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January 29, 2010

VIA FEDEX

Mayor Steve Pougnet
City of Palm Springs, City Council Office
3200 East Tahquitz Canyon Way
Palm Springs, California 92262

Re: El Dorado Palms Estates, Palm Spring, California
Notice of Rent Adjustments; Proposal for City Purchase of Park Lots

Dear Mayor Pougnet:

I represent El Dorado Palm Springs, Ltd. ("El Dorado Ltd."), the owner of 147 lots at the El Dorado Palms Estates Mobilehome Park (the "Park"). Residents directly own 230 Park lots, El Dorado Ltd. owns the remaining 147 lots of which tenants occupy 87 of those lots.

1. Notifications of Rent Adjustment

Park residents that rent their lots are now receiving notices of changes in their rent. We understand that some of these residents may have concerns about the changes and, therefore, we want to provide you with some background about the adjustment. We also want to provide you with creative alternative options available to the residents (and to the City) so that you are not caught unaware if you receive constituent calls from these residents.

The rent adjustments represent a monthly increase ranging from \$90.00 - \$165.00 per month for most residents who are not considered low income. El Dorado Ltd. calculated the amount of the increase by starting with the appraised monthly rent at the time of the Park conversion to resident ownership in 2003, adjusting that appraised rent to reflect the change in the CPI to date (the "appraised CPI adjustment"), and then (voluntarily) capping the appraised CPI adjustment at a maximum monthly amount of \$165.00 (uncapped, the appraised CPI adjustments would have ranged up to \$248.00 per month).

For low income residents, the monthly rent will be adjusted to reflect only the change, from the existing rent, in the applicable CPI.

El Dorado Ltd. is also offering renters creative options to minimize future rent adjustments. First, El Dorado Ltd. is giving resident renters the option to sign a five (5) year

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lease that would limit future rent adjustments. Under the lease, beyond applying the appraised CPI adjustment described above, the monthly rent would not increase further during the five (5) year term, other than adjustments to reflect CPI changes over that time.

In addition, El Dorado Ltd. is giving resident renters the opportunity to purchase their lots at a ten percent (10%) discount, which is obviously another way to give these residents more control over their units at a reasonable cost.

2. Proposal for City's Purchase of Park Lots

We understand that the City may have concerns about the rent increases, as well as about the status of unoccupied lots at the Park. In that light, El Dorado Ltd. proposes that the City purchase El Dorado Ltd's unsold lots at a substantially discounted price.

As noted above, El Dorado Ltd. owns 147 unsold Park lots (the "Lots"), of which 60 are vacant. The current list price for all of the Lots is \$21,160,000.00 (i.e., approximately \$144,000.00 per Lot). El Dorado Ltd. is willing to sell the Lots to the City at a substantially reduced price if the City purchases all of the Lots for \$15,000,000.00 (approximately \$102,000.00 per Lot), with \$4,500,000.00 paid initially, and the balance paid over time as mutually agreed. Enclosed for your review are materials that show and describe the Lots in detail.

Purchase and control of all of the Lots could present the City with several beneficial options. As a general matter, residents will likely support the City's purchase, in their belief that City ownership will benefit the City, Park and the residents personally.

If the City owns the Lots, then it can take action to find occupants for unoccupied Lots for the overall benefit of the City, the Park and its residents. For instance, the lots could be used for low or moderate income residents or to encourage City employees to live within the City.

With regard to rents, the City could decide to manage rents as it deems beneficial for tenant residents and the community generally. By purchasing the Lots at such a discount (and with only a \$4,500,000.00 initial payment), the City would have great financial flexibility in structuring rents at rates well below current levels.

The City could also structure individual Lot sales to Park residents at unusually affordable prices. As an example, consider the average Lot price described above - \$144,000.00 list price, versus \$102,000.00 City price. If the City were to sell a Lot to a resident at its cost, i.e., \$102,000.00, the resident Purchaser would pay \$42,000.00 less than the list price for the Lot.

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If you think that these scenarios are worth exploring further, the owner would be happy to meet with you to discuss a sale.

Very truly yours,

GILCHRIST & RUTTER
Professional Corporation



Richard H. Close
Of the Firm

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Enclosure
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