

---

---

# 2021 Federal Low Income Housing Tax Credit Program

## Application For Reservation

### Deadline for Submission

#### 9% Competitive Credits

Applications Must Be Received At VHDA No Later Than **12:00 PM**  
Richmond, VA Time On **March 18, 2021**

#### Tax Exempt Bonds

Applications should be received at VHDA at least one month  
before the bonds are *priced* (if bonds issued by VHDA), or 75 days  
before the bonds are *issued* (if bonds are not issued by VHDA)



Virginia Housing  
601 South Belvidere Street  
Richmond, Virginia 23220-6500

## INSTRUCTIONS FOR THE VIRGINIA 2021 LIHTC APPLICATION FOR RESERVATION

This application was prepared using Excel, Microsoft Office 2016. Please note that using the active Excel workbook does not eliminate the need to submit the required PDF of the signed hardcopy of the application and related documentation. A more detailed explanation of application submission requirements is provided below and in the Application Manual.

**An electronic copy of your completed application is a mandatory submission item.**

### Applications For 9% Competitive Credits

Applicants should submit an electronic copy of the application package prior to the application deadline, which is **12:00 PM** Richmond Virginia time on **March 18, 2021**. Failure to submit an electronic copy of the application by the deadline will cause the application to be disqualified.

### **Please Note:**

**Applicants should submit all application materials in electronic format only.**

**There should be distinct files which should include the following:**

- 1. Application For Reservation – the active Microsoft Excel workbook**
- 2. A PDF file which includes the following:**
  - Application For Reservation – Signed version of hardcopy
  - All application attachments (i.e. tab documents, excluding market study and plans & specs)
- 3. Market Study – PDF or Microsoft Word format**
- 4. Plans - PDF or other readable electronic format**
- 5. Specifications - PDF or other readable electronic format (may be combined into the same file as the plans if necessary)**
- 6. Unit-By-Unit work write up (rehab only) - PDF or other readable electronic format**

### **IMPORTANT:**

**Virginia Housing only accepts files via our work center sites on Procorem. Contact [TaxCreditApps@virginiahousing.com](mailto:TaxCreditApps@virginiahousing.com) for access to Procorem or for the creation of a new deal workcenter. Do not submit any application materials to any email address unless specifically requested by the Virginia Housing LIHTC Allocation Department staff.**

### Disclaimer:

Virginia Housing assumes no responsibility for any problems incurred in using this spreadsheet or for the accuracy of calculations. Check your application for correctness and completeness before submitting the application to Virginia Housing.

### Entering Data:

Enter numbers or text as appropriate in the blank spaces highlighted in yellow. Cells have been formatted as appropriate for the data expected. All other cells are protected and will not allow changes.

### **Please Note:**

**▶ VERY IMPORTANT!: Do not use the copy/cut/paste functions within this document. Pasting fields will corrupt the application and may result in penalties. You may use links to other cells or other documents but do not paste data from one document or field to another.**

- ▶ Some fields provide a dropdown of options to select from, indicated by a down arrow that appears when the cell is selected. Click on the arrow to select a value within the dropdown for these fields.
- ▶ The spreadsheet contains multiple error checks to assist in identifying potential mistakes in the application. These may appear as data is entered but are dependent on values entered later in the application. Do not be concerned with these messages until all data within the
- ▶ Also note that some cells contain error messages such as “#DIV/0!” as you begin. These warnings will disappear as the numbers necessary for the calculation are entered.

### Assistance:

If you have any questions, please contact the Virginia Housing LIHTC Allocation Department. Please note that we cannot release the copy protection password.

### Virginia Housing LIHTC Allocation Staff Contact Information

Name	Email	Phone Number
JD Bondurant	<a href="mailto:johndavid.bondurant@virginiahousing.com">johndavid.bondurant@virginiahousing.com</a>	(804) 343-5725
Sheila Stone	<a href="mailto:sheila.stone@virginiahousing.com">sheila.stone@virginiahousing.com</a>	(804) 343-5582
Stephanie Flanders	<a href="mailto:stephanie.flanders@virginiahousing.com">stephanie.flanders@virginiahousing.com</a>	(804) 343-5939
Phil Cunningham	<a href="mailto:phillip.cunningham@virginiahousing.com">phillip.cunningham@virginiahousing.com</a>	(804) 343-5514
Pamela Freeth	<a href="mailto:pamela.freeth@virginiahousing.com">pamela.freeth@virginiahousing.com</a>	(804) 343-5563
Aniyah Moaney	<a href="mailto:aniyah.moaney@virginiahousing.com">aniyah.moaney@virginiahousing.com</a>	(804) 343-5518

**TABLE OF CONTENTS**

Click on any tab label to be directed to that tab within the application.

<b>TAB</b>	<b>DESCRIPTION</b>
1. <a href="#"><u>Submission Checklist</u></a>	Mandatory Items, Tabs and Descriptions
2. <a href="#"><u>Development Information</u></a>	Development Name and Locality Information
3. <a href="#"><u>Request Info</u></a>	Credit Request Type
4. <a href="#"><u>Owner Information</u></a>	Owner Information and Developer Experience
5. <a href="#"><u>Site and Seller Information</u></a>	Site Control, Identity of Interest and Seller info
6. <a href="#"><u>Team Information</u></a>	Development Team Contact information
7. <a href="#"><u>Rehabilitation Information</u></a>	Acquisition Credits and 10-Year Look Back Info
8. <a href="#"><u>Non Profit</u></a>	Non Profit Involvement, Right of First Refusal
9. <a href="#"><u>Structure</u></a>	Building Structure and Units Description
10. <a href="#"><u>Utilities</u></a>	Utility Allowance
11. <a href="#"><u>Enhancements</u></a>	Building Amenities above Minimum Design Requirements
12. <a href="#"><u>Special Housing Needs</u></a>	504 Units, Sect. 8 Waiting List, Rental Subsidy
13. <a href="#"><u>Unit Details</u></a>	Set Aside Selection and Breakdown
14. <a href="#"><u>Budget</u></a>	Operating Expenses
15. <a href="#"><u>Project Schedule</u></a>	Actual or Anticipated Development Schedule
16. <a href="#"><u>Hard Costs</u></a>	Development Budget: Contractor Costs
17. <a href="#"><u>Owner's Costs</u></a>	Development Budget: Owner's Costs, Developer Fee, Cost Limits
18. <a href="#"><u>Eligible Basis</u></a>	Eligible Basis Calculation
19. <a href="#"><u>Sources of Funds</u></a>	Construction, Permanent, Grants and Subsidized Funding Sources
20. <a href="#"><u>Equity</u></a>	Equity and Syndication Information
	<a href="#"><u>Gap Calculation</u></a>
21. <a href="#"><u>Cash Flow</u></a>	Cash Flow Calculation
22. <a href="#"><u>BINs</u></a>	BIN by BIN Eligible Basis
24. <a href="#"><u>Owner Statement</u></a>	Owner Certifications
25. <a href="#"><u>Architect's Statement</u></a>	Architect's agreement with proposed deal
26. <a href="#"><u>Scoresheet</u></a>	Self Scoresheet Calculation
27. <a href="#"><u>Development Summary</u></a>	Summary of Key Application Points
28. <a href="#"><u>Efficient Use of Resources</u></a>	Calculation of Score
29. <a href="#"><u>Efficient Use of Resources - TE Bonds</u></a>	Calculation of Score

## 2021 Low-Income Housing Tax Credit Application For Reservation

Please indicate if the following items are included with your application by putting an 'X' in the appropriate boxes. Your assistance in organizing the submission in the following order, and actually using tabs to mark them as shown, will facilitate review of your application. Please note that all mandatory items must be included for the application to be processed. The inclusion of other items may increase the number of points for which you are eligible under Virginia Housing's point system of ranking applications, and may assist Virginia Housing in its determination of the appropriate amount of credits that may be reserved for the development.

- |                                     |   |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | \$1,000 Application Fee <b>(MANDATORY)</b>  |
| <input checked="" type="checkbox"/> | Electronic Copy of the Microsoft Excel Based Application <b>(MANDATORY)</b>   |
| <input checked="" type="checkbox"/> | Scanned Copy of the <b>Signed</b> Tax Credit Application with Attachments (excluding market study and plans & specifications) <b>(MANDATORY)</b>              |
| <input checked="" type="checkbox"/> | Electronic Copy of the Market Study <b>(MANDATORY - Application will be disqualified if study is not submitted with application)</b>                          |
| <input checked="" type="checkbox"/> | Electronic Copy of the Plans and Unit by Unit writeup <b>(MANDATORY)</b>  |
| <input checked="" type="checkbox"/> | Electronic Copy of the Specifications <b>(MANDATORY)</b>  |
| <input type="checkbox"/>            | Electronic Copy of the Existing Condition questionnaire <b>(MANDATORY if Rehab)</b>   |
| <input type="checkbox"/>            | Electronic Copy of the Physical Needs Assessment <b>(MANDATORY at reservation for a 4% rehab request)</b>   |
| <input type="checkbox"/>            | Electronic Copy of Appraisal <b>(MANDATORY if acquisition credits requested)</b>  |
| <input type="checkbox"/>            | Electronic Copy of Environmental Site Assessment (Phase I) <b>(MANDATORY if 4% credits requested)</b>   |
| <input checked="" type="checkbox"/> | Tab A: Partnership or Operating Agreement, including chart of ownership structure with percentage of interests and Developer Fee Agreement <b>(MANDATORY)</b> |
| <input checked="" type="checkbox"/> | Tab B: Virginia State Corporation Commission Certification <b>(MANDATORY)</b>   |
| <input checked="" type="checkbox"/> | Tab C: Principal's Previous Participation Certification <b>(MANDATORY)</b>  |
| <input checked="" type="checkbox"/> | Tab D: List of LIHTC Developments (Schedule A) <b>(MANDATORY)</b>   |
| <input checked="" type="checkbox"/> | Tab E: Site Control Documentation & Most Recent Real Estate Tax Assessment <b>(MANDATORY)</b>   |
| <input checked="" type="checkbox"/> | Tab F: RESNET Rater Certification <b>(MANDATORY)</b>  |
| <input checked="" type="checkbox"/> | Tab G: Zoning Certification Letter <b>(MANDATORY)</b>   |
| <input checked="" type="checkbox"/> | Tab H: Attorney's Opinion <b>(MANDATORY)</b>  |
| <input type="checkbox"/>            | Tab I: Nonprofit Questionnaire <b>(MANDATORY for points or pool)</b>  |
|                                     | The following documents need not be submitted unless requested by Virginia Housing:   |
|                                     | -Nonprofit Articles of Incorporation      -IRS Documentation of Nonprofit Status  |
|                                     | -Joint Venture Agreement (if applicable)      -For-profit Consulting Agreement (if applicable)  |
| <input type="checkbox"/>            | Tab J: Relocation Plan and Unit Delivery Schedule <b>(MANDATORY)</b>  |
|                                     | Tab K: Documentation of Development Location:   |
| <input checked="" type="checkbox"/> | K.1 Revitalization Area Certification   |
| <input checked="" type="checkbox"/> | K.2 Location Map  |
| <input checked="" type="checkbox"/> | K.3 Surveyor's Certification of Proximity To Public Transportation  |
| <input checked="" type="checkbox"/> | Tab L: PHA / Section 8 Notification Letter  |
| <input checked="" type="checkbox"/> | Tab M: Locality CEO Response Letter   |
| <input type="checkbox"/>            | Tab N: Homeownership Plan   |
| <input checked="" type="checkbox"/> | Tab O: Plan of Development Certification Letter   |
| <input type="checkbox"/>            | Tab P: Developer Experience documentation and Partnership agreements  |
| <input checked="" type="checkbox"/> | Tab Q: Documentation of Rental Assistance, Tax Abatement and/or existing RD or HUD Property   |
| <input checked="" type="checkbox"/> | Tab R: Documentation of Operating Budget and Utility Allowances   |
| <input type="checkbox"/>            | Tab S: Supportive Housing Certification   |
| <input checked="" type="checkbox"/> | Tab T: Funding Documentation  |
| <input type="checkbox"/>            | Tab U: Documentation to Request Exception to Restriction-Pools With Little/No Increase in Rent Burdened Population  |
| <input checked="" type="checkbox"/> | Tab V: Nonprofit or LHA Purchase Option or Right of First Refusal   |
| <input checked="" type="checkbox"/> | Tab W: Internet Safety Plan and Resident Information Form (if internet amenities selected)  |
| <input checked="" type="checkbox"/> | Tab X: Marketing Plan for units meeting accessibility requirements of HUD section 504   |
| <input type="checkbox"/>            | Tab Y: Inducement Resolution for Tax Exempt Bonds   |

VHDA TRACKING NUMBER 2021-C-19

A. GENERAL INFORMATION ABOUT PROPOSED DEVELOPMENT

Application Date: 3/18/21

1. Development Name: South First Phase One
2. Address (line 1): 1000 S 1st Street  
 Address (line 2):  
 City: Charlottesville State: VA Zip: 22902
3. If complete address is not available, provide longitude and latitude coordinates (x,y) from a location on site that your surveyor deems appropriate. Longitude: 00.00000 Latitude: 00.00000  
 (Only necessary if street address or street intersections are not available.)
4. The Circuit Court Clerk's office in which the deed to the development is or will be recorded:  
 City/County of Charlottesville City
5. The site overlaps one or more jurisdictional boundaries..... FALSE  
 If true, what other City/County is the site located in besides response to #4?.....
6. Development is located in the census tract of: 4.01
7. Development is located in a **Qualified Census Tract**..... TRUE
8. Development is located in a **Difficult Development Area**..... FALSE
9. Development is located in a **Revitalization Area based on QCT** ..... TRUE
10. Development is located in a **Revitalization Area designated by resolution** ..... TRUE
11. Development is located in an **Opportunity Zone** (with a binding commitment for funding)..... FALSE  
 (If 9, 10 or 11 are True, **Action:** Provide required form in **TAB K1**)
12. Development is located in a census tract with a poverty rate of.....
 

3%	10%	12%
FALSE	FALSE	FALSE

Enter only Numeric Values below:

13. Congressional District: 6
- Planning District: 10
- State Senate District: 25
- State House District: 57

Click on the following link for assistance in determining the districts related to this development:

[Link to Virginia Housing's HOME - Select Virginia LIHTC Reference Map](#)

14. **ACTION:** Provide Location Map (TAB K2)

15. Development Description: In the space provided below, give a brief description of the proposed development

The South First Street Phase One project is being undertaken by a coalition of community-based organizations, motivated by the urgent need to address the structural racism that underlies the housing market in Charlottesville. The project is part of a comprehensive plan to redevelop all of Charlottesville's public housing developments, and to improve the quality and expand the affordable housing options that are available to residents of the city. The redevelopment effort will be lead by the Public Housing Association of Residents (PHAR) and the Charlottesville Redevelopment and Housing Authority, who will work closely with Riverbend Development and with the support of the City of Charlottesville to make this effort a reality. The South First Street Phase One project will create 62 new

A. GENERAL INFORMATION ABOUT PROPOSED DEVELOPMENT

Application Date: 3/18/21

16. Local Needs and Support

- a. Provide the name and the address of the chief executive officer (City Manager, Town Manager, or County Administrator of the political jurisdiction in which the development will be located:

Chief Executive Officer's Name Mr. Chip Boyles
Chief Executive Officer's Title: City Manager Phone: (434) 970-3101
Street Address: 605 E Main Street
City: Charlottesville State: VA Zip: 22902

Name and title of local official you have discussed this project with who could answer questions for the local CEO:

- b. If the development overlaps another jurisdiction, please fill in the following:

Chief Executive Officer's Name
Chief Executive Officer's Title: Phone:
Street Address:
City: State: Zip:

Name and title of local official you have discussed this project with who could answer questions for the local CEO:

ACTION: Provide Locality Notification Letter at Tab M if applicable.

**B. RESERVATION REQUEST INFORMATION**

1. Requesting Credits From:

a. If requesting 9% Credits, select credit pool:

Local Housing Authority Pool

or

b. If requesting Tax Exempt Bonds, select development type:

[Redacted]

For Tax Exempt Bonds, where are bonds being issued?

[Redacted]

**ACTION:** Provide Inducement Resolution at **TAB Y** (if available)

2. Type(s) of Allocation/Allocation Year

Carryforward Allocation

Definitions of types:

a. **Regular Allocation** means all of the buildings in the development are expected to be placed in service this calendar year, 2021.

b. **Carryforward Allocation** means all of the buildings in the development are expected to be placed in service within two years after the end of this calendar year, 2021, but the owner will have more than 10% basis in development before the end of twelve months following allocation of credits. For those buildings, the owner requests a carryforward allocation of 2021 credits pursuant to Section 42(h)(1)(E).

3. Select Building Allocation type:

New Construction

**Note** regarding Type = Acquisition and Rehabilitation: Even if you acquired a building this year and "placed it in service" for the purpose of the acquisition credit, you cannot receive its acquisition 8609 form until the rehab 8609 is issued for that building.

4. Is this an additional allocation for a development that has buildings not yet placed in service?

TRUE

If True, additional Credit Request cannot exceed 10% of the prior credit award

5. Planned Combined 9% and 4% Developments

FALSE

A site plan has been submitted with this application indicating two developments on the same or contiguous site. One development relates to this 9% allocation request and the remaining development will be a 4% tax exempt bond application. (25, 35 or 45 pts)

Name of companion development: [Redacted]

a. Has the developer met with Virginia Housing regarding the 4% tax exempt bond deal?

FALSE

b. List below the number of units planned for each allocation request. This stated count cannot be changed or 9% Credits will

Total Units within 9% allocation request?	0
Total Units within 4% Tax Exempt allocation Request?	0
Total Units:	0

% of units in 4% Tax Exempt Allocation Request: 0.00%

6. Extended Use Restriction

**Note:** Each recipient of an allocation of credits will be required to record an **Extended Use Agreement** as required by the IRC governing the use of the development for low-income housing for at least 30 years. Applicant waives the right to pursue a Qualified Contract.

**Must Select One:** 30

**Definition of selection:**

Development will be subject to the standard extended use agreement of 15 extended use period (after the mandatory 15-year compliance period.)

**C. OWNERSHIP INFORMATION**

NOTE: Virginia Housing may allocate credits only to the tax-paying entity which owns the development at the time of the allocation. The term "Owner" herein refers to that entity. Please fill in the legal name of the owner. The ownership entity must be formed prior to submitting this application. Any transfer, direct or indirect, of partnership interests (except those involving the admission of limited partners) prior to the placed-in-service date of the proposed development shall be prohibited, unless the transfer is consented to by Virginia Housing in its sole discretion. **IMPORTANT: The Owner name listed on this page must exactly match the owner name listed on the Virginia State Corporation Commission Certification.**

**1. Owner Information:**

*Must be an individual or legally formed entity.*

Owner Name: South First Phase One, LLC

Developer Name: Charlottesville Redevelopment and Housing Authority

Contact: M/M ▶ Mr. First: John MI: M Last: Sales

Address: 500 S First Street

City: Charlottesville St. ▶ VA Zip: 22902

Phone: (434) 326-4798 Ext.            Fax: (434) 981-4797

Email address: salesj@cvilleha.org

Federal I.D. No. 84-1929501 (If not available, obtain prior to Carryover Allocation.)

Select type of entity: ▶ Limited Liability Company Formation State: ▶ VA

Additional Contact: Please Provide Name, Email and Phone number.

Ashley Davies - ashley@riverbenddev.com 4342454971

- ACTION:** a. Provide Owner's organizational documents (e.g. Partnership agreements and Developer Fe agreement) (Mandatory TAB A)
- b. Provide Certification from Virginia State Corporation Commission (**Mandatory TAB B**)

**2. Principal(s) of the General Partner:** List names of individuals and ownership interest.

Names **	Phone	Type Ownership	% Ownership	
South First Phase One Management, LLC	(434) 326-4798	Managing Membe	100%	
Charlottesville Community Development Co	(434) 326-4798		0.000%	<i>need:</i>
Charlottesville Redevelopment and Housing	(434) 326-4798		0.000%	<i>need:</i>
Jon M. Sales, Executive Director	(434) 326-4798		0.000%	<i>need:</i>
			0.000%	
			0.000%	
			0.000%	

The above should include 100% of the GP or LLC member interest.

**\*\*** These should be the names of individuals who make up the General Partnership, not simply the names of entities which may comprise those components.



C. OWNERSHIP INFORMATION

- ACTION:** a. Provide Principals' Previous Participation Certification (**Mandatory TAB C**)
- b. Provide a chart of ownership structure (Org Chart) and a list of all LIHTC Developments within the last 15 years. (**Mandatory at TABS A/D**)

**3. Developer Experience:** Provide evidence that the principal or principals of the controlling general partner or managing member for the proposed development have developed:

- a. as a controlling general partner or managing member, (i) at least three tax credit developments that contain at least three times the number of housing units in the proposed development or (ii) at least six tax credit developments. .... **FALSE**

**Action:** Must be included on Virginia Housing Experienced LIHTC Developer List or provide copies of 8609s, partnership agreements and organizational charts (**Tab P**)

- b. at least three deals as principal and have at \$500,000 in liquid assets..... **FALSE**

**Action:** Must be included on the Virginia Housing Experienced LIHTC Developer List or provide Audited Financial Statements and copies of 8609s (**Tab P**)

- c. The development's principal(s), as a group or individually, have developed as controlling general partner or managing member, at least one tax credit development that contains at least the same number of units of this proposed development (can include Market units). .... **FALSE**

**Action:** Must provide copies of 8609s and partnership agreements (**Tab P**)

**D. SITE CONTROL**

**NOTE:** Site control by the Owner identified herein is a mandatory precondition of review of this application. Documentary evidence in the form of either a deed, option, purchase contract or lease for a term longer than the period of time the property will be subject to occupancy restrictions must be included herewith. (For 9% Competitive Credits - An option or contract must extend beyond the application deadline by a minimum of four months.)

**Warning:** Site control by an entity other than the Owner, even if it is a closely related party, is not sufficient. Anticipated future transfers to the Owner are not sufficient. The Owner, as identified previously, must have site control at the time this Application is submitted.

**NOTE:** If the Owner receives a reservation of credits, the property must be titled in the name of or leased by (pursuant to a long-term lease) the Owner before the allocation of credits is made.

Contact Virginia Housing before submitting this application if there are any questions about this requirement.

**1. Type of Site Control by Owner:**

Applicant controls site by (select one):

Select Type:  Long Term Lease

Expiration Date: 1/8/20

In the Option or Purchase contract - Any contract for the acquisition of a site with an existing residential property may not require an empty building as a condition of such contract, unless relocation assistance is provided to displaced households, if any, at such level required by Virginia Housing. See QAP for further details.

**ACTION:** Provide documentation and most recent real estate tax assessment - **Mandatory TAB E**

FALSE ..... There is more than one site for development and more than one form of site control.

(If **True**, provide documentation for each site specifying number of existing buildings on the site (if any) type of control of each site, and applicable expiration date of stated site control. A site control document is required for each site **(Tab E)**.)

**2. Timing of Acquisition by Owner:**

Only one of the following statement should be True.

a.  TRUE ..... Owner already controls site by either deed or long-term lease.

b.  FALSE ..... Owner is to acquire property by deed (or lease for period no shorter than period property will be subject to occupancy restrictions) no later than.....

c.  FALSE ..... There is more than one site for development and more than one expected date of acquisition by Owner

(If c is **True**, provide documentation for each site specifying number of existing buildings on the site, if any, and expected date of acquisition of each site by Owner **(Tab E)**.)

**D. SITE CONTROL**

**3. Seller Information:**

Name: Charlottesville Redevelopment and Housing Authority

Address: 500 South First Street

City: Charlottesville St.: VA Zip: 22902

Contact Person: John M Sales Phone: (434) 422-9297

There is an identity of interest between the seller and the owner/applicant..... TRUE

If above statement is **TRUE**, complete the following:

Principal(s) involved (e.g. general partners, controlling shareholders, etc.)

<u>Names</u>	<u>Phone</u>	<u>Type Ownership</u>	<u>% Ownership</u>
Charlottesville Redevelopment an	(434) 422-9297	fee simple	100.00%
			0.00%
			0.00%
			0.00%
			0.00%
			0.00%
			0.00%

**E. DEVELOPMENT TEAM INFORMATION**

Complete the following as applicable to your development team. Provide Contact and Firm Name

1. Tax Attorney: Delphine Carnes This is a Related Entity. FALSE  
 Firm Name: Delphine Carnes Law Group, PLC  
 Address: 101 W Main Street, Ste 440, Norfolk, VA 23510  
 Email: dcarnes@delphinecarneslaw.com Phone: (757) 614-1056
  
2. Tax Accountant: Mike Vicars This is a Related Entity. FALSE  
 Firm Name: Dooley & Vicars, PC  
 Address: 21 S Sheppard St., Richmond, VA 23221  
 Email: mike@dvcpas.com Phone: (804) 355-2808
  
3. Consultant:  This is a Related Entity. FALSE  
 Firm Name:  Role:   
 Address:   
 Email:  Phone:
  
4. Management Entity: John Sales This is a Related Entity. TRUE  
 Firm Name: Charlottesville Redevelopment and Housing Authority  
 Address: 500 S First Street, Charlottesville, VA 22902  
 Email: salesj@cvilleha.org Phone: (434) 422-9297
  
5. Contractor: Ryan Goodrich This is a Related Entity. FALSE  
 Firm Name: Breeden Construction  
 Address: 1700 Bayberry Ct, Suite 200, Richmond VA 23226  
 Email: brianr@breedenconstruction.com Phone: (804) 514-2768
  
6. Architect: Colin Arnold This is a Related Entity. FALSE  
 Firm Name: Arnold Design Studio  
 Address: 930 Cambria Street, NE, Christiansburg, VA 24073  
 Email: carnold@arnolddesignstudio.com Phone: (540) 239-2671
  
7. Real Estate Attorney Delphine Carnes This is a Related Entity. FALSE  
 Firm Name: Delphine Carnes Law Group, PLC  
 Address: 101 W Main Street, Ste 440, Norfolk, VA 23510  
 Email: dcarnes@delphinecarneslaw.com Phone: (757) 614-1056
  
8. Mortgage Banker:  This is a Related Entity. FALSE  
 Firm Name:   
 Address:   
 Email:  Phone:
  
9. Other:  This is a Related Entity. FALSE  
 Firm Name:  Role:   
 Address:   
 Email:  Phone:

**F. REHAB INFORMATION**

**1. Acquisition Credit Information**

- a. Credits are being requested for existing buildings being acquired for development. FALSE  
If no credits are being requested for existing buildings acquired for the development, skip this tab.
- b. This development has received a previous allocation of credits..... FALSE  
 If so, in what year did this development receive credits? .....
- c. The development is listed on the RD 515 Rehabilitation Priority List?..... FALSE
- d. This development is an existing RD or HUD S8/236 development..... FALSE  
**Action:** (If True, provide required form in **TAB Q**)

Note: If there is an identity of interest between the applicant and the seller in this proposal, and the applicant is seeking points in this category, then the applicant must either waive their rights to the developer's fee or other fees associated with acquisition, or obtain a waiver of this requirement from Virginia Housing prior to application submission to receive these points

- i. Applicant agrees to waive all rights to any developer's fee or other fees associated with acquisition..... FALSE
- ii. Applicant has obtained a waiver of this requirement from Virginia Housing prior to the application submission deadline..... FALSE

**2. Ten-Year Rule For Acquisition Credits**

- a. All buildings satisfy the 10-year look-back rule of IRC Section 42 (d)(2)(B), including the 10% basis/\$15,000 rehab costs (\$10,000 for Tax Exempt Bonds) per unit requirement..... FALSE
- b. All buildings qualify for an exception to the 10-year rule under IRC Section 42(d)(2)(D)(i),..... FALSE
  - i. Subsection (I)..... FALSE
  - ii. Subsection (II)..... FALSE
  - iii. Subsection (III)..... FALSE
  - iv. Subsection (IV)..... FALSE
  - v. Subsection (V)..... FALSE
- c. The 10-year rule in IRC Section 42 (d)(2)(B) for all buildings does not apply pursuant to IRC Section 42(d)(6)..... FALSE
- d. There are different circumstances for different buildings..... FALSE  
**Action:** (If True, provide an explanation for each building in Tab K)

**F. REHAB INFORMATION**

**3. Rehabilitation Credit Information**

a. Credits are being requested for rehabilitation expenditures..... **FALSE**  
If no credits are being requested for rehabilitation expenditures, go on to Part 4

**b. Minimum Expenditure Requirements**

i. All buildings in the development satisfy the rehab costs per unit requirement of IRS Section 42(e)(3)(A)(ii)..... **FALSE**

ii. All buildings in the development qualify for the IRC Section 42(e)(3)(B) exception to the 10% basis requirement (4% credit only)..... **FALSE**

iii. All buildings in the development qualify for the IRC Section 42(f)(5)(B)(ii)(II) exception..... **FALSE**

iv. There are different circumstances for different buildings..... **FALSE**  
**Action:** (If True, provide an explanation for each building in Tab K)

**4. Request For Exception**

a. The proposed new construction development (including adaptive reuse and rehabilitation that creates additional rental space) is subject to an assessment of up to minus 20 points for being located in a pool identified by the Authority as a pool with little or no increase in rent burdened population..... **FALSE**

b. Applicant seeks an exception to this restriction in accordance with one of the following provisions under 13VAC10-180-60:

i. Proposed development is specialized housing designed to meet special needs that cannot readily be addressed utilizing existing residential structures..... **FALSE**

ii. Proposed development is designed to serve as a replacement for housing being demolished through redevelopment..... **FALSE**

iii. Proposed development is housing that is an integral part of a neighborhood revitalization project sponsored by a local housing authority..... **FALSE**

**Action:** If any of 4(b) responses are true, provide documentation at Tab U.

G. NONPROFIT INVOLVEMENT

Applications for 9% Credits - Section must be completed in order to compete in the Non Profit tax credit pool.

All Applicants - Section must be completed to obtain points for nonprofit involvement.

1. Tax Credit Nonprofit Pool Applicants: To qualify for the nonprofit pool, an organization (described in IRC Section 501(c)(3) or 501(c)(4) and exempt from taxation under IRC Section 501(a)) should answer the following questions as TRUE:

- FALSE a. Be authorized to do business in Virginia.
FALSE b. Be substantially based or active in the community of the development.
FALSE c. Materially participate in the development and operation of the development throughout compliance period...
FALSE d. Own, either directly or through a partnership or limited liability company, 100% of the partnership or managing member interest.
FALSE e. Not be affiliated with or controlled by a for-profit organization.
FALSE f. Not have been formed for the principal purpose of competition in the Non Profit Pool.
FALSE g. Not have any staff member, officer or member of the board of directors materially participate, directly or indirectly, in the proposed development as a for profit entity.

2. All Applicants: To qualify for points under the ranking system, the nonprofit's involvement need not necessarily satisfy all of the requirements for participation in the nonprofit tax credit pool.

A. Nonprofit Involvement (All Applicants)

There is nonprofit involvement in this development. FALSE (If false, go on to #3.)

Action: If there is nonprofit involvement, provide completed Non Profit Questionnaire (Mandatory TAB

B. Type of involvement:

Nonprofit meets eligibility requirement for points only, not pool..... FALSE

or

Nonprofit meets eligibility requirements for nonprofit pool and points. FALSE

C. Identity of Nonprofit (All nonprofit applicants):

The nonprofit organization involved in this development is: [Yellow box]

Name: [Yellow box] (Please fit NP name within available space)

Contact Person: [Yellow box]

Street Address: [Yellow box]

City: [Yellow box] State: [Yellow box] Zip: [Yellow box]

Phone: [Yellow box] Extension: [Yellow box] Contact Email: [Yellow box]

G. NONPROFIT INVOLVEMENT

D. Percentage of Nonprofit Ownership (All nonprofit applicants):

Specify the nonprofit entity's percentage ownership of the general partnership interest 0.0%

3. Nonprofit/Local Housing Authority Purchase Option/Right of First Refusal

A. TRUE After the mandatory 15-year compliance period, a qualified nonprofit or local housing authority will have the option to purchase or the right of first refusal to acquire the development for a price not to exceed the outstanding debt and exit taxes. Such debt must be limited to the original mortgage(s) unless any refinancing is approved by the nonprofit.

Action: Provide Option or Right of First Refusal in Recordable Form (TAB V) Provide Nonprofit Questionnaire (if applicable) (TAB I)

Name of qualified nonprofit:

or indicate true if Local Housing Authority TRUE Name of Local Housing Authority Charlottesville Redevelopment and Housing Auth

2. FALSE A qualified nonprofit or local housing authority submits a homeownership plan committing to sell the units in the development after the mandatory 15-year compliance period to tenants whose incomes shall not exceed the applicable income limit at the time of their initial occupancy.

Action: Provide Homeownership Plan (TAB N)

NOTE: Applicant waives the right to pursue a Qualified Contract.



**H. STRUCTURE AND UNITS INFORMATION**

**# General Information**

a. Total number of <b>all</b> units in development	62	bedrooms	130
Total number of <b>rental</b> units in development	62	bedrooms	130
Number of low-income rental units	62	bedrooms	130
Percentage of rental units designated low-income	100.00%		
b. Number of new units:.....	62	bedrooms	130
Number of adaptive reuse units: .....	0	bedrooms	0
Number of rehab units:.....	0	bedrooms	0
c. If any, indicate number of planned exempt units (included in total of all units in development)			0
d. Total Floor Area For The Entire Development.....		81,577.61	(Sq. ft.)
e. Unheated Floor Area (i.e. Breezeways, Balconies, Storage).....		13,649.32	(Sq. ft.)
f. Nonresidential Commercial Floor Area (Not eligible for funding).....		0.00	
g. Total Usable Residential Heated Area.....		67,928.29	(Sq. ft.)
h. Percentage of Net Rentable Square Feet Deemed To Be <b>New Rental Space</b> .		100.00%	
i. Exact area of site in acres .....	2.720		
j. Locality has approved a final site plan or plan of development.....		TRUE	
If <b>True</b> , Provide required documentation ( <b>TAB O</b> ).			
k. Requirement as of 2016: Site must be properly zoned for proposed development. <b>ACTION:</b> Provide required zoning documentation ( <b>MANDATORY TAB G</b> )			
l. Development is eligible for Historic Rehab credits.....		FALSE	

**Definition:**

The structure is historic, by virtue of being listed individually in the National Register of Historic Places, or due to its location in a registered historic district and certified by the Secretary of the Interior as being of historical significance to the district, and the rehabilitation will be completed in such a manner as to be eligible for historic rehabilitation tax credits.

**H. STRUCTURE AND UNITS INFORMATION**

**# UNIT MIX**

a. Specify the average size and number per unit type (as indicated in the Architect's Certification):

*Note: Average sq foot should include the prorata of common space.*

Unit Type	Average Sq Foot		# of LIHTC Units	Total Rental Units
Supportive Housing	0.00	SF	0	0
1 Story Eff - Elderly	0.00	SF	0	0
1 Story 1BR - Elderly	0.00	SF	0	0
1 Story 2BR - Elderly	0.00	SF	0	0
Eff - Elderly	0.00	SF	0	0
1BR Elderly	0.00	SF	0	0
2BR Elderly	0.00	SF	0	0
Eff - Garden	0.00	SF	0	0
1BR Garden	825.75	SF	12	12
2BR Garden	1113.23	SF	32	32
3BR Garden	1244.21	SF	18	18
4BR Garden	0.00	SF	0	0
2+ Story 2BR Townhouse	0.00	SF	0	0
2+ Story 3BR Townhouse	0.00	SF	0	0
2+ Story 4BR Townhouse	0.00	SF	0	0
			62	62

Note: Please be sure to enter the values in the appropriate unit category. If not, errors will occur on the self scoresheet.

**# Structures**

- a. Number of Buildings (containing rental units)..... 3
- b. Age of Structure:..... 0 years
- c. Number of stories:..... 4

d. The development is a scattered site development..... FALSE

e. Commercial Area Intended Use: \_\_\_\_\_

f. Development consists primarily of : (Only One Option Below Can Be True)

- i. Low Rise Building(s) - (1-5 stories with any structural elements made of wood)..... TRUE
- ii. Mid Rise Building(s) - (5-7 stories with no structural elements made of wood)..... FALSE
- iii. High Rise Building(s) - (8 or more stories with no structural elements made of wood)..... FALSE

**H. STRUCTURE AND UNITS INFORMATION**

g. Indicate **True** for all development's structural features that apply:

i. Row House/Townhouse	<u>FALSE</u>	v. Detached Single-family	<u>FALSE</u>
ii. Garden Apartments	<u>TRUE</u>	vi. Detached Two-family	<u>FALSE</u>
iii. Slab on Grade	<u>TRUE</u>	vii. Basement	<u>FALSE</u>
iv. Crawl space	<u>FALSE</u>		

h. Development contains an elevator(s). FALSE  
 If true, # of Elevators. 0  
 Elevator Type (if known) \_\_\_\_\_

i. Roof Type ▶ Pitched  
 j. Construction Type ▶ Frame  
 k. Primary Exterior Finish ▶ Combination

**# Site Amenities (indicate all proposed)**

a. Business Center.....	<u>FALSE</u>	f. Limited Access.....	<u>TRUE</u>
b. Covered Parking.....	<u>FALSE</u>	g. Playground.....	<u>FALSE</u>
c. Exercise Room.....	<u>FALSE</u>	h. Pool.....	<u>FALSE</u>
d. Gated access to Site.....	<u>FALSE</u>	i. Rental Office.....	<u>TRUE</u>
e. Laundry facilities.....	<u>TRUE</u>	j. Sports Activity Ct.	<u>FALSE</u>
		k. Other:	_____

l. Describe Community Facilities: community room, laundry room, onsite management

m. Number of Proposed Parking Spaces.. 83  
 Parking is shared with another entity FALSE

n. Development located within 1/2 mile of an existing commuter rail, light rail or subway station or 1/4 mile from existing public bus stop. .... TRUE

If **True**, Provide required documentation (**TAB K3**).

**H. STRUCTURE AND UNITS INFORMATION**

**# Plans and Specifications**

**a. Minimum submission requirements for all properties (new construction, rehabilitation and adaptive reuse):**

- i. A location map with development clearly defined.
- ii. Sketch plan of the site showing overall dimensions of all building(s), major site elements (e.g., parking lots and location of existing utilities, and water, sewer, electric, gas in the streets adjacent to the site). Contour lines and elevations are not required.
- iii. Sketch plans of all building(s) reflecting overall dimensions of:
  - a. Typical floor plan(s) showing apartment types and placement
  - b. Ground floor plan(s) showing common areas
  - c. Sketch floor plan(s) of typical dwelling unit(s)
  - d. Typical wall section(s) showing footing, foundation, wall and floor structure  
Notes must indicate basic materials in structure, floor and exterior finish.

- b. The following are due at reservation for Tax Exempt 4% Applications and at allocation for 9% Applications:
  - i. Phase I environmental assessment.
  - ii. Physical needs assessment for any rehab only development.

**NOTE:** All developments must meet Virginia Housing's **Minimum Design and Construction Requirements**. By signing and submitting the Application for Reservation of LIHTC, the applicant certifies that the proposed project budget, plans & specifications and work write-ups incorporate all necessary elements to fulfill these requirements.

**# Market Study Data:**

Obtain the following information from the **Market Study** conducted in connection with this tax credit application:

Project Wide Capture Rate - LIHTC Units	1.10%
Project Wide Capture Rate - Market Units	N/A
Project Wide Capture Rate - All Units	1.10%
Project Wide Absorption Period (Months)	2 mos.

**J. ENHANCEMENTS**

Each development must meet the following baseline energy performance standard applicable to the development's construction category.

- a. **New Construction:** must meet all criteria for EPA EnergyStar certification.
- b. **Rehabilitation:** renovation must result in at least a 30% performance increase or score an 80 or lower on the HERS
- c. **Adaptive Reuse:** must score a 95 or lower on the HERS Index.

Certification and HERS Index score must be verified by a third-party, independent, non-affiliated, certified RESNET home energy rater.

Indicate **True** for the following items that apply to the proposed development:

**ACTION:** Provide RESNET rater certification (**TAB F**)

**ACTION:** Provide Internet Safety Plan and Resident Information Form (Tab W) if options selected below.

**1. For any development, upon completion of construction/rehabilitation:**

New Constr.
----------------

- TRUE a. A community/meeting room with a minimum of 749 square feet is provided.
- 80.00% b. Percentage of brick or other similar low-maintenance material approved by the Authority covering the exterior walls. Community buildings are to be included in percentage calculations.
- TRUE c. Water expense is sub-metered (the tenant will pay monthly or bi-monthly bill).
- FALSE d. All faucets, toilets and showerheads in each bathroom are WaterSense labeled products.
- TRUE e. Each unit is provided with the necessary infrastructure for high-speed internet/broadband service.
- TRUE f. Free WiFi access will be provided in community room for resident only usage.
- FALSE g. Each unit is provided free individual high speed internet access.
- or
- TRUE h. Each unit is provided free individual WiFi access.
- TRUE i. Full bath fans are wired to primary light with delayed timer or has continuous exhaust by ERV/DOAS.
- or
- FALSE j. Full bath fans are equipped with a humidistat.
- FALSE k. Cooking surfaces are equipped with fire prevention features
- or
- TRUE l. Cooking surfaces are equipped with fire suppression features.
- FALSE m. Rehab only: Each unit has dedicated space, drain and electrical hook-ups to accept a permanently installed dehumidification system.
- or
- TRUE n. All Construction types: each unit is equipped with a permanent dehumidification system.
- TRUE o. All interior doors within units are solid core.
- TRUE p. Every kitchen, living room and bedroom contains, at minimum, one USB charging port.
- TRUE q. All kitchen light fixtures are LED and meet MDCR lighting guidelines.
- TRUE r. Each unit has a shelf or ledge outside the primary entry door located in an interior hallway.
- TRUE s. New construction only: Each unit to have balcony or patio with a minimum depth of 5 feet clear from face of building and a minimum size of 30 square feet.

J. ENHANCEMENTS

For all developments exclusively serving elderly tenants upon completion of construction/rehabilitation:

- FALSE a. All cooking ranges have front controls.
- FALSE b. Bathrooms have an independent or supplemental heat source.
- FALSE c. All entrance doors have two eye viewers, one at 42" inches and the other at standard height.

2. Green Certification

- a. Applicant agrees to meet the base line energy performance standard applicable to the development's construction category as listed above.

The applicant will also obtain one of the following:

- |                                |  |                                |  |
|--------------------------------|--|--------------------------------|--|
| <input type="checkbox"/> TRUE  | Earthcraft Gold or higher certification        | <input type="checkbox"/> FALSE | National Green Building Standard (NGBS) certification of Silver or higher. |
| <input type="checkbox"/> FALSE | U.S. Green Building Council LEED certification | <input type="checkbox"/> FALSE | Enterprise Green Communities (EGC) Certification                           |

**Action:** If seeking any points associated Green certification, provide appropriate documentation at **TAB F.**

- b. Applicant will pursue one of the following certifications to be awarded points on a future development application. (Failure to reach this goal will not result in a penalty.)

- FALSE Zero Energy Ready Home Requirements
- TRUE Passive House Standards

3. Universal Design - Units Meeting Universal Design Standards (units must be shown on Plans)

- TRUE a. Architect of record certifies that units will be constructed to meet Virginia Housing's Universal Design Standards.
- 18 b. Number of Rental Units constructed to meet Virginia Housing's Universal Design standards:

29% of Total Rental Units

- 4.  FALSE Market-rate units' amenities are substantially equivalent to those of the low income units.

If not, please explain:


 Architect of Record initial here that the above information is accurate per certification statement within this application.

**I. UTILITIES**

1. Utilities Types:

- a. Heating Type Heat Pump
- b. Cooking Type Electric
- c. AC Type Central Air
- d. Hot Water Type Electric

2. Indicate True if the following services will be included in Rent:

- |                 |              |                  |             |
|-----------------|--------------|------------------|-------------|
| Water?.....     | <u>FALSE</u> | Heat?.....       | <u>TRUE</u> |
| Hot Water?..... | <u>TRUE</u>  | AC?.....         | <u>TRUE</u> |
| Lighting?.....  | <u>TRUE</u>  | Sewer?.....      | <u>TRUE</u> |
| Cooking? .....  | <u>TRUE</u>  | Trash Removal? . | <u>TRUE</u> |

Utilities	Enter Allowances by Bedroom Size				
	0-BR	1-BR	2-BR	3-BR	4-BR
Heating	0	0	0	0	0
Air Conditioning	0	0	0	0	0
Cooking	0	0	0	0	0
Lighting	0	0	0	0	0
Hot Water	0	0	0	0	0
Water	0	36	48	60	0
Sewer	0	0	0	0	0
Trash	0	0	0	0	0
Total utility allowance for costs paid by tenant	\$0	\$36	\$48	\$60	\$0

3. The following sources were used for Utility Allowance Calculation (Provide documentation **TAB R**).

- a. FALSE HUD
- b. FALSE Utility Company (Estimate)
- c. FALSE Utility Company (Actual Survey)
- d. TRUE Local PHA
- e. FALSE Other: \_\_\_\_\_

**Warning:** The Virginia Housing housing choice voucher program utility schedule shown on VirginiaHousing.com should not be used unless directed to do so by the local housing authority.

**K. SPECIAL HOUSING NEEDS**

**NOTE:** Any Applicant commits to providing first preference to members of targeted populations having state rental assistance and will not impose any eligibility requirements or lease terms for such individuals that are more restrictive than its standard requirements and terms, the terms of the MOU establishing the target population, or the eligibility requirements for the state rental assistance.

# **Accessibility** Indicate **True** for the following point categories, as appropriate.

**Action:** Provide appropriate documentation (**Tab X**)

**TRUE**

- a. Any development in which (i) the greater of 5 units or 10% of units will be assisted by HUD project-based vouchers (as evidenced by the submission of a letter satisfactory to the Authority from an authorized public housing authority (PHA) that the development meets all prerequisites for such assistance), or another form of documented and binding federal project-based rent subsidies in order to ensure occupancy by extremely low-income persons. Locality project based rental subsidy meets the definition of state project based
  - (ii) will conform to HUD regulations interpreting the accessibility requirements of section 504 of the Rehabilitation Act; and be actively marketed to persons with disabilities as defined in the Fair Housing Act in accordance with a plan submitted as part of the
  - (iii) above must include roll-in showers, roll under sinks and front control ranges, unless agreed to by the Authority prior to the applicant's submission of its application.

Documentation from source of assistance must be provided with the application.

**Note:** Subsidies may apply to any units, not only those built to satisfy Section 504. (60 points)


**FALSE**

- b. Any development in which the greater of 5 units or 10% of the units (i) have rents within HUD's Housing Choice Voucher ("HCV") payment standard; (ii) conform to HUD regulations interpreting the accessibility requirements of section 504 of the Rehabilitation Act; and (iii) are actively marketed to persons with disabilities as defined in the Fair Housing Act in accordance with a plan submitted as part of the application for credits (30 points)

**FALSE**

- c. Any development in which 5% of the units (i) conform to HUD regulations interpreting the accessibility requirements of section 504 of the Rehabilitation Act and (ii) are actively marketed to persons with disabilities as defined in the Fair Housing Act in accordance with a plan submitted as part of this application for credits. (15 points)

**For items a,b or c, all common space must also conform to HUD regulations interpreting the accessibility requirements of section 504 of the Rehabilitation Act.**


**Architect of Record initial here that the above information is accurate per certification statement within this application.**



**K. SPECIAL HOUSING NEEDS**

**# Special Housing Needs/Leasing Preference:**

a. If not general population, select applicable special population:

- Elderly (as defined by the United States Fair Housing Act.)
- Persons with Disabilities (must meet the requirements of the Federal Americans with Disabilities Act) - Accessible Supportive Housing Pool only
- Supportive Housing (as described in the Tax Credit Manual)

**Action:** Provide Permanent Supportive Housing Certification (**Tab S**)

b. The development has existing tenants and a relocation plan has been developed. **FALSE**

(If **True**, Virginia Housing policy requires that the impact of economic and/or physical displacement on those tenants be minimized, in which Owners agree to abide by the Authority's Relocation Guidelines for LIHTC properties.)

**Action:** Provide Relocation Plan and Unit Delivery Schedule (**Mandatory if tenants are displaced -**

**# Leasing Preferences**

a. Will leasing preference be given to applicants on a public housing waiting list and/or Section 8 waiting list? select **Yes**

Organization which holds waiting list: **Charlottesville RHA**

Contact person: **John Sales**

Title: **Executive Director**

Phone Number: **(434) 422-9792**

**Action:** Provide required notification documentation (**TAB L**)

b. Leasing preference will be given to individuals and families with children..... **TRUE**  
(Less than or equal to 20% of the units must have of 1 or less bedrooms).

c. Specify the number of low-income units that will serve individuals and families with children by providing three or more bedrooms: **18**  
% of total Low Income Units **29%**

**NOTE:** Development must utilize a **Virginia Housing Certified Management Agent**. Proof of management certification must be provided before 8609s are issued.



**K. SPECIAL HOUSING NEEDS**

c. The Project Based vouchers above are applicable to the 30% units seeking points.

FALSE

i. If True above, how many of the 30% units will not have project based vouchers: 0

d. Number of units receiving assistance:

37

How many years in rental assistance contract

20.00

Expiration date of contract:

12/31/42

There is an Option to Renew.....

TRUE

**Action:** Contract or other agreement provided **(TAB Q)**.

**L. UNIT DETAILS**

**1. Set-Aside Election: UNITS SELECTED IN INCOME AND RENT DETERMINE POINTS FOR THE BONUS POINT CATEG**

Note: In order to qualify for any tax credits, a development must meet one of two minimum threshold occupancy tests. Either (i) at least 20% of the units must be rent-restricted and occupied by persons whose incomes are 50% or less of the area median income adjusted for family size (this is called the 20/50 test) or (ii) at least 40% of the units must be rent-restricted and occupied by persons whose incomes are 60% or less of the area median income adjusted for family size (this is called the 40/60 test), all as described in Section 42 of the IRC. Rent-and income-restricted units are known as low-income units. If you have more low-income units than required, you qualify for more credits. If you serve lower incomes than required, you receive more points under the ranking system.

**a. Units Provided Per Household Type:**


Income Levels			Avg Inc.
# of Units	% of Units		
0	0.00%	20% Area Median	0%
0	0.00%	30% Area Median	0%
0	0.00%	40% Area Median	0%
31	50.00%	50% Area Median	1550%
31	50.00%	60% Area Median	1860%
0	0.00%	70% Area Median	0%
0	0.00%	80% Area Median	0%
0	0.00%	Market Units	
62	100.00%	<b>Total</b>	55.00%

Rent Levels			Avg Inc.
# of Units	% of Units		
0	0.00%	20% Area Median	0%
0	0.00%	30% Area Median	0%
7	11.29%	40% Area Median	280%
24	38.71%	50% Area Median	1200%
31	50.00%	60% Area Median	1860%
0	0.00%	70% Area Median	0%
0	0.00%	80% Area Median	0%
0	0.00%	Market Units	
62	100.00%	<b>Total</b>	#####

- b. The development plans to utilize average income..... TRUE  
 If true, should the points based on the units assigned to the levels above **be waived** and therefore not required for cor  
 20-30% Levels FALSE 40% Levels FALSE 50% levels FALSE

**2. Unit Detail FOR YOUR CONVENIENCE, COPY AND PASTE IS ALLOWED WITHIN UNIT MIX GRID**

In the following grid, add a row for each unique unit type planned within the development. Enter the appropriate data for both tax credit and market rate units.

 Architect of Record initial here that the information below is accurate per certification statement within this application.

	Unit Type (Select One)	Rent Target (Select One)	Number of Units	# of Units 504 compliant	Net Rentable Square Feet	Monthly Rent Per Unit	Total Monthly Rent
Mix 1	1 BR - 1 Bath	50% AMI	6	2	714.29	\$1,002.00	\$6,012
Mix 2	1 BR - 1 Bath	60% AMI	6		714.29	\$750.00	\$4,500
Mix 3	2 BR - 2 Bath	40% AMI	7	2	985.47	\$530.00	\$3,710
Mix 4	2 BR - 2 Bath	50% AMI	12		985.47	\$1,144.00	\$13,728
Mix 5	2 BR - 2 Bath	60% AMI	7		985.47	\$900.00	\$6,300
Mix 6	2 BR - 2 Bath	60% AMI	6	1	992.19	\$900.00	\$5,400
Mix 7	3 BR - 2 Bath	50% AMI	6	1	1113.73	\$630.00	\$3,780
Mix 8	3 BR - 2 Bath	60% AMI	6	1	1113.73	\$1,433.00	\$8,598
Mix 9	3 BR - 2 Bath	60% AMI	6		1113.73	\$1,000.00	\$6,000
Mix 10							\$0
Mix 11							\$0
Mix 12							\$0
Mix 13							\$0
Mix 14							\$0
Mix 15							\$0

L. UNIT DETAILS

Mix 16							\$0
Mix 17							\$0
Mix 18							\$0
Mix 19							\$0
Mix 20							\$0
Mix 21							\$0
Mix 22							\$0
Mix 23							\$0
Mix 24							\$0
Mix 25							\$0
Mix 26							\$0
Mix 27							\$0
Mix 28							\$0
Mix 29							\$0
Mix 30							\$0
Mix 31							\$0
Mix 32							\$0
Mix 33							\$0
Mix 34							\$0
Mix 35							\$0
Mix 36							\$0
Mix 37							\$0
Mix 38							\$0
Mix 39							\$0
Mix 40							\$0
Mix 41							\$0
Mix 42							\$0
Mix 43							\$0
Mix 44							\$0
Mix 45							\$0
Mix 46							\$0
Mix 47							\$0
Mix 48							\$0
Mix 49							\$0
Mix 50							\$0
Mix 51							\$0
Mix 52							\$0
Mix 53							\$0
Mix 54							\$0
Mix 55							\$0
Mix 56							\$0
Mix 57							\$0
Mix 58							\$0
Mix 59							\$0
Mix 60							\$0
Mix 61							\$0
Mix 62							\$0
Mix 63							\$0
Mix 64							\$0
Mix 65							\$0
Mix 66							\$0
Mix 67							\$0
Mix 68							\$0
Mix 69							\$0
Mix 70							\$0
Mix 71							\$0

**L. UNIT DETAILS**

Mix 72							\$0
Mix 73							\$0
Mix 74							\$0
Mix 75							\$0
Mix 76							\$0
Mix 77							\$0
Mix 78							\$0
Mix 79							\$0
Mix 80							\$0
Mix 81							\$0
Mix 82							\$0
Mix 83							\$0
Mix 84							\$0
Mix 85							\$0
Mix 86							\$0
Mix 87							\$0
Mix 88							\$0
Mix 89							\$0
Mix 90							\$0
Mix 91							\$0
Mix 92							\$0
Mix 93							\$0
Mix 94							\$0
Mix 95							\$0
Mix 96							\$0
Mix 97							\$0
Mix 98							\$0
Mix 99							\$0
Mix 100							\$0
<b>TOTALS</b>			62	7			\$58,028

<b>Total Units</b>	<b>62</b>	<b>Net Rentable SF:</b>	<b>TC Units</b>	<b>60,193.98</b>
			<b>MKT Units</b>	<b>0.00</b>
			<b>Total NR SF:</b>	<b>60,193.98</b>

<b>Floor Space Fraction (to 7 decimals)</b>	<b>100.00000%</b>
---	-------------------

**M. OPERATING EXPENSES**

**Administrative:**

Use Whole Numbers Only!

1. Advertising/Marketing		\$500
2. Office Salaries		\$20,000
3. Office Supplies		\$5,000
4. Office/Model Apartment	(type _____ )	\$0
5. Management Fee		\$45,000
	<u>6.95%</u> of EGI <u>\$725.81</u> Per Unit	
6. Manager Salaries		\$75,000
7. Staff Unit (s)	(type _____ )	\$0
8. Legal		\$5,000
9. Auditing		\$0
## Bookkeeping/Accounting Fees		\$10,225
## Telephone & Answering Service		\$4,000
## Tax Credit Monitoring Fee		\$2,135
## Miscellaneous Administrative		\$12,500
<b>Total Administrative</b>		<b>\$179,360</b>

**Utilities**

## Fuel Oil		\$0
## Electricity		\$75,000
## Water		\$0
## Gas		\$0
## Sewer		\$30,000
<b>Total Utility</b>		<b>\$105,000</b>

**Operating:**

## Janitor/Cleaning Payroll		\$0
## Janitor/Cleaning Supplies		\$0
## Janitor/Cleaning Contract		\$0
## Exterminating		\$3,500
## Trash Removal		\$23,000
## Security Payroll/Contract		\$0
## Grounds Payroll		\$0
## Grounds Supplies		\$0
## Grounds Contract		\$0
## Maintenance/Repairs Payroll		\$75,000
## Repairs/Material		\$15,000
## Repairs Contract		\$30,000
## Elevator Maintenance/Contract		\$0
## Heating/Cooling Repairs & Maintenance		\$0
## Pool Maintenance/Contract/Staff		\$0
## Snow Removal		\$0
## Decorating/Payroll/Contract		\$0
## Decorating Supplies		\$0
## Miscellaneous		\$0
<b>Totals Operating &amp; Maintenance</b>		<b>\$146,500</b>

**M. OPERATING EXPENSES**

**Taxes & Insurance**

## Real Estate Taxes	\$15,000
## Payroll Taxes	\$0
## Miscellaneous Taxes/Licenses/Permits	\$0
## Property & Liability Insurance	\$8,500
## Fidelity Bond	\$0
## Workman's Compensation	\$0
## Health Insurance & Employee Benefits	\$0
## Other Insurance	\$0
<b>Total Taxes &amp; Insurance</b>	<b>\$23,500</b>

**Total Operating Expense** **\$454,360**

**Total Operating Expenses Per Unit** **\$7,328** **C. Total Operating Expenses as % of** **70.16%**

**Replacement Reserves** (Total # Units X \$300 or \$250 New Const. Elderly Mini **\$18,600**

<b>Total Expenses</b>	<b>\$472,960</b>
-----------------------	------------------

**ACTION:** Provide Documentation of Operating Budget at **Tab R** if applicable.



**N. PROJECT SCHEDULE**

ACTIVITY	ACTUAL OR ANTICIPATED DATE	NAME OF RESPONSIBLE PERSON
<b>1. SITE</b>		
a. Option/Contract	Complete	John Sales
b. Site Acquisition	1/16/21	John Sales
c. Zoning Approval	complete	John Sales
d. Site Plan Approval	complete	John Sales
<b>2. Financing</b>		
<b>a. Construction Loan</b>		
i. Loan Application	complete	John Sales
ii. Conditional Commitment	complete	John Sales
iii. Firm Commitment	complete	John Sales
<b>b. Permanent Loan - First Lien</b>		
i. Loan Application	complete	John Sales
ii. Conditional Commitment	complete	John Sales
iii. Firm Commitment	complete	John Sales
<b>c. Permanent Loan-Second Lien</b>		
i. Loan Application	complete	John Sales
ii. Conditional Commitment	complete	John Sales
iii. Firm Commitment	complete	John Sales
<b>d. Other Loans &amp; Grants</b>		
i. Type & Source, List		
ii. Application		
iii. Award/Commitment		
<b>2. Formation of Owner</b>	complete	John Sales
<b>3. IRS Approval of Nonprofit Status</b>	N/A	
<b>4. Closing and Transfer of Property to Owner</b>	1/16/21	John Sales
<b>5. Plans and Specifications, Working Drawings</b>	complete	John Sales
<b>6. Building Permit Issued by Local Government</b>	complete	John Sales
<b>7. Start Construction</b>	2/1/21	John Sales
<b>8. Begin Lease-up</b>	7/1/21	John Sales
<b>9. Complete Construction</b>	2/15/23	John Sales
<b>10. Complete Lease-Up</b>	4/15/23	John Sales
<b>11. Credit Placed in Service Date</b>	12/31/22	John Sales

**O. PROJECT BUDGET - HARD COSTS**

**Cost/Basis/Maximum Allowable Credit**

Complete cost column and basis column(s) as appropriate

Note: Attorney must opine, among other things, as to correctness of the inclusion of each cost item in eligible basis, type of credit and numerical calculations included in Project Budget.

Item	(A) Cost	Amount of Cost up to 100% Includable in Eligible Basis--Use Applicable Column(s):		
		"30% Present Value Credit"		(D)
		(B) Acquisition	(C) Rehab/ New Construction	"70 % Present Value Credit"
<b>1. Contractor Cost</b>				
a. Unit Structures (New)	9,662,376	0	0	9,662,376
b. Unit Structures (Rehab)	0	0	0	0
c. Non Residential Structures	0	0	0	0
d. Commercial Space Costs	0	0	0	0
e. Structured Parking Garage	0	0	0	0
<b>Total Structure</b>	<b>9,662,376</b>	<b>0</b>	<b>0</b>	<b>9,662,376</b>
f. Earthwork	0	0	0	0
g. Site Utilities	0	0	0	0
h. Roads & Walks	0	0	0	0
i. Site Improvements	1,835,411	0	0	1,835,411
j. Lawns & Planting	0	0	0	0
k. Engineering	0	0	0	0
l. Off-Site Improvements	0	0	0	0
m. Site Environmental Mitigation	0	0	0	0
n. Demolition	0	0	0	0
o. Site Work	0	0	0	0
p. Other Site work	0	0	0	0
<b>Total Land Improvements</b>	<b>1,835,411</b>	<b>0</b>	<b>0</b>	<b>1,835,411</b>
<b>Total Structure and Land</b>	<b>11,497,787</b>	<b>0</b>	<b>0</b>	<b>11,497,787</b>
q. General Requirements	829,614	0	0	829,614
r. Builder's Overhead ( 6.5% Contract)	742,414	0	0	742,414
s. Builder's Profit ( 0.0% Contract)	0	0	0	0
t. Bonds	131,160	0	0	131,160
u. Building Permits	0	0	0	0
v. Special Construction	0	0	0	0
w. Special Equipment	0	0	0	0
x. Other 1: <u>Bus License</u>	25,062	0	0	25,062
y. Other 2: <u>Liability Ins</u>	21,105	0	0	21,105
z. Other 3: <u>LD LoC</u>	4,918	0	0	4,918
<b>Contractor Costs</b>	<b>\$13,252,060</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,252,060</b>

**O. PROJECT BUDGET - OWNER COSTS**

**MUST USE WHOLE NUMBERS ONLY!**

Item	(A) Cost	Amount of Cost up to 100% Includable in Eligible Basis--Use Applicable Column(s):		
		"30% Present Value Credit"		(D)
		(B) Acquisition	(C) Rehab/ New Construction	"70 % Present Value Credit"
<b>2. Owner Costs</b>				
a. Building Permit	18,642	0	0	18,642
b. Architecture/Engineering Design Fee \$7,742 /Unit)	480,000	0	0	480,000
c. Architecture Supervision Fee \$0 /Unit)	0	0	0	0
d. Tap Fees	70,000	0	0	70,000
e. Environmental	10,000	0	0	10,000
f. Soil Borings	30,000	0	0	0
g. Green Building (Earthcraft, LEED, etc.)	25,000	0	0	25,000
h. Appraisal	10,000	0	0	10,000
i. Market Study	3,900	0	0	3,900
j. Site Engineering / Survey	10,000	0	0	10,000
k. Construction/Development Mgt	75,000	0	0	75,000
l. Structural/Mechanical Study	0	0	0	0
m. Construction Loan Origination Fee	57,500	0	0	57,500
n. Construction Interest ( 0.0% fo 0 months)	330,455	0	0	330,455
o. Taxes During Construction	13,000	0	0	13,000
p. Insurance During Construction	105,000	0	0	105,000
q. Permanent Loan Fee ( 0.0% )	40,000	0	0	40,000
r. Other Permanent Loan Fees	0	0	0	0
s. Letter of Credit	0	0	0	0
t. Cost Certification Fee	15,000	0	0	0
u. Accounting	0	0	0	0
v. Title and Recording	150,000	0	0	150,000
w. Legal Fees for Closing	180,000	0	0	20,000
x. Mortgage Banker	0	0	0	0
y. Tax Credit Fee	59,750			
z. Tenant Relocation	0	0	0	0
aa. Fixtures, Furnitures and Equipment	0	0	0	0
ab. Organization Costs	0	0	0	0
ac. Operating Reserve	317,179	0	0	0
ad. Contingency	600,000	0	0	600,000
ae. Security	0	0	0	0
af. Utilities	50,000	0	0	50,000

**O. PROJECT BUDGET - OWNER COSTS**

(1) Other* specify soft cost contingency	27,646	0	0	27,646
(2) Other* specify Leasing and Marketing	50,000	0	0	0
(3) Other* specify GC Cost Certification	10,000	0	0	10,000
(4) Other* specify Passive House	15,000	0	0	15,000
(5) Other* specify Syndication legal	65,000	0	0	0
(6) Other* specify PHIUS Cert	20,000	0	0	20,000
(7) Other* specify VSMP Permit	10,000	0	0	10,000
(8) Other* specify Traffic Design	10,500	0	0	10,500
(9) Other* specify Nutrient Credits	27,750	0	0	27,750
### Other* specify E&S fee and other related	46,622	0	0	46,622
Owner Costs Subtotal (Sum 2A..2(10))	\$2,932,944	\$0	\$0	\$2,236,015
<b>Subtotal 1 + 2</b> (Owner + Contractor Costs)	\$16,185,004	\$0	\$0	\$15,488,075
<b>3. Developer's Fees</b> Action: Provide Developer Fee Agreement (Tab A)	1,000,000	0	0	1,000,000
<b>4. Owner's Acquisition Costs</b> Land	1,100,000			
Existing Improvements	0	0		
Subtotal 4:	\$1,100,000	\$0		
<b>5. Total Development Costs</b> Subtotal 1+2+3+4:	\$18,285,004	\$0	\$0	\$16,488,075

If this application seeks rehab credits only, in which there is no acquisition and **no change in ownership**, enter the greater of appraised value or tax assessment value here:

(Provide documentation at Tab E)

\$0	Land
\$0	Building

**Maximum Developer Fee:** \$1,812,800

Proposed Development's Cost per Sq Foot	\$211	<b>Meets Limits</b>
Applicable Cost Limit by Square Foot:	\$238	

**2021 Low-Income Housing Tax Credit Application For Reservation**

**P. ELIGIBLE BASIS CALCULATION**

Item	(A) Cost	Amount of Cost up to 100% Includable in Eligible Basis--Use Applicable Column(s):		
		"30 % Present Value Credit"	(C) Rehab/ New Construction	(D) "70 % Present Value Credit"
		(B) Acquisition		
<b>1. Total Development Costs</b>	18,285,004	0	0	16,488,075

**2. Reductions in Eligible Basis**

a. Amount of federal grant(s) used to finance qualifying development costs	0	0	0
b. Amount of nonqualified, nonrecourse financing	0	0	0
c. Costs of nonqualifying units of higher quality (or excess portion thereof)	0	0	0
d. Historic Tax Credit (residential portion)	0	0	0

**3. Total Eligible Basis (1 - 2 above)**

0	0	16,488,075
---	---	------------

**4. Adjustment(s) to Eligible Basis (For non-acquisition costs in eligible basis)**

a. For QCT or DDA (Eligible Basis x 30%) <i>State Designated Basis Boosts:</i>	0	4,946,423
b. For Revitalization or Supportive Housing (Eligible Basis x 30%)	0	0
c. For Green Certification (Eligible Basis x 10%)		0

**Total Adjusted Eligible basis**

0	21,434,498
---	------------

**5. Applicable Fraction**

100.00000%	100.00000%	100.00000%
------------	------------	------------

**6. Total Qualified Basis**

(Eligible Basis x Applicable Fraction)

0	0	21,434,498
---	---	------------

**7. Applicable Percentage**

(Beginning in 2021, All Tax Exempt requests should use the standard 4% rate and all 9% requests should use the standard 9% rate.)

0.00%	9.00%	9.00%
-------	-------	-------

**8. Maximum Allowable Credit under IRC §42**

(Qualified Basis x Applicable Percentage)  
(Must be same as BIN total and equal to or less than credit amount allowed)

\$0	\$0	\$1,929,105
-----	-----	-------------

\$1,929,105 Combined 30% & 70% P. V. Credit
--

**Q. SOURCES OF FUNDS**

**Action:** Provide Documentation for all Funding Sources at **Tab T**

**1. Construction Financing:** List individually the sources of construction financing, including any such loans financed through grant sources:

	Source of Funds	Date of Application	Date of Commitment	Amount of Funds	Name of Contact Person
1.	Atlantic Union Bank	04/01/20	09/01/20	\$11,500,000	Joel Litchfield
2.					
3.					
Total Construction Funding:				\$11,500,000	

**2. Permanent Financing:** List individually the sources of all permanent financing in order of lien position:

	Source of Funds	Date of Application	Date of Commitment	Amount of Funds	Annual Debt Service Cost	Interest Rate of Loan	Amortization Period IN YEARS	Term of Loan (years)
				<i>(Whole Numbers only)</i>				
1.	VHDA SPARC			\$4,000,000	\$124,601	0.50%	35.00	35.00
2.	CCDC (VHDA Grant)			\$500,000				
3.	DHCD (Virginia Affordable Housing Trust Fund)			\$400,000	\$4,000	1.00%		
4.	DHCD (National Housing Trust Fund)			\$400,000	\$4,000	1.00%		
5.	CRHA (Value of Leasehold Interest)			\$1,100,000				
6.	CCDC (City of Charlottesville)			\$1,125,000				
7.	CCDC (Affordable Housing Opportunity Fund 1)			\$2,500,000				
8.	CRHA (FHLB)			\$500,000				
9.								
10.								
Total Permanent Funding:				\$10,525,000	\$132,601			

**3. Grants:** List all grants provided for the development:

	Source of Funds	Date of Application	Date of Commitment	Amount of Funds	Name of Contact Person
1.					
2.					
3.					
4.					
5.					
6.					

---

**Q. SOURCES OF FUNDS**

---

Total Permanent Grants:

\$0

**Q. SOURCES OF FUNDS**

**4. Subsidized Funding**

	Source of Funds	Date of Commitment	Amount of Funds
1.	CCDC (City of Charlottesville)		\$1,125,000
2.	CCDC (Affordable Housing Opportunity Fund 1)		\$2,500,000
3.	CRHA (Value of Leasehold Interest)		\$1,100,000
4.			
5.			
Total Subsidized Funding			\$4,725,000

**5. Recap of Federal, State, and Local Funds**

Portions of the sources of funds described above for the development are financed directly or indirectly with Federal, State, or Local Government Funds..... **TRUE**

If above is **True**, then list the amount of money involved by all appropriate types.

Below-Market Loans

a.	Tax Exempt Bonds	\$0
b.	RD 515	\$0
c.	Section 221(d)(3)	\$0
d.	Section 312	\$0
e.	Section 236	\$0
f.	VHDA SPARC/REACH	\$0
g.	HOME Funds	\$0
h.	Other:	\$0
i.	Other:	\$0

Market-Rate Loans

a.	Taxable Bonds	\$0
b.	Section 220	\$0
c.	Section 221(d)(3)	\$0
d.	Section 221(d)(4)	\$0
e.	Section 236	\$0
f.	Section 223(f)	\$0
g.	Other:	\$0

Grants\*

a.	CDBG	\$0
b.	UDAG	\$0

Grants

c.	State	
d.	Local	
e.	Other:	

\*This means grants to the partnership. If you received a loan financed by a locality which received one of the listed grants, please list it in the appropriate loan column as "other" and describe the applicable grant program which funded it.



**Q. SOURCES OF FUNDS**

**6. For Transactions Using Tax-Exempt Bonds Seeking 4% Credits:**

For purposes of the 50% Test, and based only on the data entered to this application, the portion of the aggregate basis of buildings and land financed with tax-exempt funds is: **N/A**

7. Some of the development's financing has credit enhancements..... **FALSE**

If **True**, list which financing and describe the credit enhancement:

[Empty yellow box for listing financing and credit enhancements]

**8. Other Subsidies** **Action:** Provide documentation (**Tab Q**)

a. **TRUE** Real Estate Tax Abatement on the increase in the value of the development.

b. **TRUE** **New** project based subsidy from HUD or Rural Development for the greater of 5 or 10% of the units in the development.

c. **FALSE** Other [Empty yellow box]

9. A HUD approval for transfer of physical asset is required..... **TRUE**

**R. EQUITY**

**1. Equity**

a. Portion of Syndication Proceeds Attributable to Historic Tax Credit

Amount of Federal historic credits	\$0	x Equity \$	\$0.000	=	\$0
Amount of Virginia historic credits	\$0	x Equity \$	\$0.000	=	\$0

b. Equity that Sponsor will Fund:

i. Cash Investment	\$0	
ii. Contributed Land/Building	\$0	
iii. Deferred Developer Fee	\$500,000	(Note: Deferred Developer Fee cannot be negative.)
iv. Other:	\$0	

**ACTION:** If Deferred Developer Fee is greater than 50% of overall Developer Fee, provide a cash flow statement showing payoff within 15 years at **TAB A**.

**Equity Total** \$500,000

**2. Equity Gap Calculation**

a. Total Development Cost	\$18,285,004
b. Total of Permanent Funding, Grants and Equity	- \$11,025,000
c. Equity Gap	\$7,260,004
d. Developer Equity	- \$726
e. Equity gap to be funded with low-income tax credit proceeds	\$7,259,278

**3. Syndication Information (If Applicable)**

a. Actual or Anticipated Name of Syndicator:	VCDC		
Contact Person:	Jeff Meyer	Phone:	(804) 543-2208
Street Address:	1840 W Broad Street, suite 200		
City:	Richmond	State:	
		Zip:	23220

b. Syndication Equity

i. Anticipated Annual Credits	\$825,000.00
ii. Equity Dollars Per Credit (e.g., \$0.85 per dollar of credit)	\$0.880
iii. Percent of ownership entity (e.g., 99% or 99.9%)	99.99000%
iv. Syndication costs not included in Total Development Costs (e.g., advisory fees)	\$0
v. Net credit amount anticipated by user of credits	\$824,918
vi. Total to be paid by anticipated users of credit (e.g., limited partners)	\$7,259,278

c. Syndication:	Select?
d. Investors:	Select?

**4. Net Syndication Amount**

Which will be used to pay for Total Development Costs \$7,259,278

**5. Net Equity Factor**

Must be equal to or greater than 85% 88.0000484897%

**S. DETERMINATION OF RESERVATION AMOUNT NEEDED**

The following calculation of the amount of credits needed is substantially the same as the calculation which will be made by Virginia Housing to determine, as required by the IRC, the amount of credits which may be allocated for the development. However, Virginia Housing at all times retains the right to substitute such information and assumptions as are determined by Virginia Housing to be reasonable for the information and assumptions provided herein as to costs (including development fees, profits, etc.), sources for funding, expected equity, etc. Accordingly, if the development is selected by Virginia Housing for a reservation of credits, the amount of such reservation may differ significantly from the amount you compute below.

1. Total Development Costs		<u>\$18,285,004</u>
2. Less Total of Permanent Funding, Grants and Equity	-	<u>\$11,025,000</u>
3. Equals Equity Gap		<u>\$7,260,004</u>
4. Divided by Net Equity Factor (Percent of 10-year credit expected to be raised as equity investment)		<u>88.0000484897%</u>
5. Equals Ten-Year Credit Amount Needed to Fund Gap		<u>\$8,250,000</u>
Divided by ten years		<u>10</u>
6. Equals Annual Tax Credit Required to Fund the Equity Gap		<u>\$825,000</u>
7. Maximum Allowable Credit Amount (from Eligible Basis Calculation)		<u>\$1,929,105</u>
8. Requested Credit Amount	For 30% PV Credit:	<u>\$0</u>
	For 70% PV Credit:	<u>\$825,000</u>
Credit per LI Units	<u>\$13,306.4516</u>	<b>Combined 30% &amp; 70% PV Credit Requested</b>
Credit per LI Bedroom	<u>\$6,346.1538</u>	

9. **Action:** Provide Attorney’s Opinion (**Mandatory Tab H**)

**T. CASH FLOW**

**1. Revenue**

Indicate the estimated monthly income for the **Low-Income Units** (based on Unit Details tab):

Total Monthly Rental Income for LIHTC Units	\$58,028
Plus Other Income Source (list): _____	\$0
Equals Total Monthly Income:	<u>\$58,028</u>
Twelve Months	x12
Equals Annual Gross Potential Income	<u>\$696,336</u>
Less Vacancy Allowance <span style="margin-left: 100px;">7.0%</span>	<u>\$48,744</u>
<b>Equals Annual Effective Gross Income (EGI) - Low Income Units</b>	<u><u>\$647,592</u></u>

**2. Indicate the estimated monthly income for the Market Rate Units** (based on Unit Details tab):

Total Monthly Income for Market Rate Units:	\$0
Plus Other Income Source (list): _____	\$0
Equals Total Monthly Income:	<u>\$0</u>
Twelve Months	x12
Equals Annual Gross Potential Income	<u>\$0</u>
Less Vacancy Allowance <span style="margin-left: 100px;">0.0%</span>	<u>\$0</u>
<b>Equals Annual Effective Gross Income (EGI) - Market Rate Units</b>	<u><u>\$0</u></u>

**Action:** Provide documentation in support of Operating Budget (**TAB R**)

**3. Cash Flow (First Year)**

a. Annual EGI Low-Income Units	<u>\$647,592</u>
b. Annual EGI Market Units	<u>\$0</u>
c. Total Effective Gross Income	<u>\$647,592</u>
d. Total Expenses	<u>\$472,960</u>
e. Net Operating Income	<u>\$174,632</u>
f. Total Annual Debt Service	<u>\$132,601</u>
g. Cash Flow Available for Distribution	<u>\$42,031</u>

**T. CASH FLOW**

**4. Projections for Financial Feasibility - 15 Year Projections of Cash Flow**

	Stabilized Year 1	Year 2	Year 3	Year 4	Year 5
<b>Eff. Gross Income</b>	647,592	660,544	673,755	687,230	700,975
<b>Less Oper. Expenses</b>	472,960	487,149	501,763	516,816	532,321
<b>Net Income</b>	174,632	173,396	171,992	170,414	168,654
<b>Less Debt Service</b>	132,601	132,601	132,601	132,601	132,601
<b>Cash Flow</b>	42,031	40,795	39,391	37,813	36,053
<b>Debt Coverage Ratio</b>	1.32	1.31	1.30	1.29	1.27

	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Eff. Gross Income</b>	714,994	729,294	743,880	758,758	773,933
<b>Less Oper. Expenses</b>	548,290	564,739	581,681	599,132	617,106
<b>Net Income</b>	166,704	164,555	162,199	159,626	156,827
<b>Less Debt Service</b>	132,601	132,601	132,601	132,601	132,601
<b>Cash Flow</b>	34,103	31,954	29,598	27,025	24,226
<b>Debt Coverage Ratio</b>	1.26	1.24	1.22	1.20	1.18

	Year 11	Year 12	Year 13	Year 14	Year 15
<b>Eff. Gross Income</b>	789,412	805,200	821,304	837,730	854,485
<b>Less Oper. Expenses</b>	635,619	654,687	674,328	694,558	715,394
<b>Net Income</b>	153,793	150,513	146,976	143,172	139,090
<b>Less Debt Service</b>	132,601	132,601	132,601	132,601	132,601
<b>Cash Flow</b>	21,192	17,912	14,375	10,571	6,489
<b>Debt Coverage Ratio</b>	1.16	1.14	1.11	1.08	1.05

Estimated Annual Percentage Increase in Revenue 2.00% (Must be  $\leq$  2%)  
 Estimated Annual Percentage Increase in Expenses 3.00% (Must be  $\geq$  3%)

**U. Building-by-Building Information**

**Must Complete**

<b>Number of BINS:</b>	3
------------------------	---

Qualified basis must be determined on a building-by building basis. Complete the section below. Building street addresses are required by the IRS (must have them by the time of allocation request).

**FOR YOUR CONVENIENCE, COPY AND PASTE IS ALLOWED WITHIN BUILDING GRID**

Bldg #	BIN if known	NUMBER OF		DO NOT use the CUT feature				30% Present Value Credit for Acquisition				30% Present Value Credit for Rehab / New Construction				70% Present Value Credit					
		TAX CREDIT UNITS	MARKET RATE UNITS					Estimate Qualified Basis	Actual or Anticipated In-Service Date	Applicable Percentage	Credit Amount	Estimate Qualified Basis	Actual or Anticipated In-Service Date	Applicable Percentage	Credit Amount	Estimate Qualified Basis	Actual or Anticipated In-Service Date	Applicable Percentage	Credit Amount		
		Street Address 1	Street Address 2	City	State	Zip															
1.	VA1915001	24		1054 South First Street		Charlottesville	VA	22902					\$0				\$0	\$6,946,054	12/31/22	9.00%	\$625,145
2.	VA1915002	27		1052 South First Street		Charlottesville	VA	22902					\$0				\$0	\$9,883,148	12/31/22	9.00%	\$889,483
3.	VA1915003	11		1050 South First Street		Charlottesville	VA	22902					\$0				\$0	\$4,605,296	12/31/22	9.00%	\$414,477
4.													\$0				\$0				\$0
5.													\$0				\$0				\$0
6.													\$0				\$0				\$0
7.													\$0				\$0				\$0
8.													\$0				\$0				\$0
9.													\$0				\$0				\$0
10.													\$0				\$0				\$0
11.													\$0				\$0				\$0
12.													\$0				\$0				\$0
13.													\$0				\$0				\$0
14.													\$0				\$0				\$0
15.													\$0				\$0				\$0
16.													\$0				\$0				\$0
17.													\$0				\$0				\$0
18.													\$0				\$0				\$0
19.													\$0				\$0				\$0
20.													\$0				\$0				\$0
21.													\$0				\$0				\$0
22.													\$0				\$0				\$0
23.													\$0				\$0				\$0
24.													\$0				\$0				\$0
25.													\$0				\$0				\$0
26.													\$0				\$0				\$0
27.													\$0				\$0				\$0
28.													\$0				\$0				\$0
29.													\$0				\$0				\$0
30.													\$0				\$0				\$0
31.													\$0				\$0				\$0
32.													\$0				\$0				\$0
33.													\$0				\$0				\$0
34.													\$0				\$0				\$0
35.													\$0				\$0				\$0

62 0

Totals from all buildings

\$0

\$0

\$21,434,498

\$0

\$0

\$1,929,105

Number of BINS: 3

**V. STATEMENT OF OWNER**

The undersigned hereby acknowledges the following:

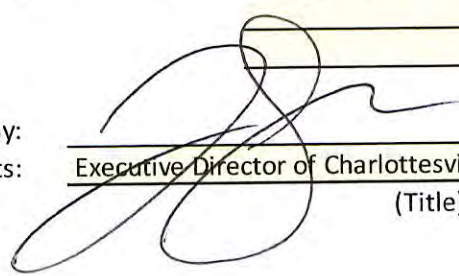
1. that, to the best of its knowledge and belief, all factual information provided herein or in connection herewith is true and correct, and all estimates are reasonable.
2. that it will at all times indemnify and hold harmless Virginia Housing and its assigns against all losses, costs, damages, Virginia Housing's expenses, and liabilities of any nature directly or indirectly resulting from, arising out of, or relating to Virginia Housing's acceptance, consideration, approval, or disapproval of this reservation request and the issuance or nonissuance of an allocation of credits, grants and/or loan funds in connection herewith.
3. that points will be assigned only for representations made herein for which satisfactory documentation is submitted herewith and that no revised representations may be made in connection with this application once the deadline for applications has passed.
4. that this application form, provided by Virginia Housing to applicants for tax credits, including all sections herein relative to basis, credit calculations, and determination of the amount of the credit necessary to make the development financially feasible, is provided only for the convenience of Virginia Housing in reviewing reservation requests; that completion hereof in no way guarantees eligibility for the credits or ensures that the amount of credits applied for has been computed in accordance with IRC requirements; and that any notations herein describing IRC requirements are offered only as general guides and not as legal authority.
5. that the undersigned is responsible for ensuring that the proposed development will be comprised of qualified low-income buildings and that it will in all respects satisfy all applicable requirements of federal tax law and any other requirements imposed upon it by Virginia Housing prior to allocation, should one be issued.
6. that the undersigned commits to providing first preference to members of targeted populations having state rental assistance and will not impose any eligibility requirements or lease terms for such individuals that are more restrictive than its standard requirements and terms, the terms of the MOU establishing the target population, or the eligibility requirements for the state rental assistance.
7. that, for the purposes of reviewing this application, Virginia Housing is entitled to rely upon representations of the undersigned as to the inclusion of costs in eligible basis and as to all of the figures and calculations relative to the determination of qualified basis for the development as a whole and/or each building therein individually as well as the amounts and types of credit applicable thereof, but that the issuance of a reservation based on such representation in no way warrants their correctness or compliance with IRC requirements.
8. that Virginia Housing may request or require changes in the information submitted herewith, may substitute its own figures which it deems reasonable for any or all figures provided herein by the undersigned and may reserve credits, if any, in an amount significantly different from the amount requested.
9. that reservations of credits are not transferable without prior written approval by Virginia Housing at its sole discretion.

V. STATEMENT OF OWNER

- 10. that the requirements for applying for the credits and the terms of any reservation or allocation thereof are subject to change at any time by federal or state law, federal, state or Virginia Housing regulations, or other binding authority.
- 11. that reservations may be made subject to certain conditions to be satisfied prior to allocation and shall in all cases be contingent upon the receipt of a nonrefundable application fee of \$1000 and a nonrefundable reservation fee equal to 7% of the annual credit amount reserved.
- 12. that a true, exact, and complete copy of this application, including all the supporting documentation enclosed herewith, has been provided to the tax attorney who has provided the required attorney's opinion accompanying this submission.
- 13. that the undersigned has provided a complete list of all residential real estate developments in which the general partner(s) has (have) or had a controlling ownership interest and, in the case of those projects allocated credits under Section 42 of the IRC, complete information on the status of compliance with Section 42 and an explanation of any noncompliance. The undersigned hereby authorizes the Housing Credit Agencies of states in which these projects are located to share compliance information with the Authority.
- 14. that any principal of undersigned has not participated in a planned foreclosure or Qualified Contract request in Virginia after January 1, 2019.
- 15. that undersigned waives the right to pursue a Qualified Contract on this development.
- 16. that the information in this application may be disseminated to others for purposes of verification or other purposes consistent with the Virginia Freedom of Information Act. However, all information will be maintained, used or disseminated in accordance with the Government Data Collection and Dissemination Practices Act. The undersigned may refuse to supply the information requested, however, such refusal will result in Virginia Housing's inability to process the application. The original or copy of this application may be retained by Virginia Housing, even if tax credits are not allocated to the undersigned.

In Witness Whereof, the undersigned, being authorized, has caused this document to be executed in its name on the date of this application set forth in DEV Info tab hereof.

Legal Name of Owner South First Phase One, LLC

By:  \_\_\_\_\_

Its: Executive Director of Charlottesville Redevelo  
(Title)

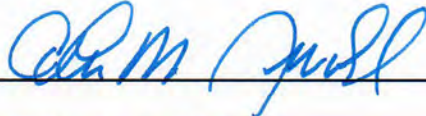


V. STATEMENT OF ARCHITECT

The architect signing this document is certifying that the development plans and specifications incorporate all Virginia Housing Minimum Design and Construction Requirements (MDCR), selected LIHTC enhancements and amenities, applicable building codes and accessibility requirements.

In Witness Whereof, the undersigned, being authorized, has caused this document to be executed in its name on the date of this application set forth in DEV Info tab hereof.

Legal Name of Architect:	<u>COLIN M ARNOLD</u>
Virginia License#:	<u>011337</u>
Architecture Firm or Company:	<u>ARNOLD DESIGN STUDIO</u>

By: 

Its: PRINCIPAL (Title)

Initials by Architect are also required on the following Tabs: Enhancement, Special Housing Needs and Unit Details

**W. LIHTC SELF SCORE SHEET**

**Self Scoring Process**

This Self Scoring Process is intended to provide you with an estimate of your application's score based on the information included within reservation application. Other items, denoted below in the yellow shaded cells, are typically evaluated by Virginia Housing's staff during the application review and feasibility process. For purposes of self scoring, we have made certain assumptions about your application. Edit the appropriate responses (Y or N) in the yellow shaded cells, if applicable. Item 5f requires a numeric value to be entered.

Please remember that this score is only an estimate. Virginia Housing reserves the right to change application data and/or score sheet responses where appropriate, which may change the final score.

**MANDATORY ITEMS:**

	Included		Score
a. Signed, completed application with attached tabs in PDF format	Y	Y or N	0
b. Active Excel copy of application	Y	Y or N	0
c. Partnership agreement	Y	Y or N	0
d. SCC Certification	Y	Y or N	0
e. Previous participation form	Y	Y or N	0
f. Site control document	Y	Y or N	0
g. RESNET Certification	Y	Y or N	0
h. Attorney's opinion	Y	Y or N	0
i. Nonprofit questionnaire (if applicable)	Y	Y, N, N/A	0
j. Appraisal	Y	Y or N	0
k. Zoning document	Y	Y or N	0
l. Universal Design Plans	Y	Y or N	0
m. List of LIHTC Developments (Schedule A)	Y	Y or N	0
<b>Total:</b>			<b>0.00</b>

**1. READINESS:**

a. Virginia Housing notification letter to CEO (via Locality Notification Information App)	Y	0 or -50	0.00
b. Local CEO Opposition Letter	N	0 or -25	0.00
c. Plan of development	Y	0 or 40	40.00
d. Location in a revitalization area based on Qualified Census Tract	N	0 or 10	0.00
e. Location in a revitalization area with resolution	Y	0 or 15	15.00
f. Location in a Opportunity Zone	N	0 or 15	0.00
<b>Total:</b>			<b>55.00</b>

**2. HOUSING NEEDS CHARACTERISTICS:**

a. Sec 8 or PHA waiting list preference	Y	0 or up to 5	2.02
b. Existing RD, HUD Section 8 or 236 program	N	0 or 20	0.00
c. Subsidized funding commitments	25.84%	Up to 40	40.00
d. Tax abatement on increase of property's value	Y	0 or 5	5.00
e. New project based rental subsidy (HUD or RD)	Y	0 or 10	10.00
f. Census tract with <12% poverty rate	0%	0, 20, 25 or 30	0.00
g. Development listed on the Rural Development Rehab Priority List	N	0 or 15	0.00
h. Dev. located in area with little or no increase in rent burdened population	N	Up to -20	0.00
i. Dev. located in area with increasing rent burdened population	Y	Up to 20	20.00
<b>Total:</b>			<b>77.02</b>

3. DEVELOPMENT CHARACTERISTICS:

a. Enhancements (See calculations below)			68.75
b. Project subsidies/HUD 504 accessibility for 5 or 10% of units	Y	0 or 60	60.00
or c. HCV Payment Standard/HUD 504 accessibility for 5 or 10% of units	N	0 or 30	0.00
d. HUD 504 accessibility for 5% of units	N	0 or 15	0.00
e. Proximity to public transportation (within Northern VA or Tidewater)	Y10	0, 10 or 20	10.00
f. Development will be Green Certified	Y	0 or 10	10.00
g. Units constructed to meet Virginia Housing's Universal Design standards	29%	Up to 15	4.35
h. Developments with less than 100 units	Y	up to 20	15.20
i. Historic Structure	N	0 or 5	0.00
Total:			168.30

4. TENANT POPULATION CHARACTERISTICS:

Locality AMI	State AMI
\$93,900	\$62,300

a. Less than or equal to 20% of units having 1 or less bedrooms	Y	0 or 15	15.00
b. <plus> Percent of Low Income units with 3 or more bedrooms	29.03%	Up to 15	15.00
c. Units with rent at or below 30% of AMI and are not subsidized (up to 10% of LI units)	0.00%	Up to 10	0.00
d. Units with rents at or below 40% of AMI (up to 10% of LI units)	11.29%	Up to 10	10.00
e. Units with rent and income at or below 50% of AMI	50.00%	Up to 50	50.00
f. Units with rents at or below 50% rented to tenants at or below 60% of AMI	50.00%	Up to 25	0.00
or g. Units in LI Jurisdictions with rents <= 50% rented to tenants with <= 60% of AMI	50.00%	Up to 50	0.00
Total:			90.00

5. SPONSOR CHARACTERISTICS:

a. Developer experience - 3 developments with 3 x units or 6 developments with 1 x units	N	0 or 50	0.00
or b. Developer experience - 3 developments and at least 500,000 in liquid assets	N	0 or 50	0.00
or c. Developer experience - 1 development with 1 x units	N	0 or 10	0.00
d. Developer experience - life threatening hazard	N	0 or -50	0.00
e. Developer experience - noncompliance	N	0 or -15	0.00
f. Developer experience - did not build as represented	0	0 or -2x	0.00
g. Developer experience - failure to provide minimum building requirements	N	0 or -20	0.00
h. Developer experience - termination of credits by Virginia Housing	N	0 or -10	0.00
i. Developer experience - exceeds cost limits at certification	N	0 or -50	0.00
j. Management company rated unsatisfactory	N	0 or -25	0.00
Total:			0.00

6. EFFICIENT USE OF RESOURCES:

a. Credit per unit		Up to 200	93.37
b. Cost per unit		Up to 100	5.23
Total:			98.60

7. BONUS POINTS:

a. Extended compliance	0 Years	40 or 50	0.00
or b. Nonprofit or LHA purchase option	Y	0 or 60	60.00
or c. Nonprofit or LHA Home Ownership option	N	0 or 5	0.00
d. Combined 9% and 4% Tax Exempt Bond Site Plan	N	Up to 45	0.00
e. RAD or PHA Conversion participation and competing in Local Housing Authority pool	Y	0 or 10	10.00

	Total:	<u>70.00</u>
425 Point Threshold - all 9% Tax Credits	<b>TOTAL SCORE:</b>	<u><b>558.92</b></u>
325 Point Threshold - Tax Exempt Bonds		

**Enhancements:**

All units have:	Max Pts	Score
a. Community Room	5	5.00
b. Exterior walls constructed with brick and other low maintenance material	25	23.75
c. Sub metered water expense	5	5.00
d. Watersense labeled faucets, toilets and showerheads	3	0.00
e. Infrastructure for high speed internet/broadband	1	1.00
f. Free WiFi Access in community room	4	4.00
g. Each unit provided free individual high speed internet access	6	0.00
h. Each unit provided free individual WiFi	8	8.00
i. Bath Fan - Delayed timer or continuous exhaust	3	3.00
j. Baths equipped with humidistat	3	0.00
k. Cooking Surfaces equipped with fire prevention features	4	0.00
l. Cooking surfaces equipped with fire suppression features	2	2.00
m. Rehab only: dedicated space to accept permanent dehumidification system	2	0.00
n. Provides Permanently installed dehumidification system	5	5.00
o. All interior doors within units are solid core	3	3.00
p. USB in kitchen, living room and all bedrooms	1	1.00
q. LED Kitchen Light Fixtures	2	2.00
r. Shelf or Ledge at entrance within interior hallway	2	2.00
s. New Construction: Balcony or patio	4	4.00
		<u>68.75</u>
All elderly units have:		
t. Front-control ranges	1	0.00
u. Independent/suppl. heat source	1	0.00
v. Two eye viewers	1	0.00
		<u>0.00</u>
<b>Total amenities:</b>		<b><u>68.75</u></b>

X. Development Summary

Summary Information 2021 Low-Income Housing Tax Credit Application For Reservation

Deal Name: South First Phase One

Cycle Type: 9% Tax Credits Requested Credit Amount: \$825,000  
 Allocation Type: New Construction Jurisdiction: Charlottesville City  
 Total Units: 62 Population Target: General  
 Total LI Units: 62  
 Project Gross Sq Ft: 81,577.61 Owner Contact: John Sales  
 Green Certified? TRUE

**Total Score**  
553.92

Source of Funds	Amount	Per Unit	Per Sq Ft	Annual Debt Service
Permanent Financing	\$10,525,000	\$169,758	\$129	\$132,601

Uses of Funds - Actual Costs				
Type of Uses	Amount	Per Unit	Sq Ft	% of TDC
Improvements	\$11,497,787	\$185,448	\$141	62.88%
General Req/Overhead/Profit	\$1,572,028	\$25,355	\$19	8.60%
Other Contract Costs	\$182,245	\$2,939	\$2	1.00%
Owner Costs	\$2,932,944	\$47,306	\$36	16.04%
Acquisition	\$1,100,000	\$17,742	\$13	6.02%
Developer Fee	\$1,000,000	\$16,129	\$12	5.47%
<b>Total Uses</b>	<b>\$18,285,004</b>	<b>\$294,919</b>		

Total Development Costs	
Total Improvements	\$16,185,004
Land Acquisition	\$1,100,000
Developer Fee	\$1,000,000
<b>Total Development Costs</b>	<b>\$18,285,004</b>

Income	
Gross Potential Income - LI Units	\$696,336
Gross Potential Income - Mkt Unit:	\$0
Subtotal	\$696,336
Less Vacancy %	7.00%
	\$48,744
<b>Effective Gross Income</b>	<b>\$647,592</b>

Proposed Cost Limit/Sq Ft: \$211  
 Applicable Cost Limit/Sq Ft: \$238

Rental Assistance? TRUE

Unit Breakdown	
Supp Hsg	0
# of Eff	0
# of 1BR	12
# of 2BR	32
# of 3BR	18
# of 4+ BR	0
<b>Total Units</b>	<b>62</b>

Expenses		
Category	Total	Per Unit
Administrative	\$179,360	\$2,893
Utilities	\$105,000	\$1,694
Operating & Maintenance	\$146,500	\$2,363
Taxes & Insurance	\$23,500	\$379
<b>Total Operating Expenses</b>	<b>\$454,360</b>	<b>\$7,328</b>
Replacement Reserves	\$18,600	\$300
<b>Total Expenses</b>	<b>\$472,960</b>	<b>\$7,628</b>

	Income Levels	Rent Levels
	# of Units	# of Units
<=30% AMI	0	0
40% AMI	0	7
50% AMI	31	24
60% AMI	31	31
>60% AMI	0	0
<b>Market</b>	<b>0</b>	<b>0</b>

Cash Flow	
EGI	\$647,592
Total Expenses	\$472,960
<b>Net Income</b>	<b>\$174,632</b>
Debt Service	\$132,601
<b>Debt Coverage Ratio (YR1):</b>	<b>1.32</b>

Income Averaging? TRUE

Extended Use Restriction? 30

## 2021 Low-Income Housing Tax Credit Application For Reservation

---

Virginia Housing is running a BETA test of new EUR calculations that will be considered for implementation in 2022. These points are only a test and will not be used for scoring purposes in 2021. Please contact [taxcreditapps@virginiahousing.com](mailto:taxcreditapps@virginiahousing.com) with questions or

### Credit Points:

If the Combined Max Allowable is \$500,000 and the annual credit requested is \$200,000, you are providing a 60% savings for the program. This deal would receive all 200 credit points.

For another example, the annual credit requested is \$300,000 or a 40% savings for the program. Using a sliding scale, the credit points would be calculated by the difference between your savings and the desired 60% savings. Your savings divided by the goal of 60% times the max points of 200. In this example,  $(40\%/60\%) \times 200$  or 133.33 points.

<b>Using Current E-U-R method (up to 200)</b>		93.37
<b>Using proposed method:</b>		
Combined Max	\$1,929,105	
Credit Requested	\$825,000	
% of Savings	57.23%	
Sliding Scale Points		190.77
<i>Difference</i>		97.40

### Cost Points:

If the Applicable Cost by Square foot is \$238 and the deal's Proposed Cost by Square Foot was \$119, you are saving 50% of the applicable cost. This deal would receive all 100 credit points.

For another example, the Applicable Cost by SqFt is \$238 and the deal's Proposed Cost is \$153.04 or a savings of 35.70%. Using a sliding scale, your points would be calculated by the difference between your savings and the desired 50% savings. Your savings divided by the goal of 50% times the max points 100. In this example,  $(35.7\%/50\%) \times 100$  or 71.40 points.

<b>Using Current E-U-R method (up to 100)</b>		5.23
<b>Using proposed method:</b>		
Total Costs Less Acquisition	\$17,185,004	
Total Square Feet	81,577.61	
Proposed Cost per SqFt	\$210.66	
Applicable Cost Limit per Sq Ft	\$238.00	
% of Savings	11.49%	
Sliding Scale Points		22.98
<i>Difference</i>		17.75

\$/SF = **\$247.29** Credits/SF = **12.1452** Const \$/unit = **\$213,742.9032**

TYPE OF PROJECT GENERAL = 11000; ELDERLY = 12000  
 LOCATION Inner-NVA=100; Outer-NV=200; NWN=300; Rich=400; Tid=500; Balance=600  
 TYPE OF CONSTRUCTION N C=1; ADPT=2; REHAB(35,000+)=3; REHAB \* (15,000-35,000)=4

**11000**  
**300**  
**1**

In  
 Nova  
**300**  
**1**

\*REHABS LOCATED IN BELTWAY (\$15,000-\$50,000) See Below

	GENERAL		Elderly				
	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
AVG UNIT SIZE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NUMBER OF UNITS	0	0	0	0	0	0	0
PARAMETER-(COSTS=>35,000)	0	0	0	0	0	0	0
PARAMETER-(COSTS<35,000)	0	0	0	0	0	0	0
PARAMETER-(COSTS=>50,000)	0	0	0	0	0	0	0
PARAMETER-(COSTS<50,000)	0	0	0	0	0	0	0
COST PARAMETER	0	0	0	0	0	0	0
PROJECT COST PER UNIT	0	0	0	0	0	0	0
PARAMETER-(CREDITS=>35,000)	0	0	0	0	0	0	0
PARAMETER-(CREDITS<35,000)	0	0	0	0	0	0	0
PARAMETER-(CREDITS=>50,000)	0	0	0	0	0	0	0
PARAMETER-(CREDITS<50,000)	0	0	0	0	0	0	0
CREDIT PARAMETER	0	0	0	0	0	0	0
PROJECT CREDIT PER UNIT	0	0	0	0	0	0	0
COST PER UNIT POINTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CREDIT PER UNIT POINTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00

	GENERAL							
	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
AVG UNIT SIZE	0.00	825.75	1,113.23	1,244.21	0.00	0.00	0.00	0.00
NUMBER OF UNITS	0	12	32	18	0	0	0	0
PARAMETER-(COSTS=>35,000)	0	214,313	285,750	335,756	0	0	0	0
PARAMETER-(COSTS<35,000)	0	0	0	0	0	0	0	0
PARAMETER-(COSTS=>50,000)	0	214,313	285,750	335,756	0	0	0	0
PARAMETER-(COSTS<50,000)	0	0	0	0	0	0	0	0
COST PARAMETER	0	214,313	285,750	335,756	0	0	0	0
PROJECT COST PER UNIT	0	204,198	275,288	307,678	0	0	0	0
PARAMETER-(CREDITS=>35,000)	0	19,557	25,043	28,262	0	0	0	0
PARAMETER-(CREDITS<35,000)	0	0	0	0	0	0	0	0
PARAMETER-(CREDITS=>50,000)	0	19,557	25,043	28,262	0	0	0	0
PARAMETER-(CREDITS<50,000)	0	0	0	0	0	0	0	0
CREDIT PARAMETER	0	19,557	25,043	28,262	0	0	0	0
PROJECT CREDIT PER UNIT	0	10,029	13,520	15,111	0	0	0	0
COST PER UNIT POINTS	0.00	0.91	1.89	2.43	0.00	0.00	0.00	0.00
CREDIT PER UNIT POINTS	0.00	18.86	47.50	27.02	0.00	0.00	0.00	0.00

TOTAL COST PER UNIT POINTS **5.23**

TOTAL CREDIT PER UNIT POINTS **93.37**



**Cost Parameters - Elderly**

	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
Standard Cost Parameter - low rise	0	0	0	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Credit Parameters - Elderly**

	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
Standard Credit Parameter - low rise	0	0	0	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0
<b>Adjusted Credit Parameter</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Cost Parameters - General**

	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
Standard Parameter - low rise	0	214,313	285,750	335,756	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>214,313</b>	<b>285,750</b>	<b>335,756</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Credit Parameters - General**

	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
Standard Credit Parameter - low rise	0	19,557	25,043	28,262	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0	0
<b>Adjusted Credit Parameter</b>	<b>0</b>	<b>19,557</b>	<b>25,043</b>	<b>28,262</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Northern Virginia Beltway** (Rehab costs \$15,000-\$50,000)

**Cost Parameters - Elderly**

	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
Standard Cost Parameter - low rise	0	0	0	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Credit Parameters - Elderly**

	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
Standard Cost Parameter - low rise	0	0	0	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Cost Parameters - General**

	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
Standard Cost Parameter - low rise	0	214,313	285,750	335,756	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>214,313</b>	<b>285,750</b>	<b>335,756</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Credit Parameters - General**

	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
Standard Cost Parameter - low rise	0	19,557	25,043	28,262	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>19,557</b>	<b>25,043</b>	<b>28,262</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\$/SF = **\$247.29** Credits/SF = **12.1452** Const \$/unit = **\$213,742.90**

TYPE OF PROJECT: GENERAL = 11000; ELDERLY = 12000  
 LOCATION: Inner-NVA=100; Outer-NV=200; NWN=300; Rich=400; Tid=500; Balance=600  
 TYPE OF CONSTRUCTION: N C=1; ADPT=2; REHAB(35,000+)=3; REHAB (10,000-35,000)=4

**11000**  
**300**  
**1**

**300**  
**1**

\*REHABS LOCATED IN BELTWAY (\$10,000-\$50,000) See Below

	GENERAL		Elderly				
	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
AVG UNIT SIZE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NUMBER OF UNITS	0	0	0	0	0	0	0
PARAMETER-(COSTS=>35,000)	0	0	0	0	0	0	0
PARAMETER-(COSTS<35,000)	0	0	0	0	0	0	0
PARAMETER-(COSTS=>50,000)	0	0	0	0	0	0	0
PARAMETER-(COSTS<50,000)	0	0	0	0	0	0	0
COST PARAMETER	0	0	0	0	0	0	0
PROJECT COST PER UNIT	0	0	0	0	0	0	0
PARAMETER-(CREDITS=>35,000)	0	0	0	0	0	0	0
PARAMETER-(CREDITS<35,000)	0	0	0	0	0	0	0
PARAMETER-(CREDITS=>50,000)	0	0	0	0	0	0	0
PARAMETER-(CREDITS<50,000)	0	0	0	0	0	0	0
CREDIT PARAMETER	0	0	0	0	0	0	0
PROJECT CREDIT PER UNIT	0	0	0	0	0	0	0
<b>COST PER UNIT POINTS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>CREDIT PER UNIT POINTS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

	GENERAL							
	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
AVG UNIT SIZE	0.00	825.75	1,113.23	1,244.21	0.00	0.00	0.00	0.00
NUMBER OF UNITS	0	12	32	18	0	0	0	0
PARAMETER-(COSTS=>35,000)	0	214,313	285,750	335,756	0	0	0	0
PARAMETER-(COSTS<35,000)	0	0	0	0	0	0	0	0
PARAMETER-(COSTS=>50,000)	0	214,313	285,750	335,756	0	0	0	0
PARAMETER-(COSTS<50,000)	0	0	0	0	0	0	0	0
COST PARAMETER	0	214,313	285,750	335,756	0	0	0	0
PROJECT COST PER UNIT	0	204,198	275,288	307,678	0	0	0	0
PARAMETER-(CREDITS=>35,000)	0	19,557	25,043	28,262	0	0	0	0
PARAMETER-(CREDITS<35,000)	0	0	0	0	0	0	0	0
PARAMETER-(CREDITS=>50,000)	0	19,557	25,043	28,262	0	0	0	0
PARAMETER-(CREDITS<50,000)	0	0	0	0	0	0	0	0
CREDIT PARAMETER	0	19,557	25,043	28,262	0	0	0	0
PROJECT CREDIT PER UNIT	0	10,029	13,520	15,111	0	0	0	0
<b>COST PER UNIT POINTS</b>	<b>0.00</b>	<b>0.91</b>	<b>1.89</b>	<b>2.43</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>CREDIT PER UNIT POINTS</b>	<b>0.00</b>	<b>18.86</b>	<b>47.50</b>	<b>27.02</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

TOTAL COST PER UNIT POINTS **5.23**

TOTAL CREDIT PER UNIT POINTS **93.37**

**Cost Parameters - Elderly**

	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
Standard Cost Parameter - low rise	0	0	0	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Credit Parameters - Elderly**

	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
Standard Credit Parameter - low rise	0	0	0	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0
<b>Adjusted Credit Parameter</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Cost Parameters - General**

	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
Standard Parameter - low rise	0	214,313	285,750	335,756	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>214,313</b>	<b>285,750</b>	<b>335,756</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Credit Parameters - General**

	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
Standard Credit Parameter - low rise	0	19,557	25,043	28,262	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0	0
<b>Adjusted Credit Parameter</b>	<b>0</b>	<b>19,557</b>	<b>25,043</b>	<b>28,262</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Northern Virginia Beltway** (Rehab costs \$10,000-\$50,000)

**Cost Parameters - Elderly**

	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
Standard Cost Parameter - low rise	0	0	0	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Credit Parameters - Elderly**

	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
Standard Cost Parameter - low rise	0	0	0	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Cost Parameters - General**

	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
Standard Cost Parameter - low rise	0	214,313	285,750	335,756	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>214,313</b>	<b>285,750</b>	<b>335,756</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Credit Parameters - General**

	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
Standard Cost Parameter - low rise	0	19,557	25,043	28,262	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0	0
<b>Adjusted Cost Parameter</b>	<b>0</b>	<b>19,557</b>	<b>25,043</b>	<b>28,262</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

A

# Partnership or Operating Agreement

Including **chart of ownership structure with percentage of interests** and **draft developer fee agreement**  
(MANDATORY)

**EXECUTION COPY**

**SOUTH FIRST PHASE ONE, LLC  
A VIRGINIA LIMITED LIABILITY COMPANY**

**SECOND AMENDED AND RESTATED OPERATING AGREEMENT**

January 8, 2021

THE MEMBERSHIP INTERESTS EVIDENCED BY THIS SECOND AMENDED AND RESTATED OPERATING AGREEMENT (THE "AGREEMENT") HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR PURSUANT TO APPLICABLE STATE SECURITIES LAWS ("BLUE SKY LAWS"). ACCORDINGLY, THE MEMBERSHIP INTERESTS CANNOT BE RESOLD OR TRANSFERRED BY ANY PURCHASER THEREOF WITHOUT REGISTRATION OF THE SAME UNDER THE ACT AND THE BLUE-SKY LAWS OF SUCH STATE(S) AS MAY BE APPLICABLE, OR IN A TRANSACTION WHICH IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND THE BLUE-SKY LAWS OR WHICH IS OTHERWISE IN COMPLIANCE THEREWITH. IN ADDITION, THE SALE OR TRANSFER OF SUCH MEMBERSHIP INTERESTS IS SUBJECT TO CERTAIN RESTRICTIONS SET FORTH IN THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, THE RESTRICTIONS SET FORTH IN ARTICLE IX HEREOF.

#247606.10

## TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I CONTINUATION OF COMPANY .....	2
1.01 Continuation .....	2
1.02 Name .....	2
1.03 Principal Place of Business .....	2
1.04 Agent for Service of Process .....	2
1.05 Intentionally Deleted .....	2
1.06 Term .....	2
1.07 Recording of Articles .....	2
ARTICLE II DEFINED TERMS .....	2
ARTICLE III PURPOSE AND BUSINESS OF THE COMPANY .....	18
3.01 Purpose of the Company .....	18
3.02 Authority of the Company .....	18
ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS; DUTIES AND OBLIGATIONS .....	19
4.01 Representations, Warranties and Covenants Relating to the Project and the Company .....	19
4.02 Duties and Obligations Relating to the Project and the Company .....	28
4.03 Single Purpose Entity .....	33
4.04 Investor Member Representations .....	33
ARTICLE V MEMBERS, COMPANY INTERESTS AND OBLIGATIONS OF THE COMPANY .....	34
5.01 Members; Capital Contributions; Company Interests .....	34
5.02 Return of Capital Contribution .....	45
5.03 Withholding of Capital Contribution Upon Default .....	45
5.04 Legal Opinions .....	46
5.05 Repurchase Obligation .....	47
5.06 Guaranteed Payments .....	48
5.07 Member Loans .....	48
ARTICLE VI CHANGES IN MANAGING MEMBERS .....	49
6.01 Withdrawal of the Managing Member .....	49
6.02 Admission of a Successor or Additional Managing Member .....	49
6.03 Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetence of a Managing Member .....	51
6.04 Restrictions on Transfer of Managing Member's Interests .....	52
6.05 Removal of the Managing Member .....	52
ARTICLE VII ASSIGNMENT TO THE COMPANY .....	56
ARTICLE VIII RIGHTS, OBLIGATIONS AND POWERS OF THE MANAGING MEMBER .....	56
8.01 Management of the Company .....	56
8.02 Limitations Upon the Authority of the Managing Member .....	57
8.03 Sale of Project .....	60

8.04	Management Purposes.....	61
8.05	Delegation of Authority.....	61
8.06	Managing Member or Affiliates Dealing with Company .....	61
8.07	Other Activities .....	61
8.08	Liability for Acts and Omissions.....	62
8.09	Indemnification of Limited Partner and the Partnership .....	62
8.10	Net Worth of Managing Member .....	62
8.11	Construction of the Project, Construction Cost Overruns, Operating Deficits; Other Managing Member Guarantees .....	63
8.13	Intentionally Omitted .....	66
8.14	Withholding of Fee Payments .....	66
8.15	Selection of Management Agent; Terms of Management Agreement.....	67
8.16	Removal of the Management Agent.....	67
8.17	Replacement of the Management Agent .....	68
8.18	Loans to the Company.....	68
8.19	Affiliate Guaranty.....	68
8.20	Intentionally Deleted .....	68
8.21	Accounting Fee.....	69
8.22	Public Relations.....	69
ARTICLE IX TRANSFERS AND RESTRICTIONS ON TRANSFERS OF INTERESTS OF INVESTOR MEMBER .....		69
9.01	Restrictions on Transfer of Investor Members' Interests.....	69
9.02	Admission of Substitute Investor Members .....	69
9.03	Rights of Assignee of Partnership Interest .....	70
ARTICLE X RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS.....		71
10.01	Management of the Company .....	71
10.02	Limitation on Liability of Investor Members.....	71
10.03	Other Activities .....	71
ARTICLE XI PROFITS, LOSSES AND DISTRIBUTIONS .....		71
11.01	Allocation of Profits and Losses Other Than From Capital Transactions .....	71
11.02	Allocation of Profits and Losses from Capital Transactions.....	72
11.03	Distributions: Net Cash Flow .....	73
11.04	Distributions: Capital Transactions and Liquidation of Company.....	74
11.05	Distributions and Allocations: General Provisions .....	75
11.06	Capital Accounts .....	76
11.07	Special Allocations.....	77
11.08	Designation of Partnership Representative .....	80
11.09	Authority of Partnership Representative .....	81
11.10	Expenses of Partnership Representative.....	83
ARTICLE XII SALE, DISSOLUTION AND LIQUIDATION.....		84
12.01	Dissolution of the Company.....	84
12.02	Winding Up and Distribution.....	84
ARTICLE XIII BOOKS AND RECORDS, ACCOUNTING, TAX ELECTIONS, ETC.....		85
13.01	Books of Account.....	85

13.02	Financial Reports.....	86
13.03	Budgets and General Disclosure .....	86
13.04	Tax Information.....	88
13.05	Selection of Accountants.....	88
13.06	Section 754 Elections .....	88
13.07	Fiscal Year and Accounting Method.....	88
13.08	Late Report Penalties.....	88
	ARTICLE XIV AMENDMENTS .....	89
14.01	Proposal and Adoption of Amendments .....	89
	ARTICLE XV CONSENTS, VOTING AND MEETINGS.....	89
15.01	Method of Giving Consent.....	89
15.02	Submissions to Investor Members .....	89
15.03	Meetings: Submission of Matter for Voting.....	89
	ARTICLE XVI GENERAL PROVISIONS .....	89
16.01	Burden and Benefit.....	90
16.02	Applicable Law .....	90
16.03	Counterparts .....	90
16.04	Separability of Provisions .....	90
16.05	Entire Agreement .....	90
16.06	Liability of the Investor Member .....	90
16.07	Environmental Protection.....	90
16.08	Notices.....	92
16.09	Headings.....	94
16.10.	Pronouns and Plurals .....	94
16.11.	VH Mortgage Requirements .....	94
16.12.	Applicable Public Housing Requirements .....	94



**SOUTH FIRST PHASE ONE, LLC  
A VIRGINIA LIMITED LIABILITY COMPANY**

**SECOND AMENDED AND RESTATED OPERATING AGREEMENT**

THIS SECOND AMENDED AND RESTATED OPERATING AGREEMENT is made and entered into as of January 8, 2021, by and among South First Phase One Management, LLC, a Virginia limited liability company (the “Managing Member”), Housing Equity Fund of Virginia XXIII, L.L.C., a limited liability company formed under the laws of the Commonwealth of Virginia (the “Investor Member”) and VAHM, L.L.C., a Virginia limited liability company (the “Special Member”).

WHEREAS, on January 15, 2019, Articles of Organization were filed for South First Phase One, LLC (the “Company”) with the Virginia State Corporation Commission, and the Company thereby came into existence pursuant to the provisions of the Virginia limited liability company act (the “Act”).

WHEREAS, the Members previously executed an Amended and Restated Operating Agreement of the Company dated as of December 23, 2019 (the “Original Agreement”);

WHEREAS, the Managing Member, the Special Member and the Investor Member wish to continue the Company pursuant to the Act by further amending and restating the Original Agreement in its entirety;

WHEREAS, the Company has been formed to ground lease, develop, construct, own, maintain and operate 62-unit apartment complex located in Charlottesville, Virginia known as South First Phase One (the “Project”); and

WHEREAS, the parties hereto now desire to enter into this Second Amended and Restated Operating Agreement to (i) continue the Company under the Act; and (ii) set forth all of the provisions governing the Company.

NOW, THEREFORE, in consideration of the foregoing, of mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereby agree to continue the Company pursuant to the Act, as set forth in this Second Amended and Restated Operating Agreement, which reads in its entirety as follows:

ARTICLE I  
CONTINUATION OF COMPANY

1.01 Continuation. The undersigned hereby continue the Company as a limited liability company under the Act.

1.02 Name. The name of the Company is South First Phase One, LLC

1.03 Principal Place of Business. The principal place of business of the Company shall be 1000 South First Street, Charlottesville, Virginia 22902. The Company may change the location of its principal place of business to such other place or places within the Commonwealth of Virginia as may hereafter be determined by the Managing Member. The Managing Member shall promptly notify all other Members of any change in the principal place of business. The Company may maintain such other offices at such other place or places as the Managing Member may from time to time deem advisable.

1.04 Agent for Service of Process. The name of the Agent for service of process is Philip Goodpasture, who is a resident of Virginia and a member of the Virginia State Bar, and whose address is 200 South 10<sup>th</sup> Street, Richmond, Virginia 23219.

1.05 Intentionally Deleted.

1.06 Term. The term of the Company commenced as of the date of the filing of the Certificate with the Secretary of the Commonwealth of Virginia, and shall continue in perpetuity, unless the Company is sooner dissolved in accordance with the provisions of this Agreement.

1.07 Recording of Certificate. The Managing Member shall take all necessary action required by law to perfect and maintain the Company as a limited liability company under the laws of the State and shall register the Company under any assumed or fictitious name statute or similar law in force and effect in the Commonwealth of Virginia.

ARTICLE II  
DEFINED TERMS

In addition to the terms defined in the preamble to this Agreement, the following terms used in this Agreement shall have the meanings specified below:

“ACC” means the Consolidated Annual Contributions Contract, between HUD and the CRHA, as amended from time to time, including without limitation by that certain Mixed-Finance Amendment to the Consolidated Annual Contributions Contract Amendment Number 2020-003 executed by the CRHA and HUD with respect to 13 units in the Project.

“Accountants” means Dooley & Vicars or such other firm of independent certified public accountants as may be engaged by the Managing Member, with the Consent of the Investor Member, to prepare financial statements and provide other services to the Company. Dooley & Vicars (or other independent accountants approved by the Investor Member) shall also review and execute all tax returns for the Company.

“Accounting Fee” shall have the meaning set forth in Section 8.21.

“Act” means the Virginia Limited Liability Company Act, as may be amended from time to time during the term of the Company.

“Actual Credit” means as of any point in time, the total amount of the LIHTC allocated by the Company to the Investor Member, representing ninety-nine and ninety-nine hundredths percent (99.99%) of the aggregate LIHTC reported and claimed by the Company and its Members on their respective federal information and income tax returns, and not disallowed by any taxing authority.

“Adjusted Capital Account Deficit” means, with respect to any Member, the deficit balance, if any, in such Member’s Capital Account as of the end of the relevant fiscal period after giving effect to the following adjustments: (a) the credit to such Capital Account of any amounts which such Member is obligated to restore under this Agreement or is deemed to be obligated to restore pursuant to either (i) the penultimate sentences of Treas. Reg. §1.704-2(g)(1) and Treas. Reg. §1.704-2(i)(5), or (ii) amounts that the Member is treated as obligated to restore under Treas. Reg. §1.704-1(b)(2)(ii)(c); and (b) the debit to such Capital Account of the amounts described in Treas. Reg. §1.704-1(b)(2)(ii)(d)(4), (5) and (6). The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treas. Reg. §1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

“Affiliate” of a specified Person means (i) any Person directly or indirectly controlling, controlled by or under common control with the Person specified, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities or beneficial interests of the Person specified, (iii) any officer, director, partner, trustee or member of the immediate family of the Person specified, (iv) if the Person specified is an officer, director, partner, managing member or trustee, any corporation, limited partnership, limited liability company or trust for which that Person acts in that capacity, or (v) any Person who is an officer, director, managing member, general partner, trustee or holder of ten percent (10%) or more of the outstanding voting securities or beneficial interests of any Person described in clauses (i) through (iv). The term “control” (including the term “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Affiliated Company” means a limited liability company in which the Managing Member or an Affiliate thereof is a managing member or a limited partnership in which the Managing Member or an Affiliate is a general partner, and in which the Investor Member or an Affiliate of the Investor Member is a member or limited partner.

“Agency” or “VH” means Virginia Housing, in its capacity as the agency designated to allocate LIHTC, and/or as lender to the Project, acting through any authorized representative.

“Agreement” means this Second Amended and Restated Operating Agreement, as amended from time to time.

“AHG” mean Affordable Housing Group, LLC, a Virginia limited liability company, who is guaranteeing the Construction Completion Guaranty only.

“Assumed Investor Member Tax Liability” means for any given year the product of (i) the sum of (A) the Profits, if any, allocated to the Investor Member pursuant to Section 11.01(b) plus (B) any items of income, gain, loss, deduction or credit which are specially allocated to the Investor Member pursuant to Sections 11.07(a) and (d) through (j) times (ii) a percentage equal to the sum of (C) the highest federal corporate tax rate for such year plus (D) the highest state corporate tax rate for such year.

“Assumed Managing Member Tax Liability” means for any given year the product of (i) the sum of (A) the Profits, if any, allocated to the Managing Member pursuant to Section 11.01(b) plus (B) any items of income, gain, loss, deduction or credit which are specially allocated to the Managing Member pursuant to Sections 11.07(a) and (d) through (j) times (ii) a percentage equal to the sum of (C) the highest federal corporate tax rate for such year plus (D) the highest state corporate tax rate for such year.

“Authority” or “Authorities” means any nation or government, any state or other political subdivision thereof, and any entity exercising its executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including but not limited to, any federal, state or municipal department, commission, board, bureau, agency, court, tribunal or instrumentality.

“Bankruptcy” or “Bankrupt” as to any Person means the filing of a petition for relief as to any such Person as debtor or bankrupt under the Bankruptcy Act of 1898 or the Bankruptcy Code of 1978 or like provision of law (except if such petition is contested by such Person and has been dismissed within 60 days); insolvency of such Person as finally determined by a court proceeding; filing by such Person of a petition or application to accomplish the same or for the appointment of a receiver or a trustee for such Person or a substantial part of his assets; commencement of any proceedings relating to such Person under any other reorganization, arrangement, insolvency, adjustment of debt or liquidation law of any jurisdiction, whether now in existence or hereinafter in effect, either by such Person or by another, provided that if such proceeding is commenced by another, such Person indicates his approval of such proceeding, consents thereto or acquiesces therein, or such proceeding is contested by such Person and has not been finally dismissed within 60 days.

“Breakeven Operations” means the date following Final Closing upon which the gross operating revenues from the normal operation of the Project received on a cash basis (including all public subsidy payments due and payable at such time but not yet received by the Company) for a period of three (3) consecutive calendar months after Final Closing equals or exceeds by a ratio of 1.15 to all accrued operational costs of the Project, including, but not limited to, taxes, assessments, reserve fund for replacement deposits and mandatory debt service payments, the Accounting Fee and a ratable portion of the annual amount (as reasonably estimated by the Managing Member) of those seasonal and/or periodic expenses (such as utilities, maintenance expenses and real estate taxes or service charges in lieu of real estate taxes) which might reasonably be expected to be incurred on an unequal basis during a full annual period of operation, for such period of three (3) consecutive calendar months on an annualized basis (based on projections of the Company), as evidenced by a certification of the Managing Member with an accompanying unaudited balance sheet of the Company indicating that all trade payables have been satisfied (or with respect to trade payables within sixty (60) days of the date the services were performed or goods were delivered, the trade payables shall not be past due and the Company shall have an adequate cash reserve for the payment of such trade payables), all as shall be subject to the approval of the Investor Member. For the purpose of calculating Breakeven Operations only, the following costs shall not be considered operating costs of the Project: payments to be made under the Development Agreement.

“Bridge Loan Interest” means the interest expense incurred by Investor Member in connection with any loan obtained by such Investor Member which is secured by the deferred capital contribution obligations of any of the members of such Investor Member.

“Capital Account” means the capital account of a Member as described in Section 11.06.

“Capital Contribution” means the total amount of money or other property contributed or agreed to be contributed, as the context requires, to the Company by each Member pursuant to the terms of this Agreement. Any reference to the Capital Contribution of a Member shall include the Capital Contribution made by a predecessor holder of the Interest of such Member.

“Capital Transaction” means any transaction out of the ordinary course of the Company’s business which is capital in nature, including without limitation, the disposition, whether by sale (except when such sale proceeds are to be used pursuant to a plan or budget approved by all of the Members), casualty (where the proceeds are not to be used for reconstruction), condemnation, refinancing or similar event of any part or all of the Project.

“Capital Transaction Administrative Fee” means the fee payable under Section 11.04(d) and upon the exit of the Investor Members from the Company at the end of the Compliance Period.

“Capitalized Bridge Loan Interest” means any Bridge Loan Interest required to be capitalized by the Company pursuant to Code Section 263A.

“Carveouts” has the meaning set forth in Section 4.01(g).

“CCDC” means Charlottesville Community Development Corporation, a Virginia non-stock corporation.

“Certified Credits” means ninety-nine and ninety-nine hundredths percent (99.99%) of the annual LIHTC that the Accountants certify in writing to the Company that the Company will be able to claim during each full fiscal year during the Credit Period for all buildings in the Project assuming full compliance with the rent restrictions and income limitations of Section 42 of the Code. The calculation of the Certified Credits shall be based, among other things, on the Form(s) 8609 issued by the Agency for all the buildings comprising the Project and on the cost, certification prepared in connection with the application by the Company for Form(s) 8609. Once the Certified Credits are determined, they shall not be adjusted during the term of this Agreement; provided, however, if with respect to an LIHTC Recapture Event the Managing Member makes a payment under Section 8.11(c), then the Certified Credits shall be reduced prospectively by the annual reduction in LIHTC attributable to such LIHTC Recapture Event.

“Certified Credit Capital Adjustment” has the meaning set forth in Section 5.01(e)(i).

“Certified Credit Capital Decrease” has the meaning set forth in Section 5.01(e)(i).

“Certified Credit Capital Increase” has the meaning set forth in Section 5.01(e)(i).

“Certificate” has the meaning set forth in the Recitals hereof.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision or provisions of succeeding law.

“Company” means South First Phase One, LLC, a Virginia limited liability company.

“Completion Loan” has the meaning set forth in Section 8.11(a).

“Consent” means the prior written consent or approval of the Investor Member and/or any other Person, as the context may require, to do the act or thing for which the consent is solicited.

“Construction Contract” means the construction contract in the guaranteed maximum amount of \$13,252,059 (including all exhibits and attachments thereto) to be entered between the Company and the Contractor, pursuant to which the Project is to be constructed. Such Construction Contract shall be subject to the Consent of the Investor Member.

“Construction Loan” means the Project Loan from a private lender identified on **Exhibit F** hereto.

“Contractor” means Breeden Construction, LLC, which is the general construction contractor for the Project, which is the general construction contractor for the Project.

“Continued Compliance Sale” has the meaning set forth in Section 8.03(a).

“Counsel” or “Counsel for the Company” means Williams Mullen or such other attorney or law firm upon which the Investor Member and the Managing Member shall agree; provided, however, that if any section of this Agreement either (i) designates particular counsel for the purpose described therein, or (ii) provides that counsel for the purpose described therein shall be chosen by another method or by another Person, then such designation or provision shall prevail over general definition.

“Credit Period” means the ten-year “credit period” as defined in and determined in accordance with Section 42(f) of the Code.

“CRHA” means Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia.

“Debt Service Coverage Ratio” shall mean a fraction, the numerator of which is the difference between all cash actually received by the Company on a cash basis from normal operations, less all accrued operational costs of the Project, including any required deposits to a capital replacement reserve, and the denominator of which is all debt service, reserve, mortgage insurance premium and/or other cash requirements imposed by the Project Loan documents properly allocable to a particular period on an annualized basis, as determined by the Accountants (but not including loans to be repaid solely from available Net Cash Flow).

“Designated Individual” means the person appointed by the Partnership Representative to be the “designated individual” with the sole authority to bind the Partnership Representative pursuant to the Code and Treasury Regulations.

“Developer” means CCDC.

“Development Agreement” means the Development Agreement between the Company and the Developer as of even date herewith relating to the development of the Project and providing for the payment of the Development Fee, in the form set forth in **Exhibit A**.

“Development Budget” means the acquisition, construction, rehabilitation, development and financing budget for the acquisition, construction, rehabilitation, development, financing and operation of the Project, including without limitation the construction or rehabilitation of all improvements, the furnishing of all personalty in connection therewith, and the operation of the Project which Budget is attached hereto as **Exhibit H**, and any amendments thereto made with the Consent of the Investor Member. The Development Budget shall also include a calculation of the Projected LIHTC for the Project indicating the assumptions regarding basis which underlie such calculation, a 15-year income/expense pro forma, profit/loss statement, cash flow statement, depreciation/amortization schedule, capital account, minimum gain and 30-year analysis and a calculation of net sale proceeds.

“Development Costs” means all of the following: (i) all direct or indirect costs paid or accrued by the Company related to the acquisition of the Land (and any improvements thereon) and the development or construction of the Project, including payment of amounts due under the Development Fee Agreement, Construction Contract, any construction cost overruns, the cost of any change orders and all costs necessary to achieve Substantial Completion; (ii) all costs to achieve Initial Closing and Final Closing, and satisfy any escrow deposit requirements which are conditions to the Final Closing, including any amounts necessary for local taxes, utilities, mortgage insurance premiums, casualty and liability insurance premiums, and any applicable loan fees, discounts or other expenses; (iii) for the period prior to Breakeven Operations, all costs, payments and deposits needed to avoid a default under any Project Loan, including without limitation, all required deposits to satisfy any requirements of a Project Lender to keep a Project Loan “in balance”; (iv) all costs and expenses relating to remedying any environmental problem or condition or Hazardous Materials that existed on or prior to Final Closing; and (v) all Operating Deficits incurred by the Company prior to Breakeven Operations and the achievement of at least 95% physical and economic occupancy during the three-month period while Breakeven Operations are achieved.

“Development Fee” means the fee payable by the Company to the Developer as described in Section 8.12 of this Agreement.

“DHCD Sponsor Loan” means the Project Loan from the Sponsor to the Company using proceeds of funds from Department of Housing and Community Development (“DHCD”) of Affordable Housing Trust Fund Program identified on **Exhibit F** hereto.

“Downward Capital Adjustment” has the meaning set forth in Section 5.01(e)(i).

“Early Delivery Capital Adjustment” has the meaning set forth in Section 5.01(e)(i).

“Economic Risk of Loss” has the meaning specified in Treas. Reg. §1.752-2.

“Environmental Consultant” has the meaning set forth in Section 5.01(j).

“Environmental Reports” collectively means the Phase I and Phase II environmental assessments, wetlands reports, lead and asbestos reports, abatement reports and other environmental reports acceptable to the Investor Member as follows:

Phase I Environmental Site Assessment prepared by ECS Mid-Atlantic, LLC dated as of March 4, 2019;

Phase I Environmental Site Assessment prepared by ECS Mid-Atlantic, LLC dated as of February 6, 2020; and



Phase I Environmental Site Assessment Update prepared by ECS Mid-Atlantic, LLC dated as of November 25, 2020.

“Excess Development Costs” means all Development Costs in excess of the proceeds of the Project Loans and all Capital Contributions the Managing Member and Investor Member are required to make hereunder.

“Extended Use Agreement” means the Extended Use Regulatory Agreement and Declaration of Restrictive Covenants executed by the Company dated July 15, 2019 and delivered to the Agency at or subsequent to the Initial Closing, setting forth certain terms and conditions under which the Project is to be operated.

“Final Closing” means the occurrence of all of the following: (i) Substantial Completion, (ii) approval by the Project Lenders, if any, of the Company’s certification of actual costs as to the development and construction or rehabilitation of the Project, (iii) disbursement by all Project Lenders of any and all previously undisbursed Project Loan proceeds including the funding of the Permanent Loan under Documents acceptable to the Investor Member, and (iv) commencement of amortization as to all Project Loans (to the extent any Project Loan requires principal amortization).

“Final Mortgage Amount” means the principal amount of all of the Project Loans, advanced at or prior to the Final Closing, before any reduction resulting from repayments of principal thereof.

“40-60 Set-Aside Test” means the Minimum Set-Aside Test whereby at least 40% of the units in the Project must be occupied by individuals with incomes of 60% or less of area median income, as adjusted for family size.

“Guarantor” means collectively CRHA, CCDC and AHG.

“Guarantor LIHTC Compliance Loan” has the meaning set forth in Section 8.11(c)(v).

“Guaranty” means the guaranty of the performance of the obligations of the Managing Member under this Agreement and the obligations of the Developer under the Development Agreement for the benefit of the Investor Member given by the Guarantor, which Guaranty is in the form of **Exhibit D**.

“Ground Lease” means the Ground Lease dated as of January 8, 2021 between the Company as lessee and CRHA as lessor regarding the Land.

“HAP Contract” means the Housing Assistance Payment Contract between the Company and HUD with respect to 24 Project units.

“Hazardous Substances” has the meaning set forth in Section 16.07(e).

“Hazardous Waste Laws” has the meaning set forth in Section 16.07(e).

“HUD” means the U.S. Department of Housing and Urban Development, its successors and assigns.

“HUD Declaration of Restrictive Covenants” means the Declaration of Trust/Restrictive Covenants by and among the CRHA and the Company.

“Initial Amount” has the meaning set forth in Section 4.02(q).

“Initial Closing” means the date upon which one or more of the Project Loans is closed and the initial disbursement is made thereunder. The Initial Closing is anticipated to occur on January 8, 2021.

“Initial Period” has the meaning set forth in Section 8.11(b).

“Interest” or “Membership Interest” means the ownership interest of a Member in the Company at any particular time, including the right of such Member to any and all benefits to which such Member may be entitled as provided in this Agreement and in the Act, together with the obligations of such Member to comply with all the terms and provisions of this Agreement and of said Act.

“Investor Member” means, initially, Housing Equity Fund of Virginia XXIII, L.L.C., a Virginia limited liability company.

“Investor Member Due Diligence Costs” has the meaning set forth in Section 5.01(f).

“IRS” means the Internal Revenue Service of the United States or any successor agency.

“Land” means the tract of land to be leased by the Company upon which the Project will be located, as more particularly described on Exhibit C attached hereto.

“Late Delivery Capital Adjustment” has the meaning set forth in Section 5.01(e)(i).

“Lease-Up Reserve” has the meaning set forth in Section 4.02(s).

“LIHTC” means the low-income housing tax credit allowed for low-income housing projects pursuant to Section 42 of the Code.

“LIHTC Compliance Guaranty” means, collectively, the Managing Member obligations set forth in Section 8.11(c).

“LIHTC Recapture Event” means (a) the filing of a tax return an Administrative Adjustment Request, IRS Forms 8985 or 8986, or an amended return by the Company evidencing a reduction in the qualified basis of the Project causing a recapture of LIHTC previously allocated to the Investor Member, (b) a reduction in the qualified basis of the Project following an audit by the IRS which results in the assessment of a deficiency by the IRS against the Company with respect to any LIHTC previously claimed in connection with the Project, unless the Company shall timely file a petition with respect to such deficiency with the United States Tax Court and any other federal tax court of competent jurisdiction and the collection of such assessment shall be stayed pending the disposition of such petition, (c) a decision by the United States Tax Court or any other federal court of competent jurisdiction upholding the assessment of such deficiency against the Company with respect to any LIHTC previously claimed in connection with the Project, unless the Company shall timely appeal such decision and the collection of such assessment shall be stayed pending the disposition of such appeal, or (d) the decision of a federal court of competent jurisdiction affirming such decision.

“LIHTC Reduction Guaranty Payment” has the meaning set forth in Section 5.01(e)(ii).

“LIHTC Shortfall” means, as to any period of time, the difference between the Certified Credit for such period of time and the Actual Credit for such period of time. For purposes of determining the amount of the LIHTC Shortfall for a particular period of time, if there is an adjustment to Capital Contributions under Section 5.01(e) because of a Late Delivery Capital Adjustment, the LIHTC Shortfall for such period of time shall be reduced by the Late Delivery Capital Adjustment.

“Liquidator” means the Managing Member or, if there is none at the time in question, such other Person who may be appointed in accordance with applicable law and who shall be responsible for taking all action necessary or appropriate to wind up the affairs of, and distribute the assets of, the Company upon its dissolution.

“Loan Agreement” means any loan agreement and/or similar agreement with respect to the terms and conditions of the making of any of the Project Loans, which will be entered into between the Company and any one of the Project Lenders at or prior to the Final Closing.

“Losses” has the meaning set forth in the definition of “Profits” and “Losses.”

“Management Agent” means the management and rental agent for the Project designated pursuant to Section 8.15.

“Management Agreement” means the agreement between the Company and the Management Agent providing for the marketing and management of the Project by the Management Agent.

“Managing Member” means South First Phase One Management, LLC, a Virginia limited liability company, and any other Person admitted as a Managing Member pursuant to this

Agreement, and their respective successors as any such successor may be admitted pursuant to this Agreement, including those Persons admitted pursuant the provisions of Sections 6.02 and 6.03.

“Managing Member Pledge” has the meaning set forth in Section 8.19.

“Managing Member’s Special Capital Contribution” has the meaning set forth in Section 5.01(b).

“Member” means any Managing Member, Investor Member or Special Member.

“Member Nonrecourse Debt” means any Nonrecourse Debt (or portion thereof) for which a Member or related Person (within the meaning of Treas. Reg. §1.752-4(b)) bears (or is deemed to bear) the Economic Risk of Loss.

“Member Nonrecourse Deductions” has the meaning set forth in Treas. Reg. §1.704-2(i)(2), and the amount of Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt for a fiscal year shall be determined in accordance with the rules of Treas. Reg. §1.704-2(i)(2).

“Minimum Gain” means the amount determined by computing with respect to each Nonrecourse Debt the amount of gain, if any, that would be realized by the Company if it disposed of the asset securing such liability (in a taxable transaction) in full satisfaction thereof (and for no other consideration), and by then aggregating the amounts so computed. For purposes of determining the amount of such gain with respect to a liability, the adjusted basis for federal income tax purposes of the asset securing the liability shall be allocated among all the liabilities that the asset secures in the manner set forth in Treas. Reg. §1.704-2(d)(2).

“Minimum Set-Aside Test” means the set-aside test selected by the Company pursuant to Section 42(g) of the Code with respect to the percentage of units in its Project to be occupied by tenants with incomes equal to no more than a certain percentage of area median income. The Company has selected or will select the 40–60 Set-Aside Test as restricted by Code Section 42(g)(1) to require at least 40% of the units in the Project be occupied by individuals with incomes of 60% or less of area median income, as adjusted for family size, as the Minimum Set-Aside Test.

“MM Loans” means the loans which may be made by the Managing Member to the Company pursuant to Section 5.07(a) hereof, including any accrued interest thereon. Operating Deficit Loans shall not constitute MM Loans.

“Mortgage” means any deed of trust to be given by the Company in favor of any Project Lender as maker of a Project Loan, constituting a lien on the Project and securing a Project Loan.

“Net Cash Flow” means the sum of (i) all cash received from rents, lease payments and all other sources, but excluding (A) tenant security or other deposits (except to the extent forfeited to the Company), (B) Capital Contributions and interest thereon (other than if used to pay for an item deducted below in determining Net Cash Flow), (C) proceeds from Capital Transactions and (D)

interest on reserves not available for distribution, (ii) the net proceeds of any insurance, other than fire and extended coverage and title insurance, to the extent not reinvested, and (iii) any other funds deemed available for distribution by the Managing Member with the approval of the Project Lenders, if required, **less** the sum of (x) all cash expenditures, and all expenses unpaid but properly accrued, which have been incurred in the operation of the Company's business (whether or not such expenditure is deducted, amortized or capitalized for tax purposes), including the management fee to the Management Agent and the Accounting Fee, (y) all payments on account of any loans made to the Company (whether such loan is made by a Member or otherwise), but not including any amounts to be paid pursuant to the Development Agreement or to any loans made by any Members where repayment of such loans is to be made out of Net Cash Flow, and (z) any cash reserves for working capital, capital expenditures, repairs, replacements and anticipated expenditures, in such amounts as may be required by the Project Lenders or the Investor Member, or may be determined from time to time by the Managing Member with the approval of the Investor Member and the Project Lenders, if required, to be advisable for the operation of the Company.

"Net Projected Tax Liabilities" means, as determined by the Accountants, based on the Company's tax records, and any final adjustments made prior to the availability of proceeds of Capital Transaction(s) for distribution, the cumulative amounts of the respective projected liabilities (collectively, the "Projected Tax Liabilities") of the Managing Member, the Investor Member's members, and their respective partners and members, if any (collectively, the "Company Taxpayers"), for any and all federal, state, and local taxes, including any recapture of prior LIHTC, to be imposed on the Company Taxpayers by reason of all Capital Transactions of the Company from which the proceeds in question are to be distributed, any and all prior Capital Transactions of the Company (to the extent proceeds from such prior Capital Transactions equal to the Projected Tax Liabilities for such prior transactions were not distributed) and any liquidation of the Company. Such projections of liabilities shall estimate the applicable tax rate or rates for the Managing Member (based on actual or projected taxable income) and shall assume the maximum applicable tax rate or rates for each of the Investor Member's partners or members, if any (without regard to actual taxable income), in effect at the time of each Capital Transaction, in all cases without regard to the alternative minimum tax, limitations on the use of business tax credits, or other factors that may affect tax liability in particular cases, and without adjustment for any variance from actual tax liabilities that may later occur.

"New Allocation" has the meaning set forth in Section 11.07(m)(ii).

"Nonrecourse Debt" means any Company liability that is considered nonrecourse for purposes of Treas. Reg. §1.1001-2 (without regard to whether such liability is a recourse liability under Treas. Reg. §1.752-1(a)(1)).

"Nonrecourse Deductions" has the meaning set forth in Treas. Reg. §1.704-2(b)(1).

"Nonrecourse Liability" means any Company liability (or portion thereof) for which no Member or related Person (within the meaning of Treas. Reg. §1.752-4(b)) bears (or is deemed to

bear) the Economic Risk of Loss.

“Note” means any mortgage or deed of trust promissory note given by the Company in favor of a Project Lender evidencing a Project Loan.

“Notice” means a writing containing the information required by this Agreement to be communicated to a Member and sent by any manner set forth in Section 16.08, to such Member at such Member’s address as specified pursuant to Section 16.08, the date of receipt thereof (or the next business day if the date of receipt is not a business day) or, in the case of registered or certified mail, the date of registry thereof or the date of the certification receipt, as applicable, being deemed the date of such Notice; provided, however, that any written communication containing such information sent to such Member actually received by such Member shall constitute Notice for all purposes of this Agreement.

“Operating Deficit” means the amount by which the gross receipts of the Company from lease payments, and all other income and receipts of the Company (other than proceeds of any loans to the Company, Capital Contributions, and investment earnings not available for distribution on funds on deposit in the Reserve Fund for Replacements, and other such reserve or escrow funds or accounts not available for distribution) for a particular period of time, is exceeded by the sum of all the operating expenses of the Company, including all debt service, operating and maintenance expenses, required deposits into the Reserve Fund for Replacements, any fees to the Project Lenders and/or any applicable mortgage insurance premium payments and all other Company obligations or expenditures, and excluding payments for construction of the Project and fees and other expenses and obligations of the Company to be paid from the Capital Contributions of the Investor Member to the Company pursuant to this Agreement during the same period of time.

“Operating Deficit Loan” shall have the meaning set forth in Section 8.11(b) of this Agreement.

“Operating Reserve” means the reserve referred to in Section 4.02(r).

“Partnership Representative” has the meaning set forth in Section 11.08 of this Agreement.

“Payment Date” means the date which is ninety (90) days after the end of the Company’s fiscal year with respect to the preceding fiscal year.

“Percentage Interest” means the percentage Interest of each Member as set forth in Sections 5.01(a) and (c).

“Permanent Loan” means the loans set forth on **Exhibit F** hereto and described as permanent loans.

“Person” means any individual, partnership, corporation, trust, limited liability company or other entity.

“Plans and Specifications” means the plans and specifications for the Project stamped with the seal of an architect and/or engineer, which are subject to the approval of the Investor Member, and any changes thereto made in accordance with the terms of this Agreement.

“Post Closing Obligations” means those conditions to the Investor Member’s obligation to fund all or any portion of its Capital Contribution as more fully described on the Post Closing Letter attached hereto as **Exhibit K**.

“Prime Rate” means the interest rate announced from time to time by The Wall Street Journal as the prime lending rate expressed as a percent per annum. The “Prime Rate” shall be adjusted semi-annually on January 1 and July 1 of each year.

“Profits” and “Losses” mean, for each fiscal year of the Company, an amount equal to the Company’s taxable income or loss for such period from all sources, determined in accordance with §703(a) of the Code, adjusted in the following manner: (a) the income of the Company that is exempt from federal income tax shall be added to such taxable income or loss; (b) any expenditures of the Company which are not deductible in computing its taxable income and not properly chargeable to capital account under either §705(a)(2)(B) of the Code or the regulations promulgated under §704(b) of the Code shall be subtracted from such taxable income or loss; (c) in the event any Company asset is revalued in accordance with Treas. Reg. §1.704-1(b)(2)(iv)(f), then the amount of any adjustment to the value of such Company asset shall be taken into account as gain or loss from the disposition of such Company asset for purposes of computing Profits or Losses; (d) gain or loss resulting from any disposition of Company asset which has been revalued pursuant to Treas. Reg. §1.704-1(b)(2)(iv)(f) and with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the adjusted value of such Company asset, notwithstanding that the adjusted tax basis of such Company asset differs from the adjusted value; (e) any depreciation, amortization or other cost recovery deductions taken into account in computing such taxable income or loss shall be recomputed based upon the adjusted value of any Company asset which has been revalued in accordance with Treas. Reg. §1.704-1(b)(2)(iv)(f); and (f) any items of income, gain, loss, deduction or credit which are specially allocated pursuant to Sections 11.07(b) through (n) shall not be taken into account in computing Profits or Losses.

“Project” means the 62-unit apartment complex located 1000 South First Street, Charlottesville, Virginia known as South First Phase One.

“Project Documents” means and includes the Construction Contract, the Mortgage(s), Note(s), Loan Agreement(s), Regulatory Agreement, AHAP Contract, HAP Contract, Ground Lease, Extended Use Agreement, Management Agreement, documents evidencing tax abatement and all instruments delivered to (or required by) the Project Lenders or the Agency to the extent not otherwise listed in this definition.

“Project Lender” means any lender in its capacity as a lender of one of the Project Loans, or its successors and assigns in such capacity, acting through any authorized representative.

“Project Loans” means those loans set forth and described on **Exhibit F** hereto.

“Projected LIHTC” has the meaning set forth in Section 4.01(p).

“Qualified Contract” has the meaning set forth in Section 42(b)(h)(F) of the Code.

“Qualified Occupancy” shall mean occupancy of a LIHTC unit by a Qualified Tenant.

“Qualified Tenants” shall mean tenants under executed leases of at least six (6) months who at the time of their initial occupancy of the Project satisfy the (i) rent restriction and (ii) minimum set-aside test selected by the Company pursuant to Section 42(g) of the Code with respect to the percentage of units in the Project to be occupied by tenants with incomes equal to no more than a certain percentage of area median income.

“Recapture Amount” has the meaning set forth in Section 11.02(c).

“Regulations” or “Treasury Regulations” or “Treas.Reg.” means the Income Tax Regulations issued under the Code.

“Regulatory Agreement” means, to the extent applicable, and collectively, any regulatory agreements and/or any declaration of covenants and restrictions to be entered into between the Company and any Project Lender or any applicable government agency, whether prior to, at or after the Initial Closing, setting forth certain terms and conditions under which the Project is to be operated, including without limitation the Regulatory and Operating Agreement and the HUD Declaration of Restrictive Covenants.

“Regulatory and Operating Agreement” means that certain Regulatory and Operating Agreement by and between CRHA and the Company setting forth, among other things, the terms and conditions upon which the ACC subsidy will be paid to the Company..

“Rent Restriction Test” means the test pursuant to Section 42(g) of the Code whereby the gross rent charged to tenants of the low-income units in the Project cannot exceed thirty percent (30%) of the imputed income limitation of the applicable units.

“Reserve Fund for Replacements” means the cash funded reserve for replacements required pursuant to Section 4.02 (q).

“Special Additional Capital Contribution” means the Special Additional Capital Contributions of the Investor Member under Section 5.01(d)(ix).



“Special Member” means VAHM, L.L.C., a Virginia limited liability company, or its assignee.

“Sponsor Loans” means those certain loans to the Partnership from CCDC or CRHA with terms set forth in **Exhibit E**.

“State Designation” means, with respect to the Project, the allocation by the Agency of LIHTC, as evidenced by the receipt by the Company of either a carryover allocation of LIHTC meeting the requirements of Section 42(h)(1)(E) of the Code and Treasury Regulations or IRS Form 8609 executed by the Agency as to all building in the Project for which such form is required.

“Substantial Completion” means the date that the Company receives all (i) necessary permanent certificate(s) of occupancy (or certificates of occupancy which contain conditions or qualifications which are Consented to by the Investor Member) from the applicable governmental jurisdictions or authority(ies) or (ii) other evidence of completion satisfactory to the Investor Member; provided, however, that Substantial Completion shall not be deemed to have occurred if on such date any liens or other encumbrances as to title to the Land and the Project exist, other than those securing any Project Loan and/or those Consented to by the Investor Member.

“Substitute Investor Member” means any Person admitted to the Company as an Investor Member pursuant to Section 9.02.

“Surplus Cash” means any Net Cash Flow which, pursuant to the Project Documents or rules or regulations of any Project Lenders or the Agency, is permitted to be distributed to the Members.

“Title Company” means Chicago Title Insurance Company.

“Unpaid Fee” has the meaning set forth in Section 5.01(b).

“Unpaid LIHTC Shortfall” means the outstanding amount of any LIHTC Shortfall for all the fiscal years of the Company, reduced by any amounts of Unpaid LIHTC Shortfall distributed to the Investor Member pursuant to Article XI of this Agreement. The unpaid LIHTC Shortfall shall bear interest at the “long-term applicable Federal rate” (as defined in Section 1274 of the Code) determined as of the date of the Investor Member’s First Capital Contribution, compounded monthly.

“VHCC” means Virginia Housing Capital Corporation, a Virginia corporation and the managing member of the Investor Member.

ARTICLE III  
PURPOSE AND BUSINESS OF THE COMPANY

3.01 Purpose of the Company. The Company has been organized exclusively to ground lease the Land and to develop, finance, construct, own, maintain, lease, operate and sell or otherwise dispose of the Project, in order to obtain long-term appreciation, cash income, LIHTC and tax losses.

3.02 Authority of the Company. In order to carry out its purpose, the Company is empowered and authorized to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of its purpose, and for the protection and benefit of the Company, including but not limited to the following:

(a) ground lease the Land on which the Project is to be located and any improvements thereon;

(b) construct, rehabilitate, operate, maintain, improve, buy, own, sell, convey, assign, mortgage, rent or lease any real estate and any personal property necessary to the operation of the Project;

(c) provide housing, subject to the Minimum Set-Aside Test and the Rent Restriction Test and consistent with the requirements of the Extended Use Agreement, the Regulatory Agreement and the Loan Agreements so long as the Extended Use Agreement, the Regulatory Agreement and the Loan Agreements, as applicable, remain(s) in force;

(d) enter into any kind of activity, and perform and carry out contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company;

(e) borrow money and issue evidences of indebtedness in furtherance of the Company business and secure any such indebtedness by mortgage, pledge, or other lien; provided, however, that unless otherwise specifically allowed under this Agreement or otherwise Consented to by the Investor Member, any Project Loans, and any evidences of indebtedness thereof and any documents amending, modifying or replacing any of such loans shall have the legal effect that at and after Final Closing the Company and the Members shall have no personal liability for the repayment of the principal of or payment of interest on any Project Loan, and that the sole recourse of any Project Lender, with respect to the principal thereof and interest thereon, shall be to the property securing such Project Loan, except for any Carveouts;

(f) maintain and operate the Project, including hiring the Management Agent (which Management Agent may be any of the Members or an Affiliate thereof) and entering into any agreement for the management of the Project during its rent-up and after its rent-up period;

(g) subject to the approval of the Agency and/or the Project Lenders, if required, and to other limitations expressly set forth elsewhere in this Agreement, negotiate for and conclude agreements for the sale, exchange, lease or other disposition of all or substantially all of the property of the Company, or for the refinancing of any mortgage loan on the property of the Company;

(h) enter into the Loan Agreement, the Regulatory Agreement and the Extended Use Agreement, providing for regulations with respect to rents, profits, dividends and the disposition of property;

(i) rent dwelling units in the Project from time to time, in accordance with the provisions of the Code applicable to LIHTC and in accordance with applicable federal, state and local regulations, collecting the rents therefrom, paying the expenses incurred in connection with the Project, and distributing the net proceeds to the Members, subject to any requirements which may be imposed by the Extended Use Agreement, the Regulatory Agreement and/or the other Project Documents; and

(j) do any and all other acts and things necessary or proper in furtherance of the Company business.

ARTICLE IV  
REPRESENTATIONS, WARRANTIES AND COVENANTS:  
DUTIES AND OBLIGATIONS

4.01 Representations, Warranties and Covenants Relating to the Project and the Company. As of the date hereof, the Managing Member hereby represents, warrants and covenants to the Company and to the Members that:

(a) Due Authorizations, Execution and Delivery. The execution and delivery of this Agreement by the Managing Member and the performance by the Managing Member of the transactions contemplated hereby have been duly authorized by all requisite corporate, partnership, limited liability company or trust actions or proceedings. The Managing Member is duly organized, validly existing and in good standing under the laws of the state of its formation with power to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) Construction of Project. The construction and development of the Project shall be undertaken and shall be completed in a timely and workmanlike manner in accordance with (i) all applicable requirements of the Project Loans and the Project Documents, (ii) all applicable requirements of all appropriate governmental entities, and (iii) the Plans and Specifications of the Project that have been or shall be hereafter approved by the Investor Member and, if required, the Project Lenders and any applicable governmental entities, as such Plans and Specifications may be changed from time to time with the approval of the Investor Member and

the Project Lenders, if required, and any applicable governmental entities, if such approval shall be required; it shall promptly provide copies of all change orders to the Investor Member.

(c) Zoning and Related Matters. At the date hereof, at the Initial Closing and at the time of commencement of construction and thereafter continuously, the Land is and will be properly zoned for the Project, all consents, permissions and licenses required by all applicable governmental entities have been obtained, and the Project conforms and will conform to all applicable federal, state and local land use, zoning, environmental and other governmental laws and regulations.

(d) Plans and Specifications. The Managing Member has sent to the Investor Member the Plans and Specifications (including, without limitation, all working drawings) and all construction schedules, approved construction draws, certifications concerning occupancy, lien notices, project inspection reports, proposed changes and modifications to the Plans and Specifications, all documents pertaining to the Project Loan and any other information that is relevant to the rehabilitation and development of the Project.

(e) Public Utilities. All appropriate public utilities, including sanitary and storm sewers, water, gas and electricity, are currently available and will be operating properly and in sufficient capacity for the Project at the time of certificate of occupancy. The Managing Member will keep all such utilities operating in a manner sufficient to service the Project.

(f) Title Insurance. An owner's title insurance policy of a financially responsible institution acceptable to the Investor Member, in an amount equal to the principal amount of the Project Loans and the Capital Contributions of the Managing Member and the Investor Member, in favor of the Company, will be issued at or prior to the Initial Closing subject only to such easements, covenants, restrictions and such other standard exceptions as are normally included in owner's title insurance policies and which are Consented to by the Investor Member and with such endorsements to such policy as the Investor Member may request. Good and marketable leasehold title to the Land will be held by the Company. The Managing Member has not made any misrepresentation or failed to make any disclosure that will or could result in the Company lacking title insurance coverage based on imputation of knowledge of the Managing Member to the Company or the Managing Member's ability to perform its obligations hereunder.

(g) Non-Recourse Loans. Except as otherwise provided herein, at and after the Final Closing, there shall be no direct or indirect personal liability of the Company, any of the Members, or any Affiliates of the Company or Members for the repayment of the principal or payment of interest on any Project Loan, and the sole recourse of any Project Lender under any Project Loan with respect to the principal thereof and interest thereon shall be to the property securing the indebtedness, except for any liability of the Managing Member with respect to customary "carveouts" that are set forth in loan documents relating to the Project Loans (the "Carveouts") to which the Investor Member has Consented. However, the Managing Member shall be personally liable for the obligations of the Company under the loans described as recourse in **Exhibit F**, to the same extent as if it was a general partner in a limited partnership.

(h) No Defaults. The Managing Member is not aware of any default or any circumstances which, with the giving of notice or the passage of time, would constitute a default, under any agreement, contract, lease, or other commitment, or of any claim, demand, litigation, proceedings or governmental investigation pending or threatened against the Managing Member, the Project or the Company, or related to the business or assets of the Managing Member, the Project or Company, which claim, demand, litigation, proceeding or governmental investigation could result in any judgment, order, decree, or settlement which would materially and adversely affect the business or assets of the Managing Member, the Project or Company.

(i) No Violation. The execution of this Agreement, the incurrence of the obligations set forth in this Agreement, and the consummation of the transactions contemplated by this Agreement do not violate any provision of law, any order, judgment or decree of any court binding on the Company or the Managing Member or any Affiliate(s) thereof, any provision of any indenture, agreement, or other instrument to which the Company or the Managing Member is a party or by which the Company, Managing Member or the Project is affected, and is not in conflict with, and will not result in a breach of or constitute a default under any such indenture, agreement, or other instrument or result in creating or imposing any lien, charge, or encumbrance of any nature whatsoever upon the Project.

(j) Construction Contract. The Construction Contract has been entered into between the Company and the Contractor; no other consideration or fee shall be paid to the Contractor in its capacity as the Contractor for the Project other than the amounts set forth in the Construction Contract or as evidenced by change orders approved by the Project Lenders and as otherwise disclosed in writing to and approved by the Investor Member; and all change orders to date have been paid in full. In addition, no consideration or fee shall be paid to the Developer or Managing Member by the Contractor.

(k) Performance Bond; Letter of Credit. Either (i) one hundred percent (100%) payment and performance bonds issued by a nationally, financially recognized bonding company, in forms acceptable to the Project Lenders and the Investor Member, and in amounts satisfactory to the Project Lenders and the Investor Member, or (ii) a letter of credit in an amount and in a form, and from an issuer satisfactory to the Project Lenders and the Investor Member, will be obtained by the Contractor at or before Initial Closing and shall remain in full force and effect under terms and conditions as shall be acceptable to the Project Lenders and the Investor Member; in the alternative, the obligations of the Contractor will be guaranteed by the Managing Member and the Guarantors and secured by cash, letter of credit or other security acceptable to the Project Lenders and the Investor Member.

(l) Insurance. The Managing Member shall cause the Company to obtain and maintain insurance in accordance with the requirements of **Exhibit I** attached hereto.

(m) No Undisclosed Financial Responsibilities. Neither the Company, nor the Managing Member, either individually or on behalf of the Company, has incurred any financial

responsibility with respect to the Project prior to the date of execution of this Agreement, other than (i) that disclosed to the Investor Member, or (ii) obligations which will be fully satisfied at or prior to the Initial Closing. As of the date hereof and hereafter continuously, unless the Investor Member otherwise Consents or unless otherwise specifically provided for herein, the only indebtedness of the Company with respect to the Project are the Project Loans, if any, described on **Exhibit F**. Without limiting the generality of the foregoing, neither the Managing Member, any of its Affiliates nor the Company, has entered, or shall enter, into any agreement or contract for any loans (other than the Project Loan) or for the payment of any Project Loan discounts, additional interest, yield maintenance or other interest charges or financing fees or any agreement providing for the guarantee of payment of any such interest charges or financing fees relating to any Project Loan.

(n) Valid Limited Liability Company; Power of Authority. The Company is and will continue to be a valid limited liability company, duly organized under the laws of the Commonwealth of Virginia, and shall have and shall continue to have full power and authority to acquire the Land and to own, develop, construct, operate and maintain the Project in accordance with the terms of this Agreement, and shall have taken and shall continue to take all action under the laws of the State of Formation and any other applicable jurisdiction that is necessary to protect the limited liability of the Investor Members and to enable the Company to engage in its business.

(o) Restrictions on Sale or Refinancing. No restrictions on the sale or refinancing of the Project, other than restrictions that may be set forth in the Project Documents, exist as of the date hereof, and no such restrictions shall, at any time while the Investor Member is an Investor Member, be placed upon the sale or refinancing of the Project.

(p) Projected LIHTC. The Projected LIHTC applicable to the Project is \$84,677 for 2022, \$693,548 for 2023; \$750,000 for each year 2024 through 2031, \$665,323 for 2032 and \$56,452 for 2033 which equals the amount of LIHTC the Managing Member has projected will be available to the Company.

(q) Compliance with Agreements. To the best of its knowledge after due inquiry, the Managing Member, either individually or on behalf of the Company, has fully complied with all applicable provisions and requirements of any and all contracts, options and other agreements with respect to the purchase of the Land and the ownership, development, financing and operation of the Project, including all Project Documents; it shall take, and/or cause the Company to take, all actions as shall be necessary to achieve and maintain continued compliance with the provisions, and fulfill all applicable requirements, of such agreements.

(r) State Designation. The Company received a valid State Designation with respect to the Project in the amount of not less than \$7,500,000 for the Project's ten-year Credit Period on November 20, 2020.

(s) Applicable Income and Rent Restrictions. The Project is being developed in a manner which satisfies, and shall continue to satisfy, all restrictions, including tenant income

and rent restrictions, applicable to projects generating LIHTC under Section 42 of the Code. The Company will comply with the so-called “40-60 Set-Aside Test” of Code Section 42(g)(1)(B), so that at least 40% of the units in the Project will be occupied by individuals with incomes of 60% or less of area median income, as adjusted for family size and any other rent and income restrictions required under the Project Documents.

(t) Term of Extended Use Agreement. The term of the Extended Use Agreement will not exceed 30 years and neither the Extended Use Agreement nor any other document, instrument or agreement to which the Company is a party shall restrict, limit or waive the right of the Company to cause a termination of the Extended Use Agreement prior to the end of such 30-year term in accordance with Code Section 42(h)(6)(E)(i)(II).

(u) Ownership of Managing Member. CCDC owns and shall continue to own at all times during the term of the Company one hundred percent (100%) of all classes of interests of the Managing Member.

(v) Title to Project; Taxes and Assessments. The Company has and shall have at all times good and marketable title to the Project, subject only to permitted exceptions thereto to which the Investor Member has given its Consent. All real estate taxes, assessments, water and sewer charges and other municipal charges, to the extent due and owing, have been paid in full on the Project and/or the Project has maintained the real estate abatement or payment in lieu of taxes.

(w) Taxpayer Certifications. On behalf of the Company, the Managing Member will cause to be filed any and all certifications and other documents on a timely basis with the IRS, the Agency and all other Authorities, as have been and may be required to support the full amount of Projected Credits.

(x) Taxation and Limited Liability. No event has occurred that has caused, and the Managing Member will not act in any manner that will cause (i) the Company to be treated for federal income tax purposes as an “association” taxable as a corporation, rather than as a partnership; or (ii) the Investor Member or the Special Member to be liable for the Company’s obligations in excess of its Capital Contributions.

(y) No Tax-Exempt Use Property. No portion of the Project is or will be treated as “tax exempt use property” as defined in Section 168(h) of the Code. The Managing Member shall not allow the Company to enter into any lease with a tax-exempt entity without the prior written approval of the Special Member.

(z) No Abusive Tax Shelter. The Managing Member has not received notice from the IRS that it has considered the Managing Member to be involved in any abusive tax shelter and is not aware of any facts, which if known to the IRS, would cause such notice to be issued.

(aa) Required Consents; No Defaults Under Loan Documents. The Company has obtained all consents required for the admission of the Investor Member to the Company,

including but not limited to, the consent of the holder(s) of the Project Loans, if necessary, and any required consents of applicable Authorities.

(ab) Bankruptcy. No Bankruptcy, including, without limitation, attachments, execution proceedings, assignments for the benefit of creditors, insolvency, reorganization or other proceedings are pending or threatened against the Company or the Managing Member. The Managing Member will not permit such a Bankruptcy to occur.

(ac) Governmental Actions. To the best of the Managing Member's knowledge, there is no official action of any Authority, pending or threatened, which in any way would (i) have a material adverse effect on the Company, the Project, the Investor Member or the LIHTC; (ii) involve any intended public improvements which improvements may result in any charge in excess of \$10,000 being levied against the Land; or (iii) any special assessment, being levied against or assessed upon the Land or the Project. There is no existing, proposed or contemplated, plan to widen, modify or realign any street or highway contiguous to the Land. The Managing Member will promptly notify the Investor Member of any such official actions or plans, if and as they arise.

(ad) Moratoria; Assignments; Dedications. There is no reassessment (except for real estate property taxes), reclassification, rezoning, proceeding, ordinance or regulation (including amendments and modifications to any of the foregoing) pending or proposed to be imposed, by any Authority or any public or private utility having jurisdiction over the Land which would have a material adverse effect upon the use or occupancy of the Project. No special assessments have been levied against the Project or by an Authority upon the commencement or completion of any construction, alteration or rehabilitation on or of the Project or any portion thereof. The Managing Member will promptly notify the Investor Member of any such actions, if and as they arise. Except as previously disclosed in writing to and approved by the Investor Member, the completion of the improvements, alteration or rehabilitation on or to the Project or any portion thereof will not require the dedication of any portion of the Project by any Authority.

(ae) No Defects, Compliance. Upon completion of the Project, there will be no material physical or mechanical defects or deficiencies in the condition of the Project, including, but not limited to, the roofs, exterior walls or structural components of the Project and the heating, air conditioning, plumbing, ventilating, elevator, utility, sprinkler and other mechanical and electrical systems, apparatuses and appliances located in, or about, the Land which would materially and adversely affect the Project or any portion thereof. The Project is free from infestation by termites or other pests, insects, animals or other vermin and the Managing Member will keep it so. The Project conforms (or will timely conform) to all governmental regulations, including, without limitation, all zoning, building, health, fire and environmental rules, regulations ordinances or requirements or environmental laws, regulations or procedures applicable to the Project where the failure to conform would result in a material adverse effect.

(af) No Defective Soils Conditions. To the best of the Managing Member's knowledge after due inquiry, there are no defects or conditions of the soil that would have a



material adverse effect upon the use, occupancy and operation of the Project. The soil condition of the Land is such that it will support all of the improvements to be located thereon for its foreseeable life, without the need for unusual or new subsurface excavations, fill, footings, caissons or other installations. The improvements on the Land, as built, will be or are constructed in a manner compatible with the soil condition at the time of construction and all necessary excavations, fills, footings, caissons and other installations were then, have since been and will be provided.

(ag) Rights of First Refusal; Options. Except as contemplated by the Right of First Refusal Agreement set forth in **Exhibit L** attached hereto, neither the Managing Member nor the Company has entered into (nor will enter into) any contracts for the sale of the Project, the LIHTC with respect thereto, or any interest in the Project or Company other than in contemplation of this Agreement, nor do there exist any rights of first refusal or options to purchase the Project, the LIHTC with respect thereto, or any interest in the Company.

(ah) Securities Law Compliance. The Managing Member has or will have timely complied or cause the timely compliance with all applicable Federal and state securities laws in connection with the offer and sale of the interest in the Company to the Investor Member.

(ai) Truth and Completeness of Representations and Disclosures. No representation, warranty or statement of the Managing Member in this Agreement or in any document, certificate or schedule furnished or to be furnished to the Investor Member pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading. All material information concerning the Project known to the Managing Member or any of its Affiliates, or which should have been known to any of them in the exercise of reasonable care, has been disclosed by the Managing Member to the Investor Member and there are no facts or information known to the Managing Member or any of its Affiliates, or which should have been known to any of them in the exercise of reasonable care, which would make any of the facts or information submitted by the Managing Member to the Investor Member with respect to the Project inaccurate, incomplete or misleading in any material respect.

(aj) Compliance with Fair Housing Act. At all times during the term of this Agreement, the Company shall comply with the provisions of the Fair Housing Act, as amended.

(ak) Lenders to Project Entities Generally Subject to provisions of this Agreement with respect to related party loans, an investor member, including without limitation the Federal Home Loan Mortgage Corporation (such investor member being referred to herein as a "Mortgagee"), in any entity that is a Member herein at any time may make, guarantee, own, acquire, or otherwise credit enhance, in whole or in part, a loan secured by a mortgage, deed of trust, trust deed, or other security instrument encumbering the Project owned by the Company (any such loan being referred to as a "Mortgage Loan"). Under no circumstances will a Mortgagee be considered to be acting on behalf or as an agent or the alter ego of such Member. A Mortgagee may take any actions that the Mortgagee, in its discretion, determines to be advisable in connection

with a Mortgage Loan (including in connection with the enforcement of a Mortgage Loan). By acquiring an interest in the Company, each Member acknowledges that no Mortgagee owes the Company or any Member any fiduciary duty or other duty or obligation whatsoever by virtue of such Mortgagee being a limited partner or member in a Member. Neither the Company nor any Member will make any claim against a Mortgagee, or against the Member in which the Mortgagee is a member or partner, relating to a Mortgage Loan and alleging any breach of any fiduciary duty, duty of care, or other duty whatsoever to the Company or to any Member based in any way upon the Mortgagee's status as a limited partner or member of a Member.

(al) Member Loans. Except for any deferred payments by the Company to the Developer, no Member or any Affiliate of a Member shall make or purchase a loan to the Company unless the Company receives an opinion of competent tax counsel to the effect that such loan will have no adverse tax consequences to any of the Members.

(am) Intentionally Omitted.

(an) Development Budget. The Development Budget attached hereto as **Exhibit H** is accurate and complete. The assumptions underlying the calculations therein are reasonable and based upon the Managing Member's knowledge and experience.

(ao) Reportable Transactions. The Company and its Members shall be permitted to disclose to any and all Persons, without limitation of any kind, the "tax treatment and tax structure" (as defined in Treasury Regulation Section 1.6011-4(c)) of the transaction contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) relating to such tax treatment and tax structure. The Managing Member shall (A) promptly notify the Investor Member of any "reportable transaction" under Code Section 6707A(c) or Treasury Regulation Section 1.6011-4 in which the Company shall engage or which it reports under Code Section 6111, and (B) maintain investor lists with respect to the Company as required under Code Section 6112. The Managing Member shall be responsible for its expenses or penalties attributable to its failure to report a reportable transaction or maintain lists (in accordance with Code Section 6112) as required by the Managing Member or the Company under the Code and applicable Treasury Regulations. Material advisors are required to supplement information disclosed to the IRS if the information provided in a filed disclosure is no longer accurate, in such instances, the Managing Member agrees to provide timely supplemental information about the Project to the IRS and the Investor.

(ap) Reasonableness of Fees. All fees to be paid to the Managing Member or any Affiliate of the Managing Member hereunder or otherwise in connection with the development of the Project are reasonable in amount and consistent with standard practice in the industry.

(aq) REAC and HUD Reports. The Managing Member shall advise the Investor Member of any REAC (Real Estate Assessment Center) inspection reports it receives with respect to the Project as well as any notices from HUD indicating any adverse findings with respect to the Project, including, but not limited to, the following:

- (i) management review findings;
- (ii) HAP Contract violations; and
- (iii) HUD Regulatory Agreement violations.

(ar) Governmental Review and Approvals/HUD 2530 Language. The Company shall not acquire or proceed with the development of the Project unless approval is obtained from HUD if such approval is required in connection with such development or acquisition. If the acquisition or development of the Project necessitates the filing of a Form 2530 Previous Participation Certificate with HUD (a “Previous Participation Certification”), the Managing Member shall so notify the Investor Member and such acquisition or development shall not proceed without the required Form 2530 filing. The Managing Member shall also provide adequate information to the Investor Member to enable any of its members to file any additional documents that may be required by HUD. Such information shall include but not be limited to the following:

- (i) type of financing and governmental agency providing such assistance, FHA project number, Section 8 contract number or other agency identification number (if any);
- (ii) closing date/date of receipt of assistance;
- (iii) date that the Project is intended to be acquired and/or the development is to be financed by the Company;
- (iv) property address and last inspection date/rating; and
- (v) status of any pre-existing loan on the project (current, defaulted, assigned or foreclosed) and if ever defaulted, an explanation as to the causes of such default/foreclosure.

(as) OFAC Requirements. The Managing Member and its Affiliates are (i) in compliance with all applicable anti-money laundering laws, including, without limitation, the USA Patriot Act and the laws administered by the United States Treasury Department’s Office of Foreign Assets Control (“OFAC”), including, without limitation, Executive Order 13224, (ii) not on the Specially Designated Nationals and Blocked Persons List maintained by OFAC, and (iii) not otherwise identified by a government entity or legal authority as a Person with whom a U.S. Person is prohibited from transacting business. “U.S. Person” shall mean any United States citizen, any permanent resident alien, any entity organized under the laws of the United States (including foreign branches), or any person in the United States.

(at) Leasehold Obligations. The Managing Member shall comply and cause the Company to comply in all respects with the provisions of the General Lease and shall not default

nor permit any default thereunder to remain uncured within the time periods allowed to the Company under the Ground Lease. Upon any breach of this covenant by the Managing Member, the Investor Member and or Special Member, shall have the right to effect such cure of any default or alleged default under the Ground Lease in the place of Company, and charge back any costs and expenses thereof against the Managing Member. The Managing Member shall reimburse the Investor Member or Special Member, as the case may be, for such costs and expenses upon written demand. Further, the Managing Member shall not amend, modify or terminate, nor permit any amendment, modification or termination of the Ground Lease, without in each case obtaining the prior written Consent of the Investor Member. Any and all notices given to the Company under the Ground Lease, and any requests for consents, actions, or forbearances on the part of the Company to be given or withheld under the Ground Lease, shall immediately, upon receipt by the Managing Member, be forwarded to the Investor Member by the Managing Member.

(au) Survival of Representations and Warranties. All of the representations, warranties and covenants contained herein shall be deemed to be re-made as of the date of each Capital Contribution made by the Investor Member and shall survive the date of Final Closing and the funding date of each such Capital Contribution. The Managing Member shall indemnify and hold harmless the Investor Member against a breach of any of the foregoing representations, warranties and covenants and any damage, loss or claim caused thereby, including reasonable attorneys' fees and costs and expenses of litigation and collection.

4.02 Duties and Obligations Relating to the Project and the Company. The Managing Member shall have the following duties and obligations with respect to the Project and the Company:

(a) Qualifying for LIHTC. It shall ensure that all requirements shall be met which are necessary to obtain or achieve (i) compliance with the Minimum Set-Aside Test, the Rent Restriction Test, and any other requirements necessary for the Project to initially qualify, and to continue to qualify, for LIHTC, including all applicable requirements set forth in the Regulatory Agreement and the Extended Use Agreement, (ii) issuance of IRS Form(s) 8609 with respect to the LIHTC, (iii) issuance of all necessary permanent, unconditional certificates of occupancy, including all governmental approvals required to permit occupancy of the Project, and (iv) Initial Closing and Final Closing.

(b) Tax Treatment of Company. While conducting the business of the Company, the Managing Member shall not act in any manner which it knows or should have known after due inquiry will (i) cause the termination of the Company for federal income tax purposes without the Consent of the Investor Member or (ii) cause the Company to be treated for federal income tax purposes as an association taxable as a corporation.

(c) Securities Law Matters. The Managing Member shall prepare and timely file all appropriate reports for the Company with the Securities and Exchange Commission and state securities administrators.

(d) Limited Liability Company Status. The Managing Member shall (i) file such certificates and do such other acts as may be required to qualify and maintain the Company as a limited liability company under the Act and to qualify the Company to transact business in all such other jurisdictions as may be required under the applicable provisions of law, and (ii) take or cause the Company to take all reasonable steps deemed necessary by counsel to the Company to assure that the Company is at all times classified as a partnership for federal income tax purposes.

(e) Good Faith of Managing Member. It shall exercise good faith in all activities relating to the conduct of the business of the Company, including the development, operation and maintenance of the Project, and the Managing Member shall take no action with respect to the business and property of the Company which is not reasonably related to the achievement of the purpose of the Company.

(f) No Security Interests or Encumbrances; Debt Service Coverage Ratio. The Managing Member shall ensure that all of (i) the fixtures, maintenance supplies, tools, equipment and the like now and to be owned by the Company or to be appurtenant to, or to be used in the operation of the Project, as well as (ii) the rents, revenues and profits earned from the operation of the Project, will be free and clear of all security interests and encumbrances except for the Project Loans, the Mortgages, and any additional security agreements executed in connection therewith. From and after the Final Closing, the Project shall maintain a Debt Service Coverage Ratio of at least 1.15:1.0.

(g) Basis Adjustments. It will execute on behalf of the Company all documents necessary pursuant to Sections 732, 743 and 754 of the Code to elect to adjust the basis of the Company's property upon the request of the Investor Member, if, in the sole opinion of the Investor Member, such election would be advantageous to the Investor Member provided that such election would not have a material adverse effect on the Managing Member as confirmed by the Accountants.

(h) Payment of the Development Fee. It guarantees payment by the Company of the Development Fee as provided in Section 5.01(b).

(i) Tax Returns and Financial Statements. It shall, during and after the period in which it is a Member, provide the Company with such information and sign such documents as are necessary for the Company to make timely, accurate and complete submissions of federal and state income tax returns and shall provide the Investor Member with the opportunity to review and Consent to drafts of all such returns at least twenty (20) days prior to their filing date, and will incorporate the changes of the Investor Member. In addition, the Managing Member shall provide the Investor Member with the opportunity to have not less than twenty (20) days to review drafts of audited financial statements prior to their finalization and will incorporate the changes of the Investor Member.

(j) Compliance with Governmental and Contractor Obligations. It shall comply and cause the Company to comply with the provisions of all applicable governmental and contractual obligations, including any Regulatory Agreement.

(k) Tax Elections. It has made (if applicable) and shall make such elections, or refrain from making such elections, with respect to the LIHTC, as are necessary to achieve and maintain the maximum allowable LIHTC to the Investor Member, unless otherwise directed in writing by the Investor Member. In connection herewith, the Company will not make an election to opt out of the bonus depreciation available under Section 168(k) of the Code without the Consent of the Investor Member.

(l) Fines and Penalties. It shall be responsible for the payment of any fines or penalties imposed by any applicable governmental authority or any Project Lender pursuant to the Project Documents and any documents executed in connection with obtaining the LIHTC (other than with respect to payments of principal or interest under any Project Loan) attributable to any action or inaction of it or its Affiliates.

(m) Notification of Default or IRS Proceedings. It shall immediately notify the Investor Member of any written or oral notice of (i) any default or failure of compliance with respect to any of the Project Loans or any other financial, contractual or governmental obligation of the Company or the Managing Member, or (ii) any IRS proceeding regarding the Project or the Company.

(n) Notification of Construction Delays. If at any time during the construction or rehabilitation of the Project, (i) construction or rehabilitation stops or is suspended for a period of ten (10) consecutive days, or (ii) construction or rehabilitation has been delayed so that in the reasonable determination of the Managing Member (A) Substantial Completion may not be achieved by the date set forth in the Construction Contract, or (B) the Projected Credits for any year during the Credit Period may not be achieved, the Managing Member shall immediately send Notice of such occurrence, together with an explanation of the circumstances surrounding such occurrence, to the Investor Member.

(o) Bank Accounts. The Managing Member shall establish in the name and on behalf of the Company such bank accounts as shall be required to facilitate the operation of the Company's business. The Company's funds shall not be commingled with any other funds of the Managing Member or any of its Affiliates, including, without limitation, any other limited liability company in which the Managing Member is a managing member. Promptly upon the request of the Investor Member, the Managing Member shall obtain and deliver to the Investor Member full, complete and accurate statements of the amount and status of all Company bank accounts and all withdrawals therefrom and deposits thereto.

(p) Sales Notice to State Agency. If necessary to obtain, maintain or avoid recapture of any LIHTC for the Company, upon written request of an Investor Member, the Managing Member shall, pursuant to Section 42(h)(6) of the Code, submit on behalf of the

Company and its Members, and in accordance with the rules and regulations of the Agency, a written request to the Agency (or other applicable housing credit agency) to find a Person to acquire the Project pursuant to a Qualified Contract, if allowed by the State Agency.

(q) Reserve Fund for Replacements. It shall establish and maintain a segregated replacement reserve, in a lending institution acceptable to the Special Member, to provide for working capital needs, improvements, replacements and any other contingencies of the Company. At a minimum, the Managing Member shall cause the Company to annually deposit into a segregated reserve account, commencing upon Final Closing, \$300 per unit per year (prorated for any partial year) from the Company's gross operating revenues into the Reserve Fund for Replacements ("Initial Amount"). Thereafter, the Managing Member shall, each year, further fund the Reserve Fund for Replacement with an additional amount equal to the Initial Amount. Withdrawals from the Reserve Fund for Replacements shall require the Consent and signature of the Investor Member or Special Member which consent is not to be unreasonably withheld, provided, that the consent of the Investor Member or Special Member are not required for withdrawals reflected in an annual budget that has been approved by the Investor Member, or are required by a Project Lender or Investor Member. The Managing Member shall not increase the amount in the Reserve Fund for Replacements materially above the amount required to be maintained by this Section 4.02(q) without the Consent of the Investor Member, which Consent shall not be unreasonably withheld. Notwithstanding anything to the contrary in this Section 4.02(q), however, the amount of the Reserve Fund for Replacements shall be increased if necessary to satisfy the requirements of any creditor of the Company or any Authority having jurisdiction over the Project.

(r) Operating Reserves. In addition to the requirements of Section 4.02 (q), in order to meet operating expenses of the Company which exceed operating income available for the payment thereof, the Managing Member shall cause the Company to deposit an initial amount of \$317,179 (or such greater amount as may be required by the Project Lenders) into a segregated reserve account in a lending institution acceptable to the Special Investor Member (the "Operating Reserve") to fund operating expenses and debt service in excess of operating revenues and to pay any Unpaid Fee, as that term is defined in Paragraph 5.01(b) hereof. The initial amount of \$317,179 of the Operating Reserve shall be funded from the proceeds of the Sixth Capital Contribution; provided, however, that if there are insufficient funds attributed solely to the action or inaction of the Investor Member from the aforementioned sources upon Final Closing, the Managing Member shall be required to fund the Operating Reserve. If there is a delay in the payment of the Sixth Capital Contribution due to the fault of the Investor Member, the unpaid portion of the Operating Reserve shall bear interest at the rate of 1.5% per annum (starting upon the release of the preceding Capital Contribution), and such unpaid portion, including any accrued interest, will be paid no later than 24 months after payment of the Sixth Capital Contribution ("Delayed Operating Reserve Payment"). If the Delayed Operating Reserve Payment is necessary to pay guaranty or other obligations hereunder, Investor Member shall disburse such payment to fully fund the Operating Reserve. Disbursements from the Operating Reserve for the aforementioned purposes shall constitute MM Loans by the Managing Member only to the extent of amounts funded by it into the Operating Reserve pursuant to the previous sentence.

Additionally, the Managing Member shall cause the Company to deposit into the Operating Reserve amounts sufficient to maintain a balance of \$317,179, from Net Cash Flow as set forth in Section 11.03(b) hereof. Withdrawals from the Operating Reserve shall require the prior written approval of the Special Member, such consent not to be unreasonably withheld. To the extent an Unpaid Fee exists on the thirteenth anniversary of placement in service of the Project, and the balance in the Operating Reserve at that time exceeds \$317,179, the difference between the balance and \$317,179 being “Excess Funds”, then during the 14<sup>th</sup> year after the Project is placed in service, the Managing Member shall use Excess Funds to pay the Unpaid Fee subject to approval by the Investor Member, and after application of the approved portion of the Operating Reserve, any remaining Unpaid Fee shall be paid using the Managing Member’s Special Capital Contribution as set forth in Section 5.01(c) hereof. Further, the Managing Member shall have the right to use any funds in the Operating Reserve to pay the costs of the exercise by the Managing Member of its option set forth in Section 8.03(d) hereof.

(s) Lease-up Reserve. By the time of certificate of occupancy, the Managing Member shall establish and cause the Company to fund and maintain a lease-up reserve (the “Lease-up Reserve”) in the name of the Company and maintained in a segregated Company account established for this purpose. The amount of the Lease-up Reserve shall be \$50,000 and shall be fully funded by the proceeds of the Third Capital Contribution. Withdrawals from the Lease-up Reserve account shall require the Consent and signature of the Special Member. At such time as the Project Property shall have achieved and maintained for a period of at least six months at least 95% occupancy (measured by both physical occupancy and “paid” occupancy based upon the then current rents for apartment units) and six consecutive months of Breakeven Operations, any unused portion of the Lease-up Reserve shall be deposited into the Operating Reserve. Any additional funds contributed to the Lease-up Reserve by the Investor Member shall be treated as additional Capital Contributions and shall increase the Investor Members’ respective Capital Accounts.

(t) Pre-Development Activities. The Managing Member shall be specifically and solely responsible for the following duties:

- (1) Analyzing the Qualified Allocation Plan (“QAP”) for targeted areas within a state.
- (2) Identifying potential land sites.
- (3) Analyzing the demographics of potential sites.
- (4) Analyzing a site’s economy and forecast future growth potential.
- (5) Determining the site’s zoning status and possible rezoning actions.
- (6) Contacting local government officials concerning access to utilities, public transportation, impact fees and local ordinances.



- (7) Performing environmental tests on selected sites.
- (8) Negotiating the purchase of the land upon which the Project is located and its related financing.
- (9) Performing any other duties or activities relating to the acquisition of the land upon which the Project is located.

(u) The parties acknowledge that the Tax Cut and Jobs Act of 2017 (the “Act”) has become law. Notwithstanding the foregoing, the Members agree to work together to make appropriate elections and tax return reporting choices to avoid reducing the Investor Member’s expected benefits from being a member of the Company. In this regard and without limiting the foregoing, the Managing Member agrees that unless directed otherwise by the Investor Member, the Company shall make the election under Code Section 163(j)(7)(B) as provided in the Act to be an Electing Real Property Trade or Business. In addition, if directed by the Investor Member, the Managing Member shall elect out of bonus depreciation allowed under Section 167(k) on one or more classes of property for one or more years or if allowable, elect less than the maximum amount of bonus depreciation.

4.03 Single Purpose Entity. The Managing Member shall engage in no other business or activity other than that of being the Managing Member of the Company. The Managing Member was formed exclusively for the purpose of acting as the Managing Member of the Company and has never engaged in any other activity, business or endeavor. As of the date of this Agreement, the Managing Member has no liabilities or indebtedness other than its liability for the debts of the Company, and the Managing Member shall not incur any indebtedness other than its liability for the debts of the Company. If the Managing Member determines it needs additional funds for any purpose, it shall obtain such funds solely from capital contributions from its shareholders or members. The Managing Member has observed and shall continue to observe all necessary or appropriate corporate formalities in the conduct of its business. The Managing Member shall keep its books and records separate and distinct from those of its shareholders, members and affiliates. The Managing Member shall clearly identify itself as a legal entity separate and distinct from its shareholders, members and its affiliates in all dealings with other Persons. The Managing Member has been adequately capitalized for the purposes of conducting its business and will not make distributions at a time when it would have unreasonably small capital for the continued conduct of its business.

4.04. Investor Member Representations. As of the date hereof, the Investor Member and the Special Member hereby represent, warrant and covenant to the Managing Member, the Company and to the Partners;

(a) Due Authorizations, Executions and Delivery of Investor Member. The execution and delivery of the Agreement by the Investor Member and the performance by the

Investor Member of the transactions contemplated hereby have been duly authorized by all requisite corporation actions or proceedings. The Investor Member is duly organized, validly existing and in good standing under the laws of the State of Formation with power to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) Due Authorizations, Executions and Delivery of Special Member. The execution and delivery of this Agreement by the Special Member and the performance by the Special Member of the transactions contemplated hereby have been duly authorized by all requisite corporate actions or proceedings. The Investor Member is duly organized, validly existing and in good standing under the laws of the state of Formation with power to enter into this Agreement and to consummate the transactions contemplated hereby.

ARTICLE V  
MEMBERS, COMPANY INTERESTS  
AND OBLIGATIONS OF THE COMPANY.

5.01 Members; Capital Contributions; Membership Interests.

(a) Initial Managing Member Contribution. The Managing Member, its principal address or place of business, its Capital Contribution and its Percentage Interest are as follows:

(i) Name and Address:  
South First Phase One, LLC  
1000 South First Street  
Charlottesville, Virginia 22902

(ii) Capital Contribution: \$100.00, plus all of its rights, title and interest in, to and under all agreements, licenses, approvals, permits, LIHTC applications and allocations and any other tangible or intangible personal property which is related to the Project or which is required to permit the Company to pursue its business and carry out its purposes as contemplated in this Agreement.

(iii) Percentage Interest: 0.009%

(b) Managing Member's Special Capital Contribution. In the event that the Company has not paid all or part of the amounts due under the Development Agreement ("Unpaid Fee") on or before the earlier of (i) the thirteenth (13th) anniversary of placement in service of the Project, or (ii) the date required under the Development Agreement, the Managing Member shall contribute to the Company an amount equal to any such Unpaid Fee (the "Managing Member's Special Capital Contribution") and the Company shall thereupon make a payment in an equal amount to the Unpaid Fee; provided, however, that prior to the making of the Managing Member's Special Capital Contribution, funds in the Operating Reserve may be used to pay the Unpaid Fee, subject to approval by the Investor Member, and after application of the approved portion of the

Operating Reserve, any remaining Unpaid Fee shall be paid using the Managing Member's Special Capital Contribution.

(c) Investor Members. The Investor Member and the Special Member, respectively, their principal officer and places of business and Percentage Interests are as follows:

(i) The Investor Member, its principal office and place of business, and its Percentage Interest are as follows:

Housing Equity Fund 99.99% of Virginia XXIII, L.L.C. 1840 West Broad Street, Suite 200 Richmond, Virginia 23220	Capital Contribution of the Investor Member  is as set forth in subparagraph (d) immediately below, as increased for purposes of the Company's books of account by the amount of the Capitalized Bridge Loan Interest allocable to the Investor Member, also as set forth in subparagraph (d) immediately below.
---	--

(ii) The Special Member, its principal office and place of business, its Percentage Interest and its Capital Contribution are as follows:

VAHM, L.L.C. 0.001% 1840 West Broad Street, Suite 200 Richmond, Virginia 23220	\$10.00
---	---------

(d) Investor Member Capital Contributions. Subject to the provisions of this Agreement, including, without limitation, the provisions of Sections 5.01(e) and 5.03, the Investor Member shall be obligated to make Capital Contributions to the Company in the amount of \$6,600,000, of which \$999.00 was paid on or about December 23, 2019 and the remainder of which will be payable in installments as follows. However, in addition to such Contributions, the Capital Contributions of the Investor Members shall be deemed to include, and their respective Capital Accounts shall so reflect, each Investor Member's allocable share of Capitalized Bridge Loan Interest as determined by the Company's Accountants in consultation with each Investor Member.)

(i) First Capital Contribution. The amount of the first Capital Contribution shall be Four Hundred Ninety-Nine Thousand One and No/100 Dollars (\$499,001). After satisfaction of all of the conditions set forth below, and review and approval of the items described below, the Investor Member shall make the First Capital Contribution. A portion of the First Capital Contribution in the amount of \$65,000 shall be used to pay the Investor Member's Due Diligence Costs.

(A) Title Policy. The Title Company shall have issued the Company's title policy in an amount equal to the acquisition and development cost of the Project, showing the

Company as owner of leasehold title to the Land and subject to only such exceptions as are acceptable to the Investor Member, and containing fairways, non-imputation, creditors' rights, zoning, survey, access, tax parcel and such other endorsements as the Investor Member may require;

- (B) Environmental Matters. The Investor Member shall have received a report satisfactory to the Investor Member confirming no material adverse environmental conditions, including, without limitation, evidence that radon gas is not present in any of the apartment units at a level above the recommended permitted safe level as determined by the Environmental Protection Agency or any other applicable governmental authority;
- (C) Legal Opinion(s). The Investor Member shall have received a legal opinion(s) as set forth in Section 5.04;
- (D) Permanent Financing. The Investor Member shall have received copies of all commitment letters or agreements from all of the Company's anticipated financing sources, in form and substance acceptable to the Investor Member, necessary to meet the Company's financial needs for the Project;
- (E) Survey. The Investor Member shall have received and approved an ALTA Survey, dated no more than ninety (90) days prior to the date of funding;
- (F) Plans and Specifications. The Investor Member shall have received and approved Plans and Specifications for the Project;
- (G) Permits. The Investor Member shall have received a copy of all permits and licenses required for the construction and rehabilitation of the Project, issued by the appropriate governmental authorities;
- (H) Construction Financing. Evidence that all construction financing proceeds are available, including copies of all executed construction financing documents;
- (I) Credits. Evidence from the Agency that the Project will qualify for annual LIHTC of at least \$750,000;
- (J) Construction Contract. The general construction contract, in form and substance acceptable to the Investor Member and with a fixed price or maximum upset price acceptable to the Investor Member, and with a general contractor reasonably acceptable to the Investor Member;
- (K) Financials. Current financial statements of the Guarantor and the Developer, verification of background information to be provided to the Investor Member by the Managing Member and there having been no changes in the tax laws or treasury

regulations or pronouncements or interpretations of existing tax issues that would materially and adversely affect the Investor Member's investment in the Company;

- (L) AHAP Contract. Investor Member shall have received a copy of the fully executed AHAP Contract;
- (M) Ground Lease. An executed Ground Lease; and
- (N) Other Documentation. The Investor Member shall have received such other documentation as it may reasonably request to satisfy its due diligence requirements including, without limitation, (i) those documents listed on the Investor Member's closing checklist, a copy of which has been previously delivered to the Managing Member; and (ii) such additional items requested by the Investor Member to otherwise verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(ii) Second Capital Contribution. The amount of the Second Capital Contribution shall be Two Hundred Fifty Thousand and No/100 Dollars (250,000.00). After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make the Second Capital Contribution in the amount requested by the Managing Member in the manner set forth below, to pay for the cost of construction.

- (A) First Capital Contribution Paid. The occurrence of the Investor Member's First Capital Contribution;
- (B) Sworn Statements. The Investor Member shall have received a written request for an advance from the Managing Member in form satisfactory to the Investor Member, accompanied by current owner's and contractor's sworn statements;
- (C) Managing Member's Certificate. The Investor Member shall have received a certificate from the Managing Member that the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Second Capital Contribution, and that the Managing Member and the Company are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Second Capital Contribution;
- (D) Physical Inspection. A construction consultant selected by the Investor Member shall have prepared a physical inspection report and certified that 75% of the work having been completed in accordance with the Plans and Specifications;
- (E) Title Policy. The Title Company shall have issued: (1) a "date down" endorsement to the title policy extending the effective date of the title policy to the date of funding and showing no exceptions to the title other than the exceptions reflected

on the title policy as of Initial Closing, except as shall be acceptable to the Investor Member; (2) an endorsement affording mechanics lien coverage; and (3) such other endorsements as the Investor Member may reasonably require; and

- (F) Other Documentation. The Investor Member shall have received (i) the Post Closing Obligations, if any, as set forth on **Exhibit K** attached hereto; and (ii) such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(iii) Third Capital Contribution. The amount of the Third Capital Contribution shall be Five Million One Hundred Thirty-Two Thousand Eight Hundred Twenty-One and No/100 Dollars (\$5,132,821.00). After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make the Second Capital Contribution in the amount requested by the Managing Member in the manner set forth below, to pay for the cost of construction, repay the construction loan, pay a portion of the developer fee and fund the Lease-up Reserve.

- (A) Second Capital Contribution Paid. The occurrence of the Investor Member's Second Capital Contribution;
- (B) Sworn Statements. The Investor Member shall have received a written request for an advance from the Managing Member in form satisfactory to the Investor Member, accompanied by current owner's and contractor's sworn statements;
- (C) Managing Member's Certificate. The Investor Member shall have received a certificate from the Managing Member that the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Third Capital Contribution, and that the Managing Member and the Company are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Third Capital Contribution;
- (D) Physical Inspection. A construction consultant selected by the Investor Member shall have prepared a physical inspection report and certified that 100% of the work having been completed in accordance with the Plans and Specifications;
- (E) Title Policy. The Title Company shall have issued: (1) a "date down" endorsement to the title policy extending the effective date of the title policy to the date of funding and showing no exceptions to the title other than the exceptions reflected on the title policy as of Initial Closing, except as shall be acceptable to the Investor Member; (2) an endorsement affording mechanics lien coverage; and (3) such other endorsements as the Investor Member may reasonably require;

- (F) Substantial Completion. Substantial Completion of the Project shall have occurred as evidenced by a Certificate of Substantial Completion acceptable to the Investor Member;
- (G) As Built Plans and Specifications. The Managing Member shall have submitted to the Investor Member a written document executed by the Managing Member, the architect and the Contractor certifying no material change to the “for-construction” Plans and Specifications previously approved by the Project Lenders and Investor Member;
- (H) Permits, Licenses and Certificates of Occupancy. The Investor Member shall have received a copy of any permits and licenses which are required for the operation and use of the Project and a copy of the final and unconditional certificate or certificates of occupancy, or the equivalent, issued by the appropriate governmental authorities for the Project in its entirety, if applicable;
- (I) Environmental Matters. The Managing Member shall have provided the Investor Member evidence that the construction of the Project did not result in the filling or disturbance of any wetlands and that any actions recommended to be taken which were contained in any Environmental Reports prepared in conjunction with the development of the Project, including without limitation, vapor intrusion testing, have been appropriately completed in a manner that fully complies with such recommendations and all laws, regulations, ordinances, orders or decrees pertaining to environmental matters and subject to the approval of the Special Member;
- (J) Legal Opinion. The Investor Member shall have received an update of the legal opinion previously delivered to the Investor Member in connection with its making the Initial Capital Contribution;
- (K) Evidence of Applicable Fraction. The Investor Member shall have received satisfactory evidence that the Applicable Fraction (as defined in Code Section 42(c)(1)(B)) for the Project equals or exceeds forty percent (40%) determined as of the date of the proposed Third Capital Contribution;
- (L) Architect’s Certificate. The Managing Member shall have delivered to the Investor Member an architect’s certificate of substantial completion in the form requested by the Investor Member;
- (M) Payment of Taxes. The Investor Member shall have received satisfactory evidence (which may be included in the title policy described below) that all real property taxes and assessments for the Project due and payable through the date of funding have been timely and fully paid or alternatively the General Partner shall provide evidence that the Project is subject to a real estate tax abatement or payment in lieu of real estate taxes acceptable to the Investor Member;

- (N) Cost Certification. Receipt of an audited cost certification of Eligible Basis (as defined in Code Section 42(d)) for the Project prepared by the Accountants;
- (O) Final Closing. Simultaneously with Final Closing, provided that the Investor Member has received fifteen (15) days' prior written notice of the date of Final Closing, and has received copies of any loan documents (including loan riders) executed in connection with the permanent financing that have not been previously delivered to the Investor Member;
- (P) HAP Contract. Investor Member shall have received a copy of the fully executed HAP Contract;
- (Q) Survey. The Investor Member shall have received and approved an updated and recertified as-built survey satisfactory to the Investor Member dated no more than thirty (30) days prior to the date of funding;
- (R) Qualified Occupancy. Achievement of occupancy of one hundred percent (100%) of the residential units in the Project by Qualified Tenants, and the Managing Member, if requested by the Investor Member, shall demonstrate such occupancy by submitting to the Investor Member certified rent rolls and tenant qualification forms that confirm that such tenants qualify under Section 42 of the Code;
- (S) 10% Cost Certification. The Investor Member shall have received a copy of the cost certification the Company or Guarantor delivered to VH in connection with any carryover of LIHTC, with copies of all invoices and backup information; and
- (T) Other Documentation. The Investor Member shall have received (i) the Post Closing Obligations, if any, as set forth on **Exhibit K** attached hereto; and (ii) such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

Amounts disbursed pursuant to Sections 5.01(d)(i) through (iii), and to the extent necessary to pay for the costs of construction or rehabilitation, any amount under Section 5.01(d)(iv), shall be disbursed through an escrow agreement in form and substance satisfactory to the Investor Member. All investment earnings on the Investor Member's Capital Contributions disbursed through an escrow shall inure to the benefit and belong to the Investor Member.

(iv) Fourth Capital Contribution. The amount of the Fourth Capital Contribution shall be One Hundred Fifty Thousand and No/100 Dollars (\$150,000) to pay a portion of the Development Fee. After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make



the Fourth Capital Contribution in the manner set forth below to pay a portion of the Development Fee.

- (A) Third Capital Contribution Paid. The occurrence of the Investor Member's Third Capital Contribution;
- (B) Managing Member Certificate. The Investor Member shall have received a certificate from the Managing Member that (1) the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Fourth Capital Contribution and (2) the Company and the Managing Member are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Fourth Capital Contribution;
- (D) Breakeven Operation. The last day of the month following the month in which Breakeven Operations occurs (with the Project having achieved at least 93% physical and economic occupancy for the three-month period in which Breakeven Operations has been achieved);
- (E) 8609's. Receipt of the Form(s) 8609 for the entire Project executed by the Agency;
- (F) Company Tax Return. The Investor Member shall have received a complete copy of the Company's 2020-2022 tax returns, if not previously delivered;
- (G) ACC Subsidy. Evidence that ACC subsidy payments have commenced under the Regulatory and Operating Agreement; and
- (H) Other Documentation. The Investor Member shall have received (i) the Post Closing Obligations, if any, as set forth on **Exhibit K** attached hereto; and (ii) such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(v) Fifth Capital Contribution. The amount of the Fifth Capital Contribution shall be Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00). After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make the Fifth Capital Contribution in the amount requested by the Managing Member in the manner set forth below to pay a portion of the Development Fee.

- (A) Fourth Capital Contribution Paid. The occurrence of the Investor Member's Fourth Capital Contribution;
- (B) Managing Member Certificate. Receipt of a certificate from the Managing Member that (1) the representations, warranties and covenants in Sections 4.01 and

4.02 continue to be true and accurate through the date of the proposed Fifth Capital Contribution and (2) the Company and the Managing Member are not in default of any of their obligations with respect to the Company or the Project at such time;

- (C) Breakeven Operation. The last day of the month following the month in which Breakeven Operations occurs (with the Project having achieved at least 95% physical and economic occupancy for the six-month period in which Breakeven Operations has been achieved); and
- (D) Other Documentation. The Investor Member shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV and the Post Closing Obligations, if any, as set forth on **Exhibit K** attached hereto.

(vi) Sixth Capital Contribution. The amount of the Sixth Capital Contribution shall be Three Hundred Seventeen Thousand One Hundred Seventy-Nine and No/100 Dollars (\$317,179). After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make the Sixth Capital Contribution in the amount requested by the Managing Member in the manner set forth below, to fund the Operating Reserve. Notwithstanding the foregoing, the Investor Member may fund this \$317,179 any time within 24 months of the date that the Sixth Capital Contribution has been approved for release by the Investor Member and any amount not deposited immediately will accrue interest at 1.5% per annum to be paid by the Investor Member; however, if the Operating Reserve is needed within this 24-month period, the Investor Member shall fund it accordingly.

- (A) Fifth Capital Contribution Paid. The occurrence of the Investor Member's Fifth Capital Contribution;
- (B) Managing Member Certificate. The Investor Member shall have received a certificate from the Managing Member that (1) the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Sixth Capital Contribution and (2) the Company and the Managing Member are not in default of any of their obligations with respect to the Company or Project at such time; and
- (C) Other Documentation. The Investor Member shall have received (i) the Post Closing Obligations, if any, as set forth on **Exhibit K** attached hereto; and (ii) such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(vii) Investor Member's Special Additional Capital Contributions. If, in any fiscal year of the Company, the Investor Member's Capital Account balance may be reduced to or below zero, the Investor Member may, in its sole and absolute discretion, make a Special Additional Capital Contribution to the Company, in an amount reasonably required to avoid the reduction of the Investor Member's Capital Account balance to or below zero. If the Investor Member makes a Special Additional Capital Contribution to the Company pursuant to this paragraph, the Investor Member shall receive a guaranteed payment pursuant to Section 5.06 for the use of its Special Additional Capital Contribution. Whenever the Investor Member makes a Special Additional Capital Contribution to the Company pursuant to this paragraph, the Managing Member shall have the option, in its sole and absolute discretion, to make Special Additional Capital Contributions to the Company, up to the same amount and on the same terms in the aggregate as the Special Additional Capital Contribution made by the Investor Member at that time.

(e) Adjustment to Capital Contributions of Investor Member. Following determination of Certified Credits, the Accountants shall make a determination as to whether there is a Downward Capital Adjustment. If events subsequent to such determination result in a decrease in the Capital Contributions of the Investor Member due to a Late Delivery Capital Adjustment, then the Accountants shall recalculate the Downward Capital Adjustment to take into account such Late Delivery Capital Adjustment. Following the determination of a Downward Capital Adjustment and/or a Late Delivery Capital Adjustment, the Managing Member or the Company, as appropriate, shall make payments as required under Section 5.01(e)(ii).

(i) The following definitions shall apply for purposes of determining adjustments to Capital Contributions:

- A. "Certified Credit Capital Adjustment" shall equal the product of (A) Certified Credits for the Credit Period (excluding any LIHTC resulting from an increase in qualified basis under Code Section 42(f)(3)), minus \$750,000, times (B) \$0.880 and (C) times ten (10). The Certified Credit Capital Adjustment may be a positive or negative number.
- B. "Certified Credit Capital Decrease" means a negative Certified Credit Capital Adjustment.
- C. "Certified Credit Capital Increase" means a positive Certified Credit Capital Adjustment.
- D. "Downward Capital Adjustment" shall mean the following: (A) if either there is a Certified Credit Capital Decrease or if the Certified Credit Capital Adjustment is zero, then the Certified Credit Capital Decrease plus the Late Delivery Capital Adjustment; or (B) if there is a Certified Credit Capital Increase, the positive amount, if any, by which the Late Delivery Capital Adjustment exceeds the Certified Credit Capital Increase.

- E. “Late Delivery Capital Adjustment” shall mean for calendar years 2022 and 2023 the amounts, if any, by which \$84,677 and \$693,548 respectively, exceeds Actual Credits for each such year.
- F. “Early Delivery Capital Adjustment” shall mean the product of (a) \$0.50 and (b) the amount, if any, by which Actual Credits for calendar year 2022 exceeds \$84,677, (but in no event shall the total Early Delivery Capital Adjustment exceed \$25,000); provided, however, that if the Project does not achieve 100% Qualified Occupancy by March 31, 2023, then the Investor Member shall not be obligated to make an Early Delivery Capital Adjustment despite the delivery of Actual Credit as described herein.

(ii) If there is a Downward Capital Adjustment, then the Capital Contributions of the Investor Member shall be immediately reduced by the Downward Capital Adjustment. The Downward Capital Adjustment shall first reduce the Third Capital Contribution (if it has not previously been funded), and then to the extent necessary, the Fourth Capital Contribution, and then to the extent necessary, the remaining Capital Contributions. If the Downward Capital Adjustment exceeds the total of all unfunded Capital Contributions (prior to the reduction under this provision), then the Managing Member shall make a payment immediately to the Company equal to the amount of such excess, and the Company shall immediately distribute such amount to the Investor Member as a return of its Capital Contributions. Such payment by the Managing Member shall constitute a non-reimbursable funding by it of Excess Development Costs and shall not give rise to any right as a loan or Capital Contribution or result in any increase in the Capital Account of the Managing Member. In the event that the Managing Member fails to make such payment in full and the Investor Member, in its sole discretion, elects not to exercise its remedies under Sections 5.05 or 6.05, as applicable, any amount not so paid by the Managing Member as required shall be payable out of Net Cash Flow and proceeds of Capital Transactions, as provided under Sections 11.03 and 11.04. Any payment required to be paid to the Investor Member pursuant to the preceding sentence out of Net Cash Flow and the proceeds of Capital Transactions shall be referred to as a “LIHTC Reduction Guaranty Payment”. The Early Delivery Capital Adjustment shall be paid with the Fourth Capital Contribution and will be used to pay any deferred Development Fee, to repay any Project Loan, or for any other purpose to which the Members agree.

(f) Payment of Investor Member Due Diligence Costs. The Managing Member shall pay the costs and expenses incurred by the Investor Member in connection with the due diligence activities of the Investor Member and the closing of the transactions described herein, including Investor Member’s legal fees and expenses, such Investor Member Due Diligence Costs not to exceed \$65,000.

(g) Additional Investor Members. Without the Consent of all of the Members, no additional Persons may be admitted as additional Investor Members and Capital Contributions may be accepted only as and to the extent expressly provided for in this Article V.

(h) Deposit of Capital Contributions. Except as otherwise provided in Section 5.01(d) herein, the cash portion of the Capital Contributions of each Member shall be deposited at the Managing Member's discretion in a checking, savings and/or money market or similar account to be established and maintained in the name of the Company or invested in government securities or certificates of deposit issued by any bank. Thereafter, such amounts shall be utilized for the conduct of the Company business pursuant to the terms of this Agreement.

(i) No Liability for Investor Member or Special Member. Except as may otherwise be provided under applicable law, no Investor Member or Special Member shall be bound by, or personally liable for, the expenses, liabilities or obligations of the Company.

(j) Payment of Environmental Assessment Consultant Fees. The Managing Member acknowledges that, on behalf of the Investor Member, the Investor Member or its Affiliate may retain an environmental consultant (the "Environmental Consultant") to review and give recommendations related to the Environmental Reports that are provided to the Investor Member by the Managing Member for the Land, or the construction and rehabilitation of existing buildings, if the reports indicate the possible presence of hazardous materials on or near the Project or if such reports appear incomplete or inadequate for purposes of making such a determination. The Company shall be solely responsible for the payment of the fees of the Environmental Consultant.

5.02 Return of Capital Contribution. Except as provided in this Agreement, no Member shall be entitled to demand or receive the return of his Capital Contribution.

5.03 Withholding of Capital Contribution Upon Default.

(a) Conditions Giving Rise to Withholding. In the event that (a) the Managing Member, or any successor Managing Member shall not have substantially complied with any material provisions under this Agreement or the operating agreement as to an Affiliated Company, after Notice from the Investor Member of such noncompliance and failure to cure such noncompliance within a period of thirty (30) days from and after the date of such Notice, or (b) any Project Lender shall have declared the Company to be in default under any Project Loan or under any of the mortgage loans as to an Affiliated Company, or (c) foreclosure proceedings shall have been commenced against the Project or against the Project owned by an Affiliated Company, then the Company and the Managing Member shall be in default of this Agreement, and the Investor Member, at its reasonable election, may cause the withholding of payment of any Capital Contribution otherwise payable to the Company (including while any cure period is in effect).

(b) Release to Company Following Cure. All amounts so withheld by the Investor Member under this Section 5.03 shall be promptly released to the Company only after the

Managing Member or the Company have cured the default justifying the withholding, as demonstrated by evidence reasonably acceptable to the Investor Member.

5.04 Legal Opinions. As a condition precedent to the Investor Member's obligation to make its Capital Contributions hereunder, the Investor Member must receive the opinion of Williams Mullen of Richmond, Virginia, Counsel for the Company and the Managing Member, which opinion shall explicitly state that Applegate & Thorne-Thomsen, P.C. of Chicago, Illinois, counsel to the Investor Member, may explicitly rely upon it, that:

(a) the Company is a duly formed and validly existing limited liability company under the Act, and the Company has full power and authority to own and operate the Project and to conduct its business hereunder; the Company is duly qualified to transact its business in the Commonwealth of Virginia; the Investor Member has been validly admitted as an Investor Member of the Company entitled to all the benefits of an Investor Member under this Agreement, and the Interest of the Investor Member in the Company is the Interest of an investor member with no personal liability for the obligations of the Company, and the exercise of the rights and remedies of the Investor Member under this Agreement do not constitute participating in the control of the business of the Company;

(b) the Managing Member is duly and validly organized and is validly existing in good standing as a limited liability company under the laws of the Commonwealth of Virginia, with full power and authority to enter into and perform its obligations hereunder and under the Managing Member Pledge; the Managing Member is duly qualified to transact its business in the Commonwealth of Virginia;

(c) unless otherwise permitted under this Agreement, there is and shall be no direct or indirect personal liability of the Company or of any of the Members or their Affiliates for the repayment of the principal of and payment of interest on any Project Loan, and the sole recourse of the Project Lender, with respect to the principal thereof and interest thereon, shall be to the assets of the Company securing such indebtedness;

(d) execution of this Agreement and the Managing Member Pledge by the Managing Member has been duly and validly authorized by or on behalf of such Managing Member and, having been executed and delivered in accordance with its terms, this Agreement and the Managing Member Pledge constitute the valid and binding agreement of the Managing Member, enforceable in accordance with their respective terms, and execution hereof and thereof by the Managing Member is not in violation of any contract, agreement, charter, bylaw, resolution, judgment, order, decree, law or regulation to which the Managing Member is bound or as to which it is subject;

(e) the Company owns leasehold title to the Project, subject only to the Project Loans, the Mortgages, and such other liens, charges, easements, restrictions and encumbrances as are set forth in the title insurance policy issued to the Company. Such opinion may be based on a

review of the title insurance policy issued in accordance with Section 4.01 herein, provided Counsel has no actual knowledge to the contrary;

(f) to the best of its knowledge after due inquiry, there are no defaults existing with respect to any of the Project Documents;

(g) to the best of its knowledge after due inquiry, no event of Bankruptcy has occurred with respect to the Company or the Managing Member; and

(h) the Guaranty has been duly executed by the Guarantor and constitutes the valid and binding obligation of the Guarantor, enforceable in accordance with its terms; and

(i) the Company has received a carryover allocation of LIHTC for the Projected Credits from the Agency, which is the appropriate state of local authority for the jurisdiction in which the Project is located.

In addition, the Investor Member shall have received from counsel to Investor Member an overall tax opinion, addressing all material tax issues and indicating that the financial projections and tax credit calculation contained in the Development Budget appear reasonable and complete.

#### 5.05 Repurchase Obligation.

(a) Conditions for Repurchase. If (i) Final Closing has not occurred by December 15, 2022 (or such later date as may be Consented to by the Investor Member); (ii) the Company has not received a State Designation in 2020 or the IRS Form(s) 8609 are not issued by the Agency by October 15, 2022, so as to allow the Credit Period to commence in 2022; (iii) the Company fails to meet the Minimum Set-Aside Test and the Rent Restriction Test by the close of the first year of the Credit Period or at any time thereafter; (iv) the Company's basis in the Project for federal income tax purposes, as finally determined by the Accountants or pursuant to an audit by the IRS, as of December 15, 2021, shall have been less than ten percent (10%) of the Company's reasonably expected basis in the Project, as required pursuant to Section 42(h)(1)(E) of the Code; (v) an Extended Use Agreement is not in effect before the end of the first year of the Credit Period; (vi) the Project has not generated at least 75% of the Projected LIHTC for each year commencing in 2024, then the Managing Member shall, within fifteen (15) days of the occurrence thereof, send to the Investor Member Notice of such event and of its obligation to purchase the Interest of the Investor Member hereunder and return to the Investor Member its Capital Contributions in the event the Investor Member, in its sole discretion, requires in a Notice to the Managing Member such purchase of the Interest of the Investor Member. Thereafter, the Managing Member, within thirty (30) days of the mailing date of Notice by the Investor Member of such election, shall acquire the entire Interest of the Investor Member in the Company by making payment to the Investor Member, in cash, of an amount equal to the sum of its Capital Contributions, plus interest on such amount at the rate of fourteen percent (14%) per annum, but in no event higher than the highest rate permitted by applicable law.

(b) Upon receipt by the Investor Member of any such payment of its Capital Contributions, the Interest of the Investor Member and all further obligations of the Investor Member hereunder shall terminate, and, to the extent that the Investor Member has acted in accordance with the terms of this Agreement, the Managing Member shall indemnify and hold harmless the Investor Member from any losses, damages, and/or liabilities, to or as a result of claims of Persons other than Members or Affiliates thereof, to which the Investor Member (as a result of its respective participation hereunder) may be subject.

5.06 Guaranteed Payments. No later than ninety (90) days after the end of the Company's fiscal year, any Member who has made a Special Additional Capital Contribution hereunder shall receive, as a guaranteed payment for the use of its capital, an amount equal to the annual interest earned by the Company, if any, on such Special Additional Capital Contributions. The Company shall invest any amounts contributed as a Special Additional Capital Contribution as reasonably directed by the contributing Member. Any guaranteed payment due to a Member shall be deemed an expense of the Company for purposes of determining Net Cash Flow. Any guaranteed payment which is not paid when due shall remain a liability of the Company and shall bear interest as set forth above.

5.07 Member Loans.

(a) MM Loans. The Managing Member shall have the right, but not the obligation, after funding all other obligations under this Agreement, including, without limitation, its obligation to fund Excess Development Costs under its Construction Completion Guaranty under Section 8.11(a) or Operating Deficit under its Operating Deficit Guaranty under Section 8.11(b) hereof, to make "MM Loans" pursuant to this Section 5.07(a) to fund Operating Deficits of the Company or to fund other reasonable and necessary obligations of the Company, provided, however, that the Managing Member shall not enter into any such MM Loan with the Company if such MM Loan would cause a reallocation of LIHTC or tax benefits among the Members. MM Loans shall be on the following terms: (i) interest shall accrue on the MM Loans at an annual interest rate of eight percent (8%), compounded annually; and (ii) MM Loans shall be repayable solely as set forth in Sections 11.03 and 11.04 of this Agreement.

(b) Documentation of MM Loans. At the request of a Member, which request may be made quarterly, any MM Loan shall be evidenced by a non-negotiable promissory note or notes reflecting any such MM Loans made during the preceding calendar quarter. MM Loans shall be unsecured loans. MM Loans shall not be considered Capital Contributions and shall not increase such Member's Capital Account.

(c) Usury Savings Clause. Notwithstanding anything to the contrary herein or in any note evidencing a MM Loan, in no event shall interest accrue on any MM Loan at a rate in excess of the highest rate permitted by applicable law, and if such designated interest rate should be in excess of such interest rate, the interest rate designated hereunder shall be reduced to the maximum rate of interest permitted by such law.



ARTICLE VI  
CHANGES IN MANAGING MEMBERS

6.01 Withdrawal of the Managing Member.

(a) The Managing Member may withdraw from the Company or sell, transfer or assign its Interest as Managing Member only with the prior Consent of the Investor Member, and of the Agency and the Project Lenders, if required, and only after being given written approval by the necessary parties as provided in Section 6.02, and by the Agency and the Project Lenders, if required, of the Managing Member(s) to be substituted for it or to receive all or part of its Interest as Managing Member. The foregoing shall be subject to any HUD consents required under the HAP Contract.

(b) In the event that a Managing Member withdraws from the Company or sells, transfers or assigns its entire Interest pursuant to Section 6.01(a), it shall be and shall remain liable for all obligations and liabilities incurred by it as Managing Member before such withdrawal, sale, transfer or assignment shall have become effective, but shall be free of any obligation or liability incurred on account of the activities of the Company from and after the time such withdrawal, sale, transfer or assignment shall have become effective.

6.02 Admission of a Successor or Additional Managing Member. A Person shall be admitted as a Managing Member of the Company only if the following terms and conditions are satisfied:

(a) the admission of such Person shall have been Consented to by the Managing Member and the Investor Member, and consented to by the Agency and the Project Lenders, if required;

(b) the successor or additional Person shall have accepted and agreed to be bound by (i) all the terms and provisions of this Agreement by executing a counterpart thereof, (ii) all the terms and provisions of the Loan Agreement and the Project Documents by executing counterparts thereof or an assumption agreement, if requested by the Project Lenders, and (iii) all the terms and provisions of such other documents or instruments as may be required or appropriate in order to effect the admission of such Person as a Managing Member, and a certificate of amendment to the certificate of limited liability company evidencing the admission of such Person as a Managing Member shall have been filed, and all other actions required by Section 1.07 in connection with such admission shall have been performed;

(c) if the successor or additional Person is a corporation, it shall have provided the Company with evidence satisfactory to counsel for the Company of its authority to become a Managing Member, to do business in the Commonwealth of Virginia and to be bound by the terms and provisions of this Agreement; and

(d) Counsel for the Company shall have rendered an opinion that the admission of the successor or additional Person is in conformity with the Act and that none of the actions taken in connection with the admission of the successor Person will cause the termination or dissolution of the Company or will cause it to be classified other than as a partnership for federal income tax purposes.

(e) Notwithstanding anything to the contrary contained in this Agreement, the Members hereby acknowledge and consent to (A) the granting of a security interest in the Company's rights, title and interest in and to the obligations of the Investor Member to make Capital Contributions to the Company pursuant to and in accordance with this Agreement (the "**CC Collateral**"), to and/or in favor of Atlantic Union Bank ("**AUB**") to secure the obligations of the Company to AUB under the loan documents evidencing, securing and otherwise governing the Construction Loan (collectively, as amended from time to time, the "**Construction Loan Documents**"), (B) the filing of financing statements by or on behalf of AUB, the execution and delivery of one or more pledge and/or security agreements in favor of AUB, and the taking of any and all such other actions as may be required by AUB to perfect its security interest in the CC Collateral, and (C) the exercise by AUB of all of its rights and remedies relating to its perfected security interest in the CC Collateral, whether under the Construction Loan Documents or at law or in equity. The Members hereby further acknowledge and agree that the consummation of the transactions described above in this section shall not constitute a breach or default by any Member under this Agreement and/or the Loan Documents and shall not result in the acceleration or enforcement of any rights the Members may otherwise have in connection therewith.

Notwithstanding the foregoing, the Members hereby consent to (A) the pledge of, and the granting of a security interest in, the Managing Member's Interest and all of the other interests of the Managing Member in the Company (collectively, the "**MM Pledged Collateral**"), to and/or in favor of AUB in connection with the Construction Loan (the "**MM Pledgee**") to secure the obligations of the Company to AUB under the Construction Loan Documents, and (B) the exercise by the MM Pledgee of all of its rights and remedies relating to such pledge and security interest, whether under the Construction Loan Documents or at law or in equity (subject to the provisions of the last sentence of this subsection (e)). The Investor Member agrees that such pledge of the MM Pledged Collateral will be senior to the pledge to the Investor Member under the Managing Member Pledge. Upon the occurrence of an event of default under the Construction Loan Documents (and the expiration of any applicable notice and cure period), and upon any exercise by the MM Pledgee of its rights and remedies as a pledgee and secured creditor resulting in a transfer of title to all or any portion of the MM Pledged Collateral to the MM Pledgee, the MM Pledgee's nominee and/or any Person to whom the MM Pledgee may transfer such MM Pledged Collateral in a secured creditor's sale (each such Person being referred to herein as a "**Subsequent Transferee**"), the admission of such Subsequent Transferee as a substitute Managing Member shall require the Consent of the Investor Member; provided, that Investor Member agrees that such Consent shall not be unreasonably withheld conditioned or delayed, and will be based on the Investor Member's determination (which may be based on advice of its counsel) that (i) the admission of such Subsequent Transferee will not cause any adverse tax consequences to the

Investor Member or the Company, (ii) the Subsequent Transferee has obtained the required consent (if any) of the Agency and any Project Lender for such admission, (iii) the Subsequent Transferee has the experience, current competence and financial resources (including the ability to have an affiliate provide a guaranty of its obligations hereunder), in the reasonable determination of the Investor Member, to construct and operate the Project and maintain the Tax Credits, and (iv) the conditions set forth in subsections (b)-(d) above have been met. Notwithstanding anything to the contrary contained in this Agreement, the Members agree and covenant that (x) all Members' Interests in the Company, whether now or hereafter issued and outstanding, shall be uncertificated and no election has or will be made to have the Interests governed by Article 8 of the Uniform Commercial Code adopted by the Commonwealth of Virginia without the prior written consent of AUB, and (y) the provisions set forth in this Section 6.02(e) may not be amended or restated without the prior written consent of AUB, and any attempt to do so in violation of the foregoing shall be null and void.

6.03 Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetence of a Managing Member.

(a) In the event of the Bankruptcy of a Managing Member or the withdrawal, death or dissolution of a Managing Member, or an adjudication that a Managing Member is incompetent (which term shall include, but not be limited to, insanity) the business of the Company shall be continued by the other Managing Member(s); provided, however, that if the withdrawn, Bankrupt, deceased, dissolved or incompetent Managing Member is then the sole Managing Member, or if such Managing Member withdraws from the Company in contravention of the provisions of Section 6.01(a) of this Agreement, then the Company shall be terminated, unless within ninety (90) days after receiving Notice of such Bankruptcy, withdrawal, death, dissolution or adjudication of incompetence or breach of Section 6.01(a), the Investor Member elects to designate the Special Member or such other entity as the Investor Member may desire as a successor Managing Member and continue the Company upon the conversion of such Special Member to the Managing Member of the Company. Consequences of the removal of the Managing Member shall be determined under Section 6.05 hereof.

(b) Upon the Bankruptcy, death, dissolution or adjudication of incompetence of a Managing Member or breach of Section 6.01(a), such Managing Member shall immediately cease to be a Managing Member and its Interest shall without further action be converted to an Investor Member Interest; provided, however, that, if such Bankrupt, dissolved, incompetent, deceased or defaulted Managing Member is the sole remaining Managing Member, such Managing Member shall cease to be a Managing Member only upon the expiration of ninety (90) days after Notice to the Investor Member of the Bankruptcy, death, dissolution, declaration of incompetence or default of such Managing Member; and provided further that, if such Bankrupt, dissolved, incompetent, deceased or defaulted Managing Member is the sole remaining Managing Member, the converted Membership Interest of such replaced Managing Member shall be ratably reduced to the extent necessary to insure that the substitute Managing Member(s) holds a .009% Percentage Interest (as set forth in Section 5.01).

(c) Except as set forth above, such conversion of a Managing Member Interest to an Investor Member Interest shall not affect any rights, obligations or liabilities (including, without limitation, any of the Managing Member's obligations under Section 8.11 herein) of the Bankrupt, deceased, dissolved, removed, incompetent or defaulted Managing Member existing prior to the Bankruptcy, death, dissolution, removal, incompetence or default of such person as a Managing Member (whether or not such rights, obligations or liabilities were known or had matured).

(d) If, at the time of the withdrawal, Bankruptcy, death, dissolution, adjudication of incompetence or default under Section 6.01(a) of a Managing Member, the Bankrupt, withdrawn, deceased, dissolved, incompetent or defaulted Managing Member was not the sole Managing Member of the Company, the remaining Managing Member or Managing Members shall immediately (i) give Notice to the Investor Members of such Bankruptcy, death, dissolution, adjudication of incompetence or default, and (ii) make such amendments to this Agreement and execute and file such amendments or documents or other instruments as are necessary to reflect the conversion of the Interest of the Bankrupt, deceased, dissolved, incompetent or defaulted Managing Member and his having ceased to be a Managing Member. The remaining Managing Member or Managing Members are hereby granted an irrevocable power of attorney, coupled with an interest, to execute any or all documents on behalf of the Members and the Company and to file such documents as may be required to effectuate the provisions of this Section 6.03.

6.04 Restrictions on Transfer of Managing Member's Interests. This is an agreement under which applicable law excuses the Investor Member from accepting performance from (i) any Managing Member which is a debtor in a case under the Bankruptcy Code, 11 U.S.C. § 101 et seq., (ii) a trustee of any such debtor, (iii) and/or the assignee of any such debtor or trustee. The Investor Member has entered into this Agreement with the Managing Member in reliance upon the unique knowledge, experience and expertise of the Managing Member, and its officers in the planning and implementation of the acquisition of the Project and in the area of affordable housing and development in general. The foregoing restriction on transfer is based in part on the above factors. The Managing Member expressly agrees that the Investor Member shall not be required to accept performance under this Agreement from any person other than the Managing Member, including, without limitation, any trustee of the Managing Member appointed under the Bankruptcy Code, 11 U.S.C. § 101 et seq., and any assignee of any such trustee.

6.05 Removal of the Managing Member.

(a) Conditions for Removal. The Investor Member shall have the right to remove the Managing Member:

(i) for (A) any fraud, gross negligence, intentional misconduct or breach of fiduciary duty, or (B) failure to exercise reasonable care with respect to any material matter in the discharge of its duties and obligations as Managing Member (provided that such

violation results in, or is likely to result in, a material detriment to or an impairment of the Project or assets of the Company), or

(ii) upon the occurrence of any of the following:

(A) the Managing Member or the Company shall have violated any material provisions of the Regulatory Agreement, the Extended Use Agreement and/or the Loan Agreement, or any material provisions of any other Project Document or other document required in connection with any Project Loan or any material provisions of a Project Lender and/or Agency requirements applicable to the Project, which violation has not been explicitly waived in writing by the applicable Project Lender or the Agency, as applicable, and such violation remains uncured after the expiration of any applicable grace or cure period;

(B) the Managing Member or the Company shall have (i) violated any material provision of this Agreement, including, without limitation, any of its guarantees or payment obligations under Sections 5.01(e), 5.05 and/or 8.11 and such violation remains uncured 30 days after Managing Member's receipt of a Notice of such violation (plus a reasonable period of time not to exceed 30 additional days in the event such failure cannot be cured within such 30 day period and the Managing Member commences to cure such failure within such 30 day period and thereafter diligently pursues such cure to completion), (ii) violated any material provision of applicable law, or (iii) the representation and warranty contained in Section 4.01(u) are and/or becomes false or inaccurate and the same has a material adverse effect on the Company, the Project or the Investor Member;

(C) the Managing Member or the Company shall have caused any Project Loan to go into default, which default remains uncured after the expiration of any applicable cure period;

(D) the Managing Member shall have conducted its own affairs or the affairs of the Company in such manner as would:

(1) cause the termination of the Company for federal income tax purposes;

(2) cause the Company to be treated for federal income tax purposes as an association, taxable as a corporation;

(3) in the reasonable opinion of the Investor Member, cause a recapture or reduction in Certified Credits;

(4) violate any federal or state securities laws;

(5) cause the Investor Member to be liable for Company obligations in excess of its Capital Contributions; or

(E) the amount of Actual Credits for any year are, or are projected by the Accountants to be, less than seventy-five percent (75%) of the Projected Credits for that year; or less than seventy-five percent (75%) of Certified Credits if Certified Credits have been determined and adjustments to the capital contribution of the Investor Member have been made as may be required under Section 5.01(e);

(F) [Intentionally Omitted];

(G) the Managing Member fails to timely and promptly discharge the Management Agent if at any time cause for such removal exists;

(H) Bankruptcy or similar creditor's action is filed by or against the Company, the Managing Member or any Guarantor and any such involuntary proceeding is not dismissed within 120 days; or

(I) any default by the Guarantor under the Guaranty and the expiration of any applicable grace or cure period;

(J) failure of the Guarantor to maintain a collective aggregate minimum net worth of \$10,000,000 to be reduced to \$5,000,000 at the termination of AHG's guaranty pursuant to the terms of the Guaranty;

(K) failure of the Company to achieve Breakeven Operations within six (6) months of the Company's achievement of 95% occupancy; or

(L) any act or omission by the Managing Member that would substantially reduce tax benefits, or substantially increase tax liabilities, of the Investor Member.

(b) Procedure for Removal. The Investor Member shall give Notice to all Members and to the Project Lenders of its determination that the Managing Member shall be removed. The Managing Member shall have thirty (30) days after receipt of such Notice to cure any default or other reason for such removal, in which event it shall remain as Managing Member. If, at the end of thirty (30) days, the Managing Member has not cured any default or other reason for such removal, it shall cease to be Managing Member and the powers and authorities conferred on it as Managing Member under this Agreement shall cease and the Interests of such Managing

Member shall be transferred to the Special Member or its designee which, without further action, shall become the Managing Member; in such event, upon becoming the Managing Member, such designee shall be bound by all applicable terms and conditions of this Agreement and of the Project Documents. Notwithstanding anything to the contrary in the Project Documents, the removal and replacement of the Managing Member in accordance with the terms of this Agreement shall not require any additional approval of CRHA.

(c) Managing Member Obligations and Liability Following Removal.

(i) In the event that the Managing Member is removed as aforesaid prior to the Final Closing, it shall be and shall remain liable for all obligations and liabilities incurred by it as Managing Member of the Company before such removal shall become effective, including but not limited to the obligations and liabilities of the Managing Member with respect to its obligations set forth in Section 8.11 of this Agreement; provided however, that if amounts otherwise payable to the Managing Member as fees are applied to meet the obligations of the Managing Member as stated in Sections 5.01, 5.05 and 8.11 of this Agreement, such application shall serve to reduce any such liabilities of the Managing Member or any successor, except for any liability incurred as the result of its negligence, misconduct, fraud or breach of its fiduciary duties as Managing Member of the Company. If the Managing Member is removed as Member of the Company prior to the Final Closing as aforesaid, the Managing Member shall not be entitled to payment of any other fees which otherwise would have been due and payable under or pursuant to various Sections of this Article VI or Article VII.

(ii) In the event that the Managing Member is removed as aforesaid after the Final Closing, it shall be and shall remain liable for all obligations and liabilities incurred by it as Managing Member of the Company before such removal shall become effective, including but not limited to the Managing Member's obligations and liabilities under Section 8.11(b) of this Agreement; provided, however, that if amounts otherwise payable to the Managing Member or Affiliates thereof as fees are applied by the Company to pay Operating Deficits, such application shall serve to reduce any such liabilities after the Final Closing, except for any liability incurred as the result of its negligence, misconduct, fraud or breach of its fiduciary duty as Managing Member of the Company. If the Managing Member is removed as Member of the Company at any time after the Final Closing, the Developer or its successor(s) shall continue to be paid subsequent to such removal, in accordance with the terms and conditions of this Agreement, any installments of the Development Fee which would have otherwise been due and payable to it pursuant to Section 8.12 and which are not otherwise being withheld; provided, however, upon any such removal of the Managing Member after the Final Closing.

(d) Power of Attorney. The Investor Member hereby is granted an irrevocable power of attorney, coupled with an interest, to execute any and all documents on behalf of the Members and the Company as shall be legally necessary and sufficient to effect all of the foregoing provisions of this Section 6.05. The election by the Investor Member to remove the Managing Member under this Section shall not limit or restrict the availability and use of any other remedy

which the Investor Member or any other Member might have with respect to the Managing Member in connection with its undertakings and responsibilities under this Agreement.

ARTICLE VII  
ASSIGNMENT TO THE COMPANY

The Managing Member hereby transfers and assigns to the Company all of its right, title and interest in and to the Project, including the following:

- (a) all contracts with architects, contractors and supervising architects with respect to the development of the Project;
- (b) all plans, specifications and working drawings, heretofore prepared or obtained in connection with the Project and all governmental approvals obtained, including planning, zoning and building permits;
- (c) any and all commitments with respect to the Project Loans and the LIHTC;
- (d) any and all rights under and pursuant to the Project Documents; and
- (c) any other work product related to the Project.

ARTICLE VIII  
RIGHTS, OBLIGATIONS AND POWERS  
OF THE MANAGING MEMBER

8.01 Management of the Company.

(a) Except as otherwise set forth in this Agreement, the Managing Member, within the authority granted to it under this Agreement, shall have full, complete and exclusive discretion to manage and control the business of the Company for the purposes stated in Article III, shall make all decisions affecting the business of the Company and shall manage and control the affairs of the Company to the best of its ability and use its best efforts to carry out the purpose of the Company. In so doing, the Managing Member shall take all actions necessary or appropriate to protect the interests of the Investor Member, Special Member and of the Company. The Managing Member shall devote such time as is necessary to the affairs of the Company.

(b) Except as otherwise set forth in this Agreement and subject to the applicable Project Lender and/or Agency rules and regulations and the provisions of the Loan Agreement, the Managing Member (acting for and on behalf of the Company), in extension and not in limitation of the rights and powers given by law or by the other provisions of this Agreement, shall, in its sole discretion, have the full and entire right, power and authority in the management of the Company business to do any and all acts and things necessary, proper, convenient or



advisable to effectuate the purpose of the Company. In furtherance and not in limitation of the foregoing provisions, the Managing Member is specifically authorized and empowered to execute and deliver, on behalf of the Company, the Loan Agreements, the Regulatory Agreement, the Extended Use Agreement, the Notes, the Mortgages, and the other Project Documents, and to execute any and all other instruments and documents, and amendments thereto provided the Investor Member shall be provided with the opportunity to review and Consent, which Consent, unless otherwise specifically provided for herein to the contrary, shall not be unreasonably withheld, conditioned or delayed to any such documents prior to their execution by the Managing Member, as shall be required in connection with the Project Loans, including, but not limited to, executing any mortgage, note, contract, building loan agreement, bank resolution and signature card, release, discharge, or any other document or instrument in any way related thereto or necessary or appropriate in connection therewith; provided, however, that copies of all applications for advances of proceeds of the Project Loans shall be provided to the Investor Member prior to the disbursement of any funds pursuant thereto and shall be subject to the Consent of the Investor Member; and provided further that any such applications which provide for the disbursement of funds of the Company in lieu of or in addition to the proceeds of the Project Loans shall be subject to the Consent of the Investor Member. All decisions made for and on behalf of the Company by the Managing Member shall be binding upon the Company. No person dealing with the Managing Member shall be required to determine its authority to make any undertaking on behalf of the Company, nor to determine any facts or circumstances bearing upon the existence of such authority.

#### 8.02 Limitations Upon the Authority of the Managing Member.

- (a) The Managing Member shall not have any authority to:
- (i) perform any act in violation of any applicable law or regulation thereunder;
  - (ii) perform any act in violation of the provisions of the Regulatory Agreement, the Extended Use Agreement, the Loan Agreements, or any other Project Documents;
  - (iii) do any act required to be approved or ratified in writing by the Investor Members under the Act unless the right to do so is expressly otherwise given in this Agreement;
  - (iv) knowingly rent apartments in the Project such that the Project would not meet the requirements of the Rent Restriction Test or Minimum Set-Aside Test;
  - (v) borrow from the Company or commingle Company funds with funds of any other Person; or
  - (vi) execute or deliver any general assignment for the benefit of creditors or file a petition or acquiesce in the filing of a petition for Bankruptcy.

(b) The Managing Member shall not, without the Consent of the Investor Member (which Consent shall not be unreasonably withheld, with the parties hereto agreeing and acknowledging that withholding such Consent would be reasonable if the action would likely be inconsistent with preserving the Project as a low-income housing project), have any authority to:

(i) sell or otherwise dispose of, at any time, all or substantially all of the assets of the Company;

(ii) amend the terms of any Project Loan to be other than those set forth on **Exhibit F** attached hereto;

(iii) borrow in excess of \$10,000.00 in the aggregate at any one time outstanding on the general credit of the Company, except MM Loans and Operating Deficit Loans, and except as and to the extent provided for in an approved budget pursuant to Section 8.20;

(iv) following Final Closing, construct any new or replacement capital improvements on the Project which substantially alter the Project or its use or which are at a cost in excess of \$10,000.00 in a single Company fiscal year, or rebuild the Project with the use of insurance proceeds, except (a) replacements and remodeling in the ordinary course of business or under emergency conditions, or (b) reconstruction paid for from insurance proceeds, or (c) as and to the extent provided for in an approved budget pursuant to Section 13.03;

(v) acquire any real property in addition to the Project other than easements reasonable and necessary for the operation of the Project;

(vi) following Final Closing, refinance any Project Loan;

(vii) confess a judgment against the Company in excess of \$5,000;

(viii) admit any person as a Managing Member or an Investor Member, or withdraw as Managing Member, except as otherwise set forth in this Agreement;

(ix) do any act in contravention of this Agreement or any other agreement to which Company is a party;

(x) execute or deliver any assignment for the benefit of the creditors of the Company;

(xi) transfer or hypothecate the Managing Member's interest as a Managing Member in the Company, including its interest in Company allocations or distributions, except as otherwise provided in this Agreement;

(xii) dissolve the Company or take any action which would result in dissolution;

(xiii) refinance, prepay or materially modify the terms of any mortgage or long-term liability of the Company, or sell, grant an option to acquire, exchange, mortgage, encumber, pledge or otherwise transfer all or any portion of any interest in the Company or the Company's interest in the Project, or borrow funds or participate in a merger or consolidation with any other entity;

(xxvi) change the nature of the business of the Company, or do any act which would make it impossible to carry on the ordinary business of the Company;

(xv) materially change any accounting method or practice of the Company;

(xvi) file a voluntary petition for bankruptcy of the Company;

(xvii) make any expenditure or incur any liability on behalf of the Company in excess of \$10,000.00 which is not identified in the budget provided by the Managing Member to the Investor Member;

(xviii) borrow funds from the Company;

(xix) enter into or materially modify the Construction Contract (or any other construction contract), or agree to any change order under the Construction Contract (or any other construction contract) if any such change order is for \$20,000 or more, or is proposed when the amount of previous change orders plus the proposed change order would exceed \$75,000 (over the life of the Company);

(xx) commingle Company funds or assets with the funds or assets of the Managing Member or any Company or other entity owned or operated by the Managing Member to the Investor Member;

(xxi) possess Company property or assign rights in specific property for other than a business purpose of the Company;

(xxii) take any action which would cause the termination of the Company for federal income tax purposes under Code Section 708;

(xxiii) make, amend or revoke any tax election required of or permitted to be made by the Company under the Code or Regulations, including, without limitation, any election under Section 42 (including an election to treat any year other than 2022 as the first year of the Credit Period (as defined in Code Section 42) for the Project) or Section 754 of the Code or any other tax election affecting the amount, timing, availability or allocation of any LIHTC;

(xxiv) enter into any agreement or take any action without the prior Consent of the Investor Member with respect to any matters for which the prior Consent of the Investor Member is a prerequisite therefore;

(xxv) approve any increase in fees to the Managing Member or any affiliate of the Managing Member;

(xxvi) change in ownership, control or management of the Managing Member;

(xxvii) allow this Agreement to be amended; or

(xxviii) invest assets of the Company in (A) investments specifically not contemplated by this Agreement, or (B) in investments other than U.S. Treasury Bills, Notes or Bonds, or bank accounts, money market accounts or certificates of deposit in institutions insured by the Federal Deposit Insurance Corporation. However, investment of such assets may be expanded upon approval by the Investor Member.

### 8.03 Sale of Project.

(a) (a) Investor Member Request for Sale. Notwithstanding the foregoing Section 8.02, and subject to all Agency regulations then in effect and the receipt of all required approvals and consents of the Project Lenders, and subject further to the extended use requirements applicable pursuant to Section 42(h)(6) of the Code and the Purchase Option and Right of First Refusal, at any time after the fourteenth (14th) anniversary of the first day of the first taxable year of the applicable LIHTC compliance period the Investor Member may request that the Company sell the Project subject to the Extended Use Agreement (a “Continued Compliance Sale”).

(b) Continued Compliance Sale. After receipt of a request for a Continued Compliance Sale, the Managing Member shall use its best efforts to find a third-party purchaser for the Project and to cause the Company to consummate a sale of the Project subject to the Extended Use Agreement and on terms Consented to by the Investor Member. If such efforts are not successful on terms reasonably satisfactory to the Investor Member within four (4) months, the Investor Member shall have the right thereafter to locate a purchaser for the Project. Subject to the Purchase Option and Right of First Refusal, if the Investor Member locates such a purchaser, the Managing Member shall be given a right of first refusal to purchase the Project on the same terms and conditions as would be applicable to such purchaser. If such right of first refusal is not exercised by the Managing Member within thirty (30) days, then the Managing Member shall be obligated to Consent to the sale to such purchaser so long as the purchase price and other terms offered by such purchaser are at least as favorable to the Company as the best offer, if any, located by the Managing Member. If the Investor Member requests that the Continued Compliance Sale be conducted in a manner that would result in the conversion of the Project to a condominium regime of ownership and the sale of individual condominium units, the Managing Member shall

use diligent efforts to accomplish such conversion on such terms which are reasonably satisfactory to the Investor Member.

(c) Intentionally Deleted.

(d) Purchase Option and Right of First Refusal. The provisions of Section 8.03 hereof shall be subject to that certain Purchase Option and Right of First Refusal Agreement between the Company, as grantor, and CHRA, as grantee, dated on or about the date hereof, pursuant to which the Company has granted to the Sponsor an option to purchase the Project or the Investor Member's interest in the Company and a right of first refusal to purchase the Project, on the terms and conditions set forth in **Exhibit L** attached hereto.

8.04 Management Purposes. In conducting the business of the Company, the Managing Member shall be bound by the Company's purposes set forth in Article III.

8.05 Delegation of Authority. The Managing Member may delegate all or any of its powers, rights and obligations hereunder, and may appoint, employ, contract or otherwise deal with any Person for the transaction of the business of the Company, which Person may, under supervision of the Managing Member, perform any acts or services for the Company as the Managing Member may approve.

8.06 Managing Member or Affiliates Dealing with Company. The Managing Member or any Affiliates thereof shall have the right to contract or otherwise deal with the Company for the sale of goods or services to the Company in addition to those set forth herein, if (a) compensation paid or promised for such goods or services is reasonable (i.e., at fair market value) and is paid only for goods or services actually furnished to the Company, (b) the goods or services to be furnished shall be reasonable for and necessary to the Company, (c) the fees, terms and conditions of such transaction are at least as favorable to the Company as would be obtainable in an arm's-length transaction, (d) no agent, attorney, accountant or other independent consultant or contractor who also is employed on a full-time basis by the Managing Member or any Affiliate shall be compensated by the Company for his services. Any contract covering such transactions shall be in writing and shall be terminable without penalty on sixty (60) days' Notice. Any payment made to the Managing Member or any Affiliate for such goods or services shall be fully disclosed to all Investor Members in the reports required under Section 13.02. Neither the Managing Member nor any Affiliate shall, by the making of lump sum payments to any other Person for disbursement by such other Person, circumvent the provisions of this Section 8.06.

8.07 Other Activities. Except as limited in Section 8.06, Affiliates of the Managing Member may engage in or possess interests in other business ventures of every kind and description for their own account, including, without limitation, serving as managing member of other limited liability companies or the general partner of limited partnerships which own, either directly or through interests in other companies or partnerships, government assisted housing developments similar to the Project. Neither the Company nor any of the Members shall have any rights by virtue of this Agreement in or to such other business ventures or to the income or profits derived therefrom.

8.08 Liability for Acts and Omissions. No Managing Member or Affiliate thereof shall be liable, responsible or accountable in damages or otherwise to any of the Members for any act or omission performed or omitted by it in good faith on behalf of the Company and in a manner reasonably believed by it to be within the scope of the authority granted to it by this Agreement and in the best interest of the Company, provided that the protection afforded the Managing Member pursuant to this Section 8.08 shall not apply in the case of negligence, misconduct, fraud or any breach of fiduciary duty as Managing Member with respect to such acts or omissions. Any loss or damage incurred by any Managing Member or Affiliate thereof by reason of any act or omission performed or omitted by it or any of them in good faith on behalf of the Company and in a manner reasonably believed by it to be within the scope of the authority granted by this Agreement and in the best interests of the Company (but not, in any event, any loss or damage incurred by the Managing Member or Affiliate thereof by reason of negligence, misconduct or fraud of the Managing Member or Affiliate thereof, or any breach of fiduciary duty as Managing Member, with respect to such acts or omissions) shall be paid from Company assets (except for reserves) to the extent available (but the Investor Members shall not have any personal liability to the Managing Member or Affiliate(s) thereof under any circumstances on account of any such loss or damage incurred by the Managing Member or Affiliate(s) thereof or on account of the payment thereof).

8.09 Indemnification of Investor Member and the Company. The Managing Member and the Company shall, jointly and severally, indemnify, defend, and save harmless the Investor Member and Special Member from and against any claim, loss, expense, action or damage, including without limitation, reasonable costs and expenses of litigation and appeal (and the reasonable fees and expenses of counsel) asserted against the Investor Member or Special Member based on any act, omission, malfeasance or nonfeasance of the Company or the Managing Member, including without limitation any claim that the Investor Member or Special Member is liable for any indebtedness of the Company and excluding only liability directly caused by the Investor Member or Special Member's gross negligence or bad faith conduct. In addition, the Managing Member and the Company shall, jointly and severally, indemnify, defend, save and hold harmless the Investor Member and Special Member, and their representatives, from and against any and all costs, losses, liabilities, damages, lawsuits, proceedings (whether formal or informal), investigations, judgments, orders, settlements, recoveries, obligations, deficiencies, claims and expenses (whether or not arising out of third party claims), including, without limitation, interest, penalties, attorneys' fees and all amounts paid in investigation, or settlement of any of the foregoing, incurred in connection with or arising out of or resulting from the operations of the Managing Member, the Company or the Project prior to the date of this Agreement.

8.10 Net Worth of Managing Member. The Managing Member shall maintain a minimum net worth in an amount as may be necessary to assure that the Company will be taxed as a partnership, and not as an association taxable as a corporation, for federal income tax purposes.

8.11 Construction of the Project, Construction Cost Overruns, Operating Deficits; Other Managing Member Guarantees.

(a) Construction Completion Guaranty.

(i) The Company has entered into the Construction Contract. The Managing Member shall be responsible for:

(A) achieving completion of construction of the Project on a timely basis in accordance with the Plans and Specifications for the Project, the terms of this Agreement, the Project Documents and all legal requirements;

(B) meeting all requirements for obtaining all necessary unconditional certificate(s) of occupancy for all the apartment units in the Project;

(C) fulfilling all actions required of the Company to assure that the Project satisfies the Minimum Set-Aside Test and the Rent Restriction Test;

(D) causing the making of the Project Loans by the respective Project Lenders; and

(E) achieving Final Closing.

(ii) The Managing Member hereby is obligated to pay all Excess Development Costs; the Company shall have no obligation to pay any Excess Development Costs. Any amounts paid by the Managing Member pursuant to this subsection (a) shall be in the form of a loan to the Company (a "Completion Loan"). Any Completion Loan will be in the following terms: (A) it shall be unsecured; (B) it shall not bear interest; (C) it shall be repayable solely from Net Cash Flow and proceeds of a Capital Transaction at the time and in the amounts set forth in Sections 11.03(b), 11.04 and 12.02(a) of this Agreement; and (D) a Completion Loan shall be fully subordinated to payment of Project Loans, MM Loans, and indebtedness of the Company to all Persons other than Members.

(iii) In the event that the Managing Member shall fail to pay any such Excess Development Costs as required in this Section 8.11(a), an amount not in excess of the total of any remaining unpaid installments of the Development Fee due pursuant to Section 8.12 shall be suspended by the Company until such obligations are met by the Managing Member.

(b) Operating Deficit Guaranty. In the event that, at any time during the period commencing on the end of the Construction Completion Guaranty period set forth in subsection (a) above, and ending on the termination of the Compliance Period, an Operating

Deficit shall exist, the Managing Member shall provide such funds to the Company as shall be necessary to pay such Operating Deficit(s). Funds provided under this subsection (b) shall be in the form of a loan to the Company (the “Operating Deficit Loan(s)”). Any Operating Deficit Loan shall be on the following terms: (i) it shall be unsecured; (ii) it shall not bear interest; (iii) it shall be repayable solely from Net Cash Flow and proceeds of a Capital Transaction at the time and in the amounts set forth in Sections 11.03(b), 11.04 and 12.02(a) of this Agreement; and (iv) Operating Deficit Loans shall be fully subordinated to payment of Project Loans, MM Loans, and indebtedness of the Company to all Persons other than Members. In the event that the Managing Member shall fail to make any such Operating Deficit Loan as aforesaid, the Company shall utilize amounts otherwise payable as installments of the Development Fee pursuant to Section 8.12 of this Agreement to meet the obligations of the Managing Member pursuant to this Section 8.11(b). Amounts so utilized shall also constitute payment and satisfaction of installments of the Development Fee payable under the aforesaid Section of this Agreement, and the obligation of the Company to make such installment payments pursuant to such Sections, as well as the Investor Member’s obligation to make future Capital Contributions, shall be reduced correspondingly. For the purpose of this Section 8.11(b), all expenses shall be paid on a sixty (60) day current basis.

(c) LIHTC Compliance Guaranty. (i) If with respect to any fiscal year of the Company there is a LIHTC Shortfall, the Managing Member shall, within forty-five (45) days following the close of such fiscal year, pay the Investor Member an amount equal to (A) the amount of the LIHTC Shortfall for the fiscal year immediately preceding the payment due date, (B) all penalties and interest imposed by the Code and assessed against the Investor Member by the IRS with respect to any LIHTC Shortfall, and (C) an amount sufficient to pay any tax liability owed by the Investor Member resulting from the receipt of the amounts specified in the foregoing clauses (A), (B) and this clause (C) of this Section 8.11(c)(i) (such calculation to be made assuming the Investor Member is subject to the highest federal and state tax rates imposed on corporate tax payers under the Code at that time for the taxable year of the Investor Member in which such payment is taken into income by the Investor Member), together with interest on such amounts at the Prime Rate accruing from such payment due date.

(ii) The Managing Member irrevocably and unconditionally guarantees payments specified in this Section 8.11(c)(ii) to the Investor Member if there is a LIHTC Recapture Event. The payments required by this Section 8.11(c)(ii) shall be the sum of the following amounts: (A) the amount of LIHTC previously allocated to the Investor Member and subsequently disallowed because of such LIHTC Recapture Event; (B) the “credit recapture amount” (as defined in Code Section 42(j)(2)) allocated to the Investor Member because of such LIHTC Recapture Event; (C) all penalties and interest imposed by the Code and assessed against the Investor Member by the IRS with respect to such LIHTC Recapture Event; (D) an amount sufficient to pay any tax liability owed by the Investor Member resulting from the receipt of the amounts specified in the foregoing clauses (A), (B), (C) and this clause (D) of this Section 8.11(c)(ii) (such calculation to be made assuming the Investor Member is subject to the highest federal and state tax rate imposed on corporate taxpayers under the Code at that time for the taxable year of the Investor Member in which such payment is taken into income by the Investor Member), together with interest on such amounts at the Prime Rate accruing from the date the Investor Member remits funds to a taxing



authority with respect to a LIHTC Recapture Event; and (E) if the cause of the LIHTC Recapture Event will, in determination of the Investor Member, decrease the maximum amount of LIHTC that will be available to the Company and allocated to the Investor Member during the remainder of the compliance period under Section 42 of the Code, assuming full compliance with Section 42 of the Code, then an amount equal to the total amount of such decrease. The Managing Member shall make such payment to the Investor Member within forty-five (45) days of the LIHTC Recapture Event.

(iii) The LIHTC Compliance Guaranty set forth herein shall not apply to amounts due solely to the transfer by the Investor Member of all or a portion of its Interest in the Company, condemnation, casualty loss (unless the Managing Member has failed to maintain the insurance required by this Agreement), a sale of the Project approved by Investor Member in writing, or to changes in the tax law after the date hereof with which the Managing Member is unable to comply despite the exercise of its good faith and reasonable efforts.

(iv) The Managing Member may use funds in the Operating Reserve to make payments required by this Section 8.11(c) prior to using its own funds. If any amounts are owed under this Section 8.11(c) prior to the time that the Investor Member has made all of its Capital Contributions, any future Capital Contributions shall be reduced by the amount to be paid hereunder.

(v) Funds provided by the Guarantor with respect to the Managing Member's obligations under subparagraphs (i) or (ii) above shall be in the form of a loan to the Company (the "Guarantor LIHTC Compliance Loan"). Any Guarantor LIHTC Compliance Loan shall be on the following terms: (i) it shall be unsecured; (ii) it shall bear no interest; and (iii) it shall be repayable solely from Net Cash Flow or the proceeds of a Capital Transaction or liquidation at the time and in the amounts set forth in Sections 11.04 and 12.02(a) of this Agreement. Notwithstanding the foregoing, the Investor Member shall have the authority to treat any guarantee payment made on behalf of the Company by its Managing Member or the Guarantor as (i) a capital contribution to the capital of the Company by the Managing Member in the amount of such guarantee payment that is matched with a corresponding upward adjustment to such Managing Member's capital account in the Company or (ii) as a loan (as described above) by the Managing Member in the amount of such guarantee payment, so as to minimize any possible unintended increase in the amount of depreciation and tax credits allocated to the Managing Member; provided that any losses or other deductions, other than depreciation, relating to such capital contribution or loan, shall be allocated to the Managing Member making such guarantee payment. The source of the monies to fund any of CRHA's obligations under the Guaranty Agreement shall not be, and the Investor Member, the Special Member or any of their Affiliates shall have no legal right of recourse under the Guaranty Agreement against, public housing operating subsidies, any project of the CRHA, any operating receipts of the CRHA (as the terms "project" or "operating receipts" are defined in its ACC, or in any amendment thereto), any public housing operating reserve of the CRHA reflected in the CRHA's annual operating budget and required under the ACC, or any General Fund (as the terms "General Fund" is defined in the ACC, or in any amendment thereto). To the extent permitted by applicable laws, regulations and HUD

notice, excess fees contained in the CRHA's Section 8 administrative fee reserve under 24 CFR 982.155 shall not be subject to the foregoing restriction, nor shall any other assets of the CRHA arising under any program not administered by HUD be subject to this restriction.

(d) Project Loan Funding Guaranty. The Managing Member irrevocably and unconditionally guarantees and covenants that the Company shall receive full funding of the Project Loans on or before December 15, 2022, on the terms set forth on Exhibit F attached hereto. The Managing Member represents and warrants that the source of funds for the Project Loans do not include, in whole or in part, “federal subsidies” within the meaning of Code Section 42(i) (i.e. the source of funds for the Project Loans does not include, in whole or in part, a “tax-exempt obligation,” an obligation the interest on which is exempt from tax under Code Section 103). The Project Loan documents shall contain such other terms as may be Consented to by the Investor Member.

8.12 Development Fee. The Company has entered into a Development Agreement (materially in the form of Exhibit A attached hereto) of even date herewith with the Developer for its services in connection with the development and construction of the Project. In consideration for such services, a Development Fee in a total amount equal to \$1,000,000 shall be payable by the Company, in accordance with the terms of the Development Agreement and Article XI of this Agreement. In no event shall full payment of the Development Fee be later than the thirteenth anniversary of placement in service. It is anticipated that \$500,000 of the Development Fee will be deferred and paid pursuant to Article XI.

8.13 Intentionally Omitted.

8.14 Withholding of Fee Payments.

(a) Conditions for Withholding. In the event that (i) the Managing Member or any successor Managing Member shall not have substantially complied with any material provisions under this Agreement, or under the operating agreement with respect to an Affiliated Company, after Notice from the Investor Member of such noncompliance and failure to cure such noncompliance within a period of thirty (30) days from and after the date of such Notice, or (ii) any Project Lender shall have declared the Company to be in default under any Project Loan or under any of the mortgage loans as to an Affiliated Company, or (iii) foreclosure proceedings shall have been commenced against the Project or against an Project owned by the Affiliated Company, then the Managing Member shall be in default of this Agreement, and the Company shall withhold payment of any installment of fees and/or allowance payable pursuant to Sections 8.12 and/or 8.13 and (B) the Managing Member shall be liable for the Company’s payment of any and all installments of the Development Fee payable pursuant to Section 8.12.

(b) Release of Fees. All amounts so withheld by the Company under this Section 8.14 shall be promptly released to the payees thereof only after the Managing Member has

cured the default justifying the withholding, as demonstrated by evidence reasonably acceptable to the Investor Member.

8.15 Selection of Management Agent; Terms of Management Agreement. The Company shall engage such person, firm or company as the Managing Member may select, and as the Investor Member may approve, which approval shall not be unreasonably withheld (hereinafter referred to as “Management Agent”) to manage the operation of the Project during the rent-up period and following Final Closing. The Management Agent must be a VH certified property manager and shall be paid a management fee subject to the approval of the Agency and/or the Project Lenders, if required, and the Special Member, but in no event will the annual management fee be greater than 7.00% of the annual gross revenues of the Project. The contract between the Company and the Management Agent and the management plan for the Project shall be in the form set forth in **Exhibit G**, with such changes acceptable to the Agency and/or the Project Lenders, if required, and reasonably acceptable to the Special Member. Such contract shall provide, among other things, that it shall be cancelable upon thirty (30) days’ prior notice from the Company, and that the Management Agent will accrue the management fee to the extent necessary at any time to prevent a default under any Project Loan (after the expiration of any applicable notice and cure periods). Whenever the management agent for the Project is the Managing Member or an Affiliate of the Managing Member, the management agreement shall provide that it is immediately terminable at the election of the Investor Member or Special Member in the event of (a) the removal or withdrawal of the Managing Member, or (b) any material breach of or noncompliance with any provision of this Agreement by the Managing Member or any Affiliate of the Managing Member (after the expiration of any applicable notice and cure periods). Any other agreement entered into by the Company and any Managing Member or any Affiliate thereof shall specifically provide that such agreement shall be immediately terminable at the election of the Investor Member or Special Member if the Managing Member is removed or withdraws. CRHA is approved by the parties hereto as the initial Management Agent.

8.16 Removal of the Management Agent. The Managing Member:

(a) may, upon receiving any required approval of the Project Lenders and the Investor Member, dismiss the Management Agent as the entity responsible for the Project under the terms of the contract between the Company and the Management Agent, and

(b) shall, at the request of the Investor Member, remove the Management Agent if the Special Member determines that the same is necessary to protect the interest of the Company or if the Management Agent is declared Bankrupt, is dissolved, or makes an assignment for the benefit of its creditors, or for any intentional misconduct by the Management Agent or its negligence in the discharge of its duties and obligations as Management Agent (subject to the fulfillment and expiration of any notice and/or opportunity to cure provisions of the Management Agreement), including, without limitation, for any action or failure to take any action which:

(i) violates in any material respect any provision of the Management Agreement entered into with the Company and approved by the Project Lenders, if required, and/or

any material provision of the Project Documents and/or the Loan Documents applicable to the Project, or the Project Lenders-approved management plan for the Project;

(ii) violates in any material respect any provision of this Agreement or provision of applicable law; or

(iii) causes the Project to be operated in a manner which if continued would give rise to an event which would cause or would likely cause a recapture of LIHTC.

8.17 Replacement of the Management Agent. Upon the removal of the Management Agent as the entity responsible for the management of the Project, a substitute Management Agent which is not an Affiliate of the Managing Member shall be named by the Managing Member, subject to the approval of the Project Lenders, if required, and the approval of the Investor Member.

8.18 Loans to the Company The Company is authorized to receive Operating Deficit Loans and MM Loans on the terms set forth in this Agreement. In addition, if (a) additional funds are required by the Company for any purpose relating to the business of the Company or for any of its obligations, expenses, costs or expenditures, and (b) the Company has not received an Operating Deficit Loan, or MM Loan to pay such amounts, then the Company may borrow such funds as are needed from a Person or organization, other than a Member or an Affiliate of a Member, in accordance with the terms of this Section 8.18, for such period of time and on such terms as the Managing Member and the Investor Member may agree; provided, however, that no such additional loans shall be secured by any mortgage or other encumbrance on the property of the Company without the prior approval of the Investor Member except that such approvals shall not be required in the case of the hypothecation of personal property purchased by the Company and not included in the security agreements executed by the Company at the time of Initial Closing. Nothing in this Section 8.18 shall modify or affect the obligation of the Managing Member to make Operating Deficit Loans and to perform its obligations when and as required by this Agreement.

8.19 Guaranty. Concurrently with the execution of this Agreement, the Managing Member shall deliver to the Investor Member (a) the Guaranty fully executed by each Guarantor, (b) a pledge and security agreement executed by the Managing Member in the form of **Exhibit E** attached hereto (the “Managing Member Pledge”), wherein the Managing Member pledges and grants a security interest in its Managing Member interest in the Company and in each Affiliated Company to secure its obligation under this Agreement, and (c) an opinion of counsel to the Guarantors in form satisfactory to the Investor Member regarding the Guaranty and the Managing Member Pledge.

8.20 Intentionally Deleted.

8.21 Accounting Fee. An accounting fee shall be paid to Virginia Housing Capital Corporation under the Agreement to Provide Accounting and Reporting Services, the form of which is attached hereto as **Exhibit J**

8.22 Public Relations. The Managing Member shall provide written and timely notice of any groundbreaking, ribbon-cutting or other public relations ceremonies for the Project to the Investor Member and recognize the Investor Member and the Investor Member's members at such public relations ceremonies.

ARTICLE IX  
TRANSFERS AND RESTRICTIONS ON TRANSFERS  
OF INTERESTS OF INVESTOR MEMBERS

9.01 Restrictions on Transfer of Investor Members' Interests.

(a) Under no circumstances will any offer, sale, transfer, assignment, hypothecation or pledge of any Investor Member Interest be permitted unless the Managing Member, in its sole discretion, shall have Consented thereto, and the Project Lenders, if required, also shall have Consented thereto, provided however, that the Managing Member shall not unreasonably withhold its Consent to the pledge by the Investor Member of its Investor Member Interest or a transfer of its right to receive distributions hereunder, so long as no pledgee or transferee shall have any right to become a Substitute Investor Member in the Company or exercise any voting rights of the Investor Member.

(b) The Investor Member whose interest is being transferred shall pay such reasonable expenses as may be incurred by the Company in connection with such transfer.

(c) Nothing in this Section 9.01 shall limit the authority of the Investor Member to sell, transfer and/or assign interests within the Investor Member or to transfer Interests of the Investor Member to (i) any Affiliate of the Investor Member or Special Member, in the sole discretion of the Investor Member, at any time and from time to time, or (ii) provided the Investor Member remains obligated to make any unpaid Capital Contributions, to any other Person once during the term of this Agreement upon Notice to the Managing Member(s).

9.02 Admission of Substitute Investor Members.

(a) Subject to the other provisions of this Article IX, an assignee of the Interest of an Investor Member (which shall be understood to include any purchaser, transferee, donee, or other recipient of any disposition of such Interest) shall be deemed admitted as a Substitute Investor Member of the Company only upon the satisfactory completion of the following:

(i) Consent of the Managing Member (which may be withheld in its sole discretion), and the consent of the Project Lenders, if required, shall have been given; such

Consent of the Managing Member may be evidenced by the execution by the Managing Member of an amended Agreement and/or Certificate evidencing the admission of such Person as an Investor Member pursuant to the requirements of the Act, provided, however, that no Consent shall be required for any sale, transfer or assignment pursuant to Section 9.01 (c);

(ii) the assignee shall have accepted and agreed to be bound by the terms and provisions of this Agreement by executing a counterpart thereof or an appropriate amendment hereto, and such other documents or instruments as the Managing Member may require in order to effect the admission of such Person as an Investor Member;

(iii) an amended Agreement and/or Certificate evidencing the admission of such Person as an Investor Member shall have been filed for recording pursuant to the requirements of the Act, if required;

(iv) if the assignee is a corporation, the assignee shall have provided the Managing Member with evidence satisfactory to Counsel for the Company of its authority to become an Investor Member under the terms and provisions of this Agreement; and

(v) the assignee or the assignor shall have reimbursed the Company for all reasonable expenses, including all reasonable legal fees and recording charges, incurred by the Company in connection with such assignment.

(b) For the purpose of allocation of profits, losses and credits, and for the purpose of distributing cash of the Company, a Substitute Investor Member shall be treated as having become, and as appearing in, the records of the Company as a Member upon his signing of an amendment to this Agreement agreeing to be bound hereby.

(c) If the Managing Member has determined it will Consent to the admission, the Managing Member shall cooperate with the Person seeking to become a Substitute Investor Member by preparing the documentation required by this Section and making all official filings and publications. In such event, the Company shall take all such action, including the filing, if required, of any amended Agreement and/or Certificate evidencing the admission of any Person as an Investor Member, and the making of any other official filings and publications, as promptly as practicable after the satisfaction by the assignee of the Interest of an Investor Member of the conditions contained in this Article IX to the admission of such Person as an Investor Member of the Company. Any cost or expense incurred in connection with such admission shall be borne by the Substitute Investor Member.

#### 9.03 Rights of Assignee of Membership Interest.

(a) Except as provided in this Article and as required by operation of law, the Company shall not be obligated for any purpose whatsoever to recognize the assignment by any Investor Member of its Interest until the Company has received actual Notice thereof.

(b) Any Person who is the assignee of all or any portion of an Investor Member's Interest, but does not become a Substitute Investor Member, and who desires to make a further assignment of such Interest, shall be subject to all the provisions of this Article IX to the same extent and in the same manner as any Investor Member desiring to make an assignment of its Interest.

ARTICLE X  
RIGHTS AND OBLIGATIONS OF INVESTOR MEMBER AND SPECIAL MEMBER

10.01 Management of the Company. No Investor Member shall take part in the management or control of the business of the Company nor transact any business in the name of the Company. Except as otherwise expressly provided in this Agreement, no Investor Member shall have the power or authority to bind the Company or to sign any agreement or document in the name of the Company. No Investor Member shall have any power or authority with respect to the Company except insofar as the Consent of any Investor Member shall be expressly required and except as otherwise expressly provided in this Agreement.

10.02 Limitation on Liability of Investor Members. The liability of each Investor Member is limited to its Capital Contribution as and when payable under the provisions of this Agreement, and as provided under the Act. No Investor Member shall have any other liability to contribute money to, or in respect of the liabilities or obligations of, the Company, nor shall any Investor Member be personally liable for any obligations of the Company, except as and to the extent provided in the Act. No Investor Member shall be obligated to make loans to the Company.

10.03 Other Activities. Any Investor Member may engage in or possess interests in other ventures of every kind and description for its own account, including without limitation, serving as general partner or managing member of other limited liability companies or partnerships which own, either directly or through interests in other limited liability companies or limited partnerships, government-assisted housing projects similar to the Project. Neither the Company nor any of the Members shall have any right by virtue of this Agreement in or to such other business ventures to the income or profits derived therefrom.

ARTICLE XI  
PROFITS, LOSSES AND DISTRIBUTIONS

11.01 Allocation of Profits and Losses Other Than From Capital Transactions.

(a) Manner of Determination. Profits, Losses and credits for all purposes of this Agreement shall be determined in accordance with the definition of the same under Article II of the Agreement (as applicable) and in accordance with the accrual accounting method and in accordance with applicable Code sections and Treasury Regulations governing same.

(b) Allocations. All Profits and Losses, except those items in Sections 11.02, 11.05 and 11.07 below, shall be allocated to the Members in accordance with their Percentage Interests. Every item of income, gain, loss, deduction, or tax preference entering into the computation of such Profits and Losses, or applicable to the period during which such Profits and Losses were realized, shall be considered allocated to each Member in the same proportion as Profits and Losses are allocated to such Member.

(c) Qualified Allocations. Notwithstanding any provision in this Agreement to the contrary, in no event shall any Managing Member, who is exempt or whose sole member is exempt from federal income taxation pursuant to Section 501(c) of the Code, be allocated more than its Percentage Interest, determined as of the date hereof, of any item of Company income, gain, loss, deduction, credit or basis.

(d) Special Member Allocation. Notwithstanding any provisions in the Agreement to the contrary, in no event shall the Special Member be allocated more than its Percentage Interest, determined as of the date hereof, of any item of Company income, gain, loss, deduction, credit or basis.

11.02 Allocation of Profits and Losses from Capital Transactions. Except to the extent provided in Sections 11.07, Profits and Losses recognized by the Company upon a Capital Transaction shall be allocated in the following manner:

(a) Profits shall be allocated (i) first, to the Members with negative Capital Account balances, that portion of gains (including any gains treated as ordinary income for federal income tax purposes) which is equal in amount to, and in proportion to, such Members' respective negative Capital Accounts in the Company; provided that no gain shall be allocated under this Section 11.02(a)(i) to a Member once such Member's Capital Account is brought to zero and (ii) second, gains in excess of the amount allocated under (i) shall be allocated to the Members in the amounts and to the extent necessary to increase the Members' respective Capital Accounts so that the proceeds distributed under Section 11.04(d) and (g) will be distributed in accordance with the Members' respective Capital Accounts.

(b) Losses shall be allocated (i) first, to the extent and in such proportions as the respective positive balances in all Members' Capital Accounts, and (ii) second, any remaining loss to the Members in accordance with the manner in which they bear the economic risk of loss associated with such loss or, if none, to the Members in accordance with their Membership Interests.

(c) Any portion of the Profits treated as ordinary income for federal income tax purposes under Sections 1245 and 1250 of the Code ("Recapture Amount") shall be allocated on a dollar for dollar basis to those Members to whom the items of Company deduction or loss giving rise to the Recapture Amount had been previously allocated.



### 11.03 Distributions: Net Cash Flow.

(a) Determination of Net Cash Flow. Net Cash Flow shall be determined separately for each fiscal year or portion thereof commencing on the day after Final Closing and shall not be cumulative. Wherever there is a reference to the distribution of Net Cash Flow pursuant to the provisions of this Agreement, Net Cash Flow shall be deemed to be limited to Surplus Cash available for distribution. Income received by the Company from the period commencing with the date of receipt of the initial certificate of occupancy with respect to the Project and ending on the date of the Final Closing shall not be distributed during such period and shall be treated as Net Cash Flow with respect to the first Payment Date following Final Closing.

(b) Manner of Distribution. Subject to the approval of the Project Lenders, if required, Net Cash Flow shall be applied and/or distributed on each Payment Date in the following priority:

(i) first, to the Investor Member until the aggregate amount of distributions made to the Investor Member under this Section 11.03(b)(i) for the current and all prior years equals the Assumed Investor Member Tax Liability for the current and all prior years;

(ii) second, to the Investor Member in an amount equal to any LIHTC Reduction Guaranty Payment or Unpaid LIHTC Shortfall;

(iii) third, to the Managing Member until the aggregate amount of distributions made to the Managing Member under this Section 11.03(b)(iii) for the current and all prior years equals the Assumed Managing Member Tax Liability for the current and all prior years;

(iv) fourth, to the Developer until all amounts due under the Development Agreement have been paid in full;

(v) fifth, to the replenishment of the Operating Reserve a balance of \$317,179, or to provide additional capital to the Operating Reserve and other to Reserves as may be deferred later by mutual agreement if the Managing Member and Investor Member;

(vi) sixth, to the payment of accrued interest, if any, and outstanding principal to those Sponsor Loans which provide for Cash Flow payments, pro-rata;

(vii) seventh, to the pro rata payment of any outstanding Operating Deficit Loans and MM Loans, based upon the respective outstanding balances of each; and

(viii) eighth, thereafter, the balance, to the Members pursuant to their Percentage Interest.

Notwithstanding anything to the contrary contained herein, if the amount of the distribution to the Investor Member under Section 11.03(b) is less than 10% of the Net Cash Flow of the Project,

then the Investor Member shall receive a priority distribution before any distributions under Section 11.03(b)(viii) in an amount such that, when added to the sum distributable to the Investor Member under Section 11.03(b), shall equal 10% of the Cash Flow.

(c) Distributions to be Subject to Regulatory Restrictions. Notwithstanding the foregoing, during such time as regulations of the Project Lenders are applicable to the Project, the total amount of Net Cash Flow which may be so distributed to the Members with respect to any fiscal year shall not exceed such amounts as such regulations permit to be distributed.

11.04 Distributions: Capital Transactions and Liquidation of Company. Except as may be required under Section 12.02(b), the proceeds resulting from the liquidation of the Company assets pursuant to Section 12.02, and the net proceeds resulting from any Capital Transaction, as the case may be, shall be distributed and applied in the following order of priority:

(a) to the payment of all matured debts and liabilities of the Company (including amounts due pursuant to any Project Loan and all expenses of the Company incident to any such sale or refinancing), excluding (1) debts and liabilities of the Company to Members or any Affiliates, and (2) all unpaid fees owing to the Managing Member under this Agreement;

(b) to the setting up of any reserves which the Liquidator (or the Managing Member if the distribution is not pursuant to the liquidation of the Company) deems reasonably necessary for contingent, unmatured or unforeseen liabilities or obligations of the Company;

(c) to the payment of any debts and liabilities (including unpaid fees) owed to the Members or any Affiliates by the Company for Company obligations; provided, however, that the foregoing debts and liabilities owed to Members and their Affiliates shall be paid or repaid, as applicable, in the following order of priority, if and to the extent applicable: (i) to the Investor Member, an amount equal to any outstanding LIHTC Reduction Guaranty Payment, or any Unpaid LIHTC Shortfall (applied first to accrued but unpaid interest (at the Default Rate) and then principal); (ii) to the Investor Member, an amount equal to any Special Additional Capital Contribution; (iii) to the payment of any outstanding MM Loans and loans made by the Managing Member pursuant to Section 8.11(a)(i) and/or 8.11(a)(ii) pro rata based on their respective outstanding balances, if applicable; (iv) amounts due under the Development Agreement; (v) amounts due with respect to Operating Deficit Loans, if any; and (vi) any other such debts and liabilities including debts to Affiliates of the Managing Member set forth on **Exhibit F** hereto;

(d) to the payment of the Capital Transaction Administrative Fee in the amount of \$20,000;

(e) to the Managing Member and Investor Members in proportion to the relative amounts of Net Projected Tax Liabilities of the Managing Member and the Investor Member's members or partners and their respective members or partners until they each have received, cumulatively, an amount equal to their respective Net Projected Tax Liabilities;

(f) to payment of the Guarantor LIHTC Compliance Loan (or, if funds provided are a capital contribution under Section 8.11(c)(v), as a return of such capital); and

(g) the balance, to the Members pursuant to their Percentage Interests.

Written determination of the proposed distributions of proceeds of Capital Transactions, showing all relevant calculations and assumptions, shall be delivered to the Investor Member and Special Member not later than twenty (20) days prior to the Company entering into any agreement for a Capital Transaction, and written confirmation or any revision thereof shall be delivered to the Investor Member and Special Member not later than twenty (20) days prior to the making of any such distribution. Distributions hereunder shall be made within five (5) days of the Company's receipt of such proceeds.

#### 11.05 Distributions and Allocations: General Provisions.

(a) In any year in which a Member sells, assigns or transfers all or any portion of an Interest to any Person who during such year is admitted as a substitute Member, the share of all profits and losses allocated to, and of all Net Cash Flow and of all cash proceeds distributable under Section 11.04 distributed to, all Members which is attributable to the Interest sold, assigned or transferred shall be divided between the assignor and the assignee ratably on the basis of the number of monthly periods in such year before, and the number of monthly periods on and after, the first day of the month during which such Person is admitted as a substitute Member.

(b) The Company shall, subject to any applicable limitation on the distribution of Net Cash Flow and any required approval by the Project Lenders, distribute Net Cash Flow not less frequently than annually in the manner provided in Section 11.03(b).

(c) In the event that there is a determination that there is any original issue discount or imputed interest attributable to the Capital Contribution of any Member, or any loan between a Member and the Company, any income or deduction of the Company attributable to such imputed interest or original issue discount on such Capital Contribution or loan (whether stated or unstated) shall be allocated solely to such Member.

(d) In the event that the deduction of all or a portion of any fee paid or incurred by the Company to a Member or an Affiliate of a Member is disallowed for federal income tax purposes by the IRS with respect to a taxable year of the Company, the Company shall then allocate to such Member an amount of gross income of the Company for such year equal to the amount of such fee as to which the deduction is disallowed.

(e) If any Member's Interest in the Company is reduced but not eliminated because of the admission of new Members or otherwise, or if any Member is treated as receiving any items of property described in Section 751(a) of the Code, the Member's Interest in such items of Section 751(a) property that was property of the Company while such Person was a Member shall not be reduced, but shall be retained by the Member so long as the Member has an Interest in the Company and so long as the Company has an Interest in such property.

(f) In accordance with Section 704(c) of the Code (relating to allocations with respect to the appreciated contributed property) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall be allocated, solely for tax purposes, among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its fair market value. Any elections or other decisions relating to such allocations shall be made by the Managing Member in any manner that reasonably reflects the purpose and intention of this Agreement.

(g) In the event that the Managing Member makes any Operating Deficit Loans pursuant to Section 8.11(b), any deductions or losses of the Company attributable to the use of those funds shall be specially allocated to the Managing Member.

(h) Any income attributable to the Capital Contribution of the Managing Member will be allocated to the Managing Member.

(i) Any income attributable to the modification of any of the Project Loan(s) shall be allocated 100% to the Managing Member.

#### 11.06 Capital Accounts.

(a) Establishment and Maintenance. A separate Capital Account shall be maintained and adjusted for each Member. There shall be credited to each Member's Capital Account the amount of its Capital Contribution, the fair market value of any property contributed to the Company (net of any liabilities secured by such property) and such Member's distributive share of the income and gain for tax purposes of the Company, including income or gain exempt from tax; and there shall be charged against each Member's Capital Account the amount of all cash flow distributed to such Member, the fair market value of any property distributed to such Member (net of any liabilities secured by such property), the net proceeds resulting from the liquidation of the Company's assets or from any sale or refinancing of the Project distributed to such Member, and such Member's distributive share of the losses for tax purposes of the Company. Each Member's Capital Account shall be maintained and adjusted in accordance with the Code and the Treasury Regulations thereunder. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treas. Reg. § 1.704-1(b) and shall be interpreted and applied in a manner consistent with such regulations. It is the intention of the Members that the Capital Accounts maintained under this Agreement be determined and maintained throughout the full term of this Agreement in accordance with the

accounting rules of Treas. Reg. § 1.704-1(b)(2)(iv).

(b) Deficit Capital Accounts; Regulatory Liquidation. In the event that the Company is liquidated within the meaning of Treas. Reg. § 1.704-1(b)(2)(ii)(g), if the Managing Member's Capital Account has a deficit balance (after giving effect to all contributions, distributions and allocations), the Managing Member shall make Capital Contributions in the amount of such deficit in compliance with Treas. Reg. § 1.704-1(b)(2)(ii)(b)(3). In the event that the Investor Member's Capital Account should have a deficit balance at such time, it shall have no obligation to fund or otherwise contribute capital to the Company in connection with such deficit. Notwithstanding the foregoing, in the event the Company is liquidated within the meaning of Treas. Reg. § 1.704-1(b)(2)(ii)(g) but no event has occurred under Section 12.01 to dissolve the Company, the Company assets shall not be liquidated, the Company's liabilities shall not be paid or discharged, and the Company's affairs shall not be wound up. Instead, the Company shall be deemed to have contributed all of its assets and liabilities to a new limited liability company in exchange for an interest in the new limited liability company. Immediately thereafter, the terminated Company shall be deemed to have distributed interests in the new limited liability company to the Members of the terminated Company in proportion to their respective interests in the terminated Company in liquidation of the terminated Company.

11.07 Special Allocations. Notwithstanding anything to the contrary contained in Section 11.01(a) or (b), the following special allocations in all events apply in determining the allocation of Profits and Losses among the Members and are made prior to the allocations required under Sections 11.01(a) and (b):

(a) Depreciation and LIHTC.

(i) Depreciation (cost recovery) deductions and LIHTC are allocated to the Members in accordance with their Percentage Interests.

(ii) Any recapture of LIHTC is allocated to the Members that were allocated (or whose predecessors-in-interest were allocated) the depreciation/cost recovery deduction and LIHTC associated therewith.

(b) Limitation on Allocations of Losses.

(i) To the extent the allocation of any Losses to a Member would cause that Member to have an Adjusted Capital Account Deficit at the end of any fiscal year of the Company, then those Losses will not be allocated to that Member, but rather will be specially allocated to the remaining Members in proportion with their relative interests in the Company.

(ii) In the event some but not all of the Members would have Adjusted Capital Account Deficits due to an allocation of Losses, the limitation set forth in this Section 11.07(b) shall be applied on a Member-by-Member basis so as to allocate the maximum permissible Losses to each Member who is not a Managing Member under Treas. Reg.

§1.704-1(b)(2)(ii)(d). All Losses in excess of the limitation set forth in this Section 11.07(b) shall be allocated to the Managing Member.

(c) Profit Chargeback. To the extent any Losses are specially allocated to a Member in accordance with Section 11.07(b), then Profits will thereafter first be specially allocated to such Member in proportion to and in an amount (1) up to but not exceeding the amount of any such special allocation of Losses away from such Member under such subparagraph (b) but (2) not to the extent that Losses or depreciation deductions would be allocated to the remaining Members in excess of the amount permitted by 11.07(b).

(d) Nonrecourse Deductions. Nonrecourse Deductions for any fiscal year shall be allocated to the Members in accordance with their Percentage Interests.

(e) Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any fiscal year shall be specially allocated to the Member or Members that bear the Economic Risk of Loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treas. Reg. §1.704-2(b)(4) and Treas. Reg. §1.704-2(i).

(f) Company Minimum Gain Chargeback. Notwithstanding any other provision of this Agreement, if there is a net decrease in the Company's Minimum Gain attributable to Nonrecourse Liabilities during any taxable year, each Member shall be specially allocated a *pro rata* portion of each of the Company's items of income and gain for such year (and, if necessary for subsequent years) in proportion to, and to the extent of, an amount equal to such Member's share of the net decrease in such Minimum Gain during such taxable year as determined in accordance with the provisions of Treas. Reg. §1.704-2(g)(2). In the event that such net decrease in the Company's Minimum Gain occurs in connection with the disposition of all or any portion of the Project, then any items of Company income or gain allocated in accordance with the previous sentence shall first consist of gain recognized by the Company as a result of such disposition. It is the intent that the allocations provided in this Section 11.07(f) shall be determined in accordance with and only to the extent required by Treas. Reg. §1.704-2(f) and (j)(2)(i).

(g) Member Minimum Gain Chargeback. Notwithstanding any other provision of this Agreement, if there is a net decrease in the amount of the Company's Minimum Gain during any taxable year with respect to a Member Nonrecourse Debt, the Member bearing the Economic Risk of Loss with respect to such Member Nonrecourse Debt shall be specially allocated a *pro rata* portion of each of the Company's items of income and gain for such taxable year (and, if necessary, for subsequent years) in proportion to, and to the extent of the amount of such Member's share of the net decrease in such Minimum Gain during such taxable year as determined in accordance with the provisions of Treas. Reg. §1.704-2(i)(4). In the event that such net decrease in the Member's Minimum Gain occurs in connection with the disposition of all or any portion of Project, then any items of Company income or gain allocated in accordance with the previous sentence shall first consist of gain recognized by the Company as a result of such disposition. It is the intent that the allocations provided in this Section 11.07(g) shall be determined in accordance

with and only to the extent required by the provisions of Treas. Reg. §1.704-2(i) and (j)(2)(ii).

(h) Qualified Income Offset. If a Member unexpectedly receives any adjustments, allocations, or distributions described in §1.704-1(b)(2)(ii)(d)(4), (5) or (6) of the Regulations, then items of Company income or gain will be specially allocated to that Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of that Member as quickly as possible. The special allocations required pursuant to this subparagraph (h) are made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article 11 have been tentatively made as if this subparagraph (h) were not in the Agreement. This subparagraph (h) is intended to comply with the qualified income offset requirements of §1.704-1(b)(2)(ii)(d) of the Regulations and will be interpreted consistently therewith.

(i) Gross Income Allocation. In the event any Member has a deficit Capital Account at the end of any fiscal year in excess of the sum of (i) the amount that such Member must restore pursuant to any provision of this Agreement, if any, and (ii) the amount such Member is deemed obligated to restore pursuant to the penultimate sentence of Treas. Reg. § 1.704-2(g) and § 1.704-2(i)(5), such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 11.07(i) shall be made if and only to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Article XI have been tentatively made as if this Section 11.07(i) and Section 11.07(h) hereof were not in the Agreement.

(j) §754 Adjustment. To the extent an adjustment to the adjusted tax basis of any Company Property undertaken pursuant to §734(b) or 743(b) of the Code is required to be taken into account in determining the Capital Accounts of the Members under Treas. Reg. §1.704-1(b)(2)(iv)(m), then the amount of such adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss will be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to the aforementioned section of the regulations.

(k) Intentionally Deleted.

(l) Excess Nonrecourse Liabilities. Solely for purposes of determining a Member's proportionate share of the "excess nonrecourse liabilities" of the Company within the meaning of Treas. Reg. §1.752-3(a)(3), the Members' respective interests in Company Profits and deductions shall equal their Percentage Interests (determined without regard to Section 11.07(a)-(k)).

(m) Authority to Vary Allocations to Preserve and Protect Members' Intent

(i) It is the intent of the Members that each Member's distributive share of income, gain, loss, deduction, or credit (or item thereof) shall be determined and allocated in

accordance with this Article XI to the fullest extent permitted by Section 704(b) of the Code. In order to preserve and protect the determinations and allocations provided for in this Article XI, the Managing Member, shall upon the direction in writing of the Special Member, allocate income, gain, loss, deduction, or credit (or item thereof) arising in any year differently than otherwise provided for in this Article XI as necessary to (i) ensure that all allocations to the Managing Member constitute “qualified allocations” under Section 168(h)(6)(B) of the Code if the failure of any such allocations to constitute qualified allocations would prevent the Investor Member from being allocated the deductions and credits shown as being allocated to the Investor Member in the financial projections approved by the Investor Member, and (ii) ensure that all allocations of income, gain, loss, deduction or credit (or item thereof) to the Members are permitted by Section 704(b) of the Code and Treasury Regulations promulgated thereunder. Any allocation made pursuant to this Section 11.07 shall be deemed to be a complete substitute for any allocation otherwise provided for in this Article XI and no amendment of this Agreement or approval of any Member shall be required.

(ii) In making any allocation (the “new allocation”) under Section 11.07(m)(i), the Managing Member is authorized to act only upon the direction in writing of the Special Member or the Investor Member.

(iii) If the Managing Member receives a recommendation from the Accountants to make any new allocation in a manner less favorable to the Investor Member than is otherwise provided for in this Article XI, then the Managing Member shall do so only with the Investor Member’s or the Special Member’s Consent and only after having given the Investor Member and the Special Member the opportunity to discuss such allocation with the Accountants, and only after the Managing Member has been advised by the Accountants that it is permitted by Section 704(b) of the Code, to allocate income, gain, loss, deduction, or credit (or item thereof) arising in later years in such manner so as to bring the allocations of income, gain, loss, deduction, or credit (or item thereof) to the Investor Members as nearly as possible to the allocations thereof otherwise contemplated by this Article XI.

11.08 Designation of Partnership Representative. The Managing Member shall be the partnership representative of the Company pursuant to Section 6223 of the Code (“Partnership Representative”) and shall engage in such undertakings as are required of the Partnership Representative of the Company, as provided in the Code and applicable Treasury Regulations. For each applicable tax year, the Managing Member shall cause the Company to appoint as the Designated Individual a person who is employed by the Managing Member or its Affiliate, has sufficient experience and authority to represent the Company in all dealings with the IRS, and is Consented to by the Investor Member or Special Member. If the Designated Individual is unable to perform the role required, no longer meets the requirements of the Code and Treasury Regulations or ceases to be employed by the Managing Member or its Affiliate, the Managing Member shall take all necessary action to cause such person to resign as the Designated Individual and to cause the Company to designate a successor representative that would otherwise qualify under this Agreement and under the Code and Treasury Regulations as a permissible Designated Individual. The Managing Member shall take any and all action required under the Code or



Treasury Regulations (including on all applicable Company tax returns), as in effect from time to time, to cause the Company to designate the Managing Member as the Partnership Representative and the chosen person as the Designated Individual. The Managing Member shall cause the Designated Individual to agree to comply with all restrictions and obligations imposed on the Partnership Representative as set forth in this Agreement. In the event that the Special Member exercises its right to become a managing member and to assume duties of the Partnership Representative, the pre-existing Partnership Representative will resign in accordance with Treas. Reg. § 301.6223-1(d)(1) and the Company will redesignate the new managing member as Partnership Representative in accordance with Treas. Reg. § 301.6223-1(d)(1).

Each Member, by its execution of this Agreement, Consents to such designation of the Partnership Representative by the Company and agrees to execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such Consent.

#### 11.09 Authority of Partnership Representative.

(a) The Partnership Representative shall have and perform all of the duties required under the Code and Treasury Regulations, including the following duties:

(i) Furnish the name, address, profits interest, and taxpayer identification number of each Member to the IRS;

(ii) Represent the Company in all dealings with the IRS and state and local taxing authorities in accordance with the obligations and restrictions imposed by this Agreement;

(iii) Within five calendar days after the receipt by the Managing Member or an Affiliate thereof or the Company of any correspondence or communication relating to the Company or a Member or an Affiliate of a Member from the IRS or state or local taxing authority, the Partnership Representative shall forward to each Member a photocopy of all such correspondence or communication(s). The Partnership Representative shall, within five calendar days thereafter, advise each Member in writing of the substance and form of any conversation or communication held with any representative of the IRS or state or local taxing authority.

(iv) Unless otherwise directed by the Investor Member, to preserve the ability to make corrections to the Company's IRS Form 1065 pursuant to an amended return and Schedule K-1's up to the extended due date, the Partnership Representative shall cause the Company to timely file form 7004 Application to Automatic Extension of Time to File Certain Business Income Tax, Information, and other Returns.

(b) The Partnership Representative shall, upon request by the Investor Member, permit the Investor Member to include its attorney in the power of attorney (Form 2848) for the Company for any taxable years under a tax audit or in a tax administrative appeals process.

(c) The Partnership Representative shall, solely upon request by the Investor Member, make an election pursuant to Sections 6221 or 6226 of the Code on behalf of the Company, including, but not limited to, the filing of IRS Forms 8985 and 8986, provided the Company is permitted to make such election pursuant to the Code or Treasury Regulations thereunder.

(d) The Partnership Representative shall not without the Consent of the Special Member:

(i) Extend the statute of limitations for assessing or computing any tax liability against the Company (or the amount or character of any Company tax items);

(ii) Engage an accounting firm or counsel to represent the Company before the IRS;

(iii) Settle any audit with the IRS concerning the adjustment or readjustment of any Company item(s);

(iv) File IRS Forms 8985 or 8986 or a request for an administrative adjustment with the IRS at any time or file a petition for judicial review with respect to any such request or select the forum for judicial review of any IRS determination;

(v) Initiate or settle any judicial review or action concerning the amount or character of any Company tax item(s);

(vi) Intervene in any action brought by any other Member for judicial review of a final Company administrative adjustment;

(vii) Make an election pursuant to Sections 6221(b) or 6226(a) of the Code including, but not limited to, the filing of IRS Forms 8985 and 8986, on behalf of the Company;

(viii) Take action pursuant to Treasury Regulations promulgated under Section 6225(c); or

(ix) Take any other action not expressly permitted by this Section 11.09 on behalf of the Members of the Company in connection with any administrative or judicial tax proceeding.

(e) In the event of any Company-level proceeding instituted by the IRS pursuant to Sections 6221 through 6241 of the Code or by any other federal, state or local tax authority, the Partnership Representative shall consult with the Special Member regarding the nature and content of all action and defense to be taken by the Company in response to such proceeding. The Partnership Representative also shall consult with the Special Member regarding the nature and content of any proceeding pursuant to Sections 6221 through 6241 of the Code instituted by or on behalf of the Company (including the decision to institute proceedings, whether

administrative or judicial, and whether in response to a previous IRS proceeding against the Company or otherwise). The Partnership Representative will provide the Investor Member and Special Member with notice reasonably in advance of any meetings or conferences with respect to any administrative or judicial proceedings relating to the determination of Company items at the Company-level (including any meetings or conferences with counsel or advisors to the Company with respect to such proceedings) and the Investor Member and Special Member shall have the right to participate, at the Investor Member's and Special Member's sole cost and expense, in any such meetings or conferences. In any such proceedings, the Partnership Representative shall take any action or omit to take any action, if reasonably requested by the Investor Member or Special Member.

(f) If, at any time, the Managing Member desires to accept a settlement offer or other proposed resolution of a tax dispute, and the Investor Member and Special Member do not, then, to the extent permitted by the Code and Treasury Regulations, the Special Member may elect to take control of such tax dispute (including by being appointed as the Partnership Representative for the relevant period) and resolve such tax dispute in the best interest of the Company, as reasonably determined by the Special Member. If exercised, this election shall apply only to such contested tax dispute and not to any other past, future, or pending dispute with a tax authority or other Company matter. Moreover, the exercise of this election shall not relieve the Managing Member of any of its other obligations under this Agreement, including its obligation to manage the Company.

(g) In the event that an election described in Code Section 6226(a) is not made with respect to any notice of final partnership adjustment, each Member shall be obligated to make a capital contribution in an amount equal to such Member's share of the imputed underpayment (and any associated interest and penalties) owed by the Company under Code Section 6225. For purposes of the preceding sentence, each Member's share of such imputed underpayment (and associated interest and penalties) shall be determined by taking into account (i) such Member's share of the income, gain, loss, deductions, basis and credits to which such adjustment and imputed underpayment relate, as determined by the Accountants; (ii) such Member's obligation (if any) to indemnify, defend, or hold harmless the Company or any other Member for such imputed underpayment (and any associated interest and penalties) under this Agreement; (iii) such Member's obligations and liabilities arising from or related to such Member's representations, warranties and covenants in this Agreement; and (iv) the obligations of the Managing Member(s) under Section 5.01(e) (relating to Tax Credit adjustments). For example, if an imputed underpayment were to relate to an adjustment or disallowance of Tax Credits previously allocated to the Investor Member, and such adjustment or disallowance would give rise to an obligation of the Managing Member to make a capital contribution under Section 5.01(e) (relating to Tax Credit adjustments), then such Managing Member, rather than the Investor Member, would be required to make the capital contribution described in this paragraph.

11.10 Expenses of Partnership Representative. The Company shall indemnify and reimburse the Partnership Representative for all expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial

proceeding with respect to the tax liability of the Members. The payment of all such expenses shall be made before any distributions are made from Net Cash Flow or any discretionary reserves are set aside by the Managing Member. The Managing Member shall have the obligation to provide funds for such purpose to the extent that Company funds are not otherwise available therefor. The taking of any action and the incurring of any expense by the Partnership Representative in connection with any such proceeding, except to the extent required by law, is a matter in the sole discretion of the Partnership Representative and the provisions on limitations of liability of the Managing Member and indemnification set forth in Section 8.08 of this Agreement shall be fully applicable to the Partnership Representative in its capacity as such. Sections 11.08, 11.09 and this Section 11.10 of the Agreement shall survive termination of any Member's interest in the Company for any reason and shall be binding on all Members, including former Members.

## ARTICLE XII SALE, DISSOLUTION AND LIQUIDATION

12.01 Dissolution of the Company. The Company shall be dissolved upon the earlier of the expiration of the term of the Company, or upon:

(a) the withdrawal, Bankruptcy, death, dissolution or adjudication of incompetency of the Managing Member who is at that time the sole Managing Member, subject to the provisions of Section 6.03, unless a majority in interest of the other Members, within ninety (90) days after receiving Notice of such withdrawal, Bankruptcy, death, dissolution or adjudication of incompetence, elects to designate a successor Managing Member(s) and continue the Company upon the admission of such successor Managing Member(s) to the Company;

(b) the sale or other disposition of all or substantially all of the assets of the Company, subject to the provisions of Section 6.03;

(c) the election by the Managing Member, with the Consent of a majority in interest of the other Members; or

(d) any other event causing the dissolution of the Company under the laws of the Commonwealth of Virginia.

### 12.02 Winding Up and Distribution.

(a) Upon the dissolution of the Company pursuant to Section 12.01, (i) a Certificate of Cancellation shall be filed in such offices within the Commonwealth of Virginia as may be required or appropriate and (ii) the Company business shall be wound up and its assets liquidated as provided in this Section 12.02 and the net proceeds of such liquidation, except as provided in Section 12.02(b) below, shall be distributed in accordance with Section 11.04.

(b) It is the intent of the Members that, upon liquidation of the Company, any liquidation proceeds available for distribution to the Members be distributed in accordance with the Members' respective positive Capital Account balances and in accordance with Treas. Reg. §1.704-1(b)(2)(ii)(b)(2). The Members believe that distributions under Section 11.04 will effectuate such intent. In the event that, upon liquidation, there would otherwise be any conflict between a distribution pursuant to the Members' respective positive Capital Account balances and the intent of the Members with respect to distribution of proceeds as provided in Section 11.04, the Liquidator shall, notwithstanding the provisions of Sections 11.01, 11.02, 11.03 and 11.05, allocate the Company's gains, profits and losses in a manner that will, as nearly as possible, cause the distribution of liquidation proceeds to the Members to be in accordance both with the Members' economic expectations as set forth in Section 11.04 and their respective Capital Account balances. If the Company's gains, profits and losses are insufficient to cause the Members' Capital Accounts to be in such amounts as will permit liquidation proceeds to be distributed both in accordance with the Members' respective positive Capital Account balances and Section 11.04, then liquidation proceeds shall be distributed in accordance with the Members' respective positive Capital Account balances after the allocations described herein have been made.

(c) The Liquidator shall file all certificates and notices of the dissolution of the Company required by law. The Liquidator shall proceed without any unnecessary delay to sell and otherwise liquidate the Company's property and assets; provided, however, that if the Liquidator shall determine that an immediate sale of part or all of the Company property would cause undue loss to the Members, then in order to avoid such loss, the Liquidator may, except to the extent provided by the Act, defer the liquidation as may be necessary to satisfy the debts and liabilities of the Company to Persons other than the Members. Upon the complete liquidation and distribution of the Company assets, the Members shall cease to be Members of the Company, and the Liquidator shall execute, acknowledge and cause to be filed all certificates and notices required by the law to terminate the Company.

(d) Upon the dissolution of the Company pursuant to Section 12.01, the Accountants shall promptly prepare, and the Liquidator shall furnish to each Member, a statement setting forth the assets and liabilities of the Company upon its dissolution. Promptly following the complete liquidation and distribution of the Company property and assets, the Accountants shall prepare, and the Liquidator shall furnish to each Member, a statement showing the manner in which the Company assets were liquidated and distributed.

ARTICLE XIII  
BOOKS AND RECORDS, ACCOUNTING,  
TAX ELECTIONS, ETC.

13.01 Books of Account. The Managing Member shall keep proper and complete books of account for the Company. Such books of account shall be kept at the principal office of the Company and shall be open at all times for examination and copying by the Investor Member or its authorized representatives. The Managing Member shall retain such books of account for six

years after the later of the termination of the Company or the end of all applicable compliance periods under the Regulations. All decisions as to the fiscal year and accounting methods to be used by the Company shall be made only with the prior written Consent of the Investor Member. In addition, the Managing Member shall comply with all record keeping and record retention requirements applicable to low-income housing projects under the Code and Regulations and shall provide such information to the Members for their compliance.

### 13.02 Financial Reports.

(a) Agreement with VHCC. The Company shall enter into an agreement with Virginia Housing Capital Corporation (“VHCC”), essentially in the form attached hereto as **Exhibit J**, pursuant to which VHCC will provide certain accounting and reporting services to the Company.

(b) Monthly Reports. Within fifteen (15) days after the end of each month, the Managing Member shall deliver to the Members with respect to such month a cash flow statement for the Company, with a detailed itemization of all Company receipts and expenses, and with such additional information as shall be reasonably requested by the Members (the foregoing, collectively, the “Cash Flow Report”). Notwithstanding the foregoing, if the Investor Member believes that the Project is experiencing or may experience adverse operating results or any other material adverse condition, the Investor Member, by notice to the Managing Member, may require the delivery of Cash Flow Reports within ten (10) days after the end of each month, until such time as the Investor Member believes that the adverse condition affecting the Project is no longer present or threatened. At Investor Member’s request, copies of all proposed leases and tenant income certification information for the initial occupant of each dwelling unit shall be delivered concurrently with such Cash Flow Report prior to execution thereof by the Company.

(c) Governmental and Lender Reports. The Managing Member shall also deliver to the Investor Member any financial or performance report required to be provided by the Company to any federal, state or local governmental agency or to any Company lender. Any such report shall be delivered to the Investor Member within five days after such report is filed with any such governmental agency or Company lender.

13.03 Budgets and General Disclosure. The Managing Member shall prepare and deliver to the Investor Member no later than the 60 days prior to the beginning of each fiscal year of the Company a detailed annual operating and capital improvements budget for the operation of the Project during such fiscal year. Such budgets shall specifically list all budgeted expenses in all major categories including, but not limited to, administration, operation, repairs and maintenance, utilities, taxes, insurance, interest, debt service with respect to the Project Loans, capital improvements, and all budgeted expenses which are to be paid to the Managing Member or its Affiliates. Such a budget shall be deemed “approved” for purposes of this Agreement only when such budget has been approved by the Investor Member. The Managing Member shall keep the Investor Member informed concerning the general state of the business and financial condition of the Company and shall, upon the reasonable request of the Investor Member, furnish to the Investor Member full information, accounts and documentation concerning the state of the business and

financial condition of the Company. The Managing Member shall also provide the following statements or disclosures to the Investor Members:

(a) Semiannual Reports. Semiannually, within 45 days after the end of the second and fourth fiscal quarters of the Company, until the later to occur of the following events: (i) all Capital Contribution installments of the Investor Member have been made, or (ii) the Project is placed in service, a report on the status of the Company. Such report will include the following and will contain updated and revised information if there has been any change in facts previously reported.

(i) a description of the Project, including the status of construction or rehabilitation to be performed in connection with the Project (which information shall be provided on the Project until construction or rehabilitation is complete);

(ii) a description of the financing for the Project, including mortgage financing, any state or local government loans, any operating deficit guaranty, the Investor Member's Capital Contributions to the Company and any other contributions or loans to the Company;

(iii) a description of any applicable rental subsidy for the Project;

(iv) the terms of any performance bonds, development cost guarantees, operating deficit guarantees, and other credit enhancements provided in connection with the Project;

(v) the fees, and other financial incentives provided to the Managing Member and its Affiliates; and

(vi) any draw or call upon or demand for payment of or under any operating deficit guarantee, operating reserve, contractor performance bonds or completion guarantee.

(b) Annual Reports. Within 100 days after the end of each fiscal year of the Company, a statement prepared by the Managing Member, which statement shall include the following:

(i) a report summarizing the fees, commissions, compensation and other remuneration and reimbursed expenses paid by the Company for such fiscal year to the Managing Member or any Affiliates of the Managing Member and the services performed;

(ii) a report of the activities and investments of the Company during the period covered by the report; and

(iii) a comparison of actual and projected tax benefits for the year.

**The statement will be accompanied by audited financial statements of any Guarantor.**

(c) Demands for Payment. Within five (5) business days of the exercise thereof, any draw or call upon or demand for payment of or under any operating deficit guarantee, operating reserve, contractor performance bonds or completion guarantee.

(d) Notices of Default. Immediately upon notice of such a default, any default by the Company in any loan, including any state or local government loan or other financial obligation, of the Company or its Managing Member.

(e) Notices of IRS Proceedings. Immediately upon receipt of such notice, any notice of any IRS proceeding or any other audit, review or inspection by a federal, state or local governmental agency or Project Lender involving the Company.

13.04 Tax Information. The Managing Member shall file all necessary tax forms related to the formation of the Company, including, if required, Form 8264 (related to the registration of a tax shelter). VHCC shall also provide such federal tax information as required under its agreement with the Company as set forth on **Exhibit J**.

13.05 Selection of Accountants. The Investor Member shall be entitled to select a firm of certified public accountants that are experienced in LIHTC and that will prepare the Company's year-end financial statements and the Company's annual tax returns. The fee of such accountants shall be paid by the Investor Member out of the accounting fee payable to it pursuant to Section 8.21 of this Agreement.

13.06 Section 754 Elections. In the event of a transfer of all or any part of the Interest of a Managing Member or of an Investor Member, the Company may elect, pursuant to Sections 743 and 754 of the Code (or any corresponding provision of succeeding law), to adjust the basis of the Company property if, in the opinion of the Investor Member, based upon the advice of the Accountants, such election would be most advantageous to the Investor Member. Each Member agrees to furnish the Company with all information necessary to give effect to such election.

13.07 Fiscal Year and Accounting Method. The fiscal year of the Company shall be the fiscal year of the Investor Member, which ends at December 31; provided, however, that upon request from the Investor Member, the fiscal year of the Company shall become the calendar year. All Company accounts shall be determined on an accrual basis.

13.08 Late Report Penalties. (i) In the event that the reports of information provided for in Sections 13.02(b) or 13.03 above are, at any time, not provided within the time frames set forth therein, the Managing Member shall be obligated to pay to the Investor Member the sum of \$100.00 per day, as liquidated damages, for each day from the date upon which such report(s) or information is (are) due pursuant to the provisions of the aforesaid Sections until the date upon which such report(s) or information is (are) provided in form acceptable to the Investor Member. In the event that the reporting requirements set forth in any of the above provisions of this Article



XIII are not met, the Investor Member, in its reasonable discretion, may direct the Managing Member to dismiss the Accountants, and to designate successor Accountants, subject to the approval of the Investor Member; provided, however, that if the Managing Member and the Investor Member cannot agree on the designation of successor Accountants, the successor Accountants shall be designated by the Investor Member in its sole reasonable discretion, and the fees of such successor Accountants shall be paid by the Managing Member.

#### ARTICLE XIV AMENDMENTS

14.01 Proposal and Adoption of Amendments. This Agreement may be amended by the Managing Member with the Consent of the Investor Member; provided that such Consent shall not be unreasonably withheld as to any proposed amendment which does not affect the obligations of the Managing Member or the rights of any of the Members under this Agreement; and further provided that, if the Investor Member proposes an amendment to this Agreement which either (a) increases or imposes upon the Investor Member the obligation to restore a deficit balance in its Capital Account, or (b) prospectively decreases the obligation of the Investor Member to restore a deficit balance in its Capital Account in a subsequent Fiscal Year of the Company, the Managing Member shall effectuate the adoption of such amendment; provided, however, that the Managing Member shall not be liable to the Investor Member for any adverse tax consequences that may result from any such increase or decrease.

#### ARTICLE XV CONSENTS, VOTING AND MEETINGS

15.01 Method of Giving Consent. Any Consent required by this Agreement may be given by a written Consent given by the Consenting Member and received by the Managing Member at or prior to the doing of the act or thing for which the Consent is solicited.

15.02 Submissions to Investor Members. The Managing Member shall give the Investor Member Notice of any proposal or other matter required by any provision of this Agreement or by law to be submitted for consideration and approval of the Investor Members. Such Notice shall include any information required by the relevant provision or by law.

15.03 Meetings: Submission of Matter for Voting. A majority in Interest of the Investor Members shall have the authority to convene meetings of the Company and to submit matters to a vote of the Members.

#### ARTICLE XVI GENERAL PROVISIONS

16.01 Burden and Benefit. The covenants and agreements contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

16.02 Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

16.03 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

16.04 Separability of Provisions. Each provision of this Agreement shall be considered separable, and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

16.05 Entire Agreement. This Agreement sets forth all (and is intended by all parties to be an integration of all) of the representations, promises, agreements and understandings among the parties hereto with respect to the Company, the Company business and the property of the Company, and there are no representations, promises, agreements or understandings, oral or written, express or implied, among them other than as set forth or incorporated herein.

16.06 Liability of the Investor Member. Notwithstanding anything to the contrary contained herein, neither the Investor Member nor any of its members shall have any personal liability to any of the parties to this Agreement with regard to the representations and covenants extended, or the obligations undertaken, by the Investor Member under this Agreement, except that the Investor Member shall be personally obligated to fund its Capital Contributions when, as and if required by this Agreement and subject to any defenses and offsets it may have with respect to the funding of such Capital Contributions. In the event that the Investor Member shall be in default under any of the terms of this Agreement, the sole recourse of any party hereto for any indebtedness due hereunder, or for any damages resulting from any such default by the Investor Member, shall be either against the Interest of the Investor Member and the capital contributions of the members of the Investor Member (either directly or through another Investor Member) allocated to, and remaining for investment in, the Company; provided, however, that under no circumstances shall the liability of the Investor Member for any such default be in excess of the amount of Capital Contribution payable by the Investor Member to the Company, under the terms of this Agreement, at the time of such default, less the value of the Interest of the Investor Member, if such Interest is claimed as compensation for damages.

16.07 Environmental Protection.

(a) The Managing Member warrants and represents that to the best of the Managing Member's knowledge, after diligent inquiry, except as disclosed in the Environmental Reports, there presently are not, in, on, or under the Project nor will there be, in, on, or under the Project, upon completion of the construction: (i) any "hazardous substance" as that term is defined under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601, *et seq.*, as amended ("CERCLA"), or any other hazardous or toxic substance, waste or material or any other substance or pollutant that poses a risk to human health or the environment, including, but not limited to, petroleum in any form, lead-based paint, asbestos, urea formaldehyde insulation, methane gas, polychlorinated biphenyls ("PCBs") or radon, except for ordinary and necessary quantities of office supplies, cleaning materials and pest control supplies stored in a safe and lawful manner and petroleum products contained in motor vehicles (the "Hazardous Substances"); (ii) any underground storage tanks; (iii) accumulations of debris, mining spoil, spent batteries, except for ordinary garbage stored in receptacles for regular removal; (iv) or any other condition which could result in liability for an owner or operator of the Project under any federal, state, or local law, rule, regulation, or ordinance.

(b) The Managing Member further represents and warrants that except as disclosed in the Environmental Reports, (i) neither it nor, to the best of its knowledge, any other party has been, is or will be involved in operations at or, pursuant to the Managing Member's best knowledge, near the Land, which operations could lead to (A) a determination of liability under the Hazardous Waste Laws as to the Company or (B) the creation of a lien on the Land under the Hazardous Waste Laws or under any similar laws or regulations; and (ii) the Managing Member has not permitted, and will use best efforts not to permit, any tenant or occupant of the Project to engage in any activity that could impose liability under the Hazardous Waste Laws on such tenant or occupant, on the Land or on any other owner of the Project.

(c) The Managing Member further warrants and represents to the best of the Managing Member's knowledge that except as disclosed in the in the Environmental Reports, the Project is in compliance with all applicable Hazardous Waste Laws, and the Managing Member has not received notice of any violations of the Hazardous Waste Laws. The Managing Member covenants and agrees to take all necessary action within its control to ensure that the Project is in compliance with the Hazardous Waste Laws at all times and that the Project remains free from the presence of any Hazardous Substances in, on or under the Project. The Managing Member will promptly deliver any notice it may receive of any violation of the Hazardous Waste Laws to the Investor Member and the Special Member.

(d) The Managing Member agrees to indemnify and hold harmless the Company, the Investor Member, the Special Member, and any member of the Investor Member (the "Indemnified Parties") from and against all claims, actions, causes of action, liability, and expense (including, without limitation, attorneys' fees, court costs, and remedial and response costs) incurred or suffered by, or asserted by any person, entity, or governmental agency against the Indemnified Parties due to breach of the Managing Member of the Company's representations, warranties, or covenants, or a violation of the Hazardous Waste Laws, or the presence of Hazardous Substances in, on, or under the Project. The foregoing indemnification shall be a

recourse obligation of the Managing Member and shall (to the full extent permitted by law) survive the dissolution of the Company and the death, dissolution, retirement, incompetency, insolvency, bankruptcy, or withdrawal of the Managing Member.

(e) For purposes of this Agreement, the term “Hazardous Waste Laws” shall mean any governmental requirements pertaining to land use, air, soil, subsoil, surface water, groundwater (including the quality of, protection, clean-up, removal, remediation or damage of or to land, air, soil, subsoil, surface water and groundwater), including, without limitation, the following laws as the same may be from time to time amended: the Comprehensive Environmental Response Liability and Compensation Act, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Federal Water Pollution Control Act, 33 U.S.C. §1251 et seq., the Safe Drinking Water Act, 42 U.S.C. § 300f et seq., the Clean Air Act, 42 U.S.C. § 7401 et seq., the Rivers and Harbors Act, 33 U.S.C. § 401 et seq., the Transportation Safety Act of 1974, portions of which are located at 49 U.S.C. § 1801 et seq., the Endangered Species Act, 16 U.S.C. § 1531 et seq., or any so-called “superfund” or “superlien” law, together with any other foreign or domestic laws (federal, state, provincial or local), common law, local rule, regulation (including, without limitation, any future change in judicial or administrative decisions interpreting or applying any of the laws, rules or regulations referred to herein) relating to emissions, discharges, release or threatened releases of any Hazardous Substances into ambient air, land, soil, subsoil, surface water, groundwater, personal property or structures, or otherwise relating to the manufacture, processing distribution, use treatment, storage, disposal, transport, discharge or handling of any Hazardous Substances, now or at any time hereafter in effect.

16.08 Notices. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the addressee or by depositing same with Federal Express (or another nationally recognized overnight delivery service) for next business day delivery or by depositing same in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

(a) To the Investor Member:

Housing Equity Fund of Virginia XXIII, L.L.C.  
c/o Virginia Housing Capital Corporation  
1840 West Broad Street, Suite 200  
Richmond, Virginia 23220-2151  
Attention: Arild O. Trent  
with a copy to:

Applegate & Thorne-Thomsen, P.C.  
425 S. Financial Place  
Suite 1900  
Chicago, Illinois 60605

Attention: Diane K. Corbett

(b) To the Managing Member:

c/o Charlottesville Redevelopment Housing Authority  
1000 South First Street  
Charlottesville, Virginia 22902  
Attention: John M. Sales

With a copy to:

Williams Mullen Center  
200 S. 10<sup>th</sup> Street  
Richmond, VA 23219  
Attention: Allison Domson

and

Delphine Carnes Law Group, PLC  
101 W. Main Street, Ste 440  
Norfolk, VA 23510  
Attention: Delphine Carnes

All notices, demands and requests shall be effective upon such personal delivery or upon being deposited with Federal Express (or another nationally recognized overnight delivery service) or in the United States mail as required above. However, with respect to notices, demands or requests so deposited with Federal Express (or another nationally recognized overnight delivery service) or in the United States mail, the time period in which a response to any such notice, demand or request must be given shall commence to run from the next business day following any such deposit with Federal Express (or another nationally recognized overnight delivery service) or, in the case of a deposit in the United States mail as provided above, the date on the return receipt of the notice, demand or request reflecting the date of delivery or rejection of the same by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving to the other party hereto at least 30 days' written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

In the event of a default under this Operating Agreement, the Investor Member will endeavor to provide AHG with notice of such default, provided, however, the failure to provide such notice shall (i) impose no obligations or liability of any kind on the Investor Member; (ii) not be a defense to any foreclosure instituted by the Investor Member; and (iii) not delay or otherwise impair the exercise of the Investor Members' rights under the Operating Agreement and any exhibit thereto. For purposes of this subparagraph such notices shall be sent in the same manner

as any other notice under this Section 16.08 to AHG at the following address:

Affordable Housing Group, LLC  
455 2nd Street SE  
Suite 201  
Charlottesville, VA 22902  
Attention: Ashley Davies

With a copy to:

Williams Mullen Center  
200 S. 10th Street  
Richmond, VA 23219  
Attention: Allison Domson

16.09 Headings. All section headings are for convenience only and shall not be taken into consideration in interpreting or otherwise construing this Agreement.

16.10. Pronouns and Plurals. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or persons may require.

16.11. VH Mortgage Requirements. Notwithstanding any other provision of this Agreement, this limited liability company and the Members shall be subject to regulation and supervision by the Virginia Housing Development Authority (“VH”) in accordance with the Virginia Housing Development Authority Act, the Rules and Regulations of VH, and the Regulatory Agreement executed or to be executed by the Company for the benefit of VH and shall be further subject to the exercise by VH of the rights and powers conferred on VH thereby. Notwithstanding any other provision of this Agreement, VH may rely upon the continuing effect of this provision which shall not be amended, altered, waived, supplemented or otherwise changed without the prior written consent of VH.

16.12. Public Housing Requirements. The South First Phase One, LLC (the “Owner”) acknowledges that the Charlottesville Redevelopment and Housing Authority (the “Authority”) has provided, and will provide, financial assistance provided by the U.S. Department of Housing and Urban Development (“HUD”) under the U.S. Housing Act of 1937 (42 U.S.C. 1437, *et. seq.*) (the “Act”) on behalf of public housing units and related appurtenances (the “Project”) which are a part of the larger complex owned by the Owner (the “Development”). In return for its receipt of such assistance, the Owner agrees to develop, operate and maintain the Project in accordance with all requirements applicable to public housing, including, but not limited to, the Act, HUD regulations thereunder (and, to the extent applicable, any HUD-approved waivers of regulatory requirements), the Annual Contributions Contract executed between the Authority and HUD (the “ACC”), the Mixed Finance Amendment adding the project to the ACC (the “Mixed Finance ACC Amendment”), the HOPE VI grant agreement (if applicable), HUD notices (including any notice

of fund availability under which Landlord received an award of HOPE VI funds for use in connection with the Project), the HUD-approved Declaration of Restrictive Covenants in favor of HUD, the Authority's admissions and occupancy policies applicable to the Project, as set forth in the Authority's approved PHA Plan under 24 CFR part 903, and all applicable Federal statutory, regulatory and executive order requirements, as those requirements may be amended from time to time.

(a) Notwithstanding any provision to the contrary herein, in the event of a conflict or inconsistency between a provision contained in this Operating Agreement, and a requirement set forth in (i) the regulatory and operating agreement between the Company and the Authority with respect to the Project (the "Regulatory and Operating Agreement"); (ii) any of the documents entered into between the Company and the Authority, or between the Company and any third party(ies), with respect to the development of the Project (the "Development Documents"); or (iii) the Applicable Public Housing Requirements, as defined herein, then the Regulatory and Operating Agreement, the Development Documents, and the Applicable Public Housing Requirements shall (except as such requirements may have been expressly waived in writing by HUD) in all instances be controlling. In the further event of a conflict or inconsistency between a provision set forth in the Regulatory and Operating Agreement and the Applicable Public Housing Requirements, or between a provision set forth in the Development Documents and the Applicable Public Housing Requirements, then the Applicable Public Housing Requirements shall in all instances be controlling.

(b) The approval by HUD of the Mixed-Finance ACC Amendment for the Project, including any documents identified in the Mixed Finance ACC Amendment in connection with the development, operation or maintenance of the Project (including, but not limited to, this Operating Agreement), shall not be deemed to be HUD approval for this Operating Agreement to amend, modify, or otherwise alter the Regulatory and Operating Agreement, the Development Documents, or the Applicable Public Housing Requirements.

(c) Except as provided in subparagraph (A) of this paragraph, the Investor Member and Special Member of the Owner acknowledge and agree that the Managing Member of the Owner (the "Managing Member"), or any entity with a controlling interest in the Managing Member (the "Controlling Entity"), has no authority to provide the Investor Member and Special Member with guarantees or indemnifications involving the assets of the Project (as the term "Project" is defined in the ACC) or the assets of the Authority. Accordingly, the Limited Partner(s) acknowledge that public housing operating subsidies, or other receipts generated by the Project, may not be used to make cash flow distributions to the Limited Partner(s) and, furthermore, that they have no legal right of recourse under this Agreement against:

- (i) any public housing project of the Authority, including the Project that is the subject of this Operating Agreement;
- (ii) any operating receipts of the Authority (as the term "operating receipts" is defined in the ACC); or

- (iii) any public housing operating reserve of the Authority reflected in the Authority's annual operating budget and required under the ACC;

The Authority may, with HUD's prior written approval in accordance with section 30 of the Act and the ACC, pledge and grant to Owner an interest in its Authority Reserve solely to permit the use of such funds for eligible and necessary costs of the Project, as provided in the Regulatory and Operating Agreement and the Applicable Public Housing Requirements. In addition, any excess fees contained in the Authority's Section 8 administrative fee reserve under 24 CFR § 982.155 shall not be subject to the restrictions in subparagraph (A) herein, nor are any other assets of the Authority arising under any program not administered by HUD subject to this restriction.

(d) Restrictions on Disposition of Project and of Members Interests; Restoration Requirements. The Owner expressly acknowledges that, in return for its receipt of assistance under the Act, the Project is subject to, among other requirements, a low income use requirement, to restrictions on disposition (both with respect to the Project and to transfers of the interests of the Members under this Operating Agreement), and to restoration requirements (in the event of a partial or total casualty loss or condemnation of the Project), as more fully set forth in the Declaration referred to in paragraph 1 herein and the Mixed Finance ACC Amendment.

(e) The Owner agrees to ensure that every contract, or other legally binding agreement, entered into between the Owner and any third party with respect to the development, management, operation or disposition of the Project requires such third to comply with the Applicable Public Housing Requirements in connection with the Project. Owner further agrees to include in any such contract, or other legally binding agreement, with a third party the disclaimers (as appropriately modified) set forth in Paragraphs 6 and 7 herein.

(f) The parties to this Operating Agreement acknowledge that the transfer of public housing development and/or operating assistance (including HOPE VI assistance, if applicable) to the Owner shall not be deemed to be an assignment of development and/or operating assistance. Accordingly, the parties further acknowledge that the Owner shall not succeed to any rights or benefits of the Authority under the ACC, the Mixed Finance ACC Amendment, the HOPE VI grant agreement (if applicable), nor shall it attain any privileges, authorities, interests, or rights in or under the ACC, the Mixed Finance ACC Amendment, or the HOPE VI grant agreement.

(g) The parties to this Operating Agreement acknowledge that nothing in the ACC, the Mixed Finance ACC amendment, the HOPE VI grant agreement (if applicable), or any other agreement or contract between the parties shall be deemed to create a relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD.

(h) This Operating Agreement may not, without the prior written approval of HUD, be amended in any way that, in the opinion of HUD, may adversely affect the development and/or




continued maintenance and operation of the Project as public housing.

IN WITNESS WHEREOF, the parties have affixed their signatures and seals to this Second Amended and Restated Operating Agreement of South First Phase One, LLC as of the date first written above.

MANAGING MEMBER:

By: SOUTH FIRST STREET PHASE ONE  
MANAGEMENT, LLC,  
a Virginia limited liability company,  
its Managing Member

By: CHARLOTTESVILLE COMMUNITY  
DEVELOPMENT CORPORATION,  
a Virginia corporation  
its Sole Member

By:   
Name: John M. Sales  
Title: President

INVESTOR MEMBER:

Housing Equity Fund of Virginia XXIII, L.L.C., a  
Virginia limited liability company

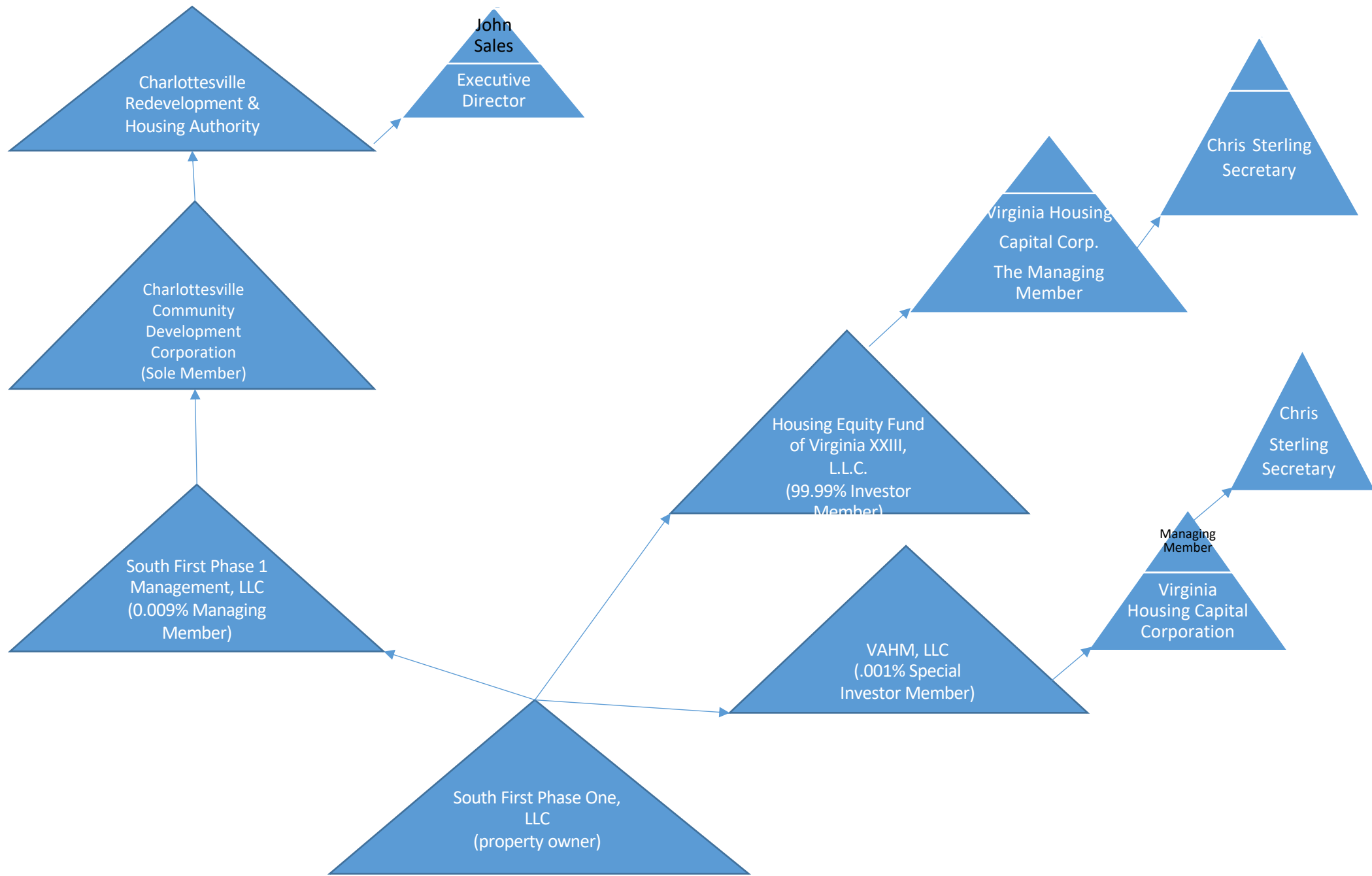
By: Virginia Housing Capital Corporation, its  
managing member

By: Arild O. Trent  
Arild O. Trent, Vice President

SPECIAL MEMBER:

VAHM, LLC, a Virginia limited liability company

By: Arild O. Trent  
Arild O. Trent, Vice President



**EXHIBIT A  
TO OPERATING AGREEMENT**

**DEVELOPMENT AGREEMENT**

**THIS DEVELOPMENT AGREEMENT** (this “Agreement”) made as of January 8, 2021 by and between South First Phase One, LLC, a Virginia limited liability company (the “Company”) and Charlottesville Community Development Corporation, a Virginia non-stock corporation. (the “Developer”).

**Recitals**

WHEREAS, The Company was formed to acquire, construct, develop, improve, maintain, own operate, lease, dispose of and otherwise deal with an apartment project located in Charlottesville, Virginia and to be known as South First Phase One (the “Project”);

WHEREAS, the Project, following the completion of construction, is expected to constitute a “qualified low-income housing project” (as defined in Section 42(g)(1) of the Code).

WHEREAS, the Developer has provided and will continue to provide certain services with respect to the Project during the acquisition, development, construction and initial operating phases thereof.

WHEREAS, in consideration for such services, the Company has agreed to pay to the Developer certain fees computed in the manner stated herein.

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Second Amended and Restated Operating Agreement of the Company of even date herewith (the “Operating Agreement”).

**NOW, THEREFORE**, in consideration of the recitals, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties agree as follows:

Section 1.     Development Services.

(a)     The Developer has performed certain services relating to the development of the Project and shall oversee the development and construction of the Project and shall perform the services and carry out the responsibilities with respect to the Project as are set forth herein, and such additional duties and responsibilities as are reasonably within the general scope of such services and responsibilities and are designated from time to time by the Company.

(b) The Developer's services shall be performed in the name and on behalf of the Company and shall consist of the duties set forth in subparagraphs (i)-(xiii) below of this Section 1(b) and as provided elsewhere in this Agreement; provided, however, that if the performance of any duty of the Developer set forth in this Agreement is beyond the reasonable control of the Developer, the Developer shall nonetheless be obligated to (i) use its best efforts to perform such duty and (ii) promptly notify the Company that the performance of such duty is beyond its reasonable control. The Developer has performed or shall perform the following:

(i) Negotiate and cause to be executed in the name and on behalf of the Company any agreements for architectural, engineering, testing or consulting services for the Project, and any agreements for the construction of any improvements or tenant improvements to be constructed or installed by the Company or the furnishing of any supplies, materials, machinery or equipment therefor, or any amendments thereof, provided that no agreement shall be executed nor binding commitment made until the terms and conditions thereof and the party with whom the agreement is made have been approved by the Managing Member unless the terms, conditions, and parties comply with guidelines issued by the Managing Member concerning such agreements;

(ii) Assist the Company in identifying sources of construction financing for the Project and negotiate the terms of such financing with lenders;

(iii) Establish and implement appropriate administrative and financial controls for the design and construction of the Project, including but not limited to:

(A) coordination and administration of the Project architect, the general contractor, and other contractors, professionals and consultants employed in connection with the design or construction of the Project;

(B) administration of any construction contracts on behalf of the Company;

(C) participation in conferences and the rendering of such advice and assistance as will aid in developing economical, efficient and desirable design and construction procedures;

(D) the rendering of advice and recommendations as to the selection of subcontractors and suppliers;

(E) the review and submission to the Company for approval of all requests for payments under any architectural agreement, general contractor's agreement, or any loan agreements

with any lending institutions providing funds for the benefit of the Company for the design or construction of any improvements;

(F) the submission of any suggestions or requests for changes which could in any reasonable manner improve the design, efficiency or cost of the Project;

(G) applying for the maintaining in full force and effect any and all governmental permits and approvals required for the lawful construction of the Project;

(H) compliance with all terms and conditions applicable to the Company or the Project contained in any governmental permit or approval required or obtained for the lawful construction of the Project, or in any insurance policy affecting or covering the Project, or in any surety bond obtained in connection with the Project;

(I) furnishing such consultation and advice relating to the Project as may be reasonably requested from time to time by the Company;

(J) keeping the Company fully informed on a regular basis of the progress of the design and construction of the Project, including the preparation of such reports as are provided for herein or as may reasonably be requested by the Company and which are of a nature generally requested or expected of construction managers or similar owner's representatives on similar projects;

(K) giving or making the Company's instructions, requirements, approvals and payments provided for in the agreements with the Project architect, general contractor, and other contractors, professionals and consultants retained for the Project; and

(L) at the Company's expense, filing on behalf of and as the attorney-in-fact for the Company any notices of completion required or permitted to be filed upon the completion of any improvement(s) and taking such actions as may be required to obtain any certificates of occupancy or equivalent documents required to permit the occupancy of the Project.

(iv) Inspect the progress of the course of construction of the Project, including verification of the materials and labor being furnished to and on such construction so as to be fully competent to approve or disapprove requests for



payment made by the Project architect and the general contractor, or by any other parties with respect to the design or construction of the Project, and in addition to verify that the construction is being carried out substantially in accordance with the plans and specifications approved by the Company or, in the event construction is not being so carried out, to promptly notify the Company;

(v) If requested to do so by the Company, perform on behalf of the Company all obligations of the Company with respect to the design or construction of the Project contained in any loan agreement or security agreement in connection with the Project, or in any lease or rental agreement relating to space in the Project, or in any agreement entered into with any governmental body or agency relating to the terms and conditions of such construction, provided that copies of such agreements have been provided by the Company to the Developer or the Company has otherwise notified the Developer in writing of such obligations;

(vi) To the extent requested to do so by the Company, prepare and distribute to the Company a critical path schedule, and periodic updates thereto as necessary to reflect any material changes, but in any event not less frequently than quarterly, other design or construction cost estimates as required by the Company, and financial accounting reports, including monthly progress reports on the quality, progress and cost of construction and recommendations as to the drawing of funds from any loans arranged by the Company to cover the cost of design and construction of the Project, or as to the providing of additional capital contributions should such loan funds for any reason be unavailable or inadequate;

(vii) At the Company's expense, obtain and maintain insurance coverage for the Project, the Company, the Management Agent, and the Developer and its employees, at all times until final completion of construction of the Project, in accordance with an insurance schedule approved by the Company, which insurance shall include general public liability insurance covering claims for personal injury, including but not limited to bodily injury, or property damage, occurring in or upon the Property or the streets, passageways, curbs and vaults adjoining the Property. Such insurance shall be in a liability amount approved by the Company;

(viii) Comply with all applicable present and future laws, ordinances, orders, rules, regulations and requirements (hereinafter in this subparagraph (ix) called "laws") of all federal, state and municipal governments, courts, departments, commissions, boards and offices, any national or local Board of Fire Underwriters or Insurance Services. Offices having jurisdiction in the county in which the Project is located or any other body exercising functions similar to those of any of the foregoing, or any insurance carriers providing any insurance coverage for the Company or the Project, which may be applicable to the Project or any part thereof. Any such compliance undertaken by the Developer on behalf of and in the name of the Company, in accordance with the provisions of this Agreement, shall be at the

Company's expense. The Developer shall likewise ensure that all agreements between the Company and independent contractors performing work in connection with the Project shall include the agreement of said independent contractors to comply with all such applicable laws;

(ix) Assemble and retain all contracts, agreements and other records and data as may be necessary to carry out the Developer's functions hereunder. Without limiting the foregoing, the Developer will prepare, accumulate and furnish to the Company and the appropriate governmental authorities, as necessary, data and information sufficient to identify the market value of improvements in place as of each real property tax lien date, and will take application for appropriate exclusions from the capital costs of the Project for purposes of real property ad valorem taxes;

(x) Coordinate and administer the design and construction of all interior tenant improvements to the extent required under any leases or other occupancy agreements to be constructed or furnished by the Company with respect to the initial leasing of space in the Project, whether involving building standard or non-building standard work;

(xi) Use its best efforts to accomplish the timely completion of the Project in accordance with the approved plans and specifications and the time schedules for such completion approved by the Company;

(xii) At the direction of the Company, implement any decisions of the Company made in connection with the design, development and construction of the Project or any policies and procedures relating thereto, exclusive of leasing activities; and

(xiii) Perform and administer any and all other services and responsibilities of the Developer which are set forth in any other provisions of this Agreement, or which are requested to be performed by the Company and are within the general scope of the services described herein.

Section 2. Limitations and Restrictions. Notwithstanding any provisions of this Agreement, the Developer shall not take any action, expend any sum, make any decision, give any consent, approval or authorization, or incur any obligation with respect to (i) any matter not related to the construction or construction financing of the Project, including but not limited to the acquisition of the Project, the organization of the Company, obtaining permanent financing, obtaining an investor for the Company or leasing up the Project, such matters to be performed or supervised by the Managing Member and (ii) any of the following matters unless and until the same has been approved by the Company:

(a) Approval of all construction and architectural contracts and all architectural plans, specifications and drawings prior to the construction and/or alteration of any improvements

contemplated thereby, except for such matters as may be expressly delegated in writing to the Developer by the Company;

(b) Any proposed change in the work of the construction of the Project, or in the plans and specifications therefor as previously approved by the Company, or in the cost thereof, or any other change which would affect the design, cost, value or quality of the Project, except for such matters as may be expressly delegated in writing to the Developer by the Company;

(c) Making any expenditure or incurring any obligation by or on behalf of the Company or the Project involving a sum in excess of \$25,000 or involving a sum of less than \$5,000 where the same relates to a component part of any work, the combined cost of which exceeds \$25,000, except for expenditures made and obligations incurred pursuant to and specifically set forth in a construction budget approved by the Company (the "Construction Budget") or for such matters as may be otherwise expressly delegated to the Developer by the Company;

(d) Making any expenditure or incurring any obligation which, when added to any other expenditure, exceeds the Construction Budget or any line item specified in the Construction Budget, except for such matters as may be otherwise expressly delegated in writing to the Developer by the Company; or

(e) Expending more than what the Developer in good faith believes to be the fair and reasonable market value at the time and place of contracting for any goods purchased or leased or services engaged on behalf of the Company or otherwise in connection with the Project.

### Section 3. Accounts and Records.

(a) The Developer on behalf of the Company, shall keep such books of account and other records as may be required and approved by the Company, including, but not limited to, records relating to the costs of construction advances. The Developer shall keep vouchers, statements, receipted bills and invoices and all other records, in the form approved by the Company, covering all collections, if any, disbursements and other data in connection with the Project prior to final completion of construction. All accounts and records relating to the Project, including all correspondence, shall be surrendered to the Company, upon demand without charge therefor.

(b) The Developer shall cooperate with the Management Agent to facilitate the timely preparation by the Management Agent of such reports and financial statements as the Management Agent is required to furnish pursuant to the Management Agreement.

(c) All books and records prepared or maintained by the Developer shall be kept and maintained at all times at the place or places approved by the Company, and shall be available for and subject to audit, inspection and copying by the Management Agent, the Company or any representative or auditor thereof or supervisory or regulatory authority, at the times and in the manner set forth in the Operating Agreement.

Section 4. Obligation To Complete Construction and to Pay Development Costs.

The Developer shall complete the construction of the Project or cause the same to be completed in a good and workmanlike manner, free and clear of all mechanics', materialmen's or similar liens, and shall equip the Project or cause the same to be equipped with all necessary and appropriate fixtures, equipment and articles of personal property, including refrigerators and ranges, provided for in the Project Documents and the Plans and Specifications. The Developer also shall cause the achievement of Final Closing in accordance with the terms of the Operating Agreement. If the Specified Proceeds as available from time to time are insufficient to cover all Development Costs and achieve Final Closing, the Developer shall advance or cause to be advanced to the Company from time to time as needed all such funds as are required to pay such deficiencies. Any such advances ("Development Advances") shall, to the extent permitted under the Project Documents and any applicable regulations or requirements of any Project Lender or Agency, be reimbursed at or prior to Final Closing only out of Specified Proceeds available from time to time after payment of all Development Costs. Any balance of the amount of each Development Advance not reimbursed through Final Closing shall not be reimbursable, shall not be credited to the Capital Account of any Member, or otherwise change the interest of any Person in the Company, but shall be borne by the Developer under the terms of this Agreement.

Section 5. Development Amount.

Any Development Advances made by the Developer shall be reimbursed from Specified Proceeds as set forth in Section 4. As reimbursement for any additional Development Advances and as a fee for its services in connection with the development of the Project and the supervision of the construction/construction of the Project, the Developer shall be paid an amount (the "Development Amount") equal to the lesser of (a) One Million and No/100 Dollars (\$1,000,000); or (b) the maximum amount which conforms to the developer fee standards imposed by the Virginia Housing Development Authority.

The Development Amount shall be deemed to have been earned as follows:

- (i) Twenty percent (20%) on the date hereof;
- (ii) Eighty percent (80%) upon Substantial Completion of the Project (and, prior to Substantial Completion, a pro rata percentage (based on square footage) of the 80% will be deemed earned as each building of the Project is completed).

The Development Amount shall be paid from and only to the extent of Specified Proceeds as provided in Sections 5.01 and 8.19 of the Operating Agreement, in installments as follows:

- (i) \$100,000 at the time of the Third Capital Contribution;
- (ii) \$150,000 at the time of the Fourth Capital Contribution; and

(iii) \$250,000 at the time of the Fifth Capital Contribution.

Any installment of the Development Amount not paid when otherwise due hereunder shall be deferred without interest and shall be paid from next available Net Cash Flow in the priority set forth in Section 11.03(b) of the Operating Agreement; provided, however, that any unpaid balance of the Development Amount shall be due and payable in all events on the thirteenth anniversary of placement in service.

Section 6. Applicable Law.

This Agreement, and the application or interpretation hereof, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 7. Binding Agreement.

This Agreement shall be binding on the parties hereto, their heirs, executors, personal representatives, successors and assigns. As long as the Developer is not in default under this Agreement, the obligation of the Company to pay the Development Amount shall not be affected by any change in the identity of the Managing Member of the Company.

Section 8. Headings.

All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

Section 9. Terminology.

All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

For purposes of this Agreement, the following terms have the following meanings:

“Development Costs” means any and all costs and expenses necessary to (i) cause the construction of the Project to be completed, in a good and workmanlike manner, free and clear of all mechanics’, materialmen’s or similar liens, in accordance with the Plans and Specifications, (ii) equip the Project with all necessary and appropriate fixtures, equipment and articles of personal property (including, without limitation, refrigerators and ranges), (iii) obtain all required certificates of occupancy for the apartment units and other space in the Project, (iv) finance the construction of the Project and achieve Final Closing in accordance with the provisions of the Project Documents, (v) discharge all Company liabilities and obligations arising out of any casualty occurring prior to Final Closing generating insurance proceeds for the Company, (vi) fund any Company reserves required hereunder or under any of the Project Documents at or prior to

Final Closing, (vii) repay and discharge the construction loan from Atlantic Union Bank and (viii) pay any other costs or expenses necessary to achieve the Completion Date and Final Closing.

“Specified Proceeds” means (i) the proceeds of all Project Loans, (ii) the net rental income, if any, generated by the Project prior to Final Closing which is permitted by the Project Lenders to be applied to the payment of Development Costs, (iii) the Capital Contributions of the Investor Member, (iv) the Capital Contributions of the Managing Member in the amounts set forth in Section 5.01(a) of the Operating Agreement as of the Initial Closing, and (v) any insurance proceeds arising out of casualties occurring prior to Final Closing.

Section 10. Benefit of Agreement.

The obligations and undertakings of the Developer set forth in this Agreement are made for the benefit of the Company and its Members and shall not inure to the benefit of any creditor of the Company other than a Member, notwithstanding any pledge or assignment by the Company of this Agreement of any rights hereunder.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be duly executed as of the date first written above.

COMPANY:

South First Phase One, LLC, a Virginia limited liability company

By: South First Phase One Management, LLC, a Virginia limited liability company, its Managing Member

By: Charlottesville Community Development Corporation, a Virginia limited liability company, its sole member

By: \_\_\_\_\_  
John M. Sales, President

DEVELOPER:

Charlottesville Community Development Corporation, a Virginia corporation.

By: \_\_\_\_\_  
John M. Sales, President

B

Virginia State Corporation  
Commission Certification  
(MANDATORY)



# Commonwealth of Virginia



## STATE CORPORATION COMMISSION

*Richmond, January 15, 2019*

*This is to certify that the certificate of organization of*

**South First Phase One, LLC**

*was this day issued and admitted to record in this office and that the said limited liability company is authorized to transact its business subject to all Virginia laws applicable to the company and its business. Effective date: January 15, 2019*



*State Corporation Commission*

*Attest:*

*Joel H. Peck*  
*Clerk of the Commission*

C

Principal's Previous  
Participation Certification  
(MANDATORY)



## Previous Participation Certification

Development Name: South First Phase One  
Name of Applicant (entity): South First Phase One, LLC

I hereby certify that:

1. All the statements made by me are true, complete and correct to the best of my knowledge and belief and are made in good faith, including the data contained in Schedule A and any statements attached to this certification.
2. During any time that any of the participants were principals in any multifamily rental property, no property has been foreclosed upon, in default or assigned to the mortgage insurer (governmental or private); nor has mortgage relief by the mortgagee been given;
3. During any time that any of the participants were principals in any multifamily rental property, there has not been any breach by the owner of any agreements relating to the construction or rehabilitation, use, operation, management or disposition of the property, including removal from a partnership;
4. That at no time have any principals listed in this certification been required to turn in a property to the investor or have been removed from a multifamily rental property ownership structure;
5. That to the best of my knowledge, there are no unresolved findings raised as a result of state or federal audits, management reviews or other governmental investigations concerning any multifamily rental property in which any of the participants were principals;
6. During any time that any of the participants were principals in any multifamily rental property, there has not been a suspension or termination of payments under any state or federal assistance contract for the property;
7. None of the participants has been convicted of a felony and is not presently, to my knowledge, the subject of a complaint or indictment charging a felony. A felony is defined as any offense punishable by imprisonment for a term exceeding one year, but does not include any offense classified as a misdemeanor under the laws of a state and punishable by imprisonment of two years or less;
8. None of the participants has been suspended, debarred or otherwise restricted by any federal or state governmental entity from doing business with such governmental entity; and

**Previous Participation Certification, cont'd**

9. None of the participants has defaulted on an obligation covered by a surety or performance bond and has not been the subject of a claim under an employee fidelity bond.
10. None of the participants is a Virginia Housing employee or a member of the immediate household of any of its employees.
11. None of the participants is participating in the ownership of a multifamily rental housing property as of this date on which construction has stopped for a period in excess of 20 days or, in the case of a multifamily rental housing property assisted by any federal or state governmental entity, which has been substantially completed for more than 90 days but for which requisite documents for closing, such as the final cost certification, have not been filed with such governmental entity.
12. None of the participants has been found by any federal or state governmental entity or court to be in noncompliance with any applicable civil rights, equal employment opportunity or fair housing laws or regulations.
13. None of the participants was a principal in any multifamily rental property which has been found by any federal or state governmental entity or court to have failed to comply with Section 42 of the Internal Revenue Code of 1986, as amended, during the period of time in which the participant was a principal in such property. This does not refer to corrected 8823's.
14. None of the participants is currently named as a defendant in a civil lawsuit arising out of their ownership or other participation in a multi-family housing development where the amount of damages sought by plaintiffs (i.e., the ad damnum clause) exceeds One Million Dollars (\$1,000,000).
15. None of the participants has pursued a Qualified Contract or planned foreclosure in Virginia after January 1, 2019.

Statements above (if any) to which I cannot certify have been deleted by striking through the words. In the case of any such deletion, I have attached a true and accurate statement to explain the relevant facts and circumstances.

Failure to disclose information about properties which have been found to be out of compliance or any material misrepresentations are grounds for rejection of an application and prohibition against future applications.

Signature

  
John M. Sales

Printed Name

3/2/2021  
Date (no more than 30 days prior to submission of the Application)

D

# List of LIHTC Developments

(Schedule A)  
**(MANDATORY)**

# List of LIHTC Developments (Schedule A)



Development Name: South First Phase One  
 Name of Applicant: South First Phase One, LLC

**INSTRUCTIONS:**

- 1 **A Schedule A is required for every individual that makes up the GP or Managing Member** - does not apply to principals of publicly traded corporations.
- 2 For each property for which an uncorrected 8823 has been issued, provide a detailed explanation of the nature of the non-compliance, as well as a status statement.
- 3 List only tax credit development experience since 2005 (i.e. for the past 15 years)
- 4 Use separate pages as needed, for each principal.

Principal's Name: South First Phase One Management, LLC Controlling GP (CGP) or 'Named' Managing Member of Proposed property? Yes Y or N

	Development Name/Location	Name of Ownership Entity and Phone Number	CGP or 'Named' Managing Member at the time of dev.? (Y/N)*	Total Dev. Units	Total Low Income Units	Placed in Service Date	8609(s) Issue Date	Uncorrected 8823's? (Y/N) Explain "Y"
1	South First Phase One 1000 S First Street, Charlottesville, VA	South First Phase One, LLC (434) 422-9297	Y	62	62	TBD	TBD	No
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39								
40								

\* Must have the ability to bind the LIHTC entity; document with partnership/operating agreements and one 8609 (per entity/development) for a total of 6.

1st PAGE TOTAL: 62 62 LIHTC as % of Total Units 100%

# List of LIHTC Developments (Schedule A)



Development Name: South First Phase One  
 Name of Applicant: South First Phase One, LLC

**INSTRUCTIONS:**

- 1 **A Schedule A is required for every individual that makes up the GP or Managing Member** - does not apply to principals of publicly traded corporations.
- 2 For each property for which an uncorrected 8823 has been issued, provide a detailed explanation of the nature of the non-compliance, as well as a status statement.
- 3 List only tax credit development experience since 2005 (i.e. for the past 15 years)
- 4 Use separate pages as needed, for each principal.

Principal's Name: Charlottesville Community Development Corporati Controlling GP (CGP) or 'Named' Managing Member of Proposed property? No  
 Y or N

Development Name/Location	Name of Ownership Entity and Phone Number	CGP or 'Named' Managing Member at the time of dev.? (Y/N)*	Total Dev. Units	Total Low Income Units	Placed in Service Date	8609(s) Issue Date	Uncorrected 8823's? (Y/N) Explain "Y"
1 Crescent Halls 500 S First Street, Charlottesville, VA	Crescent Halls Reno, LLC (434) 422-9297	N	105	105	TBD	TBD	No
2 South First Phase One, 1000 S First Street, Charlottesville, VA	South First Phase One, LLC (434) 422-9297	N	62	62	TBD	TBD	No
3 South First Phase Two, 900 S First Street, Charlottesville VA	South First Phase Two LLC (434) 422-9297	N	113	113	TBD	TBD	No
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

\* Must have the ability to bind the LIHTC entity; document with partnership/operating agreements and one 8609 (per entity/development) for a total of 6.

ADD ADDITIONAL PROPERTIES USING NEXT TAB

# List of LIHTC Developments (Schedule A)



Development Name: South First Phase One  
 Name of Applicant: South First Phase One, LLC

**INSTRUCTIONS:**

- 1 **A Schedule A is required for every individual that makes up the GP or Managing Member** - does not apply to principals of publicly traded corporations.
- 2 For each property for which an uncorrected 8823 has been issued, provide a detailed explanation of the nature of the non-compliance, as well as a status statement.
- 3 List only tax credit development experience since 2005 (i.e. for the past 15 years)
- 4 Use separate pages as needed, for each principal.

Principal's Name: Charlottesville Redevelopment and Housing Autho      Controlling GP (CGP) or 'Named' Managing Member of Proposed property? No  
 Y or N

Development Name/Location	Name of Ownership Entity and Phone Number	CGP or 'Named' Managing Member at the time of dev.? (Y/N)*	Total Dev. Units	Total Low Income Units	Placed in Service Date	8609(s) Issue Date	Uncorrected 8823's? (Y/N) Explain "Y"
1 Crescent Halls 500 S First Street, Charlottesville, VA	Crescent Halls Reno, LLC (434) 422-9297	N	105	105	TBD	TBD	No
2 South First Phase One, 1000 S First Street, Charlottesville, VA	South First Phase One, LLC (434) 422-9297	N	62	62	TBD	TBD	No
3 South First Phase Two, 900 S First Street, Charlottesville VA	South First Phase Two LLC (434) 422-9297	N	113	113	TBD	TBD	No
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

\* Must have the ability to bind the LIHTC entity; document with partnership/operating agreements and one 8609 (per entity/development) for a total of 6.

1st PAGE TOTAL:      280      280      100% LIHTC as % of Total Units

ADD ADDITIONAL PROPERTIES USING NEXT TAB



# List of LIHTC Developments (Schedule A)



Development Name: South First Phase One  
 Name of Applicant: South First Phase One, LLC

**INSTRUCTIONS:**

- 1 **A Schedule A is required for every individual that makes up the GP or Managing Member** - does not apply to principals of publicly traded corporations.
- 2 For each property for which an uncorrected 8823 has been issued, provide a detailed explanation of the nature of the non-compliance, as well as a status statement.
- 3 List only tax credit development experience since 2005 (i.e. for the past 15 years)
- 4 Use separate pages as needed, for each principal.

Principal's Name: John M. Sales, Executive Director      Controlling GP (CGP) or 'Named' Managing Member of Proposed property? No  
 Y or N

#	Development Name/Location	Name of Ownership Entity and Phone Number	CGP or 'Named' Managing Member at the time of dev.? (Y/N)*	Total Dev. Units	Total Low Income Units	Placed in Service Date	8609(s) Issue Date	Uncorrected 8823's? (Y/N) Explain "Y"
1	Crescent Halls 500 S First Street, Charlottesville, VA	Crescent Halls Reno, LLC (434) 422-9297	N	105	105	TBD	TBD	No
2	South First Phase One, 1000 S First Street, Charlottesville, VA	South First Phase One, LLC (434) 422-9297	N	62	62	TBD	TBD	No
3	South First Phase Two, 900 S First Street, Charlottesville VA	South First Phase Two LLC (434) 422-9297	N	113	113	TBD	TBD	No
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39								
40								

\* Must have the ability to bind the LIHTC entity; document with partnership/operating agreements and one 8609 (per entity/development) for a total of 6.

**1st PAGE TOTAL:**      280      280      100%      **LIHTC as % of Total Units**

ADD ADDITIONAL PROPERTIES USING NEXT TAB

E

Site Control  
Documentation & Most  
Recent Real Estate Tax  
Assessment  
(MANDATORY)

Prepared by and return to  
Delphine G. Carnes, Esq., VSB# 48661  
Delphine Carnes Law Group, PLC  
101 W. Main Street, Suite 440  
Norfolk, VA 23510

Tax ID No. 260115001

Consideration: \$1,100,000.00

### MEMORANDUM OF GROUND LEASE

THIS MEMORANDUM OF GROUND LEASE is made as of the 8<sup>th</sup> day of January, 2021, by and between CHARLOTTESVILLE REDEVELOPMENT AND HOUSING AUTHORITY, a political subdivision of the Commonwealth of Virginia ("Landlord"), grantor for purposes of indexing; and SOUTH FIRST PHASE ONE, LLC, a Virginia limited liability company ("Tenant"), grantee for purposes of indexing.

#### WITNESSETH:

WHEREAS, Landlord and Tenant have entered into a certain Ground Lease dated as of January 8, 2021 (the "Ground Lease").

NOW, THEREFORE, for and in consideration of the mutual promises, terms and conditions as set forth in the Ground Lease and other good and valuable consideration, Landlord and Tenant agree as follows:

1. Landlord hereby demises to Tenant, and Tenant hereby leases from Landlord for the term hereinafter provided and any extensions thereof, the premises described in the Ground Lease (the "Premises"), which consist of those certain parcels of land located in Charlottesville, Virginia and more fully described on Exhibit A attached hereto, on which are and/or will be located sixty-two (62) units of rental family housing and improvements, all easements and other appurtenances thereto, and the right to use certain access roads and parking areas in common with others.

2. The original term of the Ground Lease commenced on January 8, 2021 and ends January 8, 2120.

3. As set forth in Section 4.2 of the Ground Lease, notice is given that Landlord will not be liable for any labor, services, or materials furnished or to be furnished to Tenant, or to anyone occupying the Premises or any part thereof or under Tenant, and that no mechanic's or other liens for any such labor, services or materials shall attach to or affect the interest of Landlord in and to the Premises.

4. The addresses of the parties set forth in the Ground Lease are as follows:

**Landlord:** Charlottesville Redevelopment and Housing Authority  
1000 S. First Street  
Charlottesville, VA 22901  
Attn: John Sales  
Executive Director  
Email: [salesj@cvilleerha.com](mailto:salesj@cvilleerha.com)

**with a copy to:** Delphine G. Carnes, Esq.  
Delphine Carnes Law Group, PLC  
101 W. Main Street, Suite 440  
Norfolk, Virginia 23510  
Email: [dcarnes@delphinecarneslaw.com](mailto:dcarnes@delphinecarneslaw.com)

**Tenant:** South First Phase One, LLC  
c/o South First Phase One Management, LLC  
1000 S. First Street  
Charlottesville, VA 22901  
Attn: John Sales  
Executive Director  
Email: [salesj@cvilleerha.com](mailto:salesj@cvilleerha.com)

**with a copy to:** Delphine G. Carnes, Esq.  
Delphine Carnes Law Group, PLC  
101 W. Main Street, Suite 440  
Norfolk, Virginia 23510  
Email: [dcarnes@delphinecarneslaw.com](mailto:dcarnes@delphinecarneslaw.com)

Reference is made to the Ground Lease for the full particulars thereof which are incorporated herein by reference.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK. SIGNATURE PAGES FOLLOW.]

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Lease to be executed as of the day and date first above written.

**Landlord:**

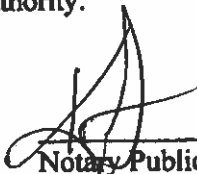
CHARLOTTESVILLE REDEVELOPMENT  
AND HOUSING AUTHORITY,  
a political subdivision of the Commonwealth of  
Virginia

By:   
Name: John Sales  
Title: Executive Director

Commonwealth of Virginia  
City of Charlottesville

The foregoing Ground Lease was acknowledged before me on this 4 day of August, 2021 by John Sales, Executive Director of Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia, on behalf of Charlottesville Redevelopment and Housing Authority.



  
Notary Public  
My commission expires: 11/30/2022

*Signature Page – Mem of Lease Landlord*

**Tenant:**

SOUTH FIRST PHASE ONE, LLC  
a Virginia limited liability company

By: SOUTH FIRST PHASE ONE  
MANAGEMENT, LLC,  
a Virginia limited liability company,  
its Managing Member

By: CHARLOTTESVILLE COMMUNITY  
DEVELOPMENT CORPORATION,  
a Virginia corporation  
its Sole Member

By: \_\_\_\_\_  
Name: John Sales  
Title: President

Commonwealth of Virginia

City of Charlottesville

The foregoing Ground Lease was acknowledged before me on this 4 day of January, 2021 by John Sales, President of Charlottesville Community Development Corporation, a Virginia corporation, Sole Member of South First Phase One Management, LLC, a Virginia limited liability company, Managing Member of South First Phase One, LLC, a Virginia limited liability company.



\_\_\_\_\_  
Notary Public  
My commission expires:

*Signature Page – Mem of Lease Tenant*

## EXHIBIT A

That certain lot, piece or parcel of land, lying and being in City of Charlottesville, Virginia, known and designated as "Parcel B", containing 3.00 acres, more or less, as shown on that certain plat entitled "Subdivision Plat of Property of Charlottesville Redevelopment and Housing Authority having Parcel Number 260115000, City of Charlottesville, Virginia, dated December 6, 2018", dated December 6, 2018, revised per City Comment on January 7, 2019, February 7, 2019, and last revised on February 21, 2019, made by MidAtlantic Surveying and Land Design, and duly recorded in the Clerk's Office of the Circuit Court for the city of Charlottesville, Virginia, in instrument No. 201900000770.

BEING a portion of the same real estate conveyed to Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia by Deed from Frank IX & Sons Virginia Corp., a New Jersey corporation, formerly Frank IX & Sons Sheraton Mills Corporation, dated February 26, 1969 and recorded on March 20, 1969 in the Clerk's Office of the Circuit Court of the city of Charlottesville, Virginia in Deed Book 306 , page 254.

Order entered in the Corporation Court of the City of Charlottesville in the case styled Charlottesville Redevelopment and Housing Authority v. Mamie C. Jacobs, a copy of said order being recorded in Deed Book 316, page 187 and Final Order recorded in Deed Book 316, page 190 in the aforesaid Clerk's Office.

Ordinance Closing, Vacating and Discontinuing a Portion of Unopened Ware Street in the City of Charlottesville, recorded attached to instrument recorded in Deed Book 409, page 3 (said copy of the ordinance being recorded at page7) in the aforesaid Clerk's Office. Said Ordinance also being filed in Street Resolution Book 1, page 79 which closed portions of Ware Street.

**GROUND LEASE**  
**between**  
**CHARLOTTESVILLE REDEVELOPMENT AND HOUSING AUTHORITY, Landlord**  
**and**  
**SOUTH FIRST PHASE ONE, LLC, Tenant**

**Table of Articles and Sections**

---

<b>ARTICLE I - REFERENCE DATA</b>	<b>PAGE NO.</b>
1.1 Definitions	<b>4</b>
1.2 Exhibit	<b>7</b>
 <b>ARTICLE II - PREMISES AND TERM</b>	
2.1 Premises	<b>7</b>
2.2 Term	<b>7</b>
 <b>ARTICLE III – RENT</b>	
3.1 Base Rent	<b>8</b>
3.2 Additional Rent	<b>8</b>
3.2.1 Real Estate Impositions	<b>8</b>
3.2.2 Utilities	<b>9</b>
3.2.3 Other	<b>9</b>
 <b>ARTICLE IV - INDEMNITY, LIENS AND INSURANCE</b>	
4.1 Indemnification	<b>10</b>
4.2 Liens	<b>10</b>
4.3 Insurance Requirements	<b>11</b>
4.4 Insurance Provisions	<b>14</b>
4.5 [Intentionally Deleted]	
4.6 Waiver of Insured Claims	<b>14</b>
4.7 Additional Provisions	<b>14</b>
4.8 Provisions regarding Permitted Mortgagees	<b>14</b>



## **ARTICLE V - USE**

5.1	Use and Assignment	15
5.2	[Intentionally Deleted]	15
5.3	Compliance with Law	15
5.4	Mechanics' Liens	15
5.5	Ownership of Improvements/Surrender of Premises	15
5.6	Easements; Annexation	16
5.7	Intentionally Deleted	16
5.8	Restrictive Covenants	16

## **ARTICLE VI - CASUALTY AND TAKING**

6.1	Casualty	16
6.2	Commencement and Completion of Restoration	16
6.3	Determination of Whether or Not to Restore	16
6.4	Allocation of Proceeds	17
6.5	Tenant's Responsibilities on Termination	17
6.6	Notice of Taking	17
6.7	Special Account	18
6.8	Total Taking	18
6.9	Partial Taking: Procedure and Criteria for Course of Action	18
6.10	Restoration	18
6.11	Termination upon Non-Restoration	19

## **ARTICLE VII - CONDITION OF PREMISES**

7.1	Condition of the Premises	19
7.2	No Encumbrances	19
7.3	Quiet Enjoyment	20
7.4	Environmental Indemnity	20

## **ARTICLE VIII - DEFAULTS; REMEDIES**

8.1	Default	20
8.2	Remedies for Default	22
8.3	Rights and Obligations upon Termination	22
8.4	Rights upon Termination	22
8.5	Performance by the Landlord	23
8.6	Legal Costs	23
8.7	Remedies Cumulative	23

## **ARTICLE IX - LEASEHOLD MORTGAGEE'S RIGHTS**

9.1	Right to Mortgage	23
-----	-------------------	----

9.2	Intentionally Deleted	24
9.3	Intentionally Deleted	24
9.4	Notice to Leasehold Mortgagees	24
9.5	Notice to Investor Members	24
9.6	Future Fee Estate Mortgages	24
9.7	Special Member's Opportunity to Replace Tenant's Managing Member	25
9.8	Leasehold Mortgagee's Right to New Lease	25
9.9	No Modification without Mortgagee's Consent	26
9.10	Notice	26

## **ARTICLE X - LANDLORD REPRESENTATIONS**

---

## **ARTICLE XI - MISCELLANEOUS**

11.1	Construction	26
11.2	Performance Under Protest	26
11.3	No Waiver	26
11.4	Headings	27
11.5	[Intentionally Deleted]	27
11.6	Partial Invalidity	27
11.7	Bind and Inure	27
11.8	Estoppel Certificate	27
11.9	Recordable Form of Lease	27
11.10	Notice	28
11.11	Entire Agreement	29
11.12	HUD Addendum	29

## **EXHIBIT**

Exhibit A	32
-----------	----

## **GROUND LEASE MANADATORY PROVISIONS ADDENDUM**

## **GROUND LEASE**

### **South First Street Phase I**

This GROUND LEASE (this “Lease”), is made this \_\_\_ day of January, 2021, by and between CHARLOTTESVILLE REDEVELOPMENT AND HOUSING AUTHORITY, a political subdivision of the Commonwealth of Virginia (“Landlord” or “CRHA”) and SOUTH FIRST PHASE ONE, LLC, a Virginia limited liability company (“Tenant”).

### **Preamble**

Landlord is the owner of certain real property located in the City of Charlottesville, Virginia which property is commonly known as 1000 S. 1<sup>st</sup> Street, Charlottesville, Virginia and is more particularly identified on Exhibit A attached hereto (the “Premises”). Tenant has received an allocation of low income housing tax credits from Virginia Housing Development Authority (“VHDA”), and is utilizing proceeds from the syndication of such tax credits, together with other financing, to assist in the construction of sixty-two (62) rental apartment units (the “Units”) on the Premises.

Pursuant to this Lease, Landlord is leasing to the Tenant the Premises.

Pursuant to this Lease, Tenant will cause to be constructed on the Premises the Units and related facilities, which shall be known as “South First Street Phase I”. All of the Units in South First Street Phase One shall be subject to low income housing tax credit requirements pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and the treasury regulations promulgated thereunder (“Tax Credit Requirements”); 24 of the units will be subject to project-based Section 8 assistance requirements and 13 units will be subject to CRHA’s Annual Contributions Contract.

NOW, THEREFORE, the parties hereto agree as follows:

### **Article I** **REFERENCE DATA**

1.1 **Definitions.** The following terms shall have the following definitions in this Lease. Any capitalized term used and not otherwise defined herein shall have the meaning given in the OA (as defined below):

“Act” means the U.S. Housing Act of 1937, as amended.

“Additional Rent” is defined in Section 3.2 of this Lease.

“Applicable Project Based Voucher Requirements” means, for so long as the Premises receives project-based voucher subsidies under Section 8 of the Act, all requirements applicable to project based voucher housing subsidies, including, but not limited to, the Act, HUD regulations thereunder (and, to the extent applicable, any HUD-approved waivers of regulatory requirements), HUD notices, CRHA’s admissions and occupancy policies applicable to the

Project, and all applicable Federal statutory, regulatory and executive order requirements, as those requirements may be amended from time to time.

“Base Interest Rate” means the “prime” interest rate announced from time to time in the Wall Street Journal, plus two percent (2%) per annum, but in no event greater than the legal rate of interest.

“Base Rent” is defined in Section 3.1 of this Lease.

“CRHA” shall mean Charlottesville Redevelopment and Housing Authority, its successors and/or assigns.

“Development” means the Premises and the Improvements, which shall be known as the South First Street Phase I.

“Effective Date” means the date hereof.

“Extended Use Regulatory Agreement” means that certain Extended Use Regulatory Agreement and Declaration of Restrictive Covenants by and between the Tenant and VHDA, dated July 15, 2019, which will be recorded against the Development.

“First Mortgage Loan Documents” means the first mortgage loan documents to be entered into between the Tenant and the First Mortgagee, evidencing and securing construction and permanent financing for the Development. The term "First Mortgage Loan Documents" shall further include any amendments or modifications thereto or substitutions therefor, together with any additional documents or instruments hereafter given to evidence or secure any loans made by First Mortgagee to Tenant, provided that HUD consent to such amendments, modifications, substitutions or instruments has been provided.

“First Mortgagee” shall mean any Lender that shall provide first mortgage financing with respect to the construction of the Development, its successors and/or assigns, as holder of those certain first mortgage notes with respect to the Premises.

“Governing Documents” means, this Lease and the Extended Use Regulatory Agreement.

“HUD” shall mean the United States Department of Housing and Urban Development.

“Improvements” means all repairs, betterments, buildings and improvements now or hereafter existing at the Premises, including without limitation the affordable housing development to be developed at the Premises, including any additional parking areas, walkways, landscaping, fencing or other amenities at the Premises.

“Investor Member” means Housing Equity Fund of Virginia XXIII, L.L.C., a Virginia limited liability company, and its successors and assigns.

“Institutional Lender” shall be a savings bank, commercial bank, trust company, savings and loan association, insurance company, real estate investment trust, pension trust or fund

established for a corporation listed on the New York or American Stock Exchange, for state or municipal employees or for a national trade union, an agency or authority of any federal, state, or local government, any quasi-public entity, and any private or nonprofit entity which provides financing for affordable housing.

“Lease” shall mean this Ground Lease as the same shall be amended from time to time.

“Lease Year” shall be, in the case of the first lease year, the period from the Effective Date through December 31, 2021 and thereafter, each successive twelve-calendar month period following the expiration of the first lease year of the Term; except that in the event of the termination of this Lease on any day other than the last day of a Lease Year then the last Lease Year of the Term shall be the period from the end of the preceding Lease Year to such date of termination.

“Loan Documents” means the First Mortgage Loan Documents and any documents evidencing or securing any Permitted Junior Mortgage.

“Managing Member” means South First Street Phase One Management, LLC, a Virginia limited liability company, or any successor managing member of the Tenant.

“Net Cash Flow” has the meaning attributed thereto in the OA and which remains after payment of the priorities enumerated in clauses (A) (F) of Section 7.03(a) of the OA.

“OA” means that certain Second Amended and Restated Operating Agreement of South First Phase One, LLC by and among South First Phase One Management, LLC, a Virginia limited liability company, as the managing member, the Investor Member and the Special Investor Member.

"Permitted Junior Mortgages" shall mean the (i) subordinate lien for the loan of funds from CRHA to the Tenant, and (ii) other liens subordinate to the First Mortgage for loans made for purchase or financing of the development and construction of the Development held by any Institutional Lender to which Landlord has consented in writing, which consent shall not be unreasonably withheld or delayed. No other mortgages or other liens shall be permitted without prior written approval from Landlord.

“Permitted Mortgagee” means the First Mortgagee, CRHA, and any holder of a Permitted Junior Mortgage.

“Rent” means Base Rent plus Additional Rent.

“Special Member” means VAHM, L.L.C., a Virginia limited liability company.

"Taking" shall mean any taking of the title to, access to, or use of the Premises or any portion thereof by any governmental authority or any conveyance under the threat thereof, for any public or quasi-public use or purpose. Takings may be total or partial, permanent or temporary.

“Tax Credit Requirements” means the requirements pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations thereunder, and all requirements of VHDA related thereto including without limitation the agreement and covenants set forth in the Extended Use Regulatory Agreement and Declaration of Restrictive Covenants between Tenant and VHDA which will be recorded against the Premises in the land records of the City of Charlottesville, Virginia in accordance with Section 42(h)(6) of the Code.

“Tenant's Personal Property” shall mean any personal property of Tenant located upon or used by Tenant in connection with the Premises or the Development, including without limitation:

- (1) All tangible personal property located at or on or intended to be used in connection with the Premises or the Development; all articles of personal property now or hereafter attached to or intended to be used in or about or in connection with the Premises or the Development and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are or shall be attached to the Premises or the Development;
- (2) All contracts, contract rights, accounts, warranties, and agreements, including rights to return of deposits, prepaid premiums or other payments; receivables, rents, chattel paper and instruments, development rights, trade names, plans and specifications, permits, approvals and general intangibles and all other choses in action now or hereafter existing with respect to the Premises or the Development, and all proceeds from the foregoing;
- (3) All books and records relating to the operation of the Premises and the Development.

**1.2 Exhibit.** Exhibit A attached at the end of this Agreement is incorporated in this Lease by this reference and is to be construed as a part of this Lease.

## **Article II** **PREMISES AND TERM**

**2.1 Premises.** Landlord hereby leases and demises to Tenant and Tenant hereby leases from Landlord, subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease, the Premises.

**2.2 Term.** The Premises are hereby leased unto Tenant and its successors and assigns for the term commencing on the date hereof and ending on January 8, 2120 (the “Term”) unless sooner terminated in accordance with Article VIII below. Prior to January 8, 2120, this lease shall not be terminated except in accordance with Article VIII.

## **Article III** **RENT**

**3.1 Upfront Payment.** As of the Effective Date, Tenant shall pay Landlord an upfront payment of One Million One Hundred Thousand and no/100 (\$1,100,000.00), all or a portion of which may be payable by promissory note made by Tenant in favor of Landlord (the "Upfront Payment"). The Landlord and the Tenant acknowledge and agree that the \$1,100,000.00 of the Upfront Payment is attributable to the Premises and \$0.00 of the Upfront Payment is attributable to the Improvements.

**3.2 Additional Rent.** In order that the Base Rent shall be absolutely net to Landlord, Tenant covenants and agrees to pay, as Additional Rent, without notice or demand and without set-off, abatement, suspension or deduction, all taxes, payment in lieu of taxes, betterment assessments, water and sewer rents and charges, liens, insurance, maintenance, repairs, utilities charges and all other operating expenses. Tenant further covenants and agrees to pay, as Additional Rent, without notice or demand and without set-off, abatement, suspension or deduction, all other costs, general and special, ordinary and extraordinary, foreseen and unforeseen, which are due and payable during the Term hereof at any time imposed or levied against the Premises.

Tenant will furnish to Landlord, once per year concurrently with Landlord's annual review of Tenant's financial statements, proof of payment of all items referred to in Section 3.2 which are payable by Tenant; provided, that Tenant will in addition furnish to Landlord proof of payment of any taxes or payments in lieu thereof and proof of payment of insurance premiums promptly after reasonable demand therefor.

Additional Rent includes:

**3.2.1 Real Estate Impositions.** Tenant shall pay, directly to the authority charged with the collection thereof or reimburse Landlord for, all taxes, or payments in lieu thereof in accordance with the provisions of law, and each installment of all public, special or betterment assessments levied or assessed by or becoming payable to the City of Charlottesville or any governmental authority having jurisdiction over the Development, for or in respect of the Premises and all Improvements constructed thereon (such taxes and installments of assessments being hereinafter together referred to as "Real Estate Impositions") for each tax or installment period wholly included in the Term, all such payments to be made not less than 5 days prior to the last date on which the same may be paid without interest or penalty; and for any fraction of a tax or installment period included in the Term at the beginning or end thereof, Tenant shall pay to Landlord, within 2 days after receipt of invoice therefor, the fraction of such taxes or installment which is allocable to such included period; provided in the case of any special or betterment assessment that Landlord shall have elected to pay such assessment in installments, over the longest period permitted by law.

Tenant may, in accordance with applicable law, join Landlord in any proceeding to contest the amount or validity of any Real Estate Impositions assessed against the Premises, and Tenant may contest the amount or validity of taxes assessed against the Improvements directly. If Tenant shall deem itself aggrieved by any Real Estate Imposition and shall elect to contest the payment thereof, Tenant may make such payment under protest or, if

postponement of such payment will not jeopardize Landlord's title to the Premises, or subject Landlord to the risk of any criminal liability or civil liability or penalty, Tenant may postpone the same provided that it shall secure such payment and the interest and penalties thereon and the costs of the contest on the determination or the proceedings or suit in which such contest may be had, by causing to be delivered to Landlord cash or other security satisfactory to Landlord, or a bond of indemnity of a good and solvent surety company, in form and amount satisfactory to Landlord, which amount shall not be greater than one hundred and ten percent (110%) of the contested Real Estate Imposition. Either party paying any Real Estate Imposition shall be entitled to recover, receive and retain for its own benefit all abatements and refunds of such Real Estate Imposition, unless it has previously been reimbursed by the other party. Tenant agrees to save Landlord harmless from all costs and expenses incurred on account of Tenant's participation in such proceedings or as a result of Tenant's failure to pay real estate taxes and other related charges with respect to the Development. Landlord, without obligating itself to incur any costs or expenses in connection with such proceedings, shall cooperate with Tenant with respect to such proceedings so far as reasonably necessary. Neither party shall discontinue any abatement proceedings begun by it without first giving the other party written notice of its intent so to do and reasonable opportunity to be substituted in such proceedings. Landlord shall promptly furnish to Tenant a copy of any notice of any Real Estate Imposition received by Landlord.

In the event Tenant fails to make any payment referred to in this Section 3.2.1 when due, the Landlord shall have the right after 5 days notice to Tenant to make any such payment on behalf of Tenant and charge Tenant therefor, together with interest thereon from the date of payment at the Base Interest Rate.

Nothing contained in this Lease shall, however, require Tenant to pay any franchise, corporate, estate, inheritance, succession, capital levy or transfer tax of Landlord, or any income, profits or revenue tax or charge upon the rent payable by Tenant under this Lease.

Landlord and Tenant anticipate that the Premises are and will remain exempt from all state, local and/or other real estate taxes and assessments but will be subject to payments in lieu of taxes due and payable with respect to the Premises pursuant to the terms of a Cooperation Agreement dated May 13, 1958, as amended by and between the Landlord and the City of Charlottesville, Virginia. Landlord shall be solely responsible for the payment of any real estate taxes and assessments levied or assessed against the Premises (other than payments in lieu of taxes due and payable under the Cooperation Agreement) in the event of an elimination or reduction in the foregoing exemption.

**3.2.2 Utilities.** Tenant shall pay or cause to be paid all charges for water, stormwater, gas, sewer, electricity, light, heat or power, telephone, trash collection, or other service used, rendered or supplied to Tenant in connection with the Development and shall not contract for the same in Landlord's name.

**3.2.3 Other.** Tenant covenants to pay and discharge, when the same shall become due, as Additional Rent, all other amounts, liabilities, and obligations which the Tenant



assumes or agrees to pay or discharge pursuant to this Lease, together with every fine, penalty, interest and cost which may be added for nonpayment or late payment thereof (provided that Tenant shall not be liable for any payment or portion thereof which Landlord is obligated to pay and which payment Landlord has failed to make when due); and, in the event of any failure by Tenant to pay or discharge the foregoing, Landlord shall have all the rights, powers and remedies provided herein, by law or otherwise in the case of nonpayment of Rent.

**Article IV**  
**INDEMNITY, LIENS AND INSURANCE**

**4.1 Indemnification.** Unless due to the gross negligence or substantial misconduct of Landlord, in its capacity as landlord hereunder, its agents, contractors, servants or employees, Tenant agrees to pay and to defend, indemnify and hold harmless Landlord from and against any and all liabilities, losses, damages, causes of action, suits, claims, demands, judgments, costs and expenses of any kind or any nature whatsoever (including, without limitation, remediation costs, environmental assessment costs, governmental compliance costs, and reasonable expert's and attorney's fees and expenses), known or unknown, foreseen or unforeseen, which may at any time be imposed upon, incurred by, or asserted or awarded against Landlord, its employees, agents, officers, commissioners, shareholders, directors or other persons serving in an advisory capacity to any of them (such as monitoring committee members) or against the Improvements or the Premises or any portion thereof, arising from:

- (i) any injury to or death of or claim of injury to or death of any person or any damage to or loss of or claim of damage to or loss of property at the Improvements or the Premises or on adjoining sidewalks, streets or ways, in each case growing out of or connected with the use, non-use, possession, ownership, condition, construction, maintenance, or occupation of the Premises, the Improvements or any part thereof from and after the date hereof until the expiration of the Term;
- (ii) violation of any agreement or condition of this Lease by Tenant;
- (iii) violation by Tenant, its employees, agents, or tenants, or invitees of any of them, of any restriction, statute, law, ordinance or regulation, including without limitation restrictions, statutes, laws, ordinances or regulations relating to the presence, release or threat of release of oil or hazardous substances in each case affecting the Premises or the Improvements or any part thereof or the ownership, occupancy or use thereof from and after the date hereof; provided, that Tenant shall not have any liability to Landlord for any loss or damage arising out of any release of hazardous materials for which Landlord is responsible under Section 7.4 hereof.

Landlord shall give Tenant prompt and timely notice of any claim made or suit instituted against it or any other party of which it has knowledge, relating to any matter which in any way may result in indemnification pursuant to this Section 4.1. The obligations of Tenant under this Section 4.1 shall survive the expiration or any earlier termination of the term of this Lease.

**4.2 Liens.** Tenant shall make, or cause to be made, prompt payment of all monies due and legally owing to all persons, firms, and corporations doing any work, furnishing any materials or supplies or renting any equipment to Tenant or any of its contractors or subcontractors in connection with the construction, reconstruction, furnishing, repair, maintenance or operation of the Development, and in all events will bond or cause to be bonded, with surety companies reasonably satisfactory to Landlord, or pay or cause to be paid in full forthwith, any mechanic's, materialmen's or other lien or encumbrance that arises, whether due to the actions of Tenant or any person other than Landlord, against the Development or the Premises other than mortgages permitted by Section 9.1 hereof.

Tenant may, in accordance with applicable law, join Landlord in any proceeding to contest any such lien or encumbrance arising against the Development. Tenant shall also have the right to directly contest any such lien or encumbrance by appropriate proceedings which shall prevent the collection of or other realization upon such lien or encumbrance so contested, and the sale, forfeiture or loss of the Development or the Premises to satisfy the same, provided that such contest shall not subject Landlord to the risk of any criminal liability or civil penalty, and provided further that Tenant shall give such reasonable security as may be requested by Landlord to insure payment of such lien or encumbrance and to prevent any sale or forfeiture of the Premises by reason of such nonpayment, and Tenant hereby indemnifies Landlord for any such liability or penalty.

Upon the termination after final appeal of any proceeding relating to any amount contested by Tenant pursuant to this Section 4.2, Tenant shall immediately pay any amount determined in such proceeding to be due, and in the event Tenant fails to make such payment, Landlord shall have the right after 5 days' notice to Tenant to make any such payment on behalf of Tenant and charge Tenant therefor, together with interest thereon from the date of payment at the Base Interest Rate.

Notice is hereby given that Landlord will not be liable for any labor, services, or materials furnished or to be furnished to Tenant, or to anyone holding the Development or any part thereof through or under Tenant, and that no mechanic's or other liens for any such labor, services or materials shall attach to or affect the interest of Landlord in and to the Premises.

**4.3 Insurance Requirements.** Beginning on the date of this Lease and continuing until the expiration or earlier termination of the Term, Tenant shall at all times carry such liability, worker's compensation, property and other insurance coverage with respect to the Premises and the Improvements thereof, and any other insurable property and equipment therein or thereon (all of the above known as "Insurable Property") in at least the following amounts and extents of coverage (and in all events in amounts sufficient to meet the requirements of the OA):

(i) Builder's Risk "All Risk" for Buildings under Construction/Renovation

Through the Completion Date, or such later date as may be required by any Agency or any Lender, the Tenant shall cause the General Contractor to maintain "all risk" builder's risk insurance in favor of the Tenant and the General Contractor in an amount not less than the greater of (i) the full replacement value of the Apartment

Complex and coverage for new construction or (ii) such other amount as shall be required by any Agency or Lender. For those properties under renovation, the limit of insurance must be equal to the value of the building(s) after the demolition portion is completed, plus full construction/rehabilitation value including cost of labor with soft cost contingency. This coverage shall include flood (if applicable); earthquake (if applicable); hail, wind and hurricane (if applicable); and boiler and machinery coverage for all properties that have a central boiler or heating system, sprinklers, central air conditioning, generators, other machinery and equipment and/or elevators.

(ii) Comprehensive General Liability (Commercial General Liability) for Buildings under Construction/Renovation

The Tenant shall cause to be maintained commercial general liability insurance in favor of the Tenant and the General Contractor, during the construction period, in an amount not less than \$2,000,000 in the general aggregate (per project) , \$1,000,000 products and completed operations aggregate, \$1,000,000 each occurrence (combined single limit), \$50,000 fire damage and \$5,000 medical expenses.

Coverage for hostile fire must be included/endorsed onto policy with no points of exclusion.

(iii) Worker's Compensation and Employer's Liability

The Tenant shall cause to be maintained worker's compensation and employer's liability insurance in favor of the General Contractor, during the construction period, in an amount required by the Commonwealth's laws governing such insurance.

(iv) Comprehensive Automobile Liability for Buildings under Construction/Renovation

The Tenant shall cause to be maintained comprehensive automobile coverage, including any automobile liability, in favor of the Tenant and the General Contractor in an amount not less than \$1,000,000 (combined single limit).

(v) Excess or Umbrella Liability for Buildings under Construction/Renovation

The Tenant shall cause to be maintained excess or umbrella liability insurance in favor of the Tenant and the General Contractor in an amount not less than \$4,000,000 per occurrence and \$4,000,000 in the aggregate. Blanket policies will be evaluated on a case-by-case basis.

(vi) Architect's Errors and Omissions

The Architect shall maintain non-project-specific errors and omissions insurance under commercial general liability coverage in an amount equal to the greater of \$250,000 or 10% of the construction contract amount.

(vii) Comprehensive Casualty (All Risk Property Coverage) for Completed/Operational Buildings:

The Tenant shall cause to be maintained comprehensive casualty insurance including, but not limited to; 100% Replacement Cost coverage with an Agreed Amount Endorsement and a deductible no more than \$10,000 for properties of 100 units or less and \$25,000 for properties of more than 100 units (a blanket policy is acceptable as long as the policy includes a Stated Value and Agreed Amount Endorsement); Loss of Rents coverage in an amount equal to the actual loss sustained on rents and extra expense; loss caused by fire; earthquake (if applicable); hail, wind and hurricane; flood (if applicable); coverage for loss or damage attributable to mold, fungus, moisture, microbial contamination or pathogenic organisms in connection with another covered peril (e.g. mold in connection with water damage caused by storm or fire) (Unless Investor Member determines in its reasonable judgment that such insurance is unavailable or that such a policy would create economic hardship on the Tenant); and boiler and machinery coverage for all properties that have a central boiler or heating system, sprinklers, central air conditioning, generators, other machinery and equipment and/or elevators.

(viii) Comprehensive General Liability (Commercial General Liability) for Completed/Operational Buildings:

The Tenant shall cause to be maintained commercial general liability insurance in favor of the Tenant, in an amount not less than \$2,000,000 in the general aggregate (per project), \$1,000,000 products and completed operations aggregate, \$1,000,000 each occurrence (combined single limit), \$50,000 fire damage and \$5,000 medical expenses.

Coverage for hostile fire must be included/endorsed onto policy with no points of exclusion.

(ix) Comprehensive Automobile Liability for Completed/Operational Buildings:

The Tenant shall cause to be maintained comprehensive automobile coverage, including all owned autos, hired autos and non-owned autos in favor of the Tenant in an amount not less than \$1,000,000 (combined single limit).

(x) Excess or Umbrella Liability for Completed/Operational Buildings:

The Tenant shall cause to be maintained excess or umbrella liability insurance in favor of the Tenant in an amount not less than \$4,000,000 per occurrence and \$4,000,000 in the aggregate. Blanket policies will be evaluated on a case-by-case basis.

(xi) Management Agent

The Management Agent shall maintain for the term of the Management Agreement, worker's compensation insurance in accordance with the Commonwealth's laws governing such insurance and a fidelity bond in the amount of not less than six (6) months of the Development's projected gross rent.

(xii) General Requirements

All the policies required above must be issued by insurance carriers that are currently rated by Best as A-7 or better.

**4.4 Insurance Provisions.** Insurance maintained by Tenant pursuant to the requirements of Section 4.3 shall:

- (i) be by standard policies, obtained from financially sound and responsible insurance companies authorized to do business in the Commonwealth of Virginia;
- (ii) have attached thereto a clause making the loss payable to the Tenant, Landlord, and Permitted Mortgagees, if any, as their respective interests may appear;
- (iii) be written to become effective at the time Tenant becomes subject to the risk or hazard covered thereby, and shall be continued in full force and effect for such period as Tenant is subject to such risk or hazard;

**4.5 [Intentionally Deleted.]**

**4.6 Waivers of Insured Claims.** Each of Landlord and Tenant hereby waives all rights of recovery against the other for loss or injury against which the waiving party is protected by insurance, but only to the extent of insurance proceeds received in connection with such loss or injury.

**4.7 Additional Provisions.** The following provisions shall apply to required insurance coverages described above:

(A) For all liability insurance coverage, Landlord, its officials, officers, directors, employees and volunteers are to be covered as additional insureds as respects liability arising out of premises occupied, used or owned, in whole or in part, by Tenant.

(B) All policies required hereunder shall be endorsed to provide for a minimum 30-day notice of cancellation, non-renewal or material modification to Tenant, Landlord, and Permitted Mortgagees, if any.

(C) Upon request, Tenant shall deliver annually certificates of insurance evidencing the existence of all required coverages, where applicable.

(D) In addition to notifying its insurer(s) in accordance with each policy, Tenant shall provide prompt written notice to Landlord as soon as reasonably possible of any accident or loss relating to the premises described herein likely to exceed \$50,000.

**4.8 Provisions Regarding Permitted Mortgagees.** Notwithstanding any provision of this Article IV, no Permitted Mortgagee shall have any liability under this section unless and until such Permitted Mortgagee takes title to Tenant's interest hereunder or becomes mortgagee in possession of Tenant's interest hereunder.

## **Article V** **USE**

**5.1 Use and Assignment.** Tenant covenants, promises and agrees that during the Term of this Lease from and after the execution and delivery of the Mixed Finance ACC Amendment between Landlord and HUD relating to the designation of thirteen (13) units within South First Phase One as units restricted for rental to public housing tenants, it shall devote the Premises, the Improvements and any part thereof only to providing affordable housing and related facilities, consistent with the requirements of the Governing Documents, Applicable Project Based Voucher Requirements and the Tax Credit Requirements, and shall comply at all times with the Governing Documents, Applicable Project Based Voucher Requirements, for so long as such requirements remain in effect in accordance with their respective terms, the OA and the Tax Credit Requirements. In connection with such uses, Tenant shall construct the Improvements and make other repairs, renovations and betterments to the Premises, all at its sole cost and expense, in accordance with the Governing Documents, Applicable Project Based Voucher Requirements and the Tax Credit Requirements, in a good and workmanlike manner, with new first-class materials and equipment, as specified in the approved plans and specifications for the Improvements, and in conformity with all applicable federal, state, and local laws, ordinances and regulations. Tenant shall be permitted to enter into residential leases in a form approved by Landlord and HUD in the ordinary course of business.

### **5.2 [Intentionally Deleted.]**

**5.3 Compliance with Law.** Tenant shall, at its expense, perform all its activities on the Premises in compliance, and shall cause all occupants of any portion thereof to comply, with all applicable laws, ordinances, codes and regulations affecting the Premises or its uses, as the same may be administered by authorized governmental officials. Landlord shall, without expense to Landlord absent consent therefor, cooperate with Tenant and assist Tenant in obtaining all required licenses, permits and the like, and shall sign all papers and documents at any time needed in connection therewith, including without limitation, such instruments as may be required for the laying out, maintaining, repairing, replacing and using of water, gas, electric, telephone, drain or other utilities.

**5.4 Mechanics' Liens.** Tenant shall, throughout the Term hereof, prevent any mechanics' liens or other liens for work, labor, services or materials provided to or on behalf of Tenant from being filed or recorded against the Premises or any portion thereof; in the event that any such lien shall be filed, Tenant shall procure the release or discharge thereof within thirty (30) days after receipt of notice thereof either by payment or in such other manner as may be prescribed by law, and shall hold Landlord harmless from and indemnified against any loss or damage related

thereto, including attorneys' fees. Tenant shall, at its expense, have the right to contest any such lien by appropriate proceedings which shall prevent the collection of or other realization upon such lien so contested, and the sale, forfeiture or loss of the Development or the Premises to satisfy the same.

**5.5 Ownership of Improvements/Surrender of Premises.** It is the purpose and intent of the Landlord and Tenant that Tenant shall be accorded all burdens and benefits of ownership of the Improvements for as long as this Lease shall remain in effect. Accordingly, at all times during the term of this Lease, Tenant shall be deemed to exclusively own the Improvements for federal tax purposes, and Tenant alone shall be entitled to all of the tax attributes of ownership thereof including, without limitation, the right to claim depreciation or cost recovery deductions, the right to claim the federal low-income housing tax credits available to Tenant under Section 42 of the Code with respect to the Improvements, and the right to amortize capital costs and to claim any other federal tax benefits attributable to the Improvements. At the expiration or earlier termination of the Term of this Lease or any portion thereof, Tenant shall peaceably leave, quit and surrender the Premises and the Improvements thereon (or the portion thereof so terminated), subject to the rights of tenants in possession of residential units under leases with Tenant provided that such tenants are not in default thereunder and attorn to Landlord as their lessor. Subject to the rights of the Permitted Mortgagees, upon such expiration or termination the Premises and the Improvements thereon (or portion thereof so terminated) shall become the sole property of Landlord at no cost to Landlord and shall be free of all liens and encumbrances and in good condition, subject only to reasonable wear and tear (consistent with prudent and appropriate property management and maintenance during the Term) and, in the event of a casualty, to the provisions of Article VI hereof. At the expiration of the Term, including early termination of this Lease, Landlord and Tenant shall execute a quitclaim termination of Tenant's interest in this Lease and convey the Improvements to the Landlord.

**5.6 Easements; Annexation.** Landlord agrees that Landlord shall not unreasonably withhold, delay or condition its consent, and shall join with Tenant from time to time during the Term in the following: (a) the granting of easements affecting the Premises which are for the purpose of providing utility services for the Development; and (b) the dedication or conveyance, as required, of portions of the Premises for road, highway and other public purposes to provide access for the Development or to permit widening of existing roads or highways. If any monetary consideration is received by Tenant as a result of the granting of any such easement or the dedication or conveyance of any portion of the Premises as hereinabove provided, such consideration shall be paid to Landlord. As a condition precedent to the exercise by Tenant of any of the powers granted to Tenant in this Section, Tenant shall give notice to Landlord of the action to be taken, shall certify to Landlord, that in Tenant's opinion such action will not adversely affect either the market value of the Premises or the use of the Premises for the Development, and shall deliver all instruments required of Tenant by any mortgagee of the Premises.

**5.7 [Intentionally Deleted]**

**5.8 Restrictive Covenants.** It is hereby specified that, as a part of the consideration for the Ground Lease of the subject property, the land will be ground leased expressly subject to certain covenants, restrictions, limitations and conditions, which will at the time of Ground Lease be imposed as covenants running with and binding upon the land, and which will provide generally as follows:

- a. The Premises shall not be used for commercial or industrial purposes but shall be used for residential purposes only.
- b. There shall not be effected or executed any agreement, lease, covenant, conveyance or other instrument whereby the sale, lease or occupancy of the Premises is restricted upon the basis of race, creed, color, religion, sex, national origin, disability or familial status.
- c. The Tenant will comply with all State and local laws, in effect from time to time, prohibiting discrimination or segregation by reason of race, creed, color, religion, sex, national origin, disability or familial status in the sale, lease, or occupancy of the Premises.
- d. The Tenant agrees on behalf of itself, its successors and assigns, not to discriminate upon the basis of race, creed, color, religion, sex, national origin, sexual orientation, disability or familial status in the sale, lease, rental, use or occupancy of the Premises or any improvements thereon. This covenant being given for the benefit of the public, the United States is expressly recognized as a beneficiary thereof and is entitled to enforce it for its own benefit or that of the public.
- e. Unless prevented by Act of God or war, or some other unforeseen cause wholly beyond control, within thirty (30) days after settlement there shall be begun, and within twenty-four (24) months after settlement there shall be completed on said Premises, certain improvements, with appropriate landscaping.
- f. No sign or fence shall be permitted on or within the perimeter of the Premises without first obtaining the written permission of the Landlord.
- g. Coal shall not be used for heating or developing fuel or for any other operation on the Premises.
- h. The land area not occupied by structures, hard-surfacing or vehicular driveways, shall be kept planted with grass, trees and plants or shrubbery and maintained in a healthy condition and neat appearance. Upon default in such planting or in its maintenance, Tenant, and its successors and assigns, agree that the necessary planting and work may be done by Landlord at the expense of Tenant, or its successors and assigns, from time to time and in keeping with this covenant.
- i. Parking areas, driveways and other vehicular accessways will be hard-surfaced with material of concrete, bituminous or similar composition.



- j. The Tenant agrees, on behalf of itself, its successors and assigns, that the buildings to be constructed and their appurtenant premises will be maintained in a sound condition and neat appearance. Necessary repairs, maintenance and upkeep will be performed so as to preserve the attractive appearance, the physical integrity and the sanitary and safe condition of the buildings. Upon default in such repairs, maintenance or upkeep, Tenant, and its successors and assigns, agree that the necessary repairs, maintenance and upkeep may be done by Landlord at the expense of Tenant, or its successors and assigns, from time to time and in keeping with this covenant, but only after written notice and an opportunity to cure (in no event less than 30 days).
- k. Gas, electric and other utility services shall be underground to the buildings from the main distribution. No utility line or connection to any utility line at or above ground level shall be permitted.
- l. Any service area, facility or equipment located on that side of a building or building site which is adjacent to a public right-of-way is to be enclosed or otherwise screened from view.
- m. Provision for off-street parking space for motor vehicles shall be in accordance with the zoning ordinances of the City of Charlottesville.
- n. All exterior walls shall be constructed of permanent materials impervious to deterioration in appearance, such as stone, exposed aggregates, brick or glass. All roof structures and appurtenances in excess of six (6) inches in diameter and twelve (12) inches in height shall be shielded or screened from observation from the same elevation. Such shielding or screening shall be with materials compatible and in harmony with the roof and/or side walls.
- o. No landscaping, improvements or structures, whether temporary or permanent in nature, shall be constructed, commenced or erected on the Premises unless and until the plans, working drawings, specifications and materials therefor have been approved in writing by the Landlord.
- p. Covenants a, e, f, g, h, i, j, k, l, m, n and o above shall expire forty (40) years after the date of this Ground Lease.

**Article VI**  
**CASUALTY AND TAKING**

**6.1 Casualty.** If any Improvements from time to time constructed on the Premises are damaged or destroyed by fire or other casualty this Lease shall continue and Tenant shall proceed promptly to establish and collect all valid claims which may have arisen against insurers or others

based upon any such damage or destruction, subject to the requirements of the Loan Documents and the Governing Documents. Unless otherwise determined in accordance with Section 6.3, Tenant shall repair, restore or reconstruct any Improvements so damaged or destroyed to their condition at the time of such damage or destruction and the insurance proceeds and any other funds so collected shall be used and expended by Tenant for such purposes.

**6.2 Commencement and Completion of Restoration.** When reconstruction or repair of the Improvements or any portion thereof, which have been destroyed or damaged, is required by the provisions of this Article, such reconstruction or repair shall be commenced within a period not to exceed ninety (90) days after the insurance proceeds have been received by the Tenant (or, if the conditions then prevailing require a longer period, such longer period as shall reasonably be required by Tenant proceeding with due diligence), and the Tenant shall diligently prosecute such reconstruction or repair to completion, such reconstruction or repair to be completed within two (2) years after the commencement thereof.

**6.3 Determination of Whether or Not to Restore.** In the event of substantial damage or destruction by a casualty insured against (i) for which damage, Tenant in its sole discretion and in good faith determines reconstruction is not practicable, either because (a) the insurance proceeds, together with such funds of Tenant as are demonstrably available for the purpose of paying for repair and restoration, are not sufficient to repair such loss or damage (provided that in all events Tenant shall have been in full compliance with the insurance requirements of this Lease), or (b) such repair or restoration cannot be carried out in accordance with applicable law, such as then-current building or zoning law, or (c) the mortgagee with the right to control the disbursement of such proceeds has refused to release such proceeds to Tenant for restoration or repair, or (ii) which damage occurs during the last five (5) years of the Term, then Tenant, subject to the Loan Documents, shall have the right to terminate this Lease upon 30 days notice to Landlord in which event the Insurance Proceeds shall be payable as set forth in Section 6.4. With the exception of the events expressly described in the preceding sentence of this Section 6.3, no total or partial damage to, or destruction of, any or all of the Property shall entitle Tenant to surrender or terminate this Lease, or shall relieve Tenant from its liability hereunder to pay in full the Base Annual Rent, any Additional Rent and all other sums and charges which are otherwise payable by Tenant hereunder, or from any of its other obligations hereunder, and Tenant hereby waives any right now or hereafter conferred upon it by statute or otherwise, on account of any such damage or destruction, to surrender this Lease, to quit or surrender any or all of the Property, or to have any suspension, diminution, abatement or reduction of the Base Annual Rent or any Additional Rent or other sum payable by Tenant hereunder (except that, if and to the extent that Landlord has, on account of any such Rent or other sum, received for its own account the proceeds of any rent insurance pursuant to the provisions of this Lease, Tenant shall be entitled to a credit therefor against its obligations hereunder to pay such Rent and other sums, by applying such credit toward the unpaid installments of Base Annual Rent in the order in which they fall due hereunder).

**6.4 Allocation of Proceeds.** If such casualty occurs, the net insurance proceeds shall be allocated in the following order of priority: First, to the extent permitted by the First Mortgage Loan Documents, to the Tenant for repair and restoration of the Property; Second, to the Permitted Mortgagees in the amount of any outstanding amounts secured by their respective mortgages and in their respective order of priority, to the extent required under such mortgages; Third, the balance of the proceeds, if any, shall be paid to Tenant.

**6.5 Tenant's Responsibilities on Termination.** If Tenant terminates this Lease following a casualty in accordance with Section 6.3, Tenant, at its sole expense, shall deliver to Landlord any plans or other technical materials related to the Premises, prepared by or for Tenant or in Tenant's possession. Tenant shall surrender the Premises to Landlord in accordance with Section 5.5 of this Lease and, upon the payment of the Insurance Proceeds to Landlord and/or the Permitted Mortgagees as their interests may appear, this Lease shall be terminated without liability or further recourse to the parties hereto, provided that any Rent payable hereunder or obligations under Article III or Section 4.1 hereof owed by Tenant to Landlord as of the date of said termination shall be paid or otherwise carried out in full.

**6.6 Notice of Taking.** Forthwith upon receipt by either Landlord or Tenant of notice of the institution of any proceedings for the Taking, the party receiving such notice shall promptly give notice thereof to the other, and such other party may also appear in such proceeding and be represented by counsel, who may be counsel for the party receiving such notice.

**6.7 Special Account.** The full amount of any award whether pro tanto or final for any Taking (the "Award"), shall, notwithstanding any allocation made by the awarding authority, be paid, and allocated as set forth below provided that there shall first be deducted from the Award in the order stated (i) all reasonable fees and expenses of collection, including but not limited to, reasonable attorneys' fees and experts' fees, which shall be paid to the party which has incurred such fees and expenses, (ii) any Base Rent or Additional Rent under Article 3 outstanding prior to the Taking, which shall be paid to Landlord, (iii) any outstanding amounts secured by Permitted Mortgages to the extent required under such Permitted Mortgages, which shall be paid to the Permitted Mortgagees in their respective order of priority. The portion of the Award so allocated to Landlord shall be known herein as the "Landlord's Award" and the portion so allocated to Tenant shall be known herein as the "Tenant's Award", each of which shall be based on their respective interest in the Premises, taking into account that Landlord's interest in the Premises is limited to the land encumbered by this Lease and a reversionary interest in the Improvements upon expiration of the Term.

**6.8 Total Taking.** In the event of a permanent Taking or condemnation of the fee title to or of control of the Premises or of the entire leasehold estate hereunder (a "Total Taking"), this Lease shall thereupon terminate as of the effective date of such Total Taking, without liability or further recourse to the parties, provided that any Base Rent or Additional Rent hereunder payable or obligations owed by Tenant to Landlord as of the date of said Total Taking shall be paid or otherwise carried out in full; and the Award shall be allocated in accordance with Section 6.7.

**6.9 Partial Taking: Procedures and Criteria for Course of Action.** In the event of a permanent Taking of less than all of the Premises (a "Partial Taking"),

- (i) if Tenant determines that the continued use and occupancy of the remainder of the Premises by Tenant is or can reasonably be made to be economically viable, structurally sound, consistent with the Governing Documents, and otherwise feasible based upon the amount of the award and any available other funds of Tenant as, at Tenant's option, are demonstrably available for the purpose of paying for such restoration (the "Restoration Criteria"), then the Premises and the Improvements shall be restored pursuant to Section 6.10 hereof;

- (ii) if Tenant determines that the continued use and occupancy of the remainder of the Premises and/or the Improvements by Tenant is not or cannot reasonably be made to be economically viable, structurally sound, consistent with the Governing Documents, and otherwise feasible, then this Lease shall be terminated pursuant to Section 6.11 hereof and the Award shall be applied in accordance with Section 6.7 hereof.

**6.10 Restoration.** If a decision is made pursuant to Section 6.9 to restore the remainder of the Improvements, Tenant and Landlord, shall reasonably agree upon and approve plans and specifications to modify the Improvements on the remaining Premises. Upon approval of said plans, Tenant shall promptly proceed, at its expense, to commence and complete the restoration pursuant to the provisions of Section 6.2 hereof. Tenant shall use the entire Tenant's Award for such restoration; provided, however, any portion of Tenant's Award remaining after the completion of the restoration shall be retained by Tenant, subject to the rights of the Landlord to require that any such excess be applied first to the extent necessary to pay any outstanding Rent owed by Tenant to Landlord pursuant to this Lease. If Tenant has decided pursuant to Section 6.9 to restore the Improvements, and if the cost of the restoration shall exceed the amount of Tenant's Award, the deficiency shall be paid by Tenant. Tenant's obligation hereunder shall not be affected by the unavailability or insufficiency of Tenant's Award, except to the extent that Tenant's Award is unavailable by virtue of the failure or refusal of any Permitted Mortgagee or Landlord, as the case may be, to release it to Tenant to pay for restoration.

**6.11 Termination upon Non-Restoration.** Following a Partial Taking, if a decision is made pursuant to Section 6.9 hereof that the Improvements are not to be restored, Tenant shall surrender the remaining Premises and all Improvements thereon to the Landlord and this Lease shall thereupon be terminated without liability or further recourse to the parties hereto, provided that any Rent (including Base Rent and Additional Rent) and other amounts payable or obligations owed by Tenant to Landlord under Article III or Section 4.1 hereof as of the date of the Taking shall be paid in full; and Award shall be allocated in accordance with Section 6.7

## **Article VII**

### **CONDITION OF PREMISES**

#### **7.1 Condition of the Premises**

##### **7.1.1 [Intentionally Deleted.]**

**7.1.2 Title.** The Premises are let in an as is condition as of the date hereof. The Premises are demised and let to Tenant subject to:

(a) zoning regulations, restrictions, rules, laws and ordinances now in effect or hereafter adopted by any governmental authority;

(b) unpaid real estate taxes for the current fiscal tax year which are not yet due and payable, Landlord hereby agreeing to defend, indemnify, and hold Tenant harmless from any claim for payments in lieu of taxes, water and sewer charges and any other municipal liens made by the City of Charlottesville for periods prior to the date hereof; and

- (c) the Governing Documents; and
- (d) all matters of record.

**7.2 No Encumbrances.** Landlord covenants that Landlord has full right and lawful authority to enter into this Lease in accordance with the terms hereof and to grant the estate demised hereby. Landlord covenants that it will not encumber or lien the title of the Premises or cause or permit said title to be encumbered or liened in any manner whatsoever except as may be permitted by the Governing Documents and the First Mortgage Loan Documents, and Tenant may reduce or discharge any such encumbrance or lien by payment or otherwise at any time after giving thirty (30) days' written notice thereof to Landlord and recover or recoup all costs and expenses thereof from Landlord together with interest at the Base Interest Rate. Such recovery or recoupment may, in addition to all other remedies, be made by setting off against the amount of rent payable by Tenant hereunder. Landlord and Tenant agree to work cooperatively together to create such easements and rights of way as may be necessary or appropriate for the Development.

**7.3 Quiet Enjoyment.** Landlord covenants and agrees with Tenant that so long as Tenant is not in default beyond any applicable notice, cure or grace period, Tenant shall and may, at all times during the term and all extended terms, if any, peaceably and quietly, hold and enjoy the Premises and all rights, appurtenances and privileges belonging or in any way appertaining thereto for the uses permitted in Section 5.1 hereof without hindrance or molestation; provided, that the Landlord, HUD and their respective agents may enter upon and examine the Premises as provided herein.

**7.4 Environmental Indemnity.** Landlord covenants and agrees to indemnify, protect and save Tenant, its employees, agents, officers, directors, shareholders and members, and any successor thereof (collectively, "Indemnitees"), harmless against and from any and all damages and liabilities of any kind or of any nature whatsoever (including, without limitation, remediation costs, environmental assessment costs, governmental compliance costs, and reasonable attorneys' and experts' fees and disbursements), known or unknown, foreseen or unforeseen, which may at any time be imposed upon, incurred by or asserted or awarded against the Indemnitees or the Premises or any portion thereof and arising from or out of any hazardous substances on, in, under or affecting all or any portion of the Premises, which exist as of the date of this Lease or which migrate onto the Premises hereafter from any other property owned by Landlord. The foregoing indemnity excludes any releases or threat of releases of hazardous substances occurring from and after the date of this Lease and not directly caused by Landlord or its agents, as to which releases or threat of releases Tenant shall be solely responsible.

## **Article VIII** **DEFAULTS**

**8.1 Default.** The occurrence of any of the following events shall constitute an event of default ("Event of Default") hereunder:

- (i) if Tenant fails to pay when due any Rent or Additional Rent due hereunder pursuant to Section 3 of this Lease (except where such failure is addressed by another event described in this Section 8.1 as to which lesser notice and grace periods are

provided), and any such default shall continue for thirty (30) days after the receipt of written notice thereof by Tenant; or

- (ii) if Tenant fails to observe or perform any covenant, condition, agreement or obligation hereunder not addressed by any other event described in this Section 8.1, and shall fail to substantially cure, correct or remedy such failure within thirty (30) days after the receipt of written notice thereof by Tenant, unless such failure cannot be cured by the payment of money and cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Tenant proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof within a reasonable period of time, not to exceed ninety (90) days; or
- (iii) if Tenant abandons the Premises or any substantial portion thereof and such abandonment is not cured within thirty (30) days following notice from Landlord; or
- (iv) if any representation or warranty of Tenant set forth in this Lease, the Governing Documents, in any certificate delivered pursuant thereto, or in any notice, certificate, demand, submittal or request delivered to the Landlord by Tenant pursuant thereto shall prove to be incorrect in any material respect as of the time when the same shall have been made and the same shall not have been remedied to the reasonable satisfaction of Landlord within thirty (30) days after notice from Landlord, provided that such inaccuracy shall have resulted in a material adverse effect on the Landlord or the Premises; or
- (v) if Tenant shall be adjudicated bankrupt or be declared insolvent under the Federal Bankruptcy Code or any other federal or state law (as now or hereafter in effect) relating to bankruptcy, insolvency, reorganization, winding-up or adjustment of debts (hereinafter collectively called "Bankruptcy Laws"), or if Tenant shall (a) apply for or consent to the appointment of, or the taking of possession by, any receiver, custodian, trustee, United States Trustee or Tenant or liquidator (or other similar official) of Tenant or of any substantial portion of Tenant's property; of any substantial portion of Tenant (b) generally not pay debts as they become due or admit in writing its inability to pay its debts generally as they become due; (c) make a general assignment for the benefit of its creditors; (d) file a petition commencing a voluntary case under or seeking to take advantage of a bankruptcy law; or (e) fail to controvert in a timely and appropriate manner, or in writing acquiesce to, any petition commencing an involuntary case against Tenant pursuant to any bankruptcy law; or
- (vi) if an order for relief against Tenant shall be entered in any involuntary case under the Federal Bankruptcy Code or any similar order against Tenant shall be entered pursuant to any other bankruptcy law, or if a petition commencing an involuntary case against Tenant or proposing the reorganization of Tenant under the Federal Bankruptcy Code shall be filed in and approved by any court of competent jurisdiction and not be discharged or denied within one hundred twenty (120) days after such filing, or if a proceeding or case shall be commenced in any Court of

competent jurisdiction seeking (a) the liquidation, reorganization, dissolution, winding-up or adjustment of debts of Tenant, (b) the appointment of a receiver, custodian, trustee, United States Trustee or liquidator (or other similar official of Tenant) of any substantial portion of Tenant's property, or (c) any similar relief as to Tenant pursuant to bankruptcy law, and any such proceeding or case shall continue undismissed, or any order, judgment or decree approving or ordering any of the foregoing shall be entered and continued unstayed and in effect for one hundred twenty (120) days; or

- (vii) If Tenant shall not have obtained any required approval from Lender to secure financing for the construction of the Improvements.

Notwithstanding anything to the contrary in this Lease, so long as the Landlord or an affiliate thereof is a member of the Managing Member of the Tenant (the "Managing Member"), the Landlord shall have no right to declare an event of Default under this Lease and/or to terminate this Lease without the consent of the Special Member.

**8.2 Remedies for Default.** If there shall occur an Event of Default on the part of Tenant, the Landlord may terminate this Lease upon not less than thirty (30) additional days' written notice to Tenant, setting forth Tenant's uncured, continuing default and the default alleged by Landlord has not been cured before such termination date. Except that in the event of such default, Landlord's written notice of same shall be effective to terminate this Lease as of the date of such notice or any later date set forth therein. The provisions of the foregoing Section 8.2 shall be subject in all respects to the last paragraph of Section 8.1 and the provisions of Article IX, and particularly Sections 9.4 and 9.5, which provide certain notice and cure rights to the First Mortgagee, any Permitted Junior Mortgagee and any Investor Member or Special Member.

**8.3 Rights and Obligations upon Termination.** Upon such termination, Tenant's interest in the Premises and the Improvements shall automatically revert to Landlord, Tenant shall promptly quit and surrender the Premises and the Improvements to Landlord, without cost to Landlord, and Landlord may, without demand and further notice, reenter and take possession of the Premises and the Improvements, or any part thereof, and repossess the same as Landlord's former estate by summary proceedings, ejectment or otherwise without being deemed guilty of any manner of trespass and without prejudice to any remedies which Landlord might otherwise have for arrearage of Rent or Additional Rent hereunder or for a prior breach of the provisions of this Lease. The obligations of Tenant under this Lease which arose prior to termination shall survive such termination.

**8.4 Rights Upon Termination.** Upon termination of this Lease pursuant to Section 8.3, Landlord may:

- (i) retain, at the time of such termination, any Rent or Additional Rent paid hereunder, without any deduction, offset or recoupment whatsoever; and
- (ii) enforce its rights under any bond outstanding at the time of such termination; and

- (iii) require Tenant to deliver to Landlord, or otherwise effectively transfer to the Landlord any and all governmental approvals and permits, and any and all rights of possession, ownership or control Tenant may have in and to, any and all financing arrangements, plans, specifications, and other technical documents or materials related to the Development.

In addition to the above remedies of Landlord, Tenant agrees to reimburse Landlord for any and all actual expenditures incurred and for any and all actual damages suffered by Landlord by reason of such Event of Default or such termination, however caused, including all costs, claims, losses, liabilities, damages and expenses (including without limitation, reasonable attorneys' fees and costs) incurred by Landlord as a result thereof.

**8.5 Performance by the Landlord.** If Tenant shall fail to make any payment or perform any act required under this Lease, Landlord may (but need not) after giving not less than thirty (30) (except in case of emergencies and except where a shorter time period is specified elsewhere in this Lease) additional days' notice to Tenant and without waiving any default or releasing Tenant from any obligations, cure such default for the account of the Tenant. Tenant shall promptly pay Landlord the amount of such charges, costs and expenses as Landlord shall have incurred in curing such default, together with interest at the Base Interest Rate.

**8.6 Legal Costs.** Tenant shall be liable for the reasonable and actual legal expenses of the Landlord in connection with any collection of Rent or Additional Rent owed under this Lease, the remedying of any default under this Lease or any termination of this Lease where such collection, remedying or termination results from an Event of Default.

**8.7 Remedies Cumulative.** Unless otherwise specifically provided in this Lease, no remedy herein shall be exclusive of any other remedy or remedies, and each such remedy shall be cumulative and in addition to every other remedy; and every power and remedy given by this Lease may be exercised from time to time and as often as may deemed expedient by either party. No delay or omission by Landlord to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. The absence in this Lease of any enumeration of events of default by Landlord or remedies of either party with respect to money damages or specific performance shall not constitute a waiver by either party of its right to assert any claim or remedy available to it under law or in equity.

## **Article IX** **LEASEHOLD MORTGAGEE'S RIGHTS**

**9.1 Right to Mortgage.** Tenant shall have the right from time to time to encumber its interest in the Premises and the Improvements with one or more mortgages in favor of the First Mortgagee and CRHA, and with additional mortgages in favor of Permitted Junior Mortgagees in accordance with this Section 9.1 and other applicable provisions of this Lease. This Lease is expressly subject to the terms and conditions of the Governing Documents. Each such mortgage shall be expressly subject to the terms and conditions of this Lease and the Governing Documents. Tenant shall give prior notice to Landlord of its intent to enter into a Permitted Junior Mortgage. Such notice and request for consent shall be made to Landlord in writing and shall be accompanied



by such information as is reasonably necessary for Landlord to determine whether the proposed mortgage would constitute a “Permitted Junior Mortgage.” Within twenty-one (21) days of its receipt of such written request, Landlord shall either determine that the proposed mortgage satisfies the criteria or shall notify Tenant of the specific respects in which such mortgage does not satisfy such criteria or shall indicate with reasonable specificity what further information it requires to make such determination. If Landlord does not notify Tenant in writing within said twenty-one (21) day period of all specific respects in which the proposed mortgage does not satisfy the criteria or of the further information it requires to make its determination, such proposed mortgage shall be deemed to be a Permitted Junior Mortgage. If Landlord requests further information concerning the proposed mortgage, within twenty-one (21) days of its receipt of such additional information, Landlord shall confirm that the proposed mortgage is a Permitted Junior Mortgage or shall notify Tenant of the specific respects in which such mortgage does not satisfy the criteria. If Landlord does not so notify Tenant within said twenty-one (21) day period, such proposed mortgage shall be deemed to be a Permitted Junior Mortgage.

Upon request by Landlord, Tenant shall furnish Landlord with copies of the signed commitment letter, the mortgage documents and such other information as Landlord may reasonably request and shall also furnish Landlord with a certified copy of the mortgage as executed and recorded.

**9.2 [Intentionally Deleted]**

**9.3 [Intentionally Deleted]**

**9.4 Notice to Leasehold Mortgagees.** So long as any leasehold mortgage which constitutes the First Mortgage or a Permitted Junior Mortgage shall remain on Tenant's leasehold estate hereunder and the holder thereof shall have complied with the provisions of Section 9.9 hereof, Landlord agrees, simultaneously with the giving of each notice hereunder, to give a duplicate copy thereof to the holder of each such leasehold mortgage. Each holder of a leasehold mortgage may, during the periods given to Tenant for remedying the default, itself remedy the default or cause the same to be remedied, and Landlord agrees to accept such performance on the part of such holder as though the same had been done or performed by Tenant. Notwithstanding the foregoing, this Section 9.4 shall not apply in the event of any default under Section 8.1(vii).

**9.5 Notice to Investor Members.** So long as any Investor Member or its successors, affiliates or assigns are an Investor Member of Tenant, Landlord agrees, simultaneously with the giving of each notice hereunder, to give a duplicate copy thereof to such Investor Member. Each Investor Member may, during the periods given to Tenant for remedying the default or as otherwise specified herein, itself remedy the default or cause the same to be remedied, and Landlord agrees to accept such performance on the part of such holder as though the same had been done or performed by Tenant.

**9.6 Future Fee Estate Mortgages.** Landlord shall not consent to any future mortgages or permit any future liens, or encumbrances against the Premises or the Landlord's fee title to the Premises, or otherwise pledge, assign, subordinate or otherwise dispose of the Premises or the Landlord's fee title to the Premises without the prior written consent of Tenant, the Investor Members and any First Mortgagee, such consent not to be unreasonably delayed, withheld or

conditioned. To the extent a future mortgage on the Premises or the Landlord's fee title to the Premises is permitted hereunder, such mortgage shall expressly provide that it is subordinate and subject to the Tenant's interest under this Lease. Additionally, the Tenant shall not subordinate its leasehold interest to any future mortgage of the Premises or the Landlord's fee title to the Premises obtained by Landlord.

**9.7 Special Investor Member's Opportunity to Replace Tenant's Managing Member.** Landlord agrees that it will take no action to effect a termination of this Lease by reason of any Event of Default without first giving (i) notice of any Event of Default to each Investor Member and (ii) such reasonable time not to exceed one hundred twenty (120) days for the Special Investor Member to cure the Event of Default and/or to remove and replace the Managing Member and cause the new Managing Member to cure such default in accordance with the OA. Any cure of an Event of Default by the Investor Member or removal and replacement of the Managing Member by the Special Investor Member shall be a right, but not an obligation, of such Investor Member hereunder.

**9.8 Leasehold Mortgagee's Right to New Lease.** In the event of the termination of this Lease prior to its stated expiration date (except pursuant to Article VI hereof), Landlord agrees that it will enter into a new lease of the Premises with any First Mortgagee or Permitted Junior Mortgagee ("such holder") or, at the request of such holder, with an entity formed by or on behalf of such holder, for a period equal to the remainder of the Term effective as of the date of such termination, at the Base Rent and Additional Rent and upon the covenants, agreements, terms, provisions and limitations herein contained, including without limitation the provisions regarding impositions under Section 3.2.1 hereof, provided (i) such holder makes written request upon Landlord for such new lease within sixty (60) days from the date of notice of such termination, (ii) such holder pays or causes to be paid to Landlord at the time of the execution and delivery of such new lease any and all sums which would at the time of the execution and delivery thereof be due under this Lease but for such termination and pays or causes to be paid any and all expenses including reasonable counsel fees, court costs and costs and disbursements incurred by Landlord in connection with any such termination and in connection with the execution and delivery of such new lease, less the net income from the Premises and the Development collected by Landlord subsequent to the date of the termination of this Lease and prior to the execution and delivery of such new lease. If Landlord receives more than one written request for a new lease in accordance with the provisions of this Section 9.8, then such new lease shall be entered into pursuant to the request of the leasehold mortgagee whose mortgage shall be most senior, and the written request, and its rights hereunder of any leasehold mortgagee whose leasehold mortgage is subordinate in lien shall be null and void and of no further force or effect.

Any new lease made pursuant to this Section 9.8 shall be and remain an encumbrance on the fee title to the Premises having the same priority thereon as this Lease, and shall without implied limitation be and remain prior to any mortgage or any lien, charge or encumbrance of the fee of the Premises created by Landlord subsequent to the date of this Lease.

**9.9 No Modification without Mortgagee's Consent.** This Lease shall not be modified or surrendered to Landlord or canceled by Tenant, nor shall Landlord accept a surrender of this Lease (other than pursuant to its right to terminate under Article VIII above) without the prior written consent of the Special Investor Member, First Mortgagee and any Permitted Junior

Mortgagee or any assignee(s) as holder of the first priority mortgage, provided that the conditions of Section 9.10 shall have previously been complied with.

**9.10 Notice.** The foregoing provisions of this Article IX shall not apply in favor of any mortgage holder unless, before Landlord has mailed a notice of default under Article IX, such mortgage holder has duly recorded its mortgage or notice thereof in any public office where such recording may be required in order to charge third persons with knowledge thereof and has given written notice to Landlord accompanied by a certified copy of such mortgage and stating the name of such holder and the address to which notices to such holder are to be mailed by Landlord.

**9.11 Holdover.** If Tenant or any party claiming by, through or under Tenant, retains possession of the Premises or any part thereof after the expiration or earlier termination of this Lease, then the Landlord may, at its option, serve written notice upon Tenant that such holding over constitutes (i) an Event of Default under the Lease, or (ii) a month-to-month tenancy, upon the terms and conditions set forth in this Lease, or (iii) the creation of a tenancy-at-sufferance, in any case upon the terms and conditions set forth in this Lease.

## **ARTICLE X**

### **LANDLORD'S REPRESENTATIONS**

**10.1** The Landlord approves the grant by the Managing Member of the Tenant of a security interest in the Managing Member's membership interest in the Tenant pursuant to (i) a Pledge and Security Agreement between the Managing Member and the Investor Member of the Tenant, or (ii) a security interest in any such Managing Member membership interest to any lender to the Tenant.

**10.2** The Landlord agrees that its consent shall not be required for the transfer of any Investor Member membership interest in the Tenant, or the admission of any new limited partner into the Tenant, provided that the new limited partner agrees to be bound by the terms of the Tenant's partnership agreement and the terms of this Lease to the same extent and on the same terms as the Investor Member.

**10.3** The Landlord acknowledges the right of the Investor Member under the OA to remove the Managing Member of the Tenant and to designate a substitute Managing Member of the Tenant in accordance with the terms of the OA, or pursuant to the Pledge and Security Agreement between the Managing Member and the Investor Member.

## **Article XI**

### **MISCELLANEOUS**

**11.1 Construction.** Landlord and Tenant agree that all the provisions hereof are to be construed as covenants and agreements as though the words importing such covenants and agreements were used in each separate section thereof.

**11.2 Performance Under Protest.** In the event of a dispute or difference between Landlord and Tenant as to any obligation which either may assert the other is obligated to perform or do, then the party against whom such obligation is asserted shall have the right and privilege to carry out and perform the obligation so asserted against it without being considered a volunteer or deemed to have admitted the correctness of the claim, and shall have the right to bring an appropriate action at law, equity or otherwise against the other for the recovery of any sums expended in the performance thereof and in any such action, the successful party shall be entitled to recover in addition to all other recoveries such reasonable attorneys' fees as may be awarded by the court.

**11.3 No Waiver.** Failure of either party to complain of any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver by said party of any of its rights hereunder. No waiver by either party at any time, express or implied, of any breach of any other provision of this Lease shall be deemed a waiver of a breach of any other provision of this Lease or a consent to any subsequent breach of the same or any other provision. If any action by either party shall require the consent or approval of the other party, the other party's consent to or approval of such action on any one occasion shall not be deemed a consent to or approval of said action on any subsequent occasion or a consent to or approval of any other action on the cause of any subsequent occasion. Any and all rights and remedies which either party may have under this Lease or by operation of law, either at law or in equity, upon any breach, shall be distinct, separate and cumulative and shall not be deemed inconsistent with each other; and no one of them whether exercised by said party or not, shall be deemed to be in exclusion of any other; and two or more or all of such rights and remedies may be exercised at the same time.

**11.4 Headings.** The headings used for the various articles and sections of this Lease are used only as a matter of convenience for reference, and are not to be construed as part of this Lease or to be used in determining the intent of the parties of this Lease.

**11.5 [Intentionally Deleted.]**

**11.6 Partial Invalidity.** If any terms, covenant, provision or condition of this Lease or the application thereof to any person or circumstances shall be declared invalid or unenforceable by the final ruling of a court of competent jurisdiction having final review, the remaining terms, covenants, provisions and conditions of this Lease and their application to persons or circumstances shall not be affected thereby and shall continue to be enforced and recognized as valid agreements of the parties, and in the place of such invalid or unenforceable provision there shall be substituted a like, but valid and enforceable, provision which comports to the findings of the aforesaid court and most nearly accomplishes the original intention of the parties.

**11.7 Bind and Inure.** Unless repugnant to the context, the words "Landlord" and "Tenant" shall be construed to mean the original parties, their respective successors and assigns and those claiming through or under them respectively. Subject to the provisions of the next sentence of this Section 10.7, the agreements and conditions in this Lease contained on the part of Tenant to be performed and observed shall be binding upon Tenant and its successors and assigns and shall inure to the benefit of Landlord and its successors and assigns, and the agreements and conditions in this Lease contained on the part of the Landlord to be performed and observed shall be binding upon Landlord and its successors and assigns and shall inure to the benefit of Tenant and its successors and assigns. Landlord agrees that Tenant and its successors and assigns shall be

liable only for obligations accruing while it holds the leasehold estate created hereunder, and that no individual Investor Member of Tenant, or stockholder or affiliate thereof, nor any stockholder or affiliate of any Managing Member of Tenant, shall be personally liable under this Lease, and Landlord agrees to look solely to Tenant for performance of the obligations, conditions and covenants of this Lease. Notwithstanding anything to the contrary, the Tenant's obligations to pay Rent and any interest thereon under this Lease shall be non-recourse to the Tenant and Tenant's Members, and any stockholder or affiliate thereof. No holder of a mortgage of the leasehold interest hereunder shall be deemed to be the holder of said leasehold estate until such holder shall have acquired indefeasible title to said leasehold estate.

**11.8 Estoppel Certificate.** Each party agrees from time to time, upon no less than fifteen (15) days' prior notice from the other, to execute, acknowledge and deliver to the other a statement certifying that (i) this Lease is unmodified and in full force and effect (or, if there have been any modifications, that the same is in full force and effect as modified and stating the modifications), (ii) the dates to which the rent has been paid, and that no additional rent or other payments are due under this Lease (or if additional rent or other payments are due, the nature and amount of the same), and (iii) whether there exists any uncured default by the other party, or any defense, offset, or counterclaim against the other party, and, if so, the nature of such default, defense, offset or counterclaim. Any such statement delivered pursuant to this Section 10.8 may be relied upon by any prospective purchaser or holder of a mortgage of the leasehold interest hereunder or any prospective holder of a sublease from Tenant or any prospective assignee of any such holder of a mortgage or sublease.

**11.9 Recordable Form of Lease.** On or about the date of delivery of this Lease the parties have delivered a Memorandum of Lease which Tenant shall record in the public office in which required to put third parties on notice. If this Lease is terminated before the Term expires, the parties shall execute, deliver and record an instrument acknowledging such fact and the date of termination of this Lease.

**11.10 Notice.** Any notice or other communication given or made pursuant to this Agreement shall be in writing and shall be deemed given if (i) delivered personally or by courier, (ii) sent by overnight express delivery, or (iii) mailed by registered or certified mail (return receipt requested), postage prepaid, to a party at its respective address set forth below (or at such other address as shall be specified by the party by like notice given to the other party)

If to Tenant:                    South First Phase One, LLC  
    c/o South First Phase One Management, LLC  
    500 S First Street  
    Charlottesville, VA 22902  
    Attn:  
    Email:

with a copy to:                 Delphine Carnes Law Group, PLC  
    101 W. Main Street, Suite 440  
    Norfolk, VA 23510  
    Attn: Delphine G. Carnes, Esq.  
    Email: [dcarnes@delphinecarneslaw.com](mailto:dcarnes@delphinecarneslaw.com)

If to the Limited Members:

Housing Equity Fund of Virginia XXIII, L.L.C.  
VAHM, L.L.C.  
1840 West Broad Street, Suite 200  
Richmond, VA 2320  
Attn: Jeffrey M. Meyer  
Email: [jmeyer@vacdc.org](mailto:jmeyer@vacdc.org)

With a copy to: Applegate & Thorne-Thomsen, P.C.  
626 W. Jackson Blvd.  
Suite 400  
Chicago, Illinois 60661  
Attn: Diane K. Corbett, Esq.  
Email: [dcorbett@att-law.com](mailto:dcorbett@att-law.com)

If to Landlord: Charlottesville Redevelopment and Housing Authority  
100 S. First Street  
Charlottesville, VA 22902  
Attn:  
Email:

with a copy to: Delphine G. Carnes, Esq.  
Delphine Carnes Law Group, PLC  
101 W. Main Street, Suite 440  
Norfolk, Virginia 23510  
Email: [dcarnes@delphinecarneslaw.com](mailto:dcarnes@delphinecarneslaw.com)

If to Junior  
Lienholder: Charlottesville Redevelopment and Housing Authority  
1000 S. First Street  
Charlottesville, VA 22902  
Attn:  
Email:

All such notices and other communications shall be deemed given on the date of personal or local courier delivery, delivery to overnight courier or express delivery service, or deposit in the United States Mail, and shall be deemed to have been received (i) in the case of personal or local courier delivery, on the date of such delivery, (ii) in the case of delivery by overnight courier or express delivery service, on the date following dispatch, and (iii) in the case of mailing, on the date specified in the return receipt therefor. For the sake of convenience and rapidity of transmission, copies of notices may be sent by telecopy transmission, but such transmission alone shall not be deemed to satisfy the notice requirements of this Agreement absent actual receipt or the giving of notice by one of the other means stated above.

**11.11**        **Entire Agreement.** This instrument contains all the agreements made between the parties hereto with respect to the subject matter hereof and may not be modified in any other manner than by an instrument in writing executed by the parties or their respective successors in interest.

**11.12**        **HUD Addendum.** From and after the execution and delivery of the Mixed Finance ACC Amendment between Landlord and HUD relating to the designation of thirteen units within South First Apartments as units restricted for rental to public housing tenants, the provisions in the attached Ground Lease Mandatory Provisions shall be effective and shall control over any other provision of this Lease to the contrary.

[SIGNATURES ON FOLLOWING PAGE.]

EXECUTED as a sealed instrument on the day and year first above written:

**Landlord:**

CHARLOTTESVILLE REDEVELOPMENT  
AND HOUSING AUTHORITY,  
a political subdivision of the Commonwealth of  
Virginia

By: 

Name: John Sales

Title: Executive Director

**Tenant:**

SOUTH FIRST PHASE ONE, LLC  
a Virginia limited liability company

By: SOUTH FIRST PHASE ONE  
MANAGEMENT, LLC,  
a Virginia limited liability company,  
its Managing Member

By: CHARLOTTESVILLE COMMUNITY  
DEVELOPMENT CORPORATION,  
a Virginia corporation  
its Sole Member

By: 

Name: John Sales

Title: President

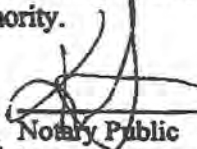
*Signature Page Ground Lease*



Commonwealth of Virginia  
City of Charlottesville

The foregoing Ground Lease was acknowledged before me on this 4 day of January, 2021 by John Sales, Executive Director of Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia, on behalf of Charlottesville Redevelopment and Housing Authority.




  
\_\_\_\_\_  
Notary Public  
My commission expires: 11/30/2022

Commonwealth of Virginia  
City of Charlottesville

The foregoing Ground Lease was acknowledged before me on this 4 day of January 2021 by John Sales, President of Charlottesville Community Development Corporation, a Virginia corporation, Sole Member of South First Street Phase One Management, LLC, a Virginia limited liability company, Managing Member of South First Phase One, LLC, a Virginia limited liability company.



  
\_\_\_\_\_  
Notary Public  
My commission expires: 11/30/2022

Notary Page - Ground Lease

**EXHIBIT A**

**TO**

**GROUND LEASE**

That certain lot, piece or parcel of land, lying and being in City of Charlottesville, Virginia, known and designated as "Parcel B", containing 3.00 acres, more or less, as shown on that certain plat entitled "Subdivision Plat of Property of Charlottesville Redevelopment and Housing Authority having Parcel Number 260115000, City of Charlottesville, Virginia, dated December 6, 2018", dated December 6, 2018, revised per City Comment on January 7, 2019, February 7, 2019, and last revised on February 21, 2019, made by MidAtlantic Surveying and Land Design, and duly recorded in the Clerk's Office of the Circuit Court for the city of Charlottesville, Virginia, in instrument No. 201900000770.

BEING a portion of the same real estate conveyed to Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia by Deed from Frank IX & Sons Virginia Corp., a New Jersey corporation, formerly Frank IX & Sons Sheraton Mills Corporation, dated February 26, 1969 and recorded on March 20, 1969 in the Clerk's Office of the Circuit Court of the city of Charlottesville, Virginia in Deed Book 306 , page 254.

Order entered in the Corporation Court of the City of Charlottesville in the case styled Charlottesville Redevelopment and Housing Authority v. Mamie C. Jacobs, a copy of said order being recorded in Deed Book 316, page 187 and Final Order recorded in Deed Book 316, page 190 in the aforesaid Clerk's Office.

Ordinance Closing, Vacating and Discontinuing a Portion of Unopened Ware Street in the City of Charlottesville, recorded attached to instrument recorded in Deed Book 409, page 3 (said copy of the ordinance being recorded at page7) in the aforesaid Clerk's Office. Said Ordinance also being filed in Street Resolution Book 1, page 79 which closed portions of Ware Street.

## ADDENDUM TO GROUND LEASE

### **Definitions.**

ACC: The Consolidated Annual Contributions Contract between HUD and the Authority, dated as of August 30, 1996, as amended by the Mixed Finance ACC Amendment, dated of even date herewith and incorporating the Project Units, as the same may be further amended from time to time.

Act: The United States Housing Act of 1937 (42 U.S.C. § 1437, *et seq.*), as amended from time to time, any successor legislation, and all implementing regulations issued thereunder or in furtherance thereof.

Applicable Public Housing Requirements: All requirements applicable to public housing, including, but not limited to, the Act, HUD regulations thereunder (and, to the extent applicable, any HUD-approved waivers of regulatory requirements), the ACC, the Mixed Finance ACC Amendment, the HOPE VI grant agreement (if applicable), HUD notices (including any notice of fund availability under which Landlord received an award of HOPE VI funds for use in connection with the Project), the HUD-approved Declaration of Restrictive Covenants in favor of HUD, the Authority's admissions and occupancy policies applicable to the Project, as set forth in the Authority's approved PHA Plan under 24 CFR part 903, and all applicable Federal statutory, regulatory and executive order requirements, as those requirements may be amended from time to time.

HOPE VI Grant Agreement: The HOPE VI Revitalization Grant Agreement relating to the revitalization of the Project, by and between HUD and the Authority, dated as of N/A, as may be amended.

### **Term.**

This Lease shall be for a minimum term (i) commencing on the date of this Lease ("Commencement Date"), and (ii) unless otherwise provided by law, terminating on the latest to occur of: (A) expiration of the minimum period during which the Public Housing Units are required by law to be operated as public housing in accordance with the Act; and (B) the expiration of 40 years from the date the Project becomes available for occupancy.

## **Use of Property.**

Tenant shall throughout the Term continuously use and operate the Premises and the Improvements only for the following uses, and such other uses as are reasonably and customarily attendant to such uses: construction, development, marketing for lease and leasing of the Public Housing Units in a manner which strictly satisfies the requirements of this Lease and the Applicable Public Housing Requirements.

## **Covenants Applicable to Public Housing Units.**

(a) The Public Housing Units are subjected to, and benefitted by, the terms and conditions of the Applicable Public Housing Requirements. The provisions of the Applicable Public Housing Requirements and this Section are intended to create a covenant running with the land and, subject to the terms and benefits of the Applicable Public Housing Requirements, to encumber and benefit the Premises for the entire Term of this Lease. The Applicable Public Housing Requirements and this Section shall be binding upon Landlord and Tenant and each of their respective successors and assigns, including, without limitation, any entity which succeeds to Tenant's interest in the Premises by foreclosure or an instrument in lieu of foreclosure, and expressly include, but are not limited to, the following obligations:

(b) Except as otherwise provided in the Act, the Public Housing Units shall be operated under the terms and conditions applicable to public housing, as set forth in the Applicable Public Housing Requirements, during the 40-year period that begins on the date on which the Project becomes available for occupancy, as required by section 9(d)(3)(A) of the Act (or any successor provision).

(c) Except as otherwise provided in the Act, the Project shall be maintained and operated under the terms and conditions applicable to public housing, as set forth in the Applicable Public Housing Requirements, during the 20-year period that begins on the latest date on which modernization with public housing capital funds is completed, as required by section 9(d)(3)(B) of the Act (or any successor provision).

(d) Except as otherwise provided in the Act, no portion of the Project may be disposed of before the expiration of the 10-year period beginning upon the conclusion of the fiscal year for which such amounts were provided, as required by section 9(e)(3) of the Act (or any successor provision).

(e) Neither the Public Housing Units, nor any part thereof, may be demolished other than in accordance with the Applicable Public Housing Requirements.

(f) Tenant agrees that, with the exception of: (A) the First Mortgage and any mortgage(s) held by the Landlord that have been approved by HUD, or any other Permitted Encumbrances listed in Exhibit B; (B) dwelling leases with eligible families for the Public Housing Units; and (C) normal uses associated with the operation of the Project, neither the

project nor any portion thereof shall be encumbered in any way, nor the assets of the Project pledged as collateral for a loan, without the prior written approval of Landlord and HUD.

### **Amendments to Plans and Specifications.**

Tenant shall take no action to effectuate any material amendments, modifications or any other alterations to the Plans and Specifications unless Landlord has approved such, in writing and in advance. Landlord's execution of this Lease also constitutes a certification to HUD under that prior to making any such amendments, modifications or alterations to the Plans and Specifications that such amendments, modifications or alterations are in accordance with its design and construction standards at 24 CFR § 905.312.

### **Alterations.**

Tenant shall not make any alteration, improvement or addition to the Premises having a cost greater than Ten Thousand Dollars (\$10,000.00), or such lesser amount as may be provided in the Management Agreement and/or Plan, or demolish any portion thereof, without first presenting to Landlord complete plans and specifications therefor and obtaining Landlord's and HUD's written consent thereto (which consent shall not unreasonably be withheld so long as, in Landlord's and HUD's judgment such alteration, improvement, addition or demolition will not violate the Applicable Public Housing Requirements or this Lease, or impair the value of the Property). HUD's right under the preceding sentence shall be extinguished upon the release of the Declaration of Restrictive Covenants in favor of HUD encumbering the Premises. Any improvements made to the Premises by either party hereto shall be made only in good and workmanlike manner using new, materials of the same quality as the original improvements, and in accordance with all applicable building codes and the Applicable Public Housing Requirements.

### **Restoration.**

If any portion of this Section conflicts with Section 11 of the ACC, the provisions of Section 11 of the ACC shall control.

### **Assignment and Subletting.**

(a) Consent. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Landlord and the Tenant, except that Tenant may not assign or sublet its interest in this Lease without the prior written consent of the Landlord and HUD. Any attempted transfer without such consents shall be null and void.

(b) Prohibited Transfers. Tenant agrees for itself and its successors and assigns in

interest hereunder that it will not, other than by the First Leasehold Mortgage or the Second Leasehold Mortgage: (1) assign this Lease or any of its rights under this Lease as to all or any portion of the Premises, the Public Housing Units, the rest of the Improvements, the Unit Equipment or the Property generally, or (2) make or permit any voluntary or involuntary total or partial sale, lease, assignment, conveyance, mortgage, pledge, encumbrance or other transfer of any or all of the Premises, the Public Housing Units, the rest of the Improvements, the Unit Equipment or the Property or the occupancy or use thereof, other than in accordance with the Applicable Public Housing Requirements and this Lease (including but not limited to (i) any sale at foreclosure or by the execution of any judgment of any or all of Tenant's rights hereunder, or (ii) any Transfer by operation of law, without first obtaining Landlord's and HUD's express written consent thereto, except as provided for in subparagraph (c) below.

(c) HUD restrictions on Transfers. In addition to the transfers described in paragraph (b) of this Section, and subject to the requirements of Section 9.4 of the Regulatory and Operating Agreement, no transfer, conveyance, or assignment shall be made, without the prior written approval of HUD, of: (1) any interest of a managing member, general partner, or controlling stockholder (any such interest being referred to as a "Controlling Interest") of the Tenant; or (2) a Controlling Interest in any entity that has a Controlling Interest in the Tenant; or (3) prior to the payment of full of all equity contributions required under the Mixed Finance Amendment to the ACC, any other interest in the Tenant, or in any partner or member thereof (each of such transfers, conveyances and assignments, together with the transfers described in paragraph (b) of this Section, is hereafter referred to as a "Transfer"). Notwithstanding the foregoing, HUD consent is not required where a business organization that has a limited interest (i.e., non-Controlling Interest and non-managing) in the Tenant transfers a non-Controlling Interest and non-managing interest in the business organization, provided that the Tenant: (1) provides HUD with written notice of such transfer; and (2) certifies to HUD that the new owner of the limited interest remains obligated to fund its equity contribution in accordance with the HUD-approved organizational documents of the Tenant. If Tenant requests HUD's consent to an internal reorganization of the Tenant, or of any of the partners, members, or stockholders of Tenant, HUD will not unreasonably withhold or delay such consent.

(d) Any person to whom any Transfer is attempted without such consent shall have no claim, right or remedy whatsoever hereunder against Landlord, and Landlord shall have no duty to recognize any person claiming under or through the same.

### **HUD's Rights on Event of Default.**

Upon the occurrence of an Event of Default that also constitutes a substantial default under the ACC, HUD may:

(1) require Landlord to convey to HUD its fee simple interest in the Project, and ensure the Tenant's conveyance to HUD of its leasehold interest in the project, if, in HUD's determination (which determination shall be final and conclusive), such conveyance of title is necessary to achieve the purposes of the Act; or

(2) require Tenant to deliver possession and control of the Project to HUD; or

(3) exercise any other right or remedy existing under applicable law, or available at equity. HUD's exercise or non-exercise of any right or remedy under the ACC shall not be construed as a waiver of HUD's right to exercise that or any other right or remedy at any time.

(4) If HUD acquires title to, or possession of, the Project, HUD shall reconvey, or redeliver possession of, the Project to the Landlord and Tenant in accordance with their respective interests in the Project: (i) upon a determination by HUD that the substantial default under the ACC has been cured and that the Project will thereafter be operated in accordance with the terms of the ACC; or (ii) after the termination of HUD's obligation to make annual contributions available, unless there are any obligations or covenants of the Landlord to HUD that are then in default.

(5) During the Term of this Lease, and so long as Tenant shall not be in default of its obligations hereunder, HUD agrees that in the event of a substantial default by Landlord under the ACC, HUD shall exercise any remedies or sanctions authorized under the ACC, including taking possession of the Landlord's interest in the Project, in such a manner as not to disturb Tenant's rights under this Lease or the Regulatory Agreement.

#### **Access.**

Tenant agrees to grant a right of access to the Landlord, HUD, the Comptroller General of the United States, or any of their authorized representatives, with respect to any books, documents, papers, or other records related to this Lease in order to make audits, examinations, excerpts, and transcripts.

#### **Amendment.**

This Lease may be amended by mutual agreement of the Landlord and Tenant, subject to the prior written approval of HUD, and provided that all amendments must be in writing and signed by both parties and that no amendment shall impair the obligations of the Tenant to develop and operate the Project in accordance with the Applicable Public Housing Requirements.

#### **Disclaimer of Partnership Status.**

(a) Tenant and Landlord acknowledge that the proposed transfer to Tenant, or to any other participating party in the Project, of public housing funds for the development and operation of the Public Housing Units covered under this Lease shall not be deemed to be an assignment of such funds. Accordingly, neither Tenant, nor any other participating party, shall succeed to any rights or benefits of the Landlord under the ACC and the HOPE VI grant agreement (as applicable). Tenant further agrees to include this disclaimer in each of its

agreements or contracts with any partner, participating party, or any other party involving the use of public housing funds for the Project.

(b) Nothing contained in the ACC or the HOPE VI grant agreement, as applicable, or in any agreement between Landlord and Tenant, nor any act of HUD or Landlord, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, or joint venture involving HUD.

**Conflicts.**

In the event of a conflict or inconsistency between any requirement contained in this Lease (or between any requirement contained in any document referred to in this Lease, including any Mortgage), and the Applicable Public Housing Requirements, the Applicable Public Housing Requirements shall in all instances be controlling.



CITY OF  
CHARLOTTESVILLE



Office of Real Estate Assessment  
PO Box 911, City Hall  
Charlottesville, VA 22902  
Telephone: 434-970-3136  
FAX: 434-970-3232  
Website: [www.charlottesville.gov](http://www.charlottesville.gov)

February 24, 2021

Brenda Kelley, Redevelopment Manager  
City Manager's Office  
City of Charlottesville  
605 E Main Street  
Charlottesville, VA 22902  
(434) 970-3040

Re: 260115001; 0 1<sup>st</sup> Street South

Dear Brenda,

In accordance with your request, please see the 2021 assessed value of 0 1<sup>st</sup> Street South listed below:

Land Value     \$2,759,900

Please let me know if you need further assistance.

Sincerely,

Jeffrey S. Davis  
City Assessor

F

Third-Party RESNET  
Rater Certification  
(MANDATORY)



Appendix F
RESNET Rater Certification of Development Plans

I certify that the development's plans and specifications incorporate all items for the required baseline energy performance as indicated in Virginia's Qualified Allocation Plan (QAP). In the event the plans and specifications do not include requirements to meet the QAP baseline energy performance, then those requirements still must be met, even though the application is accepted for credits.

\*\*\*Please note that this may cause the Application to be ineligible for credits. The Requirements apply to any new, adaptive reuse or rehabilitated development (including those serving elderly and/or physically disabled households).

In addition provide HERS rating documentation as specified in the manual

True New Construction - EnergyStar Certification
The development's design meets the criteria for the EnergyStar certification.
Rater understands that before issuance of IRS Form 8609, applicant will obtain and provide EnergyStar Certification to VHDA.

Rehabilitation -30% performance increase over existing, based on HERS Index
Or Must evidence a HERS Index of 80 or better
Rater understands that before issuance of IRS Form 8609, rater must provide Certification to VHDA of energy performance.

Adaptive Reuse - Must evidence a HERS Index of 95 or better.
Rater understands that before issuance of IRS Form 8609, rater must provide Certification to VHDA of energy performance.

Additional Optional Certifications

I certify that the development's plans and specifications incorporate all items for the certification as indicated below, and I am a certified verifier of said certification. In the event the plans and specifications do not include requirements to obtain the certification, then those requirements still must be met, even though the application is accepted for credits. Rater understands that before issuance of IRS Form 8609, applicant will obtain and provide Certification to VHDA.

TRUE Earthcraft Certification - The development's design meets the criteria to obtain Viridian's EarthCraft Multifamily program Gold certification or higher

FALSE LEED Certification - The development's design meets the criteria for the U.S. Green Building Council LEED green building certification.

FALSE National Green Building Standard (NGBS) - The development's design meets the criteria for meeting the NGBS Silver or higher standards to obtain certification

FALSE Enterprise Green Communities - The developmen's design meets the criteria for meeting meeting the requirements as stated in the Enterprise Green Communities Criteria for this developments construction type to obtain certification.

\*\*\*Please Note Raters must have completed 500+ ratings in order to certify this form

Signed: [Signature]

Date: 02.24.21

Printed Name: Matt Waring

Resnet Provider Agency
Viridian

RESNET Rater
[Signature]

Provider Contact and Phone/Email Sean Evensen-Shanley (804)212-1934 /sean.shanley@viridian.org

South 1<sup>st</sup> Street  
2021 LIHTC Pre-Review Comments

Project Address

South 1<sup>st</sup> Street  
Charlottesville, VA 22902

Project Summary

South 1<sup>st</sup> Street is a new construction low-rise multifamily development, comprised of 62 units located in Charlottesville, VA. Charlottesville Redevelopment and Housing Authority plans to construct the project utilizing 9% LIHTC. As part of their funding application the project is seeking EarthCraft Gold and EnergyStar certifications. This requires a maximum HERS index of 75 and 150 points on the EarthCraft workbook, as well as meeting all minimum ENERGYSTAR requirements. Colin Arnold of Arnold Design Studio is the primary architect contact for the project.

Unit-Level Energy Modeling

Unit-level models were generated using Ekotrope v3.2.4 based on the proposed scope and plans provided by the project team dated 12.6.2019. With the current scope of work, the project is showing an average projected **HERS index of 41**. The following outlines the scope as it is currently modeled.

Enclosure:

- R-12 Slab edge insulation/R-8.8 under slab
- R-23 Grade I cavity insulation + R-6.6 continuous on exterior walls
- R-13 Grade II cavity insulation in adiabatic ceilings/floors/walls
- R-40 Continuous Roof Deck insulation
- 0.14 U-Value for opaque doors
- 0.15 U-Value/0.24 SHGC windows
- Doors with 50% glass - .29 U-Value / .16 SHGC

Mechanicals:

- SEER 20, HSPF 11.5, 18k air source heat pump, programmable thermostat, variable speed
- 3.55 EF storage electric water heaters, 50 gallon
- 3 ACH50 blower door test/infiltration
- 4% leakage to outside and 6% total duct leakage
- All ducts and air handlers located within conditioned space and insulated to R-6
- ReneAire ERV mechanical ventilation, 50CFM, 26 watts, 24 hours a day (per Design Review)

Lights & Appliances:

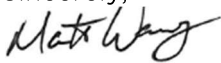
- ES rated kitchen appliances

South 1<sup>st</sup> Street  
February 24, 2021



- 358 kWh/yr refrigerator
- 295 kWh/yr dishwasher
- Advanced lighting 100% LED interior and exterior fixtures
- Clothes washer ENERGYSTAR

Please let me know if you have any question or if the above information does not accurately capture your current scope.

Sincerely,  


Matt Waring  
*Technical Director, Viridiant*



Project Name: South 1st Street Phase 1  
Construction Type: New Construction  
Energy Efficiency Path: Energy Star

Unit Type	Quantity	HERS
Unit Type X - 3 BR	18	40
Unit Type Y - 2 BR	32	41
Unit Type Z - 1 BR	12	45
Projected Project HERS - Weighted Average		41

# Home Energy Rating Certificate

## Projected Report

Rating Date: 2019-03-11  
 Registry ID:  
 Ekotrope ID: yvPNBMRL

### HERS® Index Score:

# 43

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit [www.hersindex.com](http://www.hersindex.com)

### Annual Savings

# \$778

\*Relative to an average U.S. home

**Home:**  
 South 1st Street  
 Charlottesville, VA 22902  
**Builder:**  
 Riverbend Development

### Your Home's Estimated Energy Use:

	Use [MBtu]	Annual Cost
Heating	1.5	\$50
Cooling	0.7	\$24
Hot Water	1.0	\$35
Lights/Appliances	12.5	\$332
Service Charges		\$79
Generation (e.g. Solar)	0.0	\$0
<b>Total:</b>	<b>15.8</b>	<b>\$520</b>

### This home meets or exceeds the criteria of the following:

ENERGY STAR v3.1

### Rating Completed by:

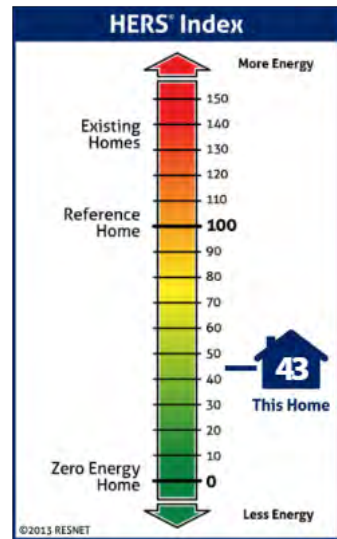
**Energy Rater:** Matt Waring  
 RESNET ID: 6729287

**Rating Company:** Viridiant  
 1431 W. Main Street, Richmond, VA 23220

**Rating Provider:** Viridiant  
 1431 W. Main Street, Richmond, VA 23220

*Matt Waring*

Matt Waring, Certified Energy Rater  
 Digitally signed: 2/24/21 at 1:19 PM



### Home Feature Summary:

Home Type:	Apartment, end unit
Model:	Unit Type Z - 1BR Top fl
Community:	South 1st Street PH1
Conditioned Floor Area:	785 ft <sup>2</sup>
Number of Bedrooms:	1
Primary Heating System:	Air Source Heat Pump • Electric • 11.5 HSPF
Primary Cooling System:	Air Source Heat Pump • Electric • 20 SEER
Primary Water Heating:	Water Heater • Electric • 3.55 Energy Factor
House Tightness:	3 ACH50
Ventilation:	50 CFM • 26 Watts
Duct Leakage to Outside:	31.4 CFM @ 25Pa (4 / 100 s.f.)
Above Grade Walls:	R-30
Ceiling:	Vaulted Roof, R-40
Window Type:	U-Value: 0.29, SHGC: 0.16
Foundation Walls:	N/A

# Home Energy Rating Certificate

## Projected Report

Rating Date: 2019-03-11  
 Registry ID:  
 Ekotrope ID: DLzrQ4BL

### HERS® Index Score:

# 45

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit [www.hersindex.com](http://www.hersindex.com)

### Annual Savings

# \$755

\*Relative to an average U.S. home

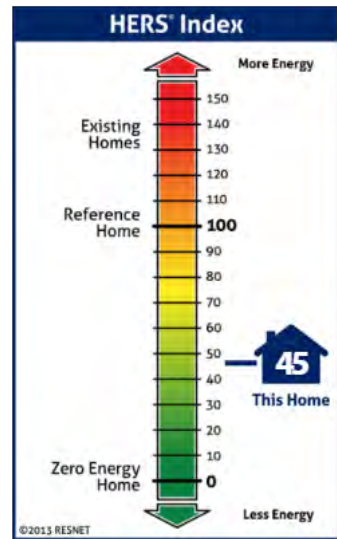
**Home:**  
 South 1st Street  
 Charlottesville, VA 22902  
**Builder:**  
 Riverbend Development

### Your Home's Estimated Energy Use:

	Use [MBtu]	Annual Cost
Heating	1.9	\$62
Cooling	0.6	\$20
Hot Water	1.1	\$37
Lights/Appliances	12.5	\$332
Service Charges		\$79
Generation (e.g. Solar)	0.0	\$0
<b>Total:</b>	<b>16.1</b>	<b>\$529</b>

### This home meets or exceeds the criteria of the following:

ENERGY STAR v3  
 ENERGY STAR v3.1



### Home Feature Summary:

Home Type: Apartment, end unit  
 Model: Unit Type Z - 1 BR Bottom Floor  
 Community: South 1st Street PH1  
 Conditioned Floor Area: 785 ft<sup>2</sup>  
 Number of Bedrooms: 1  
 Primary Heating System: Air Source Heat Pump • Electric • 11.5 HSPF  
 Primary Cooling System: Air Source Heat Pump • Electric • 20 SEER  
 Primary Water Heating: Water Heater • Electric • 3.55 Energy Factor  
 House Tightness: 3 ACH50  
 Ventilation: 50 CFM • 26 Watts  
 Duct Leakage to Outside: 31.4 CFM @ 25Pa (4 / 100 s.f.)  
 Above Grade Walls: R-30  
 Ceiling: Adiabatic, R-13  
 Window Type: U-Value: 0.29, SHGC: 0.16  
 Foundation Walls: N/A

### Rating Completed by:

**Energy Rater:** Matt Waring  
 RESNET ID: 6729287  
**Rating Company:** Viridiant  
 1431 W. Main Street, Richmond, VA 23220  
**Rating Provider:** Viridiant  
 1431 W. Main Street, Richmond, VA 23220



*Matt Waring*

Matt Waring, Certified Energy Rater  
 Digitally signed: 2/24/21 at 1:19 PM



# Home Energy Rating Certificate

## Projected Report

Rating Date: 2019-03-11

Registry ID:

Ekotrope ID: zLOpQPbD

### HERS® Index Score:

# 39

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit [www.hersindex.com](http://www.hersindex.com)

### Annual Savings

# \$1,107

\*Relative to an average U.S. home

**Home:**  
South 1st Street  
Charlottesville, VA 22902

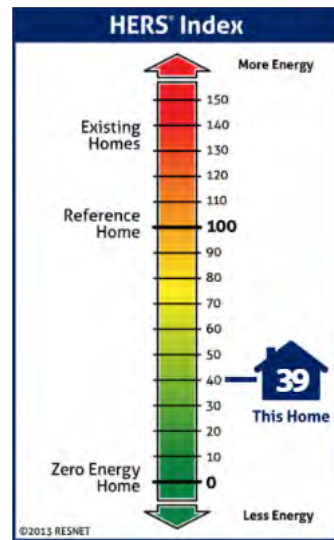
**Builder:**  
Riverbend Development

### Your Home's Estimated Energy Use:

	Use [MBtu]	Annual Cost
Heating	2.9	\$96
Cooling	1.2	\$38
Hot Water	1.6	\$52
Lights/Appliances	15.0	\$404
Service Charges		\$79
Generation (e.g. Solar)	0.0	\$0
<b>Total:</b>	<b>20.6</b>	<b>\$670</b>

### This home meets or exceeds the criteria of the following:

ENERGY STAR v3.1



### Home Feature Summary:

Home Type:	Apartment, end unit
Model:	Unit Type Y - 2BR Top fl
Community:	South 1st Street PH1
Conditioned Floor Area:	1,122 ft <sup>2</sup>
Number of Bedrooms:	2
Primary Heating System:	Air Source Heat Pump • Electric • 11.5 HSPF
Primary Cooling System:	Air Source Heat Pump • Electric • 20 SEER
Primary Water Heating:	Water Heater • Electric • 3.55 Energy Factor
House Tightness:	3 ACH50
Ventilation:	50 CFM • 26 Watts
Duct Leakage to Outside:	44.88 CFM @ 25Pa (4 / 100 s.f.)
Above Grade Walls:	R-30
Ceiling:	Vaulted Roof, R-40
Window Type:	U-Value: 0.15, SHGC: 0.25
Foundation Walls:	N/A

### Rating Completed by:

**Energy Rater:** Matt Waring  
RESNET ID: 6729287

**Rating Company:** Viridiant  
1431 W. Main Street, Richmond, VA 23220

**Rating Provider:** Viridiant  
1431 W. Main Street, Richmond, VA 23220



*Matt Waring*

Matt Waring, Certified Energy Rater  
Digitally signed: 2/24/21 at 1:19 PM

# Home Energy Rating Certificate

## Projected Report

Rating Date: 2019-03-11  
 Registry ID:  
 Ekotrope ID: q2Roy0YL

### HERS® Index Score:

# 41

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit [www.hersindex.com](http://www.hersindex.com)

### Annual Savings

# \$1,073

\*Relative to an average U.S. home

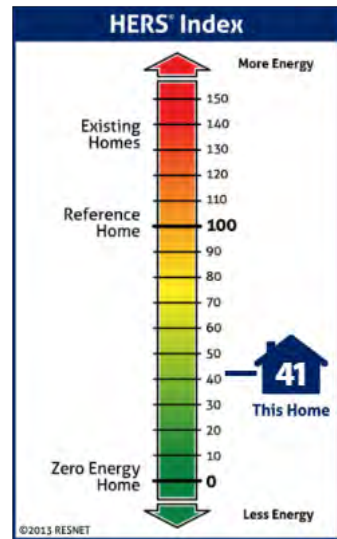
**Home:**  
 South 1st Street  
 Charlottesville, VA 22902  
**Builder:**  
 Riverbend Development

### Your Home's Estimated Energy Use:

	Use [MBtu]	Annual Cost
Heating	3.6	\$119
Cooling	1.0	\$32
Hot Water	1.6	\$52
Lights/Appliances	15.0	\$404
Service Charges		\$79
Generation (e.g. Solar)	0.0	\$0
<b>Total:</b>	<b>21.1</b>	<b>\$687</b>

### This home meets or exceeds the criteria of the following:

ENERGY STAR v3.1



### Home Feature Summary:

Home Type: Apartment, end unit  
 Model: Unit Type Y - 1st Flr.  
 Community: South 1st Street PH1  
 Conditioned Floor Area: 1,122 ft<sup>2</sup>  
 Number of Bedrooms: 2  
 Primary Heating System: Air Source Heat Pump • Electric • 11.5 HSPF  
 Primary Cooling System: Air Source Heat Pump • Electric • 20 SEER  
 Primary Water Heating: Water Heater • Electric • 3.55 Energy Factor  
 House Tightness: 3 ACH50  
 Ventilation: 50 CFM • 26 Watts  
 Duct Leakage to Outside: 44.88 CFM @ 25Pa (4 / 100 s.f.)  
 Above Grade Walls: R-30  
 Ceiling: Adiabatic, R-4  
 Window Type: U-Value: 0.15, SHGC: 0.25  
 Foundation Walls: N/A

### Rating Completed by:

**Energy Rater:** Matt Waring  
 RESNET ID: 6729287  
**Rating Company:** Viridiant  
 1431 W. Main Street, Richmond, VA 23220  
**Rating Provider:** Viridiant  
 1431 W. Main Street, Richmond, VA 23220



*Matt Waring*

Matt Waring, Certified Energy Rater  
 Digitally signed: 2/24/21 at 1:19 PM



# Home Energy Rating Certificate

## Projected Report

Rating Date: 2019-03-11

Registry ID:

Ekotrope ID: YLeV3AOd

### HERS® Index Score:

# 40

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit [www.hersindex.com](http://www.hersindex.com)

### Annual Savings

# \$1,132

\*Relative to an average U.S. home

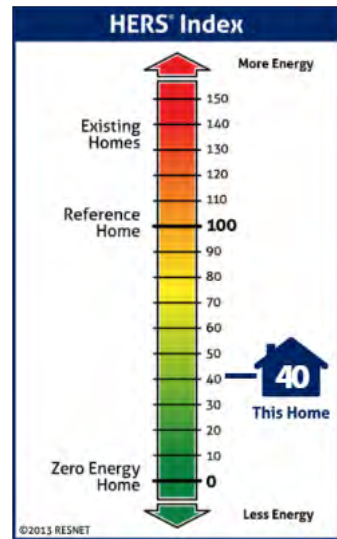
**Home:**  
South 1st Street  
Charlottesville, VA 22902  
**Builder:**  
Riverbend Development

### Your Home's Estimated Energy Use:

	Use [MBtu]	Annual Cost
Heating	2.1	\$70
Cooling	1.2	\$39
Hot Water	1.9	\$63
Lights/Appliances	16.4	\$442
Service Charges		\$79
Generation (e.g. Solar)	0.0	\$0
<b>Total:</b>	<b>21.5</b>	<b>\$693</b>

### This home meets or exceeds the criteria of the following:

ENERGY STAR v3.1



### Home Feature Summary:

Home Type:	Apartment, end unit
Model:	Unit Type X - 3BR - Top Floor
Community:	South 1st Street PH1
Conditioned Floor Area:	1,190 ft <sup>2</sup>
Number of Bedrooms:	3
Primary Heating System:	Air Source Heat Pump • Electric • 11.5 HSPF
Primary Cooling System:	Air Source Heat Pump • Electric • 20 SEER
Primary Water Heating:	Water Heater • Electric • 3.55 Energy Factor
House Tightness:	3 ACH50
Ventilation:	65 CFM • 26 Watts
Duct Leakage to Outside:	47.6 CFM @ 25Pa (4 / 100 s.f.)
Above Grade Walls:	R-30
Ceiling:	Vaulted Roof, R-40
Window Type:	U-Value: 0.15, SHGC: 0.25
Foundation Walls:	N/A

### Rating Completed by:

**Energy Rater:** Matt Waring  
RESNET ID: 6729287

**Rating Company:** Viridiant  
1431 W. Main Street, Richmond, VA 23220

**Rating Provider:** Viridiant  
1431 W. Main Street, Richmond, VA 23220



*Matt Waring*

Matt Waring, Certified Energy Rater  
Digitally signed: 2/24/21 at 1:19 PM

G

Zoning Certification Letter  
(MANDATORY)

# CITY OF CHARLOTTESVILLE

"A World Class City"

## Neighborhood Development Services

610 East Market Street  
Charlottesville, VA 22902  
Telephone 434-970-3182



**DATE:** January 27, 2021

**TO:** Virginia Housing Development Authority  
601 South Belvidere Street  
Richmond, Virginia 23220  
Attention: JD Bondurant

**RE:** ZONING CERTIFICATION

Name of Development: South First Street Phase One

Name of Owner/Applicant: South First Street Phase One, LLC

Name of Seller/Current Owner: South First Street Phase One, LLC

The above-referenced Owner/Applicant has asked this office to complete this form letter regarding the zoning of the proposed Development (more fully described below). This certification is rendered solely for the purpose of confirming proper zoning for the site of the Development. It is understood that this letter will be used by the Virginia Housing Development Authority solely for the purpose of determining whether the Development qualifies for credits available under VHDA's Qualified Allocation Plan.

### DEVELOPMENT DESCRIPTION:

Development Address:

1000 S. First Street

Charlottesville, VA 22902

Legal Description:

See attached

Proposed Improvements:

<input checked="" type="checkbox"/> New Construction:	<u>62</u>	# Units	<u>3</u>	# Buildings	<u>83,552</u>	Approx. Total Floor Area Sq. Ft.
<input type="checkbox"/> Adaptive Reuse:		# Units		# Buildings		Approx. Total Floor Area Sq. Ft.
<input type="checkbox"/> Rehabilitation:		# Units		# Buildings		Approx. Total Floor Area Sq. Ft.

**Zoning Certification, cont'd**

Current Zoning:       R-3       allowing a density of  
  21   units per acre, and the following other applicable conditions:           

Other Descriptive Information:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**LOCAL CERTIFICATION:**

Check one of the following as appropriate:

- The zoning for the proposed development described above is proper for the proposed residential development. To the best of my knowledge, there are presently no zoning violations outstanding on this property. No further zoning approvals and/or special use permits are required.
  
- The development described above is an approved non-conforming use. To the best of my knowledge, there are presently no zoning violations outstanding on this property. No further zoning approvals and/or special use permits are required.

  
Signature

Read Brodhead  
Printed Name

Zoning Administrator  
Title of Local Official or Civil Engineer

434 970 3995  
Phone:

4/28/2021  
Date:

## EXHIBIT A

That certain lot, piece or parcel of land, lying and being in City of Charlottesville, Virginia, known and designated as "Parcel B", containing 3.00 acres, more or less, as shown on that certain plat entitled "Subdivision Plat of Property of Charlottesville Redevelopment and Housing Authority having Parcel Number 260115000, City of Charlottesville, Virginia, dated December 6, 2018", dated December 6, 2018, revised per City Comment on January 7, 2019, February 7, 2019, and last revised on February 21, 2019, made by MidAtlantic Surveying and Land Design, and duly recorded in the Clerk's Office of the Circuit Court for the city of Charlottesville, Virginia, in instrument No. 201900000770.

BEING a portion of the same real estate conveyed to Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia by Deed from Frank IX & Sons Virginia Corp., a New Jersey corporation, formerly Frank IX & Sons Sheraton Mills Corporation, dated February 26, 1969 and recorded on March 20, 1969 in the Clerk's Office of the Circuit Court of the city of Charlottesville, Virginia in Deed Book 306 , page 254.

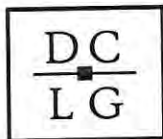
Order entered in the Corporation Court of the City of Charlottesville in the case styled Charlottesville Redevelopment and Housing Authority v. Mamie C. Jacobs, a copy of said order being recorded in Deed Book 316, page 187 and Final Order recorded in Deed Book 316, page 190 in the aforesaid Clerk's Office.

Ordinance Closing, Vacating and Discontinuing a Portion of Unopened Ware Street in the City of Charlottesville, recorded attached to instrument recorded in Deed Book 409, page 3 (said copy of the ordinance being recorded at page7) in the aforesaid Clerk's Office. Said Ordinance also being filed in Street Resolution Book 1, page 79 which closed portions of Ware Street.

H

Attorney's Opinion  
(MANDATORY)





Delphine Carnes Law Group, PLC  
Affordable Housing ■ Project Finance

March 18, 2021

Virginia Housing  
601 South Belvidere Street  
Richmond, Virginia 23220-6500

RE: 2021 Tax Credit Reservation Request  
Name of Development: South First Phase One  
Name of Owner: South First Phase One, LLC

Gentlemen:

The undersigned firm represents the above-referenced Owner as its counsel. It has received a copy of and has reviewed the completed application package (of which this opinion is a part) dated March 18, 2021 (the "Application") submitted to you for the purpose of requesting, in connection with the captioned Development, a reservation of low income housing tax credits ("Credits") available under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). It has also reviewed Section 42 of the Code, the regulations issued pursuant thereto and such other binding authority as it believes to be applicable to the issuance hereof (the regulations and binding authority hereinafter collectively referred to as the "Regulations").

Based upon the foregoing reviews and upon due investigation of such matters as it deems necessary in order to render this opinion, but without expressing any opinion as to either the reasonableness of the estimated or projected figures or the veracity or accuracy of the factual representations set forth in the Application, the undersigned is of the opinion that:

1. It is more likely than not that the inclusion in eligible basis of the Development of such cost items or portions thereof, as set forth in Hard Costs and Owners Costs section of the Application form, complies with all applicable requirements of the Code and Regulations.

2. The calculations (a) of the Maximum Allowable Credit available under the Code with respect to the Development and (b) of the Estimated Qualified Basis of each building in the Development comply with all applicable requirements of the Code and regulations, including the selection of credit type implicit in such calculations.
3. The appropriate type(s) of allocation(s) have been requested in the Reservation Request Information section in the Application form.
4. The information set forth in the Unit Details section of the Application form as to proposed rents satisfies all applicable requirements of the Code and Regulations.
5. The site of the captioned Development is controlled by the Owner, as identified in the Site Control section of the Application, for a period of not less than four (4) months beyond the application deadline.

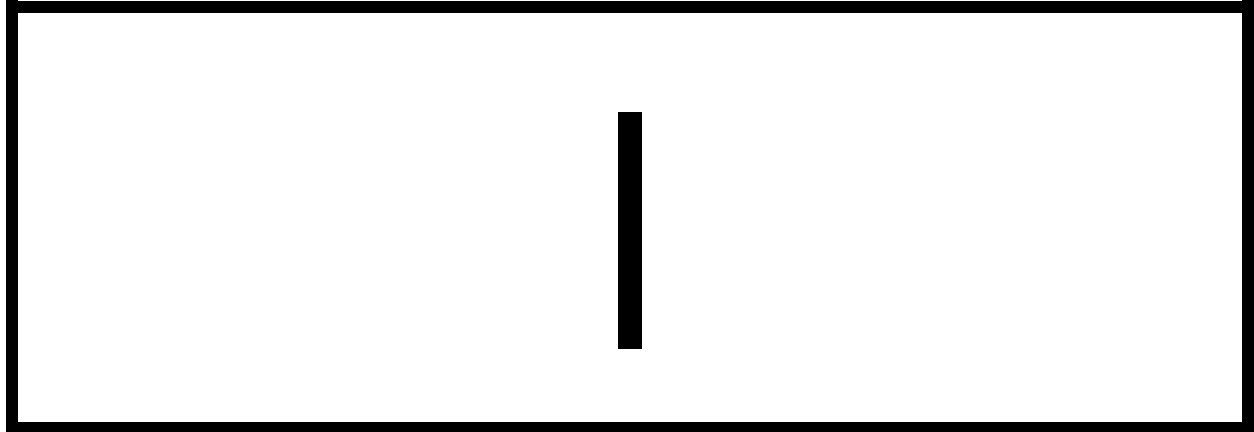
Finally, the undersigned is of the opinion that, if all information and representations contained in the Application and all current law were to remain unchanged, upon compliance by the Owner with the requirements of Code Section 42(h)(1)(E), the Owner would be eligible under the applicable provisions of the Code and the Regulations to an allocation of Credits in the amount(s) requested in the Application.

This opinion is rendered solely for the purpose of inducing the Virginia Housing Development Authority ("VHDA") to issue a reservation of Credits to the Owner. Accordingly, it may be relied upon only by VHDA and may not be relied upon by any other party for any other purpose.

This opinion was not prepared in accordance with the requirements of Treasury Department Circular No. 230. Accordingly, it may not be relied upon for the purpose of avoiding U.S. Federal tax penalties or to support the promotion or marketing of the transaction or matters addressed herein.

DELPHINE CARNES LAW GROUP, PLC

By: D. Carnes



# Nonprofit Questionnaire

(MANDATORY for points or pool)

Not Applicable to this Project

J

Relocation Plan  
Including Unit  
Delivery Schedule  
(MANDATORY, if tenants are displaced)

New Construction - Not Applicable

K

Documentation of  
Development Location

**K.1**

Revitalization Area  
Certification

## **RESOLUTION**

### **Revitalization Area Certification for South 1<sup>st</sup> Street Parcel ID: 260115000**

**BE IT RESOLVED** by the Council of the City of Charlottesville, Virginia that the South 1<sup>st</sup> Street site is located within a Revitalization Area, defined by the Virginia Housing Development Authority as any area that 1) the industrial, commercial or other economic development of such area will benefit the city or county but such area lacks the housing needed to induce manufacturing, industrial, commercial, governmental, educational, entertainment, community development, healthcare or nonprofit enterprises or undertakings to locate or remain in such area; AND 2) private enterprise and investment are not reasonably expected, without assistance, to produce the construction or rehabilitation of decent, safe and sanitary housing and supporting facilities that will meet the needs of low and moderate income persons and families in such area and will induce other persons and families to live within such area and thereby create a desirable economic mix of residents in such area.

Approved by Council  
February 4, 2019



---

Kyna Thomas  
Clerk of Council

K.2

Location Map



**South First Street Phase I**  
2019-C-87  
Location Map



K.3

Surveyor's Certification of  
Proximity to Public  
Transportation



LAND SURVEYING  
ENGINEERING  
LAND PLANNING

JIM L. TAGGART, P.E.  
DON FRANCO, P.E.  
DAVID M. ROBINSON, P.E.  
AMMY M. GEORGE, L.A.

# ROUDABUSH, GALE & ASSOCIATES, INC.

A PROFESSIONAL CORPORATION

*Serving Virginia Since 1956*



ENGINEERING DEPARTMENT  
172 SOUTH PANTOPS DRIVE, STE. A  
CHARLOTTESVILLE, VA 22911  
PHONE (434) 979-8121  
FAX (434) 979-1681

SURVEY DEPARTMENT  
914 MONTICELLO ROAD  
CHARLOTTESVILLE, VA 22902  
PHONE (434) 977-0205  
FAX (434) 296-5220

INFO@ROUDABUSH.COM

WILLIAM J. LEDBETTER, L.S.  
BRIAN D. JAMISON, L.S.  
DAVID A. JORDAN, L.S.  
KRISTOPHER C. WINTERS, L.S.

**March 12, 2019**

**RE: Public Transportation availability for South First Phase One.**

To Virginia Housing Development Authority,

Based on physical field inspection and research on the City of Charlottesville GIS, I have determined the nearest available Public Transportation is located 1300' feet from the project location.

The Public Transportation is a CAT (Charlottesville Area Transit) bus stop located at the NW intersection of First Street South and Elliott Ave.

This letter is submitted to you in support of the Owner's Application for Reservation of Low Income Housing Tax Credits under Section 42 of the Internal Revenue Code of 1986, as amended.

Based upon due investigation of the site and any other matters as it deemed necessary this firm certifies that: the main street boundary entrance to the property is within:

**1,320 feet or ¼ mile of the nearest access point to an existing public bus stop.**

**Roudabush, Gale and Associates**

**Brian D Jamison, L.S.**

**Vice President**



L

PHA/Section 8 Notification  
Letter



## PHA or Section 8 Notification Letter

Development Name: South First Phase One

Tracking #: 2021-C-19

If you have any questions, please call the Tax Credit Department at (804) 343-5518.

### General Instructions

1. Because of conflicting program requirements regarding waiting list procedures, this letter is not applicable to those developments that have 100% project-based Section 8 or project-based vouchers.
2. This PHA or Section 8 Notification letter must be included with the application.
3. 'Development Address' should correspond to the application.
4. 'Proposed Improvements' should correspond with the Application.
5. 'Proposed Rents' should correspond with the Application.
6. 'Other Descriptive Information' should correspond with information in the application.

**NOTE:** Any change to this form letter may result in a reduction of points under the scoring system.

South First Phase One  
c/o CRHA 500 South First Street  
Charlottesville, VA 22902

PHA or Section 8 Notification Letter

**DATE:** 2-15-21

**TO:** John M Sales, Executive Director CRHA  
500 S First Street  
Charlottesville, VA 22902

**RE:** PROPOSED AFFORDABLE HOUSING DEVELOPMENT

Name of Development: South First Phase One

Name of Owner: South First Phase One, LLC

I would like to take this opportunity to notify you of a proposed affordable housing development to be completed in your jurisdiction. We are in the process of applying for federal low-income housing tax credits from Virginia Housing. We expect to make a representation in that application that we will give leasing preference to households on the local PHA or Section 8 waiting list. Units are expected to be completed and available for occupancy beginning on 8-1-23

The following is a brief description of the proposed development:

Development Address:

1000 S First Street, Charlottesville, VA 22902

Proposed Improvements:

<input checked="" type="checkbox"/> New Constr.:	<u>62</u>	# units	<u>3</u>	# Bldgs
<input type="checkbox"/> Adaptive Reuse:	<u>        </u>	# units	<u>        </u>	# Bldgs
<input type="checkbox"/> Rehabilitation:	<u>        </u>	# units	<u>        </u>	# Bldgs

Proposed Rents:

<input type="checkbox"/> Efficiencies:	\$ <u>        </u>	/ month
<input checked="" type="checkbox"/> 1 Bedroom Units:	\$ <u>750-1046</u>	/ month
<input checked="" type="checkbox"/> 2 Bedroom Units:	\$ <u>520-1144</u>	/ month
<input checked="" type="checkbox"/> 3 Bedroom Units:	\$ <u>630-1376</u>	/ month
<input type="checkbox"/> 4 Bedroom Units:	\$ <u>        </u>	/ month

Other Descriptive Information:

New construction of 3 garden-style buildings containing 1, 2, and 3 bedroom apartments. Twenty-four units will be subsidized with project-based section 8 thirteen units will be subsidized with public housing subsidy., and 25 units will be restricted to low income housing rents only.

# PHA or Section 8 Notification Letter

---

---

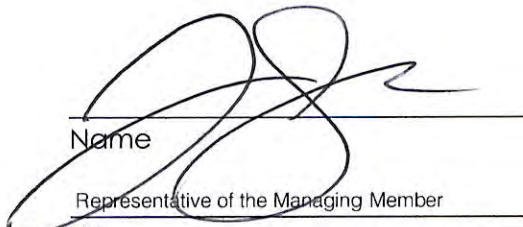
---

We appreciate your assistance with identifying qualified tenants.

If you have any questions about the proposed development, please call me at 424-9297.


Please acknowledge receipt of this letter by signing below and returning it to me.

Sincerely yours,



\_\_\_\_\_  
Name  
\_\_\_\_\_  
Representative of the Managing Member  
\_\_\_\_\_  
Title

**To be completed by the Local Housing Authority or Sec 8 Administrator:**

Seen and Acknowledged By:  \_\_\_\_\_

Printed Name: John M. Sales \_\_\_\_\_

Title: Executive Director \_\_\_\_\_

Phone: (434) 227-1169 \_\_\_\_\_

Date: 03/02/2021 \_\_\_\_\_

M

Locality CEO Response  
Letter



# CITY OF CHARLOTTESVILLE

*"To be One Community Filled with Opportunity"*

Office of The City Manager

P.O. Box 911 • Charlottesville, Virginia 22902

Telephone 434-970-3101

Fax 434-970-3890

www.charlottesville.org



2.22.2021


JD Bondurant  
Virginia Housing Development Authority  
601 South Belvidere Street  
Richmond, Virginia 23220

VHDA Tracking Number: 2021-C-19  
Development Name: South First Phase One  
Name of Owner/Applicant: South First Phase One, LLC

Dear Mr. Bondurant:

The construction or rehabilitation of the above-named development and the allocation of federal housing tax credits available under IRC Section 42 for said development will help to meet the housing needs and priorities of Charlottesville. Accordingly, the City of Charlottesville supports the allocation of federal housing tax credits requested by South First Phase One, LLC for this development.

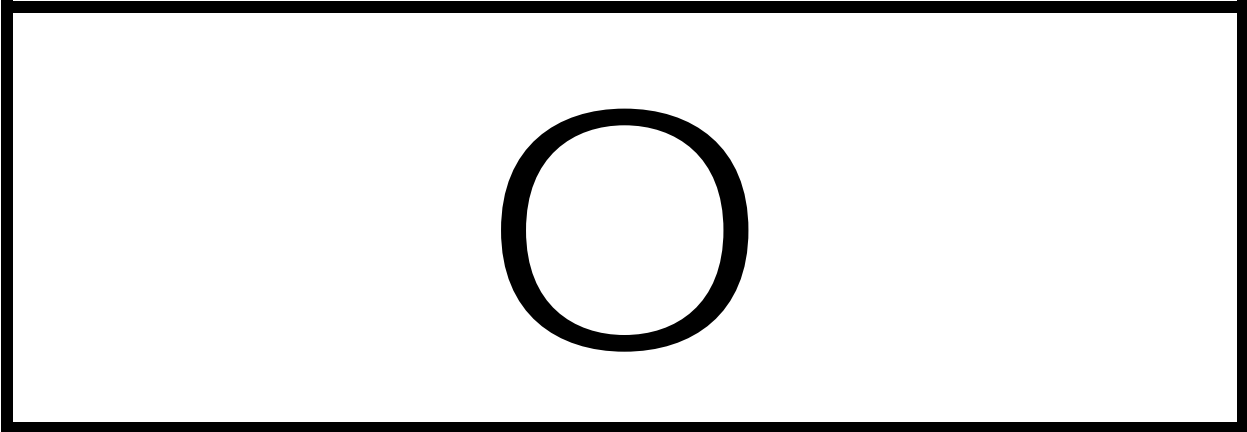
Yours truly,

  
\_\_\_\_\_  
Signature  
Charles P. Byles, II  
\_\_\_\_\_  
[CEO Name]  
City Manager  
\_\_\_\_\_  
[Title]

N

Homeownership Plan

Not Applicable to this Project



O

Plan of Development  
Certification Letter

CITY OF CHARLOTTESVILLE  
"A World Class City"



Department of Neighborhood Development Services

City Hall • P.O. Box 911  
Charlottesville, Virginia 22902  
Telephone 434-970-3182  
Fax 434-970-3359  
www.charlottesville.org

**Plan of Development Certification**

**DATE:** January 28, 2021

**TO:** Virginia Housing Development Authority  
601 South Belvidere Street  
Richmond, Virginia 23220  
Attention: JD Bondurant

**RE:** PLAN OF DEVELOPMENT CERTIFICATION

Name of Development: South First Street Phase One  
Name of Owner/Applicant: South First Street Phase One, LLC  
Name of Seller/Current Owner: South First Street Phase One, LLC

The above-referenced Owner/Applicant has asked this office to complete this form letter regarding the site plan of the proposed Development (more fully described below). This certification is rendered solely for the purpose of confirming the status of plan of development or site plan approval of the Development. It is understood that this letter will be used by the Virginia Housing Development Authority solely for the purpose of determining whether the Development qualifies for points available under VHDA's Qualified Allocation Plan.

**DEVELOPMENT DESCRIPTION:**

Development Address:  
1000 S. First Street  
Charlottesville, VA 22902

Legal Description:  
See attached  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Plan of Development Number: \_\_\_\_\_

Proposed Improvements:

<input checked="" type="checkbox"/> New Construction:	<u>62</u> # Units	<u>3</u> # Buildings	<u>83,512</u> Total Floor Area
<input type="checkbox"/> Adaptive Reuse:	<u>    </u> # Units	<u>    </u> # Buildings	<u>    </u> Total Floor Area
<input type="checkbox"/> Rehabilitation:	<u>    </u> # Units	<u>    </u> # Buildings	<u>    </u> Total Floor Area

Other Descriptive Information:

---


---

**LOCAL CERTIFICATION:**

Check one of the following as appropriate:

- The proposed development described above has an approved final plan of development or site plan (as applicable to the site). No further plan of development or site plan approval is required before issuance of a building permit.
- The proposed development is an existing development with proposed renovations and no additional plan of development approval is needed.

The above plan of development approval is in effect until: 3/14/2024

  
Signed  
ALEXANDER IKEFUNA  
Printed Name  
NDS DIRECTOR  
Title  
(434) 970-3127  
Phone  
1/28/2021  
Date

NOTES TO LOCALITY:

1. Return this certification to the developer for inclusion in the tax credit application package.
2. Any change in this form may result in a reduction of points under the scoring system. If you have any questions, please call the Tax Credit Allocation Department at (804) 343-5518.

## EXHIBIT A

That certain lot, piece or parcel of land, lying and being in City of Charlottesville, Virginia, known and designated as "Parcel B", containing 3.00 acres, more or less, as shown on that certain plat entitled "Subdivision Plat of Property of Charlottesville Redevelopment and Housing Authority having Parcel Number 260115000, City of Charlottesville, Virginia, dated December 6, 2018", dated December 6, 2018, revised per City Comment on January 7, 2019, February 7, 2019, and last revised on February 21, 2019, made by MidAtlantic Surveying and Land Design, and duly recorded in the Clerk's Office of the Circuit Court for the city of Charlottesville, Virginia, in instrument No. 201900000770.

BEING a portion of the same real estate conveyed to Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia by Deed from Frank IX & Sons Virginia Corp., a New Jersey corporation, formerly Frank IX & Sons Sheraton Mills Corporation, dated February 26, 1969 and recorded on March 20, 1969 in the Clerk's Office of the Circuit Court of the city of Charlottesville, Virginia in Deed Book 306 , page 254.

Order entered in the Corporation Court of the City of Charlottesville in the case styled Charlottesville Redevelopment and Housing Authority v. Mamie C. Jacobs, a copy of said order being recorded in Deed Book 316, page 187 and Final Order recorded in Deed Book 316, page 190 in the aforesaid Clerk's Office.

Ordinance Closing, Vacating and Discontinuing a Portion of Unopened Ware Street in the City of Charlottesville, recorded attached to instrument recorded in Deed Book 409, page 3 (said copy of the ordinance being recorded at page7) in the aforesaid Clerk's Office. Said Ordinance also being filed in Street Resolution Book 1, page 79 which closed portions of Ware Street.

P

Copies of 8609s to  
Certify Developer  
Experience and  
Partnership agreements

Not Applicable

Q

Documentation of  
Rental Assistance, Tax  
Abatement and/or  
Existing HUD/RD



**ORDINANCE**  
**AUTHORIZING A GRANT OF PUBLIC FUNDING**  
**TO SUBSIDIZE CONSTRUCTION OF FOR-RENT AFFORDABLE**  
**HOUSING TO BE OCCUPIED BY PERSONS OF LOW AND MODERATE**  
**INCOME AS PART OF A REDEVELOPMENT OF PUBLIC HOUSING**  
**(SOUTH FIRST STREET PHASE ONE REDEVELOPMENT)**

**WHEREAS**, the production of new housing for persons of low and moderate income is a public purpose and use for which the General Assembly has authorized public funds to be expended, and such production is a governmental function of concern to the Commonwealth of Virginia; and

**WHEREAS**, pursuant to Virginia Code §15.2-958 the City of Charlottesville may, by ordinance, make grants or loans to the owners of residential rental property occupied, or to be occupied, following construction, by persons of low or moderate income; and

**WHEREAS**, Charlottesville Redevelopment and Housing Authority (“CRHA”) is a political subdivision of the Commonwealth of Virginia, organized and operating under the laws of the Commonwealth of Virginia and having the purposes and authority set forth within Virginia Code Title 36, Chapter 1 (Housing Authorities Law), and the City of Charlottesville, acting by and through its City Council, is authorized to make grants or loans to CRHA to enable or assist CRHA to carry out its purposes; and

**WHEREAS**, pursuant to Virginia Code § 36-19.2 the City of Charlottesville has requested that the CRHA address the redevelopment of existing public housing sites and the provision of additional affordable housing units that will be committed for rental to persons of low and moderate income; and

**WHEREAS**, CRHA is planning the redevelopment of its property on South First Street in multiple phases, funded by Low Income Housing Tax Credit (LIHTC) program funding, loans, private donations, and a grant of local funding from the City of Charlottesville; and

**WHEREAS**, CRHA has requested the City of Charlottesville award a grant of funding to subsidize the costs of producing new units of residential rental property occupied, or to be occupied, following construction, by persons of low and moderate-income, said undertaking being described in CRHA’s Mixed Finance Development Proposal submitted to the Department of Housing and Urban Development in 2020, referred to as “South First Street Phase One” (the “Project”), as well as to subsidize the costs of maintaining those units in residential rental use for a period longer than ten years; and

**WHEREAS**, the City is willing to provide the requested local funding, subject to certain certifications and assurances, and binding obligations, as set forth within this Ordinance; and

**WHEREAS**, in consideration of the funding to be provided by the City for the Project, CRHA has agreed to provide certifications and assurances, and to enter into certain binding obligations, as set forth within this Ordinance;

**NOW, THEREFORE, BE IT ORDAINED** by the Charlottesville City Council that local public funding is hereby approved, subject to the following conditions:

**Section 1. Public purpose of the City Grant**

A grant of City funding (“Grant Funds”) is hereby authorized (i) to support the construction of new for-rental housing units within a housing development project referred to as South First Street Phase One (“Project”), as more specifically described herein below, and (ii) to support the operation of the residential units within the Project in residential rental use, over a period of no less than fifteen (15) years, or the expiration of the initial compliance period applicable to the Project under the Low Income Housing Tax Credit Program (“LIHTC”), whichever first occurs.

**Section 2. Representations and warranties; remedies for breach**

The Charlottesville Redevelopment and Housing Authority (“CRHA”), the Charlottesville Community Development Corporation (“CCDC”), and South First Phase One, LLC (the “Project Owner”), shall through their duly authorized officers, members, or agents, execute a written acceptance of the terms and conditions of the Grant Funding awarded by this Ordinance, and as part of that written acceptance each entity shall verify that they have made the following representations and warranties to the City, each of which is a material representation and warranty that has induced the City to make this Grant:

(A) The CCDC is the Developer of the Project.

(B) Grant Funds provided for the purpose of supporting the production of affordable residential rental units shall be used or expended exclusively for costs and expenditures expressly authorized within Section 3, Paragraph (A), herein below.

In the event of a breach of this warranty, then in addition to any other remedies available to the City, CRHA and the CCDC shall be jointly and severally obligated to repay to the City all amount(s) used or expended in breach of this warranty. All amounts to be repaid to the City shall be due and owing to the City within thirty (30) days after the written notice of breach given by the City, unless the breach is cured by the CCDC or CRHA within the 30-day period. (Due Date: 30 days after the date of the notice). If the City does not receive payment in full within the 30-day period, then the City shall not thereafter make any additional disbursement(s) of Grant Funding referenced within Section 3 (A) of this Ordinance, and the City shall have the right to institute proceedings to collect the amounts due under this paragraph.

(C) Following completion of construction, each of the residential units within the Project shall be reserved for rental by low and moderate income individuals throughout a term (“Affordability Period”) that is co-extensive with the term of a long-term ground lease entered into between CRHA, as landlord, and the Project Owner, as tenant (“Ground Lease”). The Ground Lease shall contain the following terms and conditions: for the first forty (40) years of the term of the Ground Lease, the demised premises described therein shall be used exclusively for

residential purposes and related amenities; thereafter, in addition to residential uses previously established within the Project, the premises may also be used for commercial purposes. CRHA shall not amend the Ground Lease to modify or delete the provisions required by this paragraph, except with the advance written notice to the City.

In the event of a breach of this warranty, then in addition to any other remedies available to the City, the City shall give written notice to CRHA and the Project Owner and, if the breach is not cured within thirty (30) days after the date of such notice, the City shall not thereafter make any additional payment(s) of Grant Funds under Section 3(B) of this Ordinance.

(D) On the date as of which construction of the Project is complete:

**(i)** the Project shall include no fewer than thirteen (13) units of Public Housing legally obligated to be operated in accordance with Va. Code §36-22 and/or federal public housing requirements, including, without limitation, a Declaration of Trust/ Restrictive Covenants recorded in the land records of the City; and

**(ii)** in addition to the required public housing units, the Project shall contain no fewer than forty-nine (49) for-rent affordable dwelling units legally obligated to be operated as follows: twenty-four (24) units shall participate in the project-based [federal] Section 8 program, and twenty-five (25) units shall be legally obligated to be reserved for occupancy by persons having a household income at or below sixty-percent (60%) of Charlottesville's Area Median Income.

For purposes of this paragraph (D) the term "legally obligated" refers either to a land use restriction imposed within an instrument recorded in the land records of the Charlottesville Circuit Court, or to a grant assurance or obligation given to the Department of Housing and Urban Development, the Virginia Department of Housing and Community Development or other federal or state public agency or funding source.

In the event of a breach of the warranties set forth in this paragraph (D), in addition to any other remedies available to the City, the City shall give written notice of breach to CRHA and the Project Owner and, if the breach is not cured within thirty (30) days after the date of such notice, the City shall not thereafter make any additional payment(s) of Grant Funds under Section 3 (B) of this Ordinance.

**(E) CRHA will continue to make annual payments in lieu of taxes (PILOT) to the City, in accordance with the Cooperation Agreement entered into between the City and CRHA, dated May 13, 1958, as amended, provided that any residential units within the Project that are owned by an entity other than CRHA or CCDC will not be part of the PILOT calculation.**

**(F) CRHA will prepare a written Sustainability Plan for the purpose of demonstrating the levels at which CRHA and the Project Owner will establish and provide operational funding and capital and other reserves sufficient to assure the continued use of all of the residential units within the Project as affordable rental units for a period not less than 40 years from the Commencement Date of the Ground Lease for the Project. The Sustainability Plan shall be given to City Council**

in writing, and it shall be presented to City Council at a public meeting for Council's discussion and consideration. No City funding will be approved by Council for Phase Two of the redevelopment of CRHA's South First Street property, until CRHA has obtained a vote of confidence, by a majority vote of City Council, affirming that Council is satisfied as to the adequacy of the Sustainability Plan.

(G) Miscellaneous

i. City shall have a right to compel performance of these warranties by CRHA, the CCDC and the Project Owner, and to collect any payments due to the City, through legal action initiated within a court having jurisdiction within the City of Charlottesville, Virginia.

ii. Interest shall accrue at the rate of six (6) percent per annum on all amounts due and owing to the City pursuant to this Section 2, from the Due Date until paid.

iii. No forbearance by the City in exercising any right or remedy afforded either by this Ordinance, or by the laws of the Commonwealth of Virginia, shall constitute a waiver of or preclude the exercise of any such right or remedy. The rights and remedies set forth within this Ordinance are cumulative and the use of any one right or remedy by the City shall not preclude or waive its right to use any or all other remedies. All of said rights and remedies are in addition to any other rights the City may have by law, statute, ordinance or otherwise.

iv. Throughout the fifteen (15) year initial compliance period of the LIHTC program, the Project Owner will promptly notify the City of its receipt of any notice or determination stating that the Project does not comply with the requirements of the LIHTC program, and the Project Owner shall provide a copy of any such notice or determination to the City Attorney.

**Section 3. Authorized Expenditures; Budget**

(A) City Council hereby approves funding in an amount up to **\$1,125,000** to subsidize the cost of producing new units of residential rental property occupied, or to be occupied, following construction by persons of low and moderate income. Grant Funds disbursed as authorized by this Ordinance shall not be used or expended for payment of current expenses of CRHA, the CCDC or any other legal entity. The Grant Funds shall be used only to pay the following costs of the Project (subject further to the limit on "soft costs" as set forth below): the cost of improvements, property or equipment, the cost of construction or reconstruction, the cost of all labor, materials, machinery and equipment, the cost of all land, property, rights, easements and franchises acquired, financing charges, interest before and during construction and for up to one year after completion of construction, Project start-up costs, and operating capital for the Project, and other expenses as may be necessary or incident to the financing or construction of the Project.

Notwithstanding the foregoing:

- i. not more than **\$144,000.00** of the Grant Funds shall be used to pay “soft costs”, including, without limitation, the cost of plans and specifications, surveys and estimates of cost and of revenues, the cost of engineering, legal and other professional services, expenses incident to determining the feasibility or practicability of the project, the Developer’s administrative expenses, amounts to be deposited to reserve or replacement funds, and other similar expenses associated with Project feasibility, planning or design;
- ii. if construction of the buildings within the Project is not commenced on or before **June 30, 2021**, this Grant shall expire and the City shall have no obligation to the Recipient hereunder; and
- iii. the CCDC shall establish a Budget for construction of the Project, and will submit the Budget to the City for its review. The City will communicate in writing to the CCDC within ten (10) business after receipt of the Budget whether or not the City has any concerns. After the Budget is reviewed and the City has responded to Recipient, all subsequent changes to the Budget shall likewise be subject to review and comment by the City.

(B) In addition to the funding approved in Section 3(A), above, City Council also hereby approves an annual recurring subsidy for the purpose of inducing CRHA, CCDC and the Project Owner to undertake and complete the Project and as an inducement for the Project Owner to operate the Project pursuant to the terms of this Ordinance. The amount of the annual subsidy shall be the dollar amount of the real estate taxes assessed and billed to the Project owner for each tax year (January 1 – December 31). This subsidy shall be available with respect to the Project for a total of fifteen (15) tax years, beginning with the first tax year in which the Project Owner receives a real estate assessment and bill for the Project, or until the expiration of the LIHTC initial compliance period, whichever first occurs. Notwithstanding the foregoing, the subsidy shall not be payable by the City within any tax year in which the household incomes of renters, and maximum rents, of residential units within the Project are not in compliance with income and rent requirements set forth within the Extended Use Agreement executed by the Project Owner for and in connection with the LIHTC Tax Credit program. The annual subsidy shall be paid as a grant by the City to CRHA. CRHA agrees to provide said grant funds to CCDC, which will in turn provide a loan of those funds to the Project Owner for use in the development and operation of the Project in compliance with the terms of this Ordinance.

- i. While recognizing that it is not empowered under Virginia law to make any binding commitment beyond the current fiscal year of the City, it is the current intention of the Council to make sufficient annual appropriations to fund the annual subsidy for which Grant Funds are approved under this Section 3 (B). To that end, the City Manager or other officer charged with the responsibility of preparing the City’s budget shall include in the proposed budget for each fiscal year of the City a request that the Council

appropriate sufficient amounts to cover the annual subsidy referenced within this Section 3 (B).

- ii. If at any time during any fiscal year of the City, the amount appropriated in the City's annual budget is insufficient to pay the annual subsidy referenced within this Section 3 (B), then the City Manager or other officer charged with the responsibility of preparing the City's budget shall submit to the Council, as promptly as practicable, a request for a supplemental appropriation sufficient to cover the deficit.

#### **Section 4. Disbursement of Grant Proceeds**

##### **(A) Preconditions, General**

No City official or employee shall disburse any Grant proceeds authorized by Section 3 (A) or 3 (B), unless and until the Recipient has furnished all of the following documents to the City for the Project:

- i. Evidence of HUD Approval: copies of all written approvals required from the Department of Housing and Urban Development for the Project, specifically including, without limitation: HUD's approval of Recipient's applications seeking approval of a Mixed Finance Development and for approval of a Demolition/Disposition of Recipient's property.
- ii. Documents of Record: copies of each of the following fully-executed documents, or written notice given to the City identifying the deed book and page number at which the documents are recorded in the land records of the Charlottesville Circuit Court (if the documents are required to be recorded):
  - a. Memorandum of the Ground Lease for the Project (fully-executed) along with a fully-executed copy of the Ground Lease for the Project;
  - b. HUD Declaration of Trust/ Restrictive Covenants for the Project;
  - c. The Regulatory and Operating Agreement executed for the Project by and among the members of the entity that is the Project Owner;
  - d. A copy of the Consolidated Annual Contributions Contract ("ACC"), number P-5513, dated August 30, 1996, and all amendments thereto
  - e. Fully-executed Mixed-Finance Development Certifications and Assurances (HUD) for the Project
  - f. Fully-executed Extended Use Agreement executed by the Project Owner for and in connection with the LIHTC Tax Credit Program.

- iii. Construction Contract and Schedule: a copy of the contract for construction executed between the Project Owner and the General Contractor for Construction, and a copy of the approved Construction Schedule that will be implemented by the Construction Contractor.
- iv. Building Permit: evidence that a building permit for the Project has been approved and issued.
- v. The Budget for the Project (see Section 3, above).

**(B) Disbursements for Expenditures Authorized by Section 3 (A)**

- i. CRHA or the CCDC may, in writing, request disbursements of the Grant Funds authorized by Section 3 (A) of this Ordinance, and disbursements may be made by the City from time to time, as construction of the Project progresses. Disbursement requests may be submitted to the City, no more frequently than the following Milestone Dates, and only in the amounts indicated:
  - a. **Request 1 (not to exceed \$500,000)**: may be submitted on or after the date on which the City verifies that it is in possession of all of the documents referenced in 4(A), above. Disbursement Request 1 shall not be deemed complete until the City verifies that it has received all of the required documents. The City's receipt of all of the required documents is a condition precedent to any obligation on the City's part to disburse the Grant Funds.
  - b. **Request 2 (not to exceed \$343,750)**: may be submitted to the City on or after the date on which the City verifies that it has received all of the following: **(i)** a document verifying the date on which construction was commenced; **(ii)** a copy of the first payment application submitted by the General Construction Contractor to the Project Owner, **and (iii)** copies of financial and accounting records kept in the normal course of business, demonstrating to the satisfaction of the City that all Grant Funds disbursed in response to Request 1 were used only to pay costs authorized pursuant to Section 3(A), above. Financial and accounting records shall include, without limitation: copies of invoices for specific amounts, written descriptions of the materials or services described in the invoices in sufficient detail to demonstrate eligibility for Grant Funding pursuant to Section 3(A), above, and corresponding evidence of payment of said invoices by check, wire transfer, etc. Purchase Orders or other encumbrances shall not be acceptable as evidence of payment. Disbursement Request 2 shall not be deemed complete until the City verifies that it has received all of the required documents and records. The City's

receipt of all the required documents and records is a condition precedent to any obligation on the City's part to disburse the Grant Funds to the Recipient.

- c. **Request 3 (not to exceed \$281,250)** may be submitted to the City on or after the date on which the City verifies that it has received all of the following: **(i)** copies of financial and accounting records kept in the normal course of business, demonstrating to the satisfaction of the City that all Grant Funds disbursed in response to Request 2 were used only to pay costs authorized pursuant to Section 3(A), above. The words "financial and accounting records" shall mean and include, without limitation: copies of invoices for specific amounts, written descriptions of the materials or services described in the invoices in sufficient detail to demonstrate eligibility for Grant Funding pursuant to Section 3(A), above, and corresponding evidence of payment of said invoices by check, wire transfer, etc. Purchase Orders or other encumbrances shall not be acceptable as evidence of payment.; **(ii)** evidence, satisfactory to the City, that no Grant Funds previously disbursed to Recipient remain unspent (i.e., financial and accounting records demonstrate that all previously-disbursed Grant Funds have been used to pay costs authorized pursuant to Section 3 (A) of this Ordinance); **(iii)** a budget-to-actual expenditure report for the Project, current through the date of the disbursement request; and **(iv)** a Construction Schedule report, documenting the actual progress of construction (inclusive of public infrastructure and housing units) compared with the approved Construction Schedule for the Project. Disbursement Request 3 shall not be complete, until the City verifies that it has received all of the required documents. The City's receipt of all the requested documents is a condition precedent to any obligation on the City's part to disburse the Grant Funds to the Recipient.

- ii. The City shall issue payment of Grant Funds to the Recipient, in the specified amount, within 30 days of the City's receipt of a complete Disbursement Request. It shall be the sole responsibility of CRHA, the CCDC and the Project Owner to deliver all required documents to the City as a complete application package, along with any written Disbursement Request Form the City Manager or Finance Director may require.

**(C) Payment of the Annual Subsidy Authorized by Section 3(B)**

The City Manager, in consultation with the City Assessor and the Treasurer, shall establish administrative forms and procedures by which CRHA may request and receive the annual subsidy authorized by Section 3(B) of this Ordinance.

**Section 5. General Grant Conditions**



(A) Compliance with Government Requirements. In all of its actions and activities undertaken to provide for the construction, management and operation of the Project, the Recipient shall comply with:

- i. Any Recovery Agreement entered into between Recipient and the Department of Housing and Urban Development on or after July 1, 2020,
- ii. The 1958 Cooperation Ordinance between CRHA and the City, as amended,
- iii. The Consolidated Annual Contributions Contract (“ACC”), number P-5513, dated August 30, 1996, and all amendments thereto,
- iv. The Ground Lease between CRHA and the Project Owner,
- v. The Declaration of Trust/ Restrictive Covenants for the Project,
- vi. The Regulatory and Operating Agreement between CRHA and the Project Owner,
- vii. HUD’s Mixed-Finance Development Certifications and Assurances for the Project, and
- viii. Any other legal obligations and requirements imposed on the Project, or any aspect of the Project, as a result of any federal or state law, regulation or grant Ordinance, or by any City ordinance.

(B) Project Approval. By its adoption of this Ordinance, the City Council approves the Project for which the Grant Funds are awarded and requests the Recipient to construct and operate the Project. (Va. Code §36-19(2)). Before the Recipient gives final approval to the Budget for the Project, Recipient shall hold at least one public hearing to receive the views of residents of the City of Charlottesville. The Recipient shall cause public notice to be given at least 10 days prior to the public hearing, by publication in a newspaper having a general circulation within the City of Charlottesville, as required by Va. Code §36-19.2.

(C) Public Disclosure of Ordinance Documents: The Recipient acknowledges and understands that this Ordinance, and all related public proceedings and records, shall be open to the inspection of any citizen or any interested person, firm or corporation, in accordance with the Virginia Freedom of Information Act (Va. Code §2.2-3700 et seq.) and the Virginia Public Procurement Act (Va. Code §2.2-4300 et seq.) to the extent that either of those laws applies.

(D) No Waivers: No failure on the part of the City to enforce any provision(s) of this Ordinance shall be construed as or deemed to be a waiver of the right to enforce such terms or conditions. No waiver by the City of any breach or failure to perform by the Recipient shall be construed as or deemed to be a waiver of any other and/or subsequent breach or failure to perform.

(E) Severability: In the event that any term, provision, or condition of this Ordinance, or the application thereof to any person or circumstance, shall be held by a Court of competent jurisdiction to be invalid or unenforceable, the remainder of this Ordinance, and the application of any term, provision or condition contained herein, to any person or

circumstance other than those to which it has been held invalid or unenforceable, shall not be affected thereby.

(F) No Other Understandings: There are no understandings or agreements between the City and the Recipient, other than those set forth within this Ordinance, and the provisions of this Ordinance supersede all prior conversations, discussions, correspondence, memoranda, or other communications between or among any employees or officials of the City and the Recipient.

(G) Notices: All notices required by this Ordinance shall be given in writing, and shall be deemed to be received on the date that is either:

- i. five (5) business days after being mailed by first class mail, postage prepaid, return receipt requested, or
- ii. one (1) business day after being placed for next day delivery with a nationally recognized overnight courier service, or
- iii. the same date on which the notice is delivered by hand to the City.

All notices shall be addressed as follows: (i) if given to the City—to the City Manager, with a copy to the City Attorney, each to: 605 East Main Street, Second Floor, City Hall (P.O. Box 911), Charlottesville, Virginia, 22902, or (ii) if given to the Recipient—to Charlottesville Redevelopment and Housing Authority, Attention: Executive Director, 500 South 1st Street, Charlottesville, Virginia, 22902.

(H) Authorized Signatures: The Clerk of Council shall provide a certified copy of this Ordinance, along with a written Grant Acceptance Form approved by the City Attorney. The Grant Acceptance Form shall be signed by a duly authorized officer, member or agent of CRHA, the CCDC, and the Project Owner.

March 9, 2021

Mr. JD Bondurant  
LIHTC Program Director  
Virginia Housing Development Authority  
601 S. Belvidere Street  
Richmond, VA 23220-6500

Re: South First Phase One, LLC  
2021-C-19

Dear Mr. Bondurant:

The Charlottesville Redevelopment and Housing Authority (CRHA) administers the Section 8 housing program for the City of Charlottesville with a capacity of approximately 344 housing choice vouchers.


The CRHA also operates a public housing program under an Annual Contributions Contract with HUD consisting of 376 units.

The CRHA has been approved by HUD for authority to develop new housing on the South First Phase One site as a "mixed finance" project. As part of that application, the Charlottesville Redevelopment and Housing Authority has committed to project-base 24 housing choice vouchers, and 13 Section 9 units in order to subsidize all 37 of the 62 apartments in the development.

Please don't hesitate to contact me if you should have any further questions about this commitment.

Thank you for your attention to this matter.

Sincerely,



John M. Sales  
Executive Director

**U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing**

**SECTION 8 PROJECT-BASED VOUCHER PROGRAM**

**AGREEMENT TO ENTER INTO A  
HOUSING ASSISTANCE PAYMENTS CONTRACT**

**NEW CONSTRUCTION OR REHABILITATION**

**PART I**

Public reporting burden for this collection of information is estimated to average 0.5 hours. This includes the time for collecting, reviewing and reporting the data. The information is being collected as required by 24 CFR 983.152, which requires the PHA to enter into an Agreement with the owner prior to execution of a HAP contract for PBV assistance as provided in §983.153. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number. Assurances of confidentiality are not provided under this collection.

Privacy Act Statement. HUD is committed to protecting the privacy of individuals' information stored electronically or in paper form, in accordance with federal privacy laws, guidance, and best practices. HUD expects its third-party business partners, including Public Housing Authorities, who collect, use maintain, or disseminate HUD information to protect the privacy of that information in Accordance with applicable law.

## **1.1 Parties**

This Agreement to Enter into Housing Assistance Payments Contract (“Agreement”) is between:

Charlottesville Redevelopment and Housing Authority (“PHA”) and  
South First Phase One, LLC (“owner”).

## **1.2 Purpose**

The owner agrees to develop the Housing Assistance Payments Contract (“HAP Contract”) units to in accordance with Exhibit B and to comply with Housing Quality Standards (“HQS”), and the PHA agrees that, upon timely completion of such development in accordance with the terms of the Agreement, the PHA will enter into a HAP Contract with the owner of the Contract units.

### 1.3 Contents of Agreement

This Agreement consists of Part I, Part II, and the following Exhibits:

EXHIBIT A: The approved owner's PBV proposal. (Selection of proposals must be in accordance with 24 CFR 983.51.)

EXHIBIT B: Description of work to be performed under this Agreement, including:

- if the Agreement is for rehabilitation of units, this exhibit must include the rehabilitation work write-up and, where the PHA has determined necessary, specifications and plans.
- if the Agreement is for new construction of units, the work description must include the working drawings and specifications.
- any additional requirements beyond HQS relating to quality, design and architecture that the PHA requires.
- work items resulting from compliance with the design and construction requirements of the Fair Housing Act and implementing regulations at 24 CFR 100.205, the accessibility requirements under section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR 8.22 and 8.23, and accessibility requirements under Titles II and III of the Americans with Disabilities Act at 28 CFR parts 35 and 36, as applicable.

EXHIBIT C: Description of housing, including:

- project site.
- total number of units in project covered by this Agreement.
- locations of contract units on site.
- number of contract units by area (size) and number of bedrooms and bathrooms.
- services, maintenance, or equipment to be supplied by the owner without charges in addition to the rent to owner.
- utilities available to the contract units, including a specification of utility services to be paid by the owner (without charges in addition to rent) and utility services to be paid by the tenant.

- estimated initial rent to owner for the contract units.

EXHIBIT D: The HAP contract.

## 1.4 Significant Dates

- A. **Effective Date of the Agreement:** The Agreement must be executed promptly after PHA notice of proposal selection to the owner has been given. The PHA may not enter this Agreement with the owner until a subsidy layering review has been performed and an environmental review has been satisfactorily completed in accordance with HUD requirements.
- B. A project may either be a single-stage or multi-stage project. A single-stage project will have the same Agreement effective date for all contract units. A multi-stage project will separate effective dates for each stage.

**Single-stage project**

- i. Effective Date for all contract units: 01/01/2021
- ii. Date of Commencement of the Work: The date for commencement of work is not later than <sup>10</sup> \_\_\_\_\_ calendar days after the effective date of this Agreement.
- iii. Time for Completion of Work: The date for completion of the work is not later than <sup>563</sup> \_\_\_\_\_ calendar days after the effective date of this Agreement.

**Multi-Stage Project**

Enter the information for each stage upon execution of the Agreement for the corresponding stage.

STAGE	NUMBER OF UNITS	EFFECTIVE DATE	DATE OF COMMENCEMENT OF WORK	TIME FOR COMPLETION OF WORK


**1.5 Nature of the Work**

- This Agreement is for **New Construction** of units to be assisted by the project-based Voucher program.
- This Agreement is for **Rehabilitation** of units to be assisted by the project-based Voucher program.

**1.6 Schedule of Completion**

- A. **Timely Performance of Work:** The owner agrees to begin work no later than the date for commencement of work as stated in Section 1.4. In the event the work is not commenced, diligently continued and completed as required under this Agreement, the PHA may terminate this Agreement or take other appropriate action. The owner agrees to report promptly to the PHA the date work is commenced and furnish the PHA with progress reports as required by the PHA.
- B. **Time for Completion:** All work must be completed no later than the end of the period stated in Section 1.4. Where completion in stages is provided for, work related to units included in each stage shall be completed by the stage completion date and all work on all stages must be completed no later than the end of the period stated in Section 1.4.
- C. **Delays:** If there is a delay in the completion due to unforeseen factors beyond the owner’s control as determined by the PHA, the PHA agrees to extend the time for completion for an appropriate period as determined by the PHA in accordance with HUD requirements.

**1.7 Changes in Work**

- A. The owner must obtain prior PHA approval for any change from the work specific in Exhibit B which would alter the design or quality of the rehabilitation or construction. The PHA is not required to approve any changes requested by the owner. PHA approval of any change may be conditioned on establishment of a lower initial rent to owner at the amounts determined by PHA.

- B. If the owner makes any changes in the work without prior PHA approval, the PHA may establish lower initial rents to owner at the amounts determined by PHA in accordance with HUD requirements.
- C. The PHA (or HUD in the case of insured or coinsured mortgages) may inspect the work during rehabilitation or construction to ensure that work is proceeding on schedule, is being accomplished in accordance with the terms of the Agreement, meets the level of material described in Exhibit B and meets typical levels of workmanship for the area.

### 1.8 Work completion

- A. Conformance with Exhibit B: The work must be completed in accordance with Exhibit B. The owner is solely responsible for completion of the work.
- B. Evidence of Completion: When the work is completed, the owner must provide the PHA with the following:
  - 1. A certification by the owner that the work has been completed in accordance with the HQS and all requirements of this Agreement.
  - 2. A certification by the owner that the owner has complied with labor standards and equal opportunity requirements in the development of the housing. (See 24 CFR 983.155(b)(1)(ii).)
  - 3. Additional Evidence of Completion: At the discretion of the PHA, or as required by HUD, this Agreement may specify additional documentation that must be submitted by owner as evidence of completion of the housing. Check the following that apply:
    - A certificate of occupancy or other evidence that the contract units comply with local requirements.
    - An architect's or developer's certification that the housing complies with:
      - the HQS;
      - State, local, or other building codes;
      - Zoning;
      - The rehabilitation work write-up for rehabilitated housing;



- The work description for newly constructed housing; or
- Any additional design or quality requirements pursuant to this Agreement.

### **1.9 Inspection and Acceptance by the PHA of Completed Contract Units**

- A. Completion of Contract Units: Upon receipt of owner notice of completion of Contract units, the PHA shall take the following steps:
  - 1. Review all evidence of completion submitted by owner.
  - 2. Inspect the units to determine if the housing has been completed in accordance with this Agreement, including compliance with the HQS and any additional requirements imposed by the PHA under this Agreement.
- B. Non-Acceptance: If the PHA determines the work has not been completed in accordance with this Agreement, including non-compliance with the HQS, the PHA shall promptly notify the owner of this decision and the reasons for the non-acceptance. The parties must not enter into the HAP contract.
- C. Acceptance: If the PHA determines housing has been completed in accordance with this Agreement, and that the owner has submitted all required evidence of completion, the PHA must submit the HAP contract for execution by the owner and must then execute the HAP contract.

### **1.10 Acceptance where defects or deficiencies are reported:**

- A. If other defects or deficiencies exist, the PHA shall determine whether and to what extent the defects or deficiencies are correctable, whether the units will be accepted after correction of defects or deficiencies, and the requirements and procedures for such correction and acceptance.
- B. Completion in Stages: Where completion in stages is provided for, the procedures of this paragraph shall apply to each stage.

### **1.11. Execution of HAP Contract**

- A. Time and Execution: Upon acceptance of the units by the PHA, the owner and the PHA execute the HAP contract.

- B. Completion in Stages: Where completion in stages is provided for the number and types of units in each stage, and the initial rents to owner for such units, shall be separately shown in Exhibit C of the contract for each stage. Upon acceptance of the first stage, the owner shall execute the contract and the signature block provided in the contract for that stage. Upon acceptance of each subsequent stage, the owner shall execute the signature block provided in the contract for such stage.
- C. Form of Contract: The terms of the contract shall be provided in Exhibit D of this Agreement. There shall be no change in the terms of the contract unless such change is approved by HUD headquarters. Prior to execution by the owner, all blank spaces in the contract shall be completed by the PHA.
- D. Survival of owner Obligations: Even after execution of the contract, the owner shall continue to be bound by all owner obligations under the Agreement.

### **1.12 Initial determination of rents**

- A. The estimated amount of initial rent to owner shall be established in Exhibit C of this Agreement.
- B. The initial amount of rent to owner is established at the beginning of the HAP contract term.
- C. The estimated and initial contract rent for each units may in no event exceed the amount authorized in accordance with HUD regulations and requirements. Where the estimated initial rent to owner exceeds the amount authorized in accordance with HUD regulations, the PHA shall establish a lower initial rent tow owner, in accordance with HUD regulations and requirements.

### **1.13 Uniform Relocation Act**

- A. A displaced person must be provided relocation assistance at the levels described in and in accordance with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) and implementing regulations at 49 CFR part 24.
- B. The cost of required relocation assistance may be paid with funds provided by the owner, or with local public funds, or with funds available from other sources. Payment of relocation assistance must be paid in accordance with HUD requirements.

- C. The acquisition of real property for a project to be assisted under the program is subject to the URA and 49 CFR part 24, subpart B.
- D. The PHA must require the owner to comply with the URA and 49 CFR part 24.
- E. In computing a replacement housing payment to a residential tenant displaced as a direct result of privately undertaken rehabilitation or demolition of the real property, the term “initiation of negotiations” means the execution of the Agreement between the owner and the PHA.

#### **1.14 Protection of In-Place Families**

- A. In order to minimize displacement of in-place families, if a unit to be placed under Contract is occupied by an eligible family on the proposal selection date, the in-place family must be placed on the PHA’s waiting list (if they are not already on the list) and, once their continued eligibility is determined, given an absolute selection preference and referred to the project owner for an appropriately sized unit in the project.
- B. This protection does not apply to families that are not eligible to participate in the program on the proposal selection date.
- C. The term “in-place family” means an eligible family residing in a proposed contract unit on the proposal selection date.
- D. Assistance to in-place families may only be provided in accordance with the program regulations and other HUD requirements.

#### **1.15 Termination of Agreement and Contract**

The Agreement or HAP contract may be terminated upon at least 30 days notice to the owner by the PHA or HUD if the PHA or HUD determines that the contract units were not eligible for selection in conformity with HUD requirements.

#### **1.16 Rights of HUD if PHA Defaults Under Agreement**

If HUD determines that the PHA has failed to comply with this Agreement, or has failed to take appropriate action to HUD’s satisfaction or as directed by HUD, for enforcement of the PHA’s rights under this Agreement, HUD may assume the PHA’s rights and obligations under the Agreement, and may perform the obligations and enforce the rights of the PHA under the Agreement. HUD will, if it determines that the owner is not in default, pay Annual Contributions for the purpose of providing housing assistance payments with respect to the dwelling unit(s) under this Agreement for the duration of the HAP contract.

## 1.17 Owner Default and PHA Remedies

### A. Owner Default

Any of the following is a default by the owner under the Agreement:

1. The owner has failed to comply with any obligation under the Agreement.
2. The owner has violated any obligation under any other housing assistance payments contract under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).
3. The owner has committed any fraud or made any false statement to the PHA or HUD in connection with the Agreement.
4. The owner has committed fraud, bribery, or any other corrupt or criminal act in connection with any Federal housing assistance program.
5. If the property where the contract units are located is subject to a lien or security interest securing a HUD loan or mortgage insured by HUD and:
  - a. The owner has failed to comply with the regulations for the applicable HUD loan or mortgage insurance program, with the mortgage or mortgage note, or with the regulatory agreement; or
  - b. The owner has committed fraud, bribery, or any other corrupt or criminal act in connection with the HUD loan or HUD-insured mortgage.
6. The owner has engaged in any drug-related criminal activity or any violent criminal activity.

### B. PHA Remedies

1. If the PHA determines that a breach has occurred, the PHA may exercise any of its rights or remedies under the Agreement.
2. The PHA must notify the owner in writing of such determination. The notice by the PHA to the owner may require the owner to take corrective action (as verified by the PHA) by a time prescribed in the notice.

3. The PHA's rights and remedies under the Agreement include, but are not limited to: (i) terminating the Agreement; and (ii) declining to execute the HAP contract for some or all of the units.

C. PHA Remedy is not Waived

The PHA's exercise or non-exercise of any remedy for owner breach of the Agreement is not a waiver of the right to exercise that remedy or any other right or remedy at any time.

## 1.18 PHA and Owner Relation to Third Parties

A. Selection and Performance of Contractor

1. The PHA has not assumed any responsibility or liability to the owner, or any other party for performance of any contractor, subcontractor or supplier, whether or not listed by the PHA as a qualified contractor or supplier under the program. The selection of a contractor, subcontractor or supplier is the sole responsibility of the owner and the PHA is not involved in any relationship between the owner and any contractor, subcontractor or supplier.
2. The owner must select a competent contractor to undertake rehabilitation or construction. The owner agrees to require from each prospective contractor a certification that neither the contractor nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in contract by the Comptroller General or any federal Department or agency. The owner agrees not to award contracts to, otherwise engage in the service of, or fund any contractor that does not provide this certification.

B. Injury Resulting from Work under the Agreement: The PHA has not assumed any responsibility for or liability to any person, including a worker or a resident of the unit undergoing work pursuant to this Agreement, injured as a result of the work or as a result of any other action or failure to act by the owner, or any contractor, subcontractor or supplier.

C. Legal Relationship: The owner is not the agent of the PHA and this Agreement does not create or affect any relationship between the PHA and any lender to the owner or any suppliers, employees, contractor or subcontractors used by the owner in the implementation of the Agreement.

D. Exclusion of Third Party Claims: Nothing in this Agreement shall be construed as creating any right of any third party (other than HUD) to

enforce any provision of this Agreement or the Contract, or to assert any claim against HUD, the PHA or the owner under the Agreement or the Contract.

- E. Exclusion of owner Claims against HUD: Nothing in this Agreement shall be construed as creating any right of the owner to assert any claim against HUD.

### **1.19 PHA-Owned Units**

Notwithstanding Section 1.18 of this Agreement, a PHA may own units assisted under the project-based voucher program, subject to the special requirements in 24 CFR 983.59 regarding PHA-owned units.

### **1.20 Conflict of Interest**

- A. Interest of Members, Officers, or Employees of PHA, Members of Local Governing Body, or Other Public Officials
  1. No present or former member or officer of the PHA (except tenant-commissioners), no employee of the PHA who formulates policy or influences decisions with respect to the housing choice voucher program or project-based voucher program, and no public official or member of a governing body or State or local legislator who exercises functions or responsibilities with respect to these programs, shall have any direct or indirect interest, during his or her tenure or for one year thereafter, in the Agreement or HAP contract.
  2. HUD may waive this provision for good cause.
- B. Disclosure

The owner has disclosed to the PHA any interest that would be a violation of the Agreement or HAP contract. The owner must fully and promptly update such disclosures.

### **1.21 Interest of Member or Delegate to Congress**

No member of or delegate to the Congress of the United States of America or resident-commissioner shall be admitted to any share or part of the Agreement or HAP contract or to any benefits arising from the Agreement or HAP contract.

## **1.22 Transfer of the Agreement, HAP Contract, or Property**

### **A. PHA Consent to Transfer**

The owner agrees that the owner has not made and will not make any transfer in any form, including any sale or assignment, of the Agreement, HAP contract, or the property without the prior written consent of the PHA. A change in ownership in the owner, such as a stock transfer or transfer of the interest of a limited partner, is not subject to the provisions of this section. Transfer of the interest of a general partner is subject to the provisions of this section.

### **B. Procedure for PHA Acceptance of Transferee**

Where the owner requests the consent of the PHA for a transfer in any form, including any sale or assignment, of the Agreement, the HAP contract, or the property, the PHA must consent to a transfer of the Agreement or HAP contract if the transferee agrees in writing (in a form acceptable to the PHA) to comply with all the terms of the Agreement and HAP contract, and if the transferee is acceptable to the PHA. The PHA's criteria for acceptance of the transferee must be in accordance with HUD requirements.

### **C. When Transfer is Prohibited**

The PHA will not consent to the transfer if any transferee, or any principal or interested party, is debarred, suspended, subject to a limited denial of participation, or otherwise excluded under 2 CFR part 2424, or is listed on the U.S. General Services Administration list of parties excluded from Federal procurement or nonprocurement programs.

## **1.23 Exclusion from Federal Programs**

### **A. Federal Requirements**

The owner must comply with and is subject to requirements of 2 CFR part 2424.

### **B. Disclosure**

The owner certifies that:

- 1. The owner has disclosed to the PHA the identity of the owner and any principal or interested party.**

2. Neither the owner nor any principal or interested party is listed on the U.S. General Services Administration list of parties excluded from Federal procurement and nonprocurement programs; and none of such parties are debarred, suspended, subject to a limited denial of participation, or otherwise excluded under 2 CFR part 2424.

## **1.24 Lobbying Certifications**

- A. The owner certifies, to the best of the owner's knowledge and belief, that:
  1. No Federally appropriated funds have been paid or will be paid, by or on behalf of the owner, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of the Agreement or HAP contract, or the extension, continuation, renewal, amendment, or modification of the HAP contract.
  2. If any funds other than Federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the Agreement or HAP contract, the owner must complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- B. This certification by the owner is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352.

## **1.25 Subsidy Layering**

### **A. Owner Disclosure**

The owner must disclose to the PHA, in accordance with HUD requirements, information regarding any related assistance from the Federal government, a State, or a unit of general local government, or any agency or instrumentality thereof, that is made available or is expected to be made available with respect to the contract units. Such related assistance includes, but is not limited to, any loan, grant, guarantee, insurance, payment, rebate, subsidy, credit, tax benefit, or any other form of direct or indirect assistance.



B. Limit of Payments

Housing assistance payments under the HAP contract must not be more than is necessary, as determined in accordance with HUD requirements, to provide affordable housing after taking account of such related assistance. The PHA will adjust in accordance with HUD requirements the amount of the housing assistance payments to the owner to compensate in whole or in part for such related assistance.

## 1.26 Prohibition of Discrimination

- A. The owner may not refuse to lease contract units to, or otherwise discriminate against, any person or family in leasing of a contract unit, because of race, color, religion, sex, national origin, disability, age, or familial status.
- B. The owner must comply with the following requirements:
1. The Fair Housing Act (42 U.S.C. 3601–19) and implementing regulations at 24 CFR part 100 *et seq.*;
  2. Executive Order 11063, as amended by Executive Order 12259 (3 CFR 1959–1963 Comp., p. 652, and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 CFR part 107;
  3. Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d–2000d–4) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 CFR part 1;
  4. The Age Discrimination Act of 1975 (42 U.S.C. 6101–6107) and implementing regulations at 24 CFR part 146;
  5. Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at part 8 of this title;
  6. Title II of the Americans with Disabilities Act, 42 U.S.C. 12101 *et seq.*;
  7. 24 CFR part 8;
  8. Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135;

9. Executive Order 11246, as amended by Executive Orders 11375, 11478, 12086, and 12107 (3 CFR, 1964–1965 Comp., p. 339; 3 CFR, 1966–1970 Comp., p. 684; 3 CFR, 1966–1970 Comp., p. 803; 3 CFR, 1978 Comp., p. 230; and 3 CFR, 1978 Comp., p. 264, respectively) (Equal Employment Opportunity Programs) and implementing regulations at 41 CFR chapter 60;
  10. Executive Order 11625, as amended by Executive Order 12007 (3 CFR, 1971–1975 Comp., p. 616 and 3 CFR, 1977 Comp., p. 139) (Minority Business Enterprise Development); and
  11. Executive Order 12138, as amended by Executive Order 12608 (3 CFR, 1977 Comp., p. 393, and 3 CFR, 1987 Comp., p. 245) (Women’s Business Enterprise).
  12. HUD’s Equal Access Rule at 24 CFR 5.105. [OGC-Nonconcurrency: This section failed to reference protections with respect to actual or perceived sexual orientation, gender identity, or marital status in accordance with HUD’s Equal Access Rule at 24 CFR 5.105(a). Revising as indicated above is sufficient to resolve this concern.
- C. The PHA and the owner must cooperate with HUD in the conducting of compliance reviews and complaint investigations pursuant to all applicable civil rights statutes, Executive Orders, and all related rules and regulations.

## **1.27 Owner Duty to Provide Information and Access to HUD and PHA**

- A. The owner must furnish any information pertinent to this Agreement as may be reasonably required from time to time by the PHA or HUD. The owner shall furnish such information in the form and manner required by the PHA or HUD.
- B. The owner must permit the PHA or HUD or any of their authorized representatives to have access to the premises during normal business hours and, for the purpose of audit and examination, to have access to any books, documents, papers, and records of the owner to the extent necessary to determine compliance with this Agreement.

## **1.28 Notices and Owner Certifications**

- A. Where the owner is required to give any notice to the PHA pursuant to this Agreement, such notice shall be in writing and shall be given in the manner designated by the PHA.

- B. Any certification or warranty by the owner pursuant to the Agreement shall be deemed a material representation of fact upon which reliance was placed when this transaction was entered into.

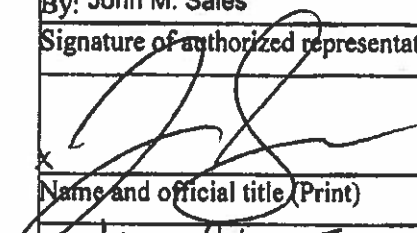
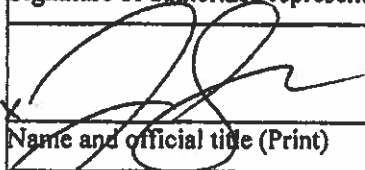
### 1.29 HUD Requirements

- A. The Agreement and the HAP contract shall be interpreted and implemented in accordance with all statutory requirements, and will all HUD requirements, including amendments or changes in HUD requirements. The owner agrees to comply with all such laws and HUD requirements.
- B. HUD requirements are requirements that apply to the project-based voucher program. HUD requirements are issued by HUD Headquarters as regulations, *Federal Register* notices, or other binding program directives.

### 1.30 Applicability of Part II Provisions — Check All that Apply

- Training, Employment, and Contracting Opportunities  
Section 2.1 applies if the total of the contract rents for all units under the proposed HAP contract, over the maximum term of the contract, is more than \$200,000.
- Equal Employment Opportunity  
Section 2.2 applies only to construction contracts of more than \$10,000.
- Labor Standards Requirements  
Sections 2.4, 2.8, and 2.10 apply only when this Agreement covers nine or more units.
- Flood Insurance  
Section 2.11 applies if units are located in areas having special flood hazards and in which flood insurance is available under the National Flood Insurance Program.

**EXECUTION OF THE AGREEMENT**

<b>PUBLIC HOUSING AGENCY (PHA)</b> Name of PHA (Print)  Charlottesville Redevelopment and Housing Authority
By: John M. Sales Signature of authorized representative 
Name and official title (Print) John Sales; Executive Director
Date
<b>OWNER</b> Name of Owner (Print)  South First Phase One, LLC
By: John M. Sales Signature of authorized representative 
Name and official title (Print) John Sales; President
Date

**U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing**

**SECTION 8 PROJECT-BASED VOUCHER PROGRAM**

**AGREEMENT TO ENTER INTO A  
HOUSING ASSISTANCE PAYMENTS CONTRACT**

**NEW CONSTRUCTION OR REHABILITATION**

**PART II**

Public reporting burden for this collection of information is estimated to average 0.5 hours. This includes the time for collecting, reviewing and reporting the data. The information is being collected as required by 24 CFR 983.152, which requires the PHA to enter into an Agreement with the owner prior to execution of a HAP contract for PBV assistance as provided in §983.153. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number. Assurances of confidentiality are not provided under this collection.

Privacy Act Statement. HUD is committed to protecting the privacy of individuals' information stored electronically or in paper form, in accordance with federal privacy laws, guidance, and best practices. HUD expects its third-party business partners, including Public Housing Authorities, who collect, use maintain, or disseminate HUD information to protect the privacy of that information in Accordance with applicable law.

## **2.1 Training, Employment, and Contracting Opportunities**

- A. The project assisted under this Agreement is subject to the requirements of section 3 of the Housing Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. The owner shall carry out the provisions of section 3 and the regulations issued by HUD as set forth in 24 CFR part 135 and all applicable rules and orders of HUD issued thereunder prior to the execution of this Agreement. This shall be a condition of the Federal financial assistance provided to the project, binding upon the owner, the owner's contractors and subcontractors, successors and assigns. Failure to fulfill these requirements shall subject the owner, the owner's contractors and subcontractors, successors and assigns to the sanctions specified by this Agreement, and to such sanctions as are specified by 24 CFR part 135.
- B. The owner shall incorporate or cause to be incorporated into any contract or subcontract for work pursuant to this Agreement in excess of \$100,000 the following clause:

1. The work to be performed under this contract is subject to the requirements of section 3 of the Housing Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3 shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
2. The parties to this Agreement agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this Agreement, the parties to this Agreement certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
3. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, and shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
4. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
5. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135

require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

6. Pursuant to 24 CFR §135.90, recipients of HUD financial assistance that is subject to Part 135 requirements, are required to submit Section 3 Annual Reports on Form HUD-60002 to the Office of Fair Housing and Equal Opportunity (FHEO). This form must be submitted electronically and can be found at [www.hud.gov/section3](http://www.hud.gov/section3).
7. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this Agreement for default, and debarment or suspension from future HUD assisted contracts.
8. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 405e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible: (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprise. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

## 2.2 Equal Employment Opportunity

- A. The owner shall incorporate or cause to be incorporated into any contract in excess of \$10,000 for construction work, or modification thereof, as defined in the regulations of the Secretary of Labor at 41 CFR chapter 60, which is to be performed pursuant to this Agreement, the following nondiscrimination clause:

During the performance of this contract, the contractor agrees as follows:

1. The contractor will not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, creed, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising;

layoffs or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

2. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, creed, sex, or national origin.
3. The contractor will send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding, a notice to be provided by or at the direction of the Government advising the labor union or workers representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
4. The contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and with the rules, regulations, and relevant orders of the Secretary of Labor.
5. The contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by HUD and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
6. In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the rules, regulations, or orders, the contract may be canceled, terminated, or suspended in whole or in part and the contractor may be declared ineligible for further contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions as may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor or as otherwise provided by law.



7. The contractor will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by the rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the Government may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Government, the contractor may request the United States to enter into such litigation to protect the interest of the United States.
- B. The owner agrees to be bound by the above nondiscrimination clause with respect to his or her own employment practices when participating in federally assisted construction work.
- C. The owner agrees to assist and cooperate actively with HUD and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the nondiscrimination clause and the rules, regulations, and relevant orders of the Secretary of Labor, to furnish HUD and the Secretary of Labor such information as they may require for the supervision of such compliance, and to otherwise assist HUD in the discharge of HUD's primary responsibility for securing compliance.
- D. The owner further agrees to refrain from entering into any contract or contract modification subject to Executive Order No. 11246 of September 24, 1965, with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to the Executive Order and will carry out such sanctions and penalties for violation of the nondiscrimination clause as may be imposed upon contractors and subcontractors by HUD or the Secretary of Labor pursuant to the Executive Order. In addition, if the owner fails or refuses to comply with these undertakings, HUD may take any or all of the following actions; cancel, terminate, or suspend in whole or in part this Agreement; refrain from extending any further assistance to the owner under the program with respect to which the failure or refusal occurred until satisfactory assurance of future compliance has been received from the owner, and refer the case to the Department of Justice for appropriate legal proceedings.

## 2.3 Reserved

## 2.4 HUD—Federal Labor Standards Provisions

The owner is responsible for inserting the entire text of section 2.4 of this Agreement in all construction contracts and, if the owner performs any rehabilitation work on the project, the owner must comply with all provisions of section 2.4. (Note: Sections 2.4(b) and (c) apply only when the amount of the prime contract exceeds \$100,000.)

*(a)(1) Minimum Wages. (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project) will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made part hereof regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of 29 CFR 5.5(a)(1)(iv); also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.*

*Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under 29 CFR 5.5(a)(1)(ii) and the Davis-Bacon poster (WH-*

1321)) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

(ii)(A) Any class of laborers or mechanics, including helpers, which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate and fringe benefits therefore only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination;

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(B) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and HUD or its designee agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by HUD or its designee to the Administrator of the Wage and Hour Division, U.S. Department of Labor, Washington, D. C. 20210. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary.

(C) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and HUD or its designee do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), HUD or its designee shall refer the questions, including the views of all interested parties and the recommendation of HUD or its designee, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary.

*(D) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(B) or (C) of this paragraph, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.*

*(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determinations or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.*

*(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program: Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program.*

*(2) Withholding. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractors under this contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract. In the event of failure to pay any laborer or mechanic, including any apprentice, trainee or helper, employed or working on the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), all or part of the wages required by the contract, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased. HUD or its designee may, after written notice to the contractor, disburse such amounts withheld for and*

on account of the contractor or subcontractor to the respective employees to whom they are due.

*(3)(i) Payrolls and Basic Records. Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project). Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5 (a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.*

*(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD the PHA. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included in weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g. the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at:  
<http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor*

*site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit them to the applicant, sponsor, or owner, as the case may be, for transmission to HUD, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the sponsoring government agency (or the applicant, sponsor, or owner).*

*(B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:*

*(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR 5.5(a)(3)(ii), the appropriate information is being maintained under 29 CFR 5.5(a)(3)(i) and that such information is correct and complete;*

*(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in 29 CFR part 3;*

*(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.*

*(C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.*

*(D) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution*

under section 1001 of Title 18 and section 231 of Title 31 of the United States Code.

(iii) *The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of HUD or its designee or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.*

(4) *Apprentices and Trainees.* (i) *Apprentices.* *Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the*

*contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employee and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.*

*(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted*



*under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.*

*(iii) Equal Employment Opportunity. The utilization of apprentices, trainees and journeymen under this part shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR part 30.*

*(5) Compliance with Copeland Act Requirements. The contractor shall comply with the requirements of 29 CFR part 3 which are incorporated by reference in this Agreement.*

*(6) Subcontracts. The contractor or subcontractor will insert in any subcontracts the clauses contained in section 2.4(a)(1) through (11) and such other clauses as HUD or its designee may by appropriate instructions require, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in this section 2.4(a).*

*(7) Contract Terminations; Debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract, and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.*

*(8) Compliance with Davis-Bacon and Related Act Requirements. All rulings and interpretations of the Davis-Bacon and related Acts contained in 29 CFR parts 1, 3, and 5 are herein incorporated by reference in this contract.*

*(9) Disputes Concerning Labor Standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and the PHA, HUD, the U. S. Department of Labor, or the employees or their representatives.*

*(10) Certification of Eligibility. (i) By entering into this Agreement, the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR part 24.*

*(ii) No part of this Agreement shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR part 24.*

*(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001. Additionally, U.S. Criminal Code, section 1010, Title 18, U.S.C., "Federal Housing Administration transactions, provides in part: "Whoever, for the purpose of ...influencing in any way the action of such Administration...makes, utters or publishes any statement, knowing the same to be false... shall be fined not more than \$5,000 or imprisoned not more than two years, or both."*

*11. Complaints, Proceedings, or Testimony by Employees. No laborer or mechanic to whom the wage, salary, or other labor standards provisions of this Agreement are applicable shall be discharged or in any other manner discriminated against by the Contractor or any subcontractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable under this Agreement to his employer.*

*(b) Contract Work Hours and Safety Standards Act. The provisions of this paragraph (b) are applicable only where the amount of the prime contract exceeds \$100,000. As used in this paragraph, the terms "laborers" and "mechanics" include watchmen and guards.*

*(1) Overtime Requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of forty hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the*

*basic rate of pay for all hours worked in excess of forty hours in such workweek.*

*(2) Violation; Liability for Unpaid Wages; Liquidated Damages. In the event of any violation of the clause set forth in subparagraph (1) of this paragraph, the contractor and any subcontractor responsible therefore shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in subparagraph (1) of this paragraph, in the sum of \$25 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in subparagraph (1) of this paragraph.*

*(3) Withholding for Unpaid Wages and Liquidated Damages. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any monies payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime contractor such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (2) of this paragraph.*

*(4) Subcontractors. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in subparagraph (1) through (4) of this paragraph and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in subparagraphs (1) through (4) of this paragraph.*

*(c) Health and Safety. The provisions of this paragraph (c) are applicable only where the amount of the prime contract exceeds \$100,000.*

- (1) No laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous to his health and safety as established under construction safety and health standards promulgated by the Secretary of Labor by regulation.*
- (2) The contractor shall comply with all regulations issue by the Secretary of Labor pursuant to Title 29 part 1926 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act, 40 USC 3701 et seq.*
- (3) The contractor shall include the provisions of this paragraph in every subcontract so that such provisions will be binding on each subcontractor. The contractor shall take such action with respect to any subcontract as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.*

**2.5 Reserved**

**2.6 Reserved**

**2.7 Reserved**

**2.8 Wage and Claims Adjustments**

The owner shall be responsible for the correction of all violations under section 2.4, including violations committed by other contractors. In cases where there is evidence of underpayment of salaries or wages to any laborers or mechanics (including apprentices and trainees) by the owner or other contractor or a failure by the owner or other contractor to submit payrolls and related reports, the owner shall be required to place an amount in escrow, as determined by HUD sufficient to pay persons employed on the work covered by the Agreement the difference between the salaries or wages actually paid such employees for the total number of hours worked and the full amount of wages required under this Agreement, as well as an amount determined by HUD to be sufficient to satisfy any liability of the owner or other contractor for liquidated damages pursuant to section 2.4. The amounts withheld may be disbursed by HUD for and on account of the owner or other contractor to the respective employees to whom they are due, and to the Federal Government in satisfaction of liquidated damages under section 2.4.

## **2.9 Reserved**

## **2.10 Evidence of Unit(s) Completion; Escrow**

- A. The owner shall evidence the completion of the unit(s) by furnishing the PHA, in addition to the requirements listed in Part I of this Agreement, a certification of compliance with the provisions of sections 2.4 and 2.8 of this Agreement, and that to the best of the owner's knowledge and belief there are no claims of underpayment to laborers or mechanics in alleged violation of these provisions of the Agreement. In the event there are any such pending claims to the knowledge of the owner, the PHA, or HUD, the owner will place a sufficient amount in escrow, as directed by the PHA or HUD, to assure such payments.
- B. The escrows required under this section and section 2.8 of shall be paid to HUD, as escrowee, or to an escrowee designated by HUD, and the conditions and manner of releasing such escrows shall be designated and approved by HUD.

## **2.11 Flood Insurance**

If the project is located in an area that has been identified by the Federal Emergency Management Agency as an area having special flood hazards and if the sale of flood insurance has been made available under the National Flood Insurance Program, the owner agrees that: (1) the project will be covered, during the life of the property, by flood insurance in an amount at least equal to its development or project cost (less estimated land cost) or to the limit of coverage made available with respect to the particular type of property under the National Flood Insurance Act of 1968, whichever is less; and (2) that it will advise any prospective purchaser or transferee of the property in writing of the continuing statutory requirement to maintain such flood insurance during the life of the property.

**U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing**

**SECTION 8 PROJECT-BASED VOUCHER PROGRAM  
HOUSING ASSISTANCE PAYMENTS CONTRACT**

**NEW CONSTRUCTION OR REHABILITATION**

**PART 1 OF HAP CONTRACT**

Public reporting burden for this collection of information is estimated to average 2 hours. This includes the time for collecting, reviewing and reporting the data. The information is being collected as required by 24 CFR 983.202, which requires the PHA to enter into a HAP contract with the owner to provide housing assistance payments for eligible families. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number. Assurances of confidentiality are not provided under this collection.

Privacy Act Statement. HUD is committed to protecting the privacy of individuals' information stored electronically or in paper form, in accordance with federal privacy laws, guidance, and best practices. HUD expects its third-party business partners, including Public Housing Authorities, who collect, use maintain, or disseminate HUD information to protect the privacy of that information in accordance with applicable law.

**1. CONTRACT INFORMATION**

**a. Parties**

This housing assistance payments (HAP) contract is entered into between:

Charlottesville Redevelopment and Housing Authority ( PHA) and

South First Phase One, LLC (owner).

**b. Contents of contract**

The HAP contract consists of Part 1, Part 2, and the contract exhibits listed in paragraph c.

**c. Contract exhibits**

The HAP contract includes the following exhibits:

EXHIBIT A: TOTAL NUMBER OF UNITS IN PROJECT COVERED BY

THIS HAP CONTRACT; INITIAL RENT TO OWNER; AND DESCRIPTION OF THE CONTRACT UNITS. (See 24 CFR 983.203 for required items.) If this is a multi-stage project, this exhibit must include a description of the units in each completed phase.

EXHIBIT B: SERVICES, MAINTENANCE AND EQUIPMENT TO BE PROVIDED BY THE OWNER WITHOUT CHARGES IN ADDITION TO RENT TO OWNER

EXHIBIT C: UTILITIES AVAILABLE IN THE CONTRACT UNITS, INCLUDING A LISTING OF UTILITY SERVICES TO BE PAID BY THE OWNER (WITHOUT CHARGES IN ADDITION TO RENT TO OWNER) AND UTILITIES TO BE PAID BY THE TENANTS

EXHIBIT D: FEATURES PROVIDED TO COMPLY WITH PROGRAM ACCESSIBILITY FEATURES OF SECTION 504 OF THE REHABILITATION ACT OF 1973

#### ADDITIONAL EXHIBITS

d. **Single-Stage and Multi-Stage Contracts (place a check mark in front of the applicable project description).**

**Single-Stage Project**

This is a single-stage project. For all contract units, the effective date of the HAP contract is: 01/01/2021

**Multi-Stage Project**

This is a multi-stage project. The units in each completed stage are designated in Exhibit A.

The PHA enters the effective date for each stage after completion and PHA acceptance of all units in that stage. The PHA enters the effective date for each stage in the "Execution of HAP contract for contract units completed and accepted in stages" (starting on page 10).

The annual anniversary date of the HAP contract for all contract units in this multi-stage project is the anniversary of the effective date of the HAP

contract for the contract units included in the first stage. The expiration date of the HAP contract for all of the contract units completed in stages must be concurrent with the end of the HAP contract term for the units included in the first stage (see 24 CFR 983.206(c)).

**e. Term of the HAP contract**

**1. Beginning of term**

The PHA may not enter into a HAP contract for any contract unit until the PHA (or an independent entity, as applicable) has determined that the unit meets PBV inspection requirements. The term of the HAP contract for any unit begins on the effective date of the HAP contract.

**2. Length of initial term**

- a. Subject to paragraph 2.b, the initial term of the HAP contract for any contract units is: 20 years.
- b. The initial term of the HAP contract for any unit may not be less than one year, nor more than twenty years.

**3. Extension of term**

The PHA and owner may agree to enter into an extension of the HAP contract at the time of initial HAP contract execution, or any time prior to expiration of the contract. Any extension, including the term of such extension, must be in accordance with HUD requirements. A PHA must determine that any extension is appropriate to achieve long-term affordability of the housing or expand housing opportunities.

**4. Requirement for sufficient appropriated funding**

- a. The length of the initial term and any extension term shall be subject to availability, as determined by HUD, or by the PHA in accordance with HUD requirements, of sufficient appropriated funding (budget authority), as provided in appropriations acts and in the PHA's annual contributions contract (ACC) with HUD, to make full payment of housing assistance payments due to the owner for any contract year in accordance with the HAP contract.



- b. The availability of sufficient funding must be determined by HUD or by the PHA in accordance with HUD requirements. If it is determined that there may not be sufficient funding to continue housing assistance payments for all contract units and for the full term of the HAP contract, the PHA has the right to terminate the HAP contract by notice to the owner for all or any of the contract units. Such action by the PHA shall be implemented in accordance with HUD requirements.

**f. Occupancy and payment**

**1. Payment for occupied unit**

During the term of the HAP contract, the PHA shall make housing assistance payments to the owner for the months during which a contract unit is leased to and occupied by an eligible family. If an assisted family moves out of a contract unit, the owner may keep the housing assistance payment for the calendar month when the family moves out (“move-out month”). However, the owner may not keep the payment if the PHA determines that the vacancy is the owner’s fault.

**2. Vacancy payment**

THE PHA HAS DISCRETION WHETHER TO INCLUDE THE VACANCY PAYMENT PROVISION (PARAGRAPH e.2), OR TO STRIKE THIS PROVISION FROM THE HAP CONTRACT FORM.

- a. If an assisted family moves out of a contract unit, the PHA may provide vacancy payments to the owner for a PHA-determined vacancy period extending from the beginning of the first calendar month after the move-out month for a period not exceeding two full months following the move-out month.
- b. The vacancy payment to the owner for each month of the maximum two-month period will be determined by the PHA, and cannot exceed the monthly rent to owner under the assisted lease, minus any portion of the rental payment received by the owner (including amounts available from the tenant’s security deposit). Any vacancy payment may cover only the period the unit remains vacant.

- c. The PHA may make vacancy payments to the owner only if:
    - 1. The owner gives the PHA prompt, written notice certifying that the family has vacated the unit and the date when the family moved out (to the best of the owner's knowledge and belief);
    - 2. The owner certifies that the vacancy is not the fault of the owner and that the unit was vacant during the period for which payment is claimed;
    - 3. The owner certifies that it has taken every reasonable action to minimize the likelihood and length of vacancy; and
    - 4. The owner provides any additional information required and requested by the PHA to verify that the owner is entitled to the vacancy payment.
  - d. The PHA must take every reasonable action to minimize the likelihood and length of vacancy.
  - e. The owner may refer families to the PHA and recommend selection of such families from the PHA waiting list for occupancy of vacant units.
  - f. The owner must submit a request for vacancy payments in the form and manner required by the PHA and must provide any information or substantiation required by the PHA to determine the amount of any vacancy payments.
3. **PHA is not responsible for family damage or debt to owner**

Except as provided in this paragraph e (Occupancy and Payment), the PHA will not make any other payment to the owner under the HAP contract. The PHA will not make any payment to the owner for any damages to the unit, or for any other amounts owed by a family under the family's lease.

**g. Income-mixing requirement**

- 1. Except as provided in paragraphs f.2 through f.5 below, the PHA will not

make housing assistance payments under the HAP contract for more than the greater of 25 units or 25 percent of the total number of dwelling units (assisted or unassisted) in any project. The term “project” means a single building, multiple contiguous buildings, or multiple buildings on contiguous parcels of land assisted under this HAP contract.

2. The limitation in paragraph f.1 does not apply to single-family buildings.
3. In referring eligible families to the owner for admission to the number of contract units in any project exceeding the 25 unit or 25 percent limitation under paragraph f.1, the PHA shall give preference to elderly families or to families eligible for supportive services, for the number of contract units designated for occupancy by such families. The owner shall rent the designated number of contract units to such families referred by the PHA from the PHA waiting list.
4. Up to the greater of 25 units or 40 percent of units (instead of the greater of 25 units or 25 percent of units) in a project may be project-based if the project is located in a census tract with a poverty rate of 20 percent or less.
5. Units that were previously subject to certain federal rent restrictions or receiving another type of long-term housing subsidy provided by HUD do not count toward the income-mixing requirement if, in the five years prior to issuance of the Request for Proposal or notice of owner selection (for projects selected based on a prior competition or without competition), the unit received one of the forms of HUD assistance or was under a federal rent restriction as described in f.6 and f.7, below.
6. The following specifies the number of contract units (if any) that received one of the following forms of HUD assistance (enter the number of contract units in front of the applicable form of assistance):
  - \_\_\_ Public Housing or Operating Funds;
  - \_\_\_ Project-Based Rental Assistance (including Mod Rehab and Mod Rehab Single-Room Occupancy);
  - \_\_\_ Housing for the Elderly (Section 202 or the Housing Act of 1959);
  - \_\_\_ Housing for Persons with Disabilities (Section 811 of the Cranston-Gonzalez Affordable Housing Act);

- Rent Supplement Program;
- Rental Assistance Program;
- Flexible Subsidy Program.

The following total number of contract units received a form of HUD assistance listed above: 0. If all of the units in the project received such assistance, you may skip sections g.7 and g.8, below.

7. The following specifies the number of contract units (if any) that were under any of the following federal rent restrictions (enter the number of contract units in front of the applicable type of federal rent restriction):

- Section 236;
- Section 221(d)(3) or (d)(4) BMIR (below-market interest rate);
- Housing for the Elderly (Section 202 or the Housing Act of 1959);
- Housing for Persons with Disabilities (Section 811 of the Cranston-Gonzalez Affordable Housing Act);
- Flexible Subsidy Program.

The following total number of contract units were subject to a federal rent restriction listed above: 0. If all of the units in the project were subject to a federal rent restriction, you may skip section g.8, below.

8. The following specifies the number of contract units (if any) designated for occupancy by elderly families or by families eligible for supportive services:

a Place a check mark here  if any contract units are designated for occupancy by elderly families; The following number of contract units shall be rented to elderly families:

\_\_\_\_\_.

b. Place a check mark here  if any contract units are designated for occupancy by families eligible for supportive services. The

following number of contract units shall be rented to families  
eligible for supportive services:

---

9. The PHA and owner must comply with all HUD requirements regarding income mixing.

**EXECUTION OF HAP CONTRACT FOR SINGLE-STAGE PROJECT**

<b>PUBLIC HOUSING AGENCY (PHA)</b> <b>Name of PHA (Print)</b>  Charlottesville Redevelopment and Housing Authority
By: John M. Sales Signature of authorized representative
Name and official title (Print)
Date
<b>OWNER</b> <b>Name of Owner (Print)</b>  South First Phase One, LLC
By: John M. Sales Signature of authorized representative
Name and official title (Print)
Date

**EXECUTION OF HAP CONTRACT FOR CONTRACT UNITS COMPLETED  
AND ACCEPTED IN STAGES**

(For multi-stage projects, at acceptance of each stage, the PHA and the owner sign the HAP contract execution for the completed stage.)

<b>STAGE NO. 1:</b> The Contract is hereby executed for the contract units in this stage.
<b>STAGE EFFECTIVE DATE:</b> The effective date of the Contract for this stage is:
Date
<b>PUBLIC HOUSING AGENCY (PHA)</b>
<b>Name of PHA (Print)</b>
By:
Signature of authorized representative
Name and official title (Print)
Date
<b>OWNER</b>
<b>Name of Owner (Print)</b>
By:
Signature of authorized representative
Name and official title (Print)
Date

<b>STAGE NO. 2:</b> The Contract is hereby executed for the contract units in this stage. <b>STAGE EFFECTIVE DATE:</b> The effective date of the Contract for this stage is:
Date
<b>PUBLIC HOUSING AGENCY (PHA)</b> <b>Name of PHA (Print)</b>
By:
Signature of authorized representative
Name and official title (Print)
Date
<b>OWNER</b> <b>Name of Owner (Print)</b>
By:
Signature of authorized representative
Name and official title (Print)
Date



<b>STAGE NO. 3:</b> The Contract is hereby executed for the contract units in this stage.
<b>STAGE EFFECTIVE DATE:</b> The effective date of the Contract for this stage is:
Date
<b>PUBLIC HOUSING AGENCY (PHA)</b>
<b>Name of PHA (Print)</b>
By:
Signature of authorized representative
Name and official title (Print)
Date
<b>OWNER</b>
<b>Name of Owner (Print)</b>
By:
Signature of authorized representative
Name and official title (Print)
Date

<b>STAGE NO. __</b> : The Contract is hereby executed for the contract units in this stage.
<b>STAGE EFFECTIVE DATE</b> : The effective date of the Contract for this stage is:
Date
<b>PUBLIC HOUSING AGENCY (PHA)</b>
<b>Name of PHA (Print)</b>
By:
Signature of authorized representative
Name and official title (Print)
Date
<b>OWNER</b>
<b>Name of Owner (Print)</b>
By:
Signature of authorized representative
Name and official title (Print)
Date

**U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing**

**SECTION 8 PROJECT-BASED VOUCHER PROGRAM**

**HOUSING ASSISTANCE PAYMENTS CONTRACT  
NEW CONSTRUCTION OR REHABILITATION**

**PART 2 OF HAP CONTRACT**

Public reporting burden for this collection of information is estimated to average 2 hours. This includes the time for collecting, reviewing and reporting the data. The information is being collected as required by 24 CFR 983.202, which requires the PHA to enter into a HAP contract with the owner to provide housing assistance payments for eligible families. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number. Assurances of confidentiality are not provided under this collection.

Privacy Act Statement. HUD is committed to protecting the privacy of individuals' information stored electronically or in paper form, in accordance with federal privacy laws, guidance, and best practices. HUD expects its third-party business partners, including Public Housing Authorities, who collect, use maintain, or disseminate HUD information to protect the privacy of that information in accordance with applicable law.

**2. DEFINITIONS**

**Agreement.** Agreement to enter into HAP Contract between the owner and the PHA. The HAP contract was entered into following new construction or rehabilitation of the contract units by the owner pursuant to an Agreement.

**Contract units.** The housing units covered by this HAP contract. The contract units are described in Exhibit A.

**Controlling interest.** In the context of PHA-owned units (see definition below), controlling interest means:

- (a) Holding more than 50 percent of the stock of any corporation; or
- (b) Having the power to appoint more than 50 percent of the members of the board of directors of a non-stock corporation (such as a non-profit corporation); or
- (c) Where more than 50 percent of the members of the board of directors of any corporation also serve as directors, officers, or employees of the PHA; or
- (d) Holding more than 50 percent of all managing member interests in an LLC; or

(e) Holding more than 50 percent of all general partner interests in a partnership;  
or

(f) Having equivalent levels of control in other ownership structures.

**Family.** The persons approved by the PHA to reside in a contract unit with assistance under the program.

**HAP contract.** This housing assistance payments contract between the PHA and the owner. The contract consists of Part 1, Part 2, and the contract exhibits (listed in section 1.c of the HAP contract).

**Household.** The family and any PHA-approved live-in aide.

**Housing assistance payment.** The monthly assistance payment by the PHA for a contract unit, which includes: (1) a payment to the owner for rent to the owner under the family's lease minus the tenant rent; and (2) an additional payment to or on behalf of the family if the utility allowance exceeds total tenant payment.

**Housing quality standards (HQS).** The HUD minimum quality standards for dwelling units occupied by families receiving project-based voucher program assistance.

**HUD.** U.S. Department of Housing and Urban Development.

**HUD requirements.** HUD requirements which apply to the project-based voucher program. HUD requirements are issued by HUD headquarters, as regulations, Federal Register notices or other binding program directives.

**Newly constructed housing.** Housing units that do not exist on the proposal selection date and are developed after the date of selection pursuant to an Agreement between the PHA and owner for use under the project-based voucher program.

**Owner.** Any person or entity who has the legal right to lease or sublease a unit to a participant.

**PHA.** Public Housing Agency. The agency that has entered into the HAP contract with the owner. The agency is a public housing agency as defined in the United States Housing Act of 1937 (42 U.S.C. 1437a(b)(6)).

**PHA-owned units.** A unit is "owned by a PHA" if the unit is in a project that is:

(a) Owned by the PHA (which includes a PHA having a "controlling interest" in the entity that owns the unit; see definition above);

(b) Owned by an entity wholly controlled by the PHA; or

(c) Owned by a limited liability company (LLC) or limited partnership in which the PHA (or an entity wholly controlled by the PHA) holds a controlling interest in the managing member or general partner.

**Premises.** The building or complex in which a contract unit is located, including common areas or grounds.

**Principal or interested party.** This term includes a management agent and other persons or entities participating in project management, and the officers and principal members, shareholders, investors, and other parties having a substantial interest in the HAP contract, or in any proceeds or benefits arising from the HAP contract.

**Program.** The project-based voucher program (see authorization for project-based assistance at 42 U.S.C. 1437f(o)(13)).

**Proposal selection date.** The date the PHA gives written notice of proposal selection to the owner whose proposal is selected in accordance with the criteria established in the PHA's administrative plan.

**Rehabilitated housing.** Housing units that exist on the proposal selection date but do not substantially comply with the HQS on that date and are developed pursuant to an Agreement between the PHA and owner for use under the project-based voucher program.

**Rent to owner.** The total monthly rent payable to the owner under the lease for a contract unit. Rent to owner includes payment for any housing services, maintenance and utilities to be provided by the owner in accordance with the lease.

**Tenant.** The person or persons (other than a live-in aide) who executes the lease as a lessee of the dwelling unit.

**Tenant rent.** The portion of the rent to owner payable by the family, as determined by the PHA in accordance with HUD requirements. The PHA is not responsible for paying any part of the tenant rent.

### 3. **PURPOSE**

- a. This is a HAP contract between the PHA and the owner.
  - b. The purpose of the HAP contract is to provide housing assistance payments for eligible families who lease contract units that comply with
-

the HUD HQS from the owner.

- c. The PHA must make housing assistance payments to the owner in accordance with the HAP contract for contract units leased and occupied by eligible families during the HAP contract term. HUD provides funds to the PHA to make housing assistance payments to owners for eligible families.

**4. RENT TO OWNER; HOUSING ASSISTANCE PAYMENTS**

**a. Amount of initial rent to owner**

The initial rent to owner for each contract unit is stated in Exhibit A, which is attached to and made a part of the HAP contract. At the beginning of the HAP contract term, and until rent to owner is adjusted in accordance with section 5 of the HAP contract, the rent to owner for each bedroom size (number of bedrooms) shall be the initial rent to owner amount listed in Exhibit A.

Place a check mark here  if the PHA has elected not to reduce rents below the initial rent to owner.

**b. HUD rent requirements**

Notwithstanding any other provision of the HAP contract, the rent to owner may in no event exceed the amount authorized in accordance with HUD requirements. The PHA has the right to reduce the rent to owner, at any time, to correct any errors in establishing or adjusting the rent to owner in accordance with HUD requirements. The PHA may recover any overpayment from the owner.

**c. PHA payment to owner**

1. Each month the PHA must make a housing assistance payment to the owner for a unit under lease to and occupied by an eligible family in accordance with the HAP contract.
2. The monthly housing assistance payment to the owner for a contract unit is equal to the amount by which the rent to owner exceeds the tenant rent.
3. Payment of the tenant rent is the responsibility of the family. The PHA is not responsible for paying any part of the tenant rent, or for paying any other claim by the owner against a family. The PHA is responsible only for making housing assistance payments to the

owner on behalf of a family in accordance with the HAP contract.

4. The owner will be paid the housing assistance payment under the HAP contract on or about the first day of the month for which payment is due, unless the owner and the PHA agree on a later date.
5. To receive housing assistance payments in accordance with the HAP contract, the owner must comply with all the provisions of the HAP contract. Unless the owner complies with all the provisions of the HAP contract, the owner does not have a right to receive housing assistance payments.
6. If the PHA determines that the owner is not entitled to the payment or any part of it, the PHA, in addition to other remedies, may deduct the amount of the overpayment from any amounts due the owner, including amounts due under any other housing assistance payments contract.
7. The owner will notify the PHA promptly of any change of circumstances that would affect the amount of the monthly housing assistance payment, and will return any payment that does not conform to the changed circumstances.

**d. Termination of assistance for family**

The PHA may terminate housing assistance for a family under the HAP contract in accordance with HUD requirements. The PHA must notify the owner in writing of its decision to terminate housing assistance for the family in such case.

**5. ADJUSTMENT OF RENT TO OWNER**

**a. PHA determination of adjusted rent**

1. At each annual anniversary during the term of the HAP contract, the PHA shall adjust the amount of rent to owner, upon request to the PHA by the owner, in accordance with law and HUD requirements. In addition, the PHA shall adjust the rent to owner when there is a ten percent decrease in the published, applicable Fair Market Rent in accordance with 24 CFR 983.302. However, if the PHA has elected within the HAP contract not to reduce rents below the initial rent to owner, the rent to owner shall not be reduced below the initial rent to owner except in those cases

described in 24 CFR 983.302(c)(2).

2. The adjustment of rent to owner shall always be determined in accordance with all HUD requirements. The amount of the rent to owner may be adjusted up or down, in the amount defined by the PHA in accordance with HUD requirements.

**b. Reasonable rent**

The rent to owner for each contract unit, as adjusted by the PHA in accordance with 24 CFR 983.303, may at no time exceed the reasonable rent charged for comparable units in the private unassisted market, except in cases where the PHA has elected within the HAP contract not to reduce rents below the initial rent to owner. The reasonable rent shall be determined by the PHA in accordance with HUD requirements.

**c. No special adjustments**

The PHA will not make any special adjustments of the rent to owner.

**d. Owner compliance with HAP contract**

The PHA shall not approve, and the owner shall not receive, any increase of rent to owner unless all contract units are in accordance with the HQS, and the owner has complied with the terms of the assisted leases and the HAP contract.

**e. Notice of rent adjustment**

Rent to owner shall be adjusted by written notice by the PHA to the owner in accordance with this section. Such notice constitutes an amendment of the rents specified in Exhibit A.

**6. OWNER RESPONSIBILITY**

The owner is responsible for:

- a. Performing all management and rental functions for the contract units.
- b. Maintaining the units in accordance with HQS.
- c. Complying with equal opportunity requirements.
- d. Enforcing tenant obligations under the lease.



- e. Paying for utilities and housing services (unless paid by the family under the lease).
- f. Collecting from the tenant:
  - 1. Any security deposit;
  - 2. The tenant rent; and
  - 3. Any charge for unit damage by the family.

**7. OWNER CERTIFICATION**

The owner certifies that at all times during the term of the HAP contract:

- a. All contract units are in good and tenantable condition. The owner is maintaining the premises and all contract units in accordance with the HQS.
- b. The owner is providing all the services, maintenance and utilities as agreed to under the HAP contract and the leases with assisted families.
- c. Each contract unit for which the owner is receiving housing assistance payments is leased to an eligible family referred by the PHA, and the lease is in accordance with the HAP contract and HUD requirements.
- d. To the best of the owner's knowledge, the members of the family reside in each contract unit for which the owner is receiving housing assistance payments, and the unit is the family's only residence.
- e. The owner (including a principal or other interested party) is not the parent, child, grandparent, grandchild, sister, or brother of any member of a family residing in a contract unit unless the PHA has determined that approving leasing of the unit would provide a reasonable accommodation for a family member who is a person with disabilities.
- f. The amount of the housing assistance payment is the correct amount due under the HAP contract.
- g. The rent to owner for each contract unit does not exceed rents charged by the owner for other comparable unassisted units.
- h. Except for the housing assistance payment and the tenant rent as provided under the HAP contract, the owner has not received and will not receive any payments or other consideration (from the family, the PHA, HUD, or

any other public or private source) for rental of the contract unit.

- i. The family does not own, or have any interest in the contract unit. If the owner is a cooperative, the family may be a member of the cooperative.

**8. CONDITION OF UNITS**

**a. Owner maintenance and operation**

The owner must maintain and operate the contract units and premises to provide decent, safe and sanitary housing in accordance with the HQS, including performance of ordinary and extraordinary maintenance. The owner must provide all the services, maintenance and utilities set forth in Exhibits B and C, and in the lease with each assisted family.

**b. PHA inspections**

1. The PHA must inspect each contract unit before execution of the HAP contract. The PHA may not enter into a HAP contract covering a unit until the unit fully complies with the HQS.
2. Before providing assistance to a new family in a contract unit, the PHA must inspect the unit. The PHA may not provide assistance on behalf of the family until the unit fully complies with the HQS.
3. At least biennially during the term of the HAP contract, the PHA must inspect a random sample, consisting of at least 20 percent of the contract units in each building, to determine if the contract units and the premises are maintained in accordance with the HQS. Turnover inspections pursuant to paragraph 2 of this section are not counted toward meeting this biennial inspection requirement.
4. If more than 20 percent of the sample of inspected contract units in a building fail the initial inspection, the PHA must reinspect 100 percent of the contract units in the building.
5. The PHA must inspect contract units whenever needed to determine that the contract units comply with the HQS and that the owner is providing maintenance, utilities, and other services in accordance with the HAP contract. The PHA must take into account complaints and any other information that comes to its attention in scheduling inspections.

**c. Violation of the housing quality standards**

1. If the PHA determines a contract unit is not in accordance with the HQS, the PHA may exercise any of its remedies under the HAP contract for all or any contract units. Such remedies include termination, suspension or reduction of housing assistance payments, and termination of the HAP contract.
2. The PHA may exercise any such contractual remedy respecting a contract unit even if the family continues to occupy the unit.
3. The PHA shall not make any housing assistance for a dwelling unit that fails to meet the HQS, unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension).

**d. Maintenance and replacement—owner’s standard practice**

Maintenance and replacement (including redecoration) must be in accordance with the standard practice for the building concerned as established by the owner.

**9. LEASING CONTRACT UNITS**

**a. Selection of tenants**

1. During the term of the HAP contract, the owner must lease all contract units to eligible families selected and referred by the PHA from the PHA waiting list. (See 24 CFR 983.251.)
2. The owner is responsible for adopting written tenant selection procedures that are consistent with the purpose of improving housing opportunities for very low-income families and reasonably related to program eligibility and an applicant’s ability to perform the lease obligations.
3. Consistent with HUD requirements, and Federal civil rights and fair housing requirements, the owner may apply its own nondiscriminatory admission procedures in determining whether to admit a family referred by the PHA for occupancy of a contract unit. The owner may refer families to the PHA, and recommend

selection of such families from the PHA waiting list for occupancy of vacant units.

4. The owner must promptly notify in writing any rejected applicant of the grounds for rejection.
5. The PHA must determine family eligibility in accordance with HUD requirements.
6. The contract unit leased to each family must be appropriate for the size of the family under the PHA's subsidy standards.
7. If a contract unit was occupied by an eligible family at the time the unit was selected by the PHA, or is so occupied on the effective date of the HAP contract, the owner must offer the family the opportunity to lease the same or another appropriately-sized contract unit with assistance under the HAP contract.
8. The owner is responsible for screening and selecting tenants from the families referred by the PHA from its waiting list.

**b. Vacancies**

1. The owner must promptly notify the PHA of any vacancy in a contract unit. After receiving the owner notice, the PHA shall make every reasonable effort to refer a sufficient number of families for owner to fill the vacancy.
2. The owner must rent vacant contract units to eligible families on the PHA waiting list referred by the PHA.
3. The PHA and the owner must make reasonable, good faith efforts to minimize the likelihood and length of any vacancy.
4. If any contract units have been vacant for a period of 120 or more days since owner notice of vacancy (and notwithstanding the reasonable good faith efforts of the PHA to fill such vacancies), the PHA may give notice to the owner amending the HAP contract to reduce the number of contract units by subtracting the number of contract units (by number of bedrooms) that have been vacant for such period.

**10. TENANCY**

**a. Lease**

The lease between the owner and each assisted family must be in accordance with HUD requirements. In all cases, the lease must include the HUD-required tenancy addendum. The tenancy addendum must include, word-for-word, all provisions required by HUD.

**b. Termination of tenancy**

1. The owner may terminate a tenancy only in accordance with the lease and HUD requirements.
2. The owner must give the PHA a copy of any owner eviction notice to the tenant at the same time that the owner gives notice to the tenant. Owner eviction notice means a notice to vacate, or a complaint or other initial pleading used to commence an eviction action under State or local law.

**c. Family payment**

1. The portion of the monthly rent to owner payable by the family (“tenant rent”) will be determined by the PHA in accordance with HUD requirements. The amount of the tenant rent is subject to change during the term of the HAP contract. Any changes in the amount of the tenant rent will be effective on the date stated in a notice by the PHA to the family and the owner.
2. The amount of the tenant rent as determined by the PHA is the maximum amount the owner may charge the family for rent of a contract unit, including all housing services, maintenance and utilities to be provided by the owner in accordance with the HAP contract and the lease.
3. The owner may not demand or accept any rent payment from the tenant in excess of the tenant rent as determined by the PHA. The owner must immediately return any excess rent payment to the tenant.
4. The family is not responsible for payment of the portion of the contract rent covered by the housing assistance payment under the HAP contract. The owner may not terminate the tenancy of an assisted family for nonpayment of the PHA housing assistance

payment.

5. The PHA is responsible only for making the housing assistance payments to the owner on behalf of the family in accordance with the HAP contract. The PHA is not responsible for paying the tenant rent, or any other claim by the owner.

**d. Other owner charges**

1. Except as provided in paragraph 2, the owner may not require the tenant or family members to pay charges for meals or supportive services. Nonpayment of such charges is not grounds for termination of tenancy.
2. In assisted living developments receiving project-based voucher assistance, owners may charge tenants, family members, or both for meals or supportive services. These charges may not be included in the rent to owner, nor may the value of meals and supportive services be included in the calculation of reasonable rent. Non-payment of such charges is grounds for termination of the lease by the owner in an assisted living development.
3. The owner may not charge the tenant or family members extra amounts for items customarily included in rent in the locality or provided at no additional cost to the unsubsidized tenant in the premises.

**e. Security deposit**

1. The owner may collect a security deposit from the family.
2. The owner must comply with HUD and PHA requirements, which may change from time to time, regarding security deposits from a tenant.
3. The PHA may prohibit security deposits in excess of private market practice, or in excess of amounts charged by the owner to unassisted families.
4. When the family moves out of the contract unit, the owner, subject to State and local law, may use the security deposit, including any interest on the deposit, in accordance with the lease, as reimbursement for any unpaid tenant rent, damages to the unit or other amounts which the family owes under the lease. The owner

must give the family a written list of all items charged against the security deposit and the amount of each item. After deducting the amount used as reimbursement to the owner, the owner must promptly refund the full amount of the balance to the family.

5. If the security deposit is not sufficient to cover amounts the family owes under the lease, the owner may seek to collect the balance from the family. However, the PHA has no liability or responsibility for payment of any amount owed by the family to the owner.

#### **11. FAMILY RIGHT TO MOVE**

- a. The family may terminate its lease at any time after the first year of occupancy. The family must give the owner advance written notice of intent to vacate (with a copy to the PHA) in accordance with the lease. If the family has elected to terminate the lease in this manner, the PHA must offer the family the opportunity for tenant-based rental assistance in accordance with HUD requirements.
- b. Before providing notice to terminate the lease under paragraph a, the family must first contact the PHA to request tenant-based rental assistance if the family wishes to move with continued assistance. If tenant-based rental assistance is not immediately available upon lease termination, the PHA shall give the family priority to receive the next available opportunity for tenant-based rental assistance.

#### **12. OVERCROWDED, UNDER-OCCUPIED, AND ACCESSIBLE UNITS**

The PHA subsidy standards determine the appropriate unit size for the family size and composition. The PHA and owner must comply with the requirements in 24 CFR 983.260. If the PHA determines that a family is occupying a wrong-size unit, or a unit with accessibility features that the family does not require, and the unit is needed by a family that requires the accessibility features, the PHA must promptly notify the family and the owner of this determination, and of the PHA's offer of continued assistance in another unit. 24 CFR 983.260(a).

#### **13. PROHIBITION OF DISCRIMINATION**

- a. The owner may not refuse to lease contract units to, or otherwise discriminate against any person or family in leasing of a contract unit, because of race, color, religion, sex, national origin, disability, age or familial status.

- b. The owner must comply with the following requirements: The Fair Housing Act (42 U.S.C. 3601–19) and implementing regulations at 24 CFR part 100 *et seq.*; Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959–1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 CFR part 107; title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 CFR part 1; the Age Discrimination Act of 1975 (42 U.S.C. 6101–6107) and implementing regulations at 24 CFR part 146; section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at part 8 of this title; title II of the Americans with Disabilities Act, 42 U.S.C. 12101 *et seq.* ; 24 CFR part 8; section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135; Executive Order 11246, as amended by Executive Orders 11375, 11478, 12086, and 12107 (3 CFR, 1964–1965 Comp., p. 339; 3 CFR, 1966–1970 Comp., p. 684; 3 CFR, 1966–1970 Comp., p. 803; 3 CFR, 1978 Comp., p. 230; and 3 CFR, 1978 Comp., p. 264, respectively) (Equal Employment Opportunity Programs) and implementing regulations at 41 CFR chapter 60; Executive Order 11625, as amended by Executive Order 12007 (3 CFR, 1971–1975 Comp., p. 616 and 3 CFR, 1977 Comp., p. 139) (Minority Business Enterprises); Executive Order 12432 (3 CFR, 1983 Comp., p. 198) (Minority Business Enterprise Development); and Executive Order 12138, as amended by Executive Order 12608 (3 CFR, 1977 Comp., p. 393 and 3 CFR, 1987 Comp., p. 245) (Women’s Business Enterprise).
- c. The owner must comply with HUD’s Equal Access to HUD-assisted or -insured housing rule (24 CFR 5.105(a)(2)).
- d. The owner must comply with the Violence Against Women Act, as amended, and HUD’s implementing regulation at 24 CFR part 5, Subpart L, and program regulations.
- e. The PHA and the owner must cooperate with HUD in the conducting of compliance reviews and complaint investigations pursuant to all applicable civil rights statutes, Executive Orders, and all related rules and regulations.

#### **14. PHA DEFAULT AND HUD REMEDIES**

If HUD determines that the PHA has failed to comply with the HAP contract, or has failed to take appropriate action to HUD’s satisfaction or as directed by HUD, for enforcement of the PHA’s rights under the HAP contract, HUD may assume



the PHA's rights and obligations under the HAP contract, and may perform the obligations and enforce the rights of the PHA under the HAP contract.

**15. OWNER DEFAULT AND PHA REMEDIES**

**a. Owner default**

Any of the following is a default by the owner under the HAP contract:

1. The owner has failed to comply with any obligation under the HAP contract, including the owner's obligations to maintain all contract units in accordance with the housing quality standards.
2. The owner has violated any obligation under any other housing assistance payments contract under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).
3. The owner has committed any fraud or made any false statement to the PHA or HUD in connection with the HAP contract.
4. The owner has committed fraud, bribery or any other corrupt or criminal act in connection with any Federal housing assistance program.
5. If the property where the contract units are located is subject to a lien or security interest securing a HUD loan or a mortgage insured by HUD and:
  - i. The owner has failed to comply with the regulations for the applicable mortgage insurance or loan program, with the mortgage or mortgage note, or with the regulatory agreement; or
  - ii. The owner has committed fraud, bribery or any other corrupt or criminal act in connection with the HUD loan or HUD-insured mortgage.
6. The owner has engaged in any drug-related criminal activity or any violent criminal activity.

**b. PHA remedies**

1. If the PHA determines that a breach has occurred, the PHA may exercise any of its rights or remedies under the HAP contract.

2. The PHA must notify the owner in writing of such determination. The notice by the PHA to the owner may require the owner to take corrective action (as verified by the PHA) by a time prescribed in the notice.
3. The PHA's rights and remedies under the HAP contract include recovery of overpayments, termination or reduction of housing assistance payments, and termination of the HAP contract.

**c. PHA remedy is not waived**

The PHA's exercise or non-exercise of any remedy for owner breach of the HAP contract is not a waiver of the right to exercise that remedy or any other right or remedy at any time.

**16. OWNER DUTY TO PROVIDE INFORMATION AND ACCESS REQUIRED BY HUD OR PHA**

**a. Required information**

The owner must prepare and furnish any information pertinent to the HAP contract as may reasonably be required from time to time by the PHA or HUD. The owner shall furnish such information in the form and manner required by the PHA or HUD.

**b. PHA and HUD access to premises**

The owner must permit the PHA or HUD or any of their authorized representatives to have access to the premises during normal business hours and, for the purpose of audit and examination, to have access to any books, documents, papers and records of the owner to the extent necessary to determine compliance with the HAP contract, including the verification of information pertinent to the housing assistance payments or the HAP contract.

**17. PHA AND OWNER RELATION TO THIRD PARTIES**

**a. Injury because of owner action or failure to act**

The PHA has no responsibility for or liability to any person injured as a result of the owner's action or failure to act in connection with the implementation of the HAP contract, or as a result of any other action or failure to act by the owner.

**b. Legal relationship**

The owner is not the agent of the PHA. The HAP contract does not create or affect any relationship between the PHA and any lender to the owner or any suppliers, employees, contractors or subcontractors used by the owner in connection with the implementation of the HAP contract.

**c. Exclusion of third-party claims**

Nothing in the HAP contract shall be construed as creating any right of a family or other third party (other than HUD) to enforce any provision of the HAP contract, or to assert any claim against HUD, the PHA or the owner under the HAP contract.

**d. Exclusion of owner claims against HUD**

Nothing in the HAP contract shall be construed as creating any right of the owner to assert any claim against HUD.

**18. PHA-OWNED UNITS**

Notwithstanding Section 17 of this HAP contract, a PHA may own units assisted under the project-based voucher program, subject to the special requirements in 24 CFR 983.59 regarding PHA-owned units.

**19. CONFLICT OF INTEREST**

**a. Interest of members, officers, or employees of PHA, members of local governing body, or other public officials**

1. No present or former member or officer of the PHA (except tenant-commissioners), no employee of the PHA who formulates policy or influences decisions with respect to the housing choice voucher program or project-based voucher program, and no public official or member of a governing body or State or local legislator who exercises functions or responsibilities with respect to these programs, shall have any direct or indirect interest, during his or her tenure or for one year thereafter, in the HAP contract.

2. HUD may waive this provision for good cause.

**b. Disclosure**

The owner has disclosed to the PHA any interest that would be a violation of the HAP contract. The owner must fully and promptly update such

disclosures.

**c. Interest of member of or delegate to Congress**

No member of or delegate to the Congress of the United States of America or resident-commissioner shall be admitted to any share or part of this HAP Contract or to any benefits arising from the contract.

**20. EXCLUSION FROM FEDERAL PROGRAMS**

**a. Federal requirements**

The owner must comply with and is subject to requirements of 2 CFR part 2424.

**b. Disclosure**

The owner certifies that:

1. The owner has disclosed to the PHA the identity of the owner and any principal or interested party.
2. Neither the owner nor any principal or interested party is listed on the U.S. General Services Administration list of parties excluded from Federal procurement and nonprocurement programs; and none of such parties are debarred, suspended, subject to a limited denial of participation or otherwise excluded under 2 CFR part 2424.

**21. TRANSFER OF THE CONTRACT OR PROPERTY**

**a. When consent is required**

1. The owner agrees that neither the HAP contract nor the property may be transferred without the advance written consent of the PHA in accordance with HUD requirements.
2. "Transfer" includes:
  - a. Any sale or assignment or other transfer of ownership, in any form, of the HAP contract or the property;
  - b. The transfer of any right to receive housing assistance payments that may be payable pursuant to the HAP contract;

- c. The creation of a security interest in the HAP contract or the property;
  - d. Foreclosure or other execution on a security interest; or
  - e. A creditor's lien, or transfer in bankruptcy.
3. If the owner is a corporation, partnership, trust or joint venture, the owner is not required to obtain advance consent of the PHA pursuant to paragraph a for transfer of a passive and non-controlling interest in the ownership entity (such as a stock transfer or transfer of the interest of a limited partner), if any interests so transferred cumulatively represent less than half the beneficial interest in the HAP contract or the property. The owner must obtain advance consent pursuant to paragraph a for transfer of any interest of a general partner.

**b. Transferee assumption of HAP contract**

No transferee (including the holder of a security interest, the security holder's transferee or successor in interest, or the transferee upon exercise of a security interest) shall have any right to receive any payment of housing assistance payments pursuant to the HAP contract, or to exercise any rights or remedies under the HAP contract, unless the PHA has consented in advance, in writing to such transfer, and the transferee has agreed in writing, in a form acceptable to the PHA in accordance with HUD requirements, to assume the obligations of the owner under the HAP contract, and to comply with all the terms of the HAP contract.

**c. Effect of consent to transfer**

1. The creation or transfer of any security interest in the HAP contract is limited to amounts payable under the HAP contract in accordance with the terms of the HAP contract.
2. The PHA's consent to transfer of the HAP contract or the property does not to change the terms of the HAP contract in any way, and does not change the rights or obligations of the PHA or the owner under the HAP contract.
3. The PHA's consent to transfer of the HAP contract or the property to any transferee does not constitute consent to any further transfers of the HAP contract or the property, including further transfers to any successors or assigns of an approved transferee.

**d. When transfer is prohibited**

The PHA will not consent to the transfer if any transferee, or any principal or interested party is debarred, suspended subject to a limited denial of participation, or otherwise excluded under 2 CFR part 2424, or is listed on the U.S. General Services Administration list of parties excluded from Federal procurement or nonprocurement programs.

**22. SUBSIDY LAYERING**

**a. Owner disclosure**

The owner must disclose to the PHA, in accordance with HUD requirements, information regarding any related assistance from the Federal Government, a State, or a unit of general local government, or any agency or instrumentality thereof, that is made available or is expected to be made available with respect to the contract units. Such related assistance includes, but is not limited to, any loan, grant, guarantee, insurance, payment, rebate, subsidy, credit, tax benefit, or any other form of direct or indirect assistance.

**b. Limit of payments**

Housing assistance payments under the HAP contract must be no more than is necessary, as determined in accordance with HUD requirements, to provide affordable housing after taking account of such related assistance. The PHA will adjust in accordance with HUD requirements the amount of the housing assistance payments to the owner to compensate in whole or in part for such related assistance.

**23. OWNER LOBBYING CERTIFICATIONS**

**a. The owner certifies, to the best of owner's knowledge and belief, that:**

1. No Federally appropriated funds have been paid or will be paid, by or on behalf of the owner, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of the HAP contract, or the extension, continuation, renewal, amendment, or modification of the HAP contract.
2. If any funds other than Federally appropriated funds have been paid or will be paid to any person for influencing or attempting to

influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the HAP contract, the owner must complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

- b. This certification by the owner is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352.

**24. TERMINATION OF HAP CONTRACT FOR WRONGFUL SELECTION OF CONTRACT UNITS**

The HAP contract may be terminated upon at least 30 days notice to the owner by the PHA or HUD if the PHA or HUD determines that the contract units were not eligible for selection in conformity with HUD requirements.

**25. NOTICES AND OWNER CERTIFICATIONS**

- a. Where the owner is required to give any notice to the PHA pursuant to the HAP contract or any other provision of law, such notice must be in writing and must be given in the form and manner required by the PHA.
- b. Any certification or warranty by the owner pursuant to the HAP contract shall be deemed a material representation of fact upon which reliance was placed when this transaction was made or entered into.

**26. NOTICE OF TERMINATION OR EXPIRATION WITHOUT EXTENSION**

- a. An owner must provide notice to the PHA, and to the affected tenants, not less than 1 year prior to the termination or expiration without extension of a HAP contract.
- b. An owner who fails to provide such notice must permit tenants to remain in their units for the required notice period with no increase in the tenant portion of the rent. During this time period, an owner may not evict a tenant as a result of the owner's inability to collect an increased tenant portion of rent. With PHA agreement, an owner may extend the terminating contract for a period of time sufficient to give tenants 1 years' advance notice.

**27. FAMILY'S RIGHT TO REMAIN**

Upon termination or expiration of the contract without extension, each family assisted under the contract may elect to use its assistance to remain in the project

---

if the family's unit complies with the inspection requirements under section 8(o)(8) (42 U.S.C. 1437f(o)(8) of the U.S. Housing Act of 1937 ("the 1937 Act")), the rent for the unit is reasonable as required by section 8(o)(10)(A) of the 1937 Act, and the family pays its required share of the rent and the amount, if any, by which the unit rent (including the amount allowed for tenant-paid utilities) exceeds the applicable payment standard.

**28. ENTIRE AGREEMENT; INTERPRETATION**

- a. The HAP contract, including the exhibits, is the entire agreement between the PHA and the owner.
- b. The HAP contract must be interpreted and implemented in accordance with all statutory requirements, and with all HUD requirements, including amendments or changes in HUD requirements during the term of the HAP contract. The owner agrees to comply with all such laws and HUD requirements. Any regulatory citation specifically included in this HAP contract is subject to any subsequent revision of such citation.



**U.S. Department of Housing and Urban Development**  
Office of Public and Indian Housing

**MOVING TO WORK (MTW) RIDER TO THE HOUSING ASSISTANCE PAYMENT (HAP)  
CONTRACT FOR THE SECTION 8 TENANT-BASED ASSISTANCE HOUSING CHOICE VOUCHER  
PROGRAM (HCV) AND/OR THE SECTION 8 PROJECT-BASED VOUCHER (PBV) PROGRAM**

Pursuant to the Public Housing Agency's (PHA) participation in the MTW demonstration, the PHA may establish Section 8 HCV or PBV policies or requirements that differ from statutory requirements for both programs contained in the U.S. Housing Act of 1937, the relevant regulatory requirements, and applicable Public and Indian Housing Notices. Where any particular provisions of this HAP Contract differ from or conflict with the MTW activities included in the PHA's approved MTW Supplement to its PHA Plan, the provisions of the MTW Operations Notice and the approved MTW Supplement to the PHA Plan shall supersede any conflicting or differing HAP Contract language. Further, the MTW Activity authorized by the MTW Operations Notice shall govern the PHA's administration of the program notwithstanding a conflicting or differing provision of the HAP Contract. This rider shall be in effect for the term of the HAP Contract or the term of the PHA's participation in the MTW demonstration, whichever ends sooner.

**EXHIBIT A**

**South First Phase One, LLC PBV HAP Contract**

- A. Number of Units Covered by HAP Contract: 24 units
- B. Bedroom Size: One, Two, and three bedrooms
- C. Project Name: South First Phase One
- D. Street Address: 1000 South First Street, Charlottesville VA 22902
- E. Contract Units: 24 units
- F. Contract Unit Description and Identification:
1. Total Area: 25,191.24 gross sq. ft.
  2. Bedrooms: 6 (1) BR/1 BA, 12 (2) BR/2 BA, 6 (3) BR/2 BA
  3. Bathrooms: 1 bathroom in the one-bedroom units, 2 bathrooms for the two and three-bedroom units.
  4. Contract terms: 20 years
- G. [Units Exceeding: All 7 of the units will serve people with disabilities and are considered excepted units with regards to the 25% units per building cap (reference 983-56 (b)(2)(B)).]
- H. Initial Rent to Owner):
- |                                       |         |
|---------------------------------------|---------|
| One Bedroom Gross and Contract Rent   | \$1,060 |
| Two Bedroom Gross and Contract Rent   | \$1,233 |
| Three Bedroom Gross and Contract Rent | \$1,538 |

## EXHIBIT B

### South First Phase One, LLC PBV HAP Contract

#### Services, Maintenance, Equipment

##### 24 Units

- A. (6) – 1 bedroom units with 1 bath. Unit size 812.16 square feet.
- B. (12) – 2 bedroom units with 2 baths. Unit size 1092.78 square feet.
- C. (6) – 3 bedroom units with 2 baths. Unit size 1200.82 square feet.
- D. Apartments come with a refrigerator, dishwasher, range, washer and dryer. Apartments are cable ready but cable service must be ordered individually by the resident.
- E. High speed internet is available to each household and paid for by the owner.
- F. Parking is available on site to residents.
- G. Maintenance service is on call for the benefit of residents.

**EXHIBIT C**

**South First Phase One, LLC PBV HAP Contract**

**Utilities:** Trash and sewer are paid by the owner.

Water and electric are paid by the tenant.

## **EXHIBIT D**

### **South First Phase One, LLC PBV HAP Contract**

A. Seven Accessible (UFAS) units have the following:

- Grab bars in bathroom
- Wheelchair accessible kitchen sink and counter tops accommodating for wheelchairs
- Large wheelchair accessible bathrooms
- Appliances with front controls

R

Documentation of  
Operating Budget  
and Utility Allowance

May 2020

# Utility Allowances

## CHARLOTTESVILLE REDEVELOPMENT AND HOUSING AUTHORITY

Charlottesville, Virginia



### INITIAL REPORT

### TAX CREDIT

## UTILITY ALLOWANCE SURVEY AND STUDY

(SOUTH FIRST PHASE ONE & CRESCENT HALL)

The **Nelrod** Company®

3301 West Freeway 2nd Floor, Fort Worth, TX 76107

Tel: 817-922-9000 / Fax: 817922-9100

Satellite Office: Washington D.C. Metro Area and Houston, Texas

E-Mail Address: [ResidentLife@nelrod.com](mailto:ResidentLife@nelrod.com) – Web Site: [www.nelrod.com](http://www.nelrod.com)

© 2020 The Nelrod Company, Fort Worth, Texas



3301 West Freeway  
Fort Worth, TX 76107



Phone: 817-922-9000  
Fax: 817-922-9100

Email: ResidentLife@nelrod.com – Website: www.nelrod.com

June 30, 2020

Dave Norris, Redevelopment Coordinator  
Charlottesville Redevelopment & Housing Authority  
500 S First Street  
Charlottesville, VA 22902

**Re: Tax Credit Utility Allowance Survey and Study Initial for South First Phase One and Crescent Halls, Charlottesville, VA - 2020**

Dear Mr. Norris:

ResidentLife Utility Allowances® is pleased to enclose a draft copy of the Initial Utility Allowances Survey and Study for South First Phase One and Crescent Halls, Charlottesville, VA.

As a reminder: Established Utility Allowances and their **utility rates should be reviewed at least annually, and allowances revised if necessary with new utility rate and charges.** Please contact ResidentLife Utility Allowances® about this time next year to see if we can be of service for your annual review.

Please carefully review this draft report for any identifiable problems, changes, corrections, and/or special needs and let me know if you have any changes or questions as soon as possible. If no changes are requested, this report will serve as a final report as well. **Please see the attached Closure Acceptance Statement, sign and return as soon as possible.** You can contact me at (817) 922-9000 ext 139 or cheryl@nelrod.com. It is a pleasure working with you.

Sincerely,

*Cheryl Lord*

Cheryl Lord  
ResidentLife Utility Allowances® Director

Enclosure

Disclaimer: ResidentLife Utility Allowances® will make any necessary corrections to work previously performed prior to submission of final report. It is important to note that many local communities have different rate structures, weather patterns, types of charges, etc. ResidentLife Utility Allowances® has made every effort to be as accurate as possible, but will not be held responsible for changes involving different methodologies, rate structures, regulatory changes, omission and/or misinformation of cost calculation data from utility providers, selection of most advantageous cost calculation methodology in areas with multiple costing methods, and inaccurate allowances resulting from lack of information or data not provided by the agency.



3301 West Freeway  
Fort Worth, TX 76107



Phone: 817-922-9000  
Fax: 817-922-9100

Email: ResidentLife@nelrod.com – Website: www.nelrod.com

## Closure Acceptance Statement

ResidentLife Utility Allowances Director

**Re: Tax Credit Utility Allowance Survey and Study Initial for South First Phase One and Crescent Halls, Charlottesville, VA - 2020**

Upon signing this Closure Statement, I, \_\_\_\_\_, on behalf of **Charlottesville Redevelopment & Housing Authority, VA** acknowledge receipt of the draft survey study report.

I, or a member of our agency staff, have reviewed this draft report and have requested edits, changes or additions if needed. Our agency now accepts this survey study report as final. This does not mean that we will adopt these results as our Agency's actual allowances.

Signed

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

**Please sign and return within 30 days  
fax to: (817) 922-9100 or email to cheryl@nelrod.com**

**Job #1325-RU-001**

Z:\2020\2020 Utility Allowances\Agency Studies 2020\ABC-Other Studies\Charlottesville, VA-TC New-2 properties-\Charlottesville VA-Tax Credit INITIAL Study Letter-May 2020.docx

## TABLE OF CONTENTS

<b>Objectives and Methodology</b> .....	<b>1</b>
<b>Survey and Study Results</b> .....	<b>5</b>
<b>Utility Allowances Schedule-Form HUD-52667</b> .....	<b>7</b>
Apartment – South First Phase One – Energy Efficient .....	8
Apartment – Crescent Halls – Green Retrofit .....	9
Instructions for HUD Forms 52667 Utility Allowance Schedule .....	10
<b>Consumption Sources and Adjustments</b> .....	<b>12</b>
<b>Consumption Totals</b> .....	<b>14</b>
<b>Utility Allowance Cost of Consumption Calculations</b> .....	<b>17</b>
<b>Support Documentation</b> .....	<b>23</b>
Utility Provider Rates and Charges .....	24
Utility Provider Documentation .....	27
Questionnaire for Development of Utility Allowances.....	55
Local Climatological Data .....	58

# **OBJECTIVES AND METHODOLOGY**

# OBJECTIVES AND METHODOLOGY

## TAX CREDIT PROPERTIES

---

### ***Objective***

The objective of this survey and study is to develop consumption and utility allowances for electric and natural gas, for the **Tax Credit** properties, **South First Phase One** and **Crescent Halls**, located in **Charlottesville, VA**. These utility allowances will be developed by structure type and unit size, for proposed tenant-paid utilities. One of the approved options from the Low Income Housing Tax Credit regulations, the **HUD Utility Schedule Model** (HUSM - Energy Star and Green Retrofit), was utilized to develop the proposed Tax Credit utility allowances. These allowances are based upon a reasonable consumption of an energy conservative family of modest circumstances and to provide for the basic essentials needed for a living environment that is safe, sanitary and healthful.

NOTE: Per the Texas Department of Housing and Community Affairs, Tax Credit compliance agency for Texas, the current version of HUSM must be utilized with no alteration.

### ***Methodology***

The following steps were taken by our utility allowance specialist to accomplish the above objective:

#### ***1. Utility Rate Information Gathering***

The following information was obtained by a rate specialist and input in the Utility Providers Residential Rates and Charges document:

- a. Obtained documentation on current residential **electric** summer and winter rates and charges from **Dominion Power** through their internet website and telephone inquiries.
- b. Obtained documentation on current residential **natural gas** rates and charges from the **City of Charlottesville** through their internet website and telephone inquiries.
- c. Obtained documentation on the current residential **water and sewer** rates and charges from the **City of Charlottesville** through their internet website and telephone inquiries.

Tenants do not pay for trash collection services.

## 2. Monthly Consumptions and Adjustments

The average monthly consumption for electric and natural gas were developed utilizing the newest version of HUD's Utility Schedule Model (HUSM) for the Section 8 HCV Program. This tool provides for a "**Green Discount**" choice of "**None (Standard)**", "**Energy Star**", "**LEED**", or "**Significant Green Retrofit**". Choosing "None" provides "**Standard**" equipment and measures, and choosing "**Energy Star**", "**LEED**", or "**Significant Green Retrofit**" provides "**Energy Efficient**" equipment and measures. Each selection modifies the consumption averages.

In this engineering-methodology study, per the Agency requesting this study, the "**Energy Star**" choice was utilized for energy efficient utility allowances for South First Phase One, and the "**Green Retrofit**" choice was utilized for energy efficient utility allowances for Crescent Halls.

The HUSM tool provides a choice of locations for the climatic adjustment of the base consumptions, by housing agency code or zip code. For agencies that cover more than one climatic zone, we utilize climatic data from the PHA\_Average\_HDD-CDD spreadsheet to determine the appropriate base consumptions.

**Water** average consumption is based on a national average, acquired via internet research, per building type and bedroom size.

## 3. Utility Allowance Calculations

Allowances were calculated by our utility allowance specialist:

- a. The current residential rates and charges for **electric** usage were applied to the adjusted average consumption figures for each building type to determine the cost of consumption for each size unit.
- b. The current residential rates and charges for **natural gas** usage were applied to the adjusted average consumption figures for each building type, to determine the cost of consumption for each size unit.
- c. The current residential rates and charges for **water and sewer** usage were applied to the adjusted average consumption figures for each building type to determine cost of consumption for each size unit.

Tenants do not pay for trash collection services.

#### 4. Utility Allowance Schedules - Form HUD-52667

The utility allowance schedule must be prepared and submitted in accordance with Tax Credit requirements. Therefore, these new utility allowances are provided on the form prescribed by HUD, form HUD-52667, for an **Multi-Family Apartment (Energy Efficient) for South First Phase One** and **Multi-Family Apartment (Energy Efficient for Crescent Halls)**.

### **Additional Information**

#### 1. Support Documentation/Record Retention

Per Tax Credit regulations (Utility Treasury Regulations 1.45-5) the building owner must retain any utility consumptions estimates and supporting data as part of the taxpayer's records for purposes of §1.6001-16.

This report contains a copy of all such supporting documentation.

#### 2. Effective Dates

Allowances cannot be implemented until the estimate is submitted to the compliance agency and is made available to the residents by posting in a common area of the leasing office at the property. This action must be taken by the beginning of the 90-day period in which the Owner intends to implement the utility allowances.

#### 3. Annual Review

The building Owner must review and adjust the utility allowances once a calendar year. They must submit copies of the utility estimate and simultaneously post the utility allowances in a common area of the leasing office at the property for a 90-day period.

#### 4. Additional Guidance

For more details, instructions and requirements see Treasury Regulations §1.42-10, and State Administrative Code-Compliance Monitoring Rules found in Title 10, Chapter 60, §60.109.

## **SURVEY AND STUDY RESULTS**

# UTILITY ALLOWANCE SURVEY AND STUDY RESULTS TAX CREDIT PROPERTIES

---

Utility Allowances were calculated utilizing the Tax Credit Compliance Monitoring Rule's approved method, HUD Utility Schedule Model (HUSM-Energy Star & Significant Green Retrofit). Dominion Power's electric, and the City of Charlottesville's natural gas, water, sewer, and trash collection current residential rates and charges were utilized to calculate these utility allowances for **South First Phase One** and **Crescent Halls**, located in **Charlottesville, VA**. The proposed monthly utility allowances are documented on form HUD-52667 on the following page.

See below Proposed Utility Allowances Totals:

**Building Type: Apartment – South First Phase One**

UNIT SIZE	1 BR	2 BR	3 BR
Proposed Allowances Totals	\$153.00	\$196.00	\$240.00

**Building Type: Apartment – Crescent Halls**

UNIT SIZE	1 BR	2 BR
Proposed Allowances Totals	\$158.00	\$201.00



**UTILITY ALLOWANCE SCHEDULES  
(form HUD-52667)**

# Utility Allowance Schedule

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing

OMB Approval  
No. 25577-0169  
exp.7/31/2022

See Public Reporting and Instructions on back.

The following allowances are used to determine the total cost of tenant-furnished utilities and appliances.

Date (mm/dd/yyyy):

Locality: **Charlottesville Redevelopment and Housing Authority, VA** Unit Type: **Multi-Family Apartment (Energy Efficient)**

Utility or Service: <b>South First Phase One</b>	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR
	Monthly Dollar Allowances					

**Heating**

a. Natural Gas						
b. Bottle Gas/Propane						
c. Electric						
d. Electric Heat Pump		\$12.00	\$15.00	\$17.00		
e. Oil						

**Cooking**

a. Natural Gas						
b. Bottle Gas/Propane						
c. Electric		\$4.00	\$6.00	\$8.00		

**Other Electric & Cooling**

Other Electric (Lights & Appliances)		\$17.00	\$23.00	\$30.00		
Air Conditioning		\$6.00	\$8.00	\$10.00		

**Water Heating**

a. Natural Gas						
b. Bottle Gas/Propane						
c. Electric		\$11.00	\$14.00	\$17.00		
d. Oil						

**Water, Sewer, Trash Collection**

Water		\$36.00	\$48.00	\$60.00		
Sewer		\$45.00	\$60.00	\$76.00		
Trash Collection		\$15.00	\$15.00	\$15.00		

**Tenant-supplied Appliances**

Range / Microwave Tenant-supplied						
Refrigerator Tenant-supplied						

**Other--specify: Monthly Charges**

Electric Charge \$6.58		\$7.00	\$7.00	\$7.00		

<b>Actual Family Allowances</b>	Utility or Service	per month cost	
To be used by the family to compute allowance. Complete below for the actual unit rented.	Heating	\$	
	Cooking	\$	
Name of Family	Other Electric	\$	
	Air Conditioning	\$	
	Water Heating	\$	
	Water	\$	
Address of Unit	Sewer	\$	
	Trash Collection	\$	
	Range / Microwave	\$	
	Refrigerator	\$	
	Other	\$	
	Number of Bedrooms	Other	\$
		Total	\$



# Utility Allowance Schedule

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing

OMB Approval  
No. 25577-0169  
exp.7/31/2022

See Public Reporting and Instructions on back.

The following allowances are used to determine the total cost of tenant-furnished utilities and appliances.

Date (mm/dd/yyyy):

Locality: **Charlottesville Redevelopment & Housing Authority, VA** Unit Type: **Multi-Family Apartment (Energy Efficient)**

Utility or Service: <b>Crescent Halls</b>	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR
	Monthly Dollar Allowances					

**Heating**

a. Natural Gas						
b. Bottle Gas/Propane						
c. Electric						
d. Electric Heat Pump		\$12.00	\$15.00			
e. Oil						

**Cooking**

a. Natural Gas						
b. Bottle Gas/Propane						
c. Electric		\$4.00	\$6.00			

**Other Electric & Cooling**

Other Electric (Lights & Appliances)		\$17.00	\$23.00			
Air Conditioning		\$6.00	\$8.00			

**Water Heating**

a. Natural Gas		\$6.00	\$9.00			
b. Bottle Gas/Propane						
c. Electric						
d. Oil						

**Water, Sewer, Trash Collection**

Water		\$36.00	\$48.00			
Sewer		\$45.00	\$60.00			
Trash Collection		\$15.00	\$15.00			

**Tenant-supplied Appliances**

Range / Microwave Tenant-supplied						
Refrigerator Tenant-supplied						

**Other--specify: Monthly Charges**

Electric Charge \$6.58		\$7.00	\$7.00			
Natural Gas Charge \$10.00		\$10.00	\$10.00			

**Actual Family Allowances**

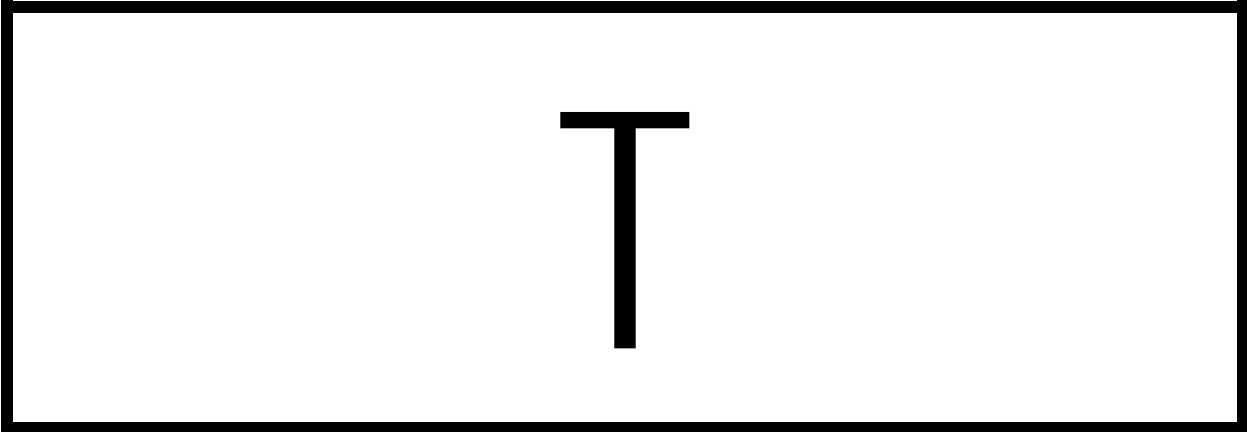
	Utility or Service	per month cost	
To be used by the family to compute allowance. Complete below for the actual unit rented.	Heating	\$	
	Cooking	\$	
Name of Family	Other Electric	\$	
	Air Conditioning	\$	
	Water Heating	\$	
	Water	\$	
Address of Unit	Sewer	\$	
	Trash Collection	\$	
	Range / Microwave	\$	
	Refrigerator	\$	
	Other	\$	
	Number of Bedrooms	Other	\$
		Total	\$



S

Supportive Housing  
Certification

Not Applicable to this Project



T

Funding Documentation

# CHARLOTTESVILLE REDEVELOPMENT & HOUSING AUTHORITY

P.O. BOX 1405

CHARLOTTESVILLE, VIRGINIA 22902

TELEPHONE/TTY/711: (434) 326-4748 FAX: (434) 971-4797

[www.charlottesville.org/housing](http://www.charlottesville.org/housing)



March 9, 2021

Mr. JD Bondurant  
LIHTC Program Director  
Virginia Housing Development Authority  
601 S. Belvidere Street  
Richmond, VA 23220-6500

Re: South First Phase One, LLC  
2021-C-19

Dear Mr. Bondurant:

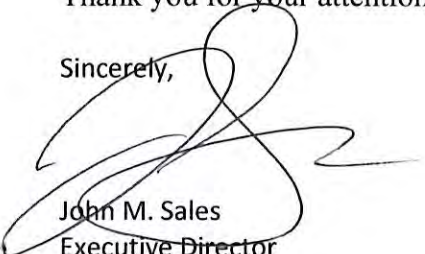
The Charlottesville Redevelopment and Housing Authority (CRHA) submits, on behalf of the Crescent Halls Reno, LLC, the following commitments from local resources required to undertake the redevelopment of the Crescent Halls renovation in the City of Charlottesville:

- \$1,125,000 representing the City of Charlottesville's contribution to the project and documented with the attached approved resolution adopted by the Charlottesville City Council on March 4, 2019.
- \$2,500,000 representing the Affordable Housing Opportunity Fund's contribution to the project and documented with the attached letter of firm commitment from their Executive Director.

In addition to these resources, the CRHA is the owner of record of the Crescent Halls property and is firmly committed to contributing the land and buildings with an appraised value of \$1,100,000 and documented in attached appraisal summary.

Thank you for your attention to this matter.

Sincerely,

  
John M. Sales  
Executive Director



CRHA does not discriminate on the basis of race, color, sex, age, religion, national origin, disability, veteran status, or union affiliations in any of its federally assisted programs and activities.



AFFORDABLE HOUSING  
OPPORTUNITY FUND



December 15, 2020

Ms. Kathleen Glenn-Matthews  
Interim Executive Director  
Charlottesville Redevelopment & Housing Authority  
500 First Street South  
Charlottesville, VA 22902

Re: South First Phase One

Dear Ms. Glenn-Matthews,

I am pleased to inform you that The Affordable Housing Opportunity Fund (the "AHOF") has agreed to provide two grants: one in the amount of \$2,500,000.00 to be used as construction and permanent financing of the development costs for the above referenced project; and second in the amount of \$600,000 to be used as a line of credit to pay for contingencies during construction. The award of these funds is conditioned solely on approval by the US Department of Housing and Community Development of the Demolition-Disposition, Mixed-Finance, and Project-basing proposals for this project, and LIHTC equity commitments, and completion of due diligence with respect to the project team.

We understand that the AHOF funds will be used for the new construction of 62 affordable dwelling units and related community space to be located at the 1000 South First Street site. These renovated dwellings will play an important role in addressing the City of Charlottesville's urgent need for more affordable housing.

Thank you for bringing this opportunity to AHOF and we wish you well in your applications for financing. We look forward to working with you on this exciting endeavor.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ashley Davies', followed by a long horizontal line extending to the right.

Ashley Davies  
Executive Director

**PROMISSORY NOTE**

\$1,125,000.00

Charlottesville, Virginia  
January 2, 2021

FOR VALUE RECEIVED, the undersigned, SOUTH FIRST PHASE ONE, LLC, a Virginia limited liability company (the "Maker") promises to pay to CHARLOTTESVILLE COMMUNITY DEVELOPMENT CORPORATION (the "Holder"), or its assigns, without offset, the principal sum of One Million One Hundred Twenty Five Thousand and No/100 Dollars (\$1,125,000.00) (the "Loan"). The principal amount of this Note shall bear interest at the rate of zero percent (0.0%) Annual payments on the Loan (principal) must be made from "Cash Flow" as such term is defined in the Second Amended and Restated Agreement of Limited Partnership of Maker to be executed (as amended, the "Partnership Agreement") in order and priority set forth in the Partnership Agreement. The principal and all accrued but unpaid interest shall be due in full on or before January 5, 2051 (the "Maturity Date") at 500 South First Street, Charlottesville, Virginia, or at such other place as the holder hereof may hereafter from time to time designate in writing, in lawful money of the United States of America which shall be legal tender in the payment of all debts and dues, public and private.

The undersigned hereby waives presentment, demand, protest and notice of demand, protest and nonpayment of this note.

In the event (a) of default in the payment of any principal, interest or other sums payable hereunder, (b) of default, for a period of 30 days, after written notice in the performance of, or compliance with, any other provision in this note or any deed of trust or other instrument securing this note, (c) any person or entity liable hereon in any capacity is or becomes insolvent or makes an assignment for the benefit of creditors, (d) a petition is filed or any other proceeding is commenced under the Federal Bankruptcy Act or any state insolvency statute by or against any person or entity liable hereon, or (e) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any person or entity liable hereon or the property, assets, or income of such person or entity, then, in any such event, the entire balance of principal with all interest then accrued shall, at the option of the holder hereof, become immediately due and payable. Notwithstanding anything to the contrary herein or in the Leasehold Deed of Trust, or any other document evidencing the Loan, in no event will the Holder have the authority or right to declare a default or exercise its remedies hereunder so long as Holder (or its affiliates) controls the general partner of the Maker.

The Holder agrees to send copies of all notices pursuant hereto to Housing Equity Fund of Virginia XXIII, L.L.C. ("HEF"), c/o Virginia Housing Capital Corporation, 1840 West Broad Street, Suite 200, Richmond, Virginia 23220-2151, Attention: Arild O. Trent.. In addition, HEF, or its affiliate, shall have the right, but not the obligation, to cure any default hereunder and Holder shall accept any cure offered by HEF, or its affiliates, as if such cure had been given by South First Phase One, LLC.



Dated at Charlottesville, Virginia, this \_\_\_\_ day of \_\_\_\_\_, 2021.

**SOUTH FIRST PHASE ONE, LLC**  
a Virginia limited liability company

**By: SOUTH FIRST PHASE ONE  
MANAGEMENT, LLC,**  
a Virginia limited liability company,  
its Managing Member

**By: CHARLOTTESVILLE COMMUNITY  
DEVELOPMENT CORPORATION,**  
a Virginia corporation  
its Sole Member

By:   
Name: John M. Sales  
Title: President

*Signature Page – CCDC \$1.125 MM Note*

Drafted by:  
DELPHINE CARNES LAW GROUP, PLC,  
101 W. Main Street, Suite 440, Norfolk, VA 23510

Tax Identification Number:

**NOTICE: The following is provided solely to comply with the provisions of Section 55-58.2 of the Code of Virginia (1950), as amended, and except as provided in such section, shall not be deemed to modify the provisions of this deed of trust. The name and address of the Lender or holder of the Note is Charlottesville Community Development Corporation, 500 First Street South, Charlottesville, Virginia, Attention: President.**

**The maximum aggregate amount of principal to be secured hereby at any one time:  
\$1,125,000.00**

**THIS LEASEHOLD DEED OF TRUST**, made this 8<sup>th</sup> of January, 2021, between **SOUTH FIRST PHASE ONE, LLC**, a Virginia limited liability company (“GRANTOR” or the “Company” or the “Borrower”), and **Delphine G. Carnes** of 101 W. Main Street, Suite 440, Norfolk, Virginia 23510, **TRUSTEE**, (“GRANTEE” or the “Trustee”) and **CHARLOTTESVILLE COMMUNITY DEVELOPMENT CORPORATION**, whose address is 500 First Street South, Charlottesville, Virginia (“GRANTEE” or the “Lender”).

**WITNESSETH THAT:**

The said Grantor does grant and convey unto the Trustee the interest of Grantor in and to the following described property (together with the improvements thereon, hereinafter referred to as the “Development”), to-wit:

**SEE EXHIBIT A ATTACHED HERETO AND MADE A PART HEREOF**

TOGETHER WITH any and all payments or awards now or hereafter made for the taking of the property conveyed hereby, or any part thereof (including any easement) by an entity possessing the power of eminent domain, which payments or awards are hereby assigned to the

Trustees and are deemed a part of the property conveyed hereby; and the Grantor hereby agrees upon request, to make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning each such award to the Trustees, free, clear and discharged of any encumbrances of any kind or nature whatsoever; and all right, title and interest of the Grantor in and to the land lying in the streets in front of and adjoining the above described land, which together with the property described in Exhibit A hereto is collectively referred to as the "Property".

IN TRUST to secure to the holder or holders thereof, the payment of a negotiable promissory note dated January \_\_, 2021 in the principal sum of ONE MILLION ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$1,125,000.00) (the "Loan"). The Loan is evidenced by a promissory note (the "Note") in the principal amount of \$1,125,000.00, payable to lender, or order. The principal amount of the Note shall bear interest at the rate of zero percent (0.0%) per annum. The entire outstanding principal of and interest on the Note shall be due and payable on the date which is thirty (30) years after Closing (the "Maturity Date"). All payments on the Note shall be made at 500 South First Street, Charlottesville, Virginia, Attn: Executive Director, or at such address as the holder thereof may designate in writing.

This Deed of Trust is given to secure repayment of the Loan made by Lender to the Company. Collectively, the Note and this Deed of Trust constitute the "Loan Documents".

Payments to be made on the Note shall be credited, at the time of each payment, first to costs and expenses of the Lender, including costs of collection and reasonable attorney's fees, and then to principal. All payments shall be made in lawful money of the United States which, at the time of payment, shall be legal tender for the payment of all debts and dues, public and private. Any note or notes given and received in curtailment, extension or renewal of the above

mentioned Note, in whole or in part, are intended to be, shall be and are secured hereby just as said Note is secured hereby.

The Grantor may prepay the Note, in whole or in part, at any time without premium or penalty and without the consent of the Lender.

**NOTICE: THE DEBT SECURED HEREBY IS SUBJECT TO CALL IN FULL OR THE TERMS THEREOF BEING MODIFIED IN THE EVENT OF SALE OR CONVEYANCE OF THE PROPERTY CONVEYED.**

All the provisions of Section 55-59 of the 1950 Code of Virginia, as amended, are intended to be and are hereby made a part hereof and shall be taken and treated as such.

Except as provided in Appendix I of the Mortgage Loan Rider attached hereto as Exhibit B and made a part hereof, the Grantor will not voluntarily create, or permit or suffer to be created or to exist, on or against the said property, or any part thereof, any lien superior to the lien of this Deed of Trust, without the permission of the Lender or holder of the Note, and will keep and maintain the same free from the claims of all parties supplying labor or materials which may enter into the construction or installation of any improvements to the Property.

Upon the occurrence of any event of default, as defined in the Note, after all required notice is given and the expiration of any applicable grace or cure period within which the Grantor may cure the same, then the Lender, or the holder of the Note, at its option, may declare the entire outstanding principal balance of the Note, together with all costs, fees, expenses and charges for collection (including reasonable attorney's fees as provided in the Note), to be immediately due and payable in full, without further demand or notice to the Grantor or to any other party. Failure of the Lender or the holder of the Note to exercise any rights thereunder upon an event of default shall not excuse such default and shall not constitute the Lender's or

holder's waiver of the right to the exercise thereof, in the absence of a written agreement to the contrary executed and delivered by the Lender or holder of the Note subsequent to such default.

The Trustee or her successor in office may, if requested by the holder or holders of said Note so to do, and when provided by her, with funds necessary for that purpose, pay all taxes, assessments and charges on the Property hereby conveyed, cause the improvements thereon to be insured and put in good order and condition (and any sums paid for the foregoing, with interest from the date of payment, shall be added to and become part of the debt hereby secured), and collect the rents therefrom, and shall, if further requested by the holder or holders of said Note, sell the Property hereby conveyed at public auction at such time and place, and upon such terms and conditions, as may be deemed expedient, having first given notice of the time and place of sale at least once a week for two (2) successive weeks by advertisement thereof in some Daily Newspaper having a general circulation in the City of Charlottesville, Virginia. Out of the proceeds of such sale the Trustee shall pay the expenses of executing this trust, including a reasonable commission to herself as Trustee, all unpaid taxes, assessments and charges, and all costs of repairs and all insurance premiums which have not been paid by the Grantor. The balance, if any, shall be applied to the payment of the debt hereby secured. The residue (if any) of any such proceeds of sale shall be paid to the Grantor, its personal representatives and assigns, or as otherwise provided by law.

In the event the premises are advertised for sale as herein provided, but not sold pursuant to such advertisement, the Trustees shall be reimbursed by the Grantor for their actual expenses incurred, and paid a commission for services reasonably required not to exceed two per cent (2%) of the unpaid principal amount of the debt hereby secured.

If either the Trustees or the Lender or holder of the Note shall be made parties to any suit

at law or in equity or to any administrative proceedings in reference to their respective interests in the Property, or shall deem it necessary or desirable to take any action, through legal procedures or otherwise, in order to defend or uphold the security of this instrument, the costs and expenses thereof, including a reasonable sum for attorneys' fees shall be paid by the Grantor, and all sums so expended, and the interest thereon, shall be added to the above mentioned indebtedness and secured by the lien of this Deed of Trust.

The Grantor covenants that during the continuance of this trust it will (a) make the payment hereinbefore mentioned at the time and place stated in the Note, (b) keep the improvements on the Property hereby conveyed in good order and condition, (c) cause all improvements to be insured against loss by fire, hazards included within the term "extended coverage," and such other commercially available and financially reasonable hazards as the Lender or holder of the Note may require, by Grantor's insurance provider on the date hereof or such other insurer as may be reasonably approved by Lender and in an amount that is satisfactory to the Lender or the holder of the Note, which policies shall name the Lender or holder of the Note as its interest might appear as additional insured, (d) pay promptly when due all levies, charges and assessments on the Property hereby conveyed, and (e) pay to the Lender or holder of the Note, or its assigns, upon written request, at the time and place designated by the Lender, a sum equal to one-twelfth of the annual insurance premiums and taxes on the Property hereby conveyed. Such sums together with monies paid for payment of principal as provided in said Note, shall be applied in accordance with the provisions stated herein and in the Note. If this accumulation proves deficient to satisfy in full the insurance and tax charges, the Lender or holder of the Note shall notify the Grantor, who shall correct such deficiency. A failure to correct the same within the periods called for in the Note or any of the associated Loan

Documents shall constitute a default hereunder.

If any money becomes payable by virtue of insurance proceeds or condemnation awards proceeds ("Proceeds") Grantee shall hold all such proceeds for the purpose of readvancing the same to Grantor for the purpose of repairing such damage and restoring the Development to its original condition or as near thereto as practicable.

If an event of default has occurred and has continued beyond all applicable grace periods, any and all rentals from the property hereby conveyed shall immediately thereupon and by virtue thereof become the property of the Lender or holder of the Note, and it, or the Trustees, shall have the right to collect the same. All sums (if any) so collected by the Trustees shall be paid over by them to the Lender or the holder of the Note and such sums and all sums collected by it shall be treated and applied as part of any amounts due under the Note. Any amount remaining after the obligations under the Note have been repaid in full shall be paid to the Borrower.

If the debt hereby secured is paid as hereinbefore provided and there is no default in the performance of any covenant or condition herein contained, then upon the request of the said Grantor, its successors or assigns, a release hereof shall be made and executed at its cost and expense.

No building or other structure or improvement subject to this Deed of Trust shall be materially altered, removed or demolished without the prior written consent of the Lender or holder of the Note. The Grantor will not use, or permit the use of, the Property for any purpose other than the purpose or purposes for which the same is now intended to be used, without the prior written consent of the Lender or holder of the Note. The Grantor will maintain the Property in good condition and state of repair and will not suffer or permit any waste to any part thereof, and will promptly comply with all the requirements of Federal, State and local governments, or

any departments, divisions or bureaus thereof, pertaining to the Property or any part thereof, and will comply with any and all reasonable requests of the Lender or holder of the Note regarding upkeep, maintenance and repairs to the Property.

In the event of loss or damage to the Property, the Grantor will give to the Trustees immediate notice thereof, by mail, and the Trustee may make and file proof of loss if not made otherwise promptly by or on behalf of the Grantor.

The unenforceability or invalidity of any provision or provisions hereof shall not render any other provision or provisions hereunder invalid or unenforceable. The rights and obligations created hereunder shall be construed and enforced according to, and shall be governed by, the laws of the Commonwealth of Virginia. This Deed of Trust and all the covenants, agreements, terms and conditions herein contained shall be binding upon and inure to the benefit of the Grantor and its legal representatives and assigns.

*Signatures Appear on Following Page*

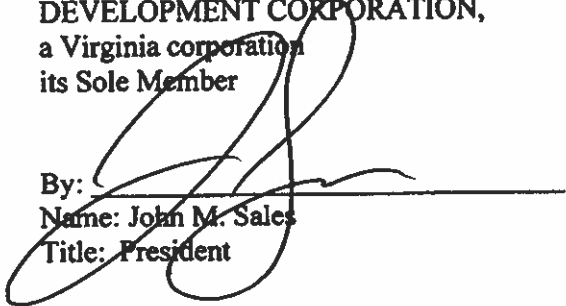


IN WITNESS WHEREOF, South First Phase One, LLC, a Virginia limited liability company, has executed this instrument, as of the day and year first above written.

SOUTH FIRST PHASE ONE, LLC  
a Virginia limited liability company

By: SOUTH FIRST PHASE ONE  
MANAGEMENT, LLC,  
a Virginia limited liability company,  
its Managing Member


By: CHARLOTTESVILLE COMMUNITY  
DEVELOPMENT CORPORATION,  
a Virginia corporation  
its Sole Member

By:   
Name: John M. Sales  
Title: President

Commonwealth of Virginia  
City of Charlottesville

The foregoing was acknowledged before me on this 4 day of January, 2020 by John M. Sales, President of Charlottesville Community Development Corporation, a Virginia corporation, Sole Member of South First Phase One Management, LLC, a Virginia limited liability company, Managing Member of South First Phase One, LLC, a Virginia limited liability company.



  
Notary Public  
My commission expires: 11/30/2022

### **EXHIBIT A**

That certain lot, piece or parcel of land, lying and being in City of Charlottesville, Virginia, known and designated as "Parcel B", containing 3.00 acres, more or less, as shown on that certain plat entitled "Subdivision Plat of Property of Charlottesville Redevelopment and Housing Authority having Parcel Number 260115000, City of Charlottesville, Virginia, dated December 6, 2018", dated December 6, 2018, revised per City Comment on January 7, 2019, February 7, 2019, and last revised on February 21, 2019, made by MidAtlantic Surveying and Land Design, and duly recorded in the Clerk's Office of the Circuit Court for the city of Charlottesville, Virginia, in instrument No. 201900000770.

BEING a portion of the same real estate conveyed to Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia by Deed from Frank IX & Sons Virginia Corp., a New Jersey corporation, formerly Frank IX & Sons Sheraton Mills Corporation, dated February 26, 1969 and recorded on March 20, 1969 in the Clerk's Office of the Circuit Court of the city of Charlottesville, Virginia in Deed Book 306 , page 254. Order entered in the Corporation Court of the City of Charlottesville in the case styled Charlottesville Redevelopment and Housing Authority v. Mamie C. Jacobs, a copy of said order being recorded in Deed Book 316, page 187 and Final Order recorded in Deed Book 316, page 190 in the aforesaid Clerk's Office.

Ordinance Closing, Vacating and Discontinuing a Portion of Unopened Ware Street in the City of Charlottesville, recorded attached to instrument recorded in Deed Book 409, page 3 (said copy of the ordinance being recorded at page7) in the aforesaid Clerk's Office. Said Ordinance also being filed in Street Resolution Book 1, page 79 which closed portions of Ware Street.

## EXHIBIT B

### MORTGAGE LOAN RIDER

This Deed of Trust Rider (the “Rider”) is attached to and made a part of that certain other documents entered into by Borrower in connection with the Loan dated as of January 8, 2021 (collectively, the “Loan Documents”) entered into by and between Charlottesville Community Development Corporation, a Virginia corporation (“Lender”) and South First Phase One, LLC, a Virginia limited liability company (the “Borrower”), and modifies the Loan Documents entered into in connection with that certain \$1,125,000.00 loan from Lender (the “Loan”), all with respect to the development of a 62 unit residential development, situated in Charlottesville, Virginia (the “Project”). The Borrower and Lender hereto agree that the following terms and agreements shall be part of and shall modify or supplement each of the Loan Documents, and shall prevail in the event of conflict or inconsistency between this Rider and the Loan Documents, provided that Borrower’s Amended and Restated Operating Agreement, dated as of approximately even date herewith, including the exhibits thereto (the “Operating Agreement”) shall not be considered Loan Documents for the purpose of this Rider and nothing contained herein shall supersede or amend the rights of Lender in its capacity as Managing Member under the Operating Agreement:

1. Intentionally deleted.
2. Neither the withdrawal, removal, replacement, and/or addition of a managing member of the Borrower pursuant to the terms of the Operating Agreement shall constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan; provided that Borrower agrees to notify the Lender of any proposed replacement managing member prior to replacement, and, upon replacement, shall notify the Lender of the name and contact information of the replacement managing member with reasonable promptness.
3. Nothing in the Loan Documents shall limit or restrict the ability of Borrower’s investor members and their successors and assigns (collectively, the “Investor Member”) to transfer, sell or assign a partial or the entire ownership interest in Borrower, from time to time, under the Operating Agreement without consent of Lender.
4. The Lender acknowledges that Investor Member has the right, under the Borrower’s Operating Agreement, to direct the managing member to remove the Project property management agent. Borrower agrees to give Lender notice of the proposed replacement management agent, and the Lender agrees, only in its capacity as Lender, to consent to same, assuming that such replacement property manager is acceptable to Investor Member and has experience in managing projects occupied by low-income households pursuant to Section 42 of the Internal Revenue Code.

5. If a monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the managing member, as set forth in the Loan Documents and the Investor Member of the Borrower, as set forth in Section 15 below, simultaneous written notice of such default. Unless a longer period is set forth in the Loan Documents, the Borrower shall have a period of seven (7) days after such notice is given within which to cure the default prior to exercise of remedies by Lender under the Loan Documents.
6. If a non-monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the managing member, as set forth in the Loan Documents and Investor Member of the Borrower, as set forth in Section 15 below, simultaneous written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Borrower shall have such period to effect a cure prior to exercise of remedies by Lender under the Loan Documents. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and if Borrower (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible as determined in the reasonable discretion of Lender, then Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Lender. Except as provided for herein, in no event shall Lender be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given.
7. Lender agrees that so long as (i) Lender is an affiliate or related entity to the Borrower or Managing Member and (ii) the Compliance Period (as defined in the Borrower's Operating Agreement) shall not have terminated, then it shall not claim the occurrence of an Event of Default by Borrower under any of the Loan Documents.
8. Investor Member shall have the independent right to cure any defaults within the time periods set forth above. Lender hereby agrees that any cure of any default made or tendered by the Investor Member shall be (i) deemed to be a cure by Borrower, and (ii) accepted or rejected on the same basis as if made or tendered.
9. In the event of any fire or other casualty to the Project or eminent domain proceedings resulting in condemnation of the Project or any part thereof, Borrower shall have the right to rebuild the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Loan in balance and rebuild the Project in a manner that provides adequate security to Lender for repayment of the Loan or if such proceeds are insufficient then Borrower shall have funded any deficiency, (b) Lender shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the Loan Documents. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial

repayment of the Loan in a manner that provides adequate security to Lender for repayment of the remaining balance of the Loan.

10. Lender agrees that it shall not (a) sell, assign, convey, or otherwise transfer all or any of its interest in the Loan to the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac") or (b) include the Loan, or any interest therein, in any pool of loans to be sold, assigned, conveyed, or otherwise transferred to Fannie Mae or Freddie Mac.
11. There shall be no default for construction or rehabilitation delays beyond the reasonable control of Borrower, provided that such delays do not exceed one hundred eighty (180) days.
12. In any approval, consent, or other determination by Lender in its capacity as Lender required under any of the Loan Documents, Lender shall act reasonably and in good faith.
13. The Lender consents to that certain Amended and Restated Purchase Option and Right of First Refusal Agreement of even date herewith, in favor of the Lender, or its designee, and agrees that transfer of title to the Project in accordance therewith shall not constitute a default under the Loan Documents, provided that Borrower gives Lender prior written notice of such transfer and contact information for such transferee, and provided that the transferee agrees to assume the duties and obligations of the Borrower respecting the Loan on the same terms as those imposed on the Borrower.
14. Investor member, and its successors and assigns, is a third-party beneficiary of the rights of Borrower under the Loan Documents, as modified by this Rider, and has the right to directly enforce such rights.
15. Copies of any and all notices of default and any and all other notices that may be given by Lender to Borrower shall be sent, in the same manner as the notice is given to Borrower, to Investor Member at the following address:

Housing Equity Fund of Virginia XXIII, L.L.C.  
c/o Virginia Community Development Corporation  
1840 West Broad Street, Suite 200  
Richmond, VA 23220  
Attention: Executive Director

With a copy to:  
Applegate & Thorne-Thomsen, P.C.  
425 S. Financial Place, Suite 1900  
Chicago, Illinois 60605  
Attn: Diane K. Corbett, Esq.

Investor Member may change its address for receipt of copies of notices by giving notice in writing stating its new address to Lender. Commencing on the tenth (10th) day after

the giving of such notice, such newly designated address shall be effective for purposes of all such copies of notices required to be sent by Lender to Borrower's Investor member.

16. Notwithstanding anything contained in the Loan Documents to the contrary, Lender, during the Compliance Period (as defined in Section 42 of the Internal Revenue Code of the United States, as amended from time to time), will not exercise any rights or remedies it may have under the Loan Documents, including, but not limited to, accelerating the indebtedness, collecting rents, appointing (or seeking the appointment of) a receiver or exercising any other rights or remedies thereunder.

[signature pages follow]

**Borrower:**

**SOUTH FIRST PHASE ONE, LLC**  
a Virginia limited liability company

**By: SOUTH FIRST PHASE ONE MANAGEMENT, LLC,**  
a Virginia limited liability company,  
its Managing Member

**By: CHARLOTTESVILLE COMMUNITY DEVELOPMENT CORPORATION,**  
a Virginia corporation  
its Sole Member

By:   
Name: John M. Sales  
Title: President

**Lender:**

**Charlottesville Community Development Corporation,**  
a political subdivision of the Commonwealth of Virginia

By:   
Name: John M. Sales  
Title: President

APPENDIX I TO  
MORTGAGE LOAN RIDER

PERMITTED ENCUMBRANCES

1. Encumbrances set forth on Schedule B to Title Policy.



## PROMISSORY NOTE

\$2,500,000.00

Charlottesville, Virginia  
January 8, 2021

FOR VALUE RECEIVED, the undersigned, SOUTH FIRST PHASE ONE, LLC, a Virginia limited liability company (the "Maker") promises to pay to CHARLOTTESVILLE COMMUNITY DEVELOPMENT CORPORATION (the "Holder"), or its assigns, without offset, the principal sum of Two Million Five Hundred Thousand and No/100 Dollars (\$2,500,000.00) (the "Loan"). The principal amount of this Note shall bear interest at the rate of zero percent (0.0%) Annual payments on the Loan (principal) must be made from "Cash Flow" as such term is defined in the Second Amended and Restated Agreement of Limited Partnership of Maker to be executed (as amended, the "Partnership Agreement") in order and priority set forth in the Partnership Agreement. The principal and all accrued but unpaid interest shall be due in full on or before January 8, 2021 (the "Maturity Date") at 500 South First Street, Charlottesville, Virginia, or at such other place as the holder hereof may hereafter from time to time designate in writing, in lawful money of the United States of America which shall be legal tender in the payment of all debts and dues, public and private.

The undersigned hereby waives presentment, demand, protest and notice of demand, protest and nonpayment of this note.

In the event (a) of default in the payment of any principal, interest or other sums payable hereunder, (b) of default, for a period of 30 days, after written notice in the performance of, or compliance with, any other provision in this note or any deed of trust or other instrument securing this note, (c) any person or entity liable hereon in any capacity is or becomes insolvent or makes an assignment for the benefit of creditors, (d) a petition is filed or any other proceeding is commenced under the Federal Bankruptcy Act or any state insolvency statute by or against any person or entity liable hereon, or (e) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any person or entity liable hereon or the property, assets, or income of such person or entity, then, in any such event, the entire balance of principal with all interest then accrued shall, at the option of the holder hereof, become immediately due and payable. Notwithstanding anything to the contrary herein or in the Leasehold Deed of Trust, or any other document evidencing the Loan, in no event will the Holder have the authority or right to declare a default or exercise its remedies hereunder so long as Holder (or its affiliates) controls the general partner of the Maker.

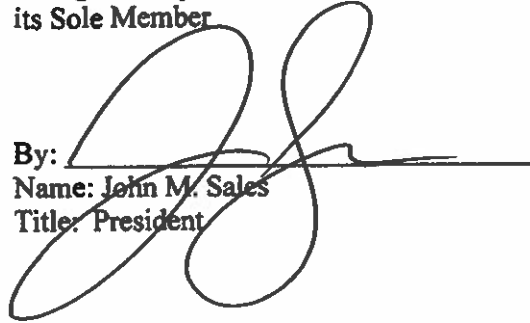
The Holder agrees to send copies of all notices pursuant hereto to Housing Equity Fund of Virginia XXIII, L.L.C. ("HEF"), c/o Virginia Housing Capital Corporation, 1840 West Broad Street, Suite 200, Richmond, Virginia 23220-2151, Attention: Arild O. Trent. In addition, HEF, or its affiliate, shall have the right, but not the obligation, to cure any default hereunder and Holder shall accept any cure offered by HEF, or its affiliates, as if such cure had been given by South First Phase One, LLC.

Dated at Charlottesville, Virginia, this \_\_\_\_ day of \_\_\_\_\_, 2021.

**SOUTH FIRST PHASE ONE, LLC**  
a Virginia limited liability company

**By: SOUTH FIRST PHASE ONE  
MANAGEMENT, LLC,**  
a Virginia limited liability company,  
its Managing Member

**By: CHARLOTTESVILLE COMMUNITY  
DEVELOPMENT CORPORATION,**  
a Virginia corporation  
its Sole Member

By:   
Name: John M. Sales  
Title: President

*Signature Page – CCDC \$2.5MM Promissory Note*

Drafted by:  
**DELPHINE CARNES LAW GROUP, PLC,**  
101 W. Main Street, Suite 440, Norfolk, VA 23510

Tax Identification Number:

**NOTICE: The following is provided solely to comply with the provisions of Section 55-58.2 of the Code of Virginia (1950), as amended, and except as provided in such section, shall not be deemed to modify the provisions of this deed of trust. The name and address of the Lender or holder of the Note is Charlottesville Community Development Corporation, 500 First Street South, Charlottesville, Virginia, Attention: President.**

**The maximum aggregate amount of principal to be secured hereby at any one time:  
\$2,500,000.00**

**THIS LEASEHOLD DEED OF TRUST**, made this 8<sup>th</sup> of January, 2021, between **SOUTH FIRST PHASE ONE, LLC**, a Virginia limited liability company (“GRANTOR” or the “Company” or the “Borrower”), and **Delphine G. Carnes** of 101 W. Main Street, Suite 440, Norfolk, Virginia 23510, **TRUSTEE**, (“GRANTEE” or the “Trustee”) and **CHARLOTTESVILLE COMMUNITY DEVELOPMENT CORPORATION**, whose address is 500 First Street South, Charlottesville, Virginia (“GRANTEE” or the “Lender”).

**WITNESSETH THAT:**

The said Grantor does grant and convey unto the Trustee the interest of Grantor in and to the following described property (together with the improvements thereon, hereinafter referred to as the “Development”), to-wit:

**SEE EXHIBIT A ATTACHED HERETO AND MADE A PART HEREOF**

TOGETHER WITH any and all payments or awards now or hereafter made for the taking of the property conveyed hereby, or any part thereof (including any easement) by an entity possessing the power of eminent domain, which payments or awards are hereby assigned to the

Trustees and are deemed a part of the property conveyed hereby; and the Grantor hereby agrees upon request, to make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning each such award to the Trustees, free, clear and discharged of any encumbrances of any kind or nature whatsoever; and all right, title and interest of the Grantor in and to the land lying in the streets in front of and adjoining the above described land, which together with the property described in Exhibit A hereto is collectively referred to as the "Property".

IN TRUST to secure to the holder or holders thereof, the payment of a negotiable promissory note dated January 8, 2021 in the principal sum of TWO MILLION FIVE HUNDRED DOLLARS (\$2,500,000.00) (the "Loan"). The Loan is evidenced by a promissory note (the "Note") in the principal amount of \$2,500,000.00, payable to lender, or order. The principal amount of the Note shall bear interest at the rate of zero percent (0.0%) per annum. The entire outstanding principal of and interest on the Note shall be due and payable on the date which is thirty (30) years after Closing (the "Maturity Date"). All payments on the Note shall be made at 500 South First Street, Charlottesville, Virginia, Attn: Executive Director, or at such address as the holder thereof may designate in writing.

This Deed of Trust is given to secure repayment of the Loan made by Lender to the Company. Collectively, the Note and this Deed of Trust constitute the "Loan Documents".

Payments to be made on the Note shall be credited, at the time of each payment, first to costs and expenses of the Lender, including costs of collection and reasonable attorney's fees, and then to principal. All payments shall be made in lawful money of the United States which, at the time of payment, shall be legal tender for the payment of all debts and dues, public and private. Any note or notes given and received in curtailment, extension or renewal of the above

mentioned Note, in whole or in part, are intended to be, shall be and are secured hereby just as said Note is secured hereby.

The Grantor may prepay the Note, in whole or in part, at any time without premium or penalty and without the consent of the Lender.

**NOTICE: THE DEBT SECURED HEREBY IS SUBJECT TO CALL IN FULL OR THE TERMS THEREOF BEING MODIFIED IN THE EVENT OF SALE OR CONVEYANCE OF THE PROPERTY CONVEYED.**

All the provisions of Section 55-59 of the 1950 Code of Virginia, as amended, are intended to be and are hereby made a part hereof and shall be taken and treated as such.

Except as provided in Appendix I of the Mortgage Loan Rider attached hereto as Exhibit B and made a part hereof, the Grantor will not voluntarily create, or permit or suffer to be created or to exist, on or against the said property, or any part thereof, any lien superior to the lien of this Deed of Trust, without the permission of the Lender or holder of the Note, and will keep and maintain the same free from the claims of all parties supplying labor or materials which may enter into the construction or installation of any improvements to the Property.

Upon the occurrence of any event of default, as defined in the Note, after all required notice is given and the expiration of any applicable grace or cure period within which the Grantor may cure the same, then the Lender, or the holder of the Note, at its option, may declare the entire outstanding principal balance of the Note, together with all costs, fees, expenses and charges for collection (including reasonable attorney's fees as provided in the Note), to be immediately due and payable in full, without further demand or notice to the Grantor or to any other party. Failure of the Lender or the holder of the Note to exercise any rights thereunder upon an event of default shall not excuse such default and shall not constitute the Lender's or

holder's waiver of the right to the exercise thereof, in the absence of a written agreement to the contrary executed and delivered by the Lender or holder of the Note subsequent to such default.

The Trustee or her successor in office may, if requested by the holder or holders of said Note so to do, and when provided by her, with funds necessary for that purpose, pay all taxes, assessments and charges on the Property hereby conveyed, cause the improvements thereon to be insured and put in good order and condition (and any sums paid for the foregoing, with interest from the date of payment, shall be added to and become part of the debt hereby secured), and collect the rents therefrom, and shall, if further requested by the holder or holders of said Note, sell the Property hereby conveyed at public auction at such time and place, and upon such terms and conditions, as may be deemed expedient, having first given notice of the time and place of sale at least once a week for two (2) successive weeks by advertisement thereof in some Daily Newspaper having a general circulation in the City of Charlottesville, Virginia. Out of the proceeds of such sale the Trustee shall pay the expenses of executing this trust, including a reasonable commission to herself as Trustee, all unpaid taxes, assessments and charges, and all costs of repairs and all insurance premiums which have not been paid by the Grantor. The balance, if any, shall be applied to the payment of the debt hereby secured. The residue (if any) of any such proceeds of sale shall be paid to the Grantor, its personal representatives and assigns, or as otherwise provided by law.

In the event the premises are advertised for sale as herein provided, but not sold pursuant to such advertisement, the Trustees shall be reimbursed by the Grantor for their actual expenses incurred, and paid a commission for services reasonably required not to exceed two per cent (2%) of the unpaid principal amount of the debt hereby secured.

If either the Trustees or the Lender or holder of the Note shall be made parties to any suit

at law or in equity or to any administrative proceedings in reference to their respective interests in the Property, or shall deem it necessary or desirable to take any action, through legal procedures or otherwise, in order to defend or uphold the security of this instrument, the costs and expenses thereof, including a reasonable sum for attorneys' fees shall be paid by the Grantor, and all sums so expended, and the interest thereon, shall be added to the above mentioned indebtedness and secured by the lien of this Deed of Trust.

The Grantor covenants that during the continuance of this trust it will (a) make the payment hereinbefore mentioned at the time and place stated in the Note, (b) keep the improvements on the Property hereby conveyed in good order and condition, (c) cause all improvements to be insured against loss by fire, hazards included within the term "extended coverage," and such other commercially available and financially reasonable hazards as the Lender or holder of the Note may require, by Grantor's insurance provider on the date hereof or such other insurer as may be reasonably approved by Lender and in an amount that is satisfactory to the Lender or the holder of the Note, which policies shall name the Lender or holder of the Note as its interest might appear as additional insured, (d) pay promptly when due all levies, charges and assessments on the Property hereby conveyed, and (e) pay to the Lender or holder of the Note, or its assigns, upon written request, at the time and place designated by the Lender, a sum equal to one-twelfth of the annual insurance premiums and taxes on the Property hereby conveyed. Such sums together with monies paid for payment of principal as provided in said Note, shall be applied in accordance with the provisions stated herein and in the Note. If this accumulation proves deficient to satisfy in full the insurance and tax charges, the Lender or holder of the Note shall notify the Grantor, who shall correct such deficiency. A failure to correct the same within the periods called for in the Note or any of the associated Loan

Documents shall constitute a default hereunder.

If any money becomes payable by virtue of insurance proceeds or condemnation awards proceeds (“Proceeds”) Grantee shall hold all such proceeds for the purpose of readvancing the same to Grantor for the purpose of repairing such damage and restoring the Development to its original condition or as near thereto as practicable.

If an event of default has occurred and has continued beyond all applicable grace periods, any and all rentals from the property hereby conveyed shall immediately thereupon and by virtue thereof become the property of the Lender or holder of the Note, and it, or the Trustees, shall have the right to collect the same. All sums (if any) so collected by the Trustees shall be paid over by them to the Lender or the holder of the Note and such sums and all sums collected by it shall be treated and applied as part of any amounts due under the Note. Any amount remaining after the obligations under the Note have been repaid in full shall be paid to the Borrower.

If the debt hereby secured is paid as hereinbefore provided and there is no default in the performance of any covenant or condition herein contained, then upon the request of the said Grantor, its successors or assigns, a release hereof shall be made and executed at its cost and expense.

No building or other structure or improvement subject to this Deed of Trust shall be materially altered, removed or demolished without the prior written consent of the Lender or holder of the Note. The Grantor will not use, or permit the use of, the Property for any purpose other than the purpose or purposes for which the same is now intended to be used, without the prior written consent of the Lender or holder of the Note. The Grantor will maintain the Property in good condition and state of repair and will not suffer or permit any waste to any part thereof, and will promptly comply with all the requirements of Federal, State and local governments, or



any departments, divisions or bureaus thereof, pertaining to the Property or any part thereof, and will comply with any and all reasonable requests of the Lender or holder of the Note regarding upkeep, maintenance and repairs to the Property.

In the event of loss or damage to the Property, the Grantor will give to the Trustees immediate notice thereof, by mail, and the Trustee may make and file proof of loss if not made otherwise promptly by or on behalf of the Grantor.

The unenforceability or invalidity of any provision or provisions hereof shall not render any other provision or provisions hereunder invalid or unenforceable. The rights and obligations created hereunder shall be construed and enforced according to, and shall be governed by, the laws of the Commonwealth of Virginia. This Deed of Trust and all the covenants, agreements, terms and conditions herein contained shall be binding upon and inure to the benefit of the Grantor and its legal representatives and assigns.

*Signatures Appear on Following Page*

IN WITNESS WHEREOF, South First Phase One, LLC, a Virginia limited liability company, has executed this instrument, as of the day and year first above written.

SOUTH FIRST PHASE ONE, LLC  
a Virginia limited liability company

By: SOUTH FIRST PHASE ONE  
MANAGEMENT, LLC,  
a Virginia limited liability company,  
its Managing Member

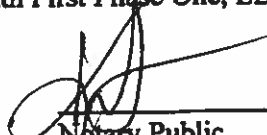
By: CHARLOTTESVILLE COMMUNITY  
DEVELOPMENT CORPORATION,  
a Virginia corporation  
its Sole Member

By:   
Name: John M. Sales  
Title: President

Commonwealth of Virginia  
City of Charlottesville

The foregoing was acknowledged before me on this 4 day of January, 2020 by John M. Sales, President of Charlottesville Community Development Corporation, a Virginia corporation, Sole Member of South First Phase One Management, LLC, a Virginia limited liability company, Managing Member of South First Phase One, LLC, a Virginia limited liability company.



  
Notary Public  
My commission expires:

Signature Page - CCDC \$2.5MM D/T

## EXHIBIT A

That certain lot, piece or parcel of land, lying and being in City of Charlottesville, Virginia, known and designated as "Parcel B", containing 3.00 acres, more or less, as shown on that certain plat entitled "Subdivision Plat of Property of Charlottesville Redevelopment and Housing Authority having Parcel Number 260115000, City of Charlottesville, Virginia, dated December 6, 2018", dated December 6, 2018, revised per City Comment on January 7, 2019, February 7, 2019, and last revised on February 21, 2019, made by MidAtlantic Surveying and Land Design, and duly recorded in the Clerk's Office of the Circuit Court for the city of Charlottesville, Virginia, in instrument No. 201900000770.

BEING a portion of the same real estate conveyed to Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia by Deed from Frank IX & Sons Virginia Corp., a New Jersey corporation, formerly Frank IX & Sons Sheraton Mills Corporation, dated February 26, 1969 and recorded on March 20, 1969 in the Clerk's Office of the Circuit Court of the city of Charlottesville, Virginia in Deed Book 306 , page 254.

Order entered in the Corporation Court of the City of Charlottesville in the case styled Charlottesville Redevelopment and Housing Authority v. Mamie C. Jacobs, a copy of said order being recorded in Deed Book 316, page 187 and Final Order recorded in Deed Book 316, page 190 in the aforesaid Clerk's Office.

Ordinance Closing, Vacating and Discontinuing a Portion of Unopened Ware Street in the City of Charlottesville, recorded attached to instrument recorded in Deed Book 409, page 3 (said copy of the ordinance being recorded at page7) in the aforesaid Clerk's Office. Said Ordinance also being filed in Street Resolution Book 1, page 79 which closed portions of Ware Street.

## EXHIBIT B

### MORTGAGE LOAN RIDER

This Deed of Trust Rider (the "Rider") is attached to and made a part of that certain other documents entered into by Borrower in connection with the Loan dated as of January 8, 2021 (collectively, the "Loan Documents") entered into by and between Charlottesville Community Development Corporation, a Virginia corporation ("Lender") and South First Phase One, LLC, a Virginia limited liability company (the "Borrower"), and modifies the Loan Documents entered into in connection with that certain \$2,500,000.00 loan from Lender (the "Loan"), all with respect to the development of a 62 unit residential development, situated in Charlottesville, Virginia (the "Project"). The Borrower and Lender hereto agree that the following terms and agreements shall be part of and shall modify or supplement each of the Loan Documents, and shall prevail in the event of conflict or inconsistency between this Rider and the Loan Documents, provided that Borrower's Amended and Restated Operating Agreement, dated as of approximately even date herewith, including the exhibits thereto (the "Operating Agreement") shall not be considered Loan Documents for the purpose of this Rider and nothing contained herein shall supersede or amend the rights of Lender in its capacity as Managing Member under the Operating Agreement:

1. Intentionally deleted.
2. Neither the withdrawal, removal, replacement, and/or addition of a managing member of the Borrower pursuant to the terms of the Operating Agreement shall constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan; provided that Borrower agrees to notify the Lender of any proposed replacement managing member prior to replacement, and, upon replacement, shall notify the Lender of the name and contact information of the replacement managing member with reasonable promptness.
3. Nothing in the Loan Documents shall limit or restrict the ability of Borrower's investor members and their successors and assigns (collectively, the "Investor Member") to transfer, sell or assign a partial or the entire ownership interest in Borrower, from time to time, under the Operating Agreement without consent of Lender.
4. The Lender acknowledges that Investor Member has the right, under the Borrower's Operating Agreement, to direct the managing member to remove the Project property management agent. Borrower agrees to give Lender notice of the proposed replacement management agent, and the Lender agrees, only in its capacity as Lender, to consent to same, assuming that such replacement property manager is acceptable to Investor Member and has experience in managing projects occupied by low-income households pursuant to Section 42 of the Internal Revenue Code.

5. If a monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the managing member, as set forth in the Loan Documents and the Investor Member of the Borrower, as set forth in Section 15 below, simultaneous written notice of such default. Unless a longer period is set forth in the Loan Documents, the Borrower shall have a period of seven (7) days after such notice is given within which to cure the default prior to exercise of remedies by Lender under the Loan Documents.
6. If a non-monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the managing member, as set forth in the Loan Documents and Investor Member of the Borrower, as set forth in Section 15 below, simultaneous written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Borrower shall have such period to effect a cure prior to exercise of remedies by Lender under the Loan Documents. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and if Borrower (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible as determined in the reasonable discretion of Lender, then Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Lender. Except as provided for herein, in no event shall Lender be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given.
7. Lender agrees that so long as (i) Lender is an affiliate or related entity to the Borrower or Managing Member and (ii) the Compliance Period (as defined in the Borrower's Operating Agreement) shall not have terminated, then it shall not claim the occurrence of an Event of Default by Borrower under any of the Loan Documents.
8. Investor Member shall have the independent right to cure any defaults within the time periods set forth above. Lender hereby agrees that any cure of any default made or tendered by the Investor Member shall be (i) deemed to be a cure by Borrower, and (ii) accepted or rejected on the same basis as if made or tendered.
9. In the event of any fire or other casualty to the Project or eminent domain proceedings resulting in condemnation of the Project or any part thereof, Borrower shall have the right to rebuild the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Loan in balance and rebuild the Project in a manner that provides adequate security to Lender for repayment of the Loan or if such proceeds are insufficient then Borrower shall have funded any deficiency, (b) Lender shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the Loan Documents. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial

repayment of the Loan in a manner that provides adequate security to Lender for repayment of the remaining balance of the Loan.

10. Lender agrees that it shall not (a) sell, assign, convey, or otherwise transfer all or any of its interest in the Loan to the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac") or (b) include the Loan, or any interest therein, in any pool of loans to be sold, assigned, conveyed, or otherwise transferred to Fannie Mae or Freddie Mac.
11. There shall be no default for construction or rehabilitation delays beyond the reasonable control of Borrower, provided that such delays do not exceed one hundred eighty (180) days.
12. In any approval, consent, or other determination by Lender in its capacity as Lender required under any of the Loan Documents, Lender shall act reasonably and in good faith.
13. The Lender consents to that certain Amended and Restated Purchase Option and Right of First Refusal Agreement of even date herewith, in favor of the Lender, or its designee, and agrees that transfer of title to the Project in accordance therewith shall not constitute a default under the Loan Documents, provided that Borrower gives Lender prior written notice of such transfer and contact information for such transferee, and provided that the transferee agrees to assume the duties and obligations of the Borrower respecting the Loan on the same terms as those imposed on the Borrower.
14. Investor member, and its successors and assigns, is a third-party beneficiary of the rights of Borrower under the Loan Documents, as modified by this Rider, and has the right to directly enforce such rights.
15. Copies of any and all notices of default and any and all other notices that may be given by Lender to Borrower shall be sent, in the same manner as the notice is given to Borrower, to Investor Member at the following address:

Housing Equity Fund of Virginia XXIII, L.L.C.  
c/o Virginia Community Development Corporation  
1840 West Broad Street, Suite 200  
Richmond, VA 23220  
Attention: Executive Director

With a copy to:  
Applegate & Thorne-Thomsen, P.C.  
425 S. Financial Place, Suite 1900  
Chicago, Illinois 60605  
Attn: Diane K. Corbett, Esq.

Investor Member may change its address for receipt of copies of notices by giving notice in writing stating its new address to Lender. Commencing on the tenth (10th) day after

the giving of such notice, such newly designated address shall be effective for purposes of all such copies of notices required to be sent by Lender to Borrower's Investor member.

16. Notwithstanding anything contained in the Loan Documents to the contrary, Lender, during the Compliance Period (as defined in Section 42 of the Internal Revenue Code of the United States, as amended from time to time), will not exercise any rights or remedies it may have under the Loan Documents, including, but not limited to, accelerating the indebtedness, collecting rents, appointing (or seeking the appointment of) a receiver or exercising any other rights or remedies thereunder.

[signature pages follow]

**Borrower:**

**SOUTH FIRST PHASE ONE, LLC**  
a Virginia limited liability company

**By: SOUTH FIRST PHASE ONE MANAGEMENT, LLC,**  
a Virginia limited liability company,  
its Managing Member

**By: CHARLOTTESVILLE COMMUNITY DEVELOPMENT CORPORATION,**  
a Virginia corporation  
its Sole Member

By:   
Name: John M. Sales  
Title: President

**Lender:**

**Charlottesville Community Development Corporation,**  
a political subdivision of the Commonwealth of Virginia

By:   
Name: John M. Sales  
Title: President



APPENDIX I TO  
MORTGAGE LOAN RIDER

PERMITTED ENCUMBRANCES

1. Encumbrances set forth on Schedule B to Title Policy.

## PROMISSORY NOTE

\$1,100,000.00

Charlottesville, Virginia  
January 8, 2021

FOR VALUE RECEIVED, the undersigned, SOUTH FIRST PHASE ONE, LLC, a Virginia limited liability company (the "Maker") promises to pay to CHARLOTTESVILLE REDEVELOPMENT AND HOUSING AUTHORITY (the "Holder"), or its assigns, without offset, the principal sum of One Million One Hundred Thousand and No/100 Dollars (\$1,100,000.00) (the "Loan"). The principal amount of this Note shall bear interest at greater of (i) the rate of one and thirty-five one hundredths percent (1.35%) per annum, compounding annually or (ii) the highest Applicable Federal Rate (which is defined as the long-term annually compounding applicable federal rate published by the Internal Revenue Service) in effect during the period for which disbursements are made. Annual payments on the Loan (principal and then interest) must be made from "Cash Flow" as such term is defined in the Second Amended and Restated Agreement of Limited Partnership of Maker to be executed (as amended, the "Partnership Agreement") in order and priority set forth in the Partnership Agreement. The principal and all accrued but unpaid interest shall be due in full on or before January 8, 2051 (the "Maturity Date") at 500 South First Street, Charlottesville, Virginia, or at such other place as the holder hereof may hereafter from time to time designate in writing, in lawful money of the United States of America which shall be legal tender in the payment of all debts and dues, public and private.

The undersigned hereby waives presentment, demand, protest and notice of demand, protest and nonpayment of this note.

In the event (a) of default in the payment of any principal, interest or other sums payable hereunder, (b) of default, for a period of 30 days, after written notice in the performance of, or compliance with, any other provision in this note or any deed of trust or other instrument securing this note, (c) any person or entity liable hereon in any capacity is or becomes insolvent or makes an assignment for the benefit of creditors, (d) a petition is filed or any other proceeding is commenced under the Federal Bankruptcy Act or any state insolvency statute by or against any person or entity liable hereon, or (e) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any person or entity liable hereon or the property, assets, or income of such person or entity, then, in any such event, the entire balance of principal with all interest then accrued shall, at the option of the holder hereof, become immediately due and payable. Notwithstanding anything to the contrary herein or in the Leasehold Deed of Trust, or any other document evidencing the Loan, in no event will the Holder have the authority or right to declare a default or exercise its remedies hereunder so long as Holder (or its affiliates) controls the general partner of the Maker.

The Holder agrees to send copies of all notices pursuant hereto to Housing Equity Fund of Virginia XXIII, L.L.C. ("HEF"), c/o Virginia Housing Capital Corporation, 1840

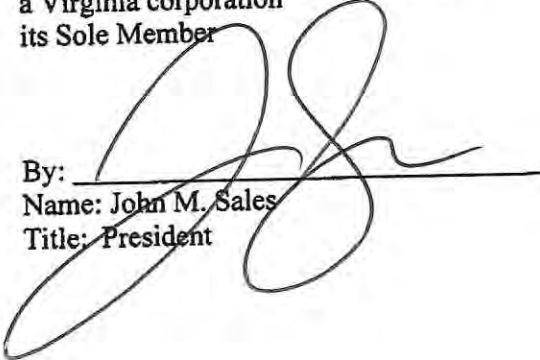
West Broad Street, Suite 200, Richmond, Virginia 23220-2151, Attention: Arild O. Trent.. In addition, HEF, or its affiliate, shall have the right, but not the obligation, to cure any default hereunder and Holder shall accept any cure offered by HEF, or its affiliates, as if such cure had been given by South First Phase One, LLC.

Dated at Charlottesville, Virginia, this 4<sup>th</sup> day of January 2021.

SOUTH FIRST PHASE ONE, LLC  
a Virginia limited liability company

By: SOUTH FIRST PHASE ONE  
MANAGEMENT, LLC,  
a Virginia limited liability company,  
its Managing Member

By: CHARLOTTESVILLE COMMUNITY  
DEVELOPMENT CORPORATION,  
a Virginia corporation  
its Sole Member

By:   
Name: John M. Sales  
Title: President

Drafted by:  
DELPHINE CARNES LAW GROUP, PLC,  
101 W. Main Street, Suite 440, Norfolk, VA 23510

Tax Identification Number:

**NOTICE:** The following is provided solely to comply with the provisions of Section 55-58.2 of the Code of Virginia (1950), as amended, and except as provided in such section, shall not be deemed to modify the provisions of this deed of trust. The name and address of the Lender or holder of the Note is Charlottesville Redevelopment and Housing Authority, 500 First Street South, Charlottesville, Virginia, Attention: Executive Director.

The maximum aggregate amount of principal to be secured hereby at any one time:  
**\$1,100,000.00**

**THIS LEASEHOLD DEED OF TRUST**, made this 8<sup>th</sup> of January, 2021, between **SOUTH FIRST PHASE ONE, LLC**, a Virginia limited liability company (“GRANTOR” or the “Company” or the “Borrower”), and **Delphine G. Carnes** of 101 W. Main Street, Suite 440, Norfolk, Virginia 23510, **TRUSTEE**, (“GRANTEE” or the “Trustee”) and **CHARLOTTESVILLE REDEVELOPMENT AND HOUSING AUTHORITY**, whose address is 500 First Street South, Charlottesville, Virginia (“GRANTEE” or the “Lender”).

WITNESSETH THAT:

The said Grantor does grant and convey unto the Trustee the interest of Grantor in and to the following described property (together with the improvements thereon, hereinafter referred to as the “Development”), to-wit:

**SEE EXHIBIT A ATTACHED HERETO AND MADE A PART HEREOF**

TOGETHER WITH any and all payments or awards now or hereafter made for the taking of the property conveyed hereby, or any part thereof (including any easement) by an entity possessing the power of eminent domain, which payments or awards are hereby assigned to the

Trustees and are deemed a part of the property conveyed hereby; and the Grantor hereby agrees upon request, to make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning each such award to the Trustees, free, clear and discharged of any encumbrances of any kind or nature whatsoever; and all right, title and interest of the Grantor in and to the land lying in the streets in front of and adjoining the above described land, which together with the property described in Exhibit A hereto is collectively referred to as the "Property".

IN TRUST to secure to the holder or holders thereof, the payment of a negotiable promissory note dated January 8, 2021 in the principal sum of ONE MILLION ONE HUNDRED AND NO/100 DOLLARS (\$1,100,000.00) (the "Loan"). The Loan is evidenced by a promissory note (the "Note") in the principal amount of \$1,100,000.00, payable to lender, or order. The principal amount of the Note shall bear interest at the greater of (i) the rate of one and thirty-five one hundredths (1.35%) per annum or (ii) the highest Applicable Federal Rate (which is defined as the long-term annually compounding applicable federal rate published by the Internal Revenue Service) in effect during the period for which disbursements are made. The entire outstanding principal of and interest on the Note shall be due and payable on the date which is thirty (30) years after Closing (the "Maturity Date"). All payments on the Note shall be made at 500 South First Street, Charlottesville, Virginia, Attn: Executive Director, or at such address as the holder thereof may designate in writing.

This Deed of Trust is given to secure repayment of the Loan made by Lender to the Company. Collectively, the Note and this Deed of Trust constitute the "Loan Documents".

Payments to be made on the Note shall be credited, at the time of each payment, first to costs and expenses of the Lender, including costs of collection and reasonable attorney's fees,

and then to principal. All payments shall be made in lawful money of the United States which, at the time of payment, shall be legal tender for the payment of all debts and dues, public and private. Any note or notes given and received in curtailment, extension or renewal of the above mentioned Note, in whole or in part, are intended to be, shall be and are secured hereby just as said Note is secured hereby.

The Grantor may prepay the Note, in whole or in part, at any time without premium or penalty and without the consent of the Lender.

**NOTICE: THE DEBT SECURED HEREBY IS SUBJECT TO CALL IN FULL OR THE TERMS THEREOF BEING MODIFIED IN THE EVENT OF SALE OR CONVEYANCE OF THE PROPERTY CONVEYED.**

All the provisions of Section 55-59 of the 1950 Code of Virginia, as amended, are intended to be and are hereby made a part hereof and shall be taken and treated as such.

Except as provided in Appendix I of the Mortgage Loan Rider attached hereto as Exhibit B and made a part hereof, the Grantor will not voluntarily create, or permit or suffer to be created or to exist, on or against the said property, or any part thereof, any lien superior to the lien of this Deed of Trust, without the permission of the Lender or holder of the Note, and will keep and maintain the same free from the claims of all parties supplying labor or materials which may enter into the construction or installation of any improvements to the Property.

Upon the occurrence of any event of default, as defined in the Note, after all required notice is given and the expiration of any applicable grace or cure period within which the Grantor may cure the same, then the Lender, or the holder of the Note, at its option, may declare the entire outstanding principal balance of the Note, together with all costs, fees, expenses and charges for collection (including reasonable attorney's fees as provided in the Note), to be

immediately due and payable in full, without further demand or notice to the Grantor or to any other party. Failure of the Lender or the holder of the Note to exercise any rights thereunder upon an event of default shall not excuse such default and shall not constitute the Lender's or holder's waiver of the right to the exercise thereof, in the absence of a written agreement to the contrary executed and delivered by the Lender or holder of the Note subsequent to such default.

The Trustee or her successor in office may, if requested by the holder or holders of said Note so to do, and when provided by her, with funds necessary for that purpose, pay all taxes, assessments and charges on the Property hereby conveyed, cause the improvements thereon to be insured and put in good order and condition (and any sums paid for the foregoing, with interest from the date of payment, shall be added to and become part of the debt hereby secured), and collect the rents therefrom, and shall, if further requested by the holder or holders of said Note, sell the Property hereby conveyed at public auction at such time and place, and upon such terms and conditions, as may be deemed expedient, having first given notice of the time and place of sale at least once a week for two (2) successive weeks by advertisement thereof in some Daily Newspaper having a general circulation in the City of Charlottesville, Virginia. Out of the proceeds of such sale the Trustee shall pay the expenses of executing this trust, including a reasonable commission to herself as Trustee, all unpaid taxes, assessments and charges, and all costs of repairs and all insurance premiums which have not been paid by the Grantor. The balance, if any, shall be applied to the payment of the debt hereby secured. The residue (if any) of any such proceeds of sale shall be paid to the Grantor, its personal representatives and assigns, or as otherwise provided by law.

In the event the premises are advertised for sale as herein provided, but not sold pursuant to such advertisement, the Trustees shall be reimbursed by the Grantor for their actual expenses

incurred, and paid a commission for services reasonably required not to exceed two per cent (2%) of the unpaid principal amount of the debt hereby secured.

If either the Trustees or the Lender or holder of the Note shall be made parties to any suit at law or in equity or to any administrative proceedings in reference to their respective interests in the Property, or shall deem it necessary or desirable to take any action, through legal procedures or otherwise, in order to defend or uphold the security of this instrument, the costs and expenses thereof, including a reasonable sum for attorneys' fees shall be paid by the Grantor, and all sums so expended, and the interest thereon, shall be added to the above mentioned indebtedness and secured by the lien of this Deed of Trust.

The Grantor covenants that during the continuance of this trust it will (a) make the payment hereinbefore mentioned at the time and place stated in the Note, (b) keep the improvements on the Property hereby conveyed in good order and condition, (c) cause all improvements to be insured against loss by fire, hazards included within the term "extended coverage," and such other commercially available and financially reasonable hazards as the Lender or holder of the Note may require, by Grantor's insurance provider on the date hereof or such other insurer as may be reasonably approved by Lender and in an amount that is satisfactory to the Lender or the holder of the Note, which policies shall name the Lender or holder of the Note as its interest might appear as additional insured, (d) pay promptly when due all levies, charges and assessments on the Property hereby conveyed, and (e) pay to the Lender or holder of the Note, or its assigns, upon written request, at the time and place designated by the Lender, a sum equal to one-twelfth of the annual insurance premiums and taxes on the Property hereby conveyed. Such sums together with monies paid for payment of principal as provided in said Note, shall be applied in accordance with the provisions stated herein and in the Note. If this



accumulation proves deficient to satisfy in full the insurance and tax charges, the Lender or holder of the Note shall notify the Grantor, who shall correct such deficiency. A failure to correct the same within the periods called for in the Note or any of the associated Loan Documents shall constitute a default hereunder.

If any money becomes payable by virtue of insurance proceeds or condemnation awards proceeds ("Proceeds") Grantee shall hold all such proceeds for the purpose of readvancing the same to Grantor for the purpose of repairing such damage and restoring the Development to its original condition or as near thereto as practicable.

If an event of default has occurred and has continued beyond all applicable grace periods, any and all rentals from the property hereby conveyed shall immediately thereupon and by virtue thereof become the property of the Lender or holder of the Note, and it, or the Trustees, shall have the right to collect the same. All sums (if any) so collected by the Trustees shall be paid over by them to the Lender or the holder of the Note and such sums and all sums collected by it shall be treated and applied as part of any amounts due under the Note. Any amount remaining after the obligations under the Note have been repaid in full shall be paid to the Borrower.

If the debt hereby secured is paid as hereinbefore provided and there is no default in the performance of any covenant or condition herein contained, then upon the request of the said Grantor, its successors or assigns, a release hereof shall be made and executed at its cost and expense.

No building or other structure or improvement subject to this Deed of Trust shall be materially altered, removed or demolished without the prior written consent of the Lender or holder of the Note. The Grantor will not use, or permit the use of, the Property for any purpose other than the purpose or purposes for which the same is now intended to be used, without the

prior written consent of the Lender or holder of the Note. The Grantor will maintain the Property in good condition and state of repair and will not suffer or permit any waste to any part thereof, and will promptly comply with all the requirements of Federal, State and local governments, or any departments, divisions or bureaus thereof, pertaining to the Property or any part thereof, and will comply with any and all reasonable requests of the Lender or holder of the Note regarding upkeep, maintenance and repairs to the Property.

The Grantee has determined, in the exercise of discretion legislatively delegated to it, that in order to carry out the objectives of its various redevelopment and conservation projects, to prevent recurrence of blight, and to set a prevailing standard in esthetics, public policy is best served by the imposition of conditions and restrictions upon the use, maintenance and improvement of land which is intended for redevelopment or conservation. To that end, it is hereby specified that, as a part of the consideration for this financing, the subject land and the improvements thereon are to be expressly subject to the following covenants, restrictions, limitations and conditions, which are to be imposed as covenants running with and binding upon the land until repayment of the Loan:

- a. The Grantor agrees on behalf of itself, its successors and assigns, not to discriminate upon the basis of race, creed, color, religion, sex, national origin, disability, sexual orientation, or familial status in the sale, lease, rental, use or occupancy of the property herein described or any improvements thereon.
- b. No sign or fence shall be permitted on or within the perimeter of the property without first obtaining the written permission of the Grantee, which shall not be unreasonably withheld, conditioned or delayed.
- c. Coal shall not be used for heating or developing fuel or for any other operation on the subject land.
- d. The land area not occupied by structures, hard-surfacing or vehicular driveways, shall be kept planted with grass, trees and plants or shrubbery and maintained in a healthy condition and neat appearance. Upon default in such planting or in its maintenance the

owner of the premises, and its successors and assigns, agrees that the necessary planting and work may be done by the Grantee at the expense of the Grantor, or its successors and assigns, from time to time and in keeping with this covenant.

- e. Parking areas, driveways and other vehicular accessways will be hard-surfaced with material of concrete, bituminous or similar composition.
- f. The Grantor agrees, on behalf of itself, its successors and assigns, that the buildings to be constructed and/or renovated and their appurtenant premises will be maintained in a sound condition and neat appearance. Necessary repairs, maintenance and upkeep will be performed so as to preserve the attractive appearance, the physical integrity and the sanitary and safe condition of the buildings. Upon default in such repairs, maintenance or upkeep, the Grantor and its successors and assigns, agrees that the necessary repairs, maintenance and upkeep may be done by the Grantee at the expense of the Grantor, or its successors and assigns, from time to time and in keeping with this covenant.
- g. Any service area, facility or equipment located on that side of a building or building site which is adjacent to a public right-of-way is to be enclosed or otherwise screened from view.
- h. No landscaping, improvements or structures, whether temporary or permanent in nature, shall be constructed, commenced or erected on the property unless and until the plans, working drawings, specifications and materials therefor have been approved in writing by the Grantee.
- i. Covenants a, b, c, d, e, f, g and h above shall expire upon repayment of the Loan.

The foregoing covenants are intended for the benefit of the subject property, provided, however, that Charlottesville Redevelopment and Housing Authority shall have the right, power and authority to waive compliance by the Grantor with any of such covenants whenever Petersburg Redevelopment and Housing Authority deems, in its sole discretion, that such non-compliance or default does not materially interfere with the objectives of the subject property. Accordingly, in addition to, but not in lieu of, any other right or remedy for breach of

any one or more of the foregoing covenants, Petersburg Redevelopment and Housing Authority shall be entitled to injunctive relief, without necessarily showing monetary or special damages and without posting bond or security for a bond for the award of a permanent injunction. The violation of any of the foregoing covenants, and the exercise of any right or remedy for breach of any of such covenants, shall not destroy, impair or otherwise affect the lien of any recorded instrument given by the Grantor to secure repayment of funds for improving the land.

In the event of loss or damage to the Property, the Grantor will give to the Trustees immediate notice thereof, by mail, and the Trustee may make and file proof of loss if not made otherwise promptly by or on behalf of the Grantor.

The unenforceability or invalidity of any provision or provisions hereof shall not render any other provision or provisions hereunder invalid or unenforceable. The rights and obligations created hereunder shall be construed and enforced according to, and shall be governed by, the laws of the Commonwealth of Virginia. This Deed of Trust and all the covenants, agreements, terms and conditions herein contained shall be binding upon and inure to the benefit of the Grantor and its legal representatives and assigns.

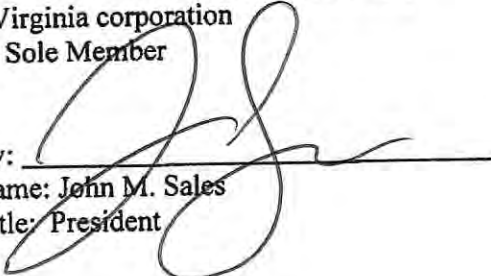
*Signatures Appear on Following Page*

IN WITNESS WHEREOF, South First Phase One, LLC, a Virginia limited liability company, has executed this instrument, as of the day and year first above written.

SOUTH FIRST PHASE ONE, LLC  
a Virginia limited liability company

By: SOUTH FIRST PHASE ONE  
MANAGEMENT, LLC,  
a Virginia limited liability company,  
its Managing Member

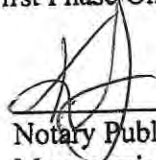
By: CHARLOTTESVILLE COMMUNITY  
DEVELOPMENT CORPORATION,  
a Virginia corporation  
its Sole Member

By:   
Name: John M. Sales  
Title: President

Commonwealth of Virginia  
City of Charlottesville

The foregoing was acknowledged before me on this 4 day of January, 2021 by John M. Sales, President of Charlottesville Community Development Corporation, a Virginia corporation, Sole Member of South First Phase One Management, LLC, a Virginia limited liability company, Managing Member of South First Phase One, LLC, a Virginia limited liability company.



  
Notary Public  
My commission expires:

Signature Page - CRHA Financing \$1.1MM D/T

## EXHIBIT A

That certain lot, piece or parcel of land, lying and being in City of Charlottesville, Virginia, known and designated as "Parcel B", containing 3.00 acres, more or less, as shown on that certain plat entitled "Subdivision Plat of Property of Charlottesville Redevelopment and Housing Authority having Parcel Number 260115000, City of Charlottesville, Virginia, dated December 6, 2018", dated December 6, 2018, revised per City Comment on January 7, 2019, February 7, 2019, and last revised on February 21, 2019, made by MidAtlantic Surveying and Land Design, and duly recorded in the Clerk's Office of the Circuit Court for the city of Charlottesville, Virginia, in instrument No. 201900000770.

BEING a portion of the same real estate conveyed to Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia by Deed from Frank IX & Sons Virginia Corp., a New Jersey corporation, formerly Frank IX & Sons Sheraton Mills Corporation, dated February 26, 1969 and recorded on March 20, 1969 in the Clerk's Office of the Circuit Court of the city of Charlottesville, Virginia in Deed Book 306 , page 254.

Order entered in the Corporation Court of the City of Charlottesville in the case styled Charlottesville Redevelopment and Housing Authority v. Mamie C. Jacobs, a copy of said order being recorded in Deed Book 316, page 187 and Final Order recorded in Deed Book 316, page 190 in the aforesaid Clerk's Office.

Ordinance Closing, Vacating and Discontinuing a Portion of Unopened Ware Street in the City of Charlottesville, recorded attached to instrument recorded in Deed Book 409, page 3 (said copy of the ordinance being recorded at page7) in the aforesaid Clerk's Office. Said Ordinance also being filed in Street Resolution Book 1, page 79 which closed portions of Ware Street.

## EXHIBIT B

### MORTGAGE LOAN RIDER

This Deed of Trust Rider (the "Rider") is attached to and made a part of that certain other documents entered into by Borrower in connection with the Loan dated as of January 8, 2021 (collectively, the "Loan Documents") entered into by and between Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia ("Lender") and South First Phase One, LLC, a Virginia limited liability company (the "Borrower"), and modifies the Loan Documents entered into in connection with that certain \$1,100,000.00 loan from Lender (the "Loan"), all with respect to the development of a 62 unit residential development, situated in Charlottesville, Virginia (the "Project"). The Borrower and Lender hereto agree that the following terms and agreements shall be part of and shall modify or supplement each of the Loan Documents, and shall prevail in the event of conflict or inconsistency between this Rider and the Loan Documents, provided that Borrower's Amended and Restated Operating Agreement, dated as of approximately even date herewith, including the exhibits thereto (the "Operating Agreement") shall not be considered Loan Documents for the purpose of this Rider and nothing contained herein shall supersede or amend the rights of Lender in its capacity as Managing Member under the Operating Agreement:

1. Reserved.
2. Neither the withdrawal, removal, replacement, and/or addition of a managing member of the Borrower pursuant to the terms of the Operating Agreement shall constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan; provided that Borrower agrees to notify the Lender of any proposed replacement managing member prior to replacement, and, upon replacement, shall notify the Lender of the name and contact information of the replacement managing member with reasonable promptness.
3. Nothing in the Loan Documents shall limit or restrict the ability of Borrower's investor members and their successors and assigns (collectively, the "Investor Member") to transfer, sell or assign a partial or the entire ownership interest in Borrower, from time to time, under the Operating Agreement without consent of Lender.
4. The Lender acknowledges that Investor Member has the right, under the Borrower's Operating Agreement, to direct the managing member to remove the Project property management agent. Borrower agrees to give Lender notice of the proposed replacement management agent, and the Lender agrees, only in its capacity as Lender, to consent to same, assuming that such replacement property manager is acceptable to Investor Member and has experience in managing projects occupied by low-income households pursuant to Section 42 of the Internal Revenue Code.

5. If a monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the managing member, as set forth in the Loan Documents and the Investor Member of the Borrower, as set forth in Section 15 below, simultaneous written notice of such default. Unless a longer period is set forth in the Loan Documents, the Borrower shall have a period of seven (7) days after such notice is given within which to cure the default prior to exercise of remedies by Lender under the Loan Documents.
6. If a non-monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the managing member, as set forth in the Loan Documents and Investor Member of the Borrower, as set forth in Section 15 below, simultaneous written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Borrower shall have such period to effect a cure prior to exercise of remedies by Lender under the Loan Documents. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and if Borrower (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible as determined in the reasonable discretion of Lender, then Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Lender. Except as provided for herein, in no event shall Lender be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given.
7. Lender agrees that so long as (i) Lender is an affiliate or related entity to the Borrower or Managing Member and (ii) the Compliance Period (as defined in the Borrower's Operating Agreement) shall not have terminated, then it shall not claim the occurrence of an Event of Default by Borrower under any of the Loan Documents.
8. Investor Member shall have the independent right to cure any defaults within the time periods set forth above. Lender hereby agrees that any cure of any default made or tendered by the Investor Member shall be (i) deemed to be a cure by Borrower, and (ii) accepted or rejected on the same basis as if made or tendered.
9. In the event of any fire or other casualty to the Project or eminent domain proceedings resulting in condemnation of the Project or any part thereof, Borrower shall have the right to rebuild the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Loan in balance and rebuild the Project in a manner that provides adequate security to Lender for repayment of the Loan or if such proceeds are insufficient then Borrower shall have funded any deficiency, (b) Lender shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the Loan Documents. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial



repayment of the Loan in a manner that provides adequate security to Lender for repayment of the remaining balance of the Loan.

10. Lender agrees that it shall not (a) sell, assign, convey, or otherwise transfer all or any of its interest in the Loan to the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac") or (b) include the Loan, or any interest therein, in any pool of loans to be sold, assigned, conveyed, or otherwise transferred to Fannie Mae or Freddie Mac.
11. There shall be no default for construction or rehabilitation delays beyond the reasonable control of Borrower, provided that such delays do not exceed one hundred eighty (180) days.
12. In any approval, consent, or other determination by Lender in its capacity as Lender required under any of the Loan Documents, Lender shall act reasonably and in good faith.
13. The Lender consents to that certain Amended and Restated Purchase Option and Right of First Refusal Agreement of even date herewith, in favor of the Lender, or its designee, and agrees that transfer of title to the Project in accordance therewith shall not constitute a default under the Loan Documents, provided that Borrower gives Lender prior written notice of such transfer and contact information for such transferee, and provided that the transferee agrees to assume the duties and obligations of the Borrower respecting the Loan on the same terms as those imposed on the Borrower.
14. Investor member, and its successors and assigns, is a third-party beneficiary of the rights of Borrower under the Loan Documents, as modified by this Rider, and has the right to directly enforce such rights.
15. Copies of any and all notices of default and any and all other notices that may be given by Lender to Borrower shall be sent, in the same manner as the notice is given to Borrower, to Investor Member at the following address:

Housing Equity Fund of Virginia XXIII, L.L.C.  
c/o Virginia Community Development Corporation  
1840 West Broad Street, Suite 200  
Richmond, VA 23220  
Attention: Executive Director

With a copy to:  
Applegate & Thorne-Thomsen, P.C.  
425 S. Financial Place, Suite 1900  
Chicago, Illinois 60605  
Attn: Diane K. Corbett, Esq.

Investor Member may change its address for receipt of copies of notices by giving notice in writing stating its new address to Lender. Commencing on the tenth (10th) day after

the giving of such notice, such newly designated address shall be effective for purposes of all such copies of notices required to be sent by Lender to Borrower's Investor member.

16. Notwithstanding anything contained in the Loan Documents to the contrary, Lender, during the Compliance Period (as defined in Section 42 of the Internal Revenue Code of the United States, as amended from time to time), will not exercise any rights or remedies it may have under the Loan Documents, including, but not limited to, accelerating the indebtedness, collecting rents, appointing (or seeking the appointment of) a receiver or exercising any other rights or remedies thereunder.

[signature pages follow]

Borrower:

SOUTH FIRST PHASE ONE, LLC  
a Virginia limited liability company

By: SOUTH FIRST PHASE ONE MANAGEMENT, LLC,  
a Virginia limited liability company,  
its Managing Member

By: CHARLOTTESVILLE COMMUNITY DEVELOPMENT CORPORATION,  
a Virginia corporation  
its Sole Member

By: 

Name: John M. Sales

Title: President

Lender:

Charlottesville Redevelopment and Housing Authority,  
a political subdivision of the Commonwealth of Virginia

By: 

Name: John M. Sales

Title: Executive Director

APPENDIX I TO  
MORTGAGE LOAN RIDER

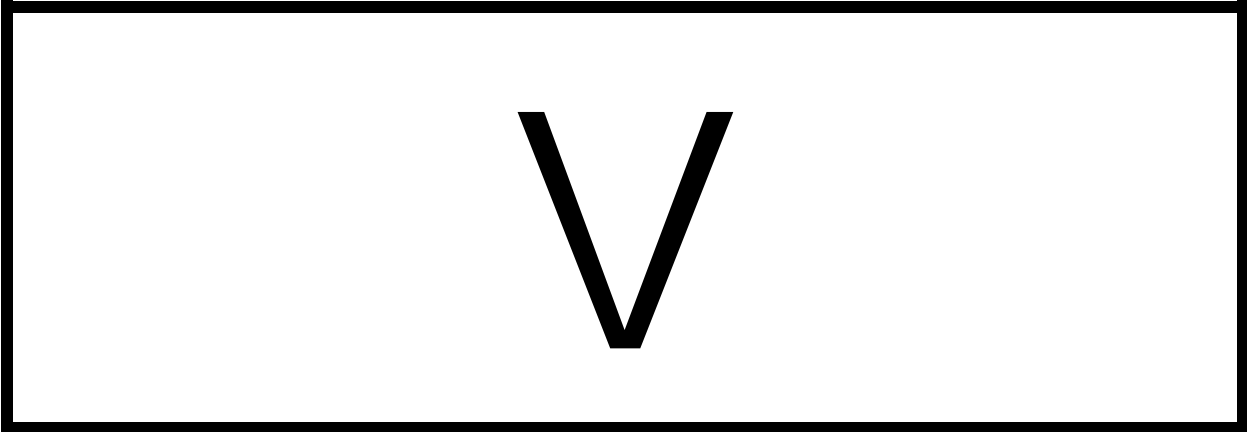
PERMITTED ENCUMBRANCES

1. Encumbrances set forth on Schedule B to Title Policy.

U

Documentation to  
Request Exception to  
Restriction-Pools with  
Little/No Increase in Rent  
Burdened Population

Not Applicable to this Project



V

Nonprofit or LHA Purchase  
Option or Right of First  
Refusal

**EXHIBIT L**  
**SECOND AMENDED AND RESTATED RIGHT OF FIRST REFUSAL**

**Prepared By:**

**Applegate & Thorne-Thomsen**  
**425 S. Financial Place, Suite 1900**  
**Chicago, IL 60605**

**TPINS:**

**SECOND AMENDED AND RESTATED**  
**PURCHASE OPTION AND RIGHT OF FIRST REFUSAL AGREEMENT**

This Second Amended and Restated Purchase Option and Right of First Refusal Agreement (“Purchase Agreement”) is made as of the \_\_ day of January 2021, by and between **South First Phase One, LLC**, a Virginia limited liability company (the “Company”), **Charlottesville Redevelopment Housing Authority**, a Virginia political subdivision of the Commonwealth of Virginia. (“Grantee”), and **South First Phase One Management, LLC, a Virginia limited liability company**, a Virginia limited liability company (the “Managing Member”) and is consented to hereinbelow by **Housing Equity Fund of Virginia XXIII, L.L.C.**, a Virginia limited liability company (the “Consenting Investor Member” or “Investor Member”).

Whereas, the Managing Member and one or more other parties, concurrently with the execution and delivery of this Purchase Agreement, are entering into a certain Second Amended and Restated Operating Agreement dated as of the date hereof (the “Agreement”) continuing the Company by amending and restating a prior Operating Agreement; and

Whereas, the Managing Member is wholly owned and controlled by Grantee; and

Whereas, Grantee has been instrumental in the development of the Project Property, as described in the Agreement, and will act as guarantor of the obligations of the Managing Member in the continuation of the Company for the further development of the Project Property; and

Whereas, the Project Property is or will be subject to one or more governmental agency regulatory agreements (collectively, the “Regulatory Agreement”) restricting its use to low-income housing and may become subject to a low-income use restriction (the “Special Covenant”) pursuant to the terms and conditions of this Agreement (such use restrictions under the Regulatory Agreement and any Special Covenant being referred to collectively herein as the “Use Restrictions”); and

Whereas, Grantee and the Managing Member desire to provide for the continuation of the Project Property as low-income housing upon termination of the Company by Grantee purchasing

the Project Property at the applicable price determined under this Purchase Agreement and operating the Project Property in accordance with the Use Restrictions;

Whereas, as a condition precedent to the formation or continuation of the Company pursuant to the Agreement, Grantee and the Managing Member have negotiated and required that the Company shall execute and deliver this Purchase Agreement in order to provide for such low-income housing, and the Consenting Investor Member has consented to this Agreement in order to induce the Managing Member to execute and deliver this Purchase Agreement and to induce Grantee to guarantee the Managing Member's obligations thereunder; and

Whereas, the Company and Grantee entered into a Purchase Option and Right of First Refusal Agreement dated as of March 11, 2019 regarding the Project Property (the "Initial Agreement"), and the parties hereto intend that this Purchase Agreement is an amendment and restatement of such Initial Agreement.

Now, Therefore, in consideration of the execution and delivery of the Agreement and the payment by the Grantee to the Company of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. **Grant of Option.** The Company hereby grants to Grantee an option to either (a) purchase the real estate, fixtures, and personal property comprising the Project Property or associated with the physical operation thereof, owned by the Company at the time of purchase (the "Project Option") or (b) purchase the Limited Partner's limited partnership interest in the Partnership (the "Company Interest Option"), after the close of the fifteen (15) year compliance period for the low-income housing tax credit for the Project Property (the "Compliance Period") as determined under Section 42(i)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), on the terms and conditions set forth in this Purchase Agreement and subject to the conditions precedent to exercise of the Option specified herein. The Project real estate is legally described in Exhibit A attached hereto and made a part hereof (the "Project Property"). The Regulatory Agreement containing the Use Restrictions to which the Project Property real estate will remain subject under Section 9 hereof is described in Exhibit B attached hereto and made a part hereof.

2. **Grant of Refusal Right.** In the event that the Company receives a bona fide offer to purchase the Project Property, which offer the Company intends to accept, Grantee shall have a right of first refusal to purchase the Property (the "Refusal Right") after the close of the Compliance Period, on the terms and conditions set forth in this Agreement and subject to the conditions precedent to exercise of the Refusal Right specified herein. In addition to all other applicable conditions set forth in this Agreement, (a) the foregoing grant of the Refusal Right shall be effective only if Grantee is currently and remains at all times hereafter, until (i) the Refusal Right has been exercised and the resulting purchase and sale has been closed or (ii) the Refusal Right has been assigned to a Permitted Assignee described in Section 10 hereof, whichever first occurs, either, a (1) qualified nonprofit organization, as defined in Section 42(h) (5) (C) of the Code, (2) government agency, or (3) tenant organization (in cooperative form or otherwise) or resident management corporation of the Project Property; and (b) any assignment of the Refusal



Right permitted under this Agreement and the Refusal Right so assigned shall be effective only if the assignee is at the time of the assignment and remains at all times thereafter, until the Refusal Right has been exercised and the resulting purchase and sale has been closed, a Permitted Assignee described in Section 10 hereof meeting the requirements of Section 42(i)(7)(A) of the Code as determined in its judgment by tax counsel to the Consenting Investor Member. Prior to accepting any such bona fide offer to purchase the Property, the Company shall notify Grantee, the Managing Member, and the Consenting Investor Member of such offer and deliver to each of them a copy thereof. The Company shall not accept any such offer unless and until the Refusal Right has expired without exercise by Grantee under Section 6 hereof.

3. **Purchase Price Under Options.** The purchase price under the Project Option or the Company Interest Option (collectively the “Options”) shall be as follows:

a. **Project Option.** The purchase price under the Project Option shall be the greater of the following amounts:

(i) **Debt, Taxes and Adjusters.** An amount sufficient (i) to pay all debts (including member loans) and liabilities of the Company upon its termination and liquidation as projected to occur immediately following the sale pursuant to the Option, and (ii) to distribute to the Members, after payments under Section 11.04(a) and (b) of the Agreement and payments to the Investor Member of an amount equal to any LIHTC Reduction Guaranty Payment, Unpaid LIHTC Shortfall or Investor Member Special Additional Capital Contribution, cash proceeds equal to the taxes projected to be imposed on the Members of the Company as a result of the sale pursuant to the Option, all as more fully stated in Sections of the Operating Agreement, which is hereby incorporated herein by reference; or

(ii) **Fair Market Value.** The fair market value of the Property, appraised as low-income housing to the extent continuation of such use is required under the Use Restrictions, any such appraisal to be made by a licensed appraiser, selected by the Company’s regular certified public accountants, who is a member of the Master Appraiser Institute and who has experience in the geographic area in which the Project Property is located;

b. **Company Interest Option.** The purchase price under the Company Interest Option shall be the greater of:

(i) **Fair Market Value Plus Investor Member Loan Balances.** The sum of (1) the fair market value of the Investor Member’s Company Interest, based on the appraised value of the Company’s assets, including the value of the Project as low-income housing to the extent continuation of such use is required under the Use Restrictions and Company reserve accounts, less any liabilities including all Company debt (including Member loans), plus (2) an amount equal to the outstanding principal balance and all accrued and unpaid interest on any loans that the Investor Member has made to the Company; and

(ii) **Member Loans, Taxes and Credit Adjusters.** The sum of: (a) an amount equal to the outstanding principal balance and all accrued and unpaid interest on any loans that the Investor Member has made to the Company, and (b) and amount necessary to distribute to the Members, amounts due under Section 11.04(a) and (b) of the Agreement and payments to the Investor Member of an amount equal to any LIHTC Reduction Guaranty Payment, Unpaid LIHTC Shortfall or Investor Member Special Additional Capital Contribution, cash proceeds equal to the taxes projected to be imposed on the Members of the Company as a result of the sale pursuant to the Option, all as more fully stated in Sections of the Agreement, which is hereby incorporated herein by reference.

provided, however, that if prior to exercise of either Option the Internal Revenue Service (the "Service") has issued a revenue ruling or provided a private letter ruling to the Company, the applicability of which ruling shall be determined in its judgment by tax counsel to the Consenting Investor Member, or tax counsel to the Consenting Investor Member has issued an opinion letter concluding that property of the nature and use of the Property may be sold under circumstances described in this Agreement at the greater of the price determined under Section 42(i) (7) of the Code or the price determined under subsection 3a hereinabove without limiting tax credits or deductions that would otherwise be available to the Consenting Investor Member, then the Option price shall be such price.

4. **Purchase Price Under Refusal Right.** The purchase price for the Property pursuant to the Refusal Right shall be equal to the sum of (a) an amount sufficient to pay all debts (including member loans) and liabilities of the Company upon its termination and liquidation as projected to occur immediately following the sale pursuant to the Refusal Right, and (b) an amount sufficient to distribute to the Members, after payments under Section 11.04(a) and (b) of the Agreement and an amount equal to any LIHTC Reduction Guaranty Payment, Unpaid LIHTC Shortfall or Investor Member Special Additional Capital Contribution, cash proceeds equal to the taxes projected to be imposed on the Members of the Company as a result of the sale pursuant to the Refusal Right, all as more fully stated in Section 11.04 of the Agreement, which is hereby incorporated herein by reference.

5. **Conditions Precedent.** Notwithstanding anything in this Agreement to the contrary, the Option and the Refusal Right granted hereunder shall be contingent on the following:

a. **Managing Member.** The Managing Member shall have remained in good standing as Managing Member of the Company without the occurrence of any event of default under the Agreement; and

c. **Regulatory Agreement.** Either (i) the Regulatory Agreement shall have been entered into and remained in full force and effect, and those Use Restrictions to be contained therein, as heretofore approved in writing by the Consenting Investor Member, shall have remained unmodified without its prior written consent, or (ii) if the Regulatory Agreement is no longer in effect due to reasons other than a default thereunder by the Company, such Use Restrictions, as so approved and unmodified, shall have remained in

effect by other means and shall continue in effect by inclusion in the deed as required under Paragraph 10 hereof.

If any or all of such conditions precedent have not been met, the Option and the Refusal Right shall not be exercisable. Upon any of the events terminating the Managing Member as Managing Member of the Company under the Agreement or affecting the Regulatory Agreement as described in this Section 5, the Option and the Refusal Right shall be void and of no further force and effect.

6. **Exercise of Options or Refusal Right.** The Options and the Refusal Right may each be exercised by Grantee by (a) giving prior written notice of its intent to exercise the Options or the Refusal Right to the Company and each of its Members in the manner provided in the Agreement and in compliance with the requirements of this Section 6, and (b) complying with the contract and closing requirements of Section 8 hereof. Any such notice of intent to exercise the Option shall be given during the last twelve (12) months of the Compliance Period. Any such notice of intent to exercise the Refusal Right shall be given within one hundred eighty (180) days after Grantee has received the Company's notice of a bona fide offer pursuant to Section 2 hereof, but in no event later than one hundred eighty (180) days immediately following the end of the Compliance Period, notwithstanding any subsequent receipt by the Company of any such offer. In either case, the notice of intent shall specify a closing date within one hundred eighty (180) days immediately following the end of the Compliance Period. If the foregoing requirements (including those of Section 9 hereof) are not met as and when provided herein, the Options or the Refusal Right, or both, as applicable, shall expire and be of no further force or effect. Upon notice by Grantee of its intent to exercise the Options or the Refusal Right, all rights under the other shall be subordinate to the rights then being so exercised unless and until such exercise is withdrawn or discontinued, and upon the closing of any sale of the Property pursuant to such notice shall expire and be of no further force or effect, provided that in the event that the Options and the Refusal Right are hereafter held by different parties by reason of any permitted assignment or otherwise, Grantee in its assignment(s) or such parties by written agreement may specify any other order of priority consistent with the other terms and conditions of this Agreement.

7. **Determination of Price.** Upon notice by Grantee of its intent to exercise the Options or the Refusal Right, the Company and Grantee shall exercise best efforts in good faith to agree on the purchase price for the Property in accordance with the terms of this Agreement. Any such agreement shall be subject to the prior written consent of the Consenting Investor Member, which shall not be withheld as to any purchase price determined properly in accordance with this Agreement.

8. **Contract and Closing.** Upon determination of the purchase price, the Company and Grantee shall enter into a written contract for the purchase and sale of the Property or the Company Interest in accordance with this Agreement and containing such other terms and conditions as are standard and customary for similar commercial transactions in the geographic area which the Project Property is located, providing for a closing not later than the date specified in Grantee's notice of intent to exercise of the Options or the Refusal Right, as applicable, or thirty (30) days after the purchase price has been determined, whichever is later. In the absence of any such contract, this Agreement shall be specifically enforceable upon the exercise of the Options or

the Refusal Right, as applicable. The purchase and sale hereunder shall be closed through a deed-and-money escrow with the title insurer for the Project Property or another mutually acceptable title company.

9. **Use Restrictions.** In consideration of the Options and the Refusal Right granted hereunder at the price specified herein, Grantee hereby agrees that the deed of the Project Property to Grantee shall contain a covenant running with the land, restricting use of the Project Property to low-income housing to the extent required by those Use Restrictions contained in the Regulatory Agreement, as approved in writing by the Consenting Investor Member and unmodified without its prior written consent. Such deed covenant shall contain a reverter clause, enforceable by the Consenting Investor Member, its successors and assigns, in the event of material violation of such Use Restrictions. Such deed covenant shall include a provision requiring Grantee to pay any and all costs, including attorneys' fees, incurred by the Consenting Investor Member or any other holder of such reverter rights in enforcing or attempting to enforce the Use Restrictions or such reverter rights, and to pay any and all damages incurred by the Consenting Investor Member from any delay in or lack of enforceability of the same. All reverter provisions contained in such deed and in this Agreement shall be subject and subordinate to any third-party liens encumbering the Project Property.

If prior to exercise of the Options or the Refusal Right, as applicable, the Service has issued a revenue ruling or provided a private letter ruling to the Company holding that a covenant of the nature described hereinbelow may be utilized without limiting tax credits or deductions that would otherwise be available to the Consenting Investor Member, the applicability of which ruling shall be determined by counsel to the Consenting Investor Member in its sole judgment, then as a condition of the Options and the Refusal Right, the deed to Grantee shall include a Special Covenant specifically restricting continued use of the Project Property to low-income housing as determined in accordance with the same low-income and maximum rent requirements (excluding any right under the Code to raise rents after notice to the applicable state or local housing credit agency if it is unable to find a buyer at the statutory price) as are currently specified in the Agreement with reference to the low-income housing tax credit (notwithstanding any future discontinuation of such credit or modification of federal requirements therefor), except insofar as more stringent use requirements are imposed by the Regulatory Agreement as approved by the Consenting Investor Member and unmodified without its prior written consent. The Special Covenant shall constitute part of the Use Restrictions. The Special Covenant may state that it is applicable and enforceable only to the extent such housing produces income sufficient to pay all operating expenses and debt service and fund customary reserves and there is a need for low-income housing in the geographic area in which the Project Property is located. The Special Covenant shall run with the land for a period of fifteen (15) years after closing of the purchase under the Options or the Refusal Right, as applicable, or, if longer, for the period measured by the then remaining period of Use Restrictions under the Regulatory Agreement, provided that the Special Covenant shall terminate at the option of any holder of the reverter rights described hereinabove, upon enforcement thereof.

In the event that neither the Option nor the Refusal Right is exercised, or the sale pursuant thereto is not consummated, then upon conveyance of the Project Property to anyone other than

Grantee or its permitted assignee hereunder, the foregoing provisions shall terminate and have no further force or effect.

10. **Assignment.** Grantee may assign all or any of its rights under this Agreement to (a) a qualified nonprofit organization, as defined in Section 42(h) (5) (C) of the Code, (b) a government agency, or (c) a tenant organization (in cooperative form or otherwise) or resident management corporation of the Project Property (each a “Permitted Assignee”) that demonstrates its ability and willingness to maintain the Project Property as low-income housing in accordance with the Use Restrictions, in any case subject to the prior written consent of the Consenting Investor Member, which shall not be unreasonably withheld if the proposed grantee demonstrates that it is reputable and creditworthy and is a capable, experienced owner and operator of residential rental property, and subject in any event to the conditions precedent to the Refusal Right grant and the Option price set forth in Sections 2 and 3 hereof. Prior to any assignment or proposed assignment of its rights hereunder, Grantee shall give written notice thereof to the Company, the Managing Member, and the Consenting Investor Member. Upon any permitted assignment hereunder, references in this Agreement to Grantee shall mean the permitted Assignee where the context so requires, subject to all applicable conditions to the effectiveness of the rights granted under this Agreement and so assigned. No assignment of Grantee’s rights hereunder shall be effective unless and until the permitted Assignee enters into a written agreement accepting the assignment and assuming all of Grantee’s obligations under this Agreement and copies of such written agreement are delivered to the Company, the Managing Member, and the Consenting Investor Member. Except as specifically permitted herein, Grantee’s rights hereunder shall not be assignable.

11. **Miscellaneous.** This Agreement shall be governed by the laws of the Commonwealth of Virginia. This Agreement may be executed in counterparts or counterpart signature pages, which together shall constitute a single agreement.

12. **Supersede Prior Agreement.** This Agreement replaces and supersedes in its entirety the Initial Agreement.

13. **Notices.** Whenever any party hereto shall desire to, or be required to, give or serve any notice, demand, request or other communication with respect to this Agreement, each such notice, demand, request or communication shall be in writing and shall be effective only if the same is delivered by personal service (including, without limitation, courier or express service) or mailed certified or registered mail, postage prepaid, return receipt requested, or sent by telegram to the parties at the addresses shown throughout this Agreement or such other addresses which the parties may provide to one another in accordance herewith. If notice is sent to Pledgee, a copy of such notice shall also be given to Diane K. Corbett, Applegate & Thorne-Thomsen, P.C. 425 S. Financial Place, Suite 1900, Chicago, Illinois 60605. If notice is sent to Pledgor, a copy of such notice shall also be given to Delphine Carnes Law Group, PLC, 101 W. Main Street, Ste 440, Norfolk, VA 23510, Attention: Delphine Carnes and to Williams Mullen Center, 200 S. 10<sup>th</sup> Street, Richmond, VA 23219, Attention: Allison Domson.

In Witness Whereof, the parties have executed this document as of the date first set forth hereinabove.

**Company:**

South First Phase One, LLC  
a Virginia limited liability company

By: South First Phase One Management, LLC,  
a Virginia limited liability company, Managing  
Member

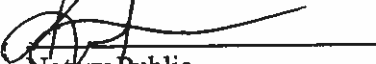
By: Charlottesville Community Development  
Corporation, a Virginia corporation, its sole  
member

By:   
John M. Sales, President

COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND <sup>Rich</sup> Charlottesville <sup>JS</sup> ) ss

I, Kathleen Glenn Matthews, a Notary Public in and for said City in the Commonwealth aforesaid, do hereby certify that John M. Sales of South First Phase One Management, LLC, a Virginia limited liability company, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that s/he signed and delivered such instrument as his/her own free and voluntary act, and as the free and voluntary act of the Company known as South First Phase One, LLC on behalf of which said corporation has executed the foregoing instrument as a Managing Member, all for the uses and purposes set forth therein.

Given under my hand and notarial seal on January 4, 2020. <sup>KG</sup> <sub>JS</sub>

  
Notary Public

My Commission Expires: 11/30/2022

[SEAL]

Registration Number: 7029981



**Grantee:**

Charlottesville Redevelopment Housing Authority,  
a Virginia political subdivision of the Commonwealth of Virginia.

By: [Signature]  
John M. Sales, President

COMMONWEALTH OF VIRGINIA )  
CITY OF ~~RICHMOND~~ Charlottesville ) ss

I, Kathleen Glenn-Matthews, a Notary Public in and for said City in the Commonwealth aforesaid, do hereby certify that John M. Sales, President of Charlottesville Redevelopment Housing Authority, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that he signed and delivered such instrument as his/her own free and voluntary act, and as the free and voluntary act of the corporation known as Charlottesville Redevelopment Housing Authority, all for the uses and purposes set forth therein.

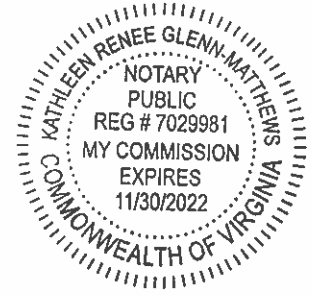
Given under my hand and notarial seal on January 4, 2021. KS

[Signature]  
Notary Public

My Commission Expires: 11/30/2022

[SEAL]

Registration Number:  
7029981



**Managing Member:**

South First Phase One Management, LLC, a Virginia limited liability company

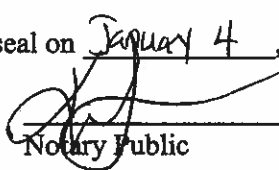
By: Charlottesville Community Development Corporation, a Virginia corporation, its sole member

By:   
John M. Sales, President

COMMONWEALTH OF VIRGINIA )  
CITY OF ~~RICHMOND~~ <sup>Charlottesville</sup> ) ss

I, Kathleen Glenn-Matthews, a Notary Public in and for said City in the Commonwealth aforesaid, do hereby certify that John M. Sales, President of South First Phase One Management, LLC, a Virginia limited liability company, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that s/he signed and delivered such instrument as his/her own free and voluntary act, and as the free and voluntary act of the corporation or limited liability company known as South First Phase One Management, LLC, a Virginia limited liability company, all for the uses and purposes set forth therein.

Given under my hand and notarial seal on January 4, 2020. <sup>Km</sup> <sub>JS</sub>

  
Notary Public

My Commission Expires: 11/30/2022

Registration Number: 7029981







**EXHIBIT A**

**LEGAL DESCRIPTION OF  
PROJECT REAL ESTATE**

That certain lot, piece or parcel of land, lying and being in City of Charlottesville, Virginia, known and designated as “Parcel B”, containing 3.00 acres, more or less, as shown on that certain plat entitled “Subdivision Plat of Property of Charlottesville Redevelopment and Housing Authority having Parcel Number 260115000, City of Charlottesville, Virginia, dated December 6, 2018”, dated December 6, 2018, revised per City Comment on January 7, 2019, February 7, 2019, and last revised on February 21, 2019, made by MidAtlantic Surveying and Land Design, and duly recorded in the Clerk’s Office of the Circuit Court for the city of Charlottesville, Virginia, in instrument No. 201900000770.

BEING a portion of the same real estate conveyed to Charlottesville Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia by Deed from Frank IX & Sons Virginia Corp., a New Jersey corporation, formerly Frank IX & Sons Sheraton Mills Corporation, dated February 26, 1969 and recorded on March 20, 1969 in the Clerk’s Office of the Circuit Court of the city of Charlottesville, Virginia in Deed Book 306 , page 254.

Order entered in the Corporation Court of the City of Charlottesville in the case styled Charlottesville Redevelopment and Housing Authority v. Mamie C. Jacobs, a copy of said order being recorded in Deed Book 316, page 187 and Final Order recorded in Deed Book 316, page 190 in the aforesaid Clerk’s Office.

Ordinance Closing, Vacating and Discontinuing a Portion of Unopened Ware Street in the City of Charlottesville, recorded attached to instrument recorded in Deed Book 409, page 3 (said copy of the ordinance being recorded at page7) in the aforesaid Clerk’s Office. Said Ordinance also being filed in Street Resolution Book 1, page 79 which closed portions of Ware Street.

**EXHIBIT B**

**DESCRIPTION OF  
REGULATORY AGREEMENT**

Title: Extended Use Regulatory Agreement and Declaration of Restrictive Covenants

Parties: South First Phase One, LLC and Virginia Housing Development Authority

Date: July 15, 2019

Recording Information (if known): Prior hereto





W

Internet Safety Plan and  
Resident Information  
Form

# Draft Internet Security Plan

## Network Security:

### 1. Purpose

This standard specifies the technical requirements that wireless infrastructure devices must satisfy to connect to a (Owner) network. Only those wireless infrastructure devices that meet the requirements specified in this standard or are granted an exception by the InfoSec Team are approved for connectivity to the Owner's network.

Network devices including, but not limited to, hubs, routers, switches, firewalls, remote access devices, modems, or wireless access points, must be installed, supported, and maintained by an Information Security (Infosec) approved support organization.

### 2. Scope

All employees, contractors, consultants, temporary and other workers at Owner and its subsidiaries/affiliates, including all personnel that maintain a wireless infrastructure device on behalf of the Owner, must comply with this standard. This standard applies to wireless devices that make a connection the network and all wireless infrastructure devices that provide wireless connectivity to the network. Infosec must approve exceptions to this standard in advance.

### 3. Standard

#### 3.1 General Requirements:

All wireless infrastructure devices that connect to the Owner's network or provide access to the Owner Confidential, Owner Highly Confidential, or Owner Restricted information must:

- Use Extensible Authentication Protocol-Fast Authentication via Secure Tunneling (EAP-FAST), Protected Extensible Authentication Protocol (PEAP), or Extensible Authentication Protocol-Translation Layer Security (EAP-TLS) as the authentication protocol.
- Use Temporal Key Integrity Protocol (TKIP) or Advanced Encryption System (AES) protocols with a minimum key length of 128 bits.
- All Bluetooth devices must use Secure Simple Pairing with encryption enabled.4.2Lab and Isolated Wireless Device Requirements
- Lab device Service Set Identifier (SSID) must be different from the Owner's production device SSID.
- Broadcast of lab device SSID must be disabled.4.3 Home Wireless Device Requirements  
All home wireless infrastructure devices that provide direct access to the Owner's network, such as those behind Enterprise Teleworker (ECT) or hardware VPN, must adhere to the following:
- Enable WiFi Protected Access Pre-shared Key (WPA-PSK), EAP-FAST, PEAP, or EAP-TLS

- When enabling WPA-PSK, configure a complex shared secret key (at least 20 characters) on the wireless client and the wireless access point
- Disable broadcast of SSID
- Change the default SSID name
- Change the default login and password

## 4. Policy Compliance

### 4.1 Compliance Measurement

The Infosec team will verify compliance to this policy through various methods, including but not limited to, periodic walk-thrus, video monitoring, business tool reports, internal and external audits, and feedback to the policy owner.

### 4.2 Exceptions

Any exception to the policy must be approved by the Infosec Team in advance.

### 4.3 Non-Compliance

An employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

## Equipment

### 1. Purpose

The purpose of this policy is to outline the acceptable use of computer equipment at (Owner). These rules are in place to protect the employee and Owner. Inappropriate use exposes the Owner to risks including virus attacks, compromise of network systems and services, and legal issues.

### 2. Scope

This policy applies to the use of information, electronic and computing devices, and network resources to conduct the Owner's business or interact with internal networks and business systems, whether owned or leased by Owner, the employee, or a third party. All employees, contractors, consultants, temporary, and other workers at Owner and its subsidiaries are responsible for exercising good judgment regarding appropriate use of information, electronic devices, and network resources in accordance with Owner's policies and standards, and local laws and regulation. Exceptions to this policy are documented in section 5.2.

This policy applies to employees, contractors, consultants, temporaries, and other workers at Owner including all personnel affiliated with third parties. This policy applies to all equipment that is owned or leased by Owner.

### 3. Policy

#### 3.1 General Use and Ownership

3.1.1 Owner proprietary information stored on electronic and computing devices whether owned or leased by Owner, the employee or a third party, remains the sole property of the Owner. You must ensure through legal or technical means that proprietary information is protected in accordance with the Data Protection Standard.

3.1.2 You have a responsibility to promptly report the theft, loss or unauthorized disclosure of Owner proprietary information.

3.1.3 You may access, use or share Owner proprietary information only to the extent it is authorized and necessary to fulfill your assigned job duties.

3.1.4 Employees are responsible for exercising good judgment regarding the reasonableness of personal use. Individual departments are responsible for creating guidelines concerning personal use of Internet/Intranet/Extranet systems. In the absence of such policies, employees should be guided by departmental policies on personal use, and if there is any uncertainty, employees should consult their supervisor or manager.

3.1.5 For security and network maintenance purposes, authorized individuals within Owner may monitor equipment, systems and network traffic at any time, per Infosec's Audit Policy.

3.1.6 Owner reserves the right to audit networks and systems on a periodic basis to ensure compliance with this policy.

#### 3.2 Security and Proprietary Information

3.2.1 All mobile and computing devices that connect to the internal network must comply with the Minimum Access Policy.

3.2.2 System level and user level passwords must comply with the Password Policy. Providing access to another individual, either deliberately or through failure to secure its access, is prohibited.

3.2.3 All computing devices must be secured with a password-protected screensaver with the automatic activation feature set to 10 minutes or less. You must lock the screen or log off when the device is unattended.

3.2.4 Postings by employees from an Owner email address to newsgroups should contain a disclaimer stating that the opinions expressed are strictly their own and not necessarily those of the Owner, unless posting is in the course of business duties.

3.2.5 Employees must use extreme caution when opening e-mail attachments received from unknown senders, which may contain malware.

### 3.3 Unacceptable Use

The following activities are, in general, prohibited. Employees may be exempted from these restrictions during the course of their legitimate job responsibilities (e.g., systems administration staff may have a need to disable the network access of a host if that host is disrupting production services).

Under no circumstances is an employee of Owner authorized to engage in any activity that is illegal under local, state, federal or international law while utilizing Owner-owned resources.

The lists below are by no means exhaustive, but attempt to provide a framework for activities which fall into the category of unacceptable use.

#### 3.3.1 System and Network Activities

The following activities are strictly prohibited, with no exceptions:

- Violations of the rights of any person or company protected by copyright, trade secret, patent or other intellectual property, or similar laws or regulations, including, but not limited to, the installation or distribution of "pirated" or other software products that are not appropriately licensed for use by Owner.
- Unauthorized copying of copyrighted material including, but not limited to, digitization and distribution of photographs from magazines, books or other copyrighted sources, copyrighted music, and the installation of any copyrighted software for which Owner or the end user does not have an active license is strictly prohibited.
- Accessing data, a server or an account for any purpose other than conducting Owner's business, even if you have authorized access, is prohibited.
- Exporting software, technical information, encryption software or technology, in violation of international or regional export control laws, is illegal. The appropriate management should be consulted prior to export of any material that is in question.
- Introduction of malicious programs into the network or server (e.g., viruses, worms, Trojan horses, e-mail bombs, etc.).
- 6. Revealing your account password to others or allowing use of your account by others. This includes family and other household members when work is being done at home.
- Using an Owner computing asset to actively engage in procuring or transmitting material that is in violation of sexual harassment or hostile workplace laws in the user's local jurisdiction.
- Making fraudulent offers of products, items, or services originating from any Owner account.



- Making statements about warranty, expressly or implied, unless it is a part of normal job duties.
- Effecting security breaches or disruptions of network communication. Security breaches include, but are not limited to, accessing data of which the employee is not an intended recipient or logging into a server or account that the employee is not expressly authorized to access, unless these duties are within the scope of regular duties. For purposes of this section, "disruption" includes, but is not limited to, network sniffing, pinged floods, packet spoofing, denial of service, and forged routing information for malicious purposes. 11. Port scanning or security scanning is expressly prohibited unless prior notification to Infosec is made.
- Executing any form of network monitoring which will intercept data not intended for the employee's host, unless this activity is a part of the employee's normal job/duty.
- Circumventing user authentication or security of any host, network or account.
- Introducing honeypots, honeynets, or similar technology on the <Company Name> network.
- Interfering with or denying service to any user other than the employee's host (for example, denial of service attack).
- Using any program/script/command, or sending messages of any kind, with the intent to interfere with, or disable, a user's terminal session, via any means, locally or via the Internet/Intranet/Extranet.
- Providing information about, or lists of, Owner's employees to parties outside Owner.

### 3.3.2 Email and Communication Activities

When using company resources to access and use the Internet, users must realize they represent the company. Whenever employees state an affiliation to the company, they must also clearly indicate that "the opinions expressed are my own and not necessarily those of the company". Questions may be addressed to the IT Department

- Sending unsolicited email messages, including the sending of "junk mail" or other advertising material to individuals who did not specifically request such material (email spam).
- Any form of harassment via email, telephone or paging, whether through language, frequency, or size of messages.
- Unauthorized use, or forging, of email header information.
- Solicitation of email for any other email address, other than that of the poster's account, with the intent to harass or to collect replies.
- Creating or forwarding "chain letters", "Ponzi" or other "pyramid" schemes of any type.
- Use of unsolicited email originating from within Owner's networks of other Internet/Intranet/Extranet service providers on behalf of, or to advertise, any service hosted by Owner or connected via Owner's network.
- Posting the same or similar non-business-related messages to large numbers of Usenet newsgroups (newsgroup spam).

### 3.3.3 Blogging and Social Media

1. Blogging by employees, whether using Owner's property and systems or personal computer systems, is also subject to the terms and restrictions set forth in this Policy. Limited and occasional use of Owner's systems to engage in blogging is acceptable, provided that it is done in a professional and responsible manner, does not otherwise violate Owner's policy, is not detrimental to Owner's best interests, and does not interfere with an employee's regular work duties. Blogging from Owner's systems is also subject to monitoring.
2. Owner's Confidential Information policy also applies to blogging. As such, Employees are prohibited from revealing any Owner confidential or proprietary information, trade secrets or any other material covered by Owner's Confidential Information policy when engaged in blogging.
3. Employees shall not engage in any blogging that may harm or tarnish the image, reputation and/or goodwill of Owner and/or any of its employees. Employees are also prohibited from making any discriminatory, disparaging, defamatory or harassing when blogging or otherwise engaging in any conduct prohibited by Owner's Non-Discrimination and Anti-Harassment policy.
4. Employees may also not attribute personal statements, opinions or beliefs to Owner when engaged in blogging. If an employee is expressing his other beliefs and/or opinions in blogs, the employee may not, expressly or implicitly, represent themselves as an employee or representative of Owner's Employees assume any and all risk associated with blogging.
5. Apart from following all laws pertaining to the handling and disclosure of copyrighted or export controlled materials, Owner's trademarks, logos and any other Owner intellectual property may also not be used in connection with any blogging activity

## 4. Policy Compliance

### 4.1 Compliance Measurement

The Infosecteam will verify compliance to this policy through various methods, including but not limited to, business tool reports, internal and external audits, and feedback to the policy owner.

### 4.2 Exceptions

Any exception to the policy must be approved by the Infosecteam in advance.

### 4.3 Non-Compliance

An employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

## Internet Acceptable Use Policy (AUP)

All users of Internet services agree to and must comply with this Acceptable Use Policy (AUP). does not exercise editorial control or review over the content of any Web site, electronic mail transmission, paper printout, newsgroup, or other material created or accessible over or through the Services. However, may remove, block, filter, or restrict by any other means any materials that, in sole discretion, may be illegal, may subject to liability, or which may violate this AUP. may cooperate with legal authorities and/or third parties in the investigation of any suspected or alleged crime or civil wrong. Violation of this AUP may result in the suspension or termination of either access to the Services and/or account or other actions as detailed below.

The following constitute violations of this AUP (this list is intended to be illustrative and not exhaustive; other uses may violate the AUP and remains the sole and final arbiter of acceptable usage of its Services):

- **Illegal use:** Using the Services to transmit any material (by email, uploading, posting, or otherwise) that, intentionally or unintentionally, violates any applicable local, state, national or international law, or any rules or regulations promulgated there under.
- **Harm to minors:** Using the Services to harm, or attempt to harm, minors in any way.
- **Threats:** Using the Services to transmit any material (by email, uploading, posting, or otherwise) that threatens or encourages bodily harm or destruction of property.
- **Harassment:** Using the Services to transmit any material (by email, uploading, posting, or otherwise) that harasses another.
- **Fraudulent activity:** Using the Services to make fraudulent offers to sell or buy products, items, or services or to advance any type of financial scam such as "pyramid schemes", "Ponzi schemes", unregistered sales of securities, securities fraud and "chain letters."
- **Forgery or impersonation:** Adding, removing or modifying identifying network, message, or article header information in an effort to deceive or mislead is prohibited. Attempting to impersonate any person by using forged headers or other identifying information is prohibited. The use of anonymous remailers or nicknames does not constitute impersonation.
- **Unsolicited commercial email/Unsolicited bulk email:** Using the Services to transmit any unsolicited commercial email or unsolicited bulk email. Activities that have the effect of facilitating unsolicited commercial email or unsolicited bulk email, whether or not that email is commercial in nature, are prohibited. Using deliberately misleading headers in e-mails sent to multiple parties is prohibited.
- **Unauthorized access:** Using the Services to access, or to attempt to access, the accounts of others, or to penetrate, or attempt to penetrate, security measures of 's or another entity's computer software or hardware, electronic communications system, or telecommunications system, whether or not the intrusion results in disruption of service or the corruption or loss of data.
- **Copyright or trademark infringement:** Using the Services to transmit any material (by email, uploading, posting, or otherwise) that infringes any copyright, trademark, patent, trade secret, or other proprietary rights of any third party, including, but not limited to, the unauthorized copying of copyrighted material, the digitization and distribution of photographs from magazines, books, or other copyrighted sources, and the unauthorized transmittal of copyrighted software.
- **Collection of personal data:** Using the Services to collect, or attempt to collect, personal information about third parties without their knowledge or consent.
- **Reselling the services:** Reselling the Services without 's authorization.

- **Network disruptions and unfriendly activity:** Using the Services for any activity which adversely affects the ability of other people or systems to use Services or the Internet. This includes excessive consumption of network or system resources whether intentional or unintentional. This also includes "denial of service" (DoS) attacks against another network host or individual user. Interference with or disruption of other network users, network services or network equipment is prohibited. It is the users's responsibility to ensure that their system is configured, operated, and used in a manner to avoid excessive consumption of network or system resources. It is the users's responsibility to ensure that their system is configured in a secure manner. A user may not, through action or inaction, allow others to use their system for illegal or inappropriate actions. A user may not permit their system, through action or inaction, to be configured in such a way that gives a third party the capability to use their system in an illegal or inappropriate manner.
- **High Volume, Server Hosting, and non-traditional end user activities:** The Services are intended for an end user's periodic active use of email, instant messaging, browsing the World Wide Web, and other typical end user activities. High volume data transfers, especially sustained high volume data transfers, are prohibited. Hosting a web server, IRC server, or any other server is prohibited. Accordingly, maintains the right to terminate any user's connection following the detection of any high volume data transfer, server hosting, or non-traditional end user activity as determined by .

requests that anyone who believes that there is a violation of this AUP direct the information to the property manager.

If available, please provide the following information:

- The IP address used to commit the alleged violation
- The date and time of the alleged violation, including the time zone or offset from GMT
- Evidence of the alleged violation

When reporting an issue regarding unsolicited email please provide a copy of the email messages with full headers which typically provides all of the above data. Other situations will require different methods of providing the necessary information.

may take any one or more of the following actions, or other actions not listed, at 's sole discretion in response to complaints:

- Issue warnings: written or verbal
- Terminate the user's access
- Bill the user for administrative costs and/or reactivation charges
- Bring legal action to enjoin violations and/or to collect damages, if any, caused by violations.

reserves the right to revise, amend, or modify this AUP, and our other policies and agreements at any time and in any manner.

provides public access to the Internet. There are potentially serious security issues with any computer connected to the Internet without the appropriate protection. These security issues range from viruses, worms and other programs that can damage the user's computer to attacks on the computer by unauthorized or unwanted third parties. These parties, known commonly as "hackers" may attempt to penetrate the user's computer and download information from the user's computer. If the user has unprotected files on the computer, these files may be visible to hackers on the Internet, potentially

including parties with criminal intent. Hackers also exploit vulnerabilities in operating systems to cause malicious damage to a user's computer or even a whole company's network, up to and including the destruction or deletion of files or the re-formatting of drives. It is recommended that the user uses either a personal firewall or Virtual Private Network systems to protect this information.            advises the user that he/she should consult a security expert to determine whether there are any potential security holes in their computer's configuration.

SPECIFICALLY DISCLAIMS ANY LIABILITY FOR UNAUTHORIZED THIRD-PARTY SECURITY BREACHES OR THE RESULTS THEREOF.            PROVIDES ACCESS TO THE INTERNET AND THE NETWORK ON AN "AS IS" BASIS WITH ALL RISKS INHERENT IN SUCH ACCESS. BY CONNECTING TO THE            NETWORK, THE USER ACKNOWLEDGES THE RISKS ASSOCIATED WITH PUBLIC ACCESS TO THE INTERNET OR DOCUMENT PRINTING AND HEREBY RELEASES AND INDEMNIFIES            FROM ANY DAMAGES THAT MIGHT OCCUR.

Acknowledgment of Resident:

Signature: \_\_\_\_\_

Dated: \_\_\_\_\_

Printed: \_\_\_\_\_



The Internet might seem intimidating at first - a vast global communications network with billions of webpages. But in this lesson, we simplify and explain the basics about the Internet using a conversational non-technical style to make it understandable, useful, and enjoyable. There's no reason to be left out!

# Basic Internet Skills

Microsoft Windows PCs

---

[www.NetLiteracy.org](http://www.NetLiteracy.org)





## What the Internet is:

The Internet, the web, cyberspace, and the 'net are all terms that generally mean the same thing, in this case, we will call it the Internet. The Internet is a **NET**work of computers, all over the world, **INTER**connected to each other and available to any individual. The Internet is used for many different activities including shopping, communicating, learning, and distributing information.



Unfortunately, you cannot open a door to a house and walk outside to “go into the Internet.” Computers are a primary tool you’ll utilize to use the Internet. The Internet is somewhat difficult to describe because you cannot touch it (in a way similar to software). It seems invisible—only computers can see it – and you can see it through a computer. Sometimes the Internet is best described in comparison to a library. The Internet is made up of many individual components, just like a library is made up of many books. The Internet’s components have even more individual parts, just like a book has pages.

## Changing Constantly:

The Internet is a useful source of information about news, sports, and entertainment because it changes along with the minute-by-minute events that occur in the world brings. This might seem confusing. However, it is not

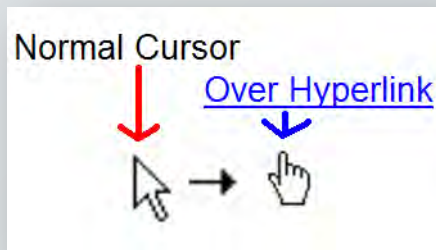


necessarily so—the Internet can be thought of as a “dynamic” living organism that changes and adapts to its environment. The Internet changes very quickly—just watching a 24 hour news channel on the television. The content on some websites is updated every few seconds.

## Purpose / Content of Websites

On the Internet, there are many websites. These are usually made for one specific purpose; they range from informing you about the news to teaching you how to cook.

The best analogy of a website is a comparison to an entire book or an entire newspaper. Websites are made up of “pages,” just like newspapers and books.



Websites are usually independent, however sometimes they are linked together by hyperlinks (also called links) that allow you to jump from one website to another website. These links allow you to “turn the page,” and move around on the Internet. They are usually underlined and **blue**, however they can be any color and or even a picture. How

do you identify a hyperlink? When your mouse hovers over a hyperlink, the arrow changes into a pointing hand.

Webpages are what you see and read on the Internet. They are primarily made up of text (words), digital media (pictures, movies, and music), and hyperlinks. The Internet, unlike a book or newspaper, is in no order, and can seem slightly confusing at first. However, there are tools on the Internet that help organize it and will allow you to use it comfortably and easily.

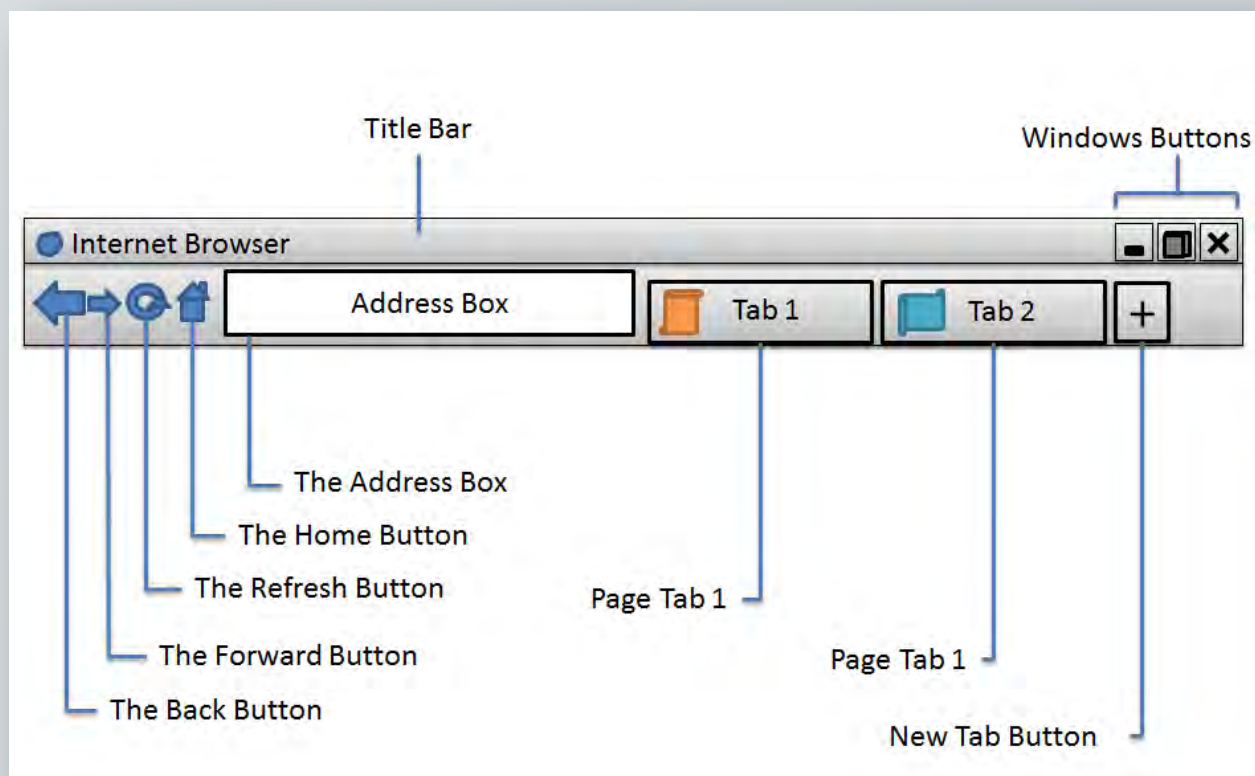






## Applications to Access the Internet

On the computer, you use a program to see the Internet. The program is called a web browser — you “browse” the web with it. Some common brands of web browsers include Internet Explorer, Firefox, and Chrome. They serve the same purpose, navigating the internet, and also have many of the same buttons. For instance, we will take a look at a generic browser’s buttons. You will use these buttons to navigate around the Internet. Sometimes extra buttons might be added, while other times, buttons might have been moved around on the toolbar. If you cannot find a button, just ask someone (they seem to be pretty tricky when they hide from you).





## The Buttons

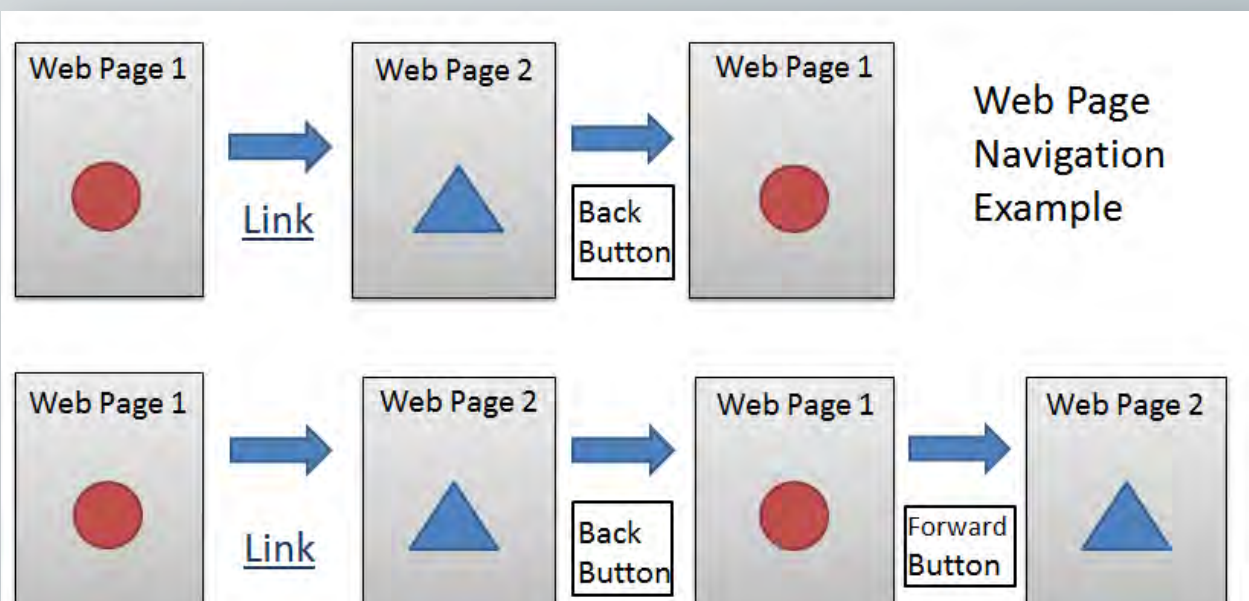
**The Back Button** – This button allows you to return to the last webpage that you last visited. It is most often used if you accidentally click on a link and wish to return to your previous page.

**The Forward Button** – If you clicked the back button, you don't have to hunt for the hyperlink on the webpage to return to the previous webpage. Just click on the forward button to return to the previous page that you were at before you pressed the back button.

Note: If the forward button is "grayed out" and when you click on it, nothing happens, this means that it is disabled.

**The Refresh Button** – This button is useful if you are looking at pages that contain content that is updated more frequently, such as the news, sports scores, or the weather. By clicking on the refresh button, the web page loads again, and is updated with the latest information.

**The Home Button** - When you open your web browser, the first website that is displayed is your **homepage**. You can change your homepage to fit your preferences. When you click on the home button, it takes you to your homepage.





## The Address Box

**The Address Box** – This displays the URL of a webpage. URL stands for Universal Resource Locator, which is a unique address for each webpage – just like your own home’s address is unique. You can type a specific URL into the address box by left clicking in the box once and then typing. Although URLs are all different, they share common characteristics. The basic diagram of a URL is shown below.



<http://www.google.com>

**Http://** - Begins most web addresses. Tells the internet browser what protocol to use.

**www**- Stands for “World Wide Web.” Most web addresses have it although it is not necessary. It indicates a web page.

**.(dot)**- Separates parts of the address so it does not all run together and the computer can distinguish the different parts of the address.

**Domain name**- Example: “Google” – A series of numbers, letters or hyphens “-” that identifies the owner of the address.

**“.” (dot)**- See previous Definition

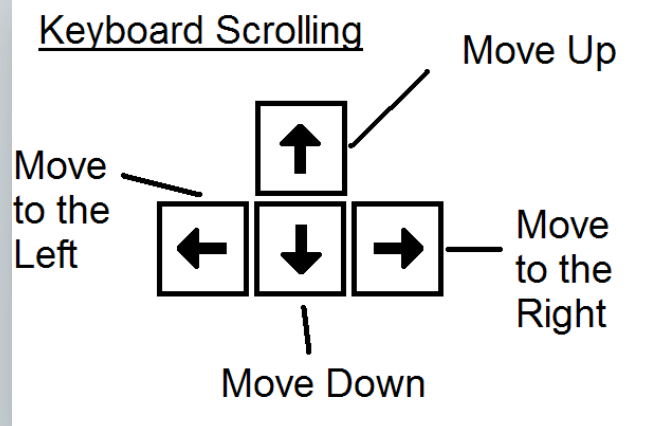
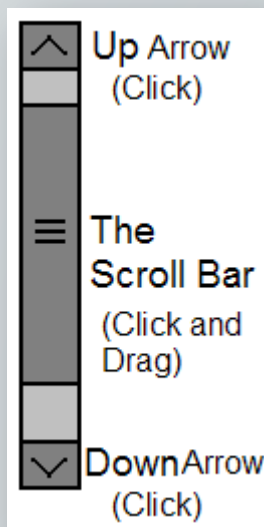
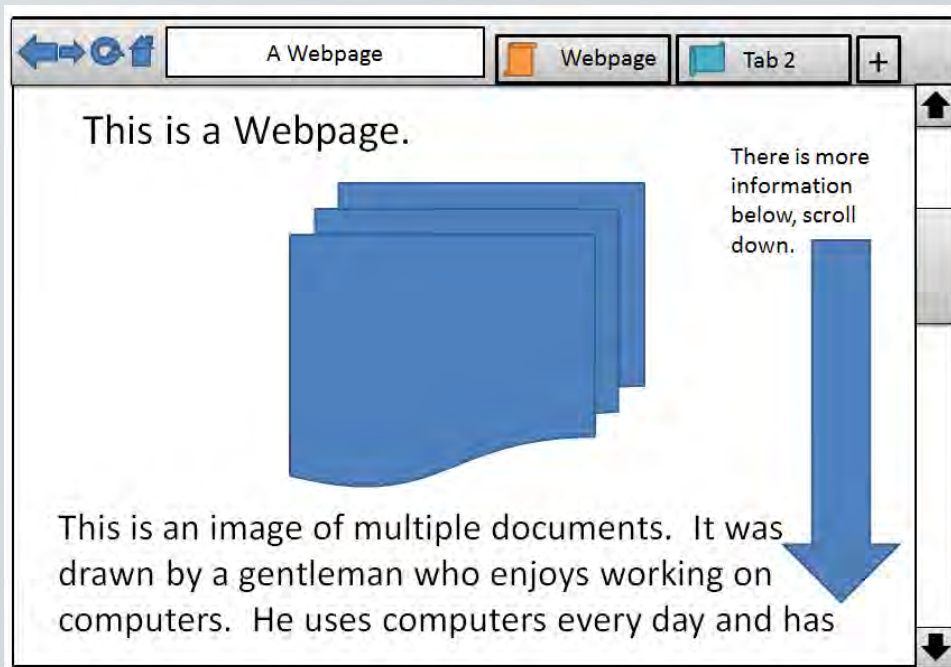
**The Domain**- At the end of a web address. Tells what type of web page you are viewing.  
 .com – Commercial  
 .org – Non-For-Profit Organization  
 .edu – Education (Colleges/Universities)  
 .net – Internet Related  
 .mil – US Military  
 .gov – US Government  
 .us – United States  
 .uk – United Kingdom

Important: Make sure you spell everything correctly. Addresses are very specific and if typed incorrectly, they will direct you to the wrong website. If this happens, simply use your back arrow to return to the previous webpage.



## Scrolling on Webpages

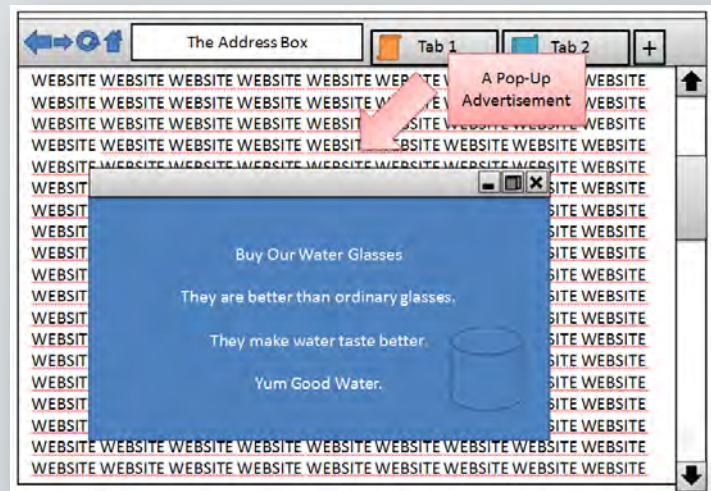
One thing to keep in mind when viewing the Internet is that a bunch of information might be displayed on a webpage, however, only a small portion can be seen immediately when you load the webpage. Thus, it is important to look at your scroll bars to the right and bottom to see if there is more information you are missing. If you are tired of using the mouse to scroll up and down, try using the arrow keys.



## Pop Up Advertisements



On the Internet, there are things that help you and things that can make you aggravated. One aggravation is the **Pop Up Ad**. These advertisements are created by aggressive marketers who want you to see their “amazing” product and buy it. Pop ups create their own window and usually appear on top of the information that you are interested in. If you click on a pop up ad, it will take you away from the information you are looking at. If you see a pop up ad, click the X at the top right of the window to close it.



Another type of advertisement is the **Banner**. Banner ads show up at the top of a website or on the side of a website. As a beginner, it's generally wiser to ignore banner advertisements unless you are familiar with the company.



## Searching the Internet

Because there are so many things on the Internet, it is

frequently hard to locate exactly what you are looking for. Search engines such as Google ([www.google.com](http://www.google.com)) are very helpful and allow you search the Internet.

A search engine is a Website used to search for information on the World Wide Web. Google first collects websites using a computer program (called a



wanderer, crawler, robot, worm, or spider). Then Google creates an index of these sites so they are searchable. There are many search engines that are available - we use Google for purposes of instruction because most people use it.

### Performing a search in Google (See Next Page for Picture)

1. Go to Google by typing [www.google.com](http://www.google.com) in the URL address box (see page 5). Google is also one of the fastest search engines and provides some of the best results.
2. Next type your topic or key words (words closely related to your topic) into the box under the Google logo.
3. Press Enter or click "Google Search"
4. The next page that will appear is your search results page. This page lists the first few results from your search. Click on one of the page title that has an interesting description or seems most relevant.
5. If you are not satisfied with that website, click the back button and try a different website. If you still cannot find a good website, try searching by using different terms in the search box at the top of the webpage.



### Google Searching Tips

Google will return pages that include all of your search terms. There is no need to include the word "and" between terms. For example, to look for information about parks in Cincinnati, simply type "Cincinnati parks."

Google is not case sensitive. Typing "United States" is the same as typing "UNITED STATES" or "united states."

The more words you include in your search, the more specific your search will be and the more relevant your search results will be.



## Internet Glossary

**Browser** – A software program that allows Internet documents (like webpages) to be viewed, also called a Web Browser.

**Cyberspace** – The world of computer networks.

**Domain Name** – A unique name that identifies a specific computer on the Internet.

**Download** – A term for transferring software or other files from one computer to another.

**Email** – Electronic Mail – Messages sent from one specific user to another using the Internet.

**Email address** – The way a specific user is identified so that they may receive email. An email address can be identified by the “@” sign. E.g., Support@seniorconnects.org

**Home Page** – The first page of a Website, similar to a table of contents.

**HTML** – HyperText Markup Language- A computer language used to make hypertext documents that are sent via the World Wide Web and viewed using a Browser.

**HTTP** – HyperText Transfer Protocol – The way that hypertext documents are transferred over the Internet.

**Hypertext** – A way of presenting information that allows words, pictures, sounds, and actions to be inter-linked so that you may jump between them however you choose.

**Link** – A word, phrase, or image that allows you to jump to another document on the World Wide Web.

**Search Engine** – A website that indexes and allows searching of information gathered from the Internet. Google is an example of this.

**URL** – Uniform Resource Locator – The entire address for a piece of information of the Internet. E.g., www.google.com

**Webpage** – A hypertext document available on the World Wide Web.

**Website** – A collection of webpages.

**World Wide Web** – A collection of resources available on the Internet using a web browser.



X

# Marketing Plan

For units meeting accessibility requirements of HUD section

504



# South First Phase One, LLC

## Charlottesville, Virginia

Low Income Housing Tax Credit Application for Reservation

VHDA Accessibility Requirements for Section 504 of the Rehabilitation Act

### Marketing Plan

South First Phase One, LLC is proposing to undertake the construction of new, low income housing units on South First Street in Charlottesville, VA. The project will result in the creation of a total of 61 one, two, and three bedroom apartments and will utilize proceeds from the syndication of Low Income Housing Tax Credits. This initiative is being undertaken in accordance with the requirements of VHDA's QAP.

Seven (7) apartments at the complex are designed to serve persons with physical disabilities. Accordingly, the following will apply:

- (1) Renovation and new construction on such apartments will conform to HUD regulations defining the accessibility requirements of Section 504 of the Rehabilitation Act.
- (2) Marketing for residents to occupy these units will be targeted to people with special needs. These fully accessible apartments will include zero step entrances, open floor plans, roll under sinks and counters, ranges with front controls, wide doors and hallways, and fully accessible bathrooms. All of the building amenities and services will be on accessible pathways.
- (3) People with developmental disabilities will be given a preference for occupancy.
- (4) Unless the unit is rented to a qualified disabled resident, units will be held vacant for a minimum of 60 days during which ongoing marketing efforts are documented and reported to VHDA's program compliance officer before being authorized to rent to non-disabled household.

Contacts will be made to the organizations below in advance of the completion of the rehabilitation project to insure that the apartments are occupied as quickly as possible by the people who need them.

Further, throughout the compliance period, regular contacts will be made with residents of such units to determine if their needs have changed. Contacts will also be made regularly to those local organizations at initial occupancy but also throughout the term of the lease.

- Region 10 Community Services Board  
500 Old Lynchburg Road  
Charlottesville, Virginia 22903  
April Oliver, Contact Person
- The ARC of Charlottesville  
509 Park Street  
Charlottesville, Virginia 22902
- Jefferson Area Board on Aging  
674 Hillside Drive, Suite 9  
Charlottesville, Virginia 22901
- Monticello Area Community Action Agency  
1025 Park Street  
Charlottesville, Virginia 22901
- Program of All-Inclusive Care for the Elderly (PACE)  
1335 Carlton Avenue  
Charlottesville, Virginia 22902

In addition to the above, the property will affirmatively market to the target population as follows:

- Registering South First Phase One and vacancies on [VirginiaHousingSearch.com](http://VirginiaHousingSearch.com)
- Registering South First Phase One and vacancies on [accessva.org](http://accessva.org)
- Registering South First Phase One in the Virginia Housing Directory
- Communicating regularly with the appropriate personnel at the Virginia Department of Behavioral Health and Developmental Services Housing Team regarding vacancies at the property.
- Communicating regularly with the Asset Management staff at VHDA.
- Communicating with the Charlottesville United Way.

Y

Inducement Resolution  
for Tax Exempt Bonds

Not Applicable to this Project