

EXCLUSIVE NEGOTIATION AGREEMENT

THIS EXCLUSIVE NEGOTIATION AGREEMENT (“Agreement”) is dated for the purposes of identification only as of April 28, 2026 (the “Date of Agreement”), by and among the **CITY OF LAKE ELSINORE**, a municipal corporation (“City”), **C & C DEVELOPMENT CO., LLC**, a California limited liability company (“Developer”). City and Developer are each individually referred to as a “Party” and collectively as the “Parties.”

RECITALS

The following recitals are a substantive part of this Agreement.

A. Developer and City have engaged in negotiations of a Disposition, Development and Loan Agreement (“DDLA”) for the Developer’s acquisition and development of approximately 3.46 acres of City owned real property (APNs 374-062-004, -005, -006, -015, -016, -020, and -024) located on the west side of N. Spring Street between Pottery Street and Flint Street (“Spring and Flint Site”) as an affordable housing project.

B. City has entered into a Purchase and Sale Agreement for the acquisition of additional parcels comprised of approximately ____ acres located at the southwest corner of N. Spring Street and Pottery Street (APNs: 374-072-012, -014, -015, -016, -013, and -024) and a Purchase and Sale Agreement for the acquisition of APN 374-072-013 (the “-013 Property”) (collectively, the “Spring and Pottery Site”).

C. Prior to the completion of the DDLA for the Spring and Flint Site, the Parties mutually desire to evaluate the feasibility of combining the Spring and Flint Site with the Spring and Pottery Site (the “Combined Site”) to enhance the production of affordable rental units and amenities to serve and support project residents as well as businesses and visitors in the downtown area (the “Project”). This Agreement is intended solely as a starting point for negotiations and evaluation by the Parties and neither Party has agreed to or committed itself by this Agreement to move forward with the Project on the Combined Site as described herein, or at all.

D. The City and Developer, or a new entity to be formed which includes Developer, or entities under the control of or related to Developer (referred to collectively herein as the “Developer”), desire to negotiate the terms of a Disposition, Development and Loan Agreement for the Combined Site (collectively, along with other instruments and covenants to be negotiated in connection therewith, the “Definitive Agreement”) to enable the Developer to develop the Project at the Combined Site. The preparation and submittal of any land use applications, subdivision or parcel maps, conditional use permit, density bonus, plan check applications, building permits, or other land use entitlement activities would be the responsibility of Developer at its cost. In the event that negotiations for development of the Combined Site fail, the Parties will negotiate in good faith to finalize the DDLA for the Spring and Flint Site for presentation to the City Council after termination of this Agreement.

E. Based upon its review to date, and although design, price, rent and financial structure have not been determined, the Developer believes that development of the Combined Site is feasible and that any financing proposed to be obtained by the Developer is obtainable. Accordingly, the City is entering into this Agreement and is thereby affording the Developer the valuable opportunity to negotiate the terms of the Definitive Agreement for a limited period of time as set forth herein. The willingness of the City to enter into this Agreement is based upon: (i) assurances by the Developer that the Developer is experienced in the development and operation of high quality affordable

residential projects, (ii) the desirability of accomplishing the development of the Project consistent with the City's affordable housing production goals and downtown development concepts, and (iii) the agreement and acknowledgment that the Developer shall be subject to the normal entitlement process of the City in connection with the development of the Combined Site subject to the discretion of the City Council of the City, and that the outcome of any application for the Project may not be predetermined.

F. The Parties intend that during and for the period of negotiations set forth herein (the "Negotiation Period") each will perform certain actions and responsibilities under this Agreement.

NOW, THEREFORE, the Parties mutually agree as follows:

1. Exclusive Agreement to Negotiate.

(a) Required Actions.

(1) Within one hundred eighty (180) days from the Date of Agreement, Developer shall submit to the City a "Preliminary Development Concept Package," consisting of the following in addition to an initial project pro forma:

(A) a development proposal generally describing the improvements, including all development activities proposed to be undertaken in connection with the Project, including a proposed phasing plan that may provide for development of the Spring and Flint Site and the Spring and Pottery Site in separate phases;

(B) the identification of the operator or manager of the affordable housing project proposed to be developed on the Combined Site;

(C) the identification of potential funding sources, if any, to which Developer has made or will make application as to the proposed development of the Combined Site during the Negotiation Period;

(D) identification of the architect proposed to be used by the Developer for the Project and the entity which will be responsible for on-site management (if other than the Developer);

(E) a statement describing the proposed method of financing, including construction and permanent financing and, if applicable, proposed credit enhancement, the person(s) or companies the Developer expects to provide debt financing or equity, if known, and, if available, the provider of credit enhancement (if applicable), are to be identified by the Developer. It is contemplated that there will be private financing of the Project to be developed on the Combined Site. It is further contemplated that Developer will apply for either 4% or 9% tax credits and other financing sources such as AHSC, AHP, MHSA, and other financing sources to enhance the economic viability of the development of the Combined Site as contemplated herein;

(F) a comprehensive draft construction and operation pro forma which identifies all sources and uses of funds including without limitation design of the Project and supporting infrastructure and which includes with reasonable particularity proposed funding sources. The City will provide information to Developer regarding the amount of Low and Moderate Income Housing Asset Funds ("LMIHAF") that may be available for the Project. In the event any funding by City is requested, Developer acknowledges that any such requests are subject to appropriation decisions by the City Council following conduct of a financial gap analysis to be performed by City or consultants retained

by City for such purpose to determine if provision of funds is warranted and, if so, in what amount;

(G) a proposed timeline which includes the submittal for any required allocation for tax credits and/or bonds; and

(H) identification of one or more candidates for the proposed Project Manager, if known.

(2) Within two hundred seventy (270) days from the Date of Agreement, the Developer shall submit a substantially final form of Definitive Agreement that is satisfactory to the City and includes a timeline for submittal of necessary entitlement applications, including Site Plan, Floor Plan and Architectural and Conceptual Landscape Plans, which shall include site amenities including but not limited to: (i) indoor and outdoor amenities; (ii) functional open space; and (iii) parking. In addition, the submittal shall include: (A) an updated pro forma addressing detailed development and operational costs; (B) a draft social services and educational/employment training services plan, which shall include a description of all such services, the entity or entities which will deliver the proposed services, the cost to deliver such services, and the method by which Developer will pay for such services; and (C) a time line with the proposed commencement and completion of construction and the availability of rental units.

(3) During the three hundred sixty-five (365) days from the Date of Agreement, the Parties will continue to negotiate toward the execution within the Negotiation Period of a Definitive Agreement for the development of the Combined Site consistent with the Preliminary Development Concept Package and addressing each and every item that may arise during negotiations. During the term of the Negotiating Period, the City will negotiate exclusively with Developer concerning the Combined Site. If a Definitive Agreement is signed, it shall supersede this Agreement.

(b) Term. The term of the Negotiation Period shall commence on the Date of Agreement and continue for three hundred and sixty-five (365) days thereafter. As of the three hundred and sixty fifth (365th) day after the Date of Agreement, this Agreement shall automatically terminate unless this Agreement has been mutually extended by the City and the Developer. The City Manager of the City (the "City Manager") is authorized to administratively extend the Negotiation Period up to three times for ninety (90) days, for an aggregate of a maximum of two hundred and seventy (270) days; any such extension shall be made in writing prior to expiration of the Negotiation Period to be effective. If such an administrative extension is not granted, then the Negotiation Period shall end and this Agreement shall automatically terminate, unless extended by action by the City Council. Notwithstanding the foregoing, if a Definitive Agreement is entered into between the City and the Developer, this Agreement shall be deemed terminated upon the approval of the Definitive Agreement by the City.

(c) Agreement to Negotiate. The City (by and through its staff and consultants) and Developer agree that for the term of the Negotiation Period (whether said period expires or is earlier terminated by the provisions herein) each Party shall negotiate diligently and in good faith to carry out its obligations under this Agreement. The Developer acknowledges that the City intends to acquire title to the 013 Property. The Developer expressly agrees and acknowledges that its rights pursuant to this Agreement are subject to and based upon compliance by the Developer with this Agreement (including without limitation the making of all submittals required in conformity with this Agreement).

(d) Supplemental Progress Reports. In addition to the information required in the foregoing portion of Section 1, for so long as this Agreement remains in effect Developer agrees to make monthly written reports to the City Manager or his designated representatives of the City advising the City on all matters and all studies being made.

(e) Developer Deposit. Within five (5) business days of its execution hereof, Developer shall deposit Twenty Thousand Dollars (\$20,000) (the “Developer Deposit”) with the City, which shall be contributed to the purchase the 013 Property. In the event the City fails to acquire the 013 Property within thirty (30) days of the execution of this Agreement by the Parties, City shall return the Developer Deposit to Developer, and this Agreement shall terminate. In the event the City acquires the 013 Property and the Parties enter into a Definitive Agreement in accordance herewith, City shall credit the amount of the Developer Deposit to payment of future City permit fees for the Project.

2. No Predetermination of City Discretion. The Parties agree and acknowledge that nothing in this Agreement in any respect does or shall be construed to affect or prejudice the exercise of the City’s discretion. The Developer acknowledges in this regard that the feasibility of the Project has not been determined, and further that, at the discretion of the City, an environmental review will be prepared and circulated for comment by the City. Further, nothing in this Agreement in any respect does or shall be construed to affect or prejudice the City’s discretion to consider, negotiate, or undertake the acquisition and/or development of any portion of the Combined Site, or shall affect the City’s compliance with the laws, rules, and regulations governing land uses, environmental review, or disposition of the Combined Site.

3. Environmental and Other Requirements. Certain state and local environmental requirements (including, but without limitation, the California Environmental Quality Act of 1970, Public Resources Code Section 21000, *et seq.*) may be applicable to the Project. Pursuant to such requirements, certain environmental documents may be required to be prepared and certified for the Project. The City, by this Agreement, undertakes no obligation to pay any costs associated with such environmental documents nor to supply data and information both to determine the impact of the development on the environment and to assist in the preparation of any necessary environmental documents. In the event the City makes any documents available to the Developer concerning the Combined Site, these shall be deemed to have been provided without warranty.

4. Costs and Expenses. Except as otherwise provided in this Agreement, each Party shall be responsible for its own costs and expenses in connection with any activities and negotiations undertaken in connection with the performance of its obligations under this Agreement.

5. No Change in Developer or its Constituent Members. The qualifications of the Developer are of particular interest to the City. Consequently, except with respect to an assignment to the New Developer, no person or entity, whether a voluntary or involuntary successor of Developer, shall acquire any rights or powers under this Agreement nor shall the Developer assign all or any part of this Agreement to any party other than the Developer without the prior written approval of the City, which approval the City may grant, withhold, condition, or deny at its sole and absolute discretion. Any other purported transfer, voluntarily or by operation of law, shall be absolutely null and void and shall confer no rights whatsoever upon any purported assignee or transferee.

6. Lead Negotiators. The City Manager, or his designee, shall be the lead negotiator for the City with respect to the subject matter of this Agreement; provided, however, that the City reserves its rights to consider and approve or disapprove any Definitive Agreement. Todd Cottle shall be the lead negotiator(s) for the Developer with respect to the subject matter of this Agreement.

7. **Non-Discrimination.** Developer shall not discriminate against nor segregate, any person, or group of persons on account of sex, race, color, marital status, religion, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Combined Site, nor shall the Developer establish or permit any such practice or practices of discrimination or segregation in the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees or vendees of the land.

8. **Address for Notices.** Any notices pursuant to this Agreement shall be in writing and sent (i) by Federal Express (or other established express delivery service which maintains delivery records), (ii) by hand delivery, (iii) by certified or registered mail, postage prepaid, return receipt requested, or (iv) by electronic mail (email), to the following addresses:

To City:	City of Lake Elsinore 130 South Main Street Lake Elsinore, California 92530 Attention: City Manager
with copies to:	Leibold, McClendon & Mann, P.C. 9841 Irvine Center Drive, Suite 230 Irvine, California 92618 Attn.: Barbara Leibold
To Developer:	C & C Development Co., LLC 14211 Yorba Street, Suite 200 Tustin, CA 92780 Attn.: Todd R. Cottle
with copies to:	Goldfarb & Lipman, LLP 1300 Clay Street, 11 th Floor Oakland, CA 94612 Attention: Lynn Hutchins

9. **Default.** Failure by any Party to perform one or more of its duties as provided in this Agreement shall constitute an event of default under this Agreement after expiration of the cure periods described in Section 11 below. The non-defaulting Party or Parties shall give written notice of a default to the defaulting Party (or Parties), specifying the nature of the default and the action required to cure the default.

10. **Remedies for Breach of Agreement.** In the event of an uncured default under this Agreement, the sole remedy of the nondefaulting Party shall be to terminate this Agreement. Following such termination, no Party shall have any further rights, remedies, or obligations under this Agreement. No Party shall have any liability to the other for monetary damages or specific performance for the breach of this Agreement, or failure to reach agreement on a Definitive Agreement, and each Party hereby waives and releases any such rights or claims it may otherwise have at law or at equity. Furthermore, the Developer knowingly agrees that it shall have no right to specific performance for conveyance of, nor to claim any right of title or interest in or to, the Combined Site or any portion thereof.

11. **Termination.** This Agreement shall: (i) automatically terminate at the time(s) set forth in Section 1(b) above, and (ii) terminate prior to the time(s) set forth in Section 1(b) above in the event

either party hereto shall fail to perform its obligations hereunder to the reasonable satisfaction of the other party; provided that prior to termination under part (ii) of this Section 11, the non-defaulting party shall provide the defaulting party with notice of the failures and thirty (30) days in which to cure. In addition, the Parties agree that if either Party shall determine, in the exercise of its reasonable discretion, that it is infeasible to proceed with the development of the Combined Site, either Party may, upon ten (10) days' written notice to the other Party, terminate this Agreement. Upon termination of this Agreement, whether upon expiration of the Negotiation Period or otherwise, both Parties knowingly agree that neither Party shall have any further rights or remedies to the other and the Developer shall have no rights in respect to the Combined Site. In the event of termination pursuant to this Section 11, the Parties agree to proceed in good faith to finalize the draft DDLA for the Spring and Flint Site for the development of an affordable housing project.

12. Time of Essence. Time is of the essence of every portion of this Agreement in which time is a material part. During the Negotiation Period the time periods set forth in this Agreement for the performance obligations hereunder shall apply and commence upon a complete submittal of the applicable information or occurrence of an applicable event. In no event shall an incomplete submittal by the Developer trigger any of the City's obligations of review, approval and/or performance hereunder; provided, however that the City shall notify the Developer of an incomplete submittal as soon as is practicable and in no event later than the applicable time set forth for the City's action on the particular item in question. Further, the time periods set forth herein are outside dates of performance. Thus, the Parties agree that the requirements hereunder may occur and be completed in a shorter time frame than set forth herein.

13. Developer Not an Agent; Relationship Among the Parties. Developer is not an agent of the City. Notice given by City to Developer shall be deemed to have been given to Developer.

14. No Press Releases. The Developer shall not publish or permit to be published any press releases without the prior written approval of the City Manager.

15. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the Parties, integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the Parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

16. Agreement Does Not Constitute Development Approval. The City reserves final discretion and approval as to any Definitive Agreement and all proceedings and decisions in connection therewith. This Agreement shall not be construed as a grant of development rights or land use entitlements to construct the Project or any other project. All design, architectural, and building plans for the Project shall be subject to the review and approval of the City. By its execution of this Agreement, the City is not committing itself to or agreeing to undertake the disposition of the Combined Site or other real property to the Developer, or any other acts or activities requiring the subsequent independent exercise of discretion by the City, or any agency or department thereof.

17. No Third-Party Beneficiaries. There shall be no third-party beneficiaries of this Agreement.

18. Governing Law. This Agreement shall be construed in accordance with the laws of the State of California.

19. Interpretation. This Agreement shall be interpreted as a whole and in accordance with its fair meaning and as if each Party participated equally in its drafting. Captions are for reference only

and are not to be used in construing meaning. The recitals are deemed incorporated into this Agreement.

20. No Real Estate Commissions. Each Party represents to the other Party that no real estate commission, broker's fees, or finder's fees which may accrue by means of the acquisition by Developer of an interest in the Combined Site or any portion thereof is due to any person, firm, or entity. Each Party agrees to indemnify and hold the other Parties harmless with respect to any judgment, damages, legal fees, court costs, and any and all liabilities of any nature whatsoever arising from a breach by such Party of such representation.

21. Amendment of Agreement. No modification, rescission, waiver, release, or amendment of any provision of this Agreement shall be made excepting by the prior agreement as executed by each of the Parties.

22. Implementation of Agreement. The City shall maintain authority to implement this Agreement through the City Manager or his or her duly authorized representative. The City Manager shall have the authority to issue interpretations, waive provisions, and/or enter into certain amendments of this Agreement on behalf of the City so long as such actions do not materially or substantially change the City's objectives set forth herein or add to the costs or risks incurred or to be incurred by the City as specified herein, and such interpretations, waivers and/or amendments may include extensions of time to perform. All other materials and/or substantive interpretations, waivers, or amendments shall require the collective consideration, action, and written consent of the governing board of the City.

NOW THEREFORE, the Parties have executed this Exclusive Negotiation Agreement as of the date and year first set forth above.

(signatures on following pages)

CITY:

CITY OF LAKE ELSINORE,
a municipal corporation

Dated: _____

By: _____
Its: Jason Simpson, City Manager

ATTEST:

By: _____
Candice Alvarez, MMC, City Clerk

APPROVED AS TO FORM:

By: _____
Barbara Leibold, City Attorney

[Signatures for the Exclusive Negotiating Agreement continue on following page]

DEVELOPER:

C & C DEVELOPMENT CO., LLC,
a California limited liability company

Dated: _____

By: _____
Todd R. Cottle, Trustee of the 2007 Todd
R. Cottle and Jennifer N. Cottle Revocable
Trust, its Member