



CITY OF REDDING
777 CYPRESS AVENUE, REDDING, CA 96001
P.O. Box 496071, REDDING, CA 96049-6071

OFFICE OF THE CITY MANAGER
HOUSING AND COMMUNITY DEVELOPMENT
(530) 225-4049 • (530)245-7160 (FAX)

March 8, 2016

K2 Land and Investment Co. LLC
1011 Parkview Avenue, Suite A
Redding, CA 96001

Attn: Allen Knott

Re: Conditional Commitment - 1551 Market Street Downtown Revitalization Project

Dear Mr. Knott:

The City Council of the City of Redding, a California general law city, in accordance with its commitments specified in the Letter of Intent approved on March 1, 2016, conditionally commits, subject to the terms of this letter, to make one or more mortgage loans subject to the following terms:

Borrower: K2 Land and Investment Co. LLC

Property: 1551 Market Street

Loan Amount: An amount not-to-exceed \$4,800,000

Term: The term of the note will not exceed 55 years. All principal and interest payments shall be paid to the City of Redding. Following the completion of construction, no later than one hundred twenty (120) days after the end of each fiscal year during the term of the proposed City Loan, Developer, or other party authorized by the Development Funding Agreement (DFA), including any successors and assigns, shall provide City with a written year-end cash flow analysis and audited financial statement for the Project prepared by a certified public accountant. Any Residual Receipts realized from the operation of the Project as shown by the annual audit, shall be split proportionately between the City and the lenders of any other Project-related loans approved by the City for which Residual Receipts payments are due. Any such Residual Receipts received by the City shall be credited as a payment on the City Loan and shall be applied first to reducing the accrued interest, if any, on the loan, and subsequently, to reducing the principal.

Interest Rate: A negotiated rate between zero (0) and one (1) percent as established by the DFA.

Loan Documents: The proposed loan shall be evidenced by a promissory note and secured by a deed of trust.

Non-Recourse: The loan shall be non-recourse to the Borrower and the partners of the Borrower, subject to customary non-recourse carve-outs for losses incurred by the City resulting from fraud, or misappropriation.

Prepayment Fee: None

Assumption: The proposed loan's residual receipts note shall not be assumable by the successors and assigns of Borrower without the prior written consent of Holder.

Security: The proposed loan's residual receipts note shall be secured by a deed of trust and security agreement wherein the Borrower is the trustor and the City, as holder, is the beneficiary, covering the property. The deed of trust shall be a lien on the property which shall be junior only to the City's declaration or rent restrictions, deeds of trust securing the private financing and any security documents required by the state and/or federal Low-Income Housing Tax Credit Program or other federal or state affordable housing financing approved by the City. The City will consider executing and delivering the institutional lender's form of subordination agreement in order to evidence the subordination to the first deed of trust, provided that the City received customary notice and cure rights acceptable to the senior lenders.

Commitment Expiration Date:

December 31, 2016.

Special Term and Conditions:

The City commitment of financing is contingent upon approval by the Redding City Council of a DFA and any other legal agreements necessary for the completion and operation of the Project. The loan or loans shall be funded only after such time as Borrower has obtained commitments of the private financing, Affordable Housing Sustainable Communities financing, investment equity and tax credits and any other financing, which, when combined with the proposed City loan shall be sufficient for the completion of the project and when its operation is in conformity with the obligations of the DFA. The Developer shall provide all financing firm commitments not later than the Commitment Expiration Date.

The City shall not be obligated to fund the proposed loan unless the Borrower has reasonably satisfied or caused to be satisfied all of its conditions to close provided in this Conditional Commitment. The City may terminate this Conditional Commitment in the event the proposed loan has not closed on or before the Commitment Expiration Date noted above.

This Conditional Commitment may not be modified or waived except in writing, and signed by the party to be bound thereby. This Conditional Commitment and all loan documents shall be governed by California law. This Conditional Commitment to make the loan is exclusive to the subject Borrower and it is not assignable or transferrable to Borrower, except that Borrower shall be able to assign this Conditional Commitment to a limited partnership in which Borrower is the general partner.

Please indicate your acceptance of this Conditional Commitment by signing and returning the enclosed original copy.

Sincerely,

City of Redding,
a California general law City

By: 
Greg Clark, Deputy City Manager

The foregoing Conditional Commitment by the City to make the proposed loan is hereby accepted, and the undersigned agrees to accept the proposed loan, and to Borrower the funds thereunder, in accordance with all the terms and conditions set forth in the Conditional Commitment and subject only to the Borrower executing a DFA, and any other legal agreements necessary for the completion and operation of the Project, obtaining the necessary private financing, Affordable Housing Sustainable Communities financing, investment equity and tax credits and any other financing, which, when combined with the proposed City loan shall be sufficient for the completion of the Property.

Borrower:

K2 Land and Investment, Co.
a California Corporation

By: 
Allen Knott, Managing Member