



June 28, 2022

Subject: CFD Loan Commitment
Prospera (proposed project)
Coachella, CA 92236

To Whom It May Concern:

The City Council of the City of Coachella, by Resolution No. 2005-93, authorized the creation of the City of Coachella Community Facilities District 2005-1 (the "CFD") and, by Resolution No. 2005-94, authorized the levy of a special tax for properties within the CFD (the "Special Assessment"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended.

Chelsea Investment Corporation ("Developer") has obtained site control for a proposed low income housing development with the intention of constructing a 116-unit affordable mixed-use, multifamily development with commercial space, carports and related improvements known as the Prospera Apartments (the "Development") with expected entitlement in the name of a new entity to be formed conducive to the type of development contemplated ("to be formed entity"). The proposed development is located on APN 763-400-016 west of Industrial Way and South of Avenue 52 in Coachella.

The City agrees to enter into a conditional affordable housing loan commitment wherein the City agrees to loan "to be formed entity" funds for the prepayment of special assessments under the following terms:

1. Loan Amount - \$20,921,918*.
2. Loan Term - 55 years.
3. Interest - 3% simple per annum**.
4. Repayment – in full at end of loan term, sale or principal increase refinance.
5. Annual Payments - 50% of residual cash flow or as specified in agency sharing agreement***.

*Based on CFD per unit amount for fiscal year 21/22 of \$1,249.40 presuming 3% average annual CIP increases. Agreement amount to be updated to reflect current CFD rate at time of development completion. Special assessments exceeding the loan/prepayment amount within the 55-year term will be included in the applicable year levy.

**Interest will be calculated on the accrued unpaid special assessment balance each year.

***Free cash flow will be stipulated in the agreement consistent with standard financial definitions and will specifically exclude any equity items such as but not limited to partnership distributions, profit pay outs, partner guaranteed payments or any other equity/capital distribution as defined by Generally Accepted Accounting Principles. Free cash flows will also specifically exclude reserve balances except

for reasonable operating reserves which will not exceed one year of operating expenses as measured by the immediately preceding fiscal year.

Conditions of Loan Approval:

1. The Developer agrees to enter into a concurrent prepayment agreement in the same amount as the loan agreement. Monies received under the affordable housing loan agreement will be directly paid to the City in prepayment of CFD taxes due.
2. The Developer agrees to annex the property into the CFD.
3. The Developer agrees to applicable modification of the CFD to permit a prepayment agreement.
4. The Developer secures all development financing.
5. The Developer obtains all necessary City and other regulatory approvals.
6. The Developer agrees to complete all off-site improvements specified in grant, funding and City agreements along with related applications and supporting detail documents.

Council of the City of Coachella approved this conditional loan commitment for the above-referenced development at a specially convened meeting on June 29, 2022. This letter shall serve as an enforceable funding commitment for the loan. The loan, totaling \$20,921,918 will be made as permanent funding for the development.

Should you have any questions, please do not hesitate to contact me at 760-262-6241.

Sincerely,
