

**EXHIBIT A**  
**HHP INVESTMENT, LLC**  
**FAIR OAKS COURT DEVELOPMENT**  
**KEY TERMS AND CONDITIONS OF**  
**AFFORDABLE HOUSING AGREEMENT AND LOAN AGREEMENT**  
**(DECEMBER 19, 2005)**

**I. Parties to the Transaction; Construction Lender**

- A) Equity Investor will be HHP Investment, LLC, a California limited liability company. Clearinghouse CDFI (or an affiliate) is the managing member; Commercial Capital Bank and HHP are members.
- B) Community Development Entity (the vehicle for the New Market Tax Credits) will be Clearinghouse NMTC (Sub 9), LLC, a California limited liability company ("NMTC-CDE-9"). 99.9% of the ownership interest in NMTC-CDE-9 will be owned by HHP Investment, LLC. The Clearinghouse Community Development Financial Institution, a California corporation, is the managing member.
- C) Developer shall be HHP DFO LLC, a California limited liability company (the "Developer"), with Heritage Housing Partners, a California non profit corporation, as the sole member. Permanent ownership of completed affordable homes will rest with individual homebuyers with a common interest in the appropriate Homeowners or Condominium Association, compliant with California Condominium law.
- D) Commercial Capital Bank is the construction lender.

**II. Scope of Development**

- A) The Developer shall construct and rehabilitate, on three separate parcels in the City of Pasadena (collectively, the "Property"), the following:
  - (i) At 6 – 46 Peoria Street and 584 – 612 North Fair Oaks Avenue, a mixed-use complex, consisting of the new construction of 31 town homes and rehabilitation of 8 existing residential dwellings, with approximately 1,150 sq. ft. of commercial professional office space;
  - (ii) At 171 Carlton Street, the rehabilitation of 2 residential dwelling units, 1 of which is to be relocated from the Fair Oaks property to the Carlton property; and
  - (iii) At 520 Cypress Avenue, the new construction of 2 single-family residential dwelling units.

- B) Thirty-seven (37) of the forty-three (43) units shall be sold to low and moderate-income households (29 moderate-income; 8 low-income), two (2) units shall be sold to workforce-income households and four (4) units shall be sold as unrestricted market rate dwellings.
- C) The Project (all 3 sites) shall comply with all the conditions and standards identified in the Scope of Development as well as applicable federal, state and local codes.
- D) Where feasible, dwelling units shall incorporate "universal design" standards for handicapped accessibility. [These standards shall be specified in the Scope of Development]
- E) The Project shall be designed and built in such a manner that provides amenities suitable for families (e.g., open space, play areas for children, etc.).
- F) The Project shall be designed in accordance with all applicable city codes, including the city's General Plan, Villa-Parke Redevelopment Plan, Fair Oaks-Orange Grove Specific Plan and Multi-family Residential Development Standards.
- G) Developer shall be responsible for Off-Site Improvements.
- H) Commission shall defer its design review of the Project to the city's design review process. However, Developer shall furnish Pasadena Community Development Commission staff with concept plans.

### **III. Zoning and Land Use Requirements; Environmental Review**

- A) Developer shall take all necessary steps so that the Project conforms to the applicable zoning, General Plan, Fair Oaks-Orange Grove Specific Plan and Villa-Parke Redevelopment Plan requirements, including the conditions of approval of any land use entitlements, necessary environmental mitigation measures and compliance with all other land use requirements. Commission shall cooperate with Developer to secure all required zoning and land use entitlements.
- B) The Commission shall have prepared all studies and reports necessary to secure CEQA clearance for the Project. Developer shall bear costs of all required environmental studies, surveys, and tests.

### **IV. Site Control**

Developer will possess fee title ownership of the Property on or before December 31, 2005.

### **V. Commission/City Financial Assistance; Other Financing**

- A) Commission shall provide loan assistance (the "Commission Loan") for certain costs incurred for the Project through HHP Investment, LLC and NMTC-CDE-9 to HHP - DFO LLC to secure New Market Tax Credits and the associated equity investment as denoted in the New Market Tax Credit Transaction Summary (Exhibit C). Key provisions of the Commission Loan include the following:

- 1) Commission Loan shall not exceed \$4,174,000 (Low & Moderate-Income Housing Trust Fund). Commission Loan proceeds may be used by Developer for development costs incurred in the implementation of the Project;
  - 2) Allowable use of Commission Loan proceeds shall consist of:
    - a) Site acquisition,
    - b) Predevelopment,
    - c) Relocation,
    - d) Construction, and
    - e) Administration;
  - 3) Commission Loan proceeds shall be disbursed to HHP Investment, LLC and subsequently invested with NMTC-CDE-9. NMTC-CDE-9 with lend and disburse funds to the Developer upon Commission receipt and approval of invoices for specified eligible costs associated with the implementation of the Scope of Development.
  - 4) At sale of the restricted units, Commission shall also deposit State BEGIN funds in an amount not to exceed \$930,000 to the escrows of eligible homebuyers of the affordable units. Developer will originate second mortgage loans (the "Pasadena Second Mortgages") to eligible Low and Moderate Income First-time Homebuyers who purchase the affordable units.
  - 5) For the period commencing after the sale of all units, the Developer shall retain the 2<sup>nd</sup> trust deed mortgages for individual deferred loans to eligible homebuyers of the affordable units as security to HHP Investment, LLC for the Commission Loan and BEGIN funds until both are repaid or the mortgages are assigned to the Commission. The terms and conditions of the Individual Homebuyer Loans shall be established in accordance with the provisions of the Commission Homeownership Opportunities Program (HOP), as amended.
- B) Developer shall secure other funding as necessary to fully finance the Project. Developer shall submit to Commission evidence of financing and copies of applications/agreements with other funding sources, including but not limited to the California Department of Housing and Community Development, City of Industry Fund, City of Glendale Housing Authority, Construction Lenders and sale proceeds from home purchases of Project units.
- C) Commission shall receive the assignment of mortgages and payment of \$100,000 no later than 7 years after the Close of Escrow.

#### **VI. Schedule of Performance**

Developer's acquisition of the Subject Properties is scheduled to occur no later than December 31, 2005. Developer shall secure all required financing by March 31, 2006. Start of construction is scheduled to occur no later than March, 2006. Construction completion is scheduled to occur no later than March, 2008. The Project units are scheduled to be sold and occupied by April 1, 2008.

## **VII. Marketing, Homebuyer Selection and Sales Plan**

Within the limitations of applicable laws, the Developer shall apply a weighted formula for the marketing, selection and sale of the units to eligible homebuyers utilizing the following order of priority: 1) eligible households currently residing at the Project properties, 2) eligible households living in the Villa-Parke Redevelopment Plan project area, 3) eligible households living in the commonly known "Northwest Community" of Pasadena, 4) eligible households living the City of Pasadena at the time of marketing, 5) eligible households working in the City of Pasadena and 6) eligible households living and working outside the City of Pasadena.

## **VIII. Affordable Housing Covenant**

Thirty-seven (37) of the forty-three (43) dwelling units in the Project shall be subject to Commission restrictions specified in an Affordable Housing Covenant ("Commission Covenant"). The restrictions shall include affordable home purchase prices for low and moderate-income households and non-discrimination provisions, forty-five year covenant period, Commission's right to first refusal, etc. Commission shall monitor the Developer's compliance with the Covenant.

Two (2) of the remaining (6) dwelling units shall be sold to workforce-income households and be subject to the City's requirements for workforce units specified in the Workforce Housing Covenant. Restrictions shall include limits on the purchase prices and non-discrimination provisions, fifteen year covenant period, City's right to first refusal, etc. City shall monitor the Developer's compliance with the Covenant.

## **IX. Equal Employment Opportunity/Affirmative Action, Employment Program**

Developer, owner, and tenants shall comply with city's EEO/AA policies. Developer shall prepare and implement an employment program in accordance with the standards of the city's First Source Hiring Ordinance.

## **X. Insurance**

Developer and owner shall comply with all applicable city insurance requirements.

## **XI. Condominium Association Plan**

The Developer shall prepare a Condominium Association Plan for each development disclosing property management responsibilities after units are sold by the Developer to homebuyers.

## **XII. Relocation and Replacement Housing Plan**

The Commission has prepared and shall implement a Relocation Plan at Developer's expense identifying existing households and the relocation assistance payments to be afforded in compliance with California Community Redevelopment Law, Article 9 (Section 33410-33418) and Government Code, Section 7260-7277, Chapter 16.

Developer shall enter into an Agreement with the Los Angeles Community Design Center (LACDC) for provision of eleven (11) rental units at the Orange Grove Gardens Development (270 E. Orange Grove Blvd., Pasadena, Ca) for eligible households displaced by the Project.

The Commission has prepared and shall implement a Replacement Housing Plan to be in compliance with the Health and Safety Code 33413.