, persons and families of low or moderate income, to assist them to obtain housing within the community at an affordable housing cost.

B. Developer is the owner of approximately 38,629 square feet of real property in the City of Garden Grove ("City"), generally located at 12632 Dale Street, Garden Grove, California, Assessor's Parcel Number 215-091-26, as more particularly described in the Legal Description attached hereto as Attachment No. 1 and incorporated herein by reference ("Site").

C. Developer desires to develop and operate an apartment complex on the Site ("Project"), consisting of twenty-five (25) apartment units (each, a "Housing Unit"). * 2010000029888

D. The Project is subject to that certain Density Bonus Housing Agreement between Developer and the City dated as of January 12, 2010 and recorded against the Site in the Official Records of Orange County, California on January 20, 2010 as Instrument No. [~~*~~]. The Density Bonus Housing Agreement requires Developer to make available, restrict occupancy to, and rent six (6) of the Housing Units to Lower Income Households at an Affordable Rent for a term of not less than thirty (30) years.

E. By this Agreement, and subject to the terms and conditions herein, Agency desires to provide a loan to Developer in an amount of Two Hundred Thousand Dollars (\$200,000) ("Agency Loan") in exchange for Developer's agreement to restrict the use, operation, rental, and occupancy of six (6) of the Housing Units at the Project to Lower Income Households paying an Affordable Rent throughout the Affordability Period (as such terms are defined below).

F. Developer desires to own and operate the Project on the Site and to restrict the use, operation, rental, and occupancy of six (6) of the Housing Units therein to Lower Income Households at an Affordable Rent throughout the Affordability Period, in accordance and compliance with the terms and restrictions set forth in this Agreement, the Regulatory Agreement (defined below), the Affordability Covenants, and the Density Bonus Housing Agreement between Developer and City.

G. Developer located and acquired the Site without any assistance from (or involvement by) Agency; prior to acquiring the Site Developer independently conducted all necessary and appropriate due diligence and determined that the condition of the Site and all improvements located thereon were suitable for the development and operation of the Project. All such due diligence and

Developer's investigations of the condition of the Site were conducted independently and not in consultation with Agency or City or their officers, employees, agents, or consultants.

H. The terms of this Agreement, the Regulatory Agreement, and the Affordability Covenants and the implementation thereof by Agency and Developer are in accordance with the provisions set forth in the implementation plan adopted by Agency according to Section 33490 of the California Health and Safety Code.

I. Agency's acquisition of the Affordability Covenants and payment of the Agency Loan to Developer and Developer's operation of the Project pursuant to this Agreement and in compliance with the Affordability Covenants is in the vital and best interest of the City and the health, safety and welfare of its residents.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements set forth herein, the parties hereto agree as follows:

100. DEFINITIONS

"Affordability Covenants" shall mean each and every covenant, condition, and restriction imposed on Developer's development, use, management, and operation of the Site as set forth herein and in the Regulatory Agreement.

"Affordability Period" shall mean a term of fifty-five (55) years from the date the final certificate of occupancy is issued for the Project.

"Affordable Rent" means an affordable rent for Lower Income Households, as defined in California Health and Safety Code Section 50053. For Lower Income Households whose gross incomes exceed the maximum income for very low income households (as defined in Health and Safety Code Section 50105), Affordable Rent means the product of thirty (30) percent times sixty (60) percent of the Area Median Income for Orange County adjusted for family size appropriate for the unit. All of the Housing Units shall be two (2) bedroom units; thus, solely for purposes of calculating Affordable Rent pursuant to this Agreement, a "family size appropriate to the unit" shall be three persons.

For purposes of this Agreement, "Affordable Rent" means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by 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 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.

"Affordable Units" means the six (6) Housing Units at the Project which are required to be made available for, rented to, and occupied by Lower Income Households paying an Affordable Rent, in accordance with all terms, conditions, and covenants set forth in this Agreement and the Regulatory Agreement, including the Affordability Covenants to be conveyed to Agency by Developer pursuant to this Agreement.

"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 the CRL, and any assignee of or successor to its rights, powers and responsibilities.

"Agency Director" shall mean the Director of Agency.

"Agency Loan" means the loan from Agency to Developer of Two Hundred Thousand Dollars (\$200,000) pursuant to this Agreement.

"Agency Loan Amount" means Two Hundred Thousand Dollars (\$200,000)

"Agreement" means this Affordable Housing Agreement between Agency and Developer and all attachments and exhibits attached hereto.

"Area Median Income" shall mean the median income as determined and published annually for each county in California by HCD.

"Best Knowledge" means the actual knowledge of each party's employees and agents who manage the Site or have participated in the preparation of this Agreement, and all documents and materials in the possession of such party, and shall not impose a duty of investigation.

"Capital Replacement Reserve" is defined in Section 410 hereof.

"City" means the City of Garden Grove, a California municipal corporation. City is a third party beneficiary of this Agreement; however, City is not a party to this Agreement and shall have no obligations hereunder.

"Conditions Precedent" means the conditions precedent to the payment of the Agency Loan by Agency to Developer, as set forth in Section 202 hereof.

"County" shall mean the County of Orange, California.

"CPI" shall mean the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners and Clerical Workers, Subgroup "All Items," for the Los Angeles-Costa Mesa-Riverside area, 1982 - 1984 = 100, or successor or equivalent index in case such index is no longer published.

"CRL" means the Community Redevelopment Law of the State of California, Health and Safety Code Section 33000, *et seq.*, as the same may from time to time be amended.

"Deed of Trust" means that certain Deed of Trust with Assignment of Rents (Short Form) in substantially the form attached hereto as Attachment No. 3 and incorporated herein, which Deed of Trust shall secure Developer's performance under the Regulatory Agreement, including the Affordability Covenants, and repayment of the Agency Loan in the event of a Default under the Regulatory Agreement, the Affordability Covenants, or this Agreement during the Affordability Period.

"Default" and **"Event of Default"** shall mean the failure of a party to perform any action or covenant required by this Agreement within the time periods provided herein following Notice and opportunity to cure, as set forth in Section 501 hereof.

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"Density Bonus Housing Agreement" means that certain Density Bonus Housing Agreement between Developer and City dated as of January 12, 2010 and recorded against the Site in the Official Records of Orange County, California on January 20 2010 as Instrument No. [*]. The Density Bonus Housing Agreement requires Developer to make available, restrict occupancy to, and rent six (6) of the Housing Units to Lower Income Households at an Affordable Rent for a term of not less than thirty (30) years.

"Developer" means Dale Apartments, LLC, a California limited liability company, and its permitted successors and assigns.

"Governmental Requirements" means all laws, ordinances, statutes, codes, rules, regulations, orders, and decrees of the United States, the State of California, the County, the City, or any other political subdivision in which the Site is located, and of any other political subdivision, agency, or instrumentality exercising jurisdiction over Developer or the Site.

"Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the County, the State of California, regional governmental authority, 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) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (ix) 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 (x) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §9601 *et seq.* Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities as are customarily used in the construction, maintenance, rehabilitation or management of residential developments or associated buildings and grounds, or typically used in residential activities in a manner typical of other comparable residential developments, or substances commonly ingested by a significant population living within the Project, including without limitation alcohol, aspirin, tobacco and saccharine.

"Housing Fund" means Agency's Low and Moderate Income Housing Fund, established pursuant to Health and Safety Code Section 33334.3 and implemented pursuant to Section 33334.2, *et seq.* of the Health and Safety Code.

"Housing Units" means each of the twenty-five (25) apartment units to be constructed by Developer at the Site. Each of the Housing Units shall have two (2) bedrooms and two (2) bathrooms. Each of the Housing Units shall be the same size (approximately 960 square feet).

"HCD" means the California Department of Housing and Community Development.

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

"Lower Income Household" has the meaning set forth in California Health and Safety Code Section 50079.5.

"Notice" shall mean a notice in the form prescribed by Section 602 hereof.

"Notice of Affordability Restrictions" shall mean the Notice of Affordability Restrictions on Transfer of Property to be recorded against the Site at Closing, in substantially the form attached hereto as Attachment No. 4 and incorporated herein.

"Operating Reserve" is defined in Section 411 hereof.

"Project" means the apartment complex to be constructed by Developer on the Site, which shall consist of twenty five (25) Housing Units in a single three (3) story residential structure, referred to as the "Dale Apartments," all in accordance with Site Plan No. SP-384-05, the Development Agreement, the Conditions of Approval (as those terms are defined in the Density Bonus Housing Agreement), and the Density Bonus Housing Agreement.

"Promissory Note" means the Promissory Note in substantially the form attached hereto as Attachment No. 2 and incorporated herein, which evidences Developer's obligation to repay the Agency Loan in the event of a Default under the Regulatory Agreement, the Affordability Covenants, or this Agreement during the Affordability Period.

"Redevelopment Plan" means the Redevelopment Plan for the Redevelopment Project, as adopted by the City Council of the City, as such redevelopment plan may be amended from time to time. The Redevelopment Plan is incorporated herein by this reference.

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

"Regulatory Agreement" means the Regulatory Agreement with Affordability Covenants which is to be recorded as an encumbrance to the Site in the Official Records of Orange County, California in substantially the form attached hereto as Attachment No. 5 and incorporated herein, in accordance with Section 416 hereof.

"Request for Notice" means the Request for Notice Under Civil Code Section 2924b attached hereto as Attachment No. 6 and incorporated herein, which shall be recorded against the Site in the Official Records of Orange County, California, as a Condition Precedent to Agency's obligation to make the Agency Loan to Developer.

"Site" means that certain approximately 38,629 square feet of real property in the City, generally located at 12632 Dale Street, Garden Grove, California, Assessor's Parcel Number 215-091-26, as more particularly described in the Legal Description.

200. AGENCY LOAN; CONVEYANCE OF AFFORDABILITY COVENANTS

201. Agency Loan. Agency hereby agrees to make the Agency Loan to Developer in the amount of Two Hundred Thousand Dollars (\$200,000), in exchange for Developer's conveyance of

the Affordability Covenants to Agency, which shall be recorded against the Site in the form set forth in the Regulatory Agreement.

201.1 Promissory Note. The Agency Loan shall be evidenced by the Promissory Note in substantially the form attached hereto as Attachment No. 2 and incorporated herein, which shall be executed by Developer in favor of Agency and delivered to Agency prior to and as a Condition Precedent to Agency's obligation to make the Agency Loan to Developer. The Agency Loan Amount shall accrue no interest except in the event of Default hereunder or under the Regulatory Agreement. The Agency Loan shall become immediately due and payable upon an event of Default hereunder or under the Regulatory Agreement during the Affordability Period. If Developer maintains compliance with the Affordability Covenants throughout the entire Affordability Period, the Agency Loan shall be forgiven in its entirety upon the conclusion of the Affordability Period.

201.2 Deed of Trust. Developer's obligation to repay the Agency Loan and performance hereunder and under the Regulatory Agreement shall be secured by the Deed of Trust in substantially the form attached hereto as Attachment No. 3 and incorporated herein. The Deed of Trust shall be executed by Developer in favor of Agency and recorded against the Site prior to and as a Condition Precedent to Agency's obligation to make the Agency Loan to Developer. The Agency Director may permit the Deed of Trust to be subordinated to a deed of trust securing Developer's institutional permanent loan for the Project, pursuant to a subordination agreement in form and content reasonably acceptable to the Agency Director and Agency legal counsel. Any such subordination agreement shall conform to the provisions of Section 303, below.

201.3 Disbursement of Agency Loan Proceeds. Agency shall disburse the Agency Loan Amount to Developer as follows:

(a) Up to Forty Thousand Dollars (\$40,000) of the Agency Loan shall be disbursed by Agency to pay school impact fees and building permit fees attributable to the Project, upon satisfaction by Developer or waiver by Agency of all Conditions Precedent to the Agency Loan, except that such disbursement may occur prior to issuance of building permits for the Project; provided, all required building permits for the Project shall be ready to issue immediately upon disbursement of Agency Loan proceeds pursuant to this Section 201.3(a). Agency shall disburse Agency Loan proceeds directly to the City to pay City building permit fees; the remainder of the disbursement provided for by this Section 201.3(a) shall be disbursed to Developer for payment of a portion of the school fees for the Project.

(b) Up to One Hundred Sixty Thousand Dollars (\$160,000) of the Agency Loan shall be disbursed by Agency directly to the City to pay the following fees for which Developer's payment obligation has been deferred: (i) in lieu park fees, (ii) a general plan fee, (iii) a cultural arts fee, and (iv) a development impact fee. The fees listed in the preceding sentence must be paid prior to issuance of the first certificate of occupancy for the Project. No disbursement of Agency Loan proceeds pursuant to this Section 201.3(b) shall be made until all Conditions Precedent to the Agency Loan have been (and continue to be) satisfied by Developer or waived by Agency and the final certificate of occupancy for the Project shall be ready to issue immediately upon disbursement of Agency Loan proceeds pursuant to this Section 201.3(b).

(c) Any portion of the Agency Loan not disbursed pursuant to Sections 201.3(a) and 201.3(b) above shall be disbursed to Developer upon issuance of the final

certificate of occupancy for the Project and occupancy of not less than eighty percent (80%) of the Housing Units at the Project, including one hundred percent (100%) of the Affordable Units.

202. Conditions Precedent to Agency Loan. Agency's obligation to make the Agency Loan to Developer is subject to the fulfillment by Developer or waiver by Agency of each and all of the conditions precedent (a) through (h), inclusive, described below ("Conditions Precedent"), which are solely for the benefit of Agency, any of which may be waived by Agency Director (or his designee) in his sole and absolute discretion:

(a) **Execution of Documents.** Developer shall have executed and delivered to Agency the Promissory Note, Deed of Trust, Regulatory Agreement, Notice of Affordability Restrictions, and any other documents required hereunder, and the Deed of Trust, Regulatory Agreement, Notice of Affordability Restrictions, and Request for Notice shall have been recorded as an encumbrance to the Site in the Official Records of Orange County.

(b) **Building Permits.** With respect to the first disbursement of Agency Loan proceeds pursuant to Section 201.3(a), the City shall be ready to issue building permits for the Project immediately upon such disbursement by Agency.

(c) **Certificate of Occupancy.** With respect to the second disbursement of Agency Loan proceeds pursuant to Section 201.3(b), the City shall be ready to issue the final certificate of occupancy for the Project immediately upon such second disbursement by Agency. With respect to the final disbursement of Agency Loan proceeds pursuant to Section 201.3(c) (if any), the City shall have issued the final certificate of occupancy for the Project prior to such final disbursement and not less than eighty percent (80%) of the Housing Units at the Project, including one hundred percent (100%) of the Affordable Units, shall be rented to and occupied by qualified tenant households in accordance with this Agreement and the Regulatory Agreement.

(d) **Condition of Title.** There shall be no monetary liens or encumbrances recorded against the Site in a position prior to the Regulatory Agreement or, in the event any monetary lien(s) or encumbrance(s) are recorded against the Site in a position senior and prior to the Regulatory Agreement, Agency shall have approved each such lien and/or encumbrance after having negotiated and entered into subordination agreement(s) with the holder(s) of each such lien and/or encumbrance in a form reasonably satisfactory to Agency pursuant to and in conformance with Section 303 below.

(e) **Reserves.** Developer shall have provided evidence reasonably acceptable to Agency Director that the Capital Replacement Reserve and Operating Reserve have been funded in accordance with Sections 410 and 411.

(f) **Environmental Condition.** The environmental condition of the Site shall be reasonably acceptable to Agency Director.

(g) **No Litigation.** There shall be no litigation or administrative actions filed or pending which challenge this Agreement or the development or operation of the Project in accordance with the terms of this Agreement and the Regulatory Agreement.

(h) **No Default, Representations and Warranties.** Developer shall not currently be in Default in any of its obligations under the terms of this Agreement. All

representations and warranties of Developer contained herein shall be true and correct in all material respects on and as of the date on which Agency makes the Agency Loan to Developer as though made at that time, and all covenants of Developer which are required to be performed prior to the date Agency makes the Agency Loan to Developer shall have been performed by such date.

203. Condition of the Site.

203.1 Environmental Condition Prior to Agency Loan. Except as otherwise disclosed in reports obtained by or provided to Agency, Developer represents to Agency that it is not aware of, to its Best Knowledge, and it has not received any notice or communication from any governmental agency having jurisdiction over the Site providing notice of the presence of Hazardous Materials in, on, or under the Site, or any portion thereof. Developer represents that any inspection reports with respect to the Site, environmental audits, reports and studies which concern the Site, or inspection reports from applicable regulatory authorities with respect to the Site, which Developer has received, have been delivered to Agency. Agency's reasonable approval of the environmental condition of the Site is a Condition Precedent to Agency's obligation to make the Agency Loan to Developer, as set forth in Section 202 hereof.

203.2 Indemnification. Developer shall save, protect, pay for, defend, indemnify and hold harmless Agency and its officers, employees, representatives and agents, from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, attorneys' fees, expert witness' fees, and remedial and response costs) (the foregoing are hereinafter collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by Agency or its officers, employees, representatives or agents by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of (i) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Site of any Hazardous Materials, (ii) the environmental condition of the Site, and (iii) any Liabilities under any Governmental Requirements relating to Hazardous Materials; provided, however, that the foregoing indemnity shall not apply to any Liabilities arising or occurring as a result of the gross negligence or willful misconduct of Agency.

203.3 Duty to Prevent Hazardous Material Contamination. Developer shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Site. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. Developer shall notify Agency and provide to Agency a copy or copies of any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and Developer shall report to Agency, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

300. FINANCING OF THE PROJECT

301. Agency Approval of Mortgages and Deeds of Trust. As a Condition Precedent to Agency's obligation to make the Agency Loan to Developer, there shall be no monetary liens or encumbrances recorded against the Site in a position senior or prior to the Deed of Trust and

Regulatory Agreement or, in the event any monetary lien(s) or encumbrance(s) are recorded against the Site in a position senior or prior to the Deed of Trust and Regulatory Agreement, Agency shall have approved each such lien and/or encumbrance after having negotiated and entered into subordination agreement(s) with the holder(s) of each such lien and/or encumbrance in a form reasonably satisfactory to Agency pursuant to and in conformance with Section 303 below.

302. Right of Agency to Cure Mortgage or Deed of Trust Default. In the event of a loan agreement, promissory note, mortgage or deed of trust default or breach by Developer, Developer shall immediately deliver to Agency a copy of any default notice pertaining thereto. Agency shall have the right but not the obligation to cure the default of such loan agreement, promissory note, mortgage, or deed of trust and/or to assume the loan or other financing obtained by Developer, in Agency's sole discretion. In such event, Agency shall be entitled to reimbursement from Developer of all proper costs and expenses incurred by Agency in curing such default. The loan documents and any other documents evidencing and securing the loan or other financing obtained by Developer secured by the Site shall each provide for the Agency cure rights set forth in this Section.

303. Subordination of Affordability Covenants. In the event that Agency finds that an economically feasible method of permanent first lien financing for the Site and/or the Project, without the subordination of the Affordability Covenants set forth in the Regulatory Agreement, is not reasonably available, Agency shall make the Affordability Covenants set forth in the Regulatory Agreement junior and subordinate to the lien of any permanent first lien financing obtained by Developer; provided such subordination meets the requirements of this Section 303. Any subordination agreement entered into by Agency shall contain written commitments which the Agency Director and its legal counsel finds are reasonably designed to protect Agency's investment of Housing Fund moneys in the Project in the event of default and shall include: (a) a right of Agency to assume the permanent loan or other first lien senior mortgage or deed of trust upon the same terms applicable to Developer pursuant to the loan documents and (b) a right of Agency to cure a default on such permanent or other first lien senior mortgage prior to foreclosure; and such cure rights also may include: (c) a right of Agency to negotiate with the lender after notice of default from the lender and prior to foreclosure, (d) an agreement that if prior to foreclosure of such permanent loan or other first lien senior mortgage, Agency cures the default on such loan, the lender will not exercise any right it may have to accelerate the loan, and (e) a right of Agency to acquire the Site from Developer at any time after a material default on the loan.

400. OPERATION OF HOUSING

401. Use of the Site.

401.1 Prohibited Uses. All uses conducted on the Site, including, without limitation, all activities undertaken by the Developer pursuant to this Agreement and the Regulatory Agreement, shall conform to all applicable provisions of the Garden Grove Municipal Code and other applicable federal, state, and local laws, rules, and regulations. The Project shall at all times during the term of this Agreement be used as an apartment complex and none of the Housing Units in the Project shall at any time be utilized on a transient basis, nor shall the Site or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium or rest home, or be converted to condominium ownership. All of the community facilities and any social programs provided to the Project's residents shall be available at all times on an equal, non-discriminatory basis to residents of all Housing Units at the Project.

401.2 Affordable Units. Developer hereby agrees to make available, restrict occupancy to, and rent six (6) of the Housing Units at the Project to Lower Income Households at an Affordable Rent. The six (6) Affordable Units shall be "floating" units that are not permanently designated; however, at no time shall all six (6) Affordable Units be congregated to a certain section of the Project.

(a) A tenant who qualifies as a Lower Income Household at the time he or she first occupies an Affordable Unit shall be deemed to continue to be so qualified until such time as a recertification of such individual's or household's income in accordance with Section 405 below demonstrates that such individual or household no longer qualifies as a Lower Income Household. Moreover, a unit previously occupied by a Lower Income Household and then vacated shall be considered occupied by such Lower Income Household until reoccupied, other than for a temporary period, at which time the character of the unit shall be re-determined. In no event shall such temporary period exceed thirty-one (31) days.

(b) At such time as a tenant occupying an Affordable Unit ceases to qualify as a Lower Income Household, the unit occupied by such tenant shall cease to be an Affordable Unit. Developer shall replace each such Affordable Unit by designating the next available unit and any necessary units thereafter as an Affordable Unit. For purposes of this Agreement, such designated unit will be considered an Affordable Unit if it is held vacant and available for occupancy by a Lower Income Household and, upon occupancy, the income eligibility of the tenant as a Lower Income Household is verified and the tenant pays an Affordable Rent.

(c) In the event a tenant household occupying an Affordable Unit initially qualifies as a Lower Income household but the income of such household increases, such increase shall not be deemed to result in a violation of the restrictions of this Agreement concerning limitations upon income of occupants, provided that the occupancy by such household is for a reasonable time of not to exceed one year (measured from the time the income of the household ceases to qualify as a Lower Income Household), at which time the Housing Unit shall cease to be an Affordable Unit and the provisions of the immediately preceding paragraph shall apply.

401.3 Occupancy Limits. The maximum occupancy for each Housing Unit shall not exceed five (5) persons per Housing Unit, constituting two persons per bedroom, plus one.

402. Duration of Affordability Requirements. The six (6) Affordable Units shall be subject to the requirements of this Section 400, *et seq.*, throughout the entire Affordability Period.

403. Selection of Tenants. Developer shall be responsible for the selection of tenants for the Housing Units in compliance with lawful and reasonable criteria and the requirements of this Agreement. A reasonable preference in the leasing of the Housing Units shall be given as follows:

(a) First, to prospective tenants who have been displaced by Agency's redevelopment activities in the implementation of the Agency's Redevelopment Plan, to the extent authorized by applicable federal, state or local laws or regulations;

(b) Second, to prospective tenants on the Garden Grove Housing Authority's Section 8 Housing Vouchers waiting list and Affordable Housing waiting list; and

(c) Third, to prospective tenants that live or work in the City.

Prior to the rental or lease of an Affordable Unit to a tenant, Developer shall require the tenant to execute a written lease and to complete a Tenant Income Verification Form (in substantially the form attached hereto as Attachment No. 7) certifying that the tenant(s) occupying the Affordable Unit is/are a Lower Income Household and otherwise meet(s) the eligibility requirements established for the Affordable Unit. Developer shall verify the income of the tenant(s) as set forth in Section 405 below.

404. Provisions regarding Section 8 Vouchers. Developer shall accept as tenants on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor; provided, Developer shall not rent one of the Affordable Units to a tenant holding a Section 8 certificate unless none of the Housing Units not restricted to occupancy by Lower Income Households pursuant to this Agreement are available. If the only available Housing Unit is an Affordable Unit, Developer shall no longer designate the Apartment Unit rented to a tenant holding a Section 8 certificate as an Affordable Unit, shall designate the next-available Housing Unit as an Affordable Unit, and shall make available, restrict occupancy to, and rent such newly designated Affordable Unit to a Lower Income Household at an Affordable Rent pursuant to this Agreement, such that at all times reasonably possible six (6) of the Housing Units at the Project shall be Affordable Units not occupied by tenants holding Section 8 certificates. If and to the extent the foregoing restrictions conflict with the provisions of Section 8 of the United States Housing Act of 1937 or any rules or regulations promulgated thereunder, the provisions of Section 8 of the United States Housing Act of 1937 and all implementing rules and regulations thereto shall control. Developer shall not apply selection criteria to Section 8 certificate holders which are more burdensome than criteria applied to any other prospective tenants.

405. Income Verification and Certification. Following the initial lease-up of the Project, and annually thereafter throughout the Affordability Period, Developer shall submit to Agency, at Developer's expense, a summary of the income, household size and rent payable by each of the tenants of the Affordable Units. At Agency's request, Developer shall provide to Agency completed income computation and certification forms, in substantially the form of the Tenant Income Verification Form attached hereto as Attachment No. 7 and incorporated herein or such other form as may reasonably be requested by Agency, for any Lower Income Households renting the Affordable Units at the Project. Developer shall obtain, or shall cause to be obtained by the Property Manager, a certification from each household leasing an Affordable Unit demonstrating that such household meets the applicable income requirements and eligibility requirements established for a Lower Income Household renting such Affordable Unit. Developer shall verify, or shall cause the Property Manager to verify, the income certification of the Lower Income Household.

406. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall comply with all applicable recordkeeping and monitoring requirements set forth in California Health and Safety Code Section 33418 and shall annually complete and submit to Agency a Certification of Continuing Program Compliance in the form provided by Agency. Representatives of Agency shall be entitled to enter the Site, upon at least thirty-six (36) hours notice, to monitor compliance with this Agreement, and shall be entitled to inspect the records of the Project and to conduct an independent audit or inspection of such records at a location within the City that is reasonably acceptable to the Agency Director. Developer agrees to cooperate with Agency in making the Site and the records of the Project available for such inspection or audit. Developer agrees to maintain records for the Project in a businesslike manner, and to maintain such records throughout the Affordability Period. Agency relies upon the information contained in reports

submitted by Developer to satisfy its own reporting requirements pursuant to Sections 33080 and 33080.1 of the California Health and Safety Code. In the event the Participant fails to submit to Agency or its designee the certification as required by this Section, the Participant shall be in Default under this Agreement and the Regulatory Agreement.

407. Marketing Program. Each Affordable Unit shall be leased to Lower Income Households selected by Developer who meet all of the requirements provided herein. Within the time set forth in the Schedule of Performance, Developer shall prepare and obtain Agency's approval, which approval shall not be unreasonably withheld, of a marketing program for the leasing of the Housing Units at the Project ("Marketing Program"). The leasing of the Housing Units shall thereafter be marketed in accordance with the Marketing Program as the same may be amended from time to time with Agency's prior written approval, which approval shall not unreasonably be withheld. Developer shall provide Agency with periodic reports with respect to the leasing of the Housing Units in accordance with Sections 405 and 406.

408. Management Plan. Within the time set forth in the Schedule of Performance, Developer shall submit for the reasonable approval of Agency a "Management Plan" which sets forth in detail Developer's property management duties, a tenant selection process in accordance with this Agreement, a security system and crime prevention program, the procedures for the collection of rent, the procedures for eviction of tenants, the rules and regulations of the Site and manner of enforcement, a standard lease form, an operating budget, the identity of the professional property management company to be contracted with to provide property management services at the Site ("Property Manager"), and other matters relevant to the management of the Site. The Management Plan shall require Developer to adhere to a fair lease and grievance procedure. The management of the Site shall be in compliance with the Management Plan as approved by Agency.

If Agency determines that the performance of the Property Manager is deficient based upon the standards set forth in the approved Management Plan and in this Agreement, Agency shall provide notice to Developer of such deficiencies and Developer shall use its best efforts to correct such deficiencies. In the event that such deficiencies have not been cured within the time set forth in Section 501 hereof, Agency shall have the right to require Developer to immediately remove and replace the Property Manager with another property manager or property management company which is reasonably acceptable to the Agency Director, which is not related to or affiliated with 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 Project.

409. Maintenance. Developer shall maintain or cause to be maintained the interior and exterior of the Project and the Site in a decent, safe and sanitary manner, and in accordance with the standard of maintenance of first class multifamily rental apartment complexes within Orange County. If at any time Developer fails to maintain the Project or the Site in accordance with this Agreement and such condition is not corrected within five days after written notice from Agency with respect to graffiti, debris, and waste material, or thirty days after written notice from Agency with respect to general maintenance, landscaping and building improvements, then Agency, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Project or the Site and perform all acts and work necessary to protect, maintain, and preserve the Project and the Site, and to attach a lien upon the Site, or to assess the Site, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by Agency and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Developer to Agency upon demand.

410. Capital Reserve Requirements. As a Condition Precedent to Agency's obligation to make the Agency Loan to Developer, Developer shall, or shall cause the Property Manager to, annually set aside an amount of Two Hundred Fifty Dollars (\$250) per Apartment Unit (increased annually by CPI) from the gross rents received from the Project, into a separate interest-bearing trust account ("Capital Replacement Reserve"). To the extent Developer has established a replacement reserve in compliance with other lender requirements, deposits in the other replacement reserve shall be credited toward Developer's obligations hereunder. Such amount shall be adjusted annually by the percentage increase in the Orange County Area Median Income, as determined by regulation of the State of California. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Project fixtures and equipment which are normally capitalized under generally accepted accounting principles, and shall be subject to the additional or stricter requirements imposed by the other lenders with respect to the availability and use of the funds on deposit in the replacement reserve. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve Developer of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Developer, at its expense, shall submit to Agency an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Project shall include only those items with a long useful life, including without limitation the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement; irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement; and common area repainting.

411. Operating Reserve. As a Condition Precedent to Agency's obligation to make the Agency Loan to Developer, Developer shall, or shall cause the Property Manager to, set aside in a separate interest-bearing trust account in Developer's name, the sum of Two Thousand Five Hundred Dollars (\$2,500), (increased annually by CPI) or such larger amount as may be required by a lender ("Operating Reserve"), and shall make further deposits from the cash flow from the Project, to the extent available, to replenish the Operating Reserve to the amount existing in such account prior to the withdrawal of funds; provided, however, to the extent Developer is required by any lender to maintain a separate account to hold deposits for operating reserves, the amount of such deposits shall be credited towards Developer's obligations under this section. Such amount shall be retained in the Operating Reserve to cover shortfalls between Project income and actual operating expenses, and emergency expenses (such as uninsured casualties), but shall in no event be used to pay for capital items properly payable from the Capital Replacement Reserve. Developer shall, not less than once per every twelve (12) months, submit to Agency evidence reasonably satisfactory to Agency of compliance herewith.

412. Insurance Requirements. Developer shall take out and maintain or shall cause its contractor to take out and maintain until the issuance of the final certificate of occupancy for the Project by City: (a) a commercial general liability policy in the amount of not less than Two Million Dollars (\$2,000,000) per occurrence for bodily injury, personal injury and property damage, with a general aggregate limit of Four Million Dollars (\$4,000,000), (b) a comprehensive automobile liability policy in not less than the amount of One Million Dollars (\$1,000,000) combined single limit, and (c) a policy of all-risk property insurance in an amount not less than one hundred percent (100%) of the full insurable value of the Project. Developer may elect to comply with the foregoing policy limits by combining the policies of insurance held by Developer and the general contractor

selected to perform work at the Project. The required amount of insurance shall be subject to increases as Agency may reasonably require from time to time, but not more frequently than every twelve (12) months. Such policies shall protect Developer and Agency from claims for such damages, and be issued by an insurance carrier qualified to do business in the State of California. Such policy or policies shall be written on an occurrence form. Developer shall also furnish or cause to be furnished to Agency evidence satisfactory to Agency that Developer and any contractor with whom it has contracted for the performance of work on the Project or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law. Prior to the commencement of the construction of the Project, Developer shall furnish a certificate of insurance countersigned by an authorized agent of the insurance carrier setting forth the general provisions of the insurance coverage. This countersigned certificate shall name Agency and its 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, which shall be provided as a separate endorsement attached to the certificate. The certificate and separate endorsement by the insurance carrier shall contain a statement of obligation on the part of the carrier to notify Agency of any material change, cancellation or termination of the coverage at least ten (10) days in advance of the effective date of any such material change, cancellation or termination, and to notify Agency within ten (10) days of Developer's failure to pay any premium when due. Coverage provided hereunder by Developer shall be primary insurance and not be contributing with any insurance maintained by Agency, and the policy shall contain such an endorsement. The insurance policy or the endorsement shall contain a waiver of subrogation for the benefit of Agency. The required certificate shall be furnished by Developer prior to the commencement of the development of the Project.

412.1 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. Subject to Section 412.2 below, if, prior to the issuance by Agency of the final certificate of occupancy for the Project by City, any portion of the Project shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Developer, Developer shall promptly proceed to obtain insurance proceeds and take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project to substantially the same condition as the Project is required to be developed pursuant to this Agreement, if and to the extent the insurance proceeds are sufficient to cover the actual cost of repair, replacement, or restoration, and Developer shall complete the same as soon as possible thereafter so that the Project can be occupied in accordance with this Agreement. Subject to force majeure delays pursuant to Section 503 hereof, in no event shall the repair, replacement, or restoration period exceed two (2) years from the date Developer obtains insurance proceeds unless Agency's Director, in his or her reasonable discretion, approves a longer period of time. Agency shall cooperate with Developer, at no expense to Agency, in obtaining any governmental permits required for the repair, replacement, or restoration. If, however, the then-existing laws of any other governmental agencies with jurisdiction over the Project do not permit the repair, replacement, or restoration, Developer may elect not to repair, replace, or restore the Project by giving notice to Agency (in which event Developer will be entitled to all insurance proceeds but Developer shall be required to remove all debris from the applicable portion of the Project) or Developer may reconstruct such other improvements on the site of the destroyed Project as are consistent with applicable land use regulations and approved by City, Agency, and other governmental agencies with jurisdiction.

412.2 Damage or Destruction Due to Cause Not Required to be Covered by Insurance. If, prior to the issuance by City of the certificate of occupancy for the Project, any

portion of the Project is completely destroyed or substantially damaged by a casualty which Developer is not required to (and has not) insured against, then Developer shall not be required to repair, replace, or restore such improvements and may elect not to do so by providing Agency with written notice of election not to repair, replace, or restore within ninety (90) days after such substantial damage or destruction. In such event, Developer shall concurrently repay to Agency a pro rata portion of the Agency Loan unless not fewer than six (6) Housing Units continue to be made available for, restricted to occupancy by, and rented to Lower Income Households at an Affordable Rent in accordance with the Regulatory Agreement. As used in this Section 412.2, "substantial damage" caused by a casualty not required to be (and not) covered by insurance shall mean damage or destruction which is fifteen percent (15%) or more of the replacement cost of the improvements comprising the Project. In the event Developer does not timely elect not to repair, replace, or restore the Project as set forth in the first sentence of this Section 412.2, Developer shall be conclusively deemed to have waived its right not to repair, replace, or restore the Project and thereafter Developer shall promptly commence and complete the repair, replacement, or restoration of the damaged or destroyed Project in accordance with Section 412.1 above.

413. Indemnity. Developer shall, at its expense, defend (with counsel acceptable to Agency), indemnify, and hold harmless Agency, City, and their officers, agents, employees and representatives from any and all losses, liabilities, claims, lawsuits, causes of action, judgments, settlements, court costs, attorneys' fees, expert witness fees, and other legal expenses, costs of evidence of title, costs of evidence of value, and other damages of whatsoever nature arising out of or in connection with, or relating in any manner to this Agreement, Developer's ownership or operation of the Site, or the development of the Project, except that arising from the gross negligence or willful misconduct of Agency.

414. Compliance with Laws. Developer shall carry out the operation of the Project in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City 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 Section 51, *et seq.* Developer shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Site, subject to Developer's right to contest in good faith any such taxes. Developer may apply for and receive any exemption from the payment of property taxes or assessments on any interest in or to the Site without the prior approval of Agency.

415. Non-Discrimination Covenants. Developer covenants by and for itself, its successors 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 Site, 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 Site. The foregoing covenants shall run with the land. All such deeds, leases, and contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

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

(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."

(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."

The covenants established in this Section 415 shall, without regard to technical classification and designation, be binding for the benefit and in favor of Agency and its successors and assigns, and shall remain in effect in perpetuity.

416. Regulatory Agreement and Affordability Covenants. Developer hereby agrees to convey to Agency the Affordability Covenants, pursuant to which Developer agrees to use, own, manage, and operate the Site in accordance with each of the terms, conditions, and restrictions set forth in this Agreement and the Regulatory Agreement which is attached hereto as Attachment No. 5 and incorporated herein. The execution by Developer and recording against the Site of the Regulatory Agreement is a Condition Precedent to Agency's obligation to make the Agency Loan to Developer, as set forth in Section 202 hereof.

500. DEFAULT AND REMEDIES

501. Events of Default. A Default or Event of Default shall occur under this Agreement when there shall be a material breach of any condition, covenant, warranty, promise or representation contained in this Agreement and such breach shall continue for a period of thirty (30) days after written Notice thereof to the defaulting party without the defaulting party curing such breach, or if such breach cannot reasonably be cured within such thirty (30) day period, commencing the cure of such breach within such thirty (30) day period and thereafter diligently proceeding to cure such breach; provided, however, that if a different period or Notice requirement is specified for any particular breach under any other paragraph of this Agreement, the specific provision shall control.

502. Remedies. The parties acknowledge that Agency has made the Agency Loan to Developer in consideration for Developer's conveyance of the Affordability Covenants to Agency and operation of the Project in accordance with the Regulatory Agreement and the Affordability Covenants, and that in the event of a Default by Developer monetary damages may be an inadequate remedy; thus the parties agree that specific performance is the appropriate remedy for an Event of Default under this Agreement or the Regulatory Agreement by Developer. Notwithstanding the foregoing, the occurrence of any Event of Default shall give the nondefaulting party the right to proceed with any and all remedies set forth in this Agreement, including an action for damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants under this Agreement and the Regulatory Agreement, to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement or the Regulatory Agreement, or to compel specific performance, and the right to terminate this Agreement. In addition, the occurrence of any Event of Default by Developer will relieve Agency of any obligation to perform hereunder, including without limitation to make the Agency Loan to Developer, or if the Agency Loan Amount has already been disbursed by Agency, an Event of Default hereunder shall permit Agency to require repayment of the Agency Loan Amount pursuant to the Promissory Note and the Deed of Trust.

503. Force Majeure. Subject to the party's compliance with the Notice requirements as set forth below, performance by either party hereunder shall not be deemed to be in Default, and all performance and other dates specified in this Agreement shall be extended, where delays or Defaults are due to causes beyond the control and without the fault of the party claiming an extension of time to perform, which may include, without limitation, the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy, acts of terrorism, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other party, or acts or failures to act of any public or governmental entity (except that Agency's acts or failure to act shall not excuse performance of Agency hereunder). An extension of the 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.

504. Termination by Agency. In the event that, prior to disbursement of the entire Agency Loan Amount to Developer, Agency is not in Default under this Agreement, and:

(a) One or more of the Conditions Precedent has not been fulfilled on or before sixty (60) days after the date of this Agreement and such Condition Precedent is not satisfied after

Notice and an opportunity to cure as provided in Section 501 hereof, and such failure is not caused by Agency; or

(b) Developer is otherwise in Default of this Agreement and, after written Notice of such Default has been given as provided in Section 501, fails to cure such Default within the time set forth in Section 501 hereof;

then this Agreement and any rights of Developer or any assignee or transferee of Developer with respect to or arising out of this Agreement shall, at the option of Agency, be terminated by Agency by written Notice thereof to Developer. From the date of the written Notice of termination of this Agreement by Agency to Developer and thereafter this Agreement shall be deemed terminated, Agency shall not be obligated to make any further disbursements of the Agency Loan, and there shall be no further rights or obligations between the parties, except that if Developer is in Default hereunder Agency, after delivery of Notice and expiration of the cure period provided in Section 501 hereof, may pursue any remedies it has at law or equity; including acceleration of Developer's obligation to repay any portion of the Agency Loan Amount that has been disbursed by Agency as provided in the Promissory Note and Deed of Trust.

505. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder or under any of the documents executed in connection herewith, the prevailing party shall be entitled to recover from the other party its costs of suit, including without limitation expert witness fees and reasonable attorneys' fees.

506. Remedies Cumulative. No right, power, or remedy given to Agency by the terms of this Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to Agency by the terms of any such instrument, or by any statute or otherwise against Developer and any other person.

507. Waiver of Terms and Conditions. Agency may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

600. GENERAL PROVISIONS

601. Time. Time is of the essence in this Agreement.

602. Notices. 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 may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

If to Agency: Garden Grove Agency for Community Development
11222 Acacia Parkway
Garden Grove, CA 92840
Attention: Agency Director

If to Developer: Dale Apartments, LLC
16509 Brookhurst Street, Suite A
Fountain Valley, CA 92708
Attention: Alwin Lee ~~{Please confirm}~~ e

603. Representations and Warranties of Developer. Developer hereby represents and warrants to Agency as follows:

(a) **Organization.** Developer is a limited liability company validly existing, in good standing, and qualified to do business in the State of California, and has the power and authority to own its property and carry on its business as now being conducted.

(b) **Authority of Developer.** Developer has full power and authority to execute and deliver this Agreement, the Promissory Note, the Deed of Trust, the Regulatory Agreement, the Notice of Affordability Restrictions, and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) **Valid Binding Agreements.** This Agreement, the Promissory Note, the Deed of Trust, the Regulatory Agreement, and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Developer enforceable against it in accordance with their respective terms.

(d) **Pending Proceedings.** Developer is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Developer, threatened against or affecting Developer or the Site, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Developer, materially affect Developer's ability to perform its obligations hereunder.

604. Limitation Upon Change in Ownership, Management and Control of Developer

(a) **Prohibition.** The identity and qualifications of Developer as an experienced and successful operator of affordable apartment complexes are of particular concern to Agency. It is because of this identity and these qualifications that Agency has entered into this Agreement with Developer. No voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement by assignment or otherwise, nor shall Developer make any total or partial sale, transfer, conveyance, encumbrance to secure financing, assignment or lease of the whole or any part of the Site without the prior written approval of Agency pursuant to subparagraph (c) hereof, except as expressly set forth herein, which approval shall not be unreasonably withheld.

(b) **Permitted Transfers.** Notwithstanding any other provision of this Agreement to the contrary, Agency approval of an assignment or transfer of this Agreement, the

Regulatory Agreement, or conveyance of the Site or any part thereof pursuant to subparagraph (c) of this Section 604, shall not be required in connection with any of the following ("Permitted Transfers"):

(i) Subject to the restrictions of Section 400, *et seq.* of this Agreement and the Regulatory Agreement, the lease of units to qualified tenants.

(ii) Assignment for financing purposes, subject to such financing being considered and approved by Agency pursuant to Section 301 hereof.

(iii) The removal and replacement of Developer's general partner, provided that the removed general partner is replaced by an affiliate with at least a 51% ownership interest in Developer.

(c) **Agency Consideration of Requested Transfer.** Agency agrees that it will not unreasonably withhold approval of a request made pursuant to this Section 604, provided (a) Developer delivers written Notice to Agency requesting such approval, and (b) the proposed assignee or transferee possesses comparable operational experience and capability, and comparable net worth and resources, as the proposed transferor or assignor, and (c) the assignee or transferee assumes the obligations of Developer under this Agreement and the Regulatory Agreement in a form which is reasonably acceptable to Agency Director. Such Notice shall be accompanied by evidence regarding the proposed assignee's or purchaser's qualifications and experience and its financial commitments and resources sufficient to enable Agency to evaluate the proposed assignee or purchaser pursuant to the criteria set forth in this Section 604(c) and other criteria as reasonably determined by Agency. Agency shall approve or disapprove the request within thirty (30) days of its receipt of Developer's Notice and complete and legible copies of all information and materials required herein.

(d) **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 Developer and the permitted successors and assigns of Developer. Whenever the term "Developer" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

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

606. Relationship Between Agency and Developer. It is hereby acknowledged that the relationship between Agency and Developer is not that of a partnership or joint venture and that Agency and 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, Agency shall have no rights, powers, duties or obligations with respect to the development, operation, maintenance or management of the Project.

607. Third Party Beneficiaries. The City and its successors and assigns shall be intended third party beneficiaries of this Agreement. City shall have full right and ability (but no obligation) to enforce each and every covenant and restriction in this Agreement. No other person(s) or entity(ies) shall have any right of action hereunder.

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

609. Counterparts. This Agreement may be signed in multiple counterparts which, when signed by all parties, shall constitute a binding agreement.

610. Integration. This Agreement (including Attachment Nos. 1 through 8) contains the entire understanding between the parties relating to the transaction contemplated by this Agreement. Except for the Density Bonus Housing Agreement, which shall remain in full force and effect according to its terms, all prior or contemporaneous agreements, understandings, representations and statements, oral or written, 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.

611. Real Estate Brokerage Commission. Agency and Developer each represent and warrant to the other that no broker or finder is entitled to any commission or finder's fee in connection with this transaction, and Developer and Agency agree to defend and hold harmless each other from any claim to any such commission or fee resulting from any action on its part.

612. 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.

613. 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.

614. 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 shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Agreement.

615. 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.

616. Severability. If any term, provision, condition or covenant of this Agreement or its application to any 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.

617. Computation of Time. The time in which any act is to be done under this Agreement is computed by excluding the first day 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.

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

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

620. 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.

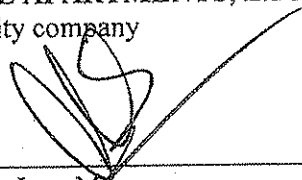
621. Conflicts of Interest. No member, official or employee of Agency shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of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

[Signatures appear on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first set forth above.

DEVELOPER:

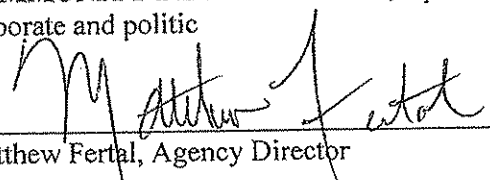
DALE APARTMENTS, LLC, a California limited liability company



Alwin Lee, Manager

AGENCY:

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



Matthew Fertal, Agency Director

ATTEST:

Kathleen Baird 6/4/10
Agency Secretary

APPROVED AS TO FORM:

VS Ledder
Stradling Yocca Carlson & Rauth,
Agency Counsel

ATTACHMENT NO. 1

LEGAL DESCRIPTION

That certain real property located in the City of Garden Grove, County of Orange, State of California, described as follows:

THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 11 WEST, SAN BERNARDINO BASE & MERIDIAN.

EXCEPT THE SOUTH 531.56 FEET THEREOF.

ALSO EXCEPT THE WEST 20 FEET LYING IN DALE STREET AS NOW ESTABLISHED.

Assessor's Parcel No. 215-091-26

13. **Maker's Waivers.** Maker waives any rights to require the Holder to: (a) demand payment of amounts due (known as "presentment"), (b) give notice that amounts due have not been paid (known as "notice of dishonor"), and (c) obtain an official certification of nonpayment (known as "protest").

14. **Notice.** Any notice that must be given to Maker under this Note shall be given by personal delivery or by mailing it by certified mail addressed to Maker at the following address: [] or such other address as Maker shall direct from time to time in writing. Failure or delay in giving any notice required hereunder shall not constitute a waiver of any default or late payment, nor shall it change the time for any default or payment. Any notice to Holder shall be given by certified mail at the address stated above.

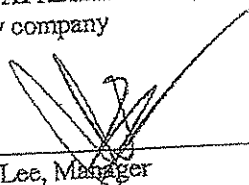
15. **Successors Bound.** This Note shall be binding upon the parties hereto and their respective heirs, successors and assigns.

IN WITNESS WHEREOF, Maker has executed this Note as of the date set forth below.

MAKER:

DALE APARTMENTS, LLC, a California limited liability company

Dated: 12/15, 2009


Atwin Lee, Manager

Attachment No. 2-3

DOCSOC/1338762v5/022012-0311

reciting that they are secured by this Deed of Trust. Exhibit B is attached hereto and incorporated herein by reference.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Contra Costa	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	73878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	309	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	S. Bernardino	6213	768	Sutter	655	585
El Dorado	4684	1	Mariposa	98	453	S. Francisco	A-804	596	Tehama	457	183
Fresno	101	549	Mendocino	667	99	S. Joaquin	2855	283	Trinity	108	595
Glenn	704	635	Merced	1660	753	S. Luis Obispo	1511	137	Tulare	2530	108
Humboldt	5052	623	Modoc	191	93	S. Mateo	4778	175	Tuolumne	177	160
Imperial	469	76	Monro	69	302	Santa Barbara	2065	881	Ventura	2607	237
Inyo	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Kern	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
	165	672	Nevada	363	94	Shasta	800	633			
	3756	690	Orange	7182	18	San Diego	1964	149774			
						Series 5					

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B (identical in all counties, and printed on Exhibit C hereto) are, by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

The undersigned Trustor requests that a copy of any notice of default and any notice of sale hereunder be mailed to him/her at his/her address hereinbefore set forth.

DALE APARTMENTS, LLC, a California limited liability company

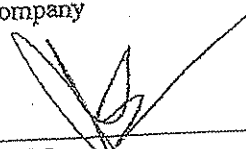

Alwin Lee, Manager

EXHIBIT A TO DEED OF TRUST

LEGAL DESCRIPTION

That certain real property located in the City of Garden Grove, County of Orange, State of California, described as follows:

THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 11 WEST, SAN BERNARDINO BASE & MERIDIAN.

EXCEPT THE SOUTH 531.56 FEET THEREOF.

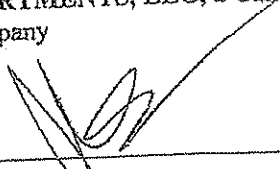
ALSO EXCEPT THE WEST 20 FEET LYING IN DALE STREET AS NOW ESTABLISHED.

Assessor's Parcel No. 215-091-26

payable upon a Transfer will not constitute waiver of the right to exercise this option in the event of any subsequent Transfer.

5. **SUBORDINATION.** This Deed of Trust and the Affordability Covenants set forth in that certain Regulatory Agreement with Affordability Covenants dated and recorded concurrently herewith in the Official Records of Orange County, California, may be subordinated to the lien of Trustor's institutional permanent loan for the Project; provided, the Agency and such senior lender shall have entered into a subordination agreement in form and content reasonably acceptable to the Agency Director and Agency legal counsel, which subordination agreement conforms to the requirements of Section 303 of the Agreement. Notwithstanding the foregoing, in no event shall the affordability covenants or other requirements set forth in that certain Density Bonus Housing Agreement by and between the Agency and Trustor, dated as of _____, 2009, and recorded against the Property in the Official Records of Orange County, California, as Instrument No. _____ on _____, 20__ be subordinated to the lien of any mortgage, deed of trust, or other lien against the Property.

DALE APARTMENTS, LLC, a California limited
liability company



Alwin Lee, Manager

Exhibit B to Attachment No. 3

DOCSOC/1338762v5/022012-0311

EXHIBIT C TO DEED OF TRUST

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorneys' fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation thereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his/her reasonable fees.

Exhibit C to Attachment No. 3

DO NOT RECORD

(5) To Pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

(1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such monies received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his/her right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance or any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his/her own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(6) That upon default Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for

Exhibit C to Attachment No. 3

DO NOT RECORD

sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

Exhibit C to Attachment No. 3

DO NOT RECORD

ATTACHMENT NO. 4

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Garden Grove Agency for Community
Development
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Agency Director

SPACE ABOVE THIS LINE FOR RECORDER'S USE
(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** ("Notice of Affordability Restrictions") is executed and recorded pursuant to Section 33334.3(f)(3)(B) of the California Health and Safety Code as amended by AB 987, Chapter 690, Statutes of 2007 (herein, "Chapter 690"), and affects that certain property described in Exhibit A hereto ("Site").

1. The Garden Grove Agency for Community Development ("Agency") and Dale Apartments, LLC ("Developer") have previously entered into an Affordable Housing Agreement dated as of _____, 2010 ("AHA"). The AHA provides for affordability restrictions and restrictions on the transfer of the Site, as more particularly set forth in the AHA. A copy of the AHA is on file with Agency as a public record and is deemed incorporated herein. Reference is made to the AHA with regard to the complete text of the provisions of such agreement which provides for affordability restrictions and restrictions on the transfer of the Site.

2. The AHA provides for Developer to (a) construct 25 rental dwelling units at the Site and (b) rent a specified number of such dwelling units to households of limited income, paying an affordable rent; such restrictions are set forth at greater length in a document entitled the Regulatory Agreement with Affordability Covenants, substantially in the form of Attachment No. 5 to the AHA, which has been entered into by and between Agency and Developer, and which is expected to be recorded substantially concurrently herewith among the

official land records of the County of Orange. The Regulatory Agreement and the AHA are deemed to be incorporated herein by reference.

2.1. The Regulatory Agreement sets forth the following affordability restrictions and restrictions on transfer of the Site:

"1. **Use of Project.** All uses conducted on the Site, including, without limitation, all activities undertaken by the Developer pursuant to this Regulatory Agreement and the AHA, shall conform to all applicable provisions of the Garden Grove Municipal Code and other applicable federal, state, and local laws, rules, and regulations. The Project shall at all times during the term of this Regulatory Agreement be used as an apartment complex and none of the Housing Units in the Project shall at any time be utilized on a transient basis, nor shall the Site or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium or rest home, or be converted to condominium ownership. All of the community facilities and any social programs provided to the Project's residents shall be available at all times on an equal, non-discriminatory basis to residents of all Housing Units at the Project.

"a. **Occupancy Limits.** The maximum occupancy for each Housing Unit shall not exceed five (5) persons per Housing Unit, constituting two persons per bedroom, plus one.

"2. **Affordable Units**

"a. **Affordable Units.** Developer hereby agrees to make available, restrict occupancy to, and rent six (6) of the Housing Units at the Project to Lower Income Households at an Affordable Rent throughout the entire Affordability Period. The six (6) Affordable Units shall be "floating" units that are not permanently designated; however, at no time shall all six (6) Affordable Units be congregated to a certain section of the Project.

“(i) A tenant who qualifies as a Lower Income Household at the time he or she first occupies an Affordable Unit shall be deemed to continue to be so qualified until such time as a recertification of such individual’s or household’s income in accordance with Section 8 below demonstrates that such individual or household no longer qualifies as a Lower Income Household. Moreover, a unit previously occupied by a Lower Income Household and then vacated shall be considered occupied by such Lower Income Household until reoccupied, other than for a temporary period, at which time the character of the unit shall be re-determined. In no event shall such temporary period exceed thirty-one (31) days.

“(ii) At such time as a tenant occupying an Affordable Unit ceases to qualify as a Lower Income Household, the unit occupied by such tenant shall cease to be an Affordable Unit. Developer shall replace each such Affordable Unit by designating the next available unit and any necessary units thereafter as an Affordable Unit. For purposes of this Regulatory Agreement, such designated unit will be considered an Affordable Unit if it is held vacant and available for occupancy by a Lower Income Household and, upon occupancy, the income eligibility of the tenant as a Lower Income Household is verified and the tenant pays an Affordable Rent.

“(iii) In the event a tenant household occupying an Affordable Unit initially qualifies as a Lower Income Household but the income of such household increases, such increase shall not be deemed to result in a violation of the restrictions of this Regulatory Agreement concerning limitations upon income of occupants, provided that the occupancy by such household is for a reasonable time of not to exceed one year (measured from the time the income of the household ceases to qualify as a Lower Income Household), at which time the Housing Unit shall cease to be an Affordable Unit and

the provisions of the immediately preceding paragraph shall apply.

"b. Definitions.

"(i) Affordability Period. As used herein, "Affordability Period" means a term of fifty-five (55) years from the date the final certificate of occupancy is issued for the Project.

"(ii) Affordable Rent. As used herein, Affordable Rent means an affordable rent for Lower Income Households, as defined in California Health and Safety Code Section 50053. For Lower Income Households whose gross incomes exceed the maximum income for very low income households (as defined in Health and Safety Code Section 50105), Affordable Rent means the product of thirty (30) percent times sixty (60) percent of the Area Median Income for Orange County adjusted for family size appropriate for the unit. All of the Housing Units shall be two (2) bedroom units; thus, solely for purposes of calculating Affordable Rent pursuant to this Regulatory Agreement, a "family size appropriate to the unit" shall be three persons.

"For purposes of this Regulatory Agreement, "Affordable Rent" means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by 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 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.

“(iii) Lower Income Household. As used herein, “Lower Income Household” has the meaning set forth in California Health and Safety Code Section 50079.5.

“ ...

“6. Selection of Tenants. Developer shall be responsible for the selection of tenants for the Housing Units in compliance with lawful and reasonable criteria and the requirements of this Regulatory Agreement. A reasonable preference in the leasing of the Housing Units shall be given as follows:

“(i) First, to prospective tenants who have been displaced by Agency’s redevelopment activities in the implementation of the Agency’s Redevelopment Plan, to the extent authorized by applicable federal, state or local laws or regulations;

“(ii) Second, to prospective tenants on the Garden Grove Housing Authority’s Section 8 Housing Vouchers waiting list and Affordable Housing waiting list; and

“(iii) Third, to prospective tenants that live or work in the City.

“Prior to the rental or lease of an Affordable Unit to a tenant, Developer shall require the tenant to execute a written lease and to complete a Tenant Income Verification Form (in substantially the form attached to the AHA as Attachment No. 7) certifying that the tenant(s) occupying the Affordable Unit is/are a Lower Income Household and otherwise meet(s) the eligibility requirements established for the Affordable Unit. Developer shall verify the income of the tenant(s) as set forth in Section 8 below.

“7. Provisions regarding Section 8 Vouchers. Developer shall accept as tenants on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States

Housing Act of 1937, or its successor; provided, Developer shall not rent one of the Affordable Units to a tenant holding a Section 8 certificate unless none of the Housing Units not restricted to occupancy by Lower Income Households pursuant to this Regulatory Agreement are available. If the only available Housing Unit is an Affordable Unit, Developer shall no longer designate the Apartment Unit rented to a tenant holding a Section 8 certificate as an Affordable Unit, shall designate the next-available Housing Unit as an Affordable Unit, and shall make available, restrict occupancy to, and rent such newly designated Affordable Unit to a Lower Income Household at an Affordable Rent pursuant to this Regulatory Agreement, such that at all times reasonably possible six (6) of the Housing Units at the Project shall be Affordable Units not occupied by tenants holding Section 8 certificates. If and to the extent the foregoing restrictions conflict with the provisions of Section 8 of the United States Housing Act of 1937 or any rules or regulations promulgated thereunder, the provisions of Section 8 of the United States Housing Act of 1937 and all implementing rules and regulations thereto shall control. Developer shall not apply selection criteria to Section 8 certificate holders which are more burdensome than criteria applied to any other prospective tenants.”

3. The restrictions contained in the Regulatory Agreement expire fifty-five (55) years following the date the final certificate of occupancy is recorded for the Project. The Regulatory Agreement is being submitted for recordation contemporaneously with this Notice of Affordability Restrictions.

4. The commonly known address for the Site is 12632 Dale Street in the City of Garden Grove.

5. The assessor's parcel number for the Site is: 215-091-26; such number is subject to change.

6. The legal description for the Site is attached hereto as Exhibit A and is incorporated herein by reference.

7. The Regulatory Agreement, which includes the affordability restrictions referenced above, is expected to be submitted for recordation in the Office of the Orange County Recorder contemporaneously with this Notice of Affordability Restrictions.

8. This Notice of Affordability Restrictions is intended merely to satisfy the requirements of Chapter 690. The AHA and the Regulatory Agreement both remain in full force and effect and are not amended or altered in any manner whatsoever by this Notice of Affordability Restrictions.

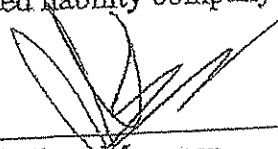
9. Capitalized terms shall have the meaning established under the AHA (including all Attachments thereto) excepting only to the extent as otherwise expressly provided under this Notice of Affordability Restrictions.

10. Persons having questions regarding this Notice of Affordability Restrictions, the AHA or the Attachments thereto (including the Regulatory Agreement) should contact Agency at its offices (11222 Acacia Parkway, Garden Grove, or such other address as may be designated by Agency from time to time).

[Signatures appear on following page.]

DEVELOPER:

DALE APARTMENTS, LLC, a California
limited liability company



Alwin Lee, Manager

AGENCY:

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

Matthew Fertal, Agency Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth,
Agency Counsel

EXHIBIT A TO ATTACHMENT NO. 4

LEGAL DESCRIPTION

That certain real property located in the City of Garden Grove, County of Orange, State of California, described as follows:

THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 11 WEST, SAN BERNARDINO BASE & MERIDIAN.

EXCEPT THE SOUTH 531.56 FEET THEREOF.

ALSO EXCEPT THE WEST 20 FEET LYING IN DALE STREET AS NOW ESTABLISHED.

Assessor's Parcel No. 215-091-26

STATE OF CALIFORNIA

COUNTY OF Orange

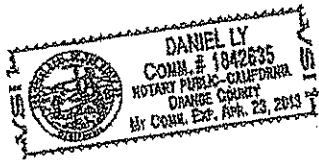
On 12/15/09, before me, Daniel Ly, Notary Public,
(Print Name of Notary Public)

personally appeared Alvin Lee

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



[Signature]
Signature of Notary Public

OPTIONAL

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

CAPACITY CLAIMED BY SIGNER

- Individual
- Corporate Officer
- Partner(s) Limited General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: _____

Signer is representing:
Name Of Person(s) Or Entity(ies)

DESCRIPTION OF ATTACHED DOCUMENT

Affordable Housing Agreement Attachment #4
Title Or Type Of Document

9
Number Of Pages

Date Of Documents

Signer(s) Other Than Named Above

ATTACHMENT NO. 5

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Garden Grove Agency for Community
Development
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Agency Director

SPACE ABOVE THIS LINE FOR RECORDER'S USE
(This document is exempt from the payment of a recording fee
pursuant to Government Code Section 27383.)

REGULATORY AGREEMENT
WITH AFFORDABILITY COVENANTS

This REGULATORY AGREEMENT WITH AFFORDABILITY COVENANTS ("Regulatory Agreement") is entered into as of _____, 2010, by and between the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body, corporate and politic ("Agency"), and DALE APARTMENTS, LLC, a California limited liability company ("Developer").

RECITALS

A. Developer owns approximately 38,629 square feet of real property in the City of Garden Grove ("City"), generally located at 12632 Dale Street, Garden Grove, California, Assessor's Parcel Number 215-091-26, as more particularly described in the Legal Description attached hereto as Exhibit A and incorporated herein by reference ("Site").

B. Developer desires to develop and operate an apartment complex on the Site ("Project"), consisting of twenty-five (25) apartment units (each, a "Housing Unit").

C. The Project is subject to that certain Density Bonus Housing Agreement between Developer and the City dated as of _____, 2010 and recorded against the Site in the Official Records of Orange County, California on [_____, 20__] as Instrument No. [_____]. The Density Bonus Housing Agreement requires Developer to make available, restrict occupancy to, and rent six (6) of the Housing Units to Lower Income Households at an Affordable Rent for a term of not less than thirty (30) years.

D. Developer and Agency have entered into an Affordable Housing Agreement dated as of _____, 2010 ("AHA"). Subject to the terms and conditions of the AHA, Developer has agreed to convey certain Affordability Covenants to Agency which Affordability Covenants are set forth in this Regulatory Agreement, including the covenant to make available, restrict occupancy to, and rent six (6) of the Housing Units to Lower Income Households at an Affordable Rent throughout the Affordability Period (as those terms are defined below). All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the AHA.

E. This Regulatory Agreement sets forth the Affordability Covenants conveyed to Agency by Developer pursuant to the AHA and in consideration of Agency's agreement to make the Agency Loan to Developer. The execution and recording of this Regulatory Agreement by Developer is a requirement of the AHA and a Condition Precedent to Agency's obligation to make the Agency Loan to Developer.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements set forth herein, the parties hereto agree as follows:

1. **Use of Project.** All uses conducted on the Site, including, without limitation, all activities undertaken by the Developer pursuant to this Regulatory Agreement and the AHA, shall conform to all applicable provisions of the Garden Grove Municipal Code and other applicable federal, state, and local laws, rules, and regulations. The Project shall at all times during the term of this Regulatory Agreement be used as an apartment complex and none of the Housing Units in the Project shall at any time be utilized on a transient basis, nor shall the Site or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium or rest home, or be converted to condominium ownership. All of the community facilities and any social programs provided to the Project's residents shall be available at all times on an equal, non-discriminatory basis to residents of all Housing Units at the Project.

a. **Occupancy Limits.** The maximum occupancy for each Housing Unit shall not exceed five (5) persons per Housing Unit, constituting two persons per bedroom, plus one.

2. **Affordable Units**

a. **Affordable Units.** Developer hereby agrees to make available, restrict occupancy to, and rent six (6) of the Housing Units at the Project to Lower Income Households at an Affordable Rent throughout the entire Affordability Period. The six (6) Affordable Units shall be "floating" units that are not permanently designated; however, at no time shall all six (6) Affordable Units be congregated to a certain section of the Project.

(i) A tenant who qualifies as a Lower Income Household at the time he or she first occupies an Affordable Unit shall be deemed to continue to be so qualified until such time as a recertification of such individual's or household's income in accordance with Section 8 below demonstrates that such individual or household no longer qualifies as a Lower Income Household. Moreover, a unit previously occupied by a Lower Income Household and then vacated shall be considered occupied by such Lower Income Household until reoccupied, other than for a temporary period, at which time the character of the unit shall be re-determined. In no event shall such temporary period exceed thirty-one (31) days.

(ii) At such time as a tenant occupying an Affordable Unit ceases to qualify as a Lower Income Household, the unit occupied by such tenant shall cease to be an Affordable Unit. Developer shall replace each such Affordable Unit by designating the next available unit and any necessary units thereafter as an Affordable Unit. For purposes of this Regulatory Agreement, such designated unit will be considered an Affordable Unit if it is held vacant and available for occupancy by a Lower Income Household and, upon occupancy, the income eligibility of the tenant as a Lower Income Household is verified and the tenant pays an Affordable Rent.

(iii) In the event a tenant household occupying an Affordable Unit initially qualifies as a Lower Income Household but the income of such household increases, such increase shall not be deemed to result in a violation of the restrictions of this Regulatory Agreement concerning limitations upon income of occupants, provided that the occupancy by such household is for a reasonable time of not to exceed one year (measured from the time the income of the household ceases to qualify as a Lower Income Household), at which time the Housing Unit shall cease to be an Affordable Unit and the provisions of the immediately preceding paragraph shall apply.

b. **Definitions.**

(i) Affordability Period. As used herein, "Affordability Period" means a term of fifty-five (55) years from the date the final certificate of occupancy is issued for the Project.

(ii) Affordable Rent. As used herein, Affordable Rent means an affordable rent for Lower Income Households, as defined in California Health and Safety Code Section 50053. For Lower Income Households whose gross incomes exceed the maximum income for very low income households (as defined in Health and Safety Code Section 50105), Affordable Rent means the product of thirty (30) percent times sixty (60) percent of the Area Median Income for Orange County adjusted for family size appropriate for the unit. All of the Housing Units shall be two (2) bedroom units; thus, solely for purposes of calculating Affordable Rent pursuant to this Regulatory Agreement, a "family size appropriate to the unit" shall be three persons.

For purposes of this Regulatory Agreement, "Affordable Rent" means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by 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 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.

(iii) Lower Income Household. As used herein, "Lower Income Household" has the meaning set forth in California Health and Safety Code Section 50079.5.

3. **Maintenance.** Developer shall maintain or cause to be maintained the interior and exterior of the Project and the Site in a decent, safe and sanitary manner, and in accordance with the standard of maintenance of first class multifamily rental apartment complexes within Orange County. If at any time Developer fails to maintain the Project or the Site in accordance with this Regulatory Agreement and such condition is not corrected within five days after written notice from Agency with respect to graffiti, debris, and waste material, or thirty days after written notice from Agency with respect to general maintenance, landscaping and building improvements, then Agency, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Project or the Site and perform all acts and work necessary to protect, maintain, and preserve the Project and the Site, and to attach a lien upon the Site, or to assess the Site, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by Agency and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Developer to Agency upon demand.

4. **Marketing Program.** Each Affordable Unit shall be leased to Lower Income Households selected by Developer who meet all of the requirements provided herein. Developer shall prepare and obtain Agency's approval, which approval shall not be unreasonably withheld, of a marketing program for the leasing of the Housing Units at the Project ("Marketing Program"). The leasing of the Housing Units shall thereafter be marketed in accordance with the Marketing Program as the same may be amended from time to time with Agency's prior written approval, which approval shall not unreasonably be withheld. Developer shall provide Agency with periodic reports with respect to the leasing of the Housing Units in accordance with Sections 8 and 9.

5. **Management Plan.** Developer shall submit for the reasonable approval of Agency a "Management Plan" which sets forth in detail Developer's property management duties, a tenant selection process in accordance with this Regulatory Agreement, a security system and crime prevention program, the procedures for the collection of rent, the procedures for eviction of tenants, the rules and regulations of the Site and manner of enforcement, a standard lease form, an operating budget, the identity of the professional property management company to be contracted with to provide property management services at the Site ("Property Manager"), and other matters relevant to the management of the Site. The Management Plan shall require Developer to adhere to a fair lease and grievance procedure. The management of the Site shall be in compliance with the Management Plan as approved by Agency.

If Agency determines that the performance of the Property Manager is deficient based upon the standards set forth in the approved Management Plan and in this Regulatory Agreement, Agency shall provide notice to Developer of such deficiencies and Developer shall use its best efforts to correct such deficiencies. In the event that such deficiencies have not been cured within the time set forth in Section 501 of the AHA, Agency shall have the right to require Developer to immediately remove and replace the Property Manager with another property manager or property management company which is reasonably acceptable to the Agency Director, which is not related to or affiliated with Developer, and which has not less than five (5) years experience in property management, including significant experience managing rental housing facilities of the size, quality and scope of the Project.

6. **Selection of Tenants.** Developer shall be responsible for the selection of tenants for the Housing Units in compliance with lawful and reasonable criteria and the requirements of this Regulatory Agreement. A reasonable preference in the leasing of the Housing Units shall be given as follows:

(i) First, to prospective tenants who have been displaced by Agency's redevelopment activities in the implementation of the Agency's Redevelopment Plan, to the extent authorized by applicable federal, state or local laws or regulations;

(ii) Second, to prospective tenants on the Garden Grove Housing Authority's Section 8 Housing Vouchers waiting list and Affordable Housing waiting list; and

(iii) Third, to prospective tenants that live or work in the City.

Prior to the rental or lease of an Affordable Unit to a tenant, Developer shall require the tenant to execute a written lease and to complete a Tenant Income Verification Form (in substantially the form attached to the AHA as Attachment No. 7) certifying that the tenant(s) occupying the Affordable Unit is/are a Lower Income Household and otherwise meet(s) the eligibility requirements

established for the Affordable Unit. Developer shall verify the income of the tenant(s) as set forth in Section 8 below.

7. **Provisions regarding Section 8 Vouchers.** Developer shall accept as tenants on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor; provided, Developer shall not rent one of the Affordable Units to a tenant holding a Section 8 certificate unless none of the Housing Units not restricted to occupancy by Lower Income Households pursuant to this Regulatory Agreement are available. If the only available Housing Unit is an Affordable Unit, Developer shall no longer designate the Apartment Unit rented to a tenant holding a Section 8 certificate as an Affordable Unit, shall designate the next-available Housing Unit as an Affordable Unit, and shall make available, restrict occupancy to, and rent such newly designated Affordable Unit to a Lower Income Household at an Affordable Rent pursuant to this Regulatory Agreement, such that at all times reasonably possible six (6) of the Housing Units at the Project shall be Affordable Units not occupied by tenants holding Section 8 certificates. If and to the extent the foregoing restrictions conflict with the provisions of Section 8 of the United States Housing Act of 1937 or any rules or regulations promulgated thereunder, the provisions of Section 8 of the United States Housing Act of 1937 and all implementing rules and regulations thereto shall control. Developer shall not apply selection criteria to Section 8 certificate holders, which are more burdensome than criteria applied to any other prospective tenants.

8. **Income Verification and Certification.** Following the initial lease-up of the Project, and annually thereafter throughout the Affordability Period, Developer shall submit to Agency, at Developer's expense, a summary of the income, household size and rent payable by each of the tenants of the Affordable Units. At Agency's request, Developer shall provide to Agency completed income computation and certification forms, in substantially the form of the Tenant Income Verification Form attached to the AHA as Attachment No. 7 or such other form as may reasonably be requested by Agency, for any Lower Income Households renting the Affordable Units at the Project. Developer shall obtain, or shall cause to be obtained by the Property Manager, a certification from each household leasing an Affordable Unit demonstrating that such household meets the applicable income requirements and eligibility requirements established for a Lower Income Household renting such Affordable Unit. Developer shall verify, or shall cause the Property Manager to verify, the income certification of the Lower Income Household.

9. **Monitoring and Recordkeeping.** Throughout the Affordability Period, Developer shall comply with all applicable recordkeeping and monitoring requirements set forth in California Health and Safety Code Section 33418 and shall annually complete and submit to Agency a Certification of Continuing Program Compliance in the form provided by Agency. Representatives of Agency shall be entitled to enter the Site, upon at least thirty-six (36) hours notice, to monitor compliance with this Regulatory Agreement, and shall be entitled to inspect the records of the Project and to conduct an independent audit or inspection of such records at a location within the City that is reasonably acceptable to the Agency Director. Developer agrees to cooperate with Agency in making the Site and the records of the Project available for such inspection or audit. Developer agrees to maintain records for the Project in a businesslike manner, and to maintain such records throughout the Affordability Period. Agency relies upon the information contained in reports submitted by Developer to satisfy its own reporting requirements pursuant to Sections 33080 and 33080.1 of the California Health and Safety Code. In the event the Participant fails to submit to Agency or its designee the certification as required by this Section, the Participant shall be in Default under this Regulatory Agreement.

10. **Insurance Requirements.** Developer shall take out and maintain a fire and property damage insurance policy in the full replacement amount of the Project. Developer shall also furnish or cause to be furnished to Agency evidence satisfactory to Agency that Developer carries workers' compensation insurance as required by law. Developer shall furnish a certificate of insurance countersigned by an authorized agent of the insurance carrier setting forth the general provisions of the insurance coverage. The certificate shall contain a statement of obligation on the part of the carrier to notify 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. All policies shall be written by good and solvent insurers qualified to do business in California and reasonably acceptable to Agency Director. Agency and City shall be named as additional insureds on all policies required by this Regulatory Agreement.

11. **Indemnity.** Developer shall, at its expense, defend (with counsel acceptable to Agency), indemnify, and hold harmless Agency, City, and their officers, agents, employees and representatives from any and all losses, liabilities, claims, lawsuits, causes of action, judgments, settlements, court costs, attorneys' fees, expert witness fees, and other legal expenses, costs of evidence of title, costs of evidence of value, and other damages of whatsoever nature arising out of or in connection with, or relating in any manner to this Regulatory Agreement, Developer's ownership or operation of the Site, or the development of the Project, except that arising from the gross negligence or willful misconduct of Agency.

12. **Compliance with Laws.** Developer shall carry out the operation of the Project and the Site in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City 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 Section 51, *et seq.*

13. **Duty to Prevent Hazardous Material Contamination.** During the development and operation of the Project, Developer shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Site. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. Developer shall notify Agency and provide to Agency a copy or copies of any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and Developer shall report to Agency, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

For purposes of this Section 13, "Governmental Requirements" shall mean all 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 Site is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over Agency, Developer or the Site.

For purposes of this Section 13, "Hazardous Materials" means any substance, material, or waste which is or becomes, regulated by any local governmental authority, the State of California, 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) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (x) 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 (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, *et seq.* Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities as are customarily used in the construction, maintenance, rehabilitation or management of residential developments or associated buildings and grounds, or typically used in residential activities in a manner typical of other comparable residential developments, or substances commonly ingested by a significant population living within the Project, including without limitation alcohol, aspirin, tobacco and saccharine.

14. **Non-Discrimination Covenants.** Developer covenants by and for itself, its successors 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 Site, 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 Site. The foregoing covenants shall run with the land.

The covenants established in this Section 14 shall, without regard to technical classification and designation, be binding for the benefit and in favor of Agency and its successors and assigns, and shall remain in effect in perpetuity.

15. **Defaults and Remedies.** Defaults of this Regulatory Agreement and remedies therefor shall be governed by the provisions of Section 500, *et seq.*, of the Affordable Housing Regulatory Agreement.

16. **Waiver of Terms and Conditions.** Any party may, in its sole discretion, waive in writing any of the terms and conditions of this Regulatory Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

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

18. **Time.** Time is of the essence in this Regulatory Agreement.

19. **Notices.** Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Regulatory Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

Developer: Dale Apartments, LLC
16509 Brookhurst Street, Suite A
Fountain Valley, CA 92708
Attention: Alwin Lee [Please confirm]

Agency: Garden Grove Agency for Community Development
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Agency Director

Such addresses may be changed by Notice to the other party given in the same manner as provided above.

20. **Third Party Beneficiaries.** The City and its successors and assigns shall be intended third party beneficiaries of this Regulatory Agreement. City shall have full right and ability (but no obligation) to enforce each and every covenant and restriction in this Regulatory Agreement. No other person(s) or entity(ies) shall have any right of action hereunder.

21. **Partial Invalidity.** If any provision of this Regulatory 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.

22. **Governing Law.** This Regulatory Agreement 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.


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

[Signatures appear on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Regulatory Agreement with Affordability Covenants as of the date first set forth above.

DEVELOPER:

DALE APARTMENTS, LLC, a California limited liability company



Alwin Lee, Manager

AGENCY:

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

Matthew Fertal, Agency Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth,
Agency Counsel

EXHIBIT A TO ATTACHMENT NO. 5

LEGAL DESCRIPTION

That certain real property located in the City of Garden Grove, County of Orange, State of California, described as follows:

THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 11 WEST, SAN BERNARDINO BASE & MERIDIAN.

EXCEPT THE SOUTH 531.56 FEET THEREOF.

ALSO EXCEPT THE WEST 20 FEET LYING IN DALE STREET AS NOW ESTABLISHED.

Assessor's Parcel No. 215-091-26

ATTACHMENT NO. 6

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.

Request for Notice under Civil Code Section 2924b

In accordance with Civil Code Section 2924b, request is hereby made that a copy of any
Notice of Default and a copy of any Notice of Sale under the Deed of Trust recorded as Instrument
No. _____ on _____, 200__, Official Records of Orange County,
California, and describing land therein as:

[See Exhibit A attached hereto]

executed by Dale Apartments, LLC, a California limited liability company, as Trustor, in which
_____, is named as Beneficiary, and _____
is named as Trustee, be mailed to Garden Grove Agency for Community Development,
11222 Acacia Parkway, Garden Grove, California 92842, Attention: Agency Director.

NOTICE: A COPY OF ANY NOTICE OF DEFAULT AND OF ANY NOTICE OF
SALE WILL BE SENT ONLY TO THE ADDRESS CONTAINED THIS
RECORDED REQUEST. IF YOUR ADDRESS CHANGES, A NEW
REQUEST MUST BE RECORDED.

AGENCY:

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

By: _____
Matthew Fertal, Agency Director

ATTEST:

Agency Secretary

Attachment No. 6

EXHIBIT A TO ATTACHMENT NO. 6

LEGAL DESCRIPTION

That certain real property located in the City of Garden Grove, County of Orange, State of California, described as follows:

THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 11 WEST, SAN BERNARDINO BASE & MERIDIAN.

EXCEPT THE SOUTH 531.56 FEET THEREOF.

ALSO EXCEPT THE WEST 20 FEET LYING IN DALE STREET AS NOW ESTABLISHED.

Assessor's Parcel No. 215-091-26

ATTACHMENT NO. 7

TENANT INCOME VERIFICATION FORM

Part I - General Information

1. Project Location: Dale Apartments: 12632 Dale Street, Garden Grove, California
2. Landlord's Name: Alwin Lee: Dale Apartments, LLC

Part II -- Unit Information

- | 3. Unit Number | 4. Number of Bedrooms | 5. Monthly Rent | 6. Number of Occupants |
|----------------|-----------------------|-----------------|------------------------|
| _____ | _____ | _____ | _____ |

Part III -- Affidavit of Tenant

1. I, _____, and I, _____, as applicants for rental of an apartment unit at the above-described location, do hereby represent and warrant that (my/our) gross income (anticipated total annual income) does not exceed the maximum income set forth for a lower income household in Orange County, adjusted for a household size appropriate to the Apartment Unit, as published from time to time by the State Department of Housing and Community Development in the California Code of Regulations. (I/We) understand that the current maximum income for a lower income household occupying a two bedroom unit in Orange County is \$_____. The following computation includes all income (I/we) anticipate receiving for the 12-month period beginning on the date (I/we) execute a rental agreement for an apartment unit or the date on which (I/we) will initially occupy such unit, whichever is earlier.

Tenant Initials

2. Tenants qualifying above must complete the following:

Monthly Gross Income
(All Sources of Income of All Adult Household Members Must be Listed)

Source	Head of Household	Co-Tenants	Total
Gross amount, before payroll deductions, of wages, salaries, overtime pay, commissions, fees, tips and bonuses			
Interest and/or dividends			
Net income from business or from rental property			
Social security, annuities, insurance policies, pension/retirement funds, disability or death benefits received periodically			
Payment in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay			
Alimony, child support, other periodic allowances			
Public assistance, welfare payments			
Regular pay, special pay and allowances of members of Armed Forces			
Other			

Total: _____

Total x 12 _____ = Gross Annual Household Income

Note: The following items are not considered income: casual, sporadic or irregular gifts; amounts specifically for or in reimbursement of medical expenses; lump sum payments such as inheritances,

insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses; educational scholarships paid directly to the student or educational institution; government benefits to a veteran for education; special pay to a serviceman head of family away from home and under hostile fire; foster child care payments; value of coupon allotments for purpose of food under Food Stamp Act of 1964 which is in excess of amount actually charged the eligible household; relocation payments under federal, state, or local relocation law; payments received pursuant to participation in the following programs: VISTA, Service Learning Programs, and Special Volunteer Programs, SCORE, ACE, Retired Senior Volunteer Program, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience.

3. This affidavit is made with the knowledge that it will be relied upon by the Landlord to determine maximum income for eligibility and (I/we) warrant that all information set forth in this document is true, correct and complete and based upon information (I/we) deem reliable and that the statement contained in paragraph 1 and the information contained in paragraph 2 of this Part III is reasonable and based upon such investigation as the undersigned deemed necessary.
4. (I/We) will assist the Landlord in obtaining any information or documents required to verify the statements made in this Part III and have attached hereto copies of (my/our) federal income tax return(s) for the most recent tax year in which a return was filed (past two years federal income tax returns for self-employed persons).
5. (I/We) acknowledge that (I/we) have been advised that the making of any misrepresentation or misstatement in this affidavit will constitute a material breach of (my/our) agreement with the Landlord to rent the unit and will additionally enable the Landlord, the City of Garden Grove and/or the Garden Grove Agency for Community Development to initiate and pursue all applicable legal and equitable remedies with respect to the unit and to me/us.

(I/We) do hereby swear under penalty of perjury that the foregoing statements are true and correct.

Date

Tenant

Date

Tenant

INCOME VERIFICATION
(for self-employed persons)

I hereby attach copies of my individual federal and state income tax returns for the immediately preceding calendar year and certify that the information shown in such income tax returns is true and complete to the best of my knowledge.

Signature

Date

ATTACHMENT NO. 8

SCHEDULE OF PERFORMANCE

	Action Item	Status
1.	Approval and Execution of Agreement. Agency shall approve and execute the Agreement.	Within 30 days ¹ of submittal of signed Agreement by Developer.
2.	Record Agreement. Developer shall cause the Agreement to be recorded against the Site.	Within 10 days of Agency approval and execution of Agreement.
3.	Construction Drawings. Developer shall submit construction drawings for the Project to Agency for plan check.	Completed.
4.	Revision to Construction Drawings. Developer shall revise and resubmit construction drawings to address reasons for conditional approval or disapproval by Agency.	Completed.
5.	Building Permits. Developer shall obtain all required building permits for the Project.	Completed.
6.	Management Plan and Marketing Program. Developer shall submit its proposed Management Plan and Marketing Program to Agency for review and approval.	Within 90 days of approval and execution of Agreement by Agency.
7.	Approval of Management Plan and Marketing Program. Agency shall review and approve, conditionally approve, or disapprove Developer's proposed Management Plan and Marketing Program.	Within 30 days of receipt of a complete submittal from Developer.
8.	Revision to Management Plan and Marketing Program. Developer shall revise the Management Plan and/or Marketing Program to address reasons for conditional approval or disapproval by Agency.	Within 30 days of conditional approval or disapproval by Agency.
9.	Approval of Revised Management Plan and Marketing Program. Agency shall review and approve or disapprove revised Management Plan and Marketing Program.	Within 30 days of receipt of revised Management Plan and Marketing Program from Developer.

¹ All days are calendar days unless otherwise noted.

Action Item	Status
10. Commencement of Construction. Developer shall commence the construction of the Project.	Completed.
11. Progress Reports. During the construction of the Project, Developer shall prepare and submit to Agency monthly written progress reports.	Commencing 30 days after start of construction and continuing until completion of construction.
12. Completion of Construction. Developer shall complete the construction of the Project.	On or before March 31, 2010.
13. Off-Site Improvements. Developer shall complete all off-site improvements required in connection with the construction of the Project.	On or before March 31, 2010.

EXHIBIT "D"
PROMISSORY NOTE

PROMISSORY NOTE
(This Promissory Note is secured by a Deed of Trust)

\$200,000

Garden Grove, California

January 12, 2010

Property Address: 12632 Dale Street
Garden Grove, California 92840

FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to the Garden Grove Agency for Community Development ("Holder") at 11222 Acacia Parkway, Garden Grove, California 92840, or at such other address as Holder may direct from time to time in writing, the sum of: Two Hundred Thousand Dollars (\$200,000) ("Note Amount"). All sums hereunder shall be payable in lawful money of the United States of America.

1. Affordable Housing Agreement. This Promissory Note ("Note") is made and delivered pursuant to and in implementation of that certain Affordable Housing Agreement entered into by and between Holder and Maker, dated as of January 12, 2010 ("Agreement"), a copy of which is on file as a public record with the Holder. The Agreement is incorporated herein by this reference. Maker acknowledges that but for the execution of this Note, Holder would not enter into the Agreement or make the Agency Loan to Developer, as contemplated therein. Unless definitions of terms have been expressly set out at length herein, each term shall have the same definition as set forth in the Agreement.

2. Interest Rate. The Note Amount shall bear interest at the rate of 0.000% per annum; provided that in the event of any Default under the Agreement or that certain Regulatory Agreement with Affordability Covenants by and between Maker and Holder, dated concurrently herewith and recorded against the above-referenced property ("Site") in the Official Records of Orange County, California ("Regulatory Agreement"), this Promissory Note shall accrue interest at the *lesser* of (a) the maximum interest rate legally chargeable by a redevelopment agency or (b) ten percent (10%), whichever is lower.

3. Time of Payment. In the event that Maker is in compliance with all of the requirements of the Agreement and the Note Amount has not earlier become due and payable, as provided in Sections 4 and 5 hereof, Maker's obligation to repay the Note Amount shall be forgiven upon the fifty-fifth (55th) anniversary of the date of issuance of the final certificate of occupancy for the Project.

4. Acceleration. The whole of the Note Amount plus accrued interest and all other amounts owing hereunder shall become immediately due and payable to Holder by Maker at the option of Holder upon the occurrence of any event of Default under the Agreement or the Regulatory Agreement.

At the request of Maker, and for a specific occasion, Holder may, in its sole and absolute discretion, in writing waive the requirements of this Section and defer repayment and/or extend the term of the Note Amount. Any waiver or deferment shall be on a case by case basis, and no future rights to waiver or deferment shall arise or be implied.

5. Due on Sale or Encumbrance. In the event of any Transfer (as defined below) of the Site, or any portion thereof or interest therein, Holder shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. As used herein, the term "Transfer" means and includes the direct or indirect sale, transfer, conveyance, mortgage, further encumbrance, assignment, or other alienation of the Site, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, the execution of any installment land sale contract, sales agreement or similar instrument affecting all or a portion of the Site, granting of an option to purchase any portion of or interest in the Site or any interest therein, or the lease of all or substantially all of the Site or of all or substantially all of the improvements situated on the Site. "Transfer" shall not include the leasing of individual dwelling units on the Site so long as Maker complies with the provisions of the Regulatory Agreement and the Agreement relating to such leasing activity. Failure of Holder to exercise the option to declare all sums secured hereby immediately due and payable upon a Transfer will not constitute waiver of the right to exercise this option in the event of any subsequent Transfer.

6. Security for Note. This Note shall be secured by a deed of trust and rider thereto of even date herewith encumbering the Site ("Deed of Trust"), executed by Maker, as trustor, in favor of Holder, as beneficiary. The Deed of Trust shall be recorded against the Site in the Official Records of Orange County, California.

7. Prepayment of Note. Maker may prepay this Note to Holder, provided that any prepayment must be in full and not in part. Prepayment shall not, however, release Maker from the requirements of the Agreement or the Regulatory Agreement.

8. Holder May Assign. Holder may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Maker.

9. Maker Assignment Prohibited. In no event shall Maker assign or transfer any portion of this Note, the Note Amount and/or the Agreement without the prior express written consent of the Holder.

10. Joint and Several. The undersigned, if more than one person, shall be jointly and severally liable hereunder.

11. Attorneys' Fees and Costs. In the event that any action is instituted to enforce payment under this Note, the parties agree the non-prevailing party shall be responsible for and shall pay to the prevailing party all court costs, attorneys' fees and expert witness' fees incurred in enforcing this Note.

12. Amendments. This Note may not be modified or amended except by an instrument in writing expressing such intention executed by the parties sought to be bound thereby, which writing must be so firmly attached to this Note so as to become a permanent part thereof.

13. **Maker's Waivers.** Maker waives any rights to require the Holder to: (a) demand payment of amounts due (known as "presentment"), (b) give notice that amounts due have not been paid (known as "notice of dishonor"), and (c) obtain an official certification of nonpayment (known as "protest").

14. **Notice.** Any notice that must be given to Maker under this Note shall be given by personal delivery or by mailing it by certified mail addressed to Maker at the following address: 8907 Warner Avenue #152, Huntington Beach, California 92647, Attention: Mr. Alwin Lee, or such other address as Maker shall direct from time to time in writing. Failure or delay in giving any notice required hereunder shall not constitute a waiver of any default or late payment, nor shall it change the time for any default or payment. Any notice to Holder shall be given by certified mail at the address stated above.

15. **Successors Bound.** This Note shall be binding upon the parties hereto and their respective heirs, successors and assigns.

IN WITNESS WHEREOF, Maker has executed this Note as of the date set forth below.

MAKER:

DALE APARTMENTS, LLC, a California limited liability company

Dated: June 21, 2010



Alwin Lee, Manager


EXHIBIT "E"

DEED OF TRUST WITH ASSIGNMENT OF RENTS

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Garden Grove Agency for Community
Development
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Agency Director

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

 NO FEE

2010000292596 10:44 am 06/22/10
143 414 D11 A36 7
0.00 0.00 0.00 0.00 18.00 0.00 0.00 0.00

CONFORMED COPY

SPACE ABOVE THIS LINE FOR RECORDER'S USE
(This document is exempt from the payment of a recording fee pursuant
to Government Code Section 27383.)

APN: 215-091-26

**DEED OF TRUST WITH ASSIGNMENT OF RENTS
(SHORT FORM)**

This **DEED OF TRUST** is made as of January 12, 2010 between **DALE APARTMENTS, LLC**, a California limited liability company, herein called **TRUSTOR**, whose address is 8907 Warner Avenue #152, Huntington Beach, California 92647, Attention: Mr. Alwin Lee, **FIRST AMERICAN TITLE INSURANCE COMPANY**, herein called **TRUSTEE**, and the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic, herein called **BENEFICIARY** or **AGENCY**.

WITNESSETH: That Trustor grants to Trustee in trust, with power of sale, that certain property in the City of Garden Grove, County of Orange, State of California, described as:

SEE EXHIBIT A ATTACHED HERETO AND MADE A PART HEREOF.

together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits for the purpose of securing (1) payment and performance under that certain Affordable Housing Agreement between Trustor and Beneficiary dated as of January 12, 2010 ("Agreement"; a copy of the Agreement is on file with the Beneficiary as a public record; all capitalized terms not defined herein shall have the meanings established therefor under the Agreement unless the context requires otherwise), including without limitation the attachments to the Agreement, and under each agreement of Trustor incorporated by reference or contained herein, (2) payment under that certain promissory note of same date herewith, made by Trustor in favor of Beneficiary ("Promissory Note"), and extensions or renewals thereof, in the principal sum of U.S. \$200,000, with the balance of the indebtedness due and payable on occurrence of an Event of Default under the Agreement of Regulatory Agreement or Transfer as defined in Exhibit B, (3) performance of the affordability and other requirements as set forth in Exhibit B hereto and in the Regulatory Agreement with Affordability Covenants between Trustor and Beneficiary of same date herewith and recorded concurrently herewith, and (4) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or his/her successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust. Exhibit B is attached hereto and incorporated herein by reference.

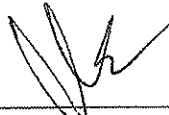
To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
McFarlane	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	S. Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	S. Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	S. Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	S. Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	1964	149774			
						Series 5					

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B (identical in all counties, and printed on Exhibit C hereto) are, by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

The undersigned Trustor requests that a copy of any notice of default and any notice of sale hereunder be mailed to him/her at his/her address hereinbefore set forth.

DALE APARTMENTS, LLC, a California limited liability company



Alwin Lee, Manager

ACKNOWLEDGMENT

State of California
County of Orange)

On June 21, 2010 before me, Sherrill A. Mead, Notary Public
(insert name and title of the officer)

personally appeared Alwin Lee, Manager,
who proved to me on the basis of satisfactory evidence to be the pers on(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the pers on(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature Sherrill A Mead (Seal)



APN: 215-091-26

EXHIBIT A TO DEED OF TRUST

LEGAL DESCRIPTION

That certain real property located in the City of Garden Grove, County of Orange, State of California, described as follows:

THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 11 WEST, SAN BERNARDINO BASE & MERIDIAN.

EXCEPT THE SOUTH 531.56 FEET THEREOF.

ALSO EXCEPT THE WEST 20 FEET LYING IN DALE STREET AS NOW ESTABLISHED.

Assessor's Parcel No. 215-091-26

EXHIBIT B

RIDER TO DEED OF TRUST

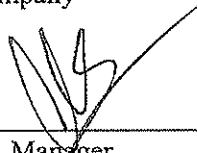
This Rider to Deed of Trust relates to that certain Deed of Trust with Assignment of Rents (Short Form) dated as of January 12, 2010, executed by Dale Apartments, LLC, a California limited liability company, as "Trustor," to First American Title Insurance Company, a California corporation, as Trustee, for the benefit of the Garden Grove Agency for Community Development, a public body, corporate and politic, as "Beneficiary" ("Deed of Trust").

1. **DEFAULT – OTHER DEEDS OF TRUST, DEED, AFFORDABILITY COVENANTS, AND AGREEMENT.** A default under any of the following shall, at Beneficiary's option, constitute a default under this Deed of Trust:
 - (a) A default under that certain Affordable Housing Agreement ("Agreement") dated as of January 12, 2010, between Trustor and Beneficiary or any default under the Promissory Note executed pursuant thereto (all capitalized terms not defined herein shall have the meanings established therefor under the Agreement);
 - (b) A default under any other deed of trust encumbering the property which has a priority senior to this Deed of Trust; or
 - (c) A default under the Regulatory Agreement with Affordability Covenants (executed and recorded concurrently herewith pursuant to the Agreement).
2. **DEFAULT – DEED OF TRUST.** A default under this Deed of Trust shall, at Beneficiary's option, as appropriate, constitute a default under the deeds of trust or other instruments referenced in Paragraph 1(a) through (c), inclusive (collectively the "Other Deeds of Trust"), of this Rider.
3. **NON-IMPAIRMENT.** Except as supplemented and/or modified by this Deed of Trust, all of the terms, covenants and conditions of the Other Deeds of Trust and the other loan documents executed in connection therewith shall remain in full force and effect.
4. **DUE ON SALE OR ENCUMBRANCE.** In the event of any Transfer (as defined below) of the Property, or any portion thereof or interest therein, Beneficiary shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. As used herein, the term "Transfer" means and includes the direct or indirect sale, transfer, conveyance, mortgage, further encumbrance, assignment, or other alienation of the Property, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, the execution of any installment land sale contract, sales agreement or similar instrument affecting all or a portion of the Property, granting of an option to purchase any portion of or interest in the Property or any interest therein, or the lease of all or substantially all of the Property or of all or substantially all of the improvements situated on the Property. "Transfer" shall not include the leasing of individual dwelling units on the Site so long as Maker complies with the provisions of the Regulatory Agreement and the Agreement relating to such leasing activity. Failure of Beneficiary to exercise the option to declare all sums secured hereby immediately due and

payable upon a Transfer will not constitute waiver of the right to exercise this option in the event of any subsequent Transfer.

5. **SUBORDINATION**. This Deed of Trust and the Affordability Covenants set forth in that certain Regulatory Agreement with Affordability Covenants dated and recorded concurrently herewith in the Official Records of Orange County, California, may be subordinated to the lien of Trustor's institutional permanent loan for the Project; provided, the Agency and such senior lender shall have entered into a subordination agreement in form and content reasonably acceptable to the Agency Director and Agency legal counsel, which subordination agreement conforms to the requirements of Section 303 of the Agreement. Notwithstanding the foregoing, in no event shall the affordability covenants or other requirements set forth in that certain Density Bonus Housing Agreement by and between the Agency and Trustor, dated as of January 12, 2010, and recorded against the Property in the Official Records of Orange County, California, as Instrument No. 201000002888 on January 20, 2010, be subordinated to the lien of any mortgage, deed of trust, or other lien against the Property.

DALE APARTMENTS, LLC, a California limited liability company



Alwin Lee, Manager

ACKNOWLEDGMENT

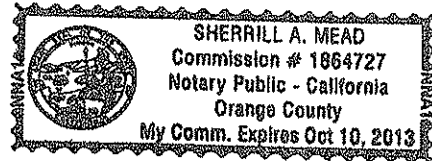
State of California
County of Orange)

On June 21, 2010 before me, Sherrill A. Mead, Notary Public
(insert name and title of the officer)

personally appeared Alwin Lee, Manager
who proved to me on the basis of satisfactory evidence to be the pers on(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the pers on(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.



Signature Sherrill A Mead (Seal)

APN-215-091-26

EXHIBIT C TO DEED OF TRUST

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorneys' fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation thereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his/her reasonable fees.

(5) To Pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

(1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such monies received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his/her right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance or any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his/her own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(6) That upon default Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for

sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

**CERTIFICATE OF ACCEPTANCE
(Deed of Trust)**

This is to certify that the interest in real property conveyed by the foregoing Deed of Trust dated January 12, 2010, executed by DALE APARTMENTS, LLC, a California limited liability company, for the benefit of the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body, corporate and politic ("Agency"), is hereby accepted by the undersigned officer on behalf of Agency pursuant to authority conferred by Resolution of the Agency adopted on July 17, 1978, and Agency, as beneficiary, consents to recordation thereof by its duly authorized officer.

Dated: 6/21/10

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

By: Kathleen Bain
Secretary of the Garden Grove Agency for
Community Development

EXHIBIT C TO DEED OF TRUST

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorneys' fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation thereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his/her reasonable fees.

(5) To Pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

(1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such monies received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his/her right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance or any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his/her own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(6) That upon default Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for

sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

**CERTIFICATE OF ACCEPTANCE
(Deed of Trust)**

This is to certify that the interest in real property conveyed by the foregoing Deed of Trust dated January 12, 2010, executed by DALE APARTMENTS, LLC, a California limited liability company, for the benefit of the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body, corporate and politic ("Agency"), is hereby accepted by the undersigned officer on behalf of Agency pursuant to authority conferred by Resolution of the Agency adopted on July 17, 1978, and Agency, as beneficiary, consents to recordation thereof by its duly authorized officer.

Dated: 6/21/10

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

By: Rathleen Baird
Secretary of the Garden Grove Agency for
Community Development

PROMISSORY NOTE
(This Promissory Note is secured by a Deed of Trust)

\$200,000

Garden Grove, California

January 12, 2010

Property Address: 12632 Dale Street
Garden Grove, California 92840

FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to the Garden Grove Agency for Community Development ("Holder") at 11222 Acacia Parkway, Garden Grove, California 92840, or at such other address as Holder may direct from time to time in writing, the sum of: Two Hundred Thousand Dollars (\$200,000) ("Note Amount"). All sums hereunder shall be payable in lawful money of the United States of America.

1. Affordable Housing Agreement. This Promissory Note ("Note") is made and delivered pursuant to and in implementation of that certain Affordable Housing Agreement entered into by and between Holder and Maker, dated as of January 12, 2010 ("Agreement"), a copy of which is on file as a public record with the Holder. The Agreement is incorporated herein by this reference. Maker acknowledges that but for the execution of this Note, Holder would not enter into the Agreement or make the Agency Loan to Developer, as contemplated therein. Unless definitions of terms have been expressly set out at length herein, each term shall have the same definition as set forth in the Agreement.

2. Interest Rate. The Note Amount shall bear interest at the rate of 0.000% per annum; provided that in the event of any Default under the Agreement or that certain Regulatory Agreement with Affordability Covenants by and between Maker and Holder, dated concurrently herewith and recorded against the above-referenced property ("Site") in the Official Records of Orange County, California ("Regulatory Agreement"), this Promissory Note shall accrue interest at the *lesser* of (a) the maximum interest rate legally chargeable by a redevelopment agency or (b) ten percent (10%), whichever is lower.

3. Time of Payment. In the event that Maker is in compliance with all of the requirements of the Agreement and the Note Amount has not earlier become due and payable, as provided in Sections 4 and 5 hereof, Maker's obligation to repay the Note Amount shall be forgiven upon the fifty-fifth (55th) anniversary of the date of issuance of the final certificate of occupancy for the Project.

4. Acceleration. The whole of the Note Amount plus accrued interest and all other amounts owing hereunder shall become immediately due and payable to Holder by Maker at the option of Holder upon the occurrence of any event of Default under the Agreement or the Regulatory Agreement.

At the request of Maker, and for a specific occasion, Holder may, in its sole and absolute discretion, in writing waive the requirements of this Section and defer repayment and/or extend the term of the Note Amount. Any waiver or deferment shall be on a case by case basis, and no future rights to waiver or deferment shall arise or be implied.

5. Due on Sale or Encumbrance. In the event of any Transfer (as defined below) of the Site, or any portion thereof or interest therein, Holder shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. As used herein, the term "Transfer" means and includes the direct or indirect sale, transfer, conveyance, mortgage, further encumbrance, assignment, or other alienation of the Site, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, the execution of any installment land sale contract, sales agreement or similar instrument affecting all or a portion of the Site, granting of an option to purchase any portion of or interest in the Site or any interest therein, or the lease of all or substantially all of the Site or of all or substantially all of the improvements situated on the Site. "Transfer" shall not include the leasing of individual dwelling units on the Site so long as Maker complies with the provisions of the Regulatory Agreement and the Agreement relating to such leasing activity. Failure of Holder to exercise the option to declare all sums secured hereby immediately due and payable upon a Transfer will not constitute waiver of the right to exercise this option in the event of any subsequent Transfer.

6. Security for Note. This Note shall be secured by a deed of trust and rider thereto of even date herewith encumbering the Site ("Deed of Trust"), executed by Maker, as trustor, in favor of Holder, as beneficiary. The Deed of Trust shall be recorded against the Site in the Official Records of Orange County, California.

7. Prepayment of Note. Maker may prepay this Note to Holder, provided that any prepayment must be in full and not in part. Prepayment shall not, however, release Maker from the requirements of the Agreement or the Regulatory Agreement.

8. Holder May Assign. Holder may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Maker.

9. Maker Assignment Prohibited. In no event shall Maker assign or transfer any portion of this Note, the Note Amount and/or the Agreement without the prior express written consent of the Holder.

10. Joint and Several. The undersigned, if more than one person, shall be jointly and severally liable hereunder.

11. Attorneys' Fees and Costs. In the event that any action is instituted to enforce payment under this Note, the parties agree the non-prevailing party shall be responsible for and shall pay to the prevailing party all court costs, attorneys' fees and expert witness' fees incurred in enforcing this Note.

12. Amendments. This Note may not be modified or amended except by an instrument in writing expressing such intention executed by the parties sought to be bound thereby, which writing must be so firmly attached to this Note so as to become a permanent part thereof.

13. **Maker's Waivers.** Maker waives any rights to require the Holder to: (a) demand payment of amounts due (known as "presentment"), (b) give notice that amounts due have not been paid (known as "notice of dishonor"), and (c) obtain an official certification of nonpayment (known as "protest").

14. **Notice.** Any notice that must be given to Maker under this Note shall be given by personal delivery or by mailing it by certified mail addressed to Maker at the following address: 8907 Warner Avenue #152, Huntington Beach, California 92647, Attention: Mr. Alwin Lee, or such other address as Maker shall direct from time to time in writing. Failure or delay in giving any notice required hereunder shall not constitute a waiver of any default or late payment, nor shall it change the time for any default or payment. Any notice to Holder shall be given by certified mail at the address stated above.

15. **Successors Bound.** This Note shall be binding upon the parties hereto and their respective heirs, successors and assigns.

IN WITNESS WHEREOF, Maker has executed this Note as of the date set forth below.

MAKER:

DALE APARTMENTS, LLC, a California limited liability company

Dated: June 21, 2010



Alwin Lee, Manager

EXHIBIT "F"
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

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

NO FEE

2010000292594 10:44 am 06/22/10

143 414 A12 12

0.00 0.00 0.00 0.00 33.00 0.00 0.00 0.00

CONFORMED COPY

SPACE ABOVE THIS LINE FOR RECORDER'S USE
(This document is exempt from the payment of a recording fee
pursuant to Government Code Section 27383.)

REGULATORY AGREEMENT WITH AFFORDABILITY COVENANTS

This **REGULATORY AGREEMENT WITH AFFORDABILITY COVENANTS** ("Regulatory Agreement") is entered into as of January 12, 2010, by and between the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic ("Agency"), and **DALE APARTMENTS, LLC**, a California limited liability company ("Developer").

RECITALS

- A. Developer owns approximately 38,629 square feet of real property in the City of Garden Grove ("City"), generally located at 12632 Dale Street, Garden Grove, California, Assessor's Parcel Number 215-091-26, as more particularly described in the Legal Description attached hereto as Exhibit A and incorporated herein by reference ("Site").
- B. Developer desires to develop and operate an apartment complex on the Site ("Project"), consisting of twenty-five (25) apartment units (each, a "Housing Unit").
- C. The Project is subject to that certain Density Bonus Housing Agreement between Developer and the City dated as of January 12, 2010 and recorded against the Site in the Official Records of Orange County, California on January 20, 2010 as Instrument No. 20100002888. The Density Bonus Housing Agreement requires Developer to make available, restrict occupancy to, and rent six (6) of the Housing Units to Lower Income Households at an Affordable Rent for a term of not less than thirty (30) years.
- D. Developer and Agency have entered into an Affordable Housing Agreement dated as of January 12, 2010 ("AHA"). Subject to the terms and conditions of the AHA, Developer has agreed to convey certain Affordability Covenants to Agency which Affordability Covenants are set forth in this Regulatory Agreement, including the covenant to make available, restrict occupancy to, and rent six (6) of the Housing Units to Lower Income Households at an Affordable Rent throughout the Affordability Period (as those terms are defined below). All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the AHA.

E. This Regulatory Agreement sets forth the Affordability Covenants conveyed to Agency by Developer pursuant to the AHA and in consideration of Agency's agreement to make the Agency Loan to Developer. The execution and recording of this Regulatory Agreement by Developer is a requirement of the AHA and a Condition Precedent to Agency's obligation to make the Agency Loan to Developer.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements set forth herein, the parties hereto agree as follows:

1. Use of Project. All uses conducted on the Site, including, without limitation, all activities undertaken by the Developer pursuant to this Regulatory Agreement and the AHA, shall conform to all applicable provisions of the Garden Grove Municipal Code and other applicable federal, state, and local laws, rules, and regulations. The Project shall at all times during the term of this Regulatory Agreement be used as an apartment complex and none of the Housing Units in the Project shall at any time be utilized on a transient basis, nor shall the Site or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium or rest home, or be converted to condominium ownership. All of the community facilities and any social programs provided to the Project's residents shall be available at all times on an equal, non-discriminatory basis to residents of all Housing Units at the Project.

a. Occupancy Limits. The maximum occupancy for each Housing Unit shall not exceed five (5) persons per Housing Unit, constituting two persons per bedroom, plus one.

2. Affordable Units

a. Affordable Units. Developer hereby agrees to make available, restrict occupancy to, and rent six (6) of the Housing Units at the Project to Lower Income Households at an Affordable Rent throughout the entire Affordability Period. The six (6) Affordable Units shall be "floating" units that are not permanently designated; however, at no time shall all six (6) Affordable Units be congregated to a certain section of the Project.

(i) A tenant who qualifies as a Lower Income Household at the time he or she first occupies an Affordable Unit shall be deemed to continue to be so qualified until such time as a recertification of such individual's or household's income in accordance with Section 8 below demonstrates that such individual or household no longer qualifies as a Lower Income Household. Moreover, a unit previously occupied by a Lower Income Household and then vacated shall be considered occupied by such Lower Income Household until reoccupied, other than for a temporary period, at which time the character of the unit shall be re-determined. In no event shall such temporary period exceed thirty-one (31) days.

(ii) At such time as a tenant occupying an Affordable Unit ceases to qualify as a Lower Income Household, the unit occupied by such tenant shall cease to be an Affordable Unit. Developer shall replace each such Affordable Unit by designating the next available unit and any necessary units thereafter as an Affordable Unit. For purposes of this Regulatory Agreement, such designated unit will be considered an Affordable Unit if it is held vacant and available for occupancy by a Lower Income Household and, upon occupancy, the income eligibility of the tenant as a Lower Income Household is verified and the tenant pays an Affordable Rent.

(iii) In the event a tenant household occupying an Affordable Unit initially qualifies as a Lower Income Household but the income of such household increases, such increase shall not be deemed to result in a violation of the restrictions of this Regulatory Agreement concerning limitations upon income of occupants, provided that the occupancy by such household is for a reasonable time of not to exceed one year (measured from the time the income of the household ceases to qualify as a Lower Income Household), at which time the Housing Unit shall cease to be an Affordable Unit and the provisions of the immediately preceding paragraph shall apply.

b. Definitions.

(i) Affordability Period. As used herein, "Affordability Period" means a term of fifty-five (55) years from the date the final certificate of occupancy is issued for the Project.

(ii) Affordable Rent. As used herein, Affordable Rent means an affordable rent for Lower Income Households, as defined in California Health and Safety Code Section 50053. For Lower Income Households whose gross incomes exceed the maximum income for very low income households (as defined in Health and Safety Code Section 50105), Affordable Rent means the product of thirty (30) percent times sixty (60) percent of the Area Median Income for Orange County adjusted for family size appropriate for the unit. All of the Housing Units shall be two (2) bedroom units; thus, solely for purposes of calculating Affordable Rent pursuant to this Regulatory Agreement, a "family size appropriate to the unit" shall be three persons.

For purposes of this Regulatory Agreement, "Affordable Rent" means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by 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 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.

(iii) Lower Income Household. As used herein, "Lower Income Household" has the meaning set forth in California Health and Safety Code Section 50079.5.

3. Maintenance. Developer shall maintain or cause to be maintained the interior and exterior of the Project and the Site in a decent, safe and sanitary manner, and in accordance with the standard of maintenance of first class multifamily rental apartment complexes within Orange County. If at any time Developer fails to maintain the Project or the Site in accordance with this Regulatory Agreement and such condition is not corrected within five days after written notice from Agency with respect to graffiti, debris, and waste material, or thirty days after written notice from Agency with respect to general maintenance, landscaping and building improvements, then Agency, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Project or the Site and perform all acts and work necessary to protect, maintain, and preserve the Project and the Site, and to attach a lien upon the Site, or to assess the Site, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by Agency and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Developer to Agency upon demand.

4. **Marketing Program.** Each Affordable Unit shall be leased to Lower Income Households selected by Developer who meet all of the requirements provided herein. Developer shall prepare and obtain Agency's approval, which approval shall not be unreasonably withheld, of a marketing program for the leasing of the Housing Units at the Project ("Marketing Program"). The leasing of the Housing Units shall thereafter be marketed in accordance with the Marketing Program as the same may be amended from time to time with Agency's prior written approval, which approval shall not unreasonably be withheld. Developer shall provide Agency with periodic reports with respect to the leasing of the Housing Units in accordance with Sections 8 and 9.

5. **Management Plan.** Developer shall submit for the reasonable approval of Agency a "Management Plan" which sets forth in detail Developer's property management duties, a tenant selection process in accordance with this Regulatory Agreement, a security system and crime prevention program, the procedures for the collection of rent, the procedures for eviction of tenants, the rules and regulations of the Site and manner of enforcement, a standard lease form, an operating budget, the identity of the professional property management company to be contracted with to provide property management services at the Site ("Property Manager"), and other matters relevant to the management of the Site. The Management Plan shall require Developer to adhere to a fair lease and grievance procedure. The management of the Site shall be in compliance with the Management Plan as approved by Agency.

If Agency determines that the performance of the Property Manager is deficient based upon the standards set forth in the approved Management Plan and in this Regulatory Agreement, Agency shall provide notice to Developer of such deficiencies and Developer shall use its best efforts to correct such deficiencies. In the event that such deficiencies have not been cured within the time set forth in Section 501 of the AHA, Agency shall have the right to require Developer to immediately remove and replace the Property Manager with another property manager or property management company which is reasonably acceptable to the Agency Director, which is not related to or affiliated with Developer, and which has not less than five (5) years experience in property management, including significant experience managing rental housing facilities of the size, quality and scope of the Project.

6. **Selection of Tenants.** Developer shall be responsible for the selection of tenants for the Housing Units in compliance with lawful and reasonable criteria and the requirements of this Regulatory Agreement. A reasonable preference in the leasing of the Housing Units shall be given as follows:

(i) First, to prospective tenants who have been displaced by Agency's redevelopment activities in the implementation of the Agency's Redevelopment Plan, to the extent authorized by applicable federal, state or local laws or regulations;

(ii) Second, to prospective tenants on the Garden Grove Housing Authority's Section 8 Housing Vouchers waiting list and Affordable Housing waiting list; and

(iii) Third, to prospective tenants that live or work in the City.

Prior to the rental or lease of an Affordable Unit to a tenant, Developer shall require the tenant to execute a written lease and to complete a Tenant Income Verification Form (in substantially the form attached to the AHA as Attachment No. 7) certifying that the tenant(s) occupying the Affordable Unit is/are a Lower Income Household and otherwise meet(s) the eligibility requirements

established for the Affordable Unit. Developer shall verify the income of the tenant(s) as set forth in Section 8 below.

7. Provisions regarding Section 8 Vouchers. Developer shall accept as tenants on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor; provided, Developer shall not rent one of the Affordable Units to a tenant holding a Section 8 certificate unless none of the Housing Units not restricted to occupancy by Lower Income Households pursuant to this Regulatory Agreement are available. If the only available Housing Unit is an Affordable Unit, Developer shall no longer designate the Apartment Unit rented to a tenant holding a Section 8 certificate as an Affordable Unit, shall designate the next-available Housing Unit as an Affordable Unit, and shall make available, restrict occupancy to, and rent such newly designated Affordable Unit to a Lower Income Household at an Affordable Rent pursuant to this Regulatory Agreement, such that at all times reasonably possible six (6) of the Housing Units at the Project shall be Affordable Units not occupied by tenants holding Section 8 certificates. If and to the extent the foregoing restrictions conflict with the provisions of Section 8 of the United States Housing Act of 1937 or any rules or regulations promulgated thereunder, the provisions of Section 8 of the United States Housing Act of 1937 and all implementing rules and regulations thereto shall control. Developer shall not apply selection criteria to Section 8 certificate holders which are more burdensome than criteria applied to any other prospective tenants.

8. Income Verification and Certification. Following the initial lease-up of the Project, and annually thereafter throughout the Affordability Period, Developer shall submit to Agency, at Developer's expense, a summary of the income, household size and rent payable by each of the tenants of the Affordable Units. At Agency's request, Developer shall provide to Agency completed income computation and certification forms, in substantially the form of the Tenant Income Verification Form attached to the AHA as Attachment No. 7 or such other form as may reasonably be requested by Agency, for any Lower Income Households renting the Affordable Units at the Project. Developer shall obtain, or shall cause to be obtained by the Property Manager, a certification from each household leasing an Affordable Unit demonstrating that such household meets the applicable income requirements and eligibility requirements established for a Lower Income Household renting such Affordable Unit. Developer shall verify, or shall cause the Property Manager to verify, the income certification of the Lower Income Household.

9. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall comply with all applicable recordkeeping and monitoring requirements set forth in California Health and Safety Code Section 33418 and shall annually complete and submit to Agency a Certification of Continuing Program Compliance in the form provided by Agency. Representatives of Agency shall be entitled to enter the Site, upon at least thirty-six (36) hours notice, to monitor compliance with this Regulatory Agreement, and shall be entitled to inspect the records of the Project and to conduct an independent audit or inspection of such records at a location within the City that is reasonably acceptable to the Agency Director. Developer agrees to cooperate with Agency in making the Site and the records of the Project available for such inspection or audit. Developer agrees to maintain records for the Project in a businesslike manner, and to maintain such records throughout the Affordability Period. Agency relies upon the information contained in reports submitted by Developer to satisfy its own reporting requirements pursuant to Sections 33080 and 33080.1 of the California Health and Safety Code. In the event the Participant fails to submit to Agency or its designee the certification as required by this Section, the Participant shall be in Default under this Regulatory Agreement.

10. Insurance Requirements. Developer shall take out and maintain a fire and property damage insurance policy in the full replacement amount of the Project. Developer shall also furnish or cause to be furnished to Agency evidence satisfactory to Agency that Developer carries workers' compensation insurance as required by law. Developer shall furnish a certificate of insurance countersigned by an authorized agent of the insurance carrier setting forth the general provisions of the insurance coverage. The certificate shall contain a statement of obligation on the part of the carrier to notify 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. All policies shall be written by good and solvent insurers qualified to do business in California and reasonably acceptable to Agency Director. Agency and City shall be named as additional insureds on all policies required by this Regulatory Agreement.

11. Indemnity. Developer shall, at its expense, defend (with counsel acceptable to Agency), indemnify, and hold harmless Agency, City, and their officers, agents, employees and representatives from any and all losses, liabilities, claims, lawsuits, causes of action, judgments, settlements, court costs, attorneys' fees, expert witness fees, and other legal expenses, costs of evidence of title, costs of evidence of value, and other damages of whatsoever nature arising out of or in connection with, or relating in any manner to this Regulatory Agreement, Developer's ownership or operation of the Site, or the development of the Project, except that arising from the gross negligence or willful misconduct of Agency.

12. Compliance with Laws. Developer shall carry out the operation of the Project and the Site in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City 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 Section 51, *et seq.*

13. Duty to Prevent Hazardous Material Contamination. During the development and operation of the Project, Developer shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Site. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. Developer shall notify Agency and provide to Agency a copy or copies of any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and Developer shall report to Agency, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

For purposes of this Section 13, "Governmental Requirements" shall mean all 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 Site is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over Agency, Developer or the Site.

For purposes of this Section 13, "Hazardous Materials" means any substance, material, or waste which is or becomes, regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is

(j) 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) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (x) 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 (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, *et seq.* Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities as are customarily used in the construction, maintenance, rehabilitation or management of residential developments or associated buildings and grounds, or typically used in residential activities in a manner typical of other comparable residential developments, or substances commonly ingested by a significant population living within the Project, including without limitation alcohol, aspirin, tobacco and saccharine.

14. Non-Discrimination Covenants. Developer covenants by and for itself, its successors 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 Site, 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 Site. The foregoing covenants shall run with the land.

The covenants established in this Section 14 shall, without regard to technical classification and designation, be binding for the benefit and in favor of Agency and its successors and assigns, and shall remain in effect in perpetuity.

15. Defaults and Remedies. Defaults of this Regulatory Agreement and remedies therefor shall be governed by the provisions of Section 500, *et seq.*, of the Affordable Housing Regulatory Agreement.

16. Waiver of Terms and Conditions. Any party may, in its sole discretion, waive in writing any of the terms and conditions of this Regulatory Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

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

18. **Time.** Time is of the essence in this Regulatory Agreement.

19. **Notices.** Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Regulatory Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

Developer: Dale Apartments, LLC
16509 Brookhurst Street, Suite A
Fountain Valley, CA 92708
Attention: Alwin Lee

Agency: Garden Grove Agency for Community Development
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Agency Director

Such addresses may be changed by Notice to the other party given in the same manner as provided above.

20. **Third Party Beneficiaries.** The City and its successors and assigns shall be intended third party beneficiaries of this Regulatory Agreement. City shall have full right and ability (but no obligation) to enforce each and every covenant and restriction in this Regulatory Agreement. No other person(s) or entity(ies) shall have any right of action hereunder.

21. **Partial Invalidity.** If any provision of this Regulatory 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.

22. **Governing Law.** This Regulatory Agreement 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.

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

[Signatures appear on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Regulatory Agreement with Affordability Covenants as of the date first set forth above.

DEVELOPER:

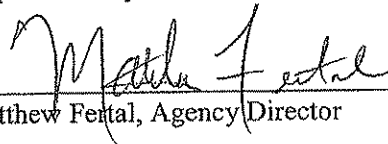
DALE APARTMENTS, LLC, a California limited liability company



Alwin Lee, Manager

AGENCY:

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




Matthew Fental, Agency Director

ATTEST:

 4/2/10
Agency Secretary

APPROVED AS TO FORM:


Stradling Yocca Carlson & Rauth,
Agency Counsel

STATE OF CALIFORNIA

)
) ss.
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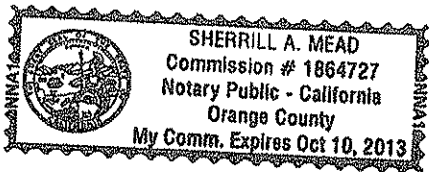
COUNTY OF Orange

On June 21 2010, before me, Sherrilla Mead, Notary Public,
(Print Name of Notary Public)

personally appeared Alwin Lee, Manager and Matthew Fernalt SW

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.



WITNESS my hand and official seal.

Sherrill A Mead

Signature of Notary Public

OPTIONAL

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

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- Individual
- Corporate Officer

- Partner(s) Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: _____

Signer is representing:
Name Of Person(s) Or Entity(ies)

Title Or Type Of Document

Number Of Pages

Date Of Documents

Signer(s) Other Than Named Above

STATE OF CALIFORNIA

COUNTY OF Orange

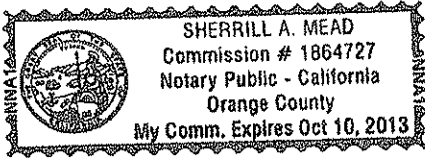
)
) ss.
)

On June 21 2010, before me, Sherrill A Mead, Notary Public,
(Print Name of Notary Public)

personally appeared Matthew Fertal

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.



WITNESS my hand and official seal.

Sherrill A Mead
Signature of Notary Public

OPTIONAL

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

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

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- Guardian/Conservator
- Other: _____

Signer is representing:
Name Of Person(s) Or Entity(ies)

Title Or Type Of Document

Number Of Pages

Date Of Documents

Signer(s) Other Than Named Above

EXHIBIT A
LEGAL DESCRIPTION

That certain real property located in the City of Garden Grove, County of Orange, State of California, described as follows:

THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 11 WEST, SAN BERNARDINO BASE & MERIDIAN.

EXCEPT THE SOUTH 531.56 FEET THEREOF.

ALSO EXCEPT THE WEST 20 FEET LYING IN DALE STREET AS NOW ESTABLISHED.

Assessor's Parcel No. 215-091-26