AGREEMENT FOR THE PROVISION
OF AFFORDABLE HOUSING
San Gabriel Redevelopment Agency Case No. 10-01
CETT Investments Corporation

This Agreement for the Provision of Affordable Housing ("Agreement") is entered into this 6th day of January, 2011, by and between CETT INVESTMENTS CORPORATION, a California corporation ("Developer"), and the SAN GABRIEL REDEVELOPMENT AGENCY ("Agency").

RECITALS

A. Developer is seeking entitlements from the City of San Gabriel for development of a mixed use project with 9,500 square feet of commercial space and 31 residential condominium units (the "Project") on property owned by Developer that is commonly known as 402-404 South San Gabriel Boulevard (the "Site") and is legally described on Exhibit A to this Agreement.

B. The Site is located within the boundaries of the East San Gabriel Commercial Development Project Area, a redevelopment project area formed under the California Community Redevelopment Law.

C. Pursuant to Health and Safety Code Section 33413, the Agency is required to ensure that 15% of housing developed within the project area be occupied by very low and low-moderate income families at affordable housing cost, and accordingly, the Project will generate an inclusionary housing requirement of three units available at affordable housing cost to low-or moderate income households and two units available at affordable housing cost to very low income households.

D. To satisfy the inclusionary requirement generated by the Project, Developer will be required to provide affordable housing as follows:

   a. Three of the two bedroom housing units produced shall be sold to and occupied by and be available at Affordable Housing Cost to Moderate Income Households;
   b. Two one-bedroom units shall be sold to and occupied by and be available at Affordable Housing Cost to Very Low Income Households;
   c. The affordable housing units must be subject to covenants recorded in the Office of the County Recorder in a form satisfactory to the City Attorney, ensuring affordability at the above income levels for a period of 45 years.

E. The Agency desires to assist the Developer in meeting its inclusionary requirement and also wishes to make additional Project units subject to affordability covenants to satisfy the Agency's existing project wide inclusionary housing obligations;

F. To satisfy the foregoing housing production requirements, the parties have negotiated this Agreement pursuant to which the Agency will purchase affordability covenants for Moderate Income Households in four of the two bedroom units; Developer will dedicate affordability covenants for Very Low Income households in two one-bedroom units, and Agency will be granted an option to purchase the fee interest or an affordability covenant in one two bedroom unit for purposes of making it available at Affordable Housing Cost to a Very Low Income Household.

NOW, THEREFORE, the parties agree as follows:

I. DEFINITIONS

§1.1 "Affordable Housing Cost" shall have the meaning ascribed in Section 50052.5 of the California Health & Safety Code (Section 50052.5) as of the date of this Agreement or as subsequently amended from time to time. In computing affordable housing cost:

a. Benchmark down payment amounts will be used in the Affordable Housing Cost calculations. The benchmark down payments will be set at 5% of the affordable sales prices for the Very Low Income units and 10% of the affordable sales prices for the Moderate Income units;

b. The actual HOA fees shall be used as the basis for maintenance and insurance costs;

c. The utility expenses, inclusive of gas, electricity, water, sewer and trash expenses, should be set based on the allowances for new units published by the Housing Authority of the County of Los Angeles;

d. The property taxes should be based on the affordable price as that should be the actual tax valuation that will be applied to the units;

e. The interest rate should be based on the California Housing Finance Agency ("CalHFA") weekly average for 30-year fixed rate moderate income or low income mortgages as appropriate for the given sale for the quarter immediately preceding the units' sale, or, if Developer is unable to secure for Participants financing from CalHFA, on the lesser of: (a) the FNMA fixed interest rate 30 year fully amortizing mortgage for the quarter immediately preceding the units' sale or (b) the actual rate of the Participant's financing. A 50 basis point premium will be added for mortgage insurance;

f. Moderate income sales prices shall be calculated at 35% of 110% of the Median Income for the household size appropriate for the unit as defined by Section 50052.5.

§1.2 "Moderate Income Households" means Households whose Gross Household Income does not exceed one hundred twenty percent (120%) of area median income for Los Angeles County, adjusted for family size as set forth by regulation of the California Department of Housing and Community Development, pursuant to Section 50093 of the California Health & Safety Code (or successor statute).

§1.3 "Very Low Income Households" means Households whose Gross Household Income does not exceed the amounts, adjusted for family size, as set forth by regulation of the California Department of Housing and Community Development, pursuant to Section 50105 of the California Health & Safety Code (or successor statute)

§1.4 "Gross Household Income" means the income as defined in California Code of Regulations Title 25 Housing and Community Development, Section 6914 of all (i) members of the Household over the age of eighteen (18), and (ii) persons who will hold title to a Program Unit.

§1.5 "Household" means all persons who will occupy each Program Unit whether it be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

§1.6 "Low-Mod Funds" means that portion of monies allocated to and actually received by the Agency pursuant to Health and Safety Code §33670 that, by virtue of Health and Safety Code §33334.2, are required to be set aside for low–and moderate income housing.

§1.7 "Participant" means the purchaser of a Program Unit.

§1.8 "Preferred Buyers" shall mean: (i) residents of the City of San Gabriel who have resided in the City for at least six months and (ii) employees of school districts within the City of San Gabriel.

§1.9 "Program Units" means the housing units developed on the Site that are to be sold by Developer at Affordable Housing Cost and covenanted as affordable housing units pursuant to the terms of this Agreement.

§1.10 "Moderate Income Program Units" means the four Program Units that are to be sold to Moderate Income households.

§1.11 "Very Low Income Program Units" means the two one bedroom units that are to be sold to Very Low Income households, and, if Agency exercises its option pursuant to Section 2.5 of this Agreement, the two bedroom unit that is to be sold to a Very Low Income household.

§1.11 "Maximum Sales Price of Moderate Income Program Units" means the sales price determined by Affordable Housing Cost for Moderate Income Households.

§1.12 "Maximum Sales Price of Very Low Income Program Units" means the sales price determined by Affordable Housing Cost for Very Low Income Households.

§1.13 "Agency Note" means the note secured by Deed of Trust to be executed and delivered by Participants to Agency in accordance with § 3.3.1 or §3.2.1 of this Agreement.

§1.14 "City" means the City of San Gabriel.

II. DEVELOPER'S OBLIGATIONS

§2.1 Sale and Covenanting of Program Units

§2.1.1 Developer shall sell two of the Project's one-bedroom condominium units to Very Low Income Households at a price no greater than the Maximum Sales Price of Very-Low Income Units. Developer is receiving a density bonus for this Project and is thus required to subsidize the price reduction of these units to Affordable Housing Cost at its expense. Developer shall ensure that prior to sale of each of these Program Units, a covenant in the form attached hereto as Exhibit B will be recorded against the unit to ensure that, for a period of 45 years, the unit will be owned and occupied at Affordable Housing Cost by a Very Low Income Household.

§2.1.2 Developer sh all sell four of the Project's two bedroom condominium units to Moderate Income Households at a price no greater than the Maximum Sales Price of Moderate Income Units. Developer shall ensure that prior to sale of these Program Units, a covenant in the form attached hereto as Exhibit C will be recorded against the unit to ensure that, for a period of 45 years, the unit will be owned and occupied at Affordable Housing Cost by a Moderate Income Household.

§2.1.3 Prior to marketing any Project Units, Developer shall designate the Program Units and shall identify those Program Units in writing to Agency. The designated Program Units shall be equivalent in quality of construction to the Project's non-Program Units, and the two bedroom units will be comparable in size to the Project's base price model two bedroom non-Program Units.

§2.1.4 The Develop er's declaration of CC&Rs for the Project shall provide that the affordability covenants are superior to and survive any lien foreclosures for dues or assessments.

§2.2 Marketing of Program Units. Developer will commence marketing of Program Units six months prior to the projected completion of construction. Initially, advertising for the sale of the Program Units will focus on local residents; advertising on City of San Gabriel operated bulletin boards (e.g. at City Hall), in the San Gabriel Chamber of Commerce newsletter and website, and through the publications of the local chapter of the Rotary Club and other community groups. In addition, site signage will include information regarding the sale of the Program Units. Contact and application information will be included in the Program Unit advertisements. If necessary, following the initial advertising period of at least 60 days, Developer may advertise the availability of the Program Units on a wider basis.

§2.3 Application/Selection Process

§2.3.1 Developer sh all require Households interested in acquiring Program Units to fill out applications to demonstrate they meet the low/moderate income requirements, understand the resale restrictions and have the down payment necessary for purchase. Application packets will be made available online and provided to the Agency and to the City of San Gabriel for distribution at the Planning Counter.

§2.3.2 Households will be verified for eligibility using a Verification Form in substantially the form attached hereto as Exhibit D.

§2.3.3 Once an applicant has submitted a complete application and Verification Form and has been determined by Developer to be qualified as a Moderate Income Household or Very-Low Income Household, Developer will forward the file to City/Agency for approval.

§2.3.4 The A gency will approve applications from Households that it determines qualify as Moderate Income Households or Very-Low Income Households. Agency shall notify Developer of its approval or disapproval in writing within 10 business days from receipt of a complete application and Verification Form. Failure of the Agency to approve or disapprove within that period shall be deemed an approval.

§2.3.5 Applications rec eived during the initial advertising period from Preferred Buyers will be given preference over non-Preferred Buyers to the extent legally possible. If the Program Units are over-subscribed during the initial advertising period, buyers of the Program Units shall be selected by lot in a manner to be agreed upon by Developer and Agency. Applications received after the initial advertising period will be considered based on completeness and timeliness of their applications and the deposit of a refundable deposit into escrow as permitted by the California Department of Real Estate regulations, without regard to whether they are Preferred or non-Preferred Applicants.

§2.3.6 Developer sh all ensure that upon sale of each Program Unit to a Participant, the Participant executes and delivers the Agency Note and that the Agency Deed of Trust is recorded in the Office of the County Recorder of the County of Los Angeles.

§2.4 Agency's Option to Purchase an Additional Unit. Developer grants Agency an option to purchase an additional two-bedroom unit in the Project at a sales price equal to the then current market price of the two bedroom units, but not to exceed Five Hundred Fourteen Thousand Five Hundred Dollars ($514,500.00). Agency may exercise its option by executing and sending escrow instructions to Developer providing for payment of the purchase price in cash through escrow with escrow to close within 45 days. The Agency's option shall expire once Developer has entered into contracts for sale of all of the two bedroom units.

§2.5 Agency's Option to Purchase Affordability Covenants on an Additional Unit. As an alternative to Agency purchasing a fee interest pursuant to Section 2.4 of this Agreement, Developer grants Agency an option to purchase an affordability covenant for a Very Low Income Household at a purchase price of Four Hundred Sixty Thousand Six Hundred Dollars ($460,600.00). Agency may exercise its option by written notice to Developer of its intention to do so. If exercised, the covenant will be purchased upon the terms and conditions set forth in Section 3.1.1 and 3.3 of this Agreement. The Agency's option shall expire once Developer has entered into contracts for sale of all of the two bedroom units.

III AGENCY OBLIGATIONS

§3.1 Contribution of Agency Low-Mod Funds.

§3.1.1 As compensati on in full for Developer's provision of Moderate Income Program Units the Agency will pay to Developer, in cash from the Low-Mod Fund, the sum of $288,600.00 per unit for each of the four Moderate Income Program Units. Agency shall deposit $288,600.00 into the sale escrow for each of the Moderate Income Program Units upon satisfaction of the following conditions:

(a) Certificates of occupancy have been issued by the City for the Program Units;
(b) Developer has recorded the affordability covenants for the Program Units;
(c) Developer has entered into escrow with an eligible Participant and all preconditions to close of escrow have been satisfied.
(d) The Participant has executed and delivered to escrow the Agency Note and Deed of Trust provided for in Section 3.2.1 of this Agreement.

§3.2 Participant's Repayment of Agency Contribution.

§3.2.1 To compensate fo r the Agency assistance provided to Participants in accordance with this Article III, and to ensure that Participants comply with the affordability restrictions and their other obligation under the Declaration of Affordability Covenants, Resale Restrictions and Option to Purchase, upon sale of each Program Unit the Participant shall execute a note (the "Agency Note") secured by a deed of trust in favor of the Agency (the "Agency Deed of

Trust."). The Agency Note shall be substantially in the form attached hereto as Exhibit E. The principal balance of each note shall equal $288,600.00 per unit for the Moderate Income Units, and $226,700 for the Very Low Income one-bedroom units. Should Agency exercise its option pursuant to Section 2.5 of this agreement to acquire a Very Low Income affordability covenant in a two bedroom unit, the principal balance of that note shall equal $460,600.00.

§3.2.2 The loan shall b ear no interest, but Agency shall share in any appreciation of equity in the event that the loan becomes due and payable during the Equity Sharing Period as defined in Exhibit E. The loan shall not be subject to equity sharing following expiration of the Equity Sharing Period. No payment of principal shall be due until the first time the unit is sold following the expiration of the affordability covenant. Upon the first sale of a Program Unit following the expiration of the affordability covenants, the principal balance of the note shall become due and payable to the Agency.

§3.2.3 The Agency Note will be subordinate to the Participant's purchase money loan and to any secondary financing secured by the Participant from CalHFA, Cal HOME, Begin or similar secondary financing affordable housing programs. The provisions of Exhibits B, C and E will be modified as necessary to conform to the underwriting requirements of CalHFA, FHA. FannieMae or HUD HOME programs, as applicable, provided, however, that Agency is under no obligation to accept modifications that would materially affect its ability to count the Program Units towards meeting the Agency's obligations under Section 33413(b) of the Health and Safety Code.

IV. GENERAL PROVISIONS

§4.1 Insurance.

§4.1.1 The Developer shall take out and maintain, at no cost or expense to the Agency, with a reputable and financially responsible insurance company reasonably acceptable to the Agency, commercial broad form general public liability insurance, insuring the Developer against claims and liability for personal injury, death, or property damage arising from the use, occupancy, condition, or operation of the Site, which insurance shall provide combined single limit protection, including contractual liability, of at least $5,000,000. Such insurance shall name the City and the Agency and their officers, employees and agents (the "Representatives") as additional insureds. Such insurance may be provided by an umbrella policy of the Developer, if such policy is approved by the City's risk manager.

§4.1.2 With respect to the policy of insurance required above, the Developer shall furnish to the Agency a certificate of insurance countersigned by an authorized agent of the insurance carrier on the insurance carrier's form setting forth the general provisions of the insurance coverage. The Developer shall also furnish Agency with endorsements naming the Agency

and the City and their Representatives as additional insureds under the policy. The required certificate and endorsements shall be furnished by the Developer prior to commencement of construction of the Project.

§4.1.3 The policy required by this Section shall be carried only with responsible insurance companies licensed to do business in this State having a policy holder's rating from A. M. Best Company of at least B+ VII.

§4.1.4 The policy required by this Section shall be nonassessable and shall contain language to the effect that (i) the policy is primary and noncontributing with any insurance that may be carried by the Agency or the City, (ii) the policy cannot be canceled or materially changed except after thirty (30) days written notice by the insurer to the Agency and the City, (iii) neither the Agency nor the City shall be liable for any premiums or assessments, and (iv) if available, the insurer waives the right of subrogation against the Agency and/or the City and all Agency and City Representatives. All such insurance shall have deductibility limits reasonably satisfactory to Agency and shall contain cross liability endorsements.

§4.2 Indemnity. The Developer agrees to and shall indemnify, defend, protect, and hold harmless the Agency and the City (and the Agency's and the City's Representatives) from and against any and all claims, losses, proceedings, damages, causes of action, liability, costs and expenses (including reasonable attorneys' fees), arising from or in connection with, or caused by (i) any act, omission or negligence of the Developer or its respective contractors, licensees, invitees, agents, sublessees, servants or employees, wheresoever on or adjacent to the Site; (ii) any use of the Site, or any accident, injury, death or damage to any person or property occurring in, on or about the Site, or any part thereof, or from any activity, work or thing done, permitted or suffered by the Developer or its sublessees, contractors, employees, or invitees, in or about the Site (other than to the extent arising as a result of the Agency's or the City's sole active negligence or to the extent of any willful misconduct of the Agency or the City); and (iii) any event of default in the performance of any obligations on the Developer's part to be performed under the terms of this Agreement, or arising from any negligence of the Developer, or any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against the Agency or the City (or the Agency's or the City's Representatives) by reason of any such claim, the Developer upon notice from the Agency shall defend the same at the Developer's expense by counsel reasonably satisfactory to the Agency. These provisions are in addition to, and not in lieu of, the insurance required under Section 4.1.

§4.3 Compliance with Laws Developer agrees to comply with all governmental laws and regulations, including City zoning, building, business licensing and tax laws pertaining to the Project and the Site. The parties understand that, for purposes of the State prevailing wage laws, the assistance provided by Agency to Developer in accordance with this Agreement will not require the payment of prevailing wages in the construction of the Project by virtue of the fact that such assistance will be paid solely with moneys from a Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Health and Safety Code.

§4.4 Construction. The Parties agree that each Party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not apply in the interpretation of this Agreement or any amendments or exhibits hereto.

§4.5 Notices, Demands and Communications Between the Parties. Notices, demands and communications between the Agency and the Developer shall be deemed sufficiently given if (i) delivered personally, (ii) dispatched by first class mail, postage prepaid or (iii) sent by nationally-recognized reputable overnight delivery service to the principal offices of the Agency and the Developer as set forth below. Such written notices, demands and communications may be sent in the same manner to such other addresses or to such other address as any Party may from time to time designate by mail as provided in this Section, and shall be deemed received upon delivery or refusal of delivery, if delivered personally, within three (3) business days after deposit of same in the United States mail, if mailed, or one (1) business day after deposit of same with a nationally recognized reputable overnight delivery service if sent by such a delivery service.

To the Developer:

CETT Investments, Corporation,
Attention: Qi Yongyi, General Manager
Cett Investments Corporation
1215 Lyndon St. , Suite 5
South Pasadena, CA 91030

To the Agency:

San Gabriel Redevelopment Agency
Attention: Deputy Executive Director
425 S. Mission Drive
San Gabriel, California 91776

§4.6 Release of Agency Officials. No member, official, agent, employee, or attorney of the Agency or the City shall be personally liable to the Developer, or any successor in interest of the Developer, in the event of any default or breach by the Agency or the City or for any amount which may become due to the Developer or its successors, or on any obligations under the terms of this Agreement. The Developer hereby waives and releases any claim it may have personally against the members, officials, agents, employees, consultants, or attorneys of the Agency or the City with respect to any default or breach by the Agency or for any amount which may become due to the Developer or its successors, or on any obligations under the terms of this Agreement.

The Developer makes such release with full knowledge of Civil Code Section 1542, and hereby waives any and all rights thereunder to the extent of this release. California Civil Code Section 1542 provides as follows:

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

§4.7 Attorneys' Fees. If any Party brings an action to enforce the terms hereof or declare its rights hereunder, the prevailing Party in any such action shall be entitled to its reasonable attorneys' fees to be paid by the losing Party as fixed by the court.

§4.8 Force Majeure. In the event that either Party is delayed or hindered from the performance of any act required hereunder by reason of strikes, lock-outs, labor troubles, inability to procure materials not related to the price thereof, failure of power, restrictive governmental laws and regulations, riots, insurrection, war or other reasons of a like nature beyond the control of such party, then performance of such acts shall be excused for the period of the delay, and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay.

§4.9 City as Third Party Beneficiary. The City is deemed to be a third party beneficiary of all provisions hereof wherein the City is specifically identified as having rights hereunder.

§4.10 Venue. In the event of any litigation hereunder, all such actions shall be instituted in the Superior Court of the County of Los Angeles, State of California, or in an appropriate municipal court in the County of Los Angeles, State of California or an appropriate Federal District Court in the Southern District of California.

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

§4.12 Successors and Assigns. The provisions hereof shall be binding upon, and inure to the benefit of, the Agency and the Developer and their successors and assigns, as the case or context may require.

§4.13 No Joint Venture. Nothing contained herein shall be construed to render the Agency in any way or for any purpose a partner, joint venturer, or associated in any relationship with the Developer, nor shall this Agreement be construed to authorize either Party to act as agent for the other.

§4.14 Records. The Agency or any representative or designee thereof may at any time during normal business hours, upon reasonable prior notice, examine the books and records of the Developer, or any officer, employee, agent, contractor, affiliate, related person, assignee or

franchisee, to the extent that such books and records relate, directly or indirectly, to the sale of Program Units. The Developer shall keep the originals or true and correct copies, at the Developer's choice, of all such records at a location in Los Angeles County, California.

§4.15 Entire Agreement, Waivers and Amendments. This Agreement, together with all attachments and exhibits hereto and all documents to be executed and delivered pursuant to this Agreement, constitutes the entire understanding and agreement of the Parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the subject matter hereof. Any waiver, amendment, or modification of any provision of this Agreement must be in writing and signed by both Parties.

§4.16 Execution in Counterparts. This Agreement, may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

§4.17 Severability. Each and every provision of this Agreement is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Agreement or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected hereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

§4.18 Termination. The Agency may, terminate this Agreement by written notice to Developer if Developer fails to obtain building permits and commence construction of the Project within nine months from the date of this Agreement. Developer shall diligently pursue completion of construction of the Project and Agency may terminate this Agreement by written notice to Developer if Developer fails to complete construction as evidenced by certificates of occupancy, within 27 months from the date of this Agreement. Upon such termination the parties will have no further rights under this Agreement, provided however, that Developer will not be relieved from obligations imposed by the City in connection with obtaining Project approvals, to provide its share of affordable housing as set forth in Recital D of this Agreement and as required by the City's density bonus law. These time limits are subject to extension by force majeure pursuant to Section 4.8 of this Agreement.

In witness whereof the parties have had their duly authorized officers execute this Agreement this 6th day of January, 2011.

CETT INVESTMENTS CORPORATION.

By: _____

SAN GABRIEL REDEVELOPMENT AGENCY

By: _____
Steven A. Preston, FAICP,
Executive Director

EXHIBIT "A"

All that certain real property situated in the County of Los Angeles, State of California, described as follows:
Parcel 1:

Lots 16 and 17 in Block 103 of the Town of East San Gabriel, in the City of San Gabriel, County of Los Angeles, State of California, as per map recorded in Book 21 Page(s) 79 through 84 inclusive of Miscellaneous Records, together with the West Half of Sixth Street, East of and adjoining Lots 16 and 17 in Block 103 of said Town of East San Gabriel, as vacated by the order of the Los Angeles County Board of Supervisors, recorded in Book 107 Page 15 of Miscellaneous Records.

Parcel 2:

Lots 20 and 21 in Block 103 of the Town of East San Gabriel, in the City of San Gabriel, County of Los Angeles, State of California, as per map recorded in Book 21 Page(s) 79 through 84 inclusive of Miscellaneous Records, in the office of the County Recorder of said County.

Parcel 3:

Lot 19 and a portion of Lot 18 in Block 103 of the Town of the East San Gabriel, in the City of San Gabriel, County of Los Angeles, State of California, as per map recorded in Book 21 Page(s) 79 through 84 inclusive of Miscellaneous Records, in the office of the County Recorder of said County, and portions of Myrtle Avenue and 6th Street vacated by order of the Board or Supervisors of said County, recorded in Book 107 Page(s) 15 of Miscellaneous Records, described as a whole as follows:

Beginning at the Southwest corner of said Lot 19; thence Northerly along the Westerly line of said Lot 19 and the Northerly prolongation thereof, a distance of 85 feet to the Southwest corner of Block 104 of said Tract; thence Easterly along the Southerly line of said Block104, a distance of 298 feet to the Westerly line of the land described in the deed to Roy C. Chapell and wife, recorded as Instrument No. 1024 on August 15, 1947, in Book 24898 Page 178, Official Records of said County; thence Southerly along said Westerly line a distance of 73 feet to the Southwest corner of said land; thence Easterly along the Southerly line of said land, a distance of 32 feet, more or less, to the center line of said 6th Street, vacated; thence Southerly along said center line, a distance of 12 feet to the Easterly prolongation of the Southerly line of said Lot 18; thence Westerly along said prolongation and along the Southerly lines of said Lots 18 and 19, a distance of 330 feet to the point of beginning.

Assessor's Parcel No: 5373-025-012, 5373-025-016 and 5373-025-025

EXHIBIT "B"

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:)
San Gabriel Redevelopment Agency)
425 S. Mission Drive)
San Gabriel, California 91778-0130)
Attention: City Clerk

(Exempt from Recording Fees Per Gov't Code § 6103) (Space above for Recorder's use.)

DECLARATION OF AFFORDABILITY COVENANTS, RESALE RESTRICTIONS AND OPTION TO PURCHASE

THIS DECLARATION OF AFFORDABILITY COVENANTS, RESALE RESTRICTIONS AND OPTION TO PURCHASE (the "Declaration") is dated as of _____, 201_ and is entered into by and between the CETT INVESTMENTS CORPORATION (the "Declarant") and the SAN GABRIEL REDEVELOPMENT AGENCY, a public body corporate and politic (the "Agency").

RECITAL

A. Declarant and Agency have entered into an Agreement for the Provision of Affordable Housing dated as of _____, 2010 (the "Agreement"), a copy of which is on file with the Agency at its offices and is a public record, pursuant to which the Agency has agreed to provide financial assistance (the "Agency Assistance") to Declarant and Declarant has agreed to develop and sell affordable housing units in the City of San Gabriel, California, including the housing unit legally described on Exhibit A hereto (the "Property"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Agreement.

B. The Agreement requires that Declarant execute this Declaration and cause it to be recorded in the Official Records of Los Angeles County, California, in order to, among other things, ensure that the Property will be initially sold to a Very Low Income Household (the "Participant") at Affordable Housing Cost and occupied by the Participant as its principal residence (and not leased), and to ensure that the future purchasers of the Property will be similarly situated.

C. The Agreement further requires that upon initial sale of the Property to Participant, Participant shall execute and deliver a promissory note to Agency in an amount equal to the difference between the fair market value of the property and the purchase price to Participant (the "Agency Note") and that the Agency Note will be secured by a deed of trust (the "Agency Deed of Trust") recorded in the Office of the County Recorder of the County of Los Angeles.

NOW, THEREFORE, the parties hereto agree and Declarant covenants as follows:

ARTICLE I

OWNER OCCUPANCY, RESALE RESTRICTIONS AND AFFORDABILITY COVENANTS; OPTION TO REPURCHASE

Section 1. **Owner Occupancy.** Declarant shall only sell the Property to a Very Low Income Household Participant at Affordable Housing Cost. So long as the Participant owns the Property, Participant shall occupy the Property as Participant's principal residence and shall not rent or lease the Property. Participant shall, within ten (10) days after written request by the Agency given from time to time (or within such longer period as may be specified in the written request) execute and return to Agency an occupancy verification form in the form requested by the Agency together with such other evidence of occupancy as Agency may request (including, but not limited to, copies of recent bank statements, Participant's drivers license and W-2 and/or 1099 forms).

Section 2. **Option to Purchase.** In order to maintain and ensure that the Property shall remain affordable to and only occupied by Very Low Income Households at an Affordable Housing Cost, the Agency is hereby granted an option to purchase the Property or to find another Very Low Income Household to purchase the Property in the event a Participant desires to transfer or further encumber the Property. If Participant elects at any time to sell or further encumber the Property, then Participant shall first provide to the Agency a notice (the "Notice") setting forth Participant's intention to sell or further encumber the Property, and a completed information form acceptable to the Agency. Agency or its designee shall have thirty (30) days from the time following the receipt by the Agency or its designee of the Notice to find a purchaser for the Property who is a Very Low Household or to exercise the Agency's option to purchase. Nothing contained herein shall be construed as imposing upon the Agency any obligation to find a purchaser of the Property. The purchase price shall be (a) the price that would result in an Affordable Housing Cost for a Very Low Income Purchaser, adjusted for family size based on the number of rooms in the Property, with an income equal to the maximum qualifying limit for Very Low Income Households as defined in Health and Safety Code Section 50105 less (b) any and all costs and expenses incurred by Agency in evicting and/or relocating any tenants or other occupants of the Property (including, without limitation, costs of settling claims or allegations that relocation costs are payable under California law). In the event that the Agency exercises its option, then the Agency shall open escrow therefor and shall close escrow for the purchase of the Property prior to the date that is sixty (60) days after the Agency's exercise of its option. Title to the Property shall be delivered to the Agency at the close of escrow free and clear of monetary liens and encumbrances, and closing costs shall be allocated in the fashion as is customary for buyers and sellers in Los Angeles County. If the Agency exercises its option to purchase but, due to the Agency's sole fault, the Agency does not close escrow within such sixty (60) day period, then the Purchaser shall be entitled to sell (or further encumber) the Property subject to and in accordance with the terms and restrictions of this Declaration (including, without limitation, Section 3 below).

Section 3. **Resale Restrictions.** The purpose of the Program is to encourage homeownership by Very Low Income Households at an Affordable Housing Cost (as such terms are defined in the Agreement). Consequently, the Property may be sold by the Participant only to a Very Low Household at an Affordable Housing Cost in connection with an assumption of the Agency Loan by such buyer (an "Eligible Sale"). In order to verify a buyer's status as a Very Low Income Household, Participant shall submit to the Agency the identity of the proposed buyer and adequate information evidencing the income of the proposed buyer, including, without limitation, copies of pay stubs, income tax returns of the proposed buyer for the two (2)

most recent years in which a return was filed, and such other financial documents required by the Program Administrator in order to verify household income and determine Very Low Income Household status of the proposed buyer and whether the Property is available to such buyer at an Affordable Housing Cost. Said income information shall be submitted together with written notice of proposed sale (which shall include the proposed terms of the sale) not less than thirty (30) calendar days prior to the proposed sale. The Very Low Income Household acquiring the Property in accordance with the resale restrictions of an Eligible Sale as set forth in this Section 3, shall execute an Assignment and Assumption Agreement (and thereby assume the Participant's obligations under the Agency Note) and shall execute, acknowledge and deliver a new deed of trust in the form of the Deed of Trust, and the new deed of trust must, upon recordation by the Agency, have the same priority as the Deed of Trust unless otherwise agreed by Agency.

If Participant sells the Property to a buyer that does not qualify as a Very Low Income Household and/or at a sales price that exceeds Affordable Housing Cost in accordance with the foregoing paragraph (an "Ineligible Sale"), or if Agency is unable to verify that a proposed sale is an Eligible Sale based upon information provided by Participant in accordance with this Section 3, if the buyer fails to execute and deliver the Assignment and Assumption Agreement, or if Participant ceases to use the Property as its principal residence, then the Agency Loan shall become due and payable, but in no event shall Agency be obligated to accelerate the Agency Loan or accept payment thereof. In order to be effective, any acceleration of the Agency Loan by the Agency must be in writing.

ARTICLE II

SUBORDINATION

If the Property is sold to a Very Low Household that executes and delivers the Assignment and Assumption Agreement in connection with its purchase of the Property, or if the Participant desires to refinance the first lien on the Property securing a purchase-money loan (for a sum not in excess of the outstanding balance of such first lien plus closing costs payable by Participant for the refinancing loan), the Agency will reasonably subordinate the Deed of Trust and this Declaration to the extent necessary for the Very Low Household to obtain such purchase money loan to buy the Property or such a refinancing loan, as applicable. The Agency recognizes that subsequent to the recordation hereof the Participant will be recording or may be recording a First Deed of Trust (securing a purchase money loan made by an institutional lender) that shall be superior to this Declaration. The provisions of this Declaration will be subordinated to those of such First Deed of Trust. In the event of the foreclosure of such First Deed of Trust, or the conveyance by deed in lieu of foreclosure thereof of the Property to a bank, savings and loan, other institutional lender or CalHFA that is the beneficiary of such First Deed of Trust, the provisions hereof shall terminate and be of no force or effect. The Agency also recognizes that subsequent to the recordation hereof, the Owner is recording or may be recording a junior deed of trust securing secondary financing provided by CalHFA in connection with Owner's purchase of the Property. The provisions of this Declaration will be subordinated to those of such CalHFA secondary financing. In the event of the foreclosure of a deed of trust, or the conveyance by deed in lieu of foreclosure thereof to CalHFA, the provisions hereof shall terminate and shall be of no force and effect.

ARTICLE III

OBLIGATIONS TO MAINTAIN, REPAIR AND REBUILD; NO NUISANCES

Section 1. **Maintenance by Participant**. Participant shall, at Participant's sole cost and expense, maintain the Property in good condition and shall promptly make all repairs required by the City of San Gabriel Municipal Code (the "Code").

Section 2. **Damage and Destruction Duty to Rebuild.** If all or any portion of the Property is damaged or destroyed by fire or other casualty, Participant shall rebuild, repair or reconstruct the Property to comply with the then-current requirements of the Code (unless provided otherwise in the Code); however, Participant may apply to the Agency for approval to reconstruct, rebuild or repair the Property in a manner which will provide different exterior appearance and design from that which existed prior to the date of the casualty, such approval to be given or withheld in Agency's sole and absolute discretion. Participant shall commence reconstruction within two (2) months after the damage occurs and complete reconstruction within six (6) months after damage occurs, unless prevented by causes beyond the reasonable control of Participant.

Section 4. **No Nuisance**. Participant shall not maintain, cause to be maintained, or allow to be maintained on or about the Property any public or private nuisance, including without limitation, the conduct of criminal activities set forth in the nuisance abatement provisions of the Uniform Controlled Substances Act (Health and Safety Code Sections 11570, et seq.) or the Street Terrorism Enforcement and Prevention Act (Penal Code Sections 186.22 *et seq.)* or any successor statute or law.

ARTICLE IV

ENFORCEMENT

Section 1. **Remedies**. In the event of a breach of the covenants or restrictions contained in this Declaration, Participant hereby expressly agrees that Agency shall have the right, upon ex parte motion, to injunctive relief and specific enforcement, as well as damages and any other rights or remedies provided at law or in equity.

Section 2. **Inspections**. Agency and its employees and agents shall have the right to enter upon and inspect the Property at any reasonable time to verify compliance with this Declaration and all applicable federal, state and local laws and regulations. Participant shall cooperate with the Agency in making the Property available for inspection by the Agency. Agency shall also have the right to ask the occupants of the Property questions relating to the Property and the maintenance, repair, use, ownership and occupancy thereof in order to verify whether Participant is complying with this Agreement and the other Program Documents.

Section 4. **Failure to Enforce**. The failure to enforce or delay in enforcing any of the covenants or restrictions contained in this Declaration shall not constitute a waiver of, or otherwise affect, the right to enforce such covenants or restrictions.

ARTICLE V

NON DISCRIMINATION COVENANTS AND GENERAL PROVISIONS

Section 1. **Nondiscrimination.** Participant 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 race, color, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease,

transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall Participant itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property.

Participant, its successors and assigns, shall refrain from restricting the sale or lease of the Property on the basis of race, color, religion, sex, marital status, national origin or ancestry of any person. All such deeds, leases or contracts shall be subject to the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or herself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessee or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

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

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

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

Section 2. **Severability**. Invalidation of any covenant or restriction by judgment or court order shall in no way affect the other provisions of this Agreement.

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Section 3. **Binding on Successors and Assigns; Declaration to Run With The Land.** This Declaration shall bind and inure to the benefit of Participant, Agency and their respective successors, assigns and successors-in-interest. The covenants and restrictions contained in this Declaration are intended to "run with the land" and shall remain in full force and effect notwithstanding any transfer or conveyance of all or any portion of or interest in the

Property.

Section 4. **Amendments.** This Declaration may be amended only by the written agreement of Declarant and Agency until the Property is sold to Participant, and thereafter only by the written agreement of Participant and the Agency.

Section 5. Notices. Any notice permitted or required to be delivered as provided herein to Participant or Agency shall be in writing and may be delivered either personally or by first-class or certified mail, return receipt requested. If a notice is delivered by mail, it shall be deemed to have been delivered seventy-two (72) hours after such mailing, addressed to Participant at the Property and to the Agency at 425 S, Mission, San Gabriel, CA 91778-0130. Such address for Agency may be changed from time to time by written notice given in accordance with this Section 4, but all notices to Participant need be delivered to the Property only.

Section 6. Duration. The covenants contained in Section 1 of Article 5 of this Declaration shall remain in effect in perpetuity. All other covenants shall remain in effect for forty-five years from the date that this Agreement is recorded in the Office of the County Recorder of the County of Los Angeles.

Section 7. **Secured by Deed of Trust.** The covenants and restrictions herein, and the obligations of Participant hereunder, are secured by the Agency Deed of Trust.

AGENCY:

SAN GABRIEL REDEVELOPMENT AGENCY, a public body corporate and politic

By:_____

DECLARANT

EXHIBIT "C"

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:)
San Gabriel Redevelopment Agency)
425 S. Mission Drive)
San Gabriel, California 91778-0130)
Attention: City Clerk

(Exempt from Recording Fees Per Gov't Code § 6103) (Space above for Recorder's use.)

DECLARATION OF AFFORDABILITY COVENANTS, RESALE RESTRICTIONS AND OPTION TO PURCHASE

THIS DECLARATION OF AFFORDABILITY COVENANTS, RESALE RESTRICTIONS AND OPTION TO PURCHASE (the "Declaration") is dated as of _____, 201_ and is entered into by and between the CETT INVESTMENTS CORPORATION (the "Declarant") and the SAN GABRIEL REDEVELOPMENT AGENCY, a public body corporate and politic (the "Agency").

RECITAL

A. Declarant and Agency have entered into an Agreement for the Provision of Affordable Housing dated as of April ___, 2010 (the "Agreement"), a copy of which is on file with the Agency at its offices and is a public record, pursuant to which the Agency has agreed to provide financial assistance (the "Agency Assistance") to Declarant and Declarant has agreed to develop and sell affordable housing units in the City of San Gabriel, California, including the housing unit legally described on Exhibit A hereto (the "Property"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Agreement.

B. The Agreement requires that Declarant execute this Declaration and cause it to be recorded in the Official Records of Los Angeles County, California, in order to, among other things, ensure that the Property will be initially sold to a Moderate Income Household (the "Participant") at Affordable Housing Cost and occupied by the Participant as its principal residence (and not leased), and to ensure that the future purchasers of the Property will be similarly situated.

C. The Agreement further requires that upon initial sale of the Property to Participant, Participant shall execute and deliver a promissory note to Agency in an amount equal to the Agency Assistance attributable to the Property (the "Agency Note") and that the Agency Note will be secured by a deed of trust (the "Agency Deed of Trust") recorded in the Office of the County Recorder of the County of Los Angeles.

NOW, THEREFORE, the parties hereto agree and Declarant covenants as follows:

ARTICLE I

OWNER OCCUPANCY, RESALE RESTRICTIONS AND AFFORDABILITY COVENANTS; OPTION TO REPURCHASE

Section 1. **Owner Occupancy.** Declarant shall only sell the Property to a Moderate Income Household Participant at Affordable Housing Cost. So long as the Participant owns the Property, Participant shall occupy the Property as Participant's principal residence and shall not rent or lease the Property. Participant shall, within ten (10) days after written request by the Agency given from time to time (or within such longer period as may be specified in the written request) execute and return to Agency an occupancy verification form in the form requested by the Agency together with such other evidence of occupancy as Agency may request (including, but not limited to, copies of recent bank statements, Participant's drivers license and W-2 and/or 1099 forms).

Section 2. **Option to Purchase.** In order to maintain and ensure that the Property shall remain affordable to and only occupied by Moderate Income Households at an Affordable Housing Cost, the Agency is hereby granted an option to purchase the Property or to find another Moderate Income Household to purchase the Property in the event a Participant desires to transfer or further encumber the Property. If Participant elects at any time to sell or further encumber the Property, then Participant shall first provide to the Agency a notice (the "Notice") setting forth Participant's intention to sell or further encumber the Property, and a completed information form acceptable to the Agency. Agency or its designee shall have thirty (30) days from the time following the receipt by the Agency or its designee of the Notice to find a purchaser for the Property who is a Moderate Income Household or to exercise the Agency's option to purchase. Nothing contained herein shall be construed as imposing upon the Agency any obligation to find a purchaser of the Property. The purchase price shall be (a) the price that would result in an Affordable Housing Cost for a Moderate Income Purchaser, adjusted for family size based on the number of rooms in the Property, with an income equal to the Los Angeles County Area Median Income as defined in Health and Safety Code Section 50093, less (b) any and all costs and expenses incurred by Agency in evicting and/or relocating any tenants or other occupants of the Property (including, without limitation, costs of settling claims or allegations that relocation costs are payable under California law). In the event that the Agency exercises its option, then the Agency shall open escrow therefor and shall close escrow for the purchase of the Property prior to the date that is sixty (60) days after the Agency's exercise of its option. Title to the Property shall be delivered to the Agency at the close of escrow free and clear of monetary liens and encumbrances, and closing costs shall be allocated in the fashion as is customary for buyers and sellers in Los Angeles County. If the Agency exercises its option to purchase but, due to the Agency's sole fault, the Agency does not close escrow within such sixty (60) day period, then the Purchaser shall be entitled to sell (or further encumber) the Property subject to and in accordance with the terms and restrictions of this Declaration (including, without limitation, Section 3 below).

Section 3. **Resale Restrictions.** Participant acknowledges that the purpose of the Program is to encourage homeownership by Moderate Income Households at an Affordable Housing Cost (as such terms are defined in the Agreement). Consequently, the Property may be sold by the Participant only to a Moderate Household at an Affordable Housing Cost in connection with an assumption of the Agency Loan by such buyer (an "Eligible Sale"). In order to verify a buyer's status as a Moderate Household, Participant shall submit to the Agency the identity of the proposed buyer and adequate information evidencing the income of the proposed buyer, including, without limitation, copies of pay stubs, income tax returns of the proposed

buyer for the two (2) most recent years in which a return was filed, and such other financial documents required by the Program Administrator in order to verify household income and determine Moderate Household status of the proposed buyer and whether the Property is available to such buyer at an Affordable Housing Cost. Said income information shall be submitted together with written notice of proposed sale (which shall include the proposed terms of the sale) not less than thirty (30) calendar days prior to the proposed sale. The Moderate Income Household acquiring the Property in accordance with the resale restrictions of an Eligible Sale as set forth in this Section 3, shall execute an Assignment and Assumption Agreement in (and thereby assume the Participant's obligations under the Agency Note) and shall execute, acknowledge and deliver a new deed of trust in the form of the Deed of Trust, and the new deed of trust must, upon recordation by the Agency, have the same priority as the Deed of Trust unless otherwise agreed by Agency.

If Participant sells the Property to a buyer that does not qualify as a Moderate Income Household and/or at a sales price that exceeds Affordable Housing Cost in accordance with the foregoing paragraph (an "Ineligible Sale"), or if Agency is unable to verify that a proposed sale is an Eligible Sale based upon information provided by Participant in accordance with this Section 3, if the buyer fails to execute and deliver the Assignment and Assumption Agreement, or if Participant ceases to use the Property as its principal residence, then the Agency Loan shall become due and payable, but in no event shall Agency be obligated to accelerate the Agency Loan or accept payment thereof. In order to be effective, any acceleration of the Agency Loan by the Agency must be in writing.

ARTICLE II

SUBORDINATION

If the Property is sold to a Moderate Household that executes and delivers the Assignment and Assumption Agreement in connection with its purchase of the Property, or if the Participant desires to refinance the first lien on the Property securing a purchase-money loan (for a sum not in excess of the outstanding balance of such first lien plus closing costs payable by Participant for the refinancing loan), the Agency will reasonably subordinate the Deed of Trust and this Declaration to the extent necessary for the Moderate Household to obtain such purchase money loan to buy the Property or such a refinancing loan, as applicable. . The Agency recognizes that subsequent to the recordation hereof the Participant will be recording or may be recording a First Deed of Trust (securing a purchase money loan made by an institutional lender) that shall be superior to this Declaration. The provisions of this Declaration will be subordinated to those of such First Deed of Trust. In the event of the foreclosure of such First Deed of Trust, or the conveyance by deed in lieu of foreclosure thereof of the Property to a bank, savings and loan, other institutional lender or CalHFA that is the beneficiary of such First Deed of Trust, the provisions hereof shall terminate and be of no force or effect. The CAgency also recognizes that subsequent to the recordation hereof, the Owner is recording or may be recording a junior deed of trust securing secondary financing provided by CalHFA in connection with Owner's purchase of the Property. The provisions of this Declaration will be subordinated to those of such CalHFA secondary financing. In the event of the foreclosure of a deed of trust, or the conveyance by deed in lieu of foreclosure thereof to CalHFA, the provisions hereof shall terminate and shall be of no force and effect.

ARTICLE III

OBLIGATIONS TO MAINTAIN, REPAIR AND REBUILD; NO NUISANCES

Section 1. **Maintenance by Participant**. Participant shall, at Participant's sole cost and expense, maintain the Property in good condition and shall promptly make all repairs required by the City of San Gabriel Municipal Code (the "Code").

Section 2. **Damage and Destruction Duty to Rebuild.** If all or any portion of the Property is damaged or destroyed by fire or other casualty, Participant shall rebuild, repair or reconstruct the Property to comply with the then-current requirements of the Code (unless provided otherwise in the Code); however, Participant may apply to the Agency for approval to reconstruct, rebuild or repair the Property in a manner which will provide different exterior appearance and design from that which existed prior to the date of the casualty, such approval to be given or withheld in Agency's sole and absolute discretion. Participant shall commence reconstruction within two (2) months after the damage occurs and complete reconstruction within six (6) months after damage occurs, unless prevented by causes beyond the reasonable control of Participant.

Section 4. **No Nuisance**. Participant shall not maintain, cause to be maintained, or allow to be maintained on or about the Property any public or private nuisance, including without limitation, the conduct of criminal activities set forth in the nuisance abatement provisions of the Uniform Controlled Substances Act (Health and Safety Code Sections 11570, et seq.) or the Street Terrorism Enforcement and Prevention Act (Penal Code Sections 186.22 *et seq.)* or any successor statute or law.

ARTICLE IV

ENFORCEMENT

Section 1. **Remedies**. In the event of a breach of the covenants or restrictions contained in this Declaration, Participant hereby expressly agrees that Agency shall have the right, upon ex parte motion, to injunctive relief and specific enforcement, as well as damages and any other rights or remedies provided at law or in equity.

Section 2. **Inspections**. Agency and its employees and agents shall have the right to enter upon and inspect the Property at any reasonable time to verify compliance with this Declaration and all applicable federal, state and local laws and regulations. Participant shall cooperate with the Agency in making the Property available for inspection by the Agency. Agency shall also have the right to ask the occupants of the Property questions relating to the Property and the maintenance, repair, use, ownership and occupancy thereof in order to verify whether Participant is complying with this Agreement and the other Program Documents.

Section 4. **Failure to Enforce**. The failure to enforce or delay in enforcing any of the covenants or restrictions contained in this Declaration shall not constitute a waiver of, or otherwise affect, the right to enforce such covenants or restrictions.

ARTICLE V

NON DISCRIMINATION COVENANTS AND GENERAL PROVISIONS

Section 1. **Nondiscrimination.** Participant 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 race,

color, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall Participant itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property.

Participant, its successors and assigns, shall refrain from restricting the sale or lease of the Property on the basis of race, color, religion, sex, marital status, national origin or ancestry of any person. All such deeds, leases or contracts shall be subject to the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or herself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessee or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

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

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

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

Section 2. **Severability**. Invalidation of any covenant or restriction by judgment or court order shall in no way affect the other provisions of this Agreement.

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Section 3. **Binding on Successors and Assigns; Declaration to Run With The Land.** This Declaration shall bind and inure to the benefit of Participant, Agency and their respective successors, assigns and successors-in-interest. The covenants and restrictions contained in this Declaration are intended to "run with the land" and shall remain in full force and

effect notwithstanding any transfer or conveyance of all or any portion of or interest in the Property.

Section 4. **Amendments.** This Declaration may be amended only by the written agreement of Declarant and Agency until the Property is sold to Participant, and thereafter only by the written agreement of Participant and the Agency.

Section 5. Notices. Any notice permitted or required to be delivered as provided herein to Participant or Agency shall be in writing and may be delivered either personally or by first-class or certified mail, return receipt requested. If a notice is delivered by mail, it shall be deemed to have been delivered seventy-two (72) hours after such mailing, addressed to Participant at the Property and to the Agency at 425 S, Mission, San Gabriel, CA 91778-0130. Such address for Agency may be changed from time to time by written notice given in accordance with this Section 4, but all notices to Participant need be delivered to the Property only.

Section 6. Duration. The covenants contained in Section 1 of Article 5 of this Declaration shall remain in effect in perpetuity. All other covenants shall remain in effect for forty-five years from the date that this Agreement is recorded in the Office of the County Recorder of the County of Los Angeles.

Section 7. **Secured by Deed of Trust.** The covenants and restrictions herein, and the obligations of Participant hereunder, are secured by the Agency Deed of Trust.

AGENCY:

SAN GABRIEL REDEVELOPMENT AGENCY, a public body corporate and politic

By:_____

DECLARANT

EXHIBIT "D"

SAMPLE INCOME VERIFICATION FORM

Head of Household (Print Name): _____
Address: _____
Telephone Number/Home: _____ **Work:** _____
Date of Birth: _____ **SS#** _____

HOUSEHOLD COMPOSITION

Name	Sex	Age	Dependent Yes/No	Social Security #

List additional household members on a separate sheet of paper.

MONTHLY GROSS INCOME*

PART 1 - EARNED INCOME	Head of Household	Other Hshld Members	Total
1. Gross amount, before payroll deductions of wages, salaries, overtime pay, commissions, fees, tips and bonuses			
2. Net income from business			
3. Social security, annuities, insurance policies, pension/retirement funds, disability or death benefits received periodically			
4. Payment in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay			
5. Public assistance, welfare payments			
6. Alimony, child support, other periodic allowances			
7. Regular pay, special pay and allowances of members of Armed Forces			
8. Other (describe)			
SUB-TOTAL EARNED INCOME			

MONTHLY GROSS INCOME - CONTINUED

PART 2 - INVESTMENT INCOME	Head of Household	Other Hshld Members	Total
1. Income from real property (i.e. rental property)			
2. Interest paid on Bank and Savings Accounts			
3. Dividends and other payments from stocks and bonds			
4. Other (describe)			
SUB-TOTAL INVESTMENT INCOME			
[redacted]			

*Note: The following items are not considered income: casual or sporadic gifts; amounts specifically for or in reimbursement of medical expenses; lump sum payments such as inheritances, insurance payments, capital gains and settlement for personal or property losses; educational scholarships paid directly to the student or educational institution; special pay to a serviceman head of family away from home and under hostile fire; relocation payments under federal, state or local law; 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; 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.

ASSETS**

Sources of Assets	Head of Household	Does this asset generate income? If yes, specify in Part 2 - Investment Income above. If no, write N/A.	Other Hshld Members	Does this asset generate income? If yes, specify in Part 2 - Investment Income above. If no, write N/A.	Total
1. Equity in Real Property (other than hshld's full-time residence)					
2. Bank & Savings Accounts					
3. Stocks & Bonds					
4. Other (describe)					
SUB-TOTAL					
[redacted]					

**Note: If total value of household assets exceeds $5000, income shall include the greater of (i) the actual amount of income, if any, derived from all of the household assets, or (ii) 10 percent of the value of all such assets.

***Note: Necessary items used for personal use are excluded from household assets. Collections of items for hobby, investment or business purposes must be included in household assets.

CALCULATION OF HOUSEHOLD'S ANNUAL GROSS INCOME

Does the Household's TOTAL ASSET VALUE exceed $5,000? yes / no

If yes, skip to 2, below.

1. If **no**, the Household's **ANNUAL GROSS INCOME** =
   ANNUAL GROSS EARNED INCOME + ANNUAL GROSS INVESTMENT INCOME

   _____ + _____ = $ _____
   ANNUAL GROSS INCOME

2. If **yes**, calculate 10% x TOTAL ASSET VALUE = $ _____

   Circle the greater of:
   (i) Household's ANNUAL GROSS INVESTMENT INCOME = $ _____, or
   (ii) 10% of Household's TOTAL ASSET VALUE = $ _____.

   The Household's **ANNUAL GROSS INCOME** = the number circled above

   [GREATER OF (10% TOTAL ASSET VALUE) OR (ANNUAL GROSS INVESTMENT INCOME)] + ANNUAL GROSS EARNED INCOME

   _____ + _____ = $ _____
   ANNUAL GROSS INCOME

DOCUMENTATION

Attached are true copies of the following:

___	Paycheck stubs from two most recent pay periods	___	Bank/savings account verification
___	Employment verification	___	Self-employment verification
___	Income tax return	___	Unemployment verification
___	Social Security verification	___	Welfare verification
___	Alimony/child support verification	___	Disability verification

___ Other (Describe: _____)

E X H I B I T " E "

PROMISSORY NOTE

NOTICE TO MAKER: EQUITY SHARING AMOUNT SHALL BE DUE AND PAYABLE IF CERTAIN EVENTS OCCUR.

San Gabriel, California

_____,201_

Property Address: _____(the "Property")

FOR VALUE RECEIVED, the undersigned (the "Maker") promises to pay to the San Gabriel Redevelopment Agency, or order ("Holder"), at 425 S. Mission Drive, San Gabriel, California 91776, or at such other address as Holder may direct from time to time in writing, [$288,600.00 for moderate income units; $226,700 for the very low income one-bedroom units; and $460,600 for the Very Low Income two bedroom unit] (the "Note Amount"). All sums hereunder shall be payable in lawful money of the United States of America. This Note is secured by a Deed of Trust (the "Agency Deed of Trust").

1. This Promissory Note (the "Promissory Note" or "Note") is made and delivered pursuant to and in implementation of a Declaration of Affordability Covenants, Resale Restrictions and Option to Purchase (the "Declaration") recorded _____, 201_ , as Instrument No. _____ in the Office of the County Recorder of the County of Los Angeles and an Agreement for the Provision of Affordable Housing entered into between CETT Investments Corporation and the San Gabriel Redevelopment Agency dated _____, 201_, (the "Agreement"), a copy of which is on file as a public record with the Holder and is incorporated herein by reference. The Maker acknowledges that by purchasing the Property it is assuming and taking the Property subject to all obligations of a Participant set forth in the Declaration. Maker further acknowledges that but for the assumption of those obligations and the execution of this Promissory Note, the Holder would not be eligible to purchase the Property at an affordable housing price. 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 or Declaration.

2. Interest Rate. The Note Amount shall not accrue interest; provided that the Note Amount shall accrue the Equity Sharing Amount in a manner and in an amount provided for in Section 5 and subject to the exception set forth in Section 6 herein.

3. Time of Payment. Except as provided in Section 6 with respect to the sale of the Property to an Eligible Person or Family at an Affordable Housing Cost, the whole of the Note Amount and all other payments due hereunder and under the Agreement shall become due and be immediately payable to the Holder by the Maker upon the occurrence of any one of the following events of acceleration:

a. Maker sells or transfers the Property, including, without limitation, lease, exchange or other disposition of the Property or any interest therein, whether voluntary or involuntary, except a sale or transfer which under federal law would not, by itself, permit the Holder to exercise a due on sale or due on encumbrance clause;

b. Maker refinances the lien of the Agency Deed of Trust or any lien or encumbrance to

which the Agency Deed of Trust is subordinate for a loan amount greater than that amount set forth below. The Maker may refinance any purchase money first trust deed or mortgage encumbering the Affordable Unit on the condition that the interest, terms and conditions are reasonable at the time the refinancing takes place (in the reasonable opinion of the Agency). The new principal amount of the first trust deed shall not exceed the lesser of:

(1) an amount which when combined with the principal of all subordinate mortgage loans (i.e., the total of the principal of the new first mortgage loan plus the principal of all subordinate mortgage loans) does not exceed seventy percent (70%) of the appraised value of the property as evidenced by an appraisal from a qualified appraiser, or based on other evidence acceptable to the Agency's Executive Director or authorized designee in his/her sole and absolute discretion; or

(2) the maximum amount the Maker may borrow as the new first mortgage loan without the owner exceeding "affordable housing cost" in accordance with California Health and Safety Code Section 50052.5, as amended, or successor statute; or

(3) an amount equal to the sum of (x) the outstanding principal balance, at the time of the refinance, of the then-current first mortgage loan that is being refinanced, plus (y) usual and customary closing costs paid by the Maker but excluding loan origination points or loan origination fees, plus (z) twenty-five thousand dollars ($25,000.00).

Notwithstanding the foregoing, the Agency Executive Director shall have the authority, in his/her sole and absolute discretion, on behalf of the Agency to approve the following: (a) with respect to subparagraph (1) above, an increase from 70% to up to 80% in the maximum loan to-value ratio, and (b) with respect to subparagraph (3) above, an increase from twenty-five thousand dollars ($25,000) to up to fifty thousand dollars ($50,000); provided, however, in both cases, the Maker shall have provided evidence satisfactory to the Agency Executive Director, in his/her sole and absolute discretion, that the additional amount is needed to remedy a specific and significant current or identifiable future adverse financial condition of the Maker and the Agency Executive Director determines, in his/her sole and absolute discretion, that such additional amount shall not jeopardize the continuation of the property as an affordable housing unit. In the event the Executive Director modifies the amount in either subparagraphs (1) or (3) above, the new first mortgage loan principal shall not exceed the lesser of [a] the amount in subparagraph (1) above if and as modified, or [h] the amount in subparagraph (2) above, or [c] the amount in subparagraph (3) above if and as modified.

Maker may seek subordination of the Affordability Covenant to the deed of trust of the new first mortgage loan (i.e., seek Agency approval of a cash-out refinancing) not more than once every three (3) years; provided, however, this restriction may be waived if the Maker provides evidence satisfactory to the Agency Executive Director, in his/her sole and absolute discretion, that waiver of this restriction is needed to remedy a specific and significant current or identifiable future adverse financial condition of the Maker and the Agency Executive Director determines, in his/her sole and absolute discretion, that waiver of this requirement shall not jeopardize the continuation of the property as an affordable housing unit.

Maker shall notify the Agency not less than thirty (30) days prior to the date proposed for the closing of the refinance loan and shall execute such documents, and shall cause the new first mortgage lender to execute such documents, as Agency reasonably requires to effect the Agency's subordination of the Agreement and any related recorded agreements if necessary to the deed of trust of the new first mortgage lender. Agency shall only approve a subordination of the Agreement (and related documents if necessary) to the deed of trust of the new first mortgage lender upon confirmation of the new first loan amount and review of the

owner's/borrower's loan application and related material and documents.

c. Maker fails to occupy the Property as Maker's principal residence pursuant to the Declaration; or.

d. A violation or breach of Maker's obligations under the Declaration executed in favor of Holder by Declarant, and assumed by Maker.

Notwithstanding the above, however, the transfer of the Property solely as a result of the marriage, divorce, incompetency or death of one or more individuals constituting the Holder shall not accelerate the term of this Promissory Note or cause the Note Amount to become due and payable, so long as the transferee(s) give notice to the Holder of such event within thirty (30) days of its occurrence and the transferee(s) assume the Maker's obligations under this Promissory Note, by execution of an assignment and assumption agreement to be provided by the Holder. At the request of Maker, the Holder may, in its sole and absolute discretion, in writing waive the requirements of this Section 3 and defer repayment and/or extend the term of the Note Amount.

4. Loan Payment. The principal balance of this Note, without interest nor any Equity Sharing obligation shall become due and payable to the Holder upon the first sale following the expiration of the affordability covenant.

5. Equity Sharing Amount. In the event that this Note becomes due and payable pursuant to Section 3 above prior to the forty-fifth (45th) anniversary of this Note (the "Equity Sharing Period"), Maker shall pay to Holder, together with the whole of the Note Amount, an amount equal to the "Equity Sharing Amount," as hereinafter defined.

The "Equity Sharing Amount" means an amount equal to a percentage share, not to exceed 50%, of the appreciation in the value of the Property determined by multiplying a percentage factor (the "Equity Sharing Percentage") by the difference between the Sales Price and the Purchase Price (as defined below); provided, however, that the Equity Sharing Amount shall not exceed an amount equal to the maximum rate of interest allowed by law.

The "Equity Sharing Percentage" shall be calculated by dividing the difference between the Market Price of the Property at the time of its sale to Maker ($_____) and the Maker's Purchase Price by the Market Price of the Property.

For the purpose of determining the Equity Sharing Amount and the Equity Sharing Percentage, the "Maker's Purchase Price" is the sum of the actual gross sales proceeds actually paid by Maker upon purchase of the Property, being the down payment, and the first trust deed proceeds plus the original cost of any capital improvements made to the Property by the Maker, with a minimum cost of Two Thousand Five Hundred Dollars ($2,500) per item and a useful economic life of not less than five (5) years, as demonstrated by invoices and receipts which the Maker certifies to be true and correct,

The "Sales Price" is the price to be paid by the Buyer of the Property to Maker for Maker's interest in the Property.

As an example, if the Market Price was $400,000, the Maker's Purchase Price was $175,000 composed of a down payment of $17,500 and a first trust deed loan of $157,500 and the Maker expended $20,000 in capital improvements, the Equity Sharing Percentage will be ($400,000-$175,000-20,000=$205,000)/$400,000=51.25%, reduced to 50% because the Equity Sharing Percentage may not exceed 50%. If Maker subsequently sells the Property for a Sales Price of $500,000, the Equity Sharing Amount would be calculated as follows:

(Sales Price – Maker's Purchase Price) x Equity Sharing Percentage

($500,000 - $195,000)	x		
$305,000	x	50.0%	= $152,500.00

In the event of a proposed sale of the Property and not more than thirty (30) days after Holder has received notice of the opening of escrow in connection therewith, Holder may elect to appoint a certified, independent appraiser to conduct an appraisal of the Property, at Maker's expense (with the cost of the appraisal added to the Equity Share Amount), to assist Holder in determining if the Sales Price is at or near the fair market value of the Property at such time. If the Sales Price is determined by the appraisal to be three percent (3%) or more below the fair market value of the Property as estimated in such appraisal, then the "Sales Price" for purposes of determining the Equity Sharing Amount shall be the fair market value of the Property established in such appraisal.

In the event of a refinancing not permitted by this Note, failure to occupy the Property, or default or breach of any provision of this Note which causes the Note Amount to become immediately due and payable, the "Sales Price" for purposes of determining the Equity Sharing Amount shall be determined by an appraisal of the Property. In the event of refinancing by a reputable institutional lender, the Sales Price shall be determined by the appraisal performed by or on behalf of such lender, and in the event of refinancing by other than a reputable, institutional lender, failure to occupy the Property, or default or breach, Holder may appoint a certified independent appraiser to conduct an appraisal of the Property, at Maker's expense.

MAKER ACKNOWLEDGES AND AGREES THAT UPON SALE, TRANSFER OR REFINANCING OF THE PROPERTY OR OTHER EVENT REQUIRING REPAYMENT OF THIS NOTE, MAKER SHALL PAY TO HOLDER A EQUITY SHARING AMOUNT EQUAL TO A PERCENTAGE SHARE OF THE APPRECIATION OF THE PROPERTY AS CALCULATED PURSUANT TO THIS SECTION 5.

_____ _____

Maker's Initials Maker's Initials

6. Sale to Eligible Person or Family at Affordable Housing Cost. Notwithstanding the provisions of Sections 3 and 5, if the Property is sold by the Maker to a Buyer who is an Eligible Person or Family, as defined herein, such Buyer is approved in compliance with Section 10 hereof, and the Sales Price does not exceed an Affordable Housing Cost, as defined herein, to such Buyer, then no Equity Sharing Amount is due to Holder upon such sale, and the Note Amount shall not then be due and payable, provided the Eligible Person or Family assumes the obligations of the Agreement, this Note and Agency Deed of Trust. In order to verify the Buyer's status as an Eligible Person or Family, Maker shall submit to Holder the identity of the proposed Buyer and adequate information evidencing the income of the proposed Buyer and the Buyer's past real property interests. Said income information shall be submitted together with the notice of proposed sale pursuant to Section 2 of the Agreement not less than fifteen (15) days prior to the proposed sale and shall include original or true copies of pay stubs, income tax records or other financial documents in order that Holder may determine and verify the household income of the proposed Buyer to determine Eligible Person or Family status and whether the Property is available to such Buyer at Affordable Housing Cost. Holder may request additional information reasonably required to verify the proposed Buyer's Status as an Eligible Person or Family. If Holder is unable to verify the Buyer's income as provided herein prior to the proposed sale, then the Buyer's income shall be deemed to exceed the maximum allowable income limit for Eligible Persons and Families and the Equity Sharing Amount shall be due and payable concurrent with the repayment of this Note.

"Affordable Housing Cost" for the purposes of this Note shall be that purchase price which would result in a Monthly Housing Cost does not exceed the greater of (a) the product of thirty-five percent (35%) times one hundred ten percent (11 0%) of Los Angeles County median income adjusted for

family size appropriate for the Property. [*on notes for units covenanted for Very Low Income Household, substitute for the above paragraph: "Affordable Housing Cost" for the purposes of this Note shall be that purchase price which would result in a Monthly Housing Cost that does not exceed 30% of 50% of Los Angeles County median income adjusted for family size appropriate for the Property*]

"Eligible Person or Family" shall mean a Moderate Income Household [*on notes for units covenanted for Very Low Income Household, substitute "Very Low Income Household for "Moderate Income Household*]

"Monthly Housing Cost" shall include all of the following associated with the Property, estimated or known as of the date of the proposed sale of the Property:

(1) Principal and interest payments on a mortgage loan including any rehabilitation loans, and any loan insurance fees associated therewith.

(2) Property taxes and assessments.

(3) Fire and casualty insurance covering replacement value of property improvements,

(4) Any homeowner association fees,

(5) A reasonable utility allowance.

Monthly Housing Cost of a purchaser shall be an average of estimated costs for the next twelve (12) months.

7. Security for Note. This Promissory Note is secured by a second Deed of Trust of even date herewith, executed by Maker as Trustor in favor of Holder as Trustee,

8. Prepayment of Note. Maker may prepay this Note to Holder at any time, provided that any prepayment must be in full and not in part.

9. Holder May Assign. Holder may, at its option, assign its right to receive repayment of the proceeds of this Promissory Note to a nonprofit entity (including the City of San Gabriel) without obtaining the consent of the Maker or the holder of the First Lien, or to a profit-making entity with the prior written consent of the holder of the First Lien. Holder may assign amounts to be repaid, as opposed to the right to receive payment, without the consent of Maker.

10. Maker Assignment. In no event shall Maker assign or transfer any portion of this Promissory Note without the prior express written consent of the Holder, which consent shall be given by the Holder only in the event that the Holder determines that the assignee or transferee is an Eligible Person or Family, that the assignee's or transferee's monthly housing payments are at an Affordable Housing Cost, and that the assignee or transferee has expressly assumed this Promissory Note and the Agreement by execution of a written assignment document to be provided by the Holder. This section shall not affect or diminish the Holder's right to assign all or any portion of its rights to the proceeds of this Note hereunder.

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

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

13. 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.

14. 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").

15. 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 Property address above 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 Holder's address stated in the preamble to this Note,

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

17. Subordination. Immediately prior to or concurrent with the recordation of the Deed of Trust securing this Promissory Note, the Maker is recording or may be recording a First Deed of Trust (securing a purchase money loan made by an institutional lender) that shall be superior to this Promissory Note and Deed of Trust. The provisions of the Promissory Note and Deed of Trust are subordinate to those of such First Deed of Trust. In the event of the foreclosure of such First Deed of Trust, or the conveyance by deed in lieu of foreclosure thereof to a bank, savings and loan, other institutional lender or CalHFA that is the beneficiary of such First Deed of Trust, the provisions hereof shall terminate and be of no force or effect. The Holder also recognizes that immediately prior to or concurrent with the recordation of the Deed of Trust securing this Promissory Note, the Maker is recording or may be recording a junior deed of trust securing secondary financing provided by CalHFA. The provisions of this Promissory Note and the Deed of Trust are subordinate to those of such CalHFA secondary financing. In the event of the foreclosure of a deed of trust, or the conveyance by deed in lieu of foreclosure thereof to CalHFA, the provisions hereof shall terminate and shall be of no force and effect.

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

By: _____

Printed Name: _____

E X H I B I T " F "

PROMISSORY NOTE

NOTICE TO MAKER: EQUITY SHARING AMOUNT SHALL BE DUE AND PAYABLE IF CERTAIN EVENTS OCCUR.

San Gabriel, California

_____,201_

Property Address: _____ (the "Property")

FOR VALUE RECEIVED, the undersigned (the "Maker") promises to pay to the San Gabriel Redevelopment Agency, or order ("Holder"), at 425 S. Mission Drive, San Gabriel, California 91776, or at such other address as Holder may direct from time to time in writing, [$288,600.00 for moderate income units; $226,700 for the very low income one-bedroom units; and $460,600 for the Very Low Income two bedroom unit] (the "Note Amount"). All sums hereunder shall be payable in lawful money of the United States of America. This Note is secured by a Deed of Trust (the "Agency Deed of Trust").

1. This Promissory Note (the "Promissory Note" or "Note") is made and delivered pursuant to and in implementation of a Declaration of Affordability Covenants, Resale Restrictions and Option to Purchase (the "Declaration") recorded _____, 201_ , as Instrument No. _____ in the Office of the County Recorder of the County of Los Angeles and an Agreement for the Provision of Affordable Housing entered into between CETT Investments Corporation and the San Gabriel Redevelopment Agency dated _____, 201_, (the "Agreement"), a copy of which is on file as a public record with the Holder and is incorporated herein by reference. The Maker acknowledges that by purchasing the Property it is assuming and taking the Property subject to all obligations of a Participant set forth in the Declaration. Maker further acknowledges that but for the assumption of those obligations and the execution of this Promissory Note, the Holder would not be eligible to purchase the Property at an affordable housing price. 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 or Declaration.

2. Interest Rate. The Note Amount shall not accrue interest; provided that the Note Amount shall accrue the Equity Sharing Amount in a manner and in an amount provided for in Section 5 and subject to the exception set forth in Section 6 herein.

3. Time of Payment. Except as provided in Section 6 with respect to the sale of the Property to an Eligible Person or Family at an Affordable Housing Cost, the whole of the Note Amount and all other payments due hereunder and under the Agreement shall become due and be immediately payable to the Holder by the Maker upon the occurrence of any one of the following events of acceleration:

a. Maker sells or transfers the Property, including, without limitation, lease, exchange or other disposition of the Property or any interest therein, whether voluntary or involuntary, except a sale or transfer which under federal law would not, by itself, permit the Holder to exercise a due on sale or due on encumbrance clause;

b. Maker refinances the lien of the Agency Deed of Trust or any lien or encumbrance to

which the Agency Deed of Trust is subordinate for a loan amount greater than that amount set forth below. The Maker may refinance any purchase money first trust deed or mortgage encumbering the Affordable Unit on the condition that the interest, terms and conditions are reasonable at the time the refinancing takes place (in the reasonable opinion of the Agency). The new principal amount of the first trust deed shall not exceed the lesser of:

(1) an amount which when combined with the principal of all subordinate mortgage loans (i.e., the total of the principal of the new first mortgage loan plus the principal of all subordinate mortgage loans) does not exceed seventy percent (70%) of the appraised value of the property as evidenced by an appraisal from a qualified appraiser, or based on other evidence acceptable to the Agency's Executive Director or authorized designee in his/her sole and absolute discretion; or

(2) the maximum amount the Maker may borrow as the new first mortgage loan without the owner exceeding "affordable housing cost" in accordance with California Health and Safety Code Section 50052.5, as amended, or successor statute; or

(3) an amount equal to the sum of (x) the outstanding principal balance, at the time of the refinance, of the then-current first mortgage loan that is being refinanced, plus (y) usual and customary closing costs paid by the Maker but excluding loan origination points or loan origination fees, plus (z) twenty-five thousand dollars ($25,000.00).

Notwithstanding the foregoing, the Agency Executive Director shall have the authority, in his/her sole and absolute discretion, on behalf of the Agency to approve the following: (a) with respect to subparagraph (1) above, an increase from 70% to up to 80% in the maximum loan to-value ratio, and (b) with respect to subparagraph (3) above, an increase from twenty-five thousand dollars ($25,000) to up to fifty thousand dollars ($50,000); provided, however, in both cases, the Maker shall have provided evidence satisfactory to the Agency Executive Director, in his/her sole and absolute discretion, that the additional amount is needed to remedy a specific and significant current or identifiable future adverse financial condition of the Maker and the Agency Executive Director determines, in his/her sole and absolute discretion, that such additional amount shall not jeopardize the continuation of the property as an affordable housing unit. In the event the Executive Director modifies the amount in either subparagraphs (1) or (3) above, the new first mortgage loan principal shall not exceed the lesser of [a] the amount in subparagraph (1) above if and as modified, or [h] the amount in subparagraph (2) above, or [c] the amount in subparagraph (3) above if and as modified.

Maker may seek subordination of the Affordability Covenant to the deed of trust of the new first mortgage loan (i.e., seek Agency approval of a cash-out refinancing) not more than once every three (3) years; provided, however, this restriction may be waived if the Maker provides evidence satisfactory to the Agency Executive Director, in his/her sole and absolute discretion, that waiver of this restriction is needed to remedy a specific and significant current or identifiable future adverse financial condition of the Maker and the Agency Executive Director determines, in his/her sole and absolute discretion, that waiver of this requirement shall not jeopardize the continuation of the property as an affordable housing unit.

Maker shall notify the Agency not less than thirty (30) days prior to the date proposed for the closing of the refinance loan and shall execute such documents, and shall cause the new first mortgage lender to execute such documents, as Agency reasonably requires to effect the Agency's subordination of the Agreement and any related recorded agreements if necessary to the deed of trust of the new first mortgage lender. Agency shall only approve a subordination of the Agreement (and related documents if necessary) to the deed of trust of the new first mortgage lender upon confirmation of the new first loan amount and review of the

owner's/borrower's loan application and related material and documents.

c. Maker fails to occupy the Property as Maker's principal residence pursuant to the Declaration; or.

d. A violation or breach of Maker's obligations under the Declaration executed in favor of Holder by Declarant, and assumed by Maker.

Notwithstanding the above, however, the transfer of the Property solely as a result of the marriage, divorce, incompetency or death of one or more individuals constituting the Holder shall not accelerate the term of this Promissory Note or cause the Note Amount to become due and payable, so long as the transferee(s) give notice to the Holder of such event within thirty (30) days of its occurrence and the transferee(s) assume the Maker's obligations under this Promissory Note, by execution of an assignment and assumption agreement to be provided by the Holder. At the request of Maker, the Holder may, in its sole and absolute discretion, in writing waive the requirements of this Section 3 and defer repayment and/or extend the term of the Note Amount.

4. Loan Payment. The principal balance of this Note, without interest nor any Equity Sharing obligation shall become due and payable to the Holder upon the first sale following the expiration of the affordability covenant.

5. Equity Sharing Amount. In the event that this Note becomes due and payable pursuant to Section 3 above prior to the forty-fifth (45th) anniversary of this Note (the "Equity Sharing Period"), Maker shall pay to Holder, together with the whole of the Note Amount, an amount equal to the "Equity Sharing Amount," as hereinafter defined.

The "Equity Sharing Amount" means an amount equal to a percentage share, not to exceed 50%, of the appreciation in the value of the Property determined by multiplying a percentage factor (the "Equity Sharing Percentage") by the difference between the Sales Price and the Purchase Price (as defined below); provided, however, that the Equity Sharing Amount shall not exceed an amount equal to the maximum rate of interest allowed by law.

The "Equity Sharing Percentage" shall be calculated by dividing the difference between the Market Price of the Property at the time of its sale to Maker ($_____) and the Maker's Purchase Price by the Market Price of the Property.

For the purpose of determining the Equity Sharing Amount and the Equity Sharing Percentage, the "Maker's Purchase Price" is the sum of the actual gross sales proceeds actually paid by Maker upon purchase of the Property, being the down payment, and the first trust deed proceeds plus the original cost of any capital improvements made to the Property by the Maker, with a minimum cost of Two Thousand Five Hundred Dollars ($2,500) per item and a useful economic life of not less than five (5) years, as demonstrated by invoices and receipts which the Maker certifies to be true and correct,

The "Sales Price" is the price to be paid by the Buyer of the Property to Maker for Maker's interest in the Property.

As an example, if the Market Price was $400,000, the Maker's Purchase Price was $175,000 composed of a down payment of $17,500 and a first trust deed loan of $157,500 and the Maker expended $20,000 in capital improvements, the Equity Sharing Percentage will be ($400,000-$175,000-20,000=$205,000)/$400,000=51.25%, reduced to 50% because the Equity Sharing Percentage may not exceed 50%. If Maker subsequently sells the Property for a Sales Price of $500,000, the Equity Sharing Amount would be calculated as follows:

(Sales Price – Maker's Purchase Price) x Equity Sharing Percentage

($500,000 - $195,000)	x		
$305,000	x	50.0%	= $152,500.00

In the event of a proposed sale of the Property and not more than thirty (30) days after Holder has received notice of the opening of escrow in connection therewith, Holder may elect to appoint a certified, independent appraiser to conduct an appraisal of the Property, at Maker's expense (with the cost of the appraisal added to the Equity Share Amount), to assist Holder in determining if the Sales Price is at or near the fair market value of the Property at such time. If the Sales Price is determined by the appraisal to be three percent (3%) or more below the fair market value of the Property as estimated in such appraisal, then the "Sales Price" for purposes of determining the Equity Sharing Amount shall be the fair market value of the Property established in such appraisal.

In the event of a refinancing not permitted by this Note, failure to occupy the Property, or default or breach of any provision of this Note which causes the Note Amount to become immediately due and payable, the "Sales Price" for purposes of determining the Equity Sharing Amount shall be determined by an appraisal of the Property. In the event of refinancing by a reputable institutional lender, the Sales Price shall be determined by the appraisal performed by or on behalf of such lender, and in the event of refinancing by other than a reputable, institutional lender, failure to occupy the Property, or default or breach, Holder may appoint a certified independent appraiser to conduct an appraisal of the Property, at Maker's expense.

MAKER ACKNOWLEDGES AND AGREES THAT UPON SALE, TRANSFER OR REFINANCING OF THE PROPERTY OR OTHER EVENT REQUIRING REPAYMENT OF THIS NOTE, MAKER SHALL PAY TO HOLDER A EQUITY SHARING AMOUNT EQUAL TO A PERCENTAGE SHARE OF THE APPRECIATION OF THE PROPERTY AS CALCULATED PURSUANT TO THIS SECTION 5.

_____	_____
Maker's Initials	Maker's Initials

6. Sale to Eligible Person or Family at Affordable Housing Cost. Notwithstanding the provisions of Sections 3 and 5, if the Property is sold by the Maker to a Buyer who is an Eligible Person or Family, as defined herein, such Buyer is approved in compliance with Section 10 hereof, and the Sales Price does not exceed an Affordable Housing Cost, as defined herein, to such Buyer, then no Equity Sharing Amount is due to Holder upon such sale, and the Note Amount shall not then be due and payable, provided the Eligible Person or Family assumes the obligations of the Agreement, this Note and Agency Deed of Trust. In order to verify the Buyer's status as an Eligible Person or Family, Maker shall submit to Holder the identity of the proposed Buyer and adequate information evidencing the income of the proposed Buyer and the Buyer's past real property interests. Said income information shall be submitted together with the notice of proposed sale pursuant to Section 2 of the Agreement not less than fifteen (15) days prior to the proposed sale and shall include original or true copies of pay stubs, income tax records or other financial documents in order that Holder may determine and verify the household income of the proposed Buyer to determine Eligible Person or Family status and whether the Property is available to such Buyer at Affordable Housing Cost. Holder may request additional information reasonably required to verify the proposed Buyer's Status as an Eligible Person or Family. If Holder is unable to verify the Buyer's income as provided herein prior to the proposed sale, then the Buyer's income shall be deemed to exceed the maximum allowable income limit for Eligible Persons and Families and the Equity Sharing Amount shall be due and payable concurrent with the repayment of this Note.

"Affordable Housing Cost" for the purposes of this Note shall be that purchase price which would result in a Monthly Housing Cost does not exceed the greater of (a) the product of thirty-five percent (35%) times one hundred ten percent (11 0%) of Los Angeles County median income adjusted for

family size appropriate for the Property. [*on notes for units covenanted for Very Low Income Household, substitute for the above paragraph: "Affordable Housing Cost" for the purposes of this Note shall be that purchase price which would result in a Monthly Housing Cost that does not exceed 30% of 50% of Los Angeles County median income adjusted for family size appropriate for the Property*]

"Eligible Person or Family" shall mean a Moderate Income Household [*on notes for units covenanted for Very Low Income Household, substitute "Very Low Income Household for "Moderate Income Household*]

"Monthly Housing Cost" shall include all of the following associated with the Property, estimated or known as of the date of the proposed sale of the Property:

(1) Principal and interest payments on a mortgage loan including any rehabilitation loans, and any loan insurance fees associated therewith.

(2) Property taxes and assessments.

(3) Fire and casualty insurance covering replacement value of property improvements,

(4) Any homeowner association fees,

(5) A reasonable utility allowance.

Monthly Housing Cost of a purchaser shall be an average of estimated costs for the next twelve (12) months.

7. Security for Note. This Promissory Note is secured by a second Deed of Trust of even date herewith, executed by Maker as Trustor in favor of Holder as Trustee,

8. Prepayment of Note. Maker may prepay this Note to Holder at any time, provided that any prepayment must be in full and not in part.

9. Holder May Assign. Holder may, at its option, assign its right to receive repayment of the proceeds of this Promissory Note to a nonprofit entity (including the City of San Gabriel) without obtaining the consent of the Maker or the holder of the First Lien, or to a profit-making entity with the prior written consent of the holder of the First Lien. Holder may assign amounts to be repaid, as opposed to the right to receive payment, without the consent of Maker.

10. Maker Assignment. In no event shall Maker assign or transfer any portion of this Promissory Note without the prior express written consent of the Holder, which consent shall be given by the Holder only in the event that the Holder determines that the assignee or transferee is an Eligible Person or Family, that the assignee's or transferee's monthly housing payments are at an Affordable Housing Cost, and that the assignee or transferee has expressly assumed this Promissory Note and the Agreement by execution of a written assignment document to be provided by the Holder. This section shall not affect or diminish the Holder's right to assign all or any portion of its rights to the proceeds of this Note hereunder.

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

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

13. 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.

14. 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").

15. 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 Property address above 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 Holder's address stated in the preamble to this Note,

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

17. Subordination. Immediately prior to or concurrent with the recordation of the Deed of Trust securing this Promissory Note, the Maker is recording or may be recording a First Deed of Trust (securing a purchase money loan made by an institutional lender) that shall be superior to this Promissory Note and Deed of Trust. The provisions of the Promissory Note and Deed of Trust are subordinate to those of such First Deed of Trust. In the event of the foreclosure of such First Deed of Trust, or the conveyance by deed in lieu of foreclosure thereof to a bank, savings and loan, other institutional lender or CalHFA that is the beneficiary of such First Deed of Trust, the provisions hereof shall terminate and be of no force or effect. The Holder also recognizes that immediately prior to or concurrent with the recordation of the Deed of Trust securing this Promissory Note, the Maker is recording or may be recording a junior deed of trust securing secondary financing provided by CalHFA. The provisions of this Promissory Note and the Deed of Trust are subordinate to those of such CalHFA secondary financing. In the event of the foreclosure of a deed of trust, or the conveyance by deed in lieu of foreclosure thereof to CalHFA, the provisions hereof shall terminate and shall be of no force and effect.

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

By: _____

Printed Name: _____

KEYSER MARSTON ASSOCIATES

ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBRE M. KERN
ROBERT J. WETMORE
REED T. KAWAHARA

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SOO-HOO
VIN E. ENGSTROM
JULIE L. ROMEY
DENISE BICKERSTAFF

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

To: Jennifer Davis, Community Development Director
City of San Gabriel

From: Kathleen Head

Date: July 30, 2010

Subject: 402-404 South San Gabriel Density Bonus Proposal

At your request, Keyser Marston Associates, Inc. (KMA) reviewed the density bonus proposal submitted on March 1, 2010, and updated in July 2010, for a mixed-use project located at 402-404 South San Gabriel Boulevard (Site). A previously proposed project received Planning Commission approval on October 8, 2007 and Design Review approval on September 22, 2008 (2007 Project). The Site was sold to CETT Investments Corporations (Developer) before construction commenced, and the entitlements have expired.

BACKGROUND STATEMENT

Both the 2007 Project, and the currently proposed project (2010 Proposed Project), applied to the City of San Gabriel (City) for the density bonus offered under Government Code Section 65915 (Section 65915). Section 65915 identifies a density bonus schedule and development concession(s) based on the provision of income restricted units in residential projects. In addition, Section 65915 requires the City to provide development standards relief if the density bonus project cannot be physically accommodated under the existing zoning standards.

2007 Project

The 2007 Project included the following components:

1. Thirty-one (31) residential units with an average unit size of 1,503 square feet.

2. Four of the residential units were proposed to be subject to the following long-term income and affordability covenants:

   a. Two 1-bedroom units were proposed to be sold to very-low income households; and

   b. Two 1-bedroom units were proposed to be sold to moderate income households.

3. The 2007 Project included the 130 parking spaces required by the City's parking code. However, 38% of the parking spaces, or 49 spaces were proposed to be compact spaces.

The 2007 Project deviated from the existing zoning standards in the following ways:

1. Proposed Density Bonus:

   a. The zoning allowed for a maximum of 24 units. The 2007 Project exceeded this standard by seven units, or 29%.

   b. The property is located within a redevelopment project area. Any residential development on the Site triggers the inclusionary housing production requirements imposed by California Health and Safety Code Section 33413 (Section 33413):

      i. The City required the residential development to fulfill the affordable housing obligation on site. The obligation for the 2007 Project includes two very-low income units and three moderate income units.

      ii. The Developer proposed to be relieved of the obligation to construct one of the moderate income units.

2. The Developer requested that the 2007 Project be allowed to provide 38% of the parking spaces as compact spaces, as compared to the 35% standard imposed by the parking code. This represents the one concession that was requested by the Developer.

3. The following development standards waivers were requested:

a. The floor area ratio (FAR) was proposed to equal 1.39:1. Comparatively, the zoning standard set the maximum FAR at 1.0:1.[1]

b. The zoning allowed maximum lot coverage of 60%, while the 2007 Project had 64% lot coverage.

c. The zoning set the minimum ratio of commercial space to total area at 50%. The ratio proposed for the 2007 Project was 17.6%.

In a memorandum dated July 20, 2007, KMA presented a financial evaluation of the density bonus proposal for the 2007 Project. The KMA analysis concluded that the proposed income and affordability covenants qualified the 2007 Project for the requested density bonus plus one development concession.[2] In addition, KMA found that the development waivers requested by the Developer were sufficient to make the proposed density bonus project feasible.

2010 Proposed Project

The purpose of this KMA analysis is to determine whether the currently proposed density bonus, concession and development waivers contribute significantly to the economic feasibility of providing affordable housing. This is done by comparing the development that could be supported by the existing zoning to the project currently being proposed by the Developer.

The currently proposed scope of development is similar to the scope identified for the 2007 Project. The proposed changes to the development scope are:

1. The residential component continues to include 31 units. However, the currently proposed unit mix varies from the 2007 Project unit mix as follows:

   a. Two of the 1-bedroom units are eliminated;

   b. Three 2-bedroom units are added; and

   c. One 3-bedroom unit is eliminated.

---

[1] Municipal Code Section 153.164 (D) (3) requires FAR to be calculated as the ratio of floor area to net lot area.

[2] The density bonus calculation results in a 28.32% bonus, which equates to 30.8 units. Section 65915 calls for fractional units to be rounded up to the next whole number.

2. The Developer is proposing to provide two very-low income 1-bedroom units and two moderate income 2-bedroom units. The 2007 Project placed all the affordable units in the one-bedroom plan.

3. The development standards waivers can be described as follows:

   a. The maximum FAR is 1.0:1. The currently proposed project has a 1.41:1 FAR. For reference purposes, the FAR for the 2007 Project was 1.39:1.

   b. The maximum allowable lot coverage is 60% of the net lot area. Comparatively, the currently proposed project results in a lot coverage equal to 62.5% of the net lot area.

      i. The gross building area is estimated to be 846 square feet larger than the 2007 Project.

      ii. The lot coverage for the 2007 Project was 64%.

   c. Residential standards:

      i. Residential floors are required to be set back five feet beyond the front setback of the commercial floors. The currently proposed project includes a four foot setback. This results in less articulation and relief on the façade of the building than would be achieved if the required setback was provided.

      ii. Each residential unit is required to have 100 square feet of adjoining private open space. The currently proposed project meets the aggregate square footage requirement. However, three of the units are only provided with 78 square feet of adjoining private open space.

      iii. The code requires that multi-family residential uses not exceed 50% of the total lot area. As proposed, the multi-family residential uses equal approximately 118% of the total net lot area.

   d. The ratio of commercial area to total area decreased from 17.6% to 16.6%. The zoning standards set the required ratio at 50%.

4. The parking proposed to serve the development is proposed to be modified as follows:

a. The total number of compact spaces cannot exceed 35% of the total spaces. Comparatively, the current proposal fulfills 40% of the parking requirement with compact spaces.

b. The parking currently being proposed for the project, and the parking required by the code, can be summarized as follows:

Code Required Parking		
Residential	63	
Residential Guest	11	
Commercial	39	
Total Code Required Parking		113
Total Spaces Proposed		122
Surplus Spaces		9

EXECUTIVE SUMMARY

The following provides the KMA findings, which are also summarized in Appendix A:

1. The analysis of the development scope allowed by the existing zoning (Base Case) results in development costs that exceed the project value by $4.9 million. Thus, KMA concluded that the Base Case is currently financially infeasible.

2. The currently proposed project (2010 Proposed Project) includes the combination of a 29% density bonus, one concession and development standards relief. The results of the financial analysis for this alternative are summarized as follows:

   a. The Section 65915 requirement for the City to provide a 28.32% density bonus plus one development concession is fulfilled by the 2010 Proposed Project. In addition, the proposed development standards relief allows the project to be physically accommodated on the Site.

   b. The change in the scope of development, plus the imposition of affordable housing requirements on four units, results in $370,000 in profit. This equates to an approximately 2% profit margin.

   c. It is clear that the financial characteristics of the 2010 Proposed Project are vastly superior to the Base Case. However, given current market conditions it is unlikely that the project could secure sufficient debt and equity capital to proceed at this time.

3. Based on the results of the financial analysis, KMA formulated four key recommendations for City and Agency consideration. These recommendations are designed to create a structure that fulfills the Agency's Section 33413 production requirements and provides the Developer with financial assistance to incentivize the near-term construction of the project. The recommendations are:

   a. The Developer should be required to provide two very-low income units and three moderate income units within the project.

   b. All the income restricted units in the project should all be subject to irrevocable 45-year income and affordability covenants.

   c. The San Gabriel Redevelopment Agency (Agency) should provide the Developer with $866,000 in financial assistance if construction commences within nine months. The Agency assistance should be directly tied to the affordability gap associated with the three moderate income units required to fulfill the Section 33413 production requirements.

   d. The Agency may also wish to ask the Developer to include additional moderate income units in the project to assist in fulfilling outstanding affordable housing production requirements. The Agency assistance is estimated at $288,600 per additional moderate income 2-bedroom unit. This assistance per unit is within the cost range presented in the Agency's affordable housing strategy.

METHODOLOGY

The City's Density Bonus Ordinance requires the City to determine that the requested concessions and development standards relief contribute significantly to the economic feasibility of providing affordable housing. To determine whether the Developer's proposed scope of development meets this standard, KMA prepared pro forma analyses that compare the development scope allowed by the existing zoning to the 2010 Proposed Project.

The detailed KMA analysis is located at the end of this memorandum and is organized as follows:

Appendix A
Summary Tables

Table 1:	Scope of Development
Table 2:	Financial Analysis

Appendices B, C and D
Pro Forma Analyses

Table 1:	Estimated Development Costs
Table 2:	Developer Profit Calculation

FINANCIAL ANALYSIS ASSUMPTIONS

The pro formas included in the KMA analysis are based on the following assumptions:

Development Costs

The development cost assumptions are as follows:

1. The Developer stated that the land costs total $3.1 million, or $71 per square foot of land area.

2. KMA applied the Developer's direct construction cost estimates in the pro forma analyses. These estimates are as follows:

   a. A $200,000 allowance is provided for off-site improvement costs.

   b. The demolition costs are estimated at $2.25 per square foot of the existing improvements.

   c. The on-site improvement costs are estimated at $2.25 per square foot of land area.

   d. The parking costs are estimated as follows:

      i. The subterranean parking garage costs are estimated at an average of $50,000 per space.

      ii. The above-ground parking space costs are estimated at $25,000 per space.

   e. Residential shell costs are estimated at $120 per square foot of gross building area (GBA).

   f. Commercial shell and tenant improvement costs are estimated at $120 and $20 per square foot of GBA, respectively.

g. A 5% hard cost contingency allowance is provided.

3. The indirect costs are estimated as follows:

a. The Developer estimated the architecture, engineering and consulting costs at $400,000 in all three alternatives. This represents 3% of direct costs in the Base Case Alternative and 4% of direct costs in the 2010 Proposed Project and 2010 Recommended Project alternatives.

b. Based on a recent fees analysis provided by the City, KMA estimated the public permits and fees costs at $13 per square foot of GBA for the residential component and $12 per square foot of GBA for the commercial component. The City staff should verify the accuracy of this estimate.

c. Taxes, legal and accounting costs are estimated at .7% of direct costs.

d. Insurance costs are estimated at $16,000 per unit and $5 per square foot of commercial GBA.

e. The Developer estimated the marketing expenses at $417 per residential unit and 1% of the value of the commercial component.

f. KMA set the Developer Fee at 3% of the project's value.

g. KMA provided a 5% soft cost contingency allowance.

4. KMA estimated the financing and closing costs as follows:

a. The underwriting assumptions are:

i. The loan is equal to 70% of the development costs;

ii. The development period is estimated at 18 months;

iii. The average outstanding balance on the loan over the course of the construction and absorption period is set at 65 %; and

iv. The construction loan interest rate is set at 9%.

b. The loan origination fees are set at one point.

c. The cost of sales include:

i. 5% broker commission;

ii. 5% closing costs; and

iii. Home buyer warranties at $2,000 per unit.

Project Value

KMA projected the potential project values based on the following assumptions:

1. The residential sales prices are projected as follows:

   a. In earlier analyses prepared by KMA, the sales prices for the units were set at an average of $400 pear square foot of GBA. However, the market has continued to decline over time, and therefore KMA has concluded that it is warranted to decrease the projections to reflect current conditions. Based on a review of multiple listings sales information provided by the Developer on June 22, 2010, and making adjustments for the potential for prices to increase in the future, KMA projected the sales prices at a weighted average of $350 per square foot of GBA.

   b. The allowable prices for the affordable housing units are based on the calculation methodology defined in California Health and Safety Code Section 50052.5 (Section 50052.5). Based on the 2010 Los Angeles County household income information, 2010 Los Angeles County utilities allowances and current underwriting standards, the prices are estimated as follows:[3]

      i. Moderate income two-bedroom units: $225,900; and

      ii. Very-low income one-bedroom units: $53,300.

2. The value of the commercial component is estimated based on the following assumptions, which were provided by the Developer:

   a. The achievable rent rate is estimated at $2.75 per square foot of GBA.

   b. The net operating income (NOI) is calculated based on a 5% vacancy allowance, and management expense equal to 5% of the effective gross commercial income.

   c. To project the value supported by the commercial component, the net operating income is capitalized at a 7.0% rate.

---

[3] The 2010 household incomes and utilities allowances were both published in June 2010.

Base Case (Appendix B)

The Base Case Alternative represents the scope of development allowed under the existing zoning standards. Detailed assumptions for the Base Case pro forma analysis are provided in Appendix B. The following summarizes the pro forma analysis findings:

Project Value	$16,074,000
(Less) Development Costs	(20,958,000)
Developer Profit / (Financial Gap)	($4,884,000)

2010 Proposed Project (Appendix C)

The 2010 Proposed Project represents the development scope and affordable housing standards currently being proposed by the Developer. The pro forma analysis is presented in Appendix C, and the results are summarized in the following table:

Project Value	$19,211,000
(Less) Development Costs	(18,841,000)
Developer Profit / (Financial Gap)	$370,000
As a % of Value	1.9%
As a % of Costs	2.0%

2010 Recommended Project (Appendix D)

KMA created a recommended alternative that requires the Developer to provide five affordable units to fulfill the Section 33413 housing production obligations created by the project. The recommended alternative is also based on the assumption that the Agency will provide financial assistance to fill the affordability gap associated with the three moderate income units included in the mix. The pro forma analysis is presented in Appendix D. The results are summarized in the following table:

Project Value	$19,789,000
(Less) Development Costs	(18,923,000)
Developer Profit / (Financial Gap)	$866,000
As a % of Value	4.4%
As a % of Costs	4.6%

CONCLUSIONS / RECOMMENDATIONS

Based on the results of the preceding analysis, KMA offers the following conclusions and recommendations:

Base Case

The Base Case represents a mixed-use residential project that complies with the City's zoning standards. However, the estimated development costs exceed the projected value by $4.88 million. It is clear that market conditions would have to improve significantly to make the Base Case financially feasible.

2010 Proposed Project

Section 65915 only requires the City to make a density bonus project physically feasible. It does not require the City to provide financial assistance to fill any financial gap associated with the project. If the City approves the concession requested by the Developer, and offers development standards relief that allows the proposed development scope to be accommodated on the Site, the City will have fulfilled the requirements imposed by Section 65915.

The 2010 Proposed Project is projected to produce $370,000 in profit, which represents a $5.82 million increase over the results of the Base Case analysis. Therefore, it can be concluded that in addition to meeting the basic density bonus requirements, the concession and development standards relief included in the 2010 Proposed Project outweigh the financial impact created by the income and affordability restrictions being proposed.

It should be noted that the 2010 Proposed Project is only projected to generate a 2% profit. This profit margin is well below the threshold profit requirements imposed by investors in the market area. As such, it is unlikely that the 2010 Proposed Project can attract sufficient financing to proceed under current market and financial conditions.

2010 Recommended Project

Affordable Housing Requirements

The 2010 Proposed Project generates a Section 33413 obligation for two very-low income units and three moderate income units. Comparatively, the Developer is proposing to provide two very-low income units and two moderate income units. Given

the limited opportunities available to the Agency to produce affordable housing units in the community, it is the KMA recommendation that the Developer be required to fulfill 100% of the Section 33413 requirements within the proposed project.

Affordability Covenants

The Agency income restricted units will only fulfill Section 33413 production requirements if the units are subject to irrevocable 45-year deed restrictions. This means that for 45 years after the project is completed, the units can only be sold and resold to very-low or moderate income households at the affordable housing cost determined under the Section 50052.5 calculation methodology. This requirement should be spelled out in the agreement between the Agency and the Developer.

Agency Financial Assistance

As discussed previously, the 2010 Proposed Project is not financially feasible under current market and financial conditions. The requirement to provide an additional moderate income unit will further erode the profit projected to be generated. If the City and the Agency wish to accelerate development at the Site, it may be advisable to provide the Developer with financial assistance to increase the project's profit margin.

One potential way to enhance the project economics is for the Agency to provide financial assistance to the three moderate income units. Based on the current pro forma analysis, the affordability gap is estimated at $288,600 per unit. This results in Agency assistance totaling $866,000 if assistance is provided to the three moderate income units that are recommended to be included in the project.

It is important to understand that the financial gap associated with the 2010 Proposed Project is a function of current market and investment conditions. There is significant potential that these conditions will improve over time. Therefore, it is the KMA recommendation that the Agency assistance offer be predicated on project construction commencing within the next nine months. If construction commences outside of that timeframe, the financial feasibility analysis for the project would need to be updated.

Additional Moderate Income Units

The Agency may wish to consider committing financial resources to the project in order to obtain additional moderate income 2-bedroom units that can be counted towards the Agency's existing Section 33413 production requirements. Based on the results of the KMA financial analysis, the Agency assistance should be set at $288,600 per additional moderate income 2-bedroom unit included in the project.

APPENDIX A

SUMMARY TABLES

TABLE 1

SCOPE OF DEVELOPMENT
402-404 SOUTH SAN GABRIEL BOULEVARD
DENSITY BONUS ANALYSIS
SAN GABRIEL, CALIFORNIA

		Base Case	2010 Proposed Project	2010 Recommended Project
I.	**Land Area (Square Feet)**			
	Gross Area	42,201	42,201	42,201
	Net Area	40,620	40,620	40,620
II.	**Unit Mix**			
	One-bedroom Units	0	2	2
	Two-bedroom Units	24	26	26
	Three-bedroom Units	0	3	3
	Total Number of Units	**24**	**31**	**31**
	Density (Units / Net Acre)	*26*	*33*	*33*
III.	**Unit Sizes**			
	One-bedroom Units	700	800	800
	Two-bedroom Units	875	1,470	1,470
	Three-bedroom Units	1,100	2,140	2,140
IV.	**Affordable Unit Mix**			
	Very-Low Income			
	One-bedroom Units	0	2	2
	Two-bedroom Units	0	0	0
	Moderate Income			
	One-bedroom Units	0	0	0
	Two-bedroom Units	0	2	3
	Total Affordable Units	**0**	**4**	**5**
V.	**Gross Building Area (GBA)**			
	Residential	20,500	47,813	47,813
	Commercial	20,500	9,533	9,533
	Total Gross Building Area	**41,000**	**57,346**	**57,346**
	FAR (GBA ÷ Net Land Area)	1.01	1.41	1.41
	Commercial %	50%	16.6%	16.6%
	Residential as % Net Lot Area	50%	118%	118%
	Height (Stories)	3	3	3
	Average Unit Size	854	1,542	1,542
VI.	**Subterranean Parking Garage**	2 Levels	1 Level	1 Level
	Residential Spaces (Ratio)	1.67	2.00	2.00
	Standard	40	62	62
	Compact	0	0	0
	Total Residential Spaces	40	62	62
	Commercial Spaces (Ratio)	6.00	6.40	6.40
	Standard	123	61	61
	Compact	0	0	0
	Total Commercial Spaces	123	61	61
	Total Parking Spaces	**163**	**123**	**123**

Prepared by: Keyser Marston Associates, Inc.
Filename: 7_30_10_402-404 S San Gabriel.xls: A1

TABLE 2

FINANCIAL ANALYSIS
402-404 SOUTH SAN GABRIEL BOULEVARD
DENSITY BONUS ANALYSIS
SAN GABRIEL, CALIFORNIA

				2010 Proposed Project vs.	
	Base Case	2010 Proposed Project	2010 Recommended Project	Base Case	2010 Recommended Project
I. **Development Costs**					
Land Acquisition Costs	$3,100,000	$3,100,000	$3,100,000	$0	$0
Direct Costs	13,918,000	10,765,000	10,765,000	(3,153,000)	0
Indirect Costs	2,153,000	2,497,000	2,516,000	344,000	(19,000)
Financing Costs	1,787,000	2,479,000	2,542,000	692,000	(63,000)
Total Development Costs	**$20,958,000**	**$18,841,000**	**$18,923,000**	**($2,117,000)**	**($82,000)**
Per Sf GBA	$511	$329	$330	$183	($1)
II. **Residential Sales Revenues**					
Market Rate Sales Revenues	$7,351,000	$14,595,000	$14,081,000	$7,244,000	$514,000
Per Unit	$306,300	$540,600	$541,600	$234,300	($1,000)
Per Sf GBA	$350	$350	$350	($0)	($0)
Moderate Income Sales Revenues	$0	$452,000	$678,000	$452,000	($226,000)
Per Affordable Unit	#DIV/0!	$226,000	$226,000	#DIV/0!	$0
Very-Low Income Sales Revenues	$0	$107,000	$107,000	$107,000	$0
Per Affordable Unit	#DIV/0!	$53,500	$53,500	#DIV/0!	$0
Agency Home Buyer Assistance	N.A.	N.A.	$866,000	N.A.	($866,000)
Total Residential Sales Revenues	**$7,351,000**	**$15,154,000**	**$15,732,000**	**$7,803,000**	**($578,000)**
Per Unit	$306,300	$488,800	$507,500	$182,500	($18,700)
Per Sf GBA	$179	$264	$274	$85	($10)
III. **Commercial Value**	**$8,723,000**	**$4,057,000**	**$4,057,000**	**($4,666,000)**	**$0**
Net Operating Income	$610,600	$284,000	$284,000	($326,600)	$0
Monthly Rental Rate	$2.75	$2.75	$2.75	$0	$0
IV. **Total Project Value**	**$16,074,000**	**$19,211,000**	**$19,789,000**	**$3,137,000**	**($578,000)**
Per Sf GBA	$392	$335	$345	($57)	($10)
V. **Developer Profit**	**($4,884,000)**	**$370,000**	**$866,000**	**$5,254,000**	**($496,000)**
As a % of Value	-30%	1.9%	4.4%	32%	-2%
As a % of Costs	-23%	2.0%	4.6%	25%	-3%

Prepared by: Keyser Marston Associates, Inc.
Filename: 7_30_10_402-404 S San Gabriel.xls; A2

APPENDIX B

BASE CASE

TABLE 1 - BASE CASE

'IMATED DEVELOPMENT COSTS
402-404 SOUTH SAN GABRIEL BOULEVARD
DENSITY BONUS ANALYSIS
SAN GABRIEL, CALIFORNIA

I. **Land Acquisition Costs** [1]	42,201	Sf Land	$73	/Sf		**$3,100,000**
II. **Direct Construction Costs** [2]						
Off-site Improvements		Allowance			$200,000	
Demolition Costs	42,201	Sf	$2.25	/Sf	95,000	
On-site Improvements	42,201	Sf Land	$2.25	/Sf	95,000	
Parking Costs	163	Spaces	$50,000	/Sf	8,150,000	
Residential Shell Costs	20,500	Sf GBA	$120.00	/Sf	2,460,000	
Commercial Shell Costs	20,500	Sf GBA	$90.00	/Sf	1,845,000	
Tenant Improvements	20,500	Sf GBA	$20.00	/Sf	410,000	
Contingency Allowance	5%	Other Direct Costs			663,000	
Total Direct Construction Costs	41,000	Sf GBA	$339	/Sf		**$13,918,000**
III. **Indirect Costs**						
Architecture, Engineering & Consulting [2]	3%	Direct Costs			$400,000	
Permits & Fees [3]						
Residential	20,500	Sf GBA	$13	/Sf	271,000	
Commercial	20,500	Sf GBA	$12	/Sf	254,000	
Taxes, Legal & Accounting	0.7%	Direct Costs			92,000	
Insurance						
Residential	24	Units	$16,000	/Unit	384,000	
Commercial	20,500	Sf GBA	$5	/Sf	103,000	
Residential Marketing [2]	24	Units	$417	/Unit	10,000	
Commercial Marketing & Leasing [2]	1%	Value			54,000	
Developer Fee	3%	Project Value			482,000	
Contingency Allowance	5%	Other Indirect Costs			103,000	
Total Indirect Costs						**$2,153,000**
IV. **Financing Costs**						
Interest During Construction [4]	$10,269,000	Loan Amt	9.0%	Int Rate	$901,000	
Financing Fees	$10,269,000	Loan Amt	1.00	Points	103,000	
Commissions / Closing / Warranties [5]	24	Units	$32,600	/Unit	783,000	
Total Financing Costs						**$1,787,000**
V. **Total Development Costs**	**42,201**	**Units**	**$500**	**/Unit**		**$20,958,000**

[1] Provided by the Developer.
[2] Based on Developer estimates.
[3] Based on KMA estimate. This information should be verified by City staff.
[4] Assumes a 18-month development period; a 65% average outstanding balance; and a 70% loan to cost ratio.
[5] Assumes 5.0% for commissions; 5.0% for closing costs; and $2,000/unit for warranty costs.

Prepared by: Keyser Marston Associates, Inc.
Filename: 7_30_10_402-404 S San Gabriel.xls; Base

TABLE 2 - BASE CASE

'ELOPER PROFIT CALCULATION
-404 SOUTH SAN GABRIEL BOULEVARD
DENSITY BONUS ANALYSIS
SAN GABRIEL, CALIFORNIA

I.	**Residential Sales Revenues**					
	Market Rate Units [1]					
	Two-bedroom Units	24	Units	$306,300	/Unit	$7,351,000
	Three-bedroom Units	-	Units	$385,000	/Unit	-
	Moderate Income Units [2]					
	One-bedroom Units	-	Units	$202,400	/Unit	-
	Two-bedroom Units	-	Units	$225,900	/Unit	-
	Very-Low Income Units [2]					
	One-bedroom Units	-	Units	$53,300	/Unit	-
	Two-bedroom Units	-	Units	$58,100	/Unit	-
	Total Sales Revenues	24	Units	$306,300	/Unit	**$7,351,000**
II.	**Commercial Space Value** [3]					
	Gross Rental Income (NNN)	20,500	Sf GBA	2.75	/Sf GLA	$676,500
	(Less) Vacancy Allowance	5%	Gross Income			(33,800)
	Effective Gross Income					$642,700
	(Less) Property Management	5%	EGI			($32,100)
	(Less) Capital Reserves	0%	EGI			-
	Net Operating Income					$610,600
	Commercial Value	$610,600	NOI	7.00%	Cap Rate	**$8,723,000**
III.	**Total Project Value**					
	Residential Sales Revenues	20,500	Sf GBA	$359	/Sf GLA	$7,351,000
	Commercial Value	20,500	Sf GBA	$426	/Sf GLA	8,723,000
	Total Project Value	**41,000**	**Sf GBA**	**$392**	**/Sf GBA**	**$16,074,000**
IV.	**Developer Profit Calculation**					
	Total Project Value					$16,074,000
	(Less) Total Development Costs					(20,958,000)
V.	**Developer Profit**	**-30.4%**	**Project Value**			**($4,884,000)**
		-23.3%	**Development Costs**			

[1] Based on Developer commissioned market study estimates. Assumes a weighted average sales price of $350 per square foot.

[2] KMA estimates based on 2010 Los Angeles County Median Income, Los Angeles County Housing Authority utilities allowances published in July 2010 and the California Health and Safety Code Section 50052.5 calculation methodology.

[3] Based on Developer estimate.

Prepared by: Keyser Marston Associates, Inc.
Filename: 7_30_10_402-404 S San Gabriel.xls; Base

APPENDIX C

2010 PROPOSED PROJECT

TABLE 1 - 2010 PROPOSED PROJECT

ESTIMATED DEVELOPMENT COSTS
402-404 SOUTH SAN GABRIEL BOULEVARD
DENSITY BONUS ANALYSIS
SAN GABRIEL, CALIFORNIA

I. **Land Acquisition Costs** [1]	42,201	Sf Land	$73	/Sf		**$3,100,000**
II. Direct Construction Costs [2]						
Off-site Improvements		Allowance			$200,000	
Demolition Costs	42,201	Sf	$2.25	/Sf	95,000	
On-site Improvements	42,201	Sf Land	$2.25	/Sf	95,000	
Parking Costs	123	Spaces	$25,000	/Sf	3,075,000	
Residential Shell Costs	47,813	Sf GBA	$120.00	/Sf	5,738,000	
Commercial Shell Costs	9,533	Sf GBA	$90.00	/Sf	858,000	
Tenant Improvements	9,533	Sf GBA	$20.00	/Sf	191,000	
Contingency Allowance	5%	Other Direct Costs			513,000	
Total Direct Construction Costs	57,346	Sf GBA	$188	/Sf		**$10,765,000**
III. Indirect Costs						
Architecture, Engineering & Consulting [2]	4%	Direct Costs			$400,000	
Permits & Fees [3]						
Residential	47,813	Sf GBA	$13	/Sf	631,000	
Commercial	9,533	Sf GBA	$12	/Sf	118,000	
Taxes, Legal & Accounting	0.7%	Direct Costs			71,000	
Insurance						
Residential	31	Units	$16,000	/Unit	496,000	
Commercial	9,533	Sf GBA	$5	/Sf	48,000	
Residential Marketing [4]	31	Units	$417	/Unit	13,000	
Commercial Marketing & Leasing [4]	1%	Value			25,000	
Developer Fee	3%	Project Value			576,000	
Contingency Allowance	5%	Other Indirect Costs			119,000	
Total Indirect Costs						**$2,497,000**
IV. Financing Costs						
Interest During Construction [5]	$9,232,000	Loan Amt	9.0%	Int Rate	$810,000	
Financing Fees	$9,232,000	Loan Amt	1.00	Points	92,000	
Commissions / Closing / Warranties [6]	31	Units	$50,900	/Unit	1,577,000	
Total Financing Costs						**$2,479,000**
V. **Total Development Costs**	**42,201**	**Units**	**$400**	**/Unit**		**$18,841,000**

[1] Provided by the Developer.
[2] Based on Developer estimates.
[3] Based on KMA estimate. This information should be verified by City staff.
[4] Based on Developer estimates for Base Scenario.
[5] Assumes a 18-month development period; a 65% average outstanding balance; and a 70% loan to cost ratio.
[6] Assumes 5.0% for commissions; 5.0% for closing costs; and $2,000/unit for warranty costs.

Prepared by: Keyser Marston Associates, Inc.
Filename: 7_30_10_402-404 S San Gabriel.xls; Proposed

TABLE 2 - 2010 PROPOSED PROJECT

'/ELOPER PROFIT CALCULATION
.-404 SOUTH SAN GABRIEL BOULEVARD
DENSITY BONUS ANALYSIS
SAN GABRIEL, CALIFORNIA

I.	**Residential Sales Revenues**					
	Market Rate Units [1]					
	Two-bedroom Units	24	Units	$514,500	/Unit	$12,348,000
	Three-bedroom Units	3	Units	$749,000	/Unit	2,247,000
	Moderate Income Units [2]					
	One-bedroom Units	-	Units	$202,400	/Unit	-
	Two-bedroom Units	2	Units	$225,900	/Unit	452,000
	Very-Low Income Units [2]					
	One-bedroom Units	2	Units	$53,300	/Unit	107,000
	Two-bedroom Units	-	Units	$58,100	/Unit	-
	Total Sales Revenues	31	Units	$488,800	/Unit	**$15,154,000**
II.	**Commercial Space Value** [3]					
	Gross Rental Income (NNN)	9,533	Sf GBA	$2.75	/Sf GLA	$314,600
	(Less) Vacancy Allowance	5%	Gross Income			(15,700)
	Effective Gross Income					$298,900
	(Less) Property Management	5%	EGI			($14,900)
	(Less) Capital Reserves	0%	EGI			-
	Net Operating Income					$284,000
	Commercial Value	$284,000	NOI	7.00%	Cap Rate	**$4,057,000**
III.	**Total Project Value**					
	Residential Sales Revenues	47,813	Sf GBA	$317	/Sf GLA	$15,154,000
	Commercial Value	9,533	Sf GBA	$426	/Sf GLA	4,057,000
	Total Project Value	**57,346**	**Sf GBA**	**$335**	**/Sf GBA**	**$19,211,000**
IV.	**Developer Profit Calculation**					
	Total Project Value					$19,211,000
	(Less) Total Development Costs					(18,841,000)
V.	**Developer Profit**	**1.9%**	**Project Value**			**$370,000**
		2.0%	**Development Costs**			

1 Based on Developer commissioned market study estimates. Assumes a weighted average sales price of $350 per square foot.

2 KMA estimates based on 2010 Los Angeles County Median Income, Los Angeles County Housing Authority utilities allowances published in July 2010 and the California Health and Safety Code Section 50052.5 calculation methodology.

3 Based on Developer estimate.

Prepared by: Keyser Marston Associates, Inc.
Filename: 7_30_10_402-404 S San Gabriel.xls; Proposed

APPENDIX D

2010 RECOMMENDED PROJECT

TABLE 1 - 2010 RECOMMENDED PROJECT

ESTIMATED DEVELOPMENT COSTS
402-404 SOUTH SAN GABRIEL BOULEVARD
DENSITY BONUS ANALYSIS
SAN GABRIEL, CALIFORNIA

I.	**Land Acquisition Costs** [1]	42,201	Sf Land	$73	/Sf		**$3,100,000**
II.	**Direct Construction Costs** [2]						
	Off-site Improvements		Allowance			$200,000	
	Demolition Costs	42,201	Sf	$2.25	/Sf	95,000	
	On-site Improvements	42,201	Sf Land	$2.25	/Sf	95,000	
	Parking Costs	123	Spaces	$25,000	/Sf	3,075,000	
	Residential Shell Costs	47,813	Sf GBA	$120.00	/Sf	5,738,000	
	Commercial Shell Costs	9,533	Sf GBA	$90.00	/Sf	858,000	
	Tenant Improvements	9,533	Sf GBA	$20.00	/Sf	191,000	
	Contingency Allowance	5%	Other Direct Costs			513,000	
	Total Direct Construction Costs	57,346	Sf GBA	$188	/Sf		**$10,765,000**
III.	**Indirect Costs**						
	Architecture, Engineering & Consulting [2]	4%	Direct Costs			$400,000	
	Permits & Fees [3]						
	Residential	47,813	Sf GBA	$13	/Sf	631,000	
	Commercial	9,533	Sf GBA	$12	/Sf	118,000	
	Taxes, Legal & Accounting	0.7%	Direct Costs			71,000	
	Insurance						
	Residential	31	Units	$16,000	/Unit	496,000	
	Commercial	9,533	Sf GBA	$5	/Sf	48,000	
	Residential Marketing [4]	31	Units	$417	/Unit	13,000	
	Commercial Marketing & Leasing [4]	1%	Value			25,000	
	Developer Fee	3%	Project Value			594,000	
	Contingency Allowance	5%	Other Indirect Costs			120,000	
	Total Indirect Costs						**$2,516,000**
IV.	**Financing Costs**						
	Interest During Construction [5]	$9,272,000	Loan Amt	9.0%	Int Rate	$814,000	
	Financing Fees	$9,272,000	Loan Amt	1.00	Points	93,000	
	Commissions / Closing / Warranties [6]	31	Units	$52,700	/Unit	1,635,000	
	Total Financing Costs						**$2,542,000**
V.	**Total Development Costs**	**42,201**	**Units**	**$400**	**/Unit**		**$18,923,000**

1 Provided by the Developer.
2 Based on Developer estimates.
3 Based on KMA estimate. This information should be verified by City staff.
4 Assumes a 18-month development period; a 65% average outstanding balance; and a 70% loan to cost ratio.
5 Assumes a 18-month development period; a 65% average outstanding balance; and a 70% loan to cost ratio.
6 Assumes 5.0% for commissions; 5.0% for closing costs; and $2,000/unit for warranty costs.

Prepared by: Keyser Marston Associates, Inc.
Filename: 7_30_10_402-404 S San Gabriel.xls; Rec