

April 9, 2024

Cambern Avenue Housing Associates, LP
3111 Camino del Rio North, Suite 800
San Diego, CA 92108
Attn: Kevin Leicher

Re: Loan Commitment for Rental Housing Project –Cambern Apartments

Dear Mr. Leicher:

The City of Lake Elsinore (**City**) approved a construction and permanent loan in an amount not to exceed \$ 7,015,482 (“**Loan**”) to Cambern Avenue Housing Associates, LP (**Developer**) in which _____ or its affiliate acts as the co-general partner, _____, Inc. or its affiliate acts as managing general partner, and with such tax credit limited partners as may be approved by City, for the above-referenced project. Proceeds of the Loan are to be used to construct a 76 unit apartment building (**Project**) located at 29366 and 29377 Third Street in the City (**Property**).

Disbursement of the proceeds of the Loan and consummation of the transactions contemplated hereby are conditioned upon the negotiation and execution of one or more loan agreements and related documents on terms and conditions acceptable to City.

1. **TERMS OF THE LOAN.** Principal terms of the Loan will include, but not be limited to, the following:
 - a. The maximum principal amount of the Loan shall be \$7,015,482. The outstanding principal balance of the Loan shall bear interest at three percent (3%) per annum simple interest. The Loan shall be due and payable in 55 years from the completion of construction of the Project. Payments of principal and interest shall be paid from residual receipts, with 50% of residual receipts to be disbursed to City and any other subordinate lenders, pro rata, in payment thereof. Residual receipts shall mean the effective gross rental income from the improvements, less actual, reasonable and customary costs, fees and expenses of operation directly attributable to the improvements, including, but not limited, to the following: maintenance; alterations; taxes; landscaping; common utilities; debt service on superior or subordinate loan(s) approved by the City; a property management fee; a partnership management fee; a City monitoring fee; deposits into a replacement reserve;

deposits into an operating reserve; resident service costs; payment of any Deferred Developer Fee; and subject to the prior approval of City (i) payments of any operating deficit loans, (ii) tax credit recapture loans or (iii) other similar payments by the administrative general partner of the Developer. Notwithstanding the foregoing, solely in the event a loan to the Developer from its general partners or limited partners is necessary to avoid a default under a loan secured by the Property, such loan may be made upon disclosure of the same to City, and such loan may be repaid as an expense of operation senior to the residual receipts payments to City. All fees and costs are to be outlined in a pro forma provided by the Developer and shall be approved by the City Manager as part of the loan closing process.

- b. Developer has been awarded Permanent Local Housing Allocation Program (PLHA) funds by the County of Riverside in the maximum amount available for the Project. Prior to the closing of the Loan, Developer shall provide evidence of the PLHA Loan to City, with such evidence meeting the satisfaction of the City Manager. The PLHA Loan shall close concurrently with the City Loan.
- c. The Loan shall be evidenced by one or more Promissory Note(s) and shall be secured by one or more Deed(s) of Trust in a form acceptable to City. The Deed of Trust shall be in at least a second lien position against the Property. In addition, one or more City regulatory agreements restricting occupancy of approximately 49% of the Project apartment units to persons of extremely low, very low and low income (as determined in accordance with California Health & Safety Code Sections 50106, 50105, 50079.5, respectively) at an affordable rent (as determined in accordance with California Health & Safety Code Section 50053(b)) for the longest feasible time, but no less than 55 years from the date of initial occupancy, will be recorded prior to the disbursement of the City funds. The allocation of the units between households of extremely low (30% AMI), very low (50% AMI), and low income (60% AMI) shall be in such manner as approved by the City Council consistent with the attached proforma.
- d. Developer shall obtain all land use entitlements and required approvals for the Project from the City and all applicable governmental bodies and agencies, including a ready to issue building permit(s) letter, and furnish evidence thereof to the City.
- e. "All risk" (special perils) property insurance, including coverage during the course of construction and, if the property is in a flood zone designated for mandatory flood insurance, coverage for the peril of flood, shall be furnished in an amount sufficient to rebuild or replace the improvements at replacement cost new. A policy shall be issued by an insurance company acceptable to City and shall name City as loss payee. Developer shall furnish or cause to be furnished to City, and Developer shall ensure that the development contractor furnishes or causes to be furnished to City, general liability insurance policies equivalent in coverage scope to an ISO CG

00 01 10 93 form in an amount of at least \$5,000,000 per occurrence. Each policy shall name City, the City, and their respective boards, commissions, officials, employees, and agents as additional insureds on an endorsement equivalent in coverage scope to an ISO 20 10 11 85 that includes coverage for both ongoing and completed operations, provided the endorsement is commercially available from the Developer's insurance underwriter. All insurance shall be subject to such other conditions as may be required by the City Risk Manager.

- f. Developer shall obtain payment and performance bonds for the construction of the project in an amount approved by City. The City shall be a named insured on such bonds.
- g. The Loans shall be non-recourse upon the completion of construction.
- h. City shall be provided with one or more ALTA Policies of Lender's Title Insurance in the amount of the Loan secured by the particular property showing fee title vested in Developer and including such endorsements as reasonably requested by City.
- i. Developer shall provide evidence, satisfactory to City, of its compliance with all applicable City requirements, including without limitation Section 3 requirements, Community Outreach, and Insurance.
- j. Construction of the development (as evidenced by the issuance of Notice to Proceed) shall commence 150 days after the receipt of a preliminary tax exempt bond reservation letter from CDLAC (as hereinafter defined) or within such other time frame which satisfies the requirements of all programs providing funding for the Project. Should construction not commence by such date, City shall have the right to terminate the City Loan Agreement and/or the commitment for the Loan described herein.
- k. Developer shall obtain at least three quotes for tax equity rates from well-known tax credit investors, but selection of tax credit investor after receipt of such quotes shall be made by the Developer upon the prior written approval of City. Any additional funds generated by Developer through enhanced tax credit equity rates will reduce the amount of the Loan, but only to the extent that such additional funds result in net savings to the Project. Developer shall not be permitted to offset any shortfall through the deferment of additional developer fees.
- l. Construction must be completed and a Certificate of Occupancy issued within twenty four (24) months from the start of construction or such other date as may be approved in writing by CDLAC, City and any other provider of funding for the project, subject to any permitted extension provided by the senior construction lender.

- m. Loan proceeds will be disbursed in accordance with a disbursement schedule to be finalized before Loan closing.
- n. The type of units constructed and their restrictions, and the amount and terms of other financing, shall not differ substantially from those previously approved by City.
- o. Developer shall make an annual monitoring fee payment to City in the amount of \$74/unit, as adjusted by 3.5% per annum.

2. CONDITIONS PRECEDENT TO DISBURSEMENT OF THE LOAN:

- a. The Loan commitment described herein is expressly conditioned upon Developer's demonstration, to the satisfaction of City, of receipt of such financing as is necessary and sufficient to construct and operate the Project in a financially feasible manner, including, without limitation, binding legal agreements for (i) construction financing; (ii) Developer application for and receipt of an allocation of Tax Exempt Bonds from the California Debt Limit Allocation Committee (**CDLAC**) and of Low Income Tax Credits from the California Tax Credit Allocation Committee (**TCAC**), and purchase thereof by a qualified investor(s); and (iii) any additional permanent financing and/or operating subsidies in an aggregate amount sufficient to repay the construction financing and operate the project in a manner that results in sufficient cash flow to pay for customary maintenance and operation of the project, including all required debt payments.
- b. The Loan commitment described herein is expressly conditioned upon confirmation by a qualified third party consultant that the total City assistance from its Low and Moderate Income Housing Asset Fund is equal to the "gap" between the cost of the Project and all other financing for the Project, as determined in accordance with all applicable laws.
- c. Funding of the Loan is conditioned upon submission of draw requests accompanied by satisfactory evidence of incurrence of approved construction and related costs of development of the units.
- d. Funding of the Loan and other construction financing shall occur by the outside closing date imposed by CDLAC for the tax-exempt bonds that will finance the senior construction loan for the Project, or the Loan agreement shall be automatically terminated and of no further force and effect.
- e. This commitment and any loan agreement(s) to be entered into are expressly conditioned upon compliance with CEQA or applicable exemptions and all other applicable laws.

- f. The Loan commitment described herein is expressly conditioned upon approval of the final loan agreement(s) and all necessary attachments thereto (including, but not limited to, promissory note(s), deed(s) of trust, and regulatory agreement) by the staff of City, and the preparation, execution and delivery of such documentation in form and substance satisfactory to City and its legal counsel incorporating substantially the terms and conditions outlined or referred to above plus the customary terms and conditions of an City loan of this type.
 - g. This commitment and any loan agreement to be entered into is expressly conditioned upon the execution by Developer's construction lender(s) of a subordination agreement and, if applicable, an intercreditor agreement, in such form as is acceptable to City and its legal counsel pursuant to which City subordinates the lien(s) of its Deed(s) of Trust to the lien(s) of the deed(s) of trust securing the construction lender's loan.
 - h. The Loan commitment described herein is expressly conditioned upon the Developer agreeing to additional covenants relating to property maintenance and funding and expenditure from reserve accounts to be set forth in a Loan agreement executed by the Developer and City.
- 3. **DUE ORGANIZATION:** Developer warrants that it is, and at closing of the loan it or its approved assignee will be, duly organized and authorized to enter into any documents evidencing and securing the Loan 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 Loan.
- 4. **ACCURACY OF INFORMATION:** City is relying on the information in the documents furnished to it by Developer in making this Loan commitment, 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.
- 5. **APPLICABLE LAW:** This Commitment Letter is made pursuant to, and shall be construed and governed by the laws of California and the United States.
- 6. **NO OTHER AGREEMENTS:** This Commitment Letter supersedes and cancels all other discussions, representations and agreements, which may exist between Developer and City regarding the Loan. This Commitment Letter is not assignable by Developer except in accordance with the terms set forth herein and upon the prior written consent of City and any such attempted assignment is void. At the closing of the Loan, this

Commitment Letter will merge into and be superseded by the documents evidencing and securing the Loan.

7. **TIME OF ESSENCE:** Time is of the essence of each and every obligation set forth in this Commitment Letter.

The Acceptance below must be executed and delivered to City no later than April 17, 2024. If the execution of the Loan agreement (which shall not include funding of the Loan) does not occur by the earlier of either (a) the outside closing date imposed by the California Debt Limit Allocation Committee for the issuance of the tax-exempt bonds that will finance the senior construction loan for the Project, or (b) nine (9) months from the date of this letter, this Commitment Letter and the Loan commitment described herein shall be automatically terminated and of no further force and effect.

Sincerely,

City of Lake Elsinore

By: Jason Simpson
Its: City Manager

ACCEPTANCE:

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

**Cambern Avenue Housing Associates, LP
a California Limited Partnership**

By: _____
Its: _____