PROJECTED SALES REVENUES

Office Space

The Developer will purchase the 1,150 square feet of office space for $100,000 and utilize the space for the Developer's operations. However, this payment will be made in 2011 at the end of the NMTC period and only if there are funds available. Given the uncertainty of this payment as well as the timing, KMA and the Developer assumed that no revenue will be generated from the office space in this analysis.

Affordable Sales Prices (Tables 2A and 2B)

The Developer is proposing to sell 29 units to moderate income households and eight units to low income households. The affordable price for low and moderate income units is calculated based on benchmark standards identified in California Health and Safety Code, Section 50052.5. The calculation methodology can be described as follows:

1. The income available for housing related expenses is calculated as follows:

   a. The benchmark household size is set at one person more than the number of bedrooms.

   b. The household income is set based on data published in 2005 by the State of California Housing and Community Development department (HCD). The applicable percentages for price setting purposes are as follows:

      i. 110% of the Los Angeles County median income (Median) for moderate income units; and

      ii. 70% of the Median for low income units.

2. The total housing related expenses must be set at the following levels:

   a. 35% of the defined household income for moderate income units; and

   b. 30% of the defined household income for low income units.

3. The ongoing housing related expenses for the units in the Project are:

   a. The monthly insurance and maintenance expenses are estimated as follows:

      i. $167 for one-bedroom units;

      ii. $175 for two-bedroom units;

      iii. $183 for three-bedroom units; and

      iv. $192 for four-bedroom units.

   b. The monthly utility expenses are estimated based on the allowances published by the Pasadena Housing Authority, and area as follows:

      i. $82 for one-bedroom units;

      ii. $104 for two-bedroom units;

      iii. $115 for three-bedroom units; and

      iv. $130 for four-bedroom units.

   c. Property taxes are calculated at 1.1% of the maximum affordable sales price for the non-historic units, and 0.55% of the maximum affordable sales prices for the historic units.[10]

4. The following assumptions were applied to determine the maximum affordable sales prices:

   a. The interest rate for the first trust deed mortgage is estimated at 6.08%, and the amortization period is set at 30 years. The resulting mortgage constant is 7.22%.[11]

   b. The home buyer down payment is set at 5% of the maximum affordable sales price for the unit.

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[10] The Mills Act allows historically designated units to receive a waiver equal to approximately half of the standard property taxes.

[11] The State BLOCK Program writes down mortgage interest rates for low and moderate income home buyers. The rate currently being offered by this program is approximately 75 basis points below the market interest rate. The Project has received a commitment from the State for the purchase of the forward commitments, which will be good for 18 months.

Based on the preceding assumptions, the affordable sales prices for the restricted units are calculated to be as follows:

	Non-Historic Units		Historic Units
	Moderate	Low	Moderate
One-bedroom Units	$175,400	$79,100	$188,300
Two-bedroom Units	$197,000	$88,200	$211,700
Three-bedroom Units	$220,500	$100,400	$236,700
Four-bedroom Units	$238,200	$108,100	$255,800

The sales revenues projected to be received from the 37 restricted units total approximately $7.02 million, or $189,800 per unit. Comparatively, the Developer estimates the maximum sales revenues from the restricted units at $7.10 million, or $191,800 per unit. This higher estimate is based on the slightly lower mortgage interest rate assumed by the Developer.

Workforce Housing Sales Prices (Table 3)

The Developer proposes to restrict two off-site units as workforce housing. This will restrict the buyers to households earning between 120% to 180% of the Median. According to the City's 2005 published sales prices for such units, the maximum sales prices are as follows:

	Workforce Housing Sales Prices
Two-bedroom Units	$386,500
Three-bedroom Units	$429,400

Market Rate Sales Prices (Table 3)

Based on conversations with local realtors, the Developer estimated the market sales prices as follows:

	Market Sales Prices	Unit Size (Sf GBA)	$/Sf GBA
590 Fair Oaks (3-bedroom Unit)	$575,000	1,365	$421
600 Fair Oaks (5-Bedroom Unit)	$700,000	3,500	$200
44 Peoria (2-bedroom Unit)	$500,000	1,375	$364
46 Peoria (3-bedroom Unit)	$480,000	980	$490
Weighted Averages	$563,700	1,805	$369

It should be noted that these units will be located on smaller than typical lots for detached single-family homes in the neighborhood. Also, the units do not have direct access to the subterranean parking structure. In addition, the home owners will be required to join the Project's home owners' association (HOA). These factors negatively impact the sales prices that can be achieved for the units, which has been factored into the Developer's analysis.

KMA and the Developer estimate the total sales revenues to be derived from the unrestricted units to total $2.26 million. This equates to an average of $563,700 per unit.

Total Sales Revenues

KMA projects the total sales revenues for the Project at $10.02 million, or approximately $233,000 per unit. In contrast, the Developer estimates the Project's total sales revenues at $10.93 million.

FINANCIAL GAP CALCULATION (TABLE 4)

Total Project Financial Gap

As shown in Table 4, KMA estimates the Project's development costs at $18.48 million and the threshold profit at 10%, or $1.00 million. The total development costs equal $19.48 million and the projected sales revenues for the Project total $10.02 million. The resulting financial gap, before consideration of any additional funding sources, totals $9.46 million, or $255,600 per affordable unit. The Developer estimates the total Project financial gap at $9.22 million, or $240,000 lower than the KMA estimate.

Non-Commission Subsidies

<u>County of Los Angeles / City of Industry Funds</u>

The County of Los Angeles (County) has set aside $3.00 million of the City of Industry assistance funds (Industry Funds) for the production of new ownership units that are restricted to low and moderate income households. The Project has received a $1.20 million allocation which will not be available until after construction is completed and are disbursed directly to the home buyers. These loans will be secured with a third trust deed and are capped at $50,000 per moderate income unit and $75,000 per low income unit.

<u>New Market Tax Credit Proceeds</u>

At the end of the construction period, $2.92 million of the $6.27 million NMTC loan will be forgiven by CCB. This equates to a 47% write-down of the $6.27 million loan.

Total Non-Commission Subsidies

The Industry Funds committed to the Project total $1.20 million, while the NMTC proceeds that will remain in the project total $2.92 million. Thus, the non-Commission assistance sources are estimated to total $4.12 million, or $111,200 per restricted unit.

Net Financial Gap

KMA estimate that the Project has a total financial gap of $9.46 million. However, once all of the non-Commission funding sources are awarded to the Project, the remaining gap totals $5.34 million. The following illustrates the sources of the Commission of funds:

1. The State of California (State) BEGIN Program provides financial assistance to jurisdictions that provide affordable home ownership projects. The City has received a $930,000 allocation for the Project. Given that the program limits are set at $30,000 per newly constructed unit, the BEGIN funds will be allocated to the 31 low and moderate income new construction units located on the Site.

2. Therefore, the maximum Commission Loan to HHP Investment LLC is estimated to total $4.41 million, or $119,300 per affordable unit.

In contrast, the Developer is requesting that the Commission provide a $4.17 million loan to the Project, which is $240,000 than the maximum loan amount calculated by KMA. It should be noted that while the Commission will be providing $4.17 million in Set-Aside funds, the City will be the beneficiary of $5.30 million of second trust deeds.

APPENDIX B - TABLE 1A

ESTIMATED DEVELOPMENT COSTS
43 UNITS (34 NEW CONSTRUCTION UNITS, 9 REHABILITATED UNITS (39 ON-SITE UNITS AND 4 OFF-SITE UNITS)
FAIR OAKS COURT
PASADENA, CALIFORNIA

I.	**Assemblage Costs** [1]						
	Fair Oaks Court [2]	18	Units	$148,600	/ Unit	$2,675,000	
	New Sites [3]	11,167	Sf Land Area	$30	/ Sf Land	335,000	
	Relocation [4]	24	Households	$45,000	/ HH	1,080,000	
	Total Assemblage Costs						**$4,090,000**
II.	**Direct Costs** [5]						
	Off- & On-Site Improvements / Landscaping	43	Units	$18,400	/ Unit	$791,000	
	Tear Down/Moving	11	Units	$20,500	/ Unit	226,000	
	Parking Structure	86	Spaces	$20,200	/ Space	1,740,000	
	Rehabilitation Costs	9	Units	$116,700	/ Unit	1,050,000	
	New Construction Shell - Office [6]	1,150	Sf GBA	$133	/ Unit	153,000	
	New Construction Shell - Residential	43,113	Sf GBA	$147	/ Unit	6,357,000	
	Total Direct Costs	**43**	**Units**	**$239,900**	**/ Unit**		**$10,317,000**
III.	**Indirect Costs**						
	Architecture, Eng. & Consulting	6%	Acq. & Direct Cost			$800,000	
	Permits & Fees [7]	43	Units	$7,600	/Unit	325,000	
	Taxes, Legal & Accounting	2%	Acq. & Direct Cost			267,000	
	Additional Legal Fees for NMTC [1]					100,000	
	Insurance [1]	43	Units	$21,450	/Unit	922,000	
	Marketing	43	Units	$1,500	/Unit	65,000	
	Developer Fee	3%	Sales Revenues			301,000	
	Contingency Allowance	5%	Other Indirect Costs			139,000	
	Total Indirect Costs	**43**	**Units**	**$67,900**	**/ Unit**		**$2,919,000**
IV.	**Financing/Closing Costs**						
	Interest During Construction						
	Enterprise Loan [8]	$1,725,000	Loan Amount	6.0%	Interest	$181,000	
	Construction Loan [9]	$4,395,000	Loan Amount	6.0%	Interest	99,000	
	NMTC Loan [10]	$6,266,000	Loan Amount	4.0%	Interest	376,000	
	Financing Fees						
	Enterprise Loan [8]	$1,725,000	Loan Amount	2.00	Points	35,000	
	Construction Loan [9]	$4,395,000	Loan Amount	1.00	Points	44,000	
	BLOCK Program Interest Rate Lock Fee [11]			1.50	Points	110,000	
	NMTC Loan [12]	$6,266,000	Loan Amount	3.27	Points	205,000	
	(Less) NOI During Predevelopment [13]	$9,524	/Month	21	Months	(200,000)	
	Closing Costs/Comm./Warranties [14]	3.0%	Res. Revenues			301,000	
	Total Financing/Closing Costs	**43**	**Units**	**$26,800**	**/ Unit**		**$1,151,000**
V.	**Total Development Costs**	**43**	**Units**	**$429,700**	**/ Unit**		**$18,477,000**

Prepared by: Keyser Marston Associates, Inc.
File name: HHP Analysis - 12 14 05; Appx B - Tables 1-3-4; 12/14/2005

APPENDIX B - TABLE 1B

ESTIMATED DEVELOPMENT COSTS - FOOTNOTES
43 UNITS (34 NEW CONSTRUCTION UNITS, 9 REHABILITATED UNITS (39 ON-SITE UNITS AND 4 OFF-SITE UNITS)
FAIR OAKS COURT
PASADENA, CALIFORNIA

[1] Based on Developer estimates.

[2] Based on the Purchase Agreement between the Developer and the Owner. The Site was appraised at $3 million in February 2004.

[3] Developer estimate. These parcels have already been purchased by HHP.

[4] Based on the Relocation Consultant's estimate.

[5] Based on Developer and contractor estimates. Assumes that prevailing wage requirements NOT will be imposed. Includes a 16% contingency allowance and contractor fees.

[6] Based on previously agreed upon construction costs.

[7] Based on Developer estimates. The Developer has assumed that a facade easement fee will be applied. These estimates does not assumes a lower fee schedule for affordable housing units. The estimate should be verified by the City staff.

[8] Based on actual loan proceeds that were used for Site acquisition. Assumes a 21-month predevelopment period and a 100% average outstanding balance.

[9] The conventional construction loan amount is based on the Developer's estimate. Assumes an 18-month construction period and a 25% average outstanding balance. The Developer plans to take down most of the construction loan during the last stages of construction.

[10] Based on actual agreemetn with investor. Assumes an 18-month development period with 100% outstanding. The Project must repay $3,350,000 of the loan at the end of the Project while $2,916,000 will be forgiven.

[11] Project has received approval for the BLOCK Program which will buy down the 1st Trust Deed mortgage interest rates by approximately 75 basis points.

[12] Based upon the actual agreement with CDE. Assumes an 18-month development period and a 1% annual allocation fee on the $13.68 million allocation.

[13] Based on the Developer's estimate of the income and expenses that will be generated by the existing projects during the predevelopment period.

[14] See APPENDIX B - TABLE 3 for residential sales revenue estimate. Assumes 3.0% of market rate sales prices (4 units) for commissions and 1.5% of total residential sales revenues for closing costs. Also includes $2,000/unit for warranties costs.

APPENDIX B - TABLE 2A
AFFORDABLE PRICE CALCULATIONS - NON-HISTORIC UNITS [1]
43 UNITS (34 NEW CONSTRUCTION UNITS, 9 REHABILITATED UNITS (39 ON-SITE UNITS AND 4 OFF-SITE UNITS)
FAIR OAKS COURT
PASADENA, CALIFORNIA

		One	Two	Three	Four
I.	Number of Bedrooms	One	Two	Three	Four
II.	Calculation Assumptions				
	2005 LA County Household Median Income - Moderate Units	$44,100	$49,600	$55,100	$59,500
	Monthly HOA/Insurance/Maintenance	$167	$175	$183	$192
	Monthly Utility Allowance	$82	$104	$115	$130
	Property Taxes (as % of Affordable Price)	1.10%	1.10%	1.10%	1.10%
	Private Mortgage Insurance (% of Loan Amount)	0.00%	0.00%	0.00%	0.00%
	Interest Rate [2]	6.08%	6.08%	6.08%	6.08%
	Mortgage Constant	7.26%	7.26%	7.26%	7.26%
	Down Payment (% of Affordable Price)	5.00%	5.00%	5.00%	5.00%
II.	Moderate Income Affordable Price Calculations				
	A. Income Available for Housing				
	Moderate Income Affordable Cost Benchmark	110%	110%	110%	110%
	% Income Allotted to Housing	35%	35%	35%	35%
	Income Available for Housing	$17,000	$19,100	$21,200	$22,900
	B. Expenses				
	Annual HOA/Insurance/Maintenance	$2,000	$2,100	$2,200	$2,300
	Annual Utility Allowance	980	1,250	1,380	1,560
	Property Taxes	1,930	2,170	2,420	2,620
	Private Mortgage Insurance	-	-	-	-
	Total Expenses	$4,910	$5,520	$6,000	$6,480
	C. Income Available for Loan	$12,090	$13,580	$15,200	$16,420
	D. Moderate Income Affordable Price				
	Loan Amount	$166,600	$187,100	$209,500	$226,300
	Down Payment	8,800	9,900	11,000	11,900
	Moderate Income Affordable Price	**$175,400**	**$197,000**	**$220,500**	**$238,200**
II.	Low Income Affordable Price Calculations				
	A. Income Available for Housing				
	Low Income Affordable Cost Benchmark	70%	70%	70%	70%
	% Income Allotted to Housing	30%	30%	30%	30%
	Income Available for Housing	$9,300	$10,400	$11,600	$12,500
	B. Expenses				
	Annual HOA/Insurance/Maintenance	$2,000	$2,100	$2,200	$2,300
	Annual Utility Allowance	980	1,250	1,380	1,560
	Property Taxes	870	970	1,100	1,190
	Private Mortgage Insurance	-	-	-	-
	Total Expenses	$3,850	$4,320	$4,680	$5,050
	C. Income Available for Loan	$5,450	$6,080	$6,920	$7,450
	D. Low Income Affordable Price				
	Loan Amount	$75,100	$83,800	$95,400	$102,700
	Down Payment	4,000	4,400	5,000	5,400
	Low Income Affordable Price	**$79,100**	**$88,200**	**$100,400**	**$108,100**

[1] To be used for the new construction units. Assumes California Redevelopment Law price setting standards (Section 50052.5).

[2] Assumes the current FNMA 30-year fixed rate of 6.08% plus 75 basis points spread for future increases, less the 75 basis point spread from the BLOCK Program.

Prepared by: Keyser Marston Associates, Inc.
Filename: HHP Analysis - 12 14 05; Table 2A; jlr; 12/14/2005

APPENDIX B - TABLE 2B

AFFORDABLE PRICE CALCULATIONS - HISTORIC UNITS [1]
43 UNITS (34 NEW CONSTRUCTION UNITS, 9 REHABILITATED UNITS (39 ON-SITE UNITS AND 4 OFF-SITE UNITS)
FAIR OAKS COURT
PASADENA, CALIFORNIA

		One	Two	Three	Four
I.	**Number of Bedrooms**	**One**	**Two**	**Three**	**Four**
II.	**Calculation Assumptions**				
	2004 LA County Household Median Income	$44,100	$49,600	$55,100	$59,500
	Monthly HOA/Insurance/Maintenance	$167	$175	$183	$192
	Monthly Utility Allowance	$82	$104	$115	$130
	Property Taxes (as % of Affordable Price) [2]	0.55%	0.55%	0.55%	0.55%
	Private Mortgage Insurance (of Loan Amount)	0.00%	0.00%	0.00%	0.00%
	Interest Rate [3]	6.08%	6.08%	6.08%	6.08%
	Mortgage Constant	7.26%	7.26%	7.26%	7.26%
	Down Payment (% of Affordable Price)	5.00%	5.00%	5.00%	5.00%
II.	**Moderate Income Affordable Price Calculations**				
	A. Income Available for Housing				
	Moderate Income Affordable Cost Benchmark	110%	110%	110%	110%
	% Income Allotted to Housing	35%	35%	35%	35%
	Income Available for Housing	$17,000	$19,100	$21,200	$22,900
	B. Expenses				
	Annual HOA/Insurance/Maintenance	$2,000	$2,100	$2,200	$2,300
	Annual Utility Allowance	980	1,250	1,380	1,560
	Property Taxes	1,040	1,160	1,300	1,410
	Private Mortgage Insurance	-	-	-	-
	Total Expenses	$4,020	$4,510	$4,880	$5,270
	C. Income Available for Loan	$12,980	$14,590	$16,320	$17,630
	D. Moderate Income Affordable Price				
	Loan Amount	$178,900	$201,100	$224,900	$243,000
	Down Payment	9,400	10,600	11,800	12,800
	Moderate Income Affordable Price	**$188,300**	**$211,700**	**$236,700**	**$255,800**
III.	**2005 Workforce Housing Sales Prices (180% AMI) [4]**	**$343,600**	**$386,500**	**$429,400**	**$463,600**

1 To be used for the rehabilitation units. Assumes California Redevelopment Law price setting standards.

2 Assumes the historic units will be charged 50% of the typical rate due to the Mills Act.

3 Assumes the current FNMA 30-year fixed rate of 6.08% plus 75 basis points spread for future increases, less the 75 basis point spread from the BLOCK Program.

4 Per the City's 2005 workforce Housing Sales Price Chart.

Prepared by: Keyser Marston Associates, Inc.
Filename: HHP Analysis - 12 14 05; Table 2B; jlr; 12/14/2005

APPENDIX B - TABLE 3

ESTIMATED SALES REVENUES
43 UNITS (34 NEW CONSTRUCTION UNITS, 9 REHABILITATED UNITS (39 ON-SITE UNITS AND 4 OFF-SITE UNITS)
FAIR OAKS COURT
PASADENA, CALIFORNIA

I.	**Sales Revenues**					
	Office Space [1]	1,150	Sf GBA	$0	/ Sf GBA	$0
	Moderate Income Units [2]					
	One-Bedroom Units	4	Units	$175,400	/ Unit	701,600
	Two-Bedroom Units	6	Units	$197,000	/ Unit	1,182,000
	Three-Bedroom Units	7	Units	$220,500	/ Unit	1,543,500
	Four-Bedroom Units	7	Units	$238,200	/ Unit	1,667,400
	Moderate Income Units - Historical [3]					
	Two-Bedroom Units	1	Unit	$211,700	/ Unit	211,700
	Three-Bedroom Units	3	Units	$236,700	/ Unit	710,100
	Four-Bedroom Units	1	Unit	$255,800	/ Unit	255,800
	Workforce Housing Units [4]					
	Two-Bedroom Units	1	Unit	$386,500	/ Unit	386,500
	Three-Bedroom Units	1	Unit	$429,400	/ Unit	429,400
	Low Income Units [2]					
	One-Bedroom Units	2	Units	$79,100	/ Unit	158,200
	Two-Bedroom Units	2	Units	$88,200	/ Unit	176,400
	Three-Bedroom Units	2	Units	$100,400	/ Unit	200,800
	Four-Bedroom Units	2	Units	$108,100	/ Unit	216,200
	Unrestricted Units [5]					
	Two-Bedroom Units	1	Unit	$500,000	/ Unit	500,000
	Three-Bedroom Units	2	Units	$490,000	/ Unit	980,000
	Five-Bedroom Units	1	Unit	$700,000	/ Unit	700,000
II.	**Total Sales Revenue**	**43**	**Units**	**$233,000**	**/ Unit**	**$10,019,600**

1 Assumes the Developer will purchase the office space for $100,000 at the end of the 7-year NMTC period, if the funds are available

2 For calculation methodology, see APPENDIX B - TABLE 2A.

3 For calculation methodology, see APPENDIX B - TABLE 2B.

4 Based on the City's 2005 workforce housing sales price chart for households earning up to 180% AMI.

5 Based on the Developer estimates, which were derived from recent discussions with local realtors. The projected values reflect the impact created by the single-family detached units being sold as condominums with subterranean parking.

APPENDIX B - TABLE 4
FINANCIAL GAP CALCULATION
43 UNITS (34 NEW CONSTRUCTION UNITS, 9 REHABILITATED UNITS (39 ON-SITE UNITS AND 4 OFF-SITE UNITS)
FAIR OAKS COURT
PASADENA, CALIFORNIA

I.	**Total Development Costs**						
	Development Costs			See Table 1A		$18,477,000	
	Threshold Developer Profit			10.0% Res. Revenues		1,002,000	
	Total Development Costs	**43**	**Units**	**$453,000**	**/ Unit**		**$19,479,000**
II.	**Total Sales Revenues [3]**	**43**	**Units**	**$233,000**	**/ Unit**		**$10,020,000**
	Financial Gap	**43**	**Units**	**$220,000**	**/ Unit**		**$9,459,000**
		37	**Aff. Units**	**$255,600**	**/ Unit**		
III.	**Non-Commission Subsidies [4]**						
	County of Los Angeles / City of Industry [5]	37	Aff. Units	$32,400	/ Unit	$1,200,000	
	NMTC Net Proceeds [6]	43	Units	$67,800	/ Unit	2,916,000	
	Total Non-Commission Public Subsidies	**37**	**Aff. Units**	**$111,200**	**/ Unit**		**$4,116,000**
IV.	**Net Financial Gap**						
	Financial Gap					$9,459,000	
	(Less) Public Subsidies	37	Aff. Units	($111,200)	/ Unit	(4,116,000)	
	Net Financial Gap	**43**	**Units**	**$124,300**	**/ Unit**		**$5,343,000**
		37	**Aff. Units**	**$144,400**	**/ Unit**		
V.	**Maximum Commission Loan to HHP Investment LLC**						
	Net Financial Gap					$5,343,000	
	(Less) BEGIN Funds [7]	31	New Units	$30,000	/ Unit	(930,000)	
	Maximum Commission Loan to HHP Inv. LLC [8]	**37**	**Aff. Units**	**$119,300**	**/ Unit**		**$4,413,000**

1 available.
4 These funding sources have been committed to the Project.
5 The County loan is limited to $75,000/low income unit and $50,000/moderate income unit, up to a maximum loan of $1.20 million.
6 These funds can only assist new construction units.
7 Based on the actual agreement with the investor.
8 This represents the maximum amount of Set-Aside funds that would be allocated to the Project.

APPENDIX C
NEW MARKET TAX CREDITS TRANSACTION ANALYSIS

NEW MARKET TAX CREDIT ANALYSIS

Program Description

As part of the Community Renewal Tax Relief Act of 2000, Congress enacted the New Market Tax Credit (NMTC) program. The goal of this program is to encourage $15 billion in new private sector investment in low-income communities. The regulations governing the program are set forth under Section 45D of the U.S. Department of Treasury, Internal Revenue Code 26 CFR Parts 1 and 602. The first allocation of NMTCs was released in March 2003. The following summarizes how the NMTC program is implemented:

1. Qualified Community Development Entities (CDE) apply to the Treasury Department for an allocation of NMTCs.

2. The CDE then seeks tax payers to make equity investments in the CDE.

3. The CDE is required to use substantially all of the funds raised to make investments in qualified active businesses located or doing business in low-income census tracts. Also, the funds must be utilized over a seven-year period.

4. The investors are then eligible to claim a tax credit equal to 5% of the equity investment in the CDE for three years and then 6% for the next four years. The total tax credit equates to 39% of the equity investment. The tax credits are used to enable the investor to receive a market return on the investment.

Project Transaction

The March 2004 OPLA required HHP to attempt to use the NMTC program to assist the Project. HHP has since assembled the following transaction which is illustrated in Exhibits 1 and 2.

1. Equity investment in the CDE:

   a. Clearinghouse, the CDE, has obtained a $13.68 million NMTC allocation, which will be funded as follows:

      i. The City of Pasadena (Commission) will loan $4.17 million to HHP Investment, LLC, which is the investment vehicle;

      ii. The City of Glendale (Glendale) will loan $3.24 million to HHP Investment, LLC; and

iii. Commercial Capital Bank (CCB) will deposit $6.27 million in HHP Investment, LLC as cash equity.

b. The HHP Investment, LLC will provide $13.68 million as a cash equity investment into the CDE.

2. The CDE will provide HHP-DFO, LLC (Developer), with $13.68 million of cash equity that must be used in qualified investments for a seven year period.

3. The Developer will distribute the $13.68 million as follows:

a. The Pasadena Project:

i. A $4.17 million Commission loan;

ii. A $6.27 million CCB loan; and

iii. At the end of the Project development period, estimated at 18 months, the Developer will receive $4.17 million in second trust deed mortgages on 37 low and moderate income units and $3.25 million as partial repayment of the CCB loan. The remaining balance of the CCB loan, totaling $2.91 million will be forgiven and remain in the Project.

b. The Glendale Project:

i. A $3.24 million Glendale loan to be used for land acquisition in year one;

ii. Once the Pasadena Project is completed and the $3.25 million repayment on the CCB loan is received, the Developer will lend the $3.25 million to the Glendale project.

iii. At the end of the Glendale Project development period, estimated at 15 months, the Developer will receive $3.25 million in second trust deed mortgages on 24 moderate income units and $2.04 million as a partial repayment on the $3.25 million CCB loan. Therefore, approximately $900,000 of the CCB loan will be forgiven.

c. At the Glendale Project completion, estimated in year three, the Developer will need to use $2.04 million to fund additional qualified projects for the remaining four years so that the NMTCs are not recaptured. These future projects have yet to be identified.

4. To utilize the NMTC funds, the Project will pay the following during its 18-month construction term:

    a. A 4% annual interest payment on the $6.27 million CCB loan, which equates to $250,640 per year; and

    b. A 1% annual allocation fee on the $13.68 million CDE allocation, which totals $136,800 per year.

5. The following summarizes the costs and benefits of the NMTC transaction to the Project:

    a. The cost to the Project for this structure is estimated as follows:

        i. Approximately $100,000 in additional attorney fees to create the structure; and

        ii. Approximately $142,000 higher loan fees on the $6.26 million CCB loan. The typical construction loan fee is 1% of the loan amount, or $63,000, while the NMTC allocation fee equals 3.3% of the loan amount, or $205,000.

    b. The benefits to the Project are as follows:

        i. A $2.91 million subsidy that will remain in the Project. This equates to a $78,600 per unit grant.

        ii. An $188,000 interest savings on the CCB loan. The typical interest rate for a construction loan is at least 6% of the outstanding loan amount, while CCB is requiring a 4% per year interest payment.

    c. Therefore, the Project is receiving a net $2.86 million benefit by using the NMTC structure, which equals $77,200 per affordable unit.

It should be noted that the Commission will not have direct access to the real estate involved in the Project. The $4.17 million in City assistance will be provided to HHP Investment, LLC, which will provide the funds to the CDE and then the Developer will distribute the funds as agreed upon. Therefore, the CDE will have the ability to foreclose on the property. As an investor, the Commission has the ability to force a foreclosure action if the Developer is not performing.

The Commission loan will be evidenced by a promissory note executed by HHP Investment LLC and secured by a Pledge Agreement, whereby 100% of the ownership interest in HHP Investment LLC and 99.99% of the ownership interest in the CDE will be assigned to both Pasadena and Glendale. The Developer will hold the $4.17 million second trust deeds on the 37 affordable units until year seven, when the mortgages will be transferred to the Commission.

Pasadena and Glendale will enter into an Intercreditor Agreement to provide a pro rata allocation of assets in the event of a default. At the close of escrow, the CDE will loan the $4.17 million in Commission funds to the Developer, who will then pay $2.1 million to the Commission as repayment for fee title to the three parcels and predevelopment costs expensed to date based previous disbursements per the March 2004 OPLA and May 2002 Loan Agreement.

This structure also requires that the Developer convey title of the Site to HHP-DFO, LLC and that the title be conveyed clear of the existing Commission Regulatory Agreement and Deed of Trust. A new Commission Regulatory Agreement, with affordable housing restrictions and a right of repurchase in event of default, executed by HHP-DFO, LLC and the Commission, will be recorded as superior to the construction loan.

Exhibit 1
HHP-DFO, LLP NMTC Transaction

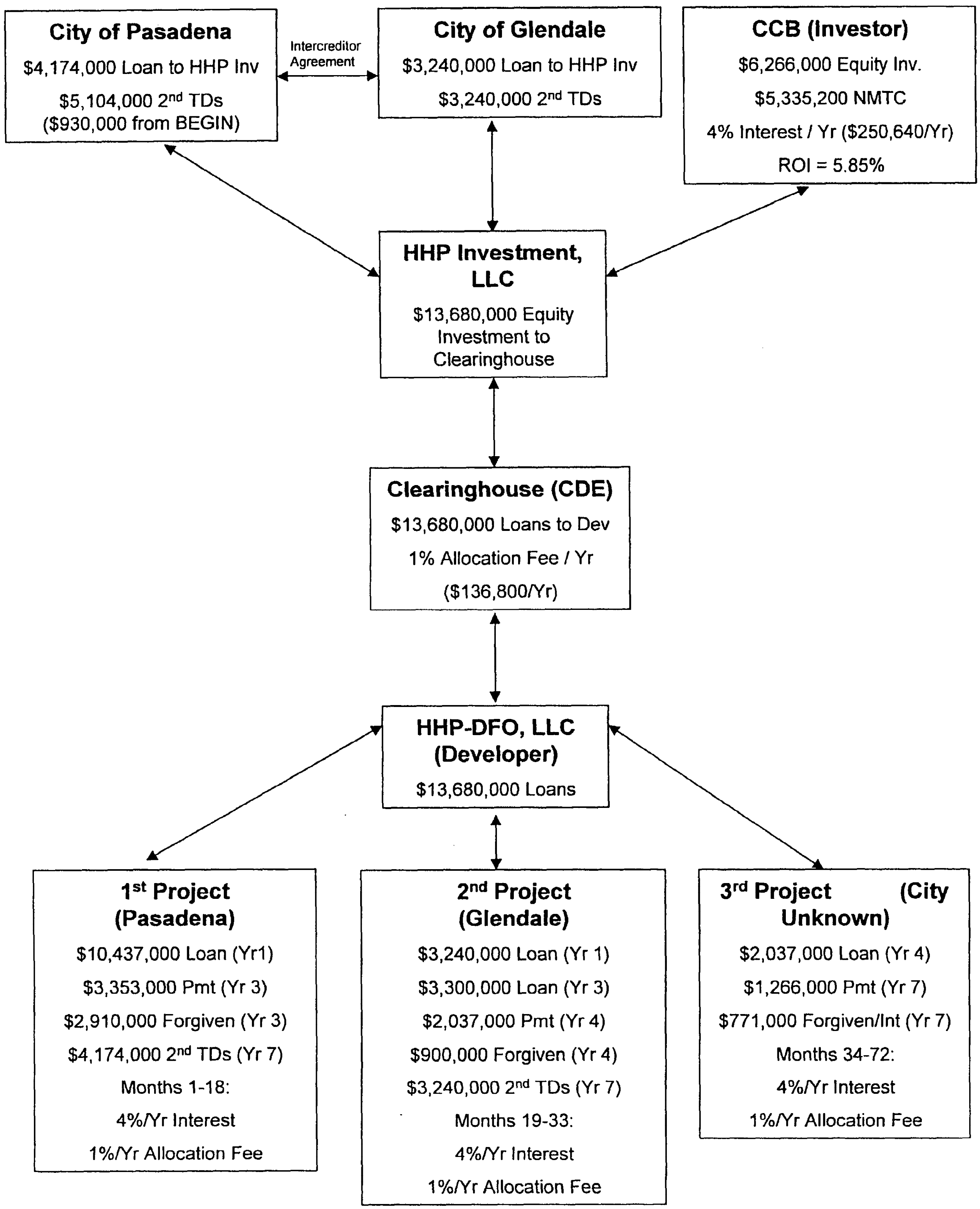

Exhibit 2
Fair Oaks Court Transaction