

ASSIGNMENT AND ASSUMPTION AGREEMENT BY AND BETWEEN HARDIN HYUNDAI, INC., AND GARDEN GROVE AUTOMOTIVE, INC.

February 23, 2010

Page 2

improvements described above. For this reason, Garden Grove Automotive has requested that the rent under the Lease be reduced from the current \$10,000 per month to \$3,000 per month, for up to 24 months (until March 15, 2012). Additionally, Garden Grove Automotive and its parent company, Hardin Automotive, will waive and release any future or potential eligibility for relocation assistance and benefits under California Relocation Law.

Although Hardin Hyundai, Inc., did not vacate the Premises until November 15, 2009, the last rent payment made by Hardin Hyundai, Inc., was made on September 1, 2009. Under the Agency's consent to the proposed Lease assignment to Garden Grove Automotive, the Agency would waive and forgive rent payments otherwise due from Hardin Hyundai, Inc., under the Lease after September 1, 2009. Rent obligations under the Lease will commence again upon March 15, 2010 or the "Effective Date" of the assignment of the Lease to Garden Grove Automotive, whichever occurs later.

On January 20, 2010, the Agency retained Keyser Marston Associates, Inc. (KMA), to review Garden Grove Automotive's proposal to reduce the monthly rent under the Lease. Based on the cost of improvements to bring the buildings up to standard, KMA determined that reduction of the monthly rent under the Lease to \$3,000 per month for a period of 24 months is warranted. Furthermore, Kia Motors estimated their sales at \$15,400,000 per year, which would generate \$154,000 of new sales tax to the City. In addition, the operation of a Kia Motors dealership at the Premises would create approximately 25 new jobs.

DISCUSSION

In response to the Garden Grove Automotive request, Agency Counsel has drafted an Assignment and Assumption Agreement, First Amendment to Site and Building Lease, and other implementing documents (collectively, the "Agreements"). The pertinent terms of the Agreements are summarized as follows:

- Premises: Original site was approximately 3.38 acres. With the addition of two (2) parcels, the Premises is comprised of approximately 4.1 acres of improved land and an estimated 15,100 square feet of office and maintenance bays.
- Term: Month-to-month tenancy.

ASSIGNMENT AND ASSUMPTION AGREEMENT BY AND BETWEEN HARDIN HYUNDAI, INC., AND GARDEN GROVE AUTOMOTIVE, INC.

February 23, 2010

Page 3

Termination: Either party may terminate the Agreement within thirty (30) days written notice from one party to the other party, with or without cause, at any time.

Rent: Triple net lease with monthly base rent at \$3,000 for 24 months. Beginning March 15, 2012, monthly base rent will increase to \$10,000. Garden Grove Automotive will be responsible for property maintenance and for maintaining general liability insurance as prescribed by the City.

Use of Premises: Garden Grove Automotive will operate its Kia Motors business, primarily and exclusively for the sale, leasing, and servicing of new and used motor vehicles.

Garden Grove Automotive and its parent, Hardin Automotive, were provided with a copy of the California Relocation Law as an exhibit to the Release and Waiver Agreement regarding Relocation Assistance and Benefits. Relocation Law mandates public agencies to provide relocation assistance to businesses that are displaced as a result of a public project. Garden Grove Automotive and its parent, Hardin Automotive, have been informed of the Agency's obligation to provide relocation assistance and have agreed to waive and release the Agency from any and all relocation assistance in exchange for Agency's consent to the Assignment and Assumption Agreement and agreement to lower the monthly rent payment under the Lease to \$3,000.

FINANCIAL IMPACT

The Agency will receive \$3,000 per month in Lease revenue for an anticipated minimum of twelve (12) months, until the site is needed to begin the Brookhurst Triangle development.

Additionally, the City will receive a projected \$154,000 of new sales tax revenue from the Kia Motors dealership during the first year of the Lease term.

RECOMMENDATION

Staff recommends that the Agency:

- approve the attached Assignment and Assumption Agreement and the amended Lease Agreement with Garden Grove Automotive and

ASSIGNMENT AND ASSUMPTION AGREEMENT BY AND BETWEEN HARDIN HYUNDAI,
INC., AND GARDEN GROVE AUTOMOTIVE, INC.

February 23, 2010

Page 4

- authorize the Director and Secretary to execute the pertinent documents on behalf of the Agency when appropriate to do so.


CHET YOSHIZAKI
Economic Development Director

By: 
Paul Guerrero
Senior Economic Development Specialist

Attachment 1: Assignment and Assumption Agreement

Attachment 2: Amended Lease Agreement

mm(h:Staff/PG/Hardin and GG Automotive sr 022310v3.doc)
(DOCSOC/1391500v3/022012-0314)

Approved for Agenda Listing


Matthew Ferial
Director

ASSIGNMENT AND ASSUMPTION AGREEMENT

This **ASSIGNMENT AND ASSUMPTION AGREEMENT** ("Assignment") is hereby made as of _____, 2010, by and among **HARDIN HYUNDAI, INC.**, a California corporation ("Assignor") and **GARDEN GROVE AUTOMOTIVE, INC.**, a California corporation ("Assignee"), with reference to the following:

RECITALS

A. Assignor and the Garden Grove Agency for Community Development ("Agency") entered into that certain Site and Building Lease dated as of May 27, 2008 ("Lease"). Pursuant to the Lease, Agency conveyed to Assignor a leasehold interest in that certain real property commonly known as 10071 and 10081 Garden Grove Boulevard in the City of Garden Grove, California ("Premises") and Assignor developed an automobile dealership thereon. Pursuant to Sections 1.10 and 7.1 of the Lease, Assignor agreed to "use and operate the Premises for the operation of new vehicle dealership engaged primarily in the sale, leasing, and servicing of new Hyundai vehicles."

B. Assignee seeks to lease real property in the City of Garden Grove, California in order to operate a new vehicle dealership engaged primarily in the sale, leasing, and servicing of new Kia vehicles and used vehicles.

C. Assignor now desires to assign and delegate to Assignee all of Assignor's rights, duties, and obligations under the Lease and Assignee desires to accept such assignment and to assume all of Assignor's rights, duties, and obligations under the Lease.

D. Pursuant to Article 9 of the Lease, Agency's consent is required for any assignment under the Lease. Agency is willing to consent to the assignment of Assignor's rights, duties, and obligations under the Lease to Assignee subject to the terms and conditions set forth in this Assignment, including but not limited to the execution of that certain First Amendment to Site and Building Lease ("Amendment") attached hereto as Attachment No. 2 and incorporated herein, and the execution of that certain Release and Waiver Agreement re Relocation Assistance ("Relocation Waiver") attached to the Amendment as Exhibit E and incorporated herein.

NOW, THEREFORE, Assignor and Assignee hereby agree as follows:

1. Assignment and Assumption. For good and valuable consideration in hand received, and subject to the terms and conditions set forth herein, Assignor hereby assigns to Assignee all of its right, title, and interest in and to the Premises and Assignee hereby accepts such assignment and assumes performance of all terms, covenants and conditions on the part of Assignor to be performed, occurring or arising under the Lease, from and after the Effective Date (as such term is defined in Section 2) hereof.

2. Effective Date of Assignment. The assignment herein is absolute and shall be effective immediately upon the occurrence of all of the following events: (a) execution of this Assignment by Assignor and Assignee; (b) execution of the Agency Consent attached hereto as Attachment No. 1 by Agency; (c) approval and execution of the Amendment by Agency and Assignee, including all attachments thereto; and (d) Assignee receives all necessary approvals for operation of a Kia dealership at the Premises from the California New Motor Vehicle Board and Kia

Motors, Inc. and provides evidence of such approvals in a form reasonably satisfactory to Agency Director ("Effective Date").

3. Representations and Warranties of Assignor. Assignor represents and warrants to Assignee, as of the date of this Assignment, that:

(a) Except as described in this Assignment, the Lease has not been amended, supplemented or modified in any way and is in full force and effect and is enforceable in accordance with its terms.

(b) Assignor vacated the Premises on November 15, 2009 and has not used or entered onto the Premises since that date.

(c) Assignor paid Rent under the Lease through September 1, 2009.

(d) Assignor has not, in any manner whatsoever, encumbered, pledged, assigned, transferred, conveyed, granted or hypothecated all or any interest in or to all or any of the Lease or the Premises to any person or entity, private or governmental, except to Assignee pursuant to this Assignment.

(e) Assignor has the full power and authority to enter into this Assignment and to carry out and perform all the obligations of Assignor under this Assignment, subject to Agency's execution of the Agency Consent. The execution, performance, and delivery of this Assignment by Assignor have been fully authorized by all requisite action on the part of Assignor.

(f) Except for Agency's execution of the Agency Consent, no consent, approval or agreement of any person, entity, party, court or government entity, is required to be obtained by Assignor in connection with the Assignor's execution or delivery of this Assignment or its performance of the terms hereof or its consummation of the transactions provided for herein.

(g) With the exception of a threatened protest by Kia Depot located in Santa Ana, California, pursuant to California Vehicle Code Section 3062, to Assignor's knowledge, there is no action, suit, proceeding or investigation, or any counter or cross-claim in any action, suit, proceeding or investigation, whether at law or in equity, or before or by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or before any arbitrator of any kind that is pending or threatened against Assignor, or that has been brought by or on behalf of Assignor, that could reasonably be expected to affect adversely the ability of Assignor to perform its obligations under this Assignment or complete the assignment contemplated hereby.

4. Representations and Warranties of Assignee. Assignee represents and warrants to Assignor, as of the date of this Assignment, that:

(a) Assignee has the full power and authority to enter into this Assignment and to carry out and perform all the obligations of Assignee under this Assignment. The execution, performance, and delivery of this Assignment by Assignee have been fully authorized by all requisite action on the part of Assignee.

(b) No consent, approval or agreement of any person, entity, party, court or government entity, is required to be obtained by Assignee in connection with the execution or

delivery of this Assignment or the performance of the terms hereof or the consummation of the transactions provided for herein.

(c) With the exception of a threatened protest by Kia Depot located in Santa Ana, California, pursuant to California Vehicle Code Section 3062, to Assignee's knowledge, there is no action, suit, proceeding or investigation, or any counter or cross-claim in any action, suit, proceeding or investigation, whether at law or in equity, or before or by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or before any arbitrator of any kind that is pending or threatened against Assignee, or that has been brought by or on behalf of Assignee, that could reasonably be expected to affect adversely the ability of Assignee to perform its obligations under this Assignment or complete the assignment contemplated hereby.

(d) Assignee has read the entire Lease and hereby represents, warrants, acknowledges, and agrees that all representations and warranties of "Tenant" under the Lease are true with respect to Assignee and Assignee hereby makes all agreements and covenants made on behalf of "Tenant" as set forth in the Lease.

5. Sales and Use Tax Sharing Claims. Assignee hereby covenants and warrants that the automobile dealership to be operated on the Premises by Assignee pursuant to the Lease and the Amendment is not being relocated from another location outside the City of Garden Grove but within the market area of the Premises, within the meaning of Health and Safety Code Section 33426.7 or Government Code Section 53084. Assignee further understands and agrees that any successful claim by a government agency pursuant to those provisions shall entitle Agency to require Assignee to pay any sums required pursuant to the resolution of such claim.

6. Waiver of Relocation Claims. Assignor and Assignee acknowledge and agree that, as a condition of Agency's consent to this Assignment, Assignee shall enter into the Relocation Waiver attached to the Amendment as Exhibit E, pursuant to which Assignee agrees to waive any and all rights of Assignee to relocation assistance and benefits otherwise available under the California Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.*, the California Relocation Assistance Law, Government Code Section 7260, *et seq.*, the regulations implementing the California Relocation Assistance Law set forth at Title 25 California Code of Regulations Section 6000, *et seq.*, the federal Uniform Relocation and Real Property Acquisition Act, 42 U.S.C. Section 4601, *et seq.*, and regulations implementing federal relocation and property acquisition laws set forth at 49 C.F.R. Part 24 and 42 C.F.R. Parts 42, 91, 92, and 570.

7. Agency as Third Party Beneficiary. Assignor and Assignee hereby acknowledge and agree that Agency is a third party beneficiary of this Assignment and each and every covenant, representation, and warranty contained herein, with full rights (but no obligation) of enforcement of each and every obligation set forth herein. Assignor and Assignee further acknowledge and agree that Agency has full right (but no obligation) to rely on each and every representation and warranty made by Assignor and Assignee herein. Assignor and Assignee agree that they are additionally bound by the terms, provisions and restrictions set forth in the Agency Consent.

8. Successors and Assigns. This Assignment shall be binding upon and shall inure to the benefit of Assignor and Assignee and their respective successors and assigns.

9. Governing Law. This Assignment has been entered into, is to be performed entirely within, and shall be governed by and construed in accordance with the laws of the State of California, without reference to choice of law rules.

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

11. Incorporation of Recitals. Assignor and Assignee represent and warrant that the matters and facts set forth in the foregoing Recitals are true and correct and are hereby incorporated into this Assignment in full.

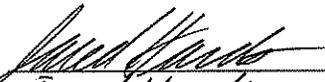
12. Further Assurances. Each party hereto covenants and agrees to perform all acts and things, and to prepare, execute, and deliver such written agreements, documents, and instruments as may be reasonably necessary to carry out the terms and provisions of this Assignment.

[Signatures appear on following pages.]

NOW, THEREFORE, the parties hereto have executed this Assignment and Assumption Agreement as of the date first set forth above.

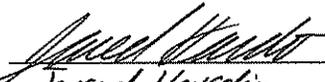
ASSIGNOR:

HARDIN HYUNDAI, INC.,
a California corporation

By: 
Name: Jared Hardin
Title: President

ASSIGNEE:

GARDEN GROVE AUTOMOTIVE, INC.
a California corporation

By: 
Name: Jared Hardin
Title: President

ATTACHMENT NO. 1

AGENCY CONSENT AND ACKNOWLEDGEMENT

1. Agency Consent and Acknowledgment. Agency hereby consents to the foregoing Assignment and Assumption Agreement by and between Assignor and Assignee, to which this Agency Consent is attached ("Assignment"). All initially capitalized terms used herein shall have the meanings ascribed to them in the Assignment.

(a) Agency further consents to Assignee's operation of a Kia automobile dealership for the sale, leasing and servicing of new Kia vehicles and used vehicles at the Premises and agrees that Assignee's operation of such Kia dealership at the Premises shall be deemed compliance with the requirement to operate a Hyundai automobile dealership at the Premises as set forth in Sections 1.10 and 7.1 of the Lease. Operation of any automobile dealership or other establishment at the Premises other than a Kia automobile dealership for the sale, leasing and servicing of new Kia vehicles and used vehicles shall require Agency's prior approval and consent pursuant to the Lease.

2. Lease Documents Continue in Full Force and Effect. Except that Agency is consenting to operation of a Kia dealership by Assignee instead of a Hyundai dealership by Assignor and subject to such amendments as may be agreed to by Agency and Assignee from time to time (expressly including the Amendment and all attachments thereto), all terms, conditions, restrictions, and covenants set forth in the Lease shall remain in full force and effect and bind Assignee and Agency for the entire remaining term of the Lease.

3. Sales and Use Tax Sharing Claims. Agency would not consent to the Assignment but for Assignee's representation and warranty that the automobile dealership to be operated on the Premises by Assignee is not being relocated from another location within the market area of the Premises, within the meaning of Health and Safety Code Section 33426.7 or Government Code Section 53084, and Assignee's agreement that any successful claim by a government agency pursuant to those provisions shall entitle Agency to require Assignee to pay any sums required pursuant to the resolution of such claim.

4. Agency Approval Required for Future Assignments. Agency hereby consents only to the assignments and transfers described in the foregoing Assignment. Any further assignments or transfers shall require further approval of Agency to the extent provided in the Lease.

5. Waiver of Rent Payments. Agency hereby waives and forgives payment of rent due under the Lease after September 1, 2009; provided, Assignee's obligation to pay rent shall commence in accordance with the terms of the Lease, as amended by that certain First Amendment to Site and Building Lease attached to the Assignment as Attachment No. 2.

[Signatures appear on following page.]

NOW THEREFORE, subject to and in accordance with all terms, provisions, and restrictions set forth herein, Agency hereby consents to the Assignment and Assumption Agreement as of the date set forth below.

AGENCY:

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

By: _____
Matthew Fertal, Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:



Stradling Yocca Carlson & Rauth
Agency Counsel

ATTACHMENT NO. 2

**FIRST AMENDMENT TO
SITE AND BUILDING LEASE**

By and Between the

**GARDEN GROVE AGENCY
FOR COMMUNITY DEVELOPMENT**

and

GARDEN GROVE AUTOMOTIVE, INC.

FIRST AMENDMENT TO SITE AND BUILDING LEASE

This **FIRST AMENDMENT TO SITE AND BUILDING LEASE** ("Amendment") is entered into as of _____, 2010, by and between the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic ("Landlord"), and **GARDEN GROVE AUTOMOTIVE, INC.**, a California corporation ("Tenant").

RECITALS

The following recitals are a substantive part of this Amendment:

A. Landlord and Hardin Hyundai, Inc., a California corporation ("Assignor"), entered into that certain Site and Building Lease dated as of May 27, 2008 ("Lease"). All initially capitalized terms not expressly otherwise defined herein shall have the meanings set forth in the Lease.

B. Assignor desires to assign the Lease to Tenant and Tenant desires to assume the Lease pursuant to that certain Assignment and Assumption Agreement dated concurrently herewith ("Assignment"). The effectiveness of the Assignment is expressly conditioned upon approval and execution of this Amendment by Landlord and Tenant.

C. By this Amendment, Landlord and Tenant desire to amend the Lease: (1) to increase the size of the real property subject to the lease, (2) to change the Monthly Base Rent Amount; (3) to change the Permitted Use; and (4) to require Tenant to execute certain documents in substantially the forms set forth as Exhibits B, C, D, and E hereto.

D. This Amendment and the implementation hereof are in the vital and best interest of the City and the health, safety and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements under which the redevelopment of Landlord's Community Project has been undertaken.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions set forth herein, Landlord and Tenant hereby agree as follows:

1. Premises. Section 1.3 of the Lease is hereby deleted in its entirety and replaced with the following:

Premises: The real property located at 10071, 10081, 10111, and 10115 Garden Grove Boulevard, Garden Grove, California 92844 and legally described on Exhibit A, which is comprised of seven (7) parcels consisting of approximately 4.1 acres (approximately 178,600 square feet) (the "Real Property") and the following buildings: three buildings including office sales space, service space and a painting facility, together comprising approximately 15,100 square feet of building area ("Buildings"). The Real Property and Buildings are collectively referred to herein as the "Premises."

2. **Premises Legal Description.** The Premises Legal Description attached as Exhibit A to the Lease is hereby deleted in its entirety and replaced with the Premises Description attached hereto as Exhibit A.

3. **Premises Site Plan.** The Premises Site Plan attached as Exhibit A-1 to the Lease is hereby deleted in its entirety and replaced with the Premises Site Plan attached hereto as Exhibit A-1.

4. **Monthly Base Rent Amount.**

(a) Section 1.8 of the Lease is hereby deleted in its entirety and replaced with the following:

Monthly Base Rent: Three Thousand Dollars (\$3,000.00) commencing on the later to occur of (i) March 15, 2010 or (ii) the Effective Date. Unless this Lease is earlier terminated, commencing on March 15, 2012 and continuing thereafter until this Lease is terminated as provided herein, the Monthly Base Rent hereunder shall be Ten Thousand Dollars (\$10,000).

5. **Permitted Use.** Section 1.10 of the Lease is hereby deleted in its entirety and replaced with the following:

Use of Premises/Business of Tenant: Tenant shall use and operate the Premises for the operation of a new vehicle dealership engaged primarily in the sale, leasing, and servicing of new Kia vehicles and used vehicles (the "Business" or "Permitted Use").

6. **Address for Notice.** The Notice and Payment addresses for Tenant and Guarantor set forth in Section 1.16 of the Lease are hereby deleted in their entirety and replaced with the following:

GUARANTOR

Notices to:

Hardin Automotive, Inc.
1381 Auto Center Drive
Anaheim, California 92806
Attention: Dennis Hardin

TENANT

Notices and Statements/Billing to:

Garden Grove Automotive, Inc.
1381 Auto Center Drive
Anaheim, California 92806
Attention: Dennis Hardin

with copy to:

Randall R. Wittman, Esq.
23272 Mill Creek Drive, Suite 360W
Laguna Hills, California 92653

7. **Third Party Property.** Tenant acknowledges that the portion of the Premises being added by this Amendment (“Added Premises”) is gated and that automobiles owned by unknown third parties are currently stored at the Added Premises. Tenant shall not remove the gates or any personal property located at the Added Premises until and unless expressly authorized to do so by Landlord in writing. Until all personal property is removed from the Added Premises, Landlord shall retain the right to enter onto the Added Premises for any purpose including to obtain information regarding the personal property located thereon or to remove such personal property, as determined in Landlord’s sole and absolute discretion.

8. **Amendment Subject to Assignment.** The effectiveness of this Amendment is subject to and conditioned upon the effectiveness of the Assignment in accordance with its terms.

9. **Amendment Subject to Attachments.** The effectiveness of this Amendment is subject to and conditioned upon the execution of certain documents in substantially the forms set forth as Exhibits B, C, D, and E hereto, listed below:

- | | |
|------------------|--|
| <u>Exhibit B</u> | Tenants Certificate |
| <u>Exhibit C</u> | Tenant’s Estoppel |
| <u>Exhibit D</u> | Guarantee of Lease |
| <u>Exhibit E</u> | Release and Waiver Agreement re Relocation Assistance and Benefits |

10. **No Other Changes.** Except as expressly otherwise provided herein, the Lease shall remain in full force and effect in accordance with its terms.

[Signatures appear on following page.]

IN WITNESS WHEREOF, Landlord and Tenant have executed this First Amendment to Site and Building Lease as of the date first set forth above.

LANDLORD:

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

By: _____
Matthew Fertal, Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:



Stradling Yocca Carlson & Rauth,
Agency Counsel

TENANT:

HARDIN AUTOMOTIVE, INC.,
a California corporation

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, Landlord and Tenant have executed this First Amendment to Site and Building Lease as of the date first set forth above.

LANDLORD:

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

By: _____
Matthew Fertal, Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth,
Agency Counsel

TENANT:

HARDIN AUTOMOTIVE, INC.,
a California corporation

By: Devin Hardin
Name: _____
Title: _____

**EXHIBIT A
TO ATTACHMENT NO. 2**

PREMISES DESCRIPTION

PARCEL 1:

THE WEST ONE AND TWO-THIRDS (1/2/3) ACRES OF THE EAST ONE-HALF OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF SECTION THIRTY-TWO (32) TOWNSHIP FOUR (4) SOUTH, RANGE TEN (10) WEST, SAN BERNARDINO MERIDIAN, IN THE RANCHO LOS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51 PAGE 10 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, ACCORDING TO THE OFFICIAL PLAT THEREOF.

APN: 089-071-05 (PORTION) AND 089-071-14

PARCEL 1A:

THE WEST 15.00 FEET OF THE NORTH 230.00 FEET OF THE SOUTH 560.00 FEET OF THE WEST ONE AND TWO-THIRDS (1 2/3 ACRES OF THE EAST ONE-HALF (1/2) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF SECTION THIRTY TWO (32), TOWNSHIP FOUR (4) SOUTH, RANGE TEN (10) WEST, SAN BERNARDINO MERIDIAN, IN THE RANCHO LOS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, ACCORDING TO THE OFFICIAL PLAT THEREOF.

APN: 089-071-05 (PORTION)

PARCEL 2:

THE EAST ONE-HALF (1/2) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF SECTION THIRTY-TWO (32), TOWNSHIP FOUR (4) SOUTH, RANGE TEN (10) WEST OF SAN BERNARDINO MERIDIAN, IN THE RANCHO LOS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, ACCORDING TO THE OFFICIAL PLAT THEREOF.

EXCEPT THEREFROM THE EAST ONE AND TWO-THIRDS (1/23RDS) ACRES.

ALSO EXCEPT THEREFROM THE WEST ONE AND TWO-THIRDS (1 2/3RDS) ACRES.

PARCEL 2A:

THE NORTH 230.00 FEET OF THE SOUTH 560.00 FEET OF THE WEST ONE AND TWO-THIRDS (1 2/3RD) ACRES OF THE EAST ONE-HALF (1/2) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF SECTION THIRTY-TWO (32), TOWNSHIP FOUR (4) SOUTH, RANGE TEN (10) WEST OF SAN BERNARDINO MERIDIAN, IN THE RANCHO LOS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51, PAGE 10 OF MISCELLANEOUS RECORDS OF ORANGE COUNTY ACCORDING TO THE OFFICIAL PLAT THEREOF.

EXCEPT THE WEST 15.00 FEET THEREOF.

ALSO EXCEPT THEREFROM ALL OIL, GAS, NAPHTHA, MINERAL AND OTHER HYDROCARBON SUBSTANCES UNDERLYING SAID LAND.

APN: 089-071-06

PARCEL 2B:

AN EASEMENT FOR ROAD PURPOSES AND FOR THE PURPOSE OF INSTALLING AND MAINTAINING ELECTRIC, WATER, GAS, SEWERAGE AND TELEPHONE LINES OVER THE WEST 15.00 FEET OF THE SOUTH 560.00 FEET OF THE WEST 1 2/3 ACRES OF THE EAST HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 32, TOWNSHIP QUARTER OF SECTION 32, TOWNSHIP SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ACCORDING TO THE OFFICIAL PLAT THEREOF.

APN: 089-071-05 (PORTION)

PARCEL 3:

THE EAST 132.00 FEET OF THE WEST 594.00 OF THE SOUTH 660.00 FEET OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 4 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51 PAGE 10 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THE NORTH 330.00 FEET THEREOF.

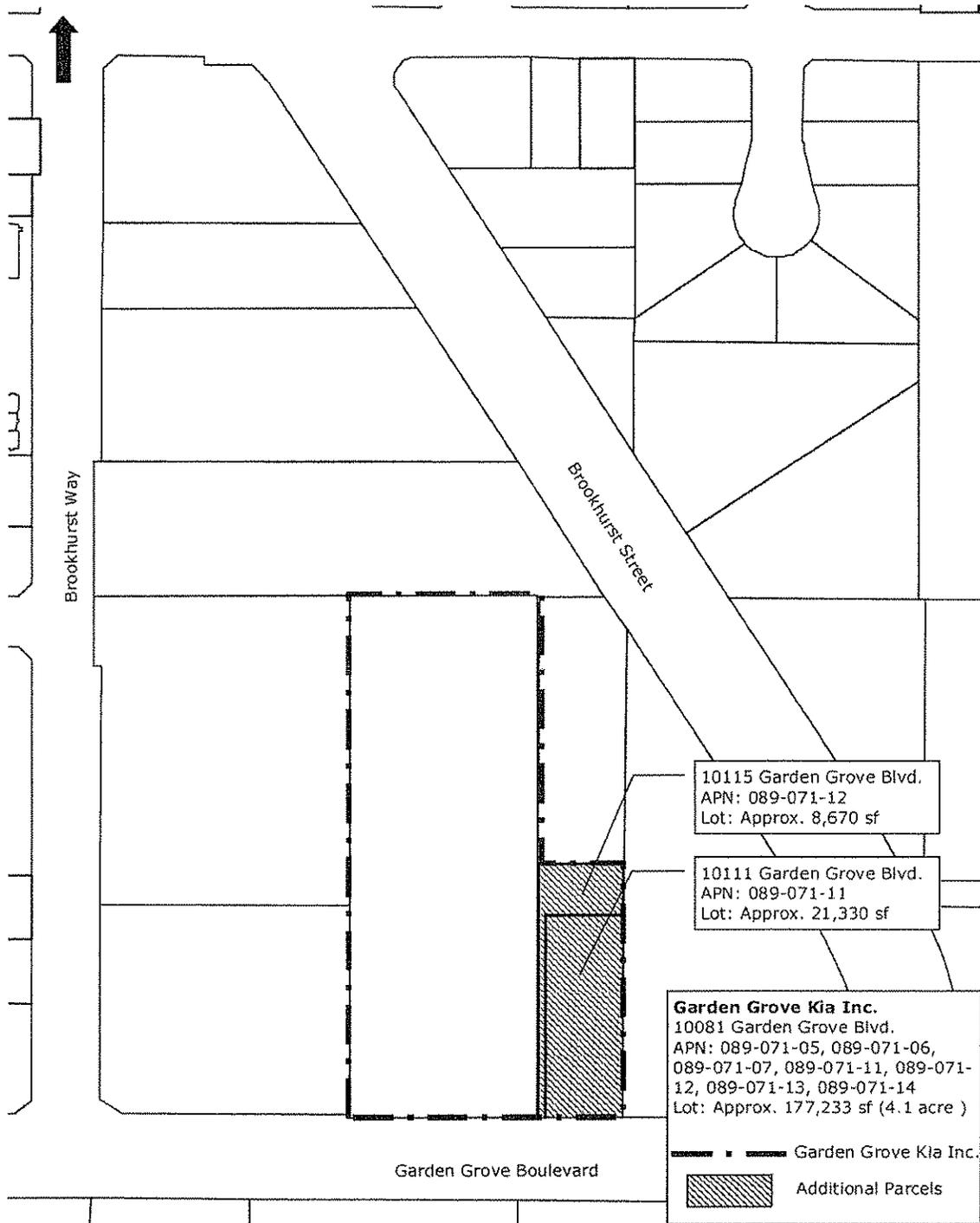
APN: 089-071-13

PARCELS 4 and 5 are hereby added to the Lease. PARCELS 4 and 5 consist of the real property designated as Assessor's Parcel Numbers: 089-071-11 and 089-071-12.

This Lease is made subject to all covenants, conditions, restrictions, reservations, rights, rights-of-way, easements and all other matters of record or apparent affecting the Premises or the use thereof as of the Commencement Date.

EXHIBIT A-1
TO ATTACHMENT NO. 2

PREMISES SITE PLAN



**EXHIBIT B
TO ATTACHMENT NO. 2**

TENANT'S CERTIFICATE

TENANT: Garden Grove Automotive, Inc.

PREMISES: 10071, 10081, 10111, and 10115 Garden Grove Boulevard,
Garden Grove, California 92844

COMMENCEMENT DATE: March 15, 2010

EXECUTION DATE: _____

THIS TENANT'S CERTIFICATE is executed as of the Execution Date by Tenant, who is currently the Tenant under that certain Site and Building Lease dated as of May 27, 2008, by and between Landlord and Tenant, with respect to the Premises ("Original Lease"), as amended by that certain First Amendment to Site and Building Lease dated as of [____], 2010 ("Amendment"; and, together with the Original Lease, the "Lease").

Subject to any exceptions and qualifications stated in Paragraph 15, below, Tenant represents, warrants, certifies and states each of the following:

1. The Lease is presently in full force and effect and has not been amended, supplemented, modified or otherwise changed.

2. All work and improvements to the Premises required by the Lease to have been performed by Landlord have been completed as of the Commencement Date in accordance with the provisions of the Lease and Tenant has accepted and taken possession of the Premises.

3. Landlord has satisfied all commitments, if any, made to induce Tenant to enter into the Lease, and to the best of Tenant's knowledge, is not in any respect in default in the performance by Landlord of its obligations under the Lease.

4. Tenant fully occupies the Premises and is not in any respect in default or breach of the Lease and has not assigned, sublet, transferred or hypothecated its interest under the Lease, except as permitted by the terms of Article 9.

5. Tenant has no Notice or knowledge of any prior assignment, hypothecation or pledge of rents, of the Lease.

6. Tenant knows of no event which would constitute a default under the terms of the Lease by either the Tenant or Landlord.

7. The Lease is a month to month tenancy which can be terminated upon thirty (30) days written notice by either party to the other.

8. Neither Tenant nor Landlord has begun any action, or given or received any Notice for the purpose of termination of the Lease.

**EXHIBIT C
TO ATTACHMENT NO. 2**

TENANT'S ESTOPPEL

TENANT: Garden Grove Automotive, Inc.

PREMISES: 10071, 10081, 10111, and 10115 Garden Grove Boulevard,
Garden Grove, California 92844

COMMENCEMENT DATE: March 15, 2010

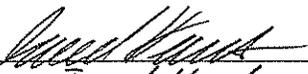
This TENANT'S ESTOPPEL is executed concurrently with the execution by Tenant of the above-referenced Lease with GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, as Landlord, for the lease of the above-referenced Premises.

Tenant represents, warrants, certifies and states each of the following:

1. Except as specifically provided in the Lease, no representation, warranty, or other agreement whatsoever has been made to Tenant, its agents, representatives or other party acting for or on behalf of Tenant, by Landlord, its agents, representatives, or other party acting for or on behalf of Landlord, in connection with the Lease, the Premises, exclusivity rights, or other representations, warranties or agreements, express or implied, which would induce Tenant to execute the Lease or lease the Premises.
2. Tenant agrees and acknowledges that Landlord is relying on Tenant's execution of this Tenant's Estoppel and would not execute the Lease but for Tenant's execution hereof.
3. Tenant has reviewed and understands this document and has had an opportunity to discuss this document with counsel or has waived such opportunity.

TENANT:

GARDEN GROVE AUTOMOTIVE, INC.,
a California corporation

By: 
Name: Jared Hardin
Title: President

**EXHIBIT D
TO ATTACHMENT NO. 2**

GUARANTEE OF LEASE

This **GUARANTEE OF LEASE** ("Guarantee") is given this _____ day of _____, 2010, by **HARDIN AUTOMOTIVE**, a California corporation ("Guarantor"), to **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic ("Landlord").

I. RECITALS

A. A certain Site and Building Lease dated as of May 27, 2008 ("**Lease**") was executed by and between Landlord and Hardin Hyundai, Inc., a California corporation, as Tenant, and the Tenant's interest in the Lease was thereafter (concurrently herewith) assigned to and assumed by Garden Grove Automotive, Inc., a California corporation ("**Tenant**"), with respect to certain premises in the City of Garden Grove, County of Orange, State of California.

B. Landlord requires as a condition to its consent to assignment of the Original Lease to Tenant that the undersigned guarantee the full performance of the obligations of Tenant thereunder.

C. Guarantor is desirous that Landlord consent to the assignment of the Lease with Tenant ("**Assignment**") and that Landlord and Tenant further enter into that certain First Amendment to Site and Building Lease dated concurrently herewith ("**Amendment**"). The Original Lease and the Amendment are referred to herein collectively as the "**Lease**."

NOW, THEREFORE, in consideration of Landlord's consent to the Assignment and execution of the Amendment, Guarantor hereby unconditionally guarantees the full performance of each and all of the terms, covenants and conditions of the Lease to be kept and performed by Tenant, as hereinafter provided.

II. TERMS

A. **GUARANTOR'S OBLIGATIONS:**

1. **GUARANTEE OF TENANT'S PERFORMANCE.** Guarantor unconditionally guarantees to Landlord the full and complete performance of each and all of the terms, covenants and conditions of the Lease and any amendments thereto required to be performed by Tenant including, but not limited to, the payment of all Monthly Base Rent and Additional Rent (as each term is defined in the Lease), and any and all other charges or sums or any portion thereof to accrue or become due from Tenant to Landlord pursuant to the terms of the Lease ("**Monetary Sums**").

2. **TENANT'S FAILURE TO PERFORM.** If Tenant fails to pay any of the Monetary Sums when due under the Lease, then, upon demand by Landlord, Guarantor, by certified or cashier's check or wire of immediately available funds, shall pay to Landlord or Landlord's designated agent all Monetary Sums due and owing from Tenant to Landlord under the Lease.

3. OTHER PROVISIONS. If Tenant fails to perform any covenants, terms or conditions of the Lease as required to be performed, then, upon written demand by Landlord, Guarantor shall commence and complete performance of the conditions, covenants and terms within ten (10) days after the date of Landlord's demand; provided, in the event the performance by Guarantor cannot be completed within ten (10) days, Guarantor shall commence performance within that time and diligently pursue same to completion within a reasonable period of time. Notwithstanding the foregoing, nothing contained in this Guarantee shall obligate or require Landlord to give Guarantor notice of any default or failure to perform on the part of Tenant, and Landlord's failure to give such notice shall have no effect on Guarantor's liability hereunder.

4. ADDITIONAL DAMAGES AND INTEREST. In addition to the payment of the Monetary Sums and the performance of any and all other provisions, conditions and terms of the Lease which may be required of Guarantor by reason of Tenant's failure to perform, Guarantor agrees to pay to Landlord any and all costs and expenses incurred by Landlord resulting from Tenant's failure to perform, including all costs and expenses and attorney's fees incurred in the enforcement of this Guarantee. Guarantor further agrees to pay to Landlord interest on any and all sums due and owing Landlord by reason of Tenant's failure to pay same at the Interest Rate provided in the Lease at the time of payment.

B. LANDLORD'S RIGHTS:

1. ENFORCEMENT. Notwithstanding the provisions of Section A above, Landlord reserves the right, in the event of any failure of Tenant to pay the Monetary Sums, to proceed against Tenant or Guarantor, or both, and to enforce against Guarantor or Tenant, or both, any and all rights that Landlord may have to the Monetary Sums. Guarantor understands and agrees that its liability under this Guarantee shall be primary and that, in any right of action which may accrue to Landlord under the Lease or this Guarantee, Landlord, at its option, may proceed against Guarantor without having taken any action or obtained any judgment against Tenant.

2. DELAY IN ENFORCEMENT. Guarantor understands and agrees that any failure or delay of Landlord to enforce any of its rights under the Lease or this Guarantee shall in no way affect Guarantor's obligations under this Guarantee.

C. GUARANTOR'S WAIVERS:

Guarantor hereby waives:

1. Any and all notices, presentments and notices of nonpayment or nonperformance;

2. All defenses based upon any disability of Tenant, release of Tenant's liability for any reason or any statute of limitations controlling obligations accruing under the Lease or this Guarantee;

3. Any and all rights it may have now or in the future to require or demand that Landlord pursue any right or remedy Landlord may have against Tenant or any third party;

4. Any and all rights it may have to enforce any remedies available to Landlord against Tenant now or in the future;

5. Any and all right to participate in any security deposit held by Landlord under the Lease now or in the future;

6. The right to require Landlord to proceed against Tenant, exhaust any security which Landlord now holds or may hold in the future from Tenant or pursue any other right or remedy available to Landlord;

7. All benefits and defenses under California Civil Code ("CC") Sections 2809 and 2810, and agrees that by doing so Guarantor's liability may be larger in amount and more burdensome than the liability of Tenant, and that Guarantor is liable even if Tenant had no liability at the time of the execution of the Lease or ceases for any reason to be liable;

8. All rights and benefits under CC Section 2819, and agrees that by doing so Guarantor's liability shall continue even if Landlord alters the obligations of Tenant under the Lease;

9. All benefits and defenses under CC Sections 2845, 2849 and 2850, including the right to require Landlord to proceed against Tenant, any other guarantor, or any security Landlord may hold, before enforcing this Guarantee against Guarantor, and the right to require Landlord to pursue any other right or remedy for the benefit of Guarantor, and Guarantor agrees that Landlord may proceed against Guarantor without proceeding against or exhausting any security that Landlord holds; and

10. The right to a trial by jury of any cause of action, claim, counterclaim or cross-complaint in any action, proceeding or other hearing brought by either Landlord against Tenant or Guarantor or by Tenant or Guarantor against Landlord on any matter whatsoever arising out of, or in any way connected with, the Lease, this Guarantee, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises or any claim of injury or damage, or the enforcement of any remedy under any law, statute, or regulation, emergency or otherwise, now or hereafter in effect.

D. CHANGES DO NOT AFFECT LIABILITY:

Guarantor understands and agrees that its obligations under this Guarantee shall not be affected in any way by any extension of time or other indulgence granted to Tenant, any amendment, modification, renewal or extension of the Lease, or any assignment or subletting of the Lease, and in no way shall any such occurrence release or discharge Guarantor from its obligations under this Guarantee. Guarantor agrees that its obligations under this Guarantee shall not be affected by Landlord's failure to notify Guarantor of any default or failure to perform on the part of Tenant.

E. TENANT'S INSOLVENCY:

1. ASSUMPTION OF LIABILITY. Guarantor understands and agrees that, if Tenant becomes insolvent or is adjudicated bankrupt, whether by voluntary or involuntary petition, or if any bankruptcy action involving Tenant is commenced or filed, or if a petition for reorganization, arrangement or similar relief is filed against Tenant, or if a receiver of any part of Tenant's property or assets is appointed by any court, Guarantor will pay to Landlord the amount of all accrued, unpaid and accruing Monetary Sums to the date when the trustee or administrator accepts the Lease and commences paying same; provided, however, at such time as the trustee or administrator rejects the Lease, Guarantor shall pay to Landlord all accrued, unpaid and accruing Monetary Sums under the Lease for the remainder of the Term.

2. LANDLORD'S OPTION. Pursuant to the provisions of Part II, Section E.1 above, at the option of Landlord as to the amounts owing for the unexpired term of the Lease if the Lease is rejected, Guarantor shall either:

a. Pay to Landlord an amount equal to the Monetary Sums which would have been payable for the unexpired term of the Lease reduced to its present day value; or

b. Execute and deliver to Landlord a new lease for the balance of the Term with the same terms and conditions as the Lease and with Guarantor as tenant thereunder.

3. EFFECT OF OPERATION OF LAW. Any operation of any present or future debtor's relief act or similar act or law or decision of any court shall in no way affect the obligations of Guarantor or Tenant to perform any of the terms, covenants or conditions of the Lease or of this Guarantee.

III. MISCELLANEOUS:

A. EXTENT OF OBLIGATIONS. Notwithstanding anything to the contrary in this Guarantee, it is understood and agreed that this Guarantee shall extend to any and all obligations of Tenant to Landlord under the Lease and any amendments to the Lease.

B. SUBROGATION. Guarantor understands and agrees that it shall have no right of subrogation against Tenant until such time as all of Tenant's obligations to Landlord have been fully paid and discharged.

C. ASSIGNABILITY. This Guarantee may be assigned in whole or in part by Landlord upon written notice to Guarantor.

D. SUCCESSORS AND ASSIGNS. The terms and provisions of this Guarantee shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

E. MODIFICATION OF GUARANTEE. This Guarantee constitutes the full and complete agreement between the parties hereto and it is understood and agreed that the provisions hereof may only be modified by a writing executed by the parties hereto.

F. NUMBER AND GENDER. As used herein, the singular shall include the plural and, as used herein, the masculine shall include the feminine and neuter genders.

G. CAPTIONS/HEADINGS. Any captions or headings used in this Guarantee are for reference purposes only and are in no way to be construed as part of this Guarantee.

H. INVALIDITY. If any term, provision, covenant or condition of this Guarantee is held to be void, invalid or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

I. JURISDICTION. The validity of this Guarantee and of any of its terms or provisions, and the rights and duties of the parties hereunder, shall be interpreted and construed in accordance with the laws of the State of California.

J. ATTORNEYS' FEES. In the event that either Landlord or Guarantor shall institute any action or proceeding against the other relating to the provisions of this Guarantee or the enforcement hereof, the party not prevailing in such action or proceeding shall reimburse the prevailing party for its actual attorneys' fees, and all fees, costs and expenses incurred in connection with such action or proceeding, including, without limitation, any post-judgment fees, costs or expenses incurred on any appeal or in collection of any judgment.

K. GUARANTEE OF PAYMENT AND PERFORMANCE. It is understood and agreed that this Guarantee is unconditional and continuing and is a guarantee of payment and performance and not of collection.

L. JOINT AND SEVERAL OBLIGATION. If Guarantor is more than one (1) person, the obligations of the persons comprising Guarantor shall be joint and several and the unenforceability of this Guarantee or Landlord's election not to enforce this Guarantee against one (1) or more of the persons comprising Guarantor shall not affect the obligations of the remaining persons comprising Guarantor or the enforceability of this Guarantee against such remaining persons.

IN WITNESS WHEREOF, the undersigned have executed this Guarantee of Lease and made it effective on the date first written above.

Addresses for notices:

_____, California 9_____
Attention: _____

HARDIN AUTOMOTIVE,
a California corporation

By: Dennis D. Hardin
Name: Dennis D. Hardin
Its: President

By: _____
Name: _____
Its: _____

GUARANTOR

**EXHIBIT E
TO ATTACHMENT NO. 2**

**RELEASE AND WAIVER AGREEMENT
RE RELOCATION ASSISTANCE AND BENEFITS**

This **RELEASE AND WAIVER AGREEMENT RE RELOCATION ASSISTANCE AND BENEFITS** ("Agreement") is entered into as of _____, 2010, by and between **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic ("Landlord"), and **GARDEN GROVE AUTOMOTIVE, INC.**, a California corporation ("GGA"), and joined in by **HARDIN AUTOMOTIVE**, a California corporation ("Affiliate Company," and together with GGA, "Tenant") for the settlement, waiver, and release of any and all claims associated with termination of Tenant's Leasehold Interest (as such term is defined herein), and the removal of Tenant's personal property from the Premises (as such term is defined herein).

RECITALS

A. Landlord currently owns certain improved real property located at 10071, 10081, 10111, and 10115 Garden Grove Boulevard, Garden Grove, California 92844 ("Premises") and has entered into a month-to-month lease with Tenant with respect thereto ("Leasehold Interest") pursuant to a written Site and Building Lease, dated as of May 27, 2008 ("Original Lease"), as amended by that certain First Amendment to Site and Building Lease, dated as of _____, 2010, by and between Landlord and Tenant ("Amendment," and together with the Original Lease, the "Lease").

B. Landlord and Tenant desire to confirm certain facts that are a part of this Agreement, including that Landlord previously entered into a Purchase and Sale Agreement to purchase the Premises from Dai R. Lee and Debbie K. Lee, and that Landlord acquired the Premises pursuant thereto.

C. Pursuant to the Original Lease, Landlord leased the Premises to Hardin Hyundai, Inc., a California corporation ("Original Tenant"), under a month-to-month tenancy at a Monthly Base Rent (as such term is defined in the Lease) amount of \$10,000. The Original Tenant is an affiliate of Tenant.

D. Pursuant to an Assignment and Assumption Agreement of even date herewith ("Assignment"), Original Tenant, as assignor, assigned its leasehold interest in the Premises to GGA, as assignee. GGA and Landlord concurrently entered into the Amendment.

E. Tenant acknowledges that Landlord acquired the Premises prior to execution of the Lease and prior to the Assignment to Tenant and therefore Tenant is a post-acquisition tenant.

F. Original Tenant entered into that certain Lessee's Relocation Release and Waiver Agreement and Seller's Indemnity Agreement pursuant to which Original Tenant agreed to waive any and all relocation assistance or benefits under the Relocation Laws in exchange for Landlord's agreement to enter into the Original Lease with Original Tenant.

G. In addition to requesting Landlord's consent of the Assignment, Tenant, in writing, has requested a significant reduction in the monthly rent due under the Original Lease and Tenant expressly offered to Landlord to waive and release its future or potential eligibility for relocation assistance and benefits under the Relocation Laws (as such term is defined herein) in consideration and exchange for a bargain, below-market rent for the Premises (to be reduced hereunder from \$10,000 per month to the bargain rent of \$3,000 per month).

H. Landlord has considered Tenant's written request and has accepted Tenant's offer, which includes Landlord and GGA entering into the Amendment and this Agreement, which is attached as Exhibit E to the Amendment and incorporated therein. The Assignment and Landlord's consent to the Assignment are both expressly conditioned upon Tenant's agreement to execute this Agreement.

I. Tenant understands and acknowledges that it has voluntarily entered into this Agreement with Landlord, and that if Tenant is ever required to vacate the Premises upon notice from Landlord, its vacation of the Premises would be the result of the termination of Tenant's Leasehold Interest, and would not be considered, expressly or impliedly, as a direct result of either of the following: (i) a written notice of intent to acquire, or the acquisition of, the Premises, in whole or in part, for a program or project undertaken by a public entity or by any person having an agreement with, or acting on behalf of, a public entity; or (ii) the rehabilitation, demolition, or other displacing activity, as the public entity may prescribe under a program or project undertaken by a public entity, of real property on which the person is a residential tenant or conducts a business or farm operation, if the public entity determines that the displacement is permanent.

J. Tenant desires to enter into this Agreement whereby Tenant expressly, intentionally, voluntarily and knowingly does and will settle, waive, and release any and all claims associated in any manner with Landlord's termination of Tenant's Leasehold Interest and Tenant's business(es) and the removal of Tenant's personal property from the Premises, to the extent that such claims exist now, or otherwise may or may not arise, or may or may not have arisen in the future, if at all.

NOW, THEREFORE, for good and valuable consideration, receipt of which is acknowledged, the parties hereto agree as follows:

1. Relocation Law. Tenant acknowledges that Tenant has received and reviewed a copy of the CRAL (as defined in this Section 1) and has been provided an opportunity to review all provisions of Relocation Law. As used in this Agreement, the term "Relocation Law" means the California Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.* California Relocation Assistance Law, Health and Safety Code Section 7260, *et seq.* ("CRAL"), and the implementing regulations promulgated by the California Department of Housing and Community Development ("HCD") set forth in California Code of Regulations, Title 25, Housing and Community Development, Division 1, Chapter 6, Section 6000, *et seq.* ("Guidelines"), and federal relocation laws and regulations set forth in the Federal Uniform Relocation and Real Property Assistance Act, 42 U.S.C. Section 4601, *et seq.* ("URA"), the implementing regulations thereto in the Code of Federal Regulations, 49 CFR Part 24, and all applicable, if any, federal funding programs in 24 CFR Parts 42, 91, 92, and 570, including for example, the CDBG Program and the HOME Program, and in other federal relocation codes and regulations. A copy of CRAL Sections 7260 to 7277 of the Government Code, is appended to this Agreement as Addendum A.

2. **Possession/Vacation of the Premises.** Tenant represents, warrants, and agrees that it has not entered into any other lease, assignment or any other agreement allowing any third party to occupy all or any part of the Premises. Tenant represents, warrants, and agrees that as of the date of this Agreement, other than Tenant, no other person or entity has any legal right to possess or occupy the Premises.

3. **Full and Complete Settlement for Tenant's Leasehold Interest.** Landlord's agreement to consent to the Assignment and enter into the Amendment under which there is a significant reduction in the Monthly Base Rent amount due and payable by Tenant, as set forth in further detail in the Lease, is in consideration for Tenant's Leasehold Interest in the Premises and any rights or obligations that exist or may arise out of the termination of Tenant's Leasehold Interest, whether for public purposes or private purposes, including without limitation, Tenant's Leasehold Interest, severance damages, relocation assistance, relocation benefits, any alleged pre-condemnation damages, any alleged loss of business goodwill, costs, interest, attorneys' fees, and any claim whatsoever of Tenant that might arise out of or relate in any respect whatsoever directly or indirectly to the termination of the Leasehold Interest by Landlord. Tenant acknowledges and agrees that it will not be entitled to relocation assistance or benefits under Relocation Law due to Landlord's termination of Tenant's Leasehold Interest and Tenant's business(es) and the removal of Tenant's personal property from the Premises, and further acknowledges and agrees that Tenant's status is deemed and shall be and remain as a post-acquisition tenant with no eligibility or rights to relocation assistance or benefits thereunder, as provided in the Lease. Tenant fully, intentionally, knowingly and voluntarily waives, releases and discharges Landlord and the City of Garden Grove ("City"), and their appointed and elected officials, officers, directors, employees, contractors, and agents (together "Indemnitees") from all and any manner of rights, demands, liabilities, obligations, claims, or causes of action, in law or equity, of whatever kind or nature, whether known or unknown, whether now existing or hereinafter arising, which arise from or relate in any manner to (i) the sale of the Premises or the relocation of any of Tenant's business operations or the relocation of any person or persons, business or businesses, or other occupant or occupants located on the Premises, including the specific waiver and release of any right to any relocation benefits, assistance and/or payments under the Relocation Law notwithstanding that such relocation assistance, benefits and/or payments may be otherwise required under such state or federal law; and (ii) compensation for any interest in the business operations at, on, or about the Premises including, but not limited to, land and improvements, fixtures, furniture, or equipment thereon, Leasehold Interest, goodwill, severance damage, attorneys' fees or any other compensation of any nature whatsoever. It is hereby intended that the release contained above relates to both known and unknown claims that Tenant and any person or entity claiming by or through Tenant may have, or claim to have, against any of the Indemnitees with respect to the subject matter contained herein or the events relating thereto. By releasing and forever discharging claims both known and unknown which are related to or which arise under or in connection with, the items set out above, Tenant expressly waives any rights under California Civil Code Section 1542, which provides:

“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.”



Tenant's Initials

Tenant's Initials

In connection with this Agreement, Tenant acknowledges that it is aware that it and its attorneys may hereafter discover claims or facts or legal theories in addition to or different from those which they know or believe to exist with respect to the claims released herein, but that Tenant's intention hereby is to fully, finally and forever release and waive all such claims, known or unknown, suspected or unsuspected, which do now exist, may exist or have existed in favor of Tenant. In furtherance of such intention, this Agreement provided Tenant shall be and remain in effect as a full and complete release and waiver, notwithstanding the discovery or existence of any such additional claims, facts, or legal theories under applicable laws or regulations or otherwise relating to the Premises. Tenant acknowledges and agrees that its waiver and release is an essential and material term to the Lease and that without this Agreement, Landlord would not have consented to the Lease. Tenant understands and acknowledges the significance and consequences of this Agreement.

4. Informed Consent. Tenant agrees, warrants and represents that it has carefully read the contents of this Agreement (and the Lease) and that, in executing this Agreement (and the Lease), it does so with full knowledge of any right which it may have, that it has received independent legal advice from its attorneys, or in the alternative, knowingly has determined not to seek legal advice with respect to the matters set forth herein, and that Tenant has freely signed this Agreement without relying on any agreement, promise, statement or representation by or on behalf of any person or entity, including any and all Indemnitees, except as specifically set forth in this Agreement.

5. Binding On Successors. The statements, representations and recitals contained in this Agreement are to be considered contractual in nature and not merely recitations of fact. This Agreement shall be binding upon Tenant and its heirs, agents, successors, legal representatives and assigns.

6. Governing Law. The laws of the State of California shall govern this Agreement in all respects, including, but not limited to, matters of construction, validity, enforcement and interpretation.

7. Attorneys' Fees. If any legal action is brought to enforce, construe, interpret or invalidate the terms of this Agreement, the prevailing party shall be entitled to all costs and expenses incurred in any such action including court costs and reasonable attorneys' fees, in addition to any other relief to which they may be entitled.

8. Entire Agreement. This Agreement (along with and including the Lease) supersedes any prior understandings, discussions or agreements with respect to the subject matter hereof. This Agreement may be signed in multiple counterparts which, when signed by all parties, shall constitute a binding agreement.

9. **Severability.** In the event that any terms, covenants or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid or contrary to public policy, the remaining provisions shall continue in full force and effect. If a court of competent jurisdiction is required to interpret this Agreement, the court shall be guided by Tenant's knowing, voluntary and willing request and desire for Landlord to consent to the Lease and the broadest and most comprehensive release and waiver of Relocation Law.

10. **Third Party Beneficiaries.** The parties hereto intend the City and to be a third party beneficiary of this Agreement. As an intended third party beneficiary, the City shall have the right to enforce the terms and conditions of this Agreement to the extent permitted by law.

11. **Execution of Further Documents.** From time to time, at the request of Landlord (or the City) and without further consideration of expense and within a reasonable period of time after a request is made, Tenant agrees to execute and deliver any and all further documents and instruments, and to do all acts, as Landlord (or the City) may reasonably request, which may be necessary or appropriate to fully implement the provisions of this Agreement, as and if necessary.

12. **Co-Participation in Drafting of this Agreement.** Landlord and Tenant each represent and warrant that they and their respective counsel fully participated in the drafting and terms of this Agreement. Accordingly, any ambiguities in the terms of this release and waiver shall not be construed against Landlord and any doctrine of law regarding interpretation of any such ambiguities in the terms and provisions of this release and waiver against Landlord shall not be applicable.

13. **Notices.** Any notice, request, demand, consent, approval or other communication required or permitted hereunder or by law shall be validly given or made only if in writing and delivered in person to an officer or duly authorized representative of the other party, or deposited in the United States mail, duly certified or registered (return receipt requested), postage prepaid, or delivered through another reasonably acceptable method, and addressed to the party for whom intended, as follows:

If to Landlord: Garden Grove Agency for Community Development
 P.O. Box 3070
 Garden Grove, California 92642
 Attention: Real Property Office

If to Tenant: Garden Grove Automotive, Inc.
 1381 Auto Center Drive
 Anaheim, California 92806
 Attention: Dennis D. Hardin

Any party may from time to time, by written notice to the other, designate a different address which shall be substituted for that specified above. If any notice or other document is sent by mail as aforesaid, the same shall be deemed fully delivered and received forty-eight (48) hours after mailing as provided above.

IN WITNESS WHEREOF, the parties hereto caused this Release and Waiver Agreement re Relocation Assistance and Benefits to be executed as of the day and year first above written.

LANDLORD:

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

By: _____
Agency Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:



Agency Counsel

TENANT:

GGA:

GARDEN GROVE AUTOMOTIVE, INC.,
a California corporation

By: _____
Name: _____
Title: _____

AFFILIATE COMPANY:

HARDIN AUTOMOTIVE,
a California corporation

By: _____
Dennis D. Hardin, President

IN WITNESS WHEREOF, the parties hereto caused this Release and Waiver Agreement re Relocation Assistance and Benefits to be executed as of the day and year first above written.

LANDLORD:

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

By: _____
Agency Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:

Agency Counsel

TENANT:

GGA:

GARDEN GROVE AUTOMOTIVE, INC.,
a California corporation

By: *Jared Hardin*
Name: Jared Hardin
Title: President

AFFILIATE COMPANY:

HARDIN AUTOMOTIVE,
a California corporation

By: *Dennis D. Hardin*
Dennis D. Hardin, President

ADDENDUM A

CALIFORNIA RELOCATION ASSISTANCE LAW

GOVERNMENT CODE SECTION 7260-7277

7260. As used in this chapter:

(a) "Public entity" includes the state, the Regents of the University of California, a county, city, city and county, district, public authority, public agency, and any other political subdivision or public corporation in the state or any entity acting on behalf of these agencies when acquiring real property, or any interest therein, in any city or county for public use, and any person who has the authority to acquire property by eminent domain under state law.

(b) "Person" means any individual, partnership, corporation, limited liability company, or association.

(c) (1) "Displaced person" means both of the following:

(A) Any person who moves from real property, or who moves his or her personal property from real property, either:

(i) As a direct result of a written notice of intent to acquire, or the acquisition of, the real property, in whole or in part, for a program or project undertaken by a public entity or by any person having an agreement with, or acting on behalf of, a public entity.

(ii) As a direct result of the rehabilitation, demolition, or other displacing activity, as the public entity may prescribe under a program or project undertaken by a public entity, of real property on which the person is a residential tenant or conducts a business or farm operation, if the public entity determines that the displacement is permanent. For purposes of this subparagraph, "residential tenant" includes any occupant of a residential hotel unit, as defined in subdivision (b) of Section 50669 of the Health and Safety Code, and any occupant of employee housing, as defined in Section 17008 of the Health and Safety Code, but does not include any person who has been determined to be in unlawful occupancy of the displacement dwelling.

(B) Solely for the purposes of Sections 7261 and 7262, any person who moves from real property, or moves his or her personal property from real property, either:

(i) As a direct result of a written notice of intent to acquire, or the acquisition of, other real property, in whole or in part, on which the person conducts a business or farm operation for a program or project undertaken by a public entity.

(ii) As a direct result of the rehabilitation, demolition, or other displacing activity as the public entity may prescribe under a program or project undertaken by a public entity, of other real property on which the person conducts a business or farm operation, in any case in which the public entity determines that the displacement is permanent.

(2) This subdivision shall be construed so that persons displaced as a result of public action receive relocation benefits in cases where they are displaced as a result of an owner participation agreement or an acquisition carried out by a private person for, or in connection with, a public use where the public entity is otherwise empowered to acquire the property to carry out the public use.

(3) Except for persons or families of low and moderate income, as defined in Section 50093 of the Health and Safety Code, who are occupants of housing that was made available to them on a permanent basis by a public agency and who are required to move from the housing, a "displaced person" shall not include any of the following:

(A) Any person who has been determined to be in unlawful occupancy of the displacement dwellings.

(B) Any person whose right of possession at the time of moving arose after the date of the public entity's acquisition of the real property.

(C) Any person who has occupied the real property for the purpose of obtaining assistance under this chapter.

(D) In any case in which the public entity acquires property for a program or project (other than a person who was an occupant of the property at the time it was acquired), any person who occupies the property for a period subject to termination when the property is needed for the program or project.

(E) Any person who donates or willingly sells his or her property for the purposes of protecting fish and wildlife habitat, providing recreational areas, or preserving cultural or agricultural resources and open space, or any person who occupies that property on a rental basis. This subparagraph does not apply when a sale is in response to an eminent domain proceeding.

(d) "Business" means any lawful activity, except a farm operation, conducted for any of the following:

(1) Primarily for the purchase, sale, lease, or rental of personal and real property, and for the manufacture, processing, or marketing of products, commodities, or any other personal property.

(2) Primarily for the sale of services to the public.

(3) Primarily by a nonprofit organization.

(4) Solely for the purpose of Section 7262 for assisting in the purchase, sale, resale, manufacture, processing, or marketing of products, commodities, personal property, or services by the erection and maintenance of an outdoor advertising display, whether or not the display is located on the premises on which any of the above activities are conducted.

(e) "Farm operation" means any activity conducted solely or primarily for the production of one or more agricultural products or commodities, including timber, for sale or home use, and customarily producing these products or commodities in sufficient quantity to be capable of contributing materially to the operator's support.

(f) "Affected property" means any real property that actually declines in fair market value because of acquisition by a public entity for public use of other real property and a change in the use of the real property acquired by the public entity.

(g) "Public use" means a use for which real property may be acquired by eminent domain.

(h) "Mortgage" means classes of liens that are commonly given to secure advances on, or the unpaid purchase price of, real property, together with the credit instruments, if any, secured thereby.

(i) "Comparable replacement dwelling" means any dwelling that is all of the following:

(1) Decent, safe, and sanitary.

(2) Adequate in size to accommodate the occupants.

(3) In the case of a displaced person who is a renter, within the financial means of the displaced person. A comparable replacement dwelling is within the financial means of a displaced person if the monthly rental cost of the dwelling, including estimated average monthly utility costs, minus any replacement housing payment available to the person, does not exceed 30 percent of the person's average monthly income, unless the displaced person meets one or more of the following conditions, in which case the payment of the monthly rental cost of the comparable replacement dwelling, including estimated average monthly utility costs, minus any replacement housing payment available to the person, shall not exceed 25 percent of the person's average monthly income:

(A) Prior to January 1, 1998, the displaced person received a notice to vacate from a public entity, or from a person having an agreement with a public entity.

(B) The displaced person resides on property that was acquired by a public entity, or by a person having an agreement with a public entity, prior to January 1, 1998.

(C) Prior to January 1, 1998, a public entity, or a person having an agreement with a public entity, initiated negotiations to acquire the property on which the displaced person resides.

(D) Prior to January 1, 1998, a public entity, or a person having an agreement with a public entity, entered into an agreement to acquire the property on which the displaced person resides.

(E) Prior to January 1, 1998, a public entity, or a person having an agreement with a public entity, gave written notice of intent to acquire the property on which the displaced person resides.

(F) The displaced person is covered by, or resides in an area or project covered by, a final relocation plan that was adopted by the legislative body prior to January 1, 1998, pursuant to this chapter and the regulations adopted pursuant to this chapter.

(G) The displaced person is covered by, or resides in an area or project covered by, a proposed relocation plan that was required to have been submitted prior to January 1, 1998, to the Department of Housing and Community Development or to a local relocation committee, or for which notice was required to have been provided to occupants of the property prior to January 1, 1998, pursuant to this chapter and the regulations adopted pursuant to this chapter.

(H) The displaced person is covered by, or resides in an area or project covered by, a proposed relocation plan that was submitted prior to January 1, 1998, to the Department of Housing and Community Development or to a local relocation committee, or for which notice was provided to the public or to occupants of the property prior to January 1, 1998, pursuant to this chapter and the regulations adopted pursuant to this chapter, and the person is eventually displaced by the project covered in the proposed relocation plan.

(I) The displaced person resides on property for which a contract for acquisition, rehabilitation, demolition, construction, or other displacing activity was entered into by a public entity, or by a person having an agreement with a public entity, prior to January 1, 1998.

(J) The displaced person resides on property where an owner participation agreement, or other agreement between a public entity and a private party that will result in the acquisition, rehabilitation, demolition, or development of the property or other displacement, was entered into prior to January 1, 1998, and the displaced person resides in the property at the time of the agreement, provides information to the public entity, or person having an agreement with the public entity, showing that he or she did reside in the property at the time of the agreement and is eventually displaced by the project covered in the agreement.

(4) Comparable with respect to the number of rooms, habitable space, and type and quality of construction. Comparability under this paragraph shall not require strict adherence to a detailed, feature-by-feature comparison. While a comparable replacement dwelling need not possess every feature of the displacement dwelling, the principal features shall be present.

(5) In an area not subject to unreasonable adverse environmental conditions.

(6) In a location generally not less desirable than the location of the displaced person's dwelling with respect to public utilities, facilities, services, and the displaced person's place of employment.

(j) "Displacing agency" means any public entity or person carrying out a program or project which causes a person to be a displaced person for a public project.

(k) "Appraisal" means a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.

(l) "Small business" means a business as defined in Part 24 of Title 49 of the Code of Federal Regulations.

(m) "Lead agency" means the Department of Housing and Community Development.

7260.5. (a) The Legislature finds and declares the following:

(1) Displacement as a direct result of programs or projects undertaken by a public entity is caused by a number of activities, including rehabilitation, demolition, code enforcement, and acquisition.

(2) Relocation assistance policies must provide for fair, uniform, and equitable treatment of all affected persons.

(3) The displacement of businesses often results in their closure.

(4) Minimizing the adverse impact of displacement is essential to maintaining the economic and social well-being of communities.

(5) Implementation of this chapter has resulted in burdensome, inefficient, and inconsistent compliance requirements and procedures which may be improved by establishing a lead agency.

(b) This chapter establishes a uniform policy for the fair and equitable treatment of persons displaced as a direct result of programs or projects undertaken by a public entity. The primary purpose of this chapter is to ensure that these persons shall not suffer disproportionate injuries as a result of programs and projects designed for the benefit of the public as a whole and to minimize the hardship of displacement on these persons.

(c) The Legislature intends all of the following:

(1) Public entities shall carry out this chapter in a manner which minimizes waste, fraud, and mismanagement and reduces unnecessary administrative costs.

(2) Uniform procedures for the administration of relocation assistance shall, to the maximum extent feasible, assure that the unique circumstances of any displaced person are taken into account and that persons in essentially similar circumstances are accorded equal treatment under this chapter.

(3) The improvement of housing conditions of economically disadvantaged persons under this chapter shall be undertaken, to the maximum extent feasible, in coordination with existing federal, state, and local government programs for accomplishing these goals.

(4) The policies and procedures of this chapter shall be administered in a manner which is consistent with fair housing requirements and which assures all persons their rights under Title VIII of that act of April 11, 1968 (Public Law 90-284), commonly known as the Civil Rights Act of 1968 and Title VI of the Civil Rights Act of 1964.

7260.7. Notwithstanding any other provision of law, in furtherance of the goal set forth in paragraph (3) of subdivision (c) of Section 7260.5, nonprofit facilities subsidized pursuant to any federal or state program for the benefit of low-income tenants that restrict rent increases based on operating cost increases, and that also receive state funds for renovation and rehabilitation involving the temporary relocation of those tenants, shall be exempt from any restrictions on rents imposed pursuant to this chapter.

7261. (a) Programs or projects undertaken by a public entity shall be planned in a manner that (1) recognizes, at an early stage in the planning of the programs or projects and before the commencement of any actions which will cause displacements, the problems associated with the displacement of individuals, families, businesses, and farm operations, and (2) provides for the resolution of these problems in order to minimize adverse impacts on displaced persons and to expedite program or project advancement and completion. The head of the displacing agency shall ensure the relocation assistance advisory services described in subdivision (c) are made available to all persons displaced by the public entity. If the agency determines that any person occupying property immediately adjacent to the property where the displacing activity occurs is caused substantial economic injury as a result thereof, the agency may make the advisory services available to the person.

(b) In giving this assistance, the public entity may establish local relocation advisory assistance offices to assist in obtaining replacement facilities for persons, businesses, and farm operations which find that it is necessary to relocate because of the acquisition of real property by the public entity.

(c) This advisory assistance shall include those measures, facilities, or services which are necessary or appropriate to do all of the following:

(1) Determine and make timely recommendations on the needs and preferences, if any, of displaced persons for relocation assistance.

(2) Provide current and continuing information on the availability, sales prices, and rentals of comparable replacement dwellings for displaced homeowners and tenants, and suitable locations for businesses and farm operations.

(3) Assure that, within a reasonable time period prior to displacement, to the extent that it can be reasonably accomplished, there will be available in areas not generally less desirable in regard to public utilities and public and commercial facilities, and at rents or prices within the financial means of displaced families and individuals, decent, safe, and sanitary dwellings, sufficient in number to meet the needs of, and available to, those displaced persons requiring those dwellings and reasonably accessible to their places of employment, except that, in the case of a federally funded project, a waiver may be obtained from the federal government.

(4) Assure that a person shall not be required to move from a dwelling unless the person has had a reasonable opportunity to relocate to a comparable replacement dwelling, except in the case of any of the following:

(A) A major disaster as defined in Section 102(2) of the federal Disaster Relief Act of 1974.

(B) A state of emergency declared by the President or Governor.

(C) Any other emergency which requires the person to move immediately from the dwelling because continued occupancy of the dwelling by the person constitutes a substantial danger to the health or safety of the person.

(5) Assist a person displaced from a business or farm operation in obtaining and becoming established in a suitable replacement location.

(6) Supply information concerning other federal and state programs which may be of assistance to those persons in applying for assistance under the program.

(7) Provide other advisory services to displaced persons in order to minimize hardships to those persons.

(d) The head of the displacing agency shall coordinate its relocation assistance program with the project work necessitating the displacement and with other planned or proposed activities of other public entities in the community or nearby areas which may affect the implementation of its relocation assistance program.

(e) Notwithstanding subdivision (c) of Section 7260, in any case in which a displacing agency acquires property for a program or project, any person who occupies the property on a rental basis for a short term or a period subject to termination when the property is needed for the program or project, shall be eligible for advisory services to the extent determined by the displacing agency.

7261.5. In order to prevent unnecessary expenses and duplications of functions, and to promote uniform and effective administration of relocation assistance programs for displaced persons under this chapter, a public entity may enter into a contract with any individual, firm, association, or corporation for services in connection with such program, or may carry out its functions under this chapter through any federal, state, or local governmental agency having an established organization for conducting relocation assistance programs. Any public entity may, in carrying out its relocation assistance activities, utilize the services of state or local housing agencies or other agencies having experience in the administration or conduct of similar housing assistance activities.

7262. (a) Whenever a program or project to be undertaken by a public entity will result in the displacement of any person, the displaced person is entitled to payment for actual moving and related expenses as the public entity determines to be reasonable and necessary, including expenses for all of the following:

(1) Actual and reasonable expenses in moving himself or herself, his or her family, business, or farm operation, or his or her, or his or her family's, personal property.

(2) Actual direct losses of tangible personal property as a result of moving or discontinuing a business or farm operation, but not to exceed an amount equal to the reasonable expenses that would have been required to relocate the property, as determined by the public entity.

(3) Actual and reasonable expenses in searching for a replacement business or farm, not to exceed one thousand dollars (\$1,000).

(4) Actual and reasonable expenses necessary to reestablish a displaced farm, nonprofit organization, or small business at its new site, but not to exceed ten thousand dollars (\$10,000).

(b) Any displaced person eligible for payments under subdivision (a) who is displaced from a dwelling and who elects to accept the payments authorized by this subdivision in lieu of the payments authorized by subdivision (a) shall receive a moving expense and dislocation allowance which shall be determined according to a schedule established by the head of the lead agency. The schedule shall be consistent with the Residential Moving Expense and Dislocation Allowance Payment Schedule established by Part 24 of Title 49 of the Code of Federal Regulations.

(c) Any displaced person who moves or discontinues his or her business or farm operation and elects to accept the payment authorized by this subdivision in lieu of the payment authorized by subdivision (a), shall receive a fixed relocation payment in an amount equal to the average annual net earnings of the business or farm operation, except that the payment shall not be less than one thousand dollars (\$1,000) nor more than twenty thousand dollars (\$20,000). In the case of a business, no payment shall be made under this subdivision, unless the public entity is satisfied that the business cannot be relocated without substantial loss of patronage and is not part of a commercial enterprise having at least one other establishment not being acquired, engaged in the same or similar business. For purposes of this subdivision, the term "average annual net earnings" means one-half of any net earnings of the business or farm operation before federal, state, and local income taxes during the two taxable years immediately preceding the taxable year in which the business or farm operation moves from the real property being acquired, or during any other period as the public entity determines to be more equitable for establishing earnings, and includes any compensation paid by the business or farm operation to the owner, his or her spouse, or his or her dependents during the two-year or other period. To be eligible for the payment authorized by this subdivision, the business or farm operation shall make available its state income tax records, financial statements, and accounting records, for confidential use pursuant to an audit to determine the payment pursuant to this subdivision. In regard to an outdoor advertising display, payment pursuant to this subdivision shall be limited to the amount necessary to physically move, or replace that display. Any displaced person eligible for payments under subdivision (a) who is displaced from the person's place of business or farm operation and who is eligible under criteria established by the public entity, may elect to accept a fixed payment in lieu of the payment authorized by subdivision (a). The fixed payment shall not be less than one thousand dollars (\$1,000) nor more than twenty thousand dollars (\$20,000). A person whose sole business at the displacement dwelling is the rental of the property to others shall not qualify for a payment under this subdivision.

(d) Whenever the acquisition of real property used for a business or farm operation causes the person conducting the business or farm operation to move from other real property, or to move his or her personal property from other real property, the person shall receive payments for moving and

related expenses under subdivision (a) or (b) and relocation advisory assistance under Section 7261 for moving from the other property.

(e) Whenever a public entity must pay the cost of moving a displaced person under paragraph (1) of subdivision (a), or subdivision (d):

(1) The costs of the move shall be exempt from regulation by the Public Utilities Commission.

(2) The public entity may solicit competitive bids from qualified bidders for performance of the work. Bids submitted in response to the solicitations shall be exempt from regulation by the Public Utilities Commission.

(f) No provision of this chapter shall be construed to require a public entity to provide any relocation assistance to a lessee if the property acquired for a program or project is subject to a lease for purposes of conducting farm operations and the public entity agrees to assume all of the terms of that lease.

7262.5. Notwithstanding Section 7265.3 or any other provision of law, tenants residing in any rental project who are displaced from the project for a period of one year or less as part of a rehabilitation of that project, that is funded in whole or in part by a public entity, shall not be eligible for permanent housing assistance benefits pursuant to Sections 7264 and 7264.5 if all of the following criteria are satisfied:

(a) The project is a "qualified affordable housing preservation project," which means any complex of two or more units whose owners enter into a recorded regulatory agreement, having a term for the useful life of the project, with any entity for the provision of project rehabilitation financing. For this purpose, the regulatory agreement shall require of the owner and all successors and assigns of the owner, as long as the regulatory agreement is in effect, that at least 49 percent of the tenants in the project have, at the time of the recordation of the regulatory agreement, incomes not in excess of 60 percent of the area median income, adjusted by household size, as determined by the appropriate agency of the state. In addition, a project is a qualified affordable housing preservation project only if the beneficiary of the regulatory agreement elects this designation by so indicating on the regulatory agreement.

(b) The resident is offered the right to return to his or her original unit, or a comparable unit in the same complex if his or her original unit is not otherwise available due to the rehabilitation, with rent for the first 12 months subsequent to that return being the lower of the following: up to 5 percent higher than the rent at the time of displacement; or up to 30 percent of household income.

(c) The estimated time of displacement is reasonable, and the temporary unit is not unreasonably impacted by the effects of the construction, taking into consideration the ages and physical conditions of the members of the displaced household.

(d) All other financial benefits and services otherwise required under this chapter are provided to the residents temporarily displaced from their units, including relocation to a comparable replacement unit. Residents shall be temporarily relocated to a unit within the same complex, or to a unit located reasonably near the complex if that unit is in a location generally not less desirable than the location of the displaced person's dwelling with respect to public utilities, services, and the displaced person's place of employment.

7263. (a) In addition to the payments required by Section 7262, the public entity, as a part of the cost of acquisition, shall make a payment to the owner of real property acquired for public use which is improved with a dwelling actually owned and occupied by the owner as a permanent or customary and usual place of abode for not less than 180 days prior to the initiation of negotiation for the acquisition of that property.

(b) The payment, not to exceed twenty-two thousand five hundred dollars (\$22,500), shall be based on the following factors:

(1) The amount, if any, which, when added to the acquisition cost of the dwelling acquired by the public entity equals the reasonable cost of a comparable replacement dwelling.

(2) The amount, if any, which will compensate the displaced owner for any increased interest costs which the owner is required to pay for financing the acquisition of a comparable replacement dwelling. The amount shall be paid only if the dwelling acquired by the displacing agency was encumbered by a bona fide mortgage which was a valid lien on the dwelling for not less than 180 days immediately prior to the initiation of negotiations for the acquisition of the dwelling. All of the mortgages on the acquired dwelling shall be used to compute the payment. The amount shall be computed using the lesser of the principal balance of the mortgage on the replacement dwelling or the outstanding principal balance of the mortgage on the acquired dwelling and the lesser of the remaining term on the acquired dwelling or the actual term of the new mortgage. The present value of the increased interest costs shall be computed based on the lesser of the prevailing interest rate or the actual interest rate on the replacement property. The amount shall also include other reasonable debt service costs incurred by the displaced owner.

For the purposes of this subdivision, if the replacement dwelling is a mobilehome, the term "mortgage," as defined in subdivision (h) of Section 7260, shall include those liens as are commonly given to secure advances on, or the unpaid purchase price of, mobilehomes, together with the credit instruments, if any, secured thereby.

(3) Reasonable expenses incurred by the displaced owner for evidence of title, recording fees, and other closing costs incident to the purchase of the replacement dwelling, but not including prepaid expenses.

(c) The additional payment authorized by this section shall be made only to a displaced owner who purchases and occupies a decent, safe, and sanitary replacement dwelling within one year from the later of the following:

(1) The date the displaced person receives final payment for the displacement dwelling, or in the case of condemnation, the date the full amount of estimated just compensation is deposited in court.

(2) The date the displacing agency fulfills its obligation to make available at least one comparable replacement dwelling to the displaced person.

However, the displacing agency may extend the period for good cause. Also, the displaced owner and the public entity may agree in writing that the displaced owner may remain in occupancy of the acquired dwelling as a tenant of the public entity on the conditions that the displaced owner shall only be entitled to the payment authorized by this section on the date on which the owner moves from the acquired dwelling and that the payment shall be in an amount equal to that to which the owner would have been entitled if the owner had purchased and occupied a replacement dwelling one year subsequent to the date on which final payment was received for the acquired dwelling from the public entity.

(d) In implementing this chapter, it is the intent of the Legislature that special consideration be given to the financing and location of a comparable replacement dwelling for displaced persons 62 years of age or older.

7263.5. For purposes of Section 7263, the leasing of a condominium for a 99-year period, or for a term which exceeds the life expectancy of the displaced person as determined from the most recent life tables in Vital Statistics of the United States, as published by the Public Health Service of the Department of Health, Education, and Welfare, shall be deemed a purchase of the condominium.

7264. (a) In addition to the payments required by Section 7262, as a part of the cost of acquisition, the public entity shall make a payment to any displaced person displaced from any dwelling not eligible to receive a payment under Section 7263 which was actually and lawfully occupied by the person as a permanent or customary and usual place of abode for not less than 90 days prior to the initiation of negotiation by the public entity for the acquisition of the dwelling, or in any case in which displacement is not a direct result of acquisition, or any other event which the public entity shall prescribe.

(b) The payment, not to exceed five thousand two hundred fifty dollars (\$5,250), shall be the additional amount which is necessary to enable the person to lease or rent a comparable replacement dwelling for a period not to exceed 42 months, unless the displaced person meets one or more of the conditions set forth in paragraph (3) of subdivision (i) of Section 7260, in which case the payment, which shall not exceed five thousand two hundred fifty dollars (\$5,250), shall be the additional amount which is necessary to enable the person to lease or rent a comparable replacement dwelling for a period not to exceed 48 months. However, publicly funded transportation projects shall make payments enabling the person to lease or rent a comparable replacement dwelling for a period not to exceed 42 months, including compensation for utilities, as provided in subdivision (b) of Section 24.402 of Part 24 of Title 49 of the Code of Federal Regulations. Payments up to the maximum of five thousand two hundred fifty dollars (\$5,250) shall be made in a lump sum. Should an agency pay pursuant to Section 7264.5 an amount exceeding the maximum amount, payment may be made periodically. Computation of a payment under this subdivision to a low-income displaced person for a comparable replacement dwelling shall take into account the person's income.

(c) Any person eligible for a payment under subdivision (a) may elect to apply the payment to a downpayment on, and other incidental expenses pursuant to, the purchase of a decent, safe, and sanitary replacement dwelling. The person may, at the discretion of the public entity, be eligible under this subdivision for the maximum payment allowed under subdivision (b), except that, in the case of a displaced homeowner who has owned and occupied the displacement dwelling for at least 90 days but not more than 180 days immediately prior to the initiation of negotiations for the acquisition of the dwelling, the payment shall not exceed the payment which the person would otherwise have received under subdivision (b) of Section 7263 had the person owned and occupied the displacement dwelling 180 days immediately prior to the initiation of the negotiations.

(d) In implementing this chapter, it is the intent of the Legislature that special consideration shall be given to assisting any displaced person 62 years of age or older to locate or lease or rent a comparable replacement dwelling.

7264.5. (a) If a program or project undertaken by the public entity cannot proceed on a timely basis because comparable replacement housing is not available and the public entity determines that comparable replacement housing cannot otherwise be made available, the public entity shall take any action necessary or appropriate to provide the dwellings by use of funds authorized for the project. This section shall be construed to authorize the public entity to exceed the maximum amounts which may be paid under Sections 7263 and 7264 on a case-by-case basis for good cause as determined in accordance with rules and regulations adopted by the public entity. Where a displacing agency is undertaking a project with funds administered by a state agency or board, and where the displacing agency has adopted rules and regulations in accordance with Section 7267.8 for the implementation of this chapter, the determination of payments to be made pursuant to this subdivision shall be pursuant to those rules and regulations.

(b) No person shall be required to move from his or her dwelling because of its acquisition by a public entity, unless comparable replacement housing is available to the person.

(c) For purposes of determining the applicability of subdivision (a), the public entity is hereby designated as a duly authorized administrative body of the state for the purposes of subdivision (c) of Section 408 of the Revenue and Taxation Code.

(d) Subdivision (b) shall not apply to a displaced owner who agrees in writing with the public entity to remain in occupancy of the acquired dwelling as provided in subdivision (c) of Section 7263.

7265. (a) In addition to the payments required by Section 7262, as a cost of acquisition, the public entity shall make a payment to any affected property owner meeting the requirements of this section.

(b) The affected property shall be immediately contiguous to property acquired for airport purposes and the owner shall have owned the property affected by acquisition by the public entity not less than 180 days prior to the initiation of negotiation for acquisition of the acquired property.

(c) The payment, not to exceed twenty-two thousand five hundred dollars (\$22,500), shall be the amount, if any, which equals the actual decline in the fair market value of the property of the affected property owner caused by the acquisition by the public entity for airport purposes of other real property and a change in the use of the property.

(d) The amount, if any, of actual decline in fair market value of affected property shall be determined according to rules and regulations adopted by the public entity pursuant to this chapter. The rules and regulations shall limit payment under this section only to those circumstances in which the decline in fair market value of affected property is reasonably related to objective physical change in the use of acquired property.

7265.3. (a) A public entity may make payments in the amounts it deems appropriate, and may provide advisory assistance under this chapter, to a person who moves from a dwelling, or who moves or discontinues his business, as a result of impending rehabilitation or demolition of a residential or commercial structure, or enforcement of building, housing, or health codes by a public entity, or because of systematic enforcement pursuant to Section 37924.5 of the Health and Safety Code, or who moves from a dwelling or who moves or discontinues a business as a result of a rehabilitation or demolition program or enforcement of building codes by the public entity, or because of increased rents to result from such rehabilitation or code enforcement. Payments prescribed by subdivision (b) of Section 7264 may also be made to persons who remain in a dwelling during rehabilitation. Payments authorized by this section and made pursuant to subdivision (b) of Section 7264 may, at the option of the public entity, be computed and reviewed annually based on actual rental increases, and may be paid monthly or annually. A public entity may also give priority to a person who moves from a dwelling, or who remains in a dwelling during rehabilitation, in utilization of local, state, or federal rental assistance programs, either to enable the person to pay increased rents or to move to other suitable housing.

A public entity assisting in the financing of rehabilitation may provide some or all of the payments authorized by this section as part of the loan for rehabilitation costs, provided that the public entity makes payments directly to the person who moves or who remains in the dwelling during rehabilitation.

(b) A public entity shall make payments in the amounts prescribed by this chapter, and shall provide advisory assistance under this chapter, to persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code, whose rent, within one year after the rehabilitation of their dwelling is completed, is increased to an amount exceeding 25 percent of their gross income, or who move from their dwelling, as the result of a rehabilitation program in which the rehabilitation work is wholly or partially financed or assisted with public funds provided by or through the public entity.

(c) A public entity shall provide temporary housing for up to 90 days to persons displaced by rehabilitation work which is wholly or partially financed or assisted with public funds provided by or through the public entity.

(d) A person displaced by rehabilitation work which is wholly or partially financed or assisted with public funds provided by or through the public entity shall, as a condition of the financing or assistance, be given the option of relocating, after rehabilitation, in the dwelling from which the person was displaced.

(e) A public entity may limit the amounts of payments made pursuant to subdivision (b), otherwise calculated pursuant to subdivision (b) of Section 7264, to the lesser of: (i) the difference between the increased rent and 25 percent of gross income; or (ii) the difference between the increased rent and the rent immediately before the rehabilitation which was greater than 25 percent of gross income.

(f) The payments and advisory assistance as required in this section shall be mandatory only if federal or state funds are available. However, nothing shall preclude the public entity from using local funds.

7265.4. In addition to the payments required by Section 7262, as a cost of acquisition, the public entity, as soon as practicable after the date of payment of the purchase price or the date of deposit in court of funds to satisfy the award of compensation in a condemnation proceeding to acquire real property, whichever is the earlier, shall reimburse the owner, to the extent the public entity deems fair and reasonable, for expenses the owner necessarily incurred for recording fees, transfer taxes, and similar expenses incidental to conveying such real property to the public entity.

7266. (a) If a relocation appeals board has been established pursuant to Section 33417.5 of the Health and Safety Code, a city by ordinance may designate the board to hear appeals from all public entities, except those state agencies which have an appeal process, on the eligibility for, or the amount of, a payment authorized by this chapter.

(b) Any person aggrieved by a determination as to eligibility for, or the amount of, a payment authorized by this chapter may have the application reviewed by the public entity or by the relocation appeals board if authorized under subdivision (a). The review of a determination by a community redevelopment agency may only be made by a relocation appeals board established pursuant to Section 33417.5 of the Health and Safety Code.

7267. In order to encourage and expedite the acquisition of real property by agreements with owners, to avoid litigation and relieve congestion in the courts, to assure consistent treatment for owners in the public programs, and to promote public confidence in public land acquisition practices, public entities shall, to the greatest extent practicable, be guided by the provisions of Sections 7267.1 to 7267.7, inclusive, except that the provisions of subdivision (b) of Section 7267.1 and Section 7267.2 shall not apply to the acquisition of any easement, right-of-way, covenant, or other nonpossessory interest in real property to be acquired for the construction, reconstruction, alteration, enlargement, maintenance, renewal, repair, or replacement of subsurface sewers, waterlines or appurtenances, drains, septic tanks, or storm water drains.

7267.1. (a) The public entity shall make every reasonable effort to acquire expeditiously real property by negotiation.

(b) Real property shall be appraised before the initiation of negotiations, and the owner, or the owner's designated representative, shall be given an opportunity to accompany the appraiser during his or her inspection of the property. However, the public entity may prescribe a procedure to waive

the appraisal in cases involving the acquisition by sale or donation of property with a low fair market value.

7267.2. (a) (1) Prior to adopting a resolution of necessity pursuant to Section 1245.230 of the Code of Civil Procedure and initiating negotiations for the acquisition of real property, the public entity shall establish an amount that it believes to be just compensation therefor, and shall make an offer to the owner or owners of record to acquire the property for the full amount so established, unless the owner cannot be located with reasonable diligence. The offer may be conditioned upon the legislative body's ratification of the offer by execution of a contract of acquisition or adoption of a resolution of necessity or both. The amount shall not be less than the public entity's approved appraisal of the fair market value of the property. A decrease or increase in the fair market value of real property to be acquired prior to the date of valuation caused by the public improvement for which the property is acquired, or by the likelihood that the property would be acquired for the improvement, other than that due to physical deterioration within the reasonable control of the owner or occupant, shall be disregarded in determining the compensation for the property.

(2) At the time of making the offer described in paragraph (1), the public entity shall provide the property owner with an informational pamphlet detailing the process of eminent domain and the property owner's rights under the Eminent Domain Law.

(b) The public entity shall provide the owner of real property to be acquired with a written statement of, and summary of the basis for, the amount it established as just compensation. The written statement and summary shall contain detail sufficient to indicate clearly the basis for the offer, including, but not limited to, all of the following information:

(1) The date of valuation, highest and best use, and applicable zoning of property.

(2) The principal transactions, reproduction or replacement cost analysis, or capitalization analysis, supporting the determination of value.

(3) If appropriate, the just compensation for the real property acquired and for damages to remaining real property shall be separately stated and shall include the calculations and narrative explanation supporting the compensation, including any offsetting benefits.

(c) Where the property involved is owner-occupied residential property and contains no more than four residential units, the homeowner shall, upon request, be allowed to review a copy of the appraisal upon which the offer is based. The public entity may, but is not required to, satisfy the written statement, summary, and review requirements of this section by providing the owner a copy of the appraisal on which the offer is based.

(d) Notwithstanding subdivision (a), a public entity may make an offer to the owner or owners of record to acquire real property for less than an amount that it believes to be just compensation therefore if (1) the real property is offered for sale by the owner at a specified price less than the amount the public entity believes to be just compensation therefor, (2) the public entity offers a price that is equal to the specified price for which the property is being offered by the landowner, and (3) no federal funds are involved in the acquisition, construction, or project development.

(e) As used in subdivision (d), "offered for sale" means any of the following:

(1) Directly offered by the landowner to the public entity for a specified price in advance of negotiations by the public entity.

(2) Offered for sale to the general public at an advertised or published specified price, set no more than six months prior to, and still available at, the time the public entity initiates contact with the landowner regarding the public entity's possible acquisition of the property.

7267.3. The construction or development of a public improvement shall be so scheduled that, to the greatest extent practicable, no person lawfully occupying real property shall be required to move

from a dwelling, assuming a replacement dwelling will be available, or to move his business or farm operation, without at least 90 days' written notice from the public entity of the date by which such move is required.

7267.4. If the public entity permits an owner or tenant to occupy the real property acquired on a rental basis for a short term, or for a period subject to termination by the public entity on short notice, the amount of rent required shall not exceed the fair rental value of the property to a short-term occupier.

7267.5. In no event shall the public entity either advance the time of condemnation, or defer negotiations or condemnation and the deposit of funds in court for the use of the owner, or take any other action coercive in nature, in order to compel an agreement on the price to be paid for the property.

7267.6. If any interest in real property is to be acquired by exercise of the power of eminent domain, the public entity shall institute formal condemnation proceedings. No public entity shall intentionally make it necessary for an owner to institute legal proceedings to prove the fact of the taking of his real property.

7267.7. (a) If the acquisition of only a portion of a property would leave the remaining portion in such a shape or condition as to constitute an uneconomic remnant, the public entity shall offer to acquire the entire property if the owner so desires.

(b) A person whose real property is being acquired in accordance with this chapter may, after the person has been fully informed of his or her right to receive just compensation for the property, donate the property, any part thereof, any interest therein, or any compensation paid therefor to a public entity determined by the person.

7267.8. (a) All public entities shall adopt rules and regulations to implement payments and to administer relocation assistance under this chapter. These rules and regulations shall be in accordance with the rules and regulations adopted by the Department of Housing and Community Development.

(b) Notwithstanding subdivision (a), with respect to a federally funded project, a public entity shall make relocation assistance payments and provide relocation advisory assistance as required under federal law.

7267.9. (a) Prior to the initiation of negotiations for acquisition by a public entity or public utility of nonprofit, special use property, as defined by Section 1235.155 of the Code of Civil Procedure, the acquiring public entity or public utility shall make every reasonable effort to seek alternative property which is other than nonprofit, special use property. However, this requirement shall not apply to properties acquired by public entities for transportation purposes, including, but not limited to, the construction, expansion, or improvement of streets, highways, or railways.

(b) This section does not apply to actions or proceedings commenced by a public entity or public utility to acquire real property or any interest in real property for the use of water, sewer, electricity, telephone, natural gas, or flood control facilities or rights-of-way where those acquisitions neither require removal or destruction of existing improvements, nor render the property unfit for the owner's present or proposed use.

7269. (a) No payment received by any person under this chapter or as tenant relocation assistance required by any state statute or local ordinance shall be considered as income for the purposes of the Personal Income Tax Law, Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code, or the Bank and Corporation Tax Law, Part 11 (commencing with Section 23001) of Division 2 of the Revenue and Taxation Code.

(b) No payment received by any person under this chapter shall be considered as income or resources to any recipient of public assistance and such payments shall not be deducted from the amount of aid to which the recipient would otherwise be entitled under another provisions of law.

7269.1. Where a recipient of relocation benefits payments under federal or state law is also a general assistance recipient under Part 5 (commencing with Section 17000) of Division 9 of the Welfare and Institutions Code and two or more rent schedules apply to the recipient, the highest shall prevail and any excess amount over lower rent schedule shall not be counted as income or resources for general assistance purposes under Part 5 (commencing with Section 17000) of Division 9 of the Welfare and Institutions Code.

7270. Nothing contained in this chapter shall be construed as creating in any condemnation proceedings brought under the power of eminent domain any element of damages not in existence on the date of enactment of this chapter.

7271. If any provision of this chapter or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this chapter which can be given effect without the invalid provision or application, and to this end the provisions of this chapter are severable.

7272. If under any other provision of law of this state the owner or occupant of real property acquired by a public entity for public use is given greater protection than is provided by Sections 7265.3 to 7267.8, inclusive, the public entity shall also comply with such other provision of law.

7272.3. It is the intent of the Legislature, by this chapter, to establish minimum requirements for relocation assistance payments by public entities. This chapter shall not be construed to limit any other authority which a public entity may have to make other relocation assistance payments, or to make any relocation assistance payment in an amount which exceeds the maximum amount for such payment authorized by this chapter.

Any public entity may, also, make any other relocation assistance payment, or may make any relocation assistance payment in an amount which exceeds the maximum amount for such payment authorized by this chapter, if the making of such payment, or the payment in such amount, is required under federal law to secure federal funds.

7272.5. Nothing contained in this article shall be construed as creating in any condemnation proceeding brought under the power of eminent domain, any element of damages not in existence on the date the public entity commences to make payments under the provisions of this article as amended by the act which enacted this section at the 1971 Regular Session of the Legislature.

7273. Funds received pursuant to Sections 2106 and 2107 of the Streets and Highways Code may be expended by any city to provide relocation advisory assistance, and to make relocation assistance payments, to displaced persons displaced because of the construction of city highways or streets.

7274. Sections 7267 to 7267.7, inclusive, create no rights or liabilities and shall not affect the validity of any property acquisitions by purchase or condemnation.

7275. Whenever any public entity acquires real property by eminent domain, purchase, or exchange, the purchase price and other consideration paid by such entity is public information and shall be made available upon request from the entity concerned.

7276. (a) If a resolution is adopted under Section 1245.330 of the Code of Civil Procedure consenting to the acquisition of property by eminent domain and the person authorized by the resolution to acquire the property by eminent domain acquires the property by purchase, eminent domain, or otherwise, that person shall provide relocation advisory assistance and shall make any of the payments required to be made by public entities pursuant to the provisions of this chapter in conformity with this chapter and the guidelines adopted by the Commission of Housing and Community Development pursuant to Section 7268.

(b) This section does not apply to public utilities which are subject to the provisions of Article 6 (commencing with Section 600) of Chapter 3 of Part 1 of Division 1 of the Public Utilities Code or to public entities which are subject to this chapter.

7277. (a) The requirement to provide relocation assistance and benefits imposed by this chapter shall not apply to a purchase of property which is offered for sale by the owner, property being sold at execution or foreclosure sale, or property being sold pursuant to court order or under court supervision if the property in any of the foregoing situations is either occupied by the owner or is unoccupied, and if the offer for sale is not induced by public entity disposition, planned condemnation, or redevelopment of surrounding lands, and if the sales price is fair market value or less, as determined by a qualified appraiser, and if no federal funds are involved in the acquisition, construction, or project development. "Offered for sale" means either advertised for sale in a publication of general circulation published at least once a week or listed with a licensed real estate broker and published in a multiple listing, pursuant to Section 1087 of the Civil Code.

(b) At the time of making an offer to acquire property under subdivision (a), public entities shall notify the property owner in writing, of the following:

- (1) The public entity's plans for developing the property to be acquired or the surrounding property.
- (2) Any relocation assistance and benefits provided pursuant to state law which the property owner may be forgoing.

ATTACHMENT NO. 2

**FIRST AMENDMENT TO
SITE AND BUILDING LEASE**

By and Between the

**GARDEN GROVE AGENCY
FOR COMMUNITY DEVELOPMENT**

and

GARDEN GROVE AUTOMOTIVE, INC.

FIRST AMENDMENT TO SITE AND BUILDING LEASE

This **FIRST AMENDMENT TO SITE AND BUILDING LEASE** ("Amendment") is entered into as of _____, 2010, by and between the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic ("Landlord"), and **GARDEN GROVE AUTOMOTIVE, INC.**, a California corporation ("Tenant").

RECITALS

The following recitals are a substantive part of this Amendment:

A. Landlord and Hardin Hyundai, Inc., a California corporation ("Assignor"), entered into that certain Site and Building Lease dated as of May 27, 2008 ("Lease"). All initially capitalized terms not expressly otherwise defined herein shall have the meanings set forth in the Lease.

B. Assignor desires to assign the Lease to Tenant and Tenant desires to assume the Lease pursuant to that certain Assignment and Assumption Agreement dated concurrently herewith ("Assignment"). The effectiveness of the Assignment is expressly conditioned upon approval and execution of this Amendment by Landlord and Tenant.

C. By this Amendment, Landlord and Tenant desire to amend the Lease: (1) to increase the size of the real property subject to the lease, (2) to change the Monthly Base Rent Amount; (3) to change the Permitted Use; and (4) to require Tenant to execute certain documents in substantially the forms set forth as Exhibits B, C, D, and E hereto.

D. This Amendment and the implementation hereof are in the vital and best interest of the City and the health, safety and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements under which the redevelopment of Landlord's Community Project has been undertaken.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions set forth herein, Landlord and Tenant hereby agree as follows:

1. Premises. Section 1.3 of the Lease is hereby deleted in its entirety and replaced with the following:

Premises: The real property located at 10071, 10081, 10111, and 10115 Garden Grove Boulevard, Garden Grove, California 92844 and legally described on Exhibit A, which is comprised of seven (7) parcels consisting of approximately 4.1 acres (approximately 178,600 square feet) (the "Real Property") and the following buildings: three buildings including office sales space, service space and a painting facility, together comprising approximately 15,100 square feet of building area ("Buildings"). The Real Property and Buildings are collectively referred to herein as the "Premises."

2. **Premises Legal Description.** The Premises Legal Description attached as Exhibit A to the Lease is hereby deleted in its entirety and replaced with the Premises Description attached hereto as Exhibit A.

3. **Premises Site Plan.** The Premises Site Plan attached as Exhibit A-1 to the Lease is hereby deleted in its entirety and replaced with the Premises Site Plan attached hereto as Exhibit A-1.

4. **Monthly Base Rent Amount.**

(a) Section 1.8 of the Lease is hereby deleted in its entirety and replaced with the following:

Monthly Base Rent: Three Thousand Dollars (\$3,000.00) commencing on the later to occur of (i) March 15, 2010 or (ii) the Effective Date. Unless this Lease is earlier terminated, commencing on March 15, 2012 and continuing thereafter until this Lease is terminated as provided herein, the Monthly Base Rent hereunder shall be Ten Thousand Dollars (\$10,000).

5. **Permitted Use.** Section 1.10 of the Lease is hereby deleted in its entirety and replaced with the following:

Use of Premises/Business of Tenant: Tenant shall use and operate the Premises for the operation of a new vehicle dealership engaged primarily in the sale, leasing, and servicing of new Kia vehicles and used vehicles (the "Business" or "Permitted Use").

6. **Address for Notice.** The Notice and Payment addresses for Tenant and Guarantor set forth in Section 1.16 of the Lease are hereby deleted in their entirety and replaced with the following:

GUARANTOR

Notices to:

Hardin Automotive, Inc.
1381 Auto Center Drive
Anaheim, California 92806
Attention: Dennis Hardin

TENANT

Notices and Statements/Billing to:

Garden Grove Automotive, Inc.
1381 Auto Center Drive
Anaheim, California 92806
Attention: Dennis Hardin

with copy to:

Randall R. Wittman, Esq.
23272 Mill Creek Drive, Suite 360W
Laguna Hills, California 92653

7. **Third Party Property.** Tenant acknowledges that the portion of the Premises being added by this Amendment ("Added Premises") is gated and that automobiles owned by unknown third parties are currently stored at the Added Premises. Tenant shall not remove the gates or any personal property located at the Added Premises until and unless expressly authorized to do so by Landlord in writing. Until all personal property is removed from the Added Premises, Landlord shall retain the right to enter onto the Added Premises for any purpose including to obtain information regarding the personal property located thereon or to remove such personal property, as determined in Landlord's sole and absolute discretion.

8. **Amendment Subject to Assignment.** The effectiveness of this Amendment is subject to and conditioned upon the effectiveness of the Assignment in accordance with its terms.

9. **Amendment Subject to Attachments.** The effectiveness of this Amendment is subject to and conditioned upon the execution of certain documents in substantially the forms set forth as Exhibits B, C, D, and E hereto, listed below:

- Exhibit B Tenants Certificate
- Exhibit C Tenant's Estoppel
- Exhibit D Guarantee of Lease
- Exhibit E Release and Waiver Agreement re Relocation Assistance and Benefits

10. **No Other Changes.** Except as expressly otherwise provided herein, the Lease shall remain in full force and effect in accordance with its terms.

[Signatures appear on following page.]

IN WITNESS WHEREOF, Landlord and Tenant have executed this First Amendment to Site and Building Lease as of the date first set forth above.

LANDLORD:

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

By: _____
Matthew Fertal, Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:



Stradling Yocca Carlson & Rauth,
Agency Counsel

TENANT:

HARDIN AUTOMOTIVE, INC.,
a California corporation

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, Landlord and Tenant have executed this First Amendment to Site and Building Lease as of the date first set forth above.

LANDLORD:

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

By: _____
Matthew Fertal, Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth,
Agency Counsel

TENANT:

HARDIN AUTOMOTIVE, INC.,
a California corporation

By: Dennis Hardin
Name: _____
Title: _____

**EXHIBIT A
TO ATTACHMENT NO. 2**

PREMISES DESCRIPTION

PARCEL 1:

THE WEST ONE AND TWO-THIRDS (1/2/3) ACRES OF THE EAST ONE-HALF OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF SECTION THIRTY-TWO (32) TOWNSHIP FOUR (4) SOUTH, RANGE TEN (10) WEST, SAN BERNARDINO MERIDIAN, IN THE RANCHO LOS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51 PAGE 10 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, ACCORDING TO THE OFFICIAL PLAT THEREOF.

APN: 089-071-05 (PORTION) AND 089-071-14

PARCEL 1A:

THE WEST 15.00 FEET OF THE NORTH 230.00 FEET OF THE SOUTH 560.00 FEET OF THE WEST ONE AND TWO-THIRDS (1 2/3 ACRES OF THE EAST ONE-HALF (1/2) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF SECTION THIRTY TWO (32), TOWNSHIP FOUR (4) SOUTH, RANGE TEN (10) WEST, SAN BERNARDINO MERIDIAN, IN THE RANCHO LOS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, ACCORDING TO THE OFFICIAL PLAT THEREOF.

APN: 089-071-05 (PORTION)

PARCEL 2:

THE EAST ONE-HALF (1/2) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF SECTION THIRTY-TWO (32), TOWNSHIP FOUR (4) SOUTH, RANGE TEN (10) WEST OF SAN BERNARDINO MERIDIAN, IN THE RANCHO LOS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, ACCORDING TO THE OFFICIAL PLAT THEREOF.

EXCEPT THEREFROM THE EAST ONE AND TWO-THIRDS (1/23RDS) ACRES.

ALSO EXCEPT THEREFROM THE WEST ONE AND TWO-THIRDS (1 2/3RDS) ACRES.

PARCEL 2A:

THE NORTH 230.00 FEET OF THE SOUTH 560.00 FEET OF THE WEST ONE AND TWO-THIRDS (1 2/3RD) ACRES OF THE EAST ONE-HALF (1/2) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF THE SOUTHWEST QUARTER (SOUTHWEST 1/4) OF SECTION THIRTY-TWO (32), TOWNSHIP FOUR (4) SOUTH, RANGE TEN (10) WEST OF SAN BERNARDINO MERIDIAN, IN THE RANCHO LOS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51, PAGE 10 OF MISCELLANEOUS RECORDS OF ORANGE COUNTY ACCORDING TO THE OFFICIAL PLAT THEREOF.

EXCEPT THE WEST 15.00 FEET THEREOF.

ALSO EXCEPT THEREFROM ALL OIL, GAS, NAPHTHA, MINERAL AND OTHER HYDROCARBON SUBSTANCES UNDERLYING SAID LAND.

APN: 089-071-06

PARCEL 2B:

AN EASEMENT FOR ROAD PURPOSES AND FOR THE PURPOSE OF INSTALLING AND MAINTAINING ELECTRIC, WATER, GAS, SEWERAGE AND TELEPHONE LINES OVER THE WEST 15.00 FEET OF THE SOUTH 560.00 FEET OF THE WEST 1 2/3 ACRES OF THE EAST HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 32, TOWNSHIP QUARTER OF SECTION 32, TOWNSHIP SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ACCORDING TO THE OFFICIAL PLAT THEREOF.

APN: 089-071-05 (PORTION)

PARCEL 3:

THE EAST 132.00 FEET OF THE WEST 594.00 OF THE SOUTH 660.00 FEET OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 4 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 51 PAGE 10 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

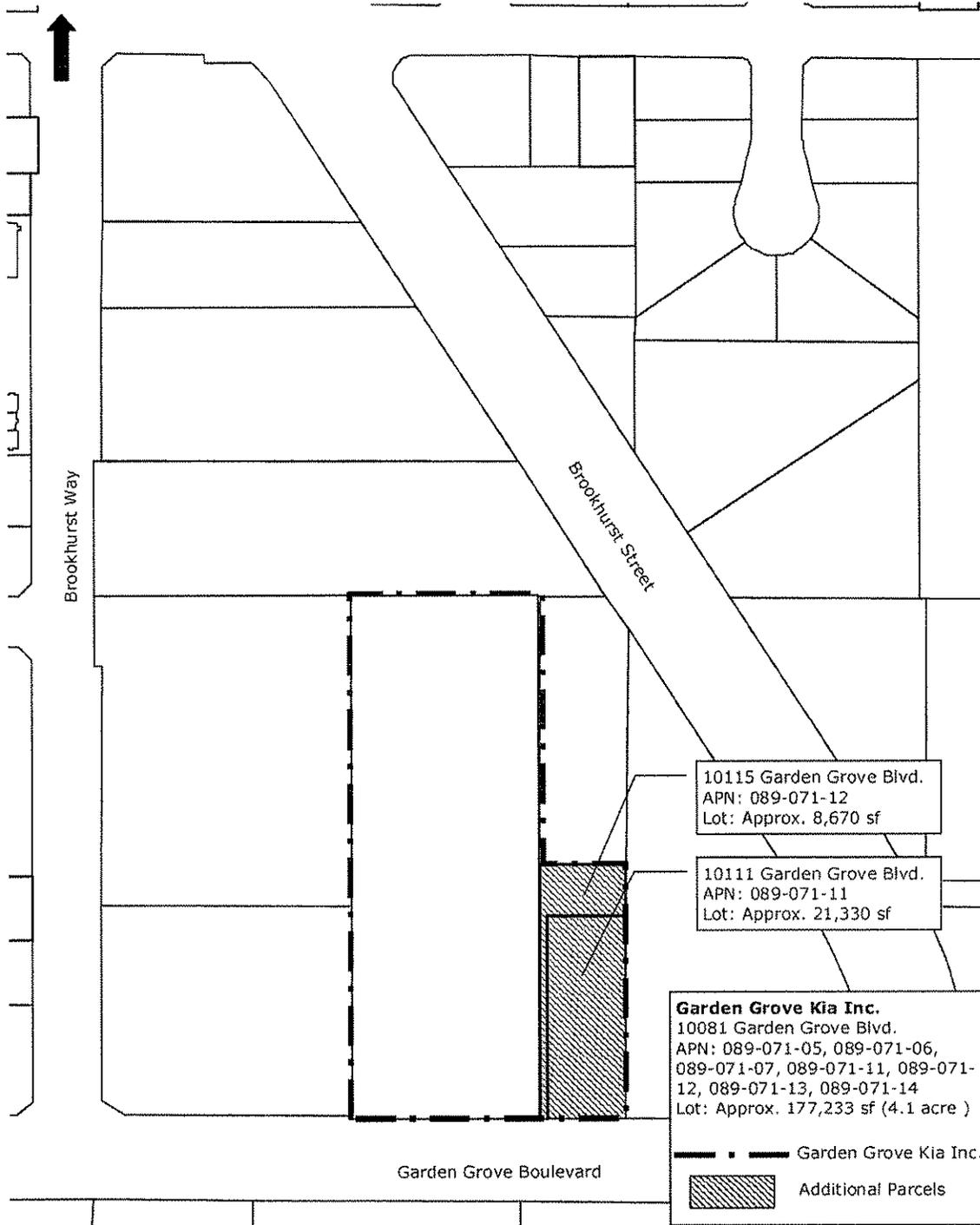
EXCEPT THEREFROM THE NORTH 330.00 FEET THEREOF.

APN: 089-071-13

PARCELS 4 and 5 are hereby added to the Lease. PARCELS 4 and 5 consist of the real property designated as Assessor's Parcel Numbers: 089-071-11 and 089-071-12.

This Lease is made subject to all covenants, conditions, restrictions, reservations, rights, rights-of-way, easements and all other matters of record or apparent affecting the Premises or the use thereof as of the Commencement Date.

**EXHIBIT A-1
TO ATTACHMENT NO. 2
PREMISES SITE PLAN**



**EXHIBIT B
TO ATTACHMENT NO. 2**

TENANT'S CERTIFICATE

TENANT: Garden Grove Automotive, Inc.

PREMISES: 10071, 10081, 10111, and 10115 Garden Grove Boulevard,
Garden Grove, California 92844

COMMENCEMENT DATE: March 15, 2010

EXECUTION DATE: _____

THIS TENANT'S CERTIFICATE is executed as of the Execution Date by Tenant, who is currently the Tenant under that certain Site and Building Lease dated as of May 27, 2008, by and between Landlord and Tenant, with respect to the Premises ("Original Lease"), as amended by that certain First Amendment to Site and Building Lease dated as of [____], 2010 ("Amendment"; and, together with the Original Lease, the "Lease").

Subject to any exceptions and qualifications stated in Paragraph 15, below, Tenant represents, warrants, certifies and states each of the following:

1. The Lease is presently in full force and effect and has not been amended, supplemented, modified or otherwise changed.

2. All work and improvements to the Premises required by the Lease to have been performed by Landlord have been completed as of the Commencement Date in accordance with the provisions of the Lease and Tenant has accepted and taken possession of the Premises.

3. Landlord has satisfied all commitments, if any, made to induce Tenant to enter into the Lease, and to the best of Tenant's knowledge, is not in any respect in default in the performance by Landlord of its obligations under the Lease.

4. Tenant fully occupies the Premises and is not in any respect in default or breach of the Lease and has not assigned, sublet, transferred or hypothecated its interest under the Lease, except as permitted by the terms of Article 9.

5. Tenant has no Notice or knowledge of any prior assignment, hypothecation or pledge of rents, of the Lease.

6. Tenant knows of no event which would constitute a default under the terms of the Lease by either the Tenant or Landlord.

7. The Lease is a month to month tenancy which can be terminated upon thirty (30) days written notice by either party to the other.

8. Neither Tenant nor Landlord has begun any action, or given or received any Notice for the purpose of termination of the Lease.

9. Tenant has paid the Monthly Base Rent, the Percentage Rent (if any) and all other monetary obligations under the Lease.

10. Except as expressly provided in the Amendment, there is no period of free rent, Rent abatement or reduction, and Landlord has not given or conceded to Tenant any other concessions, abatements or compromises with respect to the Rent obligations under the Lease, nor has Landlord waived or purchased any other period of free rent, Rent abatement or reduction.

11. There are no offsets or credits against or defenses to payment of any monetary obligations payable under the Lease, and Tenant has made no payments to Landlord as a security deposit or advance or prepaid Rent except for the Security Deposit set forth in the Lease and any payments made no earlier than 10 days prior to the date upon which such payment is due.

12. Tenant's address for Notice is set forth in the Amendment.

13. This Tenant's Certificate and the Lease are legal, valid, binding and enforceable obligations of the Tenant. Tenant has reviewed and understands this document and has had an opportunity to discuss this with counsel or has waived such opportunity.

14. Blank.

15. The representations set forth above are subject to the following exceptions and qualifications (if none stated, all representations shall be taken as without exception or qualification):

IN WITNESS WHEREOF, Tenant executed this Tenant's Certificate as of the Execution Date.

TENANT:

GARDEN GROVE AUTOMOTIVE, INC.,
a California corporation

By: 
Name: Sajed Hardily
Title: President

**EXHIBIT C
TO ATTACHMENT NO. 2**

TENANT'S ESTOPPEL

TENANT: Garden Grove Automotive, Inc.

PREMISES: 10071, 10081, 10111, and 10115 Garden Grove Boulevard,
Garden Grove, California 92844

COMMENCEMENT DATE: March 15, 2010

This TENANT'S ESTOPPEL is executed concurrently with the execution by Tenant of the above-referenced Lease with GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, as Landlord, for the lease of the above-referenced Premises.

Tenant represents, warrants, certifies and states each of the following:

1. Except as specifically provided in the Lease, no representation, warranty, or other agreement whatsoever has been made to Tenant, its agents, representatives or other party acting for or on behalf of Tenant, by Landlord, its agents, representatives, or other party acting for or on behalf of Landlord, in connection with the Lease, the Premises, exclusivity rights, or other representations, warranties or agreements, express or implied, which would induce Tenant to execute the Lease or lease the Premises.
2. Tenant agrees and acknowledges that Landlord is relying on Tenant's execution of this Tenant's Estoppel and would not execute the Lease but for Tenant's execution hereof.
3. Tenant has reviewed and understands this document and has had an opportunity to discuss this document with counsel or has waived such opportunity.

TENANT:

GARDEN GROVE AUTOMOTIVE, INC.,
a California corporation

By: 
Name: Jared Hardin
Title: President

**EXHIBIT D
TO ATTACHMENT NO. 2**

GUARANTEE OF LEASE

This **GUARANTEE OF LEASE** (“**Guarantee**”) is given this _____ day of _____, 2010, by **HARDIN AUTOMOTIVE**, a California corporation (“**Guarantor**”), to **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic (“**Landlord**”).

I. RECITALS

A. A certain Site and Building Lease dated as of May 27, 2008 (“**Lease**”) was executed by and between Landlord and Hardin Hyundai, Inc., a California corporation, as Tenant, and the Tenant’s interest in the Lease was thereafter (concurrently herewith) assigned to and assumed by Garden Grove Automotive, Inc., a California corporation (“**Tenant**”), with respect to certain premises in the City of Garden Grove, County of Orange, State of California.

B. Landlord requires as a condition to its consent to assignment of the Original Lease to Tenant that the undersigned guarantee the full performance of the obligations of Tenant thereunder.

C. Guarantor is desirous that Landlord consent to the assignment of the Lease with Tenant (“**Assignment**”) and that Landlord and Tenant further enter into that certain First Amendment to Site and Building Lease dated concurrently herewith (“**Amendment**”). The Original Lease and the Amendment are referred to herein collectively as the “**Lease**.”

NOW, THEREFORE, in consideration of Landlord’s consent to the Assignment and execution of the Amendment, Guarantor hereby unconditionally guarantees the full performance of each and all of the terms, covenants and conditions of the Lease to be kept and performed by Tenant, as hereinafter provided.

II. TERMS

A. **GUARANTOR’S OBLIGATIONS:**

1. **GUARANTEE OF TENANT’S PERFORMANCE.** Guarantor unconditionally guarantees to Landlord the full and complete performance of each and all of the terms, covenants and conditions of the Lease and any amendments thereto required to be performed by Tenant including, but not limited to, the payment of all Monthly Base Rent and Additional Rent (as each term is defined in the Lease), and any and all other charges or sums or any portion thereof to accrue or become due from Tenant to Landlord pursuant to the terms of the Lease (“**Monetary Sums**”).

2. **TENANT’S FAILURE TO PERFORM.** If Tenant fails to pay any of the Monetary Sums when due under the Lease, then, upon demand by Landlord, Guarantor, by certified or cashier’s check or wire of immediately available funds, shall pay to Landlord or Landlord’s designated agent all Monetary Sums due and owing from Tenant to Landlord under the Lease.

3. OTHER PROVISIONS. If Tenant fails to perform any covenants, terms or conditions of the Lease as required to be performed, then, upon written demand by Landlord, Guarantor shall commence and complete performance of the conditions, covenants and terms within ten (10) days after the date of Landlord's demand; provided, in the event the performance by Guarantor cannot be completed within ten (10) days, Guarantor shall commence performance within that time and diligently pursue same to completion within a reasonable period of time. Notwithstanding the foregoing, nothing contained in this Guarantee shall obligate or require Landlord to give Guarantor notice of any default or failure to perform on the part of Tenant, and Landlord's failure to give such notice shall have no effect on Guarantor's liability hereunder.

4. ADDITIONAL DAMAGES AND INTEREST. In addition to the payment of the Monetary Sums and the performance of any and all other provisions, conditions and terms of the Lease which may be required of Guarantor by reason of Tenant's failure to perform, Guarantor agrees to pay to Landlord any and all costs and expenses incurred by Landlord resulting from Tenant's failure to perform, including all costs and expenses and attorney's fees incurred in the enforcement of this Guarantee. Guarantor further agrees to pay to Landlord interest on any and all sums due and owing Landlord by reason of Tenant's failure to pay same at the Interest Rate provided in the Lease at the time of payment.

B. LANDLORD'S RIGHTS:

1. ENFORCEMENT. Notwithstanding the provisions of Section A above, Landlord reserves the right, in the event of any failure of Tenant to pay the Monetary Sums, to proceed against Tenant or Guarantor, or both, and to enforce against Guarantor or Tenant, or both, any and all rights that Landlord may have to the Monetary Sums. Guarantor understands and agrees that its liability under this Guarantee shall be primary and that, in any right of action which may accrue to Landlord under the Lease or this Guarantee, Landlord, at its option, may proceed against Guarantor without having taken any action or obtained any judgment against Tenant.

2. DELAY IN ENFORCEMENT. Guarantor understands and agrees that any failure or delay of Landlord to enforce any of its rights under the Lease or this Guarantee shall in no way affect Guarantor's obligations under this Guarantee.

C. GUARANTOR'S WAIVERS:

Guarantor hereby waives:

1. Any and all notices, presentments and notices of nonpayment or nonperformance;

2. All defenses based upon any disability of Tenant, release of Tenant's liability for any reason or any statute of limitations controlling obligations accruing under the Lease or this Guarantee;

3. Any and all rights it may have now or in the future to require or demand that Landlord pursue any right or remedy Landlord may have against Tenant or any third party;

4. Any and all rights it may have to enforce any remedies available to Landlord against Tenant now or in the future;

5. Any and all right to participate in any security deposit held by Landlord under the Lease now or in the future;

6. The right to require Landlord to proceed against Tenant, exhaust any security which Landlord now holds or may hold in the future from Tenant or pursue any other right or remedy available to Landlord;

7. All benefits and defenses under California Civil Code ("CC") Sections 2809 and 2810, and agrees that by doing so Guarantor's liability may be larger in amount and more burdensome than the liability of Tenant, and that Guarantor is liable even if Tenant had no liability at the time of the execution of the Lease or ceases for any reason to be liable;

8. All rights and benefits under CC Section 2819, and agrees that by doing so Guarantor's liability shall continue even if Landlord alters the obligations of Tenant under the Lease;

9. All benefits and defenses under CC Sections 2845, 2849 and 2850, including the right to require Landlord to proceed against Tenant, any other guarantor, or any security Landlord may hold, before enforcing this Guarantee against Guarantor, and the right to require Landlord to pursue any other right or remedy for the benefit of Guarantor, and Guarantor agrees that Landlord may proceed against Guarantor without proceeding against or exhausting any security that Landlord holds; and

10. The right to a trial by jury of any cause of action, claim, counterclaim or cross-complaint in any action, proceeding or other hearing brought by either Landlord against Tenant or Guarantor or by Tenant or Guarantor against Landlord on any matter whatsoever arising out of, or in any way connected with, the Lease, this Guarantee, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises or any claim of injury or damage, or the enforcement of any remedy under any law, statute, or regulation, emergency or otherwise, now or hereafter in effect.

D. CHANGES DO NOT AFFECT LIABILITY:

Guarantor understands and agrees that its obligations under this Guarantee shall not be affected in any way by any extension of time or other indulgence granted to Tenant, any amendment, modification, renewal or extension of the Lease, or any assignment or subletting of the Lease, and in no way shall any such occurrence release or discharge Guarantor from its obligations under this Guarantee. Guarantor agrees that its obligations under this Guarantee shall not be affected by Landlord's failure to notify Guarantor of any default or failure to perform on the part of Tenant.

E. TENANT'S INSOLVENCY:

1. ASSUMPTION OF LIABILITY. Guarantor understands and agrees that, if Tenant becomes insolvent or is adjudicated bankrupt, whether by voluntary or involuntary petition, or if any bankruptcy action involving Tenant is commenced or filed, or if a petition for reorganization, arrangement or similar relief is filed against Tenant, or if a receiver of any part of Tenant's property or assets is appointed by any court, Guarantor will pay to Landlord the amount of all accrued, unpaid and accruing Monetary Sums to the date when the trustee or administrator accepts the Lease and commences paying same; provided, however, at such time as the trustee or administrator rejects the Lease, Guarantor shall pay to Landlord all accrued, unpaid and accruing Monetary Sums under the Lease for the remainder of the Term.

2. **LANDLORD'S OPTION.** Pursuant to the provisions of Part II, Section E.1 above, at the option of Landlord as to the amounts owing for the unexpired term of the Lease if the Lease is rejected, Guarantor shall either:

a. Pay to Landlord an amount equal to the Monetary Sums which would have been payable for the unexpired term of the Lease reduced to its present day value; or

b. Execute and deliver to Landlord a new lease for the balance of the Term with the same terms and conditions as the Lease and with Guarantor as tenant thereunder.

3. **EFFECT OF OPERATION OF LAW.** Any operation of any present or future debtor's relief act or similar act or law or decision of any court shall in no way affect the obligations of Guarantor or Tenant to perform any of the terms, covenants or conditions of the Lease or of this Guarantee.

III. MISCELLANEOUS:

A. **EXTENT OF OBLIGATIONS.** Notwithstanding anything to the contrary in this Guarantee, it is understood and agreed that this Guarantee shall extend to any and all obligations of Tenant to Landlord under the Lease and any amendments to the Lease.

B. **SUBROGATION.** Guarantor understands and agrees that it shall have no right of subrogation against Tenant until such time as all of Tenant's obligations to Landlord have been fully paid and discharged.

C. **ASSIGNABILITY.** This Guarantee may be assigned in whole or in part by Landlord upon written notice to Guarantor.

D. **SUCCESSORS AND ASSIGNS.** The terms and provisions of this Guarantee shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

E. **MODIFICATION OF GUARANTEE.** This Guarantee constitutes the full and complete agreement between the parties hereto and it is understood and agreed that the provisions hereof may only be modified by a writing executed by the parties hereto.

F. **NUMBER AND GENDER.** As used herein, the singular shall include the plural and, as used herein, the masculine shall include the feminine and neuter genders.

G. **CAPTIONS/HEADINGS.** Any captions or headings used in this Guarantee are for reference purposes only and are in no way to be construed as part of this Guarantee.

H. **INVALIDITY.** If any term, provision, covenant or condition of this Guarantee is held to be void, invalid or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

I. **JURISDICTION.** The validity of this Guarantee and of any of its terms or provisions, and the rights and duties of the parties hereunder, shall be interpreted and construed in accordance with the laws of the State of California.

J. ATTORNEYS' FEES. In the event that either Landlord or Guarantor shall institute any action or proceeding against the other relating to the provisions of this Guarantee or the enforcement hereof, the party not prevailing in such action or proceeding shall reimburse the prevailing party for its actual attorneys' fees, and all fees, costs and expenses incurred in connection with such action or proceeding, including, without limitation, any post-judgment fees, costs or expenses incurred on any appeal or in collection of any judgment.

K. GUARANTEE OF PAYMENT AND PERFORMANCE. It is understood and agreed that this Guarantee is unconditional and continuing and is a guarantee of payment and performance and not of collection.

L. JOINT AND SEVERAL OBLIGATION. If Guarantor is more than one (1) person, the obligations of the persons comprising Guarantor shall be joint and several and the unenforceability of this Guarantee or Landlord's election not to enforce this Guarantee against one (1) or more of the persons comprising Guarantor shall not affect the obligations of the remaining persons comprising Guarantor or the enforceability of this Guarantee against such remaining persons.

IN WITNESS WHEREOF, the undersigned have executed this Guarantee of Lease and made it effective on the date first written above.

Addresses for notices:

_____, California 9_____
Attention: _____

HARDIN AUTOMOTIVE,
a California corporation

By: Dennis D. Hardin
Name: Dennis D. Hardin
Its: President

By: _____
Name: _____
Its: _____

GUARANTOR

**EXHIBIT E
TO ATTACHMENT NO. 2**

**RELEASE AND WAIVER AGREEMENT
RE RELOCATION ASSISTANCE AND BENEFITS**

This **RELEASE AND WAIVER AGREEMENT RE RELOCATION ASSISTANCE AND BENEFITS** ("Agreement") is entered into as of _____, 2010, by and between **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic ("Landlord"), and **GARDEN GROVE AUTOMOTIVE, INC.**, a California corporation ("GGA"), and joined in by **HARDIN AUTOMOTIVE**, a California corporation ("Affiliate Company," and together with GGA, "Tenant") for the settlement, waiver, and release of any and all claims associated with termination of Tenant's Leasehold Interest (as such term is defined herein), and the removal of Tenant's personal property from the Premises (as such term is defined herein).

RECITALS

A. Landlord currently owns certain improved real property located at 10071, 10081, 10111, and 10115 Garden Grove Boulevard, Garden Grove, California 92844 ("Premises") and has entered into a month-to-month lease with Tenant with respect thereto ("Leasehold Interest") pursuant to a written Site and Building Lease, dated as of May 27, 2008 ("Original Lease"), as amended by that certain First Amendment to Site and Building Lease, dated as of _____, 2010, by and between Landlord and Tenant ("Amendment," and together with the Original Lease, the "Lease").

B. Landlord and Tenant desire to confirm certain facts that are a part of this Agreement, including that Landlord previously entered into a Purchase and Sale Agreement to purchase the Premises from Dai R. Lee and Debbie K. Lee, and that Landlord acquired the Premises pursuant thereto.

C. Pursuant to the Original Lease, Landlord leased the Premises to Hardin Hyundai, Inc., a California corporation ("Original Tenant"), under a month-to-month tenancy at a Monthly Base Rent (as such term is defined in the Lease) amount of \$10,000. The Original Tenant is an affiliate of Tenant.

D. Pursuant to an Assignment and Assumption Agreement of even date herewith ("Assignment"), Original Tenant, as assignor, assigned its leasehold interest in the Premises to GGA, as assignee. GGA and Landlord concurrently entered into the Amendment.

E. Tenant acknowledges that Landlord acquired the Premises prior to execution of the Lease and prior to the Assignment to Tenant and therefore Tenant is a post-acquisition tenant.

F. Original Tenant entered into that certain Lessee's Relocation Release and Waiver Agreement and Seller's Indemnity Agreement pursuant to which Original Tenant agreed to waive any and all relocation assistance or benefits under the Relocation Laws in exchange for Landlord's agreement to enter into the Original Lease with Original Tenant.

G. In addition to requesting Landlord's consent of the Assignment, Tenant, in writing, has requested a significant reduction in the monthly rent due under the Original Lease and Tenant expressly offered to Landlord to waive and release its future or potential eligibility for relocation assistance and benefits under the Relocation Laws (as such term is defined herein) in consideration and exchange for a bargain, below-market rent for the Premises (to be reduced hereunder from \$10,000 per month to the bargain rent of \$3,000 per month).

H. Landlord has considered Tenant's written request and has accepted Tenant's offer, which includes Landlord and GGA entering into the Amendment and this Agreement, which is attached as Exhibit E to the Amendment and incorporated therein. The Assignment and Landlord's consent to the Assignment are both expressly conditioned upon Tenant's agreement to execute this Agreement.

I. Tenant understands and acknowledges that it has voluntarily entered into this Agreement with Landlord, and that if Tenant is ever required to vacate the Premises upon notice from Landlord, its vacation of the Premises would be the result of the termination of Tenant's Leasehold Interest, and would not be considered, expressly or impliedly, as a direct result of either of the following: (i) a written notice of intent to acquire, or the acquisition of, the Premises, in whole or in part, for a program or project undertaken by a public entity or by any person having an agreement with, or acting on behalf of, a public entity; or (ii) the rehabilitation, demolition, or other displacing activity, as the public entity may prescribe under a program or project undertaken by a public entity, of real property on which the person is a residential tenant or conducts a business or farm operation, if the public entity determines that the displacement is permanent.

J. Tenant desires to enter into this Agreement whereby Tenant expressly, intentionally, voluntarily and knowingly does and will settle, waive, and release any and all claims associated in any manner with Landlord's termination of Tenant's Leasehold Interest and Tenant's business(es) and the removal of Tenant's personal property from the Premises, to the extent that such claims exist now, or otherwise may or may not arise, or may or may not have arisen in the future, if at all.

NOW, THEREFORE, for good and valuable consideration, receipt of which is acknowledged, the parties hereto agree as follows:

1. **Relocation Law.** Tenant acknowledges that Tenant has received and reviewed a copy of the CRAL (as defined in this Section 1) and has been provided an opportunity to review all provisions of Relocation Law. As used in this Agreement, the term "Relocation Law" means the California Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.* California Relocation Assistance Law, Health and Safety Code Section 7260, *et seq.* ("CRAL"), and the implementing regulations promulgated by the California Department of Housing and Community Development ("HCD") set forth in California Code of Regulations, Title 25, Housing and Community Development, Division 1, Chapter 6, Section 6000, *et seq.* ("Guidelines"), and federal relocation laws and regulations set forth in the Federal Uniform Relocation and Real Property Assistance Act, 42 U.S.C. Section 4601, *et seq.* ("URA"), the implementing regulations thereto in the Code of Federal Regulations, 49 CFR Part 24, and all applicable, if any, federal funding programs in 24 CFR Parts 42, 91, 92, and 570, including for example, the CDBG Program and the HOME Program, and in other federal relocation codes and regulations. A copy of CRAL Sections 7260 to 7277 of the Government Code, is appended to this Agreement as Addendum A.

2. Possession/Vacation of the Premises. Tenant represents, warrants, and agrees that it has not entered into any other lease, assignment or any other agreement allowing any third party to occupy all or any part of the Premises. Tenant represents, warrants, and agrees that as of the date of this Agreement, other than Tenant, no other person or entity has any legal right to possess or occupy the Premises.

3. Full and Complete Settlement for Tenant's Leasehold Interest. Landlord's agreement to consent to the Assignment and enter into the Amendment under which there is a significant reduction in the Monthly Base Rent amount due and payable by Tenant, as set forth in further detail in the Lease, is in consideration for Tenant's Leasehold Interest in the Premises and any rights or obligations that exist or may arise out of the termination of Tenant's Leasehold Interest, whether for public purposes or private purposes, including without limitation, Tenant's Leasehold Interest, severance damages, relocation assistance, relocation benefits, any alleged pre-condemnation damages, any alleged loss of business goodwill, costs, interest, attorneys' fees, and any claim whatsoever of Tenant that might arise out of or relate in any respect whatsoever directly or indirectly to the termination of the Leasehold Interest by Landlord. Tenant acknowledges and agrees that it will not be entitled to relocation assistance or benefits under Relocation Law due to Landlord's termination of Tenant's Leasehold Interest and Tenant's business(es) and the removal of Tenant's personal property from the Premises, and further acknowledges and agrees that Tenant's status is deemed and shall be and remain as a post-acquisition tenant with no eligibility or rights to relocation assistance or benefits thereunder, as provided in the Lease. Tenant fully, intentionally, knowingly and voluntarily waives, releases and discharges Landlord and the City of Garden Grove ("City"), and their appointed and elected officials, officers, directors, employees, contractors, and agents (together "Indemnitees") from all and any manner of rights, demands, liabilities, obligations, claims, or causes of action, in law or equity, of whatever kind or nature, whether known or unknown, whether now existing or hereinafter arising, which arise from or relate in any manner to (i) the sale of the Premises or the relocation of any of Tenant's business operations or the relocation of any person or persons, business or businesses, or other occupant or occupants located on the Premises, including the specific waiver and release of any right to any relocation benefits, assistance and/or payments under the Relocation Law notwithstanding that such relocation assistance, benefits and/or payments may be otherwise required under such state or federal law; and (ii) compensation for any interest in the business operations at, on, or about the Premises including, but not limited to, land and improvements, fixtures, furniture, or equipment thereon, Leasehold Interest, goodwill, severance damage, attorneys' fees or any other compensation of any nature whatsoever. It is hereby intended that the release contained above relates to both known and unknown claims that Tenant and any person or entity claiming by or through Tenant may have, or claim to have, against any of the Indemnitees with respect to the subject matter contained herein or the events relating thereto. By releasing and forever discharging claims both known and unknown which are related to or which arise under or in connection with, the items set out above, Tenant expressly waives any rights under California Civil Code Section 1542, which provides:

“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.”



Tenant's Initials

Tenant's Initials

In connection with this Agreement, Tenant acknowledges that it is aware that it and its attorneys may hereafter discover claims or facts or legal theories in addition to or different from those which they know or believe to exist with respect to the claims released herein, but that Tenant's intention hereby is to fully, finally and forever release and waive all such claims, known or unknown, suspected or unsuspected, which do now exist, may exist or have existed in favor of Tenant. In furtherance of such intention, this Agreement provided Tenant shall be and remain in effect as a full and complete release and waiver, notwithstanding the discovery or existence of any such additional claims, facts, or legal theories under applicable laws or regulations or otherwise relating to the Premises. Tenant acknowledges and agrees that its waiver and release is an essential and material term to the Lease and that without this Agreement, Landlord would not have consented to the Lease. Tenant understands and acknowledges the significance and consequences of this Agreement.

4. Informed Consent. Tenant agrees, warrants and represents that it has carefully read the contents of this Agreement (and the Lease) and that, in executing this Agreement (and the Lease), it does so with full knowledge of any right which it may have, that it has received independent legal advice from its attorneys, or in the alternative, knowingly has determined not to seek legal advice with respect to the matters set forth herein, and that Tenant has freely signed this Agreement without relying on any agreement, promise, statement or representation by or on behalf of any person or entity, including any and all Indemnitees, except as specifically set forth in this Agreement.

5. Binding On Successors. The statements, representations and recitals contained in this Agreement are to be considered contractual in nature and not merely recitations of fact. This Agreement shall be binding upon Tenant and its heirs, agents, successors, legal representatives and assigns.

6. Governing Law. The laws of the State of California shall govern this Agreement in all respects, including, but not limited to, matters of construction, validity, enforcement and interpretation.

7. Attorneys' Fees. If any legal action is brought to enforce, construe, interpret or invalidate the terms of this Agreement, the prevailing party shall be entitled to all costs and expenses incurred in any such action including court costs and reasonable attorneys' fees, in addition to any other relief to which they may be entitled.

8. Entire Agreement. This Agreement (along with and including the Lease) supersedes any prior understandings, discussions or agreements with respect to the subject matter hereof. This Agreement may be signed in multiple counterparts which, when signed by all parties, shall constitute a binding agreement.

9. **Severability.** In the event that any terms, covenants or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid or contrary to public policy, the remaining provisions shall continue in full force and effect. If a court of competent jurisdiction is required to interpret this Agreement, the court shall be guided by Tenant's knowing, voluntary and willing request and desire for Landlord to consent to the Lease and the broadest and most comprehensive release and waiver of Relocation Law.

10. **Third Party Beneficiaries.** The parties hereto intend the City and to be a third party beneficiary of this Agreement. As an intended third party beneficiary, the City shall have the right to enforce the terms and conditions of this Agreement to the extent permitted by law.

11. **Execution of Further Documents.** From time to time, at the request of Landlord (or the City) and without further consideration of expense and within a reasonable period of time after a request is made, Tenant agrees to execute and deliver any and all further documents and instruments, and to do all acts, as Landlord (or the City) may reasonably request, which may be necessary or appropriate to fully implement the provisions of this Agreement, as and if necessary.

12. **Co-Participation in Drafting of this Agreement.** Landlord and Tenant each represent and warrant that they and their respective counsel fully participated in the drafting and terms of this Agreement. Accordingly, any ambiguities in the terms of this release and waiver shall not be construed against Landlord and any doctrine of law regarding interpretation of any such ambiguities in the terms and provisions of this release and waiver against Landlord shall not be applicable.

13. **Notices.** Any notice, request, demand, consent, approval or other communication required or permitted hereunder or by law shall be validly given or made only if in writing and delivered in person to an officer or duly authorized representative of the other party, or deposited in the United States mail, duly certified or registered (return receipt requested), postage prepaid, or delivered through another reasonably acceptable method, and addressed to the party for whom intended, as follows:

If to Landlord: Garden Grove Agency for Community Development
 P.O. Box 3070
 Garden Grove, California 92642
 Attention: Real Property Office

If to Tenant: Garden Grove Automotive, Inc.
 1381 Auto Center Drive
 Anaheim, California 92806
 Attention: Dennis D. Hardin

Any party may from time to time, by written notice to the other, designate a different address which shall be substituted for that specified above. If any notice or other document is sent by mail as aforesaid, the same shall be deemed fully delivered and received forty-eight (48) hours after mailing as provided above.

IN WITNESS WHEREOF, the parties hereto caused this Release and Waiver Agreement re Relocation Assistance and Benefits to be executed as of the day and year first above written.

LANDLORD:

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

By: _____
Agency Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:



Agency Counsel

TENANT:

GGA:

GARDEN GROVE AUTOMOTIVE, INC.,
a California corporation

By: _____
Name: _____
Title: _____

AFFILIATE COMPANY:

HARDIN AUTOMOTIVE,
a California corporation

By: _____
Dennis D. Hardin, President

IN WITNESS WHEREOF, the parties hereto caused this Release and Waiver Agreement re Relocation Assistance and Benefits to be executed as of the day and year first above written.

LANDLORD:

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

By: _____
Agency Director

ATTEST:

Agency Secretary

APPROVED AS TO FORM:

Agency Counsel

TENANT:

GGA:

GARDEN GROVE AUTOMOTIVE, INC.,
a California corporation

By: *Jared Hardin*
Name: Jared Hardin
Title: President

AFFILIATE COMPANY:

HARDIN AUTOMOTIVE,
a California corporation

By: *Dennis Hardin*
Dennis D. Hardin, President

ADDENDUM A

CALIFORNIA RELOCATION ASSISTANCE LAW

GOVERNMENT CODE SECTION 7260-7277

7260. As used in this chapter:

(a) "Public entity" includes the state, the Regents of the University of California, a county, city, city and county, district, public authority, public agency, and any other political subdivision or public corporation in the state or any entity acting on behalf of these agencies when acquiring real property, or any interest therein, in any city or county for public use, and any person who has the authority to acquire property by eminent domain under state law.

(b) "Person" means any individual, partnership, corporation, limited liability company, or association.

(c) (1) "Displaced person" means both of the following:

(A) Any person who moves from real property, or who moves his or her personal property from real property, either:

(i) As a direct result of a written notice of intent to acquire, or the acquisition of, the real property, in whole or in part, for a program or project undertaken by a public entity or by any person having an agreement with, or acting on behalf of, a public entity.

(ii) As a direct result of the rehabilitation, demolition, or other displacing activity, as the public entity may prescribe under a program or project undertaken by a public entity, of real property on which the person is a residential tenant or conducts a business or farm operation, if the public entity determines that the displacement is permanent. For purposes of this subparagraph, "residential tenant" includes any occupant of a residential hotel unit, as defined in subdivision (b) of Section 50669 of the Health and Safety Code, and any occupant of employee housing, as defined in Section 17008 of the Health and Safety Code, but does not include any person who has been determined to be in unlawful occupancy of the displacement dwelling.

(B) Solely for the purposes of Sections 7261 and 7262, any person who moves from real property, or moves his or her personal property from real property, either:

(i) As a direct result of a written notice of intent to acquire, or the acquisition of, other real property, in whole or in part, on which the person conducts a business or farm operation for a program or project undertaken by a public entity.

(ii) As a direct result of the rehabilitation, demolition, or other displacing activity as the public entity may prescribe under a program or project undertaken by a public entity, of other real property on which the person conducts a business or farm operation, in any case in which the public entity determines that the displacement is permanent.

(2) This subdivision shall be construed so that persons displaced as a result of public action receive relocation benefits in cases where they are displaced as a result of an owner participation agreement or an acquisition carried out by a private person for, or in connection with, a public use where the public entity is otherwise empowered to acquire the property to carry out the public use.

(3) Except for persons or families of low and moderate income, as defined in Section 50093 of the Health and Safety Code, who are occupants of housing that was made available to them on a permanent basis by a public agency and who are required to move from the housing, a "displaced person" shall not include any of the following:

(A) Any person who has been determined to be in unlawful occupancy of the displacement dwellings.

(B) Any person whose right of possession at the time of moving arose after the date of the public entity's acquisition of the real property.

(C) Any person who has occupied the real property for the purpose of obtaining assistance under this chapter.

(D) In any case in which the public entity acquires property for a program or project (other than a person who was an occupant of the property at the time it was acquired), any person who occupies the property for a period subject to termination when the property is needed for the program or project.

(E) Any person who donates or willingly sells his or her property for the purposes of protecting fish and wildlife habitat, providing recreational areas, or preserving cultural or agricultural resources and open space, or any person who occupies that property on a rental basis. This subparagraph does not apply when a sale is in response to an eminent domain proceeding.

(d) "Business" means any lawful activity, except a farm operation, conducted for any of the following:

(1) Primarily for the purchase, sale, lease, or rental of personal and real property, and for the manufacture, processing, or marketing of products, commodities, or any other personal property.

(2) Primarily for the sale of services to the public.

(3) Primarily by a nonprofit organization.

(4) Solely for the purpose of Section 7262 for assisting in the purchase, sale, resale, manufacture, processing, or marketing of products, commodities, personal property, or services by the erection and maintenance of an outdoor advertising display, whether or not the display is located on the premises on which any of the above activities are conducted.

(e) "Farm operation" means any activity conducted solely or primarily for the production of one or more agricultural products or commodities, including timber, for sale or home use, and customarily producing these products or commodities in sufficient quantity to be capable of contributing materially to the operator's support.

(f) "Affected property" means any real property that actually declines in fair market value because of acquisition by a public entity for public use of other real property and a change in the use of the real property acquired by the public entity.

(g) "Public use" means a use for which real property may be acquired by eminent domain.

(h) "Mortgage" means classes of liens that are commonly given to secure advances on, or the unpaid purchase price of, real property, together with the credit instruments, if any, secured thereby.

(i) "Comparable replacement dwelling" means any dwelling that is all of the following:

(1) Decent, safe, and sanitary.

(2) Adequate in size to accommodate the occupants.

(3) In the case of a displaced person who is a renter, within the financial means of the displaced person. A comparable replacement dwelling is within the financial means of a displaced person if the monthly rental cost of the dwelling, including estimated average monthly utility costs, minus any replacement housing payment available to the person, does not exceed 30 percent of the person's average monthly income, unless the displaced person meets one or more of the following conditions, in which case the payment of the monthly rental cost of the comparable replacement dwelling, including estimated average monthly utility costs, minus any replacement housing payment available to the person, shall not exceed 25 percent of the person's average monthly income:

(A) Prior to January 1, 1998, the displaced person received a notice to vacate from a public entity, or from a person having an agreement with a public entity.

(B) The displaced person resides on property that was acquired by a public entity, or by a person having an agreement with a public entity, prior to January 1, 1998.

(C) Prior to January 1, 1998, a public entity, or a person having an agreement with a public entity, initiated negotiations to acquire the property on which the displaced person resides.

(D) Prior to January 1, 1998, a public entity, or a person having an agreement with a public entity, entered into an agreement to acquire the property on which the displaced person resides.

(E) Prior to January 1, 1998, a public entity, or a person having an agreement with a public entity, gave written notice of intent to acquire the property on which the displaced person resides.

(F) The displaced person is covered by, or resides in an area or project covered by, a final relocation plan that was adopted by the legislative body prior to January 1, 1998, pursuant to this chapter and the regulations adopted pursuant to this chapter.

(G) The displaced person is covered by, or resides in an area or project covered by, a proposed relocation plan that was required to have been submitted prior to January 1, 1998, to the Department of Housing and Community Development or to a local relocation committee, or for which notice was required to have been provided to occupants of the property prior to January 1, 1998, pursuant to this chapter and the regulations adopted pursuant to this chapter.

(H) The displaced person is covered by, or resides in an area or project covered by, a proposed relocation plan that was submitted prior to January 1, 1998, to the Department of Housing and Community Development or to a local relocation committee, or for which notice was provided to the public or to occupants of the property prior to January 1, 1998, pursuant to this chapter and the regulations adopted pursuant to this chapter, and the person is eventually displaced by the project covered in the proposed relocation plan.

(I) The displaced person resides on property for which a contract for acquisition, rehabilitation, demolition, construction, or other displacing activity was entered into by a public entity, or by a person having an agreement with a public entity, prior to January 1, 1998.

(J) The displaced person resides on property where an owner participation agreement, or other agreement between a public entity and a private party that will result in the acquisition, rehabilitation, demolition, or development of the property or other displacement, was entered into prior to January 1, 1998, and the displaced person resides in the property at the time of the agreement, provides information to the public entity, or person having an agreement with the public entity, showing that he or she did reside in the property at the time of the agreement and is eventually displaced by the project covered in the agreement.

(4) Comparable with respect to the number of rooms, habitable space, and type and quality of construction. Comparability under this paragraph shall not require strict adherence to a detailed, feature-by-feature comparison. While a comparable replacement dwelling need not possess every feature of the displacement dwelling, the principal features shall be present.

(5) In an area not subject to unreasonable adverse environmental conditions.

(6) In a location generally not less desirable than the location of the displaced person's dwelling with respect to public utilities, facilities, services, and the displaced person's place of employment.

(j) "Displacing agency" means any public entity or person carrying out a program or project which causes a person to be a displaced person for a public project.

(k) "Appraisal" means a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.

(l) "Small business" means a business as defined in Part 24 of Title 49 of the Code of Federal Regulations.

(m) "Lead agency" means the Department of Housing and Community Development.

7260.5. (a) The Legislature finds and declares the following:

(1) Displacement as a direct result of programs or projects undertaken by a public entity is caused by a number of activities, including rehabilitation, demolition, code enforcement, and acquisition.

(2) Relocation assistance policies must provide for fair, uniform, and equitable treatment of all affected persons.

(3) The displacement of businesses often results in their closure.

(4) Minimizing the adverse impact of displacement is essential to maintaining the economic and social well-being of communities.

(5) Implementation of this chapter has resulted in burdensome, inefficient, and inconsistent compliance requirements and procedures which may be improved by establishing a lead agency.

(b) This chapter establishes a uniform policy for the fair and equitable treatment of persons displaced as a direct result of programs or projects undertaken by a public entity. The primary purpose of this chapter is to ensure that these persons shall not suffer disproportionate injuries as a result of programs and projects designed for the benefit of the public as a whole and to minimize the hardship of displacement on these persons.

(c) The Legislature intends all of the following:

(1) Public entities shall carry out this chapter in a manner which minimizes waste, fraud, and mismanagement and reduces unnecessary administrative costs.

(2) Uniform procedures for the administration of relocation assistance shall, to the maximum extent feasible, assure that the unique circumstances of any displaced person are taken into account and that persons in essentially similar circumstances are accorded equal treatment under this chapter.

(3) The improvement of housing conditions of economically disadvantaged persons under this chapter shall be undertaken, to the maximum extent feasible, in coordination with existing federal, state, and local government programs for accomplishing these goals.

(4) The policies and procedures of this chapter shall be administered in a manner which is consistent with fair housing requirements and which assures all persons their rights under Title VIII of that act of April 11, 1968 (Public Law 90-284), commonly known as the Civil Rights Act of 1968 and Title VI of the Civil Rights Act of 1964.

7260.7. Notwithstanding any other provision of law, in furtherance of the goal set forth in paragraph (3) of subdivision (c) of Section 7260.5, nonprofit facilities subsidized pursuant to any federal or state program for the benefit of low-income tenants that restrict rent increases based on operating cost increases, and that also receive state funds for renovation and rehabilitation involving the temporary relocation of those tenants, shall be exempt from any restrictions on rents imposed pursuant to this chapter.

7261. (a) Programs or projects undertaken by a public entity shall be planned in a manner that (1) recognizes, at an early stage in the planning of the programs or projects and before the commencement of any actions which will cause displacements, the problems associated with the displacement of individuals, families, businesses, and farm operations, and (2) provides for the resolution of these problems in order to minimize adverse impacts on displaced persons and to expedite program or project advancement and completion. The head of the displacing agency shall ensure the relocation assistance advisory services described in subdivision (c) are made available to all persons displaced by the public entity. If the agency determines that any person occupying property immediately adjacent to the property where the displacing activity occurs is caused substantial economic injury as a result thereof, the agency may make the advisory services available to the person.

(b) In giving this assistance, the public entity may establish local relocation advisory assistance offices to assist in obtaining replacement facilities for persons, businesses, and farm operations which find that it is necessary to relocate because of the acquisition of real property by the public entity.

(c) This advisory assistance shall include those measures, facilities, or services which are necessary or appropriate to do all of the following:

(1) Determine and make timely recommendations on the needs and preferences, if any, of displaced persons for relocation assistance.

(2) Provide current and continuing information on the availability, sales prices, and rentals of comparable replacement dwellings for displaced homeowners and tenants, and suitable locations for businesses and farm operations.

(3) Assure that, within a reasonable time period prior to displacement, to the extent that it can be reasonably accomplished, there will be available in areas not generally less desirable in regard to public utilities and public and commercial facilities, and at rents or prices within the financial means of displaced families and individuals, decent, safe, and sanitary dwellings, sufficient in number to meet the needs of, and available to, those displaced persons requiring those dwellings and reasonably accessible to their places of employment, except that, in the case of a federally funded project, a waiver may be obtained from the federal government.

(4) Assure that a person shall not be required to move from a dwelling unless the person has had a reasonable opportunity to relocate to a comparable replacement dwelling, except in the case of any of the following:

(A) A major disaster as defined in Section 102(2) of the federal Disaster Relief Act of 1974.

(B) A state of emergency declared by the President or Governor.

(C) Any other emergency which requires the person to move immediately from the dwelling because continued occupancy of the dwelling by the person constitutes a substantial danger to the health or safety of the person.

(5) Assist a person displaced from a business or farm operation in obtaining and becoming established in a suitable replacement location.

(6) Supply information concerning other federal and state programs which may be of assistance to those persons in applying for assistance under the program.

(7) Provide other advisory services to displaced persons in order to minimize hardships to those persons.

(d) The head of the displacing agency shall coordinate its relocation assistance program with the project work necessitating the displacement and with other planned or proposed activities of other public entities in the community or nearby areas which may affect the implementation of its relocation assistance program.

(e) Notwithstanding subdivision (c) of Section 7260, in any case in which a displacing agency acquires property for a program or project, any person who occupies the property on a rental basis for a short term or a period subject to termination when the property is needed for the program or project, shall be eligible for advisory services to the extent determined by the displacing agency.

7261.5. In order to prevent unnecessary expenses and duplications of functions, and to promote uniform and effective administration of relocation assistance programs for displaced persons under this chapter, a public entity may enter into a contract with any individual, firm, association, or corporation for services in connection with such program, or may carry out its functions under this chapter through any federal, state, or local governmental agency having an established organization for conducting relocation assistance programs. Any public entity may, in carrying out its relocation assistance activities, utilize the services of state or local housing agencies or other agencies having experience in the administration or conduct of similar housing assistance activities.

7262. (a) Whenever a program or project to be undertaken by a public entity will result in the displacement of any person, the displaced person is entitled to payment for actual moving and related expenses as the public entity determines to be reasonable and necessary, including expenses for all of the following:

(1) Actual and reasonable expenses in moving himself or herself, his or her family, business, or farm operation, or his or her, or his or her family's, personal property.

(2) Actual direct losses of tangible personal property as a result of moving or discontinuing a business or farm operation, but not to exceed an amount equal to the reasonable expenses that would have been required to relocate the property, as determined by the public entity.

(3) Actual and reasonable expenses in searching for a replacement business or farm, not to exceed one thousand dollars (\$1,000).

(4) Actual and reasonable expenses necessary to reestablish a displaced farm, nonprofit organization, or small business at its new site, but not to exceed ten thousand dollars (\$10,000).

(b) Any displaced person eligible for payments under subdivision (a) who is displaced from a dwelling and who elects to accept the payments authorized by this subdivision in lieu of the payments authorized by subdivision (a) shall receive a moving expense and dislocation allowance which shall be determined according to a schedule established by the head of the lead agency. The schedule shall be consistent with the Residential Moving Expense and Dislocation Allowance Payment Schedule established by Part 24 of Title 49 of the Code of Federal Regulations.

(c) Any displaced person who moves or discontinues his or her business or farm operation and elects to accept the payment authorized by this subdivision in lieu of the payment authorized by subdivision (a), shall receive a fixed relocation payment in an amount equal to the average annual net earnings of the business or farm operation, except that the payment shall not be less than one thousand dollars (\$1,000) nor more than twenty thousand dollars (\$20,000). In the case of a business, no payment shall be made under this subdivision, unless the public entity is satisfied that the business cannot be relocated without substantial loss of patronage and is not part of a commercial enterprise having at least one other establishment not being acquired, engaged in the same or similar business. For purposes of this subdivision, the term "average annual net earnings" means one-half of any net earnings of the business or farm operation before federal, state, and local income taxes during the two taxable years immediately preceding the taxable year in which the business or farm operation moves from the real property being acquired, or during any other period as the public entity determines to be more equitable for establishing earnings, and includes any compensation paid by the business or farm operation to the owner, his or her spouse, or his or her dependents during the two-year or other period. To be eligible for the payment authorized by this subdivision, the business or farm operation shall make available its state income tax records, financial statements, and accounting records, for confidential use pursuant to an audit to determine the payment pursuant to this subdivision. In regard to an outdoor advertising display, payment pursuant to this subdivision shall be limited to the amount necessary to physically move, or replace that display. Any displaced person eligible for payments under subdivision (a) who is displaced from the person's place of business or farm operation and who is eligible under criteria established by the public entity, may elect to accept a fixed payment in lieu of the payment authorized by subdivision (a). The fixed payment shall not be less than one thousand dollars (\$1,000) nor more than twenty thousand dollars (\$20,000). A person whose sole business at the displacement dwelling is the rental of the property to others shall not qualify for a payment under this subdivision.

(d) Whenever the acquisition of real property used for a business or farm operation causes the person conducting the business or farm operation to move from other real property, or to move his or her personal property from other real property, the person shall receive payments for moving and

related expenses under subdivision (a) or (b) and relocation advisory assistance under Section 7261 for moving from the other property.

(e) Whenever a public entity must pay the cost of moving a displaced person under paragraph (1) of subdivision (a), or subdivision (d):

(1) The costs of the move shall be exempt from regulation by the Public Utilities Commission.

(2) The public entity may solicit competitive bids from qualified bidders for performance of the work. Bids submitted in response to the solicitations shall be exempt from regulation by the Public Utilities Commission.

(f) No provision of this chapter shall be construed to require a public entity to provide any relocation assistance to a lessee if the property acquired for a program or project is subject to a lease for purposes of conducting farm operations and the public entity agrees to assume all of the terms of that lease.

7262.5. Notwithstanding Section 7265.3 or any other provision of law, tenants residing in any rental project who are displaced from the project for a period of one year or less as part of a rehabilitation of that project, that is funded in whole or in part by a public entity, shall not be eligible for permanent housing assistance benefits pursuant to Sections 7264 and 7264.5 if all of the following criteria are satisfied:

(a) The project is a "qualified affordable housing preservation project," which means any complex of two or more units whose owners enter into a recorded regulatory agreement, having a term for the useful life of the project, with any entity for the provision of project rehabilitation financing. For this purpose, the regulatory agreement shall require of the owner and all successors and assigns of the owner, as long as the regulatory agreement is in effect, that at least 49 percent of the tenants in the project have, at the time of the recordation of the regulatory agreement, incomes not in excess of 60 percent of the area median income, adjusted by household size, as determined by the appropriate agency of the state. In addition, a project is a qualified affordable housing preservation project only if the beneficiary of the regulatory agreement elects this designation by so indicating on the regulatory agreement.

(b) The resident is offered the right to return to his or her original unit, or a comparable unit in the same complex if his or her original unit is not otherwise available due to the rehabilitation, with rent for the first 12 months subsequent to that return being the lower of the following: up to 5 percent higher than the rent at the time of displacement; or up to 30 percent of household income.

(c) The estimated time of displacement is reasonable, and the temporary unit is not unreasonably impacted by the effects of the construction, taking into consideration the ages and physical conditions of the members of the displaced household.

(d) All other financial benefits and services otherwise required under this chapter are provided to the residents temporarily displaced from their units, including relocation to a comparable replacement unit. Residents shall be temporarily relocated to a unit within the same complex, or to a unit located reasonably near the complex if that unit is in a location generally not less desirable than the location of the displaced person's dwelling with respect to public utilities, services, and the displaced person's place of employment.

7263. (a) In addition to the payments required by Section 7262, the public entity, as a part of the cost of acquisition, shall make a payment to the owner of real property acquired for public use which is improved with a dwelling actually owned and occupied by the owner as a permanent or customary and usual place of abode for not less than 180 days prior to the initiation of negotiation for the acquisition of that property.

(b) The payment, not to exceed twenty-two thousand five hundred dollars (\$22,500), shall be based on the following factors:

(1) The amount, if any, which, when added to the acquisition cost of the dwelling acquired by the public entity equals the reasonable cost of a comparable replacement dwelling.

(2) The amount, if any, which will compensate the displaced owner for any increased interest costs which the owner is required to pay for financing the acquisition of a comparable replacement dwelling. The amount shall be paid only if the dwelling acquired by the displacing agency was encumbered by a bona fide mortgage which was a valid lien on the dwelling for not less than 180 days immediately prior to the initiation of negotiations for the acquisition of the dwelling. All of the mortgages on the acquired dwelling shall be used to compute the payment. The amount shall be computed using the lesser of the principal balance of the mortgage on the replacement dwelling or the outstanding principal balance of the mortgage on the acquired dwelling and the lesser of the remaining term on the acquired dwelling or the actual term of the new mortgage. The present value of the increased interest costs shall be computed based on the lesser of the prevailing interest rate or the actual interest rate on the replacement property. The amount shall also include other reasonable debt service costs incurred by the displaced owner.

For the purposes of this subdivision, if the replacement dwelling is a mobilehome, the term "mortgage," as defined in subdivision (h) of Section 7260, shall include those liens as are commonly given to secure advances on, or the unpaid purchase price of, mobilehomes, together with the credit instruments, if any, secured thereby.

(3) Reasonable expenses incurred by the displaced owner for evidence of title, recording fees, and other closing costs incident to the purchase of the replacement dwelling, but not including prepaid expenses.

(c) The additional payment authorized by this section shall be made only to a displaced owner who purchases and occupies a decent, safe, and sanitary replacement dwelling within one year from the later of the following:

(1) The date the displaced person receives final payment for the displacement dwelling, or in the case of condemnation, the date the full amount of estimated just compensation is deposited in court.

(2) The date the displacing agency fulfills its obligation to make available at least one comparable replacement dwelling to the displaced person.

However, the displacing agency may extend the period for good cause. Also, the displaced owner and the public entity may agree in writing that the displaced owner may remain in occupancy of the acquired dwelling as a tenant of the public entity on the conditions that the displaced owner shall only be entitled to the payment authorized by this section on the date on which the owner moves from the acquired dwelling and that the payment shall be in an amount equal to that to which the owner would have been entitled if the owner had purchased and occupied a replacement dwelling one year subsequent to the date on which final payment was received for the acquired dwelling from the public entity.

(d) In implementing this chapter, it is the intent of the Legislature that special consideration be given to the financing and location of a comparable replacement dwelling for displaced persons 62 years of age or older.

7263.5. For purposes of Section 7263, the leasing of a condominium for a 99-year period, or for a term which exceeds the life expectancy of the displaced person as determined from the most recent life tables in Vital Statistics of the United States, as published by the Public Health Service of the Department of Health, Education, and Welfare, shall be deemed a purchase of the condominium.

7264. (a) In addition to the payments required by Section 7262, as a part of the cost of acquisition, the public entity shall make a payment to any displaced person displaced from any dwelling not eligible to receive a payment under Section 7263 which was actually and lawfully occupied by the person as a permanent or customary and usual place of abode for not less than 90 days prior to the initiation of negotiation by the public entity for the acquisition of the dwelling, or in any case in which displacement is not a direct result of acquisition, or any other event which the public entity shall prescribe.

(b) The payment, not to exceed five thousand two hundred fifty dollars (\$5,250), shall be the additional amount which is necessary to enable the person to lease or rent a comparable replacement dwelling for a period not to exceed 42 months, unless the displaced person meets one or more of the conditions set forth in paragraph (3) of subdivision (i) of Section 7260, in which case the payment, which shall not exceed five thousand two hundred fifty dollars (\$5,250), shall be the additional amount which is necessary to enable the person to lease or rent a comparable replacement dwelling for a period not to exceed 48 months. However, publicly funded transportation projects shall make payments enabling the person to lease or rent a comparable replacement dwelling for a period not to exceed 42 months, including compensation for utilities, as provided in subdivision (b) of Section 24.402 of Part 24 of Title 49 of the Code of Federal Regulations. Payments up to the maximum of five thousand two hundred fifty dollars (\$5,250) shall be made in a lump sum. Should an agency pay pursuant to Section 7264.5 an amount exceeding the maximum amount, payment may be made periodically. Computation of a payment under this subdivision to a low-income displaced person for a comparable replacement dwelling shall take into account the person's income.

(c) Any person eligible for a payment under subdivision (a) may elect to apply the payment to a downpayment on, and other incidental expenses pursuant to, the purchase of a decent, safe, and sanitary replacement dwelling. The person may, at the discretion of the public entity, be eligible under this subdivision for the maximum payment allowed under subdivision (b), except that, in the case of a displaced homeowner who has owned and occupied the displacement dwelling for at least 90 days but not more than 180 days immediately prior to the initiation of negotiations for the acquisition of the dwelling, the payment shall not exceed the payment which the person would otherwise have received under subdivision (b) of Section 7263 had the person owned and occupied the displacement dwelling 180 days immediately prior to the initiation of the negotiations.

(d) In implementing this chapter, it is the intent of the Legislature that special consideration shall be given to assisting any displaced person 62 years of age or older to locate or lease or rent a comparable replacement dwelling.

7264.5. (a) If a program or project undertaken by the public entity cannot proceed on a timely basis because comparable replacement housing is not available and the public entity determines that comparable replacement housing cannot otherwise be made available, the public entity shall take any action necessary or appropriate to provide the dwellings by use of funds authorized for the project. This section shall be construed to authorize the public entity to exceed the maximum amounts which may be paid under Sections 7263 and 7264 on a case-by-case basis for good cause as determined in accordance with rules and regulations adopted by the public entity. Where a displacing agency is undertaking a project with funds administered by a state agency or board, and where the displacing agency has adopted rules and regulations in accordance with Section 7267.8 for the implementation of this chapter, the determination of payments to be made pursuant to this subdivision shall be pursuant to those rules and regulations.

(b) No person shall be required to move from his or her dwelling because of its acquisition by a public entity, unless comparable replacement housing is available to the person.

(c) For purposes of determining the applicability of subdivision (a), the public entity is hereby designated as a duly authorized administrative body of the state for the purposes of subdivision (c) of Section 408 of the Revenue and Taxation Code.

(d) Subdivision (b) shall not apply to a displaced owner who agrees in writing with the public entity to remain in occupancy of the acquired dwelling as provided in subdivision (c) of Section 7263.

7265. (a) In addition to the payments required by Section 7262, as a cost of acquisition, the public entity shall make a payment to any affected property owner meeting the requirements of this section.

(b) The affected property shall be immediately contiguous to property acquired for airport purposes and the owner shall have owned the property affected by acquisition by the public entity not less than 180 days prior to the initiation of negotiation for acquisition of the acquired property.

(c) The payment, not to exceed twenty-two thousand five hundred dollars (\$22,500), shall be the amount, if any, which equals the actual decline in the fair market value of the property of the affected property owner caused by the acquisition by the public entity for airport purposes of other real property and a change in the use of the property.

(d) The amount, if any, of actual decline in fair market value of affected property shall be determined according to rules and regulations adopted by the public entity pursuant to this chapter. The rules and regulations shall limit payment under this section only to those circumstances in which the decline in fair market value of affected property is reasonably related to objective physical change in the use of acquired property.

7265.3. (a) A public entity may make payments in the amounts it deems appropriate, and may provide advisory assistance under this chapter, to a person who moves from a dwelling, or who moves or discontinues his business, as a result of impending rehabilitation or demolition of a residential or commercial structure, or enforcement of building, housing, or health codes by a public entity, or because of systematic enforcement pursuant to Section 37924.5 of the Health and Safety Code, or who moves from a dwelling or who moves or discontinues a business as a result of a rehabilitation or demolition program or enforcement of building codes by the public entity, or because of increased rents to result from such rehabilitation or code enforcement. Payments prescribed by subdivision (b) of Section 7264 may also be made to persons who remain in a dwelling during rehabilitation. Payments authorized by this section and made pursuant to subdivision (b) of Section 7264 may, at the option of the public entity, be computed and reviewed annually based on actual rental increases, and may be paid monthly or annually. A public entity may also give priority to a person who moves from a dwelling, or who remains in a dwelling during rehabilitation, in utilization of local, state, or federal rental assistance programs, either to enable the person to pay increased rents or to move to other suitable housing.

A public entity assisting in the financing of rehabilitation may provide some or all of the payments authorized by this section as part of the loan for rehabilitation costs, provided that the public entity makes payments directly to the person who moves or who remains in the dwelling during rehabilitation.

(b) A public entity shall make payments in the amounts prescribed by this chapter, and shall provide advisory assistance under this chapter, to persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code, whose rent, within one year after the rehabilitation of their dwelling is completed, is increased to an amount exceeding 25 percent of their gross income, or who move from their dwelling, as the result of a rehabilitation program in which the rehabilitation work is wholly or partially financed or assisted with public funds provided by or through the public entity.

(c) A public entity shall provide temporary housing for up to 90 days to persons displaced by rehabilitation work which is wholly or partially financed or assisted with public funds provided by or through the public entity.

(d) A person displaced by rehabilitation work which is wholly or partially financed or assisted with public funds provided by or through the public entity shall, as a condition of the financing or assistance, be given the option of relocating, after rehabilitation, in the dwelling from which the person was displaced.

(e) A public entity may limit the amounts of payments made pursuant to subdivision (b), otherwise calculated pursuant to subdivision (b) of Section 7264, to the lesser of: (i) the difference between the increased rent and 25 percent of gross income; or (ii) the difference between the increased rent and the rent immediately before the rehabilitation which was greater than 25 percent of gross income.

(f) The payments and advisory assistance as required in this section shall be mandatory only if federal or state funds are available. However, nothing shall preclude the public entity from using local funds.

7265.4. In addition to the payments required by Section 7262, as a cost of acquisition, the public entity, as soon as practicable after the date of payment of the purchase price or the date of deposit in court of funds to satisfy the award of compensation in a condemnation proceeding to acquire real property, whichever is the earlier, shall reimburse the owner, to the extent the public entity deems fair and reasonable, for expenses the owner necessarily incurred for recording fees, transfer taxes, and similar expenses incidental to conveying such real property to the public entity.

7266. (a) If a relocation appeals board has been established pursuant to Section 33417.5 of the Health and Safety Code, a city by ordinance may designate the board to hear appeals from all public entities, except those state agencies which have an appeal process, on the eligibility for, or the amount of, a payment authorized by this chapter.

(b) Any person aggrieved by a determination as to eligibility for, or the amount of, a payment authorized by this chapter may have the application reviewed by the public entity or by the relocation appeals board if authorized under subdivision (a). The review of a determination by a community redevelopment agency may only be made by a relocation appeals board established pursuant to Section 33417.5 of the Health and Safety Code.

7267. In order to encourage and expedite the acquisition of real property by agreements with owners, to avoid litigation and relieve congestion in the courts, to assure consistent treatment for owners in the public programs, and to promote public confidence in public land acquisition practices, public entities shall, to the greatest extent practicable, be guided by the provisions of Sections 7267.1 to 7267.7, inclusive, except that the provisions of subdivision (b) of Section 7267.1 and Section 7267.2 shall not apply to the acquisition of any easement, right-of-way, covenant, or other nonpossessory interest in real property to be acquired for the construction, reconstruction, alteration, enlargement, maintenance, renewal, repair, or replacement of subsurface sewers, waterlines or appurtenances, drains, septic tanks, or storm water drains.

7267.1. (a) The public entity shall make every reasonable effort to acquire expeditiously real property by negotiation.

(b) Real property shall be appraised before the initiation of negotiations, and the owner, or the owner's designated representative, shall be given an opportunity to accompany the appraiser during his or her inspection of the property. However, the public entity may prescribe a procedure to waive

the appraisal in cases involving the acquisition by sale or donation of property with a low fair market value.

7267.2. (a) (1) Prior to adopting a resolution of necessity pursuant to Section 1245.230 of the Code of Civil Procedure and initiating negotiations for the acquisition of real property, the public entity shall establish an amount that it believes to be just compensation therefor, and shall make an offer to the owner or owners of record to acquire the property for the full amount so established, unless the owner cannot be located with reasonable diligence. The offer may be conditioned upon the legislative body's ratification of the offer by execution of a contract of acquisition or adoption of a resolution of necessity or both. The amount shall not be less than the public entity's approved appraisal of the fair market value of the property. A decrease or increase in the fair market value of real property to be acquired prior to the date of valuation caused by the public improvement for which the property is acquired, or by the likelihood that the property would be acquired for the improvement, other than that due to physical deterioration within the reasonable control of the owner or occupant, shall be disregarded in determining the compensation for the property.

(2) At the time of making the offer described in paragraph (1), the public entity shall provide the property owner with an informational pamphlet detailing the process of eminent domain and the property owner's rights under the Eminent Domain Law.

(b) The public entity shall provide the owner of real property to be acquired with a written statement of, and summary of the basis for, the amount it established as just compensation. The written statement and summary shall contain detail sufficient to indicate clearly the basis for the offer, including, but not limited to, all of the following information:

(1) The date of valuation, highest and best use, and applicable zoning of property.

(2) The principal transactions, reproduction or replacement cost analysis, or capitalization analysis, supporting the determination of value.

(3) If appropriate, the just compensation for the real property acquired and for damages to remaining real property shall be separately stated and shall include the calculations and narrative explanation supporting the compensation, including any offsetting benefits.

(c) Where the property involved is owner-occupied residential property and contains no more than four residential units, the homeowner shall, upon request, be allowed to review a copy of the appraisal upon which the offer is based. The public entity may, but is not required to, satisfy the written statement, summary, and review requirements of this section by providing the owner a copy of the appraisal on which the offer is based.

(d) Notwithstanding subdivision (a), a public entity may make an offer to the owner or owners of record to acquire real property for less than an amount that it believes to be just compensation therefore if (1) the real property is offered for sale by the owner at a specified price less than the amount the public entity believes to be just compensation therefor, (2) the public entity offers a price that is equal to the specified price for which the property is being offered by the landowner, and (3) no federal funds are involved in the acquisition, construction, or project development.

(e) As used in subdivision (d), "offered for sale" means any of the following:

(1) Directly offered by the landowner to the public entity for a specified price in advance of negotiations by the public entity.

(2) Offered for sale to the general public at an advertised or published specified price, set no more than six months prior to, and still available at, the time the public entity initiates contact with the landowner regarding the public entity's possible acquisition of the property.

7267.3. The construction or development of a public improvement shall be so scheduled that, to the greatest extent practicable, no person lawfully occupying real property shall be required to move

from a dwelling, assuming a replacement dwelling will be available, or to move his business or farm operation, without at least 90 days' written notice from the public entity of the date by which such move is required.

7267.4. If the public entity permits an owner or tenant to occupy the real property acquired on a rental basis for a short term, or for a period subject to termination by the public entity on short notice, the amount of rent required shall not exceed the fair rental value of the property to a short-term occupier.

7267.5. In no event shall the public entity either advance the time of condemnation, or defer negotiations or condemnation and the deposit of funds in court for the use of the owner, or take any other action coercive in nature, in order to compel an agreement on the price to be paid for the property.

7267.6. If any interest in real property is to be acquired by exercise of the power of eminent domain, the public entity shall institute formal condemnation proceedings. No public entity shall intentionally make it necessary for an owner to institute legal proceedings to prove the fact of the taking of his real property.

7267.7. (a) If the acquisition of only a portion of a property would leave the remaining portion in such a shape or condition as to constitute an uneconomic remnant, the public entity shall offer to acquire the entire property if the owner so desires.

(b) A person whose real property is being acquired in accordance with this chapter may, after the person has been fully informed of his or her right to receive just compensation for the property, donate the property, any part thereof, any interest therein, or any compensation paid therefor to a public entity determined by the person.

7267.8. (a) All public entities shall adopt rules and regulations to implement payments and to administer relocation assistance under this chapter. These rules and regulations shall be in accordance with the rules and regulations adopted by the Department of Housing and Community Development.

(b) Notwithstanding subdivision (a), with respect to a federally funded project, a public entity shall make relocation assistance payments and provide relocation advisory assistance as required under federal law.

7267.9. (a) Prior to the initiation of negotiations for acquisition by a public entity or public utility of nonprofit, special use property, as defined by Section 1235.155 of the Code of Civil Procedure, the acquiring public entity or public utility shall make every reasonable effort to seek alternative property which is other than nonprofit, special use property. However, this requirement shall not apply to properties acquired by public entities for transportation purposes, including, but not limited to, the construction, expansion, or improvement of streets, highways, or railways.

(b) This section does not apply to actions or proceedings commenced by a public entity or public utility to acquire real property or any interest in real property for the use of water, sewer, electricity, telephone, natural gas, or flood control facilities or rights-of-way where those acquisitions neither require removal or destruction of existing improvements, nor render the property unfit for the owner's present or proposed use.

7269. (a) No payment received by any person under this chapter or as tenant relocation assistance required by any state statute or local ordinance shall be considered as income for the purposes of the Personal Income Tax Law, Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code, or the Bank and Corporation Tax Law, Part 11 (commencing with Section 23001) of Division 2 of the Revenue and Taxation Code.

(b) No payment received by any person under this chapter shall be considered as income or resources to any recipient of public assistance and such payments shall not be deducted from the amount of aid to which the recipient would otherwise be entitled under another provisions of law.

7269.1. Where a recipient of relocation benefits payments under federal or state law is also a general assistance recipient under Part 5 (commencing with Section 17000) of Division 9 of the Welfare and Institutions Code and two or more rent schedules apply to the recipient, the highest shall prevail and any excess amount over lower rent schedule shall not be counted as income or resources for general assistance purposes under Part 5 (commencing with Section 17000) of Division 9 of the Welfare and Institutions Code.

7270. Nothing contained in this chapter shall be construed as creating in any condemnation proceedings brought under the power of eminent domain any element of damages not in existence on the date of enactment of this chapter.

7271. If any provision of this chapter or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this chapter which can be given effect without the invalid provision or application, and to this end the provisions of this chapter are severable.

7272. If under any other provision of law of this state the owner or occupant of real property acquired by a public entity for public use is given greater protection than is provided by Sections 7265.3 to 7267.8, inclusive, the public entity shall also comply with such other provision of law.

7272.3. It is the intent of the Legislature, by this chapter, to establish minimum requirements for relocation assistance payments by public entities. This chapter shall not be construed to limit any other authority which a public entity may have to make other relocation assistance payments, or to make any relocation assistance payment in an amount which exceeds the maximum amount for such payment authorized by this chapter.

Any public entity may, also, make any other relocation assistance payment, or may make any relocation assistance payment in an amount which exceeds the maximum amount for such payment authorized by this chapter, if the making of such payment, or the payment in such amount, is required under federal law to secure federal funds.

7272.5. Nothing contained in this article shall be construed as creating in any condemnation proceeding brought under the power of eminent domain, any element of damages not in existence on the date the public entity commences to make payments under the provisions of this article as amended by the act which enacted this section at the 1971 Regular Session of the Legislature.

7273. Funds received pursuant to Sections 2106 and 2107 of the Streets and Highways Code may be expended by any city to provide relocation advisory assistance, and to make relocation assistance payments, to displaced persons displaced because of the construction of city highways or streets.

7274. Sections 7267 to 7267.7, inclusive, create no rights or liabilities and shall not affect the validity of any property acquisitions by purchase or condemnation.

7275. Whenever any public entity acquires real property by eminent domain, purchase, or exchange, the purchase price and other consideration paid by such entity is public information and shall be made available upon request from the entity concerned.

7276. (a) If a resolution is adopted under Section 1245.330 of the Code of Civil Procedure consenting to the acquisition of property by eminent domain and the person authorized by the resolution to acquire the property by eminent domain acquires the property by purchase, eminent domain, or otherwise, that person shall provide relocation advisory assistance and shall make any of the payments required to be made by public entities pursuant to the provisions of this chapter in conformity with this chapter and the guidelines adopted by the Commission of Housing and Community Development pursuant to Section 7268.

(b) This section does not apply to public utilities which are subject to the provisions of Article 6 (commencing with Section 600) of Chapter 3 of Part 1 of Division 1 of the Public Utilities Code or to public entities which are subject to this chapter.

7277. (a) The requirement to provide relocation assistance and benefits imposed by this chapter shall not apply to a purchase of property which is offered for sale by the owner, property being sold at execution or foreclosure sale, or property being sold pursuant to court order or under court supervision if the property in any of the foregoing situations is either occupied by the owner or is unoccupied, and if the offer for sale is not induced by public entity disposition, planned condemnation, or redevelopment of surrounding lands, and if the sales price is fair market value or less, as determined by a qualified appraiser, and if no federal funds are involved in the acquisition, construction, or project development. "Offered for sale" means either advertised for sale in a publication of general circulation published at least once a week or listed with a licensed real estate broker and published in a multiple listing, pursuant to Section 1087 of the Civil Code.

(b) At the time of making an offer to acquire property under subdivision (a), public entities shall notify the property owner in writing, of the following:

(1) The public entity's plans for developing the property to be acquired or the surrounding property.

(2) Any relocation assistance and benefits provided pursuant to state law which the property owner may be forgoing.