OUTLINE

VILLAGES OF LAGUNA HILLS DEVELOPMENT AGREEMENT

Capitalized terms are defined in the Development Agreement. [ALL CAPS SHOWS ITEMS ADDED SINCE THE ORIGINAL DEVELOPMENT AGREEMENT WAS PRESENTED TO THE CITY COUNCIL.]

I. Project Description

A. Phase One – To be completed within seven (7) years

1. The Village Park.

2. The Hotel.

3. At least 140,000 square feet of space within Retail Buildings.

4. At least two (2) of the Residential Buildings I, II, III and/or V.[1]

5. Up to 465,000 square feet of office space within four (4) Office Buildings (at Owner's election).

B. Phase Two

1. Additional Retail Space in excess of 140,000 square feet not constructed in Phase One including a minimum total of not less than 230,000 square feet up to a total of 250,000 square feet.

2. Each of Residential Buildings I, II, III and/or V not constructed in Phase One, the remainder of the 200 Affordable Units not constructed in Phase One, and Residential Building IV

3. The remainder of the office space not constructed in Phase One (at Owner's election).

II. Term

A. 15 years.

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[1] The allocation of the Affordable Units is shown as follows: Building Number – Total Units/Lower Income/Moderate Income. For example, Building I has a total of 358 Residential Units of which 31 will be Lower Income and 31 will be Moderate Income shown as I – 358/31/31.

I–	358/31/31
II–	230/20/20
III–	300/25/25
V–	275/24/24
Total	1163/100/100

B. Extension for five (5) years if, prior to 15 years, Owner has Completed Construction of required elements of Phase One and has obtained building permits for construction of the required elements of Phase Two.

III. Owner Benefits

A. Owner is granted the vested right to rely on Existing Land Use Regulations, including the fixing of Development Fees, for the Term.

IV. City Benefits

A. City also has the right to assert the Existing Land Use Regulations, for the Term.

B. A commitment by the Owner to complete the following elements of the Project.[2]

1. 100 Lower Income Units and 100 Moderate Income Units in partial satisfaction of RHNA obligations.

2. The Village Park.

3. 210,000 square feet of retail space.

4. The Hotel TO BE COMPLETED PRIOR TO THE GRANTING OF CERTIFICATES OF OCCUPANCY FOR THE THIRD RESIDENTIAL BUILDING.[3]

5. Residential Buildings I, II, III, and V.

C. Development Fees, Community Benefit Fees, and Other Fees.

1. Normal fees for processing.

2. Annual Development Agreement fee of Twenty Thousand Dollars ($20,000) per year increased at the rate of 3% per annum.

3. Normal fees and taxes payable to City

[2] The City's remedies are limited to retention of Community Benefit Fees (described in IV.C., below), withholding permits, and/or termination of the Development Agreement.

[3] The City's remedies for failure to timely complete the hotel are limited to: (1) withholding Certificates of Occupancy for the fourth and fifth residential buildings (absent Excusable Delay re Hotel due to hotel market failure; (2) additional Community Benefit Fees of $396 annually per occupied residential unit; and (3) $500,000 Community Benefit Fee payment if the hotel is not completed by year seven. Other remedies, including but not limited to termination or withholding of certificate of occupancy for the third residential building, are not available.

4. $2,227,066 Community Benefit Fees, $1,113,533 payable 90 days after the Development Agreement Date and $1,113,533 payable within fifteen (15) months of the Development Agreement Date.

5. $2,500,000 COMMUNITY BENEFIT FEES PAYABLE $500,000 PER YEAR COMMENCING ON THE FIRST ANNIVERSARY DATE OF THE DEVELOPMENT AGREEMENT THROUGH THE 5^{TH} ANNIVERSARY DATE OF THE DEVELOPMENT AGREEMENT.

6. Public Park In-Lieu Fees at the rate of $15,636 per Residential Unit payable:

    a. $2,000,000 90 days after the Development Agreement Date.

    b. $2,000,000 upon the earlier of

        (i) Issuance of building permits for the First Retail Building or the First Office Building, or

        (ii) 4 years after the Development Agreement Date.

    c. $2,000,000 upon the earlier of

        (i) Issuance of Certificate of Occupancy for the First Retail Buildings or the First Office Buildings, or

        (ii) 7 years after the Development Agreement Date.

    d. $6,571,344 payable

        (i) $8,173 per Residential Unit for each of the first 804 Residential Units prior to issuance of building permits for such Residential Buildings.

        (ii) Remaining balance on or before the 7^{th} Anniversary Date of the Development Agreement.

    e. $5,597,688 payable, as follows

        (i) 15,636 for each of next 358 Residential Units.

        (ii) Balance due on the 15^{th} Anniversary Date of the Development Agreement.

    f. $15,636 per Residential Unit for all units after the 1162^{nd} Residential Unit.

7. Public Art In-lieu Fees

a. Owner credited with $300,000 paid in connection with Five Lagunas Entitlements.

b. $350,000 on before the 90th day following the Development Agreement Date.

8. Additional Community Benefit Fees

a. All Community Benefit Fees described in C.5 not used as a credit against Public Park In-Lieu Fees.[4]

b. CONTINGENT FISCAL IMPACT FEE (HOTEL) – $396 PER RESIDENTIAL UNIT PER YEAR, INFLATED AT THE RATE OF 3 PERCENT PER ANNUM COMPOUNDED ANNUALLY, FOR EACH RESIDENTIAL UNIT IN A RESIDENTIAL BUILDING FOR WHICH CERTIFICATES OF OCCUPANCY HAVE BEEN GRANTED PAYABLE FOR THE FULL 20 YEAR TERM, BUT TERMINATED UPON OPENING OF THE HOTEL. In addition, if the Hotel is not constructed within seven (7) years, Owner shall pay an additional Community Benefit Fee of $500,000 in year SEVEN.

c. FISICAL IMPACT FEE (HOUSING) – 2,000,000 AS A CONDITION PRECEDENT TO THE ISSUANCE OF BUILDING PERMITS FOR RESIDENTIAL BUILDING IV.

d. CONTINGENT FISCAL IMPACT FEE (RETAIL) – $120 PER RESIDENTIAL UNIT (IN EXCESS OF 805 RESIDENTIAL UNITS) PER YEAR, INFLATED AT THE RATE OF 3 PERCENT PER ANNUM COMPOUNDED ANNUALLY, IN THE EVENT THAT LESS THAN 60,000 SQUARE FEET OF NEW RETAIL IS NOT LEASED BY THE EARLIER OF COMPLETION CONSTRUCTION OF THE THIRD RESIDENTIAL BUILDING PAYABLE FOR THE FULL 20 YEAR TERM BUT TERMINATED UPON LEASING OF THE NEW RETAIL.

e. FISCAL IMPACT FEE (GENERAL) – $120 PER RESIDENTIAL UNIT, INFLATED AT THE RATE OF 3 PERCENT PER ANNUM COMPOUNDED ANNUALLY, FOR EACH RESIDENTIAL UNIT IN RESIDENTIAL BUILDINGS FOR WHICH CERTIFICATES OF OCCUPANCY HAVE BEEN ISSUED PAYABLE FOR THE TERM, INCLUDING ANY EXTENSION OF THE TERM. UPON ANY EARLY TERMINATION FOR A CAUSE OTHER THAN

[4] Any portion of the Public Park-in-Lieu Fees paid before they are due are considered Community Benefit Fees until earned, at which point they are credited against Public Park In-Lieu Fees.

CITY DEFAULT, OWNER REMAINS OBLIGATED TO PAY THIS FEE FOR 16 YEARS FROM DEVELOPMENT AGREEMENT DATE.

f. By way of example of the Additional Community Benefit Fees described in d and e above, assume Residential Building II, III and IV are constructed totaling 805 Residential Units by end of year seven (7), but the Hotel is not completed and the New Retail is not leased at that point in time.

Owner's obligation would be

$147.58[5] x 805 = $118,801.90 per year
$487.03[6] x 805 = $392,059.19 per year
Total $510,861.05 per year

Plus a one time payout of $500,000 in year seven.

[5] Inflated at 3% per annum
[6] The Contingent Impact Fee (Retail) is not payable until the Residential Unit count exceeds 805.