

March 26, 2019

Civic Partners-Elsinore, LLC  
7777 Center Avenue, Suite 230  
Huntington Beach, CA 92647  
Attn: Steve Semingson

Re: Addendum to Loan Commitment for Rental Housing Project – Cottages Affordable Housing (**Addendum**)

Dear Mr. Semingson:

Civic Partners-Elsinore, LLC (**Developer**) is a party to that certain Amended and Restated Disposition and Development Agreement (**DDA**) dated as of March 8, 2011, by and among the Redevelopment Agency of the City of Lake Elsinore (**RDA**), McMillin Summerly LLC, and Developer.

Pursuant to Assembly Bill 1x 26, as amended by AB 1484, the RDA was dissolved as of January 31, 2012. Effective February 1, 2012, the City of Lake Elsinore (**City**) assumed the housing rights and obligations of the former RDA, including the Low and Moderate Income Housing Asset Fund (**LMIHAF**) and the housing rights and obligations of the RDA under the DDA. Capitalized terms not defined herein shall have the meaning set forth in the DDA.

Sections 502 and 603 of the DDA permit the Developer to submit an Affordable Housing Project Proposal and to receive Pledged Housing Funds in connection with an approved Affordable Housing Project Proposal. Pledged Housing Funds shall be provided in the amount of Reimbursable Affordable Housing Costs in accordance with the terms and conditions of the DDA.

Pursuant to that certain letter re Loan Commitment for Rental Housing Project – Cottages Affordable Housing dated June 13, 2017 (**Commitment Letter**), City approved an Affordable Housing Project Proposal to acquire property and construct an approximately one hundred forty three (143) unit apartment building (**Project**) restricted to occupancy by households earning up to 60% of area median income in accordance herewith. The Project will be constructed on an approximately 19.46 acre site located on Mission Trail in the City's East Lake Specific Plan (**Property**). The Commitment Letter evidenced the City's determination that the Project constitutes an approved Affordable Housing Project Proposal under the DDA. This Addendum amends the Commitment Letter with respect to the matters set forth herein.

In the Commitment Letter, the City approved construction and permanent loans in an aggregate amount not to exceed Five Million Seven Hundred Twenty One Thousand Two Hundred Fifty Dollars (\$5,721,250) (**Loan**) to a limited partnership formed for the purpose of owning the Property and developing the Project (**Project Developer**). Proceeds of the Loan are to be used to acquire the Property and construct the Project.

Concurrently herewith, City is approving that certain Disposition, Development and Loan Agreement (**DDLA**) between City and Mission Cottages, LP, a California limited partnership, which constitutes the Project Developer in compliance with the Commitment Letter. The DDLA and the documents and agreements required in connection therewith set forth the terms and conditions of the Loan and supersede the Commitment Letter with respect to the Loan.

In addition to the Loan, the Commitment Letter approved the release of Pledged Housing Funds (as defined in the DDA) in future years, among other things, to make payments of principal and interest on bonds, the proceeds of which would be loaned to the Project Developer to finance construction of the Project. Costs and financing terms of the Project have changed since the date of the Commitment Letter, though the amount of assistance in the form of Pledged Housing Funds required in future years fits within the terms of the Commitment Letter. Developer has proposed to issue bonds at a lower interest rate with a lower debt service coverage ratio than contemplated at the time of the Commitment Letter, resulting in an increase in the original principal amount of the bonds to be issued. City desires to affirm its approval of the release of Pledged Housing Funds in future years, notwithstanding that the original principal amount of the bonds has increased since the date of the Commitment Letter.

In furtherance of the negotiation of the DDLA and implementation of the Commitment Letter, Developer has submitted to City a financial pro forma attached as Exhibit N to the DDLA (**Financial Model**), setting forth the proposed sources of financing for the Project and the uses of such sources. City's financial consultants have reviewed the Financial Model and determined that the City's assistance is appropriate and the Project appears financially feasible. The Financial Model provides that Developer or its assignee will issue taxable and non-taxable bonds in the original principal amount of approximately Twenty Four Million Two Hundred Seventy Thousand Dollars (\$24,270,000) to finance a portion of the construction costs of the Project (**Bonds**). Tax exempt bonds in an original principal amount of approximately Eight Million Six Hundred Fifty Thousand Dollars (\$8,650,000) will be secured by Pledged Housing Funds in future years (**TIF Bonds**). In the Commitment Letter, solely to the extent such funds are available under the terms of the DDA, the City agreed to release to Developer Pledged Housing Funds in future years in an annual amount not to exceed an amount sufficient to fund the aggregate of (a) annual debt service on the TIF Bonds (**Annual Debt Service**), (ii) any additional amount necessary to provide the minimum debt service coverage ratio required for the Bonds (**DSCR Funds**), and (iii) payments on deferred developer fee not funded by operations until such deferred developer fee is paid in full (**Developer Fee Funds**). Accordingly, the City hereby agrees to release to Developer Pledged Housing Funds in future years, solely to the extent such funds are available under the terms of the DDA, in an average annual amount not to exceed \$691,786 (which in some years will be higher or lower than the average, but not to exceed the amounts set forth in the Financial Model) (**TIF Assistance**). The City makes no representations regarding the adequacy of the annual amount of Pledged Housing Funds to satisfy the TIF Assistance and the Developer, the Project Developer and any issuer of the Bonds shall rely solely on their own analysis and projections.

In no event shall the City be obligated to release more than the annual amount of Pledged Housing Funds to which the Developer is entitled under the DDA in any given year. In the event the City releases Pledged Housing Funds in any given year in excess of the amount needed to fund the TIF Assistance, any excess funds shall be returned to City for

deposit into accrued Pledged Housing Funds to be held in accordance with the terms of the DDA.

Developer and Project Developer, and any successors and assigns of either Developer or Project Developer, acknowledges and agrees that the TIF Assistance is an obligation payable solely from future Pledged Housing Funds, and not an obligation of the City's general fund, the LMIHAF, Fund 106, or any other funds held by the City.

City acknowledges that in order to facilitate the Bonds, Developer intends to assign its right to receive future Pledged Housing Funds pursuant to the DDA to the Bond issuer and/or Project Developer, and agrees to such assignment provided that no action by the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore (**Successor Agency**) or its Oversight Board with respect to such assignment is required. If any action by the Successor Agency or its Oversight Board is required in connection with Developer's assignment of the future Pledged Housing Funds, both the Loan and City's agreement to release to Developer the future Pledged Housing Funds shall be subject to approval by the Oversight Board and the California Department of Finance.

In connection with the foregoing, Developer and City make the following agreements:

1. **DUE ORGANIZATION:** Developer warrants that it is, and at closing of the Bonds it and the Project Developer will be, duly organized and authorized to enter into any documents evidencing and securing the Bonds and that evidence in the form of corporate resolutions and the like, reasonably acceptable to City, will be provided. Developer shall furnish such additional evidences, assurances, certifications, acknowledgments, instruments, documents or other items as City may request to evidence Developer's authority to enter into any documents evidencing and securing the Bonds.
2. **ACCURACY OF INFORMATION:** City is relying on the information in the documents furnished to it by Developer in making the commitment of the release of Pledged Housing Funds in future years to fund the TIF Assistance, including, without limitation, those documents describing the Project and the proposed financing therefore. Developer represents and warrants to City that all information heretofore provided by it is accurate in all material respects and agrees and acknowledges that the commitment described herein is solely for the Project as described in those documents.
3. **NO OTHER AGREEMENTS:** This Addendum supersedes and cancels all other discussions, representations and agreements, including the Commitment Letter, which may exist between Developer and City regarding the release of Pledged Housing Funds in future years to fund the TIF Assistance. This Addendum is not assignable by Developer except to Project Developer in accordance with the terms set forth herein. Any other attempted assignment is void.

The Acceptance below must be executed and delivered to City no later than March 28, 2019. If the issuance of the Bonds and execution of the DDLA (which shall not include funding

of the Loan) does not occur by the later of either (a) the outside closing date imposed by the California Debt Limit Allocation Committee for the issuance of the approved tax-exempt bonds that will finance the senior construction loan for the Project, or (b) April 2, 2019, this Addendum and the commitment to release of Pledged Housing Funds in future years to fund the TIF Assistance described herein shall be automatically terminated and of no further force and effect.

Sincerely,

**City of Lake Elsinore**

By: \_\_\_\_\_  
Grant Yates, City Manager

[Developer Acceptance Page Follows]

**ACCEPTANCE:**

Each individual signing on behalf of Developer and Project Developer acknowledges that he or she has read and understood all of the terms and conditions of this Addendum, and accepts all of them as written above.

**Developer:**

**Civic Partners-Elsinore LLC**, a  
California limited liability company

By: \_\_\_\_\_  
Steven P. Semingson, Manager

**Project Developer:**

MISSION COTTAGES, LP, a California limited  
partnership

By: AOF Mission Trails, LLC, a California limited  
liability company, its managing general partner

By: \_\_\_\_\_  
Name: Steven P. Semingson  
Title: Managing Member

By: Cottages Management, LLC, a California  
limited liability company, its administrative  
general partner

By: AOF/Pacific Affordable Housing  
Corporation, a California nonprofit  
public benefit corporation, its sole  
member and manager

By: \_\_\_\_\_  
Name: Philip J. Kennedy  
Title: President