



**HOUSING AUTHORITY  
of the County of Los Angeles**

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Commissioners

**Sean Rogan**  
Executive Director

July 25, 2017

The Honorable Board of Commissioners  
Housing Authority of the  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

The Honorable Board of Commissioners  
Community Development Commission  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Commissioners:

**APPROVE DISPOSITION AND DEVELOPMENT AGREEMENT AND HOME PROGRAM FUNDING  
AGREEMENT WITH OLSON LAND OPPORTUNITIES II, LLC FOR DEVELOPMENT OF 94  
SINGLE-FAMILY HOMES IN UNINCORPORATED WILLOWBROOK  
(DISTRICT 2) (3 VOTE)**

**SUBJECT**

This letter recommends that your Board approve the sale and conveyance of a 9.5-acre site owned by the Housing Authority of the County of Los Angeles (Housing Authority) to Olson Land Opportunities II, LLC (Developer) for the development of 94 single family homes (Project), of which 19 will be made available to moderate-income home buyers and 11 to lower-income home buyers. This letter also recommends approval of HOME Investment Partnerships Program (HOME) funds from the Community Development Commission (Commission) to provide loans to the lower-income home buyers. Approval of the actions will increase homeownership opportunities for 30 moderate-income and lower-income home buyers in the County.

**IT IS RECOMMENDED THAT THE BOARD ACTING AS THE GOVERNING BODY OF THE  
HOUSING AUTHORITY:**

1. Acting as a responsible agency pursuant to the California Environmental Quality Act (CEQA),

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

1-H July 25, 2017

LORI GLASGOW  
EXECUTIVE OFFICER

certify that the Housing Authority has considered the attached Mitigated Negative Declaration for the Project, which was prepared by the County of Los Angeles Department of Regional Planning as lead agency, and find that this Project will not cause a significant impact on the environment.

2. Authorize the Executive Director, or his designee, to execute, and if necessary, amend or terminate a Disposition and Development Agreement (DDA), attached in substantially final form, between the Housing Authority and the Developer, for the conveyance of a 9.5-acre Housing Authority-owned site located at 13024 Salinas Avenue in unincorporated Willowbrook (Property), for the development of 94 single-family homes, following approval as to form by County Counsel.

3. Approve the sale of the Property to the Developer for \$3,000,000, and authorize the Executive Director or his designee to execute a seller carryback loan agreement (Housing Authority Loan), including deed of trust, promissory note and all related documents, following approval as to form by County Counsel.

4. Authorize the Executive Director, or his designee, to negotiate, execute, and if necessary, amend, reduce, or terminate the loan agreements with each of the 19 qualified moderate-income home buyers, and all related documents, including but not limited to promissory notes, deeds of trust, and documents to subordinate the loans to the first mortgage, for the sole purpose of providing down payment assistance to each moderate-income home buyer, following approval as to form by County Counsel.

**IT IS RECOMMENDED THAT THE BOARD ACTING AS THE GOVERNING BODY OF THE COMMUNITY DEVELOPMENT COMMISSION:**

1. Authorize the Executive Director, or his designee, to negotiate, execute, and if necessary, amend, reduce, or terminate a HOME Program Funding Agreement (HOME Program Agreement) in the amount of up to \$3,017,000 between the Commission and the Developer, and all related documents, for the purpose of providing a commitment of home buyer financing to 11 qualified lower-income home buyers for the purchase of a single family home, following approval as to form by County Counsel.

2. Authorize the Executive Director, or his designee, to negotiate, execute, and if necessary, amend, reduce, or terminate HOME loan agreements between the Commission and each of the 11 qualified lower-income home buyers, and all related documents, including but not limited to promissory notes, deeds of trust, and documents to subordinate the loans to the first mortgage, for the sole purpose of providing down payment assistance to each qualified lower-income home buyer, following approval as to form by County Counsel.

3. Authorize the Executive Director or his designee to incorporate, as needed, up to \$3,017,000 in HOME funds into the Commission's Fiscal Year 2017-2018 budget.

4. Authorize the Executive Director or his designee to reallocate funds set aside for affordable housing development at the time of project funding to better align project funds with available resources. Any reallocation of funds will be made within the Project's approved HOME funding limit, in line with Project needs, and within the requirements for each funding source.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of the recommended actions is to execute a DDA as well as a HOME Program

Agreement for the Project, which will allow for the development of 94 for-sale single family homes, of which 19 homes will be made available for purchase to qualified moderate-income home buyers and 11 homes will be made available for purchase to qualified lower-income home buyers.

### **FISCAL IMPACT/FINANCING**

There is no impact to the County General Fund. The recommended HOME Program Agreement will provide a total of up to \$3,017,000 in HOME funds to provide down payment assistance to 11 lower-income home buyers. The HOME funds will be incorporated into the Commission's Fiscal Year 2017 -2018 budget as needed.

The seller carryback loan of \$3,000,000 will provide down payment assistance to 19 moderate-income homebuyers.

The Developer is responsible for the marketing and sales of the 30 single-family homes to be sold to moderate-income and lower-income home buyers and is also responsible for identifying and qualifying eligible moderate-income and lower-income home buyers.

A Financial Analysis for the development is provided as Attachment A.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

In 2003, Housing Authority purchased the Property which was previously owned by the Compton Unified School District. In August 2005, after a Request for Proposals, your Board approved an Agreement to Negotiate Exclusively (ANE) with the Developer in order to negotiate a DDA. In September 2008, your Board approved a DDA for the development of 94 single-family homes. However, due to the national housing crisis and deflation of real estate values, the development was deferred.

Because the housing market has shown signs of stability the Commission and the Developer entered into a one-year ANE. During the course of the negotiations, the Developer has assessed the site and market conditions, and held meetings with several stakeholders and offices of the County of Los Angeles, all of which yielded final map approval by the Regional Planning Commission on March 15, 2017. Upon approval of the DDA the Developer is ready to immediately begin construction, with the initial model homes anticipated to be completed by early 2018. It is anticipated that new home sales from this Project will have a positive impact on the immediate neighborhood by stabilizing existing home values and providing new home ownership opportunities to eligible first-time home buyers.

The DDA outlines the terms of the Project that includes the construction of 30 of the 94 homes to be sold to qualified moderate-income and lower-income home buyers. The affordability restrictions will remain in place for up to 45 years, unless the original buyer sells the unit on the open market during that period. If the moderate-income or lower-income homes are not sold to another moderate-income or lower-income home buyer during the affordability period, the Housing Authority or Commission will be repaid and will receive an equity share to be used to provide additional affordable housing. The remaining 64 homes will be sold without affordability restrictions.

For the 19 Moderate-Income Homes - Under the terms of the DDA, the Housing Authority will sell the Property to the Developer for the current appraised value of \$3,000,000. The Housing Authority will provide a Housing Authority Loan to the Developer for the land purchase price, evidenced by a promissory note and secured by a deed of trust. A pro-rata portion of the Housing Authority Loan will

be assumed by each of the 19 moderate-income home buyers upon the purchase of a Housing Authority assisted home. It is estimated that each home buyer share of the Housing Authority Loan will equal \$157,895. Repayment of the loan is only due in the event the home buyer sells, transfers, and/or assigns the home during the affordability period.

For the 11 Lower-Income Homes - The Commission will provide up to \$3,017,000 in HOME funds to 11 qualified home buyers at the time of closing for each initial sale to the home buyer. This assistance will be provided as loans directly to the home buyers secured with subordinate deeds of trust. It is estimated each loan may be up to approximately \$274,273. Repayment of the loan is only due in the event the home buyer sells, transfers, and/or assigns the home during the affordability period.

The DDA requires the Developer to submit to the Commission an Affirmative Fair Housing Marketing Plan for the 30 moderate-income and lower-income single family homes. Additionally, the Project will be registered on the Housing Resource Center website which will include a new page dedicated to affordable home ownership opportunities.

### **ENVIRONMENTAL DOCUMENTATION**

As a responsible agency, and in accordance with the requirements of CEQA, the Housing Authority reviewed the IS/MND prepared by the County of Los Angeles for the Salinas Avenue Homeownership project and determined that this project will not have a significant adverse impact on the environment. The Housing Authority's consideration of the IS/MND and filing of the Notice of Determination satisfy the State CEQA Guidelines as stated in Article 7, Section 15096.

An Environmental Assessment (EA) has been prepared for this project pursuant to the requirements of the National Environmental Policy Act (NEPA). This document describes the proposed project, evaluates the potential environmental effects, and describes the mitigation measures necessary to avoid potentially significant environmental effects from the project. Based on the conclusions and findings of the EA, a Finding of No Significant Impact was approved by the Certifying Official of the Commission. Following the required public and agency comment periods, the U.S. Department of Housing and Urban Development (HUD) issued a Release of Funds for the project on December 9, 2016.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

This action will develop much needed affordable homeownership opportunities for moderate-income and lower-income home buyers in the County of Los Angeles.

The Honorable Board of Commissioners

7/25/2017

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line extending to the right.

SEAN ROGAN

Executive Director

SR:CC:lk:mt

Enclosures

## **ATTACHMENT A**

APPENDIX C - TABLE 1

COMPARISON OF METRICS  
SALINAS OWNERSHIP PROJECT  
LOS ANGELES, CALIFORNIA

	Per Developer		Per CDC Underwriting Guidelines	
	Total	Metric	Total	Metric
I. Site Acquisition Costs	\$0	N/A	\$0	N/A
II. <u>Direct Costs</u>				
Site Development	\$7,406,202	\$18 /Sf Land	\$5,385,000	\$13 /Sf Land
Building Shell	12,626,029	\$77 /Sf GBA	10,696,000	\$65 /Sf GBA
GC Conditions, Overhead & Profit	1,153,100	6% of Const Costs	2,412,000	15% of Const Costs
Contingency Allowance	1,371,921	6% of Other Directs	1,479,000	8% of Other Directs
<b>Total Direct Costs</b>	<b>22,557,252</b>		<b>19,972,000</b>	
III. <u>Indirect Costs</u>				
<u>Architecture, Engineering &amp; Consulting</u>				
Architecture	\$550,300	2.4% of Direct Costs	\$999,000	5.0% of Direct Costs
Engineering	0	0.0% of Direct Costs	699,000	3.5% of Direct Costs
Consulting	0	0.0% of Direct Costs	399,000	2.0% of Direct Costs
Subtotal A&E	\$550,300	2.4% of Direct Costs	\$2,097,000	10.5% of Direct Costs
Permits & Fees	\$2,409,562	10.7% of Direct Costs	2,397,000	12.0% of Direct Costs
<u>Taxes, Insurance, Legal &amp; Accounting</u>				
Real Estate Taxes	\$1,673	0.0% of Direct Costs	\$260,000	1.3% of Direct Costs
Insurance	664,015	2.9% of Direct Costs	399,000	2.0% of Direct Costs
Legal, Accounting & Due Diligence	195,739	0.9% of Direct Costs	399,000	2.0% of Direct Costs
Subtotal TILA	\$861,427	3.8% of Direct Costs	\$1,058,000	
Marketing	\$709,400	2.1% of Total Revenues	\$498,000	1.5% of Total Revenues
Sales Fees (Commissions)	996,022	3.0% of Total Revenues	996,000	3.0% of Total Revenues
Models	299,319	0.9% of Total Revenues	499,000	1.5% of Gross Sales
Finished Inventory	151,100	0.7% of Direct Costs	399,000	2.0% of Direct Costs
Contingency Allowance	149,343	2.5% of Direct Costs	794,000	10.0% of Other Indirect Costs
<b>Total Indirect Costs</b>	<b>\$3,716,911</b>		<b>\$6,341,000</b>	
IV. <u>General &amp; Administrative Costs</u>				
Overhead & Management	\$1,127,165	3.4% of Total Revenues	\$996,000	3.0% of Total Revenues
Developer Profit	2,638,482	7.9% of Total Revenues	2,656,000	8.0% of Total Revenues
<b>Total General &amp; Administrative Costs</b>	<b>\$3,765,647</b>	11.3% of Total Revenues	<b>\$3,652,000</b>	11.00%
V. <u>Financing Costs</u>				
Loan Fees	\$157,843		\$157,843	2.50 Points
Construction Interest	207,521		207,521	N/A
<b>Total Financing Costs</b>	<b>\$365,364</b>		<b>\$365,364</b>	
<b>Total Development Costs</b>	<b>\$30,405,174</b>		<b>\$30,330,364</b>	
<b>Total Construction Costs</b>	<b>\$30,405,174</b>		<b>\$30,330,364</b>	
<b>Gross Sales Revenues</b>	<b>\$33,261,426</b>		<b>\$33,261,426</b>	
<b>Total Revenues</b>	<b>\$33,200,737</b>		<b>\$33,200,737</b>	

**Environmental Checklist Form (Initial Study)**  
County of Los Angeles, Department of Regional Planning



**Project title:** Project No. 2016-000288-(2): Tentative Tract Map 68322, Housing Permit No. RPPL 2016002045, Environmental Assessment No. RPPL 2016002047

**Lead agency name and address:** Los Angeles County, 320 West Temple Street, Los Angeles, CA 90012

**Contact Person and phone number:** Tyler Montgomery, (213) 974-6433

**Project sponsor's name and address:** The Olson Company, 3010 Old Ranch Parkway, Suite 100, Seal Beach, CA 90740

**Project location:** 13024 Salinas Avenue, West Rancho Dominguez-Victoria  
**APNs:** 6134-033-900  
**USGS Quad:** Inglewood

**Gross Area:** 9.55 acres

**General Plan designation:** "H9"—Residential 9 (0-9 dwelling units per net acre)

**Community/Area wide Plan designation:** N/A

**Zoning:** R-1 (Single Family Residence); West Rancho Dominguez-Rancho Dominguez CSD

**Description of project:** The applicant requests a Tentative Tract Map to create 94 detached single-family residential condominiums on 9.55 gross (9.51 net) acres. The applicant also requests a housing permit for a density bonus of approximately 14.6% for setting aside 11 units for lower-income households (80%AMI) and 19 units for moderate-income households (100% AMI). The applicant requests three development incentives, including reduced rear-yard setbacks, an increase in height of the eastern perimeter wall from six feet to eight feet, and the provision of 47 on-site parallel parking spaces. The project site would be gated, and units would be accessed by a system of interior private driveways. The applicant also proposes a public access way from the development to Enterprise Park, which is located immediately to the east. A total of 12,980 cubic yards of grading is proposed (5,690 cut, 7,290 fill).

**Surrounding land uses and setting:** The subject property is a vacant lot that was previously occupied by a public school. It is surrounded by single-family residences to the north, south, and west, and Enterprise Park is located immediately to the east.

**Other public agencies whose approval may be required (e.g., permits, financing approval, or participation agreement):**

*Public Agency*

Department of Public Works

Community Development

Commission

*Approval Required*

Building and grading permits, public street improvements

Approval of affordable housing covenants



**Reviewing Agencies:**

*Responsible Agencies*

- None
- Regional Water Quality Control Board:
  - Los Angeles Region
  - Lahontan Region
- Coastal Commission
- Army Corps of Engineers

*Trustee Agencies*

- None
- State Dept. of Fish and Wildlife
- State Dept. of Parks and Recreation
- State Lands Commission
- University of California (Natural Land and Water Reserves System)

*Special Reviewing Agencies*

- None
- Santa Monica Mountains Conservancy
- National Parks
- National Forest
- Edwards Air Force Base
- Resource Conservation District of Santa Monica Mountains Area
- Other

*County Reviewing Agencies*

- DPW

*Regional Significance*

- None
- SCAG Criteria
- Air Quality
- Water Resources
- Santa Monica Mtns. Area
- Other

- Fire Department
  - Forestry, Environmental Division
  - Planning Division
  - Land Development Unit
  - Health Hazmat
- Sanitation District
- Public Health/Environmental Health Division: Toxics Epidemiology Program (Noise)
- Sheriff's Department
- Parks and Recreation
- Subdivision Committee
- County Library

**ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED:**

The environmental factors checked below would be potentially affected by this project.

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Aesthetics                    | <input type="checkbox"/> Greenhouse Gas Emissions    | <input type="checkbox"/> Population/Housing                    |
| <input type="checkbox"/> Agriculture/Forest            | <input type="checkbox"/> Hazards/Hazardous Materials | <input type="checkbox"/> Public Services                       |
| <input type="checkbox"/> Air Quality                   | <input type="checkbox"/> Hydrology/Water Quality     | <input type="checkbox"/> Recreation                            |
| <input type="checkbox"/> Biological Resources          | <input type="checkbox"/> Land Use/Planning           | <input checked="" type="checkbox"/> Transportation/Traffic     |
| <input checked="" type="checkbox"/> Cultural Resources | <input type="checkbox"/> Mineral Resources           | <input type="checkbox"/> Utilities/Services                    |
| <input type="checkbox"/> Energy                        | <input type="checkbox"/> Noise                       | <input type="checkbox"/> Mandatory Findings<br>of Significance |
| <input type="checkbox"/> Geology/Soils                 |  |  |

DETERMINATION: (To be completed by the Lead Department.)

On the basis of this initial evaluation:

- I find that the proposed project **COULD NOT** have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
- I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
- I find that the proposed project **MAY** have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.
- I find that the proposed project **MAY** have a "potentially significant impact" or "potentially significant unless mitigated" impact on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.
- I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

\_\_\_\_\_  
Signature (Prepared by)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature (Approved by)

\_\_\_\_\_  
Date

**1. AESTHETICS**

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
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Would the project:

- a) Have a substantial adverse effect on a scenic vista?

The project site is not in the vicinity of an officially designated scenic highway (Source: Scenic Highway Element of the General Plan, Cal Trans Scenic Highway Mapping System). There are no significant ridgelines adjacent to the subject property. The proposed project is located within an established urbanized residential community and creation of 24 single family lots from a level single-family lot will not adversely affect a scenic vista.

- b) Be visible from or obstruct views from a regional riding or hiking trail?

There are no riding or hiking trails within a mile of the project site (Source: GIS-NET Trails Layer).

- c) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway?

Prior to the existing site being vacant, it was developed with a public school, which was demolished. The residential development would be compatible with the residentially developed neighborhood and does not impact scenic resources. There are no oak trees on site. Vegetation on the project site includes some sparse grasses, palms, and carob trees. No historic buildings exist on the site. The proposed project would result in less than significant aesthetic impacts (Source: tentative map, aerial photos, site photos).

- d) Substantially degrade the existing visual character or quality of the site and its surroundings because of height, bulk, pattern, scale, character, or other features?

Single-family residential structures of a similar size and scale currently exist to the north, south, and west. The approval ensures consistency with applicable County zoning and General Plan standards and requirements.

- e) Create a new source of substantial shadows, light, or glare which would adversely affect day or nighttime views in the area?

The proposed residential structures would comply with the required R-1 Zone height limit of 35 feet, and there would be no substantial light sources on the project site.

**2. AGRICULTURE / FOREST**

Would the project:	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The project site is not comprised of any farmland. The construction of the residential buildings in an already established urbanized area will not result in the conversion of Prime Farmland, Unique Farmland or Farmland (Source: Farmland Mapping and Monitoring Program, California Department of Conservation).

b) Conflict with existing zoning for agricultural use, with a designated Agricultural Opportunity Area, or with a Williamson Act contract?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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The project site is currently zoned R-1 (Single Family Residence). The project site is not currently used for agricultural purposes and it is not designated as an Agricultural Opportunity Area or under a Williamson Act contract.

c) Conflict with existing zoning for, or cause rezoning of, forest land (as defined in Public Resources Code § 12220 (g)), timberland (as defined in Public Resources Code § 4526), or timberland zoned Timberland Production (as defined in Government Code § 51104(g))?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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There is no forest land or timberland zoned Timberland Production within the vicinity of the project site.

d) Result in the loss of forest land or conversion of forest land to non-forest use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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There is no forest land within the vicinity of project site.

e) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use or conversion of forest land to non-forest use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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There is no forest land or farmland within the vicinity of the project site, and the project would not result in changes to the environment that would result in the loss of either type of land.

### 3. AIR QUALITY

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
<p><b>Would the project:</b></p> <p><b>a) Conflict with or obstruct implementation of applicable air quality plans of either the South Coast AQMD (SCAQMD) or the Antelope Valley AQMD (AVAQMD)?</b></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

The proposed project entails subdividing an existing residential lot into 94 detached residential condominiums. The project entails the creation of additional residences in an R-1 (Single Family Residence) zone. The project site is located within the South Coast Air Quality Management District (SCAQMD). The proposed project complies with the density requirements of the Community Plan and General Plan Housing Element. Therefore, the project will not conflict or obstruct the implementation of the applicable SCAQMD air quality plan.

Based on the 2012 Area Designations for ten criteria pollutants, which is the most current available and represent air quality based on 2008 to 2010 monitoring data, the State Ambient Air Quality Standards for the Los Angeles County are as follows: "Nonattainment" for Ozone (O<sub>3</sub>), Suspended Particulate Matter (PM<sub>10</sub>), Fine Suspended Particulate Matter (PM<sub>2.5</sub>), Nitrogen Dioxide (NO<sub>2</sub>), Lead (Pb); "Attainment" for Carbon Monoxide (CO), Sulfur Dioxide (SO<sub>2</sub>), and Sulfates; and "Unclassified" for Hydrogen Sulfide and Visibility Reducing Particles. The proposed project would not significantly contribute to this nonattainment status.

<p><b>b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?</b></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The proposed project entails subdividing an existing residential lot into 94 detached residential condominiums. The project will not violate any applicable federal or state air quality standard or projected air quality violation. Localized impacts due to dust and construction equipment would be less than significant, as the amount of grading (5,690 cubic yards cut, 7,290 cubic yards fill) and the use of large equipment would not be on a large scale.

<p><b>c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?</b></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project would not result in a cumulatively considerable net increase of non-attainment criteria pollutants. The subdivision of an existing residential lot into 94 detached residential condominiums, individually or cumulatively, will not exceed the SCAQMD Air Quality Significant Thresholds. Localized impacts due to dust and construction equipment would be less than significant, as the amount of grading

(5,690 cubic yards cut, 7,290 cubic yards fill) and the use of large equipment would not be on a large scale. Post-construction impacts are expected to be minimal.

d) Expose sensitive receptors to substantial pollutant concentrations?

The project is not considered a sensitive land use, although schools and parks are located within 600 feet of the project site. The proposed project would not expose sensitive receptors to substantial amounts of pollutants. The proposed project is considered consistent with the existing land uses in the neighborhood and is not a contributor of substantial pollution concentration. Localized impacts due to dust and construction equipment would be less than significant, as the amount of grading (5,690 cubic yards cut, 7,290 cubic yards fill) and the use of large equipment would not be on a large scale. Post-construction impacts are expected to be minimal.

e) Create objectionable odors affecting a substantial number of people?

The proposed project of subdividing an existing single-family residential lot into 94 detached residential condominiums would not create objectionable odors that would be perceptible to a substantial number of people. The proposed project would not violate AQMD Rule 402, which states "A person shall not discharge from any source whatsoever such quantities of air contaminants or other material which cause injury, detriment, nuisance, or annoyance to any considerable number of persons or to the public, or which endanger the comfort, repose, health or safety of any such persons or the public, or which cause, or have a natural tendency to cause, injury or damage to business or property. The provisions of this rule shall not apply to odors emanating from agricultural operations necessary for the growing of crops or the raising of fowl or animals."

#### 4. BIOLOGICAL RESOURCES

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
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Would the project:

a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Wildlife (CDFW) or U.S. Fish and Wildlife Service (USFWS)?

	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project site is relatively flat with some short grasses, palms, carob trees, and paved areas as it was previously developed with a public school. The proposed residential subdivision is located in an urbanized and developed area, and is not located in or near an identified sensitive environmental area, and should have less than significant impact. Nesting birds occur all over the county and the project shall be compliant with the California Department of Fish & Wildlife (CDFW) requirements. There are no species of concern in the area identified by the California Natural Diversity Database (CNDDDB).

b) Have a substantial adverse effect on any sensitive natural communities (e.g., riparian habitat, coastal sage scrub, oak woodlands, non-jurisdictional wetlands) identified in local or regional plans, policies, regulations or by CDFW or USFWS?

	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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The project site is not located within a Significant Ecological Area (SEA), SEA Buffer Area, or Sensitive Environmental Resource Area (SERA). There are no oak trees or oak woodlands located on the project site.

c) Have a substantial adverse effect on federally or state protected wetlands (including, but not limited to, marshes, vernal pools, coastal wetlands, and drainages) or waters of the United States, as defined by § 404 of the federal Clean Water Act or California Fish & Game code § 1600, et seq. through direct removal, filling, hydrological interruption, or other means?

	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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The project site does not contain either Federal or State-protected wetlands or waters.

d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or

	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?

The project site is not located within a Significant Ecological Area (SEA), SEA Buffer Area, or Sensitive Environmental Resource Area (SERA). There are no oak trees or oak woodlands located on the project site. The residential subdivision is located in an urbanized and developed areas, and do not present a connectivity to wildlife and plant linkage areas or wildlife linkage corridors or rivers or significant ridgelines.

e) Convert oak woodlands (as defined by the state, oak woodlands are oak stands with greater than 10% canopy cover with oaks at least 5 inch in diameter measured at 4.5 feet above mean natural grade) or otherwise contain oak or other unique native trees (junipers, Joshuas, southern California black walnut, etc.)?

There are no oak trees, oak woodlands, Joshuas, or Junipers on the subject property.

f) Conflict with any local policies or ordinances protecting biological resources, including Wildflower Reserve Areas (L.A. County Code, Title 12, Ch. 12.36), the Los Angeles County Oak Tree Ordinance (L.A. County Code, Title 22, Ch. 22.56, Part 16), the Significant Ecological Areas (SEAs) (L.A. County Code, Title 22, § 22.56.215), and Sensitive Environmental Resource Areas (SERAs) (L.A. County Code, Title 22, Ch. 22.44, Part 6)?

There are no Wildflower Reserve Areas on the subject property. Since there are no oak trees or oak woodlands on the subject property, there is no conflict with the Los Angeles County Oak Tree Ordinance.

g) Conflict with the provisions of an adopted state, regional, or local habitat conservation plan?

The project does not conflict with any adopted State, regional, or local Habitat Conservation Plan.



## 5. CULTURAL RESOURCES

- |   | <i>Potentially<br/>Significant<br/>Impact</i> | <i>Less Than<br/>Significant<br/>Impact with<br/>Mitigation<br/>Incorporated</i> | <i>Less Than<br/>Significant<br/>Impact</i> | <i>No<br/>Impact</i>                |
|---|---|--|---|-------------------------------------|
| <p><b>Would the project:</b></p> <p>a) Cause a substantial adverse change in the significance of a historical resource as defined in CEQA Guidelines § 15064.5?</p> | <input type="checkbox"/>                      | <input type="checkbox"/>   | <input type="checkbox"/>                    | <input checked="" type="checkbox"/> |

The project site does not contain historical resources as defined in CEQA Guidelines §15064.5 and there is no record of national or state-designated historical resources on the project site.

- |   |                          |                                     |                          |                          |
|---|--------------------------|-------------------------------------|--------------------------|--------------------------|
| <p>b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to CEQA Guidelines § 15064.5?</p> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|---|--------------------------|-------------------------------------|--------------------------|--------------------------|

The project site does not contain known archaeological resources as defined in CEQA Guidelines §15064.5. However, in the event that cultural remains are found, a mitigation measure will require work to cease and for the Director of Regional Planning to be contacted to determine the next appropriate measures for preserving them.

- |   |                          |                                     |                          |                          |
|---|--------------------------|-------------------------------------|--------------------------|--------------------------|
| <p>c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature, or contain rock formations indicating potential paleontological resources?</p> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|---|--------------------------|-------------------------------------|--------------------------|--------------------------|

The project site does not contain paleontological resources or sites, unique geological features, or rock formations. However, in the event that cultural remains are found, a mitigation measure will require work to cease and for the Director of Regional Planning to be contacted to determine the next appropriate measures for preserving them.

- |   |                          |                                     |                          |                          |
|---|--------------------------|-------------------------------------|--------------------------|--------------------------|
| <p>d) Disturb any human remains, including those interred outside of formal cemeteries?</p> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|---|--------------------------|-------------------------------------|--------------------------|--------------------------|

There is no record of human remains on the project site, and the majority of the site has previously been graded. In the event that human remains are discovered as a result of site disturbance, a mitigation measure be incorporated to ensure that the permittee shall suspend construction, contact the County Coroner, and leave the resource of human remains in place until a qualified archaeologist can examine and determine appropriate measures.

- |  |                          |                          |                                     |                          |
|--|--------------------------|--------------------------|-------------------------------------|--------------------------|
| <p>e) Would the project cause a substantial adverse change in the significance of a tribal cultural resource as defined in CEQA Public Resources Code § 21074?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|--|--------------------------|--------------------------|-------------------------------------|--------------------------|

Due to the relatively small area of the site (9.5 acres), the fact that the site was previously developed, the absence of notable geographic features that would support human habitation, and the site's absence from

any known list of Tribal Cultural Resources, the impact of the project on any tribal cultural resource would be less than significant. The project is subject to the tribal consultation requirements of AB 52, and the Gabrieleno Band of Mission Indians (Kizh Tribe) will be consulted pursuant to these requirements.

#### **EVALUATION OF ENVIRONMENTAL IMPACTS:**

Because the majority of the project site has previously been developed, it is unlikely that paleontological, cultural, or archeological remains will be discovered during development of the project. However, to guard against the possibility of such an occurrence, the following mitigation measure shall be implemented:

**CR-1 Cultural Remains.** Should cultural resource remains be encountered during land modification activities, work shall cease, and the Los Angeles County Director of Regional Planning contacted immediately to determine appropriate measures to mitigate adverse impact to the discovered resources. If human remains are discovered within the boundaries of the project area, then the procedures described in Section 7050.5 of the California Health and Safety Code shall be followed. These procedures require notification of the County Coroner. If the County Coroner determines that the discovered remains are those of Native American ancestry, then the Native American Heritage Commission (NAHC) must be notified by telephone within 24 hours; Sections 5097.94 and 5097.98 of the Public Resources Code describes the procedures to be followed after the notification of the NAHC.

**6. ENERGY**

Would the project:	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
a) Conflict with Los Angeles County Green Building Standards Code (L.A. County Code Title 31)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The project is subject to and shall be in compliance with the Los Angeles County Green Building standards code and Cal Green Code.

b) Involve the inefficient use of energy resources (see Appendix F of the CEQA Guidelines)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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Appendix F, Section 1 of the CEQA Guidelines requires evaluation of energy efficiency only for Environmental Impact Reports. The environmental determination for this project is a negative declaration.

## 7. GEOLOGY AND SOILS

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
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Would the project:

a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:

i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known active fault trace? Refer to Division of Mines and Geology Special Publication 42.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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There is no recorded fault trace within the project site. Therefore, people or structures on the project site will not be exposed to potential substantial adverse effects (Source: California Geological Survey, Alquist-Priolo Earthquake Fault Zones Map).

ii) Strong seismic ground shaking?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project site is located 0.55 miles to the west of the nearest recorded fault trace. There is no fault trace within the project site, and the project site has no other known seismic limitations. Therefore, people or structures on the project site will not be exposed to potential substantial adverse effects compared to other sites in the Los Angeles Basin (Source: California Geological Survey, Alquist-Priolo Earthquake Fault Zones Map).

iii) Seismic-related ground failure, including liquefaction and lateral spreading?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project site is not located within a designated soil liquefaction area (Source: California Geological Survey).

iv) Landslides?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project site is not located within the landslide zone. The project site is located more than 10 miles from the nearest identified landslide zone (Source: California Geological Survey).

b) Result in substantial soil erosion or the loss of topsoil?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project site is located within an urbanized area and is surrounded by developed land and a functional stormwater system. The proposed project entails a subdivision of the existing lot into 94 detached residential condominiums. A total of 12,980 cubic yards of grading is proposed (5,690 cut, 7,290 fill). Thus, no soils will be exported. The fact that the site was previously developed and currently contains some impervious surfaces also indicates that the site's existing topsoil has likely been disturbed.. Thus, the proposed project should not cause substantial soil erosion or the loss of topsoil.

Any development resulting from the subdivision would be subject to the County's adoption of the Green Building Ordinance (Title 31) and would be subject to meet the County's Low Impact Development (LID) Ordinance, which requires for the management of storm runoff to lessen the potential amounts of erosion activities resulting from storm water. In addition, the Regional Water Quality Control Board would require new development to obtain a Municipal Storm Water National Pollutant Discharge Elimination System ("NPDES") Permit, which requires the incorporation of storm water mitigation measures. As such, the permit would reduce the quantity and improve the quality of rainfall runoff that leaves the site.

- c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?

The project site is not located within a designated soil liquefaction area (Source: California Department of Conservation). No other limitations of the underlying soil have been identified.

- d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?

The project site is not located on soil identified as expansive. The project would be required to comply with the Los Angeles County building codes, which includes construction and engineering standards, as well as any recommendations developed in tandem with a soils or geology report.

- e) Have soils incapable of adequately supporting the use of onsite wastewater treatment systems where sewers are not available for the disposal of wastewater?

The proposed project does not entail the installation of onsite wastewater treatment systems, since public sewers are available for the disposal of wastewater.

- f) Conflict with the Hillside Management Area Ordinance (L.A. County Code, Title 22, § 22.56.215) or hillside design standards in the County General Plan Conservation and Open Space Element?

The project site does not contain slopes over 25 percent, and thus does not conflict with the Hillside Management Area Ordinance.

**8. GREENHOUSE GAS EMISSIONS**

<b>Would the project:</b>	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
a) Generate greenhouse gas (GHGs) emissions, either directly or indirectly, that may have a significant impact on the environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

The project entails a subdivision of an existing lot into 94 detached condominium units on 9.5 acres. Considering its relatively small scale and meeting requirements of the County's Green Building Ordinance, it is not expected that the project will generate GhGs that may have a significant impact on the environment.

b) Conflict with any applicable plan, policy, or regulation adopted for the purpose of reducing the emissions of greenhouse gases?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project entails a subdivision of an existing lot into 94 detached condominium units on 9.5 acres. Considering its relatively small scale and meeting requirements of the County's Green Building Ordinance, it is not expected that the project will generate GhGs that may have a significant impact on the environment. Therefore, the project will not conflict with any applicable plan, policy, or regulation adopted for the purpose of reducing the emissions of GhGs.

**9. HAZARDS AND HAZARDOUS MATERIALS**

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
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Would the project:

a) Create a significant hazard to the public or the environment through the routine transport, storage, production, use, or disposal of hazardous materials?

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The residential subdivision project does not include the routine transportation, storage, production, use, or disposal of hazardous materials, or the use of pressurized tanks. During the construction phase of the project, the project may have included minimal use of hazardous materials, such as solvents, paints, lubricants, and oils. Current local, state, and Federal laws relating to the use, storage, and disposal of these materials make it unlikely that the project would have a significant effect on the environment.

b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials or waste into the environment?

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The residential subdivision project does not include the routine transportation, storage, production, use, or disposal of hazardous materials, or the use of pressurized tanks. During the construction phase of the project, the project may have included minimal use of hazardous materials, such as solvents, paints, lubricants, and oils. Current local, state, and Federal laws relating to the use, storage, and disposal of these materials make it unlikely that the project would have a significant effect on the environment.

c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of sensitive land uses?

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The subdivision of an existing lot into 94 detached condominium units will not generate hazardous emissions or handle hazardous or acutely hazardous materials, substances or waste. During the construction phase of the project, the project may have included minimal use of hazardous materials, such as solvents, paints, lubricants, and oils. Current local, state, and Federal laws relating to the use, storage, and disposal of these materials make it unlikely that the project would have a significant effect on the residences, school, and parks located within 500 feet of the project site.

d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code § 65962.5 and, as a result, would it create a significant hazard to the public or the environment?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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The project site is not included on the California Department of Toxic Substances Control EnviroStor databased of clean-up sites and hazardous waste permitted facilities

(<http://www.envirostor.dtsc.ca.gov/public/>).

- e) For a project located within an airport land use plan, or where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?

The project site is not located within an airport land use plan. It is approximately 1.6 miles north of the Compton/Woodley Airport, but is not within its aircraft traffic pattern.

- f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?

The project site is not located within the vicinity of a private airstrip.

- g) Impair implementation of, or physically interfere with, an adopted emergency response plan or emergency evacuation plan?

The project will not impair implementation of, or physically interfere, with an adopted emergency response plan or emergency evacuation plan.

- h) Expose people or structures to a significant risk of loss, injury or death involving fires, because the project is located:

- i) within a Very High Fire Hazard Severity Zones (Zone 4)?

The project site is not located within a Very High Fire Hazard Severity Zone.

- ii) within a high fire hazard area with inadequate access?

The project site is not within a high fire hazard area with inadequate access. The project site is located in an urbanized area with easy access to existing major highways.

- iii) within an area with inadequate water and pressure to meet fire flow standards?

The Fire Department will require adequate fire flow prior to clearing the project for a public hearing.

- iv) within proximity to land uses that have the potential for dangerous fire hazard?



The project site is not located in proximity to land uses with a potential for dangerous fire hazard. The project site is surrounded by other residential uses and a public park. The proposed project would be required to comply with all of the requirements of the Los Angeles County Fire Code.

- i) Does the proposed use constitute a potentially dangerous fire hazard?

The proposed use does not constitute a potentially dangerous fire hazard. The project site is not located within a Very High Fire Hazard Severity Zone. The proposed project of 94 detached condominiums does not entail the regular use of large amounts any hazardous or highly flammable materials or substances.

## 10. HYDROLOGY AND WATER QUALITY

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
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Would the project:

a) Violate any water quality standards or waste discharge requirements?

                                                                

The project site is connected to an existing municipal wastewater system. In unincorporated Los Angeles County, the proposed project would be required to comply with the requirements of the Low-Impact Development Ordinance, as well as the requirements of the County's MS4 Permit (Municipal Separate Storm Sewer System), in order to control and minimize potentially polluted runoff. Because all projects are required to comply with these requirements in order to obtain construction permits and certificates of occupancy, the proposed project would not impact any nonpoint source requirements.

b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?

                                                                

The project site would be served by a public water system and would not make use of local groundwater.

c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site?

                                                                

The project entails dividing the existing residential lot into 94 detached condominiums. The site is relatively level, partially paved, and does not contain any existing drainage courses. The subdivision of the lot into 94 detached condominiums will not substantially alter the existing drainage pattern of the site in a manner which would result in flooding, erosion, or siltation on-site or off-site. Development of the residential lots will be required to submit an approved drainage plan and comply with all NPDES and MS4 requirements.

d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site?

                                                                

The project entails dividing the existing residential lot into 94 detached condominiums. The site is relatively level, partially paved, and does not contain any existing drainage courses. The development will not substantially alter the existing drainage pattern of the site in a manner which would result in flooding, erosion, or siltation on-site or off-site. Development of the residential lots will be required to submit an

approved drainage plan and comply with all NPDES and MS4 requirements.

- e) Add water features or create conditions in which standing water can accumulate that could increase habitat for mosquitoes and other vectors that transmit diseases such as the West Nile virus and result in increased pesticide use?

The project does not propose any water features and would not create conditions that would increase areas of standing water.

- f) Create or contribute runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?

The subdivision of the project site into 94 detached condominiums will be subject to the County's Low Impact Development to minimize or reduce runoff, and the developer will be required to submit an approved drainage plan and comply with all NPDES and MS4 requirements.

- g) Generate construction or post-construction runoff that would violate applicable stormwater NPDES permits or otherwise significantly affect surface water or groundwater quality?

The subdivision of the project site into 94 detached condominiums will be subject to the County's Low Impact Development to minimize or reduce runoff, and the developer will be required to submit an approved drainage plan and comply with all NPDES and MS4 requirements.

- h) Conflict with the Los Angeles County Low Impact Development Ordinance (L.A. County Code, Title 12, Ch. 12.84)?

The project will be required to comply with the Los Angeles County Low-Impact Development Ordinance.

- i) Result in point or nonpoint source pollutant discharges into State Water Resources Control Board-designated Areas of Special Biological Significance?

The project site is located inland from the coastal portions of Los Angeles County and connects to the municipal storm drain system. Since the proposed is subject to the County's Low-Impact Development Ordinance, adherence to the requirements would prevent any substantial amount of nonpoint sources of pollutants.

The project site is not located in the vicinity of a State Water Resources Control Board ("SWRCB")-designated Area of Special Biological Significance identified on the SCRCB website, [http://www.swrcb.ca.gov/water\\_issues/programs/ocean/docs/asbs/asbs\\_areas/asbs\\_swqpa\\_publication03.pdf](http://www.swrcb.ca.gov/water_issues/programs/ocean/docs/asbs/asbs_areas/asbs_swqpa_publication03.pdf).

- j) Use onsite wastewater treatment systems in areas with known geological limitations (e.g. high groundwater) or in close proximity to surface water (including, but not limited to, streams, lakes, and drainage course)?

The proposed project does not entail the use of onsite wastewater treatment systems.

- k) Otherwise substantially degrade water quality?

The proposed project of subdividing an existing residential lot into 94 detached condominiums will not otherwise substantially degrade water quality. The proposed project will be connected to the existing public water and sewer systems.

- l) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map, or within a floodway or floodplain?

The project site is not within a 100-year flood hazard area as mapped by a Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map ("FIRM").

- m) Place structures, which would impede or redirect flood flows, within a 100-year flood hazard area, floodway, or floodplain?

The project site is not within a 100-year flood hazard area as mapped by a Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map ("FIRM").

- n) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?

The project site is not within a 100-year flood hazard area as mapped by a Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map ("FIRM"). The project site is not located within any dam inundation area, as identified by the Los Angeles County CEO/ITS Emergency Management Systems.

- o) Place structures in areas subject to inundation by seiche, tsunami, or mudflow?

The project site is not located within a flood zone, dam inundation area, landslide zone, or tsunami inundation zone.

**11. LAND USE AND PLANNING**

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
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Would the project:

- a) Physically divide an established community?

The proposed project entails subdividing an existing residential lot into 94 detached condominiums and would not result in a physical division of an established community. The project does not require the construction of new freeways or rail lines or flood control channels, and the project will conform to the existing street grid. The design of the project would include a public access through the site to Enterprise Park, which would create a connection to the surrounding neighborhood where one does not currently exist.

- b) Be inconsistent with the applicable County plans for the subject property including, but not limited to, the General Plan, specific plans, local coastal plans, area plans, and community/neighborhood plans?

The proposed project entails subdividing an existing residential lot into two lots. The property has a land use category of H9 (Residential 9—0-9 dwelling units/acre) within the Countywide Land Use Plan (2015). The land use designation indicates the project site is suitable for residential developments. The proposed project of 94 detached condominiums on 9.5 acres is consistent with this category, as the General Plan Housing Element allows density bonuses for projects that provide affordable housing, which the project proposes to do. Thus, the proposed project is consistent with the countywide General Plan in keeping with the established residential community character.

- c) Be inconsistent with the County zoning ordinance as applicable to the subject property?

The property is zoned R-1 (Single Family Residence). The proposed development of 94 detached condominiums would be consistent with this zoning classification. Although the applicant is requesting to deviate from some of the R-1 zone's development standards, the Zoning Ordinance permits this for certain projects providing affordable housing, as the project proposes to do.

- d) Conflict with Hillside Management criteria, Significant Ecological Areas conformance criteria, or other applicable land use criteria?

The project site does not contain any area exceeding 25 percent in slope and is not subject to the requirements of the Hillside Management Ordinance, and the project site is not located in an SEA.

## 12. MINERAL RESOURCES

Would the project:	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The project will not result in the loss of availability of a known mineral resource, as the project site is not identified as a mineral resource area on the Los Angeles County Natural Resource Areas map.

b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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The project would not result in the loss of availability of a locally-important mineral resource recovery site, as the project site is not identified as a mineral resource area on the Los Angeles County Natural Resource Areas map.

### 13. NOISE

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
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Would the project result in:

a) Exposure of persons to, or generation of, noise levels in excess of standards established in the County General Plan or noise ordinance (Los Angeles County Code, Title 12, Chapter 12.08), or applicable standards of other agencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project would not result in exposure of persons to, or generation of, noise levels in excess of standards established in the County Noise Ordinance or the General Plan Noise Element. The project site is not near a noise-generating site (e.g., airport, industrial site). The project will conform to the Title 12 Chapter 12.08 ("Noise Control Ordinance") of the Los Angeles County Code, which provides a maximum exterior noise level of 45 decibels (dB) between 10:00 p.m. and 7:00 a.m. (nighttime) and 50 dB from 7:00 a.m. to 10 p.m. (daytime) in Noise Zone II (residential areas). The project will not be permitted to create noise in excess of these limits, either during construction or operation, nor will residents of the project be exposed to noise in excess of these limits. The Noise Control Ordinance regulates construction noise and the hours of operation of mobile construction equipment.

b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project would not expose sensitive receptors to excessive noise levels. The project will conform to the Title 12 Chapter 12.08 ("Noise Control Ordinance") of the Los Angeles County Code, which provides a maximum exterior noise level of 45 decibels (dB) between 10:00 p.m. and 7:00 a.m. (nighttime) and 50 dB from 7:00 a.m. to 10 p.m. (daytime) in Noise Zone II (residential areas).

c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project, including noise from parking areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project entails a subdivision of an existing residential lot into 94 detached condominiums. The project would not generate significant vehicle noise from traffic and parking. The project would not result in a substantial permanent increase in ambient noise in the project vicinity above levels existing without the project, including noise from parking areas. Any noise generated by additional single-family residences would be similar to ambient noise levels in the area, which is developed with single-family residences at a similar density.

d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project, including noise from amplified sound systems?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project entails a subdivision of an existing residential lot into 94 detached condominiums. The project would not generate significant vehicle noise from traffic and parking. The project would not result in a substantial temporary or periodic increase in ambient noise in the project vicinity above levels existing without the project, including noise from parking areas. Any noise generated by additional single-family residences would be similar to ambient noise levels in the area, which is developed with single-family residences at a similar density. Temporary construction noise would be required to comply with the provisions of the Noise Control Ordinance.

e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?

The project site is not located within an airport land use plan. . It is approximately 1.6 miles north of the Compton/Woodley Airport, but is not within its aircraft traffic pattern.

f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?

The project site is not in the vicinity of a private airstrip.



## 14. POPULATION AND HOUSING

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
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Would the project:

a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project would not induce substantial growth in the area. The project site is surrounded by residential development at suburban densities. The project proposes 94 detached condominiums. This development is consistent with the type of development existing in this area and will not induce substantial growth in the area. The existing Countywide Land Use Plan (2015) land use category is H9 (Residential 9—0-9 dwelling units/acre).

b) Displace substantial numbers of existing housing, especially affordable housing, necessitating the construction of replacement housing elsewhere?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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The project would not displace existing housing, including affordable housing, necessitating the construction of replacement housing elsewhere. The site is vacant and was previously developed with a public school.

c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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The project would not displace any people, necessitating the construction of replacement housing elsewhere. The site is vacant and was previously developed with a public school.

d) Cumulatively exceed official regional or local population projections?

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project would not exceed official regional or local population projections. The project is consistent with the density permitted by the Countywide Land Use Plan and the General Plan Housing Element. The creation of 94 additional single-family residences not alter the growth rate of the population beyond that projected in the County General Plan or result in a substantial increase in demand for additional housing or create a development that significantly reduces the ability of the county to meet housing objectives set forth in the General Plan's Housing Element.

**15. PUBLIC SERVICES**

	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
<i>Potentially Significant Impact</i>			

a) Would the project create capacity or service level problems, or result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:

Fire protection?

The Fire Department has been consulted and has not indicated any significant effects on fire response time, service level, or facilities. The nearest Los Angeles County Fire Station (#41) is approximately 1.8 miles to the northeast of the project site. No additional fire facilities are required for this project.

Sheriff protection?

The project would not create capacity or service level problems or result in substantial adverse physical impacts. The project site is approximately 3 miles to the southwest of the Century Sheriff's Station. The proposed project will add new permanent residents to the project site but not enough to substantially reduce service ratios.

Schools?

The project site is located within the Compton Unified School District. Considering the scale of the project, the 94 single-family residences are not expected to create a capacity problem for the School District. The project will be required to pay school impact fees to address this increase in population, at a rate to be determined by the school district.

Parks?

The project will be conditioned to pay Quimby Fees per Los Angeles County Code Section 21.28.140. No trails are required. The nearest existing park, Enterprise Park, is located immediately to the east, and Magic Johnson Recreation Area (Willowbrook Park) is located less than one-quarter mile to the north.

Libraries?

The project will be conditioned to pay the library fees per Los Angeles County Code Section 22.72. The

proposed project will generate 94 residential units, and thus increase the population. The population increase is not substantial to diminish the capacity of the Los Angeles County Public Library to serve the project site and the surrounding community. The project site is approximately equidistant between the La Puente and Hacienda Heights libraries, which are 1.7 miles to the north and south, respectively.

Other public facilities?

The project is not perceived to create capacity or service level problems or result in substantial adverse physical impacts for any other public facility.

**16. RECREATION**

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

a) **Would the project increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?**

Review of the project by the Los Angeles County Department of Parks and Recreation ("Parks and Recreation") has not indicated that the project would increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated.

b) **Does the project include neighborhood and regional parks or other recreational facilities or require the construction or expansion of such facilities which might have an adverse physical effect on the environment?**

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project does not include recreational facilities. Since the project does not entail a dedication of park space, the subdivider will be required to pay in-lieu Quimby fees to satisfy the park obligation. No construction or expansion of recreational facilities is required.

c) **Would the project interfere with regional open space connectivity?**

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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There are no trails located in the vicinity or on the project site. There are no expected impacts to regional open space connectivity. The project design would create a public access between Enterprise Park and the neighborhood to the east, which does not currently exist.

**17. TRANSPORTATION/TRAFFIC**

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
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Would the project:

a) Conflict with an applicable plan, ordinance, or policy establishing measures of effectiveness for the performance of the circulation system, taking into account all modes of transportation including mass transit and non-motorized travel and relevant components of the circulation system, including but not limited to intersections, streets, highways and freeways, pedestrian and bicycle paths, and mass transit?

<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The growth proposed by the project is accounted for in the Baseline Growth Forecast of the 2012-2035 Southern California Association of Governments' Regional Transportation Plan ("RTP"), which provided the basis for developing the land use assumptions at the regional and small-area levels that established the 2012-2035 Regional Transportation Plan Alternative. The scale and intensity of development is also consistent with the Countywide Land Use Plan (2015) and General Plan Housing Element.

The Los Angeles County Congestion Management Program ("CMP") provides methodology for calculating an intersection's level of service ("LOS"), as well as calculating a project's potential impact on intersections based on incremental traffic increase. Following these guidelines, a Traffic Impact Analysis ("TIA") was prepared for the applicant in June 2016 by Kunzman Associates, Inc. The TIA states that the project is likely to generate approximately 895 two-way vehicle trips daily (71 morning peak hour, 94 evening peak hour). This is a conservative estimate, as it does not consider other transit modes. In studying all surrounding intersections, the TIA concludes that this traffic—in conjunction with additional future traffic projected from nearby projects—could have a potentially significant impacts on three nearby intersections: Avalon Blvd./El Segundo Blvd., Central Ave./El Segundo Blvd., and Central Ave./135<sup>th</sup> Street. To offset these impacts to a less-than-significant level, mitigation measures will require that the permittee make a fair-share payment toward the cost of three specific intersection improvements: a northbound right-turn lane at Avalon/El Segundo, northbound and southbound right-turn lanes at Central/El Segundo, and an eastbound left-turn lane at Central/135<sup>th</sup>.

b) Conflict with an applicable congestion management program (CMP), including, but not limited to, level of service standards and travel demand measures, or other standards established by the CMP for designated roads or highways?

<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Los Angeles County Congestion Management Program ("CMP") provides methodology for calculating an intersection's level of service ("LOS"), as well as calculating a project's potential impact on intersections based on incremental traffic increase. Following these guidelines, a Traffic Impact Analysis ("TIA") was prepared for the applicant in June 2016 by Kunzman Associates, Inc. The TIA states that the project is likely to generate approximately 895 two-way vehicle trips daily (71 morning peak hour, 94 evening peak

hour). This is a conservative estimate, as it does not consider other transit modes. In studying all surrounding intersections, the TIA concludes that this traffic—in conjunction with additional future traffic projected from nearby projects—could have a potentially significant impacts on three nearby intersections: Avalon Blvd./El Segundo Blvd., Central Ave./El Segundo Blvd., and Central Ave./135<sup>th</sup> Street. To offset these impacts to a level of no significance, mitigation measures will require that the permittee make a fair-share payment toward the cost of three specific intersection improvements: a northbound right-turn lane at Avalon/El Segundo, northbound and southbound right-turn lanes at Central/El Segundo, and an eastbound left-turn lane at Central/135<sup>th</sup>.

c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?

The project site is not located within the traffic patterns of a public or private airstrip and will not encroach into air traffic patterns.

d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?

The project entails subdivision of an existing residential lot into 94 detached condominiums. The project does not entail creating sharp curves or dangerous intersections or incompatible uses. Therefore, there will be no increased hazards due to design features.

e) Result in inadequate emergency access?

The proposed project of creating one additional residential parcel would not block or provide inadequate emergency access for the project itself or make existing emergency access to off-site properties inadequate. Emergency access has been reviewed and cleared by the Los Angeles County Fire Department.

f) Conflict with adopted policies, plans, or programs regarding public transit, bicycle, or pedestrian facilities, or otherwise decrease the performance or safety of such facilities?

The project site is not located along a route identified on the Bikeway Plan or Pedestrian Plan, nor is it located within a Transit Oriented District. The proposed project would not interfere with any of these designated bikeways, pedestrian, or transit facilities.

#### EVALUATION OF ENVIRONMENTAL IMPACTS:

As shown in the TIA, the project significantly impacts three study area intersection without intersection improvements. Mitigation Measure T-1 requires the project proponent to pay a fair share fee for the construction of turn lanes. Project fair share calculations shall be confirmed by the Department of Public Works. With implementation of Mitigation Measure T-1, impacts will be less than significant:

- T-1 **Turn Lanes.** Prior to issuance of Final Map, the permittee shall contribute fair share funds for the construction of northbound right-turn lane at the intersection of Avalon Boulevard and El Segundo Boulevard, northbound and southbound right-turn lanes at the intersection of Central Avenue and El Segundo Boulevard, and an eastbound left-turn lane at the intersection of Central Avenue and Sam Littleton Street/135<sup>th</sup> Street, to the satisfaction of the Department of Public Works.

## 18. UTILITIES AND SERVICE SYSTEMS

		<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
<p><b>Would the project:</b></p> <p>a) Exceed wastewater treatment requirements of either the Los Angeles or Lahontan Regional Water Quality Control Boards?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

The creation of one additional residential parcel is not expected to exceed treatment requirements of the Los Angeles Regional Water Quality Control Boards. All public wastewater disposal (sewer) systems are required to obtain and operate under the terms of an NPDES (National Pollution Discharge Elimination System) permit, which is issued by the local Regional Water Quality Control Board (RWQCB). Because all municipal wastewater treatment facilities are required to obtain NPDES permits from the RWQCB, any project which would connect to such a system would be required to comply with the same standards imposed by the NPDES permit. As such, these connections would ensure the project's compliance.

<p>b) Create water or wastewater system capacity problems, or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The creation of additional residential parcel should not create a water or wastewater system capacity problem nor result in the construction of new water or wastewater treatment facilities. The project site will be served by a public water system, which has issued a "will serve" letter for the proposed subdivision.

<p>c) Create drainage system capacity problems, or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The Department of Public Works' review of the project indicates that the project would not create drainage system capacity problems, and no construction of new storm water drainage facilities or expansion of existing facilities is required. The County's Low Impact Development (LID) Ordinance was created to deal with stormwater runoff from new projects.

<p>d) Have sufficient reliable water supplies available to serve the project demands from existing entitlements and resources, considering existing and projected water demands from other land uses?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The project will have sufficient reliable water supplies available to serve the project demands. The project



site will be served by a public water system, which has issued a "will serve" letter for the proposed subdivision.

- e) Create energy utility (electricity, natural gas, propane) system capacity problems, or result in the construction of new energy facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?

The creation of 94 additional residential units will not be intense enough to consume so much energy that it would significantly impact the availability of adequate energy supplies and should not create energy utility capacity problems or result in the construction of new energy facilities or expansion of existing facilities. In addition, construction will be subject to the Green Building Ordinance and other Cal Green standards, which is required to provide energy saving measures to further reduce the amount of energy consumed by the proposed project.

- f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?

Due to the small scale of the proposed project, the proposal to subdivide the existing lot into 94 residential units should not significantly impact solid waste disposal capacity.

- g) Comply with federal, state, and local statutes and regulations related to solid waste?

The project would be required to comply with federal, state, and local statutes and regulations related to solid waste. The California Integrated Waste Management Act of 1989 requires the County of Los Angeles to attain specific waste diversion goals. In addition, the California Solid Waste Reuse and Recycling Access Act of 1991 mandates that expanded or new development projects to incorporate storage areas for recycling bins into the existing design. The project will include sustainable elements to ensure compliance with all federal, state, and local statutes and regulations related to solid waste. It is anticipated that these project elements will comply with federal, state, and local statutes and regulations to reduce the amount of solid waste. The project will not displace an existing or proposed waste disposal, recycling, or diversion site.

**19. MANDATORY FINDINGS OF SIGNIFICANCE**

	<i>Potentially Significant Impact</i>	<i>Less Than Significant Impact with Mitigation Incorporated</i>	<i>Less Than Significant Impact</i>	<i>No Impact</i>
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, substantially reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?

The project does not have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, substantially reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory. Mitigation measures will ensure that any potential archeological or paleontological resources are protected. As analyzed in the Initial Study sections above, the proposed project will have no impact or less than significant impact in all other listed areas.

b) Does the project have the potential to achieve short-term environmental goals to the disadvantage of long-term environmental goals?

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The proposed project does not achieve short-term goals to the disadvantage of long-term goals. The proposed use and density complies with the long-term General Plan and Zoning Ordinance. Therefore, the proposed project would have a less than significant impact.

c) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects)?

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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The proposed project does not have cumulative impacts. The proposed project will not be an inducement to future growths, as the project does not require additional infrastructure beyond that necessary to serve the project. There are no impacts that are cumulatively considerable. Therefore, the proposed project would have a less than significant impact.

d) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly?

The project entails a subdividing an existing residential lot into 94 detached condominiums in an R-1 (Single Family Residence) zone. The proposed project would not threaten the health, safety or welfare of human beings. Mitigation measures would ensure that traffic and transportation and cultural resource impacts would be less than significant. Therefore, the proposed project would have a less than significant impact on human beings with incorporation of appropriate mitigation measures.

**MITIGATION MONITORING AND REPORTING PROGRAM (MMRP)  
PROJECT NO. 2016-000288-(2) / TR 68322 / HP NO. RPPL 2016002045 / ENV NO. RPPL 2016002047**

#	Environmental Factor	Mitigation	Action Required	When Monitoring to Occur	Responsible Agency or Party	Monitoring Agency or Party
CR-1	Cultural Resources	<p>Cultural Remains. Should cultural resource remains be encountered during land modification activities, work shall cease, and the Los Angeles County Director of Regional Planning contacted immediately to determine appropriate measures to mitigate adverse impact to the discovered resources. If human remains are discovered within the boundaries of the project area, then the procedures described in Section 7050.5 of the California Health and Safety Code shall be followed. These procedures require notification of the County Coroner. If the County Coroner determines that the discovered remains are those of Native American ancestry, then the Native American Heritage Commission (NAHC) must be notified by telephone within 24 hours. Sections 5097.94 and 5097.98 of the Public Resources Code describes the procedures to be followed after the notification of the NAHC</p>	<p>Contact County Coroner, NAHC, follow relevant sections of Public Resources Code</p>	<p>Upon discovery of human or cultural remains</p>	<p>Permittee</p>	<p>DRP, Coroner, NAHC</p>
T-1	Transportation/Traffic	<p>Turn Lanes. Prior to issuance of Final Map, the permittee shall contribute fair share funds for the construction of northbound right-turn lane at the intersection of Avalon Boulevard and El Segundo Boulevard, northbound and southbound right-turn lanes at the intersection of Central Avenue and El Segundo Boulevard, and an eastbound left-turn lane at the intersection of Central Avenue and Sam Littleton Street/135th Street, to the satisfaction of the Department of Public Works</p>	<p>Payment of fair share funds for construction of turn lanes at three (3) specified intersections</p>	<p>Prior to Final Map approval</p>	<p>Permittee</p>	<p>DRP, DPW</p>

**MITIGATION MONITORING AND REPORTING PROGRAM (MMRP)  
PROJECT NO. 2016-000288-(2) / TR 68322 / HP NO. RPPL 2016002045 / ENV NO. RPPL 2016002047**

MC-1	Mitigation Compliance	<p>As a means of ensuring compliance of above mitigation measures, the applicant and subsequent owner(s) are responsible for submitting compliance report to the Department of Regional Planning for review, and for replenishing the mitigation monitoring account if necessary until such as all mitigation measures have been implemented and completed.</p>	<p>Submittal and approval of compliance report and replenishing mitigation monitoring account</p>	<p>Yearly and as required until all measures are completed.</p>	Permittee	DRP
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**DISPOSITION AND DEVELOPMENT AGREEMENT**

**PROJECT NO. YY1148**

**BY AND BETWEEN**

**THE HOUSING AUTHORITY  
OF THE COUNTY OF LOS ANGELES**

**AND**

**OLSON LAND OPPORTUNITIES II, LLC,  
A DELAWARE LIMITED LIABILITY COMPANY**

**July 25 2017**

**Development and Disposition Agreement**  
**PROJECT NO. YY1148**  
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**DISPOSITION AND DEVELOPMENT AGREEMENT  
TRANSACTION SUMMARY**

**Project Name:** Salinas Avenue Homeownership Development Project

**Developer Name:** Olson Land Opportunities II, LLC

Limited Partnership  LLC  Nonprofit Public Benefit Corporation  Other \_\_\_\_\_

**State of Formation of Developer Entity:**  California  Delaware  Other \_\_\_\_\_

**Project Type:** New Construction Single-Family Residences (detached) to be sold (specify)

**UNITS: Affordability Term:** 45 years (for the Qualified Home Buyer)

Household Income Level (% of Area Median Income)	3-BRs	4-BRs	TOTAL UNITS	Total Assisted Units
Eighty Percent Income (80%) – HOME – Low Income	0	11	11	11
One Hundred Percent Income (100%) – Affordable Housing Funds – Moderate Income	10	9	19	19
Market Rate Units	18	46	64	0
<b>TOTAL</b>	<b>33</b>	<b>61</b>	<b>94</b>	<b>30</b>

**Other Project Financing & Revenue Sources:**

*Note: Final funding amounts are subject to change*

Lender / Financier Type	Construction Period		Homebuyer Sales	
	Funding Amount	Priority	Funding Amount	Priority
Wells Fargo/Senior Construction Loan	\$23,535,000	Senior, 1 <sup>st</sup>	0	N/A
Equity-The Olson Company	\$5,885,000	N/A	0	N/A
HACOLA Land Loan	\$3,000,000	2nd	\$3,000,000	2nd
CDC HOME Loans	-	N/A	\$3,017,000	2nd

**Homebuyer Assistance with HOME Funds (11 4-Bedroom Units)      \$3,017,000**



Maximum Assistance Provided to Low Income Purchaser: \$277,344

**HACOLA Assistance 19 Units-(No HOME Funds) \$3,000,000**

Maximum Assistance Provided to Moderate Income Purchaser 157,895 plus accrued interest

**Repayment Terms on Individual Assisted Unit Loans: Secondary Loans due upon sale or transfer of Assisted Units with Shared Appreciation Feature**

**Project Address: 13024 Salinas Avenue, Los Angeles, CA 90059**

**Location (Jurisdiction):  Incorporated Jurisdiction: \_\_\_\_\_  Unincorporated**

**Assessor's Parcel Number (APN): 6134-033-900**

**Census Tract: 5408.00 Supervisorial District: Second Size of Site: 9.55 gross acres**

*The foregoing Transaction Summary is provided for the convenience of the parties. In case of any conflict, the detailed terms below and/or in the attachments to this Disposition and Development Agreement shall control.*

**Project Description:** Salinas Homeownership Development Project is new construction of 94 detached single family for-sale homes located at 13024 Salinas Avenue in the Willowbrook area of unincorporated Los Angeles County. The project site is approximately 9.55 acres of vacant land currently owned by the Housing Authority of the County of Los Angeles (HACOLA). HACOLA purchased the Site in 2004.

Thirty (30) of the Ninety-Four (94) homes will assisted by HACOLA or CDC to be sold to Qualified Buyers including Eleven (11) targeted to Low Income Households and Nineteen (19) to Moderate Income Households. The affordability restrictions will remain in place for up to 45 years, unless the original buyer sells the unit on the open market during that period. If the assisted unit is not sold to another Low or Moderate Income Households during the affordability period, HACOLA loans will be repaid and HACOLA will also receive an equity share, to be used to provide additional affordable housing. The remaining 64 units will be sold without affordability restrictions. Five (5) of the assisted homes will be subject to accessibility requirements as further set forth in this Agreement.

The Developer entered into an Agreement to Negotiate Exclusively (ANE) with HACOLA on January 15, 2015 for purposes of negotiating the terms and conditions of a Disposition and Development Agreement (DDA) to develop and construct the Project described above. The ANE requires the Developer to secure the financing necessary to complete the Project, and to formulate a proposal that provides affordable for-sale homes to Low-Income and Moderate-Income families. The ANE has been extended until July 26, 2017.

HACOLA will sell the Site to the Developer for the current fair market value of Three Million Dollars (\$3,000,000) based on an appraisal conducted by BTI Appraisal. HACOLA will provide a loan to the Developer for the land purchase price, evidenced by a promissory note and secured by a deed of trust, which will accrue interest during construction at a rate of the LIBOR rate in effect as of the date of this Agreement plus two and 75/100 percent (2.75%) per annum, which is equal to the interest rate of the Senior Construction Loan (as defined herein). A pro-rata portion

of the HACOLA loan will be assumed by each of the nineteen (19) Moderate-Income homebuyers upon the purchase by the homebuyer of a HACOLA assisted unit.

It is anticipated that the Community Development Commission of the County of Los Angeles ("CDC") will provide \$3,017,000 in HOME funds to eleven (11) qualified homebuyers at the time of closing for each initial sale to the homeowner. This assistance will be provided as loans directly to the homebuyers secured with subordinate deeds of trust. The HACOLA loans to the homebuyers and the CDC HOME loans will be deferred for a period of up to 45 years, and a recapture/equity share provision will be triggered in the event the home buyer desires to sell, transfer, assign, etc.

The Developer has applied for and been granted by the Department of Regional Planning for the County of Los Angeles a density bonus to enable the Developer to construct an additional twelve (12) units. As a condition of the density bonus, twenty-five of the Project units (the "Density Bonus Units") will be restricted as affordable for a period of forty five (45) years, which shall be recorded as an encumbrance against each Density Bonus Unit in a senior lien position to any mortgage. The Density Bonus Units will be comprised of the eleven (11) HOME-assisted units and nineteen (19) units set aside for Moderate Income Households.

*This Disposition and Development Agreement provides for the transfer of land currently owned by the Housing Authority of the County of Los Angeles to the Developer in order to develop the project described above.*

THIS DISPOSITION AND DEVELOPMENT AGREEMENT (as amended, modified, restated, supplemented, replaced or otherwise modified from time to time, "**Agreement**") is made as of the 25th day of July, 2017, by and between the HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("**HACOLA**"), and the OLSON LAND OPPORTUNITIES II, LLC, a Delaware limited liability company ("**Developer**"). HACOLA and Developer are sometimes referred to collectively herein as the "**Parties**" and each individually as a "**Party**."

## RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in this Agreement. Exhibit "A" is a directory indicating the location of definitions for certain defined terms used in this Agreement. The Parties intend to refer to those definitions in connection with the use of capitalized terms in these Recitals. In the event of any conflict between the body of this Agreement and Exhibit "A", the body of this Agreement shall prevail and supersede.

B. HACOLA issued a Request for Proposal ("**RFP**") for the development of certain real property as a housing development including affordable units. The Developer's affiliate and predecessor in interest, The Olson Company ("**Olson**") along with other potential developers responded to the RFP. HACOLA selected the Developer from the responses to the RFP. HACOLA and Olson entered into an Agreement to Negotiate Exclusively ("**ANE**") on January 15, 2015 for purposes of negotiating the terms and conditions of this Agreement. The ANE has been extended until July 26, 2017.

C. Developer intends to undertake the housing development project described in the Transaction Summary above and in Section 4.4 below (collectively, the "**Project**"). The Project will be developed on a site commonly known as 13024 Salinas Avenue, Unincorporated Los Angeles, California and more particularly described in Exhibit "B" to this Agreement (the "**Site**") acquired by HACOLA. A detailed Project Description is included in the Transaction Summary above and reduced site plans and elevations for the Project are attached hereto as Exhibit "C".

D. The Project housing units will be developed in multiple phases in accordance with the phasing plan attached as Exhibit "O" (the "**Phasing Plan**"). The Phasing Plan provides for the sale of Units to Low and Moderate Income Households in each Phase.

E. Prior to HACOLA's conveyance of the Site to Developer in accordance with this Agreement, Developer shall demonstrate that it has obtained adequate financing to accomplish the construction of the Project and perform the other Developer obligations under this Agreement as approved by HACOLA and as set forth in the Transaction Summary or any amendments thereto.

F. Upon meeting the applicable terms and conditions of this Agreement, HACOLA will convey the Site to the Developer under the terms and conditions set forth in this Agreement.

G. Upon completion of the Project, Developer intends to sell ninety-four (94) Units in the Project. Thirty (30) of the ninety-four (94) Units (the "**Assisted Units**") will be sold only to Qualified Buyers and will be partially financed by HACOLA Secondary Homebuyer Financing Loans to be made by HACOLA pursuant to the terms of this Agreement and a loan agreement, to

be executed concurrently with the close of escrow for the sale of the Site, to benefit both Developer and HACOLA by increasing the marketability of the Project and providing affordable housing opportunities for low- and moderate Income Households as specified herein and in the Transaction Summary above.

H. As more particularly described below, Developer will deliver to HACOLA other items to ensure that the affordability and habitability of the Project is maintained in accordance with the terms of those instruments and this Agreement.

J. HACOLA, as a Responsible Agency in connection with its consideration of this Agreement has considered the environmental effects of the Project prior to acting on this Agreement as specified in the Mitigated Negative Declaration prepared by the County of Los Angeles as the lead agency.

NOW, THEREFORE, the Parties agree as follows:

## A G R E E M E N T

### 1. PURCHASE PRICE AND HACOLA LOAN

1.1. Purchase Price. HACOLA agrees to sell and Developer agrees to buy the Site for the purchase price of THREE MILLION DOLLARS (\$3,000,000) ("**Purchase Price**"), subject to the terms and conditions of this Agreement.

1.2. HACOLA Loan. HACOLA will provide seller financing in the amount of THREE MILLION DOLLARS (\$3,000,000) (the "**HACOLA Loan**") for the acquisition of the Site by Developer pursuant to and subject to the terms and conditions set forth in that certain (i) promissory note, payable to HACOLA, in the original principal amount of THREE MILLION DOLLARS (\$3,000,000), substantially in the form set forth on "Exhibit "J"" attached hereto (the "**HACOLA Note**"), (iii) that certain deed of trust securing repayment of the HACOLA Note, substantially in the form attached hereto as Exhibit "K" (the "**HACOLA Deed of Trust**"), and (iv) completion and repayment guaranties from Olson, substantially in the form attached hereto as Exhibit "L" (the "**Olson Company Guaranties**") (the HACOLA Note, HACOLA Deed Trust, and Olson Company Guaranties, as amended, modified, restated, supplemented, replaced or otherwise modified from time to time, are sometimes referred to as the "**HACOLA Financing Documents**"). The remaining funds needed to complete the development of the Project will come from other funds obtained by the Developer and shall include the Senior Construction Loan (as hereinafter defined).

If the HACOLA Financing Documents evidencing the HACOLA Loan are not signed and delivered to HACOLA by two days prior to the date for Close of Escrow, HACOLA shall have no obligation to enter into the HACOLA Loan, provide any funding to Developer as contemplated therein, or enter into the HACOLA Secondary Homebuyer Financing Loans or HACOLA Tertiary Homebuyer Financing Loans as described in Section 5 of this Agreement, until two (2) business days after such documents have been submitted by Developer. Developer acknowledges that HACOLA has no obligation, express or implied, to advance any funds or reimburse any costs to Developer except in accordance with this Agreement and if such agreement and all documents and

agreements required by HACOLA related thereto, are not duly and timely signed by Developer and accepted by HACOLA there shall be no obligation by HACOLA or any other related agency or the County of Los Angeles to provide any financial support or accommodations to Developer.

2. PROJECT DUE DILIGENCE

Developer has had an opportunity to conduct a due diligence review of the Site prior to the date of this Agreement. After the execution and delivery of this Agreement, Developer shall promptly conduct such further review of the Site and all aspects related to the development of the Project as may be desired by Developer in accordance with Section 4.1.7 hereof and, if Developer determines that the Project and the transactions contemplated under this Agreement are feasible, proceed with all work described in Section 4 of this Agreement in order to close escrow to the transfer of the Site to Developer in a timely manner. All such work shall be done at Developer's sole cost and expense. Within five (5) days after the date of this Agreement, HACOLA shall make a reasonable effort to review its files and to provide to the Developer for the Developer's review copies of the following documents if not previously provided to the Developer: any and all reports, studies and investigations related to the Site's physical condition including, without limitation, environmental conditions, soils reports, or inspection reports.

3. LAND ACQUISITION ESCROW

HACOLA shall transfer the Site to the Developer for the Purchase Price and other good and valuable consideration including the obligations and agreements of Developer made under this Agreement.

HACOLA and the Developer agree, within the time established in the Schedule of Performance set forth as the attached Exhibit "F" ("Schedule of Performance"), to open an escrow (the "Escrow") for the conveyance of the Site to Developer with an escrow company approved by HACOLA ("Escrow Holder"). The Parties shall deliver a fully-executed copy of this Agreement to Escrow Holder upon opening of the Escrow and this Agreement shall be incorporated into and made part of any supplemental escrow instructions generated by Escrow Holder provided that such supplementary instructions are consistent with this Agreement; and provided further that in the event of any conflict between such supplementary instructions and the terms of this Agreement, the terms of this Agreement shall prevail. Within five (5) days after opening of the Escrow, the Escrow Holder shall provide written acceptance of the provisions of this Agreement to HACOLA and the Developer. Upon delivery of said written acceptance, Escrow Holder shall be obligated and empowered to act under this Agreement and carry out its duties as such hereunder. Any addition, deletion, or modification of any provision contained in the escrow instructions shall be in writing and signed by both HACOLA and the Developer. All communications from the Escrow Holder to HACOLA or the Developer shall be directed to the addresses and sent in the manner set forth in Section 16 of this Agreement for notices, demands, and communications between HACOLA and the Developer. All costs and fees associated with this escrow will be paid by the Developer, except that HACOLA shall be responsible for the cost of any lender's policy of title insurance it may obtain in connection with the HACOLA Loan. In the event of any termination of this Agreement or the failure of Escrow to close as provided herein due to a default of a Party or the exercise of a Party's right to terminate as provided herein (other than termination due to a default of the other Party), then the defaulting or terminating Party (as the

case may be) shall pay any cancellation costs imposed by the Escrow Holder.

#### 4. CLOSING CONDITIONS; ESCROW INSTRUCTIONS

##### 4.1. Closing Conditions.

The obligation of HACOLA to perform all of its obligations under this Agreement, including, without limitation, the conveyance of the Site to Developer and the making of the HACOLA Loan, HACOLA Secondary Homebuyer Financing Loans and any HACOLA Tertiary Homebuyer Loans, shall be expressly subject to satisfaction or waiver by HACOLA of the conditions contained in subsections 4.1.1 - 4.1.10 (collectively, the "**HACOLA Closing Conditions**") on or before the date specified in the Schedule of Performance for the each condition. Close of Escrow is conditioned on each Closing Condition being satisfied or waived by HACOLA no later than the date set forth in the Schedule of Performance, otherwise HACOLA may exercise its rights to terminate this Agreement. The obligation of Developer to perform all of its obligations under this Agreement, including, without limitation, the purchase of the Site from HACOLA, shall be expressly subject to satisfaction or waiver by Developer of conditions contained in subsections 4.1.11 - 4.1.17 below (collectively, the "**Developer Closing Conditions**") on or before the date specified in the Schedule of Performance for each condition. Close of Escrow is conditioned on each Closing Condition being satisfied or waived by Developer no later than the date set forth in the Schedule of Performance, otherwise Developer may exercise its rights to terminate this Agreement.

##### 4.1.1. Title Insurance

4.1.1.1. Developer's Title Policy. As a condition to the Close of Escrow, First American Title Company (the "**Title Company**") shall be in a position to issue to the Developer an ALTA standard form policy of title insurance (the "**Developer's Title Policy**"), insuring that, upon the closing of the Escrow, fee title to the Site is vested in the Developer. The Title Company shall provide HACOLA with a copy of the Developer's Title Policy.

HACOLA shall cause Escrow Holder to issue a Preliminary Title Report (the "Report") on the Site to the Developer within fifteen (15) business days following Escrow Holders receipt of this Agreement and deliver to Developer copies of all Schedule B exceptions referenced therein. Developer shall approve or disapprove any exceptions to title shown on the Preliminary Report in writing within thirty (30) days after Developer's receipt of the Preliminary Report, or within five (5) days of any supplemental report issued prior to the Close of Escrow. HACOLA shall notify Developer of whether HACOLA is willing to remove the items disapproved by Developer within ten (10) days after receipt of Developer's title objections. If HACOLA does not agree to remove any one or more of such disapproved exceptions prior to the expiration of said 10-day period, or if any additional items appear which would show as exceptions to title insurance in the title policy, and HACOLA fails to agree to remove the same within ten (10) days after Developer's notification to HACOLA of the same, Developer shall have the choice of: (i) terminating this Agreement and the Escrow; or (ii) waiving such objection and completing the purchase called for in this Agreement. Developer shall approve or disapprove any exceptions to title shown on any subsequent or supplemental title reports in writing within five (5) business days after receipt of such reports and copies of all recorded documents shown as exceptions to title on those reports.

4.1.2. Zoning of the Site. As a condition to closing of the Escrow, the Developer, at its sole cost and expense, shall cause the zoning of the Site (including obtaining any conditional use permit, site plan approval, variance, and other permit or approval) to be such as to allow the development, construction, use, operation and maintenance of the Project on the Site in accordance with this Agreement. In the event that the Developer is unsuccessful prior to the date of the Close of Escrow (as set forth in the Schedule of Performance) to cause the zoning of the Site to conform to the zoning necessary to permit the development, construction, use, operation and maintenance of the Project on the Site, Developer shall give notice thereof to HACOLA. HACOLA shall have one hundred eighty (180) days from the date of such notice to cause the zoning to be changed to permit the development, construction, use, operation and maintenance of the Project on the Site with 94 homes. If HACOLA is unsuccessful, the Parties shall negotiate in good faith for a period of not less than ninety (90) days towards modifications to this Agreement necessary to make the Project economically feasible with the zoning in effect. If such negotiations are unsuccessful, this Agreement may be terminated by either Party by written notice to the other Party and Escrow Holder and the Developer and HACOLA shall have no further obligations hereunder. HACOLA shall in no event have any responsibility to the Developer in the event HACOLA is unsuccessful in obtaining any required zone changes or variances for the Site and the Developer's sole remedy in such event shall be to terminate this Agreement.

4.1.3. Submission of Evidence of Construction Financing and Construction Contract

4.1.3.1. Construction Financing. The Parties understand and acknowledge that as of the date of this Agreement Developer intends to finance the construction and development of the Project through a construction loan (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Senior Construction Loan**") issued by a Qualified Financial Institution (as defined below) ("**Senior Construction Lender**"). The Developer shall deliver to HACOLA a letter or term sheet from the Senior Construction Lender which sets forth the material terms and conditions of the Senior Construction Loan ("**Senior Construction Loan Commitment**"). The Senior Construction Loan Commitment shall be in an amount not less than the amount shown in the proforma sources and uses approved by HACOLA to fund the construction of the Project. The Senior Construction Loan shall be evidenced by, *inter alia*, a construction loan agreement (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Senior Construction Loan Agreement**") and shall be secured by, *inter alia*, a first-lien deed of trust encumbering the Site for the benefit of Senior Construction Lender (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Senior Deed of Trust**"). The Senior Construction Loan Agreement, the Senior Deed of Trust, and all other "Loan Documents" (as that term shall be defined in the Senior Construction Loan Agreement), collectively, as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Senior Loan Documents.**" As used herein, "**Qualified Financial Institution**" means a bank, savings bank, pension fund, insurance company or other institutional entity which is licensed to do business in California and is duly established and in the business of financing the size and type of development contemplated hereunder and which, in the sole opinion of HACOLA, has a sufficient net worth, liquidity position and credit rating to meet the contemplated financing. For avoidance of doubt, Wells Fargo Bank, National Association shall be deemed a Qualified Financial Institution.



The Senior Construction Loan Commitment shall provide that: (i) the documents evidencing the Senior Construction Loan will provide that any proceeds from fire or extended coverage insurance may, at Senior Construction Lender's discretion, be used for repair or rebuilding of the Project, provided such proceeds are sufficient to so repair the Project and not to repay the outstanding balance of the Senior Construction Loan; (ii) the Senior Construction Loan will have a term at least as long as the period during which the Developer is obligated under this Agreement and the Schedule of Performance to complete all Thirty (30) Assisted Units in the Project; (iii) the Senior Construction Loan shall be consistent with the terms and provisions of this Agreement and, to the extent not inconsistent with this Agreement, the Senior Construction Loan may be subject to the Senior Construction Lender's usual and customary commercial terms and conditions; (iv) the Senior Loan Documents will provide for a third party disbursement or inspecting agent, selected by the Senior Construction Lender, that will monitor the progress of the development of the Project (unless such monitoring is handled internally by Senior Construction Lender); and (v) the Senior Construction Loan is for the sole purpose of providing funds to develop the Project and costs and expenses associated therewith, including financing costs associated with the Senior Construction Loan. The Developer agrees to take all actions, furnish all information, give all consents and pay all sums required to keep the Senior Construction Loan Commitment and Senior Construction Loan in full force and effect and shall comply with all conditions thereof, and shall promptly execute, acknowledge and deliver all loan applications, credit applications and data, financial statements, and loan documents in connection therewith. Upon the request of HACOLA, the Developer agrees that it shall provide HACOLA with documentation regarding the progress of the development of the Project and the disbursement of funds to pay Project costs.

The Developer agrees that as a condition to the Close of Escrow it shall obtain written approval by HACOLA of the Senior Construction Loan Commitment and Senior Loan Documents on or before the dates specified therefor in the Schedule of Performance. Such approval of the Senior Construction Loan Commitment and the Senior Loan Documents will not constitute a waiver by HACOLA of any breach or violation of this Agreement by the Developer that is a result of acts that purport to be in compliance with or in furtherance of the Senior Construction Loan.

In the event that the Developer is unsuccessful, by the dates set forth in the Schedule of Performance, in obtaining a Construction Loan Commitment, or obtaining approval by HACOLA of any such Construction Loan Commitment, this Agreement may be terminated by either Party hereto by written notice to the other Party, in which event neither Party hereto shall have any further obligations to the other hereunder.

4.1.3.2. Project Architect Agreement. By the deadline specified therefore in the Schedule of Performance, Developer agrees to deliver to HACOLA for its approval a written agreement (the "**Architect Agreement**") for the architect who shall be the Project architect, for design of the Project including the issuance of detailed plans and specifications for the construction of the Project. The project architect shall be insured as required herein, appropriately licensed in California, and experienced in designing and overseeing, as project architect, the construction of affordable housing developments similar to the Project. HACOLA hereby approves Kevin L. Crook Architect, Inc. as the project architect, provided that Developer may select an alternate project architect in its sole discretion.

The Developer shall obtain HACOLA's written approval of the Architect Agreement and



the General Contractor on or before the date specified in the Schedule of Performance and as a condition to the Close of Escrow. HACOLA's approval of any Architect Agreement will not constitute a waiver by HACOLA of any breach or violation of this Agreement that is a result of acts that are or purport to be in compliance with or in furtherance of said Architect Agreement.

4.1.3.3. Construction Contract. By the deadline specified therefore in the Schedule of Performance, Developer agrees to deliver to HACOLA for its approval a written agreement (the "**Construction Contract**") for construction of the Project on the Site and any and all work on the Site or in the public right of way in connection therewith. The Construction Contract shall include a construction schedule and a schedule of values ("**Construction Budget**") and a construction schedule consistent with this Agreement. The Construction Budget shall be materially consistent with the Pro-Forma.

The Developer shall obtain HACOLA's written approval of the Construction Contract on or before the date specified in the Schedule of Performance and as a condition to the Close of Escrow. HACOLA acknowledges that the Developer or a Developer affiliate will act as the general contractor for the Project. HACOLA's approval of any Construction Contract will not constitute a waiver by HACOLA of any breach or violation of this Agreement that is a result of acts that are or purport to be in compliance with or in furtherance of said Construction Contract.

4.1.3.4. Procedure for HACOLA Approval of Construction Financing and Pre-Disposition Documents. The Developer must obtain the approval of HACOLA, which approval shall not be unreasonably withheld, with respect to all documentation required to be delivered pursuant to Section 4.1 (collectively, the "**Submissions**"). The Developer has provided HACOLA with a preliminary development budget for the Project budget, including all Project hard and soft costs and any fees to be paid to the Developer (the "**Pro Forma**"), a copy of which is attached as Exhibit D, setting forth the Developer's current estimate of sources and uses of funds for development of the Project. The Pro Forma is intended to serve as a guide for HACOLA's approval or disapproval of the Construction Financing for the Project. HACOLA shall approve or disapprove the Submissions within the time set forth in the Schedule of Performance, provided if HACOLA fails to approve or disapprove a Submission within the time set forth in the Schedule of Performance, Developer may give HACOLA a notice of such failure and HACOLA shall have ten (10) business days from receipt of such notice to give its acceptance or approval and if HACOLA fails to act within such time it shall be deemed to have disapproved such Submission. The Developer shall have ten (10) business days from receipt of any notice from HACOLA disapproving a Submission (a "**Disapproval Notice**") within which to notify HACOLA that the Developer will revise the Submission as requested or to object to such HACOLA disapproval. If the Developer does not notify HACOLA in writing within such ten (10) business day period that it specifically objects to HACOLA disapproval, the Developer shall be deemed to have agreed to revise the Submission as requested by HACOLA. If the Developer objects to HACOLA disapproval, and if the Developer so notifies HACOLA within said ten (10) business day period of its specific objection, then HACOLA and the Developer agree that they will meet to discuss their differences within ten (10) days after the date on which Developer gives such notice. Unless excused, failure of the Developer to meet with HACOLA within said ten (10) day period shall constitute a waiver by the Developer of such objection. Following said meeting, or following the Developer's deemed approval or waiver of such objection, the Developer shall revise the objected-to Submission and resubmit it to HACOLA as soon as possible, but in no event later than thirty

(30) days after receipt of the Disapproval Notice. Any such resubmission shall be approved or disapproved and revised within the times set forth herein with respect to the initial Submissions. Notwithstanding the above time periods, if HACOLA deems it appropriate or necessary to hold a public meeting of HACOLA, or any other public agency or HACOLA, before the action specified is to be taken, the period for such action by HACOLA shall be extended by, in each case, the time taken to hold such public meeting(s). Such extended period shall be at the option of HACOLA only; provided that, if HACOLA elects to receive the above extension, the time for Developer's performance of its obligations under this paragraph shall be extended by a period of time equal to the actual extension taken by HACOLA.

4.1.4. Delivery of Documents; Other Conditions.

4.1.4.1. The execution of this Agreement by HACOLA and Developer, and delivery of a fully executed copy to Escrow Holder.

4.1.4.2. HACOLA's deposit into the Escrow of a fully executed Grant Deed (the "**Land Acquisition Deed**").

4.1.4.3. Execution and delivery by Developer to HACOLA concurrently with the execution of this Agreement of HACOLA Note and HACOLA Deed of Trust.

4.1.4.4. Execution and delivery by Olson to HACOLA concurrently with the execution of this Agreement of Olson Company Guaranties.

4.1.4.5. Receipt by HACOLA from Developer of such other documents, certifications and authorizations as are reasonably required by HACOLA, in form and substance satisfactory to HACOLA, evidencing that (i) this Agreement, , and all other documents given or executed in connection herewith, including the HACOLA Financing Documents (as amended, restated, modified or replaced from time to time, collectively, the "**Transaction Documents**") are duly and validly executed by and on behalf of and constitute the valid and enforceable obligation of Developer pursuant to the respective terms of each of such documents, and (ii) the execution and delivery of the Transaction Documents, and the performance hereunder by Developer, will not breach or violate any Applicable Governmental Restrictions nor constitute a breach of or default under any instrument or agreement to which Developer is a party.

4.1.4.6. No Event of Default shall exist under this Agreement or any agreements related hereto, HACOLA Financing Documents, or under any agreement or instrument relating to the Senior Construction Loan, and Developer shall have demonstrated to the satisfaction of HACOLA's Executive Director (or his designee) that all equity and financing sources for development of the Project are or will be available in sufficient amounts to provide for full and timely completion of the Project. In particular, but not by way of limitation (i) the Senior Construction Loan Commitment and loan documents have been approved by HACOLA, are in full force and effect, with all pre-conditions to funding having been satisfied and with the Senior Construction Lender having confirmed in writing to the Escrow Holder that it is ready to record the documents evidencing the Senior Construction Loan immediately upon recordation of the Land Acquisition Deed, and (ii) Developer shall have submitted to HACOLA a list of interested mortgage lenders that have been certified by HACOLA as eligible lenders who will be available

to make Permanent Loans to Qualified Buyers satisfying their respective credit requirements ("**Permanent Financing Interest Letter**").

4.1.4.7. Developer shall have furnished HACOLA with certificates of insurance evidencing the coverages required by Section 4.10 below in form and substance acceptable to HACOLA. In the event Developer desires to enter the Site prior to the Close of Escrow, Developer shall provide HACOLA with evidence of insurance, including liability and, if applicable, worker's compensation insurance as HACOLA shall require prior to any Person entering the Site on behalf of the Developer. The failure to provide such insurance and to maintain it all times during the term of this Agreement shall be a material default under this Agreement which cannot be cured except by demonstrating that such insurance was actually in full force and effect at the time such entry onto the Site occurred.

4.1.4.8. Developer shall have certified and demonstrated to HACOLA that the requirements of Section 4.11 below have been satisfied.

4.1.4.9. Developer shall have provided to HACOLA, in form satisfactory to HACOLA, certified copies of (i) Developer's governing partnership agreement, operating agreement, or articles and bylaws, together with a certification by the managing member, managing general partner or president that such agreement or articles or bylaws have not been amended or modified except as described in the certification, (ii) a good standing certificate from the California Secretary of State dated within 30 days of the Close of Escrow date, certifying that Developer is duly qualified and in good standing in the State of California, (iii) authorizing resolutions and incumbency certificates from Developer and all constituent parties in Developer, (iv) an organizational chart showing the ownership of Developer and information acceptable to HACOLA describing the relationship between Developer and Olson including copies of all contractual agreements between them regarding the Project, and (v) all other documents necessary to evidence to HACOLA's satisfaction that the individuals and entities executing this Agreement, HACOLA Financing Documents and the Transaction Documents, and other entities on whose behalf such documents are executed, are fully authorized to do so and to bind the respective entities, including Developer, to the terms hereof and thereof.

4.1.4.10. Developer shall have provided HACOLA with an opinion of legal counsel in form and substance acceptable to HACOLA containing opinions on such matters as HACOLA considers reasonable and appropriate.

4.1.4.11. Developer shall have obtained written architectural and site planning review approval by HACOLA in conformance with the requirements set forth in this Agreement (including, without limitation, Exhibit "H").

4.1.4.12. Deposit into escrow of a duly executed and notarized Memorandum of Disposition and Development Agreement in the form provided in this Agreement.

#### 4.1.5. Predevelopment Work.

4.1.5.1. The Developer shall duly complete all actions necessary in order to obtain the required construction and building related permits and licenses from all required government

agencies for the construction of Phase I of the Project in accordance with the Phasing Plan.

4.1.5.2. The Developer shall have obtained all necessary zoning and land use approvals for the construction of the Project.

4.1.5.3. The Developer shall have obtained all government approvals for the plans and specifications for the Project.

4.1.6. CEQA and NEPA Compliance. If applicable, the Developer shall bear the expense of obtaining any reviews or approvals required by California Environmental Quality Act and National Environmental Policy Act, which are necessary to implement the terms of this Agreement.

4.1.7. Developer's Due Diligence. The Developer shall investigate any and all aspects and conditions of the Site or Project at its sole cost and expense. The Developer shall complete its investigation by the date set forth in the Schedule of Performance. If the Developer elects not to proceed with the Project after its investigation it must do so by delivery of written notice to HACOLA of the Developer's termination on or before the date set forth in the Schedule of Performance for the completion of the Developer's investigation.

The Developer may request permission to conduct investigations at the Site, including a Phase I and/or Phase II environmental review subject to the following:

- (i) the persons or entities performing any investigations shall be properly licensed and qualified and shall have obtained all appropriate permits for performing such investigation;
- (ii) HACOLA shall approve the scope and plans for any such investigation;
- (iii) HACOLA shall have the right to have a representative accompany the Developer and any persons performing such investigation at the Site;
- (iv) The Developer shall be responsible for any damages or disruptions in the condition of the Site. The Developer shall restore the Site at the Developer's sole cost and expense. The Developer shall not unreasonably interfere with the normal operation of the Site or create any dangerous, unhealthy, unsightly or noisy conditions on the Site;
- (v) Prior to any entry onto the Site by the Developer or its agents, contractors, subcontractors or employees, the Developer shall deliver to HACOLA evidence (acceptable to HACOLA) of such insurance as may be required by HACOLA; and
- (vi) At no cost to HACOLA copies of all reports or other written results of any investigations conducted by or for the Developer shall be provided to HACOLA concurrently with their delivery to the Developer.

Developer may conduct any professional inspections, at Developer's expense, that Developer deems necessary. Seller will provide Developer reasonable access to the Site within twenty-four (24) hours following Developer's written request, including all Improvements, for the purpose of conducting examinations. Developer shall notify Seller prior to conducting any invasive testing of the Site; and Developer shall cooperate with Seller and make diligent efforts to ensure that any such access results in a minimum of disruption of Seller's tenant's ongoing business at the Site. Developer shall repair any damage to the Site caused by Developer's inspections and tests and shall restore the Site to the condition existing as of the date of the inspection; provided, however, Developer shall have no obligation to repair any damage to the Site which is revealed (but not caused by) such inspection. Developer hereby agrees to defend, indemnify and hold Seller harmless from and against any and all claims, liens, demands, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, and all costs incurred in connection therewith (including without limitation actual attorneys' fees and costs of experts and consultants) arising directly out of any investigative activities of Developer or its agents or representatives on the Site at any time following the Effective Date; provided, however, the foregoing indemnity shall not include liability to the extent incurred by Seller as a result of the discovery by Developer of any existing state of facts relating to the Site or Seller's gross negligence or willful misconduct.

**EXCEPT FOR THE ITEMS SET FORTH IN THE SCHEDULE OF PERFORMANCE WHICH ARE TO BE COMPLETED BY THE DATE OF THE CLOSE OF ESCROW, ALL OTHER FEASIBILITY, PHYSICAL INSPECTION, OTHER INVESTIGATION OF THE SITE AND THE PROJECT MUST BE COMPLETED WITHIN 90 DAYS AFTER THE DATE OF THIS AGREEMENT.**

4.1.8. As-Is Sale. The Developer acknowledges and agrees that it has had a reasonable opportunity to undertake and complete any investigation of the Site, including its physical condition and the feasibility of proceeding with the Project in the time periods set forth in this Agreement, and the Developer has undertaken such investigation as it deemed appropriate.

Any information provided by HACOLA, CDC, or any of their respective employees, officers, directors, contractors or consultants are made without representation or warranty including as to their completeness or accuracy. The Developer represents, warrants and agrees that the Developer shall have no rights against HACOLA/CDC/County Representatives (as defined below) as a consequence of any information or misinformation obtained, completeness or incompleteness of documents, inaccuracies in any information or documents, failure of any person to make any disclosure, or for any other reason. HACOLA shall have no obligation to provide to, or make available to the Developer any documents or information, except as expressly required by the terms of this Agreement, and in no event shall HACOLA be required to provide any information which is subject to confidentiality or nondisclosure obligations.

EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES OF HACOLA SET FORTH IN THIS AGREEMENT, THE DEVELOPER SHALL ACCEPT THE SITE AND ITS TITLE THERETO IN ITS "AS-IS" "WHERE-IS" "WITH ALL FAULTS" BASIS AND CONDITION, ALL REPRESENTATIONS AND WARRANTIES IMPLIED BY APPLICABLE LAWS ARE HEREBY REJECTED AND WAIVED BY THE DEVELOPER. HACOLA MAKES NO REPRESENTATION OR WARRANTY CONCERNING THE PHYSICAL, ENVIRONMENTAL, GEOTECHNICAL, OR OTHER CONDITION OF THE SITE; THE SUITABILITY OF THE SITE FOR THE PROJECT, OR THE PRESENT USE OF THE SITE; OR WITH RESPECT TO THE USE, DISPOSAL, EXISTENCE OR ABSENCE OF ANY HAZARDOUS MATERIALS (AS DEFINED HEREAFTER) IN, ON, UNDER, OR ABOUT THE SITE.

4.1.9. Release. The Developer hereby fully and irrevocably release HACOLA, CDC and the County and each of their respective officials, officers, attorneys, employees, agents and HACOLA (collectively, "**HACOLA/CDC/County Representatives**"), and each of them, from and against any and all suits, claims, demands, costs, expenses, damages, awards, liens, judgments, attorney's fees or other losses and liabilities (collectively, "**Losses and Liabilities**"), which Losses and Liabilities arise directly or indirectly, by negligence, willful act, by operation of law, statute or otherwise, arising from or related to any conditions existing or events occurring on, in or about the Site, including without limitation any construction defects, errors, omissions or other conditions, latent or otherwise, including environmental matters, affecting the Site, or any portion thereof. The foregoing release is not a release of any express covenants, representations or warranties of HACOLA under this Agreement. This release includes claims of which Developer is presently unaware or which Developer does not presently suspect to exist which, if known by Developer, would materially affect Developer's release of HACOLA/CDC/County Representatives. In connection with this release, Developer specifically waives the provision of California Civil Code Section 1542, which provides as follows: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

4.1.10. Memorandum of DDA. Concurrent with execution of this Agreement, HACOLA and Developer shall execute a memorandum of this Agreement, in the form attached hereto as Exhibit "I", and cause such memorandum to be recorded against the Site at the time of the Close of Escrow. At HACOLA's election this Agreement may be recorded in the real estate records at any time.

In the event this Agreement is terminated prior to the Close of Escrow, as defined below, Developer hereby authorizes HACOLA to unilaterally execute and record a release or such other document as may be necessary to remove the memorandum as an encumbrance upon title to the Site.

4.1.11. Title. At Close of Escrow Developer is conveyed good and marketable title to the Site, subject only to the exceptions permitted by Developer in accordance with Section 4.1.1 herein, and the Title Company is prepared to issue the Developer's Title Policy to Developer upon the Close of Escrow.

4.1.12. Land Use Entitlements. Developer shall have received approval of all zoning and land use entitlements in accordance with Section 4.1.2 hereof.

4.1.13. Financing. Developer has obtained the Senior Construction Loan Commitment on commercially reasonable terms reasonably acceptable to the Developer.

4.1.14. Delivery into Escrow. HACOLA has delivered into Escrow all documents or instruments required by this Agreement, including without limitation the Grant Deed.

4.1.15. Site Inspection and Documents. Developer has approved or waived the physical and environmental condition of the Site.

4.1.16. Seller's Performance. Seller has performed of all obligations required to be performed by Seller prior to the Close of Escrow pursuant to this Agreement.

4.1.17. Seller's Representations. Seller's representations and warranties in this Agreement are correct as of the date of this Agreement and as of the Close of Escrow.

4.2. Escrow Instructions.

When, and only when, Escrow Holder has confirmed that the Closing Conditions set forth in Section 4.1 have been satisfied, and has received written certification from the Developer and from HACOLA that all other Closing Conditions set forth in Section 4.1 have been timely satisfied or waived, then Escrow Holder shall carry out the close of the Escrow ("Close of Escrow") by:

(i) causing the Land Acquisition Deed, the Memorandum of DDA, first deed of trust evidencing the Senior Construction Loan and HACOLA Deed of Trust to be recorded, in that order, in the Official Records of Los Angeles County, California; and

(ii) causing the Developer's Title Policy to be issued to the Developer in the forms and the amounts specified in Section 4.1.1.

If the Close of Escrow does not occur prior to the time for such closing set forth in the Schedule of Performance, then, if the Escrow Holder has received written instructions signed by HACOLA to terminate the Escrow, the Escrow shall terminate, and Escrow Holder shall promptly return all documents to the Party depositing them.

4.3. Failure to Close Escrow.

If Close of Escrow for the sale of the Site to Developer by the date set forth in the Schedule of Performance does not occur for any reason, except where the intentional default by HACOLA of its obligations under this Agreement is the sole and direct cause of such failure to close escrow, (i) Developer shall pay one half of all escrow costs, (ii) HACOLA shall be entitled to recover any and all costs incurred by HACOLA in connection with this Agreement, the other Transaction Documents and the transactions contemplated thereunder.

If Close of Escrow for the sale of the Site to Developer by the date set forth in the Schedule of Performance does not occur for any reason, after providing written notice thereof to Developer and an opportunity to cure in accordance with Section 10.1 hereof HACOLA shall have the right to terminate this Agreement and the other Transaction Documents without liability of any nature to Developer or any Affiliate of Developer.

Nothing in this section shall limit the rights of HACOLA or any other persons or companies under any indemnification provisions contained in this Agreement or any other rights which expressly survive the termination of this Agreement.

#### 4.4. Scope of Development.

The Site shall be developed as a residential development comprised of Ninety Four (94) detached single family houses, (each, a “Unit”; collectively, “Units”), in a good and workmanlike manner, in accordance with the approved Plans and all Applicable Governmental Restrictions, and containing all necessary parking areas, walkways, streets, driveways, landscaping, central and ancillary public areas, and other improvements associated with the Project, as depicted on the Plans approved by HACOLA in accordance with this Section 4 and with any and all off-site work completed in accordance with applicable laws and agreements related thereto.

#### 4.5. Concept Drawings.

The Developer has submitted to HACOLA and HACOLA has approved certain basic concept drawings and related documents containing the overall plan for development of the Site (collectively, “Basic Concept Drawings”). The Site shall be developed as generally established in the Basic Concept Drawings, subject to any changes that are mutually agreed upon between the Developer and HACOLA.

#### 4.6. Construction Plans, Drawings, and Related Documents.

In addition to the Basic Concept Drawings, the Developer will prepare and submit construction plans, drawings, specifications, including construction and equipment specifications, and related documents for the Project (sometimes collectively referred to as the “Plans”) to HACOLA for architectural and site planning review and written approval by HACOLA. The Plans are to be in conformance with the requirements set forth in this Agreement (including, without limitation, Exhibit “H”), consistent with the Basic Concept Drawings, and in conformance with the Los Angeles County Building Code, as amended from time to time, and other Applicable Governmental Restrictions, including without limitation all accessibility requirements. The Plans are to be submitted in two stages: preliminary and final working drawings and specifications. Final working drawings and specifications are hereby defined as those in sufficient detail to obtain a building permit.

The Plans include preliminary and final finish grading and landscaping plans, and public improvement and street plans and specifications for the Site. All Plans shall be prepared and submitted within the times established in the Schedule of Performance, subject to extensions as are authorized herein or as mutually agreed to by the Parties.



During the preparation of all Plans, HACOLA staff and the Developer shall hold regular progress meetings to coordinate the preparation of, submission to, and review of the Plans by HACOLA. HACOLA and the Developer shall communicate and consult informally as frequently as is necessary to insure that the formal submittal of the Plans to HACOLA can receive prompt and speedy consideration.

#### 4.7. HACOLA Approval of Plans.

Subject to the terms of this Agreement, HACOLA shall have the right of architectural and site planning review of all Plans, including any changes thereto. Notwithstanding such review by HACOLA, the Developer shall also obtain any architectural and site planning review required by any agency, department, board, commission or authority of County of Los Angeles (“County”) having jurisdiction over the Project within the times required for such review by such agency, department, board, commission or authority. The Developer shall also submit any Plans and other submissions required for development permits or building permits to be issued by the County or other public agencies, as applicable.

HACOLA shall approve or disapprove in writing the Plans referred to in Section 4.6 of this Agreement within the times established in the Schedule of Performance. Any disapproval by HACOLA shall state in writing (the “**Notice of Disapproval**”) the reasons for disapproval and the changes which HACOLA requests be made. Such reasons and such changes must be consistent with this Agreement and any items previously approved hereunder by HACOLA. The Developer, upon receipt of a Notice of Disapproval, shall revise the Plans and resubmit them to HACOLA within thirty (30) days after receipt of the Notice of Disapproval, and the deadline set forth in the Schedule of Performance by which Developer is required to secure approval of such disapproved Plans shall be adjusted accordingly. Any resubmission(s) shall be approved or disapproved and revised within the times set forth herein with respect to the initial submission of such Plans.

Notwithstanding the above time periods, any time period set forth in the Schedule of Performance or any other agreement, with regard to any action to be taken by HACOLA related to this Agreement, if HACOLA is required by law or deems it appropriate or necessary to hold a public meeting of HACOLA, or any agency thereof, before the action specified is to be taken, the period for such action by HACOLA shall be extended by a reasonable amount of time, in each case, for the holding of such public meeting.

The Developer agrees to use best efforts to follow the Plans without any changes. If, during the course of construction, despite the Developer’s use of best efforts to follow the Plans, changes to the Plans are necessary, Developer shall not be required to seek HACOLA approval of such changes, provided that (i) if such changes substitute any materials or equipment specification expressly set forth in the Plans, the substituted materials or equipment shall be of equal or better quality than those contained in the Plans, (ii) any such changes shall conform to the Basic Concept Drawings, (iii) any such changes shall not extend the date for any item on the Schedule of Performance by more than thirty (30) days, (iv) any such changes shall be at no additional cost to the Project and must comply with the Construction Budget and (v) any such changes do not change the accessibility requirements for 5 of the Units. If the changes to the Plans do not meet the criteria above, then Developer will need to obtain HACOLA’s approval for the changes.

The Developer understands that any administrative approval by HACOLA staff or any approval by the governing board of HACOLA of any Plans or other submissions by the Developer shall not be construed to constitute an approval by County and County shall retain full and absolute discretion respecting the granting or withholding of County approvals required under this Agreement or by Applicable Governmental Restrictions in connection with the construction of the Project and the use of the Site.

HACOLA neither undertakes nor assumes nor will have any responsibility or duty to Developer or to any third party to review, inspect, supervise, pass judgment upon or inform Developer or any third party of any matter in connection with the development or construction of the Project, whether with respect to the quality, adequacy or suitability or the Construction Contract, plans, any labor, service, equipment or material furnished to the Project, any person furnishing the same, including without limitation, the General Contractor, or otherwise. Developer and all third parties shall rely upon its or their own judgment with respect to such matter, and any review, inspection, supervision, exercise of judgment or information supplied to Developer or to any third party by HACOLA in connection with such matter is for the public purpose of carrying out development of the Project, including the provision of affordable housing for Low Income & Moderate Households, in accordance with this Agreement, and neither Developer (except for the purposes set forth in this Agreement) nor any third party is entitled to rely thereon.

#### 4.8. Cost of Construction.

The cost of developing the Site and constructing the Project thereon (including without limitation any costs or expenses incurred by HACOLA in administering this Agreement or otherwise arising from this Agreement, including third party and staff time to review documents, requests for approval, meeting with Developer and construction contractors) shall be borne solely by the Developer, including all related public improvements as may be required by any public agency (including off-site work).

The Pro Forma includes a breakdown of projected costs and shall also contain a detailed sources and uses statement and timeline for expenses. A material change shall mean any increase in the total budget for the Project. Within ninety (90) days after the completion of Construction of all Units, the Developer shall submit to HACOLA a written determination of the all the development costs incurred for the development of Projects, certified as correct. HACOLA reserves the right to audit the determination of such Project costs for a period of one-year after its delivery to HACOLA.

#### 4.9. Construction Schedule.

Developer shall promptly begin the construction of the Project and the development of the Site at the time set forth in the Schedule of Performance and shall thereafter diligently prosecute the same to completion on or before the date set forth in the Schedule of Performance for the completion of the Project. Developer shall begin and complete all construction and development within the times specified in the Schedule of Performance. The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing between the Developer and HACOLA.

During the period of construction, but not more frequently than once a month, the Developer shall submit to HACOLA a written progress report of the construction of the Project, when and as requested in writing by HACOLA. The report shall be in such form and detail as may reasonably be requested by HACOLA and shall include a reasonable number of construction photographs taken since the date of the last report submitted by the Developer to HACOLA.

The abandonment or substantial suspension of construction of the Project for a period of ninety (90) days shall be a default under this Agreement. The Parties acknowledge that the Project will be constructed in Phases and any cessation in construction between phases that is previously approved by HACOLA shall not constitute abandonment or substantial suspension of construction under this Agreement.

4.10. Insurance.

Without limiting Developer's indemnifications of the Public Agencies provided in this Agreement, Developer and/or the entities with which Developer contracts, shall procure and maintain at their own expense the insurance described in Exhibit "N" – Insurance Requirements for the duration of this Agreement, unless otherwise set forth herein.

4.11. County and Other Governmental Agency Permits.

Before commencement of construction or development of any buildings, structures, or other work of improvement upon the Site, the Developer shall, at its own expense, determine and secure or cause to be secured any and all permits which may be required by the County or any other governmental agency affected by or with jurisdiction over such construction, development, or work on the Site. HACOLA may, but shall have no obligation to, provide any assistance deemed appropriate by HACOLA, to assist Developer in obtaining such permits. The Developer shall obtain all building permits for the Project no later than the date set forth in the Schedule of Performance.

4.12. Rights of Access.

For the purposes of assuring compliance with this Agreement (including this Section 4.12), HACOLA/CDC/County Representatives shall have the reasonable right of access to the Site in accordance with Section 12 of this Agreement without charges or fees and during normal business hours.

4.13. Anti-Discrimination During Construction.

The Developer covenants for itself and its successors and assigns that with respect to the construction of the Project, the Developer and its contractors and suppliers will abide by the anti-discrimination provisions set forth in Section 6 of this Agreement.

4.14. Taxes, Assessments, Encumbrances, and Liens.

After the conveyance of the Site to the Developer in accordance with this Agreement, the

Developer shall pay, when due, all real estate taxes and assessments assessed and levied on the Site. Prior to the issuance of a Certificate of Completion (as hereinafter defined), the Developer shall not place or allow to be placed on the Site any mortgage, trust deed, encumbrance, lien, levy, attachment or other voluntary or involuntary encumbrance that is not authorized by this Agreement (each, an “**Unpermitted Lien**”). The Developer shall remove or cause to be removed any Unpermitted Lien created or attached to the Site (or any portion thereof), or shall assure the satisfaction thereof, within a reasonable time, but in any event prior to a sale thereunder. Nothing herein contained shall be deemed to prohibit the Developer from contesting the validity or amounts of any tax, assessment, encumbrance, or lien, nor to limit the remedies available to the Developer in respect thereto. Developer shall promptly notify HACOLA of any Unpermitted Lien that is created or attached to the Site prior to issuance of a Certificate of Completion for the construction of the Project on the Site. Developer shall not be responsible for taxes or liens on a home first accruing after the close of escrow for the sale of such home or for any taxes or liens first accruing upon Project property conveyed to a homeowners' association by the Developer after the close of escrow for such conveyance.

4.15. Security Financing; Rights of Holders.

4.15.1. Permitted Construction Loan.

Notwithstanding Section 4.14 of this Agreement, the Senior Construction Loan may encumber the Site, or a portion thereof. The approval of HACOLA, which approval shall not be unreasonably withheld or delayed, shall be required for an amendment, modification or replacement of the Senior Construction Loan which (i) materially revises the amount of the loan, or (ii) materially adversely affects the security of the HACOLA Deed of Trust. Except for the foregoing, the Senior Construction Loan may be amended, modified or replaced without the prior approval of HACOLA.

4.15.2. Site Used for Construction of Project Only.

This Agreement shall not be deemed or construed to permit or authorize Developer or any Senior Construction Lender to devote the Site to any uses, or construct any improvements thereon, other than those uses provided for and authorized by this Agreement.

4.16. Right of HACOLA to Cure Mortgage, Deed of Trust, or Other Security Interest Default.

4.16.1. The Developer shall provide HACOLA with a copy of all written notices and demands given to Developer by Senior Construction Lender with respect to Developer breaches and defaults. The Developer shall ensure that Senior Loan Documents provide that in the event of a default or breach by the Developer thereunder prior to the completion of the Project, where Senior Construction Lender has not exercised its option to complete the Project in accordance with the terms of this Agreement, HACOLA may elect, in its sole and absolute discretion and with no obligation to do so, to cure the default, so long as such default or breach is susceptible to cure by HACOLA, within the same time frame for curing such default or breach that the Developer has in the Senior Loan Documents and not less than sixty days thereafter (but in any event prior to a foreclosure of the Senior Deed of Trust or deed in lieu thereof), which cure

period shall run concurrently with any cure period the Borrower has thereunder.

4.16.2. HACOLA may cure a default or breach by Developer under the Senior Loan Documents by electing to purchase, in whole, but not in part, the Senior Construction Loan for a price equal to the sum of the following:

- a. The aggregate outstanding principal balance of the Senior Construction Loan;
- b. All accrued interest and any other sums payable under the Senior Loan Documents;
- c. All protective advances made by Senior Construction Lender in connection with the Project, plus interest from the date of the advance; and
- d. All costs and expenses incurred by Senior Construction Lender in enforcing the terms of the Senior Loan Documents plus interest from the date of incurring such costs and expenses

provided, however, HACOLA's right to purchase the Senior Construction Loan pursuant to this Section 4.16 must be exercised and consummated prior to a foreclosure of the Senior Deed of Trust or deed in lieu thereof.

#### 4.17. Phasing of Project.

The Developer shall construct the Project in phases (each a "Phase") in accordance with the Phasing Plan, attached as Exhibit "O". The Developer shall include at least three Assisted Units in each Phase as such Assisted Units are depicted on the Phasing Plan. Within thirty (30) days following the completion of construction of each Phase, the Developer shall provide HACOLA with a report in a form reasonably approved by HACOLA specifying the number of market and Assisted Units sold, gross sales proceeds derived from the sale of the units in the Phase, any material variances from the Developer's cost Pro-Forma, anticipated variance from the construction schedule for the Project and any other information reasonably requested by HACOLA. Prior to the commencement of the third Phase and the sixth Phase, Developer and HACOLA shall meet to discuss the progress in the marketing and sale of the Assisted Units and the accessible units. The purpose of the meeting shall be to discuss marketing strategies and to determine if changes to the marketing and sales procedures are necessary.

4.17.1. Prior to the completion of the first Phase of the Project, the Developer shall have prepared and submitted all filings required by applicable government agencies including the California Bureau of Real Estate ("B.R.E.") and the applicable government agencies, including the B.R.E., shall have accepted such filings. All actions required prior to the sale of the Assisted Units shall have been completed including, any homeowner's associations have been duly formed and are in good standing, any required management company have been hired, any budgets and property reports have been prepared, and any reserve funds shall have been paid. Upon the written request of HACOLA, HACOLA shall receive copies of all documents submitted to the B.R.E. and any correspondence or other documents issued by the B.R.E. to Developer. The Developer shall

submit to HACOLA the disclosures, budgets, and reports to be issued or entered into in connection with the planned unit development or condominium including but not limited to the organizational documents for any homeowner or similar companies or associations, the amount to be funded by the Developer into any reserve accounts to be turned over to the homeowners association, and any management agreements;

4.17.2. Affirmative Marketing Plan including sample sales materials and forms of contracts and disclosures to be used by the Developer in selling the Units for that Phase shall have been approved by HACOLA and the Developer shall not amend or modify such documents without the prior written consent of HACOLA.

4.17.3. Prior to commencing each Phase, the Developer shall provide an updated Olson Company Guaranty for that Phase in a form reasonably acceptable to HACOLA and from a party reasonably approved by HACOLA.

4.18. Completion of Project; Certificate of Completion.

Completion of the Project shall be deemed to have occurred when HACOLA has received satisfactory evidence that the Project has been completed in compliance with this Agreement and that all final permits and certificates necessary to the completion and sale of the Project as contemplated herein have been obtained, including, without limitation, the following, each of which is subject to HACOLA's review and approval:

4.18.1. A signed certificate of substantial completion from the Project's General Contractor, in a form reasonably acceptable to HACOLA, certifying to HACOLA that construction was completed substantially in accordance with the requirements of the approved Plans and this Agreement, and all other related on-site and off-site improvements required to be completed by the Developer have been completed in accordance with the provisions of this Agreement, applicable laws, requirements of government agencies and other agreements binding on the Developer;

4.18.2. A certificate of occupancy (the "**Certificate of Occupancy**") and any other final permits and licenses necessary to permit the use and occupancy of the ninety-four (94) Units in the Project for their intended purposes, have been issued by the proper governmental agencies;

4.18.3. Omitted

4.18.4. Unconditional Waivers and Releases upon Final Payment, in statutory form, showing no amounts in dispute, have been received from the General Contractor, all subcontractors, and all other persons or entities providing services or furnishing materials in connection with the Project and including a schedule reconciling all preliminary notices and payments with copies of all preliminary notices and lien waivers;

4.18.5. Any mechanics liens which have been recorded have been released or statutory release bonds with respect to such mechanics liens issued by sureties satisfactory to HACOLA have been obtained and recorded;

4.18.6. A copy of the notice of completion for the Project and evidence that it has been properly issued in accordance with California Civil Code §8190 and related sections including evidence that the notice of completion (i) has been recorded and potential claimants have been given copies at least fifteen (15) days after the completion of the Project;

4.18.7. Omitted

4.18.8. No default exists under the Senior Construction Loan or this Agreement.

4.18.9. Omitted

4.18.10. Omitted

4.18.11. Any dedications of streets sidewalks or rights of way which are contemplated by the Project have been completed.

4.18.12. Omitted

4.18.13. HACOLA shall have received the final accounting reconciling all actual costs with the Project Budget referenced in Section 4.8.

4.18.14. HACOLA shall have received a certification from the Developer that there are no defaults under this Agreement and no event or circumstance exists which with the passage of time, giving of notice or both would become a default, and that all information provided to HACOLA is been true and complete and do not omit any material facts.

4.18.15. HACOLA shall have received evidence that the Site has been legally subdivided and each of the Assisted Units are solely contained within independent legally created and existing lots with their own tax parcel designations.

4.18.16. HACOLA shall have received evidence that each Unit has all necessary utility services, that all such services are in good working condition, adequate and fully constructed vehicular and pedestrian access to a dedicated public road, and appropriate rights to any common areas established for the Project.

Upon Completion of the Project and Developer's written request, HACOLA shall furnish the Developer with a certificate of completion duly executed by HACOLA (the "**Certificate of Completion**"), unless HACOLA reasonably determines that Completion of the Project has not occurred. HACOLA shall not unreasonably withhold the Certificate of Completion. If HACOLA refuses or fails to furnish a Certificate of Completion for the Site after written request from the Developer, HACOLA shall, within thirty (30) days of such written request, provide the Developer with a written statement of the reasons HACOLA refused or failed to furnish the Certificate of Completion. The statement shall also contain HACOLA's opinion of the action the Developer must take to obtain a Certificate of Completion.

The Certificate of Completion shall be in such form as to permit it to be recorded in the Office of the County Recorder of Los Angeles County, and shall be, and shall state that it

is, a conclusive determination of satisfactory completion of the construction required by this Agreement upon the Site and of full compliance with the terms hereof with respect to such construction.

After issuance of the Certificate of Occupancy for a completed Unit, any purchaser of a Unit (except for the Developer or an Affiliate of the Developer) shall not be responsible to comply with the provisions of this Agreement except that such purchasers shall be bound by any covenants contained in HACOLA Secondary Financing Deed of Trust and HACOLA Tertiary Homebuyer Financing Deed of Trust, if applicable, the provisions of Section 5.1 of this Agreement and other instruments encumbering such interest in the Site.

The Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder or any insurer of a mortgage securing a construction loan. The Certificate of Completion is not a notice of completion as referred to in California Civil Code Section 3093.

HACOLA may agree to issue a Certificate of Completion on a Unit by Unit basis. However such action shall be contingent upon all work necessary for the use and occupancy of the Unit to be completed, including but not limited to utility connections, access easements, common areas, and related off-site work.

#### 4.19. Subordination of HACOLA Loan to Senior Construction Loan.

HACOLA acknowledges the intent of the Developer to secure the Senior Construction Loan pursuant to Section 4.1.3.1 of this Agreement. HACOLA agrees that the HACOLA Loan and HACOLA Deed of Trust encumbering the Site are expressly made subordinate to the Senior Construction Loan and Senior Loan Documents. HACOLA agrees to execute and deliver such documents as may be reasonably requested by the Senior Construction Lender to evidence such subordination, including, without limitation, a subordination and standstill agreement in form and substance reasonably satisfactory to Senior Construction Lender.

HACOLA further agrees to subordinate the affordability restrictions for the Units that are not density bonus Units contained in Section 5.1 of this Agreement to the Senior Construction Loan (meeting the requirements set forth in Section 4.1.3.1). HACOLA agrees to execute and deliver such documents as may be reasonably requested by the Senior Construction Lender to evidence such subordination of the affordability restrictions.

#### 4.20. Developer Excess Return.

HACOLA acknowledges that the Developer will incur risk of reduced financial return or cost overruns due to the rising costs of labor and/or materials, and to fluctuations in interest rates and other housing market and economic conditions. The basic intent of the underwriting and funding requirements in this Agreement is to allow the Developer to pursue cost savings and project economies that may lead to higher returns than originally projected at the time of financial underwriting by HACOLA and CDC. However, in order to act as proper stewards of public funds, and in support of federal funding requirements affecting the CDC's use of HOME funds, the Parties have agreed to share in unanticipated excess sale proceeds in accordance with



this Section 4.20 in the unlikely scenario where the Developer realizes unanticipated excess returns that would have reduced or eliminated the need for public funding for the Project.

4.20.1. To the extent that the Net Margin on total Project Costs, as such term is used in the Pro-Forma, exceeds sixteen percent (16%) (the "Project Excess Return"), the additional revenue shall be distributed to the Parties pursuant to this Section 4.20. To the extent Project Excess Return exists, the Developer shall retain seventy-five percent (75%) of the Project Excess Return and twenty-five percent (25%) of the remaining Project Excess Return shall be paid to HACOLA. Within one hundred eighty (180) days following the sale of the last Unit in the Project, the Developer shall provide HACOLA with a certification of total Project Costs, the total Net Margin, along with a certification of the Excess Return, certified by a certified public accountant or the chief financial officer of Developer or its parent ("Developer's Certification"). The Developer's Certification shall be accompanied by a payment of HACOLA's share of the Project Excess Return, if any, as calculated by the Developer. The Developer's Certification, including without limitation the Project Costs, shall be subject to HACOLA's review and approval which approval shall not be unreasonably withheld. HACOLA shall promptly notify the Developer within sixty (60) days following receipt by HACOLA of the approval or disapproval by HACOLA. Any disapproval by HACOLA shall be in writing and shall specify in reasonable detail the reasons for such disapproval. If HACOLA does not disapprove the Developer's Certification in writing within the sixty (60)-day review period, the Developer's Certification shall be deemed approved. If HACOLA disapproves the Developer's Certification, HACOLA shall notify the Developer that HACOLA is due additional monies and shall provide the Developer with a calculation of HACOLA's share of the Project Excess Return. HACOLA shall include in its notification to the Developer sufficient information to support HACOLA's calculation ("HACOLA Certification"). If the Developer fails to approve such HACOLA Certification within ten (10) days after receipt, the difference shall be resolved by a judicial reference proceeding pursuant to the provisions set forth below. If pursuant to an HACOLA Certification approved by the Developer or the final determination entered in the judicial reference proceeding, HACOLA is due any additional share of the Project Excess Return, the Developer shall submit the payment to HACOLA no later than twenty (20) days after the Developer's approval of the HACOLA Certification or a final judgment is entered in the judicial reference determination, as applicable.

4.20.2. Disputes with respect to the foregoing profit sharing provisions shall be heard and determined by a referee pursuant to California Code of Civil Procedure Section 638 et seq., in effect as of the date hereof. The venue of any proceeding hereunder shall be in the Los Angeles County, California (unless changed by order of the referee).

4.20.3. To the extent savings are realized in a line item, the Developer shall not transfer all or a portion of the savings amount to one or more line items which would result in an increase in the amount of the Project Excess Return retained by Developer, provided that if one or more line items increases, the Developer may receive an increase in the amount of the Project Excess Return retained by Developer to the extent such amount is calculated as a percentage of the increased line item or line items.

4.20.4. For purposes of this Section 4.20, "Project Costs" shall mean the actual costs incurred for the development of the Project with respect to the line items shown on the Pro Forma, including the Developer's imputed return on equity at a rate of equal to the rate applied by the

Senior Construction Loan from the date of the disbursement of the equity to pay Project Costs.

4.20.5. The parties acknowledge and agree that any amounts payable pursuant to this Section 4.20 are subordinate to the amounts payable under the Senior Construction Loan and shall not be made until the repayment in full of the Senior Construction Loan.

## 5. SALE OF ASSISTED UNITS; HACOLA SECONDARY FINANCING LOANS

### 5.1. Restriction to Qualified Buyers.

Notwithstanding anything to the contrary in this Agreement, Developer hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Developer, that, until all of the Assisted Units have been sold to Qualified Buyers pursuant to the terms of this Agreement (such period referred to herein as, the “**Term**”), Developer and such successors and assigns shall use the Site solely for the purpose of developing the Project as a residential development with the number of total Units and the number of the Assisted Units specified in the Transaction Summary above and selling the Assisted Units to Qualified Buyers. All Assisted Units shall be sold in accordance with the escrow procedures set forth in Section 5.4 below. As used in this Agreement, “**Qualified Buyer**” means a person or persons from a Low or Moderate Income Household (as defined below) who have been approved by HACOLA pursuant to Section 5.4 below. Assisted Units shall be dispersed throughout the Site, and shall be no less attractive or desirable on average (whether because of tenure type, square footage, convenient access, views, amenities, or other reasons) than the other Units in the Project which are not Assisted Units (the “**Non-Assisted Units**”).

“**Area Median Income**” shall mean the median income for the Los Angeles/Long Beach Metropolitan Standard Statistical Area, adjusted for household size, and as defined and periodically adjusted by the United States Department of Housing and Urban Development, or any successor entity designated under state law as responsible for establishing such Area Median Income.

“**Low Income Households**” shall mean households whose gross annual household incomes do not exceed the qualifying limits for low-income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, which qualifying limits are otherwise set forth in Section 6932 of the California Code of Regulations adjusted, for family size and other adjustment factors, by the United States Department of Housing and Urban Development.

“**Moderate Income Households**” shall mean households whose gross annual household incomes do not exceed the Area Median Income set forth in Section 6932 of the California Code of Regulations adjusted, for family size and other adjustment factors, by the United States Department of Housing and Urban Development.

### 5.2. Marketing of Assisted Units.

Prior to the transfer of the Site from HACOLA to Developer, Developer shall obtain HACOLA’s prior written approval of an Affirmative Marketing Plan, sales guidelines, and a

summary of the rules, procedures and programs for the Project, including, specifically, the procedures to be employed by Developer to select Proposed Purchasers in the event that, at any given time, the number of prospective purchasers who meet the requirements set forth in Section 5.1 above exceeds the number of Assisted Units available for sale. The Developer shall market and sell the Assisted Units to potential Qualified Buyers in accordance with the Fair Housing and Accessibility Plan, attached hereto as Exhibit "P", and with all applicable federal and state fair housing and accessibility laws.

The Project has been approved by HACOLA as a for sale development for purchasers who shall use their Units as their primary residence. Assisted Units shall not be sold without the prior written approval of HACOLA.

The Parties intend that the 5 Units in the Project required by law to include accessibility features shall be sold to households that have members that are in need of such features, as further addressed in the Affirmative Marketing Plan. No accessible Unit shall be sold without the prior written approval of HACOLA.

5.3. HACOLA Secondary and Tertiary Financing Loans for Assisted Units Without HOME Funds.

In accordance with this Agreement, Developer shall after the receipt of a certificate of occupancy for an Assisted Unit and acceptance by HACOLA of the Developer's Affirmative Marketing Plan (as outlined in Section 4.17.12), proceed with the close of escrow of the Assisted Units. It is expected that Qualified Buyers shall pay for the purchase price of their Assisted Unit with equity and third party loans from banks or other institutional lenders ("**Third Party Debt**") and loans from HACOLA as provided below. The Sales Price, as defined in Section 5.7 below, for each Assisted Unit that is not assisted with HOME funds ("**Non-Home Assisted Unit**") shall in no event be more than the fair market value for such Assisted Unit. In some cases it is possible that the Qualified Buyer's equity and the Third Party Debt will not be sufficient to cover the Sales Price of the Non-Home Assisted Unit. It is also contemplated that any Non-Home Assisted Unit sales proceeds shall be applied,

- a. First, to closing costs approved by HACOLA,
- b. Second, to repayment of the allocable portion of Senior Construction Loan, and
- c. Third, to repayment of the allocable portion of the HACOLA Note.

In cases where the Qualified Buyer of a Non-Home Assisted Unit, after diligent good faith effort, has not, through the combination of equity and Third Party Debt, obtained a sufficient amount to pay the Sales Price for the Non-Home Assisted Unit (and HACOLA approved closing costs), and provided that the Developer is not in default of any of its obligations under this Agreement, HACOLA will provide to Qualified Buyers of Non-Home Assisted Unit that are Moderate Income Households a loan up to \$158,000 and shall provide to all Qualified Buyers of Non-Home Assisted Unit that are Lower Income Households a loan up to \$259,090 (each such loan is hereinafter referred to as a "**HACOLA Secondary Homebuyer Financing Loan**"), as further described in this Section 5.3. The amount of each HACOLA Secondary Homebuyer

Financing Loan (the "**HACOLA Secondary Homebuyer Financing Loan Amount**") shall in no event be more than (when added to all other financing and equity applied to the Sales Price in connection with the Non-Home Assisted Unit Close of Escrow) the Sales Price of the Unit plus approved closing costs. The HACOLA Secondary Homebuyer Financing Loan shall be secured by a deed of trust ("**HACOLA Secondary Financing Deed of Trust**"), restricted by a resale and equity sharing agreement ("**HACOLA Secondary Resale and Equity Sharing Agreement**") and evidenced by a promissory note ("**HACOLA Secondary Financing Note**"). In no event shall the total of all HACOLA assistance to Qualified Homebuyers exceed the original principal amount of the HACOLA Note.

In the course of constructing the Assisted Units, Developer shall install wheelchair lifts in two Assisted Units. If one or more Homebuyers of additional Assisted Units, not to exceed three additional Homebuyers, requests chairlifts to be installed, Developer shall install the chairlifts in the requested Assisted Units at no additional costs to the Homebuyers.

HACOLA agrees that HACOLA's Executive Director shall subordinate the HACOLA Secondary Financing Deed of Trust and HACOLA Secondary Resale and Equity Sharing Agreement to the Qualified Homebuyers other financing secured by a first deed of trust on the Assisted Unit that is approved by HACOLA's Executive Director.

If HACOLA determines in its sole discretion that the HACOLA Secondary Financing Loan is in an amount which creates an excessive financial hardship on the Qualified Buyer, HACOLA may convert a portion of the HACOLA Secondary Homebuyer Financing Loan to a third priority loan ("**HACOLA Tertiary Homebuyer Financing Loan**"). The provisions of the HACOLA Tertiary Financing Homebuyer Loan shall be subject to HACOLA's sole discretion but may include structuring such loan as a so called silent third position loan. The HACOLA Tertiary Homebuyer Financing Loan shall be secured by a deed of trust ("**HACOLA Tertiary Homebuyer Financing Deed of Trust**"), restricted by a resale and equity sharing agreement ("**HACOLA Tertiary Homebuyer Resale and Equity Sharing Agreement**") and evidenced by a promissory note ("**HACOLA Tertiary Homebuyer Note**").

If the Qualified Buyer and its lender of the Third Party Debt do not agree to the terms and conditions of the HACOLA Secondary Homebuyer Financing Loan and the HACOLA Tertiary Homebuyer Financing Loan, if any, then the HACOLA Deed of Trust shall not be reconveyed and remain a lien on the Assisted Units and the Developer shall be responsible for repaying the debt if another lender cannot be found.

The terms and conditions of the HACOLA Secondary Homebuyer Financing Loan and the HACOLA Tertiary Homebuyer Financing Loan shall be established in connection with HACOLA's approval of the Affirmative Marketing Plan (as outlined in Section 4.17.12) and may include, without limitation, (i) a shared appreciation payment due to HACOLA in the event the Assisted Unit is transferred by the Qualified Buyer prior to fifty-five (55) years from the date of its purchase by the Qualified Buyer, (ii) requirements that the Qualified Buyer and its household use the Assisted Unit only as their primary residence, and (iii) inclusion of such requirements as covenants in the deed for the purchase of the Assisted Unit. Provided however, as market conditions, Unit sales activities, and information regarding the Project and available third party lender conditions change, the terms and conditions of the HACOLA Secondary Homebuyer

Financing Loan and the HACOLA Tertiary Homebuyer Financing Loan may in HACOLA's sole discretion also change.

Developer understands and acknowledges that until the HACOLA Loan and all amounts due under the HACOLA Loan Homebuyer Financing Documents have been paid in full, such amounts shall be secured by the HACOLA Deed of Trust, the HACOLA Secondary Financing Deed of Trust, or the HACOLA Tertiary Homebuyer Financing Deed of Trust. By agreeing to make the HACOLA Secondary Homebuyer Financing Loan and the HACOLA Tertiary Homebuyer Financing Loan HACOLA is not agreeing to make any additional funds available for the Project.

5.4. Assisted Unit Escrows.

The Developer shall cause the agreement for the purchase of each Assisted Unit (whether receiving HOME funds or not) to be evidenced by a written purchase agreement (each an "Assisted Unit Buyer Agreement"), in a form approved by HACOLA, and fully executed by Developer and the proposed purchaser (the "Proposed Purchaser"). The Assisted Unit Buyer Agreement will provide that the obligation of the Developer to convey title thereunder to the Proposed Purchaser shall be conditioned upon HACOLA's approval of the Proposed Purchaser and otherwise upon satisfaction of the requirements of this Section 5.4 and Section 5.5 below. Within seven (7) days after the execution of an Assisted Unit Buyer Agreement for an Assisted Unit, an escrow (each an "Assisted Unit Escrow") shall be opened with Escrow Holder. Upon identifying a Proposed Purchaser, Developer, or its designee, shall provide to HACOLA, by personal delivery or by first-class U.S. Mail, a reservation request completed by the Proposed Purchaser, together with such loan applications, documentation and other information and data (collectively, "Loan Information") requested by HACOLA to permit HACOLA to (i) verify that the Proposed Purchaser is a Qualified Buyer, and (ii) determine the credit-worthiness of the Proposed Purchaser; provided, however, that HACOLA shall accept, in lieu of the Loan Information, copies of all loan applications and other documentation and data received by the Permanent Lender in connection with its consideration of the Permanent Loan to each Proposed Purchaser so long as such documentation contains the information required by HACOLA to make its findings under (i) and (ii) hereinabove (collectively, the "Reservation Request"). If HACOLA approves, in its sole and absolute discretion, the Reservation Request, then HACOLA shall provide written notice of such approval to the Developer and the Proposed Purchaser and such Proposed Purchaser shall be considered a Qualified Buyer for purposes of this Agreement.

5.5. Conditions to Closing of Non-HOME Assisted Unit Escrows.

The closing of a Non-Home Assisted Unit Escrow, and HACOLA's obligation to make a HACOLA Secondary Homebuyer Financing Loan to a Qualified Buyer with respect to an Assisted Unit, shall be expressly subject to satisfaction or waiver by HACOLA of all of the following conditions (collectively, the "Assisted Unit Closing Conditions"):

5.5.1.1. the Proposed Purchaser has become a Qualified Buyer pursuant to Section 5.4 above;

5.5.1.2. the Qualified Buyer has deposited into the Assisted Unit Escrow a duly

executed HACOLA Secondary Homebuyer Financing Note, HACOLA Secondary Resale and Equity Sharing Agreement and HACOLA Secondary Homebuyer Financing Deed of Trust and, as required, a HACOLA Tertiary Homebuyer Financing Note, HACOLA Tertiary Resale and Equity Sharing Agreement and HACOLA Tertiary Homebuyer Financing Deed of Trust ;

5.5.1.3. the Qualified Buyer has deposited into the Assisted Unit Escrow a duly executed and acknowledged HACOLA Secondary Homebuyer Financing Deed of Trust and a duly executed and acknowledged HACOLA Tertiary Homebuyer Financing Deed of Trust;

5.5.1.4. the Developer has deposited into the Assisted Unit Escrow a duly executed and acknowledged grant deed with respect to the Assisted Unit to be purchased by the Qualified Buyer, in a form approved by HACOLA ("**Assisted Unit Grant Deed**");

5.5.1.5. The Qualified Buyer has deposited into the Assisted Unit Escrow such other documents as may be reasonably requested by the Escrow Holder or by the Title Company;

5.5.1.6. HACOLA has deposited into the Assisted Unit Escrow such other documents as may be reasonably requested by the Escrow Holder or by the Title Company;

5.5.1.7. The Qualified Buyer and/or the Permanent Lender has deposited cash in the amount of the Qualified Buyer's equity and the Third Party Debt into the Assisted Unit Escrow;

5.5.1.8. The Qualified Buyer has obtained an all-risk insurance policy insuring the Assisted Unit in an amount equal to the full replacement value of the Assisted Unit and in a form and with an insurance company approved by HACOLA. Such policy shall name HACOLA as loss payee and shall contain a statement of obligation on behalf of the carrier to notify HACOLA of any material change, cancellation or termination of coverage at least thirty (30) days in advance of such material change, cancellation or termination;

5.5.1.9. Escrow Holder shall have confirmed that the Title Company is irrevocably and unconditionally committed to issue to HACOLA, upon recordation of the HACOLA Secondary Homebuyer Financing Deed of Trust and the HACOLA Tertiary Homebuyer Financing Deed of Trust, a lender's policy of title insurance (the "**HACOLA Secondary Homebuyer Financing Title Policy**"), with customary endorsements, including but not limited to Nos. 100, 103.7 and 116 and such other endorsements as HACOLA may reasonably require, in the amount of the HACOLA Secondary Homebuyer Financing Loan, insuring HACOLA's interest as beneficiary under the HACOLA Secondary Homebuyer Financing Deed of Trust and the HACOLA Tertiary Homebuyer Financing Deed of Trust encumbering the Assisted Unit, and specifically insuring that the lien of the HACOLA Secondary Homebuyer Financing Deed of Trust against the Assisted Unit is subject only to the lien of the Permanent Loan, the HACOLA Secondary Resale and Equity Sharing Agreement and any exceptions to title applicable to the Assisted Unit which were shown in a preliminary title report provided to HACOLA by Title Company no later than seven (7) days after the approval by HACOLA of the Reservation Request and approved in writing by HACOLA prior to the closing of the Assisted Unit Escrow, and that the lien of the HACOLA Tertiary Homebuyer Financing Deed of Trust against the Assisted Unit is subject only to the lien of the Permanent Loan, the HACOLA Secondary Resale and Equity Sharing Agreement, the HACOLA Secondary Homebuyer Financing Deed of Trust, the HACOLA

Tertiary Resale and Equity Sharing Agreement and any exceptions to title applicable to the Assisted Unit which were shown in a preliminary title report provided to HACOLA by Title Company no later than seven (7) days after the approval by HACOLA of the Reservation Request and approved in writing by HACOLA prior to the closing of the Assisted Unit Escrow. Developer shall pay all costs associated with the HACOLA Secondary Financing Title Policy. Mechanic's liens shall not be an exception or exclusion from coverage. Standard lender's title insurance coverage (without the need for a survey) will be accepted by HACOLA unless the Permanent Lender requires extended coverage, in which case an ALTA extended coverage policy shall also be provided to HACOLA;

5.5.1.10. The Certificate of Occupancy for the Assisted Unit shall have been issued by the County of Los Angeles;

5.5.1.11. No stop notice or mechanics' lien shall have been filed against the Assisted Unit unless same has been discharged as provided by law;

5.5.1.12. No Event of Default shall have occurred and be continuing under this Agreement.

5.5.1.13. Developer shall have furnished HACOLA, if applicable, and obtained HACOLA's approval of the compliance with the environmental mitigation measures specified in the "Environmental Special Conditions" referenced in Exhibit "G" attached hereto (if applicable). Developer hereby acknowledges that HACOLA's review and approval of such compliance with environmental mitigation measures under this Agreement is solely for the benefit of the HACOLA and should not be relied upon as any assurance or warranty of the correctness, adequacy or appropriateness of such matter;

5.5.1.14. All of the Closing Conditions set forth in Section 5.5 above are otherwise satisfied, as certified to the Escrow Holder by HACOLA; and

5.5.1.15. HACOLA has deposited into the Assisted Unit Escrow a fully executed and acknowledged Partial Reconveyance of the HACOLA Deed of Trust with respect to the Assisted Unit being sold (the "**Partial Reconveyance**").

#### 5.6. Assisted Unit Escrow Instructions.

When, and only when, Escrow Holder has confirmed that the Assisted Unit Closing Conditions set forth in Sections 5.5.1.2, 5.5.1.3, 5.5.1.4, 5.5.1.5, 5.5.1.6, 5.5.1.7, 5.5.1.9, 5.5.1.15 and 5.5.1.16 have been satisfied, and has received written certification from HACOLA that all other Assisted Unit Closing Conditions set forth in Section 5.5 have been timely satisfied or waived, then Escrow Holder shall carry out the close of the Assisted Unit Escrow ("**Assisted Unit Close of Escrow**") by:

(i) causing the Partial Reconveyance, the Assisted Unit Grant Deed, the deed of trust evidencing the Permanent Loan, the HACOLA Secondary Financing Resale and Equity Sharing Agreement, the HACOLA Secondary Financing Deed of Trust, the HACOLA Tertiary Financing Resale and Equity Sharing Agreement (if any), and the HACOLA Tertiary Financing

Deed of Trust (if any) to be recorded, in that order, in the Official Records of Los Angeles County, California;

(ii) delivering the executed original HACOLA Secondary Financing Note and the HACOLA Tertiary Financing Note to HACOLA; and

(iii) causing the HACOLA Secondary Financing Title Policy to be issued to HACOLA, in the form and the amount specified in Section 5.5.1.9.

5.7. Sales Prices.

Prior to the sale of any Assisted Unit, it shall be the responsibility of the Developer to make all necessary arrangements, including financial, for an appraisal to determine the maximum sales price for all Assisted Units, which shall be subject to the approval of HACOLA. Upon HACOLA's approval of the appraisal of an Assisted Unit, the "Sales Price" for such Assisted Unit shall be equal to or less than the fair market value determined by such appraisal in the case of an Assisted Unit without HOME funds. An example showing how to appropriately calculate the sale price is attached as Exhibit E.

5.8. Related Sales and Fees Prohibited.

Developer shall not knowingly sell any Unit to a spouse, parent, grandparent, child, grandchild, sibling, aunt, uncle, nephew, niece, or first cousin of any principal, officer, member, director, partner, owner, employee or agent of Developer or any person holding a beneficial interest in Developer. Developer shall not accept any payment of money or other consideration of any kind (other than the purchase price and other customary payments made in connection with the purchase) in return for or in an attempt to recapture all or any portion of the purchase price subsidy contemplated by this Agreement.

5.9. Maintenance of Project Pending Final Sale.

Beginning upon the Completion of the Project and continuing for so long as Developer owns any of the Units, Developer shall, solely as to portions of the Project that it owns, maintain all improvements and landscaping on the Site in first-class order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the approved Plans for the Project and all Applicable Governmental Restrictions.

5.10. First Mortgage Loans.

The Developer shall work with one or more Qualified Financial Institutions selected by the Developer approved by HACOLA for the transaction contemplated by this Agreement (each a "Permanent Lender" and collectively, the "Permanent Lenders") to ensure that a fixed rate permanent mortgage loan is made available to each Qualified Buyer at the lowest commercially available interest rate and on the most favorable terms. No temporary buy-down of the interest rate on such permanent mortgage loans shall be permitted. All Permanent Lenders selected by the Developer must first attend a HACOLA lender training program prior to initiating a loan to a Qualified Buyer.



## 6. DEVELOPER'S OBLIGATION TO REFRAIN FROM DISCRIMINATION.

From and after the date of this Agreement, there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, national origin, sex, religion, marital or familial status, handicap (disability), sexual orientation, ancestry, or source of income in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Developer itself or any person claiming under or through Developer establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Site or any portion thereof. The non-discrimination and non-segregation covenants set forth herein shall remain in effect in perpetuity.

### 6.1. Form of Non-discrimination and Non-Segregation Clauses.

Developer shall refrain from restricting the rental, sale or lease of the Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following non-discrimination or non-segregation clauses:

(a) In deeds: "The grantee" (or such term that describes the Developer in the particular deed) "herein covenants by and for himself or herself, and 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, national origin, sex, religion, marital or familial status, handicap (disability), sexual orientation, ancestry or source of income in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(b) In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, national origin, sex, religion, marital or familial status, handicap (disability), sexual orientation, ancestry, or source of income, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the premises."

Nothing in this Section shall be construed or understood to limit, restrict or in any way waive the income requirements described in this Agreement.

## 7. DEVELOPER'S CONSTRUCTION AND OTHER COVENANTS

### 7.1. Indemnification.

From and after the date hereof, Developer agrees to and does hereby indemnify, defend (with counsel reasonably acceptable to HACOLA) and hold harmless each and all of HACOLA, CDC and the County and their respective officers, directors, employees, representatives, consultants and agents (collectively the “Public Agencies”) from and against any and all suits, claims, demands, costs, expenses, damages, awards, liens, judgments, attorney’s fees or other losses and liabilities (collectively, “Losses and Liabilities”), which Losses and Liabilities arise directly or indirectly, by negligence, willful act, by operation of law, statute or otherwise, from or in connection with (i) this Agreement and any agreements made in connection with this Agreement; (ii) acts or omission of Developer or any of its agents, employees, lessees, representatives, licensees, guests, invitees, contractors, subcontractors or independent contractors on the Site or in connection with the Project, including, but not limited to Losses and Liabilities respecting bodily injury, death, property damage, workers’ compensation, liability or expense arising from or in connection with services performed on behalf of Developer by any person pursuant to this Agreement; (iii) Developer’s use or ownership of the Site; (iv) the presence, use, or disposal of Hazardous Materials (defined later in this Agreement) in, at under, above or about the Site prior to or after the date of this Agreement; (v) any breach or default by the Developer of its obligations arising from or related to this Agreement or any agreements related to any liens or encumbrances affecting the Site, including loan agreements; and (vi) the construction and sale of the improvements located at the Site whether or not considered part of the Project, except that this covenant shall not apply to Losses and Liabilities that are solely caused by the gross negligence or willful misconduct of such Indemnified Party. This covenant shall survive the expiration or earlier termination of this Agreement and the sale of all of the Units in the Project.

#### 7.2. Audit by State, County and Federal Agencies.

Developer agrees that in the event this Agreement is subjected to audit, monitoring or other inspections by appropriate state, County and federal agencies (or their agents or designees, including HACOLA and CDC), Developer shall comply with such inspections. In the event such audit, monitoring or other inspection determines that Developer is in violation of applicable laws and regulations, Developer shall pay, on behalf of itself and HACOLA, the full amount of the cost to the inspecting agency which result from such inspections, if any, unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of HACOLA. Auditors and inspection shall have the right to make copies of any documents and Developer agrees to cooperate with such audits and inspections.

Developer shall maintain a complete set of all books and records pertaining to this Agreement and the Project at an office located in the County of Los Angeles and they shall not be moved except to another office located in the County of Los Angeles and identified to HACOLA by written notice. The current office where the books and records are located is the address for the Developer as set forth in Section 16.

If the Developer maintains an office at the Site this Site office shall have a complete set of all construction related information.

The term “books and records” shall include, copies of this Agreement and all amendments; all accounting records relating to the Project which reflect all revenues and expenses related to the Project, check registers, bank statements, payroll information, and receipts or other evidence of

expenditures; copies of all other agreements related to the Project including general contractor agreements, architect agreement and subcontracts; mechanic's lien related documents; pleadings and other papers related to any litigation or other proceedings related to the Project; insurance policies and certificates covering the Project; and construction schedules, plans and specifications, change orders, payment disbursement materials, staffing reports and minutes of construction meetings.

Inspections and audits of the Developer's office and the Site office may occur at any time during business days and between 9:00 a.m. – 5:00 p.m. with reasonable prior notice except in the cases of emergency.

Developer is required to retain the books and records for a period of five (5) years after the end of the Term of this Agreement. In addition to the books and records described above, upon seventy-two (72) hours written notice, at any reasonable time during such time as this Agreement is in effect, Developer shall prepare and submit to HACOLA, all additional reports reasonably required by HACOLA or its representatives which in the reasonable judgment of HACOLA and its representatives may be relevant to a question of compliance with this Agreement. Developer shall also retain all such reports, records and data relating to the Project for the five-year period described above. In the event any litigation, claims or audit is started during the period when this Agreement is in effect, said books and records shall be retained until all litigation, claims or audit findings involving said books and records have been resolved.

### 7.3. Program Evaluation and Review.

Developer shall allow HACOLA and its authorized personnel to inspect and monitor its books and records, facilities and program operations as they relate to the Project or this Agreement, including the interviewing of Developer's staff and program participants, as reasonably required by HACOLA until the termination of this Agreement.

Inspections and monitoring of the Developer's office and the Site office may occur at any time during business days and between 9:00 a.m. – 5:00 p.m. with reasonable prior notice except in the case of emergency.

### 7.4. Hazardous Materials.

The Developer covenants that it shall use and maintain the Site in compliance with all Applicable Governmental Restrictions applicable to Hazardous Materials, as hereinafter defined, including specifically but without limitation all recommendations required by the "Phase I" and "Phase II" environmental assessments (provided by HACOLA to Developer without warranty or representation). Developer further represents and warrants that it has not deposited (which term shall include use, disposal, storage, or release) Hazardous Materials (as defined below) in, on, under or upon the Site or the Project and Developer covenants that it shall not deposit or permit the deposit of Hazardous Materials in, on or upon the Site or the Project, except as provided below. Developer further covenants to remove or remediate, at its expense (subject to any reimbursement it may be able to obtain from third parties) any Hazardous Materials located in, on, under or upon the Site or the Project as of the date hereof or which are deposited in, on, under or upon the Site or the Project from and after the date hereof and during Developer's inspection or ownership of the

Site or ownership of the Project, including any asbestos, lead-based paint and any other Hazardous Materials located in the Project, to the extent required by and in accordance with the requirements of the Applicable Governmental Restrictions, including, without limitation, all applicable environmental laws. The foregoing shall not be construed or understood to prohibit Developer from allowing Hazardous Materials to be brought upon the Site or the Project so long as they are materials which are customary to the normal course of business in the construction of well-designed housing facilities and so long as such materials are deposited in accordance with all Applicable Governmental Restrictions.

Except with respect to any claims solely caused by the Public Agencies, as defined in Section 7.1, Developer hereby releases and discharges all each and all of the Public Agencies from all present and future claims, demands, suits, legal and administrative proceedings and from all Losses and Liabilities arising out of or in any way connected with Developer's ownership of the Site or Project, operation of the Project, or any condition of environmental contamination in, on, under, upon or around the Site, or the existence of Hazardous Materials in any state in, on, under, upon or around the Site, and in connection with such release and waiver Developer acknowledges that it is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

For purposes of this Agreement, the term "**Hazardous Materials**" means, without limitation, gasoline, petroleum products, explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, polychlorinated biphenyls or related or similar materials, asbestos or any other substance or material as may now or hereafter be defined as a hazardous or toxic substance by any federal, state or local environmental law, ordinance, rule or regulation, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act (42 U.S.C. Section 9601 et seq.), (ii) the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), (iii) the Clean Air Act (42 U.S.C. Section 7401 et seq.), (iv) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984 (42 U.S.C. Section 6902 et seq.), (v) the Toxic Substances Control Act (15 U.S.C. Section 2601-2629), (vi) the Hazardous Materials Transportation Act (49 U.S.C. Section 5101 et seq.), (vii) the Carpenter-Presley-Tanner Hazardous Substance Account Act (CA Health & Safety Code Section 25300 et seq.), (viii) the Hazardous Waste Control Law (CA Health & Safety Code Section 25100, et seq.), (ix) the Porter-Cologne Water Quality Control Act (CA Water Code Section 13000 et seq.), (x) the Safe Drinking Water and Toxic Enforcement Act of 1986, (xi) the Hazardous Materials Release Response Plans and Inventory (CA Health & Safety Code Section 25500 et seq.), (xii) the Air Resources Law (CA Health & Safety Code Section 39000 et seq.), or (xiii) in any of the regulations adopted and publications promulgated pursuant to the foregoing.

#### 7.5. Construction Loan Defaults.

Developer shall comply with all monetary and non-monetary covenants associated with

any loan secured by an interest in the Site or the Project, including but not limited to the Senior Construction Loan. Developer shall provide to HACOLA a copy of any notice of default within five (5) business days after receiving any notice of a default or alleged default of such covenants by Developer, and Developer shall promptly cure any such default and cooperate in permitting HACOLA, to the extent HACOLA in its sole discretion elects to do so, to cure or assist in curing the default (as is otherwise described in Section 4.16 and/or Section 30 hereof) in accordance with the terms of this Agreement. Any cost or expenditure incurred by HACOLA in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the HACOLA Loan.

#### 7.6. Notices of Default, Violation and Material Changes in Conditions.

Developer shall immediately provide HACOLA with copies of all (i) notices of default or violations of law received, whether directly or indirectly, regarding the Developer, the Site, Developer's work on the Site, the Project, or Developer's ownership or activities related thereto, including notices issued by any lenders or government agencies or any owners of Developer; (ii) demands for arbitration or mediation, summons and complaint, or notices of commencement of administrative hearings with regard to or involving the Project, the Site or Developer and all subsequent pleadings and briefs and settlement agreements; (iii) construction related notices including Preliminary Notices, Stop Notices, and mechanics liens; (iv) real property and personal property tax bills and assessments; and (v) such other reasonable information requested by HACOLA pertaining to any of the above items.

Developer shall notify HACOLA if there is a material adverse change in condition related to the Project including changes in Developer's financial condition, increases in construction costs, delays in the construction work, and changes in the real estate market affecting the feasibility of the Project.

#### 8. INDEPENDENT CONTRACTOR

In their performance of this Agreement, both Parties will be acting in an independent capacity and not as agents, employees, partners, joint venturers, or associates of one another. The employees or agents of one Party shall not be deemed or construed to be the agents or employees of the other Party for any purpose whatsoever, including workers' compensation liability. Developer shall bear the sole responsibility and liability for furnishing or causing the General Contractor to furnish workers' compensation benefits to any person for injuries arising from or connected with services performed on behalf of Developer pursuant to this Agreement.

#### 9. ASSIGNMENT AND TRANSFERS

Except for the transfers expressly permitted by this Agreement, without the prior written approval of HACOLA which approval HACOLA may withhold in its sole and absolute discretion, the Developer shall not (i) directly or indirectly, by operation of law, voluntarily or involuntarily, sell, gift, encumber, assign, lease, sublease, license, or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Site or the Project or this Agreement; (ii) permit

the Transfer of greater than forty-nine percent (49%) of its ownership and/or Control, in the aggregate, taking all transfers into account on a cumulative basis; or (iii) Transfer any of its rights or obligations under any documents or agreements related to this Agreement. The Developer hereby agrees that any purported Transfer not approved by HACOLA as required herein shall be (unless HACOLA elects to the contrary in its sole discretion) a material default under this Agreement and ipso facto null and void, and no voluntary or involuntary successor to any interest of the Developer under such a proscribed Transfer shall acquire any rights pursuant to this Agreement.

At any time the Developer desires to effect a Transfer hereunder, the Developer shall notify HACOLA in writing (the "Transfer Notice") and shall submit to HACOLA for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by the Developer and the proposed transferee to HACOLA sufficient to establish and ensure that all requirements of this Section have been and will be met. No Transfer Documents shall be approved by HACOLA unless they expressly provide for the assumption by the proposed transferee of all of the Developer's obligations under the Loan Documents. The Transfer Notice shall include a request that HACOLA consent to the proposed Transfer. HACOLA agrees to make its decision on the Developer's request for consent to such Transfer promptly, and use reasonable efforts to respond not later than thirty (30) days after HACOLA receives the last of the items required by this Section. In the event HACOLA consents to a proposed Transfer, then such Transfer shall not be effective unless and until HACOLA receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by the Developer to HACOLA.

Notwithstanding anything in this Agreement to the contrary, the Developer agrees that it shall not be permitted to make any Transfer, whether or not HACOLA's consent is required therefore and even if HACOLA has consented thereto, if there exists an default under this Agreement at the time the Transfer Notice is tendered to HACOLA or at any time thereafter until such default has been cured.

The provisions of this shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to the Developer under the terms set forth herein.

The Developer shall use its best efforts to provide HACOLA concurrently with the closing of any Transfer (but in no event later than 30 days after the closing of such Transfer) copies of all documents pertaining to the transaction, including any amendments to the organizational documents of the Developer or any constituent partners or members.

The prohibitions against Transfer contained in this Section shall not apply to (i) the sale of the Units in accordance with the provisions of this Agreement, (ii) the granting of easements or permits to facilitate the development of the Site or to prohibit or restrict the sale of the finished Units in accordance with this Agreement, (iii) the Transfer of common Project Property to the homeowner's association, (iv) Transfers to applicable governmental agencies, (v) Transfers to an Affiliate, subject to the Affiliate assuming all obligations of the Developer under this Agreement pursuant to an assignment and assumption agreement in a form reasonably approved by HACOLA or (vi)

Transfers in connection with a foreclosure or conveyance in lieu of foreclosure of the Senior Deed of Trust, and the initial Transfer by the Senior Construction Lender or its designee thereafter in accordance with Section 30.6 hereof. .

10. EVENTS OF DEFAULT AND REMEDIES.

10.1. Developer Events of Default.

The occurrence of any of the following shall, constitute an event of default by Developer hereunder (“**Event of Default**”), each of which are acknowledged by Developer to constitute a material default under this Agreement:

(a) The failure of Developer to pay or perform any monetary covenant or obligation hereunder or under the terms of any document executed hereunder or in connection herewith, without curing such failure within ten (10) days after giving of written notice of such default from HACOLA (or from any party authorized by HACOLA to deliver such notice as identified by HACOLA in writing to Developer);

(b) The failure of Developer to perform any non-monetary covenant or obligation hereunder or under the HACOLA Note, the HACOLA Deed of Trust or any other document executed hereunder or in connection herewith, without curing such failure within thirty (30) days after the giving of written notice of such default from HACOLA (or from any party authorized by HACOLA to give such notice as identified by HACOLA in writing to Developer) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a thirty (30) -day period, it shall be deemed cured if Developer commences the cure within said thirty (30) -day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within one hundred eighty (180) days after the giving of said notice. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in subsection (a) or in subsections (c) through (h) of this Section 10.1 or for nonmonetary covenants or obligations otherwise set forth in the Agreement, the HACOLA Financing Documents or any other document executed hereunder or in connection herewith where an express time period is otherwise provided elsewhere in the applicable document, including time periods for performance as set forth on the Schedule of Performance;

(c) The falsity of any representation or breach of any warranty or covenant made by Developer under the terms of or in connection this Agreement or any other document executed hereunder or in connection herewith (a cure period does not apply to this subsection);

(d) Developer or any constituent member or partner, or majority shareholder, of Developer shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (ii) fail to pay or admit in writing its inability to pay its debts generally as they become due, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated as bankrupt or insolvent or (v) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an

order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(e) If without the application, approval or consent of Developer, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Developer or any constituent member or partner, or majority shareholder, of Developer, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Developer or of all or any substantial part of Developer's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Developer, in good faith, the same shall (i) result in the entry of an order for relief or any such adjudication or appointment, or (ii) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(f) Failure to achieve the Assisted Unit Close of Escrow for all of the Assisted Units in the Project to Qualified Buyers pursuant to this Agreement by December 31, 2019;

(g) Developer shall effect an assignment a Transfer in violation of Section 9 above; or

(h) Developer shall be in default under the terms of any Construction Loan or any other secured obligation secured by the Site or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default.

(i) A lawsuit, proceeding, arbitration, or other action (civil, criminal or administrative) is commenced against Developer or the Project or the Site which in the reasonable opinion of HACOLA would have an adverse effect on the authority or ability of Developer to proceed with the completion of the Project or the sale of the Units (including the Assisted Units).

(j) Developer or any Affiliate of Developer shall be convicted of fraud, misappropriation of funds or insurance or condemnation proceeds, theft, embezzlement, bribery, or a crime of moral turpitude or become barred or suspended from bidding on or accepting government contracts at the federal, State or County levels of government.

## 10.2. Remedies.

Upon the occurrence of an Event of Default hereunder, HACOLA may, in its sole discretion, take any one or more of the following actions:

(1) RESERVED

(2) Take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute (including the remedy of specific performance), in the sole discretion of HACOLA, to collect the amounts then due and thereafter to become due hereunder or under any other document executed hereunder or in connection herewith, to exercise its rights under any document executed hereunder or in connection herewith,



and to enforce performance and observance of any obligation, agreement or covenant of the Developer under this Agreement or under any other document executed in connection herewith;

(3) Upon the occurrence of an Event of Default which is occasioned by Developer's failure to pay money, whether under this Agreement or under any document executed hereunder or in connection herewith, HACOLA may, but shall not be obligated to, make such payment. If such payment is made by HACOLA, Developer shall deposit with HACOLA, upon written demand therefor, such sum plus interest at the Default Rate, as set forth in the HACOLA Note. In either case, the Event of Default with respect to which any such payment has been made by HACOLA shall not be deemed cured until such repayment (as the case may be) has been made by Developer. Until repaid, such amounts shall be secured by the HACOLA Deed of Trust;

(4) Upon the occurrence of an Event of Default described in Section 10.1 (d) or (e) hereof, HACOLA shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid under this Agreement or any other Transaction Document (any reductions in the outstanding amounts under this Agreement or any of the other Transaction Documents due to HACOLA from Developer other than actual cash payments shall be deemed rescinded) and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of HACOLA and its counsel to protect the interests of HACOLA and to collect and receive any monies or other property in satisfaction of its claim;

(5) If the Event of Default occurs subsequent to the Close of Escrow but prior to the commencement by the Developer of the construction of the Project, the Developer, at the demand of HACOLA, shall make the following payments to HACOLA which shall be deemed to fully discharge the HACOLA Note: (i) the original principal amount of the HACOLA Loan; (ii) all interest accruing on the HACOLA Note from the date of the Close of Escrow; (iii) all other charges, fees and expenses due under the HACOLA Note; and (iv) all consequential damages in any way arising from or relating to the Event of Default and/or the resulting reconveyance of the Site to HACOLA, including, without limitation, lost opportunity costs, any difference between the HACOLA Loan and any sum required to be expended by HACOLA and/or HACOLA in connection with the development of the Site by another developer and other like costs;

(6) Rescission of this Agreement and recapture of the Site and all improvements thereon from Developer as set forth in more detail in Section 10.3; and

(7) Pursue any and all other remedies available to HACOLA at law or in equity.

### 10.3. Reserved

10.4. No Remedy Exclusive.

No remedy herein conferred upon or reserved to HACOLA is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as HACOLA may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by HACOLA. In order to entitle HACOLA to exercise any right or remedy reserved to it under this Agreement, no notice shall be required except as expressly provided herein.

10.5. HACOLA Default and Developer Remedies.

Subject to the rights of Senior Construction Lender pursuant to Section 30 hereof, upon fault or failure of HACOLA to meet any of its obligations under this Agreement without curing such failure within thirty (30) days after receipt of written notice of such failure from Developer specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Developer may, as its sole and exclusive remedies:

(a) Demand and obtain payment from HACOLA of any sums due to or for the benefit of Developer pursuant to the express terms of this Agreement;

(b) Bring an action in equitable relief seeking the specific performance by HACOLA of the terms and conditions of this Agreement or seeking to enjoin any act by HACOLA which is prohibited hereunder; and

(c) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Agreement.

Without limiting the generality of the foregoing, Developer shall in no event be entitled to, and hereby waives, any right to seek indirect or consequential damages of any kind or nature from HACOLA arising out of or in connection with this Agreement, and in connection with such waiver Developer acknowledges that Developer is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

11. RESERVED

12. RIGHT OF ACCESS, INSPECTION AND CURE

HACOLA, CDC and the County shall have the right at any time during normal business hours and from time to time to enter upon the Site for purposes of inspection (including visual inspection as well as sampling). If HACOLA in its reasonable discretion determines that any work or materials, actions or expenditures are not in conformity with this Agreement or any Applicable Governmental Restrictions, HACOLA may at its election, cure the matter itself, after notice to and consultation with the Developer and affording the Developer thirty (30) days after such notice to cure the matter (or without notice in the case of an emergency) (provided, however, that if such matter cannot be cured within a thirty (30) -day period, it shall be deemed cured if Developer commences the cure within said thirty (30) -day period and diligently prosecutes such cure to completion thereafter) and the Developer fails to cure the matter. Such cure by HACOLA may include, without limitation, stopping the work and ordering replacement or correction of any such work or materials regardless of whether or not such work or materials have theretofore been used in the construction of any portion of the Project.

Developer shall reimburse HACOLA, upon demand from HACOLA, for the costs of any such cure performed by HACOLA.

Inspection by HACOLA, CDC, or the County of the Project or the Site or any construction thereof is for the sole purpose of protecting HACOLA and is not to be construed as an acknowledgment, acceptance or representation by HACOLA, CDC or the County that there has been compliance with any Plans approved pursuant to this Agreement, or any terms or provisions of this Agreement, or any Applicable Governmental Restrictions, or that the Project or the Site or any of the construction thereof is or will be free of faulty materials or workmanship.

13. CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY

No County/CDC/HACOLA Representative shall have any personal interest, direct or indirect, in this Agreement, nor shall any County/CDC/HACOLA Representative participate in any decision relating to this Agreement which affects such County/CDC/HACOLA Representative's pecuniary interest in any corporation, partnership or association in which County/CDC/HACOLA Representative is directly or indirectly interested. No County/CDC/HACOLA Representative shall be personally liable in the event of a breach of this Agreement by HACOLA. Developer shall within not less than ten (10) days after learning of any such conflict of interest or facts which reasonably indicate that a conflict of interest may exist, notify the executive director of HACOLA and HACOLA.

14. AMENDMENTS, CHANGES AND MODIFICATIONS

This Agreement may not be amended, changed, modified, altered or terminated without the prior written consent of the parties hereto.

15. EXECUTION OF COUNTERPARTS AND DELIVERY.

This Agreement with exhibits constitutes the entire understanding and agreement of the parties. This Agreement may be executed in any number of counterparts and by different signatories hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument, for the same effect as if all signatories hereto had signed the same signature page. Any signature page of this Agreement may be detached from any counterpart of such document without impairing the legal effect of any signatures thereon and may be attached to another counterpart of such document identical in form hereto but having attached to it one or more additional signature pages. The delivery of a signed counterpart of this Agreement by facsimile or email shall have the same legal effect as delivery of an original signed counterpart by hand. This Agreement shall only be effective as a binding legal agreement among the parties after signed counterparts have been exchanged among the parties and the satisfaction of conditions in favor of HACOLA to its effectiveness as set forth in this Agreement.

The submission of a draft of this Agreement to a party is not intended as an offer. The parties may terminate negotiation at any time prior to the exchange of signed counterparts among the parties and no duty of good faith or fair dealing shall apply to the negotiation among the parties prior to the exchange of signed counterparts among the parties and the satisfaction of the conditions to effectiveness in favor of HACOLA as described in this Agreement.

16. NOTICES

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

If to HACOLA: Housing Authority of the County of Los Angeles  
700 West Main Street  
Alhambra, CA 91801  
Attn: Executive Director  
Fax No. (626) 943-3816

With a copy to: Housing Authority of the County of Los Angeles  
700 West Main Street  
Alhambra, CA 91801  
Attn: Director of Economic and Housing Development  
Fax No. (626) 943-3816

If to Developer: Olson Land Opportunities II, LLC  
3010 Old Ranch Parkway, Suite 100  
Seal Beach, CA 90740-2751  
Attn: Todd Olson, President

With a copy to: The Olson Company  
3010 Old Ranch Parkway, Suite 100  
Seal Beach, CA 90740-2751  
Attn: General Counsel

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail; and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each Party shall promptly notify the other Party of any change(s) of address to which notice shall be sent pursuant to this Agreement.

17. SEVERABILITY

The invalidity or unenforceability of any one or more provisions of this Agreement will in no way affect any other provision.

18. INTERPRETATION.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Agreement are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Agreement by Developer. Each Party has been represented by counsel in the negotiation of this Agreement, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. As used in this Agreement, the word "includes" or "including" means including without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereto" and hereunder refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (i) to articles, paragraphs, sections and exhibits mean the articles, paragraphs, sections and exhibits which are

part of this Agreement, (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement and (iii) to a statute means such statute as amended from time to time and includes any successor legislation thereto. This Agreement is made solely for the benefit of HACOLA and Developer and their respective permitted successors and assigns, and no other person or entity shall have or acquire any rights under this Agreement unless expressly stated to the contrary in this Agreement. “**Business Day**” shall mean any day on which federally chartered banks in the state of Californian are open for business.

19. NO WAIVER; CONSENTS

Any waiver by HACOLA must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by HACOLA to take action on account of any default of Developer. Consent by HACOLA to any act or omission by Developer will not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for HACOLA’s consent to be obtained in any future or other instance.

20. GOVERNING LAW

This Agreement shall be governed by the laws of the State of California.

21. COMPLIANCE WITH LAWS

Developer shall comply with all Applicable Governmental Restrictions. As used herein, “**Applicable Governmental Restrictions**” shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the performance of this Agreement or development or operation of the Project, including specifically but without limitation Federal HIPAA regulations and State of California Welfare and Instructions Code Section 5328 regarding confidentiality; all code and other requirements of the jurisdiction in which the Project is located; the National Environmental Policy Act of 1969, as amended; the California Environmental Quality Act; the laws specified in the Exhibit referenced in Section 22 below; fair housing laws; prevailing wage laws (e.g. Cal. Labor Code 1720 et seq. and the federal Davis-Bacon Act (40 U.S.C. 276a)) to the extent applicable, and any other applicable federal, state, and local law. If applicable, Developer shall comply with the environmental mitigation measures specified in the “Environmental Special Conditions”, attached hereto as Exhibit “G” (if applicable). Developer shall indemnify, defend (with counsel approved by (HACOLA) and hold HACOLA, CDC and County harmless for any suit, cost, attorneys’ fees, claim, administrative proceeding, damage, wage award, fine, penalty or liability arising (whether by negligence, willful act or otherwise) out of or relating to Developer’s failure to comply with any Applicable Governmental Restrictions, including, without limitation, the nonpayment of any prevailing wages required to be paid, failure to maintain wage records, failure to post prevailing wage schedules, or other acts or omissions, regardless of whether they are the responsibility of the contractor or the party awarding the contract. Developer is solely responsible for determining the applicability of laws, and should not rely on statements by HACOLA. Developer acknowledges that HACOLA

has not represented that the Project is not a “public work” as defined in Labor Code Section 1720 et seq.; and Developer shall notify HACOLA and Developer’s contractors and subcontractors immediately upon learning of any investigation or determination by the California Department of Industrial Relations relating to whether or not the Project is a “public work”.

22. HACOLA REQUIREMENTS

Developer shall comply with the provisions set forth in Exhibit “M” to this Agreement.

23. APPLICATION OF CONDEMNATION AND INSURANCE PROCEEDS.

In the event of (i) any loss or damage, covered by the insurance policies to be maintained by Developer under this Agreement, or (ii) the commencement of a condemnation or eminent domain proceeding or threat thereof against any part of the Project or Developer (collectively a “Casualty or Condemnation”), Developer shall give immediate notice thereof to HACOLA, and HACOLA may thereupon make proof of such loss or damage, if the same is not promptly made by Developer. HACOLA acknowledges and agrees that Developer may assign to the Senior Construction Lender all rights related to Casualty or Condemnation claims pursuant to the Senior Deed of Trust for application in accordance with the Senior Loan Documents.

If there is a material default under this Agreement or any agreements related to this Agreement when such Proceeds are available for distribution, HACOLA shall disburse such proceeds in its sole discretion.

Developer shall immediately provide HACOLA with copies of all communications relating to Casualty or Condemnation, including notice of condemnation proceedings, demands for payments, claim rejections, and settlement offers, with its insurance carriers and brokers. Developer shall not settle any claim relating to a Casualty or Condemnation or make any binding stipulations or admissions without the prior review and approval of HACOLA. HACOLA may pursue compensation for its interests in the Project and Site including with regard to a condemnation action, the value allocable to the loss of the affordable housing covenants which the parties agree shall be no less than the value allocable to the loss of the Assisted Units at the Site. Developer hereby waives the rights and provisions it may have under any applicable laws which conflict with the provisions of this Section including, California Code of Civil Procedure §1265.225.

24. REPRESENTATIONS AND WARRANTIES OF DEVELOPER

Developer hereby warrants and represents to HACOLA that:

24.1. Organization and Standing.

Developer is a legal entity as described in the Transaction Summary above, duly organized, qualified to operate in California, and validly existing and in good standing under all applicable laws, and has all requisite power and authority to enter into and perform its obligations under this Agreement and all other documents executed in connection herewith.

24.2. Enforceability.

This Agreement and all other instruments to be executed by Developer in connection herewith constitute the legal, valid and binding obligation of Developer, without joinder of any other party and may be enforced in accordance with their terms subject to applicable bankruptcy and similar laws.

24.3. Authorization and Consents.

The execution, delivery and performance of this Agreement and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement, or articles and bylaws governing Developer and have been duly authorized by all necessary action of Developer's members, partners, directors, officers and shareholders.

24.4. Due and Valid Execution.

This Agreement and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Developer.

24.5. Licenses.

Developer will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to develop and sell the Units.

24.6. Litigation and Compliance.

To Developer's current actual knowledge, there are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Developer which could materially impair its ability to perform its obligations under this Agreement, nor is Developer in violation of any Applicable Governmental Restrictions which could materially impair Developer's ability to perform its obligations under this Agreement.

24.7. Default.

To Developer's current actual knowledge, there are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an Event of Default hereunder, as described in Section 10 above.

24.8. No Violations.

The execution and delivery of this Agreement and all other documents executed or given hereunder, and the performances thereunder by Developer, as applicable, will not constitute a breach of or default under any instrument or agreement to which Developer may be a party nor, to Developer's current actual knowledge, will the same constitute a breach of or violate any Applicable Governmental Restrictions.



#### 24.9. Solvency.

Developer is to pay its debts as they are due, is adequately capitalized for the activities and businesses it is performing and is solvent as such term is used under bankruptcy and commercial laws.

#### 24.10. Approvals

With respect to those matters set forth hereinabove providing for HACOLA's approval, consent, determination, or similar action, such approval, consent or determination may be given or withheld at HACOLA's sole and absolute discretion, unless otherwise expressly stated in this Agreement.

Any review or approval of any matter by HACOLA or any HACOLA official or employee under this Agreement shall be solely for the benefit of HACOLA, and neither Developer nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Developer and not HACOLA shall be solely responsible for assuring compliance with laws, the suitability of the Site for the Project, the adequacy of the Plans, and the safety of the Project construction sites, the completed Project, and the operation thereof.

#### 25. EXHIBITS

HACOLA may in its sole discretion elect to execute this Agreement without all Exhibits contemplated by this Agreement attached or fully completed. In such event Developer shall cooperate with the completion of any such missing or partially complete Exhibits so that same shall be completed within no later than thirty (30) days after the date of this Agreement. If the Exhibits are not completed within such time period, HACOLA may in its sole discretion elect to terminate this Agreement without liability, cost or expense whatsoever and each party shall bear its own costs and expenses incurred in connection with this Agreement and any related agreements or documents.

#### 26. JOINT AND SEVERAL OBLIGATION

If more than one person or entity is signing this agreement as Developer (each such person or entity being referred to as an "**Obligated Party**" and collectively as the "**Obligated Parties**") their obligations under this Agreement shall be joint and several. In other words if there is a breach under this Agreement or any related agreements by any Obligated Party, HACOLA in its sole discretion can proceed immediately against some or all of the Obligated Parties to enforce its rights under this Agreement. Each Obligated Party waives any defense by reason of any disability of any other Obligated Party, waives any other defense based on the termination of any other Obligated Parties' liability from any cause, and waives any defense based on the making of any changes or amendments to this Agreement or any related agreements without the consent or notice to the Obligated Party. Until all of the Obligated Parties' obligations to HACOLA have been discharged in full no Obligated Party has a right of subrogation against the other. Each Obligated Party waives all present payments, demands or performance, notices of nonperformance, protests, notices of pretest, notices of dishonor, and notices of acceptance of this agreement and any related

agreements, and waives all notices of the existence, creation, or incurring of new or additional obligations. Without limiting the generality of the foregoing, each Obligated Party hereby waives any and all benefits of the provisions of Sections 2809, 2810, 2819, 2845, 2849 and 2850 of the California Civil Code and any similar or analogous statutes of California or any other jurisdiction.

27. CONSENT TO JURISDICTION AND VENUE.

Developer consents to, and by execution of this Agreement submits to, the personal jurisdiction of all state and federal courts located in the State of California, in the County of Los Angeles, including the applicable United States District Court, for the purposes of any judicial proceedings which are instituted for the enforcement of this agreement or any other Transaction Document. Developer agrees that venue is proper in any of such courts and the federal and state courts located in the County of Los Angeles shall have exclusive jurisdiction with respect to disputes between the parties to this agreement.

28. PHOTOS

Developer may from time to time, and at no cost to HACOLA, provide to HACOLA and or at Developer's sole cost upon request by HACOLA shall provide to HACOLA, copies of any photographs, artwork, drawings, descriptions, video or other media or multimedia depicting the Project, the Site, or aspects thereof (the "Photos"), which have been made by or are owned by Developer or in which Developer has the rights described below. Such copies shall be in the same format as Developer's version or upon HACOLA's request shall be converted into a generally available alternate format. HACOLA is hereby granted a worldwide perpetual nonexclusive, royalty free right to use, modify, adapt, reproduce, perform, and distribute the Photos by any means or methods now or hereafter known. Developer represents and warrants that it has all rights (including under any applicable intellectual property laws such as copyright or trademark) necessary to grant to HACOLA the rights described above. HACOLA is hereby granted the right to enter on to and access the Site to take, make or obtain any Photos with regard to the Site or Project and HACOLA shall retain all rights and ownership under applicable intellectual property laws applicable thereto.

29. SIGNS.

HACOLA shall have the right at HACOLA's cost and expense and in compliance with all applicable laws to erect at least one (1) sign on the Site referring to this financing at a visibly prominent location on the Site, which sign(s) shall be of HACOLA's design, and HACOLA shall have the right, at any time and at its sole cost and expense, to announce or advertise its financing in newspapers, trade journals and other media outlets of HACOLA's choosing. Once installed, Developer shall reasonably maintain said sign(s) and dispose of them or return them to HACOLA upon the completion of construction at HACOLA's request.

30. SENIOR CONSTRUCTION LENDER RIGHTS. In the event of any material inconsistencies between this Section 30 and any of the other terms and provisions of this Agreement, the terms and provisions of this Section 30 shall control and be binding.

30.1. There shall be no cancellation, termination, surrender or modification of this

Agreement or any of the other Transaction Documents, nor any exercise of right of termination, any option or election by Developer without the prior consent in writing of Senior Construction Lender;

- 30.2. Upon serving any notice of default or any other material notice under this Agreement or any of the other Transaction Documents, HACOLA shall simultaneously serve a copy of the notice upon the Senior Construction Lender at the address set forth in the Senior Deed of Trust or as otherwise provided to HACOLA by the Senior Construction Lender, and no notice of default shall be deemed to be given or effective unless and until such copy shall have been given to Senior Construction Lender in accordance herewith;
- 30.3. Senior Construction Lender shall have the right, but not the obligation, to perform any obligation of Developer under this Agreement or any of the other Transaction Documents and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions thereof. Senior Construction Lender and its agents and contractors shall have full access to the Site for purposes of accomplishing any of the foregoing. Any of the foregoing done by Senior Construction Lender shall be as effective as though the same were performed by Developer.
- 30.4. Anything contained in this Agreement or any of the other Transaction Documents notwithstanding, and subject to any rights HACOLA may have pursuant to the Senior Loan Documents, HACOLA agrees not to exercise any right or remedy in connection with a default or breach of the Developer under this Agreement or any of the other Transaction Documents prior to the repayment in full of the Senior Construction Loan; provided, however, HACOLA shall have the right to (i) purchase the Site from Senior Construction Lender in accordance with Section 4.15.4 hereof in the event Senior Construction Lender becomes the owner of the Site, or (ii) cure a default or breach of Developer under the Senior Loan Documents pursuant to Section 4.16 hereof. Senior Construction Lender may elect, in its sole and absolute discretion and with no obligation to do so, to either: (a) cure the default if the same can be cured by the expenditure of money; or (b) if the default is not so curable, commence, or cause any trustee under the Senior Deed of Trust to commence, and thereafter to diligently pursue to completion steps and proceedings to cure such default (which may include, without limitation, foreclosure of the Senior Deed of Trust) and thereafter cure the default with reasonable diligence and continuity. Additionally, following any such foreclosure of the Senior Deed of Trust or any deed in lieu thereof all dates set forth in the Schedule of Performance shall be automatically extended for a period of time reasonable under the circumstances to permit the purchaser (or other successor owner) of the Site to perform the Developer's obligations with respect to completion of the Improvements under the Development Documents. Nothing contained in this Section 30.4 (or elsewhere in this Agreement or any of the other Transaction Documents) shall obligate or require Senior Construction Lender, or any successor owner of the Site, to cure any breach or default by Developer under this Agreement or any of the other Transaction Documents or to construct the Project.

- 30.5. In the event of termination of this Agreement or any of the other Transaction Documents by reason of any default in accordance to the terms of this Agreement or any such Transaction Document, or otherwise, if requested by Senior Construction Lender, HACOLA shall enter into a new agreement with Senior Construction Lender or its designee, effective as of the date of such termination, upon the terms, provisions, covenants and agreements as contained in this Agreement or any such terminated Transaction Document (the "New Agreement"), provided:
- i. Senior Construction Lender shall make written request for the New Agreement within thirty (30) days after the date of Senior Construction Lender's receipt of notice of such termination;
  - ii. Senior Construction Lender shall perform and observe all covenants therein contained to be performed by Developer from and after the effective date of the New Agreement;
  - iii. Notwithstanding anything to the contrary contained elsewhere in this Agreement, the New Agreement made pursuant to this Section 30.7 shall be prior to any deed of trust or other lien, charge or encumbrance on the Site, to the same extent as the terminated Transaction Document replaced thereby.
  - iv. Notwithstanding anything to the contrary in this Agreement, no further consent or approval of the HACOLA shall be required for issuance of any New Agreement under this Agreement; and
  - v. Nothing herein contained shall require Senior Construction Lender to enter into the New Agreement, or to cure any default referred to above.
- 30.6. In the event Senior Construction Lender, or its designee, becomes a party this Agreement or any of the other Transaction Documents, or under the New Agreement obtained pursuant to this Section 30.6, Senior Construction Lender, or its designee, shall be liable for the applicable obligations thereunder, only for the period of time that Senior Construction Lender, or its designee, remains the record title owner of the Site, and shall not be liable for any such obligations accruing either before becoming the actual record title owner of the Site or after assignment, transfer or other disposition of its interest therein. In the event that Senior Construction Lender or its designee desires to assign, transfer or otherwise dispose of its interest in the Site, and the construction of the Improvements is not then substantially complete, then Senior Construction Lender or its designee may assign, transfer or otherwise dispose of its interest in the Site only to a "Qualified Replacement Developer." For the purposes of this paragraph, a "Qualified Replacement Developer" is a developer who (i) has experience in constructing (or managing the construction of) for-sale housing projects, (ii) is financially responsible (iii) is not debarred by the Federal or State Government, County of Los Angeles, City of Los Angeles, or the Better Business Bureau, (iv) is not subject to

or a part of any legal actions that may either adversely affect the replacement Qualified Replacement Developer financial capacity or call into question the Qualified Replacement Developer's performance on a prior project, (v) is experienced in utilizing public financing, and (vi) is not currently in default of any existing debt, loans or development agreements. In connection with the transfer to a Qualified Replacement Developer, Developer shall cause to be submitted to HACOLA a current State certificate of good standing for the Qualified Replacement Developer, a description of the Qualified Replacement Developer's portfolio of affordable for-sale housing projects, and two years of audited financial statements of the Qualified Replacement Developer.

- 30.7. HACOLA shall give Senior Construction Lender notice of any arbitration, litigation, or condemnation proceedings, or of any pending adjustment of insurance claims as each may relate to the Site, and Senior Construction Lender shall have the right to intervene therein and shall be made a party to such proceedings. HACOLA does hereby consent to such intervention. In the event that Senior Construction Lender shall not elect to intervene or become a party to the proceedings, Senior Construction Lender shall receive notice and a copy of any award or decision made in connection therewith.
- 30.8. Notwithstanding anything to the contrary contained in this Agreement or any other Transaction Document, HACOLA acknowledges and agrees that no default by any party other than Developer under this Agreement shall constitute a default under, or otherwise impair the rights of Developer or its respective successors under this Agreement.
- 30.9. Except as provided pursuant to the terms of Section 4.16 of this Agreement, HACOLA agrees that (i) Senior Construction Lender shall in no event be required by this Agreement to provide HACOLA with any notice of default under the Senior Construction Loan Agreement, Senior Deed of Trust or any other Senior Loan Document; and (ii) Senior Construction Lender shall in no event be required by this Agreement to provide HACOLA with any cure right, cure period or extended cure period with respect to any default by Developer under the Senior Construction Loan Agreement, Senior Deed of Trust or any other Senior Loan Document, and in no event shall Senior Construction Lender be required by this Agreement to accept the cure of any default performed by (or caused to be performed by) HACOLA.
- 30.10. Within twenty (20) days after written request by Senior Construction Lender, HACOLA shall deliver to Senior Construction Lender and to any party designated by Senior Construction Lender estoppel certificates executed by HACOLA certifying to certain matters relating to the Transaction Documents as may be requested by Senior Construction Lender in its reasonable discretion.
- 30.11. Each party hereto acknowledges and agrees that Senior Construction Lender is an intended third-party beneficiary of this Agreement with the power to enforce only the following rights and obligations of this Section 30 of this Agreement (and no other provisions of this Agreement). To the extent Developer has any recourse

against HACOLA for failing to perform their obligations hereunder, then Senior Construction Lender shall have direct recourse against HACOLA.

[signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first above written.

**HACOLA:**

**HOUSING AUTHORITY OF THE COUNTY  
OF LOS ANGELES**

By: \_\_\_\_\_  
Sean Rogan, Executive Director

APPROVED AS TO FORM

Mary C. Wickham, County Counsel

By: \_\_\_\_\_  
Senior Deputy Counsel

**DEVELOPER:**

**OLSON LAND OPPORTUNITIES II, LLC,**  
a Delaware limited liability company

By: Olson Urban Ventures II, LLC  
a Delaware limited liability company  
Its: Sole Member

By: Olson Urban Housing, LLC,  
a Delaware limited liability company  
Its: Operating Manager

By: \_\_\_\_\_  
Scott Laurie  
President  
Chief Executive Officer

By: \_\_\_\_\_  
Mario Urzua  
Chief Financial Officer