



CITY OF HOUSTON
HCD Purchasing Unit 3200

SRO NUMBER MUST APPEAR ON ALL PAYMENT AND
DELIVERY CORRESPONDENCE

**POSSIBLE DUPLICATE COPY DO NOT DUPLICATE SHIPMENT
OR SERVICE**

SERVICE RELEASE ORDER

Vendor Address
Vendor Address Number 164798
NHPF CAROLINE CONDUIT, LLC
1090 VERMONT AVE, NW
WASHINGTON DC 20005
USA

Mail Invoice to
COH HOUSING & COMMUNITY DEV
FINANCIAL SERVICES SEC, ACCT PAY
PO Box 1562
HOUSTON TX 77251-1562

Information
SRO Number/Date 4500358569-0 / 11/03/2021
CoH Vendor Number 164798
Page 1 of 2
Buyer's Name Teresa Moore 461
Buyer's Telephone Number 832.394.6272
Buyer's Fax Number
Buyer's E-mail Address Teresa.moore@houstontx.gov

**CONFIRM RECEIPT AND ACCEPTANCE OF PURCHASE ORDER
TO BUYER'S E-MAIL ADDRESS**

Shipping Address HOUSING & COMMUNITY DEVELOPMENT
PROCUREMENT SERVICES
2100 TRAVIS, 9TH FLOOR
HOUSTON TX 77002
USA

Terms of payment : Pay net 30 w/o deduction Currency USD

Shipping Terms FOB(Free on board) /DESTINATION

Our reference: 2022-0655

Your person responsible: NEAL DROBENARE

Your reference: 2022-0655

11/03/2021 TAM

AMOUNT: \$15,000,000.00

The new construction at 3300 Caroline will be a four-story elevator-served building consisting of 149 efficiency apartments, shared space for supportive programs and office space for MHI staff. With anticipated Housing Assistance Paymeent(HAP) subsidy contract from the Houston Housing Authority, all residents will pay no more than 30% of their monthly adjusted income in rent.

Item	Quantity	UM	Material # / Description	Unit Cost	Extended Cost
10	1.00	AU	99884 REAL ESTATE (INCL. B 3300 Caroline DR17 Release Order against contract 4600016956 Item 00010 11/03/2021 TAM	15,000,000.00 / AU	15,000,000.00
			AMOUNT: \$15,000,000.00		
The new construction at 3300 Caroline will be a four-story elevator-served building consisting of 149 efficiency apartments, shared space for supportive programs and office space for MHI staff. With anticipated Housing Assistance Paymeent(HAP) subsidy contract from the Houston Housing Authority, all residents will pay no more than 30% of their monthly adjusted income in rent.					



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OR SERVICE**
SERVICE RELEASE ORDER

PO number/date 4500358569 -0 / 11/03/2021 Page 2 of 2

Item	Quantity	UM	Material # / Description	Unit Cost	Extended Cost
	Gross Price		USD	1 AU	15,000,000.00
			15,000,000.00		
			Delivery date: Day 05/31/2022		
			*** Item partially delivered ***		
			Expected value of unplanned services: 15,000,000.00		
			Delivery Date: 05/31/2022		
20	1.00	AU	99884 REAL ESTATE (INCL. B 3300 Caroline DR17	3,656,631.00 / AU	3,656,631.00
			Release Order against contract 4600016956 Item 00020		
	Gross Price		USD	1 AU	3,656,631.00
			3,656,631.00		
			Delivery date: Day 12/31/2022		
			Expected value of unplanned services: 3,656,631.00		
			Delivery Date: 12/31/2022		
Total ****				USD	18,656,631.00

2022-0655 Ord Passed 8/24/22 Executed by Mayor 9/30/22 CS 10/3/22

NOTICE -- This is a contract release order against the contract referenced herein. The terms and conditions in the referenced contract are hereby incorporated into this contract release order as if set forth in full text. All work performed pursuant to this contract release order shall be performed in strict accordance with the referenced contract's statement of work/scope of services.

<p>I hereby certify a certificate of the necessity of this expenditure is on file in this department.</p> <p><i>Sulvester Turner</i></p> <p>Mayor</p>	<p>I hereby certify that the expenditure for the above goods has been duly authorized and appropriated and that sufficient funds are available to liquidate same.</p> <p><i>[Signature]</i></p> <p>Chief Procurement Officer</p>	<p>I hereby certify that the expenditure for the above goods has been duly authorized and appropriated and that sufficient funds are available to liquidate same.</p> <p><i>[Signature]</i></p> <p>Controller</p>
--	---	--

~~4600016965~~
2022-0655
4600016956

LOAN AGREEMENT

Dated **10/3**, 2022

By and between

CITY OF HOUSTON, TEXAS,
a home-rule city organized under the laws of the State of Texas

and

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

and

MAGNIFICAT PERMANENT AFFORDABLE, LLC,
a Texas limited liability company

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LOAN AGREEMENT (CDBG-DR 17 Transaction)

The parties to this Loan Agreement (this "Agreement") are the **CITY OF HOUSTON, TEXAS**, a home-rule city organized under the laws of the State of Texas ("City"), and **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("Borrower"), and is joined herein by **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("Owner").

Unless the context otherwise requires, the initial capitalized words shall have the meanings ascribed to them in **Schedule A** attached to this Agreement if they are not otherwise defined in the main body of this Agreement.

Borrower, City and Owner hereby agree as follows:

SECTION ONE BACKGROUND

A. Borrower has requested and this Agreement provides for a loan to be made from the City to the Borrower in the maximum principal amount of EIGHTEEN MILLION SIX HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED THIRTY-ONE AND NO/100 DOLLARS (\$18,656,631.00) ("Loan Amount") ("City Loan" or the "City's Loan"). The City's Loan will provide for the rehabilitation, reconstruction, acquisition and/or construction of replacement affordable housing that was damaged or destroyed by Hurricane Harvey, and will serve a Low and Moderate Income ("LMI") benefit by providing or improving residential structures to be occupied by households qualifying for LMI ("LMI Persons" or "City's LMI Persons").

B. Funding for the City Loan is being provided to the City pursuant to 2017 Community Development Block Grant ("CDBG") Disaster Recovery program funds ("CDBG-DR17 Program") awarded by the United States Department of Housing and Urban Development

(“HUD”) through the Texas General Land Office (“GLO”) under the Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017 (Public Law 115-56) and the Further Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2018 (Public Law 115-23), and the requirements published by HUD under 83 Fed. Reg. 5844 and 83 Fed. Reg. 40314, and is subject to the terms and conditions of that certain Contract Numbered 19-147-001-B 489 (“2019 Subrecipient Agreement”) and 21-134-000-C788 (“2021 Subrecipient Agreement”), as may be amended from time to time (“GLO Contract”) between GLO and the City, provided, however, on the date HUD approves the 2021 Subrecipient Agreement with the GLO (Contract No. 21-134-000-C788 also known as Action Plan 8), the 2019 Subrecipient Agreement shall automatically expire and the 2021 Subrecipient Agreement will become effective to govern this Agreement from that date forward and shall become the GLO Contract. Pursuant to the GLO Contract, the provisions of that certain City of Houston Local Action Plan – Hurricane Harvey Housing Recovery passed and approved by City Council of the City of Houston (“City Council”) by Ordinance No. 2018-518 on June 27, 2018, as amended by that certain State of Texas Plan for Disaster Recovery: Hurricane Harvey Round 1, as amended from time to time (as so amended, the “Action Plan”), Federal regulations, as published in 24 C.F.R. Part 570 (“CDBG Regulations”), the State of Texas CDBG Housing Rules, as published in 10 TAC Chapter 60; the City’s Harvey Multifamily Program Guidelines, as amended from time to time, and other related administrative rules and regulations issued by the Federal Government or State of Texas that are applicable to rental activities funded under the CDBG-DR17 Program (“Other Requirements”) are hereby included or incorporated in this Agreement and sub-agreements, as applicable. Furthermore, Borrower and Owner have been notified that the information related to the development, its operations and its residents are covered under Chapter

552, Texas Government Code, the Texas Public Information Act, unless a valid exception exists, and Chapter 2306 of the Texas Government Code. Borrower and Owner acknowledge that on the date HUD approves the eighth amendment to the Action Plan, the City's 2019 Subrecipient Agreement shall automatically terminate and the 2021 Subrecipient Agreement will become effective to govern the Agreement from that date forward.

C. The term of the City Loan shall commence on the Closing Date and shall mature on the last day of the Affordability Period (as same may be extended). No payment of principal or interest shall be payable under this Note except in the event of a Default (as hereinafter defined) during the Term of the Note, as more particularly described in the Loan Documents. Upon the Maturity Date, which is the date of the expiration of the Affordability Period (as defined in the Loan Agreement), if no Default has occurred which remains uncured, the amount of the deferred principal and interest shall be deemed paid. Upon the event of a Default that is continuing beyond the expiration of all applicable notice and cure periods, at the option of the City, the outstanding deferred principal balance together with any accrued interest thereon shall be immediately due and payable, without further notice or opportunity to cure. Interest will not be charged on the deferred principal and interest unless there is a Default then existing.

Provided that no Default then exists beyond the expiration of all applicable notice and cure periods and subject to the Director's consent and the conditions of this Section, Borrower may, at its option, extend the Term of this City Loan for a maximum of three (3) successive renewal periods of five (5) years each (the "Renewal Periods") by written notice to the City of Borrower's desire to renew the City Loan (the "Renewal Notice") which Renewal Notice shall be given no earlier than ninety (90) days prior to the expiration of the then current Term and no later than thirty (30) days prior to the expiration of the then current Term (as it may have previously been extended).

For each Renewal Period, Borrower will pay the City a fee equal to one percent (1.0%) of the then outstanding balance of the City Loan which is a good faith estimate of the additional legal fees, monitoring costs and other expenses to be incurred by the City as a result of such extension and which sum must be paid simultaneously with the giving of the Renewal Notice. The extension option may only be exercised as to one Renewal Period at a time. (For clarity purposes, the second extension option may be exercised no earlier than ninety (90) days prior to the expiration of the first Renewal Period and will not be available if the first extension option is not exercised and the third extension option may be exercised no earlier than ninety (90) days prior to the expiration of the second Renewal Period and will not be available if the first and second extension options are not exercised.) As a condition to each such extension, the Affordability Period must be extended to cover the applicable Renewal Period, and the parties shall execute a written extension agreement and any other documentation which may be required to extend the City Loan, the Affordability Period and the Restrictive Covenants for the Renewal Period in form and substance reasonably acceptable to the City and Owner. In addition, as a further condition to the renewal, (i) Borrower shall provide the City with a title company endorsement to the City's loan policy of title insurance for such extension under Texas Title Insurance Procedural Rule P.9.b.3 (or the equivalent), and (ii) the Project must pass the inspection of the City to ensure compliance with the Minimum Property Standards as the same are revised from time to time and if necessary, the Borrower shall cause Owner and Owner shall additionally make all necessary repairs to bring the Project into compliance. If Borrower requests an extension, the City may also, as a condition of renewal, require that the Replacement Reserve Account(s) be collaterally assigned to the City, subject, however to Harris County's interest in the Replacement Reserve Account(s), under the Harris County Loan Documents (if applicable).

D. No payment of principal shall be payable under the City Loan except (and subject to the next sentence) in the event of Borrower's or Owner's Default of its obligations or representations and warranties and the expiration of all applicable notice and cure periods under (a) this Agreement, (b) the terms of the Note, the Collateral Note or any security or other Loan Documents securing or evidencing the City Loan including the Fee Deed of Trust, and/or (c) the City's Restrictive Covenants, provided, however, the Director, in his or her sole discretion, may waive in full or in part any requirement of this sentence. Upon the Maturity Date, if no Default has occurred which remains uncured, the amount of the City's Loan to Borrower which remains unpaid, if any, shall be deemed paid. In the event the Director elects to accelerate payment of the Note and declare that all sums under the City Loan are immediately due and payable upon the declaration by the Director of a Default and the expiration of all applicable notice and cure periods under (a) this Agreement, (b) the terms of the Note or other documents securing or evidencing the City Loan, (c) the City's Restrictive Covenants, (d) the terms of the Owner Loan Agreement or the terms of any of the Owner Loan Documents, or (e) the Collateral Assignment (Owner Loan), the principal balance of the City Loan together with accrued but unpaid interest thereon shall become immediately due and payable, at the Director's option.

E. Borrower's obligations to the City under this Agreement, including, but not limited to repayment of the City's Loan as evidenced by the Note, will be secured by, among other things, the Collateral Assignment (Owner Loan) in favor of the City and the Owner Loan Documents. In furtherance of the foregoing, Borrower and Owner shall execute and deliver any instruments, documents and/or agreements necessary to create or perfect the security interests referenced hereunder.

F. Borrower shall loan the proceeds of the City Loan to Owner pursuant to the Owner Loan Agreement which has been or will be approved by the Director, for the Owner Loan from Borrower to Owner. Owner shall use the proceeds of the Owner Loan for the payment of the costs to acquire and rehabilitate, reconstruct, construct or replace rental housing to be known as 3300 Caroline Street Apartments, located in Houston, Harris County, Texas 77004 (the "Project"). The Land on which the Project is located is described in Exhibit A attached to this Agreement. A purpose of the Project is to house the City's LMI Persons in compliance with the affordability agreements set forth in this Agreement and in the Restrictive Covenants.

G. Guarantor will sign a Construction Completion Guaranty in the form set forth in the Attachments to this Agreement ("Construction Completion Guaranty") of Borrower's and Owner's requirements under this Agreement and the Construction Contract.

H. To secure the City Loan, Borrower will collaterally assign the Owner Loan and the Owner Loan Documents pursuant to the Collateral Assignment (Owner Loan) executed by Borrower in favor of the City covering the Owner Loan, the Leasehold Deed of Trust Security Agreement and Financing Statement executed by Owner covering the Project and the other Owner Loan Documents. Notwithstanding anything to the contrary in this Agreement, the Owner shall remain obligated to repay the Owner Loan to the holder thereof according to its terms and conditions until satisfied in full. To further secure the City Loan, Master Landlord shall execute in favor of the City a Fee Deed of Trust, Security Agreement and Financing Statement covering Master Landlord's interest in the Project.

I. The City is obligated to comply with certain requirements with respect to reporting to GLO about the use of the Loan Proceeds and the operations and maintenance of the Project, among other matters, and this Agreement contains provisions for the Borrower and Owner to

submit information to the Director on various aspects of the Project. Borrower shall, and shall cause Owner to submit, and Owner shall submit this information to the Director on the forms from time to time provided and required by the Director to be used by the Borrower and/or Owner (“Monitoring Forms”), the initial form of which is attached as **APPENDIX 5** hereto.

J. The City Loan is issued subject to the conditions and terms of this Agreement.

K. Borrower and Owner shall comply and shall cause their contractors to comply with the City’s Minority, Women and Small Business Enterprise (“MWSBE”) programs as set out in Chapter 15, Article V of the City’s Code of Ordinances. Borrower and Owner shall make Good Faith Efforts as described by the City’s Office of Business Opportunity (“OBO”) policy attached hereto as **APPENDIX 9**, to award subcontracts or supply agreements in at least 34% of the Loan Amount to MWSBEs. Borrower and Owner acknowledge that they have reviewed the requirements for Good Faith Efforts on file with the OBO and shall comply with them.

Borrower and Owner shall ensure and shall cause their contractors to ensure that all subcontracts with MWSBE subcontractors and suppliers contain the following terms:

1. “[MWSBE subcontractor] shall not delegate or subcontract more than 50% of the work under this Subcontract to any other subcontractor or supplier without the express written consent of the City of Houston’s OBO Director.

2. [MWSBE subcontractor] shall permit representatives of the City of Houston (including, without limitation, the Director and City Controller), at all reasonable times, to perform (a) inspections of all places where work is to be undertaken in connection with this Subcontract, and (b) audits of the books and records of [MWSBE subcontractor]. [MWSBE subcontractor] shall keep such books and records available for such purpose for at least four (4) years after the

completion of its performance under this Subcontract. Nothing in this provision shall affect the time for bringing a cause of action nor the applicable statute of limitations.

3. Within five (5) business days of execution of this Subcontract, the prime contractor and [MWSBE Subcontractor] shall designate in writing to the Director an agent for receiving any notice required or permitted to be given pursuant to Chapter 15 of the City's Code of Ordinances, together with the mailing address and telephone number of such agent.

4. Any controversy between the parties involving the construction or application of any terms, covenants, or conditions of this Subcontract may be submitted to the OBO Director. The OBO Director may prescribe procedures to provide dispute resolution by neutrals, in accordance with the requirements of Chapter 15 of the City's Code of Ordinances.

L. Borrower and Owner agree to abide by the conflict of interest provisions at 24 C.F.R. § 570.611, 2 C.F.R. § 200.317 and 2 C.F.R. §200.318 and furnish conflict of interest disclosure forms if so required by the Director. Borrower and Owner agree to comply with the following provisions required by HUD, if applicable, or the GLO as a condition of the GLO approval of the Project for fair housing and affirmatively further fair housing purposes:

1. Borrower and Owner shall implement all noise and flood hazard and other mitigation action required or at the City's reasonable discretion, recommended, as a result of the environmental review conducted pursuant to 24 C.F.R. Part 58 (the "Environmental Review"), including any required conformance with HUD elevation requirements (e.g., elevating or otherwise protecting ground level parking and storage areas) or flood-control measures (collectively, "Environmental Mitigation"). Borrower and Owner shall also comply with all applicable insurance and survey requirements as set forth in Section Three, Paragraph 3.13 and

Section Six, Paragraph 6.25 and **Appendix 2** with only such modifications as may be specifically approved by the City.

2. The Borrower and Owner shall implement the Affirmatively Furthering Fair Housing Requirements (“AFFHs”) and the AUGF (hereinafter defined) as provided in Section Eighteen, Paragraph 18.22.

M. If the Loan Proceeds do not cover all of the costs of the Project, Owner shall have obtained at the time of Closing a firm commitment for the funding of the remaining acquisition costs (if applicable) and the costs to repair, renovate, construct and/or reconstruct the Project (collectively, together with the Harris County Loan, the Bridge Loan, the MHI Bridge Loan and the Subordinate Loan, the “Other Financings”), all of which combined with the Loan Proceeds, total at least the amount required by the Approved Final Project Budget (“Final Project Budget”) in form and content approved by the Director and attached hereto in the Exhibits to this Agreement. In any case, Owner shall be responsible for funding or obtaining funding for any costs or expenses of the Work, other Project cost under the Final Project Budget or otherwise payable under this Agreement to the extent not covered by the Loan Proceeds.

N. It is the policy of the City to ensure that construction work it finances protects workers on those projects by making sure they are safe, are compensated in accordance with Applicable Law, and have access to pathways for sustainable careers in the construction industry. All contractors who work on the Project are required to implement the workforce protection measures at Appendix 15. In addition, the general contractor is required to participate in a survey with regard to Fair Chance Hiring Policies and must provide a disclosure of safety records and written Health and Safety Plan of contractors at the time of contracting. Notwithstanding anything contained in Appendix 15 to the contrary, 20.0% (instead of 10%) of all work hours are to be

performed by apprentices sourced from a program certified by the Department of Labor and 20% (instead of 10%) of all work hours are to be performed by Section 3 residents.

O. The replacement reserve ("Replacement Reserve") shall be no less than \$300.00 per unit annually, increasing by 3% annually, pursuant to Section 6.24 of this Agreement. Together with Harris County under the Harris County Loan Documents the City shall have a security interest in the Replacement Reserve, and Borrower and Owner shall execute any instruments or other documents necessary to create or perfect such interest, if required by the Director.

P. Any property management fee, asset management fee or other similar fee ("Property Management Fee") is limited to no more than five percent (5.0%) in the aggregate of the Project's gross annual income.

Q. Borrower and Owner have submitted to the Director a signed Certificate regarding lobbying ("Lobbying Certificate") in the form set forth in the Appendices to this Agreement (or in the form in effect at the time the Lobbying Certificate was submitted to the Director).

R. In addition to the provisions of the main text of this Agreement, this Agreement consists of "Schedules", "Appendices", "Exhibits" and "Attachments", as follows

1. Schedule ("Schedule") setting forth definitions.
2. Appendices ("Appendices"), setting forth the specifics of requirements described in this Agreement or other City standard forms, policies and requirements, which specifics and forms may be modified by the City from time to time or which may change as a result of change in or to Applicable Law, relating to:

- (a) the City's MWSBE programs to which the Owner's contractors and subcontractors are subject;

- (b) insurance to be maintained by the Owner and also to be contained in the Approved Construction Contract and other Construction and Supply Contracts
 - (c) Release and Indemnity provisions to be contained in the Approved Construction Contract and other Construction and Supply Contracts;
 - (d) Construction Contract Requirements including bidding requirements (if applicable);
 - (e) the Monitoring Forms to be used by Owner and Borrower;
 - (f) Applicable Law;
 - (g) the Lobbying Certificate;
 - (h) the Debarment Form;
 - (i) the Survey Requirements;
 - (j) Property Condition Assessment requirements, if applicable;
 - (k) Multifamily Relocation Requirements, including related forms;
 - (l) Appraisal Requirements including sample Agreement for Appraisal Services;
 - (m) GLO Lien Waiver;
 - (n) Minimum Property Standards; and
 - (o) City of Houston Workforce Protection Requirements.
3. Exhibits (“Exhibits”), setting forth:
- (a) the metes and bounds or legal description of the Land;
 - (b) commitments evidencing “Other Financings”, if any; and
 - (c) the Preliminary Project Budget.

- (d) Scope of Work; and
- (e) Construction Schedule.

4. Attachments (“Attachments”), as per the list of Attachments on the Attachments title page, describing and setting forth the information and the various specific documents and contents of specific documents particular to the City’s Loan to be provided by or on behalf of the Borrower or Owner as conditions precedent to the Closing of the City’s Loan or to be executed by Borrower, Owner and the City at the Closing of the City’s Loan.

S. The City Loan is a community development activity undertaken by the City and authorized under Chapter 373 or Chapter 374 of the Texas Local Government Code.

T. The recitals and statements contained in this Section One shall be incorporated into this Agreement, and Borrower and Owner confirm, agree and acknowledge that the information contained in this Section One is true and correct in all material respects and, to the extent that any of the subsections contained in this Section One contain covenants or agreements of Borrower and/or Owner, Borrower and Owner hereby covenant and agree to comply with the terms therewith. Borrower and Owner further agree to comply with all laws and other requirements contained in the Appendices.

SECTION TWO **REPRESENTATIONS AND WARRANTIES**

Borrower and Owner, as the context requires, hereby represent and warrant, and such representations and warranties shall be deemed to be continuing representations and warranties during the entire Term of this Agreement, and so long as the City shall have any commitment or obligation to make any disbursements of the Loan Proceeds hereunder, and so long as all of or any part of the City’s Loan remains unpaid and outstanding under any Loan Document (but only to the

extent the City Loan has not been deemed repaid pursuant to the terms of this Agreement and/or the Note), as follows:

2.1. Ownership and Use of Land. MHI Landholdings LLC, Texas limited liability company (“Master Landlord”), holds or will hold either at the time of Closing or as a result thereof fee simple title in and to the Land and Owner shall hold or will hold at the time of Closing or as a result thereof a leasehold estate in and to the Land located in Houston, Harris County, Texas, having an address of 3300 Caroline Street, Houston, Harris County, Texas 77004 and more particularly described on **EXHIBIT “A”**, subject however, to the Permitted Encumbrances (as defined in the Fee Deed of Trust). Master Landlord shall promptly disclose to the Director if Master Landlord has acquired the Land from Borrower or Owner; or any officer, director, employee, partner, company or individual of, related to or affiliated with Borrower or Owner.

2.2. Information Submitted True and Correct. The information contained in or submitted in connection with Borrower’s application to the City for the City Loan, as amended by further information provided and disclosed to the City, is true and correct.

2.3. Taxes and Assessments. There are no delinquent taxes, assessments, or other impositions on the Land or Project, or if there are any delinquent taxes, assessments, or other impositions on the Land or Project, same will be paid prior to or simultaneously with Closing of the City Loan. The Land or Project has not been subject to any special (reduced) real estate appraisal, or abatement, exemption or deferral of ad valorem taxes in the five (5) years preceding the Effective Date of this Agreement, unless Master Landlord has an effective agreement providing that another party is liable for all liability, accruing prior to Master Landlord’s acquisition of the Land or Project, for ad valorem taxes owing as a result of a change or revocation of such special (reduced) real estate appraisal, or abatement, exemption or deferral of ad valorem taxes.

2.4. Financial Capacity.

2.4.1. The financial representations made to the City by Borrower (and by Owner to Borrower or City) concerning Borrower's and Owner's financial condition are true and correct in all material respects and, upon the Closing of the City Loan and the Other Financing, Owner and Borrower have the financial capacity to carry out their obligations under this Agreement and the Loan Documents as well as under the Owner Loan and the Owner Loan Documents. If any material negative change in either Borrower's or Owner's financial condition occurs, Borrower and Owner shall report such change to the City within five (5) business days.

2.4.2. The financial representations made to the City by Borrower and by Guarantor to Borrower or the City concerning Guarantor's financial condition are true and correct and, upon the Closing of the City's Loan, Guarantor has the financial capacity to carry out its obligations under the Construction Completion Guaranty. If any material negative change in Guarantor's financial condition occurs, Borrower shall report such change to the City within five (5) business days.

2.4.3. The Borrower, Owner and Guarantor are in good standing on all outstanding loans and loan commitments with no defaults or negative collection actions on any current or previous loans that City reasonably determines would adversely impact the ability of Borrower, Owner or Guarantor to perform hereunder. Borrower and Owner have provided the City with a true and correct listing with addresses of all multifamily properties owned or managed by Borrower and/or Owner.

2.5. Authorization. All action on the part of Borrower and Owner necessary to authorize the transactions contemplated by this Agreement have been taken, and upon execution

of this Agreement, this Agreement shall constitute the binding and enforceable obligation of Borrower and Owner.

2.6. **Liens.** As of the Closing Date, there are no existing or threatened liens against the Project (other than the lien securing the Harris County Loan and the Subordinate Loan which lien securing the Subordinate Loan must be subordinate to the liens securing the City Loan), and the Borrower and Owner do not know of any reason such liens may be filed or threatened against the Project. As of the Closing Date, all payables and liabilities to parties providing goods or services to Borrower and Owner have been paid and no payables or liabilities exist that are more than thirty (30) days outstanding.

2.7. **Preliminary Project Budget Contents.** The Preliminary Project Budget specifies (a) a listing of all costs necessary to (i) acquire the Land (if applicable); (ii) complete the Project; and (iii) reach a 90% occupancy level, and (b) the sources of funding which will be used to complete the Work and reach stabilized occupancy which will be enumerated on AIA documents if required by the City and shall indicate those items to be funded with Owner's equity.

2.8. **Expertise.** Owner has engaged or will engage prior to Closing competent persons and firms for the purpose of constructing, leasing and managing the Project.

2.9. **Legal Existence.** Borrower is a nonprofit corporation, duly created and validly existing and in good standing under the laws of the State of Texas. Owner is a limited liability company, duly created and validly existing and in good standing under the laws of the State of Texas.

2.10. **Insurance Claims.** Borrower and Owner have provided the Director with true and correct copies of all insurance claims that are currently made or which Borrower and Owner plan to make (together with all supporting documentation) with respect to any damage to the Project

within the last six (6) years including, without limitation, damage to the Project resulting from Hurricane Harvey. None of the Loan Proceeds will be used to pay for damages covered by any insurance claim or any insurance policy including delayed or future payments anticipated under insurance policies. No portion of the Loan Proceeds shall be utilized to satisfy any deductible under such insurance policies.

2.11. Access. Access by vehicles to the Land for the full utilization of the improvements for their intended purposes either (a) exists over paved roadways that have been completed, dedicated to the public use and accepted by the appropriate Governmental Authority, or (b) the necessary rights-of-way for such roadways have been acquired by the appropriate Governmental Authority and all necessary steps have been taken by Borrower and/or Owner, and such Governmental Authority to assure the complete construction and installation of such roadways.

2.12. Conflict of Interest. Neither Borrower nor Owner has a conflict of interest as prohibited by 24 C.F.R. § 570.611, 2 C.F.R. § 200.317 and 2 C.F.R. § 200.318. If required by the Director, Borrower and Owner shall furnish to the Director a conflict of interest disclosure form (in effect at the time the form is required to be submitted to the Director), on or before the execution of this Agreement.

SECTION THREE **CONDITIONS PRECEDENT FOR CLOSING THE CITY LOAN**

All of the conditions listed in this Section must be satisfied by the date of Closing of the City's Loan and the satisfaction of each of such conditions shall be a condition precedent to the Closing of the City Loan.

3.1. Execution and Approval of Property Management Agreement. The Owner, Borrower and the Property Manager shall have executed the Property Management Agreement which shall have been approved by the Director. The Property Management Agreement will be

collaterally assigned to the City (and which may be assigned to Harris County under the Harris County Loan Documents) as additional security for the repayment and performance of the City Loan pursuant to an “Assignment of Property Management Agreement” instrument in the form set forth in the Attachments or in a form otherwise approved by the City Attorney. The Property Management Agreement may be amended from time to time with the Director’s consent, and shall provide that the Property Manager may be terminated by Owner if required by the Director, in the Director’s reasonable discretion.

3.2. Execution and Approval of Architect’s Contract. The Owner and the Architect (if any) shall have executed the Architect’s Contract which shall have been approved by the Director; the Architect’s Contract will be collaterally assigned to the City (and which may be collaterally assigned to Harris County under the Harris County Loan Documents) as additional security for the repayment and performance of the City Loan pursuant to an “Assignment of Architect’s Contract, Plans and Specifications, and Consent” instrument in the form set forth in the Attachments or in a form otherwise approved by the City Attorney (“Assignment of Architect’s Contract, Plans and Specifications, and Consent”).

3.3. Approval of Plans, Specifications, and Drawings. The Director shall have approved the scope of the Work, any site plans, floor plans, any Environmental Mitigation plans, wall sections, architectural, structural, civil, HVAC, mechanical, electrical, plumbing, and landscaping plans, and any other applicable drawings (collectively, the “Approved Plans, Specifications, and Drawings”) required for the construction of the Project according to the Approved Construction Contract, which Approved Plans, Specifications, and Drawings will also be collaterally assigned to the City (and which may be collaterally assigned to Harris County under the Harris County Loan Documents) as additional security for the repayment and performance of

the City Loan pursuant to the Assignment of Architect's Contract, Plans, Specifications, and Consent. The Borrower or Owner shall pay the City \$5,000.00 for review of the Approved Plans, Specifications and Drawings and cost review, which fee shall not be charged by the City if another lender's plan and cost review indicates that the City is entitled to rely on it and such review is acceptable to the City.

3.4. *Approval of Construction Schedule and Drawdown Schedule.* The Director shall have approved the construction schedule and drawdown schedule for the Project (collectively referred to as the "Approved Construction Schedule").

3.5. *Funding Commitments.* The sum of the City Loan, commitments for the Other Financings (if any), deferred developer fee, Net Operating Income, and any equity contributions for the Project shall be in at least the amount required to acquire the Land (if applicable), complete construction of the Project and allow operation of the Project in accordance with the Approved Final Operating Budget and the Approved Final Project Budget, according to the Approved Final Plans, Specifications and Drawings and the Approved Construction Contract. Borrower and Owner shall disclose any changes in the commitments for Other Financings and/or any changes in any equity contributions to the Project to the City as soon as practical, but in any event no later than five (5) business days after knowledge of such changes. The City's funding shall be subject to funding of all Other Financing in the order specified in the Approved Construction Schedule or in the Intercreditor Agreement.

3.6. *Approval of Financing Documents.* The Director shall have approved the documents evidencing the Other Financings, if any and the Owner Loan Documents, such approval not to be unreasonably withheld.

3.7. **Priority of City's Restrictive Covenants.** The City's Restrictive Covenants, once recorded in the Official Public Records of Real Property of Harris County, Texas shall have priority over any and all liens proposed to evidence or secure the Other Financings (including without limitation, any refinancings or refundings thereof subsequent to the Closing Date) (provided that the County Restrictions as defined in the Intercreditor Agreement shall be equal in priority to the City's Restrictive Covenants). Such priority shall be evidenced by the Intercreditor Agreement described below.

3.8. **Intercreditor Agreement.** The lenders under any Other Financings (if any and if necessary) as well as Borrower, Owner and the City shall have executed an intercreditor agreement (the "Intercreditor Agreement") in the form set forth in the Attachments, or in a form otherwise approved by the City Attorney, Harris County, and any other lenders, as applicable, which Intercreditor Agreement shall provide for reasonable notice of default of Owner and/or Borrower under the Other Financings to be provided to the City with a reasonable cure period unless the requirements are waived by the Director and the City Attorney, in their sole discretion.

3.9. **Final Budgets.**

3.9.1. **Approved Final Operating Budget.** The Director shall have approved a detailed operating budget ("Approved Final Operating Budget") for the Project. The Approved Final Operating Budget shall include a cash flow projection of all Project related income, expenses, debt service on all debt encumbering the Project, reserves for replacements of capital items, and any other costs associated with the operation of the Project for the period commencing with the initial leasing of the units within the Project and on an annual basis thereafter through the entire Affordability Period in a form as the Director may require. A proforma projection (and rent roll for existing, operational properties) specifying the unit type

(e.g., Efficiency, 1 bedroom/1 bath, 2 bedroom/2 bath), the square footage of the units, and projected monthly rental rate shall also be provided to the Director prior to Closing.

3.9.2. Approved Final Project Budget and Approved Final Construction

Budget. The Director shall have approved a detailed budget (“Approved Final Project Budget”) for the Project which shall not vary from the Preliminary Project Budget unless such variance is approved in writing by the Director, such approval not to be unreasonably withheld. The Approved Final Project Budget shall include the acquisition costs (if applicable), the architectural and design costs, the approved final Construction Budget which shall include all costs to construct the Work and any other construction costs for the Project (“Approved Final Construction Budget”) and all other costs necessary to complete the Project per the Approved Plans, Specifications, and Drawings and Approved Construction Contract. The Approved Final Project Budget and the Approved Final Construction Budget shall be on AIA forms or such other forms as the Director may require, and shall be in sufficient detail to permit the City to effectively and adequately monitor the use of the Loan Proceeds for the payment of costs pursuant to the Approved Construction Schedule to ensure that Loan Proceeds are expended only for costs eligible under applicable GLO, CDBG and other applicable federal regulations. The Approved Final Project Budget and the Approved Final Construction Budget shall also include a sources and uses of funds statement. A hard cost contingency of 5% and a soft cost contingency of 5% of soft costs are required in the Approved Final Construction Budget, and the City reserves the right to require additional contingencies. Subsequent to the Closing, any changes to the Approved Final Project Budget or the Approved Final Construction Budget must be approved in writing by the Director, such approval not to be unreasonably withheld. If required by the City, the Owner, at the Owner’s expense, shall engage appropriate third party inspectors acceptable to the Director,

in his or her sole discretion, or alternatively, the City, may utilize its own internal or external inspectors (collectively, "Approved Inspectors") to verify the budgets submitted to the Director for approval under this Section, to report to the Director on the adequacy and reasonableness of the amounts set forth in such budgets to complete the Project and the Work according to the Plans, Specifications and Drawings and to verify that all draws under the Approved Final Construction Budget conform with such budget, that all labor and material for which disbursement is requested have gone into the Project in accordance with the Plans, Specifications and Drawings and that the remaining undisbursed portion of the City Loan and Other Financings (if any) are adequate to complete the Work and the Project. The Owner's agreement with any Approved Inspectors engaged by Owner shall provide that the City is entitled to rely on the Approved Inspector's Reports and that the reports shall be addressed to the City. The City may charge and Borrower or Owner shall pay \$1,000.00 a month for construction inspections or review throughout the construction period. Notwithstanding the foregoing, if any other lender's inspectors are acceptable to the City, such inspectors shall be deemed Approved Inspectors and the City shall rely on the inspection reports of such lender's inspectors provided that (a) the inspection reports are addressed to the City and (b) the City is entitled to rely on such inspection reports.

3.10. Construction Contract and Related Matters.

3.10.1. Approved Construction Contract. Owner and Contractor (and Contractor and its prime subcontractor, if any) shall have executed the Construction Contract approved by the Director ("Approved Construction Contract"), which Approved Construction Contract will be collaterally assigned to the City (and which may be collaterally assigned to Harris County under the Harris County Loan Documents) as additional security for the City Loan pursuant to an "Assignment of Construction Contract" instrument in the form set forth in the

Attachments or in a form otherwise approved by the City Attorney (“Assignment of Construction Contract”). The Approved Construction Contract shall be a fixed price/stipulated sum or guaranteed maximum price contract which shall be consistent with the Approved Final Construction Budget. Fees, overhead and general conditions of the Contractor shall be indicated as a fixed dollar amount which shall be determined in a manner that does not exceed amounts that are commercially customary and reasonable for similar affordable multifamily development projects.

3.10.2. Bonds. Owner or Contractor (or the prime subcontractor with responsibility for the entire Project) shall furnish (a) a performance bond, with dual obligee rider naming the City as an additional beneficiary, for the full amount of the construction or rehabilitation price (“Performance Bond”); (b) a maintenance bond to secure the Defects Warranty (“Maintenance Bond”); and (c) a statutory payment bond (“Payment Bond”). The surety upon any required bond must be on the current list, published by the United States Treasury Department, of acceptable sureties for federal bonds and must have an AM best rating of “A” or better. The form of the Performance Bond, Maintenance Bond, and Payment Bond shall be as set forth in the Attachments or in other forms approved by the City Attorney. The Performance Bond, Maintenance Bonds and Payment Bond must be approved by the City Attorney in its sole discretion.

3.10.3. “Defects Warranty”. Owner will cause Contractor (or the prime subcontractor with responsibility for the entire Project) to expressly and unconditionally agree to warrant and guarantee (“Defects Warranty”) for a period of one (1) year any and all work performed or materials supplied to be free of defects, omissions, unsoundness or flaws, by executing the Maintenance Bond in the form set forth in the Attachments or in other form

approved by the Director. The one (1) year period shall commence on the date of issuance of the Certificate of Completion. The Defects Warranty shall include any condition which may impair or tend to impair the safe and normal use, functioning or enjoyment of the Project and which results in any manner from any and all labor and/or materials used or supplied under the Approved Construction Contract whether or not the materials or equipment are guaranteed by the manufacturer or supplier. The Defects Warranty shall not be construed to limit or in any way modify any warranties or guarantees placed upon any materials, appliances, fixtures or devices by their manufacturers, or any components for which a longer period of warranty is required in the Approved Construction Contract. The Maintenance Bond shall provide that the Owner, or Contractor for the benefit of Owner, shall obtain all manufacturers' and suppliers' written guarantees, warranties and operating instructions covering materials and equipment furnished under the Approved Construction Contract together with any documentation required for validation of such guarantees and warranties.

3.11. Lobbying. On or before the Closing of the City's Loan, Borrower, Owner and Contractor shall each submit to the Director a signed Certificate Regarding Lobbying in the form set forth in the Attachments (or in the form in effect at the time the Certificate is required to be submitted to the Director).

3.12. Appraisal. The Owner, at Owner's sole cost and expense, shall obtain an appraisal of the value of the fee interest in the Project, which appraisal shall meet the definition of an appraisal under the URA at 49 C.F.R. § 24.2(a) (3), which shall be done in accordance with the requirements of the URA at 49 C.F.R. § 24.103, and which shall comply with the Appraisal Requirements ("Appraisal Requirements") in the Appendices. The appraisal shall be acceptable

to the Director, shall be prepared by a qualified appraiser approved by the City and certified to the City.

3.13. Survey. The Director shall have approved a current survey ("Survey") of the Land complying with the "Survey Requirements" ("Survey Requirements") in the Appendices and showing, among other things detailed in the Survey Requirements, that none of the improvements located within the Project are within an identified (shaded) special flood hazard area (including without limitation, the 100-year flood hazard area).

3.14. Title Commitments; Insured Closing Service Letters.

3.14.1. City's Owner's Title Policy. Except as waived by the Director in writing in accordance with Section 4.2 herein, the Title Company shall issue at Borrower's or Owner's expense, in substance approved by the City Attorney, a Commitment to issue to the City an Owner's Policy of Title Insurance ("City's Owner's Title Policy") naming the City as Insured, which will provide in Schedule A of the City's Owner's Title Policy that the estate or interest that is to be insured under the Owner's Policy is "the Restrictive Covenants dated _____, 20__ and recorded under Harris County Clerk's File No. # _____" with the only Schedule B Exceptions of the City's Owner's Title Policy, which will be allowed to be shown in the City's Owner's Title Policy being those which are acceptable to the Director, in his or her sole discretion. This requirement may be waived by the Director if the Director receives a satisfactory opinion from Borrower's and/or Owner's legal counsel as to the perfection and priority of the Restrictive Covenants.

3.14.2. City's Loan Title Policy. The Title Company shall issue at Borrower's or Owner's expense, in substance approved by the Director, a Commitment to issue to the City a Loan Policy of Title Insurance ("City's Loan Title Policy") in the amount of the

City's Loan naming the City as Insured, insuring the first lien priority of the liens (pari passu with Harris County's liens) securing the City's Loan, subject only to:

- (1) the County Restrictive Covenants;
- (2) the City's Restrictive Covenants; and
- (3) Schedule B Exceptions approved by the Director, in his or her sole discretion.

3.14.3. Deletion of the Arbitration Provisions. The arbitration provisions of the City's Loan Title Policy and the City's Owner's Title Policy (if applicable) shall be endorsed as deleted.

3.14.4. Insured Closing Service Letter. The Title Insurer (as defined in Section 4.4) shall have issued the City an "insured closing service letter" relating to the closing of the City's Loan and such insured closing service letter shall be in effect as of the time of the closing of the City's Loan.

3.15. Environmental.

3.15.1. Director's Approval. The Director shall have approved a "Phase I" (or "Phase II", if the Director has required and any asbestos and/or lead paint tests required by the Director) environmental site assessment (and any updates thereto) (the "Environmental Site Assessment") and the Environmental Review (as defined herein). The Environmental Site Assessment shall be performed by a qualified environmental services firm, furnished to the Director by the Borrower or Owner, at the Borrower's or Owner's expense, in compliance with and prepared in accordance with standards adopted and promulgated by the American Society of Testing and Materials (ASTM), accompanied by a reliance letter submitted by the issuer of such Environmental Site Assessment for the benefit of the City. The required Environmental Site

Assessment must show, among other things that the Project is not in a “Coastal Barrier Resource System unit,” as such term is defined in the Coastal Barrier Resources Act (CBRA) of 1982, as amended by the Coastal Barrier Improvement Act of 1990 (16 U.S.C. § 3501), as amended, or in a runway clear zone, any lead-based paint and asbestos containing materials within the Project and if applicable, identify any “Special Flood Hazard Area”, as such term is defined and designated by the Federal Emergency Management Agency (“FEMA”). The Environmental Site Assessment must be dated within six (6) months of Closing or if this timeframe is exceeded, an assessment which is less than twelve (12) months old may be updated by the original issuer if the update report is issued within six (6) months prior to Closing and an update is acceptable to the City’s in-house environmental risk manager.

3.15.2. Environmental Indemnity Agreement. Borrower and Owner shall have executed and delivered an “Environmental Indemnity Agreement” in favor of the City (the “Environmental Indemnity Agreement”) in the form set forth in the Attachments or on another form approved by the City Attorney.

3.15.3 Flood Plains. The Project may not be located in a Special Flood Hazard Area (including, without limitation, the 100 year flood hazard area) unless such location is approved by HUD, which approval may be obtained through and included in the written “release of funds” authorization from HUD, as further described in Section Five, Paragraph 5.4.

3.16. Reserved.

3.17. Reserved.

3.18. Cost Reasonableness Analysis; Property Condition Assessment. Borrower and/or Owner shall have provided the Director with a Cost Reasonableness Analysis, and if rehabilitation or reconstruction of the Project is contemplated, a Property Condition Assessment,

which shall both (if applicable) be in form and content acceptable to the Director, prepared by an architect or engineer acceptable to the Director at Borrower's or Owner's expense, in compliance with and prepared in accordance with standards set forth in **APPENDIX 10** and those other standards which may be required by the Director. The Director may rely on the Cost Reasonableness Analysis and the Property Condition Assessment (if applicable) provided to any other lender on the Project if the City is a named recipient of such reports.

3.19. Tenant Selection Policy. With respect to the Designated Units and PSH Units, Borrower shall have caused Owner to adopt, and Owner shall have adopted, written tenant selection policies and criteria reasonably acceptable to the Director ("Tenant Selection Policy"). Owner's written tenant selection policy must be submitted and approved by the Director prior to Closing.

3.20. Affirmative Marketing Plan. The City will use affirmative marketing efforts, which will include development of an "Affirmative Marketing and Outreach Plan" based on HUD regulations to ensure the Project is affirmatively marketed to the public at large. The Affirmative Marketing and Outreach Plan shall ensure that outreach and communication efforts reach eligible LMI Persons from all racial, ethnic, national origin, religious, familial status, disability, and gender groups.

3.21. UCC Search. Owner shall provide the City with a UCC search dated no sooner than thirty (30) days prior to Closing indicating that the Project is free and clear from any security interests and other liens (or will be at Closing).

3.22. Purchase Agreement. Owner shall provide City with a copy of the Purchase Agreement for the Project.

3.23. **Entity Documentation.** Borrower and Owner shall provide City with copies of (i) Owner's executed limited liability company agreement, together with all notes, guarantees and other instruments and agreements issued pursuant thereto; (ii) all corporate and company documents for Borrower, Owner's managing member or manager, as applicable, the Master Landlord, and any Guarantor; and (iii) evidence of Borrower's, Owner's, Owner's managing member or manager, as applicable, Master Landlord's and each Guarantor's due formation, organization, good standing, existence and authorization to enter into this Agreement and the related Loan Documents (collectively, the "Entity Documentation").

3.24. **Utility Letters.** Borrower shall or shall cause Owner to provide the City with utility letters ("Utility Letters") from the appropriate utility providers evidencing that the Project has access to public water, sanitary and storm sewer, electricity, gas and other required utilities in quantities sufficient for the successful operation of the Project and which utilities shall enter the Project through adjoining streets or in accordance with recorded easements across private lands.

3.25. **Contracts.** Borrower shall or shall cause Owner to provide the City with all operating agreements, franchise agreements, or other contractual arrangements affecting the operation of the Project which the City, at its discretion, may require be collaterally assigned to the City (which may be collaterally assigned to Harris County under the Harris County Loan Documents) together with an acknowledgement of the assignment by the counterparties thereto.

3.26. **Reserved.**

3.27 **Master Lease.** Borrower shall cause Owner and Owner as Master Tenant shall enter into the Master Lease Agreement covering the Project with Master Landlord.

3.27.1 **Master Lease Content.** The Master Lease Agreement shall be in form and substance acceptable to the City, in its sole discretion, and may not be amended without the Owner

obtaining the City's prior written consent, such consent not to be unreasonably withheld. The Master Lease shall contain such provisions as may be necessary to satisfy the Master Lease requirements set forth in Appendix 16. Except as otherwise herein provided, neither the Master Lease nor any interest in Master Landlord or Master Tenant may be transferred or assigned without obtaining the City's consent which shall not be unreasonably withheld. The foregoing notwithstanding, after the Tax Credit Compliance Period, no consent from the City shall be required for (a) the transfer of membership interest in Master Tenant (or within the managing member of Master Tenant) to the Option Entity pursuant to the Purchase Option and Right of First Refusal described in Section 10.1.12 of this Agreement, provided that Option Entity assumes all liability associated with such interest hereunder and under the other Loan Documents and under the managing member's Operating Agreement and the transfer is structured to avoid a merger of title, the termination of the Master Lease or the impairment or enforceability of the City's Loan and collateral ; or for (b) the acquisition by Guarantor of the interests of Master Landlord and Master Tenant in the Master Lease pursuant to the Purchase Option and Right of First Refusal described in Section 10.1.12 of this Agreement and the Master Lease, provided that Guarantor assumes all liability associated with such interests hereunder and under the other Loan Documents and under the managing member's Operating Agreement and the transfer is structured to avoid a merger of title, the termination of the Master Lease or the impairment or enforceability of the City's Loan and collateral. No further assignment of any membership interest shall be permissible without the Director's prior written consent, which shall not be unreasonably withheld, unless otherwise specifically allowed hereunder. All documents for any such transfer must be reasonably acceptable to the Director.

3.27.2 Reserved.

3.27.3 Performance of Borrower and Owner. On the commencement date of the Master Lease or such earlier time as Owner as Master Tenant takes possession of the Project, Borrower shall cause Owner and Owner as Master Tenant shall comply with all Affordability Requirements, PSH Requirements and operational covenants contained in this Agreement relating to the Project including, without limitation, Section Three, Paragraphs 3.19, 3.20, and 3.25 and Section Six, Paragraphs 6.6-6.28 and 6.30 and such requirements shall be set forth, or incorporated by reference, in the Master Lease. The requirement for compliance with all Applicable Laws under Section Six, Paragraph 6.23 shall include, without limitation, those laws set forth under Appendix 1 of this Agreement. Any consent or approval required of the Master Landlord under the Master Lease relating to any matter covered by this Loan Agreement including, without limitation, the requirements of Appendix 16 shall be contingent on Owner as Master Tenant obtaining the Director's consent or approval as well.

3.27.4 Reserved.

3.28 Owner's Operating Agreement. The Owner's Operating Agreement must be in form and substance acceptable to the City in its sole discretion. Except as otherwise provided in this Agreement, no distributions shall be made to any partner or member of Owner (other than fees payable or other amounts to the Tax Credit Investor which are include in the Approved Final Operating Budget) prior to payment of sums then owing to the City or which may be in violation of the distribution covenants of the Master Lease as required by Appendix 16. Operating expenses, debt service and other expenses allowed by the Approved Final Operating Budget may be paid at the Owner level, provided that they do not result in a violation of the Distributions Covenant or any other provisions of this Agreement.

SECTION FOUR
CLOSING

In addition to all of the conditions listed in Section Three being satisfied as conditions precedent to closing of the City Loan, the City shall not be obligated to close the City Loan unless the following requirements are satisfied or waived in writing by the City:

4.1. Delivery and Execution of Documents. Borrower, Owner and Guarantor as the case may be, must, concurrently with closing of the City's Loan, execute, or cause to be executed as applicable, and deliver to the City, together with any other documents, certificates, affidavits, policies and other deliverables required hereunder or under any of the Appendices hereto or otherwise reasonably required by the City including, but not limited to, the following:

1. the Borrower's Note;
2. Collateral Note, endorsed to the City;
3. the Leasehold Deed of Trust, Security Agreement and Financing Statement and the Fee Deed of Trust, Security Agreement and Financing Statement;
4. the Financing Statements;
5. the City's Restrictive Covenants;
6. Collateral Assignment (Owner Loan);
7. the Assignment of Construction Contract and Prime Subcontract;
8. the Assignment of Architect's Contract, Plans and Specifications, and Consent;
9. **Reserved;**
10. the Assignment of Property Management Agreement
11. this Agreement;
12. Owner Loan Agreement;
13. the Environmental Indemnity Agreement;
14. Reserved;

15. the Intercreditor Agreement;
16. the Construction Completion Guaranty executed by Guarantor;
17. the Certification regarding Lobbying;
18. the Affidavit of Use of Funds on the form required by the Director stating that the Loan Proceeds will be used by Borrower and Owner only for the purposes set forth in the Loan Agreement;
19. the Affidavit of No Commissions on the form required by the Director stating that as of Closing no commissions, fees or other payments of any kind have been made to Borrower, any managing member or investor member of Borrower, or employee of Borrower, or any company or individual related to or affiliated with Borrower except as described in the Affidavit of No Commissions or as may be shown in the Approved Final Project Budget;
20. the Certification Regarding Debarment, Suspension and Other Responsibility Matters;
21. a copy of the fully executed Approved Construction Contract;
22. a copy of the fully executed Architect's Contract;
23. a copy of the fully executed Property Management Agreement;
24. a copy of the fully executed documents evidencing, guaranteeing, securing or otherwise pertaining to any of the Other Financings;
25. a copy of the fully executed Owner Loan Documents;
26. **Reserved;**
27. a copy of the Approved Plans, Specifications and Drawings for the Project;
28. a copy of the Approved Construction Schedule;
29. a copy of the Approved Final Operating Budget including a rent roll or proforma projection;
30. a copy of the Approved Final Project Budget (including the Approved Final Construction Budget)
31. an Appraisal of the Project meeting the Appraisal Requirements;
32. a Survey of the Land meeting the Survey Requirements;

33. certificates or policies of the Borrower's and Owner's insurance required by this Agreement or by the Deed of Trust, including flood insurance when required pursuant to all applicable federal, state, and local laws, rules, regulations and ordinances including, without limitation the National Flood Insurance Act of 1968, as amended, the Flood Disaster Protection Act of 1973, as amended, and the National Flood Insurance Reform Act of 1994, as amended, Chapter 19 (Floodplain) of the City of Houston, Texas, Code of Ordinances or as otherwise required by HUD, City ordinance or the Director;
34. the (i) Payment, (ii) Performance, and (iii) Maintenance Bonds;
35. the City's Loan Title Policy, a Proforma Loan Title Policy, or a Commitment to issue the same, dated as of the Closing Date, in conformity with the requirements of this Agreement and the Insured Closing Letter together with UCC Search;
36. the City's Owner's Title Policy, a Proforma Owner's Title Policy, or a Commitment to issue the same, dated as of the Closing Date, in conformity with the requirements of this Agreement and the Insured Closing Letter (unless waived in accordance with the terms of Section Three, Paragraph 3.14.1);
37. evidence that all premiums in respect of such Title Insurance Policies have been paid;
38. Proof of compliance with Multifamily Relocation requirements, if applicable;
39. Cost Reasonableness Analysis;
40. Property Condition Assessment (if applicable);
41. Resolutions of Borrower authorizing the City Loan or other evidence satisfactory to the Director that Borrower has authority to enter into the transactions contemplated by this Agreement in a form acceptable to the City Attorney ("Borrower's Resolutions");
42. Resolutions of Owner authorizing the Owner Loan or other evidence satisfactory to the Director that Owner has authority to enter into the transactions contemplated by this Agreement in a form acceptable to the City Attorney ("Owner's Resolutions");
43. Resolutions of Guarantor authorizing the Guaranty or other evidence satisfactory to the Director that Guarantor has authority to enter into the Guaranty in a form acceptable to the City Attorney ("Guarantor's Resolutions");

44. legal opinion(s) of counsel for Borrower, Owner and Guarantors addressing, without limitation the authority of the parties signing this agreement and the closing documents on behalf of the Borrower, Owner and the Guarantors and as to the enforceability of such documents in a form acceptable to the City Attorney ("Borrower's Counsel's Opinion");
45. the Owner's Affirmative Fair Housing Marketing Plan;
46. the Tenant Selection Policy;
47. the Entity Documentation and Owner's Operating Agreement;
48. Utility Letters/Permits;
49. all other financing and recordable documents required by other lenders and the City's Housing and Community Development Department, as applicable;
50. Master Lease executed by Master Landlord and Owner as Master Tenant;
51. PSH Management Plan;
52. Building Permits (or permit ready letters);
53. Letter Agreement AUGF/AFFH;
54. Service Reserve; and
55. such other information and documentation which may be required by the Director to evidence Borrower's satisfaction of the conditions required by the City to close the City Loan.

Items 1-20, 24-25, 32, 34-36, 41-44 and 47, 49, 50 and 53-55 listed above must be in form and substance acceptable to the Director and the City Attorney, in their sole discretion. Items 21-23, 26-31, 33, 37-40 and 45-46, 48 and 51-52 must be in form and substance acceptable to the Director, in his or her sole discretion. In addition, as a condition of Closing, the City must have obtained Environmental Clearance and "release of funds" authorization from HUD or GLO as applicable as further described in Section Five, Paragraph 5.4. The City has the right to also require the collateral assignment of any contracts (and which may be collaterally assigned to Harris County

under the Harris County Loan Documents) with respect to the operation of the Project and the acknowledgement of such assignment by the counterparties thereto.

4.2. *Waiver of Conditions; Additional Conditions.* The Director may, by written instrument, waive any of the conditions or requirements set forth in this Agreement as a condition precedent to or a requirement of closing of the City's Loan, provided that waiver of any condition or requirement shall not operate as a waiver of the City's right to enforce any other condition or requirement set forth in this Agreement. In addition, the written consent of the City Attorney shall be required for the waiver of any legal requirement of the Loan Documents. Furthermore, with reasonable prior notice to Borrower and Owner, the Director may impose such additional conditions to, or requirements of, Closing of the City Loan as are necessary under the circumstances or are otherwise customary in connection with the CDBG-DR17 Program or other Federal guidelines or regulations.

4.3. *Escrow at Title Company.* All or any part of the sums to be funded by the City pursuant to this Agreement may be disbursed for purposes of the closing draw to a title company or mortgage servicer approved by the Director, to be held in escrow for subsequent disbursement to Borrower and other authorized payees or for return to the City pursuant to the terms and conditions of this Agreement. Upon receipt of a payment or disbursement request from the City's Housing and Community Development Department, the Controller of the City is authorized to issue a check or warrant made payable to the order of the designated title company or mortgage servicer pursuant to this paragraph and to fund the obligations of the City under this Agreement. Notwithstanding the foregoing, but subject to the consent of the Director, the parties to this Agreement may agree among themselves to close the City Loan in an alternative manner.

4.4. **Closing of City's Loan At Title Company.** The closing of the City's Loan shall occur at a title company approved by the Director ("Title Company"). In no event will the City's Loan be closed by a "fee attorney" or escrow officer who is not a full-time employee of the Title Company or Title Insurer who will "close the transaction". The Director reserves the right to require a representative of the Borrower with authority to execute the Loan Documents will personally attend Closing at the office of the Title Company in Houston, Texas.

4.5. **Closing Deadline.** Notwithstanding anything contained in this Agreement to the contrary, Borrower shall cause all conditions precedent to Closing to be satisfied on or before thirty (30) days from the Effective Date hereof (the "Outside Closing Date"). Unless Closing occurs on or before the Outside Closing Date (unless the Director, in his sole and absolute discretion, consents to an extension of the Outside Closing Date), the Director may, without providing prior notice, terminate this Agreement by written notice to Borrower and Owner, in which event the City's obligations hereunder shall automatically cease and be of no further effect or alternatively, reallocate the funds allocated to the Project or portion thereof to another Project in which case, the City shall have no further obligation to advance the reallocated funds hereunder.

4.6 **City Expenses.** Borrower shall pay or cause Owner to pay all third party expenses incurred by the City whether or whether not the City Loan closes including, without limitation, any expenses incurred by the City for outside counsel (up to a maximum of \$49,000.00).

SECTION FIVE **CITY AND FEDERAL FUNDING LIMITATIONS**

5.1 **Dependency Upon Funding.** Borrower and Owner understand that the availability of the Loan Proceeds is dependent upon federal and state funding. Unless and until the City receives adequate funds from GLO, the City shall have no obligation to Borrower or Owner under this Agreement. In the event that the funds received by the City under the CDBG-DR17 Program

are insufficient to meet the City's prior commitments, the Director may reallocate all or a portion of the funds that are budgeted for this Agreement. Additionally, the City, Borrower and Owner understand that the availability of funding for Supportive Services (as defined below) necessary for the PSH Units is dependent upon federal, state and CoC (as defined below) funding to the extent that the Service Reserve (as defined below) doesn't cover the funding requirements. If the full funding is not available for the Supportive Services, the Owner may reduce the level of Supportive Services with the consent of the Director, which shall not be unreasonably withheld.

5.2 No Liability for Interruption of Funding. In the event that GLO or other applicable governmental agency (for whatever reason) instructs the City to cease funding of the City Loan, the City may do so without obligation to Borrower or Owner and without being liable to Borrower or Owner for any damages Borrower or Owner may incur as a result of such cessation in funding. The City shall give Borrower and Owner written notice of such instructions promptly upon receiving such instruction, at which time, any and all of the City's obligations under this Agreement or any of the Loan Documents shall cease. In furtherance of the foregoing, in the event that the City provides Borrower and Owner with notice of interruption as contemplated in this Section Five, Borrower and Owner shall execute any releases or other documents or agreements that the City determines necessary to enable the City to reallocate all or a portion of funds that are available pursuant to this Agreement that have not been funded to Borrower.

5.3 Original Allocation. In order to comply with Article II, Sections 19 and 19a of the City's Charter and Article XI, Section 5 of the Texas Constitution, the City has (in addition to prior appropriations and allocations) appropriated and allocated the Loan Amount to be used, in part or in whole, to discharge its duties, if any, to provide money under this Agreement.

5.4 **Environmental Clearance and Release of Funds.** Notwithstanding any provision of this Agreement, the parties hereto agree and acknowledge that this Agreement does not constitute the City's commitment of funds or site approval, and that such commitment of funds and site approval may occur only upon satisfactory completion of the Environmental Review and receipt by the City of a written "release of funds" authorization from HUD (Authority to Use Grant Funds, form HUD-7015.16 or successor form) in accordance with 24 C.F.R. Part 58 and Executive Order 11988 ("Authority to Use Grant Funds" or "AUGF") from the GLO and any Environmental Mitigation required in such Authority to Use Grant Funds therein. The parties further agree that if the City is to provide any funds to the Borrower or the Owner in connection with the Project, such disbursement is conditioned on the City's determination to proceed with, modify, or cancel the City's Loan based on the results of a subsequent Environmental Review of the Land and the improvements thereon.

5.5 **City Council Approval Required.** This Agreement is subject to the approval of the City Council.

SECTION SIX
COVENANTS OF BORROWER AND OWNER

Borrower and Owner agree as follows:

6.1 **Use of Proceeds; Order of Funding and Disbursement; Reimbursement of Funds.**

6.1.1 **Use of Proceeds.** Borrower shall cause Owner to, and Owner shall use the proceeds of the Owner Loan and the Other Financing only for items included in the Approved Final Project Budget. Further, proceeds of the City Loan (as distributed pursuant to the Owner Loan) shall only be used for hard construction or other allowable costs, acquisition costs, relocation expenses and work performed that is eligible for payment under the regulations

applicable to the City Loan. No portion of the City Loan or the Owner Loan will be used to pay for damages to the extent covered and paid for by any FEMA reimbursement, SBA assistance, or any insurance policy including delayed or future payments anticipated under any insurance policy. Borrower covenants that the City Loan does not constitute a duplication of benefits to Owner within the meaning of Section 312 of the Stafford Act and the requirements of 76 Fed. Reg. 71060 as updated by 84 Fed. Reg. 28836 and 84 Fed. Reg. 28848. No portion of the City Loan may be utilized to pay the costs associated with the 4,200 square foot office space located on the first floor of the Project, and costs related to office space are ineligible for reimbursement and may not be included in a funding request. Borrower and Owner must establish a separate source of funding for the office space.

6.1.2 Order of Funding and Disbursement. The proceeds of the City Loan, and Other Financings (if any), shall be disbursed as set forth in the Intercreditor Agreement among City, Harris County, Subordinate Lender, Owner and Borrower, in the form attached hereto in the Attachments. During the Affordability Period, neither the Borrower nor the Owner nor the Master Landlord shall obtain additional financing for the Project (other than the Other Financing referred to herein) unless such additional financing is approved by the Director in writing. Such approval is not to be unreasonably withheld.

6.1.3 Reimbursement to City. Borrower agrees that it and Owner will reimburse the City in a sum equivalent to the amount of disallowed expenditures in the event that GLO or other applicable state or federal agency, through audit exception or other action, determines that Borrower's or Owner's expenditure of funds loaned to it (or for the benefit of Owner) under this Agreement for the Project was not made in compliance with this Agreement (including without limitation, for the purposes set forth in Section Six, Paragraph 6.1.1 hereof) or Applicable Law.

Notwithstanding anything to the contrary, this provision shall survive the end of the term of this Agreement.

6.2 Construction Matters.

6.2.1 Commencement and Completion of Work; Change Orders. No Work shall commence on the Project prior to the Closing of the City's Loan. Borrower shall cause Owner to, and Owner shall begin the Work within thirty (30) days after the Closing of the City's Loan, but the City shall have no obligation to fund any portion of the Loan Proceeds until the issuance of all City authorizations and required permits, including without limitation the Notice to Proceed to be issued by the City. Borrower shall cause Owner to, and Owner shall complete the Work in accordance with the Approved Construction Schedule but in no case later than the earlier of (i) eighteen (18) months after the Closing of the City's Loan subject to extensions for Force Majeure (not to exceed sixty (60) days) or (ii) the expiration date of the GLO Contract, time being of the essence (the "Approved Construction Period"). Any changes to the Approved Construction Schedule, Approved Construction Contract, Approved Construction Period, or the Approved Plans, Specifications, and Drawings must be submitted and approved in writing by the Director, such approval is not to be unreasonably withheld. Subject to waiver by the Director, neither Borrower nor Owner shall be entitled to receive any disbursements of the City Loan after the expiration of the Approved Construction Period.

6.2.2 Good and Workmanlike Manner; Engagement of Experts. Borrower shall cause Owner to, and Owner shall perform or cause to be performed, the Work in a good and workmanlike manner and substantially in accordance with the Approved Plans, Specifications and Drawings, the Approved Construction Schedule (subject to delays caused by Force Majeure not to exceed sixty (60) days), the Approved Final Construction Budget and the Approved Construction

Contract. Borrower shall cause Owner to, and Owner shall engage competent persons and firms for the purpose of constructing, leasing and managing the Project.

6.2.3 Compliance with Approved Construction Contract. Borrower shall cause Owner to, and Owner shall fully and timely perform Owner's obligations under the Approved Construction Contract.

6.2.4 Written Agreements With Subcontractors. Borrower shall cause Owner to, and Owner shall cause Contractor to enter into written agreements with each Subcontractor who does work on or delivers materials to the Project. These subcontracts shall be subject to review and approval by the Director; to the extent that the Director requires, subcontractors shall be required to execute assignment and subordination of liens in favor of the City.

6.2.5 Construction Contract Requirements. The Approved Construction Contract and any other written agreements with contractors, subcontractors, or suppliers (collectively, for "Construction Contracts") shall contain the requirements set forth in the Appendices attached hereto under the title "Construction Contract Requirements" (collectively, the "Construction Contract Requirements") and Owner (if the Owner acts as the "contractor" of the Work) shall comply with the Construction and Supply Contract Requirements. Each Construction and Supply Contract must comply with the federal labor standards provisions of the Davis-Bacon Act, as amended (40 U.S.C. §§ 276a, et seq.); compliance with the Davis-Bacon Act may be verified through on-site inspections by representatives of the City or at the City's option, the Approved Inspectors. In addition, each Construction Contract must require compliance with labor standards under CDBG Regulations at 24 C.F.R. § 570.603 and Department of Labor regulations at 29 C.F.R. Parts 1, 3, 5, 6 and 7.

6.2.6 Owner's Insurance Requirements. Borrower shall cause Owner to, and Owner shall and shall cause its contractors to maintain insurance with waiver of subrogation against the City, its predecessors, successors, assigns, legal representatives, and its former, present and future agents, employees and officers (the foregoing are collectively referred to herein as "City") and, except with respect to workmen's compensation, shall name the City as an additional insured party. The amounts, types, and other specifications of such insurance are described in the "Insurance Requirements" pages of the Appendices (although the Appendices contain the Insurance Requirements as of the Effective Date of this Agreement, the version of Insurance Requirements in effect for the City's General Conditions of Construction Contract at the date of Closing of the City's Loan shall supersede the requirements set forth in the Appendices during the Approved Construction Period). Borrower shall cause Owner to, and Owner shall also comply with all insurance requirements of any Other Financings. In the event of a conflict between the insurance requirements of the Other Financings and this Agreement, the stricter of the two requirements for each type of insurance shall control. Notwithstanding the foregoing, during any period of time when construction is ongoing, Borrower shall cause Owner to, and Owner shall cause builder's risk insurance to be maintained by Contractor for those buildings at the Project undergoing construction in coverage amounts not less than the total respective amount of City provided funds and the Other Financings that will be allocated to Work on those buildings.

6.2.7 Debarment, etc. No contractor or subcontractor shall be employed who is debarred or suspended by the City's Housing and Community Development Department, GLO, HUD, or any other federal, state or local governmental agency or program. The Debarment form included in the Appendices (or the Debarment form in effect at the time the form is required to be

submitted to the Director) shall be furnished to the Director on or before the execution of this Agreement

6.3 Reserved.

6.4 Reserved.

6.5 Reserved.

6.6 Inspections; Corrective Action.

6.6.1 During construction, the Work shall be subject to inspection by the City, GLO or at the City's option, any Approved Inspectors. Until Project Completion, in connection with every requested draw on the City Loan, Borrower shall cause Owner to, and Owner shall provide the Director with an inspection report in form and substance acceptable to Director from the Approved Inspectors meeting the requirements of Section Three, Paragraph 3.9.2.

6.6.2 Borrower agrees to promptly cause Owner and Owner shall promptly make any corrections or modifications to the Work as requested by the Director to cause the Work to comply with the terms of this Agreement, the inspection reports from the Approved Inspectors, the Approved Plans, Specifications and Drawings, the Approved Construction Schedule, and any applicable GLO requirements.

6.6.3 After the Certificate of Completion is issued and throughout the entirety of the Affordability Period, the City and/or GLO shall have the right to inspect or have the Project inspected by Approved Inspectors to ensure compliance with Applicable Law, this Agreement, the Restrictive Covenants and the other Loan Documents.

6.6.4 With respect to all of the City's and GLO's inspection rights (1) the City, GLO, Approved Inspectors and the City's authorized agents and independent contractors, and others acting on its behalf, shall have access to the Project at reasonable times for purpose of

monthly inspections; (2) each new or renewal lease of a unit within the Project shall include a clause that permits the City's Approved Inspectors and GLO access to inspect units at reasonable times (except in an emergency, when the inspection may be at any time); (3) neither the City nor GLO shall incur any liability to Borrower, Owner or any tenants as a result of such inspections; (4) the City does not guarantee the Work of the Contractor or any Subcontractor and the City shall not be liable in the event of the Contractor's or any Subcontractors' default, or for any damages caused by the Contractor, any Subcontractors, or their employees or agents.

6.6.5 Unless otherwise agreed or limited by the Director, Borrower shall cause Owner to, and Owner shall provide the Director with copies of any and all reports (of any nature) provided to or prepared by (or for) Harris County.

6.7 Reserved.

6.8 Designated Units; Compliance With Affordability Requirements.

6.8.1 The Director has determined that the number of Designated Units for the Project covered by this Agreement shall consist of Seventy-six (76) units, being at least fifty-one percent (51.0%) of the 149 total residential units in the Project, the location of which may float during the Affordability Period.

6.8.2 Reserved.

6.8.3 With respect to the Designated Units, Borrower shall cause Owner to, and Owner shall comply with the following rent and income requirements determined in accordance with the Restrictive Covenants (collectively, the "Affordability Requirements"):

- (a) Each of the Designated Units shall be rented or be available for rent only to those households whose gross income does not exceed eighty percent (80%) of the Area Median Income ("AMI"), as determined by HUD.
- (b) Designated Units shall be rent restricted based upon the following criteria:

- (1) Eight (8) of the Designated Units shall be restricted to households with gross incomes that do not exceed thirty percent (30%) of AMI.
 - (2) Sixteen (16) of the Designated Units shall be restricted to households with gross incomes that do not exceed fifty percent (50%) of AMI.
 - (3) Thirty-one (31) of the Designated Units shall be restricted to households with gross incomes that do not exceed sixty percent (60%) of AMI.
 - (4) Twenty-one (21) of the Designated Units shall be restricted to households with gross incomes that do not exceed eighty percent (80%) of AMI.
- (c) The rental amount for each Designated Unit shall not exceed the applicable maximum rental limitations published annually by HUD for the low-income housing tax credit program, adjusted for unit size and applicable to the City, as such rental limitation is further described at 26 U.S.C. §§ 42(g)(2)(A) and (B).

6.8.4 The location of the Designated Units and the PSH Units shall “float” within the Project. No later than ninety (90) days prior to the initiation of rental activities at the Project, Borrower shall cause Owner to, and Owner shall contact the Director to establish a procedure for identifying the initial Designated Units and PSH Units to be occupied by qualified tenants and a procedure for identifying the floating Designated Units and PSH Units on a periodic basis thereafter. Floating Designated Units shall conform with the requirements of this Section and the Restrictive Covenants.

6.8.5 If the income of the tenant family occupying a Designated Unit increases above the threshold eligible AMI level as provided for in this Agreement and in the Restrictive Covenants, then the next available non-Designated Unit at the Project must be set aside for an eligible family, and that new unit then becomes a Designated Unit.

6.8.6 The seventy-six Designated Units are the same seventy-six (76) units designated as “CDBG-DR assisted units” in the Harris County Loan Documents, and shall be

subject to all requirements thereunder and herein, and in the event of conflict, the most restrictive requirements shall control.

6.9 Annual Reevaluation of Rents. For purposes of monitoring compliance with the Affordability Requirements, Borrower shall cause Owner to, and Owner shall, prior to the occupancy of any tenant in a Designated Unit or PSH Unit and thereafter annually, submit to the Director for his approval, the rents proposed to be charged by Owner for the coming year for Designated Units and PSH Units and the monthly allowances proposed by Owner for the coming year for utilities and services to be paid by the tenant. In connection with Owner's annual submission of proposed rents, Borrower shall cause Owner to, and Owner shall reexamine the income of each tenant family living in a Designated Unit or PSH Unit. Borrower shall cause Owner to, and Owner shall calculate the maximum monthly rent in accordance with the Affordability Requirements, and such maximum monthly rent shall be reviewed and approved by the Director prior to the date that such rent becomes effective ("Approved Rents"). Any increase in the Approved Rents for Designated Units or PSH Units is subject to the provisions of the leases, in any event, and Borrower shall cause Owner to, and Owner shall provide tenants not less than thirty (30) days prior written notice before implementing any increase in Approved Rents.

6.10 Compliance With Property Standards. Borrower shall cause Owner to, and Owner shall, throughout the Affordability Period, maintain the Project in good condition and repair, ordinary wear and tear excepted, in accordance with the Minimum Property Standards. City shall have the right to inspect the Project from time to time to ensure compliance with such requirements and may require Owner to make any necessary repairs to comply with such requirements in a reasonable period of time; provided, however, any repairs to correct a dangerous condition or

imminent hazard shall be commenced immediately upon notice of such dangerous condition or imminent hazard and prosecuted diligently to completion.

6.11 Tenant Lease Requirements. Prior to the date that any new or renewal leases for Designated Units and PSH Units are entered into, the Director shall approve a form lease that shall be used for occupancy of the Designated Units and PSH Units. No modifications to such form lease shall be made without the Director's prior written approval. Borrower shall cause Owner to, and Owner shall enter into leases on such approved form with each tenant of a Designated Unit and/or PSH Unit. The term of each lease of a Designated Unit and PSH Unit shall not be less than one year unless Owner and the tenant mutually agree otherwise. No lease of any Designated Unit may contain a provision prohibited under 24 CFR 92.253(b).

6.12 PSH Requirements. Certain of the Units will be PSH units ("PSH Units"), meaning that such units shall be made available to Homeless or Chronically Homeless adults together with a rental subsidy and the provision of Supportive Services (as defined below). A PSH Unit may also be a Designated Unit. Borrower and Owner shall comply with, the PSH requirements of this Agreement. Rental subsidies for the PSH Units are to be provided by the Service Reserve (as defined below) and a long-term Section 8 Project Based Housing Assistance Contract entered into by Owner and the Houston Housing Authority ("HHA"). The Borrower and Owner shall provide PSH Units for Homeless adults and for those experiencing Chronic Homelessness who have been identified by the local Continuum of Care ("CoC") or by the Coalition for the Homeless ("Coalition") on behalf of the CoC. The CoC is a collaborative that includes social service agencies, local governments (including without limitation, the City and the County), public housing authorities, and nonprofit groups providing services to those experiencing Homelessness in the City and the County. HUD has required all communities in the country competing for the

annual CoC funding, to form such collaboratives as a threshold requirement for eligibility. The Coalition is a local non-profit corporation focused on coordinating the efforts of local governmental entities and nonprofits on the needs of the Homeless in the Houston area. The Houston-area CoC is administered by the Coalition.

The Coalition uses the Homeless Management Information System ("HMIS"), which is a software tool designed to capture client-level and system-wide information over time on the characteristics and service needs of individuals and households experiencing Homelessness. The Borrower and Owner shall provide a minimum of 30 PSH Units the residents of which may be identified by the CoC or the Coalition utilizing the HMIS system or other means during the Tax Credit Compliance Period and shall continue thereafter under the circumstances described below. As a condition for funding and Closing, the Borrower will make available for rental a minimum of 30 - Efficiency units ("CoC PSH Units") referred by the CoC or a separate agency determined by the CoC during the Tax Credit Compliance Period and shall continue thereafter under the circumstances described below. Commencing with lease-up of the Project and thereafter as PSH Units become available for rental, the CoC will be permitted to have access to these units for a minimum of a 60 day period that will include application review. The sum of \$6,443.00, adjusted annually for inflation, is the amount needed to provide the additional services necessary to support each PSH Unit ("Supportive Services"). Notwithstanding anything to the contrary set forth in this Agreement , or any of the other Loan Documents, in the event the CoC System is unable to identify and refer an eligible and available tenant to occupy any of the CoC PSH Units within the above-referenced 60-day period, the applicable unit may be leased to another tenant experiencing Chronic Homelessness which is eligible for Supportive Services from outside the CoC System. The 30 PSH Units must be maintained as PSH Units at all times during the Tax Credit Compliance Period

and after the Tax Credit Compliance Period, such PSH Units must be maintained as PSH Units at all times during the remainder of the Affordability Period subject to the availability of Substitute Supportive Services Funding (defined below), funds from the Service Reserve and any renewal of the voucher program described below.

The Project has received a commitment from HHA for Project Based Section 8 vouchers with a fifteen (15) year term. Notwithstanding anything contained elsewhere in this Agreement, the requirement to provide PSH Units shall only extend through the Tax Credit Compliance Period unless (i) the term of the housing vouchers is extended or (ii) Substitute Supportive Services Funding is available and /or funds remain in the Service Reserve to pay such costs. If at the end of the Tax Credit Compliance Period, the housing vouchers are not extended beyond their fifteen year term, the Service Reserve is depleted and other substitute funding is not identified (“Substitute Supportive Services Funding”), the Project will no longer be required to maintain PSH Units, but nothing contained herein is intended to reduce the number of Designated Units that are required to be provided hereunder.

6.12.1 Prior to Closing, the Borrower shall or will cause Owner to provide a management plan (“PSH Management Plan”) that outlines housing and services to be based on a Housing First model. Housing First is a Chronic Homeless assistance approach that prioritizes providing Permanent Supportive Housing to people experiencing Chronic Homelessness in order to address all of their basic needs or problems, including but not limited to behavioral health or substance use issues. Housing First is based on the premise that client choice is valuable in housing selection and supportive service participation, and that exercising that choice is likely to make a client more successful in remaining housed and improving their life. The City will review the

management plan with The Way Home to ensure a Housing First approach will be achieved. Additional information can be found at: <https://endhomelessness.org/resource/housing-first/>.

Upon approval the PSH Management Plan must be implemented and utilized at the Project during the Affordability Period.

6.12.2 Borrower shall cause Owner to fund base Supportive Services in the amount of \$193,290.00 from the Project's cash flow for the first year of occupancy following Project Completion, and for each subsequent year in the same amount increased by no less than 2% for each year over the prior year the "Annual PSH Fund". Tenant Supportive Services shall be funded in part from the Project's cash flow and an approximately \$1,773,207.00 service reserve (collectively with the Annual PSH Fund, the "Service Reserve") which \$193,290.00 (i.e. \$6,443.00 x 30 Units) shall be established at Project Completion and stabilized occupancy. Owner shall draw said funds to pay for the additional Supportive Services needed to support at least thirty (30) CoC PSH Units. Additionally, Owner agrees to make good faith efforts to secure additional funds for Supportive Services from third-party sources to be used to pay the expenses required to provide additional CoC PSH Units. Owner agrees to provide one (1) additional CoC PSH Unit (up to 80% of the 149 total Units) for each annual increment of \$6,443.00 (adjusted annually for inflation) that Owner receives from a third party that is designated to pay the costs for Supportive Services associated with housing tenants who are referred through the CoC System.

Such obligation for each additional CoC PSH Unit shall be reevaluated annually. The Service Reserve may not be utilized for any other purpose and under no conditions may it be distributed to Borrower, Owner, Master Landlord or any partner, member or affiliate thereof. If for any reason the full Annual PSH Fund is not available due to a lack of cash flow, it shall be funded each year to the extent of available cash flow.

Anything in this Agreement to the contrary notwithstanding, all obligations to fund Supportive Services hereunder for the PSH Units shall terminate at the end of the fifteen-year Tax Credit Compliance Period unless Owner is able to obtain Substitute Supportive Services Funding, the housing voucher program is extended or funds remain in the Service Reserve.

6.13 Tenant Selection Policy; Marketing. Borrower shall cause Owner to, and Owner shall comply at all times with the approved Tenant Selection Policy and shall not amend the Tenant Selection Policy without the prior written approval of the Director.

6.13.1 Borrower shall cause Owner to and Owner shall comply with the Affirmative Fair Marketing Plan compliance regulations (24 CFR 108.15)

6.13.2 Borrower shall cause Owner not to, and Owner shall not refuse to lease a Designated Unit or a PSH Unit to a prospective tenant because of the status of the prospective tenant as a holder of a certificate of family participation, rental voucher, or comparable tenant-based assistance document under any federal or state assistance program (unless such rental is in conflict with other applicable federal or state requirements).

6.14 Use of Project. During the term of the Affordability Period, the Designated Units and PSH Units shall be used solely for the purpose of providing affordable housing as herein provided for the City's LMI Persons in accordance with the provisions of this Agreement, and for no other purpose. Owner shall list the Project on the HHA's landlords list and shall notify HHA that the Designated Units and PSH Units are available for affordable housing.

6.15 Maintenance of Records; Financial and Operating Reports; Monitoring.

6.15.1 Borrower shall cause Owner to, and Owner shall follow the recordkeeping requirements set forth in this Agreement or required by the City or Director, including to establish and maintain such records as may be necessary to facilitate review and audit by City

representatives (including, without limitation, the Director and City Controller) (collectively, the “City Representatives”), GLO or HUD of the City Loan and any documentation required in connection with the CDBG Regulations under 24 C.F.R. § 570.492 and 24 C.F.R. § 570.493. With respect to the Designated Units, the Borrower shall or shall cause Owner to submit annual reports to the City concerning tenant income eligibility, status and certification, rents owed and collected, and the Owner’s affirmative marketing efforts. The data required and reporting forms will be specified by the Director. All reports, records, information and data prepared or collected in connection with the Designated Units are confidential, and the Borrower agrees and shall cause Owner to agree not to disclose the same to any person (other than the Owner’s employees and agents, the City, and anyone else to whom disclosure is required by applicable law) without the prior written approval of the Director. The City Representatives, GLO and/or HUD or any of their authorized representatives shall have the right to audit Borrower’s and Owner’s books and records and compliance with this Agreement upon reasonable notice to Borrower or Owner, as applicable. If such books and records are located outside of Harris County, Texas, Borrower and Owner agree to make them available in Harris County, Texas.

6.15.2 Borrower and Owner shall provide to the Director: (a) quarterly balance sheets and operating statements for the Project not later than the 30th day of the month following the calendar quarter to which the statements relate; (b) monthly rent rolls for the Project not later than the 15th day of the following month which contain at a minimum the following information (or other information as the Director may from time to time require) which correctly reflects, as of the first of each month, for each Designated Unit and PSH Unit: the unit number, the number of bedrooms, the tenant name, the effective lease date, the monthly rent and the unit status (i.e., AMI); (c) financial statements (balance sheet and operating statements) of Owner and Borrower, in a

form acceptable to the Director, within 120 days (for unaudited statements) and six months (for audited statements) following the close of Owner's and Borrower's respective fiscal years; and (d) prior to the termination of the Construction Completion Guaranty, annual financial statement (balance sheet and income/operating statement) within 120 days (for unaudited statements) and six months (for audited statements if any) following the close of Guarantors' fiscal year. The annual financial statements of Owner, Borrower and Guarantor shall be audited by an independent certified public accountant upon the request of the Director. If the Director or City Controller requires, Borrower shall and shall cause Owner to, and Owner shall provide such reports at different intervals.

6.15.3 Using the Monitoring Forms or other forms from time to time established for use by the Director for monitoring purposes of the Loan Proceeds or to document Owner's compliance with the requirements of this Agreement, Borrower shall cause Owner to and Owner shall provide the Director with all monthly, quarterly or annual compliance reports as the Director requests. With respect to the Designated Units and PSH Units, the Borrower shall or shall cause Owner to submit annual reports to the City concerning tenant income eligibility, status and certification, rents owed and collected, and the affirmative marketing efforts. The data required and reporting forms will be specified by the Director. All reports, records, information and data prepared or collected in connection with the Designated Units and PSH Units are confidential, and the Borrower agrees and shall cause Owner to agree not to disclose the same to any person (other than the Owner's employees, investors, lenders, and agents, the City, and anyone else to whom disclosure is required by applicable law) without the prior written approval of the Director.

6.15.4 The City shall have ownership of all information, including reports and data, prepared or assembled by Borrower or Owner for purposes of meeting CDBG-DR17 Program

requirements and the contractual requirements of this Agreement; provided, however, Borrower and Owner may provide copies of such information to third parties.

6.15.5 Borrower shall cause Owner to and Owner shall, upon the request of the Director, make available to the City at the location of the Project (or at another location in Houston, Texas) all records, reports and other information and data maintained by Borrower or Owner relating to the Project, and shall cooperate with the City in connection with the City's review of such records and monitoring of the Project.

6.15.6 Borrower and Owner shall maintain all records and other information relating to the Project for a period of not less than five (5) years following the expiration of the Affordability Period.

6.15.7 Borrower shall pay or cause Owner to pay an annual monitoring compliance fee to the City in the amount of \$30.00 per Designated Unit.

6.16 **Notice of Claims or Suits.** Borrower shall cause Owner to and Owner shall, give the Director prompt written notice of any causes of action, suits, or other proceedings filed or any claims made against the Project, Borrower, Owner, Master Landlord or Guarantor, or, to the extent that it would have a material adverse effect on the Project, and Borrower and/or Owner have notice thereof, any other persons involved in the implementation or administration of the transactions contemplated by this Agreement.

6.17 **Minority, Women and Small Business Enterprises.** For purposes of this Paragraph 6.17, the term "Owner" shall mean and include, collectively, Owner, its Construction Project Manager(s) (if any) and its general contractor(s). In order to monitor Owner's good faith efforts to adhere to the City's MWSBE's programs, Borrower shall cause Owner to and Owner shall maintain or cause its contractors to maintain records and submit periodic reports of its good faith

efforts to the Director in the form and at the times prescribed by the City's designated OBO official and the **APPENDIX 9** requirements.

6.18 Transactions with Affiliates. Except as otherwise provided in this Agreement and/or in any of the other Loan Documents, during the Term of this Agreement or any of the Loan Documents, neither Borrower nor Owner shall enter into any transaction in connection with this Agreement with any director, officer, employee, partner, or affiliate of Borrower or Owner without the prior written approval of the Director. The Development Fee Agreement between Owner and an affiliate of Owner's member shall not require consent provided that the development fees to be paid therein are part of the Approved Final Operating Budget or Approved Final Project Budget as applicable. If the Land for the Project was acquired by Borrower or Owner from any director, officer, employee, partner, or affiliate of Borrower or Owner, the sales price for the Land may not have been any greater than most recent assessed value for ad valorem tax purposes, or the value set out in an independent appraisal report. If the leasehold interest in the Land for the Project was acquired by Borrower or Owner from any director, officer, employee, partner, or affiliate of Borrower or Owner, the sales price for the leasehold interest in the Land may not have been any greater than the most recent assessed value for ad valorem tax purposes, or the value set out in an independent appraisal report. Neither Owner, Borrower nor any other owner, developer or sponsor of the Project nor any officer, employee, agent, elected or appointed official, or consultant of such parties, nor any immediate family member of such persons may occupy a Designated Unit during the Affordability Period, provided, however, that this provision shall not apply to any employee or agent of any owner or developer of the Project (including Owner and Borrower) who occupy a housing unit as a project manager or maintenance worker. The Director may grant an exception to the occupancy limitation set forth in the preceding sentence on a case by case basis, to the extent

permitted in 24 CFR Sec. 2.356(f) or other applicable regulation. Notwithstanding the foregoing, Borrower or Owner may enter into a transaction with an affiliate in connection with this Agreement for the provision of resident services.

6.19 Taxes and Insurance. Borrower shall cause Owner to and Owner shall pay all applicable taxes for the Project before delinquency and all insurance premiums for the Project at least 15 days before the due date to prevent any lapse in coverage. Borrower shall cause Owner and Owner at its option shall either: (1) fund an escrow account with its managing member for the payment of taxes and insurance premiums; or (2) provide the Director with written evidence acceptable to the Director that taxes and insurance premiums are paid prior to the date that such taxes and insurance premiums are due. To the extent that Owner escrows funds with its managing member, Owner shall provide the City with evidence of the adequacy of such escrows. Further, to the extent that Owner fails to escrow funds with its managing member, the Director reserves the right to require Owner to escrow funds for taxes and insurance premiums with the City.

6.20 HUD Section 3 Requirements. If applicable, Borrower shall cause Owner to and Owner shall comply at all times with Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) as set forth and supplemented in the City's Housing and Community Development Department's Section 3 Plan and associated documents. Borrower shall cause Owner to report Section 3 compliance in accordance with 24 C.F.R. Part 135 and 83 Fed. Reg. 5844. Section 3 requirements are applicable to Borrower and/or Owner if the assistance provided for in this Agreement exceeds \$200,000.00, and to contractors and subcontractors for contracts or subcontracts that exceed \$100,000.00.

6.21 Public Relations and Signage. All news releases and other public relations efforts, including advertising (except for advertisements solely for the purpose of obtaining tenants for the

Project) and signage, must be approved in advance by the Director, and must properly refer to the City's Loan by the City and the City's Housing and Community Development Department.

6.22 Expertise. Upon request by the City, the City shall have the right to approve Owner's intention to retain any person or firm for the purpose of constructing, leasing and managing the Project and Borrower shall cause Owner to, and Owner shall provide evidence of the expertise and competence of such persons and firms that Owner intends to engage for the purpose of constructing, leasing and managing the Project.

6.23. Compliance with Applicable Law.

6.23.1 Borrower shall cause Owner to, and Owner shall acquire, repair/re-construct, lease, maintain and operate the Project, and conduct all activities under this Agreement in accordance with all applicable federal, state, and local laws, rules, regulations and ordinances including, without limitation, those included in the Appendices and specifically set forth in this Agreement, as they may be from time to time amended (collectively, the "Applicable Law") and shall also comply with energy efficiency standards (Energy Star, LEED, Enterprise Green ICC-700, and HUD CPD Green Building Checklist (if applicable)).

6.23.2 Borrower and Owner will conduct all activities under this Agreement and the Loan Documents in accordance with Applicable Law.

6.23.3 Borrower and Owner acknowledge and agree that they are required to comply with Applicable Law with respect to lead-based paint (42 U.S.C. Sec. 4831(b)) and asbestos containing materials within the Project.

6.23.4 Borrower shall cause Owner, and Owner shall cause the Project and the Work to comply with the requirements of the 2010 ADA Standards (as hereafter defined) under the Americans With Disabilities Act of 1990 (42 U.S.C. § 12101 et seq.) (including, without limitation, low vision accessibility), the Architectural Barriers Act (42 U.S.C. §§ 4151-4157),

Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794 et seq.) (“Section 504”), and regulations and guidelines promulgated thereunder, as all of the same may be amended and supplemented from time to time, the Texas Architectural Barriers Act, Tex. Gov’t. Code Ann. § 469.001 et seq. (1994) and the regulations and guidelines promulgated thereunder, and Chapter 10, subsection 60 of the Texas Administrative Code and the regulations and guidelines promulgated thereunder (“Chapter 10”) as all of the same may be amended and supplemented from time to time (collectively, “Accessibility Requirements”). Five percent (5%) of the total number of units at the Project (i.e. eight (8) units), disbursed throughout the Project, shall be designated accessible in accordance with Section 504 and Chapter 10 using the 2010 ADA Standards for Accessible Design, promulgated by the United States Department of Justice, found at 28 C.F.R. § 35.151 (2013) and 36 C.F.R. Part 1191, App. B and D (2013) (the “2010 ADA Standards”) as modified by HUD. In addition, two percent (2%) of the units at the Project (i.e. three (3) units) shall meet the standards to accommodate the hearing and visually impaired in accordance with Applicable Laws (as defined herein).

6.23.5 If applicable, Borrower shall cause Owner, and Owner shall comply with CDBG Regulations at 24 C.F.R. Part 570, the Uniform Relocation Assistance and Real Property Policies Act of 1970 (“URA”), as amended, at 49 C.F.R. § 24, and Section 104(d) of the Housing and Community Development Act of 1974, as amended, at 24 C.F.R. § 42. Borrower shall cause Owner, and Owner shall also comply with the tenant protection requirements set forth in the Protecting Tenants at Foreclosure Act of 2009, as amended and extended, (“PTAF”), as well as with any local codes or ordinances with respect to tenants’ rights or tenant protection. If required by Applicable Law, Borrower shall cause Owner, and Owner shall also comply with the Multifamily Relocation Requirements (“Multifamily Relocation Requirements”) in the

Appendices and shall submit to the Director copies of all documentation required by the Multifamily Relocation Requirements or relating to URA, which may include, without limitation, (i) a certification or affidavit, unless waived by the Director, affirming Owner has performed all appropriate due diligence in order to confirm compliance with the tenant protection requirements set forth herein, (ii) a Notice to Real Property Owner/Seller, (iii) Tenant Status Reports, (iv) all Notices with Tenant Acknowledgements as required by the URA and (v) other related forms described in the Multifamily Requirements. If required by Applicable Law, Borrower shall cause Owner, and Owner shall also submit to Director copies of all tenant notices and the Seller's Occupancy Certification required under PTAF with respect to the tenant protection requirements, to substantiate that such notices, if required by Applicable Law, were provided either by the foreclosing lender or by Borrower or Owner, as applicable.

6.24 Replacement Reserve and Operating Reserve. Not later than the first (1st) anniversary following Project Completion, Borrower shall cause Owner to, and Owner shall establish with its managing member, or to the extent not funded with the managing member, a financial institution acceptable to the Director in his or her sole and absolute discretion, and fund as an Operating Expense a "replacement reserve escrow account" ("Replacement Reserve Account") for the replacement of furniture, fixtures, and equipment used in connection with those units at the Project for which the Work has been completed and for repair of capitalized improvements, in an amount not less than \$300.00 per unit annually, increased by 3% annually. The reserve shall be deposited in equal monthly installments on an amortized basis. (For example if the Project had 100 Units, the monthly payment would be calculated as follows: 100 Units x \$300 ÷ 12 = \$2,500 monthly escrow payment). The City shall have the right to cause Owner to fund such Replacement Reserve Account, in an annual amount not less than \$300.00 per unit,

increased by 3% annually, in accordance with the terms of this Section 6.24. Unless a Default exists beyond all applicable notice and cure periods, Owner shall be entitled to utilize amounts in the Replacement Reserve Account as necessary, provided that Owner shall replenish the amount withdrawn by continuing to fund deposits to the Replacement Reserve Account in accordance with the preceding sentence. If required by the Director, the Replacement Reserve Account and all amounts held therein shall be collaterally assigned to the City (and which may be collaterally assigned to Harris County under the Harris County Loan Documents) pursuant to a pledge and account control agreement in form and substance acceptable to the Director in his or her sole and absolute discretion. The City shall have a first lien priority interest in the Replacement Reserve Account and the funds contained therein on a pari passu basis with Harris County. On an annual basis, Borrower shall cause Owner to, and Owner shall provide the Director with an accounting of the Replacement Reserve Account. The Director may, at its option, require Owner to establish an Operating Reserve for the Project at Project Completion on terms and conditions as approved by the Director.

6.25 Insurance Provisions in the Deed of Trust. Borrower shall cause Owner to, and Owner shall comply with all insurance requirements set out in the Deed of Trust securing the City Loan and this Agreement.

6.26 Reserved.

6.27 Consulting and Developer's Fees. During the Term, without the prior written approval of the Director, no consulting or developer's fees shall be paid directly or indirectly out of the proceeds of the City's Loan or out of the revenue of the Project (except as provided in the Approved Final Construction Budget or the Approved Final Operating Budget).

6.28 **Distributions Covenant.** If the Project exceeds a debt service ratio of 1.5 to 1 on an annual (calendar year) basis, the available cash for distribution for such calendar year shall be limited to the cash available between breakeven (1:1 debt service ratio) and a 1.5 to 1 debt service ratio. Notwithstanding anything to the contrary contained in this Agreement, any distribution whether to Borrower, Owner, Master Landlord, or any of their respective partners, shareholders, members or affiliates as applicable in excess of such amount shall entitle the Director to declare a Default hereunder without prior notice and opportunity to cure. For example: If the debt service on the Project was \$100,000 per year and the available cash before payment of debts was \$200,000, the Project would have a debt service ratio of 2:1. \$100,000 of the cash would be used to pay debt service, \$50,000 (only) would be available for distribution and the remaining \$50,000 would be reserved by Owner and promptly invested in the capital improvement of the Project, invested in additional services for residents, or deposited in the Replacement Reserve Account. Cash flow in excess of a 1.5 to 1 debt service ratio shall not be available for distribution and shall be invested in the Project, invested in additional services for residents, or deposited in the Replacement Reserve Account as provided above. Borrower and Owner covenant to notify the City in writing at least ten (10) days in advance of any distribution of Project income to Borrower's, Owner's, or Master Landlord's partners, shareholders, members or affiliates as applicable. Cash flow from the Project shall be calculated prior to the payment of any rent under the Master Lease, and distributions shall include distributions including rent made to the Owner or the partners of Owner and Master Landlord. Payment of the following fees and payments to the Tax Credit Investor shall not constitute distributions: annual Asset Management Fee in the amount of \$5,000 per annum, which shall increase by 3% per annum; payment of any "Operational Reduction Amount" (as defined in the Owner's Operating Agreement) and any payment of any adjustments due to shortfall

in Tax Credits pursuant to the Owner's Operating Agreement. Notwithstanding the foregoing or anything in this Agreement or the other Loan Documents to the contrary, the following shall be payable prior to depositing any funds into the Replacement Reserve Account pursuant to the terms of this Section 6.28: (a) payment of the expenses incurred in connection with providing Supportive Services as described in this Agreement; (b) payments due under the Subordinate Loan Documents; (c) payments due under the Conduit Note to the extent not duplicative of the payment of Supportive Services; and (d) deferred developer fee (as defined in the Owner's Operating Agreement).

6.29 Modification Fees. In the event that a modification of this Agreement or any change in any City Loan terms, the financing parties, Owner or Borrower structure or ownership of the Property is required after Closing which requires the Director's or City Council's approval, Borrower shall be responsible for all costs in connection therewith together a fee of no less than \$25,000.00 with the amount of the fee to be determined at the time of request.

6.30 Resiliency Design Requirements. The Project design must incorporate a minimum of twelve (12) resilient project points as outlined by the Multifamily Building Resilience Checklist in its application for the City Loan. The following resilient building measures were selected in the Borrower's application:

- (a) Protection (Minimum of 2)
 - Wet Floodproofing
 - Blackwater Valves
 - Dry Floodproofing
- (b) Adaptation (Minimum of 3)
 - Surface Stormwater Management

- Envelope Efficiency
 - Window Shading
 - Cool Roofs
- (c) Back-Up Measures (Minimum of 1)
- Emergency Lighting
- (d) Community (Minimum of 2)
- Building Community Ties
 - Creating Community Resilience Space
- (e) Green Building Standards (Minimum of 1)
- ICC-700 National Green Building Standards
- (f) Solar (Minimum of 1)
- Solar Ready Design and Construction
- (g) Electrical Vehicles (Minimum of 1)
- Electrical Vehicle ready
- (h) Green Infrastructure
- Green Roofs

At the completion of construction and as a condition to the release of the retainage, Borrower and Owner shall provide the necessary documentation for the Director to verify compliance with this Section 6.30.

SECTION SEVEN
RESERVED

SECTION EIGHT
RESERVED

SECTION NINE
DISBURSEMENT PROCEDURES

9.1 Disbursement Limitations. The proceeds of the City Loan shall be disbursed only for eligible and approved costs of the Work, relocation costs or acquisition costs that (i) are included in the Approved Final Project Budget, (ii) have been approved by the Director, (iii) if for Work, are for Work that has been completed and which Work has been approved by the Director, and (iv) if for materials, are for materials purchased and stored on site and approved by the Director.

9.2 Retainage. Disbursement for the Work, acquisition costs or other expenses under the Approved Final Construction Budget shall be subject to a ten percent (10.0%) retainage under Section 53.101, et seq. of the Texas Property Code (as it may be amended from time to time), but notwithstanding the foregoing, in no case shall retainage be released prior to thirty (30) days following completion of the Work as certified by the Architect or other person acceptable to the City. At the time of the release of the retainage, the Project is or will be as a result of the release of retainage free of all liens relating to the Project, other than liens that are bonded around. At the time of the release of the retainage, Borrower shall cause Owner and Owner shall provide the City with a down-date endorsement (T-3), final lien waivers and/or such other documentation as may be required by the Director.

9.3 Reallocation of Loan Proceeds. Any Loan Proceeds that are allocated for the Project but that are not expended for eligible costs under the Approved Final Project Budget pursuant to the terms of this Agreement shall be returned to the City for reallocation.

9.4 Reallocation of Savings and Contingencies. Borrower or Owner may, with the Director's approval, such approval not to be unreasonably withheld, reallocate savings from one category of the Approved Final Construction Budget or from the contingency category of the

Approved Final Construction Budget to another category of the Approved Final Construction Budget for the Project.

9.5 Drawdown Procedure. Borrower shall not request a disbursement of the Loan Proceeds except in accordance with the Approved Construction Schedule and Approved Final Project Budget and in accordance with the provisions of this Paragraph 9.5. When a disbursement of Loan Proceeds is requested, Owner shall provide to Borrower for delivery to the Director, or Owner shall provide directly to the Director (but in no event more often than once a month and for an amount of not less than \$5,000) an application for the disbursement (in a form required by the Director) (the "Disbursement Request") together with supporting documentation required by the Director (which shall include but not be limited to invoices and draw requests submitted by Contractor, interim lien waivers using forms provided by the GLO attached hereto as **APPENDIX 13**, and monthly construction progress reports on a unit by unit basis for verification by a third party inspector or a representative of the City) and evidence of required permits. In addition to the other information required by the Director, the initial disbursement request shall include a copy of all required permits necessary to commence construction. If the Director objects to an item (or the applicable portion thereof to which the Director objected) included in any Disbursement Request or if all required information has not been submitted, then the Director shall notify Owner within 10 business days of receipt of the applicable Disbursement Request of the Director's objection and shall thereupon be relieved of any obligation to make a disbursement for that item (or the applicable portion thereof to which the Director objected) until such time as Owner cures the objection(s) to the satisfaction of the Director. If the Disbursement Request is otherwise complete (as determined by the Director) and provided no Default exists or event that with the passage of time or giving of notice would constitute a Default has occurred and is continuing, the City shall,

within 30 calendar days following approval of Owner's request, fund the requested disbursement from the City Loan less any amounts for items to which the Director has raised an objection and that have not been cured and less any retainage; provided, however, that the City shall not be required to make a disbursement (other than the last disbursement) in an amount less than \$5,000 nor shall the City be required to make more than one disbursement per month. With each draw, the Owner shall provide a down-date endorsement (T-3) to the City Loan Title Policy together with partial lien releases from the Contractor and subcontractors for the Work performed through the date of the draw request.

SECTION TEN
DEFAULT AND REMEDIES

10.1 Default. The Director may declare a default ("Default") under this Agreement or any one or more of the Loan Documents upon the occurrence of any one or more of the following circumstances that is continuing beyond the expiration of all applicable notice, grace, and cure periods (and in all events, subject to the rights of Tax Credit Investor under Section 10.3 hereof):

10.1.1 Failure to Pay.

(a) If Borrower fails to pay, when due, any portion of the indebtedness evidenced by the Note and/or this Agreement and/or secured by the Collateral Assignment (Owner Loan) and/or the Deed of Trust and such failure continues for ten (10) days after written notice thereof from the Director to Borrower.

(b) If Owner fails to pay the Borrower when due any portion of the indebtedness evidenced by the Owner Loan and such failure continues beyond all applicable notice and cure periods contained in the Owner Loan Agreement.

10.1.2 Breach of Affordability Requirements and/or Restrictive Covenants. If Borrower or Owner breaches (i) the Affordability Requirements in this Agreement or the parallel

Affordability Requirements set forth in the Restrictive Covenants and such breach continues for thirty (30) days after written notice thereof from the City to Borrower and Owner or (ii) any other covenant, condition, representation or warranty contained in the Restrictive Covenants and such breach continues for thirty (30) days after the City delivers written notice thereof to Borrower and Owner, and Borrower and Owner shall not have any additional cure rights hereunder.

10.1.3 Breach of Other Covenants or Conditions.

(a) Except for the breaches of covenants or conditions covered by Section Ten, Paragraphs 10.1.1 and 10.1.2 above, if Borrower or Owner fails, refuses or neglects to perform fully and timely any obligation, or breaches any covenant or condition (including any condition prior to or subsequent to the issuance of the City Loan) under this Agreement, or under any other Loan Document, and such failure continues for thirty (30) days after written notice from the City to Borrower and Owner, or, if the failure is not susceptible to cure within said 30-day period, such greater period of time (not to exceed sixty (60) days) as is necessary to cure such failure provided Borrower commences to cure such failure within said 30-day period and diligently works to cure such failure; provided, however that in the event that (i) any such cure periods would cause a material violation to occur under Applicable Law or (ii) any breach or failure of performance of a life safety requirement, such event may be deemed and declared a Default hereunder without any notice or opportunity to cure;

(b) Except for the breaches of covenants or conditions covered by Section Ten, Paragraphs 10.1.1 and 10.1.2 above, if Owner fails, refuses or neglects to perform fully and timely any obligation, or breaches any covenant or condition under any of the documents evidencing, securing or otherwise pertaining to the Owner Loan, and such failure continues for thirty (30) days after written notice from Borrower or City to Owner; provided, however that in the event that (i)

any such cure periods would cause a violation to occur under Applicable Law or (ii) any breach or failure of performance of a life safety covenant, such event shall be deemed a Default hereunder without any notice or opportunity to cure.

10.1.4 Breach of Representations or Warranties. If any representation or warranty made by Borrower or Owner in its application(s) for the City Loan or in any of the Loan Documents, or this Agreement, or the Restrictive Covenants is false or misleading in any material respect, provided, however, that solely with regard to non-financial misrepresentations or warranties, Borrower and Owner shall have thirty (30) days after written notice to the Borrower and Owner from the City in which to take such action as may be necessary to cause the matter or thing represented to become true or not misleading; provided, however that in the event that any such cure periods would cause a violation to occur under Applicable Law, such event shall be deemed a Default hereunder without any notice or opportunity to cure.

10.1.5 Voluntary Actions. If Borrower, Owner or Guarantor (if any) is voluntarily adjudicated bankrupt, seeks, consents or does not contest the appointment of a receiver or trustee for itself or for all or part of its property, makes a general assignment for the benefit of creditors, does not pay its debts as they become due, or files a petition seeking relief under United States Bankruptcy Law.

10.1.6 Involuntary Actions. If a petition is filed against Borrower, Owner, Master Landlord or Guarantor (if any) under United States Bankruptcy Law or if a court of competent jurisdiction enters an order appointing a receiver or trustee for Borrower, Owner, Master Landlord or Guarantor (if any) for all or any material part of such party's property, and the order or petition is not discharged, dismissed or stayed within a period of ninety (90) days.

10.1.7 Dissolution or Liquidation. If Borrower, Owner or Master Landlord is a partnership, limited liability company, corporation or other legal entity and dissolves, liquidates, or merges with or is consolidated into any other entity without the written approval of the Director.

10.1.8 Destruction of the Project. If the Project is demolished, destroyed or substantially damaged, and it is not restored or rebuilt in accordance with the requirements of the Loan Documents.

10.1.9 Cessation of Work. If Work on the Project ceases for ninety (90) or more consecutive days unless such cessation of Work is caused by cessation of funding under the City Loan or by an event of Force Majeure which does not extend more than sixty (60) days.

10.1.10 Failure to Obtain or Default Under Other Financing. If Borrower or Owner fails to obtain any funding of the Other Financing in the order required under the Intercreditor Agreement (if applicable) or if Owner or Borrower has been declared in default under any regulatory agreement or document evidencing or related to the Other Financing and such default is not cured within ten (10) business days, or if longer, the cure period set forth in such regulatory agreement or other document but not to exceed thirty (30) days; provided, however, that any cure of the underlying default shall also constitute acceptable cure of the Default.

10.1.11 Liens and Other Encumbrances. If any mechanics', materialman's or other similar lien or encumbrance is filed against the Project, or the fixtures, materials, machinery and equipment to be used in the Project or other collateral that secures the City Loan, and the same is not discharged (by payment, bonding, which may include payment bond furnished by contractor, or otherwise) within fifteen (15) business days following written notice thereof from the City to Borrower and Owner.

10.1.12 Change of Ownership or Management.

(a) Except as otherwise permitted by the terms of this Agreement, if all or any part of Owner's interest (as Master Tenant) or the Master Landlord's interest in the Project and/or the Master Lease is directly or indirectly transferred including transfers of membership interests in Owner (excluding transfers of membership interests in the Owner by the Tax Credit Investor permitted pursuant to Paragraph 10.1.16 (or any entity permitted pursuant to Paragraph 10.1.15) or by its members or partners holding less than forty-nine percent (49%) ownership interest in Owner, unless such interests being transferred are general partner or managing interests), sold or assigned, voluntarily or involuntarily, or there is a change of management of the Project, at any time within the Affordability Period, such transfer of interest or change of management must first be approved in writing by the Director, which approval may be granted or withheld by the Director in the Director's reasonable determination. In the case of a transfer of Owner's interest in the Project and/or the Master Lease, the Director's consent, if any, shall not be effective unless or until the purchaser or transferee assumes in writing all obligations and covenants of Borrower and Owner under the Loan Documents and the Master Lease in a form acceptable to the Director and the City Attorney. Notwithstanding the foregoing, the City acknowledges that (a) MHI or a direct affiliate of MHI who is a member of Owner's managing member ("Option Entity"), holds a Purchase Option to acquire the membership interest of the Owner's managing member (or interests within the managing member) and the Tax Credit Investor or the Project at the end of the fifteen-year Tax Compliance Period and a Right of First Refusal to acquire the Project at the end of the fifteen-year Tax Compliance Period and (b) Guarantor (or an affiliate thereof) holds a Right of First Refusal to acquire the Project; at the end of the fifteen-year Tax Credit Compliance Period. The foregoing acquisitions by the Option Entity and Guarantor are preapproved and require no further consent from the City, provided that such transfers are structured to avoid a

merger of title, the termination of the Master Lease or the impairment or enforceability of the City's Loan and collateral and provided further that the acquiring party assumes all obligations under this Loan Agreement and the other Loan Documents but any further transfers of such interests or other interests including, without limitation, any other transfers permitted under the Purchase Option and/or Right of First Refusal, the Master Lease and/or Owner's Operating Agreement shall not be permitted without the Director's consent which shall not be unreasonably withheld and any further transfers without consent shall be deemed a default hereunder unless otherwise allowed hereunder. At any time after the acquisition of said membership interest in the Owner or the Project by the Option Entity, the City acknowledges that MHI Special Member LLC, a Texas limited liability company ("MHI Special Member") may purchase the Collateral Note from Borrower pursuant to the Conduit Note Purchase Agreement (subject to the City's Collateral Assignment of Note and Liens covering the Collateral Note); provided that MHI Special Member assumes all obligations of the Borrower under this Agreement and the Loan Documents and provided further that no other transfers of the Collateral Note shall be permitted and any additional transfer shall be deemed a Default hereunder. The Collateral Note and the documents securing or evidencing same (including the Leasehold Deed of Trust) may not be amended, modified, released or terminated without the express written consent of the Director; or

(b) If there is otherwise a change in control of Borrower in violation of this Agreement.

(c) There is a change in the Property Manager without Director's consent, which consent shall not be unreasonably withheld.

The foregoing notwithstanding, the City acknowledges that the Bridge Loan is secured by a certain *Collateral Assignment of Managing Member Interest and Security Agreement* from the

Owner's managing member, NHPF Caroline MM, LLC, in favor of Bridge Lender (the "Bridge Loan MM Assignment"). Bridge Lender's enforcement of rights under the Bridge Loan MM Assignment shall not require the Director's consent or approval. The Bridge Loan will not be secured by a lien on the Project or the leasehold estate.

10.1.13 **Failure to Complete.** If Owner or Borrower fails to complete the Work in accordance with the Approved Plans, Specifications, and Drawings that are approved by the Director within the Approved Construction Period.

10.1.14 **GLO, IRS or other Audit Findings or Exceptions.** If the GLO, the Internal Revenue Service, or other federal or state agency makes an audit finding or exception that relates to the Project, the funds provided under this Agreement, or the Other Financing, provided, however, that if the audit finding or exception is curable, there shall be no Default unless the audit finding or exception is not cured within thirty (30) days after written notice to Borrower and Owner of such finding or exception or for such greater period as shall be necessary to cure such finding or exception so long as Borrower or Owner commences to cure such finding or exception within thirty (30) days after written notice thereof to Borrower and Owner and satisfactorily completes such cure.

10.1.15 **Removal of Owner's Managing Member.** Notwithstanding anything to the contrary contained in this Agreement or the Loan Documents, the removal and/or replacement of Owner's managing member or manager for cause in accordance with Owner's Operating Agreement shall not require the consent of the City or Director, shall not constitute a default under this Agreement or the Loan Documents or accelerate the maturity of the City Loan . The consent of the Director shall be required for the appointment of a new managing member or manager, but if the Tax Credit Investor exercises its right to remove the Owner's managing member

or manager for cause, City will not unreasonably withhold its consent to the substitute managing member or manager; provided however, the consent of neither the City nor the Director shall be required if the substitute managing member or manager is an affiliate of the Tax Credit Investor. The substitute managing member or manager shall assume all of the rights and obligations of the removed managing member or manager of Owner hereunder.

10.1.16 **Transfer of Tax Credit Investor's Membership Interest.** Notwithstanding anything to the contrary contained in this Agreement or the Loan Documents, no consent shall be required from the City or the Director (and the same shall not be deemed a Default or an event of default under any of the Loan Documents), in connection with (a) the pledge and encumbrance of the Tax Credit Investor's investor membership interest in Owner to or for the benefit of any financial institution that enables such Tax Credit Investor to make its capital contribution to Owner, or (b) the transfer and/or the assignment by Tax Credit Investor of its interest in the Borrower to an entity controlled or managed by an entity which is related to or under common control with Tax Credit Investor.

10.2 **Temporary Non-Compliance Not a Default.** Notwithstanding the foregoing or any other provision of this Agreement or any of the other Loan Documents to the contrary, neither Borrower nor Owner shall be in Default hereunder or thereunder if such Default occurs solely as a result of temporary noncompliance with Section Six, Paragraphs 6.8.1, 6.8.3 or 6.8.4, or comparable or similar provisions of this Agreement or any of the other Loan Documents, and such temporary noncompliance is caused by increases in incomes of existing tenants, provided that actions satisfactory to GLO and the City are being taken to ensure that all vacancies are filled with eligible tenants until the noncompliance is corrected. Without limiting the foregoing, existing tenants of Designated Units whose financial status during the term of the lease are found to be

such as to no longer qualify such tenants as City LMI Persons, must pay as rent from the date any such tenant no longer qualifies as a City LMI Person, an amount equal to the lesser of the amount payable by the tenant under state or local law or thirty (30%) percent of the family's adjusted monthly income, as recertified annually, but in no event shall more rent be charged than is allowed under Section 42 of the Internal Revenue Code of 1986, as amended.

10.3 Right to Cure. Any time there is an event or a condition described in Section 10.1 which, with the passage of time might become a Default, if the Project has received Other Financing from low income housing tax credits, the Tax Credit Investor and/or Harris County shall have the independent and concurrent right to cure such event or condition during the same period of time as that provided to Borrower or Owner. A cure by the Tax Credit Investor and/or Harris County of any event or condition that, with the passage of time might become a Default, shall have the same effect as a cure of such event or condition by Borrower.

10.4 Owner's Right to Cure. Anytime there is an event or condition described in Section 10.1 which, with the passage of time might become a Default, if the Project has received other financings from low income housing tax credits, Owner shall have the independent and concurrent right to cure such event or condition during the same period of time as that provided to Borrower. A cure by Owner of any event or condition that, with the passage of time might become a Default, shall have the same effect as a cure of such event or condition by Borrower.

10.5 City's Remedies. Upon the declaration of a Default by the Director and the failure by Borrower or Owner or Harris County or Tax Credit Investor to cure same within a time period specified herein (if any), the Director may in his or her sole discretion: (i) terminate this Agreement; (ii) accelerate payment of the Note and declare that all sums under the City Loan are immediately due and payable; (iii) foreclose on the Project; (iv) cease funding any disbursements

under the City Loan; (v) foreclose on the Collateral Note and/or (vi) take any other action authorized or available under this Agreement, any of the Loan Documents or under Applicable Law or in equity. In the event a Default exists beyond all applicable notice and cure periods, if the Director so chooses this remedy, the outstanding deferred principal balance shall be immediately due and payable. Upon the occurrence and continuation beyond all applicable notice and cure periods of any Default hereunder, the deferred principal shall bear interest at a rate of the lesser of ten percent (10%) per annum or the maximum rate of interest permitted to be contracted for by Applicable Law (“Highest Lawful Rate”). Failure of Borrower or Owner to adequately perform under this Agreement may result in penalties including the possibility of disbarment from future GLO and City projects. In the event that the City elects to stop funding the City Loan upon the occurrence and continuance beyond all applicable notice and cure periods of a Default, the Borrower and Owner shall be obligated to continue and complete the Work at Borrower’s expense.

SECTION ELEVEN
ALLOCATION OF COST SAVINGS
AND RECOVERY OF DAMAGES FROM CONTRACTOR

In the event that (i) cost savings are achieved in connection with the performance of the Work and not reallocated in accordance with Section Nine, Paragraph 9.4 or (ii) the Contractor or any Subcontractor selected to perform the Work on the Project makes a payment of damages to Owner for delays, defective workmanship or material, or for other items related to Work on the Project and such sums are not used by Owner to correct such defective workmanship or otherwise mitigate any damages related to Work on the Project resulting from such default by the Contractor or any Subcontractor, Borrower shall immediately cause Owner to and Owner shall pay to the City a portion of such cost savings or the sum received as payment of damages, to be applied against the principal balance of the City Loan . The amount of such savings or damages to be paid to the City and applied to the City Loan shall be equal to:

- (i)
$$\frac{(\text{The total amount of the City Loan disbursed for Work}) \times (\text{amount of cost savings realized or damages received})}{(\text{The total Work cost})}$$
- (ii) less any portion of the damages received that the Director determines are attributable to lost income from rent; and
- (iii) less any portion of the cost savings realized or damages received that are used to pay Work costs approved by the Director in accordance with the Final Budget.

Provided, however, notwithstanding anything to the contrary set forth in this Agreement, to the extent that cost savings result in reduction in eligible basis for the Project, or will not be applied to projections for additional capital costs that would be considered eligible costs for tax credit certification under the applicable rules related thereto, and such reduction results in the amount of equity being contributed to the Project by the Tax Credit Investor being reduced, the City Loan shall not be reduced by any amount of reduction in the Tax Credit Investor's equity.

SECTION TWELVE
RESERVED

SECTION THIRTEEN
RESERVED

SECTION FOURTEEN
RELEASE AND INDEMNIFICATION

14.1 RELEASE. OWNER, BORROWER, THEIR PREDECESSORS, SUCCESSORS AND ASSIGNS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS SECTION AS "OWNER") HEREBY RELEASE, RELINQUISH AND DISCHARGE THE CITY, ITS PREDECESSORS, SUCCESSORS, ASSIGNS, LEGAL REPRESENTATIVES AND ITS FORMER, PRESENT AND FUTURE AGENTS, EMPLOYEES AND OFFICERS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS SECTION AS "CITY") FROM ANY LIABILITY AS A RESULT

OF THE JOINT NEGLIGENCE OF THE CITY AS A RESULT OF ANY INJURY, INCLUDING DEATH OR DAMAGE TO PERSONS OR PROPERTY, WHERE SUCH DAMAGE IS SUSTAINED IN CONNECTION WITH THIS AGREEMENT.

14.2 INDEMNIFICATION AGREEMENT. EACH OF BORROWER AND OWNER COVENANTS AND WARRANTS THAT IT WILL PROTECT, DEFEND, AND HOLD THE CITY HARMLESS FROM ANY AND ALL THIRD PARTY CLAIMS, DEMANDS, AND LIABILITY, INCLUDING DEFENSE COSTS, RELATING IN ANY WAY TO DAMAGES, CLAIMS OR FINES ARISING BY REASON OF OR IN CONNECTION WITH OWNER'S ACTUAL OR ALLEGED NEGLIGENCE OR OTHER ACTIONABLE PERFORMANCE OR OMISSION OF OWNER IN CONNECTION WITH OR DURING THE PERFORMANCE OF THE DUTIES UNDER THIS AGREEMENT. ALSO, DURING THE PERFORMANCE OF THE WORK AND UP TO A PERIOD OF FIVE (5) YEARS AFTER THE DATE OF FINAL ACCEPTANCE OF THE WORK, OWNER FURTHER EXPRESSLY COVENANTS AND AGREES TO PROTECT, DEFEND, INDEMNIFY, AND HOLD HARMLESS THE CITY FROM ALL CLAIMS, ALLEGATIONS, FINES, DEMANDS, AND DAMAGES RELATING IN ANY WAY TO THE ACTUAL OR ALLEGED JOINT AND/OR CONCURRENT NEGLIGENCE OF THE CITY AND OWNER, WHETHER OWNER IS IMMUNE FROM LIABILITY OR NOT.

IT IS THE EXPRESSED INTENTION OF THE PARTIES HERETO THAT THE INDEMNITY PROVIDED HEREIN IS AN AGREEMENT BY OWNER TO INDEMNIFY AND PROTECT THE CITY FROM THE CITY'S OWN NEGLIGENCE WHERE SAID NEGLIGENCE IS AN ALLEGED OR ACTUAL CONCURRING PROXIMATE CAUSE OF ANY ALLEGED THIRD-PARTY HARM.

THE INDEMNITY PROVISION PROVIDED HEREIN SHALL HAVE NO APPLICATION TO ANY CLAIM OR DEMAND WHERE BODILY INJURY, DEATH, OR DAMAGE RESULTS ONLY FROM THE SOLE NEGLIGENCE OF THE CITY UNMIXED WITH ANY FAULT OF OWNER. FURTHER, THE COVENANTS MADE IN THIS PARAGRAPH 14.2 TOGETHER WITH ALL OTHER INDEMNIFICATION REQUIREMENTS OF BORROWER AND OWNER SHALL BE JOINT AND SEVERAL OBLIGATIONS OF BORROWER AND OWNER.

SECTION FIFTEEN
NOTICE

All notices, demands, certificates, or other communications hereunder or under any of the Loan Documents shall be in writing and shall be deemed sufficiently given or served for all purposes when delivered personally, by courier or via overnight delivery, when sent by certified or registered mail, postage prepaid, return receipt requested or by private courier service, in each case, with the proper address as indicated below; provided that any such notices, demands, certificates, or other communications shall be deemed delivered on the date delivered, or if mailed, three (3) days after deposit in the U.S. mail. Where an email address is indicated below, notice shall also be sent to the applicable party both by email as well as one of the other designated forms of notice, but notice by email shall not satisfy the notice delivery requirements of this Agreement. Each party may, by written notice given to the other parties, designate any other address or addresses to which notices, certificates or other communications to them shall be sent as contemplated by this Agreement. Until otherwise so provided by the respective parties, all notices, certificates and communications sent to each of them shall be addressed as follows (notices sent to Owner or Borrower under any of the Loan Documents shall be sent to both Owner and Borrower):

TO THE CITY: City of Houston
c/o Housing and Community Development Department
2100 Travis, 9th Floor
Houston, TX 77002
Attention: Director or Interim Director

With a copy to: City of Houston Legal Department
900 Bagby, 3rd Floor
Houston, TX 77002
Attention: Section Chief, Real Estate

With a copy to: Housing and Community Development Department
2100 Travis, 9th Floor
Houston, TX 77002
Attention: Ray Miller

TO BORROWER: NHPF Caroline Conduit, LLC
P. O. Box 25415
Houston, TX 77265-5415
Attention: Terry Green

TO OWNER: Magnificat Permanent Affordable, LLC
122 East 42nd Street, Suite 4900
New York, New York 10168
Attention: Terry Green

SECTION SIXTEEN

RESERVED

SECTION SEVENTEEN

RESERVED

SECTION EIGHTEEN
MISCELLANEOUS

18.1 Relationship of Parties. The relationship of the City to Borrower pursuant to this Agreement, the Note, and all other Loan Documents is that of lender to borrower. Neither this Agreement, the Note, nor any of the Loan Documents creates any partnership, joint venture, or other subrecipient or fiduciary relationship between City and Borrower and/or the City and Owner.

18.2 Parties in Interest. Except for the rights of the GLO specifically set forth herein, this Agreement shall not bestow any rights upon any third party, but, rather, shall bind and benefit the City, Owner and Borrower, and as applicable, benefit GLO. Neither the U.S. Government, any subcontractor or supplier, nor any other person or entity, is a party to or a third-party beneficiary of this Agreement.

18.3 Exculpation. The City shall not be liable to Borrower or Owner or responsible in any manner to any third-party in connection with this Agreement.

18.4 Non-waiver. Failure or forbearance of any party hereto to insist on the strict performance of any obligation under this Agreement or to exercise any rights or remedies accruing upon default shall not be considered a waiver of the right to insist on and to enforce, by any appropriate remedy, strict compliance with any other obligation or to exercise any right or remedy occurring as a result of any future default or failure of performance.

18.5 Modification. Any alterations, additions, or deletions to terms which are required by changes in federal or state laws and regulations shall be automatically incorporated into this Agreement and shall take effect on the effective date of the laws or regulations.

18.6 Severability. In the event that any covenant, condition or provision of this Agreement is held to be invalid by a court of competent jurisdiction, the invalidity of the invalid covenant, condition or provision shall in no way affect any other covenant, condition, or provision,

provided that the respective rights and obligations of the parties contained in the valid covenants, conditions and provisions of this Agreement are not materially prejudiced.

18.7 Choice of Law. This Agreement shall be performable and enforced in Harris County, Texas, and shall be construed and interpreted in accordance with the laws of the City, the State of Texas and other Applicable Law. Venue for any disputes relating in any way to this Agreement shall lie exclusively in Harris County, Texas.

18.8 Integration. Except as may be otherwise provided in this Agreement, this Agreement, the Appendices, Attachments, and Exhibits, or the other Loan Documents and Borrower's response to the City's request for proposal embody the entire agreement between the City, Borrower, and Owner, and there are no other effective agreements, representations or warranties between the City and Borrower in connection with this Agreement and the other Loan Documents.

18.9 Assignability. This Agreement shall not be assignable in whole or in part by Borrower or Owner without the prior written consent of the City which consent shall be in the form of an ordinance passed by City Council.

18.10 Survival. All the terms of this Agreement (including without limitation, the conditions listed in Section Three) shall survive the execution of the Note, the Deed of Trust and Restrictive Covenants. The parties hereto expressly agree and acknowledge that the terms of this Agreement and the Restrictive Covenants shall remain in full force and effect until the expiration of the Affordability Period, notwithstanding whether the Note or the Owner Note is prepaid in accordance with its terms.

18.11 Captions. The use of captions in this Agreement is for convenience only and such captions shall not be used to define or limit the terms of this Agreement.

18.12 Applicable Law. The interpretation and application of this Agreement shall be in accordance with the laws of the City, the State of Texas and other Applicable Law.

18.13 Multiple Counterparts; Effective Date. The parties have executed this Agreement in multiple originals, each having full force and effect, as of the Effective Date.

18.14 Approval by the City or the Director. All references to “reasonable” with respect to the granting or denying of the City’s or the Director’s approval shall be deemed to be “reasonable” if the Director is acting in his or her official capacity in accordance with the City’s Charter and related ordinances.

18.15 Transfer of Property: Flood Insurance. If applicable, during the term of this Agreement, Borrower and Owner, as applicable shall maintain flood insurance as required under the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 (42 U.S.C. § 4001 et seq. and 42 U.S.C. § 5154a), as amended, in accordance with **APPENDIX 2** hereto or as otherwise required by HUD, City ordinance or the Director. Provided, however, that if the Property is located within a 100-year or 500-year floodplain or Special Flood Hazard Area designated by FEMA, Owner must maintain flood insurance on the Property for the life of the Property, in accordance with 42 U.S.C. §4012a, and this requirement shall survive the expiration or earlier termination of this Agreement. Borrower and Owner understand and acknowledge that failure to maintain the required flood insurance shall result in ineligibility for any further federal disaster relief of any kind, including but not limited to CDBG disaster recovery assistance. If the Property is sold or transferred by Owner or any subsequent transferring owner, the applicable flood insurance requirements under this Section are transferred to the new Property owner. Owner or any subsequent transferring owner of the Property must notify the new owner in accordance with 42 U.S.C. § 5154a and this requirement shall survive the expiration or earlier termination of this

Agreement. Owner or any subsequent transferring owner of the Property may be subject to liability if it fails to provide the notice required by 42 U.S.C. § 5154a.

18.16 Consents and Approvals. Any approval or consent required of the City or the Director under the Loan Documents is for the purposes of administering the City Loan for City's benefit only and does not constitute any type of warranty or guaranty to Borrower or Owner that the plans, specifications, contracts or items of a similar nature for which approval or consent is sought is free from error, in compliance with Applicable Law or fit for the Owner's purpose. Borrower and Owner acknowledge that neither the City nor the Director is an engineer or an architect and that Owner is required to rely on its own architect, contractors and engineers in performance and monitoring of the Work hereunder. To the extent that any condition or provision of this Agreement or any other Loan Document is subject to the approval or consent of the City or the Director and such consent is not expressly required to be "reasonable", such consent or approval may be granted or denied within the sole and absolute discretion of the City or the Director, as applicable. In all cases, any approval or consent required by the City or Director shall not be effective unless such consent or approval is in writing.

18.17 Choice of Venue. Borrower and Owner agree that proper and exclusive venue for any dispute with respect to this Agreement shall be in the United States District Court for the Southern District of Texas or the state circuit court sitting in Harris County, Texas, and Borrower and Owner agree to waive any claim that such court does not have personal jurisdiction over it or is an inconvenient forum.

18.18 Mediation of Contractor Disputes. In the event that a dispute arises between Owner and any contractor or subcontractor or between any contractor and subcontractor with respect to the Work or the Project, the Director shall have the right to require the disputing parties

to conduct non-binding mediation to attempt to resolve such disputes to the extent that such mediation would not conflict with the requirements of the Payment, Performance or Maintenance Bonds. Such mediation shall occur within thirty (30) days of notice by the Director that a mediation is required. The Director may declare a default under the City Loan if any dispute referred to mediation is not resolved within sixty (60) days after submission to non-binding mediation unless the applicable contract or subcontract is terminated. Each contract and subcontract for the construction of the Project shall contain mandatory non-binding mediation requirements in case of a dispute if mediation is required by the Director as well as the other requirements of **APPENDIX 3** hereto. Nothing contained in this Agreement is intended to require the City to be a party to or participate in any mediation proceedings.

18.19 Force Majeure or Covid-19. In the event that any party shall be delayed in or prevented from the performance of any act required under this Agreement by reason of an event of Force Majeure or Covid-19, the time for performance shall be extended by the number of days that performance was reasonably delayed by such event (not to exceed sixty (60) days) provided that such extension shall not be permitted if such extension results in the breach of the GLO Contract. The parties agree that the COVID-19 pandemic may have an impact on the timing of performance under this Agreement due to closures or reductions in staffing of government offices and private businesses, travel and contact restrictions and other issues beyond the control of the parties. The parties will work together in good faith to extend any such period in accordance with this Section.

18.20 Anti-Boycott of Israel. Borrower certifies that Borrower is not currently engaged in and agrees for the duration of this Agreement not to engage in the boycott of Israel as defined by Section 808.001 of the Texas Government Code.

18.21 Anti-Boycott of Energy Companies. Borrower certifies that Borrower is not currently engaged in, and agrees for the duration of this Agreement not to engage in, the boycott of energy companies as defined by Section 809.001 of the Texas Government Code.

18.22 Anti-Boycott of Firearm Entities or Firearm Trade Associations. Borrower certifies that Borrower does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association, or will not discriminate against a firearm entity or firearm trade association for the duration of this Agreement, as defined by Section 2274.001 of the Texas Government Code.

18.23 Certification of No Business with Foreign Terrorist Organizations. For purposes of Section 2252.152 of the Code, Borrower certifies that, at the time of this Agreement neither Borrower nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of Borrower, is a company listed by the Texas Comptroller of Public Accounts under Sections 2252.153 or 2270.0201 of the Code as a company known to have contracts with or provide supplies or to a foreign terrorist organization.

18.24 Zero Tolerance Policy for Human Trafficking and Related Activities. The requirements and terms of the City's Zero Tolerance Policy for Human Trafficking and Related Activities, as set forth in Executive Order 1-56, as revised from time to time, are incorporated into this Agreement for all purposes. Borrower has reviewed Executive Order 1-56, as revised, and shall comply with its terms and conditions as they are set out at the time of this Agreement's effective date. Borrower shall immediately notify the City's Chief Procurement Officer, City Attorney, and the Director of any information regarding possible violation by the Borrower or its subcontractors providing services or goods under this Agreement.

18.25 Additional AFFH Requirements and AUGF Requirements. Borrower is required to timely comply with the AFFH Requirements and the AUGF Requirements. As a condition of Closing, the parties shall enter into a letter agreement with respect to Borrower's obligations with respect to the AFFH and AUGF Requirements on or before Closing.

SECTION NINETEEN

AUTHORITY OF THE DIRECTOR AND MAYOR

19.1 Authority of the Director to Extend Time of Performance. The Director may extend the time of performance for any of Borrower's or Owner's covenants or conditions set forth in this Agreement, including all exhibits and attachments, or the other Loan Documents two (2) times for up to six (6) months each by written notice to Borrower and Owner. After these two six (6) months extensions, the next extension must be obtained by formal amendment to this Agreement, approved by City Council. After the extension approved by City Council, the Director may extend this Agreement (as amended) or any applicable time period for up to two (2) additional six (6) month periods by written notice to Borrower and Owner, but any additional extensions thereafter must be approved by City Council. Director may not extend the Maturity Date of the City Loan or otherwise amend or extend any repayment obligations under the Note.

19.2 Authority of the Director to Execute Certain Amendments. In the event that change orders, the application of delay damages, or other actions permitted by this Agreement, including all exhibits and attachments, cause the principal amount of the City Loan to decrease, the Director shall have the authority to execute the appropriate amendments to the Loan Documents reflecting such decrease.

19.3 Authority of the Mayor to Execute Other Documents. The Mayor shall have the authority, without further action by City Council, to execute all other documents contemplated by this Agreement, including all exhibits and attachments, or necessary or appropriate to effectuate this Agreement, or to protect the City's interests hereunder, including, without limitation, execution of the Intercreditor Agreement. The Mayor shall have the authority, without further action by City Council and upon the recommendation of the Director and City Attorney, to make changes to clarify, but not materially change, any provisions of this Agreement, including all exhibits and attachments, or other documents contemplated by this Agreement.

19.4 Schedules, Attachments, Appendices and Exhibits. References in this Agreement to various Schedules, Attachments, Appendices, or Exhibits shall refer to substantially the same form as those that are attached to this Agreement or such other form of Schedule, Attachment, Appendix or Exhibit as may be approved by the City Attorney and the other parties hereto.

19.5 Other Amendments; Council Approval Required. Except as otherwise provided in these Sections 19.1, 19.2, 19.3 and 19.4, any amendments to the Loan Documents must be in writing and authorized by City Council.

SECTION TWENTY **USURY LIMITATIONS**

No provision of this Agreement, the Note, or any instrument securing payment of or relating to the indebtedness of Borrower, shall require the payment or permit the collection of interest in excess of the Highest Lawful Rate. If any excess of interest in such respect is herein or in any other instrument provided for, or shall be adjudicated to be so provided for herein or in any other instrument, the provisions of this paragraph shall govern and neither Borrower nor any guarantor or endorser of the Note, or their respective heirs, personal representatives, successors, or assigns shall be obligated to pay such interest to the extent it is in excess of the Highest Lawful

Rate. Any fees or other sums that under Applicable Law are deemed to constitute interest shall be treated as interest and taken into account in calculating the Highest Lawful Rate and all such fees or other sums so deemed interest shall be amortized, prorated, allocated and spread in equal parts over the full stated Term of the City Loan . It is the intention of the City and Borrower to conform strictly to the laws applicable to the City Loan , and should it be held that interest or other sums payable to the City under this Agreement, the Note, or any other Loan Document are in excess of the Highest Lawful Rate, the interest chargeable shall be reduced to the maximum amount permitted by law.

IN WITNESS WHEREOF, the parties execute this Agreement in multiple counterparts as of the date of countersignature by the City Controller as set out below.

[SIGNATURE PAGES FOLLOW]

Loan Agreement Signature Pages

BORROWER:

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

By: The NHP Foundation,
a District of Columbia non-profit
corporation, its manager


By: 
Neal Drobenare, Senior Vice President

OWNER:

**MAGNIFICAT PERMANENT AFFORDABLE,
LLC,**
a Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation,
its manager

By: 
Neal Drobenare
Vice President

SEAL/ATTEST:

Pat Jefferson Daniel

Pat Jefferson Daniel, City Secretary

CITY OF HOUSTON, TEXAS

Sylvester Turner

Sylvester Turner, Mayor

Amanda Washington 9/30/2022

APPROVED:

Keith W. Bynam

Keith W. Bynam,
Interim Director - Housing and
Community Development
Department

COUNTERSIGNED:

Chris B. Brown
Shenan Nell

Chris B. Brown, City Controller

APPROVED AS TO FORM:

J. Walsh

Senior Assistant City Attorney
LD# _____

COUNTERSIGNATURE DATE:

10-3-2022

SCHEDULE A

DEFINITIONS

Accessibility Requirements are defined in Section Six, Paragraph 6.23.4.

Affordability Period for the Project shall mean forty (40) years from Project Completion determined without regard to the Term of the City Loan, the Deed of Trust, or the transfer of ownership of the Project and as may be renewed or extended as provided herein. The Affordability Period includes a twenty (20) year HUD required affordability period as set forth in 83 Fed. Reg. 5844 and 83 Fed. Reg. 40314 (the "HUD Affordability Requirements"), in addition to a supplemental twenty (20) year affordability period required by the City. While the Owner's obligation to comply with the HUD Affordability Requirements and related obligations shall end at the close of the initial twenty (20) year affordability period, the Owner shall be required to comply with the City Affordability Requirements for the forty (40) years, as may be extended, in accordance with this Agreement.

Applicable Law is defined in Section Six, Paragraph 6.23.1.

Approved Construction Schedule is defined in Section Three, Paragraph 3.4 hereof.

Approved Construction Contract is defined in Section Three, Paragraph 3.10.1 hereof.

Approved Final Construction Budget is defined in Section Three, Paragraph 3.9.2 of this Agreement.

Approved Final Operating Budget shall mean the portion of the approved Final Budget which relates to the operation and the Operating Expenses of the Project, which shall be updated and approved annually during the term of the City Loan in accordance with the provisions of Section Three, Paragraph 3.9.1.

Approved Final Project Budget is defined in Section Three, Paragraph 3.9.2 of this Agreement.

Approved Plans, Specifications and Drawings is defined in Section Three, Paragraph 3.3 hereof.

Assignment of Construction Contract shall mean that certain Assignment and Subordination of Construction Contract (with Consent) in form attached hereto as an Attachment or otherwise approved by the City Attorney.

Bridge Lender means KeyBank National Association, a national banking association, in its capacity as the lender of the Bridge Loan, and its successor and assigns.

Bridge Loan means a loan made by the Bridge Lender to Owner in an original principal amount not to exceed \$10,000,000.

Bridge Loan Documents means all documents and instruments executed in connection with the Bridge Loan, as the same may from time to time be amended, restated, supplemented or otherwise modified.

C.F.R. shall mean the Code of Federal Regulations.

Certificate of Completion shall mean the certificate that is executed by the Director that states that Project Completion has occurred in accordance with the requirements of this Agreement.

Certificate of Compliance/Occupancy shall mean the certificate that is issued by the City acknowledging that construction has been completed and/or that the structure is ready for occupancy. Note: for rehabilitation Projects, this certificate may be termed a Certificate of Compliance.

Chronically Homeless has the meaning given to such term by HUD in 24 CFR Section 578.3 as follows:

(1) A “homeless individual with a disability,” as defined in Section 401(9) of the (42 U.S.C. 11360(9)), who:

(i) Lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; and

(ii) Has been homeless and living as described in Paragraph (1)(i) of this definition continuously for at least 12 months or on at least 4 separate occasions in the last 3 years, as long as the combined occasions equal at least 12 months and each break in homelessness separating the occasions included at least 7 consecutive nights of not living as described in Paragraph (1)(i). Stays in institutional care facilities for fewer than 90 days will not constitute as a break in homelessness, but rather such stays are included in the 12-month total, as long as the individual was living or residing in a place not meant for human habitation, a safe haven, or an emergency shelter immediately before entering the institutional care facility;

(2) An individual who has been residing in an institutional care facility, including a jail, substance abuse or mental health treatment facility, hospital, or other similar facility, for fewer than 90 days and met all of the criteria in Paragraph (1) of this definition, before entering that facility; or

(3) A family with an adult head of household (or if there is no adult in the family, a minor head of household) who meets all of the criteria in Paragraph (1) or (2) of this definition, including a family whose composition has fluctuated while the head of household has been homeless.

City is defined in the preamble to this Agreement.

City Attorney shall mean the City Attorney of the City of Houston or any Assistant City Attorney that the City Attorney may designate to perform the various functions assigned to the City Attorney under this Agreement.

City Controller shall mean the Controller of the City of Houston or any other person the Controller may designate to perform the various functions assigned to the Controller under this Agreement.

City Loan or City's Loan shall mean the performance-based loan contemplated by this Agreement, in the maximum principal amount of \$18,656,631.00 made by the City to Borrower for the purpose of financing eligible costs to construct the Project.

City Representatives shall have the meaning set forth in Paragraph 6, Section 6.15.1.

Closing or Closing Date shall mean the date on which the Loan Documents are executed and all of the other conditions set forth in Section Four of this Agreement have been satisfied.

Collateral Assignment (Owner Loan) shall mean that Collateral Assignment of Note and Liens to be executed by Borrower for the benefit of the City and which shall be substantially in the form attached hereto as ATTACHMENT F.

Collateral Note shall mean the Promissory Note to be executed by Owner payable to Borrower, which shall be collaterally assigned to the City to secure the City Loan pursuant to the Collateral Assignment (Owner Loan) and which shall be substantially in the form attached hereto as ATTACHMENT E.

Conduit Note Purchase Agreement shall mean the Conduit Note Purchase Agreement by and among Owner, Borrower, and MHI Special Member LLC, a Texas limited liability company.

Construction Contract shall mean the contract between Owner and the Contractor to perform the Work (in form approved by the Director).

Contractor shall mean a contractor as approved by the Director selected by the Owner to perform the Work. The Contractor must be registered and in good standing in his or her profession under the laws of the State of Texas and must be acceptable to the Director.

Cost Reasonableness Analysis shall mean an evaluation of the separate elements (e.g., labor, materials, etc.) that make up the Approved Final Construction Budget to determine if they are allowable, directly related to the Work and ultimately, reasonable.

County means Harris County, Texas.

County Loan means a loan from Harris County to Borrower in an amount not to exceed \$10,700,000.00, which shall be loaned by the Borrower to Owner for the acquisition and construction of the Project.

County Loan Documents means the documents governing, securing, and/or evidencing the County Loan.

Deed of Trust shall collectively mean and include (i) the Leasehold Deed of Trust, Security Agreement and Financing Statement to be executed by Owner, granting to the Borrower a first lien on Owner's leasehold interest in the Project and which shall be substantially in the form attached

as an Attachment to this Agreement (“**Leasehold Deed of Trust**”), which lien will be collaterally assigned to the City pursuant to the Collateral Assignment (Owner Loan), and (ii) the Fee Deed of Trust, Security Agreement and Financing Statement to be executed by Master Landlord granting to the City a first lien on Master Landlord’s fee interest in the Project (“**Fee Deed of Trust**”).

Default shall mean the occurrence of any event set forth under Section Ten of this Agreement.

Designated Units shall mean the 76 units in the Project which have been designated by Owner and approved by the Director as subject to all occupancy, rent, and affordability requirements of this Agreement and the Restrictive Covenants. The Designated Units shall remain in compliance with the requirements of this Agreement without regard to the term of any mortgage or the transfer of ownership, pursuant to the Restrictive Covenants.

Director shall mean the Director or Interim Director of the City’s Housing and Community Development Department or any other person that the Director or Interim Director may designate to perform the various functions assigned to the Director or Interim Director under this Agreement.

Effective Date shall mean the date this Agreement is countersigned by the City Controller.

Environmental Mitigation is defined in Section One, Paragraph L of this Agreement.

Environmental Review shall mean the environmental review conducted pursuant to 24 C.F.R. Part 58.

Final Budget shall mean, collectively, the Approved Final Operating Budget and the Approved Final Construction Budget.

Financing Statements shall mean U.C.C.-1 Financing Statements granting a second lien security interest in Owner’s personal property included within the definition of the Project.

Force Majeure. An event of storm, flood, fire, earthquake, hurricane, pandemic or other acts of god, war, terrorism, sabotage, riot, insurrection or other civil disturbance, strikes, lockouts, other labor disturbances, orders of any governmental authority, including without limitation any civil or military authority, declarations of regional, state, or national emergencies or disaster areas, which renders a party temporarily incapable of performance. The term “Force Majeure” specifically excludes events related to COVID-19 or other global pandemics existing as of the date of Closing.

Governmental Authority shall mean the United States, each state, each county, each city, and each other political subdivision in which all or any portion of the Land is located, and each other political subdivision, agency, or instrumentality exercising jurisdiction over the City, Borrower, Owner and/or the Land.

Guarantor shall mean The NHP Foundation, a District of Columbia non-profit corporation.

Highest Lawful Rate is defined in the Section Ten, Paragraph 10.5 of this Agreement.

Homeless is defined by HUD in 24 CFR Section 578.3 and has the following meaning:

(1) An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:

(i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;

(ii) An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, State, or local government programs for low-income individuals); or

(iii) An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;

(2) An individual or family who will imminently lose their primary nighttime residence, provided that:

(i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;

(ii) No subsequent residence has been identified; and

(iii) The individual or family lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, needed to obtain other permanent housing;

(3) Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:

(i) Are defined as homeless under Section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), Section 637 of the Head Start Act (42 U.S.C. 9832), Section 41403 of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2), Section 330(h) of the Public Health Service Act (42 U.S.C. 254b(h)), Section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), Section 17(b) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(b)), or Section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a);

(ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing at any time during the 60 days immediately preceding the date of application for homeless assistance;

(iii) Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for assistance; and

(iv) Can be expected to continue in such status for an extended period of time because of chronic disabilities; chronic physical health or mental health conditions; substance addiction; histories of domestic violence or childhood abuse (including neglect);

the presence of a child or youth with a disability; or two or more barriers to employment, which include the lack of a high school degree or General Education Development (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment; or

(4) Any individual or family who:

(i) Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;

(ii) Has no other residence; and

(iii) Lacks the resources or support network, e.g. family, friends, faith-based or other social networks, to obtain other permanent housing.

HUD shall mean the United States Department of Housing and Urban Development.

Income and/or Family Income or any similar term, including without limitation, annual income, adjusted income, monthly income, and monthly adjusted income shall have the meanings assigned to such terms in 24 C.F.R. Subtitle A Part 5.

Intercreditor Agreement shall mean the agreement between the City, Owner, Borrower and Harris County described in Section Three, Paragraph 3.8 of this Agreement.

Land shall mean the real property included within the Project, as described in Section Two, Paragraph 2.1 of this Agreement.

LMI Persons shall mean low- or moderate-income households whose annual incomes do not exceed eighty (80%) percent of the AMI, as determined by HUD with adjustments for family size.

Loan Documents shall mean all of the documents executed by or on behalf of Borrower that govern, secure and/or evidence the City Loan, including without limitation, this Agreement, the Note, the Collateral Assignment (Owner Loan), the Assignment of Construction Contract, the Assignment of Property Management Agreement, the Assignment of Architect's Contract, Plans and Specifications, the Environmental Indemnity, the Construction Completion Guaranty and the Restrictive Covenants; provided, however, that the Restrictive Covenants shall not be deemed a "Loan Document" for purposes of the Intercreditor Agreement, and further provided that the obligations of the restrictive covenants shall be secured by the Deed of Trust.

Loan Proceeds means amounts disbursed by the City to Borrower pursuant the terms of this Agreement.

Master Landlord shall mean MHI Landholdings LLC, Texas limited liability company.

Master Lease shall mean the Ground Lease of the Land between Master Landlord and Master Tenant.

Master Tenant shall mean Owner, or its permitted successors and assigns.

Mayor shall mean the Mayor of the City of Houston, or any person that the Mayor may designate to perform the various functions assigned to the Mayor under this Agreement.

Maturity Date the expiration date of the Affordability Period.

MHI means Magnificat Houses, Inc., a Texas nonprofit corporation.

MHI Bridge Loan means the loan from MHI to Owner in an amount not to exceed \$1,600,000.00, unless approved by the Director.

Minimum Property Standards shall mean the minimum property standards of the City of Houston as set forth in **APPENDIX 14**, provided, however, that in the event of a conflict between the minimum property standards of the City of Houston and Section 8 Housing Quality Standards for Existing Housing under 24 C.F.R. § 982.401, the more rigorous requirement shall apply as the Minimum Property Standard hereunder.

Net Operating Income shall mean the Project's gross operating income less Operating Expenses.

Note shall mean the note to be executed by Borrower evidencing the Loan, and which shall be substantially in the form attached as an Attachment to this Agreement.

Operating Agreement shall mean the Amended and Restated Operating Agreement of the Owner, as may be amended.

Operating Expenses shall mean all costs and expenses paid or incurred in connection with or relating to the ownership, maintenance or operation of the Project pursuant to the Approved Final Operating Budget and the Approved Final Construction Budget.

Other Financing is defined in **Section One, Paragraph M** of this Agreement (if applicable).

Owner is defined in the Preamble to this Agreement.

Owner Loan shall mean a loan to Owner from Borrower for Project costs which shall be evidenced by the Collateral Note and collaterally assigned and endorsed to City.

Owner Loan Agreement shall mean the Loan Agreement between Borrower and Owner evidencing the Owner Loan.

Owner Loan Documents shall mean the loan documents executed by Owner and Borrower evidencing or securing the Owner Loan.

Owner Note shall mean a promissory note from Owner to Borrower evidencing the Owner Loan and collaterally assigned and endorsed to City.

Preliminary Project Budget shall mean the budget for the Project attached as an Exhibit to this Agreement, which has been submitted by Owner and approved by the Director prior to execution of this Agreement.

Project shall mean the Land described in Section Two, Paragraph 2.1 of this Agreement, together with all buildings and other improvements located or to be located on the Land. Project shall also include all real and personal property interests of Owner located on, incorporated into, or used in connection with the Land and improvements, including without limitation, all leases to Owner, appliances, air conditioning, heating, ventilation, plumbing and electrical fixtures and equipment.

Project Completion shall mean the date on which all of the following conditions have been satisfied and which:

- (i) fee title to the Land is in Owner;
- (ii) the Work has been completed to the satisfaction of the Director, and Owner has delivered to the City an AIA Affidavit of Completion signed by the Owner, Contractor and Architect for the Project in form and substance acceptable to the Director;
- (iii) the City or the Approved Inspectors have conducted a Uniform Physical Conditions Standards inspection and all deficiencies have been remedied.
- (iv) the Project in the Director's judgment complies with the requirements of the CDBG-DR17 Program, including but not limited to those set forth in the written "release of funds" authorization from HUD as further described in Section 5, Paragraph 5.4 and the Minimum Property Standards set forth in Section Six, Paragraph 6.10 of this Agreement);
- (v) the final draw request has been made and the draw on the City Loan has been disbursed for the Project including retainage;
- (vi) delivery to the City evidence satisfactory to the City, reflecting the full payment of, and executed final, unconditional lien waivers from (or the liens have been bonded around) all contractors, subcontractors and others with respect to the construction of the Project;
- (vii) delivery of Certificates of Occupancy (or their equivalent) issued by all appropriate Governmental Authorities for all portions of the improvements located at the Project;
- (viii) the information necessary for the City to complete the Final Wage Compliance Report has been submitted by Owner and the City has completed the report and submitted it to GLO; and
- (ix) A letter from the Architect or other qualified professional indicating that the Project is in compliance with all Accessibility Requirements.

Property shall mean all of the property described in the Deed of Trust that is collectively referred to therein as Property.

Property Condition Assessment shall mean a physical inspection of the Project to access any physical deficiencies and defects of the Project and any material deferred maintenance of the Project's systems, components, or equipment as observed during the field observer's walk-through survey.

Property Management Agreement shall mean the agreement between Owner and the Property Manager, in form acceptable to the Director, outlining the services to be performed by the Property Manager in relation to the Project. The Property Management Agreement shall be collaterally assigned to the City pursuant to the Assignment of Property Management Agreement in form attached hereto as an Attachment or other form approved by the City Attorney.

Property Manager shall mean the person or firm charged with the day to day management of the Project in accordance with the terms of the Property Management Agreement.

PSH shall mean permanent supportive housing.

PSH Requirements shall mean the permanent supportive housing requirements of this Agreement and the Restrictive Covenants.

PSH Unit shall mean rental housing units subject to the PSH Requirements that are linked to rental subsidies and a range of support services that enable tenants, especially the Chronically Homeless, to live independently and participate in community life. A PSH Unit may also be a Designated Unit

Reserve(s) or Replacement Reserve shall mean an escrowed reserve account established for the purpose of funding the replacement of furniture, fixtures and equipment used in connection with the Project and for repair of capitalized improvements, in accordance with Section One, Paragraph O, Section Six, Paragraph 6.24 and the Final Budget.

Restrictive Covenants shall mean the covenants embodied in the Restrictive Covenants to be executed by Owner, which shall be substantially in the form attached hereto as **ATTACHMENT A** to this Agreement, which covenants require Owner and its successors and assigns, to comply with certain occupancy and use restrictions for the duration of the Affordability Period, and which shall be superior to any liens evidencing or securing the Other Financing and all other liens and encumbrances in accordance with the Intercreditor Agreement.

State shall mean the State of Texas.

Subcontractor shall mean any person, firm, or corporation who has a direct contract with the Contractor to perform any portion of the Work at the Project.

Subordinate Lender means MHI Landholdings LLC, Texas limited liability company.

Subordinate Loan means the loan from Subordinate Lender to Owner in the amount not to exceed \$2,300,000.00 unless otherwise approved by the Director.

Subordinate Loan Documents means the documents governing, securing, and/or evidencing the Subordinate Loan.

Supportive Housing shall have the meaning assigned to such term in the 2020 Final Qualified Allocation Plan (10 TAC Chapter 11) promulgated by TDHCA, pursuant to which supportive services are tailored for members of a household with specific needs, such as:

- (i) Homeless or persons at-risk of homelessness;
- (ii) Persons with physical, intellectual, or developmental disabilities;
- (iii) Youth aging out of foster care;
- (iv) Persons eligible to receive primarily non-medical home or community-based services;
- (v) Persons transitioning out of institutionalized care;
- (vi) Persons unable to secure permanent housing elsewhere due to specific, nonmedical, or other high barriers to access and maintain housing;
- (vii) Persons with special housing needs including households where one or more individuals have alcohol or drug addictions, Violence Against Women Act Protections (domestic violence, dating violence, sexual assault, and stalking), HIV/AIDS, or is a veteran with a disability; or
- (viii) Other target populations that are served by a federal or state housing program in need of supportive services.

Tax Credit Compliance Period shall mean with respect to any building within the Project, the fifteen year period beginning with the first taxable year of the Credit Period with respect thereto, as defined in Section 42(i)(1) of the Internal Revenue Code.

Tax Credit Investor shall mean, collectively, Hudson-FM SLP LLC and Hudson Caroline LLC, and their permitted successors and assigns.

Tax Credits means the Low Income Housing Tax Credits issued to Owner by the Texas Department of Housing and Community Affairs pursuant to Section 42 of the Internal Revenue Code of 1986, as amended.

UFAS shall mean the Uniform Federal Accessibility Standards as set forth under Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794 et seq.) and the regulations promulgated in connection therewith.

Work as used in this Agreement shall mean all labor necessary to complete the construction, replacement, repair and any Environmental Remediation on the Project required by this Agreement or the Construction Contract, and all the materials and equipment incorporated or to be incorporated into the Project during the course of such construction, replacement and repair work.

APPENDICES TO LOAN AGREEMENT

APPENDIX 1	Applicable Law
APPENDIX 2	Insurance Requirements and Release and Indemnity Provisions for the Approved Construction Contract and the Other Construction and Supply Contracts
APPENDIX 3	Construction Contract Requirements, including bidding procedures if applicable
APPENDIX 4	Survey Requirements
APPENDIX 5	Monitoring Forms including Compliance Forms for Complying with Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. Sec. 1701u)
APPENDIX 6	Lobbying Certificate (to be delivered on or before the execution of this Agreement)
APPENDIX 7	“Debarment Form”-- Certification regarding Debarment, Suspension, and Other Responsibility Matters (to be delivered on or before the execution of this Agreement)
APPENDIX 8	Reserved
APPENDIX 9	City’s MWSBE, Section 3 and Labor Standards Requirements
APPENDIX 10	Property Condition Assessment requirements (if any)
APPENDIX 11	Multifamily Relocation Requirements, including related forms
APPENDIX 12	Reserved
APPENDIX 13	GLO Lien Waiver Form
APPENDIX 14	Minimum Property Standards
APPENDIX 15	City Workforce Protection Measures
APPENDIX 16	Master Lease Requirements

EXHIBITS TO LOAN AGREEMENT

EXHIBIT A	Legal Description of the “Land”
EXHIBIT B	Commitments for “Other Financings”
EXHIBIT C	Preliminary Construction Budget
EXHIBIT D	Scope of Work
EXHIBIT E	Construction Schedule.

ATTACHMENTS TO LOAN AGREEMENT

- A. City's Restrictive Covenants
- B. Borrowers' Note
- C-1. Fee Deed of Trust
- C-2 Leasehold Deed of Trust
- D. Financing Statements
- E. Collateral Note
- F. Collateral Assignment (Owner Loan)
- G. Construction Completion Guaranty
- H. Reserved
- I. Intercreditor Agreement
- J. Reserved
- K. Assignment of Property Management Agreement
- L. Assignment of Architect's Contract, Plans and Specifications, and Consent
- M-1. Assignment of Construction Contract
- M-2 Assignment of Construction Contract (Prime Subcontract)
- N. Environmental Indemnity Agreement
- O. Form of the Performance Bond, Maintenance Bond, and Payment Bond
- P. Owner Loan Agreement
- Q. Letter Agreement AUGF and AFFH Requirements
- R. Subordination, Nondisturbance and Attornment Agreement (if required by City)

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APPENDIX 1
NONEXCLUSIVE LIST OF APPLICABLE LAWS, RULES, AND REGULATIONS

GENERALLY

The Acts and Regulations specified in the Texas General Land Office (“GLO”) Contract No. 19-147-001-B489;

Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017 (Public Law 115-56);

The Further Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2018 (Public Law 115-123);

The Housing and Community Development Act of 1974 (12 U.S.C. § 5301 et seq.);

The United States Housing Act of 1937, as amended, 42 U.S.C. § 1437(f)(o)(13) (2016) and related provisions governing Public Housing Authority project-based assistance, and implementing regulations at 24 C.F.R. Part 983 (2016);

Cash Management Improvement Act regulations (31 C.F.R. Part 205);

Community Development Block Grants (24 C.F.R. Part 570);

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. Part 200);

GLO Housing Guidelines;

State of Texas Plan for Disaster Recovery: Hurricane Harvey Round 1, as amended from time to time and posted on the GLO website (<https://recovery.texas.gov/action-plans/hurricane-harvey/index.html>); and

City of Houston, Housing and Community Development Department – City of Houston Build it Forward Housing Recovery Program: Harvey Multifamily Program Guidelines, as may be amended from time to time (available at <https://recovery.houstontx.gov/hud-requirements-reports/#guidelines>).

Guidance Documents: Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. Part 200); the Federal Registers; Hurricane Harvey Disaster Recovery Housing Guidelines issued by GLO – Community Development and Revitalization, as amended (available at <https://recovery.texas.gov/local-government/hud-requirements-reports/housing-guidelines/index.html>); CDBG-DR Project Implementation Manual, as posted on the GLO website (<https://recovery.texas.gov/files/hud-requirements-reports/implementation-manual/ch.-1---introduction.pdf>).

CIVIL RIGHTS

Title VI of the Civil Rights Act of 1964, (42 U.S.C. § 200d et seq.); 24 C.F.R. Part 1, “Nondiscrimination in Federally Assisted Programs of the Department of Housing and Urban Development – Effectuation of Title VI of the Civil Rights Act of 1964;”

Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972 (42 U.S.C. § 2000e et seq.);

Title VIII of the Civil Rights Act of 1968, “The Fair Housing Act of 1968” (42 U.S.C. 3601 et seq.), as amended, 24 C.F.R. §§ 100.201 and 100.205;

Executive Order 11063, as amended by Executive Order 12259, and 24 C.F.R. Part 107, “Nondiscrimination and Equal Opportunity in Housing under Executive Order 11063.” (The failure or refusal of Grantee to comply with the requirements of Executive Order 11063 or 24 C.F.R. Part 107 shall be a proper basis for the imposition of sanctions specified in 24 C.F.R. § 107.60);

The Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.);

Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794.) and “Nondiscrimination Based on Handicap in Federally-Assisted Programs and Activities of the Department of Housing and Urban Development”, 24 C.F.R. Part 8; and

The Architectural Barriers Act of 1968 (42 U.S.C. 4151 et seq.), including the use of a telecommunications device for deaf persons (TDDs) or equally effective communication system.

LABOR STANDARDS

The Davis-Bacon Act, as amended (40 U.S.C. 276a – 276a-5): 29 C.F.R. Part 5; 24 C.F.R. Part 70; 24 C.F.R. § 570.603;

The Copeland “Anti-Kickback” Act (18 U.S.C. 874): 41 C.F.R. Part 3; 24 C.F.R. Part 135;

Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. §327A and 330 and re-codified at 40 U.S.C. §§ 3701-3708);

Labor Standards Provisions applicable to Contracts Covering Federally Financed and Assisted Construction (Also Labor Standards Provisions Applicable to Non-Construction Contracts subject to the Contract Work Hours and Safety Standards Act) (29 C.F.R. Part 5);

Federal Executive Order 11246, as amended; and

Department of Labor Regulations at 29 C.F.R. Parts 1, 3, 5, 6 and 7.

EMPLOYMENT OPPORTUNITIES

Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u); 24 C.F.R. §§ 135.3(a)(2) and (a)(3), as restated by 24 CFR 75.3(a)(2);

The Vietnam Era Veterans' Readjustment Assistance Act of 1974 (38 U.S.C. § 4212);

Title IX of the Education Amendments of 1972 (20 U.S.C. §§ 1681-1688); and

Federal Executive Order 11246, as amended.

GRANT AND AUDIT STANDARDS

Single Audit Act Amendments of 1996, 31 U.S.C. § 7501;

Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. Part 200);

Uniform Grant and Contract Management Act (Texas Government Code Chapter 783) and the Uniform Grant Management Standards issued by Governor's Office of Budget and Planning; and

Title 1 Texas Administrative Code § 5.167(c).

LEAD-BASED PAINT

Section 302 of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4831 (b)).

HISTORIC PROPERTIES

The National Historic Preservation Act of 1966 as amended (16 U.S.C. 470 et seq.), particularly sections 106 and 110 (16 U.S.C. 470 and 470h-2), except as provided in §58.17 for Section 17 projects;

Executive Order 11593, Protection and Enhancement of the Cultural Environment, May 13, 1971 (36 Fed. Reg. 8921), 3 C.F.R. 1971-1975 Comp., p. 559, particularly section 2(c);

Federal historic preservation regulations as follows: 36 C.F.R. Part 800 with respect to HUD programs;

The Reservoir Salvage Act of 1960 as amended by the Archeological and Historic Preservation Act of 1974 (16 U.S.C. 469 et seq.), particularly section 3 (16 U.S.C. 469a-1).

ENVIRONMENTAL LAW AND AUTHORITIES

Environmental Review Procedures for Recipients assuming HUD Environmental Responsibilities (24 C.F.R. Part 58, as amended);

National Environmental Policy Act of 1969, as amended (42 U.S.C. §§ 4321-4347); and

Council for Environmental Quality Regulations for Implementing NEPA (40 C.F.R. Parts 1500-1508).

FLOODPLAIN MANAGEMENT AND WETLAND PROTECTION

Executive Order 11988, Floodplain Management, May 24, 1977 (42 Fed. Reg. 26951), 3 C.F.R., 1977 Comp., p. 117, as interpreted in HUD regulations at 24 C.F.R. Part 55, particularly Section 2(a) of the Order (For an explanation of the relationship between the decision-making process in 24 C.F.R. Part 55 and this Part, see § 55.10.); and

Executive Order 11990, Protection of Wetlands, May 24, 1977 (42 Fed. Reg. 26961), 3 C.F.R., 1977 Comp., p. 171 particularly Sections 2 and 5.

COASTAL ZONE MANAGEMENT

The Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.), as amended, particularly sections 307(c) and (d) (16 U.S.C. 1456(c) and (d)).

SOLE SOURCE AQUIFERS

The Safe Drinking Water Act of 1974 (42 U.S.C. 201, 300(f) et seq., and 21 U.S.C. 349) as amended; particularly section 1424(3)(42 U.S.C. 300h-3(e); and

Sole Source Aquifers (Environmental Protection Agency-40 C.F.R. Part 149.).

ENDANGERED SPECIES

The Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.) as amended, particularly section 7 (16 U.S.C. 1536).

WILD AND SCENIC RIVERS

The Wild and Scenic Rivers Act of 1968 (16 U.S.C. § 1271 et seq.) as amended, particularly sections 7(b) and (c) (16 U.S.C. §§ 1278(b) and (c)).

AIR QUALITY

The Clean Air Act (42 U.S.C. § 7401 et seq.) as amended, particularly sections 176(c) and (d) (42 U.S.C. § 7506(c) and (d); and

Determining Conformity of Federal Actions to State or Federal Implementation Plans (Environmental Protection Agency-40 C.F.R. Parts 6, 51, and 93).

FARMLAND PROTECTION

Farmland Protection Policy Act of 1981 (7 U.S.C. § 4201 et seq.) particularly sections 1540(b) and 1541 (7 U.S.C. 4201(b) and 4202);

Farmland Protection Policy (Department of Agriculture-7 C.F.R. Part 658);

HUD ENVIRONMENTAL STANDARDS

Applicable criteria and standards specified in HUD environmental regulations (24 C.F.R. Parts 50, 51) (other than the runway clear zone and clear zone notification requirement in 24 C.F.R. 51.303(a)(3), as modified by waivers at 83 Fed. Reg. 5844; and

HUD Notice 79-33, Policy Guidance to Address the Problems Posed by Toxic Chemicals and Radioactive Materials, September 10, 1979).

ENVIRONMENTAL JUSTICE

Executive Order 12898 of February 11, 1994 --- Federal Actions to address Environmental Justice in Minority Populations and Low-Income Populations, (59 Fed. Reg. 7629), 3 C.F.R., 1994 Comp. p. 859; and

Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities (24 C.F.R. Part 58).

SUSPENSION AND DEBARMENT

Use of debarred, suspended, or ineligible contractors or subrecipients (24 C.F.R. § 570.609);

General HUD Program Requirements; Waivers (24 C.F.R. Part 5);

Suspension and Debarment (2 C.F.R. Parts 180 and 2424); and

Nonprocurement Suspension and Debarment (2 C.F.R. § 200.213).

ACQUISITION/RELOCATION

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601 et seq.), 24 C.F.R. Part 42; 24 C.F.R. § 570.606; 49 C.F.R. § 24 (URA), as modified by waivers at 83 Fed. Reg. 5844;

Housing and Community Development Act of 1974, as amended by 24 C.F.R. § 42 and as modified by waivers at 83 Fed. Reg. 5844; and

The Protecting Tenants at Foreclosure Act of 2009.

City of Houston Housing and Community Development Department's Residential Anti-Displacement Policy, as the same may be amended (available at <https://recovery.texas.gov/files/housing-guidelines-requirements-reports/residential-anti-displacement-and-relocation-assistance-plan.pdf>)

FAITH-BASED ACTIVITIES

Executive Order 13279 of December 12, 2002 – Equal Protection of the Laws for Faith-Based and Community Organizations, (67 Fed. Reg. 77141).

CONSTRUCTION AND INSPECTION

Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794 *et seq.*) and regulations and guidelines promulgated thereunder, including without limitation 24 C.F.R. Part 8;

Fair Housing Act and regulations and guidelines promulgated thereunder, including without limitation 24 C.F.R. Part 100;

24 C.F.R. §§ 982-401 (Section 8 Housing Quality Standards for Existing Housing);

The requirements of 24 C.F.R. § 570.614, which applies the standards of the Architectural Barriers Act (42 U.S.C. §§ 4151-4157) and the Americans with Disabilities Act (42 U.S.C. §§ 155, 201, 218 and 225) to CDBG-funded activities;

Green Building Standards at 83 Fed. Reg. 5844;

Texas Architectural Barriers Act, Article 9102, Tex. Civ. Stat. Ann. (1994) and the regulations and guidelines promulgated thereunder;

Chapter 10, Subsection 60 of the Texas Administrative Code and the regulations and guidelines promulgated thereunder; and

City of Houston's Minimum Property Standards, as amended from time to time.

APPRAISAL

49 C.F.R. § 24.2(a)(3) and 49 C.F.R. § 24.103.

OTHER REQUIREMENTS

Chapter 552, Texas Government Code, the Texas Public Information Act, unless a valid exception exists, and Chapter 2306 of the Texas Government Code.

BROADBAND REQUIREMENTS

Any new construction or substantial rehabilitation, as defined by 24 C.F.R. § 5.100, of a building with more than four (4) rental units must include installation of broadband infrastructure. For the purposes of this program, broadband service can either be hardwired or wireless, but it must be provided and 25 Mbps down and 3 Mbps up.

APPENDIX 2

INSURANCE REQUIREMENTS FOR THE APPROVED CONSTRUCTION CONTRACT AND THE OTHER CONSTRUCTION AND SUPPLY CONTRACT

I. GENERAL INSURANCE REQUIREMENTS

A. COVERAGES. With no intent to limit Owner's liability under the indemnification provisions set forth above, Owner covenants to provide and maintain (or where applicable, ensure its Contractor provides and maintains) in full force and effect for the periods stated below (or if no period is stated for the longer of any statutory period or the construction phase of this project), at least the following insurance and available limits of liability:

REQUIRED COVERAGES

(Coverage)	(Limit of Liability)
1. Workers' Compensation:* Including All States Insurance, United States Longshoremen and Harbor Workers Compensation Act	Statutory Limits for Workers' Compensation
*See Additional Insurance Requirements Below	
2. Employer's Liability	Bodily Injury by Accident \$1,000,000 (each accident) Bodily Injury by Disease \$1,000,000 (policy limit) Bodily Injury by Disease \$1,000,000 (each employee)
3. Commercial General Liability: Including Owner's and Contractor's Protective Liability or Owner's Interest, Broad Form Property Damage, Contractual Liability, Bodily Injury, Personal Injury and Products and Completed Operations (for a period of one-year following completion of the Work under this Agreement)	Combined single limit of \$1,000,000 each occurrence, subject to general aggregate \$2,000,000; Productions and Completed Operations, \$1,000,000 aggregate
4. Owner's and Contractor's Protective Liability <i>or</i> Owner's Interest	100% of Contract Price, including change orders
5. Flood Hazard Insurance **	
**See Additional Insurance Requirements Below	
6. Automobile Liability Insurance	\$1,000,000 combined single limit each occurrence
7. Excess Coverage	\$1,000,000 each occurrence/combined aggregate in excess of the limits specified for Employer's Liability Commercial General Liability and Automobile Liability

8. Property & Casualty Coverage "All Causes of Loss" Builders Risk Form 100% of Contract Price, including change orders

OPTIONAL COVERAGES

- | | |
|---|---|
| 1. Pollution Legal Liability | \$1,000,000 per occurrence/aggregate |
| 2. Coverage for tools, equipment, etc., not included in cost of the Work | Value of items covered |
| 3. Equipment floater policy to cover equipment in transit, at warehouse job site or elsewhere until Work is turned over to the City | Value of Equipment |
| 4. Increased Excess Coverage | In addition to specified coverage, as appropriate for Project |
| 5. Other insurance | As appropriate for Project |

If any of the above insurance is written as "claims made" coverage and the City is required to be carried as an additional insured, then Owner's insurance shall include a two (2)-year extended discovery period after the last date that Owner provides any Work under this Agreement.

"Aggregate" amounts of coverage, for purposes of this Agreement, are agreed to be the amounts of coverage available during a fixed twelve (12)-month policy period.

B. POLICY REQUIREMENTS

1. **Form of Policies:** The insurance may be in one or more policies of insurance, the form of which is subject to reasonable approval by the Director. It is agreed, however, that nothing the Director does or fails to do with regard to the insurance policies shall relieve Owner from its duties to provide the required coverage hereunder and Director's actions or inactions will never be construed as waiving City rights hereunder.

2. **Issuers of Policies:** The issuer of any policy must have a Certificate of Authority from the State Department of Insurance to conduct insurance business in Texas or a rating of at least **B+** and a financial size of **Class VI** or better according to the most current Edition Key Rating Guide, Property Casualty United States. Each issuer must be responsible and reputable and must be subject to approval by the Director in his/her sole discretion as to conformance with these requirements.

3. **Insured Parties:** Each policy, except those for Workers' Compensation and Professional Liability, must name the City (and its officers, agents and employees) as additional insured parties on the original policy and all renewals or replacements during the term of this Agreement. The City's status as an additional insured under the Owner's insurance does not extend to instances of sole negligence of the City unmixed with any fault of the Owner or general contractor.

4. **Deductibles:** Owner shall assume and bear any claims or losses to the extent of any deductible amounts and waives any claim it may ever have for the same against the City, its officers, agents and employees.

5. **Cancellation:** Each policy must expressly state that it may not be cancelled, or materially modified, or non-renewed unless thirty (30) days advance notice of cancellation is given in writing to the City by the insurance company.

6. **Subrogation:** Each policy must contain an endorsement to the effect that the issuer waives any claim or right in the nature of subrogation to recover against the City, its officers, agents or employees.

7. **Endorsement of Primary Insurance:** Each policy must contain an endorsement that such policy is primary insurance to any other insurance available to the Additional Insured with respect to claims arising hereunder.

8. **Liability for Premium:** The Owner shall be solely responsible for payment of all insurance premium requirements hereunder and the City shall not be obligated to pay any premiums.

C. **PROOF OF INSURANCE.** Owner shall provide proof of insurance as indicated below.

1. Prior to commencing any Work under this Agreement, Owner shall furnish the Director with Certificates of Insurance, along with an affidavit from the Owner confirming that the Certificate accurately reflects the insurance coverage that will be available during the term of the Agreement. If requested in writing by the Director, the Owner shall furnish the City with certified copies of Owner's actual insurance policies. Failure of Owner to provide certified copies, as requested, may be deemed, in the Director's and/or City Attorney's discretion, to constitute a breach of this Agreement.

2. Notwithstanding the proof of insurance requirements set forth above, it is the intention of the parties hereto that Owner, continuously and without interruption, maintain in force the required insurance coverages set forth above. Failure of the Owner to comply with this requirement shall constitute a default of Owner under this Agreement. Owner agrees that the City shall never be argued to have waived or be estopped to assert its rights to terminate this Agreement because of any acts of omissions by the City regarding its review of insurance documents provided by the Owner, its general contractor, or any agents, employees or assigns.

II. **ADDITIONAL INSURANCE REQUIREMENTS:**

A. **WORKMAN'S COMPENSATION.** Owner agrees to comply with the Worker's Compensation insurance requirements set forth below.

1. **Workers' Compensation Insurance Coverage.** Owner shall, in addition to meeting the obligations set forth in Article I, Required Coverages, maintain throughout the term of the Agreement Workers' Compensation as required by statute and Owner shall specifically comply with all requirements set forth in this Section. The definitions set out below shall apply only for the purposes of this Section:

Definitions:

Certificate of coverage (Certificate): A copy of a certificate of insurance, a certificate of authority to self-insure issued by the commission (included in original definition under Rule 110.110 but excluded from this Agreement), or a coverage agreement (TWCC-81, TWCC-82, TWCC-83 or TWCC-84), showing statutory Workers' Compensation insurance coverage for the Owner's, Subcontractor's, or Supplier's employees providing service on a Project, for the duration of the Project.

Duration of the Project: Includes the time from the beginning of the Work on the Project until the Owner's Work on the Project has been completed and accepted by the City.

Persons providing services on the Project (Subcontractor in Texas Labor Code § 406.096): Includes all persons or entities performing all or part of the services the Owner has undertaken to perform on the Project, regardless of whether that person contracted directly with the Owner and regardless of whether that person has employees. This includes, without limitation, independent contractors, subcontractors, leasing companies, motor carriers, owner-operators, employees of any such entity, or employees of any entity which furnishes persons to provide services on the Project. "Services" include, without limitation, providing, hauling or delivering equipment or materials, or providing labor, transportation, or other service related to a Project. "Services" does not include activities unrelated to the Project, such as food/beverage vendors, office supply deliveries and delivery of portable toilets.

2. The Owner shall provide coverage, based on proper reporting of classification codes and payroll amounts and filing of any coverage agreements, which meets the statutory requirements of Texas Labor Code, Section 401.011 (44) for all employees of the Owner providing services on the Project, for the duration of the Project.

3. The Owner must provide a certificate of coverage to the City prior to receiving funds under the Agreement.

4. If the coverage period shown on the Owner's current certificate of coverage ends during the duration of the Project, the Owner must file a new certificate of coverage with the City showing that coverage has been extended.

5. The Owner shall obtain from each person providing services on a Project and provide to the City:

- (i) a certificate of coverage, prior to that person beginning Work on the Project, so the City will have on file certificates of coverage showing coverage for all persons providing services on the Project; and
- (ii) no later than seven (7) days after receipt by the Owner, a new certificate of coverage showing extension of coverage, if the coverage period shown on the current certificate of coverage ends during the duration of the Project.

6. The Owner shall retain all required certificates of coverage for the duration of the Project and for one (1) year thereafter.

7. The Owner shall notify the City in writing by certified mail or personal delivery, within ten (10) days after the Owner knew or should have known, of any change that materially affects the provision of coverage of any person providing services on the Project.

8. The Owner shall post on each Project site a notice, in the text, form and manner prescribed by the Texas Workers' Compensation Commission, informing all persons providing services on the Project that they are required to be covered and stating how a person may verify coverage and report lack of coverage.

9. The Owner shall contractually require each person with whom it contracts to provide services on a Project to:

- (i) provide coverage, based on proper reporting of classification codes and payroll amounts and filing of any coverage agreements, which meets the statutory requirements of Texas Labor Code, Section 401.011(44) for all of its employees providing services on the Project, for the duration of the Project;
- (ii) provide to the Owner, prior to that person beginning Work on the Project, a certificate of coverage showing that coverage is being provided for all employees of the person providing services on the Project, for the duration of the Project;
- (iii) provide to the Owner, prior to the end of the coverage period, a new certificate of coverage, if the coverage period shown on the current certificate of coverage ends during the duration of the Project;
- (iv) obtain from each other person with whom it contracts and provide to the Owner: (1) a certificate of coverage, prior to the other person beginning Work on the project; and (2) a new certificate of coverage showing extension of coverage, prior to the end of the coverage period, if the coverage period shown on the current certificate of coverage ends during the duration of the Project;

- (v) retain all required certificates of coverage on file for the duration of the Project and for one (1) year thereafter;
- (vi) notify the City in writing by certified mail or personal delivery, within ten (10) days after the person knew or should have known, of any change that materially affects the provisions of coverage of any person providing services on the Project; and
- (vii) contractually require each person with whom it contracts, to perform as required under this Subparagraph 5.1 A-G, with the certificates of coverage to be provided to the persons for whom they are providing services.

10. By signing this Agreement or providing or causing to be provided a certificate of coverage, the Owner is representing to the City that all employees of the Owner who will provide services on the Project will be covered by Workers' Compensation coverage for the duration of the Project, that the coverage will be based on proper reporting of classification codes and payroll amounts, and that all coverage agreements will be filed with the appropriate insurance carrier. Owner shall not be allowed to self-insure Workers' Compensation. Providing false or misleading information may subject the Owner to administrative penalties, criminal penalties, civil penalties, or other civil actions.

11. The Owner's failure to comply with any of these provisions is a breach of contract by the Owner which entitles the City to declare the Agreement void if the Owner does not remedy the breach within ten (10) days after receipt of notice of breach from the City.

B. FLOOD AND HAZARD INSURANCE REQUIREMENTS. Owner must comply with the flood hazard insurance requirements set forth below.

1. Flood hazard insurance is required for projects located in a Special Flood Area (or 100-year floodplain). The Owner shall apply for flood insurance on all insurable structures built under this Agreement, if applicable. A copy of the completed application must be provided to the City before commencing construction on the Project. The Owner shall obtain flood hazard insurance as soon as possible and submit a copy of the policy to the City, if applicable. The Owner also has a statutory responsibility to inform any transferee who receives or purchases the project of any applicable requirement to obtain and maintain flood insurance, and that the transferring owner may be liable if he or she fails to do so. These requirements are enumerated at <https://www.govinfo.gov/content/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap68-subchapIII-sec5154a.pdf>.

APPENDIX 2 cont'd

RELEASE AND INDEMNITY PROVISIONS IN CONSTRUCTION CONTRACT

I. RELEASE

OWNER, ITS PREDECESSORS, SUCCESSORS AND ASSIGNS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS SECTION AS "OWNER") HEREBY RELEASE, RELINQUISH AND DISCHARGE THE CITY, ITS PREDECESSORS, SUCCESSORS, ASSIGNS, LEGAL REPRESENTATIVES AND ITS FORMER, PRESENT AND FUTURE AGENTS, EMPLOYEES AND OFFICERS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS ARTICLE AS "CITY") FROM ANY LIABILITY AS A RESULT OF THE SOLE AND/OR CONCURRENT NEGLIGENCE OF THE CITY FOR ANY INJURY, INCLUDING DEATH OR DAMAGE TO PERSONS OR PROPERTY, WHERE SUCH DAMAGE IS SUSTAINED IN CONNECTION WITH THIS AGREEMENT.

II. INDEMNIFICATION

OWNER COVENANTS AND WARRANTS THAT IT WILL PROTECT, DEFEND, AND HOLD THE CITY HARMLESS FROM ANY AND ALL THIRD PARTY CLAIMS, DEMANDS, AND LIABILITY, INCLUDING DEFENSE COSTS, RELATING IN ANY WAY TO DAMAGES, CLAIMS OR FINES ARISING BY REASON OF OR IN CONNECTION WITH OWNER'S ACTUAL OR ALLEGED NEGLIGENCE OR OTHER ACTIONABLE PERFORMANCE OR OMISSION OF THE OWNER IN CONNECTION WITH OR DURING THE PERFORMANCE OF THE DUTIES UNDER THIS AGREEMENT. ALSO, DURING THE PERFORMANCE OF THE WORK AND UP TO A PERIOD OF FIVE (5) YEARS AFTER THE DATE OF FINAL ACCEPTANCE OF THE WORK, OWNER FURTHER EXPRESSLY COVENANTS AND AGREES TO PROTECT, DEFEND, INDEMNIFY, AND HOLD HARMLESS THE CITY FROM ALL CLAIMS, ALLEGATIONS, FINES, DEMANDS, AND DAMAGES RELATING IN ANY WAY TO THE ACTUAL OR ALLEGED JOINT AND/OR CONCURRENT NEGLIGENCE OF THE CITY AND OWNER, WHETHER OWNER IS IMMUNE FROM LIABILITY OR NOT.

IT IS THE EXPRESSED INTENTION OF THE PARTIES HERETO THAT THE INDEMNITY PROVIDED HEREIN IS AN AGREEMENT BY THE OWNER TO INDEMNIFY AND PROTECT THE CITY FROM THE CITY'S OWN NEGLIGENCE WHERE SAID NEGLIGENCE IS AN ALLEGED OR ACTUAL CONCURRING PROXIMATE CAUSE OF ANY ALLEGED THIRD-PARTY HARM.

THE INDEMNITY PROVISION PROVIDED HEREIN SHALL HAVE NO APPLICATION TO ANY CLAIM OR DEMAND WHERE BODILY INJURY, DEATH, OR DAMAGE RESULTS ONLY FROM THE SOLE NEGLIGENCE OF THE CITY UNMIXED WITH ANY FAULT OF THE OWNER. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE LIABILITY OF THE OWNER UNDER THIS INDEMNITY PROVISION SHALL NOT EXCEED \$1,000,000.00 PER OCCURRENCE.

APPENDIX 3

CONSTRUCTION CONTRACT REQUIREMENTS

1. **Davis-Bacon.** Compliance with the federal labor standards provisions of the Davis-Bacon Act, as amended (40 U.S.C. §§ 276a, et seq.); compliance with the Davis-Bacon Act shall be verified through on-site inspections by representatives of the City or at the City's option, the Approved Inspectors. Each Construction Contract should include as an attachment HUD 4010 Federal Labor Provisions and HUD Handbook 1344 –Davis Bacon Act. In addition, each Construction Contract must require compliance with CDBG Regulations at 24 C.F.R. 570.603 and Department of Labor regulations at 29 C.F.R. Parts 1, 3, 5, 6 and 7.

2. **Release and Indemnity Provisions In Contracts.** Inclusion of a release and indemnity in favor of the City in substantially the same text as set forth in these Appendices (when the terms "Owner"/"Agreement" are used below, they encompass the terms "Contractor"/"Contract" and "Subcontractor"/"Subcontract" "Supplier/Supply Contract" where applicable).

3. **Insurance.** Inclusion of the requirement that the contractor, subcontractor, or supplier maintain insurance described in these Appendices (although the Appendices contain these insurance requirements as of the Effective Date of this Agreement, the version of insurance requirements in effect for the City's General Conditions of Construction Contract at the date of Closing of the City's Loan shall supersede the requirements set forth in the Appendices).

4. **MWSBE Requirements.** Owner shall require written contracts and supply agreements with all MWSBE contractors and suppliers and such contracts and supply agreements shall comply with Section One, Paragraph K of this Agreement.

5. **Disputes.** Subject to the requirements of Section 4 above, all disputes concerning the quantity, quality and completion or sufficiency of work performed or materials supplied pursuant to the Approved Construction Contract shall be submitted to the Director for resolution,

and the Director may order the parties to mediation, at his option, to attempt to resolve the dispute in accordance with Section 18, Paragraph 18.18 of this Agreement. The Director may declare a default under the City Loan if any dispute referred to mediation is not resolved within sixty (60) days after submission to non-binding mediation. The Approved Construction Contract and each subcontract will include a requirement that the Director shall have the authority to require any disputes thereunder be submitted to nonbinding mediation, but nothing shall require the City to participate in such mediation. Neither the decision of the Director nor the issuance of a Certificate of Completion shall be construed to release the Borrower, Owner or any surety from liability under any bond, warranty or guaranty to be provided under this Agreement.

6. **Compliance With Minimum Property And Rehabilitation Standards.** The Approved Construction Contract shall provide that the entire Project be constructed or brought up to the standards required by the City's Minimum Property Standards and (b) all applicable local codes, construction standards, ordinances, and zoning ordinances (including without limitation, the City's Building, Housing and Fire Codes). All newly constructed and reconstructed housing units must meet the current requirements of the Model Energy Code (<http://www.energycodes.gov/implement/pdfs/modelcode.pdf>).

7. **Bidding Requirements (if applicable).**

(a) The Contractor shall send an invitation to bid to construction and repair businesses that are listed in the City's Office of Business Opportunity ("OBO"). The Owner also may solicit invitations to bid from other sources.

(b) The Contractor shall solicit at least 3 bids for all Work.

(c) The Contractor shall provide a bid package to all prospective bidders. The Contractor may charge bidders the cost of copying the bid package. The bid package shall contain

the Approved Final Plans, Specifications, and Drawings and shall contain the Construction Contract Requirements set forth as an exhibit to this Agreement.

(d) The Contractor shall select the lowest responsible bidder for award of the contract.

(e) The Contractor shall give the selected bidder written notice of the award. The notice shall state that the award is conditioned upon the bidder's compliance with this Agreement, including, without limitation, compliance with the MWSBE provisions.

8. **Audit Rights.** Each Construction Contract and subcontract shall contain provisions granting GLO and the City the right to review, audit and monitor any construction contracts and subcontracts.

9. **Cost-Plus Contracts Prohibited.** Neither Borrower nor Owner nor Owner's contractors or any subcontractors will enter into contract types prohibited by the U.S. Department of Housing and Urban Development and the regulations at 2 CFR Part 200. Specifically, as required by the GLO, no party will enter into a cost-plus or cost-plus percentage of cost contract in connection with work at the Development.

10. **Penalties.** Each Construction Contract and subcontract shall include a clause that failure to adequately perform under the contract may result in penalties including the possibility of debarment from future GLO or City work.

APPENDIX 4

SURVEY REQUIREMENTS

- (1) Prepared by a licensed Texas surveyor;
- (2) in form and content satisfactory to the Director;
- (3) in accordance with the Accuracy Standards for ALTA/ACSM Land Title Surveys as adopted by ALTA, American Congress on Surveying & Mapping and National Society of Professional Surveyors, or the Texas Surveyors' Association;
- (4) in form necessary for the title company issuing title insurance to amend the survey exception to read "shortages in area";
- (5) containing a certificate which includes a statement as to whether any portion of the land is located within a flood plain, flood hazard or flood prone area;
- (6) certified to the title company and the City and their respective successors and assigns;
- (7) including, a metes and bounds description of the real property comprising the land,
- (8) with the surveyor's seal affixed; and
- (9) with a certification for the Survey in the form set forth below or such other form acceptable to the Director:

The undersigned hereby certifies to the City of Houston,
_____ (Owner), and
_____ (Title Company) that this survey:
(i) was made on the ground as per the field notes shown thereon and correctly shows the boundary lines and dimensions and the area of the land indicated thereon and each individual parcel thereof indicated thereon; (ii) correctly shows the location of all buildings, structures, and other improvements and visible items on the subject

property; (iii) correctly shows the location and dimension of all alleys, streets, roads, rights-of-way, easements, and other matters of record of which the undersigned has been advised by the title commitment issued by Title Company, Commitment No. _____ affecting the subject property according to the legal description in such recorded easements and other recorded matters; (iv) correctly shows the location of all streets and roads providing access to the subject property, and that such streets and roads that provide such access have been dedicated for public use in Book _____, Page _____, Plat _____ Records of _____ County, _____, and are built and are being maintained by _____; there are no encroachments or overhangs on adjoining premises, streets, or alleys by any of said buildings, structures, or other improvements, rights of way, party walls, or boundary conflicts and there are no visible encroachments or overhangs on the subject property by buildings, structures, or other improvements situated on adjoining premises; the distance to the nearest intersecting street or road is as shown hereon; there is physical ingress and egress to the subject property by paved, dedicated public streets maintained by the city or county in which the subject property is located; and there is no visible use of ingress-egress across the subject tract by an adjoining property; and (v) was performed in accordance with the standards of a Category 1A survey under the Manual of Practice for Land Surveying in Texas.

SURVEYED BY: _____

SEAL

Date of Survey

Reg. Professional Land Surveyor No. _____

Note: This copy of this plat is not valid unless an original signature through an original seal appears on its face.

For projects that are not located in a 100-year or 500-year flood zone:

FLOOD PLAIN NOTE: This tract is not within an identified (shaded) special flood hazard area (including the 100-year flood), but is within zone X, areas determined to be outside 500 year flood-plain, as identified by the Federal Emergency Management Agency, National Flood Insurance Program, Flood Insurance Rate Map for _____ County, _____, and incorporated Areas Map No. _____ dated _____.

The above statement is for information only and this surveyor assumes no liability for the correctness of the cited map(s). In addition, the above statement does not represent this surveyor's opinion of the probability of flooding.

For projects that are located within a flood zone:

FLOOD PLAIN NOTE: This tract is within flood zone _____, as identified by the Federal Emergency Management Agency, National Flood Insurance Program, Flood Insurance Rate Map for _____ County, _____, and incorporated Areas Map No. _____ dated _____.

The above statement is for information only and this surveyor assumes no liability for the correctness of the cited map(s). In addition, the above statement does not represent this surveyor's opinion of the probability of flooding.

Section 3 and MWSBE Compliance Forms

CITY OF HOUSTON

HOUSING AND COMMUNITY
DEVELOPMENT DEPARTMENT

2100 TRAVIS STREET, 9TH FLOOR,
HOUSTON, TEXAS 77002
832.394.6200





CONTACT INFORMATION

Please contact your assigned MWSBE and/or Section 3 Contract Administrator/Coordinator for assistance.
City of Houston Housing and Community Development Department
2100 Travis Street, 9th Floor, Houston, TX 77002

COMPLIANCE FORMS



Instructions: All compliance forms must be completed and/or signed by a duly authorized member of the firm. The Prime Contractor, Subcontractor, and Suppliers must upload the following forms in LCP Tracker by the deadlines provided below. Read each form to verify if it is applicable to your firm and follow the instructions written on each form.

The following form(s) are to be submitted before construction commences.

Compliance Section(s): MWSBE/Section 3	Form/Documents	Due
All sections	Executed contract agreement, purchase order, and/or invoice	Within 5 business days of executed contract agreement
All sections	Compliance Cover Sheet	Within 5 business days of executed contract agreement
All sections	Request for Contractor/Subcontractor Clearance Form/SAM Verification	Before execution of contract agreement
All sections	Start of Work Notice	Upon commencement of work
All sections	Conflict of Interest Disclosure	Required by all sections
All sections	Termination of Work Notice	Upon commencement of work
MWSBE/ Section 3	Section 3/MWSBE Utilization Plan	Within 5 business days of executed contract agreement, monthly, and/or when changes occur
MWSBE	MWSBE Utilization Schedule	Due within 30 days of executed contract and/or when changes occur.
Section 3	Contractor's Section 3 Compliance Certification	Within 5 business days of executed contract agreement
Section 3	First Source Hiring Agreement	Within 5 business days of executed contract agreement
Section 3	Permanent Employee List	Within 5 business days of executed contract agreement
Section 3	Workforce Analysis Form	Within 5 business days of executed contract agreement
Section 3	Internal Capacity Affidavit	Within 5 business days of executed contract agreement or when internal capacity is reached
Section 3	Monthly Verification of Internal Capacity Status	Due last business day of each month
Section 3	Monthly Activity Report	Due last business day of each month.
Section 3	Monthly Labor Hours and Employee Report	Due last business day of each month.
Section 3	New Hire Form	Due last business day of each month
Section 3	Confirmation of Subcontractor Amount	Within 5 business days of executed contract agreement
Section 3	E-BID Announcement	Submit at least 14 business days from need to contract
Section 3	Employment Opportunity Announcement (EOA)	Submit at least 14 business days prior need to hire
Section 3	Bid Tabulation	Submit no later than 5 business days after final selection is made
Section 3	Template - Section 3 Signage (CC)	Signage must be posted on site prior to start of work

LCPTRACKER UPLOAD LOCATIONS



ANNUAL CONTRACTOR VERIFICATION

- Annual Request for Clearance/ Sam Results
- Annual Debarred Vendor List
- Conflict of Interest Form

MONTHLY EMPLOYEE REPORT

- Monthly Labor Hours and Employee Report

MWSBE UTILIZATION PLAN/ SCHEDULE

- MWSBE Utilization Plan
- MWSBE Utilization Schedule

POP DOCUMENTS

- POP 1 Forms
- POP 2 Forms
- POP 3 Forms
- Company's Annual Benefits Package

SECTION 3 DOCUMENTS

- Contractor's Section 3 Compliance Certification
- First Hiring Agreement
- Workforce Analysis Form
- Internal Capacity Affidavit
- Monthly Activity Report
- Monthly Verification of Internal Capacity Status
- New Hire Form
- Confirmation of Subcontractor Amount
- EBID Form
- EOA Form
- Bid Tabulation

SECTION 3 UTILIZATION PLAN

- Section 3 Utilization Plan

SHARED COMPLIANCE FORMS

- Compliance Cover Sheet
- Start of Work Notice
- Site Visit
- Termination of Work

SUBCONTRACT AGREEMENT

- Subcontract Agreement
- Purchase Order Agreement
- Consultants Agreement
- Change Orders
- Invoices

LCPTRACKER COMPLIANCE UPLOAD DESCRIPTION GUIDE



ANNUAL CONTRACTOR VERIFICATION

Annual Request for Clearance/ Sam Results
Sam Verification (Year)

Annual Debarred Vendor List
Debarred Vendor List (Year)

Conflict of Interest Form
COI (Year)

MWSBE UTILIZATION PLAN/ SCHEDULE

MWSBE Utilization Plan
MWSBE UP (Month-Year)

MWSBE Utilization Schedule
MWSBE Utilization Schedule

POP DOCUMENTS

POP 1 Forms

POP 2 Forms

Company's Annual Benefits Package

SECTION 3 DOCUMENTS

Contractor's Section 3 Compliance Certification
Contractor's S3 Compliance Certification

First Hiring Agreement
First Hiring Agreement

Workforce Analysis Form
Workforce Analysis Form

Internal Capacity Affidavit
Internal Capacity Affidavit

Monthly Activity Report/New Hire
MAR (Month-Year)

Monthly Verification of Internal Capacity Status
MVIC (Month-Year)

Confirmation of Subcontractor Amount
COSCA Form

Monthly Labor Hours and Employee Report
MLHE Report (Month-Year)

EBID, EOA and Bid Tabulation
EBID (Month-Year)
EOA (Month-Year)
Bid Tabulation (Month-Year)

SECTION 3 UTILIZATION PLAN

Section 3 Utilization Plan
Section 3 UP (Month-Year)

SHARED COMPLIANCE FORMS

Compliance Cover Sheet
Compliance Cover Sheet

Start of Work Notice
SOW (Month-Day-Year)

Termination of Work
TOW (Month-Day-Year)

SUBCONTRACT AGREEMENT

Subcontract/Master/PO/Consultant Agreement
Contract Agreement

Change Orders
CO (Number i.e. 1,2,3)

Invoices
Invoices

SINGLE FAMILY UPLOAD DESCRIPTIONS



MWSBE UTILIZATION PLAN/ SCHEDULE

Address - MWSBE UP (Month-Year)

Subcontract/Master/PO/Consultant Agreement

Address - Contract Agreement

Termination of Work

Address - TOW (Month-Day-Year)

Compliance Forms

Address - Compliance Forms

- Compliance Cover Sheet
- Request for Clearance
- Start of Work Notice

Combined all documents in one PDF.

Start of Work

Address - SOW (Month-Day-Year)

COMPLIANCE COVER SHEET



RETURN WITH COMPLIANCE DOCUMENTS (COMPLETE ALL FIELDS)

Instructions: This form must be completed by the Prime, Subcontractors and Suppliers upon execution of a contract agreement, purchase order and/or invoice. The Prime contractor is responsible for collecting this form from Subcontractors and Suppliers to complete setup and access to LCP Tracker.

Project Name: _____ Project Number: _____

Name of Prime Contractor / Subcontractor /Supplier / Consultant/Professional Services: _____

I/We have a written contract or purchase order with: _____

Services to be provided: _____

NAICS code (To look up a code, please visit <http://www.census.gov/eos/www/naics/>) _____

Company Address: _____

Pre-existing LCP Tracker User ID: _____

EIN or SS Number: _____

DUNS Number: _____

Contract Amount: _____

Compliance Contact Person/Title: _____

Email: _____

Phone Number: _____

Fax Number: _____

*Owner's Ethnicity/Racial Background: _____

Gender: _____

MBE

WBE

SBE

Section 3

NOTE: For Section 3 contracts, Suppliers are not required to complete this form. However, if the Supplier also performs labor, then this form must be completed.

REQUEST FOR PRIME CONTRACTOR/ SUBCONTRACTOR CLEARANCE



NO CONTRACT CAN BE EXECUTED WITH A PRIME CONTRACTOR, SUBCONTRACTOR OR SUPPLIER UNTIL THEIR ELIGIBILITY HAS BEEN VERIFIED BY HCDD.

Instructions: To ensure eligibility, a search must be conducted of the (1) Company Name, (2) Principal Owner(s) and (3) the Employer Identification Number (EIN) through www.sam.gov/SAM.

The Prime Contractor verifies the eligibility of all Subcontractors and Suppliers. Search results and the Request for Clearance form MUST be uploaded in LCP Tracker for each Subcontractor and Supplier.

Date:

Project Name:

Project Address:

Prime Contractor / Subcontractor / Consultant / Professional Service Name:

EIN or SS Number:

Address/Zip Code:

Phone Number:

Check the applicable entity

Sole Proprietorship

Corporation

Partnership

Other

List Principal(s) below:

START OF WORK NOTICE



Instructions: This form must be completed by the Prime Contractor/Subcontractor and serves as notice of commencement of work to HCDD.

Prime Contractor Information

Project Name:

Project Address:

Prime Contractor / Subcontractor / Supplier / Consultant / Professional Service Name:

Prime Contractor / Subcontractor / Supplier / Consultant / Professional Service Name:

Start of Work Date:

Prime Contractor Authorization

Name of Authorized Officer:

Signature

Title

CONFLICT OF INTEREST DISCLOSURE



COMPLETED BY BUSINESS ENTITIES

INFORMATION

Name of Organization:

Address:

DISCLOSURE

Is any employee, director, officer, or anyone else associated with your organization, or any of their immediate family member(s)*, currently or within the past year an employee, agent, consultant, officer, elected or appointed official, sub-recipient, or vendor of the City of Houston?

Yes (see below) No

**Includes, whether by blood, marriage, or adoption: spouse, parent (including a stepparent), child (including a stepchild), sibling (including a step-sibling), grandparent, grandchild, and in-laws.*

Please indicate the names, positions, and telephone numbers for each person applicable to the above question. Use additional forms as needed.

Name	Position and/or direct or indirect relationship with the City	Telephone Number

APPLICANT SIGNATURES

Warning: Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001 and 31 U.S.C. 3729. Under penalties of perjury, I/we certify that the information presented above is true and accurate to the best of my/our knowledge and belief. I/We further understand that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in my ineligibility to participate in this program or any other programs that will accept this document. Title 18, Section 1001 of the U.S. Code states that a person is guilty of a FELONY if he/she knowingly and willfully makes a false statement to any department of the United States Government. I/we understand that this application may be delayed or found ineligible if a conflict of interest is found to exist and no waiver is granted.

Name of Organization:

By:

Name:

Title:

Date:

FOR PROGRAM STAFF USE ONLY

Does applicant list a potential conflict of interest?

Yes
(Forward to PGM)

No
(STOP-process normally)

Initials and Date

TERMINATION OF WORK NOTICE



Instructions: This form must be completed by the Prime Contractor/Subcontractor and serves as notice to HCDD that work has been completed.

Prime Contractor Information

Project Name:

Project Address:

Prime Contractor / Subcontractor / Supplier / Consultant / Professional Service Name:

Prime Contractor / Subcontractor / Supplier / Consultant / Professional Service Name:

Termination of Work Date:

Prime Contractor Authorization

Name of Authorized Officer:

Signature

Title



SECTION 3 UTILIZATION PLAN

Prime and Subcontractors working at all tier levels with a contract of \$100,000.00 or more must submit a Section 3 Utilization Plan (Plan). A Plan is required every month from the Prime and Subcontractors until their scope of work is terminated on the project. An updated Plan is required when change orders adjust contract amounts and/or when the project's utilization is amended. Section 3 does not monitor suppliers. Therefore, suppliers are excluded from completing this form.

1A. MM/YYYY: 1B. Project Name: 1C. Contract Number: 1D. Contract Amount:
 1E. Contact Person: 1F. Prime/Subcontractor Name: 1G. Compliance Contract Name: 1H. Compliance Contact Telephone #:
 2A. Hard Cost Budget (N/A if not applicable) 2B. 10% Hard Cost Goal 2C. Hard Cost % Achieved 2D. Soft Cost Budget (N/A if not applicable) 2F. 3% Soft Cost Goal 2G. Soft Cost % Achieved

Prime/Sub-contractor self-performing: Yes No

NAICS Code (6 digits)	Subcontractor	Section 3 Certified	Gender	Ethnicity	Description of Service	EIN or SS#	Contract Amount	% Of Contract	Hard Cost, Soft Cost (Select the correct choice)	Address, Phone Number & Email



MWSBE UTILIZATION PLAN

Prime, Subcontractors, and Suppliers working at all tier levels must submit an MWSBE Utilization Plan (Plan). A Plan is required every month from the Prime, Subcontractors, and Suppliers until their scope of work is terminated on the project. An updated Plan is required when change orders adjust contract amounts and/or when the project's utilization is amended.

1A. MM/YYYY:

1B. Project Name:

1C. Contract Number:

1D. Contract Amount:

1E. Prime/Sub Contractor Name:

1F. Compliance Contact Name:

1G. Compliance Contact Telephone #:

Prime/Sub-contractor/Supplier self-performing: Yes No

NAICS Code (6 digits)	Subcontractor/Supplier	M	W	S	Ethnicity	Description of Service	EIN or SS#	Contract Amount	% Of Contract	Address, Phone Number & Email

* Racial/ethnic code: 1 - White American, 2 - Black American, 3 - Native American, 4 - Hispanic American, 5 - Asian Pacific American, 6 - Hasidic Jew

MWSBE

UTILIZATION SCHEDULE - CONSTRUCTION



The MWSBE Utilization Schedule is a projection of funds allocated to certified firms each month throughout the life of the project.

Reporting MM and YYYY:

Project Name and Number:

Company Name:

Subcontractors/Suppliers Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total

Contract Amount:	Approved Goal %:	Goal Amount \$:	Actual Participation \$:	Grand Total

Total Payments:

NOTE:

1. Actual dollar amounts are assumed for past dates, otherwise numbers should reflect projected dollar amounts.
2. The goal percentage may exceed minimum requirements or be approved by prior deviation for less than.
3. Enter only certified firms projected payments in above fields along with the Contract Amount and Approved goal percentage.

MWBE

UTILIZATION SCHEDULE - PROFESSIONAL SERVICES



The MWSBE Utilization Schedule is a projection of funds allocated to certified firms each month throughout the life of the project.

Reporting MM and YYYY:

Project Name and Number:

Company Name:

Subcontractor/Suppliers Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total

Contract Amount:	Approved Goal %:	Goal Amount \$:	Actual Participation \$:	Grand Total

Total Payments:

NOTE:

1. Actual dollar amounts are assumed for past dates, otherwise numbers should reflect projected dollar amounts.
2. The goal percentage may exceed minimum requirements or be approved by prior deviation for less than.
3. Enter only certified firms projected payments in above fields along with the Contract Amount and Approved goal percentage.

MWBE

UTILIZATION SCHEDULE - PURCHASING



The MWBE Utilization Schedule is a projection of funds allocated to certified firms each month throughout the life of the project.

Reporting MM and YYYY:

Project Name and Number:

Company Name:

Subcontractor/Suppliers Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total

Contract Amount:	Approved Goal %:	Goal Amount \$:	Actual Participation \$:	Total Payments:
Grand Total				

NOTE:

1. Actual dollar amounts are assumed for past dates, otherwise numbers should reflect projected dollar amounts.
2. The goal percentage may exceed minimum requirements or be approved by prior deviation for less than.
3. Enter only certified firms projected payments in above fields along with the Contract Amount and Approved goal percentage.

SECTION 3 CONTRACTOR'S COMPLIANCE CERTIFICATION



The undersigned makes this affidavit with full knowledge that its contents will be used in the expenditure of funds provided by the United States Government. Under penalty of perjury I hereby state:

1. I am the _____ of _____
(Owner, Partner, Officer, Representative, Agent) (Company Name)
2. My company adheres to Section 3 of the Housing and Urban Development (HUD) Act of 1968, as amended, 12 U.S.C. 1701u which requires, to the greatest extent feasible, that a "good faith effort" given to identifying small businesses located within the boundaries of the Section 3 service area, making them aware of contracting opportunities, encouraging their participation and actually awarding contracts to Section 3 Business Concerns through the assistance of the City of Houston and their referral system.
3. An attempt will be made to undertake outreach activities intended to encourage participation by Section 3 Workers in training and employment opportunities, to include but not be limited to utilizing the referral established by the City of Houston, the Texas Employment Commission, and Houston Works.
4. My company also acknowledges and affirms the required steps stipulated in the Code of Federal regulations 24 CFR Part 75 for any "New" services, i.e. employment/labor, services/materials, or subcontracting. Any violation of this requirement will present a negative impact on the performance rating of the recipient, developer, and contractor/subcontractor.

§ 135.38 Section 3 clause

All Section 3 covered contracts shall include the following clause (referred to as the Section 3 clause):

- A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). 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.
- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 75, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 75 regulations.
- C. 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 new applicants can see. The notice shall describe the Section 3 preference, set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the required qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 75, 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 75. 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 75.
- E. 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 75 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 75.
- F. Noncompliance with HUD's regulations in 24 CFR part 75 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts. G. 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. 450e) 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 Enterprises. 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).

Affiant's Signature:

Affiant's Title:

Telephone:

Address:

Affiant's Company Name:

Subscribed and sworn to under oath before me this

Day of , 20

Notary Public Signature

My Commission Expires:

SECTION 3 FIRST SOURCE HIRING AGREEMENT



This agreement is entered this _____ day of _____, 20____ by _____ and between the City of Houston and hereinafter referred to as the "City" and hereinafter referred to the "Contractor", in connection with work to be performed in relation to the City's HUD-assisted project entitled _____, hereinafter referred to a the "Project".

Whereas, HUD has promulgated certain regulations to implement Section 3 of the Housing and Urban Development (HUD) Act of 1968 12 U.S.C. 1701u) (Section 3), regulations; and

Whereas, the purpose of Section 3 regulations is to ensure that employment and other economic opportunities generated by Section 3 covered assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low and very low income persons, and business concerns, which provide economic opportunities to such persons.

Whereas, HUD has set forth numerical employment, and contracting goals to be achieved by all Community Development recipients of Section 3 covered assistance and by other recipients of such assistance in which HUD's share exceeds \$200,000.00 per project and by those Contractors whose share such projects exceeds \$100,000.00; and

Whereas, the numerical goal so established by HUD applicable to the Project is set forth below: and

Whereas, recipients of Section 3 covered assistance and their contractors can demonstrate compliance with the Section 3 regulations by committing to employ Section 3 eligible persons as applicable percentage of the aggregate number of new hires during the time period involved in the Section 3 covered project; and

Whereas, the City and the Contractor as desirous of being in compliance with the Section 3 regulations as they relate to the Project;

1. The Contractor and any of its subcontractors shall supply the City with a list of all full-time employees currently employed, indicating which, if any, of said employees were hired within the past three years and were also low or very low income persons when so hired;
2. The Contractor and any of its subcontractors shall provide a listing of any and all positions for which new hires are expected to be required as a result of the Project;
3. The Contractor and any of its contractors will, to the greatest extent feasible, endeavor to hire 30% percent of the new hires generated by the Project from the following list of Section 3 eligible groups, in the order of priority listed:
 - a. Section 3 Workers of service area or neighborhood;
 - b. Youth build participants;
 - c. Homeless projects; Homeless persons; and
 - d. Other Section 3 Workers.
4. The Contractor and any of its subcontractors will be encouraged to make new hires from the list of Section 3 eligible groups in Paragraph 3 above for any and all other projects assisted with Federal funding, whether or not such project is subject to the Section 3 regulations;
5. The Contractor and any of its subcontractors shall accept referrals of Section 3 eligible persons from the City. Provided, however, that nothing in this agreement is to be construed requiring any party hereto, or its subcontractors, to hire any person or persons who are unqualified to or incapable of carrying out the work required of any such new hires.

Witness our hands and seals on the date first written above:

The City of Houston Housing and Community Development Department

by _____

Section 3 Contract Administrator/Coordinator

by _____

Contractors Name:
Owner/President/Vice President

SECTION 3 PERMANENT EMPLOYEE LIST



Date:

Project Name:

Total Amount of Contract:

Name of Contractor/Subcontractor:

Address:

Name of Contact Person:

Employee Names	Job Title	Certified Section 3 Worker	Monthly Salary or Hourly Rate
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I certify the above-named individuals are permanent employees of this firm. I understand that falsifying information is perjury and subject to contract termination.

Print Name / Title

Signature

Date

SECTION 3 CONTRACTOR/SUBCONTRACTOR WORKFORCE ANALYSIS FORM



ESTIMATED PROJECT WORK FORCE BREAKDOWN									
Non-Construction					Construction				
Job Category	Estimated # of Positions Needed for Project	# of Positions Occupied by Permanent Employees	# Of Positions Not Occupied	# of Positions to be Filled with Section 3 Workers	Job Category	Estimated # of Positions Needed for Project	# of Positions Occupied by Permanent Employees	# of Positions Not Occupied	# of Positions to be Filled with Section 3 Workers

EMPLOYMENT CERTIFICATION (make additional copies of this form if necessary)
 The Company hereby certifies that the above table represents the appropriate number of employee(s) positions required in the execution of the project and represents the number of Section 3 service area Workers that the company proposes to employ. The Company certifies that it will make a good faith effort to employ the number of lower income employees stated utilizing such community-based organizations and service agencies as the Texas Employment Commission and Houston Works.

Company _____ Title _____ By _____ Date _____

SECTION 3 INTERNAL CAPACITY AFFIDAVIT



The undersigned makes this affidavit with full knowledge of the content described in the Section 3 Program regulations at 24 CFR Part 75. Each recipient of Section 3 covered financial assistance, and its contractors or subcontractors are required to comply with the requirements of Section 3 for new employment, training, or contracting opportunities that are created during the expenditure of covered funding. This requirement applies to matters which include:

1. All construction projects for which the amount of City (HUD-sourced) assistance to the project or program exceeds \$200,000.00.
2. All Contractor/Subcontractor situations where the individual contract or subcontract exceeds \$100,000.00 from the City with HUD sourced funds.

This affidavit is to document the contractor has sufficient internal capacity to execute the entire scope of work awarded without the need to subcontract and to acknowledge by the undersigned if subcontracts are required, they may be subject to additional requirements under the Section 3 Program.

Under penalty of perjury I hereby state:

I, am the of ,
Print Name Company Name
which has executed a contract with to perform ,
Other Contract Party Description of Work
on the project known as and represent that the contract covered by this affidavit has met the
Name of Project
conditions, including those described above and hereby authorize and request any person, firm or corporation to furnish any information requested by the Housing and Community Development Department in verification of the recitals comprising this day of 20

Company Name Representative Signature Title
STATE OF TEXAS
COUNTY OF
 being duly sworn, deposes and says that he/she is the
Print Name
of and that the answers to the foregoing questions and all statements therein contained are true and correct.
Company Name
Subscribed and sworn to under oath before me this Day of , 20

My Commission Expires:

Notary Stamp

Only submit form if Prime/Subcontractor does not have a need for lower-tier subs or new hires for the duration of the project.

SECTION 3

MONTHLY VERIFICATION OF INTERNAL CAPACITY STATUS



This form is to be completed and submitted by the 5th of each month by every Subcontractor claiming Internal Capacity, for the duration of their contract. Always report for the previous month; (E.g.: Form due on June 30, 2021, will be reporting activity of June 1-30, 2021).

Reporting MM and YYYY:

Project Name:

Subcontractor:

Contracted With:

By signing below, I hereby verify that my company has remained in the qualifying Internal Capacity parameters stated below:

- No Lower-Tier Subcontracts have been awarded, and/or
- No New Hires (employees placed on payroll) have been hired to work specifically on the project stated above.

By signing below, I also verify that I understand that in the event my company has the need for lower-tier subcontracts and/or new hires, I will immediately alert the General Contractor and will follow the below Section 3 Procurement Processes. I also understand that my company can no longer claim Internal Capacity and will be required to comply with all Section 3 requirements that are now applicable.

Section 3 Procurement Process for Lower-Tier Subcontractors

1. Subcontractor will submit EBID Announcement that lists scope of work, contact information and a bid due date (minimum is two weeks). Subcontractors should submit EBID directly to General Contractor.
 - a. EBID will be forwarded to HCDD and will then be sent to all Section 3 Businesses.
2. Subcontractor will review all bids received and will award contract based on the Section 3 procurement guidelines, depending if bids are construction or non-construction:
 - a. 10% of hard cost (construction) budget must be awarded to Section 3 Business.
 - b. 3% of soft cost (non-construction) budget must be awarded to Section 3 Business.
3. Subcontractor will submit a Bid Tabulation after all bids have been received. The bid tabulation should indicate which awarded contracts were to a Section 3 Business.
4. Subcontractor will submit a Section 3 Utilization Plan that lists all Lower-Tier Subcontractors and Professional Services being utilized.

Section 3 Procurement Process for New Hires

1. Subcontractor will submit an Employment Opportunity Announcement (EOA) that lists position details, applicant qualifications, contact information and application deadline. EOA will be submitted directly to the General Contractor.
 - a. EOA will be forwarded to HCDD and will then be sent to all certified Section 3 Workers.
2. Subcontractor will hold interviews and determine how the 30% New Hire Goal will be met.
 - a. For example, if 10 new hires are needed, at least 3 must be either:
 - i. Currently certified as a Section 3 Worker
 - ii. Qualifies as a Section 3 Worker (required to complete Section 3 Worker Application)
3. Subcontractor will notify the General Contractor of hiring results and will submit the following:
 - a. Statement indicating how the 30% New Hire Goal was met, list of new hire names and Section 3 Worker status.
 - b. Section 3 Worker Applications for new hires that must be certified in order to meet the 30% New Hire Goal.
4. Subcontractor will start submitting monthly reporting and any other additional documents needed for the duration of their contract.

Print Name

Title/Company

Signature

Date

SECTION 3 MONTHLY ACTIVITY REPORT (PART I)



Date of Submission:

Project Name:

Contract Amount:

Name of Contractor/Subcontractor:

Address:

Name of Contact Person:

Phone Number / Email:

Reporting MM and YYYY:

EMPLOYMENT AND TRAINING

A Job Category	B New Hires		No New Hires		C Employees		D Trainees		No Trainees	
	Section 3 New Hires*		Non-Section 3 New Hires*		Section 3 Workers*	Non-Section 3 Workers*	Section 3 Trainees* Previously Reported That Worked This Month	New Section 3 Trainees* Reporting for the First Time		
	# of New Hires	Hours Worked	# of New Hires	Hours Worked	Hours Worked	Hours Worked	# of Trainees	Hours Worked	# of Trainees	Hours Worked
Professional										
Technician										
Office/Clerical										
Trade:										
Trade:										
Trade:										
Trade:										
Other:										
Other:										
Total:										

NOTES:

1. This form MUST be submitted by ALL contractors (with a contract in excess of \$100,000.00) no later than the last business day of the month each month.
2. Reporting MUST always reflect previous months activity.
3. New Hires are reported under Column "B" for the first month following their date of hire. Thereafter, New Hires are reported under Column "C".
4. All New Hires MUST be listed on the Section 3 and Non-Section 3 New Hire Form.
5. This form is NOT required by Prime and Subcontractors claiming, "Internal Capacity".

SECTION 3 NEW HIRE FORM (PART II)



Name of Contractor/Subcontractor:

Reporting MM and YYYY:

A First Name	B Last Name	C Racial/Ethnic Code	D Hire Date	E Hourly Rate	F Sec. 3 Status	G Trade Work	H Hours Worked	I Hours Trained	J Payroll Classification
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NOTE:

- A. First name of Section 3 Worker
- B. Last name of Section 3 Worker
- C. Racial/ethnic code: 1 – White American, 2 – Black American, 3 – Native American, 4 – Hispanic American, 5 – Asian Pacific American, 6 – Hasidic Jew
- D. Hire date of Section 3 Worker
- E. Hourly rate of Section 3 Worker
- F. Indicate Section 3 status by entering either: New Hire, Employee or Trainee
- G. Trade work performed by Section Worker
- H. Hours worked during reporting month by Section 3 New Hire or Section 3 Employee
- I. Hours trained during reporting month by Section 3 Trainee
- J. Indicate payroll classification: Full Time, Part Time, FT - Temporary, PT- Seasonal, PT-Seasonal, Internship

MONTHLY LABOR HOURS AND EMPLOYEE REPORT



Reporting MM and YYYY:

Project & Contractor Names:

Report Submitted by:

Total Number of Employees:

Total Project Labor Hours: (TPLH)

25% Section 3 Labor Goal:

Actual Labor Hours % Achieved: (ALHA)

5% Target Worker Goal:

Actual Target Worker % Achieved

Section 3 Workers performing on project:

Yes No

If yes, list the workers in Section A

New Hire/Target Workers

Yes No

If yes, list new hires in Section B

SECTION A - SECTION 3 WORKERS

Last Name	First Name	Section 3 Worker Certificate #	Date of Hire	Hours Worked
-----------	------------	--------------------------------	--------------	--------------

SECTION B - SECTION 3 TARGETED WORKERS

Last Name	First Name	YouthBuild	Yes or No	Reside within 1 mile of project	Yes or No	Hours Worked
-----------	------------	------------	-----------	---------------------------------	-----------	--------------

Grand Total:

Grand Total:

NOTE: This report is intended to track monthly labor hours and new hires in conformance with Section 3 Labor and Workforce Provision Requirements. To complete this report you must:

- A. Retrieve Payroll Detail report from LCP Tracker for the reporting month.
- B. Analyze the LCP Tracker report to determine Total Project Labor Hours (TPLH) for the month. Enter this number in TPLH above.
- C. List Section 3 Workers and their hours for the month in Section A above.
- D. List Section 3 Workers hired during the month in Section B above.

MONTHLY LABOR HOURS AND EMPLOYEE REPORT



Reporting MM and YYYY:

Project & Contractor Names:

Report Submitted by:

Total Number of Employees:

Total Project Labor Hours: (TPLH)

10% Section 3 Labor Goal:

Actual Labor Hours % Achieved: (ALHA)

5% Target Worker Goal:

Actual Target Worker % Achieved

Section 3 Workers performing on project:

New Hire/Target Workers

Yes

No

Yes

No

If yes, list new hires in Section B

SECTION A – SECTION 3 WORKERS

Last Name	First Name	Section 3 Worker Certificate #	Date of Hire	Hours Worked
-----------	------------	--------------------------------	--------------	--------------

SECTION B – SECTION 3 TARGETED WORKERS

Last Name	First Name	YouthBuild	Yes or No	Reside within 1 mile of project	Yes or No	Hours Worked
-----------	------------	------------	-----------	---------------------------------	-----------	--------------

Grand Total:

Grand Total:

NOTE: This report is intended to track monthly labor hours and new hires in conformance with Section 3 Labor and Workforce Provision Requirements. To complete this report you must:

- A. Retrieve Payroll Detail report from LCP tracker for the reporting month.
- B. Analyze the LCP Tracker report to determine Total Project Labor Hours (TPLH) for the month. Enter this number in TPLH above.
- C. List Section 3 Workers and their hours for the month in Section A above.
- D. List Section 3 Workers hired during the month in Section B above.

SECTION 3 CONFIRMATION OF SUBCONTRACT AMOUNT



Project Name:

Subcontractor Name/House Address:

Executed Contract With:

Original Contract Amount:

Start of Work Date:

Contract Amount at Start of Work:

Please complete one (1) of the following that applies:

A. Contract Amount Has Remained Less Than \$100,000.00

If the contract amount is below \$100,000.00 prior to the start of work date, the Subcontractor is not required to comply with Section 3 due established minimum threshold. Sign below and submit form.

I, hereby, confirm that the above Subcontractor 's contract amount has stayed below the \$100,000.00 threshold by the start of work date stated above.

Print Name

Title/Company

Signature

Date

B. Contract Amount Has Increased to Equal to or Greater Than \$100,000.00

If the contract amount is now in excess of \$100,000.00, the Subcontractor is required to comply with the Section 3 federal regulations and the HCDD's Section 3 policy and procedures set forth in the Section 3 Contractor Orientation Guide.

I, hereby, acknowledge that the above Subcontractor's met the minimum threshold and I understand that the Subcontractor is now required to comply with the Section 3 requirements set forth in the Section 3 Contractor Orientation Guide.

Print Name

Title/Company

Signature

Date

SECTION 3 EBID ANNOUNCEMENT



Date:

Bid Due By:

To:

Project Name:

Address, City, State, Zip:

From:

Summary of Work:

This project is
3 Business Concern that can perform the following scope of work:

. As a General Contractor/Subcontractor, we are hiring a Section

If interested, please contact me as soon as possible to schedule an appointment to look at the scope of services. This project is funded through a federal grant; therefore, we encourage all qualified Section 3 Business Concerns to respond to this EBID for contracting opportunities.

Please email this form to _____

. Should you have any questions contact: _____

Name:

Phone Number:

Bidder Information:

Yes, I will be bidding on the project

No, I will not be bidding on this project

Contract Name:

Company:

Phone Number:

Address:

Email:

Trade/Specialty:

HCDD contractors are committed to "ensure employment and economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible and consistent with existing federal, state and local laws and regulations, be directed to low and very low-income persons."

If your company is interested in certifying as a Section 3 Business Concern complete the application process here: <https://hcdsection3.gob2g.com/>. This form must be completed and submitted to the assigned Section 3 Contract Administrator/Coordinator for all contracting opportunities.

SECTION 3

EOA FOR PROCURING LABOR FOR SECTION 3 WORKERS



Date:

Application Deadline:

To:

Project:

From:

Position Needed/Description:

Contact Information:

SECTION 3 WORKERS: INCLUDE THIS COVER SHEET WITH YOUR APPLICATION

Yes, I am interested in this position

No, I am not interested in this position

Contact Name:

Address:

Phone:

Email:

Job:

Job Skills:

The Housing and Community Development Department Section 3 Program is committed to ensure that employment and economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible and consistent with existing federal, state and local laws and regulations, be directed to low and very low income persons.

Federal Labor Standard Provisions including the Davis Bacon and Related Act may be applicable to the construction of this project.

If you know someone interested to become a certified Section 3 Worker the guidelines and application are available here:
<https://www.houstontx.gov/housing/compliance.html#sec3>.

SECTION 3

SAMPLE BID TABULATION



Date

CostCode:

ProjectedBudget:

Subcontractors	Bid Amount	Cost Breakdown
----------------	------------	----------------

per unit
per square foot
per unit
per square foot
per unit
per square foot
per unit
per square foot

Labor \$
-

Material \$
-

Total \$
-

PM:

SPM:

Contract:

VP:

P.O.:

SECTION 3 SIGNAGE TEMPLATE



Housing and Community Development
Department

In partnership with the U.S. Department of Housing and
Urban Development, and

**Acknowledge that the Construction of this project is
subject to the Section 3 plan of the U.S. Department
of Housing and Urban Development. This program
is designed to generate various Employment and
Contracting Opportunities.**

**Please inquire within:
Contractor name and contact number/Email:**

SUPPLEMENTAL COMPLIANCE FORMS TEMPLATES AND REFERENCE MATERIAL



In addition to the forms listed on the previous pages, Prime Contractor, Subcontractor and Suppliers are required, where applicable, to submit supplemental compliance forms during and upon completion of the construction. The supplemental forms, templates and reference material are available for download in LCP Tracker. For your convenience, a sample of available forms and documents in LCP Tracker are attached:

Compliance Section(s): MWSBE/Section 3	Form/Documents	Due
All sections	System for Award Management Instructions	N/A
All sections	Statement of Information for SAM Results	Within 5 business days of executed contract and annually.
All sections	Assessing Debarred Vendor List	Within 5 business days of executed contract and annually.
Section 3	LCP Tracker Employee Profile	Throughout project duration.
All Sections	LCP Tracker Subcontractor Set-up by Prime	Throughout project duration.
MWSBE	Mediation Arbitration Language	Included in certified firms executed contract agreement and/or purchase order(s)



SAM.GOV EXCLUSION SEARCHES

Proof of non-federal exclusions search must be conducted for the prime contractors, sub-contractors, and lower tier sub-contractors. Searches must be conducted by the company name, Employer Identification Number (EIN) and all principals by full first, middle, and last name. Below are the steps to follow when conducting the search and printing results.

1 Goto: **WWW.SAM.GOV**



2 Click on Exclusions



3 Click on Advance Search



4 Enter the applicable search (Company name, EIN #, principals names etc..) in the "Search" box and click search



5 Print the first 3-4 pages of the search-exclusion matches and ensure that the contractor is not an exact match



6 Upload all results generated (Company, EIN#, and Principals) along with the Request for Contractor Clearance form into LCPTracker

NOTE: If any exact match is identified contractor, subcontractor, or lower-tier subcontractor will not be eligible to conduct any business on federal projects. Any partial matches would need to be verified by HCDD and additional information may be requested.

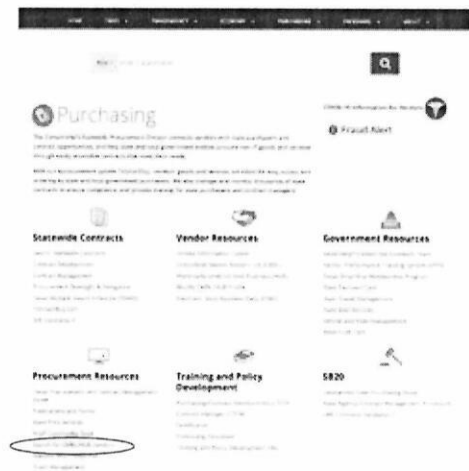


Proof of non-debarment from the states comptroller's office must be provided by prime contractors, subcontractors, and lower tiers. Below are the steps for searching and accessing the Debarred Vendor List.

1 Search:
<https://comptroller.texas.gov/purchasing/>



2 Scroll down to Procurement Resources and click on: Search for CMBL/HUB Vendors



3 Click on the Debarred Vendors List on the left-hand side:



4 The Debarred vendor list will appear on the screen:



5 Ctrl P to print or save as PDF. Ensure that the date is on the list.

6 Upload copy of the Debarred Vendor List into LCP tracker

NOTE: Date does not appear on the download form, therefore DO NOT use the Download link for the Debarred Vendor List

SECTION 3 LCP TRACKER EMPLOYEE PROFILE



Under the Employee Profile Page, the subcontractor will:

- 1 Select Demographics Classifications
- 2 Add Classification
- 3 Enter Demographic Type
- 4 Choose Section 3 Employee Type
- 5 Enter Demographic Classification
- 6 Enter Start Date
- 7 Click Done
- 8 Save

Demographic Classifications

Add Classification

Demographic Type	Demographic Classification	Demographic Description	Notes	Start Date	End Date	Project	Is Primary	Approved	
Section 3 Employee Type	Employed by a Section 3 business	The worker is employed by a Section 3 business concern.	Reviewed	5/1/2021			NO	YES	<div style="display: inline-block; vertical-align: middle; margin-right: 5px;"> Edit Delete </div>

****Project Requirements:**
 Section 3 Employee Type

LCP TRACKER

SUBCONTRACTOR SET-UP BY PRIME



REQUIRED BY ALL SECTIONS

- 1 Log into <https://prod.lcptracker.net/WebForms/Login.aspx>

A screenshot of the LCP Tracker login page. The page has a white background with a light blue header. The header contains the text "LCP tracker" in a large, bold, sans-serif font. Below the header, it says "For Electronic Submission and Management of Certified Payroll Reports". There is a "USERNAME" label above a text input field. Below the input field is a "Next >" button. At the bottom of the page, there is a link that says "Login with an External Provider".

- 2 Select "Set Up" from the toolbar tab. Then, click Add/Edit Contractors.

- 3 To add a "New" contractor, enter the contractor information and save.

- 4 Go to "Set Up" and click "Contractor Assignment"

- 5 Click "Add New Assignment", select project and contractor adding.

- 6 Select project, enter field info and press save.

NOTE: If the contractor already has an account, and you cannot locate their profile, add the contractor and enter the "Contractor ID" as shown on the contractor cover sheet.)

MWSBE SUBCONTRACTORS/SUPPLIERS MEDIATION ARBITRATION LANGUAGE



Contractor shall ensure that all subcontracting agreements with MWSBE Subcontractors/Suppliers and suppliers are clearly labeled "THIS CONTRACT IS SUBJECT TO MEDIATION" contain the following terms:

1. (MWSBE Subcontractors/Suppliers) shall not delegate or subcontract more than 50% of the work under this subcontracting agreement to any other Subcontractor or supplier without the express written consent of the City of Houston's Office of Business Opportunity.
2. (MWSBE Subcontractors/Suppliers) shall permit representatives of the City of Houston, at all reasonable times, to perform 1) audits of the books and records of the Subcontractor, and 2) inspections of all places where work is to be undertaken in connection with this subcontracting agreement. Subcontractor shall keep such books and records available for such purpose for at least four (4) years after the end of its performance under this subcontract. Nothing in this provision shall affect the time for bringing a cause of action or the applicable statute of limitations.
3. Within five (5) business days of execution of this subcontracting agreement, Contractor (prime contractor) and Subcontractor shall designate in writing to the Office of Business Opportunity an agent for receiving any notice required or permitted to be given pursuant to Chapter 15 of the Houston City Code of Ordinances, along with the street and mailing address and phone number of such agent.

These provisions apply to goal-oriented and regulated contracts as defined in City Code of Ordinances, Chapter 15, Article 5.

APPENDIX 6

CERTIFICATION REGARDING LOBBYING

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federally appropriated funds have been paid or will be paid, by or on behalf of the undersigned, 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 any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan or cooperative agreement.

(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 this Federal contract, grant, loan or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying", in accordance with its instructions.

(3) This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certificate is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000.00 and not more than \$100,000.00 for each such failure.

Owner or Contractor

Date

By: _____
Name: _____
Title: _____

APPENDIX 7
CERTIFICATION REGARDING
DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS

The undersigned certifies to the best of its knowledge and belief that it and its principals:

- (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal, State or local department or agency;
- (b) Have not within a three (3) year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction: violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- (c) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State or local) with commission of any of the offenses enumerated in Paragraph (b) of this certification; and
- (d) Have not within a three (3) year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.

I understand that a false statement on this certification may be grounds for rejection of this proposal or termination of the award. In addition, under 18 USC Sec. 1001, a false statement may result in a fine of up to \$10,000.00 or imprisonment for up to five (5) years, or both.

Type Name & Title of Authorized Representative

Signature of Authorized Representative

Date

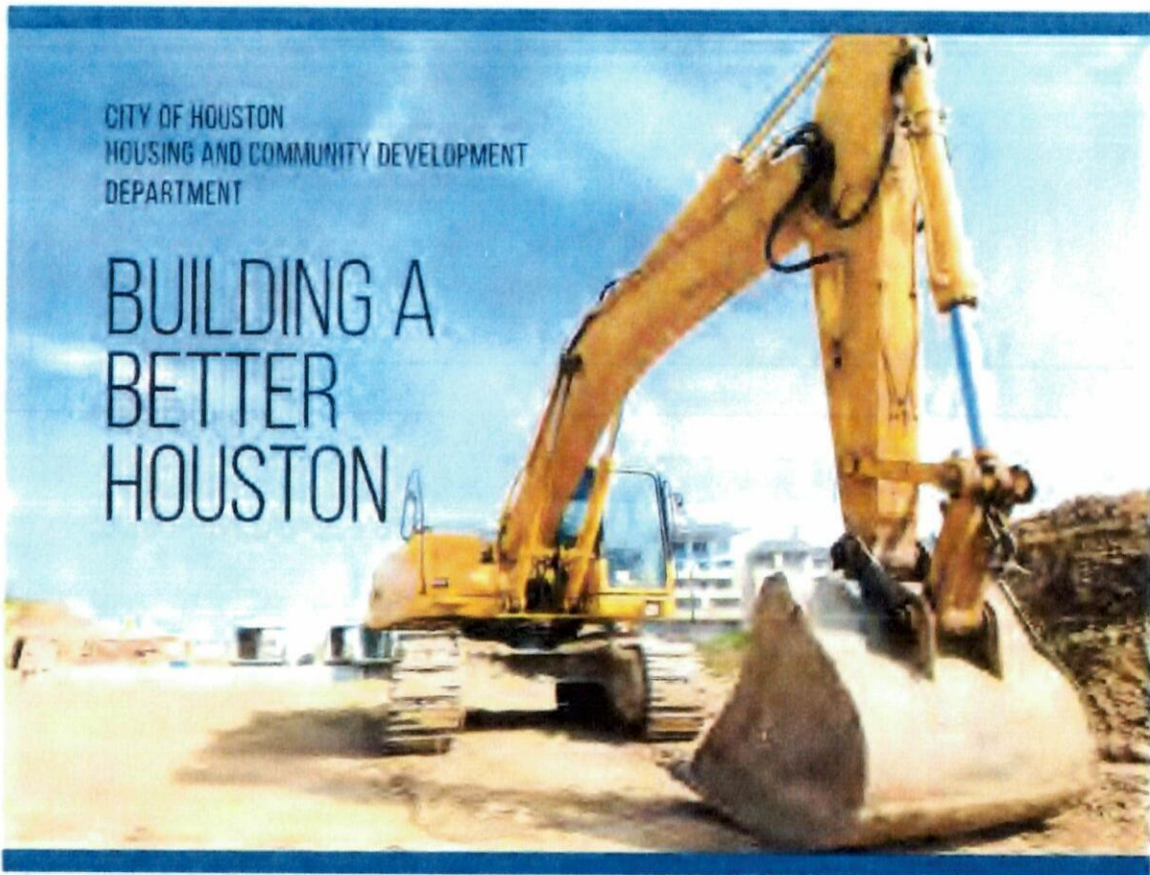
I am unable to certify to the above statements. My explanation is attached.

Appendix 8:

Reserved

Appendix 9:

City's MWSBE, Section 3 and Labor Standards Requirements



FEDERAL LABOR STANDARDS PROVISIONS
MINORITY, WOMEN AND SMALL BUSINESS ENTERPRISES
SECTION 3 REGULATION



www.houstonis.gov/housing



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FEDERAL LABOR STANDARDS PROVISIONS (HUD-4010)

Federal Labor Standards Provisions

U.S. Department of Housing
and Urban Development
Office of Labor Relations

Applicability

The Project or Program to which the construction work covered by this contract pertains is being assisted by the United States of America and the following Federal Labor Standards Provisions are included in this Contract pursuant to the provisions applicable to such Federal assistance:

A. 1 (i) Minimum Wages. All laborers and mechanics employed or working upon the site of the work 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 a 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)(iii) 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 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 therefor 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; and

(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, Employment Standards Administration, 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. (Approved by the Office of Management and Budget under OMB control number 1215-0140.)

(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. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

(d) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(ii)(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 determination 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. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

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 contractor 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, 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. The Comptroller General shall make such disbursements in the case of direct Davis-Bacon Act contracts.

3. (i) **Payrolls and basic records.** Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. 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. (Approved by the Office of Management and Budget under OMB Control Numbers 1215-0140 and 1215-0017.)

(ii) (a) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls 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 the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. 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 on 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 the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee, 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 subparagraph 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 HUD or its designee. (Approved by the Office of Management and Budget under OMB Control Number 1215-0149.)

(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)(iii), 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 subparagraph A.3.(ii)(b).

(d) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under Section 1061 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 subparagraph A.3.(i) 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.

(f) **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 journeyman 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 to the extent the Office of Apprenticeship Training, Employer 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 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 29 CFR Part 5 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 contract.

6. Subcontracts. The contractor or subcontractor will insert in any subcontracts the clauses contained in subparagraphs 1 through 11 in this paragraph A and such other clauses as HUD or its designee may by appropriate instructions require, and a copy of the applicable prevailing wage decision, 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 paragraph.

7. Contract termination; 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 HUD or its designee, the U.S. Department of Labor or the employees or their representatives.

10. (i) Certification of Eligibility. By entering into this contract 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 contract 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 Contract 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 Contract to his employer.

B. Contract Work Hours and Safety Standards Act. The provisions of this paragraph B are applicable 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 the individual is employed on such work to work in excess of 40 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 40 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 therefor 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 40 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 moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contract, 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) **Subcontracts.** 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 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 determined under construction safety and health standards promulgated by the Secretary of Labor by regulation.

(2) The Contractor shall comply with all regulations issued by the Secretary of Labor pursuant to Title 29 Part 1928 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act. (Public Law 91-54, 83 Stat 95) 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 subcontractor as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.

CITY OF HOUSTON'S CODE OF ORDINANCE ARTICLE V. MINORITY, WOMEN, AND SMALL BUSINESS ENTERPRISES

Sec. 15-81. - Declaration of policy.

- (a) It is the policy of the city to stimulate the growth of local minority, women and small business enterprises by encouraging the full participation of these business enterprises in various phases of city contracting, as set forth in this article. The purposes and objectives of this article are:
- (1) To promote equal opportunity for participation amongst local minority, women and small business enterprises in all phases of city contracting;
 - (2) To increase the utilization of such local firms in providing certain goods and services;
 - (3) To provide opportunities to broaden and enhance local firms' ranges of capacities; and
 - (4) To increase opportunities for such local firms to serve as contractors, in addition to acting as subcontractors to others, where applicable, in an effort to remedy discriminatory practices and eliminate statistical disparities in city contracting.
- (b) This article is intended to be remedial in nature and to continue only until its purposes and objectives are achieved. At least every five years the city shall make its best efforts to initiate a review of its minority and women business enterprise program, the results of which shall be provided to city council, who shall determine, upon its receipt of recommendations and the consideration of other relevant information from the OBO director, whether there is strong statistical and anecdotal evidence of discrimination against minority and women business enterprises in city contracting warranting the continuation of a race and gender conscious minority and women business enterprise program.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-82. - Definitions.

The following words and phrases, when used in this article and in article VI of this chapter, shall have the meanings provided in this section, unless the context clearly indicates another meaning. For the purpose of these definitions, the singular shall also include the plural, and the plural shall also include the singular.

Bidder means any person or legal entity which submits a bid or proposal to provide labor, goods or services to the city by contract for profit.

Commercially useful function means a discrete task or group of tasks, the responsibility for performance of which shall be discharged by the MWSBE by using its own forces or by actively supervising on-site the execution of the tasks by another entity for whose work the MWSBE is responsible. In determining whether a MWSBE is performing a commercially useful function, factors including but not limited to the following shall be considered: (1) whether it has the skill and expertise to perform the work for which it is being utilized and possesses all the necessary licenses; (2) whether it is in the business of performing, managing or supervising the work for which it has been certified and is being utilized; and (3) whether it is performing a real and actual service that is a distinct and verifiable element of the work called for in a contract. MWSBEs shall be responsible for performing more than fifty percent of the task or group of tasks being counted toward the applicable participation goal unless subcontracting such task or group of tasks in excess of fifty percent has been expressly authorized via a waiver by the OBO director.

Contractor means any person or legal entity providing goods, labor, or services to the city by contract for profit.

Established business enterprise means a MWSBE or any business applying for certification as a MWSBE that, by virtue of its size meets or exceeds the standards promulgated by the U.S. Small Business

Administration for that category of business, as determined by the procedures described in section 15-87(a) of this Code.

Goal-oriented contract means any contract, agreement or other undertaking anticipated for construction work in excess of \$1,000,000.00 and for the supply of goods or nonpersonal or nonprofessional services in excess of \$100,000.00:

- a. For which competitive bids are required by law;
- b. Which is not within the scope of the disadvantaged business enterprise programs of the United States Environmental Protection Agency or the United States Department of Transportation or any other federal or state agency having jurisdiction; and
- c. That the initiating city department, in consultation with the OBO director, determines has significant subcontracting potential in fields in which there are adequate numbers of known MWSBEs to compete for and perform the subcontract service(s).

Good faith efforts shall refer to steps taken to achieve a MWSBE goal or other requirements which, by their scope, intensity and usefulness demonstrate a bidder's responsiveness to fulfill the business opportunity objective prior to the award of a contract and a contractor's responsibility to put forth measures to meet or exceed a MWSBE goal throughout the duration of the contract.

Joint venture means an association of a MWSBE and one or more other firms to carry out a single, for-profit business enterprise, for which the parties combine their property, capital, efforts, skills and knowledge, and in which the MWSBE is responsible for a distinct, clearly defined portion of the work of the contract and whose share in the capital contribution, control, management, risks, and profits of the joint venture are commensurate with its ownership interest.

Local firm, local MWSBE, or locally based when describing a firm or entity seeking certification means a sole proprietorship, partnership, corporation or any other business entity with a significant business presence in the Houston-Sugar Land-Baytown metropolitan statistical area, as defined by the Office of Management and Budget within the Executive Office of the President of the United States. A significant business presence includes the requirement that a MWSBE have an established place of business in the Houston-Sugar Land-Baytown metropolitan statistical area at which one or more of its employees is regularly based and that such place of business has a substantial role in the MWSBE's performance of a commercially useful function.

MWSBE means, collectively, MBEs, WBEs, and SBEs.

Minority business enterprise or *MBE* means a business which is:

- a. A sole proprietorship in which the owner is a minority person who owns, controls and manages the business; or
- b. A corporation in which at least 51 percent of the stock or of the assets of such corporation is owned, controlled and managed by one or more minority persons; or
- c. A partnership in which at least 51 percent of the assets of such partnership is owned, controlled and managed by one or more minority persons; or
- d. Any other business or professional entity in which at least 51 percent of the assets in such business or professional entity is owned, controlled and managed by one or more minority persons; or
- e. Any entity in which at least 51 percent of the assets of such entity is owned, controlled and managed by one or more minority persons and one or more women and such minority person; or
- f. A business which has been certified as an MBE by the office of business opportunity under any other recognized MBE program.

Minority person means a citizen or legal resident alien of the United States who is:

- a. Black American, which includes persons having origins in any of the black racial groups of Africa;
- b. Hispanic American, which includes persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race;

- c. Asian-Pacific American, which includes persons having origins from Japan, China, Taiwan, Korea, Burma (Myanmar), Vietnam, Laos, Cambodia (Kampuchea), Thailand, Malaysia, Indonesia, the Philippines, Brunei, Samoa, Guam, the U.S. Trust Territories of the Pacific Islands (Republic of Palau), the Commonwealth of the Northern Marianas Islands, Macao, Fiji, Tonga, Kiribati, Juvalu, Nauru, the Federated States of Micronesia, or Hong Kong, or the region generally known as the Far East;
- d. Native American, which includes persons having origins in any of the original peoples of North America, American Indian, Eskimo, Aleut, Native Hawaiian; or
- e. Subcontinent Asian American, which includes persons whose origins are from India, Pakistan, Bangladesh, Bhutan, the Maldives Islands, Nepal, or Sri Lanka.

Origin or descent can be regarded as the ancestry, nationality group, lineage or country in which the person or persons' parents or ancestors were born before their arrival in the United States.

Owned, controlled and managed means that the one or more minority persons or women who own the requisite interests in or assets of a business applying for minority or women business enterprise certification possesses equivalent incidents of such ownership, including an equivalent interest in profit and loss, and has contributed an equivalent percentage of capital and equipment to the business. Contributions of capital and equipment must be real and substantial. In instances where expertise is relied upon to demonstrate ownership, control, and management, it must be shown that the expertise is: (1) in a specialized field; (2) in an area critical to the firm's operation and performance of a commercially useful function; (3) critical to the firm's continued success; and (4) documented in the records of the firm, including but not limited to documentation showing the particular expertise and its value to the firm. Additionally, the individual whose expertise is relied upon must have a significant financial investment in the business. Ownership shall be measured as though not subject to the community property interest of a spouse, if both spouses certify in writing that the nonparticipating spouse relinquishes control over his or her community property interest in the subject business (but by doing so is not required to transfer to his or her spouse his or her community property ownership interest or to characterize the property as the separate property of the spouse). The one or more minority person or woman owners shall have recognized, ultimate control over all day-to-day business decisions affecting the MBE or WBE and shall hold a title commensurate with such control. Such ultimate control shall be known to and at least tacitly acknowledged in day-to-day operations by employees of the business.

Regulated contract means any contract, agreement or other undertaking:

- a. For which competitive bids are not required by law;
- b. That is not covered by the MBE/WBE programs of the United States Environmental Protection Agency or the United States Department of Transportation or any other federal or state agency having jurisdiction; and
- c. That the recommending city department has determined, in consultation with the director of the office of business opportunity either:
 - 1. Has significant subcontracting potential in fields in which there are sufficient known MWSBEs to perform the particular subcontract service(s); or
 - 2. Is of a type for which there are sufficient known MWSBEs which have represented their ability to perform the prime contract service to afford effective competition for the prime contract.

Small business enterprise or *SBE* means a firm whose gross revenues or number of employees, averaged over the past three years, inclusive of any affiliates as defined by 13 CFR Section 121.103, does not exceed the size standards defined in Section 3 of the Federal Small Business Act and applicable Small Business Administration regulations related to the size standards found in 13 CFR Part 121. The term shall also include a certified minority/women business enterprise defined in this Code.

Subcontractor means any business providing goods, labor or services to a contractor if such goods, labor or services are procured or used in fulfillment of the contractor's obligations arising from a contract with the City of Houston.

Woman means a person who is a citizen or legal resident alien of the United States and who is of the female gender.

Women business enterprise or WBE means a business which is:

- a. A sole proprietorship in which the owner is a woman who owns, controls and manages the business; or
- b. A corporation in which at least 51 percent of the stock or assets of such corporation is owned, controlled and managed by one or more women; or
- c. A partnership in which at least 51 percent of the assets of such partnership is owned, controlled and managed by one or more women; or
- d. Any other business or professional entity in which at least 51 percent of the assets in such business or professional entity is owned, controlled and managed by one or more women; or
- e. Any entity in which at least 51 percent of the assets of such entity is owned, controlled and managed by one or more minority persons and one or more women; or
- f. A business which has been certified as a WBE by the office of business opportunity under any other recognized WBE program.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-83. - Program elements.

- (a) Based upon a review of annual awards and purchases by affected city departments, the office of business opportunity shall each year submit a progress report to the city council. The report shall include two percentage figures that are intended to as closely as possible represent the ratio of the prior year's measured utilization and availability of local MWSBEs to do business in:
 - (1) The supply of goods and nonpersonal or nonprofessional services; and
 - (2) The performance of personal or professional services;

to the prior year's total local business community utilization and availability to do business in each of the two named fields of city contracting.

In addition, the report shall include percentage figures that are intended to as closely as possible represent the ratio of the prior year's measured utilization and availability of local MWSBEs to do business in construction to the prior year's total local business community utilization and availability to do business in city construction contracting. The report may also include figures and other evidence of factors prescribed in Part 26, Title 49 of the Code of Federal Regulations in the year the report is made that may affect the aforementioned ratio of utilization and availability.

- (b) Based upon the measured utilization and availability and any other relevant factors prescribed in Part 26, Title 49 of the Code of Federal Regulations and identified in the report submitted pursuant to subsection (a) above, city council shall from time to time set annual city-wide percentage goals for city contracting with MWSBEs in each of the two named categories described in subsection (a)(1) and (2) above and for contracting with MWSBEs in the construction category. The adjustment, if any, in the percentage goals shall be made during the first quarter of the fiscal year.
- (c) It is the responsibility of each city department to determine which contracts initiated by it are goal-oriented contracts and which are regulated contracts. If the determination is made that a contract is a goal-oriented contract or a regulated contract, the initiating department shall review the contract and shall determine, by reference to the MWSBE register, the number of certified MWSBEs in each of the two named categories described in subsection (a)(1) and (2), above, and for construction, the number of certified MWSBEs in the construction category. The initiating department director or his or her designee shall determine whether the contract is one to which MWSBE provisions should be applied.
 - (1) These provisions are not required to be applied in the following circumstances:

- a. A public or administrative emergency exists which requires the goods or services to be provided with unusual immediacy;
- b. The service or goods requested are of such a specialized, technical or unique nature as to require the city department to be able to select its contractor without application of MWSBE provisions (such as contracts for expert witnesses, certain financial advisors or technical consultants);
- c. If application of MWSBE provisions would impose an unwarranted economic burden or risk on the city or unduly delay acquisition of the goods or services, or would otherwise not be in the best interest of the city; or
- d. If the possible MWSBE participation level based on MWSBE availability would produce negligible MWSBE participation.

If one of the above-listed conditions is determined to exist, the department director shall certify that determination in writing prior to the award of the contract, specifying the conditions which lead to the determination, and submit the determination to the OBO director for review and approval.

- (2) If the contract does not fall within one of the above-listed exceptions, based upon its overall review, the initiating department shall assign an appropriate MWSBE participation level, if any, for the contract (whether goal-oriented or regulated) considering the local availability of certified MWSBEs in the contract field.

The intention of this article is to provide administrative flexibility in the application of MWSBE provisions of this Code and in the percentage participation level on a contract-by-contract basis so as not to limit access to city contracting by nonminority-owned, nonwomen-owned or established business enterprises to a greater degree than necessary to meet the city-wide annual goal and the policies and objectives of this article.

- (d) The bidding documents and the contract documents for goal-oriented contracts for which a MWSBE participation level has been established shall contain a provision detailing the purposes and objectives of the city's MWSBE ordinance and shall incorporate by reference this article and the then-current motion or ordinance establishing MWSBE annual goals. Regulated contracts which are determined to have significant subcontracting potential for which a MWSBE participation level has been established shall contain contractual provisions (and proposal provisions if submitted for proposals or for bids) requiring the contractor to meet or exceed the determined MWSBE participation level for that contract, or to establish that it has made good-faith efforts to do so, and that notwithstanding such efforts, was unable to meet or exceed the determined participation levels. The OBO director shall establish procedures defining good-faith efforts. These procedures will be reviewed and approved by the mayor and the city attorney.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-84. - Office of business opportunity.

- (a) Applications for certification as a MWSBE and any addenda thereto shall be made on a form promulgated by the OBO director, and the requirements for certification shall be consistent with the applicable requirements set forth in subsection (b) below.
- (b) The office of business opportunity has responsibility for:
 - (1) Establishing procedures for the implementation of this article, and reviewing and approving procedures established by city departments, such procedures to be narrowly designed to attain the purposes and objectives specified herein without unduly limiting nonminority-owned or nonwoman-owned or established business enterprises. Such procedures shall be reviewed and approved by the mayor and by the city attorney prior to implementation;
 - (2) Certifying businesses as minority, small or women business enterprises and maintaining and distributing to affected city departments a current register, updated monthly, of such business (including a separate listing of such businesses whose applications for certification are pending) specifying the categories of city contracting represented by the certified MWSBEs;

- (3) Developing educational programs for and otherwise assisting (without offering favoritism in relation to the competitive bidding system) MWSBEs to compete effectively for city contracts;
- (4) Making recommendations to the mayor, city council and city departments to further the policies and objectives of this article, including but not limited to assisting city departments in setting contract-specific MWSBE goals;
- (5) Reviewing documentation from potential contractors and from contractors concerning good-faith efforts made to meet or exceed the participation level for contracts. The final recommendation to city council for award or for acceptance of work shall be the city department's, although the office of business opportunity may take exception;
- (6) Compiling a report of the progress of city departments, by department, in attaining the city-wide goals set by city council. This report shall be based upon MWSBE contractor and subcontractor information, to be specified by the office of business opportunity. Upon completion, the report is to be submitted quarterly to city council members, the mayor and all affected city department directors for their information;
- (7) Receiving and reviewing complaints and suggestions concerning the MWSBE program from contractors, MWSBEs and city departments; and
- (8) Without limiting the authority of the office of business opportunity to establish procedures that are consistent with the terms of this article, the office of business opportunity is specifically directed to promulgate and implement procedures as follows:
 - a. Grievance procedures for any person aggrieved by any decision of the office of business opportunity under this article. The procedures shall include notice and a hearing before an impartial hearing officer who shall be appointed by the mayor;
 - b. Mediation procedures for the resolution of disputes between contractors or bidders and MWSBE participants or potential participants with respect to any aspect of compliance with this article, including, without limitation, any assertion that a contractor, subcontractor, or MWSBE has failed to make good faith efforts to comply with this article;
 - c. Procedures to implement and enforce any sanctions provided under this article;
 - d. Procedures to ensure performance of work by MWSBEs, which procedures shall include: (i) a requirement that no more than 50 percent of their work may be subcontracted, without a specific waiver from the office of business opportunity for cause; (ii) a requirement that the minority person, small business or woman owner of a MWSBE have the necessary experience, expertise, credentials and regulatory authority to conduct the type of business for which the business is certified; (iii) a requirement that bidders and contractors make good faith efforts to meet or exceed contract MWSBE goals; and (iv) a requirement that MWSBEs accurately represent all material information required for certification and truly perform a commercially useful function;
 - e. Procedures for counting participation by MWSBEs as prime contractors, subcontractors, suppliers and joint venturers on city contracts, which procedures shall ensure that all work performed by MWSBEs is included in the computation of the progress made toward meeting the annual city-wide goals;
 - f. Procedures to ensure that this article is limited in its application to the certification of locally based MWSBEs;
 - g. Procedures to coordinate the operation of this article with other local MWSBE programs, which may include reliance upon certification procedures of other entities that are determined to be reliable and equivalent to this article;
 - h. Procedures to ensure access to necessary records of prime contractors and subcontractors on city contracts; and
 - i. Procedures for handling theft of services (wage theft) complaints of employees of city contractors and subcontractors.

- (c) MWSBE certification shall be valid for a period of three years from the date of certification; provided, however, all applicants certified as MWSBEs shall be subject to review on an annual basis pursuant to procedures established by the OBO director to ensure compliance with all applicable provisions of this article.
- (d) Applications for renewal of MWSBE certification shall be evaluated under the same criteria and subject to the same manner of review as original applications.
- (e) All procedures established under this section shall be reviewed and approved by the city attorney prior to implementation. A copy of all procedures hereunder shall be maintained in the office of business opportunity for inspection, and copies may be purchased at the fees prescribed by law.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-84.1. - Responsibilities of city departments; department utilization plan.

- (a) Each department director shall be accountable for the oversight and implementation of the following activities:
 - (1) Informing MWSBE organizations or associations of the department's procurement procedures and future procurement opportunities;
 - (2) Ensuring that department bid solicitations and requests for proposals are sent to MWSBEs in a timely manner;
 - (3) Referring MWSBEs to technical assistance services available from the office of business opportunity and other organizations that provide such services;
 - (4) Reviewing each request for waiver or modification of participation goals prior to its submission to the office of business opportunity for approval;
 - (5) Monitoring the department's procurement activities to ensure compliance with and progress towards the city-wide participation goals; and
 - (6) Providing the OBO director with the departmental utilization plan prescribed in subsection (b) of this section and any other documentation requested by the office of business opportunity necessary in evaluating a department's progress in achieving city-wide participation goals.
- (b) Each department that has procured goods and services in excess of three million dollars during the fiscal year ending on June 30th of the preceding calendar year shall be required to submit a departmental utilization plan for the following fiscal year commencing on July 1st. Departmental utilization plans shall be submitted on or before June 15, 2014, and not later than June 15th of each calendar year thereafter.
- (c) Each department director shall be responsible for creating, submitting, and implementing an annual departmental utilization plan that shall include, at a minimum, the following:
 - (1) The department's forecast of anticipated projects and contract specific goals for the upcoming fiscal year;
 - (2) A detailed, written explanation for any departmental goal that is not consistent with the overall city-wide goals for MWSBE participation;
 - (3) A list of the names and titles of department personnel responsible for the implementation of the departmental utilization plan;
 - (4) The methods and relevant activities proposed for achieving the department's participation goals; and
 - (5) Any other information the department director deems relevant or necessary.
- (d) Upon review by the OBO director, all departmental utilization plans shall be submitted to the mayor and city council for final approval.
- (e) A departmental utilization plan may be amended to reflect changes in the department's projected procurements, expenditures, or other relevant circumstances and resulting changes in the department's participation goals. Such amendments shall be submitted to the OBO director for review and shall be submitted to city council for final approval not less than 30 days prior to the proposed date of implementation.

- (f) Each department director shall be accountable for setting and making reasonable efforts to meet the participation goals stated its departmental utilization plan. Departments shall, at minimum, engage in outreach activities that encourage eligible businesses to apply for certification as MWSBEs and encourage MWSBEs to participate in all facets of the procurement process and compete for city contracts, including contracts awarded by negotiated acquisition and emergency and sole source contracts.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-85. - Filing of plan.

Before execution of any contract or issuance of any purchase order for which a MWSBE goal has been established, a bidder or potential contractor shall submit a plan setting forth how it intends to meet the contract MWSBE goal or documentation demonstrating its proof of good faith efforts to meet the contract MWSBE goal. After execution of a contract or receipt of a purchase order, the contractor shall comply with the submitted plan, unless it has received approval from the OBO director for a deviation therefrom. Approval shall not be unreasonably withheld. While it is not a requirement that a contractor meet its goal, it is required that the contractor objectively demonstrate to the office of business opportunity that it has made good faith efforts to meet the goal. To this end, the contractor shall maintain records as prescribed by the office of business opportunity demonstrating its efforts at compliance. The contractor shall be required to submit to the office of business opportunity reports of its efforts under this article in such form or manner as shall be prescribed by the OBO director.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-86. - Sanctions.

- (a) The OBO director is authorized to suspend any contractor who has failed to make good faith efforts to meet any goal established under this article from engaging in any contract with the city for a period up to, but not to exceed, five years. The OBO director is also authorized to suspend any MWSBE who has failed to make good faith efforts to meet all requirements necessary for participation as a MWSBE from engaging in any contract affected by this article for a period up to, but not to exceed, five years.
- (b) In accordance with section 15-84 of this Code, the office of business opportunity shall establish procedures for the imposition of sanctions and shall ensure that no sanction is imposed without notice of the grounds being given and an opportunity for a hearing consistent with the procedures set forth in sections 15-22, 15-23, and 15-24 of this Code. Any procedure established shall be consistent with state law.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-87. - Determination of established business enterprise status.

- (a) Based upon a review of data submitted by MWSBEs or MWSBE applicants and any other information available from its files or the files of any other governmental entity, the office of business opportunity shall determine the size of each MWSBE or MWSBE applicant by determining the average of the gross receipts for the prior three years and the average number of employees for the 12 calendar months immediately preceding the review, as applicable. The calculation of size shall be based solely upon the size standards and methods of calculation identified by the U.S. Small Business Administration (SBA) including, without limitation those set forth in 13 C.F.R. part 121, subpart A, secs. 121.101 through 121.107, and sec. 121.201, any amendment or successor thereto, or any other document defining such size standards or the calculation thereof that has been fully and finally adopted by the SBA. The review shall be applicable to business entities applying for initial certification as a MWSBE or to certified MWSBEs, provided that such review may not be initiated until the applicant or certified MWSBE has established a business history of sufficient length to allow calculation of size based on the three year financial or 12 month employee data, as applicable.
- (b) Following the review described in this section, each certified MWSBE or MWSBE applicant shall be re-evaluated under this section on an annual basis based upon the size standards and methods of calculation

identified by the SBA and procedures established by the OBO director to ensure compliance with all applicable provisions of this article.

- (c) All MWSBEs and MWSBE applicants shall, upon written request of the OBO director, provide to the office of business opportunity copies of any and all documents, including without limitation financial statements and tax records, requested by the director in connection with the review authorized in subsection (a) of this section, not later than 20 business days following the date of mailing of the request. Failure to timely and completely comply with any such request will authorize the imposition of sanctions under section 15-86 of this Code, or denial of certification in the case of a MWSBE applicant.
- (d) Following the review authorized by subsection (a) of this section, the office of business opportunity shall classify each MWSBE or MWSBE applicant whose size meets or exceeds the size standard identified by the SBA for that class of enterprise as an established business enterprise. The classification shall be effective as of the date of mailing of the notice provided in section 15-88 of this Code.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-88. - Notice, appeal and waiver.

- (a) Immediately upon classification of a certified MWSBE or MWSBE applicant as an established business enterprise pursuant to section 15-87 of this Code, the office of business opportunity shall notify the business so classified of the action by United States certified mail, return receipt requested, addressed to the last known address of the business and deemed given when placed in a United States mail depository.
- (b) Each notice shall inform the affected MWSBE or MWSBE applicant of the following matters: (1) That the MWSBE or MWSBE applicant has been classified as an established business enterprise;
- (2) That the classification is effective as of the date of mailing of the notice;
- (3) That the MWSBE or MWSBE applicant may appeal the classification or seek a waiver of the classification pursuant to the procedures established under this section;
- (4) That the provisions of section 15-89 of this chapter shall become enforceable with respect to any certified MWSBE one year following the notice of classification, unless the decision is reversed or a waiver is granted and the classification is withdrawn prior to the expiration of the one-year period; and
- (5) That any MWSBE applicant deemed ineligible for certification based upon its classification as an established business enterprise shall remain ineligible for certification unless and until any withdrawal of the classification as an established business enterprise is granted pursuant to an appeal or a request for waiver conducted under this section.
- (c) In order to appeal a classification as an established business enterprise, a MWSBE or MWSBE applicant must submit to the OBO director a written notice of appeal no later than 60 days following the date of mailing of the notice of classification. The sole basis for an appeal shall be that the office of business opportunity has incorrectly calculated the size of the business according to SBA standards based upon incorrect information or error in computation. The notice of appeal shall be accompanied by any documentation necessary to demonstrate the asserted error. If the OBO director finds that an error or errors were made in calculating the size of the business and that any such error resulted in an incorrect classification as an established business enterprise, the classification shall be withdrawn and the business promptly notified of the withdrawal. If the OBO director finds that no error was made, or that any error would not materially alter the classification, he shall notify the business that the classification is not altered, by certified mail, return receipt requested. The business may within ten days of the date of mailing of the notice submit to the OBO director a written request for a hearing, which hearing shall be conducted under the procedures set forth in subsections (e) through (g) of this section.
- (d) In order to seek a waiver of a classification as an established business enterprise, a MWSBE or MWSBE applicant must submit to the OBO director a written request for a hearing no later than 60 days following the date of mailing of the notice of classification. The written request shall include documentary evidence, including but not limited to financial statements and tax records, relevant to the following criteria:

- (1) Profitability of the enterprise;
 - (2) Sales of the enterprise, including a demonstration that 55 percent or more of the enterprise's sales, within the period utilized by the office of business opportunity in its classification determination, are not related to city contracts;
 - (3) Ability of the MWSBE or MWSBE applicant to obtain bonding, if the enterprise acts as a prime contractor or in a category in which obtaining bonding is required; and
 - (4) Positive comparison of the enterprise's business and financial profile with those of non-MWSBE firms in the same business category based on an objective industry standard.
- (e) The OBO director shall notify the affected MWSBE or MWSBE applicant of the place and time of a hearing before the OBO director or his designee to consider an appeal requested under subsection (c) of this section, or a request for waiver of the classification under subsection (d) of this section, or both, as applicable, by United States certified mail, return receipt requested. The hearing shall be set not later than 30 days following receipt of the request, provided that the OBO director or his designee may in his discretion extend such date by a reasonable period for good and sufficient cause shown. Hearings for businesses that have both appealed under subsection (c) of this section and requested a waiver under subsection (d) of this section may be consolidated in a single hearing at the discretion of the OBO director or his designee.
- (f) The OBO director shall promulgate written procedures for the conduct of hearings. The OBO director or his designee shall hear each appeal or request for waiver and shall consider only the criteria set forth under subsections (c) and (d)(1) through (d)(4) of this section, as applicable, in determining whether to withdraw the classification of the affected business as an established business enterprise. The OBO director shall develop objective standards for evaluating each factor set forth under subsections (d)(1) through (d)(4) based upon recognized industry or governmental practices or standards. The burden shall be on the business to demonstrate by clear, convincing and cogent evidence either that a material error in classification was made or that the granting of a waiver is justified by at least two of the criteria set forth in subsections (d)(1) through (d)(4) of this section.
- (g) Notwithstanding any provision of this Code or of the rules or regulations of the office of business opportunity to the contrary, including any provision for mediation of a decision of the OBO director, the decision of the OBO director or his designee regarding appeal or waiver shall be final.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-89. - Effect of classification; re-application.

- (a) Upon the expiration of one year following the notice of classification as an established business enterprise referenced in section 15-88(a) of this Code, and in the absence of any withdrawal of such classification by the OBO director, each certified MWSBE so classified shall be ineligible for future participation in any city contract as a MWSBE and its certification shall be withdrawn. No application for re-certification shall be granted absent the prior determination of the OBO director that the applicant does not meet or exceed the SBA size standards referenced in section 15-87(a) of this Code. Certified businesses whose evaluation results in classification as an established business enterprise shall timely file any re-certification application due prior to expiration of the one year extension of program eligibility referenced in this section, but the application shall not be granted unless and until the classification is withdrawn or waived.
- (b) Notwithstanding any provision of this Code or the rules or regulations of the office of business opportunity to the contrary, including any provision for mediation of a decision of the OBO director, any initial applicant for MWSBE certification who meets the criteria for an established business enterprise at the time of its application and is so classified shall be denied certification on that basis alone and shall have no recourse for the denial except through challenging the classification in the manner set forth in section 15-88 of this chapter. Any and all other matters pertaining to the eligibility of the applicant shall be abated and shall only be reinstated if the classification as an established business enterprise is withdrawn.
- (c) The office of business opportunity may continue to assist established business enterprises following ineligibility as follows:

- (1) Such businesses, if formerly certified by the city, may continue to be listed in any listing of MWSBE firms in a separate category of established MWSBE firms for the information of other private or public entities; and
 - (2) Such businesses, if formerly certified by the city, may receive information, counseling and referrals to other agencies supporting business enterprises from the office of business opportunity after their classification as established business enterprises.
- (d) No sooner than one year following the date of program ineligibility provided in subsection (a) of this section or the denial of certification provided in subsection (b) of this section, any established business enterprise may apply for reinstatement as a fully eligible, certified MWSBE or reinstatement of an application for certification abated under subsection (b) of this section, as applicable, upon demonstrating the existence of one or more of the following conditions:
- (1) That the subsequent history from the date of initial classification as an established business enterprise demonstrates that a size calculation as of the date of application for reinstatement would place the business below the SBA size standards for that category of business;
 - (2) That the established business enterprise has successfully obtained an SBA size determination from a federal agency authorized to make such a determination, or has prevailed in an SBA size protest under 13 CFR § 121.1001, et seq., as amended, including any judicial review thereof, establishing that the business does not meet or exceed the applicable SBA size standard;
 - (3) That the SBA size standards have been revised in such a manner that the subject business no longer meets or exceeds the size standard for its category based upon the most recent three-year average for receipts or 12 month average for employees, as applicable; or
 - (4) That the criteria listed in section 15-88(d) of this Code demonstrate the need to grant a waiver and withdraw the classification of the business as an established business enterprise.
- (e) Applications for reinstatement shall be on a form prescribed by the OBO director and shall be accompanied by relevant documentary evidence supporting the ground or grounds for reinstatement asserted, as requested by the OBO director.
- (f) Within 30 days following receipt of a completed application for reinstatement, the OBO director shall grant the application or deny the application and set the matter for hearing within 30 days of the date of mailing notice of such denial.
- (g) The burden on the business applying for reinstatement shall be to demonstrate the existence of one or more of the conditions set forth in subsections d(1) through d(4) of this section by clear, convincing and cogent evidence, to be evaluated by the director under hearing procedures consistent with the nature of the application and, to the extent applicable, with the provisions of subsections (c), (d), (e) and (f) of section 15-88 of this Code. In addition, a business seeking reinstatement under subsection (b)(4) of this section that has previously sought a waiver of classification as an established business enterprise pursuant to section 15-88(d) of this chapter must present evidence of a material and substantial change in circumstances not shown at the preceding hearing, and the OBO director or his designee shall disregard evidence that is repetitious or cumulative of the prior hearing on the matter.
- (h) The decision of the OBO director or his designee following a hearing on reinstatement shall be final, and any applicant denied reinstatement is to be notified in writing of the decision within ten days following the hearing. No business denied reinstatement may subsequently apply for reinstatement until the expiration of one year from the date of the denial.

(Ord. No. 2013-428, § 10 (Exh. A), 5-8-2013, eff. 7-1-2013)

**REQUIREMENTS FOR THE CITY OF HOUSTON PROGRAM FOR
MINORITY, WOMEN, AND SMALL BUSINESS ENTERPRISES (MWSBE) AND
PERSONS WITH DISABILITIES ENTERPRISES (PDBE)**

CONSTRUCTION CONTRACTS

I. GENERAL

A. CITY AUTHORITIES

1. The "OBO Director" is the City of Houston's Office of Business Opportunity Director, or his or her designee.

City of Houston
611 Walker Street, 7th Floor
Houston, Texas 77002

2. The "Contracting Department" for this Project is the City of Houston Department specified in Document 00520 – Agreement.
3. The "Project Manager" for this Project is specified in Document 00550, Contract Approval Notification.

II. REOCCURRING REPORTS THAT MUST BE SUBMITTED DURING THE COURSE OF THE CONTRACT:

A. MWSBE MONTHLY REPORT PROCESS

The Contractor shall complete the MWSBE Monthly Utilization Report in the Contract Compliance and Monitoring System (available at <https://houston.mwdbe.com/>).

- B. The Contractor shall comply with further, applicable instructions regarding reporting and compliance as provided in Sections III.E and III.I below.

III. BUSINESS ENTERPRISE PROGRAM REQUIREMENTS:

A. PURPOSE

This Document facilitates implementation of City of Houston, Tex. Code of Ordinances Chapter 15, Article V, § 15-81 *et seq.*, relating to MWSBE contract participation, and Code of Ordinances Chapter 15, Article VI, § 15-90 *et seq.*,

relating to PDBE contract participation (collectively, the "Business Enterprise Program or "MWSBE"). City of Houston, Tex. Ordinance 2013-0428, May 8, 2013.

B. POLICY

It is the policy of the City to encourage the full participation of Minority and Women-owned Business Enterprises, Small Business Enterprises, and Persons with Disabilities Business Enterprises in all phases of its procurement activities and to afford them a full and fair opportunity to compete for City contracts at all levels.

C. POLICY ELEMENTS

1. The Contractor agrees to ensure that MWSBE firms have a full and fair opportunity to participate in the performance of City contracts. In this regard the Contractor shall make all reasonable Good Faith Efforts to meet the Contract Goals for this Contract.
2. The Contractor and any Subcontractor shall not discriminate on the basis of race, color, religion, national origin, or sex in the performance of City contracts.
3. Contractor's performance in meeting the Participation Plan Percentage will be monitored during the construction phase of the Contract by the Office of Business Opportunity ("OBO") and the Contracting Department (the "Department").

D. PERCENTAGE GOALS

The MWSBE goals and PDBE goals, if any, for the Work are specified in Document 00800 – Supplementary Conditions Goals.

E. CONTRACTOR RESPONSIBILITIES

1. **Prior to Award:**

The Bidder shall submit MWSBE documents in accordance with the requirements of Document 00410 – Bid Form Part A.

 - a. In accordance with the Code of Ordinances and the OBO Good Faith Efforts Policy (Attachment A), the Department shall approve an Apparent Low Bidder's MWSBE Participation Plan, Document 00470 (the "Bidder's Plan" or "Plan"), within three business days of the Bid Opening only if the Department representative determines that Bidder's Plan meets the advertised Contract Goal and is administratively complete.

- b. If the Department cannot approve the Bidder's Plan, it shall forward the Plan to OBO, who shall review the Bidder's Plan, and if applicable, the Bidder's Document 00471 (Record of Good Faith Efforts) and Document 00472 (Pre-Award Deviation Request) and determine whether the Bidder has made Good Faith Efforts to meet the Contract Goals within 10 business days of the Bid Opening.
- c. If OBO determines that the Bidder has failed to provide a valid participation plan or make Good Faith Efforts or if the Bidder fails to provide documents and associated information required by this Document 00808 or reasonably requested in writing by OBO, OBO may declare the Bidder to be non-responsible.
- d. If OBO determines that the Bidder has made Good Faith Efforts, OBO may approve the Bidder's Contract Goal Deviation request. Thereafter, the Bidder/Contractor shall be bound by the Plan, as approved or modified by OBO.
- e. The Contractor shall:
 - (1) ensure that all MWSBE firms listed in the Plan are certified by the Office of Business Opportunity prior to bid date. Qualified, non-certified firms may obtain priority consideration for certification if no more than two firms are certified with the same capability as the non-certified firm.
 - (2) execute written contracts with all certified Subcontractors and Suppliers. All such contracts must be executed and sent to OBO and Contracting Department within 30 days after the date of the Notice to Proceed and must include provisions set forth in Articles 3 and 5 of Document 00700, General Conditions; and
 - (3) designate an MWSBE liaison officer who will administer the Contractor's MWSBE program and who shall document and maintain records of Good Faith Efforts to subcontract with MWSBE Subcontractors and Suppliers.

2. After Award:

- a. The Contractor shall submit MWSBE Monthly Utilization Reports, as requested in Article II above.
- b. The Contractor shall complete and submit to OBO a deviation request if the Contractor reasonably believes that it will not achieve the Business Enterprise Program Participation Plan Percentage documented in the Plan. The Contractors shall also submit to OBO, with a copy to the Contracting Department, a Record of Post-Award Good Faith Efforts (Document 00571) for each Certified Firm that the Contractor does not use in accordance with the Approved Plan before the Contractor uses another firm to perform the work.
- c. The Contractor shall conform to the Plan unless OBO approves a

deviation request. OBO shall approve or reject a request for deviation within five business days of receipt of the request.

- d. OBO shall approve a deviation request if:
 - (1) for a reason beyond the Contractor's control, the Contractor is unable to use the certified MWSBE firm in the Plan to perform the specified work. In such cases, the Contractor shall use and document Good Faith Efforts to find a similarly qualified, certified MWSBE firm to perform such specified work; or
 - (2) the Contractor reasonably believes that, due to a change of scope, execution of the work in accordance with the directions from the Contracting Department is unlikely to meet the terms of the Plan. In such cases, the Contractor shall use and document Good Faith efforts to achieve a reasonable amount of MWSBE participation on the remaining work on the Contract.
 - (3) OBO shall not unreasonably withhold approval of a deviation request.
- e. After the Date of Substantial Completion, OBO shall evaluate the Contractor's Good Faith Efforts towards meeting the Plan, as it may be amended.
- f. If the Contractor fails to conform to the Plan and fails to submit a Post-Award Deviation Request or provide documents and associated information required by the Good Faith Efforts Policy or reasonably requested in writing by OBO, OBO may impose sanctions in accordance with Article VI of this Document 00808.

F. ELIGIBILITY OF MWSBE FIRMS FOR SUBCONTRACTING

- 1. To ensure that the City's Business Enterprise Program benefits only those firms that are owned and controlled by a minority person(s), a woman (women), a person(s) with a disability, or a small business enterprise, the Office of Business Opportunity will certify the eligibility of MWSBE and PDBE Contractors, Subcontractors, and Suppliers. Contact the OBO Certification Division at 832-393-0600 for information regarding certification.
- 2. Firms must be certified by OBO at the time of bid in order to be counted towards meeting MWSBE goals. OBO maintains a Certified Minority, Women and Small Business Enterprises and Persons with Disabilities Business Enterprises Directory on the City's website. This Directory also lists federally-designated Disadvantaged Business Enterprises (DBEs).

G. DETERMINATION OF MWSBE PARTICIPATION

MWSBE participation shall be counted toward meeting the Contract Goals in

response to the following:

1. Contractor may count toward its Contract Goals only those MWSBE Subcontractors/ Suppliers performing a Commercially Useful Function.
 - a. **COMMERCIALLY USEFUL FUNCTION** means a discrete task or group of tasks, the responsibility for performance of which shall be discharged by the MWSBE firm by using its own forces or by actively supervising on-site the execution of the tasks by another entity for whose work the MWSBE firm is responsible. In determining whether a certified firm is performing a commercially useful function, factors including but not limited to the following shall be considered: (1) whether the firm has the skill and expertise to perform the work for which it is being utilized and possesses all necessary licenses; (2) whether the firm is in the business of performing, managing, or supervising the work for which it has been certified and is being utilized; and (3) whether it is performing a real and actual service that is a distinct and verifiable element of the work called for in a contract. Without limiting the generality of the foregoing, a MWSBE will not be considered to be performing a commercially useful function, if it subcontracts more than 50 percent of a contract being counted toward the applicable Contract Goals, unless such subcontracting in excess of 50 percent has been expressly approved by OBO either pre-bid or post award.
 - b. OBO shall approve a Plan Deviation Request if the Contractor demonstrates that the industry standard for the type of work involved is to subcontract over 50 percent of the work.
2. Once a firm is certified as a MWSBE firm, the total dollar value of the subcontract awarded to the MWSBE firm is counted toward the Contract Goals, counting only the work in which the MWSBE has performed a Commercially Useful Function. The use of one MWSBE certified firm to meet multiple goals (e.g. MBE, WBE, SBE goals) on a contract is prohibited, unless expressly approved by OBO. Safety and Participation goals do not count as a single goal concerning MWSBE/DBE requirements.
3. The dollar value of the work performed by a certified Prime Contractor may not be counted toward the MWSBE goal unless the certified Prime Contractor is a part of a joint venture. When the Contractor or Subcontractor is in a joint venture with one or more MWSBE firms, OBO shall determine the percent of participation resulting from such joint venture to be counted toward the Contract Goals. The City may count towards the Contractor's MWSBE contract goal that portion of the total value of the contract amount paid to an MWSBE joint venturer equal

to the distinct, clearly defined portion of the contract work performed by the MWSBE.

4. A MWSBE Supplier's participation will be counted towards the MWSBE goals if all of the following criteria are met. The MWSBE Supplier must:
 - (a) negotiate price;
 - (b) determine quality and quantity;
 - (c) order the materials;
 - (d) show that the invoice is in the certified firm's name;
 - (e) pay for the material itself;
 - (f) control delivery; and
 - (g) be certified to provide the supplies in the appropriate NAICS code.

If the listed criteria above are not met, only the entire amount of fees or commissions charged for assistance in the procurement of the supplies and materials, or fees or transportation charges for the delivery of supplies or materials required on a job site will be counted towards the MWSBE goal. To be counted, proof must be provided of the fees paid and the fees must be reasonable and not excessive as compared with fees customarily allowed for similar services. MWSBE Supplier participation may account for no more than 50% of the MWSBE participation plan.

5. The OBO Policy and Procedures Manual, as amended from time to time, shall apply to the Contract for other determinations regarding counting MWSBE participation not explicitly provided for in the Contract.

H. CONTRACTOR COMPLIANCE

To ensure compliance with MWSBE requirements, OBO and the Department will monitor Contractor's efforts regarding MWSBE Subcontractors/Suppliers during the performance of this Contract. This may be accomplished through the following: job site visits; reviewing of records and reports; and interviews of randomly selected personnel.

I. RECORDS AND REPORTS

1. In accordance with II.A of this Document, the Contractor shall submit an initial report outlining MWSBE participation 40 days after the Notice to Proceed date, and on or before the 15th day of each month thereafter until all MWSBE subcontracting or material supply activity is completed. Each report shall cover the preceding month's activity. The Contractor shall use the MWSBE Contract Compliance and Monitoring System (B2G Now) to meet this requirement.
2. Contractor shall maintain the following records for review upon request by OBO or the Department:

- a. Copies of executed Subcontractor agreements and purchase orders;
 - b. Documentation of payments and other transactions with MWSBE Subcontractors/ Suppliers; and
 - c. Appropriate explanations of any changes or replacements of MWSBE Subcontractors/Suppliers. All replacement MWSBE Subcontractors/Suppliers must be certified by OBO.
 - d. Any other records required by OBO or Contracting Department.
3. If a Participation Plan Percentage is not being met, the monthly report shall include a narrative description of the progress being made in MWSBE participation. If sufficient MWSBE Subcontractors or Suppliers to meet the Participation Plan Percentage are being utilized, they should be identified by name and the dollar amount paid to date for work performed or materials furnished by each MWSBE during the monthly period. Reports are required when no activity has occurred in a monthly period.
4. Contractor shall retain all such records for a period of four years following completion of the Work and shall be available at reasonable times and places for inspection by authorized representatives of the City including the City Controller.

IV. SANCTIONS:

A. SUSPENSION PERIOD AND WAIVER

Pursuant to Section 15-86 of the Code of Ordinances, OBO is authorized to suspend any Contractor who has failed to make Good Faith Efforts for a period of up to, but not to exceed, five years.

B. GUIDELINES FOR IMPOSITION OF SANCTIONS

1. General:

- a. OBO shall not impose any sanction except upon evidence of specific conduct on the part of a MWSBE or Contractor that is inconsistent with, or in direct contravention of, specific applicable requirements for Good Faith Efforts.
- b. Imposition and enforcement of suspensions shall be consistent with applicable state law.

2. Severity of Sanctions:

- a. In determining the length of any suspension, OBO shall consider the following factors:
 - (1) Whether the failure to comply with applicable requirements involved intentional conduct or, alternatively,

may be reasonably concluded to have resulted from a misunderstanding on the part of the Contractor or MWSBE of the duties imposed on them by Article V of Chapter 15 of the Code of Ordinances and these procedures;

- (2) The number of specific incidences of failure by Contractor or MWSBE to comply;
 - (3) Whether the Contractor or MWSBE has been previously suspended;
 - (4) Whether the Contractor or MWSBE has failed or refused to provide OBO with any information requested by OBO's Director or required to be submitted to OBO's Director pursuant to law or these procedures;
 - (5) Whether the Contractor or MWSBE has materially misrepresented any applicable facts in any filing or communication to OBO; and
 - (6) Whether any subsequent restructuring of the subject business or other action has been undertaken to cure the deficiencies in meeting applicable requirements.
- b. Suspensions may be for any length of time not to exceed five years. Suspensions in excess of one year shall be reserved for cases involving intentional or fraudulent misrepresentation or concealment of material facts, multiple acts in contravention of applicable requirements, cases where the Contractor or MWSBE has been previously suspended, or other similarly egregious conduct.

C. APPEALS

A decision to implement a suspension may be taken after notice and an opportunity for an informal conciliation conference with OBO and a hearing by the Contract Compliance Commission. Commission members shall not have participated in the actions or investigations giving rise to the suspension hearing.

D. NOTICE

1. Prior to imposing any suspension, OBO shall deliver written notice to the Contractor or MWSBE setting forth the grounds for the proposed suspension and setting a date, time, and place to appear for an informal conciliation conference with OBO, in addition to information regarding the appearance before the Contract Compliance Commission for a hearing on the matter.
2. Any notice required or permitted to be given hereunder to any Contractor or MWSBE may be given either by personal delivery or by certified United States mail, postage prepaid, return receipt requested, addressed to their

most recent address as specified in the records of the Office of Business Opportunity or in the Contract if no address is on file with the Office of Business Opportunity.

E. HEARING PROCEDURES

Proceedings before the Contract Compliance Commission shall be conducted in accordance with Section 15-23 of the Code of Ordinances. If the Commission, in a written decision, finds that a suspension is supported by the evidence presented, the Commission shall submit its recommendation to the Mayor and City Council.

ATTACHMENT A

**City of Houston
Office of Business Opportunity
Good Faith Efforts Policy**

General Policy.

Good Faith Efforts are steps taken to achieve an Contract Goal or other requirements which, by their scope, intensity and usefulness demonstrates the bidder's responsiveness to fulfill the business opportunity objective prior to the award of a contract, as well as the contractor's responsibility to put forth measures to meet or exceed the Contract Goal throughout the duration of the contract.

Good Faith Efforts are required to be made and demonstrated by an apparent successful bidder on goal oriented contracts or proposer on a regulated contract prior to award of a contract. Good Faith Efforts are required on professional services and construction contracts and on procurement of goods and non-professional service contracts with goals. If a bidder, when submitting a participation plan at the time of bid or proposal submission, anticipates it cannot or will not meet the Contract Goal prior to the award, the bidder must demonstrate to Office of Business Opportunity ("OBO") it has made Good Faith Efforts to meet the Contract Goal, to be eligible for the contract award.

Good Faith Efforts shall be evaluated on a case-by-case basis in making a determination whether a bidder or contractor is in compliance with this policy. The efforts employed by a bidder or contractor should be those that one could reasonably expect a bidder or contractor to take if the bidder were actively and aggressively attempting to obtain MWSBE participation sufficient to meet the Contract Goal. Efforts taken that are mere formalities or other perfunctory acts shall not be considered Good Faith Efforts to meet Contract Goals.

The factors provided herein are representative of the types of actions OBO will consider in determining whether the bidder or contractor made Good Faith Efforts to obtain MWSBE participation to meet the Contract Goal. The factors prescribed below are not intended to be a mandatory checklist, nor is it intended to be exhaustive or exclusive. OBO may consider other factors or types of efforts that may be relevant in appropriate cases.

If a contractor fails to submit Good Faith Efforts documentation as provided in this Policy, it waives the right to appeal OBO decisions related to this Policy. OBO will review all the efforts made by the contractor, including the quality and quantity of those efforts.

Pre-Award.

A bidder must submit a participation plan (Document 00470) to OBO at the time the bidder

submits the bid. If the participation by certified MWSBE subcontractors documented on the participation plan ("participation") is less than the Contract Goal, a bidder should submit a Record of Good Faith Efforts (Document 00471) with the bid. A bidder should also submit a request for a deviation (Document 00472) if the bidder, having used Good Faith Efforts, reasonably believes that it cannot meet the Contract Goal or a commercially useful deviation.

In making a determination that the bidder has made a good faith effort to meet the Contract Goals, OBO shall consider specific documentation¹ concerning the steps taken to obtain MWSBE participation, with a consideration of, by way of illustration and not limitation, whether the bidder demonstrated a genuine effort to comply with the following factors.

1. Attended any pre-bid or pre-proposal meetings scheduled by the City Department;
2. Followed up with MWSBEs that attended the pre-bid or pre-proposal meetings to discuss subcontracting and supplier opportunities and contacted MWSBEs listed in the City's online directory;
3. Conducted outreach with minority and women focused organizations and associations far in advance of solicitation due date (no less than 10 business days);
4. Identified and designated portions of the work to be performed by MWSBEs to increase the likelihood of meeting the Contract Goals (including where appropriate breaking down the contract into reasonably sized subcontracts to ensure participation);
5. Advertised subcontracting opportunities in news media focused towards minority and women persons far in advance of solicitation due date;
6. Provided MWSBEs with a point of contact that was knowledgeable about the project and possessed decision-making authority to answer questions from interested MWSBEs;
7. Provided a reasonable number of MWSBEs certified with timely written notices via email, mail, and/or fax and/or with documented contact regarding the subcontracting/supplier opportunities. A "reasonable number of MWSBEs" shall be based on the number of MWSBEs available in the directory;
8. Solicited the MWSBEs within a reasonable amount of time (no less than seven business days) before bid submission, as well as followed up with the MWSBEs solicited to determine if they were interested in submitting a bid or proposal or participating on a team.

¹ A list of common supporting documentation that may allow Contractors to support their good faith efforts can be found on the Office of Business Opportunity website at www.houstontx.gov/obo.

9. Provided interested MWSBEs certified to perform the solicited work with prompt access to the plans, specifications, scope of work and requirements of the contract;
10. Negotiated in good faith with interested MWSBEs, and not rejecting MWSBEs as unqualified without sound reasons based on a thorough investigation of their capabilities;
11. Entered into a formal contract, or signing enforceable letters of intent with MWSBEs;
12. Provided an explanation to any MWSBE whose bid or price quotation is rejected, unless another MWSBE is accepted for the same work, as follows:
 - a. Where price competitiveness is not the reason for rejection, a written rejection notice including the reason for rejection will be sent to the rejected MWSBE firm;
 - b. Where price competitiveness is the reason for rejection, a meeting must be held with the price-rejected MWSBE, if requested, to discuss the rejection;
13. Made efforts to assist interested MWSBEs in obtaining bonding, lines of credit, insurance required for the contract, and documenting MWSBE denied by bona fide surety agents;
14. Ensured that the conditions and requirements for subcontracts are commensurate with industry standards and would not cause an economic hardship on MWSBEs, such as unnecessary insurance or coupling bid bonds with retainage;
15. Incorporated efforts not attempted earlier or on previous bids that appear more likely to lead to attaining the Contract Goal. Past performance on similar contracts with similar scopes will also be taken in consideration when determining Good Faith Efforts. A bidder that continues to make same efforts without any significant change in the level of participation may not be making Good Faith Efforts.

Post-Award.

The contractor must sign the approved participation plan (Document 00470 or Document 00570) prior to starting work on the Project. A contractor should submit a request for deviation (Document 00572) from OBO if the contractor, having made Good Faith Efforts, reasonably believes that it will not achieve the Participation Plan Percentage documented in the approved participation plan. Unless OBO approves a deviation, a contractor must submit to OBO a Participation Summary (Document 00660) prior to City Council's consideration of any close-out, term extension, or change order. If participation is less than anticipated in the approved

participation plan, the contractor must submit a Record of Good Faith Efforts (Document 00571) along with the Participation Summary. A contractor that fails to submit a deviation request and Good Faith Efforts documentation waives the right to appeal OBO decisions related to this Policy.

If the contractor is awarded the contract and fails to achieve the established Participation Plan Percentage, the contractor must demonstrate to OBO its efforts to meet the Participation Plan Percentage and failure to do so based on circumstances that the contractor could not reasonably control. In determining whether the contractor made Good Faith Efforts to ensure full participation and achievement of the Participation Plan Percentage, OBO shall consider the following factors:

1. Whether the contractor designated an MWSBE liaison officer to administer the Contractor's MWSBE programs and to be responsible for maintenance of records of Good Faith Efforts.
2. Whether the contractor furnished prompt MWSBE Utilization Reports in a timely and accurate manner through the online Contract Monitoring System or via hard copy.
3. Whether the contractor responded to efforts to resolve disputes with MWSBEs, and genuinely attempted to resolve these issues.
4. Whether the contractor disclosed payment discrepancies timely and within the monthly reporting period;
5. Whether the contractor complied with the participation plan, unless the contractor received a deviation from the OBO Director and whether upon approval, the contractor made Good Faith Efforts to replace a removed MWSBE with another certified firm;
6. Whether the contractor furnished prompt written responses to written inquiries from the Director or any employee of OBO regarding the MWSBE's performance or information germane to the MWSBE's certification;
7. Whether the contractor ensured that at all times during the performance of any contract or subcontract the MWSBE firm is engaging in a commercially useful function as that term is defined in Chapter 15 of the City of Houston Code of Ordinances;
8. Whether the contractor provided the OBO information, or other material, that was factually accurate and free of material misrepresentation; and
9. Whether the contractor furnished prompt responses to requests for information, books and records needed to verify compliance from the department administering the Contract, the City Attorney and the City Controller;

10. Whether the contractor attended all meetings and mediation hearings as requested by the Director or his/her designee; and
11. How the contractor may be affected by change orders, with consideration given to the size of the change orders.

Change Orders.

The requirement to make Good Faith Efforts to achieve the approved Participation Plan Percentage is applicable to change orders. Contractors should make Good Faith Efforts to ensure that the Participation Plan Percentage remains substantially the same after the issuance of change orders. If a contractor cannot maintain substantially the same level of participation provided in the latest approved Participation Plan (Document 00470 or Document 00570) due to a change order, the contractor shall submit to the OBO Director and Contracting Department a Document 00571 (Post-Award Record of Good Faith Efforts) and Document 00572 (Post-Award Plan Deviation Request) in a timely manner that does not cause disruption to the project. In addition to other relevant factors, in evaluating whether Good Faith Efforts were made by the contractor to meet the Participation Plan Percentage despite change orders, the OBO Director shall consider the contractor's efforts to timely and efficiently deliver the project.

END OF DOCUMENT

SECTION 3 REGULATION

§ 135.1

APPENDIX TO PART 135

AUTHORITY: 12 U.S.C. 1701u; 42 U.S.C. 3535(d).

SOURCE: 59 FR 33880, June 30, 1994, unless otherwise noted.

EFFECTIVE DATE NOTE: At 59 FR 33880, June

30, 1994, part 135 was revised effective August

1, 1994 through June 30, 1995. At 60 FR 28325,

May 31, 1995, the effective period was extended until the final rule implementing changes made to section 3 of the Housing and Urban Development Act of 1968 by the Housing and Community Development Act of 1992 is published and becomes effective.

Subpart A—General Provisions

§ 135.1 Purpose.

- (a) *Section 3*. The purpose of section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low- income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low- income persons.
- (b) *Part 135*. The purpose of this part is to establish the standards and procedures to be followed to ensure that the objectives of section 3 are met.

§ 135.2 Effective date of regulation.

The regulations of this part will remain in effect until the date the final rule adopting the regulations of this part with or without changes is published and becomes effective, at which point the final rule will remain in effect.

[60 FR 28326, May 31, 1995]

§ 135.3 Applicability.

- (a) *Section 3 covered assistance*. Section 3 applies to the following HUD assistance (section 3 covered assistance):
- (1) *Public and Indian housing assistance*. Section 3 applies to training, employment, contracting and other economic opportunities arising from the

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expenditure of the following public and Indian housing assistance:

(i) Development assistance provided pursuant to section 5 of the U.S. Housing Act of 1937 (1937 Act);

(ii) Operating assistance provided pursuant to section 9 of the 1937 Act; and

(iii) Modernization assistance provided pursuant to section 14 of the 1937 Act;

(2) *Housing and community development assistance*. Section 3 applies to training, employment, contracting and other economic opportunities arising in connection with the expenditure of housing assistance (including section 8 assistance, and including other housing assistance not administered by the Assistant Secretary of Housing) and community development assistance that is used for the following projects;

(i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement);

(ii) Housing construction; and

(iii) Other public construction.

(3) *Thresholds*—(i) *No thresholds for section 3 covered public and Indian housing assistance*. The requirements of this part apply to section 3 covered assistance provided to recipients, notwithstanding the amount of the assistance provided to the recipient. The requirements of this part apply to all contractors and subcontractors performing work in connection with projects and activities funded by public and Indian housing assistance covered by section 3, regardless of the amount of the contractor subcontract.

(ii) *Thresholds for section 3 covered housing and community development assistance*—(A) *Recipient thresholds*. The requirements of this part apply to recipients of other housing and community development program assistance for a section 3 covered project(s) for which the amount of the assistance exceeds \$200,000.

(B) *Contractor and subcontractor thresholds*. The requirements of this part apply to contractors and subcontractors performing work on section 3 covered project(s) for which the amount of the assistance exceeds \$200,000; and the contract or subcontract exceeds \$100,000.

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(C) *Threshold met for recipients, but not contractors or subcontractors.* If a recipient receives section 3 covered housing or community development assistance in excess of \$200,000, but no contract exceeds \$100,000, the section 3 preference requirements only apply to the recipient.

(b) *Applicability of section 3 to entire project or activity funded with section 3 assistance.* The requirements of this part apply to the entire project or activity that is funded with section 3 covered assistance, regardless of whether the section 3 activity is fully or partially funded with section 3 covered assistance.

(c) *Applicability to Indian housing authorities and Indian tribes.* Indian housing authorities and tribes that receive HUD assistance described in paragraph

(a) of this section shall comply with the procedures and requirements of this part to the maximum extent consistent with, but not in derogation of, compliance with section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e(b)). (See 24 CFR part 905.)

(d) *Other HUD assistance and other Federal assistance.* Recipients, contractors and subcontractors that receive HUD assistance, not listed in paragraph (a) of this section, or other Federal assistance, are encouraged to provide, to the greatest extent feasible, training, employment, and contracting opportunities generated by the expenditure of this assistance to low- and very low-income persons, and business concerns owned by low- and very low-income persons, or which employ low- and very low-income persons.

§ 135.5 Definitions.

The terms *Department*, *HUD*, *Indian housing authority (IHA)*, *Public housing agency (PHA)*, and *Secretary* are defined in 24 CFR part 5.

Annual Contributions Contract (ACC) means the contract under the U.S. Housing Act of 1937 (1937 Act) between HUD and the PHA, or between HUD and the IHA, that contains the terms and conditions under which HUD assists the PHA or the IHA in providing decent, safe, and sanitary housing for low income families. The ACC must be in a form prescribed by HUD under

which HUD agrees to provide assistance in the development, modernization and/or operation of a low income housing project under the 1937 Act, and the PHA or IHA agrees to develop, modernize and operate the project in compliance with all provisions of the ACC and the 1937 Act, and all HUD regulations and implementing requirements and procedures. (The ACC is not a form of procurement contract.)

Applicant means any entity which makes an application for section 3 covered assistance, and includes, but is not limited to, any State, unit of local government, public housing agency, Indian housing authority, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization (CHDO), resident management corporation, resident council, or cooperative association.

Assistant Secretary means the Assistant Secretary for Fair Housing and Equal Opportunity.

Business concern means a business entity formed in accordance with State law, and which is licensed under State, county or municipal law to engage in the type of business activity for which it was formed.

Business concern that provides economic opportunities for low- and very low-income persons. See definition of "section 3 business concern" in this section.

Contract. See the definition of "section 3 covered contract" in this section.

Contractor means any entity which contracts to perform work generated by the expenditure of section 3 covered assistance, or for work in connection with a section 3 covered project.

Employment opportunities generated by section 3 covered assistance means all employment opportunities generated by the expenditure of section 3 covered public and Indian housing assistance (i.e., operating assistance, development assistance and modernization assistance, as described in § 135.3(a)(1)). With respect to section 3 covered housing and community development assistance, this term means all employment opportunities arising in connection

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with section 3 covered projects (as described in § 135.3(a)(2)), including management and administrative jobs connected with the section 3 covered project. Management and administrative jobs include architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups; and jobs directly related to administrative support of these activities, e.g., construction manager, relocation specialist, payroll clerk, etc.

Housing authority (HA) means, collectively, public housing agency and Indian housing authority.

Housing and community development assistance means any financial assistance provided or otherwise made available through a HUD housing or community development program through any grant, loan, loan guarantee, cooperative agreement, or contract, and includes community development funds in the form of community development block grants, and loans guaranteed under section 108 of the Housing and Community Development Act of 1974, as amended. Housing and community development assistance does not include financial assistance provided through a contract of insurance or guaranty.

Housing development means low-income housing owned, developed, or operated by public housing agencies or Indian housing authorities in accordance with HUD's public and Indian housing program regulations codified in 24 CFR Chapter IX.

HUD Youthbuild programs mean programs that receive assistance under subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992 (42 U.S.C. 12899), and provide disadvantaged youth with opportunities for employment, education, leadership development, and training in the construction or rehabilitation of housing for homeless individuals and members of low- and very low-income families.

Indian tribes shall have the meaning given this term in 24 CFR part 571.

JTPA means the Job Training Partnership Act (29 U.S.C. 1579(a)).

Low-income person. See the definition of "section 3 resident" in this section.

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Metropolitan area means a metropolitan statistical area (MSA), as established by the Office of Management and Budget.

Neighborhood area means:

(1) For HUD housing programs, a geographical location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in ordinances, or other local documents as a neighborhood, village, or similar geographical designation.

(2) For HUD community development programs, see the definition, if provided, in the regulations for the applicable community development program, or the definition for this term in 24 CFR 570.204(c)(1).

New hires mean full-time employees for permanent, temporary or seasonal employment opportunities.

Nonmetropolitan county means any county outside of a metropolitan area. *Other HUD programs* means HUD programs, other than HUD public and Indian housing programs, that provide housing and community development assistance for "section 3 covered projects," as defined in this section.

Public housing resident has the meaning given this term in 24 CFR part 963. *Recipient* means any entity which receives section 3 covered assistance, directly from HUD or from another recipient and includes, but is not limited to, any State, unit of local government, PHA, IHA, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee or transferee of any such entity, but does not include any ultimate beneficiary under the HUD program to which section 3 applies and does not include contractors.

Section 3 means section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u).

Section 3 business concern means a business concern, as defined in this section—

- (1) That is 51 percent or more owned by section 3 residents; or

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- (2) Whose permanent, full-time employees include persons, at least 30 per cent of whom are currently section 3 residents, or within three years of the date of first employment with the business concern were section 3 residents; or
- (3) That provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all sub- contracts to be awarded to business concerns that meet the qualifications set forth in paragraphs (1) or (2) in this definition of "section 3 business concern."

Section 3 clause means the contract provisions set forth in § 135.38.

Section 3 covered activity means any activity which is funded by section 3 covered assistance public and Indian housing assistance.

Section 3 covered assistance means:

- (1) Public and Indian housing development assistance provided pursuant to section 5 of the 1937 Act;
- (2) Public and Indian housing operating assistance provided pursuant to section 9 of the 1937 Act;
- (3) Public and Indian housing modernization assistance provided pursuant to section 14 of the 1937 Act;
- (4) Assistance provided under any HUD housing or community development program that is expended for work arising in connection with:
 - (i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement);
 - (ii) Housing construction; or
 - (iii) Other public construction project (which includes other buildings or improvements, regardless of ownership).

Section 3 covered contract means a contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work generated by the expenditure of section 3 covered assistance, or for work arising in connection with a section 3 covered project. "Section 3 covered contracts" do not include contracts awarded under HUD's procurement program, which are governed by the Federal Acquisition Regulation System (see 48 CFR, Chapter 1). "Section 3 covered contracts" also do not include contracts for the purchase of supplies and

materials. However, whenever a contract for materials includes the installation of the materials, the contract constitutes a section 3 covered contract. For example, a contract for the purchase and installation of a furnace would be a section 3 covered contract because the contract is for work (i.e., the installation of the furnace) and thus is covered by section 3.

Section 3 covered project means the construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of ownership) assisted with housing or community development assistance.

Section 3 joint venture. See § 135.40. *Section 3 resident* means: (1) A public housing resident; or

(2) An individual who resides in the metropolitan area or nonmetropolitan county in which the section 3 covered assistance is expended, and who is:

(i) *A low-income person*, as this term is defined in section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)). Section 3(b)(2) of the 1937 Act defines this term to mean families (including single persons) whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary, with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low-income families; or

(ii) *A very low-income person*, as this term is defined in section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)). Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)) defines this term to mean families (including single persons) whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary's findings that

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such variations are necessary because of unusually high or low family incomes.

(3) A person seeking the training and employment preference provided by section 3 bears the responsibility of providing evidence (if requested) that the person is eligible for the preference.

Section 8 assistance means assistance provided under section 8 of the 1937 Act (42 U.S.C. 1437f) pursuant to 24 CFR part 882, subpart G.

Service area means the geographical area in which the persons benefitting from the section 3 covered project reside. The service area shall not extend beyond the unit of general local government in which the section 3 covered assistance is expended. In HUD's Indian housing programs, the service area, for IHAs established by an Indian tribe as a result of the exercise of the tribe's sovereign power, is limited to the area of tribal jurisdiction.

Subcontractor means any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to undertake a portion of the contractor's obligation for the performance of work generated by the expenditure of section 3 covered assistance, or arising in connection with a section 3 covered project.

Very low-income person. See the definition of "section 3 resident" in this section.

Youthbuild programs. See the definition of "HUD Youthbuild programs" in this section.

[59 FR 33880, June 30, 1994, as amended at 61 FR 5206, Feb. 9, 1996]

§ 135.7 **Delegation of authority.**

Except as may be otherwise provided in this part, the functions and responsibilities of the Secretary under section 3, and described in this part, are delegated to the Assistant Secretary for Fair Housing and Equal Opportunity. The Assistant Secretary is further authorized to redelegate functions and responsibilities to other employees of HUD; *provided however*, that the authority to issue rules and regulations under this part, which authority is delegated to the Assistant Secretary, may

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not be redelegated by the Assistant Secretary.

§ 135.9 **Requirements applicable to HUD NOFAs for section 3 covered programs.**

(a) *Certification of compliance with part*

135. All notices of funding availability (NOFAs) issued by HUD that announce the availability of funding covered by section 3 shall include a provision in the NOFA that notifies applicants that section 3 and the regulations in part

135 are applicable to funding awards made under the NOFA. Additionally the NOFA shall require as an application submission requirement (which may be specified in the NOFA or application kit) a certification by the applicant that the applicant will comply with the regulations in part 135. (For PHAs, this requirement will be met where a PHA Resolution in Support of the Application is submitted.) With respect to application evaluation, HUD will accept an applicant's certification unless there is evidence substantially challenging the certification.

(b) *Statement of purpose in NOFAs.*

(1) For competitively awarded assistance in which the grants are for activities administered by an HA, and those activities are anticipated to generate significant training, employment or contracting opportunities, the NOFA must include a statement that one of the purposes of the assistance is to give to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, job training, employment, contracting and other economic opportunities to section 3 residents and section 3 business concerns.

(2) For competitively awarded assistance involving housing rehabilitation, construction or other public construction, where the amount awarded to the applicant may exceed \$200,000, the NOFA must include a statement that one of the purposes of the assistance is to give, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, job training, employment, contracting and other economic opportunities to section 3 residents and section 3 business concerns.

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(c) *Section 3 as NOFA evaluation criteria.*

Where not otherwise precluded by statute, in the evaluation of applications for the award of assistance, consideration shall be given to the extent to which an applicant has demonstrated that it will train and employ section 3 residents and contract with section 3 business concerns for economic opportunities generated in connection with the assisted project or activity. The evaluation criteria to be utilized, and the rating points to be assigned, will be specified in the NOFA.

§ 135.11 Other laws governing training, employment, and contracting.

Other laws and requirements that are applicable or may be applicable to the economic opportunities generated from the expenditure of section 3 covered assistance include, but are not necessarily limited to those listed in this section.

(a) *Procurement standards for States and local governments (24 CFR 85.36)*—(1) *General.* Nothing in this part 135 prescribes specific methods of procurement. However, neither section 3 nor the requirements of this part 135 supersede the general requirement of 24 CFR 85.36(c) that all procurement transactions be conducted in a competitive manner. Consistent with 24 CFR 85.36(c)(2), section 3 is a Federal statute that expressly encourages, to the maximum extent feasible, a geographic preference in the evaluation of bids or proposals.

(2) *Flexible Subsidy Program.* Multifamily project mortgagors in the Flexible Subsidy Program are not required to utilize the methods of procurement in 24 CFR 85.36(d), and are not permitted to utilize methods of procurement that would result in their award of a contract to a business concern that submits a bid higher than the lowest responsive bid. A multifamily project mortgagor, however, must ensure that, to the greatest extent feasible, the procurement practices it selects provide preference to section 3 business concerns.

(b) *Procurement standards for other recipients (OMB Circular No. A-110).* Nothing in this part prescribes specific methods of procurement for grants and other agreements with institutions of

higher education, hospitals, and other nonprofit organizations. Consistent with the requirements set forth in OMB Circular No. A-110, section 3 is a Federal statute that expressly encourages a geographic preference in the evaluation of bids or proposals.

(a) *Federal labor standards provisions.* Certain construction contracts are subject to compliance with the requirement to pay prevailing wages determined under Davis-Bacon Act (40 U.S.C. 276a—276a-7) and implementing U.S. Department of Labor regulations in 29 CFR part 5. Additionally, certain HUD-assisted rehabilitation and maintenance activities on public and Indian housing developments are subject to compliance with the requirement to pay prevailing wage rates, as determined or adopted by HUD, to laborers and mechanics employed in this work. Apprentices and trainees may be utilized on this work only to the extent permitted under either Department of Labor regulations at 29 CFR part 5 or for work subject to HUD-determined prevailing wage rates, HUD policies and guidelines. These requirements include adherence to the wage rates and ratios of apprentices or trainees to journeymen set out in “approved apprenticeship and training programs,” as described in paragraph (d) of this section.

(b) *Approved apprenticeship and trainee programs.* Certain apprenticeship and trainee programs have been approved by various Federal agencies. Approved apprenticeship and trainee programs include: an apprenticeship program approved by the Bureau of Apprenticeship and Training of the Department of Labor, or a State Apprenticeship Agency, or an on-the-job training program approved by the Bureau of Apprenticeship and Training, in accordance with the regulations at 29 CFR part 5; or a training program approved by HUD in accordance with HUD policies and guidelines, as applicable. Participation in an approved apprenticeship program does not, in and of itself, demonstrate compliance with the regulations of this part.

(c) *Compliance with Executive Order 11246.* Certain contractors covered by this part are subject to compliance with Executive Order 11246, as amended

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by Executive Order 12086, and the Department of Labor regulations issued pursuant thereto (41 CFR chapter 60) which provide that no person shall be discriminated against on the basis of race, color, religion, sex, or national origin in all phases of employment during the performance of Federal or Federally assisted construction contracts.

Subpart B—Economic Opportunities for Section 3 Residents and Section 3 Business Concerns

§ 135.30 Numerical goals for meeting the greatest extent feasible requirement.

(a) *General.* (1) Recipients and covered contractor may demonstrate compliance with the “greatest extent feasible” requirement of section 3 by meeting the numerical goals set forth in this section for providing training, employment, and contracting opportunities to section 3 residents and section 3 business concerns.

(2) The goals established in this section apply to the entire amount of section 3 covered assistance awarded to a recipient in any Federal Fiscal Year (FY), commencing with the first FY following the effective date of this rule.

(3) For recipients that do not engage in training, or hiring, but award contracts to contractors that will engage in training, hiring, and subcontracting, recipients must ensure that, to the greatest extent feasible, contractors will provide training, employment, and contracting opportunities to section 3 residents and section 3 business concerns.

(4) The numerical goals established in this section represent minimum numerical targets.

b. *Training and employment.* The numerical goals set forth in paragraph (b) of this section apply to new hires. The numerical goals reflect the aggregate hires. Efforts to employ section 3 residents, to the greatest extent feasible, should be made at all job levels.

(1) *Numerical goals for section 3 covered public and Indian housing programs.* Recipients of section 3 covered public and Indian housing assistance (as described in § 135.5) and their contractors and

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subcontractors may demonstrate compliance with this part by committing to employ section 3 residents as:

(i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995;

(ii) 20 percent of the aggregate number of new hires for the one period beginning in FY 1996;

(iii) 30 percent of the aggregate number of new hires for one year period beginning in FY 1997 and continuing thereafter.

(2) *Numerical goals for other HUD programs*

covered by section 3. (i) Recipients of section 3 covered housing assistance provided under other HUD programs, and their contractors and subcontractors (unless the contract or sub-contract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with this part by committing to employ section 3 residents as 10 percent of the aggregate number of new hires for each year over the duration of the section 3 project;

(ii) Where a managing general partner or management agent is affiliated, in a given metropolitan area, with recipients of section 3 covered housing assistance, for an aggregate of 500 or more units in any fiscal year, the managing partner or management agent may demonstrate compliance with this part by committing to employ section 3 residents as:

(A) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995;

(B) 20 percent of the aggregate number of new hires for the one year period beginning in FY 1996;

(C) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997, and continuing thereafter.

(3) Recipients of section 3 covered community development assistance, and their contractors and subcontractors (unless the contract or sub-contract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with the requirements of this part by committing to employ section 3 residents as:

(i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995;

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(ii) 20 percent of the aggregate number of new hires for the one year period beginning in FY 1996; and
 (iii) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997 and continuing thereafter.

(c) *Contracts.* Numerical goals set forth in paragraph (c) of this section apply to contracts awarded in connection with all section 3 covered projects and section 3 covered activities. Each recipient and contractor and subcontractor (unless the contract or sub-contract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with the requirements of this part by committing to award to section 3 business concerns:

(1) At least 10 percent of the total dollar amount of all section 3 covered contracts for building trades work for maintenance, repair, modernization or development of public or Indian housing, or for building trades work arising in connection with housing rehabilitation, housing construction and other public construction; and

(2) At least three (3) percent of the total dollar amount of all other section 3 covered contracts.

(d) *Safe harbor and compliance determinations.*

(1) In the absence of evidence to the contrary, a recipient that meets the minimum numerical goals set forth in this section will be considered to have complied with the section 3 preference requirements.

(2) In evaluating compliance under subpart D of this part, a recipient that has not met the numerical goals set forth in this section has the burden of demonstrating why it was not feasible to meet the numerical goals set forth in this section. Such justification may include impediments encountered despite actions taken. A recipient or contractor also can indicate other economic opportunities, such as those listed in § 135.40, which were provided in its efforts to comply with section 3 and the requirements of this part.

§ 135.32 Responsibilities of the recipient.

Each recipient has the responsibility to comply with section 3 in its own operations, and ensure compliance in the

operations of its contractors and sub-contractors. This responsibility includes but may not be necessarily limited to:

(a) Implementing procedures designed to notify section 3 residents about training and employment opportunities generated by section 3 covered assistance and section 3 business concerns about contracting opportunities generated by section 3 covered assistance;

(b) Notifying potential contractors for section 3 covered projects of the requirements of this part, and incorporating the section 3 clause set forth in § 135.38 in all solicitations and contracts.

(c) Facilitating the training and employment of section 3 residents and the award of contracts to section 3 business concerns by undertaking activities such as described in the Appendix to this part, as appropriate, to reach the goals set forth in § 135.30. Recipients, at their own discretion, may establish reasonable numerical goals for the training and employment of section 3 residents and contract award to section 3 business concerns that exceed those specified in § 135.30;

(d) Assisting and actively cooperating with the Assistant Secretary in obtaining the compliance of contractors and subcontractors with the requirements of this part, and refraining from entering into any contract with any contractor where the recipient has notice or knowledge that the contractor has been found in violation of the regulations in 24 CFR part 135.

(e) Documenting actions taken to comply with the requirements of this part, the results of actions taken and impediments, if any.

(f) A State or county which distributes funds for section 3 covered assistance to units of local governments, to the greatest extent feasible, must attempt to reach the numerical goals set forth in 135.30 regardless of the number of local governments receiving funds from the section 3 covered assistance which meet the thresholds for applicability set forth at 135.3. The State or county must inform units of local government to whom funds are distributed of the requirements of this part; assist

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local governments and their contractors in meeting the requirements and objectives of this part; and monitor the performance of local governments with respect to the objectives and requirements of this part.

§ 135.34 Preference for section 3 residents in training and employment opportunities.

(a) *Order of providing preference.* Recipients, contractors and subcontractors shall direct their efforts to provide, to the greatest extent feasible, training and employment opportunities generated from the expenditure of section 3 covered assistance to section 3 residents in the order of priority provided in paragraph (a) of this section.

(1) *Public and Indian housing programs.* In public and Indian housing programs, efforts shall be directed to provide training and employment opportunities to section 3 residents in the following order of priority:

(i) Residents of the housing development or developments for which the section 3 covered assistance is expended (category 1 residents);

(ii) Residents of other housing developments managed by the HA that is expending the section 3 covered housing assistance (category 2 residents);

(iii) Participants in HUD Youthbuild programs being carried out in the metropolitan area (or nonmetropolitan county) in which the section 3 covered assistance is expended (category 3 residents);

(iv) Other section 3 residents.

(2) *Housing and community development programs.* In housing and community development programs, priority consideration shall be given, where feasible, to:

(i) Section 3 residents residing in the service area or neighborhood in which the section 3 covered project is located (collectively, referred to as category 1 residents); and

(ii) Participants in HUD Youthbuild programs (category 2 residents).

(iii) Where the section 3 project is assisted under the Stewart

B. McKinney Homeless Assistance Act (42 U.S.C. 11301 *et seq.*), homeless persons residing in the service area or neighborhood in which the section 3 covered project is

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located shall be given the highest priority;

(iv) Other section 3 residents.

(3) Recipients of housing assistance programs administered by the Assistant Secretary for Housing may, at their own discretion, provide preference to residents of the housing development receiving the section 3 covered assistance within the service area or neighborhood where the section 3 covered project is located.

(4) Recipients of community development programs may, at their own discretion, provide priority to recipients of government assistance for housing, including recipients of certificates or vouchers under the Section 8 housing assistance program, within the service area or neighborhood where the section 3 covered project is located.

(b) *Eligibility for preference.* A section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the recipient contractor or subcontractor, if requested, that the person is a section 3 resident, as defined in § 135.5. (An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.)

(c) *Eligibility for employment.* Nothing in this part shall be construed to require the employment of a section 3 resident who does not meet the qualifications of the position to be filled.

§ 135.36 Preference for section 3 business concerns in contracting opportunities.

(a) *Order of providing preference.* Recipients, contractors and subcontractors shall direct their efforts to award section 3 covered contracts, to the greatest extent feasible, to section 3 business concerns in the order of priority provided in paragraph (a) of this section.

(1) *Public and Indian housing programs.* In public and Indian housing programs, efforts shall be directed to award contracts to section 3 business concerns in the following order of priority:

(i) Business concerns that are 51 percent or more owned by residents of the housing development or developments

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for which the section 3 covered assistance is expended, or whose full-time, permanent workforce includes 30 percent of these persons as employees (category 1 businesses); (ii) Business concerns that are 51 percent or more owned by residents of other housing developments or developments managed by the HA that is expending the section 3 covered assistance, or whose full-time, permanent workforce includes 30 percent of these persons as employees (category 2 businesses); or

(iii) HUD Youthbuild programs being carried out in the metropolitan area (or nonmetropolitan county) in which the section 3 covered assistance is expended (category 3 businesses).

(iv) Business concerns that are 51 percent or more owned by section 3 residents, or whose permanent, full-time workforce includes no less than 30 percent section 3 residents (category 4 businesses), or that subcontract in excess of 25 percent of the total amount of subcontracts to business concerns identified in paragraphs (a)(1)(i) and (a)(1)(ii) of this section.

(2) *Housing and community development programs.* In housing and community development programs, priority consideration shall be given, where feasible, to:

(i) Section 3 business concerns that provide economic opportunities for section 3 residents in the service area or neighborhood in which the section 3 covered project is located (category 1 businesses); and

(ii) Applicants (as this term is defined in 42 U.S.C. 12899) selected to carry out HUD Youthbuild programs (category 2 businesses);

(iii) Other section 3 business concerns.

(b) *Eligibility for preference.* A business concern seeking to qualify for a section 3 contracting preference shall certify or submit evidence, if requested, that the business concern is a section 3 business concern as defined in § 135.5.

(c) *Ability to complete contract.* A section 3 business concern seeking a contract or a subcontract shall submit evidence to the recipient, contractor, or subcontractor (as applicable), if requested, sufficient to demonstrate to the satisfaction of the party awarding

the contract that the business concern is responsible and has the ability to perform successfully under the terms and conditions of the proposed contract. (The ability to perform successfully under the terms and conditions of the proposed contract is required of all contractors and subcontractors subject to the procurement standards of 24 CFR 85.36 (see 24 CFR 85.36(b)(8)).) This

regulation requires consideration of, among other factors, the potential contractor's record in complying with public policy requirements. Section 3 compliance is a matter properly considered as part of this determination.

§ 135.38 Section 3 clause.

All section 3 covered contracts shall include the following clause (referred to as the section 3 clause):

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). 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.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. 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, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR

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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.

E. 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.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

G. 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. 450e) 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 Enterprises. 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).

§ 135.40 Providing other economic opportunities.

(a) *General.* In accordance with the findings of the Congress, as stated in section 3, that other economic opportunities offer an effective means of empowering low-income persons, a recipient is encouraged to undertake efforts to provide to low-income persons economic opportunities other than training, employment, and contract awards, in connection with section 3 covered assistance.

(b) *Other training and employment related opportunities.* Other economic opportunities to train and employ section 3 residents include, but need not be limited to, use of "upward mobility", "bridge" and trainee positions to fill vacancies; hiring section 3 residents in

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management and maintenance positions within other housing developments; and hiring section 3 residents in part-time positions.

(c) *Other business related economic opportunities.* (1) A recipient or contractor may provide economic opportunities to establish, stabilize or expand section 3 business concerns, including microenterprises. Such opportunities include, but are not limited to the formation of section 3 joint ventures, financial support for affiliating with franchise development, use of labor only contracts for building trades, purchase of supplies and materials from housing authority resident-owned businesses, purchase of materials and supplies from PHA resident-owned businesses and use of procedures under 24 CFR part 963 regarding HA contracts to HA resident-owned businesses. A recipient or contractor may employ these methods directly or may provide incentives to non-section 3 businesses to utilize such methods to provide other economic opportunities to low-income persons.

(2) A *section 3 joint venture* means an association of business concerns, one of which qualifies as a section 3 business concern, formed by written joint venture agreement to engage in and carry out a specific business venture for which purpose the business concerns combine their efforts, resources, and skills for joint profit, but not necessarily on a continuing or permanent basis for conducting business generally, and for which the section 3 business concern:

(i) Is responsible for a clearly defined portion of the work to be performed and holds management responsibilities in the joint venture; and

(ii) Performs at least 25 percent of the work and is contractually entitled to compensation proportionate to its work.

Subpart C [Reserved]

Subpart D—Complaint and Compliance Review

§ 135.70 General.

(a) *Purpose.* The purpose of this sub-part is to establish the procedures for handling complaints alleging non-compliance with the regulations of this

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part, and the procedures governing the Assistant Secretary's review of a recipient's or contractor's compliance with the regulations in this part.

(b) *Definitions.* For purposes of this subpart:

(1) *Complaint* means an allegation of noncompliance with regulations of this part made in the form described in § 135.76(d).

(2) *Complainant* means the party which files a complaint with the Assistant Secretary alleging that a recipient or contractor has failed or refused to comply with the regulations in this part.

(3) *Noncompliance with section 3* means failure by a recipient or contractor to comply with the requirements of this part.

(4) *Respondent* means the recipient or contractor against which a complaint of noncompliance has been filed. The term "recipient" shall have the meaning set forth in § 135.7, which includes PHA and IHA.

§ 135.72 Cooperation in achieving compliance.

(a) The Assistant Secretary recognizes that the success of ensuring that section 3 residents and section 3 business concerns have the opportunity to apply for jobs and to bid for contracts generated by covered HUD financial assistance depends upon the cooperation and assistance of HUD recipients and their contractors and subcontractors. All recipients shall cooperate fully and promptly with the Assistant Secretary in section 3 compliance reviews, in investigations of allegations of noncompliance made under § 135.76, and with the distribution and collection of data and information that the Assistant Secretary may require in connection with achieving the economic objectives of section 3.

(b) The recipient shall refrain from entering into a contract with any contractor after notification to the recipient by HUD that the contractor has been found in violation of the regulations in this part. The provisions of 24 CFR part 24 apply to the employment, engagement of services, awarding of contracts or funding of any contractors or subcontractors during any period of debarment, suspension or otherwise in-eligible status.

§ 135.74 Section 3 compliance review procedures.

(a) *Compliance reviews by Assistant Secretary.* The Assistant Secretary shall periodically conduct section 3 compliance reviews of selected recipients and contractors to determine whether these recipients are in compliance with the regulations in this part.

(b) *Form of compliance review.* A section 3 compliance review shall consist of a comprehensive analysis and evaluation of the recipient's or contractor's compliance with the requirements and obligations imposed by the regulations of this part, including an analysis of the extent to which section 3 residents have been hired and section 3 business concerns have been awarded contracts as a result of the methods undertaken by the recipient to achieve the employment, contracting and other economic objectives of section 3.

(c) *Where compliance review reveals noncompliance with section 3 by recipient or contractor.* Where the section 3 compliance review reveals that a recipient or contractor has not complied with section 3, the Assistant Secretary shall notify the recipient or contractor of its specific deficiencies in compliance with the regulations of this part, and shall advise the recipient or contractor of the means by which these deficiencies may be corrected. HUD shall conduct a follow-up review with the recipient or contractor to ensure that action is being taken to correct the deficiencies.

(d) *Continuing noncompliance by recipient or contractor.* A continuing failure or refusal by the recipient or contractor to comply with the regulations in this part may result in the application of sanctions specified in the contract through which HUD assistance is provided, or the application of sanctions specified in the regulations governing the HUD program under which HUD financial assistance is provided. HUD will notify the recipient of any continuing failure or refusal by the contractor to comply with the regulations in this part for possible action under any procurement contract between the recipient and the contractor.

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Debarment, suspension and limited denial of participation pursuant to HUD's regulations in 24 CFR part 24, where appropriate, may be applied to the recipient or the contractor.

(e) *Conducting compliance review before the award of assistance.* Section 3 compliance reviews may be conducted before the award of contracts, and especially where the Assistant Secretary has reasonable grounds to believe that the recipient or contractor will be unable or unwilling to comply with the regulations in this part.

(f) *Consideration of complaints during compliance review.* Complaints alleging noncompliance with section 3, as provided in § 135.76, may also be considered during any compliance review conducted to determine the recipient's conformance with regulations in this part.

§ 135.76 Filing and processing complaints.

(a) *Who may file a complaint.* The following individuals and business concerns may, personally or through an authorized representative, file with the Assistant Secretary a complaint alleging noncompliance with section 3:

(1) Any section 3 resident on behalf of himself or herself, or as a representative of persons similarly situated, seeking employment, training or other economic opportunities generated from the expenditure of section 3 covered assistance with a recipient or contractor, or by a representative who is not a section 3 resident but who represents one or more section 3 residents;

(2) Any section 3 business concern on behalf of itself, or as a representative of other section 3 business concerns similarly situated, seeking contract opportunities generated from the expenditure of section 3 covered assistance from a recipient or contractor, or by an individual representative of section 3 business concerns.

(b) *Where to file a complaint.* A complaint must be filed with the Assistant Secretary for Fair Housing and Equal Opportunity, Department of Housing and Urban Development, Washington, DC, 20410.

(c) *Time of filing.* (1) A complaint must be received not later than 180 days from the date of the action or

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omission upon which the complaint is based, unless the time for filing is extended by the Assistant Secretary for good cause shown.

(2) Where a complaint alleges noncompliance with section 3 and the regulations of this part that is continuing, as manifested in a number of incidents of noncompliance, the complaint will be timely if filed within 180 days of the last alleged occurrence of noncompliance.

(3) Where a complaint contains incomplete information, the Assistant Secretary shall request the needed information from the complainant. In the event this information is not furnished to the Assistant Secretary within sixty (60) days of the date of the request, the complaint may be closed.

(d) *Contents of complaint—(1) Written complaints.* Each complaint must be in writing, signed by the complainant, and include:

(i) The complainant's name and address;

(ii) The name and address of the respondent;

(iii) A description of the acts or omissions by the respondent that is sufficient to inform the Assistant Secretary of the nature and date of the alleged noncompliance.

(iv) A complainant may provide information to be contained in a complaint by telephone to HUD or any HUD Field Office, and HUD will reduce the information provided by telephone to writing on the prescribed complaint form and send the form to the complainant for signature.

(2) *Amendment of complaint.* Complaints may be reasonably and fairly amended at any time. Such amendments may include, but are not limited to, amendments to cure technical defects or omissions, including failure to sign or affirm a complaint, to clarify or amplify the allegations in a complaint, or to join additional or substitute respondents. Except for the purposes of notifying respondents, amended complaints will be considered as having been made as of the original filing date.

(e) *Resolution of complaint by recipient.*

(1) Within ten (10) days of timely filing of a complaint that contains complete

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information (in accordance with paragraphs (c) and (d) of this section), the Assistant Secretary shall determine whether the complainant alleges an action or omission by a recipient or the recipient's contractor that if proven qualifies as noncompliance with section 3. If a determination is made that there is an allegation of noncompliance with section 3, the complaint shall be sent to the recipient for resolution.

(2) If the recipient believes that the complaint lacks merit, the recipient must notify the Assistant Secretary in writing of this recommendation with supporting reasons, within 30 days of the date of receipt of the complaint. The determination that a complaint lacks merit is reserved to the Assistant Secretary.

(3) If the recipient determines that there is merit to the complaint, the recipient will have sixty (60) days from the date of receipt of the complaint to resolve the matter with the complainant. At the expiration of the 60-day period, the recipient must notify the Assistant Secretary in writing whether a resolution of the complaint has been reached. If resolution has been reached, the notification must be signed by both the recipient and the complainant, and must summarize the terms of the resolution reached between the two parties.

(4) Any request for an extension of the 60-day period by the recipient must be submitted in writing to the Assistant Secretary, and must include a statement explaining the need for the extension.

(5) If the recipient is unable to resolve the complaint within the 60-day period (or more if extended by the Assistant Secretary), the complaint shall be referred to the Assistant Secretary for handling.

(f) *Informal resolution of complaint by Assistant Secretary*—(1) *Dismissal of complaint*. Upon receipt of the recipient's written recommendation that there is no merit to the complaint, or upon failure of the recipient and complainant to reach resolution, the Assistant Secretary shall review the complaint to determine whether it presents a valid allegation of noncompliance with section 3. The Assistant Secretary may conduct further investigation if deemed necessary. Where the com-

plaint fails to present a valid allegation of noncompliance with section 3, the Assistant Secretary will dismiss the complaint without further action. The Assistant Secretary shall notify the complainant of the dismissal of the complaint and the reasons for the dismissal.

(2) *Informal resolution*. Where the allegations in a complaint on their face, or as amplified by the statements of the complainant, present a valid allegation of noncompliance with section 3, the Assistant Secretary will attempt, through informal methods, to obtain a voluntary and just resolution of the complaint. Where attempts to resolve the complaint informally fail, the Assistant Secretary will impose a resolution on the recipient and complainant. Any resolution imposed by the Assistant Secretary will be in accordance with requirements and procedures concerning the imposition of sanctions or resolutions as set forth in the regulations governing the HUD program under which the section 3 covered assistance was provided.

(3) *Effective date of informal resolution*. The imposed resolution will become effective and binding at the expiration of 15 days following notification to recipient and complainant by certified mail of the imposed resolution, unless either party appeals the resolution before the expiration of the 15 days. Any appeal shall be in writing to the Secretary and shall include the basis for the appeal.

(g) *Sanctions*. Sanctions that may be imposed on recipients that fail to comply with the regulations of this part include debarment, suspension and limited denial of participation in HUD programs.

(h) *Investigation of complaint*. The Assistant Secretary reserves the right to investigate a complaint directly when, in the Assistant Secretary's discretion, the investigation would further the purposes of section 3 and this part.

(i) *Intimidatory or retaliatory acts prohibited*. No recipient or other person shall intimidate, threaten, coerce, or discriminate against any person or business because the person or business has made a complaint, testified, assisted or participated in any manner in an investigation, proceeding, or hearing under this part. The identity of

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complainants shall be kept confidential except to the extent necessary to carry out the purposes of this part, including the conduct of any investigation, hearing or judicial proceeding arising thereunder.

(j) *Judicial relief.* Nothing in this sub-part D precludes a section 3 resident or section 3 business concerning from exercising the right, which may otherwise be available, to seek redress directly through judicial procedures.

(Approved by the Office of Management and Budget under control number 2529-0043)

Subpart E—Reporting and Recordkeeping

§ 135.90 Reporting.

Each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section

3 report will be submitted with that annual performance report. If the program providing the section 3 covered assistance does not require an annual performance report, the section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public.

(Approved by the Office of Management and Budget under control number 2529-0043)

§ 135.92 Recordkeeping and access to records.

HUD shall have access to all records, reports, and other documents or items of the recipient that are maintained to demonstrate compliance with the requirements of this part, or that are maintained in accordance with the regulations governing the specific HUD program under which section 3 covered assistance is provided or otherwise made available to the recipient or contractor.

APPENDIX TO PART 135

I. Examples of Efforts To Offer Training and Employment Opportunities to Section 3 Residents

(1) Entering into "first source" hiring agreements with organizations representing Section 3 residents.

(2) Sponsoring a HUD-certified "Step-Up" employment and training program for section 3 residents.

(3) Establishing training programs, which are consistent with the requirements of the Department of Labor, for public and Indian housing residents and other section 3 residents in the building trades.

(4) Advertising the training and employment positions by distributing flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) to every occupied dwelling unit in the housing development or developments where category 1 or category 2 persons (as these terms are defined in § 135.34) reside.

(5) Advertising the training and employment positions by posting flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) in the common areas or other prominent areas of the housing development or developments. For HAs, post such advertising in the housing development or developments where category 1 or category 2 persons reside; for all other recipients, post such advertising in the housing development or developments and transitional housing in the neighborhood or service area of the section 3 covered project.

(6) Contacting resident councils, resident management corporations, or other resident organizations, where they exist, in the housing development or developments where category 1 or category 2 persons reside, and community organizations in HUD-assisted neighborhoods, to request the assistance of these organizations in notifying residents of the training and employment positions to be filled.

(7) Sponsoring (scheduling, advertising, financing or providing in-kind services) a job informational meeting to be conducted by an HA or contractor representative or representatives at a location in the housing development or developments where category 1 or category 2 persons reside or in the neighborhood or service area of the section 3 covered project.

(8) Arranging assistance in conducting job interviews and completing job applications for residents of the housing development or developments where category 1 or category 2

persons reside and in the neighborhood or service area in which a section 3 project is located.

(9) Arranging for a location in the housing development or developments where category 1 persons reside, or the neighborhood or service area of the project, where job applications may be delivered to and collected by a recipient or contractor representative or representatives.

(10) Conducting job interviews at the housing development or developments where category 1 or category 2 persons reside, or at a location within the neighborhood or service area of the section 3 covered project.

(11) Contacting agencies administering HUD Youthbuild programs, and requesting their assistance in recruiting HUD Youthbuild program participants for the HA's or contractor's training and employment positions.

(12) Consulting with State and local agencies administering training programs funded through JTPA or JOBS, probation and parole agencies, unemployment compensation programs, community organizations and other officials or organizations to assist with recruiting Section 3 residents for the HA's or contractor's training and employment positions.

(13) Advertising the jobs to be filled through the local media, such as community television networks, newspapers of general circulation, and radio advertising.

(14) Employing a job coordinator, or contracting with a business concern that is licensed in the field of job placement (preferably one of the section 3 business concerns identified in part 135), that will undertake, on behalf of the HA, other recipient or contractor, the efforts to match eligible and qualified section 3 residents with the training and employment positions that the HA or contractor intends to fill.

(15) For an HA, employing section 3 residents directly on either a permanent or a temporary basis to perform work generated by section 3 assistance. (This type of employment is referred to as "force account labor" in HUD's Indian housing regulations. See 24 CFR 905.102, and §905.201(a)(6).)

(16) Where there are more qualified section 3 residents than there are positions to be filled, maintaining a file of eligible qualified section 3 residents for future employment positions.

(17) Undertaking job counseling, education and related programs in association with local educational institutions.

(18) Undertaking such continued job training efforts as may be necessary to ensure the continued employment of section 3 residents previously hired for employment opportunities.

(19) After selection of bidders but prior to execution of contracts, incorporating into the contract a negotiated provision for a spe-

cific number of public housing or other section 3 residents to be trained or employed on the section 3 covered assistance.

(20) Coordinating plans and implementation of economic development (e.g., job training and preparation, business development assistance for residents) with the planning for housing and community development.

II. Examples of Efforts To Award Contracts to Section 3 Business Concerns

(1) Utilizing procurement procedures for section 3 business concerns similar to those provided in 24 CFR part 905 for business concerns owned by Native Americans (see section III of this Appendix).

(2) In determining the responsibility of potential contractors, consider their record of section 3 compliance as evidenced by past actions and their current plans for the pending contract.

(3) Contacting business assistance agencies, minority contractors associations and community organizations to inform them of contracting opportunities and requesting their assistance in identifying section 3 businesses which may solicit bids or proposals for contracts for work in connection with section 3 covered assistance.

(4) Advertising contracting opportunities by posting notices, which provide general information about the work to be contracted and where to obtain additional information, in the common areas or other prominent areas of the housing development or developments owned and managed by the HA.

(5) For HAs, contacting resident councils, resident management corporations, or other resident organizations, where they exist, and requesting their assistance in identifying category 1 and category 2 business concerns.

(6) Providing written notice to all known section 3 business concerns of the contracting opportunities. This notice should be in sufficient time to allow the section 3 business concerns to respond to the bid invitations or request for proposals.

(7) Following up with section 3 business concerns that have expressed interest in the contracting opportunities by contacting them to provide additional information on the contracting opportunities.

(8) Coordinating pre-bid meetings at which section 3 business concerns could be informed of upcoming contracting and subcontracting opportunities.

(9) Carrying out workshops on contracting procedures and specific contract opportunities in a timely manner so that section 3 business concerns can take advantage of upcoming contracting opportunities, with such information being made available in languages other than English where appropriate.

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(10) Advising section 3 business concerns as to where they may seek assistance to overcome limitations such as inability to obtain bonding, lines of credit, financing, or insurance.

(11) Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways to facilitate the participation of section 3 business concerns.

(12) Where appropriate, breaking out contract work items into economically feasible units to facilitate participation by section 3 business concerns.

(13) Contacting agencies administering HUD Youthbuild programs, and notifying these agencies of the contracting opportunities.

(14) Advertising the contracting opportunities through trade association papers and newsletters, and through the local media, such as community television networks, newspapers of general circulation, and radio advertising.

(15) Developing a list of eligible section 3 business concerns.

(16) For HAs, participating in the "Contracting with Resident-Owned Businesses" program provided under 24 CFR part 963.

(17) Establishing or sponsoring programs designed to assist residents of public or Indian housing in the creation and development of resident-owned businesses.

(18) Establishing numerical goals (number of awards and dollar amount of contracts) for award of contracts to section 3 business concerns.

(19) Supporting businesses which provide economic opportunities to low income persons by linking them to the support services available through the Small Business Administration (SBA), the Department of Commerce and comparable agencies at the State and local levels.

(20) Encouraging financial institutions, in carrying out their responsibilities under the Community Reinvestment Act, to provide no or low interest loans for providing working capital and other financial business needs.

(21) Actively supporting joint ventures with section 3 business concerns.

(22) Actively supporting the development or maintenance of business incubators which assist Section 3 business concerns.

III. Examples of Procurement Procedures That Provide for Preference for Section 3 Business Concerns

This Section III provides specific procedures that may be followed by recipients and contractors (collectively, referred to as the "contracting party") for implementing the section 3 contracting preference for each of the competitive procurement methods authorized in 24 CFR 85.36(d).

(1) *Small Purchase Procedures.* For section 3 covered contracts aggregating no more than \$25,000, the methods set forth in this paragraph

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(1) or the more formal procedures set forth in paragraphs (2) and (3) of this Section III may be utilized.

(i) *Solicitation.* (A) Quotations may be solicited by telephone, letter or other informal procedure provided that the manner of solicitation provides for participation by a reasonable number of competitive sources. At the time of solicitation, the parties must be informed of:

—the section 3 covered contract to be awarded with sufficient specificity;

—the time within which quotations must be submitted; and

—the information that must be submitted with each quotation.

(B) If the method described in paragraph (i)(A) is utilized, there must be an attempt to obtain quotations from a minimum of three qualified sources in order to promote competition. Fewer than three quotations are acceptable when the contracting party has attempted, but has been unable, to obtain a sufficient number of competitive quotations. In unusual circumstances, the contracting party may accept the sole quotation received in response to a solicitation provided the price is reasonable. In all cases, the contracting party shall document the circumstances when it has been unable to obtain at least three quotations.

(ii) *Award.* (A) Where the section 3 covered contract is to be awarded based upon the lowest price, the contract shall be awarded to the qualified section 3 business concern with the lowest responsive quotation, if it is reasonable and no more than 10 percent higher than the quotation of the lowest responsive quotation from any qualified source. If no responsive quotation by a qualified section 3 business concern is within 10 percent of the lowest responsive quotation from any qualified source, the award shall be made to the source with the lowest quotation.

(B) Where the section 3 covered contract is to be awarded based on factors other than price, a request for quotations shall be issued by developing the particulars of the solicitation, including a rating system for the assignment of points to evaluate the merits of each quotation. The solicitation shall identify all factors to be considered, including price or cost. The rating system shall provide for a range of 15 to 25 percent of the total number of available rating points to be set aside for the provision of preference for section 3 business concerns. The purchase order shall be awarded to the responsible firm whose quotation is the most advantageous, considering price and all other factors specified in the rating system.

(2) *Procurement by sealed bids (Invitations for Bids).* Preference in the award of section 3 covered contracts that are awarded under a sealed bid (IFB) process may be provided as follows:

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(i) Bids shall be solicited from all businesses (section 3 business concerns, and non-section 3 business concerns). An award shall be made to the qualified section 3 business concern with the highest priority ranking and with the lowest responsive bid if that bid—

(A) is within the maximum total contract price established in the contracting party's budget for the specific project for which bids are being taken, and

(B) is not more than "X" higher than the total bid price of the lowest responsive bid from any responsible bidder. "X" is determined as follows:

	x=lesser
When the lowest responsive bid is less than \$100,000	10% of that bid or \$9,000.
When the lowest responsive bid is:	
At least \$100,000, but less than \$200,000	9% of that bid, or \$16,000.
At least \$200,000, but less than \$300,000	8% of that bid, or \$21,000.
At least \$300,000, but less than \$400,000	7% of that bid, or \$24,000.
At least \$400,000, but less than \$500,000	6% of that bid, or \$25,000.
At least \$500,000, but less than \$1 million	5% of that bid, or \$40,000.
At least \$1 million, but less than \$2 million	4% of that bid, or \$60,000.
At least \$2 million, but less than \$4 million	3% of that bid, or \$80,000.
At least \$4 million, but less than \$7 million	2% of that bid, or \$105,000.
\$7 million or more	1 1/2% of the lowest responsive bid, with no dollar limit.

(ii) If no responsive bid by a section 3 business concern meets the requirements of paragraph (2)(i) of this section, the contract shall be awarded to a responsible bidder with the lowest responsive bid.

(3) *Procurement under the competitive proposals method of procurement (Request for Proposals (RFP)).* (i) For contracts and sub- contracts awarded under the competitive proposals method of procurement (24 CFR 85.36(d)(3)), a Request for Proposals (RFP) shall identify all evaluation factors (and their relative importance) to be used to rate proposals.

(ii) One of the evaluation factors shall address both the preference for section 3 business concerns and the acceptability of the strategy for meeting the greatest extent feasible requirement (section 3 strategy), as disclosed in proposals submitted by all business concerns (section 3 and non-section 3 business concerns). This factor shall provide for a range of 15 to 25 percent of the total number of available points to be set aside for the evaluation of these two components.

(iii) The component of this evaluation factor designed to address the preference for section 3 business concerns must establish a preference for these business concerns in the order of priority ranking as described in 24 CFR 135.36.

(iv) With respect to the second component (the acceptability of the section 3 strategy), the RFP shall require the disclosure of the contractor's section 3 strategy to comply with the section 3 training and employment preference, or contracting preference, or both, if applicable. A determination of the contractor's responsibility will include the submission of an acceptable section 3 strategy. The contract award shall be made to the responsible firm (either section 3 or non-section 3 business concern) whose proposal is determined most advantageous, considering

price and all other factors specified in the RFP.

PART 146—NONDISCRIMINATION ON THE BASIS OF AGE IN HUD PROGRAMS OR ACTIVITIES RECEIVING FEDERAL FINANCIAL ASSISTANCE

Subpart A—General

- Sec.
- 146.1 Purpose of the Age Discrimination Act of 1975.
- 146.3 Purpose of HUD's age discrimination regulation.
- 146.5 Applicability of part.
- 146.7 Definitions.

Subpart B—Standards for Determining Age Discrimination

- 146.11 Scope of subpart.
- 146.13 Rules against age discrimination.

Subpart C—Duties of HUD Recipients

- 146.21 General responsibilities.
- 146.23 Notice of subrecipients.
- 146.25 Assurance of compliance and recipient assessment of age distinctions.
- 146.27 Information requirements.

Subpart D—Investigation, Settlement, and Enforcement Procedures

- 146.31 Compliance reviews.
- 146.33 Complaints.
- 146.35 Mediation.
- 146.37 Investigation.
- 146.39 Enforcement procedures.
- 146.41 Prohibition against intimidation or retaliation.

Section 3 Regulations as referenced in this Appendix 9 on Pages 18-36 have been updated and restated in 24 CFR Part 75 as follows and 24 CFR 75 shall control:

PART 75 - ECONOMIC OPPORTUNITIES FOR LOW- AND VERY LOW-INCOME PERSONS

Authority: 12 U.S.C. 1701u; 42 U.S.C. 3535(d).

Source: 85 FR 61562, Sept. 29, 2020, unless otherwise noted.

Subpart A - General Provisions

§ 75.1 Purpose.

This part establishes the requirements to be followed to ensure the objectives of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) are met. The purpose of Section 3 is to ensure that economic opportunities, most importantly employment, generated by certain HUD financial assistance shall be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing or residents of the community in which the Federal assistance is spent.

§ 75.3 Applicability.

(a) ***General applicability.*** Section 3 applies to public housing financial assistance and Section 3 projects, as follows:

(1) ***Public housing financial assistance.*** Public housing financial assistance means:

(i) Development assistance provided pursuant to section 5 of the United States Housing Act of 1937 (the 1937 Act);

(ii) Operations and management assistance provided pursuant to section 9(e) of the 1937 Act;

(iii) Development, modernization, and management assistance provided pursuant to section 9(d) of the 1937 Act; and

(iv) The entirety of a mixed-finance development project as described in 24 CFR 905.604, regardless of whether the project is fully or partially assisted with public housing financial assistance as defined in paragraphs (a)(1)(i) through (iii) of this section.

(2) ***Section 3 projects.***

(i) Section 3 projects means housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a threshold of \$200,000. The threshold is \$100,000 where the assistance is from the Lead Hazard Control and Healthy Homes programs, as authorized by Sections 501 or 502 of the Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-1 or 1701z-2), the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4801 et seq.); and the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851 et seq.). The project is the site or sites together with any building(s) and improvements located on the site(s) that are under common ownership, management, and financing.

(ii) The Secretary must update the thresholds provided in paragraph (a)(2)(i) of this section not less than once every 5 years based on a national construction cost inflation factor through Federal Register notice not subject to public comment. When the Secretary finds it is warranted to ensure compliance with Section 3, the Secretary may adjust, regardless of the national construction cost factor, such thresholds through Federal Register notice, subject to public comment.

(iii) The requirements in this part apply to an entire Section 3 project, regardless of whether the project is fully or partially assisted under HUD programs that provide housing and community development financial assistance.

(b) ***Contracts for materials.*** Section 3 requirements do not apply to material supply contracts.

(c) ***Indian and Tribal preferences.*** Contracts, subcontracts, grants, or subgrants subject to Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 5307(b)) or subject to tribal preference requirements as authorized under 101(k) of the Native American Housing Assistance and Self-Determination Act (25 U.S.C. 4111(k)) must provide preferences in employment, training, and business opportunities to Indians and Indian organizations, and are therefore not subject to the requirements of this part.

(d) ***Other HUD assistance and other Federal assistance.*** Recipients that are not subject to Section 3 are encouraged to consider ways to support the purpose of Section 3.

§ 75.5 Definitions.

The terms *HUD*, *Public housing*, and *Public Housing Agency (PHA)* are defined in 24 CFR part 5. The following definitions also apply to this part:

1937 Act means the United States Housing Act of 1937, 42 U.S.C. 1437 et seq.

Contractor means any entity entering into a contract with:

- (1) A recipient to perform work in connection with the expenditure of public housing financial assistance or for work in connection with a Section 3 project; or
- (2) A subrecipient for work in connection with a Section 3 project.

Labor hours means the number of paid hours worked by persons on a Section 3 project or by persons employed with funds that include public housing financial assistance.

Low-income person means a person as defined in Section 3(b)(2) of the 1937 Act.

Material supply contracts means contracts for the purchase of products and materials, including, but not limited to, lumber, drywall, wiring, concrete, pipes, toilets, sinks, carpets, and office supplies.

Professional services means non-construction services that require an advanced degree or professional licensing, including, but not limited to, contracts for legal services, financial consulting, accounting services, environmental assessment, architectural services, and civil engineering services.

Public housing financial assistance means assistance as defined in § 75.3(a)(1).

Public housing project is defined in 24 CFR 905.108.

Recipient means any entity that receives directly from HUD public housing financial assistance or housing and community development assistance that funds Section 3 projects, including, but not limited to, any State, local government, instrumentality, PHA, or other public agency, public or private nonprofit organization.

Section 3 means Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u).

Section 3 business concern means:

- (1) A business concern meeting at least one of the following criteria, documented within the last six-month period:
 - (i) It is at least 51 percent owned and controlled by low- or very low-income persons;

(ii) Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or

(iii) It is a business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

(2) The status of a Section 3 business concern shall not be negatively affected by a prior arrest or conviction of its owner(s) or employees.

(3) Nothing in this part shall be construed to require the contracting or subcontracting of a Section 3 business concern. Section 3 business concerns are not exempt from meeting the specifications of the contract.

Section 3 project means a project defined in § 75.3(a)(2).

Section 3 worker means:

(1) Any worker who currently fits or when hired within the past five years fit at least one of the following categories, as documented:

(i) The worker's income for the previous or annualized calendar year is below the income limit established by HUD.

(ii) The worker is employed by a Section 3 business concern.

(iii) The worker is a YouthBuild participant.

(2) The status of a Section 3 worker shall not be negatively affected by a prior arrest or conviction.

(3) Nothing in this part shall be construed to require the employment of someone who meets this definition of a Section 3 worker. Section 3 workers are not exempt from meeting the qualifications of the position to be filled.

Section 8-assisted housing refers to housing receiving project-based rental assistance or tenant-based assistance under Section 8 of the 1937 Act.

Service area or the neighborhood of the project means an area within one mile of the Section 3 project or, if fewer than 5,000 people live within one mile of a Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census.

Small PHA means a public housing authority that manages or operates fewer than 250 public housing units.

Subcontractor means any entity that has a contract with a contractor to undertake a portion of the contractor's obligation to perform work in connection with the expenditure of public housing financial assistance or for a Section 3 project.

Subrecipient has the meaning provided in the applicable program regulations or in 2 CFR 200.93.

Targeted Section 3 worker has the meanings provided in §§ 75.11, 75.21, or 75.29, and does not exclude an individual that has a prior arrest or conviction.

Very low-income person means the definition for this term set forth in section 3(b)(2) of the 1937 Act.

YouthBuild programs refers to YouthBuild programs receiving assistance under the Workforce Innovation and Opportunity Act (29 U.S.C. 3226).

§ 75.7 Requirements applicable to HUD NOFAs for Section 3 covered programs.

All notices of funding availability (NOFAs) issued by HUD that announce the availability of funding covered by § 75.3 will include notice that this part is applicable to the funding and may include, as appropriate for the specific NOFA, points or bonus points for the quality of Section 3 plans.

Subpart B - Additional Provisions for Public Housing Financial Assistance

§ 75.9 Requirements.

(a) Employment and training.

(1) Consistent with existing Federal, state, and local laws and regulations, PHAs or other recipients receiving public housing financial assistance, and their contractors and subcontractors, must make their best efforts to provide employment and training opportunities generated by the public housing financial assistance to Section 3 workers.

(2) PHAs or other recipients, and their contractors and subcontractors, must make their best efforts described in paragraph (a)(1) of this section in the following order of priority:

(i) To residents of the public housing projects for which the public housing financial assistance is expended;

(ii) To residents of other public housing projects managed by the PHA that is providing the assistance or for residents of Section 8-assisted housing managed by the PHA;

(iii) To participants in YouthBuild programs; and

(iv) To low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the assistance is expended.

(b) ***Contracting.***

(1) Consistent with existing Federal, state, and local laws and regulations, PHAs and other recipients of public housing financial assistance, and their contractors and subcontractors, must make their best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers.

(2) PHAs and other recipients, and their contractors and subcontractors, must make their best efforts described in paragraph (b)(1) of this section in the following order of priority:

(i) To Section 3 business concerns that provide economic opportunities for residents of the public housing projects for which the assistance is provided;

(ii) To Section 3 business concerns that provide economic opportunities for residents of other public housing projects or Section-8 assisted housing managed by the PHA that is providing the assistance;

(iii) To YouthBuild programs; and

(iv) To Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which the assistance is provided.

§ 75.11 Targeted Section 3 worker for public housing financial assistance.

(a) ***Targeted Section 3 worker.*** A Targeted Section 3 worker for public housing financial assistance means a Section 3 worker who is:

(1) A worker employed by a Section 3 business concern; or

(2) A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:

(i) A resident of public housing or Section 8-assisted housing;

(ii) A resident of other public housing projects or Section 8-assisted housing managed by the PHA that is providing the assistance; or

(iii) A YouthBuild participant.

(b) [Reserved]

§ 75.13 Section 3 safe harbor.

(a) **General.** PHAs and other recipients will be considered to have complied with requirements in this part, in the absence of evidence to the contrary, if they:

- (1) Certify that they have followed the prioritization of effort in § 75.9; and
- (2) Meet or exceed the applicable Section 3 benchmarks as described in paragraph (b) of this section.

(b) **Establishing benchmarks.**

(1) HUD will establish Section 3 benchmarks for Section 3 workers or Targeted Section 3 workers or both through a document published in the Federal Register. HUD may establish a single nationwide benchmark for Section 3 workers and a single nationwide benchmark for Targeted Section 3 workers, or may establish multiple benchmarks based on geography, the type of public housing financial assistance, or other variables. HUD will update the benchmarks through a document published in the Federal Register, subject to public comment, not less frequently than once every 3 years. Such notice shall include aggregate data on labor hours and the proportion of PHAs and other recipients meeting benchmarks, as well as other metrics reported pursuant to § 75.15 as deemed appropriate by HUD, for the 3 most recent reporting years.

(2) In establishing the Section 3 benchmarks, HUD may consider the industry averages for labor hours worked by specific categories of workers or in different localities or regions; averages for labor hours worked by Section 3 workers and Targeted Section 3 workers as reported by recipients pursuant to this section; and any other factors HUD deems important. In establishing the Section 3 benchmarks, HUD will exclude professional services from the total number of labor hours as such hours are excluded from the total number of labor hours to be reported per § 75.15(a)(4).

(3) Section 3 benchmarks will consist of the following two ratios:

(i) The number of labor hours worked by Section 3 workers divided by the total number of labor hours worked by all workers funded by public housing financial assistance in the PHA's or other recipient's fiscal year.

(ii) The number of labor hours worked by Targeted Section 3 workers, as defined in § 75.11(a), divided by the total number of labor hours worked by all workers funded by public housing financial assistance in the PHA's or other recipient's fiscal year.

§ 75.15 Reporting.

(a) **Reporting of labor hours.**

(1) For public housing financial assistance, PHAs and other recipients must report in a manner prescribed by HUD:

- (i) The total number of labor hours worked;
- (ii) The total number of labor hours worked by Section 3 workers; and
- (iii) The total number of labor hours worked by Targeted Section 3 workers.

(2) Section 3 workers' and Targeted Section 3 workers' labor hours may be counted for five years from when their status as a Section 3 worker or Targeted Section 3 worker is established pursuant to § 75.31.

(3) The labor hours reported under paragraph (a)(1) of this section must include the total number of labor hours worked with public housing financial assistance in the fiscal year of the PHA or other recipient, including labor hours worked by any contractors and subcontractors that the PHA or other recipient is required, or elects pursuant to paragraph (a)(4) of this section, to report.

(4) PHAs and other recipients reporting under this section, as well as contractors and subcontractors who report to PHAs and recipients, may report labor hours by Section 3 workers, under paragraph (a)(1)(ii) of this section, and labor hours by Targeted Section 3 workers, under paragraph (a)(1)(iii) of this section, from professional services without including labor hours from professional services in the total number of labor hours worked under paragraph (a)(1)(i) of this section. If a contract covers both professional services and other work and the PHA, other recipient, contractor, or subcontractor chooses not to report labor hours from professional services, the labor hours under the contract that are not from professional services must still be reported.

(5) PHAs and other recipients may report on the labor hours of the PHA, the recipient, a contractor, or a subcontractor based on the employer's good faith assessment of the labor hours of a full-time or part-time employee informed by the employer's existing salary or time and attendance based payroll systems, unless the project or activity is otherwise subject to requirements specifying time and attendance reporting.

(b) **Additional reporting if Section 3 benchmarks are not met.** If the PHA's or other recipient's reporting under paragraph (a) of this section indicates that the PHA or other recipient has not met the Section 3 benchmarks described in § 75.13, the PHA or other recipient must report in a form prescribed by HUD on the qualitative nature of its Section 3 compliance activities and those of its contractors and subcontractors. Such qualitative efforts may, for example, include but are not limited to the following:

- (1) Engaged in outreach efforts to generate job applicants who are Targeted Section 3 workers.

- (2) Provided training or apprenticeship opportunities.
- (3) Provided technical assistance to help Section 3 workers compete for jobs (*e.g.*, resume assistance, coaching).
- (4) Provided or connected Section 3 workers with assistance in seeking employment including: drafting resumes, preparing for interviews, and finding job opportunities connecting residents to job placement services.
- (5) Held one or more job fairs.
- (6) Provided or referred Section 3 workers to services supporting work readiness and retention (*e.g.*, work readiness activities, interview clothing, test fees, transportation, child care).
- (7) Provided assistance to apply for/or attend community college, a four-year educational institution, or vocational/technical training.
- (8) Assisted Section 3 workers to obtain financial literacy training and/or coaching.
- (9) Engaged in outreach efforts to identify and secure bids from Section 3 business concerns.
- (10) Provided technical assistance to help Section 3 business concerns understand and bid on contracts.
- (11) Divided contracts into smaller jobs to facilitate participation by Section 3 business concerns.
- (12) Provided bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.
- (13) Promoted use of business registries designed to create opportunities for disadvantaged and small businesses.
- (14) Outreach, engagement, or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.

(c) **Reporting frequency.** Unless otherwise provided, PHAs or other recipients must report annually to HUD under paragraph (a) of this section, and, where required, under paragraph (b) of this section, in a manner consistent with reporting requirements for the applicable HUD program.

(d) **Reporting by Small PHAs.** Small PHAs may elect not to report under paragraph (a) of this section. Small PHAs that make such election are required to report on their qualitative efforts, as described in paragraph (b) of this section, in a manner consistent with reporting requirements for the applicable HUD program.

§ 75.17 Contract provisions.

- (a) PHAs or other recipients must include language in any agreement or contract to apply Section 3 to contractors.
- (b) PHAs or other recipients must require contractors to include language in any contract or agreement to apply Section 3 to subcontractors.
- (c) PHAs or other recipients must require all contractors and subcontractors to meet the requirements of § 75.9, regardless of whether Section 3 language is included in contracts.

Subpart C - Additional Provisions for Housing and Community Development Financial Assistance

§ 75.19 Requirements.

(a) Employment and training.

- (1) To the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations, recipients covered by this subpart shall ensure that employment and training opportunities arising in connection with Section 3 projects are provided to Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the project is located.
- (2) Where feasible, priority for opportunities and training described in paragraph (a)(1) of this section should be given to:
 - (i) Section 3 workers residing within the service area or the neighborhood of the project, and
 - (ii) Participants in YouthBuild programs.

(b) Contracting.

- (1) To the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations, recipients covered by this subpart shall ensure contracts for work awarded in connection with Section 3 projects are provided to business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which the project is located.
- (2) Where feasible, priority for contracting opportunities described in paragraph (b)(1) of this section should be given to:
 - (i) Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the project, and

(ii) YouthBuild programs.

§ 75.21 Targeted Section 3 worker for housing and community development financial assistance.

(a) **Targeted Section 3 worker.** A Targeted Section 3 worker for housing and community development financial assistance means a Section 3 worker who is:

- (1) A worker employed by a Section 3 business concern; or
- (2) A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
 - (i) Living within the service area or the neighborhood of the project, as defined in § 75.5; or
 - (ii) A YouthBuild participant.

(b) [Reserved]

§ 75.23 Section 3 safe harbor.

(a) **General.** Recipients will be considered to have complied with requirements in this part, in the absence of evidence to the contrary if they:

- (1) Certify that they have followed the prioritization of effort in § 75.19; and
- (2) Meet or exceed the applicable Section 3 benchmark as described in paragraph (b) of this section.

(b) **Establishing benchmarks.**

(1) HUD will establish Section 3 benchmarks for Section 3 workers or Targeted Section 3 workers or both through a document published in the Federal Register. HUD may establish a single nationwide benchmark for Section 3 workers and a single nationwide benchmark for Targeted Section 3 workers, or may establish multiple benchmarks based on geography, the nature of the Section 3 project, or other variables. HUD will update the benchmarks through a document published in the Federal Register, subject to public comment, not less frequently than once every 3 years. Such notice shall include aggregate data on labor hours and the proportion of recipients meeting benchmarks, as well as other metrics reported pursuant to § 75.25 as deemed appropriate by HUD, for the 3 most recent reporting years.

(2) In establishing the Section 3 benchmarks, HUD may consider the industry averages for labor hours worked by specific categories of workers or in different localities or regions; averages for labor hours worked by Section 3 workers and Targeted Section 3 workers as

reported by recipients pursuant to this section; and any other factors HUD deems important. In establishing the Section 3 benchmarks, HUD will exclude professional services from the total number of labor hours as such hours are excluded from the total number of labor hours to be reported per § 75.25(a)(4).

(3) Section 3 benchmarks will consist of the following two ratios:

(i) The number of labor hours worked by Section 3 workers divided by the total number of labor hours worked by all workers on a Section 3 project in the recipient's program year.

(ii) The number of labor hours worked by Targeted Section 3 workers as defined in § 75.21(a), divided by the total number of labor hours worked by all workers on a Section 3 project in the recipient's program year.

§ 75.25 Reporting.

(a) *Reporting of labor hours.*

(1) For Section 3 projects, recipients must report in a manner prescribed by HUD:

(i) The total number of labor hours worked;

(ii) The total number of labor hours worked by Section 3 workers; and

(iii) The total number of labor hours worked by Targeted Section 3 workers.

(2) Section 3 workers' and Targeted Section 3 workers' labor hours may be counted for five years from when their status as a Section 3 worker or Targeted Section 3 worker is established pursuant to § 75.31.

(3) The labor hours reported under paragraph (a)(1) of this section must include the total number of labor hours worked on a Section 3 project, including labor hours worked by any subrecipients, contractors and subcontractors that the recipient is required, or elects pursuant to paragraph (a)(4) of this section, to report.

(4) Recipients reporting under this section, as well as subrecipients, contractors and subcontractors who report to recipients, may report labor hours by Section 3 workers, under paragraph (a)(1)(ii) of this section, and labor hours by Targeted Section 3 workers, under paragraph (a)(1)(iii) of this section, from professional services without including labor hours from professional services in the total number of labor hours worked under paragraph (a)(1)(i) of this section. If a contract covers both professional services and other work and the recipient or contractor or subcontractor chooses not to report labor hours from professional services, the labor hours under the contract that are not from professional services must still be reported.

(5) Recipients may report their own labor hours or that of a subrecipient, contractor, or subcontractor based on the employer's good faith assessment of the labor hours of a full-time or part-time employee informed by the employer's existing salary or time and attendance based payroll systems, unless the project or activity is otherwise subject to requirements specifying time and attendance reporting.

(b) ***Additional reporting if Section 3 benchmarks are not met.*** If the recipient's reporting under paragraph (a) of this section indicates that the recipient has not met the Section 3 benchmarks described in § 75.23, the recipient must report in a form prescribed by HUD on the qualitative nature of its activities and those its contractors and subcontractors pursued. Such qualitative efforts may, for example, include but are not limited to the following:

- (1) Engaged in outreach efforts to generate job applicants who are Targeted Section 3 workers.
- (2) Provided training or apprenticeship opportunities.
- (3) Provided technical assistance to help Section 3 workers compete for jobs (*e.g.*, resume assistance, coaching).
- (4) Provided or connected Section 3 workers with assistance in seeking employment including: drafting resumes, preparing for interviews, and finding job opportunities connecting residents to job placement services.
- (5) Held one or more job fairs.
- (6) Provided or referred Section 3 workers to services supporting work readiness and retention (*e.g.*, work readiness activities, interview clothing, test fees, transportation, child care).
- (7) Provided assistance to apply for/or attend community college, a four-year educational institution, or vocational/technical training.
- (8) Assisted Section 3 workers to obtain financial literacy training and/or coaching.
- (9) Engaged in outreach efforts to identify and secure bids from Section 3 business concerns.
- (10) Provided technical assistance to help Section 3 business concerns understand and bid on contracts.
- (11) Divided contracts into smaller jobs to facilitate participation by Section 3 business concerns.
- (12) Provided bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.

(13) Promoted use of business registries designed to create opportunities for disadvantaged and small businesses.

(14) Outreach, engagement, or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.

(c) **Reporting frequency.** Unless otherwise provided, recipients must report annually to HUD under paragraph (a) of this section, and, where required, under paragraph (b) of this section, on all projects completed within the reporting year in a manner consistent with reporting requirements for the applicable HUD program.

§ 75.27 Contract provisions.

(a) Recipients must include language applying Section 3 requirements in any subrecipient agreement or contract for a Section 3 project.

(b) Recipients of Section 3 funding must require subrecipients, contractors, and subcontractors to meet the requirements of § 75.19, regardless of whether Section 3 language is included in recipient or subrecipient agreements, program regulatory agreements, or contracts.

Subpart D - Provisions for Multiple Funding Sources, Recordkeeping, and Compliance

§ 75.29 Multiple funding sources.

(a) If a housing rehabilitation, housing construction or other public construction project is subject to Section 3 pursuant to § 75.3(a)(1) and (2), the recipient must follow subpart B of this part for the public housing financial assistance and may follow either subpart B or C of this part for the housing and community development financial assistance. For such a project, the following applies:

(1) For housing and community development financial assistance, a Targeted Section 3 worker is any worker who meets the definition of a Targeted Section 3 worker in either subpart B or C of this part; and

(2) The recipients of both sources of funding shall report on the housing rehabilitation, housing construction, or other public construction project as a whole and shall identify the multiple associated recipients. PHAs and other recipients must report the following information:

(i) The total number of labor hours worked on the project;

(ii) The total number of labor hours worked by Section 3 workers on the project; and

(iii) The total number of labor hours worked by Targeted Section 3 workers on the project.

(b) If a housing rehabilitation, housing construction, or other public construction project is subject to Section 3 because the project is assisted with funding from multiple sources of housing and community development assistance that exceed the thresholds in § 75.3(a)(2), the recipient or recipients must follow subpart C of this part, and must report to the applicable HUD program office, as prescribed by HUD.

§ 75.31 Recordkeeping.

(a) HUD shall have access to all records, reports, and other documents or items of the recipient that are maintained to demonstrate compliance with the requirements of this part, or that are maintained in accordance with the regulations governing the specific HUD program by which the Section 3 project is governed, or the public housing financial assistance is provided or otherwise made available to the recipient, subrecipient, contractor, or subcontractor.

(b) Recipients must maintain documentation, or ensure that a subrecipient, contractor, or subcontractor that employs the worker maintains documentation, to ensure that workers meet the definition of a Section 3 worker or Targeted Section 3 worker, at the time of hire or the first reporting period, as follows:

(1) For a worker to qualify as a Section 3 worker, one of the following must be maintained:

(i) A worker's self-certification that their income is below the income limit from the prior calendar year;

(ii) A worker's self-certification of participation in a means-tested program such as public housing or Section 8-assisted housing;

(iii) Certification from a PHA, or the owner or property manager of project-based Section 8-assisted housing, or the administrator of tenant-based Section 8-assisted housing that the worker is a participant in one of their programs;

(iv) An employer's certification that the worker's income from that employer is below the income limit when based on an employer's calculation of what the worker's wage rate would translate to if annualized on a full-time basis; or

(v) An employer's certification that the worker is employed by a Section 3 business concern.

(2) For a worker to qualify as a Targeted Section 3 worker, one of the following must be maintained:

(i) For a worker to qualify as a Targeted Section 3 worker under subpart B of this part:

(A) A worker's self-certification of participation in public housing or Section 8-assisted housing programs;

(B) Certification from a PHA, or the owner or property manager of project-based Section 8-assisted housing, or the administrator of tenant-based Section 8-assisted housing that the worker is a participant in one of their programs;

(C) An employer's certification that the worker is employed by a Section 3 business concern; or

(D) A worker's certification that the worker is a YouthBuild participant.

(ii) For a worker to qualify as a Targeted Section 3 worker under subpart C of this part:

(A) An employer's confirmation that a worker's residence is within one mile of the work site or, if fewer than 5,000 people live within one mile of a work site, within a circle centered on the work site that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census;

(B) An employer's certification that the worker is employed by a Section 3 business concern; or

(C) A worker's self-certification that the worker is a YouthBuild participant.

(c) The documentation described in paragraph (b) of this section must be maintained for the time period required for record retentions in accordance with applicable program regulations or, in the absence of applicable program regulations, in accordance with 2 CFR part 200.

(d) A PHA or recipient may report on Section 3 workers and Targeted Section 3 workers for five years from when their certification as a Section 3 worker or Targeted Section 3 worker is established.

§ 75.33 Compliance.

(a) **Records of compliance.** Each recipient shall maintain adequate records demonstrating compliance with this part, consistent with other recordkeeping requirements in 2 CFR part 200.

(b) **Complaints.** Complaints alleging failure of compliance with this part may be reported to the HUD program office responsible for the public housing financial assistance or the Section 3 project, or to the local HUD field office.

(c) **Monitoring.** HUD will monitor compliance with the requirements of this part. The applicable HUD program office will determine appropriate methods by which to oversee Section 3 compliance. HUD may impose appropriate remedies and sanctions in accordance with the laws and regulations for the program under which the violation was found.

Texas Administrative Code

TITLE 10

COMMUNITY DEVELOPMENT

PART 1

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

CHAPTER 11

QUALIFIED ALLOCATION PLAN (QAP)

SUBCHAPTER D

UNDERWRITING AND LOAN POLICY

RULE §11.306

Scope and Cost Review Guidelines

(a) General Provisions. The objective of the Scope and Cost Review Report (SCR) required for Rehabilitation Developments (excluding Reconstruction) and Adaptive Reuse Developments is to provide a self-contained report that provides a comprehensive description and evaluation of the current conditions of the Development and identifies a scope of work for the proposed repairs, replacements and improvements to an existing multifamily property or identifies a scope of work for the conversion of a non-multifamily property to multifamily use. The SCR author must evaluate the sufficiency of the Applicant's scope of work and provide an independent review of the Applicant's proposed costs. The report must be in sufficient detail for the Underwriter to fully understand all current conditions, scope of work and cost estimates. It is the responsibility of the Applicant to ensure that the scope of work and cost estimates submitted in the Application is provided to the author. The SCR must include a copy of the Development Cost Schedule submitted in the Application. The report must also include the following statement, "any person signing this Report acknowledges that the Department may publish the full report on the Department's website, release the report in response to a request for public information and make other use of the report as authorized by law."

(b) For Rehabilitation Developments, the SCR must include analysis in conformity with the ASTM "Standard Guide for Property Condition Assessments. Baseline Property Condition Assessment Process (ASTM Standard Designation: E 2018)" except as provided for in subsections (f) and (g) of this section.

(c) The SCR must include good quality color photographs of the subject Real Estate (front, rear, and side elevations, on-site amenities, interior of the structure). Photographs should be properly labeled.

(d) The SCR must also include discussion and analysis of:

(1) Description of Current Conditions. For both Rehabilitation and Adaptive Reuse, the SCR must contain a detailed description with good quality photographs of the current conditions of all major systems and components of the Development regardless of whether the system or component will be removed, repaired or replaced. For historic structures, the SCR must contain a description with photographs of each aspect of the building(s) that qualifies it as historic and must include a narrative explaining how the scope of work relates to maintaining the historic designation of the Development. Replacement or relocation of systems and components must be described;

(2) Description of Scope of Work. The SCR must provide a narrative of the consolidated scope of work either as a stand-alone section of the report or included with the description of the current conditions for each major system and components. Any New Construction must be described. Plans or drawings (that are in addition to any plans or drawings otherwise required by rule) and that relate to any part of the scope of work should be included, if available;

(3) Useful Life Estimates. For each system and component of the property the SCR must estimate its remaining useful life, citing the basis or the source from which such estimate is derived;

(4) Code Compliance. The SCR must document any known violations of any applicable federal, state, or local codes. In developing the cost estimates specified herein, it is the responsibility of the Applicant to ensure that the SCR adequately considers any and all applicable federal, state, and local laws and regulations which are

applicable and govern any work and potentially impact costs. For Applications requesting Direct Loan funding from the Department, the SCR author must include a comparison between the local building code and the International Existing Building Code of the International Code Council.;

(5) Program Rules. The SCR must assess the extent to which any systems or components must be modified, repaired, or replaced in order to comply with any specific requirements of the housing program under which the Development is proposed to be financed, the Department's Uniform Physical Condition Standards, and any scoring criteria including amenities for which the Applicant may claim points. It is the responsibility of the Applicant to inform the report author of those requirements in the scope of work; for Direct Loan Developments this includes, but is not limited to the requirements in the Lead-Based Paint Poisoning Prevention Act (42 USC §§4821-4846), the Residential Lead- Based Paint Hazard Reduction Act of 1992 (42 USC §§4851-4856), and implementing regulations, Title X of the 1992 Housing and Community Development Act at 24 CFR Part 35 (including subparts A, B, J, K, and R), and the Lead: Renovation, Repair, and Painting Program Final Rule and Response to Children with Environmental Intervention Blood Lead Levels (40 CFR Part 745);

(6) Accessibility Requirements. The SCR report must include an analysis of compliance with the Department's accessibility requirements pursuant to Chapter 1, Subchapter B and §11.101(b)(8) of this title (relating to Site and Development Requirements and Restrictions) and identify the specific items in the scope of work and costs needed to ensure that the Development will meet these requirements upon Rehabilitation (including conversion and Adaptive Reuse);

(7) Reconciliation of Scope of Work and Costs. The SCR report must include the Department's Scope and Cost Review Supplement (SCR Supplement) with the signature of the SCR author. The SCR Supplement must reconcile the scope of work and costs of the immediate physical needs identified by the SCR author with the Applicant's scope of work and costs. The costs presented on the SCR Supplement must be consistent with both the scope of work and immediate costs identified in the body of the SCR report and the Applicant's scope of work and costs as presented in the Application. Variations between the costs listed on the SCR Supplement and the costs listed in the body of the SCR report or on the Applicant's Development Cost Schedule must be reconciled in a narrative analysis from the SCR provider. The consolidated scope of work and costs shown on the SCR Supplement will be used by the Underwriter in the analysis to the extent adequately supported in the report; and

(8) Cost Estimates. The Development Cost Schedule and SCR Supplement must include all costs identified below:

(A) Immediately Necessary Repairs and Replacement. For all Rehabilitation developments, and Adaptive Reuse developments if applicable, immediately necessary repair and replacement should be identified for systems or components which are expected to have a remaining useful life of less than one year, which are found to be in violation of any applicable codes, which must be modified, repaired or replaced in order to satisfy program rules, or which are otherwise in a state of deferred maintenance or pose health and safety hazards. The SCR must provide a separate estimate of the costs associated with the repair, replacement, or maintenance of each system or component which is identified as being an immediate need, citing the basis or the source from which such cost estimate is derived.

(B) Proposed Repair, Replacement, or New Construction. If the development plan calls for additional scope of work above and beyond the immediate repair and replacement items described in subparagraph (A) of this paragraph, the additional scope of work must be evaluated and either the nature or source of obsolescence to be cured or improvement to the operations of the Property discussed. The SCR must provide a separate estimate of the costs associated with the additional scope of work, citing the basis or the source from which such cost estimate is derived.

(C) Reconciliation of Costs. The combined costs described in subparagraphs (A) and (B) of this paragraph should be consistent with the costs presented on the Applicant's Development Cost Schedule and the SCR Supplement.

(D) Expected Repair and Replacement Over Time. The term during which the SCR should estimate the cost of expected repair and replacement over time must equal the lesser of 30 years or the longest term of any land use or regulatory restrictions which are, or will be, associated with the provision of housing on the Property. The SCR must estimate the periodic costs which are expected to arise for repairing or replacing each system or component or the property, based on the estimated remaining useful life of such system or component as described in paragraph (1) of this subsection adjusted for completion of repair and replacement immediately necessary and proposed as described in subparagraphs (A) and (B) of this paragraph. The SCR must include a separate table of the estimated long term costs which identifies in each line the individual component of the property being examined, and in each column the year during the term in which the costs are estimated to be incurred for a period and no less than 30 years. The estimated costs for future years should be given in both present dollar values and anticipated future dollar values assuming a reasonable inflation factor of not less than 2.5% per annum.

(e) Any costs not identified and discussed in sufficient detail in the SCR as part of subsection (d)(6), (d)(8)(A) and (d)(8)(B) of this section will not be included in the underwritten Total Development Cost in the Report.

(f) If a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied, the Department will also accept copies of reports commissioned or required by the primary lender for a proposed transaction, which have been prepared in accordance with:

- (1) Fannie Mae's criteria for Physical Needs Assessments;
- (2) Federal Housing Administration's criteria for Project Capital Needs Assessments;
- (3) Freddie Mac's guidelines for Engineering and Property Condition Reports;
- (4) USDA guidelines for Capital Needs Assessment.

(g) The Department may consider for acceptance reports prepared according to other standards which are not specifically named in subsection (g) of this section, if a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied.

(h) The SCR shall be conducted by a Third Party at the expense of the Applicant, and addressed to Texas Department of Housing and Community Affairs as the client. Copies of reports provided to the Department which were commissioned by other financial institutions should address Texas Department of Housing and Community Affairs as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to Texas Department of Housing and Community Affairs.

(i) The SCR report must include a statement that the individual or company preparing the SCR report will not materially benefit from the Development in any other way than receiving a fee for performing the SCR. Because of the Department's heavy reliance on the independent cost information, the provider must not be a Related Party to or an Affiliate of any other Development Team member. The SCR report must contain a statement indicating the report preparer has read and understood the requirements of this section.

(j) The SCR report must include the Department's SCR Compliance checklist containing the signatures of both the Applicant and SCR author.

Source Note: The provisions of this §11.306 adopted to be effective December 27, 2020, 45 TexReg 9420

APPENDIX 11
MULTIFAMILY RELOCATION REQUIREMENTS, INCLUDING RELATED FORMS

Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970

Regulation

Per HUD, activities and projects assisted by CDBG-DR are subject to the Uniform Relocation Assistance (URA), a federal law which provides important protections and assistance for people affected by the acquisition, rehabilitation, or demolition of real property for federally funded projects.

The URA was enacted by Congress to ensure people whose real property is acquired, or who move as a direct result of projects receiving federal funds, are treated fairly and equitably and receive assistance in moving from the property they occupy.

Activities and projects assisted by CDBG-DR are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601 *et seq.*) ("URA") and section 104(d) of the HCD Act (42 U.S.C. 5304(d)) (Section 104(d)). The implementing regulations for the URA are at 49 CFR part 24. The regulations for Section 104(d) are at 24 CFR part 42, subpart C. Programs and projects must adhere to

- **49 CFR Part 24** is the government-wide regulation that implements the URA.
- **HUD Handbook 1378** provides HUD policy and guidance on implementing the URA and 49 CFR Part 24 for HUD funded programs and projects.
- Housing and Community Development (HCDD) Policies and Procedures.

CDBG-DR Waiver(s)

One-for-One Replacement Housing, Relocation, and Real Property Acquisition Requirements. Activities and projects undertaken with CDBG-DR funds are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601 *et seq.*) ("URA") and section 104(d) of the HCD Act (42 U.S.C. 5304(d)) (section 104(d)). The implementing regulations for the URA are at 49 CFR part 24. The regulations for section 104(d) are at 24 CFR part 42, subpart C. For the purpose of promoting the availability of decent, safe, and sanitary housing, HUD is waiving the following URA and section 104(d) requirements with respect to the use of CDBG-DR funds.

The relocation assistance requirements at Section 104(d)(2)(A) of the Housing and Community Development Act and 24 CFR 42.350 are waived to the extent that they differ from the requirements of the URA and implementing regulations at 49 CFR Part 24, as modified by the notice for activities related to disaster recovery. Without this waiver, disparities exist in relocation assistance associated with activities typically funded by HUD and FEMA (e.g., buyouts and relocation). Both FEMA and CDBG funds are subject to the requirements of the URA; however, CDBG funds are subject to Section 104(d), while FEMA funds are not. The URA provides that a displaced person is eligible to receive a rental assistance payment that covers a period of 42 months. By contrast, Section 104(d) allows a lower-income displaced person to choose between the URA rental assistance payment and a rental assistance payment calculated over a period of 60 months. This waiver of the Section 104(d) requirements assures uniform and equitable treatment by setting the URA and its implementing regulations as the sole standard for relocation assistance under the federal register notice.

The HCDD's Residential Anti-displacement and Relocation Assistance Plan (RARAP) will be adhere to when direct or indirect permanent displacement of tenants occur. The following steps are required by subrecipients and developers to minimize the direct and indirect displacement of persons from their homes: Plan construction activities to allow tenants to remain in their units as long as possible, by rehabilitating empty units or buildings first; where feasible, give priority to rehabilitation of housing, as opposed to demolition, to avoid displacement; adopt policies to identify and mitigate displacement resulting from intensive public investment in neighborhoods; adopt tax assessment policies, such as deferred tax payment plans, to reduce impact of increasing property tax assessments on lower income owner-occupants or tenants in revitalizing areas; or target only those properties deemed essential to the need or success of the project.

Monitoring

If Relocation is triggered, periodic monitoring reviews will be conducted to inspect tenant files.

Record Keeping

If Relocation is triggered, relocation tenant files must be made available for periodic monitoring reviews. Tenant files and other related records must be maintained for a 3-years after construction completion.

Forms

All HUD approved forms and templates are provided by HCDD's URA section.

Exhibit 1

RELOCATION (URA) FOR MULTIFAMILY PROJECTS		
Stage	Project Name Address Houston, TX 770	Project Contact Information
	1	Assurance Letter
1	Relocation Plan	Submitted with Application. Refer to example online at HCDD.
1	Blank Notices	Submitted with Application. Refer to example online at HCDD.
1	Budget	Submitted with Application. Refer to example online at HCDD.
1	Rent Roll	Submitted with Application
1	Site Map	Submitted with Application
1	Notice to Real Property Owner/Seller voluntary acquisition/Right to withdrawal	If Applicable - Submitted with Application. Refer to example online at HCDD.
1	Deed - If property already owned	If Applicable - Submitted with Application
1	General Information Notice Residential TENANT Not Displaced (GIN)	Mailed to Tenant as soon as feasible. Submitted upon request from HCDD- Appendix 2, Handbook 1378. Refer to example online at HCDD.
1	General Information Notice Residential TENANT To Be Displaced (GIN)	Mailed to Tenant as soon as feasible. Submitted upon request from HCDD- Appendix 3, Handbook 1378. Refer to example online at HCDD.
1	Tenant Acknowledgement of GIN Notices	Applicant must have proof tenant received all Notices. (mailed certified, return receipt or hand delivered with tenant signature) Submitted upon request from HCDD.
2	Site Occupant Record-Residential. All Tenants	Used for Interviewing Tenants. Modified Income Certification form. Submitted to HCDD prior to move of tenant. Refer to example online at HCDD.
2	Income Verification	Submitted to HCDD prior to move of tenant.
2	Tenant Status Report w/ Rent Roll Tenants requiring relocation	Initial Tenant list as of City Council approval date (ION). Include Rent Roll dated as of City Council approval date. (per 1-4, T) Handbook 1378. Refer to example online at HCDD.
2	Notice of Non Displacement	If Applicable-Delivered to Tenant within 10 business days from City Council approval date. Refer to example online at HCDD.
2	Notice of Eligibility	If Applicable-Delivered to Tenant within 10 business days from City Council approval date. Refer to example online at HCDD.
2	Tenant Acknowledgement of Eligibility Determination Notices	Applicant must have proof tenant received all Notices. (mailed certified, return receipt or hand delivered with tenant signature) Submitted upon request from HCDD.
3	Temporary Relocation 90 Day Notice	Delivered to Tenant within 10 business days from City Council approval date, but not before eligibility determination. Refer to example online at HCDD.
3	Tenant Acknowledgement	Applicant must have proof tenant received all Notices. (mailed certified, return receipt or hand delivered with tenant signature) Submitted upon request from HCDD.
4	Temporary Relocation 30 Day Notice	30 Days Prior to move. Must include rent amount, apt. #, and moving date. Refer to example online at HCDD.

4	Tenant Acknowledgement	Applicant must have proof tenant received all Notices. (mailed certified, return receipt or hand delivered with tenant signature) Submitted upon request from HCDD.
4	Transfer 30 Day Notice	30 Days Prior to move. Must include rent amount, apt. #, and moving date. Refer to example online at HCDD.
4	Tenant Acknowledgement	Applicant must have proof tenant received all Notices. (mailed certified, return receipt or hand delivered with tenant signature) Submitted upon request from HCDD.
1-6	Move In Notices w/ updated Rent Roll	If Applicable. Refer to example online at HCDD.
1-6	Skip/Abandonment Notice/Breach of Lease	If Applicable. Must submit tenant's Final Account Statement. Refer to example online at HCDD.
1-6	Eviction/Court Orders	If Applicable. Must submit tenant's Final Account Statement and copy of Court Order.
1-6	Tenant Status Report w/ Rent Roll	Monthly report beginning at ION. Submitted by the 10th of each month.
6	Relocation Compliance Review	Prior to Retainage being paid. Reviews usually begins after first moves.
6	Evidence Relocation Exp. Paid	Prior to Retainage being paid. Must include: Moving Contract, Detailed Invoice, and Check (front and back).

Use this checklist to assemble and evaluate information pertaining to temporary relocation of tenants in rehabilitation projects only (Uniform Relocation Act and related regulations)

Exhibit 2

EXAMPLE/SAMPLE

RELOCATION PLAN

1. Cover Sheet must include:
 - Name of Project
 - Address of Project
 - Name of Owner/Entity
2. Table of Contents:
 - A. Property Summary
 1. Current Demographics
 2. Displaced Persons
 - B. Relocation Destination
 - C. Temporary Relocation Benefits
 1. Tenant Notices
 2. Moving Assistance
 3. Utility Transfers
 - D. Tenant Relocation Benefits
 1. Tenant Notices
 2. Covered Costs
 3. Advisory Services
 - E. Relocation Services
 1. Transportation
 2. Communication
 3. Delinquent Utility Bills
 - F. Relocation Recordkeeping and Notices
 1. Relocation Plan Assurance Letter (sign and dated)
 2. Site Map
 3. Potential Transition of Tenants/Tenant Transition Schedule
 4. Tenant Packet (Include Blank Notices with submission of Plan)
 - General Information Notice
 - Non Displacement Notice and/or
 - Notice of Eligibility
 - Temporary Relocation 90 Day Notice
 - Temporary Relocation 30 Day Notice
 - Transfer Notice 30 Day Notice
 5. Construction Schedule

Project Relocation Specialist Contact Information

Owner Contact Information

A. Project Summary

1. Current Demographics

The property is located in the section of the City of Houston, Texas, specifically at the intersection of () streets. Harris County Key Map page (). The project contains a total of acres or approximately () square feet. The shape of the property is generally rectangular with approximately () feet of frontage on the () line of () and () feet on the () line of (). Accessibility to the property is via () Road from the () to () or (). The property is located within the City Limits of Houston and has public water and electric and natural respectively to the site. Telephone service is provided by (). The property is/is not deed restricted as to use and the City of Houston does not subscribe to zoning ordinances. The property was constructed in (); the project has a total of () buildings, () residential and () ancillary (office/community building and laundry). The residential buildings are a mixture of () stories and/or (). There are a total of () units. There are () floor plans which vary from one another by bedroom count and number of bathrooms. This Relocation Plan has been developed due to renovations of the property which is scheduled to start ().

(INSERT CURRENT UNIT MIX TABLE HERE)

Parking is (covered/not covered), the parking and drive are () paved. There are a total of () parking spaces, there are () spaces designated 504 accessible. Project amenities include: () currently () % are/are not restricted by ().

2. Displace Persons

The renovation of the property is expected to take approximately () months and it is "NOT" anticipated that there will be any "displaced persons" who by definition are persons that must move from the property permanently. If it is determined that there are, the plan will be amended to address the special requirements particular to the tenants. These tenants would be given the Notice of Eligibility for Relocation Assistance (see example in Section F) which would inform them of their rights under URA.

B. RELOCATION DESTINATION

There have not been any new leases executed in the last () months in order to have units available to move tenants into. The Relocation Specialist will track the vacant units each month during renovation and submit tracking documentation to HCDD. A tenant transition plan will be

mapped out and submitted to HCDD. This plan will show which tenants will be moved and the new rehabbed units they will be moved to. (See Section F, 3)

If there are no available units onsite the tenant will be provided temporary housing in the development listed below. (Property name) will assure that all temporary housing provided is decent, safe, and sanitary on a non discriminating basis for families or individuals who may be moved offsite.

If it becomes necessary to house tenants in temporary units other than a subsidized housing complex, attempts will be made to find single family units. Rents paid by (your property name) will represent the difference in the tenants current TTP and any additional rent that the tenant must pay. In addition, all relocations off site will be within a five mile radius unless it is in response to a request to a "reasonable accommodation".

(INSERT TABLE WHICH LISTS "DEVELOPMENTS AVAILABLE FOR RELOCATION HERE-include name and address of property, contact information)

C. TEMPORARY RELOCATION OF TENANTS

1. Tenant Notice

In preparation for the relocations, () will conduct group meetings to notify the tenants of the plans for the complex. In addition to these group meetings, the tenants will also receive written notices of the overall renovation plans and notice of the plans for their relocation. Tenants will be notified that they should not move on their own or contact a mover because they would risk being held responsible for these cost and/or forfeit relocation benefits.

Each tenant will be given a packet of information that is included in Section F of this plan and it includes items mandated via URA. Every attempt will be made to keep the tenants informed and to answer any questions that they may have.

2. Moving Assistance

Moving services will be made available to the tenants. Each resident will be given the option of receiving packing assistance. If a resident prefers to pack their own personal possessions, they will be provided packing supplies. All residents will be provided written notices of their scheduled moving date and time in their 30 day notice. (See Section F, 4)

3. Utility Transfers

A letter will be sent to the utility providers of the property. It will explain the plans for the property renovation and for them to anticipate numerous requests for transfers within a short period of time. The tenant will be responsible for scheduling the transfer of their utilities and are expected to notify the relocation specialist of the date and time the transfer is scheduled. If there are any problems with any transfers the property will have the utilities turned on in the

properties name and the tenant will be given 10 days to resolve the issues with the utility company.

D. TENANT RELOCATION BENEFITS

1. Tenant Notice

Tenants will be given notice of what charges and deposits will be covered in the relocation and they will have to sign it and indicate that they understand that there are no other costs that will be covered.

2. Covered Cost

(Your property name) will pay for packing and moving costs that are scheduled by the relocation specialist. (Your property name) will also cover the cost of deposits or transfer fees for the utilities, any increase in rent of the off site temporary housing, if applicable; and telephone/cable at both the temporary unit and the return to the newly renovated unit. These costs will be paid directly to the providing agency and attached to the tenants unit and head of household. These costs will not be paid on behalf of anyone that moves prior to the coordination efforts of the Relocation Specialist or due to Eviction for Cause.

3. Advisory Services

(Your property name) will contact and interview each person who is affected by the project to discuss his/her needs, preferences, concerns, and to answer questions. (Your property name) will use the Site Occupant Record (Exhibit 8 of HCDD Relocation Policy) to record interview of each household. (Your property name) will also provide information about the project and any benefits the tenant may be eligible for; as applicable to the tenants' circumstances (49CFR 24.205(c)).

E. RELOCATION SERVICES

1. Transportation

Relocation of the tenants will be done in phases; the Relocation Specialist will be able to provide the necessary supportive services that may be required. If off site housing is used and there is a need, transportation will be provided to the tenant via taxi companies to tour the proposed unit.

2. Communication

Each tenant will be given written information outlining the process and will be given group and individual access to the Relocation Specialist. The tenants that may require special assistance due to a disability will be identified and will be provided assistance in a non-discriminatory manner.

3. Delinquent Utility Bills

If the tenants do not have the financial resources to pay delinquent utility bills that would hinder services being transferred to their temporary unit, the property will have the services temporarily placed under the property name. The tenant would have 10 business days after move-in, to resolve the issue with the respective utility company.

F. RELOCATION RECORDKEEPING AND NOTICES

NOTE: Blank Notices submitted in this section.

RELOCATION PLAN ASSURANCES

I certify that this relocation plan contains accurate information and has been prepared in accordance with 49 CFR Part 24, Uniform Relocation Assistance (URA) and Real Property Acquisition Final Rule and Notice. I further assure that:

1. Relocation staff knows and will follow URA requirements;
2. Relocati
on staff who will implement this plan are familiar with its contents and the requirements;
3. Sufficie
nt funds have been appropriated, reserved, set aside or otherwise committed to cover the anticipated relocation cost;
4. Familles
and individuals will have full opportunity to occupy comparable, decent, safe, and sanitary housing;
5. Relocati
on payments will be made promptly by the borrower and to the full extent for which tenants are eligible;
6. The
project activities have been planned in a manner that will minimize hardships to tenants;
7. All
tenants will be given a reasonable period of time to move and no one will be required to move unless a comparable replacement unit is available or provided for;
8. Relocati
on assistance and advisory services will be provided in accordance with the needs of the tenant.

Print Name

Title

Signature

Date

SITE MAP PAGE

RELOCATION PLAN ASSURANCES

CDBG/HOME Multifamily Projects

I certify that this relocation plan contains accurate information and has been prepared in accordance with 49 CFR Part 24, Uniform Relocation Assistance (URA) and Real Property Acquisition Final Rule and Notice. I further assure that:

1. Relocation staff knows and will follow URA requirements;
2. Relocation staff who will implement this plan are familiar with its contents and the requirements;
3. Sufficient funds have been appropriated, reserved, set aside or otherwise committed to cover the anticipated relocation cost;
4. Families and individuals will have full opportunity to occupy comparable, decent, safe, and sanitary housing;
5. Relocation payments will be made promptly by the borrower and to the full extent for which tenants are eligible;
6. The project activities have been planned in a manner that will minimize hardships to tenants;
7. All tenants will be given a reasonable period of time to move and no one will be required to move unless a comparable replacement unit is available or provided for;
8. Relocation assistance and advisory services will be provided in accordance with the needs of the tenant.

Print Name

Title

Signature

Exhibit 3

Date _____

Exhibit 4

Relocation Budget for (Project Name), (Date)

TYPE OF UNIT	Total Number of Units	PACKING & MOVING Cost per Unit	URA Cost per Unit*	Sub-total cost packing & moving per type of unit	Subtotal URA Cost
	0			0.00	0.00
				0.00	0.00
				0.00	0.00
				0.00	0.00
TOTAL UNITS	0				
TOTAL COST PACKING & MOVING					0.00
TOTAL URA COST					0.00
MISCELLANEOUS COST 10%**					
TOTAL RELOCATION BUDGET					0.00

CHECK YOUR MATH

* URA Cost include transfer fees, non refundable deposits and increased rent for off-site temporary units. Refundable deposits are no longer an eligible cost under the URA.

**Miscellaneous Cost include mail cost and any unforeseen cost of relocation.

Exhibit 5

NOTICE TO REAL PROPERTY OWNER/SELLER

Date: _____

Owner(s)/Seller(s): _____

Buyer(s): _____

Address of Property Under Consideration: _____

Dear Owner(s)/Seller(s):

Property believed to be owned by you is being considered for purchase, as referenced above. Because Federal funds may be used in the purchase of your property, we are required to disclose the following information by the U. S. Department of Housing and Urban Development (HUD) in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act as amended (URA), Section 24.101 (b)(2):

1. The proposed sale is voluntary. In the event negotiations fail to result in an agreement, the property will not be acquired by either voluntary purchase or eminent domain.
2. The fair market value of the property is estimated to be \$ _____. However, since this transaction is voluntary, current or future negotiations may result in a different price that may be the same, higher or lower than this amount.

An owner-occupant who sells his or her property under these terms does not qualify as a displaced person for relocation payments. Additionally, any person who occupies the property for the purpose of obtaining assistance under the URA does not qualify as a displaced person. However, tenant-occupants displaced as a result of voluntary acquisition may be entitled to URA relocation assistance and must be informed in writing as soon as feasible.

In accordance with HUD requirements, if the information proved above is disclosed after an option to purchase or contract has been executed between the Buyer(s) and the seller(s), the Seller(s) must be provided the opportunity to withdraw from the agreement.

Any title deficiencies, liens, or encumbrances on the property must be cleared prior to any closing. Generally, this is a cost that is borne by the Seller(s) of the property; however payment of these costs may be negotiated between the Buyer(s) and Seller(s). No federal funds can be used to pay these costs.

Should you have any questions, please feel free to contact: _____
(Name of Contact Person)

_____ at _____
(Name of City/County/State/Organization/Lender) (Telephone Number)

Receipt acknowledged this _____ day of _____, 2010

Seller(s)

(Seller(s))

NOTICE TO REAL PROPERTY OWNER/SELLER

Date: _____

Owner(s)/Seller(s): _____

Buyers(s): _____

Address of Property Under Consideration: _____

Dear Owner(s)/Seller(s):

Property owned by you has been contracted for purchase, as referenced above. Because Federal funds may be used in the purchase of your property, we are required to disclose the following information by the U. S. Department of Housing and Urban Development (HUD) in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act as amended (URA), Section 24.101 (b)(2):

1. The proposed sale is voluntary. In the event negotiations fail to result in an agreement, the property will not be acquired by either voluntary purchase or eminent domain.
2. The fair market value of the property is estimated to be \$ _____. However, since this transaction is voluntary, current or future negotiations may result in a different price that may be the same, higher or lower than this amount.

An owner-occupant who sells his or her property under these terms does not qualify as a displaced person for relocation payments. Additionally, any person who occupies the property for the purpose of obtaining assistance under the URA does not qualify as a displaced person. However, tenant-occupants displaced as a result of voluntary acquisition may be entitled to URA relocation assistance and must be informed in writing as soon as feasible.

In accordance with HUD requirements, if the information proved above is disclosed after an option to purchase or contract has been executed between the Buyer(s) and the seller(s), the Seller(s) must be provided the opportunity to withdraw from the agreement.

Any title deficiencies, liens, or encumbrances on the property must be cleared prior to any closing. Generally, this is a cost that is borne by the Seller(s) of the property; however payment of these costs may be negotiated between the Buyer(s) and Seller(s). No federal funds can be used to pay these costs.

Should you have any questions, please feel free to contact: _____
(Name of Contact Person)

_____ at _____
(Name of City/County/State/Organization/Lender) (Telephone Number)

Receipt acknowledged this _____ day of _____, 2010

Seller(s)

(Seller(s))

MOVE-IN NOTICE
(GUIDEFORM NOTICE TO PROSPECTIVE TENANT)

Grantee or Agency Letterhead

(date)

Dear _____

On (date), (property owner) submitted an application to the City of Houston, Housing and Community Development Department for financial assistance under a program funded by the Department of Housing and Urban Development (HUD). The proposed project involves (acquisition) (rehabilitation) (demolition) and/or (conversion) of the property located at (address).

Because Federal funds are planned for use in this project, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA) (and/or section 104(d) of the Housing and Community Development Act of 1974, as amended) may apply to persons in occupancy at the time the application was submitted for HUD funding. However, if you choose to occupy this property subsequent to the application for federal financial assistance, as a new tenant you will not be eligible for relocation payments or assistance under the URA (and/or section 104(d)).

This notice is to inform you of the following information before you enter into any lease agreement and/or occupy the property located at the above address:

- You may be displaced by the project.
- You may be required to relocate temporarily.
- You may be subject to rent increase.
- You will not be entitled to any payments or assistance provided under the URA (and/or section 104(d)). If you have to move or your rent is increased as a result of the above project, you will not be reimbursed for any such rent increase or for any costs or expenses you may incur in connection with a move as a result of the projects.

Please read this notification carefully prior to signing a rental agreement and moving into the project. If you should have any questions about this notice, please contact (Grantee or Agency) at (address and telephone number). Once you have read and understood this notice, please sign the statement below if you still desire to lease the unit.

Sincerely,

(Name and title)

Exhibit 7

I have read the above information and understand the conditions under which I am moving into the project.

Print Name of Tenant(s)

Signature(s)

Address and Unit Number

Date

Note:

This is a guideform. It should be revised to reflect the project circumstances.

Site Occupant Record - Residential

Project Name: _____ Project #: _____ Relocation Case #: _____ Acquisition Parcel #: _____	
LOCALITY/AGENCY _____ Date of Initial Interview: _____ Interviewer: _____	CHECK: <input type="checkbox"/> FAMILY <input type="checkbox"/> INDIVIDUAL <input type="checkbox"/> OWNER <input type="checkbox"/> TENANT
NAME OF OCCUPANT _____ ADDRESS _____ TELEPHONE NUMBER _____ CENSUS TRACT _____	DATE OF GENERAL INFORMATION NOTICE _____ EFFECTIVE DATE OF NOTICE OF ELIGIBILITY FOR RELOCATION ASSISTANCE _____ DATE PRIVACY ACT STATEMENT EXECUTED _____ (INCLUDE COPY OF NOTICES AND SIGNED PRIVACY ACT STATEMENT IN CASE FILE)
IS THIS ADDRESS LOCATED IN A HUD DESIGNATED RENEWAL COMMUNITY OR EMPOWERMENT ZONE? <input type="checkbox"/> YES <input type="checkbox"/> NO DATE OCCUPANT FIRST OCCUPIED THIS DWELLING _____	HOUSING COSTS AND CHARACTERISTICS OF DISPLACEMENT DWELLING
RACIAL/ETHNIC CLASSIFICATION (CHECK ALL THAT APPLY) <input type="checkbox"/> AMERICAN INDIAN OR ALASKAN NATIVE <input type="checkbox"/> ASIAN <input type="checkbox"/> BLACK OR AFRICAN AMERICAN <input type="checkbox"/> HISPANIC OR LATINO <input type="checkbox"/> NATIVE HAWAIIAN OR OTHER PACIFIC ISLANDER <input type="checkbox"/> WHITE <input type="checkbox"/> AMERICAN INDIAN OR ALASKAN NATIVE AND WHITE <input type="checkbox"/> ASIAN AND WHITE <input type="checkbox"/> BLACK OR AFRICAN AMERICAN AND WHITE <input type="checkbox"/> AMERICAN INDIAN OR ALASKAN NATIVE AND BLACK OR AFRICAN AMERICAN <input type="checkbox"/> OTHER MULTI-RACIAL	HOUSING COSTS AND CHARACTERISTICS OF DISPLACEMENT DWELLING TENANT: MONTHLY CONTRACT RENT \$ _____ AVERAGE MONTHLY UTILITY COSTS \$ _____ MONTHLY HOUSING COSTS \$ _____ OWNER: MONTHLY MORTGAGE PAYMENT (P&I) \$ _____ AVERAGE MONTHLY UTILITY COSTS \$ _____ REAL PROPERTY TAXES \$ _____ MONTHLY HOUSING COSTS \$ _____ NO. OF ROOMS _____ NO. OF BEDROOMS _____ UNIT IS: <input type="checkbox"/> HOUSEKEEPING <input type="checkbox"/> NONHOUSEKEEPING

HOUSING REFERRALS										
Date	Address (Include Apt No.)	Census Track	Type of Unit		Size of Unit		Mo Rent + Est Avg Mo Utility Costs/Sales Price	Unit Avail Date	Low Income Or Minority Area?	Action on Referral (If refused, indicate why. Also indicate whether unit is representative comparable used as basis for print limit.)
			Rent	Sales	Subsidized	# of Rms				

REPLACEMENT DWELLING UNIT ADDRESS _____ CENSUS TRACT _____

DATE OF MOVE _____ IS THIS ADDRESS LOCATED IN A HUD DESIGNATED RENEWAL COMMUNITY OR EMPOWERMENT ZONE? YES NO

MONTHLY HOUSING COST (MHC) RENTAL PURCHASE

MONTHLY RENT \$ _____ MORTGAGE PAYMENT (P&I) \$ _____

EST. AVERAGE REAL ESTATE TAXES \$ _____

MONTHLY UTILITY COSTS \$ _____

TOTAL MHC \$ _____ SALES PRICE \$ _____

D. S. & S NOT D. S. & S

DATE OF INSPECTION _____

NO. OF ROOMS _____

NO. OF BEDROOMS _____

(Include copy of Inspection Report in case file.)

RELOCATION PAYMENT(S) TYPE ACTUAL RENTAL MOV. EXP. RHP FIXED DOWNPMT 180-DAY RO

AMOUNT \$ _____

DATE CLAIM FILED _____

DATE CLAIM PAID _____

(Include copy of Claim Forms in Case File)

APPEAL FILED: YES NO

IF YES, INDICATE TYPE: PAYMENT(S) HOUSING OTHER

(Include copy of Appeal in Case File)

IS UNIT IN AREA OF LOW-INCOME OR MINORITY CONCENTRATION? YES NO

IS UNIT SUBSIDIZED? YES NO

(Identify) _____

TEMPORARY HOUSING DATE _____ REASON _____

ADDRESS _____ RENTAL \$ _____

DATE OF MOVE TO PERMANENT DWELLING _____

OUT-OF-POCKET EXPENSES PAID: \$ _____

MOVING EXPENSES \$ _____

INCREASED HOUSING COSTS \$ _____

INSTRUCTION FOR FILLING OUT AND UPDATING THE TENANT STATUS REPORT

1. R
Run a Rent Roll on the date City Council approves project contract. This is your Initiation of Negotiations (ION) date. Import information for columns, Move In Date, Resident Name, Unit #, Size/Type. This is the list of residents you must track during the renovation period.
2. Update spreadsheet information monthly and submit to HCDD by the 10th of each month with all documentation pertaining to tenants for that month. Such as, copies of Notices addressed to tenants w/ receipts, move out checklists, final account statements, evictions (court order), transfers, temporary relocations, final moves w/ leases, etc.
3. If you need to add columns or rows to include any of these headings or to add new tenant names to a vacant unit please do so.
4. Please do not remove any previous monthly information. If column does not pertain to your project please type N/A.
5. Please note if tenant is a: Move In, Skip, Lease Ended-gave notice, Lease Ended-no reason given, or Eviction, in the Reason for Move Out (Comment) column.

Please contact your Relationship Manager at 713-868-8300 or Elizabeth Spinnenweber at 713-868-8426 if you have any questions. Thank you.

Exhibit 10

GUIDEFORM GENERAL INFORMATION NOTICE
RESIDENTIAL TENANT NOT DISPLACED

Grantee or Agency Letterhead

(date)

Dear _____:

_____, (City, County, State, Public Housing Authority (PHA), other) _____, is interested in rehabilitating the property you currently occupy at _____ (address) _____ for a proposed project which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the _____ program.

The purpose of this notice is to inform you that you will not be displaced in connection with the proposed project.

If the project application is approved and federal financial assistance provided, you may be required to move temporarily so that the rehabilitation can be completed. If you must move temporarily, suitable housing will be made available to you and you will be reimbursed for all reasonable out of pocket expenses, including moving costs and any increase in housing costs. You will need to continue to pay your rent and comply with all other lease terms and conditions.

Upon completion of the rehabilitation, you will be able to lease and occupy your present apartment or another suitable, decent, safe and sanitary apartment in the same building/complex under reasonable terms and conditions. *

If federal financial assistance is provided for the proposed project, you will be protected by a federal law known as the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). One of the URA protections for persons temporarily relocated is that such relocations shall not extend beyond one year. If the temporary relocation lasts more than one year, you will be contacted and offered all permanent relocation assistance as a displaced person under the URA. This assistance would be in addition to any assistance you may receive in connection with temporary relocation and will not be reduced by the amount of any temporary relocation assistance previously provided. You will also have the right to appeal the agency's determination, if you feel that your application for assistance was not properly considered.

(NOTE: Pursuant to Public Law 105-117, aliens not lawfully present in the United States are not eligible for relocation assistance, unless such ineligibility would result in exceptional hardship to a qualifying spouse, parent, or child. All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.)

APPENDIX 11

Exhibit 10

We urge you not to move at this time. If you choose to move, you will not be provided relocation assistance.

Please remember:

- This is not a notice to vacate the premises.
- This is not a notice of relocation eligibility.

You will be contacted soon so that we can provide you with more information about the proposed project. If the project is approved, we will make every effort to accommodate your needs. In the meantime, if you have any questions about our plans, please contact: (name) _____, (title) _____, (address) _____, (phone) _____.

Sincerely,

(name and title) _____

Enclosure

NOTES.

1. The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See Paragraph 2-3 I of Handbook 1378.)
2. This is a guideform. It should be revised to reflect the circumstances.

* *Based on the applicable HUD program regulations, if "reasonable terms and conditions," are defined, one of the following statements or other language may also be required in this Notice:*

- a. *Under HOME at 24 CFR 92.353(c)(2)(C)(1): "Your new lease will be for a term of not less than one year at a monthly rent will remain the same or, if increased, your new monthly rent and estimated average utility costs will not exceed: 1) If you are low income, the total tenant payment as defined by HUD (under 24 CFR 5.628), or (2) 30% of the monthly gross household income, if you are not low income."*
- b. *Under CDBG at 24 CFR 570.606(b)(2)(D)(1): "Your monthly rent will remain the same or, if increased, your new rent and estimated average utility costs will not exceed 30% of the household's average monthly gross income."*
- c. *Under Section 221 Mortgage Insurance Programs under 24 CFR 221.795(i): "Your monthly rent and estimated average utility costs will not exceed the amount approved by HUD."*

GUIDEFORM GENERAL INFORMATION NOTICE
RESIDENTIAL TENANT TO BE DISPLACED

Grantee or Agency Letterhead

(date)

Dear _____:

_____ (City, County, State, Public Housing Authority (PHA), other) _____, is interested in _____ (acquiring, rehabilitating, demolishing) _____ the property you currently occupy at _____ (address) _____ for a proposed project which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the _____ program.

The purpose of this notice is to inform you that you may be displaced as a result of the proposed project. This notice also serves to inform you of your potential rights as a displaced person under a federal law known as the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). You may be eligible for relocation assistance and payments under the URA, if the proposed project receives HUD funding and if you are displaced as a result of acquisition, rehabilitation or demolition for the project.

- This is not a notice to vacate the premises.
- This is not a notice of relocation eligibility.

If you are determined to be eligible for relocation assistance in the future, you may be eligible for: 1) Relocation advisory services including help to you find another place to live; 2) At least 90 days advance written notice of the date you will be required to move; 3) Payment for your moving expenses; and 4) Replacement housing payments to enable you to rent, or if you prefer to purchase, a comparable replacement home. You will also have the right to appeal the agency's determination, if you feel that your application for assistance was not properly considered. The enclosed HUD brochure, "Relocation Assistance To Tenants Displaced From Their Homes" provides an explanation of this assistance and other helpful information.

(NOTE: Pursuant to Public Law 105-117, aliens not lawfully present in the United States are not eligible for relocation assistance, unless such ineligibility would result in exceptional hardship to a qualifying spouse, parent, or child. All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.)

Please be advised that you should continue to pay your rent and meet any other obligations as specified in your lease agreement. Failure to do so may be cause for eviction. If you choose to move or if you are evicted prior to receiving a formal notice of

Exhibit 11

relocation eligibility you will not be eligible to receive relocation assistance. It is important for you to contact us before making any moving plans.

Again, this is not a notice to vacate the premises and does not establish your eligibility for relocation payments or assistance at this time. If you are determined to be displaced and are required to vacate the premises in the future, you will be informed in writing. In the event the proposed project does not proceed or if you are determined not to be displaced, you will also be notified in writing.

If you have any questions about this notice or the proposed project, please contact
(name) _____, (title) _____,
(address) _____, (phone) _____.

Sincerely,

(name and title) _____

Enclosure

NOTES

1. The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See Paragraph 2-31 of Handbook 1378.)
2. This is a guideform. It should be revised to reflect the circumstances.
3. Optional paragraphs for displaced residents of public housing projects (may be modified based on the PHA's resident return policy):

"Even though you will be provided all of the assistance the URA requires for a permanent move, the Authority believes that every resident displaced from the site should have the right to reapply for occupancy once this project is complete. For this reason, after project completion, every resident who receives assistance as a "displaced person" will be contacted and offered an opportunity to reapply for occupancy in the newly-revitalized community. Furthermore, because you will be a former occupant who was "displaced" from the site, you will also receive a priority preference to return.

In the event the number of those who request to return and qualify for housing exceeds the number of units available, rating and ranking criteria will be used to identify those who will be offered a unit at the site until all available units are filled. If you do return, the Authority may help defray the costs of the return move. If you have Replacement Housing Payments not yet spent or obligated, you may be asked to forfeit these payments as a condition for returning to public housing, since this assistance will no longer be necessary to meet your housing needs. Such assistance, if not forfeited, must be considered as income and may affect your eligibility and rent."

APPENDIX 11

GUIDEFORM NOTICE OF NONDISPLACEMENT
TO RESIDENTIAL TENANT
Grantee or Agency Letterhead

(date)

Dear _____:
On _____ *(date)*, the _____ *(City, County, State, Public Housing Authority (PHA), other)*, notified you of proposed plans to rehabilitate the property you currently occupy at _____ *(address)* for a project which could receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the _____ program. On _____ *(date)*, the project was approved and will receive federal funding. Repairs will begin soon.

• This is a notice of nondisplacement. You will not be required to move permanently as result of the rehabilitation.

This notice guarantees you the following:

1. Upon completion of the rehabilitation, you will be able to lease and occupy your present apartment or another suitable, decent, safe and sanitary apartment in the same building/complex under reasonable terms and conditions. *
2. If you must move temporarily so that the rehabilitation can be completed, you will be reimbursed for all of your extra expenses, including the cost of moving to and from temporary housing and any increased interim housing costs. The temporary unit will be decent, safe and sanitary, and all other conditions of the temporary move will be reasonable.

Since you will have the opportunity to occupy a newly rehabilitated apartment, I urge you not to move. (If you do elect to move for your own reasons, you will not receive any relocation assistance.) We will make every effort to accommodate your needs. Because federal funding is involved in this project, you are protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended. Of course, you must continue to comply with the terms and conditions of your lease.

If you have any questions, please contact *(name)*, at *(phone)*, *(address)*. This letter is important to you and should be retained.

Sincerely,

(name and title)

App. 4-1 [10/06] 1378 CHG-6 Appendix 4

Exhibit 12

NOTES.

1. The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See Paragraph 2-3 I of Handbook 1378.)
2. This is a guideform. It should be revised to reflect the circumstances.

** Based on the applicable HUD program regulations, if "reasonable terms and conditions," are defined, one of the following statements or other language may also be required in this Notice:*

- a. *Under HOME at 24 CFR 92.353(c)(2)(C)(1): "Your new lease will be for a term of not less than one year at a monthly rent will remain the same or, if increased, your new monthly rent and estimated average utility costs will not exceed: 1) if you are low income, the total tenant payment as defined by HUD (under 24 CFR 5.628), or (2) 30% of the monthly gross household income, if you are not low income."*
- b. *Under CDBG at 24 CFR 570.606(b)(2)(D)(1): "Your monthly rent will remain the same or, if increased, your new rent and estimated average utility costs will not exceed 30% of the household's average monthly gross income."*
- c. *Under Section 221 Mortgage Insurance Programs at 24 CFR 221.795(i): "Your monthly rent and estimated average utility costs will not exceed the amount approved by HUD."*

[10/

GUIDEFORM NOTICE OF ELIGIBILITY FOR
URA RELOCATION ASSISTANCE
RESIDENTIAL TENANT

Grantee or Agency Letterhead

(date)

Dear _____:

On _____ (date), the _____ (City, County, State, Public Housing Authority (PHA), other), notified you of proposed plans to _____ (acquire, rehabilitate, or demolish) the property you currently occupy at _____ (address) for a project which could receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the _____ program. On _____ (date), the project was approved and will receive federal funding.

It has been determined that you will be displaced by the project. Since you are being displaced in connection with this federally funded project, you will be eligible for relocation assistance and payments under the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA).

- This is your Notice of Eligibility for relocation assistance
- The effective date of your eligibility is _____. (Insert date of Initiation of Negotiations, see 49 CFR 24.1(a)(15) or applicable HUD program regulations)

(NOTE: Pursuant to Public Law 105-117, aliens not lawfully present in the United States are not eligible for relocation assistance, unless such ineligibility would result in exceptional hardship to a qualifying spouse, parent, or child. All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.)

To carry out the project, it will be necessary for you to move. However, you do not need to move now. You will be provided written notice of the date by which you will be required to move. This date will be no less than 90 days from the date comparable replacement housing has been made available to you.

Enclosed is a brochure entitled, "Relocation Assistance to Tenants Displaced From Their Homes." Please read the brochure carefully. It explains your rights and provides additional information on eligibility for relocation payments and what you must do in order to receive these payments.

The relocation assistance to which you are entitled includes:

Relocation Advisory Services. Including counseling and other assistance to help you find another home and prepare to move.

Payment for Moving Expenses. You may choose: (1) a payment for your actual reasonable moving and related expenses, or (2) a fixed moving payment in the amount of \$ _____ based on the URA Fixed Residential Moving Cost Schedule, or (3) a combination of both.

Replacement Housing Payment. You may be eligible for a replacement housing payment to rent or buy a replacement home. The payment is based on several factors including: (1) the monthly rent and cost of utility services for a comparable replacement dwelling, (2) the monthly rent and cost of utility services for your present home, and (3) for low-income persons, 30 percent of your average monthly gross household income. This payment is calculated on the difference in the old and new housing costs for a one-month period and multiplied by 42.

Listed below are three comparable replacement dwellings that you may wish to consider for your replacement home. If you would like, we can arrange transportation for you to inspect these and other replacement dwellings.

	Address	Rent & Utility Costs	Contact Info
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

We believe that the dwelling located at _____ (address) is the most representative of your present home. The monthly rent and the estimated average monthly cost of utilities for this dwelling is \$ _____ and it will be used to calculate your maximum replacement housing payment. Please contact us immediately if you believe this dwelling is not comparable to your current home. We can explain our basis for selecting this dwelling as most representative of your current home and discuss your concerns.

Based on the information you have provided about your income and the rent and utilities you now pay, you may be eligible for a maximum replacement housing payment of approximately \$ _____ (42 x \$ _____), if you rent the dwelling identified above as the most comparable to your current home or rent another dwelling of equal cost.

Replacement housing payments are not adjusted to reflect future rent increases or changes in income. This is the maximum amount that you would be eligible to receive. If you rent a decent, safe and sanitary home where the monthly rent and average estimated utility costs are less than the comparable dwelling, your replacement housing payment will be based on the actual cost of the dwelling. We will not base your payment on any dwelling that is not a comparable replacement home. All replacement housing payments must be paid in installments. Your payment will be paid in # installments.

Should you choose to purchase (rather than rent) a decent, safe and sanitary replacement home, you would be eligible for a downpayment assistance payment which is equal to your maximum replacement housing payment, \$_____* . Let us know if you are interested in purchasing a replacement home and we will help you locate such housing.

Please note that all replacement housing must be inspected in order to ensure it is decent, safe and sanitary before any replacement housing payments are made.

If you have any questions about this letter and your eligibility for relocation assistance and payments, please contact (name), (title) at (phone), (address) before you make any moving plans. He/she will assist you with your move to a new home and help ensure that you preserve your eligibility for all relocation payments to which you may be entitled.

Remember, do not move or commit to the purchase or lease of a replacement home before we have a chance to further discuss your eligibility for relocation assistance. This letter is important to you and should be retained.

Sincerely,

(name & title)

Enclosure/s

NOTES.

* At the agency's discretion, a downpayment assistance payment that is less than \$5,250 may be increased to any amount not to exceed \$5,250. (See 49 CFR 24.402(c)(1))

1. The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See Paragraph 2-3 I of Handbook 1378.)
2. This is a guideform. It should be revised to reflect the circumstances.
3. Optional paragraphs for displaced residents of public housing projects (may be modified based on the PHA's resident return policy):

Exhibit 13

"Even though you will be provided all of the assistance the URA requires for a permanent move, the Authority believes that every resident displaced from the site should have the right to reapply for occupancy once this project is complete. For this reason, after project completion, every resident who receives assistance as a "displaced person" will be contacted and offered an opportunity to reapply for occupancy in the newly-revitalized community. Furthermore, because you will be a former occupant who was "displaced" from the site, you will also receive a priority preference to return.

In the event the number of those who request to return and qualify for housing exceeds the number of units available, rating and ranking criteria will be used to identify those who will be offered a unit at the site until all available units are filled. If you do return, the Authority may help defray the costs of the return move. If you have Replacement Housing Payments not yet spent or obligated, you may be asked to forfeit these payments as a condition for returning to public housing, since this assistance will no longer be necessary to meet your housing needs. Such assistance, if not forfeited, must be considered as income and may affect your eligibility and rent."

Exhibit 14

Temporary Relocation 90 DAY NOTICE Guide-form

Property Name
Property Address

Date

Dear (resident),

On (GIN date), (property name) notified you of proposed plans to rehabilitate the property you currently occupy at (address). The project was approved and repairs/rehab will begin 90 days from this notice. We hope you are pleased and excited about the improvements that we will be making to the property to improve safety and attractiveness.

This is your notice that construction will start in 90 days. Do NOT move now. If you choose to move on your own, you will not be provided relocation assistance.

On (date), (property name) will begin moving tenants to their temporary/permanent units if necessary. During this 90 day period (contact name, phone number) will be available to provide assistance and answer any questions you may have. **(Describe assistance provided here)**

Your temporary/permanent address will be:

Please transfer your utilities over to your temporary/permanent location on this date: _____. We will help you to move to the new unit at a date to be mutually satisfactory.

Before moving you the (Property name) must (re)certify your income and lease. Please call (contact name, phone number) or stop by the office to schedule an appointment to meet. Please bring these documents with you to this meeting. (List docs needed) At this time we will give you your new keys and sign your replacement lease.

We will remind you again about this information and let you know the exact date of your move in a (Temporary Relocation/Transfer) 30 Day Notice. **Please do not move now.**

If you have any questions about this 90 day notice or the relocation process, please call (contact name, phone number) or come to the leasing office. We appreciate your patience during construction. Thank you.

Sincerely,

Date Delivered:
Delivered By:

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(and/or)

Resident Signature:

NOTE:

This notice may be modified to reflect your projects' circumstances and may be combined with the Non Displacement Notice and/or Notice of Eligibility. If you choose to do this; Please include all information from this notice.

Exhibit 15

Temporary Relocation/Transfer 30 Day Notice

LETTERHEAD

30 DAY NOTICE TO MOVE

DATE

Dear (resident name and unit #)

By letter dated (date), (property name) notified you of the plans to rehabilitate (property name). And by letter dated (date) you received your Temporary Relocation 90 day notice of the upcoming move.

Your (new/temporary) unit is ready and located at (property address), apartment # (___). In order to prepare for your move boxes will be delivered on (date). Your new rent will be \$_____.

Since your unit is ready, your move has been scheduled for (date after 30 days). Please insure that all packing has been completed, and your utilities have been transferred. Please feel free to contact the Relocation Specialist (name) at (#) to sign your paperwork and obtain your keys.

Once again thank you for your cooperation.

(name)

(title)

Resident Signature

Date Received

Exhibit 16

HUD Handbook 1378 - Chapter 6 - Recordkeeping and Reports

Found at website www.hud.gov/relocation or request copy from
Housing and Community Development Department.

NOTICE TO VACATE FOR BREACH OF LEASE
Guide-form

(Date)

(Name of all residents)

(Street address and swelling unit number, if applicable)

(City, State, Zip)

(owner)

Dear Resident (s):

You have violated your lease contract as noted below:

Lease Paragraph or Rule Number: _____

Name of Resident, occupant or guest in violation (if known): _____

Nature of Violation (specific facts): _____

Re: Notice to vacate for breach of lease

TAA Lease Contract dated _____

between residents named above and _____

On (date) you received a General Information Notice informing you of the planned renovations and telling you that in order to be eligible for relocation assistance you must comply with your lease terms and conditions.

This was a substantial breach of your TAA Lease Contract and has jeopardized any assistance you may have qualified for under the Uniform Relocation Act. We are therefore exercising our right under the lease to terminate your rights of occupancy and possession, effective immediately. You are still liable for rent and other charges you may owe under the lease. If you have not already moved out, demand for possession is hereby made and you are hereby given notice to vacate the premises on or before midnight, _____, which is at least one day from the delivery of this notice as noted below (four days if the notice was mailed). Failure to move out by then will result in an eviction suit being filed and a hearing held before the Justice of the Peace. Delay or postponement of such action does not waive our rights.

DATE: notice was given by the method below

SIGNATURE of the owner's representative

The notice was: (check at least one)

- hand delivered to any one of the residents named above;
- hand delivered to any person 16 or older residing in the dwelling;

- posted on the inside of the dwelling's main entry door (not the screen door) that has a keyless bolting device or keyless deadbolt on it;

- sent by regular mail;
- sent by certified mail, return receipt request; or
- sent by registered mail.

Appendix 12

Reserved

Appendix 13
GLO Lien Waiver Form



Texas General Land Office
Community Development and Revitalization
Form 11.25

Conditional Lien Waiver and Release on Interim Payment Affidavit – Contractor

Project Information	
Subrecipient or State Representative's Name:	Contract and/or WO:
Applicant Name and Address:	Project #:
Project Legal Description:	
Project Type (Rehabilitation, Reconstruction, etc.):	
Contractor Information	
Contractor Name and Address ("Contractor"):	Phone:
Contractor Requested Amount: \$	
<p>On receipt by the signer of this document, payment from the Subrecipient in the requested amount (listed above) will be made, payable to the aforementioned Contractor; subsequently, when the payment has been paid by the bank on which it is drawn, this document becomes effective to release any mechanic's lien right, any right arising from a payment bond that complies with a state or federal statute, any common law payment bond right, any claim for payment, and any rights under any similar ordinance, rule, or statute related to claim or payment rights for persons in the signer's position that the signer has on the project's legal description to fulfill the scope of the project.</p> <p>This release covers the interim payment to the signer for all labor, services, equipment, or materials furnished to the property or to the Subrecipient as indicated in the attached statement(s) or interim payment request(s), except for unpaid retention, pending modifications and changes, or other items furnished.</p> <p>Before any recipient of this document relies on this document, the recipient should verify evidence of payment to the signer.</p> <p>Except as specified above, the signer warrants that the signer has already paid or will use the funds received from this interim payment to promptly pay in full all of the signer's laborers, subcontractors, materialmen, and suppliers for all work, materials, equipment, or services provided for or to the above-referenced project in regard to the attached statement(s) or interim payment request(s).</p> <p>Contractor further understand that this Affidavit is being given pursuant to and in accordance with Sections 53.085 and 53.259 of the Texas Property Code and that the intentional, knowing, or reckless making of a false or misleading statement in this Affidavit constitutes an offense under said Section and is a Class A misdemeanor.</p> <p>The General Land Office may recapture funds that exceed the maximum allowable rate as outlined in the Program's guidelines; that are not allowed under applicable laws, rules and regulations; or that are otherwise inconsistent with the Contract, including any unapproved expenditures.</p> <p>The undersigned acknowledges that a failure to accurately certify full and final payment of all bills associated with this contract document will result in exclusion from participation in future contracts that utilize CDBG-DR funds.</p> <p>Prior to payment, Form 11.11 will need to be submitted to the GLO along with Form SD-424D (Assurances – Construction Programs) and a complete insurance binder for the Subcontractor. The Subrecipient is responsible for ensuring the Contractor remains insured throughout the project and/or until their work is complete and satisfactorily agreed upon.</p>	

Certification of Contractor

Printed Name of Contractor Company:

Name of Authorized Representative:

Title:

Signature of Authorized Representative:

Date:

Notary's Acknowledgment

State of Texas

County of

Before me, a notary public, on this day personally appeared _____, known to me to be the person whose name is that subscribed to the foregoing document and, being by me first duly sworn, declared the statements therein contained are true and correct.

Signature of Notary

Notary Public State of Texas – Printed Name

NOTARY SEAL

Date Notary's Commission Expires



**Texas General Land Office
Community Development and Revitalization
Form 11.22**

Conditional Lien Waiver and Release on Interim Payment Affidavit – Subcontractor

Project Information	
Subrecipient or State Representative's Name:	Contract and/or WO:
Applicant Name and Address:	Project #:
Project Legal Description:	
Project Type (Rehabilitation, Reconstruction, etc.):	
Subcontractor Information	
Subcontractor Name and Address ("Subcontractor"):	Phone:
Subcontractor Requested Amount: \$	
<p>On receipt by the signer of this document, payment from the Contractor in the requested amount (listed above) payable to the aforementioned Subcontractor will be paid; subsequently, when the payment has been paid by the bank on which it is drawn, this document becomes effective to release any mechanic's lien right, any right arising from a payment bond that complies with a state or federal statute, any common law payment bond right, any claim for payment, and any rights under any similar ordinance, rule, or statute related to claim or payment rights for persons in the signer's position that the signer has on the project's legal description to fulfill the scope of the project.</p> <p>This release covers the interim payment to the signer for all labor, services, equipment, or materials furnished to the property or to the Contractor as indicated in the attached statement(s) or interim payment request(s), except for unpaid retention, pending modifications and changes, or other items furnished.</p> <p>Before any recipient of this document relies on this document, the recipient should verify evidence of payment to the signer.</p> <p>Except as specified above, the signer warrants that the signer has already paid or will use the funds received from this interim payment to promptly pay in full all of the signer's laborers, subcontractors, materialmen, and suppliers for all work, materials, equipment, or services provided for or to the above referenced project in regard to the attached statement(s) or interim payment request(s).</p> <p>Subcontractor further understand that this Affidavit is being given pursuant to and in accordance with Sections 53.085 and 53.259 of the Texas Property Code and that the intentional, knowing, or reckless making of a false or misleading statement in this Affidavit constitutes an offense under said Section and is a Class A misdemeanor.</p> <p>The undersigned acknowledges that a failure to accurately certify full and final payment of all bills associated with this contract document will result in exclusion from participation in future contracts that utilize CDBG-DR funds.</p> <p>Prior to payment, Form 11.11 will need to be submitted to the GLO along with Form SD-424D (Assurances – Construction Programs) and a complete insurance binder for the Subcontractor. The Subrecipient is responsible for ensuring the Subcontractor remains insured through the project, and/or until their work is complete and satisfactorily agreed upon.</p>	

Certification of Subcontractor

Printed Name of Subcontractor Company:

Name of Authorized Representative:

Title

:

Signature of Authorized Representative:

Date

:

Notary's Acknowledgment

State of Texas

County of

Before me, a notary public, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing document and, being by me first duly sworn, declared that the statements therein contained are true and correct.

Signature of Notary

Notary Public State of Texas – Printed Name

NOTARY SEAL

Date Notary's Commission Expires

**APPENDIX 14
MINIMUM PROPERTY STANDARDS**



CITY OF HOUSTON
HOUSING AND
COMMUNITY
DEVELOPMENT

**Minimum Property Standards
For New Construction,
Reconstruction, Rehabilitation, &
Maintenance of Multifamily Facilities**

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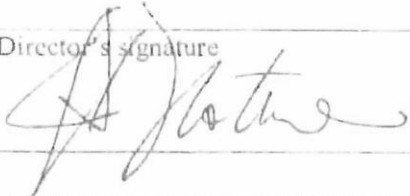
INTRODUCTION

This document is intended to provide the Minimum Property Standards (MPS) for new construction, reconstruction, rehabilitation, and maintenance of multifamily housing facilities that receive federal assistance through the City of Houston Housing & Community Development Department as required by 24CFR §200.925. The primary objective of the Minimum Property Standards is to establish the criteria for the life, health and safety of the residents at the property.

Pursuant to 24CFR§92.251, housing that is constructed or rehabilitated with HOME or CDBG funds must meet all applicable local codes, ordinances, and rehabilitation standards, at the time of project completion. In the absence of a local code addressing new construction, reconstruction, or rehabilitation, HOME-assisted new construction or rehabilitation must meet, as applicable, International Building Code (IBC) or its appropriate sub code, and/or the Minimum Property Standards(MPS) in 24CFR§200.925 and §200.926. Housing must meet the accessibility requirements at 24CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29U.S.C.§794) and covered multifamily dwellings, as defined at 24CFR§100.201, and must also meet the design and construction requirements at 24CFR §100.205, which implement the Fair Housing Act (42U.S.C.§3601-§3619).

The MPS supplement local building codes by requiring properties to meet minimum standards of workmanship, durability and performance of various components of the multifamily property during the period of affordability. These components would include doors, windows, gates, stairwells, wall coverings, kitchen cabinets, carpeting, etc. of the property that would be maintained in good and safe working condition that ensures the life, health and safety of the residents at the property.

To achieve this objective, the Housing & Community Development Department conducts an annual inspection of the property in accordance with the 24CFR§92.251(a) and all local codes, construction standards, and city ordinances. Findings identified during the inspection are required to be resolved by the property owner and management. All repairs, materials, and installations must be meet the aforementioned standards of quality and workmanship.

Director's signature 	Date Director Signed 1/5/2011
---	----------------------------------

DEFINITIONS

- A. **ACCESSORY BUILDING** — A subordinate building or structure that is devoted exclusively to the main use of the property and is located on the property.
- B. **ADA**— Americans with Disabilities Act.
- C. **BATHROOM** — A room with a toilet and a lavatory sink in or near that room, with or without a bathtub or shower.
- D. **BUILDING AREA** — Any structure used or intended to be used for supporting or sheltering any use or occupancy.
- E. **CERTIFIED PROFESSIONAL** —Is one who is knowledgeable and qualified in type of work being performed; one who shows either by experience or academic qualifications, to be able to meet the industry standards for the work being performed.
- F. **DEBRIS** — Includes but is not limited to garbage, rubbish, refuse, or wrecked, decayed, dilapidated, or inoperative vehicles or machinery, and parts thereof.
- G. **DWELLING** — A building or structure, or any part of it, occupied or capable of being lawfully occupied, in whole or in part, for the purpose of human habitation and includes a dwelling unit and a building that would be used for this purpose except for its state of disrepair.
- H. **DWELLING UNIT** — A room or a suite of rooms operated as a housekeeping unit, used or intended to be used as a domicile by 1 or more persons and supporting general living conditions and includes cooking, eating, sleeping, and sanitary facilities.
- I. **EGRESS** – A permanent and unobstructed means of exiting from the dwelling in an emergency escape or rescue situation.
- J. **ENERGY STAR RATED** – Includes all systems, components, equipment, fixtures and appliances that meet strict energy efficiency performance criteria established, as a joint effort, by the federal Environmental Protection Agency, the U.S. Department of Energy and the U.S. Department of Housing and Urban Development and that carry the Energy Star label as evidence of meeting the energy efficiency performance criteria.
- K. **FAIR HOUSING ACT (24CFR§100.25)** — Federal law that prohibits discrimination by direct providers of housing, such as landlords and real estate companies as well as other entities, such as municipalities, banks or other lending institutions and insurance companies whose discriminatory practices make housing unavailable to persons because of race or color, religion, sex, national origin, family status or disability.
- L. **GRAFFITI** — Any unauthorized inscription, mark, word, figure, painting or other defacement that is written, marked, etched, scratched, sprayed, drawn, painted or engraved on or otherwise applied to any surface of public or private property to the extent that the graffiti was not authorized in advance by the owner or occupant of the property.
- M. **GROUND COVER** — Suitable material applied to the ground to prevent erosion of the soil and includes concrete, flagstone, gravel, asphalt, grass or other form of landscaping.

- N. HABITABLE ROOM** — A room in a dwelling designed, lawfully used or capable of being lawfully used for living, sleeping, cooking or eating purposes. Bathrooms, toilet rooms, closets, halls, storage or utility spaces, and similar areas (rooms) are not considered habitable spaces (rooms).
- O. HANDRAIL** — A continuously graspable rail forming the top part of a balustrade or guard on stairs, landings, raised walkways and ramps adhered to a wall or a guard forming part of the stair, landing, walkway or ramp intended to provide guidance and support to the user and to arrest falls.
- P. MINIMUM PROPERTY STANDARDS (MPS)** — The standards for the maintenance and occupancy prescribed for a multifamily property. Using these standards as a baseline for monitoring, a housing inspector identifies the physical deficiencies of a property and dwelling unit that need to be repaired.
- Q. MULTIFAMILY DWELLING**— A building containing 3 or more dwelling units.
- R. NONHABITABLE FLOOR AREA** — Any room or space in a dwelling, or dwelling unit, other than a habitable room and includes a washroom, bathroom, toilet room, laundry, pantry, lobby, communicating corridor, stairway, closet, boiler room, garage, or space for service and maintenance of any building for public use and for access to and vertical travel between stories.
- S. NONRESIDENTIAL PROPERTY** — Land, a building or structure used or capable of being used for other than residential purposes.
- T. OCCUPANCY** — The use or intended use of a building or part of a building for the shelter or support of persons, animals or property as established by the Building Code and city ordinances.
- U. PEST**— Any mouse, rat, bed bug, flea, wasp, hornet or cockroach, but does not include and domesticated mouse or rat
- V. PROPERTY** — A building or structure or part of a building or structure and includes the lands and premises appurtenant thereto and all mobile homes, mobile buildings, mobile structures, outbuildings, fences, retaining walls and erections thereon whether heretofore or hereafter erected, and includes vacant property.
- W. REPAIR** — Includes the provision of facilities, the making of additions or alterations or the taking of any other action that may be required to ensure that a property conforms with the standards established in a by-law passed under this section. All repairs shall be made in a good workmanlike manner with materials that are suitable and sufficient for the purpose and free from defects. The requirement that repairs be made in a "good workmanlike manner" includes, ensuring the component repaired can perform its intended function and finishing the repair in a manner reasonably compatible in design and color with adjoining decorative finishing materials. Repairs shall be made with "materials that are suitable and sufficient for the purpose" includes a requirement for materials reasonably compatible in design and color with adjoining decorative finishing materials.
- X. RESIDENTIAL PROPERTY** — Land, a building or structure used, capable of being used, designed or intended for residential use.
- Y. RETAINING WALL** — A wall or similar structure built to hold back, confine, or sustain the pressure from a bank of earth, loose stone or fill material separating two grade levels

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- Z. SANITARY FACILITIES** — A room or rooms containing 1 or more toilets, washbasins, bathtubs or showers or any combination thereof and includes a toilet room.
- AA. SECTION 504 of the REHABILITATION ACT of 1973 (24 CFR§8.22)** — Federal law prohibits discrimination on the basis of disability in any program or activity that receives financial assistance from any federal agency, including the U.S. Department of Housing and Urban Development (HUD) as well as in programs conducted by federal agencies including HUD. This regulation requires that new construction of multifamily projects be designed and constructed to be readily accessible to and usable by persons with disabilities. Both individual units and the common areas in the building must be accessible.
- BB. SEWAGE SYSTEM** — The City sanitary sewer system or a private sewage disposal system approved by the City.
- CC. SPECIFICATIONS** — Sometimes referred to as “written rehabilitation standards” or “specs,” that identify the minimum acceptable grades and types of materials to be used and to provide the basis for how materials and equipment shall be installed.
- DD. STORY** — The portion of a building that is situated between the top of any floor and the top of the floor next above it; or that is situated between the top of the floor and the ceiling above the floor, if there is no floor above it
- EE. VEHICLE** — Includes a motor vehicle, trailer, traction engine, farm tractor, road-building machine, bicycle and any vehicle drawn, propelled or driven by any kind of power, including muscular power.
- FF. WORKMANSHIP** — refers to the quality of the work performed by a craftsman.
- GG. YARD** — the land within the boundary lines of the property and not occupied by the principal building;



**City of Houston Housing and Community Development Department
Minimum Property Standard for
New Construction and Reconstruction of
Multifamily Rental Housing**

OVERVIEW & APPLICABILITY

The standards contained in this document establish the minimum property standards for New Construction and Reconstruction under the City of Houston's (COH) Multifamily Rental Housing Program.

PURPOSE

This document serves as the minimum standard for City of Houston multifamily rental housing. The minimum standard ensures the property must be free of those foreseeable hazards and adverse conditions that may affect the life, health, and safety of the occupants, and those conditions which may impair the customary use of the property. Fire safety and the structural soundness of the dwelling must be insured as well. In addition to these standards all units must comply with the more restrictive of the following:

- COH Building Code and Code of Ordinances
- The International Building Code (IBC) 2006 adopted by the City of Houston or the latest adopted edition of the IBC and any applicable code required by the pertaining Municipality.
- The International Residential Code (IRC) 2000 adopted by the City of Houston or the latest adopted edition of the IRC and any applicable code required by the pertaining Municipality.
- The International Energy Conservation Code (IECC) 2006 adopted by the City of Houston or the latest adopted edition of the Model Energy Code (MEC) and any applicable code required.
- HUD 24 C.F.R. Part 200.925a-c/296 Rules for Multifamily and Care-Type Housing
- HUD C.F.R. Part 8 Section 504 of the Rehabilitation Act of 1973, ADA, UFAS, FHA, and TAS where applicable.
- The requirements from other governing entities such as Homeowners Associations, and Local and Federal regulations pertaining to zoning, traffic, drainage, flood plains and fire prevention (NFPA)

MINIMUM STANDARDS FOR PROPERTY EXTERIOR

GRADING & DRAINAGE OF PROPERTY

1. Entire property shall be graded and maintained so no stagnant water will accumulate or stand on the premises, within or around any building or structure located on the premises.
2. Ground areas around buildings shall be sloped away from walls to eliminate low areas where standing water may collect.
3. All rainwater shall be drained and conveyed from every roof so as not to cause dampness/ damage to walls, ceilings, or floors of any habitable rooms, bathroom, toilet room, laundry room, or any other type of room therein.
4. Nowhere on the property shall there be standing water that causes a public health hazard.

NON-DWELLING STRUCTURES

Every foundation, wall, roof, window, door, hatchway, and every other entryway of every non-dwelling structure shall be constructed in a way to prevent the structure from becoming a harborage for rodents, snakes, vermin, and insects, and shall be kept in a state of maintenance and repair.

STEPS, SIDEWALKS, DRIVEWAYS, PARKING LOTS & PAVING

1. All walkways, sidewalks and parking lots are to be designed to comply with all requirements of section 504 of the Rehabilitation Act of 1973 (24 CFR§8.22 & 23) and the Fair Housing Act (24 CFR§100.205).
2. A walkway shall be provided from the principal entrance of every building to a public street or parking lot area.
3. Parking lots are to be graded and drained to prevent ponding of water and to direct the flow of water away from the walls of all buildings.
4. Parking lots are to be provided with suitable markings to indicate parking spaces, fire lanes and the markings shall be maintained so as to be clearly visible.
5. Where parking spaces are adjacent to a building, property line, sidewalks or walking paths, parking stops or a 6" vertical curb shall be provided shall be properly anchored and secured, and properly aligned and positioned to each parking space.
6. Parking lots shall contain adequate lighting.

MISCELLANEOUS

1. Swimming pools, decorative fountains or retention ponds must be enclosed by a fence suitable to prevent unwanted activities or unsupervised children access to those areas. Entrance locations must have acceptable locking hardware.

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2. The entire property must be enclosed by a minimum 6' fence constructed of masonry, metal, chain link, wood, or wood composite. Fence structure must be secure enough to withstand wind and rain.

FOUNDATIONS, EXTERIOR WALLS, ROOFS, SOFFITS & FASCIA

1. Every building shall have a foundation acceptable for construction under the provisions of the local building codes, and shall be sound, reasonably plumb, as designed by registered structural engineer.
2. Every foundation, exterior wall, roof, soffit, fascia and all component parts shall be weather tight, watertight, rodent proof, and insect-proof and shall be kept in a state of maintenance and repair.

EXTERIOR WALL

1. All exterior wood surfaces of all non-dwelling structures shall be properly protected from the elements and from decay and rot by lead-free paint or other approved protective coatings.
2. All exterior walls must be of standard construction with a minimum 2x4's at 16 inches on center when appropriate. Insulation sheathing shall be installed on the exterior, covered with an approved exterior siding material.
3. All exterior surface material shall be protected from weather and the elements by lead-free paint or other protective coatings i.e., stain, in accordance with industry recognized standards. The exception to painting shall be all types of exterior materials acceptable to weathering without deterioration, i.e., siding.

WINDOWS & EXTERIOR DOORS

1. All windows and doors must be Energy Star rated.
2. Every habitable room shall have at least one (1) open air space. The minimum total window area, measured between stops, for every habitable room shall be as follows:
 - a. 1/12 of the floor area if two or more separate windows exist, or;
 - b. 1/10 of the floor area if only one window exists;
 - c. A minimum of 12 square feet of window area is required in habitable rooms other than kitchens;
3. Every window sash shall be fully equipped with glass windowpanes, which are without cracks or holes, and all panes shall be secured with an adequate amount of putty. Said putty shall not be cracked, broken or missing.
4. Every window, door and frame shall be constructed and maintained in such relation to the adjacent wall construction, so as to exclude rain, as completely as possible and to the maximum extent feasible substantially exclude wind from entering the dwelling or structure, i.e., it must have adequate weather-stripping. Every window sash shall be in good condition and shall fit tightly within its frame.
5. Every window, other than a "fixed window", shall be capable of being easily opened and shall be held in position by window hardware in accordance with manufacturer's design.

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6. Every front, rear and side door shall be not less than 3'0" in width and not less than 6' 6" in height, except where larger doors and doorways are required.
7. All exterior doors to the outside or to a common public hall shall be solid core and be equipped with security locks.
8. All windows shall have a security device/lock.
9. Every exterior and interior door, door hinge, and door latch and/or lock shall be installed in good working condition.

ROOF COVERING

All roofs must have a minimum 4" to 1'-0" roof pitch. Every roof of a building, and all its components, shall be weather-tight, free from leaks, prevent ponding of water, be free from unsecured or unsafe objects and materials, and have a 25 year minimum life on the materials.

VENTILATION

1. Every window opening to outdoor space, intended to provide for required ventilation, shall be supplied with screens covering the required ventilation area.
2. The material used for all such screens shall be not less than 16 mesh per inch and shall be properly installed to prevent the entrance of flies, mosquitoes or other insects. Half screens on windows may be allowed, provided, they are properly installed and prevent the entrance of flies, mosquitoes or other insects.
3. A kitchen or bathroom is acceptable without a window area, provided, there is a mechanical means of ventilation.

STAIRWAYS, BALCONY'S & HALLWAYS

1. Every interior and exterior stairway, every porch and every appurtenance thereto shall be so constructed as to be safe to use and capable of supporting the load that normal use may cause to be placed thereon.
2. Handrails are not required for interior stairs having not more than 2 risers and serving a single dwelling unit and exterior stairs having not more than 3 risers and serving a single dwelling unit.
3. Handrails are required for all exterior stairs and balconies.
4. All balconies and platforms, which are 30" or more above grade, shall have a protective railing not less than 36" in height above the balcony or platform level.
5. All multiple dwellings shall have a second exit stairway or approved fire escape available to all occupants from the second floor and above of all such structures.

ELECTRICAL & EXTERIOR LIGHTING

1. Public halls, buildings and stairways shall be lighted at all times with an artificial lighting system. The said system shall provide at least 2 foot candles of illumination on all parts thereof, at all times, by means of properly located electric light fixtures, provided, that such

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artificial lighting may be omitted from sunrise to sunset where an adequate amount of natural light is provided. Whenever the occupancy of the building exceeds 100 persons, the artificial lighting system as required herein, shall be on an emergency circuit.

2. The required intensity of illumination shall apply to both natural and artificial lighting.

MINIMUM STANDARDS FOR PROPERTY INTERIOR

MINIMUM CEILING HEIGHT

1. All habitable rooms in a dwelling or dwelling unit shall have a minimum ceiling height of 7'-6".
2. All rooms, except kitchen and/or kitchenettes and baths, shall have a minimum width of 7'-0".
3. At least 1/2 of the floor area of every habitable room located above the 1st floor shall have a ceiling height of 7'-6", and the floor area of that part of any room where the ceiling height is less than 5' shall not be considered as part of the floor area in computing the total floor area of the room for the purpose of determining maximum floor area.

DWELLING ROOMS, FLOORS & DOORS

1. Minimum Room configurations and sizes shall be as follows:
 - a. The minimum standard in a dwelling unit is as follows: One functional toilet with seat, lavatory, towel rack, ring or hook, and either a shower or a bathtub. Any additional baths in a unit, at minimum, must contain one functional toilet with seat, towel rack, ring or hook and a lavatory.
 - b. Single bedrooms shall be at least 100 square feet in area with the room having a minimum dimension on one side of 8'-0". Bedrooms accessed off another bedroom shall not count as a separate room.
 - c. Living rooms shall be at least 80 square feet in area.
 - d. All bedrooms must have access to closets for storage of clothing.
2. Every occupant of every dwelling unit shall have unrestricted access to a toilet, to a bath, and to a kitchen sink and lavatory basin located within that dwelling unit. No dwelling or dwelling unit containing (2) or more sleeping rooms shall have such room arrangement that access to a bathroom or toilet room intended for use by the occupants can be had only by going through another sleeping room or bathroom or toilet room.
3. Every bathroom, toilet room, kitchen and utility room floor surface shall be constructed and maintained so as to be substantially impervious to water and so as to permit such floor to be easily kept in a clean and sanitary condition.
4. Floor covering in bathroom shall be vinyl type or tile and shall be free from defects. Floor finishes shall be slip resistant when wet and shall be sealed around their edges with silicone sealant. Any flooring material that permits water to seep into the subfloor is unacceptable.
5. Laminate, wood, vinyl, or other similar types of flooring is not acceptable in flats above the ground floor level (except for kitchens and bathrooms), due to potential noise disturbance to tenants below.

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6. Dwelling units with 2 or more bedrooms shall have an additional storage area of at least 4 square feet per bedroom. This storage requirement does not necessarily have to be located in the bedrooms.
7. All bedrooms must have a functional door, which may be of hollow core material, which closes, and can be locked from the inside. The width must be at least 32".
8. All bathroom doors must be at least 24" wide by 6'-0" in height and have locking doorknobs from the inside of the bathroom or have other ways of locking the door (standard bathroom door knobs).

KITCHEN FACILITY (EXCEPT FOR SINGLE ROOM OCCUPANCY (SRO))

1. Every dwelling unit shall have a kitchen room or kitchenette equipped with the following:
 - a. **Kitchen Sink** - an approved kitchen sink, properly connected to both hot and cold running water lines, properly functions under normal pressure, and maintained in working order.
 - b. **Stove** - a stove (gas or electric), properly connected to the source of power, maintained in working order, and capable of supplying the service for which it is intended. Installation of overhead fans is required over the cooking area. (Stoves may not be required in some efficiency size apartments when approved by the Director.)
 - c. **Refrigerator** - a refrigerator, properly connected to the source of power, maintained in working order, and capable of supplying the service for which it is intended.
2. **Work Space & Utilities** - if tenants are required to furnish their own appliances, the landlord shall furnish sufficient space and all required electrical connections, properly installed, to facilitate the use of said appliances.
3. Every dwelling unit in which meals are prepared shall have a sink that is installed in a counter having a backsplash and a drain board made of material impervious to water. The sink shall be connected to an adequate supply of potable running hot and cold water and be connected to the drainage system of the dwelling unit.
4. Sinks and faucets must meet minimum applicable standards. Sink and a backsplash shall be water and grease resistant.
5. Every dwelling unit shall have a work surface of at least 8 square feet, which shall be impervious to grease and water and a space sufficient to accommodate a cooking range or countertop cooking unit, beside or in the countertop and without placing the device in a doorway or a path of egress.
6. Cabinets, cupboards or pantry for the storage of food, dishes, and cooking utensils shall be provided.
7. Stove shall be either gas or electric and oven shall be clean and provided with shelves. Installation of overhead fans may require installation of a cabinet for attachment of the fan.
8. Each kitchen in a dwelling unit shall have an approved, connected and operating gas or electrical supply for cooking and refrigeration appliances.
9. GFCI (ground fault circuit interrupter) outlet receptacles will be required on all counter tops within 6'-0" of sink areas.

10. Minimum lighting in kitchens will consist of one lighting fixture in the kitchen cooking area and 1 lighting fixture in any adjoining eating/dining area.
11. The refrigerator/freezer shall have a minimum capacity of at least 18 cu ft (refrigerator) and 4 cu ft (freezer) (Smaller refrigerators may be allowed in some efficiency size apartments when approved by the Director.)

BATHROOM FACILITIES

1. Every dwelling unit shall contain a bathroom equipped with the following items:
 - a. **A toilet** equipped with adequate running water connected to the water supply. The toilet shall be clean, secure, and free of defects, with a secure seat and the bowl shall fill at a reasonable rate. Toilet needs to be connected only to a cold water supply. No toilet or urinal shall be located within a habitable room.
 - b. **A wash basin/sink** that shall be located in or adjacent to every room that contains a toilet or urinal. Fixtures shall be connected with an adequate supply of potable, hot and cold running water. The sink must have a proper drain with P-trap and be vented to the outside. A water resistant back splash shall be provided of a minimum height of 4" that is sealed around the edges with bathroom grade silicone sealant.
 - c. **A bathtub/shower** may be in the same room as the toilet and lavatory or in a separate room. The bathtub shall be of a reasonable design so as not to give rise to a slipping hazard to those who use the shower. Bathtub and shower walls shall be covered to a height sufficient to protect the walls from water penetration. Bathtub shall be fitted securely and there shall be no leaks. All shower bases shall be adequately sealed and a curtain rod or door shall be provided of a sufficient standard to prevent water damage to the floor.
 - d. **A toilet paper roll holder & towel bar** shall be provided within 12" of toilet or tub.
 - e. **Medicine cabinet & mirror** Medicine cabinets that will limit access by children and a minimum 2'x2' mirror are required in all full baths.
 - f. **Light fittings** shall be of a sealed type appropriate for bathrooms.
 - g. **Ventilation** shall be provided.
2. Every toilet and every bath shall be contained in a room or within separate rooms, which affords privacy to a person within said room or rooms.
3. All bathrooms and toilet rooms shall be located within an area accessible from within the building.
4. Every communal bath shall be located within a room or rooms accessible to the occupants of each dwelling unit sharing such facilities, without going through a dwelling unit of another occupant and without going outside of the dwelling.
5. Toilets and bathrooms shall have doors with a privacy-type lock.

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PLUMBING

1. Every dwelling unit shall contain at least the minimum number and types of working plumbing fixtures, consisting of a water closet; a hand wash basin; and a bathtub or shower.
2. Every supplied facility, piece of equipment, or utility which is required under this section, shall be constructed and installed in safe, sanitary working condition, free from leaks, defects and obstructions.
3. Every dwelling and every building to which water is available under pressure through piping shall be provided with piping for hot and cold water connected to every kitchen fixture, every washbasin, bathtub, shower, sink and laundry area; and piping for cold water connected to every toilet and hose bib.
4. Water taps shall be free of defects with no leaks or drips and in good condition (i.e. no dripping) and easy to operate by children or people with finger mobility problems. The type of water tap to be fitted should have a ceramic disc washer and should be quarter turn or lever operated.
5. Every dwelling shall have supplied water-heating facilities which are properly installed, in working condition, and free of leaks; properly connected to any required hot water lines; and capable of heating water to be drawn for every bath as well as general usage.
6. Hot water storage associated with water heating facilities shall be not less than the following minimum capacities:
 - a. One (1) dwelling unit -30 gallons
 - b. Two (2) dwelling units - 40 gallons
 - c. Three (3) or more dwelling units and rooming houses - 50 gallons or more
7. Sizes and/or number of water heaters shall be based upon the number of units served. No water heaters shall be allowed in sleeping rooms, bathrooms or closets, unless closet is dedicated for the purpose of housing plumbing and mechanical equipment. Water heaters in a utility room are acceptable. All water heaters shall be properly vented and sealed and shall be equipped with a pressure relief valve and drip leg.

VENTILATION

1. Every bathroom, toilet room, and kitchen shall comply with the light and ventilation requirements for habitable rooms contained above, except that no window shall be required in adequately ventilated bathrooms, toilet rooms or kitchens equipped with a ventilation system installed in good working condition and located to ensure its proper operation.
2. All bedrooms must have an egress window in addition to the door. Egress windows must be no more than 44" from the floor and permit at least 5.7 square feet of egress area. Windows must be operable, have locking mechanisms, and provide for ventilation. If there are living accommodations in a basement, an egress window is required.
3. All bathrooms must have an operational window, electric vent fan, or other acceptable method of ventilation.
4. Ceiling fans installed in general living areas shall be Energy Star rated and installed to manufacturer's requirements.

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ELECTRICAL & LIGHTING

1. The capacity of the system of circuits and electrical outlets within a building shall be adequate for the intended use of all rooms, and adequate electrical outlets shall be installed to prevent the need for extension cords or other extensions being used as a permanent wiring system.
2. Every habitable room within such dwelling shall contain, at a minimum, 2 separate and remote wall type electric convenience outlets.
3. Habitable rooms over 120 square feet, shall contain, at a minimum, 3 separate and remote wall type electric convenience outlets. All newly installed outlets shall be grounded type outlets.
4. Temporary wiring or extension cords shall not be used as permanent wiring.
5. All receptacles in the kitchen, bathroom and lavatory, must be GFCI type (Ground Fault Circuit Interrupter) and outlets must be provided within 6 feet from any sink or lavatory.
6. Receptacle convenience outlets installed on the exterior of the structure or on open porches, breezeways, garages, utility rooms, etc. shall be of the GFCI type. All electric lighting fixtures installed on the exterior shall be of the type approved for exterior use.
7. All heavy duty appliances, i.e., window air conditioners, freezers, refrigerators, electric stoves, washers, electric dryers, microwaves, etc., shall be supplied with their own dedicated outlet(s) on separate circuits, as applicable.
8. Outlets are required to permit coverage of the entire room by an appliance with a 6 foot cord.
9. Every habitable room shall have at least 1 ceiling or wall type electric light fixture, controlled by a wall switch, or a wall type grounded electric convenience outlet controlled by a remote switch in the interior of the room next to the entrance.
10. Every toilet room, bathroom, laundry, and hallway (where applicable) shall contain at least 1 supplied ceiling or wall type electric light fixture, controlled by a wall switch, and at least 1 wall type grounded electric convenience outlet. Wall type convenience outlets used in bathrooms and kitchens shall be the GFCI type.
11. Light switches in an open staircase must be double switched at the top and bottom of the stairs. Living quarters will be electrically switched at entrances. Weather proof exterior lighting at the front and back doors must be provided, and these lights must be switched from the interior at the entrance.

HEATING & AIR CONDITIONING FACILITIES

1. Each dwelling unit shall be supplied with its own heating & air condition system that is properly installed, in safe and good working condition, and be capable of adequately heating and cooling all habitable rooms, bathrooms, and toilet rooms contained therein to a temperature of at least 72°F measured at a distance of 36" above floor level under ordinary winter and summer conditions. Heating & air conditioning system must be adequate for healthful and comfortable living conditions.
2. Air conditioning equipment shall be installed in accordance with the manufacturer's specifications.
3. Every central heating & air condition units shall be located and installed with the following:

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- a. Every heat duct, steam pipe and hot water pipe shall be free of leaks and shall function such that an adequate amount of heat is delivered where intended and in such a manner so as to afford protection against involvement of egress facilities or egress routes in the event of uncontrolled fires in the structure.
 - b. Every fuel burning heating unit or water heater shall be effectively vented in a safe manner to a chimney or duct leading to the exterior of the building. The chimney duct and vents shall be of such a design as to assure proper draft and shall be adequately supported.
 - c. Every steam or hot water boiler and every water heater shall be protected against overheating by appropriate temperature and pressure controls.
 - d. A thermostat that controls both heating and cooling should be located near the return air grill.
4. A/C condenser units shall be a minimum 14 SEER rating. All units shall be installed in a non-obstructed area and well supported on a level surface.
 5. The condenser unit's refrigerant line (larger line) must be insulated, and have secured wiring and connections. An electric disconnect switch shall be installed for maintenance and repairs.

SMOKE DETECTORS

1. All residential structures shall have U.L. approved "hard wired" smoke detectors , properly installed in all bedrooms and in area adjacent to bedrooms in accordance with manufacturer's instructions .
2. When more than one smoke alarm is required in an individual dwelling unit the alarm devices shall be interconnected in such a manner that the actuation of one alarm will activate all of the alarms in the individual unit. The alarm shall be clearly audible in all bedrooms over background noise levels with all intervening doors closed.

ENERGY CONSERVATION

All structures shall comply with certain energy conservation measures (U.S. Department of Energy recommendations). These measures include, but are not necessarily limited to, the following:

1. Installation of insulation or the installation of additional insulation, especially in the attic/ceiling areas: The recommended level for ceiling insulation is to a resistance factor of R-30, wherever possible.
2. An air infiltration barrier, such as Tyvek or approved equal, shall be installed on all exterior walls. The minimum R factor is R-19 or R-13 plus R-5 foam. The installation of fan-fold foam or foam sheathing may be added to increase household R-ratings.
3. The installation of weather stripping at all exterior doors and windows is required. Doors shall be Energy Star rated. Door jams will be sealed and thresholds will be caulked.
4. Provide caulking around exterior doors and windows, at the foundation/sill plate union, and at other air-infiltration areas.
5. All heat ducts and hot water or steam heat distribution piping shall be insulated or otherwise protected from heat loss where such ducts or piping runs are located in unheated spaces.

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Similarly, distribution piping for general use hot water shall also be protected from heat loss where such piping is located in unheated spaces. All water distribution piping shall be protected from freezing.



City of Houston Housing and Community Development Department Minimum Property Standard for Rehabilitation Construction for Multifamily Rental Housing

OVERVIEW

The standards contained in this document establish the minimum property standard for Rehabilitation Construction under the City of Houston's Multifamily Rental Housing Program.

PURPOSE

This document serves as the minimum standard for City of Houston multifamily rental housing rehabilitation projects. It is to provide guidance to achieving those **minimum standards in the areas of work which your project may address**. This document **does not mandate that all the outlined areas are undertaken as a part of your project**. This minimum standard is designed to ensure that the property is free of those foreseeable hazards and adverse conditions that may affect the life, health, and safety of the occupants, and those conditions which may impair the customary use of the property. Fire safety and the structural soundness of the dwelling must be insured as well. In addition to these standards all units must comply with the more restrictive of the following for any work undertaken:

- COH Building Code and Code of Ordinances
- The International Building Code (IBC) 2006 adopted by the City of Houston or the latest adopted edition of the IBC and any applicable code required by the pertaining Municipality.
- The International Residential Code (IRC) 2000 adopted by the City of Houston or the latest adopted edition of the IRC and any applicable code required by the pertaining Municipality.
- The International Energy Conservation Code (IECC) 2006 adopted by the City of Houston or the latest adopted edition of the Model Energy Code (MEC) and any applicable code required by the pertaining Municipality.
- The Lead Based Paint regulations as described in 24 CFR, Part 35 for units built before 1978.
- HUD 24 C.F.R Part 200.925a-c/296 Rules for Multifamily and Care-Type Housing
- HUD C.F.R Part 8 Section 504 of the Rehabilitation Act of 1973, ADA, UFAS, FHA, and TAS where applicable.
- The requirements from other governing entities such as Homeowners Associations and Local and Federal regulations pertaining to zoning, traffic, drainage, flood plains and fire prevention (NFPA)

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MINIMUM STANDARDS FOR PROPERTY EXTERIOR

GRADING AND DRAINAGE OF PROPERTY

1. Entire property shall be graded and maintained so no stagnant water will accumulate or stand on the premises, within or around any building or structure located on the premises.
 2. Ground areas around buildings shall be sloped away from walls to eliminate low areas where standing water may collect.
 3. All rainwater shall be drained and conveyed from every roof so as not to cause dampness/ damage to walls, ceilings, or floors of any habitable rooms, bathroom, toilet room, laundry room, or any other type of room therein.
 4. If present, all rainwater draining devices such as gutters and downspouts shall be kept in a state of maintenance and repair.
- Nowhere on the property shall there be standing water that causes a public health hazard.

NON-DWELLING STRUCTURES

Every foundation, wall, roof, window, door, hatchway, and every other entryway of every non-dwelling structure shall be constructed in a way to prevent the structure from becoming a harborage for rodents, snakes, vermin, and insects.

STEPS, SIDEWALKS, DRIVEWAYS, PARKING LOTS & PAVING

1. All walkways, sidewalks and parking lots are to be designed and monitored in accordance with section 504 of the Rehabilitation Act of 1973 (24 CFR§8 22 & 23) and the Fair Housing Act (24 CFR§100.205).
2. A walkway shall be maintained from the principal entrance of every building to a public street or parking lot area.
3. Parking lots shall be appropriately sloped so as to prevent ponding of water and to direct the flow of water to the appropriate storm drainage infrastructure.
4. Paved parking lots shall have clearly visible and suitable markings to indicate parking spaces and fire lanes.
5. Parking stops or a 6" vertical curb shall be provided where parking spaces are adjacent to a building, property line, sidewalks or walking paths, shall be properly anchored and secured, and properly aligned and positioned to each parking space.
6. Parking lots shall contain adequate lighting.

MISCELLANEOUS

1. Swimming pools, decorative fountains or retention ponds must be enclosed by a fence suitable to prevent unwanted activities or unsupervised children access to those areas. Entrance locations must have acceptable locking hardware.

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2. The entire property must be maintained and enclosed by a minimum 6' fence constructed of masonry, wood, wood composite, chain link, or metal. Fence structure must be secure enough to withstand wind and rain.

FOUNDATIONS, EXTERIOR WALLS, ROOFS, SOFFITS & FASCIA

1. Every building shall have a foundation acceptable under the provisions of the local building codes and shall be sound, reasonably plumb, and adequate to carry the loads imposed on them. At the City's sole discretion, reports from certified/licensed professionals commenting on the condition/suitability of the foundations may be required.
2. Every foundation, exterior wall, roof, soffit, fascia and all component parts shall be maintained to be weather tight, watertight, rodent proof, and insect-proof.

EXTERIOR WALL SURFACES

1. All exterior wood surfaces of all non-dwelling structures shall be properly protected from the elements and from decay and rot by lead-free paint or other approved protective coatings. If units are constructed on or before 1978, treatment of all applicable surfaces shall be in full compliance with the Lead Base Paint regulations as found at 24 CFR Part 35, including all future amendments as published by HUD.
2. A lead-based paint analysis must be conducted on structures constructed prior to 1978. If testing reveals the existence of lead-based paint surfaces, they must be removed or covered as prescribed by HUD Lead-Based Paint regulations.
3. All exterior walls framing, exposed during the course of the rehabilitation must be of standard construction with a minimum 2x4's at 16 inches on center, when appropriate. Insulation sheathing shall be installed on the exterior, covered with an approved exterior siding material.
4. All exterior surface material shall be protected from weather and the elements by lead-free paint or other protective coatings i.e., stain, in accordance with industry recognized standards. The exception to painting shall be all types of exterior materials acceptable to weathering without deterioration, i.e., siding.
5. Every exposed ceiling or exterior wall of a residential building when opened or replaced during the course of alterations or renovations shall be insulated, in order to minimize heat loss, air infiltration and moisture condensation on the interior surfaces, in accordance with the local building codes.

WINDOWS & EXTERIOR DOORS

1. All windows and doors being replaced must be Energy Star rated.
2. Every habitable room shall have at least one (1) open air space. The minimum total window area, measured between stops, for every habitable room shall be as follows:
 - a. 1/12 of the floor area if two or more separate windows exist, or;
 - b. 1/10 of the floor area if only one window exists;
 - c. A minimum of 12 square feet of window area is required in habitable rooms other than kitchens;

3. Every window sash shall be fully equipped with glass windowpanes, which are without cracks or holes, and all panes shall be secured with an adequate amount of putty. Said putty shall not be cracked, broken or missing.
4. Every window, door and frame shall be constructed and maintained in such relation to the adjacent wall construction, so as to exclude rain, as completely as possible and to the maximum extent feasible substantially exclude wind from entering the dwelling or structure, i.e., it must have adequate weather-stripping. Every window sash shall be in good condition and shall fit tightly within its frame.
5. Every window, other than a "fixed window", shall be capable of being easily opened and shall be held in position by window hardware in accordance with manufacturer's design.
6. Every front, rear and side door shall be not less than 2' 4" in width and not less than 6' 6" in height, except where larger doors and doorways are required to accommodate handicapped access.
7. All exterior doors to the outside or to a common public hall shall be solid core and be equipped with adequate security locks.
8. All windows shall have a security device/lock.
9. Every exterior and interior door, door hinge, and door latch and/or lock shall be in good working condition, function as originally intended, and when closed, shall fit well within its frame.

ROOF COVERING

1. All pitched roofs must have a minimum 4" to 1'-0" roof pitch.
2. Whenever feasible, in one to three story stick and brick construction, flat roofs over dwelling units should be eliminated in favor of pitched roofs.
3. Reconstruction of the roof should occur whenever the damaged area is wider than 9 feet on the stooped side and leaking cannot be prevented by installation of rolled roofing or rubberized roofing membrane.
4. Every roof of a building, and all its components, shall be weather-tight, free from leaks, prevent ponding of water, be free from unsecured or unsafe objects and materials, and have a 25 year minimum life on the materials.

VENTILATION

1. Every window opening to outdoor space, intended to provide for required ventilation, shall be supplied with screens covering the required ventilation area.
2. The material used for all such screens shall be not less than 16 mesh per inch and shall be properly installed, to prevent the entrance of flies, mosquitoes or other insects. Half screens on windows may be allowed, provided, they are properly installed and are bug and insect tight.
3. A kitchen or bathroom is acceptable without a window area, provided, there is a mechanical means of ventilation in working order.

STAIRWAYS, BALCONY'S & HALLWAYS

1. Every interior and exterior stairway, every porch, and every appurtenance thereto shall be so constructed as to be safe to use and capable of supporting the load that normal use may cause to be placed thereon.
2. Handrails are not required for interior stairs having not more than 2 risers and serving a single dwelling unit and exterior stairs having not more than 3 risers and serving a single dwelling unit.
3. All balconies and platforms, which are 30" or more above grade, shall have a protective railing not less than 36" in height above the balcony or platform level.
4. All multiple dwellings shall have a second exit stairway or approved fire escape available to all occupants from the second floor and above of all such structures.

ELECTRICAL & EXTERIOR LIGHTING

1. Public halls, buildings and stairways shall be lighted at all times with an artificial lighting system. The said system shall provide at least 2 foot candles of illumination on all parts thereof, at all times, by means of properly located electric light fixtures, provided, that such artificial lighting may be omitted from sunrise to sunset where an adequate amount of natural light is provided. Whenever the occupancy of the building exceeds 100 persons, the artificial lighting system as required herein, shall be on an emergency circuit.
2. The required intensity of illumination shall apply to both natural and artificial lighting.
3. All electric panel boxes shall be properly labeled and accessible from either the interior or exterior of the dwelling unit. The electrical switch boxes on the exterior must be capable of being locked, but must allow emergency access. If the unit's panel box is located on the exterior of the unit, it must be locked, but access by the tenant must be provided at all times to address tripped breakers.

PLUMBING - WATER SUPPLY

All dwelling units shall be connected to a municipal water supply..

MINIMUM STANDARDS FOR PROPERTY INTERIOR

MINIMUM CEILING HEIGHT

1. Wherever possible, all habitable room in a dwelling or dwelling unit shall have a minimum ceiling height of 7'-6".
2. All rooms, except kitchen and/or kitchenettes and baths, shall have a minimum width of 7'-0" unless such provision would require major additional reconstruction.
3. At least 1/2 of the floor area of every habitable room located above the 1st floor shall have a ceiling height of 7'-6", and the floor area of that part of any room where the ceiling height is less than 5' shall not be considered as part of the floor area in computing the total floor area of the room for the purpose of determining maximum floor area.

DWELLING ROOMS, FLOORS & DOORS

1. If the project includes redesigning floor plans Minimum Room configurations and sizes shall be as follows:
 - a. single bedrooms shall be at least 100 square feet in area with the room having a minimum dimension on one side of 8'-0".
 - b. Bedrooms accessed solely through another bedroom shall not count as a separate room.
 - c. Living rooms shall be at least 80 square feet in area. Rooms of less than 50 square feet cannot be used as living rooms or bedrooms.
 - d. All bedrooms must have access to closets for storage of clothing. On existing housing, closets in adjoining hall areas are acceptable.
2. Every occupant of every dwelling unit shall have unrestricted access to a toilet, to a bath, and to a kitchen sink and lavatory basin located within that dwelling unit. No dwelling or dwelling unit containing 2 or more sleeping rooms shall have such room arrangement that access to a bathroom or toilet room intended for use by the occupants can be had only by going through another sleeping room or bathroom or toilet room.
3. Every bathroom, toilet room, kitchen and utility room floor surface shall be constructed and maintained so as to be substantially impervious to water and so as to permit such floor to be easily kept in a clean and sanitary condition.
4. Carpeting in bathrooms is generally not considered an appropriate floor material.
5. Laminate, wood, vinyl, or other similar types of flooring is not acceptable in flats above the ground floor level (except for kitchens and bathrooms), due to potential noise disturbance to tenants below.
6. Floor covering in bathroom shall be vinyl type or tile and shall be free from defects. Floor finishes shall be slip resistant when wet and shall be sealed around their edges with silicone sealant. Any flooring material that permits water to seep into the subfloor is unacceptable.
7. When possible, dwelling units with 2 or more bedrooms shall have a storage floor area of at least 4 square feet per bedroom. This storage requirement does not necessarily have to be located in the bedrooms.

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8. All bedrooms must have a functional door, which may be of hollow core material, which closes, and can be locked from the inside. The width must be at least 32".
9. All bathroom doors must be at least 24" wide by 6'-0" in height and have locking doorknobs from the inside of the bathroom or have other ways of locking the door (standard bathroom door knobs).

KITCHEN FACILITY (EXCEPT FOR SINGLE ROOM OCCUPANCY (SRO))

1. Every dwelling unit, shall have a kitchen room or kitchenette equipped with the following:
 - a. **Kitchen Sink** - an approved kitchen sink, properly connected to both hot and cold running water lines, under pressure, and maintained in working order.
 - b. **Stove** - a stove (gas or electric), properly connected to the source of power, maintained in working order, and capable of supplying the service for which it is intended. Installation of overhead fans is required over the cooking area. (Stoves may not be required in some efficiency size apartments when approved by the Director.)
 - c. **Refrigerator** - a refrigerator, properly connected to the source of power, maintained in working order, and capable of supplying the service for which it is intended.
 - d. **Work Space & Utilities** - if tenants are required to furnish their own appliances, the landlord shall furnish sufficient space and all required electrical connections, properly installed, to facilitate the use of said appliances.
2. Every room in which meals are prepared in a dwelling unit shall have a sink that is installed in a counter having a backsplash and a drain board made of material impervious to water. The sink shall be connected to an adequate supply of potable running hot and cold water and be connected to the drainage system of the dwelling unit.
3. Sinks and faucets must meet minimum applicable standards. Sink and backsplash shall be water and grease resistant. P-traps and other drain components under the sink shall be metal and or PVC material.
4. Every dwelling unit in which meals are prepared shall have a work surface of at least 8 square feet, which shall be impervious to grease and water.
5. All counter tops showing evidence of wear, water damage, uplifting of surface material, etc. must be replaced. Replacement counter tops may include prefabricated laminated counter tops when walls are sufficiently square. When walls are not square and constructed of plaster materials, counter tops must be built in place, using acceptable materials and designed appropriately for functional use. Granite may be used when cost is not substantially greater than other commonly used materials.
6. Every reasonable effort shall be made to provide cabinets, cupboards or pantry for the storage of food, dishes, and cooking utensils.
7. When a cabinet's level of wear makes it unsanitary or nonfunctional, it shall be replaced.
8. Stove shall be either gas or electric and oven shall be clean and provided with shelves. Installation of overhead fans may require installation of a cabinet for attachment of the fan.
9. Each kitchen in a dwelling unit shall have an approved, connected and operating gas or electrical supply for cooking and refrigeration appliances.

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10. GFCI (ground fault circuit interrupter) outlet receptacles will be required on all counter tops within 6'-0" of sink areas.
11. Minimum lighting in kitchens will consist of 1 lighting fixture in the kitchen cooking area and one lighting fixture in an adjoining eating/dining area.
12. Every reasonable effort shall be made to provide space in the kitchen sufficient to accommodate a refrigerator/freezer having a minimum capacity of at least 18 cubic feet (refrigerator) and 4 cubic feet (freezer) without impeding accessibility to other areas of the kitchen.

BATHROOM FACILITIES

1. Every dwelling unit shall contain a bathroom equipped with the following items:
 - a. **A toilet** equipped with adequate running water connected to the water supply. The toilet shall be clean, secure, free of defects, with a secure seat, and the bowl shall fill at a reasonable rate. Toilet needs to be connected only to a cold water supply. No toilet or urinal shall be located within a habitable room.
 - b. **A wash basin/sink** that shall be located in or adjacent to every room that contains a toilet or urinal. Fixtures shall be connected with an adequate supply of potable, hot and cold running water and must have hot and cold water knobs and must be in good functioning condition. The sink must have a proper drain with P-trap and be vented to the outside. A water resistant back splash shall be provided of a minimum height of 4" that is sealed around the edges with bathroom grade silicone sealant.
 - c. **A bathtub/shower** may be in the same room as the toilet and lavatory or in a separate room. The bathtub shall be of a reasonable design so as not to give rise to a slipping hazard to those who use the shower. Bathtub and shower walls shall be covered to a height sufficient to protect the walls from water penetration. Bathtub shall be fitted securely and there shall be no leaks. All shower bases shall be adequately sealed and a curtain rod or door shall be provided of a sufficient standard to prevent water damage to the floor.
 - d. **A toilet roll holder & towel bar** shall be provided within 12" of toilet or tub.
 - e. **Medicine cabinet & mirror** Medicine cabinets that will limit access by children and a minimum 2'x2' mirror are required in all full baths.
 - f. **Light fittings** shall be of a sealed type appropriate for bathrooms.
 - g. **Ventilation** shall be provided.
2. Every toilet and every bath shall be contained in a room or within separate rooms, which affords privacy to a person within said room or rooms.
3. All bathrooms and toilet rooms shall be located within an area accessible from within the building.
4. Every communal bath shall be located within a room or rooms accessible to the occupants of each dwelling unit sharing such facilities, without going through a dwelling unit of another occupant and without going outside of the dwelling.
5. Toilets and bathrooms shall have doors with a privacy-type lock and such doors, locks and hardware shall be operable.

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6. When there is decaying ceramic or plastic tile in bath or shower areas, the deteriorated area must be removed. Water proof sheetrock must be installed, and old or new tile reinstalled, grouted, and caulked. Backsplashes above sinks may also be required depending on the condition and layout of sinks and other plumbing.

PLUMBING

1. Every dwelling unit shall contain a minimum number and type of working plumbing fixtures, consisting of a water closet, a hand wash basin, and a bathtub or shower.
2. Every supplied facility, piece of equipment, or utility which is required under this section, shall be constructed or installed in safe, sanitary working condition, free from leaks, defects and obstructions.
3. Potable water supply piping, water discharge outlets, backflow prevention devices or similar equipment shall not be so located as to make possible their submergence in any contaminated or polluted liquid or substance.
4. Every dwelling and every building shall be provided with piping for hot and cold water connected to every kitchen fixture, every washbasin, bathtub, shower, sink and laundry area; and piping for cold water connected to every toilet and hose bib.
5. Water taps shall be free of defects with no leaks or drips and in good condition (i.e. no dripping) and easy to operate by children or people with finger mobility problems. Traditional screw machine head taps should be avoided. The type of water tap to be fitted should have a ceramic disc washer and should be quarter turn or lever operated.
6. Every dwelling shall be connected to adequate water-heating facilities which are properly connected to any required hot water lines; and capable of heating water to be drawn for every bath, as well as general usage.
7. Hot water storage associated with water heating facilities shall be not less than the following minimum capacities:
 - a. One (1) dwelling unit - 30 gallons
 - b. Two (2) dwelling units - 40 gallons
 - c. Three (3) or more dwelling units and rooming houses - 50 gallons or more
 - d. or the property must contain appropriately sized boilers.
8. No water heaters shall be allowed in sleeping rooms, bathrooms or closets, unless closet is dedicated for the purpose of housing plumbing and mechanical equipment. Water heaters in a utility room are acceptable. All water heaters shall be properly vented and sealed and shall be equipped with a pressure relief valve and drip leg.

VENTILATION

1. Every bathroom, toilet room, and kitchen shall comply with the light and ventilation requirements for habitable rooms contained above, except that no window shall be required in adequately ventilated bathrooms, toilet rooms or kitchens equipped with a ventilation system installed and located to ensure its proper operation.
2. Every habitable room shall have at least 1 window or skylight which can easily be opened, or be equipped with such other acceptable device to adequately ventilate the room.

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3. All bedrooms must have an egress window in addition to the door. Egress windows must be no more than 44" from the floor and permit at least 5.7 square feet of egress area. Windows must be operable, have locking mechanisms, and provide for ventilation. If there are living accommodations in a basement, an egress window is required.
4. All bathrooms must have an operational window, a functional electric vent fan, or other acceptable method of ventilation.
5. Ceiling fans installed in general living areas shall be Energy Star rated and installed to manufacturer's requirements.

ELECTRICAL & LIGHTING

1. The capacity of the system of circuits and electrical outlets within a building shall be adequate for the intended use of all rooms, and adequate electrical outlets shall be installed to prevent the need for extension cords or other extensions being used as a permanent wiring system.
2. Every habitable room within such dwelling shall contain at a minimum, 2 separate and remote wall type electric convenience outlets.
3. Habitable rooms over 120 square feet, shall contain, at a minimum, 3 separate and remote wall type electric convenience outlets. All newly installed outlets shall be grounded type outlets.
4. Temporary wiring or extension cords shall not be used as permanent wiring.
5. All receptacles in the kitchen, bathroom and lavatory, must be GFCI type (Ground Fault Circuit Interrupter) outlets and must be provided within 6'-0" from any sink or lavatory.
6. Receptacle convenience outlets installed on the exterior of the structure or on open porches, breezeways, garages, utility rooms, etc. shall be of the GFCI type. All electric lighting fixtures installed on the exterior shall be of the type approved for exterior use.
7. All heavy duty appliances, i.e., window air conditioners, freezers, refrigerators, electric stoves, washers, electric dryers, microwaves, etc., shall be supplied with their own dedicated outlet(s) on separate circuits, as applicable.
8. Outlets are required to permit coverage of the entire room by an appliance with a 6 foot cord. Use of extension cords is discouraged and additional outlets should be provided whenever possible to avoid their use.
9. Every habitable room shall have at least 1 ceiling or wall type electric light fixture, controlled by a wall switch, or a wall type grounded electric convenience outlet controlled by a remote switch preferably in the interior of the room next to the entrance.
10. Every toilet room, bathroom, laundry, furnace room, and hallway (where applicable) shall contain at least 1 supplied ceiling or wall type electric light fixture, controlled by a wall switch, and at least 1 wall type grounded electric convenience outlet. Wall type convenience outlets used in bathrooms and kitchens shall be the GFCI type.
11. Light switches in an open staircase, must be double switched at the top and bottom of the stairs. Living quarters should be electrically switched at entrances, unless impractical.

12. Exterior lighting at the front and back doors must be provided. These lights must be weather proof and switched from the interior at the entrance. All old pendant type lighting fixtures shall be removed and replaced with properly installed non-pendant type fixtures
13. All broken and/or missing switch plates and/or receptacle plates shall be replaced.
14. All outlets and fixtures shall be properly installed and connected to the source of electric power in a proper manner
15. If a unit does not have a central air-conditioning system and central air will not be installed, at a minimum a proper grounded outlet shall be installed under 1 window in each habitable room to allow the occupant(s) to install window air conditioning units.
16. Unit specific lights switched from the outside generally do not need to be moved, unless rewiring to be conducted in the house.

HEATING & AIR CONDITIONING FACILITIES

1. Each dwelling unit supplied with its own heating & air condition system, that system is to be properly installed, in safe and good working condition, and be capable of adequately heating and cooling all habitable rooms, bathrooms, and toilet rooms contained therein to a temperature of at least 72°F measured at a distance of 36" above floor level under ordinary winter and summer conditions. Heating & air conditioning system must be adequate for healthful and comfortable living conditions.
2. All existing heating systems, including but not limited to, chimneys and flues, cut-off valves and switches, limit controls, heat exchangers, burners, combustion and ventilation air, relief valves, drip legs and air, hot water, or steam delivery components (ducts, piping, etc.) that are not being replaced, shall be inspected by certified professionals to be in a safe and proper functioning condition at the time of inspection, by means of written project file documentation.
3. Any dwelling unit having as its only source of heat, space heaters or floor furnaces shall have such units removed and replaced with a proper central heating system.
4. Air conditioning equipment shall be installed in accordance with the manufacturer's specifications.
5. Every central heating & air condition unit shall be located and installed with the following:
 - a. Every heat duct, steam pipe and hot water pipe shall be free of leaks and shall function such that an adequate amount of heat is delivered where intended and in such a manner so as to afford protection against involvement of egress facilities or egress routes in the event of uncontrolled fires in the structure;
 - b. No fuel-burning furnace shall be located in any sleeping room or bathroom unless provided with adequate ducting for air supply from the exterior, and, the combustion chamber for such heating unit shall be sealed from the room in an airtight manner.
 - c. Every fuel burning heating unit or water heater shall be effectively vented in a safe manner to a chimney or duct leading to the exterior of the building. The chimney duct and vents shall be of such a design as to assure proper draft, and shall be adequately supported.
 - d. Every steam or hot water boiler and every water heater shall be protected against overheating by appropriate temperature and pressure limit controls.

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- e. A thermostat that controls both heating and cooling should be located near the return air grill.
6. A/C condenser units that will be replaced shall meet the minimum 14 SEER rating. All units shall be installed in a non-obstructed area, level and be well supported on a level surface.
7. The condenser unit's refrigerant line (larger line) must be insulated and have secured wiring and connections. An electric disconnect switch shall be installed for maintenance and repairs.

SMOKE DETECTORS

1. All residential structures shall have U.L. approved "hard wired" smoke detectors or battery operated smoke detectors, properly installed in all bedrooms and in area adjacent to bedrooms in accordance with manufacturer's instructions.
2. When more than one smoke alarm is required in an individual dwelling unit, the alarm devices shall be interconnected in such a manner that the actuation of one alarm will activate all of the alarms in the individual unit.
3. All smoke detectors shall be operable. The alarm shall be clearly audible in all bedrooms over background noise levels with all intervening doors closed.

ENERGY CONSERVATION

All structures shall comply with certain energy conservation measures (U.S. Department of Energy recommendations). These measures include, but are not necessarily limited to, the following:

1. Installation of insulation or the installation of additional insulation, especially in the attic/ceiling areas. The recommended level for ceiling insulation is to a resistance factor of R-30, wherever possible.
2. When siding is being replaced and/or interior wall finishes of exterior walls are being replaced on a dwelling, such exterior walls are to be provided with insulation and at the recommended resistance factor (r-value) of R-11, or that which is allowed by the stud cavity space. In addition, an air infiltration barrier, such as Tyvek or approved equal, shall be installed on all exterior walls. If new walls are being framed and insulated, the minimum R factor is R-19 or R-13 plus R-5 foam. The installation of fan-fold foam or foam sheathing may be added to increase household R-ratings.
3. The installation of weather stripping at all exterior doors, windows, ground-entry basement doors, etc. is required. Doors, when replaced, shall be Energy Star rated. Door jams will be sealed and thresholds will be caulked.
4. Provide caulking around exterior doors and windows, at the foundation/sill plate union, and at other air-infiltration areas.
5. All heat ducts and hot water or steam heat distribution piping shall be insulated or otherwise protected from heat loss where such ducts or piping runs are located in unheated spaces. Similarly, distribution piping for general use hot water shall also be protected from heat loss where such piping is located in unheated spaces. All water distribution piping shall be protected from freezing.
6. Replacement of single pane window units with thermal units or, the installation of combination storm windows if the single window units will not be replaced.

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7. Any attic access passage ways in individual units should be addressed accordingly so as not to significantly reduce the efficiencies created by the other energy conservation measures being undertaken.

ADDITIONAL REQUIREMENTS

APARTMENT UNIT & BUILDING AND PARKING TABULATION

The construction drawings shall include an Apartment Unit Tabulation that summarizes the building square footage for all types of apartment units and common areas. This would include the total number of living units per floor; unit descriptions (1 bedroom/1bath, etc.) and total square footage of each unit. Parking space tabulation shall include handicap spaces.

GENERAL NOTES

A statement shall be included in the general notes section of the drawings stating that all design and proposed renovation work for the project is in compliance with all applicable requirements for the project.

REHAB/RENOVATION DRAWINGS

All project designs and drawings for work requiring permits are to be performed by certified professionals. The type of work being performed will dictate the types of drawings that will be required. Please contact the City of Houston Planning Department or other certified professionals for details related to your individual project. One set of approved drawings shall be submitted to COH Housing & Community Development Department prior to the start of project and 1 set of "as-built" drawings at the end of the project.

Regardless of the types of drawings required, the following items are to be included in the set of working drawings:

1. A layout drawing of the entire apartment property, including all apartment buildings/units, common areas, laundry facilities, boiler rooms, access entryways, parking areas, wheel chair ramps, parking spaces, etc.;
1. The location(s) and nature of rehab work that will be performed;
3. Apartment Unit Tabulation that summarizes the building square footage for all types of apartment units and common areas. This would include the total number of living units per floor; unit descriptions (1 bedroom/1bath, etc.) and total square footage of each unit. See attachment I for a sample template.
4. Parking Space Tabulation showing the total number of parking spaces, including those spaces designated for handicap parking.
5. All ADA living units on the property, specifying those for individuals with mobility impairments and individuals with sensory impairments.



**City of Houston Housing and Community Development Department
Minimum Property Standard for
Affordability Maintenance
for Multifamily Rental Housing**

OVERVIEW

The standards contained in this document establish the minimum property habitability (MPS) standard for Affordability Maintenance for the City of Houston's Multifamily Rental Housing Program that receives assistance through federal funding from U.S. Department of Housing and Urban Development (HUD).

APPLICABILITY

This minimum standard applies to multifamily rental housing units that currently receive federal assistance or were acquired/developed/rehabilitated using federal assistance.

PURPOSE

This document serves as the minimum standard for City of Houston multifamily rental housing. As a result, the property must be free of those foreseeable hazards and adverse conditions that may affect the life, health, and safety of the occupants, fire safety, and the structural soundness of the dwelling or which may impair the customary use of the property. In addition to these standards all units must comply with the following:

- COH Building Code and Code of Ordinances
- The International Building Code (IBC) 2006 adopted by the City of Houston or the latest adopted edition of the IBC and any applicable code required by the pertaining Municipality.
- The International Residential Code (IRC) 2000 adopted by the City of Houston or the latest adopted edition of the IRC and any applicable code required by the pertaining Municipality.
- The International Energy Conservation Code (IECC) 2006 adopted by the City of Houston or the latest adopted edition of the Model Energy Code (MEC) and any applicable code required by the pertaining Municipality.
- The Lead Based Paint regulations as described in 24 CFR, Part 35 for units built before 1978.
- HUD 24 C.F.R Part 200.925a-c/296 Rules for Multifamily and Care-Type Housing

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- HUD C.F.R Part 8 Section 504 of the Rehabilitation Act of 1973, ADA, UFAS, FHA, and TAS where applicable.
- The requirements from other governing entities such as Homeowners Associations and Local and Federal regulations pertaining to zoning, traffic, drainage, flood plains and fire prevention (NFPA)

MINIMUM STANDARDS FOR EXTERIOR PROPERTY

TREES, BUSHES & LAWN

1. All lawns and any other part of a property shall be kept clean and free from accumulations of junk, rubbish, brush, refuse, litter, garbage and other debris, and any conditions that are health, fire or other hazards.
2. All lawns shall be provided with suitable ground cover to prevent instability and erosion of the soil. Holes or depressions of more than 6" in diameter should be filled to correct drainage problems and remove safety hazards.
3. All lawns, shrubs, hedges, trees and plants shall be planted and maintained in a manner that does not:
 - a. obstruct the safety of the public;
 - b. affect the safety of vehicular or pedestrian traffic;
 - c. constitute an obstruction of view for vehicular traffic;
 - d. wholly or partially conceal or interfere with the use of any hydrant or water valves;
 - e. overhangs or encroach upon any pavement, sidewalk or travelled portion of any street or highway.
4. Trees or parts thereof that are dead, diseased, decayed or damaged, shall be removed or maintained in a condition that is not hazardous to persons expected to be on or about the property.
5. Trees that present a safety hazard because electrical wiring running through them must be trimmed. Trees that could damage the structural integrity of an adjoining building above or below the foundation shall be removed.
6. HVAC condenser units and electrical panels shall be free of shrubs, hedges, weeds, trees and plants that interfere with its operation and access for repairs and maintenance.

GARBAGE & DEBRIS

1. Property shall be kept free of garbage, rubbish, debris or accumulations of such materials that prevent access to or exit from the property in the case of emergency or other safety or health hazard.
2. Every apartment project shall be provided with sufficient trash receptacles to contain all garbage, debris or rubbish which accumulates on the property, and such materials shall be placed for collection in proper receptacles in compliance with applicable local ordinances, and not allowed to accumulate in a manner that would present a life, health and safety issue.
3. Trash receptacles shall be containers that are water-tight, equipped with a tight-fitting cover, rodent-and pest-proof, and shall be maintained in a clean condition without holes or spillage; and closed, or emptied, rinsed and cleaned when not in use, to prevent the escape of offensive odor or debris.
4. Where commercial or on site garbage containers are visible from a public street or land, or the property abuts residential properties, the area where the receptacles are stored shall be enclosed on all sides by wall or solid fence not less than 6' high. Such wall or fence shall contain an adequate door or gate to allow for the removal of garbage or refuse. They shall be

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maintained in a manner that will not attract pests, create a health or other hazard, or obstruct an emergency route, recreation facility, parking area, driveway or walkway.

5. Every unenclosed porch, balcony, and every exterior or interior hallway, stairway and common area shall be kept free of garbage, debris, furniture or appliances, except furniture which is outdoor grade or made weather and water resistant may be placed for use on balconies or porches.
6. Bulk trash, including refrigerators, stoves, washers, dryers and other appliances; unlicensed automobiles and other vehicles; and improperly stored construction materials or firewood should be removed or appropriately stacked as prescribed by City of Houston ordinances.

GRADING & DRAINAGE OF PROPERTY

1. Property shall be graded and maintained so no stagnant water will accumulate or stand on the premises, or within or around any building or structure located on the premises or create unstable soil conditions or erosion.
2. Ground areas around buildings shall be sloped away from walls to eliminate low areas where standing water may collect.
3. All catch basins, storm drains, ditches and swales shall be maintained free from defects and obstructions.
4. Condensation from air conditioners shall not be permitted to discharge onto the exterior wall of a building, pedestrian walkways, sidewalk or street.

STORM GUTTERS & SPLASH BLOCKS

1. Gutters and downspouts shall be maintained watertight and free from leaks, in good working order, and free from any obstructions and hazards, and in a stable condition and shall be securely fastened to the structure.
2. Any above-ground discharge from a downpipe or pipe shall be directed to discharge and be contained on the property in a manner that is not likely to cause damage to any adjoining property or create a hazardous condition on any stairway, walkway, street or boulevard.
3. Gutters and downspouts shall be protected by a suitable finishing material. Deteriorated gutters that impede drainage or cause a safety hazard shall be reinstalled.

PEST CONTROL

The entire property shall at all times be kept free of rodents, vermin, insects and other pests and from conditions which may encourage infestation by pests.

FENCE MAINTENANCE

1. All fences and other enclosures around or on a property shall be maintained in a structurally sound condition and plumb, unless specifically designed to be other than vertical, with a uniform construction, in good repair and free from hazards.

2. Fences, barriers, retaining walls shall be kept free of posters and graffiti and shall be maintained in compliance with all City of Houston ordinances. Any part of a fence or enclosure that creates an illegal entry and access ways has to be repaired immediately.

VACANT BUILDINGS

1. The owner shall protect vacant or unoccupied buildings against the risk of fire, accident or intentional damage to the property, or such damage as may be caused to other properties, arising from the entry of unauthorized persons to the building, by effectively preventing entrance by unauthorized persons.
2. The owner shall protect buildings damaged by accident, storm, neglect or other causes or intentional damage, against further risk of further damage, accident or other danger, and shall effectively prevent entrance thereto by all unauthorized persons, by closing and securing opening(s) to the building(s) with boarding which completely covers the opening.
3. Any structure that is in a state of disrepair or collapse must be repaired or demolished, and any collection of building materials must be removed from the property. Such demolition does not reduce the number of units restricted under Loan Agreements.

NON-DWELLING STRUCTURES

1. Every accessory building shall be maintained with suitable and uniform materials, kept in good repair, free from hazards, and protected by paint, preservatives or other weather-resistant material.
2. All laundry rooms, recreation rooms and any other ancillary rooms, and the facilities, amenities and associated equipment for those rooms, shall be kept clean and maintained in a safe condition and in good repair.
3. All laundry rooms shall be provided with hot and cold running water and properly connected to the drainage system.
4. All laundry rooms shall have a trapped floor drain connected to the drainage system and capable of adequately draining the floor.

STEPS, SIDEWALKS, DRIVEWAYS, PARKING LOTS & PAVING

1. The surfaces of steps, sidewalks & driveways and similar areas of the yard shall be maintained in good repair so as to afford safe passage under normal use.
2. All sidewalks, service walks driveways & patios shall be kept in a state of maintenance and repair, free from obstructions, defects, uneven joints, tripping hazards, etc.
3. All areas used for vehicular traffic or the parking or storage of a vehicle shall be paved with asphalt or concrete or other environmentally safe and dust-free equivalent surface and shall be kept free from dirt, surface dust and refuse; maintained in good repair and free from cracks, holes and ruts.
4. Parking lots are to be properly maintained in a way to prevent ponding of water and to direct the flow of water away from the walls of all buildings.

5. Parking lots are to be provided with suitable markings to indicate parking spaces, and the markings shall be maintained so as to be clearly visible. Signs, decals, pavement markings should be clear, visible and distinctive.
6. Parking stops shall be installed where parking spaces are adjacent to a property line to protect fences and neighboring properties from physical damage and shall be properly anchored and secured and properly aligned and positioned to each parking space.
7. Handicap parking areas shall be maintained so that individuals with disabilities can approach, enter, and exit the areas easily.

MISCELANEOUS

1. The water in swimming pools shall be kept clean and in a sanitary condition free from obnoxious odors and conditions likely to create a breeding environment for insects. Surrounding surface areas for walking and relaxing shall be kept clean of dirt, mold, mildew, etc.
2. Property and building signs and faces shall be maintained without any visible deterioration of the sign or its structure so that the information conveyed by the sign by color, form, graphic, illumination, symbol or writing is clearly legible.
3. Property and building signs and any fastening/supporting structures that are damaged, broken or excessively weathered or faded, or that have a worn, peeled or cracked finish, shall be removed or refinished and put in a good state of repair so that the signs are free from defects or faded lettering.
4. Every dwelling unit shall have a separate and secure mail box or mail receptacle that is maintained in good condition at all times. Identification information on the mail box should be clearly visible.
5. All antennas, satellite dishes, lightning rods and other similar structures and their supporting members shall be maintained in a safe condition and in good repair.
6. Elevators shall be maintained in a clean condition and certified to be in good working order.
7. All elevator parts and appendages, including lighting fixtures, lamps, elevator buttons, floor indicators and ventilation fans, shall be kept in good repair and operational.
8. Coolant lines of HVAC condenser units shall be insulated to insure optimum performance. Insulation shall not be torn or worn out and shall be tightly secured to the gas line.

BUILDING STRUCTURE

1. Every building structure on the property shall be maintained in structurally sound and safe condition.
2. Every part of a building or structure shall be maintained in good repair and in a structurally sound condition so as:
 - a. To be capable of safely sustaining its own weight and any load to which, normally, it might be subjected;
 - b. To be capable of safely accommodating all nominal structural movements without damage, decay or deterioration; and
 - c. To prevent the entry of moisture that would contribute to damage, decay or deterioration.

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FOUNDATION

1. The foundation walls and floors shall be maintained in good repair and structurally sound.
2. Foundation walls and crawl spaces and other supporting members of a building or structure shall be stable and not sinking and maintained in good repair and structurally sound.
3. Foundation cracks should be identified, particularly at window areas. All cracks must be filled with epoxy, cement, and rubbed with appropriate cement materials. All cracks exceeding ¼" wide must be investigated by a certified professional to determine the extent of repair work.
4. Areas of the foundation that are spalling (crumbling gravel or rock), have decaying concrete, have collapsed, or are in any other state of disrepair must be addressed to prevent further deterioration or damage to the buildings.
5. Collapsed sections of foundations must be reconstructed as per the written recommendation of a certified professional.
6. Exposed foundation rebar should be cleaned and prepared and surface area patched thoroughly to avoid water penetration.

EXTERIOR WALL SURFACES

1. All exterior surfaces of buildings, structures, fences and retaining walls, including mobile structures and buildings shall be maintained and kept weather resistant so as to prevent their deterioration and entry of vermin and birds. Surfaces shall be free of dirt, mold, mildew, algae and water stains.
2. Exterior walls shall contain no holes or cavities, separation of siding materials, collapse of siding or deterioration of exterior siding materials or openings at the rafters and at the rim joist.
3. All exterior surfaces of buildings, structures, fences and retaining walls, including mobile structures and buildings, shall be repaired by the painting, restoring or repairing of the walls, coping or flashing or by the waterproofing of the joints and of the walls itself.
4. Markings, stains, graffiti, painted slogans, smoke damage or other markings or defacement appearing on any exterior surface shall be removed. If necessary, to maintain the exterior surface, the surface of these areas shall be restored and, resurfaced to the exterior finish of the building or structure.
5. All canopies, marquees, signs, awnings, screens, grilles, stairways, pipes, ducts, standpipes, air conditioners and all similar equipment, attachments and their supporting members shall be maintained in good repair, properly anchored and protected from the elements, so as to prevent decay and rust, by paint or other protective coating.

WINDOWS & EXTERIOR DOORS

1. Windows, skylights, exterior doors and frames and attic access doors shall be maintained in good repair and shall be of such construction so as to minimize drafts and heat losses through the infiltration of outside cold air.

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2. All exterior openings for doors and windows shall be fitted with doors or windows that are maintained in a weather-tight condition to prevent drafts or leakage and protected by suitable materials to prevent the entry of rodents, vermin and insects.
3. Rotted or damaged doors, door frames, window frames, sashes and casings, weather-stripping, caulking, broken glass and missing or defective door and window hardware shall be repaired or replaced.
4. All exterior doors and the entrance door to a dwelling unit shall have hardware so as to be capable of being locked from the outside, and locked or otherwise secured from the interior of the space.
5. All windows in a dwelling unit that are capable of being opened shall be fitted and equipped with screens that are maintained in good repair and free from defects and missing components.
6. All exterior doors and windows capable of being opened shall be free from defective hardware and be capable of being locked or otherwise secured from inside the building.
7. Glazed doors, windows and other transparent surfaces shall be kept reasonably clean in order to permit unimpeded visibility and unrestricted passage.
8. Doors, passageways and exits shall be maintained free from hazardous conditions, obstructions and impediments.

STAIRWAYS, BALCONY'S & HALLWAYS

1. Interior and exterior stairs, landings, balconies, porches and any other means of access shall be maintained so as to be free of holes, cracks and other defects which may constitute possible accident hazards. Treads or risers that show excessive wear or are broken, warped or loose and all supporting structural members that are rotted, rusted or deteriorated shall be repaired or replaced. Treads that have become loose need to be securely anchored to stairwell.
- 2.
3. Handrails shall be installed and maintained in good repair on all exterior stairs which have more than 3 risers and on all interior stairs within dwelling units which have more than 2 risers.
4. Handrails on porches, balconies or raised floor surfaces shall be securely anchored to the floor and/or to the nearest exterior wall so as to not allow any horizontal movement of the handrail.
5. Wood balconies and walkways need to be maintained in good repair and in a structurally sound condition. Structural components that have deteriorated, rotted or are in disrepair shall be replaced to maintain the structural integrity.

ROOF COVERING

1. All structural components of a roof shall provide adequate support for all designed loads, and form a suitable base for the roof covering. If the roof is subjected to a load for which it may not be adequate, the roof shall be cleared of the load to prevent collapse or structural damage.

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2. A building roof, including the fascia board, soffit, cornice and flashing around the perimeter of a roof, should be inspected for deterioration and be maintained in a weather-tight condition and able to prevent the leakage of water into the building.
3. On structures over 50 years of age, the truss and support system of roofs must be inspected to ensure adequate construction. When deficiencies are identified, appropriate supports and truss systems must be reconstructed.

PLUMBING

1. The plumbing system in every building shall be maintained in good working order and free from leaks and defects.
2. All water pipes and appurtenances thereto shall be protected from freezing.
3. All clean-out drains shall be enclosed with insert covers that contain no holes.
4. Any sanitary sewage discharged from buildings on the property constitutes a life, health and safety danger to the residents and needs to immediately be repaired.

ELECTRICAL & EXTERIOR LIGHTING

1. The capacity of the electrical connection to a building and the system of circuits and electrical outlets distributing the electrical supply within the building shall be maintained at all times and free from unsafe conditions.
2. Electrical panel boxes must have cover plates and covers for all unused breakers.
3. Every stairway, exterior exit and entrance doorway, bathroom, toilet room, kitchen, hallways, laundry, furnace room and non-habitable work room in a suite, dwelling unit or building shall have a permanently installed lighting fixture that shall be maintained in good working order to provide safe passage.
4. Exterior flood lighting shall be maintained in a good state of repair without any damage to light fixture and its components. Wires shall be properly enclosed to avoid contact with water.
5. Outdoor receptacles must be maintained to be impervious to water intrusion and in a condition that permits easy access and not interfere with lawn maintenance.
6. All exterior electrical wires shall be enclosed in conduit. Conduit that is cracked, broken or is deteriorated shall be replaced.

MINIMUM STANDARDS FOR INTERIOR PROPERTY

WALLS, FLOORS, CEILINGS, DOORS & WINDOWS

1. Floors and floor coverings shall be maintained free from any trip or other hazardous condition and shall be kept in a clean and sanitary condition and free from holes, stains, rubbish and debris.
2. Any repair, replacement or painting required on walls & ceilings shall be such that the material used shall have a finish and facing similar to that of the original covering.
3. Floors of rooms in which plumbing fixtures are installed shall be maintained to be reasonably impervious to water and in a condition that permits easy cleaning.
4. Every wall and ceiling shall be maintained clean and free of holes, cracks and damaged and deteriorated surface material, and each repair shall be finished to reasonably match the existing walls or ceilings.
5. Previously finished walls and other surfaces in public areas of property shall be maintained in good repair and shall be renewed or refinished, when necessary, to maintain a similar appearance.
6. In bathrooms, water proof green rock, blue rock or other similar drywall material must be utilized. Interior walls with decayed sheetrock must be replaced by installing new sheetrock, taping cracks, texturing and repainting.
7. Interior doors, their frames, glass panels and hardware shall be maintained in good repair, and all doors shall be of a good fit in their frames.
8. All damaged or deteriorated door trim and baseboard must be removed and replaced.
9. All doors and hatches to the roof that provide access for the purpose of maintenance shall be kept free of obstructions and locked at all times.
10. All cracked or deteriorating ceilings require an inspection to determine the cause that generated the problem. Every effort should be made to correct the problem before the ceiling is repaired. Cracks must be filled and retextured, and the ceiling completely repainted when treated.
11. When there is decaying ceramic or plastic tile in bath or shower areas, the deteriorated area must be replaced with water proof sheetrock and new tile reinstalled, grouted, and caulked.

KITCHEN FACILITIES

1. All counter tops showing evidence of wear and tear, water damage, uplifting of surface material, etc. must be replaced. Replacement counter tops may include prefabricated laminated counter tops when walls are sufficiently square.
2. Sinks and worktops shall be sealed around edges with silicone sealant to be impervious to water and in a condition that permits easy cleaning.
3. All kitchen plumbing must be inspected to ensure that faucets and drain pipes work properly. All waste pipes and traps shall be free of defects with no leaks or drips.

APPENDIX 14

4. Water taps shall be in good condition (i.e. no dripping) and easy to operate by children or people with finger mobility problems.
5. Any holes around waste pipes and traps shall be sealed so as to prevent the ingress of vermin and pests.
6. Waste disposal unit shall be maintained in operating condition. Electrical connection wires and drain lines should be properly sealed.
7. The refrigerator/freezer or refrigerator and freezer shall be clean and in good working order.
8. All stove gas rings or burners shall be clean and in operating condition. The oven shall be clean and properly working.
9. Kitchen cabinets must have properly functioning doors and/or drawers. Cabinet doors must be in good condition and properly open and close.

BATHROOM FACILITIES

1. The toilet shall be clean, secure, and free of defects, with a secure seat and the tank shall fill at a reasonable rate. All bathroom flooring must be inspected at the base of the toilets to ensure that leaking is not occurring. When leaking has occurred and sub floor has rotted, the sub floor must be removed and replaced.
2. Bathtub or shower and washbasin shall be in good condition and should show no signs of surface build-up, cracks or chips. They shall be sealed around the edges to prevent water intrusion.
3. Waste pipes and taps shall be free of defects with no leaks or drips.
4. Water taps shall be in good condition (i.e. no dripping) and easy to operate by children or people with finger mobility problems.

BEDROOM & LIVING ROOM REQUIREMENTS

1. All bedrooms must have a functional door that closes, which, preferably can be locked from the inside.
2. All switchable light fixtures and electrical outlets in the bedrooms shall be operating condition.

ELECTRICAL

1. The capacity of the system of circuits and electrical outlets within a building shall be adequate for the intended use of all rooms, and adequate electrical outlets shall be installed to prevent the need for extension cords or other extensions being used as a permanent wiring system.
2. All electrical fixtures, switches, receptacles and connections to them shall be maintained in a safe and complete condition and in good working order.
3. All electrical connections must be in enclosed metal or plastic electrical boxes. No hanging wires are permitted.

APPENDIX 14

4. All light fixtures should be inspected to ensure that they are solidly hung and that the electrical connections have not been loosened. All electrical fixtures that evidence wear must be replaced with new fixtures.
5. All electrical outlets and switches must have tight cover plates. Any switches or outlets that are nonfunctional must be inspected by a certified professional to correct.
6. Smoke detectors must be fully operational and shall be clearly audible in all bedrooms over background noise levels with all intervening doors closed. Installation of smoke alarms should be in accordance with the recommendations of the manufacturer. Unacceptable smoke detectors must be removed, properly reinstalled in an acceptable location, and all affected wall or ceiling areas repaired to match surrounding.

MISCELLANEOUS

1. The heating and cooling system and all associated mechanical equipment shall be operated and maintained in good working order, free from unsafe conditions, and in accordance with the requirements of the local building code.
2. All systems of mechanical ventilation shall be maintained in good working order.
3. Every dwelling unit shall be kept free of infestation of pests.
4. Fire extinguishers should be located in the kitchen and be fully loaded and shall be maintained in good working order.
5. Boiler rooms shall be good working condition with drain lines at the temperature and pressure relief valves properly sized and terminated in an acceptable location.

ADDITIONAL REQUIREMENTS BY THE CITY OF HOUSTON

HABITABILITY ORDINANCE 2009-1043

As per the City of Houston's Ordinance 2009-1043 for Habitability Inspections – All apartment communities with 3 or more units (Sec 10-151 of the Houston Code of Ordinances) are required to register with The City of Houston for Habitability Inspection purposes (Habitability Inspection Checklist). To obtain detailed information regarding the program, log on to www.houstonmultifamily.org. For more information, please contact the Habitability Inspections Section at 713-535-7900. See appendix II for Habitability Ordinance 2009-1043.

APARTMENT SECURITY ORDINANCE 2006-1124

As per the City of Houston's Ordinance 2006-1124 for Apartment Security – All apartment communities of ten or more units (Sec 28-282 City of Houston Code of Ordinances) are required to register the ownership of the apartment community with the Multifamily Administrative Unit of the Houston Police Department. To obtain detailed information regarding the program, log on to www.houstonmultifamily.org. For more information, please contact the Habitability Inspections Section at 713-535-7900.

CERTIFICATE OF OCCUPANCY RENEWAL

All properties are required to have a Certificate of Occupancy from the City of Houston Code Enforcement located at 3300 Main Street, Houston, TX 77002.

FIRE INSPECTION

All inspections related to City of Houston Fire Department are coordinated through the City of Houston Habitability Inspection.

Appendix I

APPENDIX 14

PROJECT SUMMARY:

Apartments:

Type	Description	Qty.	Area
A1	One Bedroom, 1 Bath	46	581 s.f.
B1	One Bedroom, 1 Bath	24	620 s.f.
C1	One Bedroom, 1 Bath	131	660 s.f.
C2	One Bedroom, 1 Bath (H.C.)	9	660 s.f.
Total One Bedroom Units		210 Units	130,006 s.f.
D1	Two Bedroom, 1 Bath	41	857 s.f.
D2	Two Bedroom, 1 Bath (H.C.)	3	857 s.f.
E1	Two Bedroom, 2 Bath	63	950 s.f.
E2	Two Bedroom, 2 Bath (H.C.)	5	950 s.f.
F1	Two Bedroom, Den, 2 Bath	2	1,007 s.f.
Total Two Bedroom Units		114 Units	104,332 s.f.
Apartments Total		324 Units	234,328 s.f.
Amenity Center			2,400 s.f.
Leasing Office			1,240 s.f.
Laundry, Boiler, Storage			2,500 s.f.
Project Total			240,468 s.f.

Parking:

Parking Required

210 One Bedroom Units @ 1.333 cars/unit =	279.93 cars
114 Two Bedroom Units @ 1.667 cars/unit =	190.04 cars

Total Required 469.97 cars

Parking Provided

Open Parking (secured)	293 cars
Carport Parking (secured)	150 cars

Total Secured Parking 443 cars

Amenity & Other Parking (non-secured) 27 cars

Total Parking Provided 470 cars

<u>Total Parking Provided:</u>	<u>Van</u>	<u>HC</u>	<u>Standard</u>	<u>Total</u>
	<u>Accessible</u>	<u>Accessible</u>		
Open Parking (secured)	6	11	425	442 cars
Amenity Center	1	0	27	28 cars
Total Parking Provided	7	11	452	470 cars

Appendix II

APPENDIX 14

City of Houston, Texas, Ordinance No. 2009-1043

AN ORDINANCE AMENDING CHAPTER 10 OF THE CODE OF ORDINANCES, HOUSTON, TEXAS, RELATING TO THE HABITABILITY OF MULTI-FAMILY RENTAL BUILDINGS; CONTAINING FINDINGS AND OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; PROVIDING FOR SEVERABILITY; CONTAINING A SAVINGS CLAUSE; AND DECLARING AN EMERGENCY.

* * * * *

WHEREAS, the 81st Texas Legislature (Regular Session) passed House Bill 1819 ("HB 1819"), which bill became law on June 19, 2009; and

WHEREAS, HB 1819 added Section 214.219 ("Section 214.219") to the Texas Local Government Code; and

WHEREAS, Section 214.219 requires a municipality with a population of 1.7 million or more to "adopt an ordinance to establish minimum habitability standards for multi-family rental buildings, including requiring maintenance of proper operating conditions" and to "establish a program for the inspection of multi-family rental buildings to determine if the buildings meet the minimum required habitability standards"; and

WHEREAS, HB 1819 requires a municipality subject to Section 214.219 to enact the said ordinance and to establish the said program not later than December 31, 2010; and

WHEREAS, the City is a municipality subject to Section 214.219; and

WHEREAS, the City Council finds that Article V and Divisions 3 and 4 of Article IX of Chapter 10 of the Code of Ordinances, City of Houston, Texas (the "Code of Ordinances") constitute habitability standards for multi-family rental buildings, which standards should be supplemented and strengthened as provided herein; **NOW, THEREFORE,**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. That the findings contained in the preamble of this Ordinance are determined to be true and correct and are adopted as a part of this Ordinance.

Section 2. That Chapter 10 of the Code of Ordinances, Houston, Texas, is amended by adding a new Article IV that reads as follows:

"ARTICLE IV. HOUSTON MULTI-FAMILY HABITABILITY CODE

Sec. 10-151. Title; purpose; conflict with other municipal laws.

This article is, and may be cited as, the 'Houston Multi-Family Habitability Code.' One purpose of this Habitability Code is to comply with Section 214.219 of the Texas Local Government Code. The provisions of this Habitability Code are cumulative of all other laws and regulations of the city, as well as all applicable state and federal laws and regulations. In the event of a conflict between this Habitability Code and another law or regulation of the city, the provisions of this Habitability Code shall control.

Sec. 10-152. Definitions.

In addition to definitions appearing elsewhere in this article, the following words and phrases when used in this article shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Building official means the building official and all persons designated in writing by the building official to act on his or her behalf to construe and to enforce this article.

Habitability refers to the character of a multi-family rental building free of any condition constituting a material risk to the physical safety or health of the building's ordinary tenants. A multi-family rental building substantially free of such conditions is *habitable*.

Multi-family rental building or MFRB means a building that has three or more units. Only for the purposes of the Inspection Program established by this article, *multi-family rental building or MFRB* includes all MFRBs and all accessory buildings (such as a boiler room, laundry room, club house, or garage) on the same tract.

Owner means the current owner (or, collectively, the current owners) of the real property on which a multi-family rental building is located. For the purposes of this article, records available for public view at an official website maintained by the appraisal district in which the MFRB is located are presumed to be accurate with regard to the ownership of real property, but the presumption of ownership may be rebutted by documents properly recorded in the real property records of the county in which the MFRB is located.

Tract means the parcel or parcels of real property on which a

multi-family rental building is located.

Unit means one or more rooms rented for use as a permanent residence under a lease to one or more tenants, except that none of the following shall constitute a *unit*:

- (a) A room or rooms rented primarily for the purpose of receiving services regulated by a department or agency of the federal government or of the State of Texas (including, but not limited to, the Texas Department of State Health Services);
- (b) A room or rooms owned or operated by a public or private college or university accredited by a recognized accrediting agency within the meaning of Section 61.003, Texas Education Code;
- (c) An 'apartment' in a 'condominium' within the meaning of Chapter 81, Texas Property Code; or
- (d) A 'unit' in a 'condominium' within the meaning of Chapter 82, Texas Property Code.

Sec. 10-153. Construction of this Habitability Code.

This article shall not be construed to alter the terms of any lease or other agreement between an owner and a tenant relating to an MFRB, except that no provision of any such lease or other agreement shall be construed to excuse compliance with this article or with any other law or regulation of the city. It is not the purpose of this article to prescribe legal rights or liabilities as between an owner and a tenant.

Sec. 10-154. MFRB Registration.

(a) The building official shall promulgate a form for the registration of MFRBs, which form shall require disclosure of:

- (1) The physical address of the MFRB;
- (2) The account number(s) assigned to the tract by the appraisal district in which the MFRB is located;
- (3) The number of buildings on the tract;
- (4) The number of units in each building on the tract;

- (5) A brief description of the intended use of each building on the tract (residential building, boiler room, laundry room, club house, garage, etc.);
- (6) The Project Number(s) appearing on the face of either the Certificate of Occupancy or the Life Safety Compliance Certificate issued by the city for each building on the tract; and
- (7) The name, mailing address, physical address, telephone number, and e-mail address (if available) of at least one owner of the MFRB.

(b) The form promulgated by the building official shall provide a physical address and a mailing address for filing completed MFRB Registration Forms. In addition, the building official shall establish a means by which MFRB Registration Forms may be completed and filed electronically.

(c) An owner of an MFRB shall register the MFRB by completing and filing an MFRB Registration Form with the building official.

(d) An owner of an MFRB shall post a hard copy of the current, completed MFRB Registration Form in or on the MFRB.

(e) If an MFRB was not in existence on January 1, 2010, the owner of the MFRB shall register the MFRB by completing and filing the MFRB Registration Form with the building official no later than 30 days after the MFRB receives a Certificate of Occupancy.

(f) Registration of an MFRB as required by this section shall constitute:

- (1) Registration of the MFRB under section 28-283 of the Code of Ordinances; and
- (2) Compliance with sections 250.003 and 250.004 of the Texas Local Government Code.

(g) No later than 30 days after an owner of an MFRB knows or reasonably should know that a statement on the MFRB Registration Form was incomplete or inaccurate when filed, or has become incomplete or inaccurate since filed, the owner must complete and file an amended MFRB Registration Form.

Sec. 10-155. Habitability standards.

In addition to the habitability standards established by article V and by divisions 3 and 4 of article IX of chapter 10 of this Code:

- (1) An owner of an MFRB violates this article if the MFRB does not comply with:
 - a. All applicable provisions of the Fire Code;
 - b. Sections L102 through L108 of appendix L of the Building Code (which provisions are part of the Building Code's 'Life Safety Appendix');
 - c. Sections 10-211 through 10-215 of this Code (which provisions pertain to the numbering of buildings);
 - d. Sections 43-18 through 43-20 and section 43-23 of this Code (which provisions pertain to swimming pools); and
 - e. Sections 92.153 through 92.162 of the Texas Property Code (which provisions pertain to security devices).
- (2) An owner of an MFRB at all times must post in or on the MFRB:
 - a. A valid Certificate of Occupancy or a valid Life Safety Compliance Certificate; and
 - b. A 'NOTICE TO ALL RESIDENTS' legibly typed or printed in a font 28 points or larger, in both English and Spanish, the substance of which Notice is as follows: 'IF ANY CONDITION of this building CREATES A HAZARD to human safety or health, REPORT THE CONDITION to the building's manager or owner. You also may report the condition to the City of Houston by calling the City's Service Helpline at 311.'
- (3) Any document required by this article to be posted in or on an MFRB must be posted either (a) as provided by the Building Code or (b) by posting an accurate copy of the document in a manner reasonably protected from weather and in a place conspicuous to ordinary tenants no more than five feet from each mailbox facility at which the United States Postal Service delivers mail to tenants or, if no such facility exists, in some

other place equally conspicuous to ordinary tenants of the MFRB.

Sec. 10-156. Powers and duties of building official.

(a) Except for applicable provisions of the Fire Code incorporated herein by reference, the building official has primary responsibility for the enforcement of this Habitability Code.

(b) With regard to MFRBs only, the terms 'director' and 'neighborhood protection official' as used in article V and in divisions 3 and 4 of article IX of chapter 10 of this Code refer to the building official.

(c) With regard to MFRBs only, the building official has powers and duties equal to and concurrent with the health officer for the enforcement of sections 43-18 through 43-20 and section 43-23 of this Code (which provisions pertain to swimming pools).

Sec. 10-157. MFRB Inspection Program.

(a) The building official shall inspect MFRBs pursuant to an inspection program (the 'Multi-Family Rental Building Inspection Program' or the 'MFRB Inspection Program'), as provided in this section.

(b) The building official shall promulgate a checklist (the 'Multi-Family Rental Building Checklist' or the 'MFRB Checklist') of criteria by which the building official shall determine the habitability of MFRBs.

(1) The MFRB Checklist shall have no force or effect until ninety days after copies of City of Houston Ordinance No. 2009-2009-1043 and the MFRB Checklist have been available for public view in the office of the city secretary and at a website maintained by the city.

(2) The building official may amend the MFRB Checklist; however, an amendment of the MFRB Checklist shall have no force or effect until ninety days after the MFRB Checklist has been available for public view in the office of the city secretary and at a website maintained by the city.

(c) No MFRB shall be inspected under the MFRB Inspection Program until at least forty-five days after the building official has mailed to

The City Secretary shall insert the number of this Ordinance

the owner a letter stating:

- (1) The first day of thirty consecutive days during which the building may be inspected under the MFRB Inspection Program;
- (2) The physical address of the office of the city secretary and the internet address of the website at which copies of the MFRB Checklist are available for public view;
- (3) The amount of the fee (the 'MFRB Inspection Fee') to be paid to the city prior to the first day of the said thirty consecutive days during which the building may be inspected; and
- (4) The mailing and physical addresses at which the MFRB Inspection Fee may be paid.

(d) The building official shall mail by first-class mail duplicate originals of the letter required by subsection (c) of this section to the owner of the MFRB at the respective addresses:

- (1) Of the owner, according to MFRB Registration Form filed with the building official, or, if the MFRB has not been registered with the building official, according to records available for public view at an official website maintained by the appraisal district in which the MFRB is located; and
- (2) Of the MFRB.

(e) No inspection of an MFRB under the MFRB Inspection Program shall be delayed solely because the owner did not receive or did not understand a letter prepared and sent as required by subsections (c) and (d) of this section.

(f) Notwithstanding anything to the contrary in this article, no employee of the city inspecting an MFRB under the MFRB Inspection Program shall enter a unit without the written permission of a person who has a legal right to occupy the unit.

Sec. 10-158. Fees.

For the inspection of an MFRB under the MFRB Inspection Program the owner shall pay to the city the MFRB Inspection Fee, which fee shall be in the amount of either \$4.00 per unit or \$100.00 (total), whichever amount is greater, plus an administrative fee in the amount of \$10.00.

Sec. 10-159. Remedies.

An owner who violates, or whose MFRB is in violation of, any provision of this article shall be guilty of a misdemeanor punishable upon conviction by a fine of not less than \$500 nor more than \$2,000. Each violation, and each day that a violation continues, shall constitute and be punishable as a separate offense."

Section 3. That nothing in this Ordinance shall delay or otherwise hamper a timely inspection of a multi-family rental building ("MFRB") by the City in response and relating to credible complaints by tenants or other members of the public, such inspections ("reactive inspections"), although not part of the Multi-Family Residential Building Inspection Program ("MFRB Inspection Program") established by this Ordinance, being essential to the public welfare.

Section 4. That, except as otherwise provided by this Ordinance, an owner of an MFRB shall register the MFRB by filing a completed registration form (the "the MFRB Registration Form") with the building official no later than January 31, 2010.

Section 5. That the building official shall use appropriate public and non-public databases to compile a list (the "MFRB List") of the City's MFRBs in numerical order, according to the following priorities:

First, MFRBs not registered with the building official as required by this Ordinance;

Second, MFRBs whose owners have not obtained Certificates of Occupancy or Life Safety Compliance Certificates as required by the Building Code;

Third, MFRBs that were subjects of one or more citations issued during 2009 for violations of the Building Code; and

Fourth, all other MFRBs.

Within the four groups described immediately above, MFRBs shall be ordered in a manner reasonably consistent with their respective dates of construction, older MFRBs first. For the purposes of this Ordinance, the date of an MFRB's construction is the most recent of (a) the date of construction according to the registration required by this Ordinance, unless the building official reasonably concludes that such information is not reliable; or (b) the date of construction according to an official website maintained by the appraisal district in which the MFRB is located; or (c) the date on which the building official issued a Certificate of Occupancy or a Life Safety Compliance Certificate for the MFRB.

Section 6. That the MFRB List shall be available for public view in the office of the City Secretary and at a website maintained by the City at least forty-five days before the building official conducts an inspection pursuant to the MFRB Inspection Program. The office of the City Secretary and said website both shall provide a mailing address for the submission of additional buildings that members of the public believe should be included on the MFRB List. Any building so added to the MFRB List shall be assigned the next consecutive number. In addition:

- (1) A newly constructed or rehabilitated multi-family rental building shall be added to the MFRB List four years after the date on which a Certificate of Occupancy is issued for the building;
- (2) For the purposes of subsection (1) immediately above, a Life Safety Compliance Certificate is not a substitute for a Certificate of Occupancy;
- (3) The building official may add a building to, or delete a building from, the MFRB List as long as the addition or deletion is consistent with the purposes and requirements of this Ordinance; and
- (4) If the building official deletes a building from the MFRB List, the number to which the building had been assigned shall be marked "Deleted," and the building official shall make a reasonable effort to avoid reassigning numbers to buildings on the MFRB List.

Section 7. That the building official's enforcement of the MFRB Inspection Program shall include inspections conducted in the order the buildings appear on the MFRB List, except that, with regard to buildings to whose owners the building official properly has sent letters stating that the buildings will be inspected during the same thirty-day period, the building official may inspect the said buildings in any order during the said period.

Section 8. That, as soon as reasonably possible, the building official shall schedule for a reactive inspection any building added to the MFRB List after February 15, 2010, for which neither a Certificate of Occupancy nor a Life Safety Compliance Certificate has been issued.

Section 9. That, when all buildings on the MFRB List have been inspected under the MFRB Inspection Program, the building official shall reinspect the buildings in the order the buildings appear on the MFRB List, repeating the inspection cycle *ad infinitum*, except that the building official shall omit from the then-current reinspection cycle any building that during the preceding four years:

- (1) Has been inspected at least once pursuant to the MFRB Inspection Program;
- (2) Has not been the subject of a "notice of violation" within the meaning of the Building Code; and
- (3) Has not been the subject of a citation alleging a violation of the Building Code or of Division 3 or Division 4 of Article IX of Chapter 10 of the Code of Ordinances.

Section 10. That, if any provision, section, subsection, sentence, clause, or phrase of this Ordinance, or the application of same to any person or set of circumstances, is for any reason held to be unconstitutional, void, or invalid, the validity of the remaining portions of this Ordinance or their application to other persons or sets of circumstances shall not

be affected thereby, it being the intent of the City Council in adopting this Ordinance that no portion hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness, or invalidity of any other portion hereof, and all provisions of this Ordinance are declared to be severable for that purpose.

Section 11. That there exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect at 12:01 a.m. on the ninetieth day next following the date of its passage and approval by the Mayor.

PASSED AND APPROVED this 4th day of November, 2009.

Bill White
 Mayor of the City of Houston

Requested by Michael S. Marcotte, P.E., Director
 Department of Public Works & Engineering

Prepared by Legal Dept *Tom M...*
 First Assistant City Attorney

AYE	NO	
✓		MAYOR WHITE
....	COUNCIL MEMBERS
✓		LAWRENCE
✓		JOHNSON
✓		CLUTTERBUCK
✓		ADAMS
✓		SULLIVAN
✓		KHAN
✓		HOLM
	ABSENT	GONZALEZ
✓		RODRIGUEZ
	ABSENT	BROWN
✓		LOVELL
✓		NORIEGA
✓		GREEN
✓		JONES
CAPTION	ADOPTED	

CAPTION PUBLISHED IN DAILY COURT
 REVIEW
 DATE: NOV 10 2009

Appendix 15 City Workforce Protection Measures

The City is committed to ensuring that the construction it finances protects workers on these projects by making sure they are safe, are compensated in accordance with applicable law and have access to pathways for sustainable careers in the construction industry. Contractors who work on developments financed under this NOFA will be required to implement certain policies designed to ensure every worker on the project is safe, receives appropriate pay, and has a path toward building a career in construction. All contractors of any tier that perform work on the development, unless otherwise specified, will be required to comply with the following workforce protection program and employment measures.

The City acknowledges many of these provisions may require additional costs. The department will consider award requests sufficient to cover additional costs associated with the new requirements. However, the City will still require the limitation of CDBG-DR awards to no greater than 50% of total development costs. The City reserves the right to revise the requirements of the workforce protection measures on an as-needed basis before and after issuance of CDBG-DR awards.

Pay or Play

In an effort to create a level playing field for competing contractors, the Pay or Play program (POP) mandates City Contractors to offer their employees a minimum level of health benefits or contribute a prescribed amount towards "Contractors Responsibility Fund" to defray the costs of providing health care to uninsured people in the Houston and Harris County area.

This program applies to contracts for services in which the total expenditure by the City, including contingencies, amendments, supplemental terms and/or change orders equals or exceeds \$100,000. This program also applies to subcontracts for services in which the total value of the subcontract, including contingencies, amendments, supplemental terms and/or change orders equal or exceeds \$200,000.

All project contractors (of any tier) must comply with the City's Pay or Play policies with regard to every Section 3 worker and apprentice-level worker that they employ for work on the project. Prior to the commencement of a covered contract, the contractor will declare its intent to comply with the Program and will submit a plan for compliance. Contractors will report to the City regarding the identity of covered subcontracts and covered employees working under subcontracts in the form and manner prescribed by the Administrator (060).

Pay

If the contractor elects to comply by paying, the contractor will pay to the City \$1 for each regular hour of work performed by covered employees, including covered employees of covered subcontractors. All payments will be deposited into the City shall be deposited in the Contractor Responsibility Fund.

Play

If the contractor elects to comply by "playing", the contractor will provide documentary proof in a form acceptable to the Administrator that it provides the requisite level of health benefits

to each covered employee, and that covered employees of covered subcontractors are provided with health benefits. A contractor must contribute no less than \$150 per covered employee per month toward the total premium cost; and the covered employee may not contribute more than \$150 per month toward the premium. A contractor is deemed to have complied with this provision with respect to a covered employee who is not provided health benefits if the employee refuses the benefits and the employee's contribution to the premium is no more than \$40 per month. Program exceptions such as waivers and types of contracts that do not require participation can be found in Executive Order 1-7. For additional information regarding the City of Houston, Housing and Community Development Department compliance requirements you may visit: <http://vwww.houstontx.gov/housing/multifamilycompliance.html>

Workers' Compensation

The owner and general contractor will provide workers' compensation coverage provided with either project level policy or umbrella policy provided by the owner or GC HCDD will require that the owner and GC place signage onsite to properly inform workers of their benefits under this coverage. Developer must provide the Director of HCDD or his or her designee with evidence of worker's compensation coverage at the time of loan closing.

Awardees will be subject to these terms which will be included within the loan agreement.

Safety Training and Hourly Base Wage Rate

The owner and general contractor will be required to ensure that (1) all individuals performing project work, regardless of job designation or employment status, have received OSHA 10 certification and (2) at least one (1) on-site supervisor with OSHA 30 certification is present on the job site at all times that work is being performed.

In addition, any individual performing project work, regardless of job designation or employment status, will receive a minimum hourly wage of no less than the higher of (1) \$15.00 per hour or (2) the Federal prevailing wage.

If the applicant elects to include their statement on safety training, they will be required to certify within the HCDD contract they will employ contractors with adequate OSHA training. HCDD will require the construction contract with the general contractor include this provision as an addendum. HCDD will test compliance during onsite visits and payment applications.

If the applicant elects to include their statement on an hourly base wage rate, they will be required to certify within the HCDD contract they will comply with the Hourly base rate requirement of \$15.00 per hour for each worker. HCDD will require the construction contract with the general contractor include the Hourly Base Rate of \$15.00 requirement along with the applicable DBRA wage scale as an addendum. HCDD will test compliance during construction.

Awardees will be subject to these terms which will be included within the loan agreement.

Employment Training and Apprenticeships

HCDD expects project contractors to commit to the development of their craft workforce and invest in skills training linked to construction career paths. A minimum of 10% of all labor hours on each project must be performed by individuals enrolled in apprenticeship or craft training programs that are certified by the U.S. Department of Labor.

Owners will be required to certify within the HCDD contract they will employ contractors that adhere to the employment and apprenticeship policy. HCDD will require the construction contract with the general contractor include acknowledgement that 10% of all labor hours will be performed by apprentices enrolled in apprenticeship or craft training programs that are certified by the Department of Labor. HCDD will test compliance during construction. Awardees will be subject to these terms which will be included within the loan agreement.

Section 3

Awardees must, to the greatest extent feasible, employ Section 3 Residents (as defined in Title 24 CFR Part 135) for 30 percent (30%) of the aggregate number of new hires for each year over the duration of the project. At a minimum, awardees must, to the greatest extent feasible, ensure that 10 percent (10%) of all project work hours are performed by Section 3 Residents.

Awardees will be subject to these terms which will be included within the loan agreement.

Employment Classification

HCDD expects its awardees to hire responsible contractors who can reliably verify the proper employment classification of all individuals they engage to perform work on covered projects and provide verified reporting of wages owed and paid to employees and monthly certified payroll data to the City.

All Section 3 workers and apprentice-level workers must be directly employed by a project contractor. In addition, all self-employed workers will be subject to the same compensation standards and protections as other employees/contractors outlined in this policy.

Awardees will be subject to these terms which will be included within the loan agreement.

Davis Bacon and Related Acts (DBRA)/Labor Standards Provisions

All City financed developments require compliance with the Davis-Bacon Labor Standards no matter the use of HCDD's funds. Davis-Bacon and Related Acts require that prevailing wage rates be paid to all construction laborers regardless of job designation or employment status.

Compliance Plan

The Borrower and Owner will be required to submit a plan for implementing these measures. The plan is not required to have detailed procedure, but at minimum an acknowledgement that the applicant will inform general contractors that they and all subcontractors of any tier will be subject to these terms when solicited for the referenced development.

Appendix 15 continued.

In addition, the general contractor is required to participate in a survey with regard to Fair Chance Hiring Policies and must provide a disclosure of safety records and written Health and Safety Plan of contractors at the time of contracting. Notwithstanding anything contained in Appendix 15 to the contrary, a minimum of 20.0% (instead of 10%) of all work hours are to be performed by apprentices sourced from a program certified by the Department of Labor and a minimum of 20% (instead of 10%), of all project work hours are to be performed by Section 3 residents.

APPENDIX 16
TO LOAN AGREEMENT
REQUIRED PROVISIONS IN MASTER LEASE

The Master Lease shall satisfy the following conditions and shall contain the terms set forth below unless otherwise waived by the Director in his sole discretion. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Loan Agreement.

1. **Insurance.** Master Tenant shall be required to maintain the insurance on the Project required by this Agreement, Appendix 2 hereof and the Deed of Trust including, without limitation, the required waivers of subrogation against the Master Landlord and the City and which names the Master Landlord and the City as an additional insured parties.

2. **Inspections.** The Master Lease shall grant the City, HUD and the GLO the same inspections rights set forth under Section 6.6 of this Agreement for periods following Project Completion.

3. **Designated Units and PSH Units; Compliance with Affordability Requirements.** Master Tenant shall be required to comply with the Affordability Requirements, PSH Requirements and other requirements set forth in Section 6.7 and Section 6.27 of this Agreement with respect to the Designated Units and PSH Units.

4. **Annual Reevaluation of Rents.** For purposes of monitoring compliance with the Affordability Requirements, Master Tenant shall be required to submit to the Owner as Master Landlord for its approval (which approval shall be contingent upon the City's approval thereof), the rents proposed to be charged by Master Tenant for the coming year for Designated Units and the PSH Units and the monthly allowances proposed by Master Tenant for the coming year for utilities and services to be paid by the tenants. In connection with the annual submission of proposed rents, Master Tenant shall reexamine the income of each tenant family living in a Designated Unit. Master Tenant shall calculate the maximum monthly rent in accordance with the Affordability Requirements, and such maximum monthly rent shall be reviewed and approved by the Owner as Master Landlord prior to the date that such rent becomes effective and Owner's approval shall be contingent upon the City's approval of such maximum monthly rent ("Approved Rents"). Any increase in the Approved Rents for Designated Units is subject to the provisions of

the leases, in any event, and Master Tenant shall provide tenants not less than thirty (30) days prior written notice before implementing any increase in Approved Rents. Rents shall be calculated in accordance with Section 6.8.

5. **Compliance with Property Standards.** Master Tenant shall be required, throughout the Affordability Period, to maintain the Project in good condition and repair, ordinary wear and tear excepted, in accordance with the Minimum Property Standards set forth in Appendix 14 of this Agreement. City shall have the right to inspect the Project from time to time to ensure compliance with such requirements. Master Tenant shall be required to make any necessary repairs to comply with such requirements in a reasonable period of time; provided, however, any repairs to correct a dangerous condition or imminent hazard shall be commenced immediately upon notice of such dangerous condition or imminent hazard and prosecuted diligently to completion.

6. **Tenant Lease Requirements.** Any new or renewal leases for Designated Units and PSH Units, must be on a form lease approved by the Owner as Master Landlord (and which approval will be contingent upon approval by the City which approval shall not be unreasonably withheld) that shall be used for occupancy of the Designated Units and PSH Units. Master Tenant shall not make any modifications to such form lease without prior written approval from Owner as Master Landlord (which approval will be contingent upon approval from the City which approval shall not be unreasonably withheld). Master Tenant shall be required to enter into leases in such approved form with each tenant of a Designated Unit and PSH Unit. The term of each lease of a Designated Unit and PSH Unit shall not be less than one year unless Master Tenant and the tenant mutually agree otherwise.

7. **Tenant Selection Policy; Marketing.** Master Tenant shall comply at all times with the approved Tenant Selection Policy and shall not amend the Tenant Selection Policy without the prior written approval of the Owner as Master Landlord (which approval will be contingent upon approval from the City which approval shall not be unreasonably withheld). Master Tenant shall not refuse to lease a Designated Unit or a PSH Unit to a prospective tenant because of the status of the prospective tenant as a holder of a certificate of family participation, rental voucher, or comparable tenant-based assistance document under any federal or state assistance program (unless such rental is in conflict with other applicable federal or state requirements).

8. **Use of Projects.** The Master Lease shall provide that during the term of the Affordability Period, the Designated Units shall be used solely for the purpose of providing housing for the City's LMI Persons in accordance with the provisions of this Agreement, and for no other purpose. Master Tenant shall list the Project on the Houston Housing Authority's ("HHA") landlords list and shall notify HHA that the Designated Units are available for affordable housing.

9. **Maintenance of Record; Financial and Operating Reports; Monitoring.** Master Tenant shall follow the recordkeeping requirements required by the City of Houston, including to establish and maintain such records as may be necessary to facilitate review and audit by City representatives (including, without limitation, the Director and City Controller) (collectively, the "City Representatives"), GLO or HUD of the City Loan and any documentation required in connection with the CDBG Regulations under 24 C.F.R. § 570.492 and 24 C.F.R. § 570.493 and the applicable HOME Program regulations under 24 CFR Sec. 92.508. The City Representatives, GLO and/or HUD or any of their authorized representatives shall have the right

to audit Master Tenant's books and record and compliance with these requirements upon reasonable notice to Borrower, Owner as Master Landlord and Master Tenant. If such books and records are located outside of Harris County, Master Tenant agrees to make them available in Harris County, Texas.

(A) Master Tenant shall provide to the Owner as Master Landlord and the Director: (a) quarterly balance sheets and operating statements not later than the 30th day of the month following the calendar quarter to which the statements relate; (b) monthly rent rolls for the Project not later than the 10th day of the following month which contain at a minimum the following information (or other information as the Master Landlord and/or Director may from time to time require) which correctly reflects, as of the first of each month, for each Designated Unit: the unit number, the number of bedrooms, the tenant name, the effective lease date, the monthly rent and the unit status (i.e., AMI); and (c) financial statements (balance sheet and operating statements) of Master Tenant, in a form acceptable to the Director, within 120 days (for unaudited statements) and six months (for audited statements) following the close of Master Tenant's fiscal years. The annual financial statements of Master Tenant shall be audited by an independent certified public accountant upon the request of the Director. If the Director requires, Master Tenant shall provide such reports at different intervals, but never more frequently than monthly.

(B) Using the Monitoring Forms or other forms from time to time established for use by the Director for monitoring purposes of the City's Loan Proceeds or to document compliance with the requirements of this Agreement, Master Tenant shall provide to Master Landlord (who shall provide to the Director) all monthly, quarterly or annual compliance reports as the Director requests.

(C) The City shall have ownership of all information, including reports and data, prepared or assembled by Master Tenant for purposes of meeting CDBG-DR17 Program requirements and the contractual requirements of the Lease; provided, however, Master Tenant or Master Landlord may provide copies of such information to third parties.

(D) Master Tenant shall upon the request of Master Landlord or the City make available to the City and Master Landlord at the location of the Project (or at another location in Houston, Texas) all records, reports and other information and data maintained by Master Tenant relating to the Project, and shall cooperate with the City and Master Landlord in connection with the City's review of such records and monitoring of the Project.

(E) Master Tenant shall maintain all records and other information relating to the Project for a period of not less than five (5) years following the expiration of the Affordability Period.

(F) Master Tenant shall pay to the City the annual monitoring compliance fee per restricted Unit. The fee is initially \$30.00 per restricted unit annually.

10. **Notice of Claims or Suits.** Master Tenant shall give the Master Landlord and Director prompt written notice of any causes of action, suits, or other proceedings filed or any claims made against the Project or Master Tenant to the extent that it would have a material adverse effect on the Project.

11. **Transactions with Affiliates.** Master Tenant shall not enter into any transaction in connection with the Master Lease or the Project with any director, officer, employee, partner, or affiliate of either Master Tenant, Master Landlord or the Borrower without the prior written approval of the Director.

12. **Taxes and Insurance.** Master Tenant shall pay or shall cause to be paid all applicable taxes for the Project before delinquency and all insurance premiums for the Project at least 15 days before the due date to prevent any lapse in coverage. Master Tenant shall: (1) fund an escrow account with [____] for the payment of taxes and insurance premiums; or (2) provide the Master Landlord and Director with written evidence acceptable to the Master Landlord and Director that taxes and insurance premiums are paid prior to the date that such taxes and insurance premiums are due. Master Tenant shall provide the Master Landlord and City with evidence of the adequacy of such escrows. Further, to the extent that there is no escrow with [____], the Director reserves the right to require Owner to escrow funds for taxes and insurance premiums with the City.

13. **HUD Section 3 Requirements.** If applicable, Master Tenant shall comply at all times with Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) as set forth and supplemented in the City's Housing and Community Development Department's Section 3 Plan and associated documents to the same extent as applicable to Master Tenant and Owner. Master Tenant shall report Section 3 compliance in accordance with 24 C.F.R. Part 135 and 83 Fed. Reg. 5844.

14. **Public Relations and Signage.** All news releases and other public relations efforts, including advertising (except for advertisements solely for the purpose of obtaining tenants for the Project) and signage, must be approved in advance by the Master Landlord and Director, and must properly refer to the City's Loan by the City and the City's Housing and Community Development Department.

15. **Expertise.** Owner shall have the right to approve (subject to the City's approval) Master Tenant's intention to retain any person or firm for the purpose of leasing and managing the Project and Master Tenant shall provide evidence of the expertise and competence of such persons and firms that Master Tenant intends to engage for the purpose of leasing and managing the

Project. In addition, the Owner as Master Landlord may require (and shall require at the request of the City) the retention of third party consultants if the Master Tenant fails to demonstrate capacity to handle the Project scope and leasing.

16. Compliance with Applicable Law.

(A) Master Tenant shall repair/re-construct, lease, maintain and operate the Project, and conduct all activities under the Master Lease in accordance with all applicable federal, state, and local laws, rules, regulations and ordinances including, without limitation, the those included in the Appendix 1 and those specifically set forth in the Master Lease, as they may be from time to time amended (collectively, the "Applicable Law").

(B) Master Tenant acknowledges and agrees that it is required to comply with all Applicable Law with respect to lead-based paint (42 U.S.C. Sec. 4831(b)) and asbestos containing materials within the Project.

(C) Master Tenant shall cause the Project to comply with the requirements of the Americans With Disabilities Act of 1990 (42 U.S.C. § 12101 et seq.), the Architectural Barriers Act (42 U.S.C. §§ 4151-4157), Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794 et seq.) ("Section 504"), and regulations and guidelines promulgated thereunder, as all of the same may be amended and supplemented from time to time, the Texas Architectural Barriers Act, Tex. Gov't. Code Ann. § 469.001 et seq. (1994) and the regulations and guidelines promulgated thereunder, and Chapter 10, subsection 60 of the Texas Administrative Code and the regulations and guidelines promulgated thereunder ("Chapter 10") as all of the same may be amended and supplemented from time to time (collectively, "Accessibility Requirements"). The Project shall meet the Property and Construction Standards outlined in the Multifamily Disaster Recovery Guidelines of the CDBG-DR17 Disaster Recovery Guidelines including, without limitation, the

Accessibility Requirements, the Minimum Property Standards, energy efficiency standards (Energy Star, LEED, Enterprise Green ICC-700, and HUD CPD Green Building Checklist), and installation of broadband infrastructure. Five percent (5%) of the total number of units at the Project (i.e. five (5) units), disbursed throughout the Project, shall be designated accessible in accordance with Section 504 and Chapter 10 using the 2010 ADA Standards for Accessible Design, promulgated by the United States Department of Justice, found at 28 C.F.R. § 35.151 (2013) and 36 C.F.R. Part 1191, App. B and D (2013) (the “2010 ADA Standards”) as modified by HUD. In addition, two percent (2%) of the units at the Project (i.e. two (2) units) shall meet the standards to accommodate the hearing and visually impaired in accordance with Applicable Laws (as defined herein).

17. **Replacement Reserve and Operating Reserve.** Not later than the first (1st) anniversary after Project Completion, Master Tenant shall establish with a financial institution acceptable to the Master Landlord, and fund as an Operating Expense a “replacement reserve escrow account” (“Replacement Reserve Account”) for the replacement of furniture, fixtures, and equipment used in connection with those units at the Project for which the Work has been completed and for repair of capitalized improvements, in an amount not less than \$300.00 per unit annually, increased by 3% annually. The reserve shall be deposited in equal monthly installments on an amortized basis. (For example if the Project had 100 Units, the monthly payment would be calculated as follows: $100 \text{ Units} \times \$300 \div 12 = \$2,500$ monthly escrow payment). Unless a Default exists, Master Tenant shall be entitled to utilize amounts in the Replacement Reserve Account as necessary, provided that Master Tenant shall replenish the amount withdrawn by continuing to fund deposits to the Replacement Reserve Account in accordance with the preceding sentence. The Replacement Reserve Account and all amounts held therein shall be collaterally assigned to

the City, at the option of the Director, pursuant to a pledge and account control agreement in form and substance acceptable to the Director in his or her sole and absolute discretion. On an annual basis, Master Tenant shall provide Master Landlord and City an accounting of the Replacement Reserve Account. Master Landlord shall require the Master Tenant to establish an Operating Reserve for the Project at Project Completion on terms and conditions reasonably acceptable to the Master Landlord and the City.

18. **Consulting, Developer's and Management Fees.** During the Term, no consulting, developer fees or fees to partners of the Master Tenant (but excluding fees payable to Master Tenant's tax credit investor member which are allowed under the Loan Agreement) shall be paid by Master Tenant, directly or indirectly out of the proceeds of the revenue of the Project (except as provided in the Approved Final Operating Budget). Any property management fee or similar fee shall be limited to 5.0% in the gross aggregate of the Project's gross annual income.

20. **Distributions Covenant.** If the Project exceeds a debt service ratio of 1.5 to 1 on an annual (calendar year) basis, the available cash for distribution for such calendar year shall be limited to the cash available between breakeven (1:1 debt service ratio) and a 1.5 to 1 debt service ratio. Notwithstanding anything to the contrary contained in this Agreement, any distribution in excess of such amount by the Master Tenant shall constitute a Default under the Master Lease by Master Tenant without prior notice and opportunity to cure. Master Tenant acknowledges that any distribution in excess of such amount shall cause a default under the City Loan Agreement with Borrower and Owner. For example: If the debt service on the Project (whether paid by the Master Landlord or Master Tenant) was \$100,000 per year and the available cash before payment of debts was \$200,000, the Project would have a debt service ratio of 2:1. \$100,000 of the cash would be used to pay debt service, \$50,000 (only) would be available for

distribution and the remaining \$50,000 would be reserved by the Landlord or Master Tenant and promptly invested in the capital improvement of the Project or deposited in the Replacement Reserve Account. Cash flow in excess of a 1.5 to 1 debt service ratio shall not be available for distribution and shall be invested in the Project or deposited in the Replacement Reserve Account as provided above. Master Tenant covenants to notify the Owner as Master Landlord and the City in writing at least ten (10) days in advance of any distribution of Project income to Master Tenant's partners, shareholders or members as applicable. Master Tenant shall also provide City with the amount of any Rent payments made to the Owner as Master Landlord which will be counted as a distribution for purposes of calculating distributions under this Section except to the extent utilized to pay debt service. Operating expenses, debt service, Rent and other expenses allowed by the Approved Final Operating Budget may be paid at the Master Tenant level, provided that they do not result in a violation of this Distributions Covenant or any other provisions of this Lease or the City Loan Agreement.

20. Reserved.~~SNDA. Master Tenant, Borrower, Owner as Master Landlord and City shall enter into a Subordination, Nondisturbance and Attornment Agreement with respect to the Master Lease and the City Loan in form and substance acceptable to the parties thereto as a condition to the Master Lease.~~

21. No Assignment of Interests. No direct or indirect assignment, transfer, mortgage or encumbrance of any interest in the Project, the Master Lease, the Master Tenant or Owner as Master Landlord shall be made without the consent of the City except as allowed by the Subordination, Nondisturbance and Attornment Agreement between the City, Master Tenant, Borrower and Owner.

22. **Consents**. Any consents required under the Master Lease from Owner as Master Landlord shall also require the consent of the City.

23. **Financing**. Without the consent of the Director, Master Tenant shall not obtain any other financing for the Project (other than the Other Financing allowed by the Loan Agreement) and shall not place any lien, restrictions, easement or other encumbrance on the Project without the consent of the Director which consent shall not be unreasonably withheld.

24. **Consulting and Developer Fees**. During the Affordability Period, without the prior written approval of the Director, no consulting or developer's fees shall be paid by Master Tenant, directly or indirectly out of the proceeds of the City's Loan or out of the revenue of the Project (except as provided in the Approved Final Construction Budget or the Approved Final Operating Budget).

EXHIBITS TO LOAN AGREEMENT

EXHIBIT A	Legal Description of the "Land"
EXHIBIT B	Commitments for "Other Financings"
EXHIBIT C	Preliminary Construction Budget
EXHIBIT D	Scope of Work
EXHIBIT E	Construction Schedule.

EXHIBIT A
LEGAL DESCRIPTION

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

[TO BE ADJUSTED BASED ON FINAL SURVEY]

EXHIBIT B



HARRIS COUNTY, TEXAS

COMMUNITY SERVICES DEPARTMENT

Adrienne M. Holloway, Ph.D.
Executive Director

8410 Lantern Point Drive
Houston, Texas 77054
Tel (832) 927-4704
Fax (713) 578-2090

April 12, 2021

Neal Drobenare
Senior Vice President
NHP Foundation
1090 Vermont Avenue NW Suite 400
Washington, DC 20005

RE: 2017 CDBG-DR Affordable Rental Housing Funding
Magnificat Permanent Affordable-3300 Caroline Street
Project Number: D2017-089

Dear Mr. Drobenare:

We are pleased to inform you that the above-referenced project has received funding approval and clearance from the Texas General Land Office (TXGLO) regarding their Affirmatively Furthering Fair Housing Review (AFFH) Review. Completing the review and AFFH clearance indicates the proposed 3300 Caroline Street site's approval with conditions as detailed in the attached Exhibit of Loan Conditions. Additionally, the project has also been approved for a conditional award amount of \$8,538,278.00 of CDBG-DR funding and is part of a total project cost of \$35,164,909.00. This funding will assist Magnificat Permanent Affordable, LLC. in developing property located at 3300 Caroline Street, Houston, Texas 77004 to provide 149 units of permanent supportive housing for the homeless with on-site services from the local Continuum of Care's Coordinated Access System.

The attached *Exhibit of Loan Conditions* details the terms and conditions of the proposed 2017 CDBG-DR loan. It is important to note that as part of the project's implementation, the Harris County Community Services Department (HCCSD) and Harris County Engineering Department (HCED) will provide project management, oversight, and inspection services. HCCSD has designated \$520,870 of the awarded 2017 CDBG-DR housing funding for this purpose to cover these expenses. HCCSD designated \$120,000 of the \$520,870 of CDBG-DR funding for construction management services.

This award is contingent upon the following:

- 1) Approval from the Harris County Commissioner's Court regarding the project scope, allocation of funds, and execution of a contract with Harris County
- 2) Approval from the U.S. Department of Housing and Urban Development (HUD) and the Texas General Land Office (GLO) regarding the project and Environmental Review Record

The project must also comply with the Mitigation Measures and Conditions identified in the required environmental review. A noise mitigation issue was identified, with more details provided in the attached *Exhibit of Loan Conditions*.

Letter to Mr. Drobenare
April 12, 2021
Page 2

As a condition of funding, you must provide the following requirements before contract execution:

1. A written response on letterhead acknowledging your organization's acceptance of the revised conditional award, loan terms, and conditions by April 26, 2021.
2. Submission of an updated design/construction timeline by April 26, 2021.
3. Copies of all project-related subcontracts currently in effect or that will be in effect as of April 26, 2021.

Non-receipt of these items will delay the contract development phase as well as funding of the project. Any awarded grant funds expended before contract execution and Commissioners Court approval will not be reimbursed. Additionally, please retain a copy of all information submitted for your records. Any changes that alter the proposed project's scope, beneficiaries, services, or impacts the underwriting require notification to be sent to HCCSD for review and approval a minimum of ten (10) business days before the change.

Please direct all documentation, questions regarding funding allocation, or the loan terms to the attention of Candace Stevens; Candace Stevens can be reached at (832) 927-4802 or by email at Candace.Stevens@csd.hctx.net. Please direct all questions regarding contract development and closing timeline to Rene Martinez, Assistant Director Housing Development and Special Initiatives; Mr. Martinez at (832)-927-4824 or Rene.Martinez@csd.hctx.net.

Sincerely,

DocuSigned by:

AFF9C7FA25EE418
Adrienne M. Holloway, Ph.D.
Executive Director

Enclosures: Exhibit of Loan Conditions
AH/MN/cs

Letter to Mr. Drobenarc
 April 12, 2021
 Page 3

Exhibit of Loan Conditions

April 12, 2021

Project Name:	3300 Caroline Street
Beneficiaries Served:	One-hundred forty-nine (149) unit of supportive housing for the homeless from the Continuum of Care's (CoC) Coordinated Access System
Maker:	Magnificat Permanent Affordable, LLC.
Maker's Address:	1090 Vermont Avenue, NW; Suite 400; Washington, DC 20005
Noteholder:	Harris County, a political subdivision under the laws of the State of Texas
Place of Payment:	8410 Lantern Point Drive, Houston, Texas 77054
CDBG-DR Loan Term:	CDBG-DR Loan \$8,538,278.00. Terms – 10 Years interest-only hard payments to HCCSD. Years 1-10 at 1.88% (188BPS).
CDBG-DR Loan Interest:	1.88% (188BPS) for Years 1-10
CDBG-DR Repayment:	\$160,519.68 due after the end of the first loan term period annually for the loan duration.
CDBG-DR Loan Term:	CDBG-DR Loan \$8,538,278.00. Terms – 5 Years interest-only hard payments to HCCSD. Years 1-5 at 1.35% (135BPS).
CDBG-DR Loan Interest:	1.35% (135PS) for Years 1-5
CDBG-DR Repayment:	\$115,266.72 due after the end of the second loan term period annually for the loan duration.
CDBG-DR Loan Term:	CDBG-DR Loan \$8,538,278.00. Terms – 3 Years interest-only hard payments to HCCSD. Years 1-3 at 0.92% (92BPS).
CDBG-DR Loan Interest:	0.92% (92BPS) for Years 1-3
CDBG-DR Repayment:	\$78,680.28 due after the end of the third loan term period annually for the loan duration.
CDBG-DR Loan Term:	CDBG-DR Loan \$8,538,278.00. Terms – 2 Years interest only hard payments to HCCSD Years 1-2 at 0.59% (59BPS)
CDBG-DR Loan Interest:	0.59% (59BPS) for Years 1-2

Letter to Mr. Drobenarc
 April 12, 2021
 Page 4

CDBG-DR Repayment: \$50,631.96 due after the end of the fourth loan term period annually for the loan duration.

Loan Conditions:

- A Land Use Restriction Agreement or LURA will be enacted to ensure affordability and compliance as required by HOME and CDBG-DR regulations and will be filed superior to all other liens.
- You will be required to provide seventy-six (76) CDBG-DR assisted units, including fourteen (14) Rehabilitation Act Section 504 compliant units as a funding condition. The breakdown of units follows:

2020 Rent Limits
High Rent Limit: 15 units
Low Rent Limit: 31 units
60% Low HOME Rent Limit: 30 units

*3300 Caroline Street has a total of 149 units.

Section 504 Accessibility (Base)	HCCSD Additional Accessibility	Total
Mobility Impaired: 8 units	Mobility Impaired: 2 units	Mobility Impaired: 10 units
Sensory Impaired: 3 units	Sensory Impaired: 1 unit	Sensory Impaired: 4 units

Note: For new construction and major rehabilitation, HCCSD required additional accessibility units above the base Section 504 requirements in the application. Additional accessibility units above are based on the applicant's selection.

- The total number of affordable units is one-hundred forty-nine (149), by which forty-nine (76) are CDBG-DR-assisted. The CDBG-DR units must be leased in accordance with the median household income levels provided:

Household Median Income	Number of Affordable Zero-bedroom Units
30% or Below	15
31-50%	31
51-80%	30
TOTAL	76

- One-hundred forty-nine (149) assisted units are required to be occupied by supportive housing homeless clients from the Continuum of Care's (CoC) Coordinated Access System.
- The proposed project will adhere to Harris County Affordable Housing Standards and meet Energy Star Certification as indicated in the application and utilize Energy Star rated electric devices and other measures to minimize negative thermal influences.

Letter to Mr. Drobenarc
April 12, 2021
Page 5

- The proposed project will have an annual monitoring fee of \$50.00 per assisted unit (76 units) for a total fee of \$3,800.00 due 12 months after the issuance of the Certificate of Occupancy permit and annually thereafter for the duration of the loan term
- Magnificat Permanent Affordable, LLC. and property management staff for 3300 Caroline Street shall participate in the CoC's The Way Home Initiative and provider forums in addition to submitting data on residents in the local Homeless Management Information System (HMIS). 3300 Caroline Street must also annually report accomplishments, beneficiaries, and tenancy to HCCSD in compliance with HUD/GLO HOME and CDBG-DR rules and regulations.
- Allied Orion Group property management or any subsequent property management must allow required unit inspections annually and at the request of HCCSD.
- The proposed project is required to comply with HUD Section 3/MWBE and Davis Bacon requirements.
- The proposed project must be equipped for broadband internet service and install broadband infrastructure. If the installation of broadband infrastructure creates an undue financial burden or is not feasible, then your organization must provide an explanation and documentation for Harris County and GLO's records.

TX GLO AFFH Review Determination Approval Conditions

- Applicant agrees to install tenant safety improvements such as perimeter fencing along with keyed entries, if feasible from a budgetary and design perspective.
- Applicant reconsiders the market area designation in its Affirmative Fair Housing Marketing Plan (AFHMP) beyond the development's zip code, or provides additional information supporting the use of this geography as the primary source of its tenants. The AFHMP instructions indicate a broader geography should be considered (county, metropolitan division) and compared with the Census Tract containing the development; even if zip codes provide the appropriate scale for the market area, the development is located in the extreme northwest corner of the zip code, which itself covers a relatively small area of central Houston. The Market Study provided with the application covers Harris County and several suburban counties. The scale of the market area will affect the demographic groups targeted for outreach—for example, if either Houston or Harris County is selected as the primary market area and the Houston-The Woodlands-Sugar Land MSA as the expanded market area, the data indicate groups least likely to seek housing include people identifying as Black/African Americans or Hispanic/Latino/Latina. Persons with disabilities and Spanish speaking people with limited English proficiency are presumed to benefit from enhanced outreach regardless of the demographic data and should also be targeted in the Plan.

2020 CARRYOVER ALLOCATION AGREEMENT

**(The Owner named below must be the ownership entity, itself,
not a General Partner or an Affiliate)**

Development

Name: 3300 Caroline (the "Development") TDHCA #: 20114

Development Address or

Description of Location:¹ 3300 Caroline

City: Houston County: Harris State: TX ZIP: 77004

Development Type²: New Construction

Building Identification Numbers

(BINs) Reserved for this Development: TX-20-11401 through TX-20-11499

The Texas Department of Housing and Community Affairs (the "Department") hereby issues this Carryover Allocation of 2020 tax credit authority in the *annual* amount of \$1,494,004³ pursuant to Section 42(h)(1)(E) or (F) of the Internal Revenue Code of 1986, as amended (the "Code"). The allocation is subject to the terms and conditions stated in the Commitment Notice and Carryover Allocation Manual and all the representations and undertakings set forth in the Application on which the allocation is based, the material and uncured (or incurable) violation of any of which may be cause for the cancellation of this Carryover Allocation. Action to cancel this Carryover Allocation may be subject to appeal to the Department's Governing Board.

MAGNIFICAT PERMANENT AFFORDABLE, LLC, a Texas limited liability company,⁴ (the "Owner") hereby certifies that each building for which this allocation is being made does or will meet the requirements of Section 42(h)(1)(E)(ii) of the Code (for a project which includes one building) or Section 42(h)(1)(F) of the Code (for a project which includes more than one building) and Treasury Regulation 1.42-6. The Owner hereby certifies that no later than the date that is one year after the effective date of the Carryover Allocation, the Owner will have incurred expenditures amounting to more than 10% of \$36,128,811,⁵ which is the Owner's reasonably expected basis in the Development for purposes of Treasury Regulation 1.42-6.⁶ The effective date of the Allocation is the date this Carryover Allocation Agreement is executed by the Department. For the purpose of meeting the requirements of the 2020 Qualified Allocation Plan and Uniform Multifamily Rules (10 TAC Chapters 11 and 10), the Owner agrees to satisfy the submission requirements for the 10% test as set out in 10 TAC §10.402(g) and internally cited references, by July 1, 2021, or such later date as is specifically granted by the Department pursuant to a written extension.

¹ For multiple sites, reference "Exhibit A," and attach a list of addresses or descriptions of the locations as the exhibit.

² The Development Type must be new construction, rehabilitation, or acquisition/rehabilitation, only. Determine the appropriate carryover classification in consultation with your attorney or CPA.

³ The figure entered here should be consistent with the figure reflected in the 2020 HTC Commitment Notice.

⁴ The Development Owner must be legally formed and able to enter into contracts or the carryover allocation is not valid. **DO NOT use the name of a General Partner, Affiliate, or any name other than the name of the organization that is the actual Development Owner.**

⁵ The allocation must be justified by the amount of the reasonably expected basis.

⁶ Treasury Regulation 1.42-6(a)(2)(ii) refers to a 6-month period that does not reflect the Code's current one-year period for meeting the 10%-of-basis requirement.

The Owner understands and agrees that this allocation is subject to fulfilling the requirements of the Construction Status Report as set forth in the 2020 Uniform Multifamily Rules, 10 TAC §10.402(h). The Owner agrees to submit promptly to the Department a copy of each inspection report conducted by the lender(s) and/or equity investor as the reports become available.

The Owner hereby certifies that each building for which this allocation is made will be placed in service no later than December 31, 2022, and such placement in service shall meet the requirements of the Internal Revenue Service. -The Declaration (as defined below) on the property shall begin on the first day of January in the calendar year in which the Development owner begins to claim credits, but in the intervening period between the placement in service deadline and the commencement of the Declaration, the Department shall have the right to monitor the property and enforce representations made to obtain a tax credit award. Upon completion of the Development or any building therein, the Department may undertake, at the expense of the Owner, such inspection(s) and/or financial audit(s) as it deems desirable in order to verify that the Development was constructed or rehabilitated according to the representations contained in the Application and that reported expenditures were actually incurred. The Department also may require that additional work be done if necessary to meet Uniform Physical Condition Standards or other deficiencies noted in the inspection.

All owners that receive a 2020 Carryover Allocation must request issuance of IRS Forms 8609 upon the filing of cost certification documentation as required by the Department's Post Award Activities Manual, as in effect at the time of filing. The documentation must be filed no later than January 15, following the first year of the credit period. The anticipated first year of the credit period is 2023.

The Owner hereby agrees and acknowledges that all requirements stated in the Post Award Activities Manual for receiving IRS Forms 8609 must be met to the satisfaction of the Department before such forms will be issued with respect to the Development. The Owner hereby further agrees and acknowledges that all conditions, restrictions, and obligations in addition to those applicable under Section 42 of the Code, which the Owner undertook in applying for this Carryover Allocation, are incorporated herein and to the extent appropriate, will be reflected in a Land Use Restriction Agreement (the "LURA") with respect to the Development. Such LURA will also incorporate provisions requiring compliance with the Internal Revenue Code and with Chapter 2306, Texas Government Code (the "Act"), and the rules of the Department including but not limited to requirements for: annual reporting and periodic inspections; payments of the fees, charges and expenses of the Department in connection with its monitoring and compliance activities under the Code and the Act; management, operating, maintenance and repair standards for the Development; tenant selection and income certification; limitations on rents, charges, and fees payable by tenants; and development cost controls and management selection. The Owner hereby acknowledges that any rule or requirement applicable to the Development Owner, Application, award, or allocation and any representation made in the Application, as may be amended from time to time, or other materials provided to the Department in connection with the Application may be included in the LURA and the Development Owner agrees (i) to execute such LURA in substantially similar form to that provided, subject to such modifications as may be required by the Department, in its reasonable discretion, in order to reflect changes in federal or state law, and policy or program requirements, and (ii) to abide by all the terms and conditions contained in the Declaration. **Any failure to comply with the terms of any such conditions, restrictions, or obligations**

prior to issuance of IRS Forms 8609 with respect to the Development may be cause for cancellation or modification of this Carryover Allocation by the Department and such other action as the Department determines to be appropriate.

The Owner hereby acknowledges that it has thoroughly reviewed and agrees to abide by all terms and conditions stated in the Qualified Allocation Plan and Uniform Multifamily Rules, Commitment Notice, and 2020 Carryover Allocation Procedures Manual. The Owner hereby agrees to the return of any unused credit authority at the time of final allocation should the Department determine that a reduction in the credit amount is appropriate in accordance with the Department's rules and under Section 42(m)(2).

Eligible Basis Boost

The Department has determined that the Development is not receiving an allocation of credit dollar amount in excess of the amount required for its financial feasibility, and has further determined that the development is eligible for an increase in the eligible basis of the development by up to 30% (a "Basis Boost") as authorized and permitted by Section 42(d)(5)(B) of the Code, and 10 TAC §11.4(c).

Nonprofit Set-Aside

If this box is checked, this Carryover Allocation is being made pursuant to the Department's set-aside of credit authority for "qualified nonprofit organizations" within the meaning of Section 42(h)(5)(C) of the Code. Throughout the Compliance Period applicable to the Development under the Code and the Declaration, such a qualified nonprofit organization shall own an interest in the Development, have "control" of the Development pursuant to 10 TAC §11.5(1), and materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the Development. The qualified nonprofit organization designated to meet such obligation with respect to the Development is JAMESTOWN AFFORDABLE HOUSING, INC., a District of Columbia nonprofit corporation. As of the date hereof, and based solely on representations, covenants, and warranties of the Owner and other information previously submitted to the Department by the Owner, the Department has determined such nonprofit organization not to be "affiliated with or controlled by a for-profit organization" for purposes of Section 42(h)(5)(C)(ii) of the Code. In the event that any such representations, covenants, warranties and/or information is determined to have been false, materially misstated or materially misleading when made, or if subsequent events render such representations, covenants, warranties and/or information false or misleading in any material way, then the Department, at its option, may determine the issue of control with respect to Section 42(h)(5)(C)(ii) of the Code, and such determination shall be grounds for cancellation of this Carryover Allocation and any and all such other action as the Department may deem appropriate.

Any other transfer of the allocation will be subject to approval by the Department at its discretion and in accordance with 10 TAC §10.406. The Owner hereby agrees and acknowledges that it will request prior written approval from the Executive Director of the Department in writing for any intended transfer of the Development or change in actual control of the Development for which this Carryover Allocation is made prior to such transfer or change in control. Further, any purchaser that intends to acquire the

Development with respect to this allocation and to make use of this Carryover Allocation will be required to request approval from the Department of the intended acquisition of the Development and to supply the Department with any documentation which it may require, in its sole discretion. Pursuant to §10.406(e) new members may be added to the ownership structure prior to issuance of the 8609(s), but parties may not exit the ownership structure without Executive Director approval. The approval of any such transfer by the Department does not constitute a representation to the effect that such transfer is permissible under the Code or without adverse consequences hereunder.

The Owner agrees that it will inform and seek the Department's approval for any changes in the number of units, unit mix, unit sizes, design changes or any other material changes to the Development prior to making the changes in accordance with 10 TAC §10.405(a). Unapproved changes may result in the reduction or loss of credits or in the cancellation of this Carryover Allocation. The Owner hereby agrees that a Development Owner identified on the Development's organization chart and on-site or regional property manager will attend at least five hours of Department approved fair housing training on management and leasing issues, and the Architect of record or Engineer of record responsible for certifying compliance with the Department's accessibility and construction standards will attend at least five hours of Department approved training on fair housing design within two years prior to the deadline for submitting 10% Test documentation.

In issuing this Carryover Allocation, the Department has relied upon the information submitted to it by the Owner. This allocation is conditioned upon satisfying all requirements set forth herein, in the Code and in the Department's Rules, including demonstrating the financial feasibility and long-term viability of the Development. In light of the amount allocated to the Development, Owner may propose changes to Development configuration consistent with the allocation amount, which the Department, in a manner consistent with Tex. Gov't Code §2306.6712, may accept, reject or approve with modifications with respect thereto. If Owners or Affiliates are found to be in violation of any rule regarding the Application or any rule regarding actions performed prior or subsequent to submission of the Application, specifically including actions that would have resulted in the ineligibility of the Owner or Affiliate to participate in the Application process, this Carryover Allocation may be cancelled by the Department in accordance with the applicable rule or statute. The Department makes no representations concerning or guaranteeing the Owner's eligibility to receive the credit stated herein; such determination rests with the Internal Revenue Service based upon the actions and determinations of the Owner in light of all applicable laws, regulations and rulings.

The Owner expressly acknowledges that this Carryover Allocation is subject to downward adjustment in accordance with the Department's rules in connection with the Department's review required by Internal Revenue Code §42(m)(2).

Under penalty of perjury, I certify that individually and on behalf of the Owner, on whose behalf I represent and warrant I am authorized to act, the information and the statements in this Carryover Allocation Agreement are true and accurate.

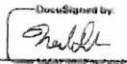
EXECUTED to be effective as of the last date written below.

DEVELOPMENT OWNER:

MAGNIFICAT PERMANENT AFFORDABLE, LLC, a Texas limited liability company

By: NHPF CAROLINE MM, LLC, a Texas limited liability company, its managing member

By: JAMESTOWN AFFORDABLE HOUSING, INC., a District of Columbia nonprofit corporation, its managing member

By:  11/2/2020 | 6:52:30 AM PST
Neal Drobenare, Vice President

Owner's Federal Taxpayer or Employer Identification Number (TIN or EIN):¹ 84-4614094

Owner c/o The NHP Foundation

Address: 122 E. 42nd St., Ste. 4900 City: New York State: NY ZIP: 10168

Email: Terry Green, tgreen@nhpfoundation.org Phone: 703.626.6152 Ext. NA

Email: Neal Drobenare, ndrobenare@nhpfoundation.org Phone: 202.316.7351 Ext. NA

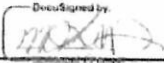
Email: Jackson Crow, jcrow@nhpfoundation.org Phone: 502.558.1838 Ext. NA

¹ DO NOT use the taxpayer identification number of a General Partner, Affiliate or any organization or Person other than the organization that is the Development Owner.

Acknowledged, agreed, and accepted:

DEPARTMENT:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a
public and official agency of the State of Texas

By:  11/2/2020 | 9:08:11 AM CST
Margaret L. Holloway, Director of Multifamily Finance

221 E. 11th Street, Austin, Texas 78701

Department Taxpayer Identification Number: 74-2610542

Rene Martinez
Chief Housing & Community Development Officer
8410 Lantern Point
Houston, TX 77054

Attn: 3300 Caroline Cost Increase and funding request

Dear Mr. Martinez,

The NHP Foundation along with Magnificat House, Inc. Would like to formally request an increase in CDBG-DR funding in the amount of \$1,709,891 for a total request of \$10,248,169.00.

We make this request based on an extremely unusual and volatile price environment, and inherent difficulties in developing such a large Permanent Supportive Housing development with such complex funding hurdles.

Just to recap, 3300 Caroline was set to close in November of 2021. The General Land Office (GLO), who has provided the funds to the city and county for disaster relief, stopped all funding with the City to review compliance concerns. The project was at a complete stand still until the issue was resolved. Then in late March of 2022 the GLO decided to release the funds for Magnificat.

As a result, the project sat idle for approximately 6 months and because of the volatility of construction costs, circumstances have changed dramatically. We now have a war going on in the Ukraine, the Pandemic stopped production of many standard materials in 2020 and 2021 and the industry is still trying to catch up to the volume of materials needed. All of this has resulted in cost increases not only in materials and labor but also in restarting the closing process.

The delay resulted in increased costs, exacerbating the pandemic and Ukrainian war impacts on cost. We had to spend funds getting everyone back up to speed on the project, including lawyers, syndicators, lenders, and others along with the contractors and other firms required to restart that were in limbo for 6 months. The City was willing to assist and as part of our increase request to the City, which they have approved, we included these soft costs as well as some of the construction costs. With the Increase request to the County, we are only increasing the construction costs and very limited soft cost that coincide with the Increase construction costs.

nhpfoundation.org

NEW YORK HEADQUARTERS
122 EAST 42ND STREET, SUITE 4900
NEW YORK, NY 10168

WASHINGTON, DC
1090 VERMONT AVENUE, NW, SUITE 400
WASHINGTON, DC 20005

CHICAGO
159 N SANGAMON STREET, SUITES 200 & 300
CHICAGO, IL 60607

BALTIMORE
1501 ST. PAUL STREET, SUITE 128
BALTIMORE, MD 21202

Regarding the increase in construction costs, NHPF and MHI have taken no additional Developer fee, rather the Developer fee has significantly decreased. They initially were going to receive 10.22% of the total development cost less the developer fee and now are receiving a developer fee of only 8.69%. MHI has also contributed by increasing their portion of the office space contribution. They have gone from a \$1,384,584 seller's note to a \$1,653,369 seller's note. An increase of about \$300,000.

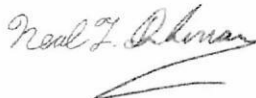
This has been a long and difficult journey. NHPF has invested an unprecedented amount of resources in this transaction, and we feel we are at a breaking point that can't be overcome without the additional help requested from the City and the County.

We greatly appreciate all that the City and County have already committed to this project and humbly request this additional assistance to help us overcome the extremely unusual price volatility and supply chain problems that have resulted in such extraordinary cost increases. The city is providing an increase in their funding of \$3,656,631 for a total investment from the city in the amount of \$18,656,631 (see attachment A).

This housing serves the needs of the community and will powerfully change people's lives. There is nothing more important to us than providing quality affordable housing for the most vulnerable Houstonians that we each seek to serve. We thank you for your consistent patience and support and hope we can collectively bring this development to fruition. To make this happen, we request the County provide the additional \$1,709,891 for a total of \$10,248,169.

Again, thank you for your time and assistance. We look forward to your response. If you have any questions, please feel free to call or email me with any questions.

Sincerely,



Neal Drobenare
Vice-President
NHP Foundation

EXHIBIT C

Development Costs

Enter data in blue cells only

Cost	Amount	Cost Per Unit	Cost Per Net Rentable Square Foot	Other Information
Acquisition Costs				
Land	\$ 6,960,000	\$ 46,711	\$ 128.57	
Existing Structures		\$ -	\$ -	
Other - describe	\$ 90,000	\$ 604	\$ 1.66	Closing Costs/Acq Legal
Site Work Costs (not included in construction contract)				
Demolition/Clearance		\$ -	\$ -	
Site Remediation		\$ -	\$ -	
Improvements		\$ -	\$ -	
Other - describe		\$ -	\$ -	
Construction / Rehabilitation Costs (construction contract costs)				
Other Site Work	\$ 2,536,558	\$ 17,024	\$ 46.86	
New Construction	\$ 20,240,114	\$ 135,840	\$ 373.88	
Rehabilitation		\$ -	\$ -	
General Requirements	\$ 1,377,238	\$ 9,243	\$ 25.44	5% of construction costs
Builder's Overhead	\$ 449,730	\$ 3,018	\$ 8.31	2% of construction costs
Builder Profit	\$ 1,377,044	\$ 9,242	\$ 25.44	5% of construction costs
Performance Bond Premium	\$ 187,304	\$ 1,257	\$ 3.46	
Construction Contingency	\$ 1,312,520	\$ 8,809	\$ 24.25	5% of construction costs
		\$ -	\$ -	of construction costs
Architectural and Engineering Fees				
Architect Fee -- Design	\$ 1,415,035	\$ 9,497	\$ 26.14	5% of construction costs
Architect Fee -- Construction Supervision		\$ -	\$ -	of construction costs
Engineering Fees		\$ -	\$ -	of construction costs
Other - describe		\$ -	\$ -	of construction costs
Other Owner Costs				
Project Consultant Fees	\$ 90,000	\$ 604	\$ 1.66	
Legal and Organizational Expenses	\$ 975,000	\$ 6,544	\$ 18.01	
Syndication Fees	\$ 330,929	\$ 2,221	\$ 6.11	
Market Study		\$ -	\$ -	
Survey	\$ 68,548	\$ 460	\$ 1.27	
Appraisal Fees	\$ 20,150	\$ 135	\$ 0.37	
Soil Boring/Environmental Survey/Lead-Based Paint Evaluation	\$ 262,065	\$ 1,759	\$ 4.84	
Tap Fees and Impact Fees	\$ 53,297	\$ 358	\$ 0.98	
Permitting Fees	\$ 140,000	\$ 940	\$ 2.59	
Real Estate Attorney Fees		\$ -	\$ -	
FF&E	\$ 300,000	\$ 2,013	\$ 5.54	
Off-hours Site Security	\$ 50,000	\$ 336	\$ 0.92	
Interim Financing Costs				
Construction Insurance		\$ -	\$ -	
Construction Interest	\$ 200,000	\$ 1,342	\$ 3.69	
Construction Loan Origination Fee		\$ -	\$ -	
Title and Recording Costs (for the construction loan)	\$ 100,000	\$ 671	\$ 1.85	
Construction Loan Legal Fees		\$ -	\$ -	
		\$ -	\$ -	
Permanent Financing Fees and Expenses				
Permanent Loan Origination Fees (Points)		\$ -	\$ -	
Mortgage Broker Fees	\$ 170,900	\$ 1,147	\$ 3.16	
Title and Recording Costs (for permanent financing)		\$ -	\$ -	
Counsel's Fee		\$ -	\$ -	
Lender's Counsel Fee		\$ -	\$ -	
Other - describe		\$ -	\$ -	
Developer's Fee	\$ 3,639,000	\$ 24,423	\$ 67.22	8% of total development costs
Initial Project Reserves				
Initial Rent-Up Reserve	\$ 90,000	\$ 604	\$ 1.66	5% of gross potential rent
Initial Operating Reserve	\$ 689,817	\$ 4,830	\$ 12.74	40% of gross potential rent
Initial Replacement Reserve		\$ -	\$ -	0% of gross potential rent
Other Initial Project Reserves Costs		\$ -	\$ -	0% of gross potential rent
		\$ -	\$ -	
Tenant Relocation Costs				
		\$ -	\$ -	
Project Administration and Management Costs (during construction only)				
Marketing/Management		\$ -	\$ -	
Operating Expenses		\$ -	\$ -	
Taxes	\$ 50,000	\$ 336	\$ 0.92	
Insurance		\$ -	\$ -	
Other Project Administration & Management Costs		\$ -	\$ -	
Other Development Costs				
Harris County Fees- 5%	\$ 482,294	\$ 3,237	\$ 8.91	
HC Required Engineering Fees	\$ 120,000	\$ 805	\$ 2.22	
Social Services Consultant	\$ 140,000	\$ 940	\$ 2.59	
Builders Risk & GL/Umbrella Insurance	\$ 847,952	\$ 5,691	\$ 15.66	
Building Signage & Lighting	\$ 57,000	\$ 383	\$ 1.05	
Other Development Cost 6		\$ -	\$ -	
Total Development Costs	\$ 44,822,493	\$ 300,822	per unit	

SUMMARY SOURCES AND USES OF FUNDS

Describe all sources of funds and total uses of funds. Information must be consistent with the information provided throughout the Application (i.e. Financing Participants Applicants must describe the financing plan for the Development. This must include: (a) any non-traditional financing arrangements; (b) the use of funds with respect to the

Enter all of the **Permanent Period Sources** necessary to complete the project in the Yellow highlighted area below.

Source #	Funding Description	Amount	Interest Rate	Amortization	Term	Timing of contribution	Source of Financing	Lien Position	Status	Payment Obligation
1	Request from HCDD	\$ 18,656,631	1.00%	0	40	At closing	HCDD	2	Pending	Soft Debt
2	Conventional Loan									
3	LITC Syndication Proceeds	\$ 13,554,324				During construction	Enterprise		Committed	Equity
4	Historic Tax Credit Syndication Proceeds									
6	Other Federal Loan or Grant (non HCDD)	\$ 10,248,169							1-Committed	
7	Private Loan or Grant									
8	Cash Equity									
9	In-Kind Equity/Deferred Developer Fee					At closing			Committed	Equity
10	Seller Office Contribution	\$ 1,653,369				At closing			Committed	Equity
11	Supplier Loan (MHI)	\$ 710,000								
12	Other (specify)									
TOTAL SOURCES OF FUNDS		\$ 44,822,493								
Use #										
1	Acquisition	\$ 7,050,000								
2	Development Costs	\$ 37,772,493								
TOTAL USES OF FUNDS		\$ 44,822,493								
HCDD CDBG DR Request		\$ 18,656,631								
Percentage of Total Uses		42%								

Enter all information of any interim Construction Period Sources that will not be included as a Permanent Period Source

Source #	Funding Description	Amount	Interest Rate	Amortization	Term	Timing of contribution	Source of Financing	Lien Position	Status	Payment Obligation
1	Conventional Loan	\$ 10,000,000	4.00%	interest only	24	During construction	Unknown	0	Pending	Hard Debt
2	LITC Syndication Proceeds									
3	Historic Tax Credit Syndication Proceeds									
4	Other Federal Loan or Grant (non HCDD)									
5	Private Loan or Grant									
6	Cash Equity									
7	In-Kind Equity/Deferred Developer Fee									
8	Other (specify)									
9	Other (specify)									
10	Other (specify)									
TOTAL SOURCES OF FUNDS		\$ 10,000,000.00								

EXHIBIT D

The Apartments at 3300 Caroline (a.k.a. "Magnificat")

Scope of Work:

This will be a four story wood-framed building for 145 efficiency units. The project is described in a proposal previously designed to submit to TDHCA for funding. This proposal is attached as Attachment A to this contract to document the approved Program and Building Layout these services are based on.

The Project design must comply with (a) the TDHCA 9% LIHTC application for the Project, and all applicable TDHCA requirements; (b) the City of Houston Community Development Block Grants (CDBG) Disaster Relief (DR) requirements; (c) Harris County Community Development Block Grants (CDBG) Disaster Relief (DR) requirements; and (d) all Federal, State and local accessibility design requirements, including but not limited to the Uniform Federal Accessibility Standards (UFAS), the Fair Housing Act, 42 U.S.C. § 3604(f)(3)(C), 24 CFR Part 8, 24 CFR Part 100.200-205, the universal design features established at Section 2306.514 of the Texas Government Code, the Americans with Disabilities Act, 42 U.S.C. §§ 12101-12213 (as applicable) (the "ADA"), the HUD Fair Housing Design Manual (revised 1998), the ADAAG and ADA Technical Assistance Manual, the regulations, manuals and guidelines related to those laws, and the relevant state and local accessibility requirements ADA and the Fair Housing Act; (e) the sustainability requirements set forth in the documents listed above, the items marked as "YES" in the Multi-Family Building Resilience list attached hereto as Attachment C, the items marked "YES" in the attached TDHCA points matrix attached hereto as Attachment D, and the ICC 700 700 National Green Building Standard. In addition, the design must include office space of at least 3,000 square feet.

Construction commencement date: «December 8, 2021»

Substantial Completion date or dates: «July 13, 2023»

The sustainable objectives that must be achieved are set forth in (a) the TDHCA 9% LIHTC application for the Project, and all applicable TDHCA requirements; (b) the City of Houston Community Development Block Grants (CDBG) Disaster Relief (DR) requirements; (c) Harris County Community Development Block Grants (CDBG) Disaster Relief (DR) requirements; (d) the items marked as "YES" in the Multi-Family Building Resilience list attached hereto as Exhibit C; (e) the items marked "YES" in the attached TDHCA points matrix attached hereto as Exhibit D and (f) the ICC 700 700 National Green Building Standard; and (f) the design and construction requirements set forth in 10 TAC 60.201-211.



11 AUG 2020

NHP Foundation
1090 Vermont Avenue, NW, Suite 400
Washington, DC 20005
For 3300 Caroline, Houston, Texas

ATTACHMENT A

1.00 SUBCONTRACTOR PROPOSALS included in this proposal

We have asked this list of consultants to provide services for this building. Please let us know if there are additional consultants that you will require for the permit drawings.

- | | |
|------------------------------|--|
| 1.01 Structural Engineers: | Pinnacle Structural Engineers
Pete Dean |
| 1.02 MEP Engineers: | Telios Corporation
Amanda Kirkwood |
| 1.03 Civil Engineers: | R.G. Miller |
| 1.04 Accessibility Services: | The Access Partnership
John Torkelson |
| 1.05 Acoustical Engineer: | CSTI
Adam Young |
| 1.06 Building Envelope: | BECI
Garett Pope |
| 1.07 Code Consulting: | Hal Caton Consulting
Hal Caton |
| 1.08 Landscape Architect: | Asakura Robinson
Keiji Asakura |
| 1.09 Surveying & Platting: | R.G. Miller |
| 1.10 Subsurface Utility : | R.G. Miller |
| 1.11 Green Building: | US-Eco Logic |



11 AUG 2020

NHP Foundation
1090 Vermont Avenue, NW, Suite 400
Washington, DC 20005
For 3300 Caroline, Houston, Texas

ATTACHMENT A

2.00 COMPENSATION

Compensation for Permit Drawings and Construction Administration services for GSMA, Inc. is based on the current estimates for construction cost that NHPF forwarded to us on 14 May 2021. We take a current budget of \$22,067,000.00 for our fee calculations. A 5% fee based on that construction cost is \$1,103,350.00 That will cover the Architectural, Structural and Mechanical Engineering.

We understand that value engineering by the client's selected contractor will be involved in the design phases of the Drawing Phases.

Other consultants will be invoiced as Supplemental Services.

2.01 A/E design fee: Architectural, Structural, Civil MEP

Architectural Services	GSMA	\$833,650.00
Structural Engineers:	Pinnacle	\$ 77,000.00
MEP Engineers:	Telios	\$ 87,000.00
Civil Engineers:	R. G. Miller	<u>\$105,700.00</u>
Fees for Architectural, Structural, Civil, MEP		\$ 1,103,350.00
Fees Surveys + Platting	R.G.Miller + Surveying & Mapping, LLC	<u>\$ 46,180.00</u>

TOTAL Architectural, Engineers, Surveys \$ 1,149,530.00

2.02 Supplemental Services

Accessibility Services:	Access Partnership	\$
		10,315.00
Acoustical Engineer:	CSTI	\$ 5,200.00
Building Envelope:	BECI	\$ 4,000.00
Code Consulting:	Hal Caton	\$ 8,500.00
Landscape Architect:	Asakura Robinson	\$ 34,000.00
Green Building:	US-Eco Logic	\$
		<u>47,305.00</u>

TOTAL SUPPLEMENTAL SERVICES \$ 109,320.00



11 AUG 2020

NHP Foundation
1090 Vermont Avenue, NW, Suite 400
Washington, DC 20005
For 3300 Caroline, Houston, Texas

ATTACHMENT A
TOTAL FEE \$1,258,850.00

3.01 SITE VISITS

Weekly site visits by the Architect for a twenty (20) month construction period are included in the Architectural fee per client request.

Additional fees may be accrued if Construction Administration site visits in addition to those noted in the consultant proposals are required by the client. See individual proposals for per site visit costs.

3.02 INVOICING

Invoices will be delivered monthly based on the work completed by the Architect. Services will be billed at an hourly rate or for the percentage of the project completed. Back up documentation will be provided with each invoice identifying hours worked or stage of completion, and reimbursable costs incurred during the period. All invoices are to be due within 30 days from the date of issuance.

Hourly Compensation:	
Principal	\$ 185.00/hour
Licensed Professional	\$ 120-170.00/hour
Intern Professional	\$ 85-110.00/hour
Clerical	\$ 60.00/hour

3.03 ADDITIONAL SERVICES

All Additional Services will be billed at our hourly rate described above.

3.04 REIMBURSABLE EXPENSES

Reimbursable expenses are excluded from the fees noted above and will be billed separately with each monthly invoice. Reimbursable expenses include Owner approved consultant fees, fees paid for securing approval of authorities having jurisdiction over the project, reproductions, deliveries and travel. All reimbursable expenses shall be billed at 1.1% of the direct expense incurred by the Architect, the Architect's consultants and employees in the interest of the Project.



5305 Jackson Houston, Texas 77004 713.521.3353 www.gsmARCHITECTS.net

NHP Foundation
1090 Vermont Avenue, NW, Suite 400
Washington, DC 20005

ADDITIONAL SERVICES PROPOSAL

JOB: Construction Administration Meetings
NO: 005

Date: 23 SEP 2021

ADDITIONAL SERVICES	QTY	RATE	AMOUNT
Proposal for GSMA to host weekly construction phase Owner/Architect/Contractor weekly meetings and to document these meetings with Meeting Notes.			
Principal	164	170.00	\$ 27,880.00
Intern	246	100.00	\$ 24,600.00
Architectural Services Subtotal			\$ 52,480.00
Proposal Total			\$ 52,480.00

Please sign and return to authorize work.

Terry Green

Date

DRAWING INDEX

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A.000	COVER SHEET
A.001	INFORMATION & INDEX SHEET

CIVIL

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Multi-family Building Resilience (New Construction)

Resilient Development Activity		Points Earned
https://www.enterprisecommunity.org/download?fid=2154&nid=4325		14
Resilient Area: Protection (Minimum of 2)		
1	Wet Floodproofing	
	Relocate or protect equipment that cannot be exposed to water.	
	<i>Electrical panels, mechanical equipment, gas and electric meters and shut-offs should be relocated from flood-prone areas to locations above the DFE. If that is not possible, they should be protected in place. (See Strategy: Dry Floodproofing.)</i>	Yes
2	Dry Floodproofing	
	Protect In Place equipment that cannot be exposed to water AND cannot be relocated.	
	<i>Active measures require removable elements to be put into place before an anticipated flood. Permanent measures are fixtures and systems integrated into the structure itself, which do not need to be manually deployed in the event of an emergency. Effective dry floodproofing requires a design by a qualified engineer and an operations and maintenance plan, and should include:</i> <ul style="list-style-type: none"> - Sealing cracks or openings on exterior walls or the foundation. - Covering entry points below the DFE. - Protecting against and remove seepage inside the building. <i>Protecting mechanical and electrical systems</i>	Yes
3	Site Perimeter Floodproofing	
	Protective barriers may be temporary or permanent	
	<i>Temporary barriers can include:</i> <ul style="list-style-type: none"> - Sandbags - Water-inflated tube systems - Panelized systems installed into foundations <i>Permanent barriers can include:</i> <ul style="list-style-type: none"> - Floodwalls - Berms 	No
4	Resilient Elevator modifications	
	Consider elevators with motors and controls above the DFE	
	<i>Consider holeless hydraulic elevators for buildings in flood zones. More common in multifamily buildings are traction elevators that hoist the elevator using an elevated machine room for the elevator controls and mechanical equipment.</i>	Yes
5	Backwater Valves	
	Valves that allow waste water to flow out and close if the flow is reversed	
	<i>Backwater valves are installed where the wastewater pipe exits the building, so sewage only flows outward. Valves have a hinged flapper that remains open to allow outward flow, but seals tightly if there is backpressure.</i>	No
Resilient Area: Adaptation (Minimum of 3)		
6	Envelope Efficiency	
	The thermal performance of a building envelope or building skin	
	<i>A building's envelop and its performance can control the conditioned space in the event of an extended power outage making the units habitable for longer. A high-performance envelope is especially valuable during a power outage because indoor temperatures change more slowly, increasing a building's "passive survivability." Addressing the efficiency of a building a number of influences are considered - identifying and reducing moisture issues, reducing air leakage, considering the roof, wall insulation and windows to name a few.</i>	Yes
7	Elevated Equipment	
	Elevate critical equipment in place or moved to higher floors, the roof, or outdoor platforms	
	<i>In general, essential building systems should be elevated to at least the 0.2-percent-annual-chance flood elevation and higher if it is practical to do so. If sufficient data is not available or if this level of protection is not feasible, utilities should be elevated to at least 2 feet above the 1-percent-annual-chance flood elevation.</i>	Yes
8	Elevated Living Space	
	Utilize floors below the DFE for non-residential purposes	
	<i>Eliminating living spaces and mechanical systems below the BFE can be incorporated with wet floodproofing measures (See Strategy: Wet floodproofing).</i>	No

9	Surface Stormwater Management		
	Infiltrating water into the ground on-site reduces the need for large infrastructure		
	<i>Containment and infiltration are the two most common approaches to managing onsite stormwater. Buildings with well-draining soil can often infiltrate rain water directly into the ground. Urban zero-lot-line sites or buildings with poorly draining soil can store rainwater on-site for slow release into a traditional storm sewer system.</i>		No
10	Window Shading		
	Exterior or interior window treatments that shade rooms can lessen solar heating		
	<i>Exterior shades block sunlight before it reaches the window, making them more effective than interior shades and blinds. Interior window treatments are protected from the elements, less expensive and easier to install and clean, but not as effective as exterior treatments.</i>		Yes
11	Site Orientation		
	Develop building orientation to account for thermal, lighting, visual, and other urban amenity considerations		
	<i>Successful design orientation for a building can help lower its total energy usage and help it contribute to the vitality of the surrounding environment and provide the structure with thermal and visual comfort.</i>		No
12	Cool Roofs		
	Adaptive roof treatment to reduce heat absorbed by the building		
	<i>Roof design to reflect more sunlight and absorb less heat than a standard roof. Cool roofs can be made of a highly reflective type of paint, a sheet covering, or highly reflective tiles or shingles. Nearly any type of building can benefit from a cool roof</i>		Yes
13	Distributed Heating and Cooling		
	Decentralized and high-efficiency heating and cooling systems		
	<i>Distributed systems provide heating and cooling inside a residential unit, giving residents greater control over the temperature in their apartment and dramatically reducing distribution losses. Dedicated boilers, warm-air furnaces, window-mounted air conditioners or through-the-wall heating/cooling units can be installed in individual apartments.</i>		No
Resilient Area: Back up measures (Minimum of 1)			
14	Maintaining Backup Power to Critical Systems		
	During a power outage, backup power is vital to continue building operations		
	<i>Larger, high-rise residential buildings are typically required to have backup power for critical functions, such as the operation of one elevator and a fire-suppression pump. Smaller buildings are not. Backup power becomes even more necessary if residents are sheltered in place during power outages.</i>		No
15	Emergency Lighting		
	Provide residents with lighting during an extended power loss.		
	<i>Code-mandated emergency lighting, such as exit signs with emergency area illumination, are frequently designed to function only long enough for residents to evacuate. Building codes generally require only 90 minutes of emergency illumination. Different lighting strategies are necessary to keep buildings operating safely during and after emergencies.</i>	<div style="border: 1px solid red; padding: 5px; display: inline-block;">This would require a generator or larger inverters. Both would require a lot of re work to the project.</div>	No
16	Access to Potable Water		
	Provide residents access to water supply		
	<i>buildings with rooftop water storage have a resilience advantage since their water supply is gravity-fed and may last for days if residents know to strictly curtail water use. Standard municipal water pressure may be adequate to keep buildings up to 6 stories high supplied with water during of a power outage. Taller buildings typically either use pressure-booster pumps or pump water to a roof tank.</i>		No
Resilient Area: Community (Minimum of 2)			
17	Building Community Ties		
	Neighbors are the most important source of support and information		
	<i>Residents who know one another will be more likely to turn to each other for support during an emergency. This becomes especially critical if they shelter in place.</i>		
	<i>Develop infrastructure to support community engagement and interaction. Set aside common space for posting information, convening meetings and hosting parties and other group activities.</i>		No
18	Creating Community Resilience Spaces		
	Create Community Spaces that can serve as a central location for emergency services		

	Community spaces should offer a safe and secure environment for residents and a central location for emergency services. A resilience space might be located in an existing multi-purpose area such as a dining or activity room, where residents will feel comfortable taking shelter or receiving emergency services.	No
19	Developing an Emergency Management Manual Develop a comprehensive document for residents to plan from in the event of emergencies An effective emergency plan prepares the entire organization for an emergency, promoting three core capabilities: - Coordination. The organization works in a unified way across departments and with organizations and people outside. - Communication. Staff and leadership communicate efficiently throughout a disaster. - Information sharing. Vital updates reach staff, residents, leadership and outside people quickly.	Yes NHPF responsibility?
20	Organizing for Community Resilience Create a well-defined process of sharing and implementation between communities Collaboration with other multifamily housing organizations can make your resilience plan stronger and more effective. Organizations can share their experiences in resilience planning and emergency preparedness and can help identify local and shared resources, pool information about equipment and infrastructure pricing and the best ways to get residents involved.	Yes NHPF responsibility?
Resilient Area: Green Building Standard (Minimum of 1)		
21	Energy Star www.energystar.gov The Development must incorporate all mandatory and optional items applicable to the construction type- Certified Homes or Multifamily High-Rise	Yes
22	Enterprise Green Communities www.greencommunitiesonline.org The Development must incorporate all mandatory and optional items applicable to the construction type (i.e. New Construction, Rehabilitation, etc.) as provided in the most recent version of the Enterprise Green Communities Criteria.	No
23	LEED (If applicable- Choose ONLY 1) https://new.usgbc.org/leed The Development must incorporate, at a minimum, all of the applicable criteria necessary to obtain ONE OF THE FOLLOWING LEED Certifications (If Gold is identified then 3 points are awarded) CERTIFIED (1 Point) SILVER (2 Points) GOLD (3 Points) PLATINUM (4 Points)	No No No No
24	ICC-700 National Green Building Standard (If applicable- Choose ONLY 1) www.iccsafe.org The Development must incorporate, at a minimum, all of the applicable criteria necessary to obtain ONE OF THE FOLLOWING NGBS Green Certifications (If Gold is identified then 3 points are awarded) +1 BRONZE (1 Point) +2 SILVER (2 Points) +3 GOLD (3 Points) +4 EMERALD (4 Points)	No No No No
Resilient Area: Solar (Minimum of 1)		
25	Solar Ready Design and Construction Design and construction anticipating solar application in the future Design and construction of a building in a way that facilitates the installation of a rooftop solar photovoltaic (PV) system at some point after the building has been constructed making future PV system installation more cost-effective by reducing the need for infrastructure upgrades, ensuring solar technical feasibility, and planning for PV systems. We would need conduit pathways from the roof down to the main board along with space shown in one of the electrical/mechanical rooms as designated for future solar panel equipment. Providing infrastructure for solar is a very simple/cost effective item.	Yes not currently in plans
26	Solar Satisfy energy needs through the installation of solar panels Once efficiency measures have been incorporated, the remaining energy needs can be met using renewable energy technologies. Common on-site electricity generation strategies photovoltaics (PV) and solar water heating.	No
Resilient Area: Electric Vehicles (Minimum of 1)		
27	EV Ready Design and construction anticipating the inclusion of electric vehicle charging stations in the future	

This would be similar to 25. We would just provide the conduit pathways for future. We would want to know quantity so we could ensure our panels could accommodate the load and have those marked for future EV stations.

not currently in plans

	<i>Establish EV infrastructure requirements for new construction projects, including the electrical capacity and pre-wiring to make possible the future installation of EV charging stations.</i>	Yes
28	EV Charging Stations	
	Construction of EV Charging Stations	
	<i>Install EV infrastructure and at minimum two (2) charging stations for every 20 parking spaces.</i>	No
Resilient Area: Green Infrastructure (Minimum of 1)		
29	Green Infrastructure	
	Infrastructure as outlined by the Houston Incentives for Green Development	No
	Bioretention – Some type of buffer that removes sedimentation and other contaminants from stormwater runoff.	Yes No
	Green Roofs – Consisting of vegetation and soil, or other growing medium, planted over a waterproofing membrane that protects the top of the building from water infiltration. A green roof can reduce the amount of stormwater runoff between 50% - 90% with absorption into the soil and by the plants and provide additional thermal resistance; keeping energy cost down during the hot summer months as well as create Additional usable space, which can increase your property value	No
	Permeable Pavement – walking paths, parking lots, property driveways and other large surfaces to be designed to enable infiltration of stormwater runoff.	No
	Rainwater Harvesting - Rainwater harvesting systems are recognized by the EPA as a Low Impact Development (LID) technique for stormwater management. By retaining stormwater runoff for on-site use, harvesting systems reduce the runoff volumes and pollutant loads entering the stormwater collection system, helping to restore pre-development hydrology and mitigate downstream water quality impacts	No
	Soil Amendments –Adding a material such as Loam to a soil improves its physical properties, such as water retention, permeability, water infiltration, drainage, aeration and structure. By changing the soils' structure, roots penetrate more easily and water infiltration for the entire site improves.	No
	Urban Forestry – Ecosystems that provide critical benefits to people and wildlife. Urban forests help to filter air and water, control storm water, conserve energy, and provide animal habitat and shade.	No
	Vegetated Filter Strips - land areas of either planted or indigenous vegetation, situated between a potential pollutant-source area and a surface-water body that receives runoff.	Yes No

**SECTION 00 01 10
PROCUREMENT AND CONTRACTING DOCUMENTS GROUP**

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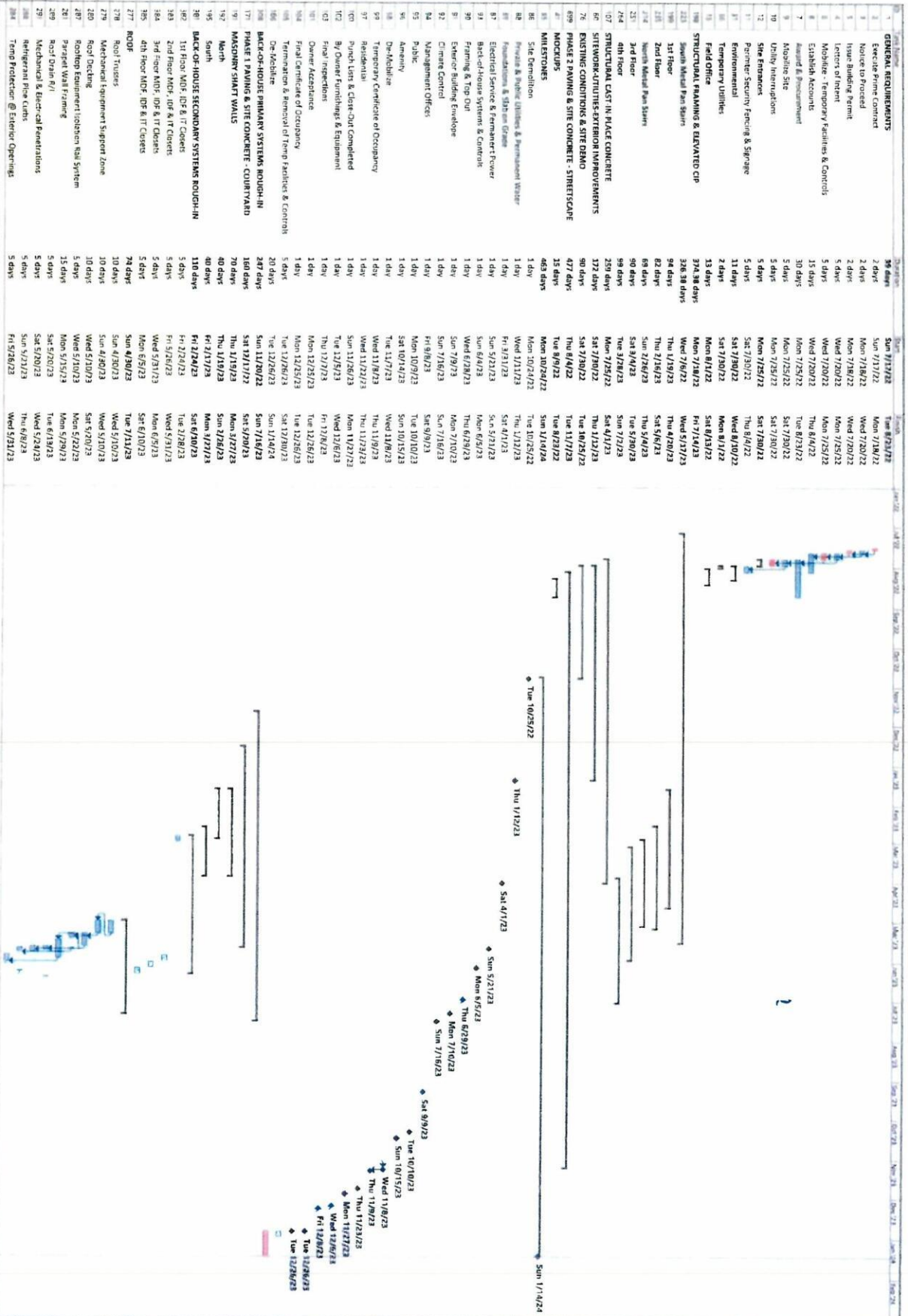
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END OF SECTION

EXHIBIT E



Caroline Prelim Schedule - 05-31-2022
Tue 5/31/22



Item	Description	Duration	Start	End	Notes
281	Exterior Wall Sheathing & Sheathing Board	1 day	Mon 5/18/23	Tue 5/19/23	
282	5th Floor Access	5 days	Mon 5/29/23	Tue 6/5/23	
283	Access Overlap Panel	5 days	Mon 5/29/23	Tue 6/5/23	
284	Mechanical Gutters	2 days	Tue 6/6/23	Wed 6/12/23	
285	Painting of Penetrations & Curb	5 days	Wed 6/13/23	Mon 6/19/23	
286	TPD Seal System	20 days	Sat 6/30/23	Thu 8/3/23	
287	HM Frame	2 days	Thu 6/29/23	Fri 7/1/23	
288	Parapet Cap	5 days	Thu 6/29/23	Fri 7/1/23	
289	Set Backtop VCI's	5 days	Sun 7/1/23	Mon 7/10/23	
290	Set Backtop APU	5 days	Wed 7/12/23	Mon 7/10/23	
291	Star No. 1 Slight	1 day	Mon 7/10/23	Tue 7/11/23	
292	ELEVATED UNDERLAYMENT & TOPPING SLAB	15 days	Mon 5/15/23	Mon 5/29/23	
293	2nd floor	8 days	Mon 5/15/23	Mon 5/29/23	
294	3rd floor	6 days	Tue 5/20/23	Thu 5/24/23	
295	4th floor	6 days	Tue 5/20/23	Thu 5/24/23	
296	MGMT OFFICES	13 days	Wed 5/17/23	Sat 6/9/23	
297	MEP Wall & Ceiling Rough in B Equipment	33 days	Wed 5/17/23	Sat 6/9/23	
298	Electrical	15 days	Wed 5/17/23	Wed 5/31/23	
299	LV, Fire Alarm, Access Control & Security	10 days	Fri 5/26/23	Mon 6/5/23	
300	plumbing	10 days	Fri 5/26/23	Mon 6/5/23	
301	Fire Protection	10 days	Wed 5/31/23	Sat 6/10/23	
302	HVAC	10 days	Mon 6/5/23	Thu 6/15/23	
303	Heat Trace & Insulation	5 days	Tue 6/13/23	Sat 6/17/23	
304	Openings & Finishes	67 days	Sun 6/18/23	Mon 8/21/23	
305	MEP Device & Trim-Out & Final Paint	34 days	Tue 7/1/23	Thu 7/27/23	
306	Remove Temporary Opening Protection	2 days	Thu 7/1/23	Fri 7/13/23	
307	Exterior Aluminum Framed Openings & Louvers	10 days	Thu 7/1/23	Fri 7/13/23	
308	Exterior Aluminum Framed Openings & Louvers	15 days	Thu 7/1/23	Thu 7/13/23	
309	Exterior Automatic Sliding Door Systems	5 days	Sat 7/22/23	Thu 7/27/23	
310	Exterior Automatic Sliding Door Systems	5 days	Sat 7/22/23	Thu 7/27/23	
311	Specialties	21 days	Sat 7/22/23	Sat 8/6/23	
312	MEP Wall & Ceiling Rough in B Equipment	147 days	Sun 5/21/23	Tue 10/20/23	
313	Openings & Finishes	38 days	Sun 5/21/23	Tue 6/27/23	
314	MEP Device & Trim-Out & Final Paint	65 days	Tue 6/27/23	Mon 8/28/23	
315	Remove Temporary Opening Protection	31 days	Sat 7/1/23	Mon 7/31/23	
316	Exterior Aluminum Framed Openings & Louvers	2 days	Wed 7/12/23	Fri 7/13/23	
317	Exterior Aluminum Framed Openings & Louvers	15 days	Mon 7/17/23	Thu 8/1/23	
318	Specialties	10 days	Sat 7/22/23	Tue 8/1/23	
319	Equipment & Furnishings	28 days	Sun 6/25/23	Thu 8/24/23	
320	AMINTRY ZONES	20 days	Thu 6/21/23	Tue 10/10/23	
321	MEP Wall & Ceiling Rough in B Equipment	147 days	Fri 5/26/23	Sun 10/15/23	
322	Openings & Finishes	2 days	Fri 5/26/23	Sun 10/15/23	
323	Remove Temporary Opening Protection	2 days	Thu 7/6/23	Sat 7/14/23	
324	MEP Device & Trim-Out & Final Paint	60 days	Fri 7/7/23	Sun 9/1/23	
325	Exterior Aluminum Framed Openings & Louvers	15 days	Sat 7/15/23	Wed 8/16/23	
326	Exterior Aluminum Framed Openings & Louvers	10 days	Sat 7/15/23	Sun 8/6/23	
327	Specialties	28 days	Fri 8/1/23	Tue 8/28/23	
328	Equipment & Furnishings	20 days	Thu 8/24/23	Sun 10/15/23	
329	MASSONRY & FACADE FINISH	43 days	Mon 5/29/23	Mon 7/10/23	
330	Caroline Elevation	23 days	Mon 5/29/23	Tue 6/20/23	
331	Francis Elevation	23 days	Sat 6/18/23	Sun 6/25/23	
332	Shawn Elevation	23 days	Thu 6/14/23	Fri 6/30/23	
333	Shawn Elevation	23 days	Thu 6/14/23	Fri 6/30/23	
334	Shawn Elevation	23 days	Thu 6/14/23	Fri 6/30/23	
335	CONVERTING EQUIPMENT	28 days	Mon 5/29/23	Mon 7/10/23	
336	Machine Beams	5 days	Mon 5/29/23	Sat 6/9/23	
337	Elevator Pit Ladder & Stimp Covers	5 days	Thu 6/1/23	Thu 6/1/23	
338	Horizontal Platforms	5 days	Sat 6/3/23	Thu 6/8/23	
339	Traction Systems	60 days	Thu 6/8/23	Sat 8/5/23	
340	Operation Controls	5 days	Thu 7/13/23	Thu 7/13/23	
341	Signaling Equipment	5 days	Sat 7/15/23	Mon 7/17/23	
342	Cab Finishes	15 days	Thu 7/13/23	Mon 7/31/23	
343	Holloway Entrances	1 day	Mon 7/16/23	Mon 7/16/23	
344	Temporary Cab Protection	1 day	Mon 7/16/23	Mon 7/16/23	
345	RESIDENTIAL ZONES	144 days	Fri 7/1/23	Thu 11/23/23	
346	2nd floor	62 days	Fri 7/1/23	Thu 9/7/23	
347	3rd floor	139 days	Sat 7/15/23	Sun 11/19/23	
348	3rd floor	137 days	Sat 7/15/23	Sun 11/19/23	

Carolina Pedim Schedule - 05/31/2022
Tue 5/31/22



Item	Description	Quantity	Start Date	End Date
57	4th Floor	141 days	Mon 7/10/23	Tue 11/23/23
49	RESULTS & CLOSE-OUT	50 days	Tue 11/7/23	Tue 12/19/23
51	Final	32 days	Tue 11/7/23	Thu 12/6/23
52	Occupancy/Inspections	2 days	Tue 11/7/23	Fri 11/9/23
53	Temp Certificate of Occupancy	2 days	Wed 12/6/23	Fri 12/8/23
54	Close-Out & Turnover	50 days	Tue 11/7/23	Tue 12/26/23
55	BY OWNER FILE	30 days	Tue 11/7/23	Wed 12/6/23



EXHIBIT E

Item #	Description	Start Date	End Date	Duration
1	GENERAL REQUIREMENTS	Mon 7/24/22	Tue 8/10/22	16 days
2	Execute Prime Contract	Mon 7/24/22	Mon 7/25/22	1 day
3	Notice to Proceed	Wed 7/27/22	Wed 7/27/22	1 day
4	Issue Building Permit	Mon 7/25/22	Wed 7/27/22	2 days
5	Letter of Intent	Mon 8/1/22	Mon 8/1/22	1 day
6	Mobilize - Temporary Fencing & Controls	Wed 7/27/22	Mon 8/1/22	4 days
7	Establish Accounts	Wed 7/27/22	Tue 8/30/22	13 days
8	Award & Procurement	Mon 8/1/22	Sat 8/6/22	5 days
9	Mobilize Site	Mon 8/1/22	Sat 8/6/22	5 days
10	Utility Interceptors	Mon 8/1/22	Sat 8/6/22	5 days
11	Site Enclosure	Mon 8/1/22	Sat 8/6/22	5 days
12	Perimeter Security Fencing & Signage	Sat 8/6/22	Thu 8/11/22	4 days
13	Environmental	Sat 8/6/22	Mon 8/8/22	2 days
14	Temporary Utilities	Mon 8/8/22	Sat 8/13/22	5 days
15	Field Office	Mon 8/8/22	Mon 8/8/22	1 day
16	STRUCTURAL FRAMING & ELEVATED CP	Mon 7/24/22	Mon 7/24/22	1 day
17	South Metal Pan Stairs	Wed 7/27/22	Wed 7/27/22	1 day
18	1st Floor	Wed 7/27/22	Wed 7/27/22	1 day
19	2nd Floor	Thu 7/28/22	Thu 7/28/22	1 day
20	North Metal Pan Stairs	Thu 7/28/22	Thu 7/28/22	1 day
21	3rd Floor	Thu 7/28/22	Thu 7/28/22	1 day
22	4th Floor	Thu 7/28/22	Thu 7/28/22	1 day
23	STRUCTURAL CAST-IN-PLACE CONCRETE	Mon 8/1/22	Sat 8/6/22	5 days
24	EXISTING CONDITIONS & SITE DEMO	Sat 8/6/22	Thu 8/11/22	4 days
25	PHASE 2 FINISHING & SITE CONCRETE - STREETSIDE	Sat 8/6/22	Thu 8/11/22	4 days
26	MISC/DUES	Thu 8/11/22	Thu 8/11/22	1 day
27	MILESTONES	Mon 10/31/22	Mon 10/31/22	1 day
28	Site Demolition	Mon 10/31/22	Mon 10/31/22	1 day
29	Private & Public Utilities & Permanent Water	Mon 10/31/22	Mon 10/31/22	1 day
30	Foundations & Slab on Grade	Wed 11/9/22	Wed 11/9/22	1 day
31	Electrical Service & Permanent Power	Sat 4/8/23	Sat 4/8/23	1 day
32	Back-of-House Systems & Controls	Mon 6/27/23	Mon 6/27/23	1 day
33	Framing & Top-Out	Wed 7/5/23	Thu 7/6/23	2 days
34	Interior Milling Finishes	Mon 7/17/23	Mon 7/17/23	1 day
35	Climate Control	Sun 7/23/23	Sun 7/23/23	1 day
36	Management Office	Fri 9/15/23	Sat 9/16/23	2 days
37	Public	Mon 10/2/23	Tue 10/11/23	9 days
38	Amenity	Sat 10/2/23	Sun 10/22/23	19 days
39	De-Mobilize	Thu 11/16/23	Thu 11/16/23	1 day
40	Temporary Certificate of Occupancy	Wed 11/29/23	Thu 11/29/23	1 day
41	Resident In	Sun 12/3/23	Mon 12/4/23	2 days
42	Final Lists & Close-Out Completed	Mon 12/4/23	Wed 12/13/23	8 days
43	By Owner Furnishings & Equipment	Thu 12/14/23	Fri 12/15/23	2 days
44	Final Inspections	Mon 1/22/24	Tue 1/22/24	1 day
45	Owner Acceptance	Mon 1/22/24	Tue 1/22/24	1 day
46	Final Certificate of Occupancy	Tue 1/22/24	Sat 1/27/24	5 days
47	Termination & Removal of Temp Facilities & Controls	Mon 1/22/24	Sun 1/22/24	1 day
48	De-Mobilize	Tue 1/22/24	Sun 1/22/24	1 day
49	BACK-OF-HOUSE PRIMARY SYSTEMS ROUGH-IN	Sun 1/22/24	Sun 1/22/24	1 day
50	PHASE 1 FINISHING & SITE CONCRETE - COURTYARD	Sat 1/28/22	Sat 1/28/22	1 day
51	RECONSTRUCT SMART WALLS	Thu 1/26/23	Mon 4/9/23	73 days
52	North	Sun 3/9/23	Mon 4/9/23	10 days
53	South	Fri 2/24/23	Mon 4/9/23	45 days
54	BACK-OF-HOUSE SECONDARY SYSTEMS ROUGH-IN	Fri 3/3/23	Sat 6/17/23	110 days
55	1st Floor MDE, IDF & IT Closets	Wed 6/7/23	Wed 6/7/23	1 day
56	2nd Floor MDE, IDF & IT Closets	Fri 6/22/23	Mon 6/27/23	5 days
57	3rd Floor MDE, IDF & IT Closets	Wed 6/27/23	Mon 6/27/23	1 day
58	4th Floor MDE, IDF & IT Closets	Mon 6/27/23	Sat 6/27/23	1 day
59	ROOF	Mon 6/27/23	Sat 6/27/23	1 day
60	Roof Trusses	Sun 5/7/23	Tue 7/18/23	74 days
61	Mechanical Equipment - Support Zone	Sun 5/7/23	Wed 5/17/23	10 days
62	Roof Decking	Sun 5/7/23	Wed 5/17/23	10 days
63	Roofing Equipment: Isolation Rail System	Wed 5/17/23	Sat 5/26/23	9 days
64	Parapet Wall Framing	Mon 5/22/23	Mon 6/5/23	15 days
65	Roof Crane R/I	Sat 5/27/23	Tue 6/20/23	24 days
66	Mechanical & Electrical Penetrations	Sat 5/27/23	Wed 5/31/23	4 days
67	Refrigerant Pipe Cuts	Sun 5/28/23	Thu 6/15/23	17 days
68	Temp Protection Exterior Openings	Fri 6/2/23	Wed 6/7/23	5 days



Job No.	Job Name	Duration	Start	End
40	Initial	101 days	Mon 11/12/23	Thu 12/09/23
41	Final	50 days	Tue 11/14/23	Tue 12/2/24
42	Final	50 days	Tue 11/14/23	Fri 12/15/23
43	Occupancy inspections	2 days	Tue 11/14/23	Thu 11/16/23
44	Temp Certificate of Occupancy	2 days	Wed 12/13/23	Fri 12/15/23
45	Close-Out & Turnover	50 days	Tue 11/14/23	Tue 12/2/24
46	BY OWNER FREE	50 days	Tue 11/14/23	Wed 12/13/23

Construction Schedule - 06/11/2023
 Rev: 01/17/23



ATTACHMENTS TO LOAN AGREEMENT

- A. City's Restrictive Covenants
- B. Borrowers' Note
- C-1. Fee Deed of Trust
- C-2. Leasehold Deed of Trust
- D. Financing Statements
- E. Collateral Note
- F. Collateral Assignment (Owner Loan)
- G. Construction Completion Guaranty
- H. Reserved
- I. Intercreditor Agreement
- J. Reserved
- K. Assignment of Property Management Agreement
- L. Assignment of Architect's Contract, Plans and Specifications, and Consent
- M-1. Assignment of Construction Contract
- M-2. Assignment of Construction Contract (Prime Subcontract)
- N. Environmental Indemnity Agreement
- O. Form of the Performance Bond, Maintenance Bond, and Payment Bond
- P. Owner Loan Agreement
- Q. Letter Agreement AUGF and AFFH Requirements
- R. Subordination, Nondisturbance and Attornment Agreement (if required by City)

ATTACHMENT A
TO LOAN AGREEMENT
RESTRICTIVE COVENANTS

RESTRICTIVE COVENANTS WITH JOINDER BY LANDLORD AND FEE OWNER

THESE RESTRICTIVE COVENANTS WITH JOINDER BY LANDLORD AND FEE OWNER ("Declaration") are executed this _____ day of _____, 2022, by **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("Owner") and is joined herein by **MHI LANDHOLDINGS LLC**, a Texas limited liability company ("Fee Owner").

RECITALS

Owner has a leasehold interest in that certain land described on **EXHIBIT A** attached hereto and incorporated herein by reference, together with title to any improvements situated thereon or to be constructed thereon, located at 3300 Caroline Street, Houston, Harris County, Texas 77004 (said land and improvements being hereinafter collectively referred to as the "Property" or the "Project").

Pursuant to a certain Loan Agreement ("City Loan Agreement") by and between the City of Houston ("City"), Owner and **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("Borrower") effective as of _____, 2022, the Owner and Borrower have agreed to comply with certain occupancy and rent restrictions on the Property for the Affordability Period (as defined herein), and, in consideration of the mutual benefits to the City, Owner and Borrower to be received from the loan evidenced by the City Loan Agreement, Owner and Borrower have agreed to execute this Declaration to further evidence their agreement to comply with such restrictions.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 General. Capitalized terms used in this Declaration shall have, unless the context clearly requires otherwise, the meanings specified in this Article I. Certain additional terms may be defined elsewhere in this Declaration.

a. Affordability Period shall mean the forty (40) year period, which commences upon Project Completion, as defined in the City Loan Agreement, during which all Designated Units in the Project must remain affordable (in accordance with the provisions of Section 3.1 hereof) without regard to the term of the City Loan Agreement or transfer of ownership of the Project (the "City Affordability Requirements"). The Affordability Period includes a twenty (20) year HUD required affordability period as set forth in 83 Fed. Reg. 5844 and 83 Fed. Reg. 40314 (the "HUD Affordability Requirements"), in addition to a supplemental twenty (20) year affordability period required by the City. While the Owner's obligation to comply with the HUD Affordability Requirements and related obligations shall end at the close of the initial twenty (20) year affordability period, the Owner shall be required to comply with the City Affordability Requirements for the forty (40) years, as maybe extended, in accordance with this Declaration.

b. City is defined in the preamble to this Declaration.

c. City Loan shall mean the loan made by the City to Borrower in the original principal amount of \$18,656,631.00, the proceeds of which were utilized by Borrower to make the Owner Loan to Owner.

d. City Loan Agreement shall mean that certain Loan Agreement by and between the City, Owner and Borrower, which governs the City Loan.

e. City Loan Documents shall mean all of the documents executed by Borrower and Owner that govern, secure, and/or evidence the City Loan, including without limitation, the City Loan Agreement and this Declaration.

f. Designated Unit(s) shall mean those units in the Project which have been designated by the Owner and approved by the Director as subject to all occupancy, rent and affordability requirements contained in the City Loan Agreement and this Declaration. The Designated Units for the Project covered by this Agreement shall consist of seventy-six (76) Project units, as more particularly described in Article III hereof, and which may "float" within the Project.

g. Director shall mean the Director of the City's Housing and Community Development Department or any other person that the Director may designate to monitor compliance with this Declaration.

h. Float means that the location of the Designated Units may vary within the Project. The income eligible tenants must occupy the Designated Units. If at any time during the Affordability Period the income of the tenant household increases above the threshold eligible area median income level for which the Designated Unit has been designated, then the next available non-Designated Unit at the Project must be set aside for an eligible family, and that new unit then becomes a Designated Unit and house a household whose income is consistent with the area median income for the Designated Unit in which the tenant household became over-income.

i. GLO means the General Land Office of the State of Texas.

j. Homeless has the meaning assigned to such term in the City Loan Agreement, which is consistent with HUD's definition set forth in 24 CFR Section 578.3. Chronic Homeless has the meaning assigned to such term in the City Loan Agreement. A PSH Unit may also be a Designated Unit.

k. HUD shall mean the United States Department of Housing and Urban Development.

l. Income and/or Family Income or any similar term, including without limitation, annual income, adjusted income, monthly income and monthly adjusted income shall have the meanings assigned to such terms in 24 CFR Subtitle A Part 5.

m. LMI Persons shall mean households whose annual incomes do not exceed eighty (80%) percent of the area median income, as determined by HUD with adjustments for family size.

n. Owner is defined in the preamble to this Declaration.

o. Owner Loan means the loan made by Borrower to Owner with the proceeds of the City Loan for the purposes set forth in the City Loan Agreement.

p. Owner Loan Documents shall mean all of the documents executed by Owner that govern, secure, and/or evidence the Owner Loan.

q. PSH Requirements shall mean the permanent supportive housing requirements of the City Loan Agreement and these Restrictive Covenants.

r. PSH Unit means a unit that is subject to the PSH Requirements that are linked to rental subsidies and a range of support services that enable tenants, especially the Chronically Homeless (as defined in the City Loan Agreement), to live independently and participate in community life.

s. Project shall mean the land described in **EXHIBIT A** together with all buildings and other improvements located thereon. Project shall also include all personal property of the Owner located on, incorporated into, or used in connection with the land and improvements, including without limitation, all appliances, air conditioning, heating, ventilation, plumbing and electrical fixtures and equipment.

t. Regulations mean all federal regulations applicable to the Project, including, without limitation, any federal or state regulations related to any loans or grants made pursuant to or in connection with the HUD Community Development Block Grant Disaster Recovery program, as amended from time to time, as administered by the GLO.

u. Service Reserve means the reserve created by Owner under Section 6, Paragraph 6.12.2 of the City Loan Agreement to fund Supportive Services for the PSH Units.

v. Supportive Services means the homeless supportive services provided to the PSH Units as defined in the City Loan Agreement.

w. Tax Credit Compliance Period means with respect to any Building in the Project, the fifteen year period beginning with the first taxable year of the Credit Period with respect thereto as defined in Section 42(i)(I) of the Internal revenue Code.

Section 1.2 Generic Terms. Unless the context clearly indicates otherwise, where appropriate the singular shall include the plural, and the masculine shall include the feminine or neuter and vice versa, to the extent necessary to give the terms defined in this Article I and/or the terms otherwise used in this Declaration their proper meanings.

ARTICLE II

USE AND OCCUPANCY OF THE PROPERTY

Section 2.1 Use and Occupancy of the Property. During the Affordability Period, Owner will maintain the Designated Units located at the Property as multi-family rental housing for qualified LMI Persons and will rent or hold available for rental seventy-six (76) Designated Units on a continuous basis.

a. During the Affordability Period, Owner will make continuously available for occupancy each and every Designated Unit in the Project as provided in Section 3.1 below.

b. The determination of whether the income of a family or individual occupying or seeking to occupy a Designated Unit exceeds the applicable income limit shall be made prior to admission of such family or individual to occupancy in a Designated Unit. Thereafter, such determinations shall be made at least annually on the basis of an examination or reexamination of the current income of the family or individual.

ARTICLE III

RENT

Section 3.1 Designated Units; Compliance With Affordability Requirements.

a. The Director has determined that the number of Designated Units for the Project covered by this Agreement shall consist of seventy-six (76) units, being at least fifty-one percent (51%) of the one hundred forty-nine (149) total residential units in the Project, the location of which may float during the Affordability Period.

b. With respect to the Designated Units, Owner shall comply with the following affordability requirements:

- (1) Each of the Designated Units shall be rented or be available for rent only to the City's LMI Persons, being those households whose gross income does not exceed eighty percent (80%) of the Area Median Income ("AMI"), as determined by HUD.
- (2) Designated Units shall be rent restricted based upon the following criteria:

- a. ten percent (10%) or eight (8) of the Designated Units shall be restricted to households with gross incomes that do not exceed thirty percent (30%) of AMI.
 - b. twenty percent (20%) or sixteen (16) of the Designated Units shall be restricted to households with gross incomes that do not exceed fifty percent (50%) of AMI.
 - c. forty percent (40%) or thirty-one (31) of the Designated Units shall be restricted to households with gross incomes that do not exceed sixty percent (60%) of AMI.
 - d. thirty percent (30%) or twenty-one (21) of the Designated Units shall be restricted to households with gross incomes that do not exceed eighty percent (80%) of AMI.
- (3) With respect to the Designated Units, Borrower shall cause Owner to, and Owner shall comply with the following rent and income requirements determined in accordance with the Restrictive Covenants (collectively, the "Affordability Requirements"):

The rental amount for each Designated Unit shall not exceed the applicable maximum rental limitations published annually by HUD for the low-income housing tax credit program, adjusted for household and unit size and applicable to the City, as such rental limitation is further described at 26 U.S.C. §§ 42(g)(2)(A) and (B).

- (4) The location of the Designated Units shall "float" within the Project. No later than ninety (90) days prior to the initiation of rental activities at the Project, Owner shall contact the Director to establish a procedure for identifying the initial Designated Units to be occupied by qualified tenants and a procedure for identifying the floating Designated Units on a periodic basis thereafter. Floating Designated Units shall conform with the requirements of this Section and the City Loan Agreement.

c. The Owner will not refuse to lease a Designated Unit or a PSH Unit to a recipient of federal housing assistance or to the holder of a document evidencing participation in a tenant-based assistance program because of the status of the prospective tenant as a holder of such certificate of participation, rental voucher, or comparable tenant-based assistance document (unless such rental is in conflict with other applicable federal or state requirements).

ARTICLE IV PERMANENT SUPPORTIVE HOUSING

Rental subsidies for the PSH Units are to be provided by a longterm Section 8 Project Based Housing Assistance Contract entered into by Owner and the Houston Housing Authority and the Service Reserve. The Owner shall provide the applicable number of PSH Units for Homeless adults and for those experiencing Chronic Homelessness who have been identified by the local Continuum of Care ("CoC") or by the Coalition of the Homeless ("Coalition") on behalf of CoC. The CoC is a collaborative that includes social service agencies, local governments (including without limitation, the City and the County), public housing authorities, and nonprofit groups providing services to those experiencing Homelessness in the City and the County. The Coalition is a local non-profit corporation focused on coordinating the efforts of local governmental entities and nonprofits on the needs of the Homeless in the Houston area. The Houston-area CoC is administered by the Coalition.

The Coalition uses the Homeless Management Information System (“HMIS”), which is a software tool designed to capture client-level and system-wide information over time on the characteristics and services needs of individuals and households experiencing Homelessness. The Owner shall provide a minimum of 30 PSA Units during the Tax Credit Compliance Period and if adequate funding is available for the Supportive Services whether through a renewal of Section 8 Project Based Housing Assistance Contract, the funds in the Service Reserve or other substitute funds throughout the Affordability Period, the residents of which may be identified by the CoC or the Coalition utilizing the HMIS system or other means during the Affordability Period. As a condition for funding and Closing, the Owner will make available for rental a minimum of 30 efficiency units (“CoC PSH Units”) referred by the CoC or a separate agency determined by the CoC during the Affordability Period. Commencing with lease-up of the Project and thereafter as PSH Units become available for rental, the CoC will be permitted to have access to these units for a minimum of a 60-day period that will include application review.

Prior to closing, the Owner shall provide a management plan (“PSH Management Plan”) that outlines housing and services to be provided to the residents of the CoC PSH Units based on a Housing First model. Housing First is a Chronic Homeless assistance approach that prioritizes providing permanent supportive housing to people experiencing Chronic Homelessness in order to address all of their basic needs or problems including but not limited to behavioral health or substance use issues but does not require that all of their basic needs or problems to be addressed. Housing First is based on the premise that client choice is valuable in housing selection and supportive service participation, and that exercising that choice is likely to make a client more successful in remaining housed and improving their life. The PSH Management Plan must outline procedures to evaluate referrals and applicants that have been evicted from its own or affiliated portfolios and properties.

The City will review the management plan with The Way Home to ensure a Housing First approach will be achieved. Additional information can be found at:

<https://endhomelessness.org/resource/housing-first/>

Upon approval the PSH Management Plan must be implemented and utilized at the Project during the Tax Credit Compliance Period and if adequate funding is available for Supportive Services for the PSH Units throughout the Affordability Period.

The terms of this Agreement, including without limitation, this Article IV, are subject to the terms and provisions of the City Loan Agreement, and in the event of any conflicts, the terms of the City Loan Agreement shall control. In the event of a conflict between these Restrictive Covenants and the Restrictive Covenants being imposed on the Property by Harris County, the stricter requirements shall control. For clarity purposes if one of the lenders (City or County) imposes restrictions that requires more Designated Units at a lower income level, that set of restrictions shall control the number of Designated Units at that income level.

The number of required Designated Units shall remain unchanged throughout the Affordability Period, notwithstanding any changes in the number of PSH Units.

ARTICLE V

ADMINISTRATION

Section 5.1 Tenant Lease Requirements. The Owner shall enter into a lease agreement (in the form approved by the Director) with each new or renewal tenant (“Tenant”) of the Project’s Designated Units and PSH Units. The term of each lease shall not be less than one (1) year unless the Owner and the Tenant mutually agree otherwise. No lease of any Designated Unit may contain any of the following provisions:

- a. An agreement by the Tenant to be sued, to admit guilt or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;
- b. An agreement by the Tenant that the Owner may take, hold, or sell personal property of household members without notice to the Tenant and a court decision on the rights of the parties. This provision does not apply to an agreement by the Tenant concerning disposition of personal property remaining in a housing unit in the Project after the Tenant has moved out of a unit. The Owner may dispose of this personal property in accordance with applicable state law;
- c. An agreement by the Tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;
- d. An agreement of the Tenant that the Owner may institute a lawsuit without notice to the Tenant;
- e. An agreement by Tenant that the Owner may evict the Tenant or household members without instituting a civil court proceeding in which the Tenant has the opportunity to present a defense, or prior to a court decision regarding the rights of the parties;
- f. An agreement by the Tenant to waive any right to a trial by jury;
- g. An agreement by the Tenant to waive the Tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; or
- h. An agreement by the Tenant to pay attorney's fees or other legal costs even if the Tenant wins in a court proceeding by the Owner against the Tenant. The Tenant, however, may be obligated to pay costs if the Tenant loses.

Section 5.2 Limitations on Termination of Leases. Owner shall not terminate any tenancy or refuse to renew the lease of any Tenant in the Project except for one of the following reasons: (a) violation of the terms and conditions of the lease; (b) violation of applicable federal, state or local law; (c) if the Project is a transitional housing facility, for completion of the transitional housing tenancy period established by mutual agreement of the Owner and the City; or (d) other good cause. Any termination or refusal to renew must be preceded by the Owner providing the affected Tenant with not less than thirty (30) days prior written notice specifying the grounds for such termination or refusal to renew.

Section 5.3 [reserved]

Section 5.4 Annual Reevaluation of Rents. For purposes of monitoring compliance with the affordability requirements of Section 3.1 above, Owner shall, prior to the occupancy of any Tenant in a Designated Unit and PSH Unit and thereafter annually, submit to the City for approval, the rents proposed by the Owner for the coming year as well as the monthly allowances proposed by the Owner for the coming year for utilities and services to be paid by the Tenant. In connection with the Owner's annual submittal of proposed rents, the Owner shall re-examine the income of each Tenant household living in a Designated Unit. The maximum monthly rent for Designated Units must be recalculated by the Owner in accordance with the requirements of Section 3.1 above and reviewed and approved by the City. Any increase in rents for Designated Units and PSH Units is subject to the provisions of the leases in any event, and the Owner must provide Tenants not less than thirty (30) days prior written notice before implementing any increase in rents.

Section 5.5 Maintenance of Project. Owner must maintain the Project in compliance with (i) the City's Minimum Property Standards as defined in the City Loan Agreement and (ii) all applicable, local codes, rehabilitation standards, ordinances and zoning ordinances (including without limitation, the City's Building, Housing and Fire Codes).

Section 5.6 Maintenance of Documents. All tenant lists, applications, leases, waiting lists, income examinations and reexaminations relating to the Property shall at all times be kept separate and identifiable from any other business of Owner which is unrelated to the Property, and shall be maintained in a reasonable condition for proper audit and subject to examination and photocopying during business hours by representatives of the City, GLO, HUD or other federal agency.

Section 5.7 Compliance Review. The City or its designee will monitor Owner's compliance with the requirements of this Declaration. In conducting its compliance review the City will rely primarily on information obtained from Owner's records and reports, findings from on-site monitoring and audit reports.

Section 5.8 Releases. Upon the expiration of the Affordability Period as provided in Section 1.1(a) hereof, Owner shall request that the City execute such documents as may be required to evidence release of the Property from the covenants and restrictions set forth in this Declaration and the other City Loan Documents.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF OWNER

Section 6.1 Representations and Warranties. Owner represents and warrants to the City that:

a. Valid Execution. Owner has validly executed this Declaration and the same constitutes the binding obligation of Owner. Owner has full power, authority and capacity:

- (i) to enter into this Declaration;
- (ii) to carry out Owner's obligations as described in this Declaration; and
- (iii) to assume responsibility for compliance with all applicable local, state and federal rules and regulations, including, without limitation, the Regulations.

b. No Conflict or Contractual Violation. To the best of Owner's knowledge, the making of this Declaration and Owner's obligations hereunder:

- (i) will not violate any contractual covenants or restrictions (A) between Owner and any third party or (B) affecting the Property;
- (ii) will not conflict with any of the instruments that create or establish Owner's authority;
- (iii) will not conflict with any applicable public or private restrictions;
- (iv) do not require any consent or approval of any individual or entity which has not already been obtained; and
- (v) are not threatened with invalidity or unenforceability by any action, proceeding or investigation pending or threatened, by or against (A) Owner without regard to capacity, (B) any person with whom Owner may be jointly or severally liable, or (C) the Property or any part thereof.

c. No Litigation. No litigation or proceedings are pending or, to the best of Owner's knowledge, threatened against Owner which if adversely determined could individually or in the aggregate have an adverse effect on title to or the use and enjoyment or value of the Property, or any portion thereof, or which could in any way interfere with the consummation of this Declaration.

d. No Bankruptcy. There is not pending or, to Owner's best knowledge, threatened against Owner any case or proceeding or other action in bankruptcy, whether voluntary or otherwise, any assignment for the benefit of creditors, or any petition seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for Owner under any federal, state or other statute, law or regulation relating to bankruptcy, insolvency or relief for debtors.

Section 6.2 **INDEMNIFICATION.** OWNER AGREES TO INDEMNIFY AND HOLD HARMLESS THE CITY, GLO AND HUD FROM AND AGAINST ALL LIABILITIES, LOSSES, CLAIMS, DAMAGES, JUDGMENTS, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES) INCURRED BY THE CITY, GLO OR HUD AS A RESULT OF ANY MATERIAL INACCURACY IN ANY OF THE REPRESENTATIONS AND WARRANTIES CONTAINED IN SECTION 6.1.

ARTICLE VII

ENFORCEMENT AND REMEDIES

Section 7.1 Remedies of the City.

a. A default under this Declaration or the City Loan Agreement, shall constitute a default under the City Loan and the Owner Loan and, if such default is continuing beyond the expiration of all applicable notice, grace, and cure periods, shall entitle the City to exercise all of its rights and remedies under the City Loan Documents and the Owner Loan Documents which were collaterally assigned to the City. The City may pursue collection on the Owner Loan as part of the collateral for the City Loan. The rights set forth in this Section 7.1 are in addition to any rights the City may have under the City Loan Documents, at law or in equity. In the event of a default hereunder, Owner shall have the notice and cure rights provided it under the City Loan Documents and the Owner Loan Documents.

b. This Declaration shall be enforceable by actions at law or in equity including, without limitation, actions for specific performance by the City of Houston, its successors and assigns and/or one or more third-party beneficiaries. For the purpose of this Restrictive Covenant, a third-party beneficiary shall be any member of a Low-Income Family meeting the eligibility requirements for a Designated Unit under Section 3.1 of this Declaration.

c. Each right, power and remedy of the City provided for in this Declaration now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Declaration or now or hereafter existing at law or in equity or by statute or otherwise and the exercise or beginning of the exercise by the City of any one or more of the rights, powers or remedies provided for in this Declaration or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the City of any or all such other rights, powers or remedies.

d. To the extent provided in, and subject to the terms of, the other City Loan Documents and Owner Loan Documents, Owner shall be fully and personally liable and subject to legal action to the full extent of the losses of the City caused by (a) misappropriation of insurance proceeds; (b) misappropriation of proceeds from condemnation or a conveyance in lieu of condemnation; (c) misappropriation of tenant security deposits or other refundable deposits of tenants; (d) misappropriation of rents and other payments received from leases after an Event of Default; (e) reserved; (f) for all obligations and indemnities of Owner and Borrower under the City Loan Documents relating to hazardous or toxic substances or compliance with environmental laws; and (g) for fraud or material written intentional misrepresentation by Owner.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Amendments. This Declaration may not be amended, modified or rescinded except pursuant to written instrument executed by Owner and approved by the City.

Section 8.2 Notices. All notices required or permitted to be given under this Declaration must be in writing and will be deemed to have been duly given if delivered personally or three (3) days after mailed postage prepaid, by registered or certified United States mail, return receipt requested, addressed to the parties at the following addresses:

If mailed or delivered
to the City:

CITY OF HOUSTON
Housing & Community
Development Department
2100 Travis Street, 9th Floor
Houston, TX 77002
Attention: Director or Interim Director

If mailed or delivered
to Owner:

MAGNIFICAT PERMANENT AFFORDABLE, LLC
122 East 42nd Street, Suite 4900
New York, NY 10168
Attention: Terry Green

If mailed or delivered
to Borrower:

NHPF CAROLINE CONDUIT, LLC
122 East 42nd Street, Suite 4900
New York, NY 10168
Attention: Terry Green

With a copy to:

MAGNIFICAT HOUSES, INC.
P.O. Box 25415
Houston, Texas 77265-5415

With a copy to:

Hudson-FM SLP LLC
c/o Hudson Housing Capital LLC
630 Fifth Avenue, 28th Floor
New York, New York 10111
Attention: Joseph A. Macari

Any party may change its address for notice purposes by giving notice to the other parties in accordance with this Section 8.2.

Section 8.3 Governing Law and Venue. This Declaration shall be construed and interpreted in accordance with the laws of the City, the State of Texas, the laws of the federal government of the United States, and all rules and regulations of any regulatory body or officer having jurisdiction. Venue shall be proper for any dispute with respect to this Declaration in the United States District Court for the Southern District of Texas or the state circuit court sitting in Harris County, Texas.

Section 8.4 Severability. This Declaration is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Declaration or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this Declaration and the application of such provision to other persons or

circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

Section 8.5 Binding Effect; Covenants Running with the Land. During the Affordability Period, this Declaration and the covenants, reservations and restrictions contained herein shall be deemed covenants running with the land for the benefit of the City and its successors and shall pass to and be binding upon Owner's and Borrower's assigns and successors in title to the Property, or if the Property shall not include title to land, but shall include a leasehold interest in land, this Declaration and the covenants, reservations, et al., shall bind the leasehold interest as well as the Property and shall pass to and be binding upon all heirs, assigns and successors to such interest; provided, however, that upon expiration of the Affordability Period this Declaration and said covenants, reservations and restrictions shall expire. During the Affordability Period, each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instrument. If a portion or portions of the Property are conveyed, all of such covenants, reservations and restrictions shall run to each portion of the Property. Owner, at its cost and expense, shall cause this Declaration to be duly recorded or filed and re-recorded or refiled in such places, and shall pay or cause to be paid all recording, filing or other taxes, fees and charges, and shall comply with all such statutes and regulations as may be required by law, in the opinion of qualified counsel, in order to establish, preserve and protect the ability of the City to enforce this Declaration.

Section 8.6 Counterparts. This Declaration and any amendments hereto may be executed in several counterparts, each of which shall be deemed to be an original copy.

Section 8.7 Section Titles. Section titles and the table of contents are for descriptive purposes only and shall not control or limit the meaning of this Declaration as set forth in the text.

Section 8.8 Joinder by Fee Owner. The Fee Owner, as owner of the fee estate and landlord under the ground lease in the Project, has joined herein to evidence its consent to these Restrictive Covenants and its agreement for the Restrictive Covenants to bind the Project, the fee estate, and the leasehold estate created by the Ground Lease (both landlord and tenant's interests) and run with the land.

[Signatures on next page]

SIGNATURE PAGE TO RESTRICTIVE COVENANTS

IN WITNESS WHEREOF, the undersigned have executed this Declaration to be effective as of the _____ day of _____, 2022.

OWNER:

MAGNIFICAT PERMANENT AFFORDABLE, LLC,
a Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation,
its manager

By: _____
Neal Drobenare,
Vice President

DISTRICT OF COLUMBIA §

The foregoing instrument was acknowledged before me this ____ day of _____, 2022 by Neal Drobenare, the Vice President of Jamestown Affordable Housing, Inc., a District of Columbia non-profit corporation, the manager of NHPF Caroline MM, LLC, a Texas limited liability company, the managing member **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company, on behalf of said limited liability company.

NOTARY PUBLIC

Printed Name of Notary

My commission expires: _____.

JOINDER:

MHI LANDHOLDINGS LLC,
a Texas limited liability company

By: Magnificat Houses, Inc.,
a Texas nonprofit corporation,
its sole member

By: _____
John Boyles, Executive Director

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this ____ day of _____, 2022 by John Boyles, the Executive Director of Magnificat Houses, Inc., a Texas nonprofit corporation, which is the sole member of **MHI LANDHOLDINGS LLC**, a Texas limited liability company, on behalf of said limited liability company.

NOTARY PUBLIC - THE STATE OF TEXAS

Printed Name of Notary

My commission expires: _____.

ATTACHMENTS:

EXHIBIT "A" — Property Description

EXHIBIT A

Property Description

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

(TO BE ADJUSTED ACCORDING TO FINAL SURVEY)

ATTACHMENT B
TO LOAN AGREEMENT

NOTE

NOTE

\$18,656,631.00

_____, 2022

I. PROMISE TO REPAY.

FOR VALUE RECEIVED, NHPF CAROLINE CONDUIT, LLC, a Texas limited liability company, ("Maker"), hereby agrees and promises to pay to the order of **THE CITY OF HOUSTON, TEXAS**, a home-rule city organized under the laws of the State of Texas ("Payee"), at City Hall Annex, 900 Bagby, City of Houston, Harris County, Texas 77002 or at any other place as the holder hereof may from time to time in writing designate, on the Maturity Date, in coin or currency, which at the time of payment shall constitute legal tender of the United States of America, the principal sum of EIGHTEEN MILLION SIX HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED THIRTY-ONE AND NO/100 DOLLARS (\$18,656,631.00), or so much thereof as may be advanced, together with interest on the principal balance from time to time remaining unpaid at the rates set forth below.

The loan ("Loan") evidenced by this Note is subject to the terms and conditions of that one certain Loan Agreement ("Loan Agreement") between Maker, Payee and **MAGNIFICAT PERMANENT AFFORDABLE HOUSING, LLC**, a Texas limited liability company ("Owner"), of even date herewith. All capitalized terms used herein that are not defined herein shall have the same meaning as given in the Loan Agreement.

The proceeds of the Loan will be used to fund a loan from Maker to Owner ("Owner Loan") for the costs for the construction, repair, renovation and/or rehabilitation of certain improvements located on the property located at 3300 Caroline Street, Houston, Harris County 77004 ("Project") which houses or is to house low- or moderate-income persons. Funding for the City Loan is being provided to the City pursuant to 2017 Community Development Block Grant Disaster Recovery program funds awarded by the United States Department of Housing and Urban Development through the Texas General Land Office ("GLO") and is subject to the terms and conditions of a contract between GLO and the City. The Loan is a community development activity undertaken by the City and authorized under Chapter 373 or Chapter 374 of the Texas Local Government Code.

II. TERM.

The term of the Loan shall commence on the date of this Note (the "Closing Date") and shall mature upon the last day of the Affordability Period (as defined in the Loan Agreement) (the "Maturity Date"). This Note is secured by and entitled to the benefits of a Fee Deed of Trust, Security Agreement and Financing Statement executed by MHI Landholdings LLC and covering the Fee Interest in the Project ("Fee Deed of Trust") and a Collateral Assignment of Note and Liens of even date herewith executed by Maker to the Payee covering the Owner Loan and the Owner Loan Documents (as defined in the Loan Agreement), including the Leasehold Deed of Trust executed by Owner to Keith Bynam, Trustee, covering a leasehold ownership interest in the Project ("Leasehold Deed of Trust"), together with the buildings and other improvements now or hereafter erected thereon and the personal property attached to or used in connection therewith.

III. PAYMENTS.

No payment of principal or interest shall be payable under this Note except in the event of a Default (as hereinafter defined) during the Term of this Note. Upon the expiration of the Affordability Period (as defined in the Loan Agreement), if no Default has occurred which remains uncured, the amount of the deferred principal and interest shall be deemed paid. The Maturity Date is the date of expiration of the Affordability Period. If a Default has occurred and is continuing, at the option of Payee after all applicable notice and cure periods have expired, the outstanding deferred principal balance shall be immediately due and payable.

IV. DEFAULT; ACCELERATION.

If a Default exists, the entire debt represented by this Note, consisting of the outstanding principal balance and all accrued interest thereon, shall, at the option of the holder hereof, become immediately due and payable, and except as provided in the Loan Agreement, without notice, presentment for payment, demand, notice of nonpayment, notice of intention to accelerate, acceleration, or other notices of any type which are specifically waived, time being of the essence hereof. Payee's rights under this paragraph shall be in addition to any other rights or remedies it may have under any of the Loan Documents (as defined in the Loan Agreement), at law or in equity, to enforce Maker's obligations under the Loan Documents. At Payee's option during the continuance of any Default, interest shall accrue on the outstanding balance of this Note at a rate equal to the lower of the highest rate permitted by applicable law or ten percent (10%) per annum ("Default Rate"). For purposes of this Note, the term "Default" shall mean a default in payment of the Note or a default under the terms of this Note, the Fee Deed of Trust, the Leasehold Deed of Trust, the Loan Agreement, or any of the other Loan Documents that continues beyond the expiration of all applicable notice and cure periods.

V. PREPAYMENT/MODIFICATION.

THIS NOTE MAY NOT BE PREPAID OR MODIFIED WITHOUT THE PRIOR WRITTEN CONSENT OF THE PAYEE, WHICH CONSENT MAY BE WITHHELD OR GRANTED IN THE SOLE DISCRETION OF THE PAYEE.

VI. APPLICATION OF PAYMENTS.

Each payment made on this Note shall be credited first to accrued, unpaid interest and the remainder to principal.

VII. WAIVER.

Maker hereby waives presentment for payment, protest and demand, notice of protest, demand and dishonor, and non-payment of this Note, and except as otherwise specified in any of the Loan Documents, waives notice of acceleration, and notice of intent to accelerate, and hereby consents that the holder hereof may extend the time of payment or otherwise modify the terms of payment of any part or the whole of the debt evidenced by this Note, at the request of any other person liable hereon, and such consent shall not alter nor diminish the liability of any person. The failure to exercise any remedy available to Payee shall not be deemed to be a waiver of any rights or remedies of Payee under this Note or under any of the other Loan Documents, or at law or in equity. No extension of the time for the payment of this Note or any installment due hereunder, made by agreement with any person now or hereafter liable for the payment of this Note, shall operate to release, discharge, modify, change or affect the original liability of Maker under this Note, either in whole or in part, unless Payee specifically, unequivocally and expressly agrees otherwise in writing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change or modification is sought.

VIII. COSTS OF COLLECTION; ATTORNEYS' FEES.

Maker agrees to pay all costs of collection, including reasonable attorneys' fees, if the principal of this Note or any payment on the principal or interest hereon is not paid at the respective maturity and to pay all reasonable costs including, attorneys' fees and court costs, if it becomes necessary to protect the security hereof, whether suit be brought or not, if a Default exists.

IX. USURY LIMITATIONS.

No provision of the Loan Agreement, this Note, or any instrument securing payment of or relating to the indebtedness, shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law ("Maximum Rate"). If any excess of interest in such respect is herein or in any other instrument provided for, or shall be adjudicated to be so provided for herein or in any other instrument, the provisions of this paragraph shall govern and neither Maker nor any guarantor or endorser of this Note nor their respective heirs, personal representatives, successors, or assigns shall be obligated to pay such interest to the extent it is in excess of the Maximum Rate. Any fees or other sums that under applicable law are deemed to constitute interest shall be or other sums so deemed interest shall be amortized, prorated, allocated and spread in equal parts over the full stated term of the loan evidenced hereby.

If the maturity of this Note is accelerated for any reason before the stated Maturity Date, or in the event of any prepayment by Maker, or in any other event, earned interest may never exceed the Maximum Rate, computed from the date of disbursement of the loan evidenced hereby until payment, and any unearned interest otherwise payable hereunder that is in excess of the Maximum Rate shall be cancelled automatically as of the date of the acceleration, prepayment, or other event, and if previously paid, shall at the option of the holder of this Note be either refunded to Maker or credited on the principal of this Note, provided that, if the holder elects to credit the unearned interest on the principal of this Note, and such unearned interest exceeds the principal balance, the excess shall be refunded to Maker. Any interest computation under this Note and the Loan Agreement shall be at not more than the Maximum Rate upon the portion of the face amount hereof representing principal that remains unpaid from time to time, it being the intention of the parties hereto to conform strictly to the laws applicable to the loan evidenced by this Note and the Loan Agreement, and should it be held that interest payable under this Note and the Loan Agreement is in excess of the Maximum Rate, the interest chargeable hereunder shall be reduced to the maximum amount permitted by law.

X. RESERVED

XI. GOVERNING LAW AND VENUE

This Note is made in the State of Texas and shall be governed by and construed in accordance with the internal laws of the State of Texas, without regard to conflicts of laws principles. Venue for any disputes relating in any way to this Note shall lie exclusively in Harris County, Texas.

XII. SUCCESSORS

This Note shall be binding upon the parties hereto and their respective successors and assigns.

XIII. JURY WAIVER

MAKER AND PAYEE ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE OR THE INDEBTEDNESS.

XIV. ENTIRE AGREEMENT

THIS WRITTEN LOAN AGREEMENT (AS DEFINED BY SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE) AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

XV. LIMITS ON PERSONAL LIABILITY

(a) Notwithstanding anything to the contrary set forth herein, or in the Loan Agreement, or in any other Loan Documents (as defined in the Loan Agreement), upon the commencement of the Affordability Period, Maker and its members (except for Guarantor if Guarantor is a member) shall have no personal liability under this Note, the Loan Agreement and the other Loan Documents for the repayment of the indebtedness or for the performance of any other obligations of Maker under the Loan Documents except as set forth below, and Payee's only recourse for the satisfaction of the indebtedness payable under the Loan Documents and the performance of such obligations shall be Payee's exercise of its rights and remedies with respect to the Project, Property and any other collateral held by Payee as security for the indebtedness except as set forth below. This limitation on Maker's liability shall not limit or impair Payee's enforcement of its rights against the Maker for any indebtedness or obligations of Maker under Section XV(b) of below.

(b) Maker shall be personally liable to Payee for the repayment of a portion of the indebtedness payable under the Loan Documents equal to any loss or damage suffered by Payee as a result of:

(i) failure of Maker to pay to Payee upon demand after a Default, all rents, revenues and profits from the operation of the Project to which Payee is entitled under the Deed of Trust and the amount of all security deposits collected by Maker from tenants then in residence, subject to the rights of any senior lender with a first lien deed of trust on the Project;

(ii) failure of Maker to apply all insurance proceeds and condemnation proceeds as required by the Loan Documents, subject to the rights of any senior lender with a first lien deed of trust on the Project, except to the extent Maker lacks the legal right to direct the disbursement of such sums because of bankruptcy, receivership or similar judicial proceedings;

(iii) failure of Maker to comply with the requirements in the Deed of Trust relating to the delivery of books and records, statements, schedules and reports;

(iv) fraud or any written material misrepresentation by Maker or any officer, agent, director, partner, member or employee of Maker in connection with the application for the Loan, the Loan Documents, or any request by Payee;

(v) failure to apply rents, revenues and profits, first, to the payment of reasonable operating expenses (other than property management fees that are not currently payable) and then to debt service amounts due, except that Maker will not be personally liable (i) to the extent that Maker lacks the legal right to direct the disbursement of such sums because of a senior loan deed of trust encumbering the Project, or bankruptcy, receivership or similar judicial proceedings, or (ii) with respect to surplus cash distributed in any calendar year if Maker has paid all operating expenses and debt service amounts due for that calendar year, provided that such distribution does not violate the terms of the City Loan Agreement;

(vi) failure of Maker to pay all deductibles required under any of the insurance policies required to be maintained under the Loan Agreement;

(vii) the failure of the Maker to complete the construction of the Project by the date required under the Loan Agreement;

(viii) the failure of the Maker to qualify the Project as a "qualified low-income housing project" under Section 42(g) of the Code; or

(ix) Failure of Maker to comply with the Restrictive Covenants executed in connection with the City Loan Agreement.

If at any time any payment received by Payee hereunder shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under any Debtor Relief Law (as defined below), then the obligation to make such payment shall survive any cancellation or satisfaction of this Note or return thereof to Payee and shall not be discharged or satisfied with any prior payment thereof or cancellation of this Note, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof, and such payment shall be immediately due and payable upon demand. For purposes of this Note, "**Debtor Relief Law**" shall mean Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts or similar laws affecting the rights of creditors.

[EXECUTED ON THE FOLLOWING PAGE]

*Signature Page to
Promissory Note*

EXECUTED to be effective as of the date first written above.

MAKER:

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

By: The NHP Foundation,
a District of Columbia nonprofit corporation,
its manager

By: _____
Neal Drobenare, Senior Vice
President

ATTACHMENT C-1
TO LOAN AGREEMENT

FEE DEED OF TRUST, SECURITY AGREEMENT
AND FINANCING STATEMENT

When recorded, return to:

THE CITY OF HOUSTON

P. O. Box 1562

Houston, TX 77251-1562

Attention: Director, Housing and Community Development Department

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

FEE DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT

From

MHI LANDHOLDINGS LLC,
a Texas limited liability company
as Grantor

to

KEITH BYNAM,
as Trustee

For the benefit of
CITY OF HOUSTON
as Beneficiary

FEE DEED OF TRUST, SECURITY AGREEMENT
AND FINANCING STATEMENT

THE STATE OF TEXAS §

COUNTY OF HARRIS §

That in consideration of certain indebtedness hereinafter described, justly owing by **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("**Conduit**"), to the **CITY OF HOUSTON** ("**Beneficiary**") and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, **MHI LAND HOLDINGS LLC**, a Texas limited liability company ("**Grantor**") has GRANTED, ASSIGNED, TRANSFERRED and CONVEYED, and does hereby GRANT, ASSIGN, TRANSFER and CONVEY unto **KEITH BYNAM** as trustee ("**Trustee**"), all of the following described property is collectively referred to herein as the "**Property**":

A. All of Grantor's right, title and interest, whether now or hereafter arising, in and to the real property situated in Harris County, Texas, described in **EXHIBIT A** hereto, together with all right, title and interest now and/or hereafter owned by Grantor, its successors and assigns, in the whole or any part of the above described real property and/or any street or road adjacent and/or contiguous to the above described real property ("**Land**").

B. All of Grantor's right, title and interest, whether now or hereafter arising, in and to all buildings and other improvements now or hereafter placed on the Land, as well as all appurtenances, betterments and additions thereto ("**Improvements**"); all and singular the rights, privileges, hereditaments and appurtenances in anywise incident or appurtenant to the Land and Improvements; and the rents, revenue, profits and income from the Land and Improvements.

C. All of Grantor's right, title and interest, whether now or hereafter arising, in and to any and all plumbing, electrical, heating, cooling and other equipment and all building materials and other goods of every type, kind and character that are now or hereafter situated upon the Land and which (i) are intended to be incorporated into the Improvements or (ii) are now, or hereafter become, fixtures attached to the Land or the Improvements; any and all other goods of every type, kind and character, including without limitation, all appliances, furniture, fixtures, inventory and equipment now owned or hereafter acquired by Grantor that are now or hereafter situated upon the Land (whether or not situated within or attached to the Improvements) and that facilitate the use and occupancy of the Improvements for the purpose for which they were or are to be constructed; all plans and specifications for the Improvements, all rights of Grantor under all existing and future leases (including the Ground Lease as described below), construction, maintenance and other contracts covering or relating to the Land or the Improvements, all tenants deposits made pursuant to or in connection with such leases, all rights of ingress and egress, easements, water and wastewater rights, and to the extent assignable, all licenses, permits, franchises, certificates, accounts, instruments, chattel paper, documents, agreements, contracts, including without limitation any agreements with the United States Department of Housing and Urban Development (to the extent assignable), and general intangibles, and all rights of Grantor in and to any development rights relating to the Land or the Improvements (including, without limitation, trade names and symbols used in connection therewith and any deposits with utility companies) and all other rights and privileges obtained in connection with, relating to or associated with the Land or the Improvements (collectively, the "**Personalty**") and all proceeds of the Personalty.

D. To the extent the assignment thereof is enforceable under applicable law, all of Grantor's right, title and interest, whether now or hereafter arising, in and to any tax refunds, including interest thereon, tax rebates, ad valorem tax credits, and tax abatements, and the right to receive the same, which may be payable or available with respect to the Property but excluding any Housing Tax Credits available pursuant to Section 42 of the Internal Revenue Code, as amended.

E. All of Grantor's right, title and interest in the proceeds (including conversion to cash or liquidation claims) of (A) insurance relating to the Property and (B) all awards made for the taking by eminent domain (or by any proceeding or purchase in lieu thereof) of the Property, including awards resulting from a change of any streets (whether as to grade, access, or otherwise) and for severance damages.

F. All of Grantor's right, title and interest, if any, in and to all substances in, on, or under the Land which are now, or may become in the future, intrinsically valuable, that is, valuable in themselves, and which now or may be in the future enjoyed through extraction or removal from the property, including without limitation, oil, gas, and all other hydrocarbons, coal, lignite, carbon dioxide and all other nonhydrocarbon gases, uranium and all other radioactive substances, and gold, silver, copper, iron and all other metallic substances or ores (collectively, "**Minerals**").

G. All funds of Grantor that may be deposited with Beneficiary at any time and from time to time for any purpose, which funds shall be deemed to be part of the Personality for purposes hereof. In the event of a conflict between the terms and conditions of this instrument and the instrument under which Beneficiary holds any funds of Grantor, the terms and conditions of the latter instrument shall prevail.

H. Capitalized terms used above and elsewhere in this Deed of Trust without definition have the meanings given them in the Loan Agreement between Magnificat Permanent Affordable, LLC, a Texas limited liability company ("**Tenant**"), Conduit and Beneficiary (the "**Loan Agreement**").

TO HAVE AND TO HOLD the Property unto the Trustee and the assigns of the Trustee, and Grantor does hereby bind Grantor and the successors and assigns of Grantor, to WARRANT AND FOREVER DEFEND all and singular the Property and title thereto unto the Trustee and unto the assigns of the Trustee, against every person or party whomsoever claiming or to claim the same, or any part thereof, subject, however, to the permitted encumbrances set forth on **EXHIBIT B** attached hereto, the Extended Use Agreement (as hereinafter defined), the Restrictive Covenants (hereinafter defined) of the City, the County Restrictions (as defined in the Intercreditor Agreement) (collectively, the "**Permitted Encumbrances**") and the liens securing the certain indebtedness to Harris County as described in the Intercreditor Agreement described below which is pari passu to the Indebtedness herein described pursuant to the Intercreditor Agreement.

I.

SECURITY FOR PERFORMANCE OF OBLIGATIONS

This conveyance is made in trust, however, to secure the performance of all covenants and agreements contained in this Fee Deed of Trust, Security Agreement and Financing Statement ("**Deed of Trust**") and the Loan Agreement (as described above) and the full and prompt payment when due (by lapse of time or otherwise), of the following indebtedness (the "**Indebtedness**"):

A. Loan. All sums, including principal, interest and attorneys' fees, called for in that certain promissory note (the "**Note**") executed by Conduit payable to the order of Beneficiary, in the principal amount of EIGHTEEN MILLION SIX HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED THIRTY-ONE AND NO/100 DOLLARS (\$18,656,631.00), which Note evidences that certain loan from Beneficiary to Conduit of the amount set forth in the Note (the "**Loan**"), and which Note bears interest at the rates therein stated and provides for acceleration of maturity should a Default (as defined in the Loan Agreement) occur.

B. Other Sums. All other sums owing by Grantor, Conduit and/or Tenant to Beneficiary or other holder(s) of any part of the Indebtedness or becoming due under the Loan Agreement. (This Deed of Trust and all other instruments now or hereafter evidencing, governing or securing any part of the Indebtedness are hereinafter collectively referred to as the "**Loan Documents**").

C. Other Obligations. This Deed of Trust also secures Grantor's and Tenant's performance under certain Restrictive Covenants with respect to the Property executed by Grantor and Tenant in connection with the Loan Agreement.

II.

**PAYMENT OF THE INDEBTEDNESS;
DEFAULT; ENFORCEMENT OF TRUST**

A. Payments. If the Indebtedness is fully paid and if all of covenants and agreements herein and in the Loan Agreement and the other Loan Documents are fully kept and performed, and if no Default then exists, then this conveyance shall thereupon become of no further force and effect and shall be released by Beneficiary or other holder(s) of the Indebtedness upon the written request and at the expense of Grantor.

B. Enforcement. But if any Default (as defined in the Loan Agreement) , and as such term is used in this Deed of Trust and the other Loan Documents, the term "Default" means the applicable Default has occurred and is continuing beyond the expiration of all applicable notice, grace, and cure periods) exists, the whole of the Indebtedness shall at the option of Beneficiary, without notice to Grantor or any other person, which notice is hereby waived, become immediately due and payable and thereupon, or at any time thereafter that the Indebtedness or any part thereof remains unpaid, it shall be the duty of the Trustee, or the Substitute Trustee, as hereinafter defined, at the request of Beneficiary, or the holder(s) of the Indebtedness, which request shall be presumed, to enforce this Trust and to sell as an entirety, or in parcels, by one sale or by several sales, held at one time or at different times, as the Trustee acting may elect (all rights to a marshaling of Grantor's assets, including Property, or to a sale in inverse order of alienation, being hereby expressly waived by Grantor), the Property in the county in which the Property, or a part of the Property to be sold, is situated (the "**County**") at such area at the courthouse or other location designated by the Commissioner's Court of the County as the area where sales are to take place, or if no area is designated, at the door of the County Courthouse, each sale to be made on the first Tuesday of a calendar month between the hours of 10:00 A.M. and 4:00 P.M. to the highest bidder for cash at public auction, after both posting or causing to be posted written or printed notice of the time (including the earliest time at which the sale will occur), place, and term of sale at the door of the Courthouse of the County and filing or causing to be filed a copy of the notice in the Office of the County Clerk of the County, for at least twenty-one (21) days preceding the day of sale, and to execute and to deliver to the purchaser(s) at each such sale proper conveyance(s) of the property interest sold, with general warranty of title binding upon Grantor and the successors and assigns of Grantor; or Beneficiary or other holder(s) of the Indebtedness may foreclose or cause to be foreclosed the Lien of this Deed of Trust, in whole or in part, through judicial foreclosure or in any manner as may at any time be authorized under the statutes of the State of Texas. In addition, the holder(s) of the Indebtedness to which the power is related shall, at least twenty-one (21) days preceding the date of sale, serve written notice of the proposed sale by certified mail on each person obligated to pay the Indebtedness according to the records of the holder(s). Service of the notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper, properly addressed to each debtor at the most recent address as shown by the records of the holder(s) of the Indebtedness, in a post office or official depository under the care and custody of the United States Postal Service. The Affidavit of any person having knowledge of the facts to the effect that service was completed shall be prima facie evidence of the fact of service. No notice of the sale or sales other than that herein provided for need be given to Grantor or any other person or party, and any other notice is hereby waived. Beneficiary or other holder(s) of the Indebtedness shall have the right to become the purchaser at any sale to the same extent as any other party, being the highest bidder, and in lieu of paying cash may credit the amount of the bid upon the Indebtedness up to the full amount of the Indebtedness then unpaid.

C. Proceeds. The Trustee acting shall apply the proceeds arising from each sale, first, to pay all reasonable expenses of the sale actually incurred, second, to reimburse Beneficiary for any expenses incurred by Beneficiary in protecting, administering or operating the Property after the occurrence of the applicable Default and prior to the foreclosure sale and third, to the payment of the

Indebtedness (including all principal, interest and attorneys' fees owing as part of the Indebtedness). The proceeds of each sale paid to Beneficiary may be applied by Beneficiary on the Indebtedness in any order and manner as Beneficiary may elect. Any surplus funds from the foreclosure sale or sales hereunder shall be paid to Grantor or the person(s) lawfully entitled thereto.

III.

UNMATURED INDEBTEDNESS

If any Default exists, Beneficiary or other holder(s) thereof shall, in addition to any remedies available to Beneficiary at law or in equity, have the option to proceed with foreclosure in satisfaction of such item or items, either through the courts or by directing the Trustee, or the Substitute Trustee, as hereinafter provided for, to proceed as if under a foreclosure, conducting the sale as herein provided and without declaring the whole debt due, and if a sale is made because of such Default, the sale may be made subject to the unmatured part of the Indebtedness, but as to the unmatured part of the Indebtedness, this Deed of Trust shall remain in full force and effect just as though no sale had been made under the provisions of this paragraph. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Indebtedness, it being the purpose hereof to provide for a foreclosure and sale of the Property, in whole or in part, for any matured portion of the Indebtedness without exhausting the power of foreclosure and the power to sell the Property, in whole or in part, for any other part of the Indebtedness subsequently maturing.

IV.

SUBSTITUTE TRUSTEE

In case of the resignation of the Trustee, or the inability (through death or otherwise), refusal or failure of the Trustee to act, or at the option of Beneficiary or the holder(s) of the Indebtedness for any other reason (which reason need not be stated), a substitute trustee ("**Substitute Trustee**") may be named, constituted and appointed by Beneficiary or the holder(s) of the Indebtedness, without other formality than an appointment and designation in writing; the appointment and designation shall be full evidence of the right and authority to make the same and of all facts therein recited; and this conveyance shall vest in the Substitute Trustee the title, power and duties herein conferred on the Trustee originally named herein and the conveyance of the Substitute Trustee to the purchaser(s) at any sale shall be equally valid and effective. The right to appoint a Substitute Trustee shall exist as often and whenever from any of said causes, the Trustee, original or Substitute, resigns, or cannot, will not, or does not act, or Beneficiary or the holder(s) of a majority of the Indebtedness desire to appoint a new Trustee. No bond shall ever be required of the Trustee, original or Substitute. The recitals in any conveyance made by the Trustee, original or Substitute, shall be accepted and construed in court and elsewhere as prima facie evidence and proof of the facts recited and no other proof shall be required as to the request by Beneficiary or the holder(s) of a majority of the Indebtedness to the Trustee to enforce this Trust, or as to the notice of or holding of the sale, or as to any particulars thereof, or as to the resignation of the Trustee, original or Substitute, or as to the inability, refusal or failure of the Trustee, original or Substitute, to act or as to the election of Beneficiary or the holder(s) of a majority of the Indebtedness to appoint a new Trustee, or as to appointment of a Substitute Trustee, and all prerequisites of the sale shall be presumed to have been performed; and each sale made under the powers herein granted shall be a perpetual bar against Grantor and the successors and assigns of Grantor.

V.

REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF GRANTOR

For the purpose of better securing to Beneficiary the payment of the Indebtedness, Grantor represents, warrants and covenants to Beneficiary as follows:

A. Title, Authority, and Performance under Leases. At the time of the execution and delivery of this Deed of Trust, Grantor is the sole and lawful owner of the Land in fee simple, and Grantor has the authority to execute this Deed of Trust. The Property is free from all encumbrances and charges whatsoever except for the Permitted Encumbrances and liens securing Harris County indebtedness described in the Intercreditor Agreement which are pari passu to the liens herein created. No assignments or pledges are currently in effect with respect to any leases of or rentals or income from the Property except for assignments and/or pledges to Beneficiary and those expressly stated in **EXHIBIT B**, and until the Indebtedness is fully paid, at which time this Deed of Trust will be released. Grantor shall not make any additional assignment or pledge thereof without Beneficiary's prior written consent. Notwithstanding the foregoing, the Property is subject to a Ground Lease between Grantor as landlord and Tenant, as tenant. In addition, Grantor warrants that (a) the Ground Lease is in full force and effect; (b) there are no defaults under the Ground Lease and no event has occurred but for the passage of time or notice or both, would constitute a default under the Ground Lease; and (c) all rents and other sums due under the Ground Lease have been paid in full.

B. Tax and Insurance Escrow. Upon written request by Beneficiary, Grantor agrees to deposit with Beneficiary or cause Tenant to deposit on a monthly basis, or at other intervals as specified, a sum that shall be sufficient to pay taxes, assessments, charges, and insurance premiums as they become due, all as reasonably estimated by Beneficiary, which sum shall be held by Beneficiary (or by a banking institution selected by Beneficiary whose funds are insured by a federal agency or instrumentality) in trust to pay taxes, assessments, charges and premiums, but which shall not bear interest and may be commingled with other funds. If at any time the funds so held by (or on behalf of) Beneficiary are insufficient to pay any tax, assessment, charge or insurance premium, Grantor shall or shall cause Tenant, upon receipt of notice, deposit with Beneficiary (or such banking institution), all additional funds as are necessary to remove the deficiency. If the Indebtedness is for any reason declared immediately due and payable, funds held by (or on behalf of) Beneficiary for payment of taxes, assessments, charges or premiums as herein provided may, at Beneficiary's election, be applied on the Indebtedness in any manner as Beneficiary so elects. In the event that Beneficiary does not require the escrow deposits described in the paragraph, Grantor shall provide Beneficiary with written evidence that (i) all applicable taxes and assessments have been paid at least thirty (30) days prior to delinquency and (ii) all insurance premiums have been paid thirty (30) days before the renewal date of the applicable policies. Grantor shall duly pay and discharge, or cause to be paid and discharged, all taxes, assessments, charges, and insurance premiums before they become past due. The Grantor expects the Property to be exempt from ad valorem taxation from and after closing of the Indebtedness.

C. Insurance. Grantor shall or shall cause Tenant, prior to or concurrently with the execution of this Deed of Trust, deliver to Beneficiary all of the following insurance policies together with evidence of such other insurance coverage as required pursuant to the Loan Agreement, accompanied by paid premium receipts evidencing payment in full of the required premiums for at least the first full year of coverage:

- (i) fire insurance with extended coverage and standard Beneficiary and replacement cost endorsement for the full insurable value of the insurable portion of the Property, but in no event for an amount less than the amount of the Note (90% shall be acceptable co-insurance rates for fire insurance); and
- (ii) public liability insurance in the amount of \$1,000,000.00 per occurrence and \$2,000,000.00 in the aggregate for a twelve (12) month policy period. Each renewal policy shall be delivered to Beneficiary not less than thirty (30) days before the termination of the prior policy and with each policy there shall be delivered to Beneficiary a receipt showing payment of the premium therefor.

Upon request, Grantor shall or shall cause Tenant to also carry additional insurance or additional reasonable amounts of insurance covering Grantor or the Property as Beneficiary shall reasonably

require, insuring against such other insurable hazards which at the time are commonly insured against for property similar to the Property located in the region where the Property is located.

If the Property or any part thereof has been or at any time during the term of this Deed of Trust or any extension or renewal thereof is designated as a flood-prone or flood-risk area pursuant to the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each have been or may be amended, or any successor law, Grantor shall or shall cause Tenant to obtain flood insurance in such total amounts as Beneficiary may from time to time require and shall otherwise comply with the requirements of the National Flood Insurance Program as set forth in the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, or any successor law.

All insurance required under this Deed of Trust and the Loan Agreement shall be fully paid for, non-assessable, and such policies shall contain such provisions, endorsements, and expiration dates as Beneficiary shall reasonably require. Such policies shall be issued by insurance companies authorized and licensed to transact business in the State of Texas with ratings acceptable to Beneficiary in its sole and absolute discretion and shall name Beneficiary as an additional insured.

D. Operations. Grantor will or shall cause Tenant to abstain from and not permit the commission of waste in or about the Property, will maintain the Property in good operating condition and repair at all times, ordinary wear and tear and insured casualty excepted, will not remove or demolish the buildings or other improvements now or hereafter constituting a part of the Property, or alter the design or structural character of any buildings or improvements unless Beneficiary shall first consent thereto in writing, which consent shall be granted or denied in Beneficiary's reasonable discretion, and will comply with the Ground Lease and will comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property or the use thereof, which consent shall not be unreasonably withheld, delayed or conditioned. Grantor will not and shall cause Tenant not to seek or acquiesce in a zoning reclassification of all or any portion of the Property or grant or consent to any easement, dedication, plat, or restriction (or allow any easement to become enforceable by prescription), or any amendment or modification thereof, covering all or any portion of the Property, without Beneficiary's prior written consent. Grantor will not, and shall cause Tenant not to without the prior written consent of Beneficiary, permit any drilling or exploration for or extraction, removal, or production of, any Minerals from the surface or subsurface of the Land regardless of the depth thereof or the method of mining or extraction thereof.

E. Obligations Under Other Loan Documents. Grantor hereby agrees to comply with and perform all of its obligations under the other Loan Documents and agrees to be bound by the representations, warranties and covenants made by Grantor contained in the Loan Documents. All of representations, warranties and covenants contained in the other Loan Documents are hereby fully incorporated herein.

F. Casualty and Condemnation Proceeds. Subject to the terms of the Loan Agreement, and the Intercreditor Agreement (as defined below), in the event of any fire or other casualty to the Property or eminent domain proceedings resulting in condemnation of the Property or any part thereof, Grantor shall have the right to rebuild the Property, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Indebtedness in balance and rebuild the affected portion of the Property in a manner that provides adequate security to Beneficiary for repayment of the Indebtedness or if such proceeds are insufficient then Grantor shall have funded any deficiency, (b) Beneficiary 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 Default then exists under the Loan Documents that will not be cured by rebuilding the affected portion of the Property. If the casualty or condemnation affects only part of the Property and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Indebtedness in a manner that provides adequate security to Beneficiary for repayment of the remaining balance of the Indebtedness.

G. Failure to Pay. All taxes and any assessments that are due and payable affecting the Property shall be paid and discharged in full prior to execution and delivery of this Deed of Trust, or as

they subsequently become due and payable and prior to delinquency. If Grantor or Tenant fails to pay any tax, assessment, charge or insurance premium affecting the Property in accordance with the terms of this Deed of Trust, Beneficiary may, at its option, pay the same, or if Grantor or Tenant fails to perform any of Grantor's covenants or agreements set forth in this Deed of Trust in accordance with the terms hereof, Beneficiary may, at its option, correct or cause to be corrected the same and pay any sums in connection therewith as Beneficiary shall determine to be necessary or advisable, and all taxes, assessments, charges, insurance premiums and sums paid by Beneficiary in connection with such matters (collectively, whether one or more, an "**Assessment**") shall be immediately repayable by Grantor and Tenant to Beneficiary, together with interest on each amount at the default rate provided in the Note from the date the sum is paid by Beneficiary, until the same is refunded to Beneficiary and all such amounts and interest thereon, shall be secured hereby as part of the Indebtedness. Notwithstanding the foregoing, Grantor shall have the right to object and protest to ad valorem taxes on the Property in good faith and with due diligence provided that (i) no Default exists under this Deed of Trust or any of the other Loan Documents, (ii) Grantor gives Beneficiary prior written notice of its intent to contest an Assessment; (iii) Grantor demonstrates to Beneficiary's reasonable satisfaction that (A) the Property will not be sold to satisfy the Assessment prior to the final determination of the legal proceedings, (B) Grantor has taken such actions as are required or permitted to accomplish a stay of any such sale, and (C) Grantor has either (1) furnished a bond or surety (satisfactory to Beneficiary in form and amount) sufficient to prevent a sale of the Property or (2) at Beneficiary's option, deposited one hundred fifty percent (150%) of the full amount necessary to pay any unpaid portion of any Assessment with Beneficiary; and (iv) such proceeding shall be permitted under any other instrument to which Grantor or the Property is subject (whether superior or inferior to this Deed of Trust).

H. Title Litigation. Subject to title insurance coverage, in case of any litigation involving the title to any part of the Property, or the validity of this Deed of Trust, Beneficiary may be represented in the litigation through attorneys of its own selection and Grantor shall, upon demand, promptly reimburse Beneficiary for all court costs and reasonable attorneys' fees incurred by Beneficiary in defending and/or protecting its rights in any litigation.

I. Default. Subject to applicable notice and cure provisions and the other terms of this Deed of Trust and the other Loan Documents, if a Default (as defined in the Loan Agreement) occurs, the whole of the Indebtedness, at the option of Beneficiary, shall become immediately due and payable, without further notice or demand.

J. Tenancy at Sufferance. Following any sale of the Property, or any part thereof, under the provisions of this Deed of Trust, and to the extent permissible under applicable law, Grantor shall be obligated to immediately vacate the premises and prior to such vacation shall be a tenant at sufferance of the purchaser of the Property sold and shall be subject to eviction in an action of forcible detainer; provided, the provisions of this Subparagraph J shall be subject to any agreements made in writing by Beneficiary with reference to any existing and/or future leases; provided, further, to the extent permitted under applicable law, the purchaser at any foreclosure sale shall have the option to affirm any then existing leases or tenancies or otherwise to succeed to the rights of Grantor thereunder.

K. Subrogation. To the extent that any of the Indebtedness represents funds utilized to satisfy any outstanding Indebtedness or obligations secured by liens, rights, or claims against the Property or any part thereof, Beneficiary shall be subrogated to any and all liens, rights, superior titles and equities owned or claimed by the holder of any outstanding indebtedness or obligation so satisfied, however remote, regardless of whether the liens, rights, superior titles and equities are assigned to Beneficiary or released by the holder(s) thereof.

L. Homestead Disclaimer. Grantor represents and covenants that the Property forms no part of any property owned, used, or claimed by Grantor as a business or residential homestead, or as exempt from forced sale under the laws of the State of Texas and disclaims and renounces all and every such claim thereto.

M. Additional Transfers and Encumbrances. Beneficiary shall have the right to declare the Indebtedness secured hereby immediately due and payable in the event the Grantor sells, transfers, assigns, or conveys its interest, whether voluntarily or involuntarily, in the Property, or any part thereof, without the prior written consent of Beneficiary, such consent not to be unreasonably withheld, delayed or conditioned or in the event any junior or subordinate mortgage, lien, deed of trust, or other encumbrance is placed upon the Property without the prior written consent of Beneficiary, provided the foregoing shall not prohibit the removal of worn or obsolete Personalty that is replaced with new items of the same or similar quality. If Beneficiary consents to the sale, transfer, assignment, or conveyance of Grantor's interest in the Property, or any part thereof, and waives in writing its right to accelerate the Indebtedness secured hereby as provided in this Subparagraph M, Beneficiary may require that the transferee assume all the obligations of Grantor under this Deed of Trust, and to the extent applicable, the Loan Agreement and the Note in a form reasonably acceptable to Beneficiary and its legal counsel. For purposes of this Subparagraph M, "transfer" of the Property includes any direct or indirect transfer of any beneficial ownership in Grantor or the general partner or managing member of Grantor except to the extent that such transfer is permitted under the Loan Agreement after satisfaction of all requirements for such transfer including the consent of the City if required for such transfer.

N. No Reliance on Beneficiary. Grantor is not relying on Beneficiary's expertise or business acumen in connection with the Property or in connection with the construction of the Improvements.

O. No Litigation. Except as disclosed in writing to Beneficiary, there are no (i) actions, suits, or proceedings, at law or in equity, before any Governmental Authority (as defined in the Loan Agreement) or arbitrator pending or threatened against or affecting Grantor, any guarantor, or involving the Property, (ii) outstanding or unpaid judgments against the Grantor or the Property or Ground Lease, or (iii) defaults by Grantor with respect to any order, writ, injunction, decree, or demand of any Governmental Authority or arbitrator.

P. Payment for Labor and Materials. Grantor shall or will cause Tenant to timely pay all bills for labor, materials, and specifically fabricated materials incurred in connection with the Property (which shall be deemed an Assessment on the Property) and never permit to exist in respect of the Property or any part thereof any unbonded lien or security interest, even though inferior to the liens and security interests hereof, for any such bill, and in any event never permit to be created or exist in respect of the Property or any part thereof any other or additional lien or security interest on a parity with, superior, or inferior to any of the liens or security interests hereof, except for the Permitted Encumbrances. In the event that Grantor becomes aware that such lien has been recorded against the Property, Grantor shall or cause Tenant to have such lien released within thirty (30) days. If Grantor or Tenant fails to pay or bond around any bills for labor, materials, and specifically fabricated materials incurred in connection with the Property, Beneficiary shall have the rights set forth in Section V.G for Grantor's failure to pay any Assessment , as well as the other rights and remedies provided under this Deed of Trust. .

Q. Tax on Deed of Trust. At any time any law shall be enacted imposing or authorizing the imposition of any tax upon this Deed of Trust, or upon any rights, titles, liens, or security interests created hereby, or upon the Indebtedness or any part thereof, Grantor will pay when due all such taxes, provided that if such law as enacted makes it unlawful for Grantor to pay such tax, Grantor shall not pay nor be obligated to pay such tax. Nevertheless, if a law is enacted making it unlawful for Grantor to pay such taxes, then Grantor must prepay or cause Tenant to prepay the Indebtedness in full within sixty (60) days after demand therefor by Beneficiary.

R. ERISA. If and to the extent that Grantor is obligated under any plan governed by or subject to the Employee Retirement Income Security Act, as amended ("**ERISA**"), Grantor shall fully discharge and satisfy all of its obligations and funding requirements under such plan, ERISA and the Internal Revenue Code, as amended ("**IRC**"). Furthermore, Grantor shall comply in all material respects with any and all applicable provisions of ERISA and the IRC and will not incur or permit to exist any unfunded liabilities to the Pension Benefit Guaranty Corporation or to such plan under ERISA or the IRC.

S. Disclosures. If at any time Grantor shall become aware of the existence or occurrence of any financial or economic conditions or natural disasters which are likely to have a material adverse effect on the Property or Grantor's financial condition, Grantor shall promptly notify Beneficiary of the existence or occurrence thereof and of Grantor's opinion as to what effect such may have on the Property or Grantor. Grantor shall also give prompt notice to Beneficiary of (i) the serious illness or death of any principal or key employee of Grantor, (ii) any litigation or dispute, threatened or pending against or affecting Grantor, the Property, the Ground Lease or any guarantor which could have a material adverse effect on the Property or the financial condition or business of any of the aforementioned parties, (iii) any Default, (iv) any default by Grantor or any acceleration of any indebtedness owed by Grantor under any contract or loan agreement to which Grantor is a party, and (v) any change in the character of Grantor's business as it existed on the date hereof.

T. Obligations under Ground Lease. (i) Grantor as landlord shall promptly and fully keep, observe, perform or cause to be kept, observed and performed all of the material terms, covenants, provisions and agreements imposed upon or assumed by Grantor under the Ground Lease including any amendments or supplements thereto, and Grantor shall not do or fail to do or permit or fail to permit to be done, any act or thing, the doing or omission of which will give the Tenant a right to terminate the Ground Lease. Grantor shall not under any circumstances modify, cancel, amend or terminate the Ground Lease, without Beneficiary's prior written consent, and any attempted modification, cancellation, amendment or termination of the Ground Lease without such consent shall be void and of no force or effect whatsoever; (ii) If Grantor shall, in any manner, fail to comply with subsection (i) above, Grantor covenants and agrees that Beneficiary may (but shall not be obligated to) take, upon five (5) business days' written notice to Grantor (or upon lesser notice, or without notice, if Beneficiary reasonably deems that the same is required to protect its interest in the Property), any action that Beneficiary shall reasonably deem necessary or desirable to keep, observe and perform or cause to be kept, observed or performed any such terms, covenants, provisions or agreements and to enter upon the Property and take all action thereon as may be necessary therefor, or to prevent or cure any default by either Grantor in the performance of or compliance with any of such Grantor's covenants or obligations under the Ground Lease. Grantor shall promptly deliver to Beneficiary a copy of any notice relating to defaults received under the Ground Lease and allow Beneficiary the right to cure such default for a period of ninety (90) days. Beneficiary may expend such sums of money as are reasonable and necessary for any such purposes, and the Grantor hereby covenants and agrees to pay to Beneficiary, immediately upon demand, all sums so reasonably expended by Beneficiary, together with interest thereon from the date of such payment at the Default Rate, and until so paid by the Grantor, all sums so reasonable expended by Beneficiary and the interest thereon shall be added to the obligations secured by the lien and legal operation and effect of this Deed of Trust.

VI.

CAPTIONS

The captions contained in this Deed of Trust are for convenience only and shall not be taken into account in determining the meaning of any provision of this Deed of Trust.

VII.

ASSIGNMENT OF LEASES

As further security for the payment of the Indebtedness, Grantor hereby assigns to Beneficiary, its successors and assigns, all leases (including the Ground Lease), whether now in existence or hereafter created, covering all or any portion of the Property together with all rents to become due under each such lease. For so long as no Default exists, Grantor may collect the rents, but not more than one (1) month in advance, in the ordinary course of business, unless otherwise provided by the express terms of the leases and approved by Beneficiary. In the event of any Default and at any and all times during

the continuance thereof, in addition to all other rights and remedies of Beneficiary, Beneficiary shall have the exclusive right and power (but not the obligation) to enter upon and take possession of the Property or any part thereof, to rent or re-rent the same, either in the name of Beneficiary or Grantor, to receive all rents, revenues, profits, or other income from the Property and to apply all amounts received first, to the costs and expenses incurred by Beneficiary in protecting and operating the Property and next, to the payment of the Indebtedness in any manner and in any order of priority as Beneficiary shall determine. This action by Beneficiary shall not operate as a waiver of the Default, or as an affirmation of any lease or of the rights of any tenant of title to that part of the Property covered by the lease or held by the tenant, should the Property, or any part thereof, be acquired by Beneficiary or other purchaser at a foreclosure sale. The right of Beneficiary to receive all rents, revenues, profits, or other income from the Property during the continuance of any Default shall be applicable whether Beneficiary has entered upon or taken possession of the Property, or has otherwise attempted to exercise its rights hereunder and if any rents, revenues, profits, or other income are paid to or received by Grantor, Grantor shall immediately pay the same to Beneficiary, without the necessity of any request or demand therefor. Grantor agrees at any time and from time to time until the indebtedness is paid in full to execute and to deliver any additional assignments of leases and/or rents, security agreements and other instruments as Beneficiary shall from time to time reasonably require. The substance, form, execution and delivery of additional assignments of leases and/or rents, security agreements and other instruments shall be reasonably satisfactory to Beneficiary.

VIII.

PERSONALTY

This Deed of Trust covers and includes, without limitation, Grantor's interest in the Personalty hereinabove described.

IX.

USE OF PERSONALTY

Grantor represents that all Personalty is property for business use and is not consumer goods. Grantor further covenants that there are and shall be no conditional sales contracts that cover any of the Personalty.

X.

SECURITY INTEREST IN PERSONALTY

Without limiting any of the provisions of this instrument, Grantor, as referred to in this paragraph as "**Debtor**," expressly does the following:

A. Grant. Debtor hereby grants unto Beneficiary and its successors and assigns, described herein as Secured Party, and referred to in this paragraph as "**Secured Party**", a security interest in Debtor's interest in the Personalty.

B. UCC Remedies. Debtor agrees, in addition to any other remedies granted in this instrument to Secured Party or the Trustee, that Secured Party may, during the existence of any Default, proceed under Chapter 9 of the Texas Uniform Commercial Code (the "**UCC**") as to all or any part of the Personalty and shall have and may exercise with respect to the Personalty all the rights, remedies and powers of a Secured Party under the UCC, including, without limitation, the right and power to sell at public or private sale or sales, or otherwise to dispose of, to lease, or to utilize the Personalty and any part or parts thereof, in any manner authorized or permitted under the UCC after default by a debtor and to apply the proceeds thereof toward payment of any costs, expenses and attorneys' fees and legal expenses thereby incurred by Secured Party and toward the payment of the obligations secured hereby,

including the Note and all other Indebtedness described in this instrument in any order or manner as Secured Party may elect. Among the rights of Secured Party during the existence of a Default, and without limitation, Secured Party shall have the right to take possession of the Personalty and to enter upon any premises where same may be situated for this purpose without being deemed guilty of trespass and without liability for damages thereby occasioned and to take any action deemed necessary or appropriate or desirable by Secured Party, at its option and in its discretion, to repair, refurbish or otherwise prepare the Personalty for sale, lease, or other use or disposition as herein authorized. Debtor agrees that if any notice of sale required under the UCC is mailed, postage prepaid, to Debtor at the address shown herein at least ten (10) days before the time of the sale or disposition, the notice shall be deemed reasonable and shall fully satisfy any requirement for giving of the notice.

If a Default exists, and to the extent it may lawfully do so and without limiting any rights and/or privileges herein granted to Secured Party, Debtor agrees that Secured Party and/or the above Trustee and any Substitute Trustee, may dispose of any or all of the Personalty at the same time and place and after giving the same notice provided for in this Deed of Trust in connection with a nonjudicial foreclosure sale under the terms and conditions set forth in this Deed of Trust. In this connection, Debtor agrees that the sale may be conducted by the Trustee or the Substitute Trustee; that the sale of the Land and Improvements described in this Deed of Trust and the Personalty or any part thereof, may be sold separately and/or together; and that if the Land and Improvements described herein and the Personalty or any part thereof, are sold together, the Secured Party will not be obligated to allocate the consideration received as between the Land and Improvements and the Personalty.

C. Possession. Debtor hereby grants to Secured Party the right, at its option upon a Default to transfer at any time to itself or to its nominee the Personalty, or any part thereof and to receive the monies, income, proceeds or benefits attributable or accruing thereto and to hold the same as security for Debtor's obligations or to apply it on the principal and interest or other amounts owing on any of the obligations hereby secured, whether or not then due, in any order or manner as Secured Party may elect. All rights with respect to marshalling of assets of Debtor, including with respect to the Personalty, or to a sale in inverse order of alienation, are hereby waived.

D. Authority. Debtor hereby covenants, stipulates and agrees that all recitals in any instrument of assignment or any other instrument executed by Secured Party incident to the sale, transfer, assignment, lease or other disposition or utilization of the Personalty or any part thereof hereunder shall be prima facie evidence of the matters stated therein and all prerequisites of the sale or other action taken by Secured Party or of any fact, condition or thing incident thereto shall be rebuttably presumed to have been performed or to have occurred.

E. Assembly and Expenses. Debtor hereby covenants and agrees that Secured Party, during a Default, may require Debtor to assemble the Personalty and to make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. All expenses of retaking, holding, preparing for sale, lease, or other use or disposition, selling, leasing or otherwise using or disposing of the Personalty and the like that are incurred or paid by Secured Party as authorized or permitted hereunder, including also all attorneys' fees, legal expenses and costs, shall be added to the Indebtedness and Debtor shall be liable therefor.

F. Financing Statement. A carbon, photographic, or other reproduction of this Deed of Trust may be filed as a Financing Statement under the UCC between Debtor and Secured Party whose addresses are set forth below. Debtor is owner and holder of the Personalty free of any adverse claim, security interest or encumbrance, and Debtor will defend the Personalty against all claims and demands of any person at any time claiming the same or any interest therein. Debtor has not heretofore signed any financing statement and no financing statement signed by Debtor is now on file in any public office. So long as any amount remains unpaid on any Indebtedness described in this Deed of Trust, Debtor will not execute and there will not be filed in any public office any financing statement or statements affecting the Personalty, unless the prior written specific consent and approval of Secured Party shall have first been obtained. Debtor authorizes Secured Party to file, in jurisdiction where this authorization will be given effect, a financing statement signed only by Secured Party covering the Personalty and at the

request of Secured Party, Debtor will join Secured Party in executing one or more financing statements, pursuant to the UCC in form satisfactory to Secured Party and will pay the cost of filing the same or filing or recording this instrument as a financing statement, in all public offices at any time and from time to time whenever filing or recording of any financing statement or of this instrument is deemed by Secured Party to be necessary or desirable.

XI.

ADDRESSES

The addresses for notice, are as follows:

Grantor: MHI LANDHOLDINGS LLC .
c/o MAGNIFICAT HOUSES, INC.
P. O. Box 25415
Houston, Texas 77265-5415

With a Copy to Tenant: MAGNIFICAT PERMANENT AFFORDABLE, LLC
122 East 42nd Street, Suite 4900
New York, New York 10168
Attention: Terry Green
Telephone: (202) 312-2571
Email: tgreen@nhpfoundation.org

Trustee: THE CITY OF HOUSTON
P. O. Box 1562
Houston, TX 77251-1562
Attention: Director, Housing and Community Development
Department

Tax Credit Investor: HUDSON HOUSING CAPITAL LLC
630 Fifth Avenue, 28th Floor
New York, New York 10111
Attention: Joseph A. Macar

Each party shall have the right to designate from time to time another address within the continental United States for purposes of this Deed of Trust by written notice to the other party. Notwithstanding the foregoing agreement to provide courtesy copies, such copies shall be a courtesy only and failure to provide such copies shall have no effect on the validity of a notice properly given to Grantor.

Notices under this Deed of Trust shall be effective in the case of utilization of the U.S. Mail Service, upon the earlier of (i) three days after deposit of such notice in the mail, return receipt requested or (ii) delivery. Notices sent by overnight courier services shall be effective one day after deposit with such service. All other notices shall be effective upon delivery. Notwithstanding the foregoing, any foreclosure notices shall be effective upon deposit with the U.S. Mail Service.

Tenant shall have the independent and concurrent right to cure a default under this Deed of Trust in the same period provided to Grantor, and a cure by Grantor of any such default shall have the same effect as a cure by Grantor.

XII.

RESTRICTIVE COVENANTS

Grantor and Tenant have executed and filed of record or will execute and file of record a certain Restrictive Covenants dated of even date hereof (the "**Restrictive Covenants**") covering the Property. The Restrictive Covenants shall remain in full force and effect until expiration or termination in accordance with the provisions thereof and no invalidity, release or termination of this Deed of Trust shall operate to invalidate, release or terminate the Restrictive Covenants. The Restrictive Covenants shall not be deemed a "Loan Document" as such term is used herein or in any of the other Loan Documents.

XIII.

ENVIRONMENTAL MATTERS

A. Compliance with Laws. Grantor hereby represents, warrants, covenants and agrees to and with Beneficiary that Grantor has not at any time engaged in or permitted, nor, to the best of Grantor's knowledge after reasonable and prudent inquiry, which has consisted of the Phase I report previously delivered to Beneficiary, has Tenant, any current or former tenant, occupant or owner of the Property, or any portion thereof, engaged in or permitted any generation, storage, handling, dumping, discharge, disposal, spillage or leakage of any hazardous or toxic substances, at, on, or about the Property that would violate applicable environmental laws and regulations or other applicable laws or the City's Minimum Property Standards as set forth in the Loan Agreement, or any portion thereof, except as disclosed on the Phase I report previously delivered to Beneficiary.

Notwithstanding the foregoing, Grantor shall be permitted to have such chemicals, materials and supplies on the Property which are normally used in connection with the prudent operation, use, maintenance and ownership of a multi-family unit apartment complex and which are used in compliance with environmental laws.

B. Indemnification. **GRANTOR HEREBY AGREES TO INDEMNIFY, PROTECT, DEFEND (WITH COUNSEL REASONABLY APPROVED BY BENEFICIARY) AND TO HOLD BENEFICIARY, ITS AGENTS, MEMBERS, OFFICERS, REPRESENTATIVES AND ITS EMPLOYEES FREE AND HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, ACTIONS, ADMINISTRATIVE PROCEEDINGS, JUDGMENTS, DAMAGES, PUNITIVE DAMAGES, PENALTIES, FINES, COSTS, LIABILITIES (INCLUDING SUMS PAID IN SETTLEMENT OF CLAIMS), INTEREST OR LOSSES, INCLUDING REASONABLE ATTORNEYS', CONSULTANTS' AND EXPERTS' FEES AND EXPENSES, OF ANY KIND OR NATURE (COLLECTIVELY, THE "COSTS") THAT ARISE DIRECTLY OR INDIRECTLY, FROM OR IN CONNECTION WITH THE PRESENCE, SUSPECTED PRESENCE, RELEASE OR SUSPECTED RELEASE (A "RELEASE") OF ANY HAZARDOUS OR TOXIC SUBSTANCE, FROM, ON, ABOUT, UNDER OR WITHIN THE PROPERTY, OR ANY PORTION THEREOF WHICH OCCURS DURING OR PRIOR TO SUCH TIME AS GRANTOR OWNS THE PROPERTY. NOTWITHSTANDING THE FOREGOING TO THE CONTRARY, GRANTOR'S LIABILITY HEREUNDER, SUBJECT TO THE DE MINIMIS PROVISIONS OF ARTICLE XIII(A)(ii) ABOVE, SHALL NOT INCLUDE ANY LOSS ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF BENEFICIARY OR ANY EMPLOYEE, AGENT OR REPRESENTATIVE OF BENEFICIARY OR RELEASE OF HAZARDOUS OR TOXIC SUBSTANCES BY BENEFICIARY OR ANY EMPLOYEE, AGENT OR REPRESENTATIVE OF BENEFICIARY AFTER BENEFICIARY HAS TAKEN POSSESSION OF THE PROPERTY.**

C. Remediation. If any investigation or monitoring of site conditions, or any cleanup, containment, restoration, removal or other Remedial Work (collectively, the "**Remedial Work**") is required under any applicable federal, state or local law or regulation, by any judicial order, or by any governmental entity, or in order to comply with any agreements affecting the Property because of, or in connection with

any release of hazardous or toxic substances, Grantor shall perform, or cause to be performed, the Remedial Work in compliance with such law, regulation, order or agreement. All Remedial Work shall be performed by one or more contractors selected by Grantor and Tenant and approved in advance, in writing, by Beneficiary and under the supervision of a consulting engineer selected by Grantor and Tenant and approved in advance, in writing, by Beneficiary. All costs of any Remedial Work shall be paid by Grantor or Tenant, including, without limitation, the reasonable charges of contractor(s) and/or the consulting engineer and Beneficiary's reasonable attorneys' fees and costs incurred in connection with the monitoring or review of any Remedial Work. If Grantor shall fail to timely commence or cause to be timely commenced, or fail to diligently prosecute to completion, any Remedial Work, then Beneficiary may, but shall not be required to, cause such Remedial Work to be performed and all costs and expenses thereof, or incurred in connection therewith, shall be "Costs" within the meaning of Subparagraph B above. All costs shall be due and payable upon demand therefor by Beneficiary, together with interest thereon at the Default Rate provided in the Note from the date such costs are paid by Beneficiary, until the same are refunded to Beneficiary and all such costs and the interest thereon shall be secured hereby.

D. Survival. Notwithstanding anything to the contrary contained herein, or in the Note or Loan Agreement, the obligations of Grantor under this Paragraph XIII shall survive any assumption of the Indebtedness by a successor to Grantor (whether or not the assumption has been approved or disapproved, or whether or not Grantor was released from liability on the Indebtedness), foreclosure of this Deed of Trust (or transfer of the Property in lieu of foreclosure) and release or termination of this Deed of Trust.

XIV.

MISCELLANEOUS

A. No Waiver. No delay by Beneficiary in exercising any right, option or remedy hereunder, or otherwise afforded by law, shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any Default.

B. Cumulative Remedy. All rights and remedies of Beneficiary under this Deed of Trust and any and all other instruments evidencing or securing the Indebtedness, are cumulative and concurrent and may be exercised singularly, successively, or concurrently.

C. No Release. The granting to Grantor or to any other person or party of any extension(s) of time for payment of all or any part of the Indebtedness or the performance of any covenant or agreement contained herein, or the taking of other or additional security for the payment of the whole or any part of the Indebtedness, or the releasing of any part of the security at any time held in connection with the Indebtedness, shall not in any way release Grantor or any other person or party obligated for the payment of the Indebtedness, or release or impair this Deed of Trust or any other security held in connection with the Indebtedness, except to the extent of the person, party or property expressly released in writing by Beneficiary.

D. Severability. If any provision in this Deed of Trust is invalid or unenforceable in whole or in part, this instrument shall in all other respects remain in full force and effect.

E. Successors and Assigns. All of the provisions hereof shall apply to, inure to the benefit of, and be binding upon Beneficiary and Grantor and their respective successors and assigns (provided the foregoing shall not be construed as consent to any transfer by Grantor of the Property that is not permitted under the Loan Documents).

F. Further Assurances and Corrections. From time to time, at the request of Beneficiary, Grantor will (i) promptly correct any defect, error, or omission which may be discovered in the contents of this Deed of Trust or in any other Loan Document or in the execution or acknowledgment thereof; (ii) execute, acknowledge, deliver, record and/or file such further instruments (including, without limitation,

further deeds of trust, security agreements, financing statements, continuation statements and assignments of rents or leases) and perform such further acts and provide such further assurances as may be necessary, desirable, or proper, in Beneficiary's reasonable opinion, to carry out more effectively the purposes of this Deed of Trust and the Loan Documents and to subject to the liens and security interests hereof and thereof any property intended by the terms hereof or thereof to be covered hereby or thereby, including without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; (iii) execute, acknowledge, deliver, procure, file, and/or record any document or instrument (including without limitation, any financing statement) deemed advisable by Beneficiary to protect the liens and the security interests herein granted against the rights or interests of third persons; and (iv) pay all costs connected with any of the foregoing.

G. Choice of Law. This Deed of Trust shall be performable and enforced in Harris County, Texas, and shall be construed in accordance with the laws of the State of Texas from time to time in effect except to the extent preempted by the United States federal law. Venue shall be appropriate in Harris County, as applicable.

H. Usury. In no event shall any provision of this Deed of Trust, the Note, the Loan Agreement or any other instrument evidencing or securing the Indebtedness ever obligate Grantor or Conduit to pay interest on the Note secured hereby at a rate greater than that permitted by law, or obligate Conduit or Grantor to pay any taxes, assessments, charges, insurance premiums, or other amounts to the extent that the payments constitute interest under applicable law and when added to the interest payable on the Note secured hereby, would be held to constitute the payment of interest at a rate greater than that permitted by law; and this provision shall control over any provision to the contrary.

It is expressly stipulated and agreed to be the intent of Grantor and Beneficiary at all times to comply strictly with the applicable Texas law governing the maximum rate or amount of interest payable on the Note or the Indebtedness or applicable United States federal law to the extent that it permits Beneficiary to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law ("Highest Lawful Rate"). If the applicable law is ever judicially interpreted so as to render usurious any amount (i) contracted for, charged, taken, reserved or received pursuant to the Note, any of the other Loan Documents or any other communication or writing related to the transaction or transactions that are the subject matter of the Loan Documents, (ii) contracted for, charged or received by reason of Beneficiary's exercise of the option to accelerate the maturity of the Note and/or the Indebtedness, or (iii) Conduit or Grantor will have paid or Beneficiary will have received by reason of any voluntary prepayment of the Note and/or the Indebtedness, then it is Grantor's and Beneficiary's express intent that all amounts charged in excess of the Highest Lawful Rate shall be automatically cancelled, ab initio, and all amounts in excess of the Highest Lawful Rate theretofore collected by Beneficiary shall be credited on the principal balance of the Note and/or the Indebtedness (or, if the Note and all Indebtedness have been or would thereby be paid in full, refunded to Conduit or the party paying same), and the provisions of the Note and the other Loan Documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder. Grantor hereby agrees that as a condition precedent to any claim seeking usury penalties against Beneficiary, Grantor will provide written notice to Beneficiary, advising Beneficiary in reasonable detail of the nature and amount of the violation, and Beneficiary shall have sixty (60) days after receipt of such notice in which to correct such usury violation, if any, by either refunding such excess interest to Conduit or the party paying same, or crediting such excess interest against the Note and/or the Indebtedness then owing to Beneficiary. All sums contracted for, charged or received by Beneficiary for the use, forbearance or detention of any debt evidenced by the Note and/or the Indebtedness shall, to the extent permitted by applicable law, be amortized or spread, using the actuarial method, throughout the stated term of the Note and/or the Indebtedness (including any and all renewal and extension periods) until payment in full so that the rate or amount of interest on account of the Note and/or the Indebtedness does not exceed the Highest Lawful Rate from time to time in effect and applicable to the Note and/or the Indebtedness for so long as debt is outstanding. In no event shall the provisions of Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving triparty accounts) apply to the Note and/or the Indebtedness. Notwithstanding

anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Beneficiary to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

I. Covenants Run with the Land. All obligations contained in this Deed of Trust and the other Loan Documents are intended by Grantor, Beneficiary and Trustee to be, and shall be construed as, covenants running with the Property until the lien of this Deed of Trust has been fully released by Beneficiary.

J. **JURY WAIVER. GRANTOR AND BENEFICIARY ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE, THE INDEBTEDNESS OR THIS DEED OF TRUST.**

K. Entire Agreement. **THIS DEED OF TRUST, TOGETHER WITH THE NOTE AND LOAN AGREEMENT, THE OTHER LOAN DOCUMENTS, AND THE RESTRICTIVE COVENANTS CONSTITUTE A WRITTEN LOAN AGREEMENT AS DEFINED IN SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE. THIS WRITTEN LOAN AGREEMENT CONSTITUTES THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

L. Extended Low Income Housing Commitment. The lien of this Deed of Trust shall be subordinate to any extended low income housing commitment (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code)(the "Extended Use Agreement") recorded against the Land; provided that such Extended Use Agreement, by terms, must terminate upon foreclosure under this Deed of Trust or upon a transfer of the Land by instrument in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code. The City's Restrictive Covenants shall not be subordinate to any extended low income housing commitment as such term is defined in the Extended Use Agreement.

M. Priority and Intercreditor Agreement. It is the intent of Beneficiary and Grantor that this Deed of Trust shall be subject to and the relative priority thereof be governed by one certain Intercreditor, Subordination and Funding Agreement ("Intercreditor Agreement") by and between Grantor, Beneficiary, Harris County, the Tenant and certain other parties of approximate date herewith and filed of record in the Official Records of Harris County, Texas.

[Signatures on following page]

Signature Page
Fee Deed of Trust, Security Agreement and Financing Statement

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust, Security Agreement and Financing Statement on the date set forth in the acknowledgments below but to be effective as of _____, 2022.

GRANTOR:

MHI LANDHOLDINGS LLC,
a Texas limited liability company

By: Magnificat Houses, Inc.,
a Texas nonprofit corporation,
its sole member

By: _____
John Boyles, Executive Director

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this ____ day of _____, 2022 by John Boyles, the Executive Director of Magnificat Houses, Inc., a Texas nonprofit corporation, which is the sole member of **MHI LANDHOLDINGS LLC**, a Texas limited liability company, on behalf of said limited liability company.

NOTARY PUBLIC - THE STATE OF TEXAS

Printed Name of Notary

My commission expires:_____.

**EXHIBIT A
PROPERTY DESCRIPTION**

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

[TO BE UPDATED BASED ON SURVEY]

EXHIBIT B
PERMITTED ENCUMBRANCES
[TO BE ATTACHED AND BASED ON FINAL EXCEPTIONS TO TTLE POLICY]

ATTACHMENT C-2
TO LOAN AGREEMENT

LEASEHOLD DEED OF TRUST, SECURITY AGREEMENT
AND FINANCING STATEMENT

When recorded, return to:
THE CITY OF HOUSTON
P. O. Box 1562
Houston, TX 77251-1562
Attention: Director, Housing and Community Development Department

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

LEASEHOLD DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT

from

MAGNIFICAT PERMANENT AFFORDABLE, LLC,
a Texas limited liability company,
as Grantor

to

KEITH W. BYNAM,
as Trustee

for the benefit of

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company,
as Beneficiary

LEASEHOLD DEED OF TRUST, SECURITY AGREEMENT
AND FINANCING STATEMENT

THE STATE OF TEXAS §

COUNTY OF HARRIS §

That in consideration of certain indebtedness hereinafter described, justly owing by **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("**Grantor**"), to **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("**Beneficiary**") and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other valuable consideration paid to the Grantor, the receipt and sufficiency of which are hereby acknowledged, Grantor has GRANTED, ASSIGNED, TRANSFERRED and CONVEYED, and does hereby GRANT, ASSIGN, TRANSFER and CONVEY unto **KEITH BYNAM**, as trustee ("**Trustee**"), all of the following described property is collectively referred to herein as the "**Property**":

A. All of Grantor's right, title and interest, whether now or hereafter arising, in and to the real property situated in Harris County, Texas, described in **EXHIBIT A** hereto, together with all right, title and interest now and/or hereafter owned by Grantor, its successors and assigns, in the whole or any part of the above described real property and/or any street or road adjacent and/or contiguous to the above described real property ("**Land**") including, without limitation, the leasehold estate under the Ground Lease ("**Ground Lease**") dated as of the date hereof between the Grantor, as tenant, and MHI Holdings LLC, a Texas limited liability company ("**Fee Owner**") as landlord ("**Landlord**").

B. All of Grantor's right, title and interest, whether now or hereafter arising, in and to all buildings and other improvements now or hereafter placed on the Land, as well as all appurtenances, betterments and additions thereto ("**Improvements**"); all and singular the rights, privileges, hereditaments and appurtenances in anywise incident or appurtenant to the Land and Improvements; and the rents, revenue, profits and income from the Land and Improvements.

C. All of Grantor's right, title and interest, whether now or hereafter arising, in and to any and all plumbing, electrical, heating, cooling and other equipment and all building materials and other goods of every type, kind and character that are now or hereafter situated upon the Land and which (i) are intended to be incorporated into the Improvements or (ii) are now, or hereafter become, fixtures attached to the Land or the Improvements; any and all other goods of every type, kind and character, including without limitation, all appliances, furniture, fixtures, inventory and equipment now owned or hereafter acquired by Grantor that are now or hereafter situated upon the Land (whether or not situated within or attached to the Improvements) and that facilitate the use and occupancy of the Improvements for the purpose for which they were or are to be constructed; all plans and specifications for the Improvements, all rights of Grantor under all existing and future leases, construction, maintenance and other contracts covering or relating to the Land or the Improvements, all tenants deposits made pursuant to or in connection with such leases, all rights of ingress and egress, easements, water and wastewater rights, and to the extent assignable, all licenses, permits, franchises, certificates, accounts, instruments, chattel paper, documents, agreements, contracts, including without limitation any agreements with the United States Department of Housing and Urban Development (to the extent assignable), and general intangibles, and all rights of Grantor in and to any development rights relating to the Land or the Improvements (including, without limitation, trade names and symbols used in connection therewith and any deposits with utility companies) and all other rights and privileges obtained in connection with, relating to or associated with the Land or the Improvements (collectively, the "**Personalty**") and all proceeds of the Personalty.

D. To the extent the assignment thereof is enforceable under applicable law, all of Grantor's right, title and interest, whether now or hereafter arising, in and to any tax refunds, including interest thereon, tax rebates, ad valorem tax credits, and tax abatements, and the right to receive the same, which may be

payable or available with respect to the Property but excluding any Housing Tax Credits available pursuant to Section 42 of the Internal Revenue Code of 1986, as amended.

E. All of Grantor's right, title and interest in the proceeds (including conversion to cash or liquidation claims) of (A) insurance relating to the Property and (B) all awards made for the taking by eminent domain (or by any proceeding or purchase in lieu thereof) of the Property, including awards resulting from a change of any streets (whether as to grade, access, or otherwise) and for severance damages.

F. All of Grantor's right, title and interest, if any, in and to all substances in, on, or under the Land which are now, or may become in the future, intrinsically valuable, that is, valuable in themselves, and which now or may be in the future enjoyed through extraction or removal from the property, including without limitation, oil, gas, and all other hydrocarbons, coal, lignite, carbon dioxide and all other nonhydrocarbon gases, uranium and all other radioactive substances, and gold, silver, copper, iron and all other metallic substances or ores (collectively, "**Minerals**").

G. All funds of Grantor that may be deposited with Beneficiary at any time and from time to time for any purpose, which funds shall be deemed to be part of the Personalty for purposes hereof. In the event of a conflict between the terms and conditions of this instrument and the instrument under which Beneficiary holds any funds of Grantor, the terms and conditions of the latter instrument shall prevail.

H. Capitalized terms used above and elsewhere in this Deed of Trust without definition have the meanings given them in the Loan Agreement ("**City Loan Agreement**") between Grantor, Beneficiary and the City of Houston ("**City**").

TO HAVE AND TO HOLD the Property unto the Trustee and the assigns of the Trustee, and Grantor does hereby bind Grantor and the successors and assigns of Grantor, to WARRANT AND FOREVER DEFEND all and singular the Property and title thereto unto the Trustee and unto the assigns of the Trustee, against every person or party whomsoever claiming or to claim the same, or any part thereof, subject, however, to the permitted encumbrances set forth on **EXHIBIT B** attached hereto, the Extended Use Agreement (as hereinafter defined), the Restrictive Covenants (hereinafter defined) of the City, and the County Restrictions (as defined in the Intercreditor Agreement), (collectively, the "**Permitted Encumbrances**") and the liens securing the certain indebtedness to Harris County as described in the Intercreditor Agreement described below which is pari passu to the indebtedness herein described.

I.

SECURITY FOR PERFORMANCE OF OBLIGATIONS

This conveyance is made in trust, however, to secure the performance of all covenants and agreements contained in this Leasehold Deed of Trust, Security Agreement and Financing Statement ("**Deed of Trust**"), the Ground Lease and that one certain Loan Agreement (the "**Loan Agreement**") executed or to be executed between Grantor and Beneficiary (which incorporates the terms of the City Loan Agreement relating to the Property) and the full and prompt payment when due (by lapse of time or otherwise), of the following indebtedness (the "**indebtedness**"):

A. Loan. All sums, including principal, interest and attorneys' fees, called for in that certain promissory note (the "**Note**") executed by Grantor payable to the order of Beneficiary, in the principal amount EIGHTEEN MILLION SIX HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED THIRTY-ONE AND NO/100 DOLLARS (\$18,656,631.00) which Note evidences that certain loan from Beneficiary to Grantor of the amount set forth in the Note (the "**Loan**"), and which Note bears interest at the rates therein stated and provides for acceleration of maturity should a Default (as defined in the Loan Agreement) occur.

B. Other Sums. All other sums owing by Grantor to Beneficiary or other holder(s) of any part of the Indebtedness or becoming due under the Loan Agreement or under the City Loan Agreement

including certain payment obligations under the City Loan Agreement relating to the sale or refinancing of the Property which continue after repayment of the Note. (This Deed of Trust and all other instruments now or hereafter evidencing, governing or securing any part of the Indebtedness are hereinafter collectively referred to as the "**Loan Documents**").

C. Other Obligations. This Deed of Trust also secures Grantor's performance under the Restrictive Covenants (as defined below).

II.

PAYMENT OF THE INDEBTEDNESS; DEFAULT; ENFORCEMENT OF TRUST

A. Payments. If the Indebtedness is fully paid in accordance with the terms of the Loan Documents, and if all of Grantor's covenants and agreements herein and in the Loan Agreement (including the incorporated provisions of the City Loan Agreement and the other Loan Documents are fully kept and performed, and if no Default then exists, then this conveyance shall thereupon become of no further force and effect and shall be released by Beneficiary or other holder(s) of the Indebtedness upon the written request and at the expense of Grantor.

B. Enforcement. But if any Default (as defined in the Loan Agreement, and as such term is used in this Deed of Trust and the other Loan Documents, the term "Default" means the applicable Default has occurred and is continuing beyond the expiration of all applicable notice, grace, and cure periods) exists, the whole of the Indebtedness shall at the option of Beneficiary, without notice to Grantor or any other person, which notice is hereby waived, become immediately due and payable and thereupon, or at any time thereafter that the Indebtedness or any part thereof remains unpaid, it shall be the duty of the Trustee, or the Substitute Trustee, as hereinafter defined, at the request of Beneficiary, or the holder(s) of the Indebtedness, which request shall be presumed, to enforce this Trust and to sell as an entirety, or in parcels, by one sale or by several sales, held at one time or at different times, as the Trustee acting may elect (all rights to a marshaling of Grantor's assets, including Property, or to a sale in inverse order of alienation, being hereby expressly waived by Grantor), the Property in the county in which the Property, or a part of the Property to be sold, is situated (the "**County**") at such area at the courthouse or other location designated by the Commissioner's Court of the County as the area where sales are to take place, or if no area is designated, at the door of the County Courthouse, each sale to be made on the first Tuesday of a calendar month between the hours of 10:00 A.M. and 4:00 P.M. to the highest bidder for cash at public auction, after both posting or causing to be posted written or printed notice of the time (including the earliest time at which the sale will occur), place, and term of sale at the door of the Courthouse of the County and filing or causing to be filed a copy of the notice in the Office of the County Clerk of the County, for at least twenty-one (21) days preceding the day of sale, and to execute and to deliver to the purchaser(s) at each such sale proper conveyance(s) of the property interest sold, with general warranty of title binding upon Grantor and the successors and assigns of Grantor; or Beneficiary or other holder(s) of the Indebtedness may foreclose or cause to be foreclosed the lien of this Deed of Trust, in whole or in part, through judicial foreclosure or in any manner as may at any time be authorized under the statutes of the State of Texas. In addition, the holder(s) of the Indebtedness to which the power is related shall, at least twenty-one (21) days preceding the date of sale, serve written notice of the proposed sale by certified mail on each person obligated to pay the Indebtedness according to the records of the holder(s). Service of the notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper, properly addressed to each debtor at the most recent address as shown by the records of the holder(s) of the Indebtedness, in a post office or official depository under the care and custody of the United States Postal Service. The Affidavit of any person having knowledge of the facts to the effect that service was completed shall be prima facie evidence of the fact of service. No notice of the sale or sales other than that herein provided for need be given to Grantor or any other person or party, and any other notice is hereby waived. Beneficiary or other holder(s)

of the Indebtedness shall have the right to become the purchaser at any sale to the same extent as any other party, being the highest bidder, and in lieu of paying cash may credit the amount of the bid upon the Indebtedness up to the full amount of the Indebtedness then unpaid.

C. Proceeds. The Trustee acting shall apply the proceeds arising from each sale pursuant to Section II(B) above, first, to pay all reasonable expenses of the sale actually incurred, second, to reimburse Beneficiary for any reasonable expenses incurred by Beneficiary in protecting, administering or operating the Property after the occurrence of the applicable Default and prior to the foreclosure sale and third, to the payment of the Indebtedness (including all principal, interest and reasonable attorneys' fees owing as part of the Indebtedness). The proceeds of each sale paid to Beneficiary may be applied by Beneficiary on the Indebtedness in any order and manner as Beneficiary may elect. Any surplus funds from the foreclosure sale or sales hereunder shall be paid to Grantor or the person(s) lawfully entitled thereto.

III.

UNMATURED INDEBTEDNESS

If any Default exists, Beneficiary or other holder(s) thereof shall, in addition to any remedies available to Beneficiary at law or in equity, have the option to proceed with foreclosure in satisfaction of such item or items, either through the courts or by directing the Trustee, or the Substitute Trustee, as hereinafter provided for, to proceed as if under a foreclosure, conducting the sale as herein provided and without declaring the whole debt due, and if a sale is made because of such Default, the sale may be made subject to the unmatured part of the Indebtedness, but as to the unmatured part of the Indebtedness, this Deed of Trust shall remain in full force and effect just as though no sale had been made under the provisions of this paragraph. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Indebtedness, it being the purpose hereof to provide for a foreclosure and sale of the Property, in whole or in part, for any matured portion of the Indebtedness without exhausting the power of foreclosure and the power to sell the Property, in whole or in part, for any other part of the Indebtedness subsequently maturing.

IV.

SUBSTITUTE TRUSTEE

In case of the resignation of the Trustee, or the inability (through death or otherwise), refusal or failure of the Trustee to act, or at the option of Beneficiary or the holder(s) of the Indebtedness for any other reason (which reason need not be stated), a substitute trustee ("**Substitute Trustee**") may be named, constituted and appointed by Beneficiary or the holder(s) of the Indebtedness, without other formality than an appointment and designation in writing; the appointment and designation shall be full evidence of the right and authority to make the same and of all facts therein recited; and this conveyance shall vest in the Substitute Trustee the title, power and duties herein conferred on the Trustee originally named herein and the conveyance of the Substitute Trustee to the purchaser(s) at any sale shall be equally valid and effective. The right to appoint a Substitute Trustee shall exist as often and whenever from any of said causes, the Trustee, original or Substitute, resigns, or cannot, will not, or does not act, or Beneficiary or the holder(s) of a majority of the Indebtedness desire to appoint a new Trustee. No bond shall ever be required of the Trustee, original or Substitute. The recitals in any conveyance made by the Trustee, original or Substitute, shall be accepted and construed in court and elsewhere as prima facie evidence and proof of the facts recited and no other proof shall be required as to the request by Beneficiary or the holder(s) of a majority of the Indebtedness to the Trustee to enforce this Trust, or as to the notice of or holding of the sale, or as to any particulars thereof, or as to the resignation of the Trustee, original or Substitute, or as to the inability, refusal or failure of the Trustee, original or Substitute, to act or as to the election of Beneficiary or the holder(s) of a majority of the Indebtedness to appoint a new Trustee, or as to appointment of a Substitute Trustee, and all prerequisites of the sale shall be presumed to have been performed; and each sale made

under the powers herein granted shall be a perpetual bar against Grantor and the successors and assigns of Grantor.

V.

REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF GRANTOR

For the purpose of better securing to Beneficiary the payment of the Indebtedness, Grantor represents, warrants and covenants to Beneficiary as follows:

A. Title, Authority, and Performance under Leases. At the time of the execution and delivery of this Deed of Trust, Landlord is the sole and lawful owner of the Land in fee simple, and the Grantor holds a leasehold estate in the Property by virtue of the Ground Lease, and Grantor has the authority to execute this Deed of Trust. The Property is free from all encumbrances and charges whatsoever except for the Permitted Encumbrances, the liens securing the Indebtedness, and the liens securing the Harris County indebtedness described in the Intercreditor Agreement which are pari passu to the liens herein created. No assignments or pledges are currently in effect with respect to any leases of or rentals or income from the Property except for assignments and/or pledges to Beneficiary and those expressly stated in **EXHIBIT B** and the pari passu assignments and/or pledges in favor of Harris County described in the Intercreditor Agreement, and until the Indebtedness is fully paid, at which time this Deed of Trust will be released. Grantor shall not make any additional assignment or pledge thereof without Beneficiary's prior written consent. In addition, Grantor warrants that (a) the Ground Lease is in full force and effect; (b) there is no existing Event of Default (as defined in the Ground Lease) and no event has occurred but for the passage of time or notice or both, would constitute an Event of Default; and (c) all rents and other sums due as of the date hereof under the Ground Lease have been paid in full.

B. Tax and Insurance Escrow. Unless Grantor is already required to maintain an escrow account with another lender upon written request by Beneficiary, Grantor agrees to deposit with Beneficiary on a monthly basis, or at other intervals as specified, a sum that shall be sufficient to pay taxes, assessments, charges, and insurance premiums as they become due, all as reasonably estimated by Beneficiary, which sum shall be held by Beneficiary (or by a banking institution selected by Beneficiary whose funds are insured by a federal agency or instrumentality) in trust to pay taxes, assessments, charges and premiums, but which shall not bear interest and may be commingled with other funds. If at any time the funds so held by (or on behalf of) Beneficiary are insufficient to pay any tax, assessment, charge or insurance premium, Grantor shall, upon receipt of notice, deposit with Beneficiary (or such banking institution), all additional funds as are necessary to remove the deficiency. If the Indebtedness is for any reason declared immediately due and payable, funds held by (or on behalf of) Beneficiary for payment of taxes, assessments, charges or premiums as herein provided may, at Beneficiary's election, be applied on the Indebtedness in any manner as Beneficiary so elects. In the event that Grantor is escrowing with another lender a sum for payment of taxes, assessments, charges and insurance premiums and such amount is sufficient to fully discharge such taxes, assessments, charges and insurance premiums, Beneficiary agrees not to require an additional escrow deposit under this paragraph. In the event that Beneficiary does not require the escrow deposits described in the paragraph, Grantor shall provide Beneficiary with written evidence that (i) all applicable taxes and assessments have been paid at least thirty (30) days prior to delinquency and (ii) all insurance premiums have been paid thirty (30) days before the renewal date of the applicable policies. Grantor shall duly pay and discharge, or cause to be paid and discharged, all taxes, assessments, charges, and insurance premiums before they become past due.

C. Insurance. Grantor shall, prior to or concurrently with the execution of this Deed of Trust, deliver to Beneficiary all of the following insurance policies together with evidence of such other insurance coverage as required pursuant to the Loan Agreement, accompanied by paid premium receipts evidencing payment in full of the required premiums for at least the first full year of coverage:

- (i) fire insurance with extended coverage and standard Beneficiary and replacement cost endorsement for the full insurable value of the insurable portion of the Property, but in no event for an amount less than the amount of the Note (90% shall be acceptable co-insurance rates for fire insurance); and
- (ii) commercial general liability insurance in the amount of \$1,000,000.00 per occurrence and \$2,000,000.00 in the aggregate for a twelve (12) month policy period. Each renewal policy shall be delivered to Beneficiary not less than thirty (30) days before the termination of the prior policy and with each policy there shall be delivered to Beneficiary a receipt showing payment of the premium therefor.

Upon request, Grantor shall also carry additional insurance or additional reasonable amounts of insurance covering Grantor or the Property as Beneficiary shall reasonably require, insuring against such other insurable hazards which at the time are commonly insured against for property similar to the Property located in the region where the Property is located and shall further comply with the insurance requirements of the Ground Lease.

If the Property or any part thereof has been or at any time during the term of this Deed of Trust or any extension or renewal thereof is designated as a flood-prone or flood-risk area pursuant to the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each have been or may be amended, or any successor law, Grantor shall obtain flood insurance in such total amounts as Beneficiary may from time to time require and shall otherwise comply with the requirements of the National Flood Insurance Program as set forth in the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, or any successor law.

All insurance required under this Deed of Trust and the Loan Agreement shall be fully paid for, non-assessable, and such policies shall contain such provisions, endorsements, and expiration dates as Beneficiary shall reasonably require. Such policies shall be issued by insurance companies authorized and licensed to transact business in the State of Texas with ratings acceptable to Beneficiary in its sole and absolute discretion and shall name Beneficiary as an additional insured.

D. Operations. Grantor will abstain from and not permit the commission of waste in or about the Property, will maintain the Property in good operating condition and repair at all times, ordinary wear and tear and insured casualty excepted, will not remove or demolish the buildings or other improvements now or hereafter constituting a part of the Property, or alter the design or structural character of any buildings or improvements unless Beneficiary shall first consent thereto in writing, which consent shall be granted or denied in Beneficiary's reasonable discretion, and will comply with the Ground Lease and all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property or the use thereof, which consent shall not be unreasonably withheld, delayed or conditioned. Grantor will not seek or acquiesce in a zoning reclassification of all or any portion of the Property or grant or consent to any easement, dedication, plat, or restriction (or allow any easement to become enforceable by prescription), or any amendment or modification thereof, covering all or any portion of the Property, without Beneficiary's prior written consent. Grantor will not, without the prior written consent of Beneficiary, permit any drilling or exploration for or extraction, removal, or production of, any Minerals from the surface or subsurface of the Land regardless of the depth thereof or the method of mining or extraction thereof.

E. Obligations Under Other Loan Documents. Grantor hereby agrees to comply with and perform all of its obligations under the other Loan Documents and agrees to be bound by the representations, warranties and covenants made by Grantor contained in the Loan Documents. All of

representations, warranties and covenants contained in the other Loan Documents are hereby fully incorporated herein.

F. Obligations under Ground Lease. (i) Grantor shall promptly and fully keep, observe, perform or cause to be kept, observed and performed all of the material terms, covenants, provisions and agreements imposed upon or assumed by Grantor under the Ground Lease including any amendments or supplements thereto, and Grantor shall not do or fail to do or permit or fail to permit to be done, any act or thing, the doing or omission of which will give the Fee Owner a right to terminate the Ground Lease. Subject to the terms and conditions of the Ground Lease, Grantor shall not under any circumstances materially modify, cancel, materially amend or terminate the Ground Lease, without Beneficiary's and the City's prior written consent, such consent not to be unreasonably withheld, and any attempted material modification, cancellation, material amendment or termination of the Ground Lease without such consent shall be void and of no force or effect whatsoever; (ii) If Grantor shall, in any manner, fail to comply with subsection (i) above, Grantor covenants and agrees that Beneficiary may (but shall not be obligated to) take, upon five (5) business days' written notice to Grantor (or upon lesser notice, or without notice, if Beneficiary reasonably deems that the same is required to protect its interest in the Property), any action that Beneficiary shall reasonably deem necessary or desirable to keep, observe and perform or cause to be kept, observed or performed any such terms, covenants, provisions or agreements and to enter upon the Property and take all action thereon as may be necessary therefor, or to prevent or cure any default by either Grantor in the performance of or compliance with any of such Grantor's covenants or obligations under the Ground Lease. Grantor shall promptly deliver to Beneficiary a copy of any notice relating to an Event Default received under the Ground Lease and allow Beneficiary the right to cure such Event of Default for a period of ninety (90) days. Beneficiary may expend such sums of money as are reasonable and necessary for any such purposes, and the Grantor hereby covenants and agrees to pay to Beneficiary, immediately upon demand, all sums so reasonably expended by Beneficiary, together with interest thereon from the date of such payment at the Default Rate, and until so paid by the Grantor, all sums so reasonable expended by Beneficiary and the interest thereon shall be added to the obligations secured by the lien and legal operation and effect of this Deed of Trust.

G. Casualty and Condemnation Proceeds. Subject to the terms of the Loan Agreement, and the Intercreditor Agreement (as defined below), in the event of any fire or other casualty to the Property or eminent domain proceedings resulting in condemnation of the Property or any part thereof, Grantor shall have the right to rebuild the Property, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Indebtedness in balance and rebuild the affected portion of the Property in a manner that provides adequate security to Beneficiary for repayment of the Indebtedness or if such proceeds are insufficient then Grantor shall have funded any deficiency, (b) Beneficiary 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 Default then exists under the Loan Documents that will not be cured by rebuilding the affected portion of the Property. If the casualty or condemnation affects only part of the Property and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Indebtedness in a manner that provides adequate security to Beneficiary for repayment of the remaining balance of the Indebtedness.

H. Failure to Pay. All taxes and any assessments that are due and payable, as the date of the Deed of Trust, affecting the Property shall be paid and discharged in full prior to execution and delivery of this Deed of Trust, or as they subsequently become due and payable and prior to delinquency. If Grantor fails to pay any tax, assessment, charge or insurance premium required by the terms and conditions of this Deed of Trust, Beneficiary may, at its option, pay the same, or if Grantor fails to perform any of Grantor's covenants or agreements set forth in this Deed of Trust in accordance with the terms hereof, Beneficiary may, at its option, correct or cause to be corrected the same and pay any sums in connection therewith as Beneficiary shall determine to be necessary or advisable, and all taxes, assessments, charges, insurance premiums and sums paid by Beneficiary in connection with such matters (collectively, whether one or more,

an "**Assessment**") shall be immediately repayable by Grantor to Beneficiary, together with interest on each amount at the default rate provided in the Note from the date the sum is paid by Beneficiary, until the same is refunded to Beneficiary and all such amounts and interest thereon, shall be secured hereby as part of the Indebtedness. Notwithstanding the foregoing or anything to the contrary set forth in the Loan Documents, Grantor shall have the right to object and protest to ad valorem taxes on the Property in good faith and with due diligence provided that (i) no Default exists under this Deed of Trust or any of the other Loan Documents, (ii) Grantor gives Beneficiary prior written notice of its intent to contest an Assessment; (iii) Grantor demonstrates to Beneficiary's reasonable satisfaction that (A) the Property will not be sold to satisfy the Assessment prior to the final determination of the legal proceedings, (B) Grantor has taken such actions as are required or permitted to accomplish a stay of any such sale, and (C) Grantor has either (1) furnished a bond or surety (satisfactory to Beneficiary in form and amount) sufficient to prevent a sale of the Property or (2) at Beneficiary's option, deposited one hundred fifty percent (150%) of the full amount necessary to pay any unpaid portion of any Assessment with Beneficiary; and (iv) such proceeding shall be permitted under any other instrument to which Grantor or the Property is subject (whether superior or inferior to this Deed of Trust).

I. Title Litigation. Subject to title insurance coverage, in case of any litigation involving the title to any part of the Property, the Ground Lease or the validity of this Deed of Trust, Beneficiary may be represented in the litigation through attorneys of its own selection and Grantor shall, upon demand, promptly reimburse Beneficiary for all court costs and reasonable attorneys' fees incurred by Beneficiary in defending and/or protecting its rights in any litigation.

J. Default. Subject to applicable notice and cure provisions and the other terms of this Deed of Trust and the other Loan Documents, if a Default (as defined in the Loan Agreement) occurs and is continuing, the whole of the Indebtedness, at the option of Beneficiary, shall become immediately due and payable, without further notice or demand.

K. Tenancy at Sufferance. Following any sale of the Property, or any part thereof, under the provisions of this Deed of Trust, and to the extent permissible under applicable law, Grantor shall be obligated to immediately vacate the premises and prior to such vacation shall be a tenant at sufferance of the purchaser of the Property sold and shall be subject to eviction in an action of forcible detainer; provided, the provisions of this Subparagraph K shall be subject to any agreements made in writing by Beneficiary with reference to any existing and/or future leases; provided, further, to the extent permitted under applicable law, the purchaser at any foreclosure sale shall have the option to affirm any then existing leases or tenancies or otherwise to succeed to the rights of Grantor thereunder.

L. Subrogation. To the extent that any of the Indebtedness represents funds utilized to satisfy any outstanding Indebtedness or obligations secured by liens, rights, or claims against the Property or any part thereof, Beneficiary shall be subrogated to any and all liens, rights, superior titles and equities owned or claimed by the holder of any outstanding indebtedness or obligation so satisfied, however remote, regardless of whether the liens, rights, superior titles and equities are assigned to Beneficiary or released by the holder(s) thereof.

M. Homestead Disclaimer. Grantor represents and covenants that the Property forms no part of any property owned, used, or claimed by Grantor as a business or residential homestead, or as exempt from forced sale under the laws of the State of Texas and disclaims and renounces all and every such claim thereto.

N. Additional Transfers and Encumbrances. Subject to the terms and conditions of the Loan Agreement and the City Loan Agreement. Beneficiary shall have the right to declare the Indebtedness secured hereby immediately due and payable in the event the Grantor sells, transfers, assigns, or conveys its interest, whether voluntarily or involuntarily, in the Property and/or the Ground Lease or any part of either, without the prior written consent of Beneficiary, such consent not to be unreasonably withheld, delayed or conditioned or in the event any junior or subordinate mortgage, lien, deed of trust, or other encumbrance is

placed upon the Property without the prior written consent of Beneficiary, provided the foregoing shall not prohibit the removal of worn or obsolete Personalty that is replaced with new items of the same or similar quality or prohibit transfers that are permitted under the Loan Agreement or the City Loan Agreement. If Beneficiary consents to the sale, transfer, assignment, or conveyance of Grantor's interest in the Property, or any part thereof, and waives in writing its right to accelerate the Indebtedness secured hereby as provided in this Subparagraph N, Beneficiary may require that the transferee assume all the obligations of Grantor under this Deed of Trust, the Loan Agreement and the Note in a form reasonably acceptable to Beneficiary and its legal counsel. For purposes of this Subparagraph N, "transfer" of the Property includes any direct or indirect transfer of any beneficial ownership in Grantor (except as allowed by the City Loan Agreement) or the managing member of Grantor except to the extent that such transfer is permitted hereunder or under the Loan Agreement (or under the City Loan Agreement) after satisfaction of all requirements for such transfer including the consent of the City , if required for such transfer.

Notwithstanding anything to the contrary contained in this Deed of Trust or the other Loan Documents, the removal and/or replacement of Grantor's managing member for cause in accordance with Grantor's limited liability company agreement shall not require the consent of the Beneficiary or the Trustee, shall not constitute a default or Default under this Deed of Trust or the Loan Documents or accelerate or give the Beneficiary the right to accelerate the maturity of the Loan. The consent of the Beneficiary and the City shall be required for the appointment of a new managing member, but if the Grantor's Tax Credit Investor (as defined in the City Loan Agreement) exercises its right to remove the Grantor's managing member for cause, Beneficiary will not unreasonably withhold its consent to the substitute managing member; provided however, the consent of neither the Trustee nor the Beneficiary shall be required if the substitute managing member is an affiliate of such Tax Credit Investor. The substitute managing member shall assume all of the rights and obligations of the removed managing member of Grantor hereunder.

O. No Reliance on Beneficiary. Grantor is experienced in the ownership and operation of properties similar to the Property, and Beneficiary is relying solely upon Grantor's expertise and business plan in connection with the construction of the Improvements and ownership and operation of the Property. Grantor is not relying on Beneficiary's expertise or business acumen in connection with the Property or in connection with the construction of the Improvements.

P. No Litigation. Except as disclosed in writing to Beneficiary, there are no (i) causes of action, suits, or legal proceedings, at law or in equity, before any Governmental Authority (as defined in the City Loan Agreement) or arbitrator pending or threatened against or affecting Grantor, any guarantor, or involving the Property or the Ground Lease, (ii) outstanding or unpaid judgments against the Grantor, the Ground Lease or the Property, or (iii) defaults by Grantor with respect to any order, writ, injunction, decree, or demand of any Governmental Authority or arbitrator.

Q. Payment for Labor and Materials. Grantor will timely pay all bills for labor, materials, and specifically fabricated materials incurred in connection with the Property (which shall be deemed an Assessment on the Property) and never permit to exist in respect of the Property or any part thereof any unbonded lien or security interest, even though inferior to the liens and security interests hereof, for any such bill, and in any event never permit to be created or exist in respect of the Property or any part thereof any other or additional lien or security interest on a parity with, superior, or inferior to any of the liens or security interests hereof, except for the Permitted Encumbrances and the permitted liens or security interests described in the Intercreditor Agreement. In the event that Grantor becomes aware that such lien has been recorded against the Property, Grantor shall have such lien released within thirty (30) days. If Grantor fails to pay or bond around any bills for labor, materials, and specifically fabricated materials incurred in connection with the Property, Beneficiary shall have the rights set forth in Section V.H for Grantor's failure to pay any Assessment , as well as the other rights and remedies provided under this Deed of Trust. .

R. Tax on Deed of Trust. At any time any law shall be enacted imposing or authorizing the imposition of any tax upon this Deed of Trust, or upon any rights, titles, liens, or security interests created hereby, or upon the Indebtedness or any part thereof, Grantor will pay when due all such taxes, provided that if such law as enacted makes it unlawful for Grantor to pay such tax, Grantor shall not pay nor be obligated to pay such tax.

S. ERISA. If and to the extent that Grantor is obligated under any plan governed by or subject to the Employee Retirement Income Security Act, as amended ("**ERISA**"), Grantor shall fully discharge and satisfy all of its obligations and funding requirements under such plan, ERISA and the Internal Revenue Code, as amended ("**IRC**"). Furthermore, Grantor shall comply in all material respects with any and all applicable provisions of ERISA and the IRC and will not incur or permit to exist any unfunded liabilities to the Pension Benefit Guaranty Corporation or to such plan under ERISA or the IRC.

T. Disclosures. If at any time Grantor shall become aware of the existence or occurrence of any financial or economic conditions or natural disasters which are likely to have a material adverse effect on the Property, the Ground Lease or Grantor's financial condition, Grantor shall promptly notify Beneficiary of the existence or occurrence thereof and of Grantor's opinion as to what effect such may have on the Property or Grantor. Grantor shall also give prompt notice to Beneficiary of (i) any litigation or dispute, threatened or pending against or affecting Grantor, the Property, the Ground Lease or any guarantor which is likely to have a material adverse effect on the Property or the financial condition or business of any of the aforementioned parties, (ii) any Default, (iii) any default by Grantor continuing beyond all applicable notice and cure periods, or any acceleration of any indebtedness owed by Grantor under any contract or loan agreement to which Grantor is a party, and (iv) any change in the character of Grantor's business as it exists on the date hereof.

VI.

CAPTIONS

The captions contained in this Deed of Trust are for convenience only and shall not be taken into account in determining the meaning of any provision of this Deed of Trust.

VII.

ASSIGNMENT OF LEASES

Beneficiary's rights under this Section VII are pari passu with the County's rights under the County Loan Documents (as defined in the Intercreditor Agreement). As further security for the payment of the Indebtedness. Grantor hereby assigns to Beneficiary, its successors and assigns, all leases, whether now in existence or hereafter created, covering all or any portion of the Property (including its interest in the Ground Lease) together with all rents to become due under each such lease. For so long as no Default exists, Grantor may collect the rents, but not more than one (1) month in advance, in the ordinary course of business, unless otherwise provided by the express terms of the leases and approved by Beneficiary. In the event of any Default and at any and all times during the continuance thereof, in addition to all other rights and remedies of Beneficiary, Beneficiary shall have the exclusive right and power (but not the obligation) to enter upon and take possession of the Property or any part thereof, to rent or re-rent the same, either in the name of Beneficiary or Grantor, to receive all rents, revenues, profits, or other income from the Property and to apply all amounts received first, to the costs and expenses incurred by Beneficiary in protecting and operating the Property and next, to the payment of the Indebtedness in any manner and in any order of priority as Beneficiary shall determine. This action by Beneficiary shall not operate as a waiver of the Default, or as an affirmation of any lease or of the rights of any tenant of title to that part of the Property covered by the lease or held by the tenant, should the Property, or any part thereof, be acquired by Beneficiary or other purchaser at a foreclosure sale. The right of Beneficiary to receive all rents, revenues, profits, or other income from the Property during the continuance of any Default shall be

applicable whether Beneficiary has entered upon or taken possession of the Property, or has otherwise attempted to exercise its rights hereunder and if any rents, revenues, profits, or other income are paid to or received by Grantor, Grantor shall immediately pay the same to Beneficiary, without the necessity of any request or demand therefor. Grantor agrees at any time and from time to time until the Indebtedness is paid in full (or deemed paid in full) to execute and to deliver any additional assignments of leases and/or rents, security agreements and other instruments as Beneficiary shall from time to time reasonably require; provided such instruments do not increase Grantor's obligations or decrease Grantor's rights under the Loan Documents and the City Loan Documents. The substance, form, execution and delivery of additional assignments of leases and/or rents, security agreements and other instruments shall be reasonably satisfactory to Beneficiary.

VIII.

PERSONALTY

This Deed of Trust covers and includes, without limitation, Grantor's interest in the Personalty hereinabove described.

IX.

USE OF PERSONALTY

Grantor represents that all Personalty is property for business use and is not consumer goods. Grantor further covenants that there are and shall be no conditional sales contracts that cover any of the Personalty.

X.

SECURITY INTEREST IN PERSONALTY

Without limiting any of the provisions of this instrument, Grantor, as referred to in this paragraph as "**Debtor**," expressly does the following:

A. Grant. Debtor hereby grants unto Beneficiary and its successors and assigns, described herein as Secured Party, and referred to in this Section X as "**Secured Party**", a security interest in Debtor's interest in the Personalty (subject to the Permitted Encumbrances and the pari passu security interests and rights of Harris County described in the Intercreditor Agreements).

B. UCC Remedies. Debtor agrees, in addition to any other remedies granted in this instrument to Secured Party or the Trustee, that Secured Party may, during the existence of any Default, proceed under Chapter 9 of the Texas Uniform Commercial Code (the "**UCC**") as to all or any part of the Personalty and shall have and may exercise with respect to the Personalty all the rights, remedies and powers of a Secured Party under the UCC, including, without limitation, the right and power to sell at public or private sale or sales, or otherwise to dispose of, to lease, or to utilize the Personalty and any part or parts thereof, in any manner authorized or permitted under the UCC after default by a debtor and to apply the proceeds thereof toward payment of any reasonable costs, expenses and attorneys' fees and legal expenses thereby incurred by Secured Party and toward the payment of Debtor's obligations, including the Note and all other Indebtedness described in this instrument in any order or manner as Secured Party may elect. Among the rights of Secured Party during the existence of a Default, and without limitation, Secured Party shall have the right to take possession of the Personalty and to enter upon any premises where same may be situated for this purpose without being deemed guilty of trespass and without liability for damages thereby occasioned and to take any action deemed necessary or appropriate or desirable by Secured Party, at its option and in its discretion, to repair, refurbish or otherwise prepare the Personalty for sale, lease, or other use or disposition as herein authorized. Debtor agrees that if any notice of sale required under the

UCC is mailed, postage prepaid, to Debtor at the address shown herein at least ten (10) days before the time of the sale or disposition, the notice shall be deemed reasonable and shall fully satisfy any requirement for giving of the notice.

If a Default exists, and to the extent it may lawfully do so and without limiting any rights and/or privileges herein granted to Secured Party, Debtor agrees that Secured Party and/or the above Trustee and any Substitute Trustee, may dispose of any or all of the Personalty at the same time and place and after giving the same notice provided for in this Deed of Trust in connection with a nonjudicial foreclosure sale under the terms and conditions set forth in this Deed of Trust. In this connection, Debtor agrees that the sale may be conducted by the Trustee or the Substitute Trustee; that the sale of the Land and Improvements described in this Deed of Trust and the Personalty or any part thereof, may be sold separately and/or together; and that if the Land and Improvements described herein and the Personalty or any part thereof, are sold together, the Secured Party will not be obligated to allocate the consideration received as between the Land and Improvements and the Personalty.

C. Possession. Debtor hereby grants to Secured Party the right, at its option during the existence of a Default to transfer at any time to itself or to its nominee the Personalty, or any part thereof and to receive the monies, income, proceeds or benefits attributable or accruing thereto and to hold the same as security for Debtor's obligations or to apply it on the principal and interest or other amounts owing on any of Debtor's obligations, whether or not then due, in any order or manner as Secured Party may elect. All rights with respect to marshalling of assets of Debtor, including with respect to the Personalty, or to a sale in inverse order of alienation, are hereby waived.

D. Authority. Debtor hereby covenants, stipulates and agrees that all recitals in any instrument of assignment or any other instrument executed by Secured Party incident to the sale, transfer, assignment, lease or other disposition or utilization of the Personalty or any part thereof hereunder shall be prima facie evidence of the matters stated therein and all prerequisites of the sale or other action taken by Secured Party or of any fact, condition or thing incident thereto shall be rebuttably presumed to have been performed or to have occurred.

E. Assembly and Expenses. Debtor hereby covenants and agrees that Secured Party, during the existence of a Default, may require Debtor to assemble the Personalty and to make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. All reasonable expenses of retaking, holding, preparing for sale, lease, or other use or disposition, selling, leasing or otherwise using or disposing of the Personalty and the like that are incurred or paid by Secured Party as authorized or permitted hereunder, including also all attorneys' fees, legal expenses and costs, shall be added to the Indebtedness and Debtor shall be liable therefor.

F. Financing Statement. A carbon, photographic, or other reproduction of this Deed of Trust may be filed as a Financing Statement under the UCC between Debtor and Secured Party whose addresses are set forth below. Except for the security interest granted hereby in the Personalty and the pari passu security interests and rights in the Personalty granted to Harris County as described in the Intercreditor Agreement, Debtor is owner and holder of the Personalty free of any adverse claim, security interest or encumbrance, and Debtor will defend the Personalty against all claims and demands of any person at any time claiming the same or any interest therein.

XI.

ADDRESSES

The addresses for notice are as follows:

Grantor: MAGNIFICAT PERMANENT AFFORDABLE, LLC
 122 East 42nd Street, Suite 4900
 New York, NY 10168
 Attention: Terry Green
 Telephone: (202) 312-2571
 Email: tgreen@nhpfoundation.org

Beneficiary: NHPF CAROLINE CONDUIT, LLC
 122 East 42nd Street, Suite 4900
 New York, NY 10168
 Attention: Terry Green
 Telephone: (202) 312-2571
 Email: tgreen@nhpfoundation.org

Trustee: THE CITY OF HOUSTON
 P. O. Box 1562
 Houston, TX 77251-1562
 Attention: Director, Housing and Community Development
 Department

Tax Credit Investor: HUDSON HOUSING CAPITAL LLC
 630 Fifth Avenue, 28th Floor
 New York, New York 10111
 Attention: Joseph A. Macar

Each party shall have the right to designate from time to time another address within the continental United States for purposes of this Deed of Trust by written notice to the other party. Notwithstanding the foregoing agreement to provide courtesy copies, such copies shall be a courtesy only and failure to provide such copies shall have no effect on the validity of a notice properly given to Grantor.

Notices under this Deed of Trust shall be effective in the case of utilization of the U.S. Mail Service, upon the earlier of (i) three business days after deposit of such notice in the mail, return receipt requested or (ii) hand or overnight delivery. Notices sent by overnight courier services shall be effective one day after deposit with such service. All other notices shall be effective upon delivery. Notwithstanding the foregoing, any foreclosure notices shall be effective upon deposit with the U.S. Mail Service.

XII.

RESTRICTIVE COVENANTS

Grantor has executed and filed of record or will execute and file of record a certain Restrictive Covenants with Joinder by Landlord and Fee Owner dated of even date hereof (the "**Restrictive Covenants**") covering the Property. The Restrictive Covenants shall remain in full force and effect until expiration or termination in accordance with the provisions thereof and no invalidity, release or termination of this Deed of Trust shall operate to invalidate, release or terminate the Restrictive Covenants. The Restrictive Covenants shall not be deemed a "Loan Document" as such term is used herein or in any of the other Loan Documents.

XIII.

ENVIRONMENTAL MATTERS

A. Compliance with Laws. Grantor hereby represents, warrants, covenants and agrees to and with Beneficiary that:

- (i) Grantor will not and will not permit any tenant or occupant of the Property to, generate, store, handle or otherwise deal with hazardous or toxic substances in, on, about or under the Property; and
- (ii) Grantor has not at any time engaged in or permitted, nor, to the best of Grantor's knowledge after reasonable and prudent inquiry, which has consisted of the Phase I report previously delivered to Beneficiary, has any current or former tenant, occupant or owner of the Property, or any portion thereof, engaged in or permitted any generation, storage, handling, dumping, discharge, disposal, spillage or leakage of any hazardous or toxic substances, at, on, or about the Property that would violate applicable environmental laws and regulations or other applicable laws or the City's Minimum Property Standards as set forth in the City Loan Agreement, or any portion thereof, except as disclosed on the Phase I report previously delivered to Beneficiary.

Notwithstanding the foregoing, Grantor shall be permitted to have such chemicals, materials and supplies on the Property which are normally used in connection with the prudent operation, use, maintenance and ownership of a multi-family unit apartment complex and which are used in compliance with environmental laws.

B. Indemnification. **GRANTOR HEREBY AGREES TO INDEMNIFY, PROTECT, DEFEND (WITH COUNSEL REASONABLY APPROVED BY BENEFICIARY) AND TO HOLD BENEFICIARY, ITS AGENTS, MEMBERS, OFFICERS, REPRESENTATIVES AND ITS EMPLOYEES FREE AND HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, ACTIONS, ADMINISTRATIVE PROCEEDINGS, JUDGMENTS, DAMAGES, PUNITIVE DAMAGES, PENALTIES, FINES, COSTS, LIABILITIES (INCLUDING SUMS PAID IN SETTLEMENT OF CLAIMS), INTEREST OR LOSSES, INCLUDING REASONABLE ATTORNEYS', CONSULTANTS' AND EXPERTS' FEES AND EXPENSES, OF ANY KIND OR NATURE (COLLECTIVELY, THE "COSTS") THAT ARISE DIRECTLY OR INDIRECTLY, FROM OR IN CONNECTION WITH THE PRESENCE, SUSPECTED PRESENCE, RELEASE OR SUSPECTED RELEASE (A "RELEASE") OF ANY HAZARDOUS OR TOXIC SUBSTANCE, FROM, ON, ABOUT, UNDER OR WITHIN THE PROPERTY, OR ANY PORTION THEREOF WHICH OCCURS DURING OR PRIOR TO SUCH TIME AS GRANTOR OWNS THE PROPERTY. NOTWITHSTANDING THE FOREGOING TO THE CONTRARY, GRANTOR'S LIABILITY HEREUNDER, SUBJECT TO THE DE MINIMIS PROVISIONS OF ARTICLE XIII(A)(ii) ABOVE, SHALL NOT INCLUDE ANY LOSS ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF BENEFICIARY OR ANY EMPLOYEE, AGENT OR REPRESENTATIVE OF BENEFICIARY OR RELEASE OF HAZARDOUS OR TOXIC SUBSTANCES BY BENEFICIARY OR ANY EMPLOYEE, AGENT OR REPRESENTATIVE OF BENEFICIARY AFTER BENEFICIARY HAS TAKEN POSSESSION OF THE PROPERTY.**

C. Remediation. If any investigation or monitoring of site conditions, or any cleanup, containment, restoration, removal or other remedial work (collectively, the "**Remedial Work**") is required under any applicable federal, state or local law or regulation, by any judicial order, or by any governmental entity, or in order to comply with any agreements affecting the Property because of, or in connection with any release of hazardous or toxic substances, Grantor shall perform, or cause to be performed, the Remedial Work in compliance with such law, regulation, order or agreement. All Remedial Work shall be performed by one or more contractors selected by Grantor and approved in advance, in writing, by

Beneficiary and under the supervision of a consulting engineer selected by Grantor and approved in advance, in writing, by Beneficiary. All costs of any Remedial Work shall be paid by Grantor, including, without limitation, the reasonable charges of contractor(s) and/or the consulting engineer and Beneficiary's reasonable attorneys' fees and costs incurred in connection with the monitoring or review of any Remedial Work. If Grantor shall fail to timely commence or cause to be timely commenced, or fail to diligently prosecute to completion, any Remedial Work, then Beneficiary may, but shall not be required to, cause such Remedial Work to be performed and all costs and expenses thereof, or incurred in connection therewith, shall be "**Costs**" within the meaning of Subparagraph B above. All costs shall be due and payable upon demand therefor by Beneficiary, together with interest thereon at the Default Rate provided in the Note from the date such costs are paid by Beneficiary, until the same are refunded to Beneficiary and all such costs and the interest thereon shall be secured hereby.

D. Survival. Notwithstanding anything to the contrary contained herein, or in the Note or Loan Agreement, the obligations of Grantor under this Paragraph XIII shall survive any assumption of the Indebtedness by a successor to Grantor (whether or not the assumption has been approved or disapproved, or whether or not Grantor was released from liability on the Indebtedness), foreclosure of this Deed of Trust (or transfer of the Property in lieu of foreclosure) and release or termination of this Deed of Trust.

XIV.

MISCELLANEOUS

A. No Waiver. No delay by Beneficiary in exercising any right, option or remedy hereunder, or otherwise afforded by law, shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any Default.

B. Cumulative Remedy. All rights and remedies of Beneficiary under this Deed of Trust and any and all other instruments evidencing or securing the Indebtedness, are cumulative and concurrent and may be exercised singularly, successively, or concurrently.

C. No Release. The granting to Grantor or to any other person or party of any extension(s) of time for payment of all or any part of the Indebtedness or the performance of any covenant or agreement contained herein, or the taking of other or additional security for the payment of the whole or any part of the Indebtedness, or the releasing of any part of the security at any time held in connection with the Indebtedness, shall not in any way release Grantor or any other person or party obligated for the payment of the Indebtedness, or release or impair this Deed of Trust or any other security held in connection with the Indebtedness, except to the extent of the person, party or property expressly released in writing by Beneficiary.

D. Severability. If any provision in this Deed of Trust is invalid or unenforceable in whole or in part, this instrument shall in all other respects remain in full force and effect.

E. Successors and Assigns. All of the provisions hereof shall apply to, inure to the benefit of, and be binding upon Beneficiary and Grantor and their respective successors and assigns (provided the foregoing shall not be construed as consent to any transfer by Grantor of the Property that is not permitted under the Loan Documents).

F. Further Assurances and Corrections. From time to time, at the request of Beneficiary, Grantor will (i) promptly correct any defect, error, or omission which may be discovered in the contents of this Deed of Trust or in any other Loan Document or in the execution or acknowledgment thereof; (ii) execute, acknowledge, deliver, record and/or file such further instruments (including, without limitation, further deeds of trust, security agreements, financing statements, continuation statements and assignments of rents or leases) and perform such further acts and provide such further assurances as may be necessary, desirable, or proper, in Beneficiary's reasonable opinion, to carry out more effectively the purposes of this

Deed of Trust and the Loan Documents and to subject to the liens and security interests hereof and thereof any property intended by the terms hereof or thereof to be covered hereby or thereby, including without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; (iii) execute, acknowledge, deliver, procure, file, and/or record any document or instrument (including without limitation, any financing statement) deemed advisable by Beneficiary to protect the liens and the security interests herein granted against the rights or interests of third persons; and (iv) pay all reasonable costs connected with any of the foregoing.

G. Choice of Law. This Deed of Trust shall be performable and enforced in Harris County, Texas, and shall be construed in accordance with the laws of the State of Texas from time to time in effect except to the extent preempted by the United States federal law. Venue shall be appropriate in Harris County, as applicable.

H. Usury. In no event shall any provision of this Deed of Trust, the Note, the Loan Agreement or any other instrument evidencing or securing the Indebtedness ever obligate Grantor to pay interest on the Note secured hereby at a rate greater than that permitted by law, or obligate Grantor to pay any taxes, assessments, charges, insurance premiums, or other amounts to the extent that the payments constitute interest under applicable law and when added to the interest payable on the Note secured hereby, would be held to constitute the payment by Grantor of interest at a rate greater than that permitted by law; and this provision shall control over any provision to the contrary.

It is expressly stipulated and agreed to be the intent of Grantor and Beneficiary at all times to comply strictly with the applicable Texas law governing the maximum rate or amount of interest payable on the Note or the Indebtedness or applicable United States federal law to the extent that it permits Beneficiary to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law ("Highest Lawful Rate"). If the applicable law is ever judicially interpreted so as to render usurious any amount (i) contracted for, charged, taken, reserved or received pursuant to the Note, any of the other Loan Documents or any other communication or writing by or between Grantor and Beneficiary related to the transaction or transactions that are the subject matter of the Loan Documents, (ii) contracted for, charged or received by reason of Beneficiary's exercise of the option to accelerate the maturity of the Note and/or the Indebtedness, or (iii) Grantor will have paid or Beneficiary will have received by reason of any voluntary prepayment by Grantor of the Note and/or the Indebtedness, then it is Grantor's and Beneficiary's express intent that all amounts charged in excess of the Highest Lawful Rate shall be automatically cancelled, ab initio, and all amounts in excess of the Highest Lawful Rate theretofore collected by Beneficiary shall be credited on the principal balance of the Note and/or the Indebtedness (or, if the Note and all Indebtedness have been or would thereby be paid in full, refunded to Grantor), and the provisions of the Note and the other Loan Documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder. Grantor hereby agrees that as a condition precedent to any claim seeking usury penalties against Beneficiary, Grantor will provide written notice to Beneficiary, advising Beneficiary in reasonable detail of the nature and amount of the violation, and Beneficiary shall have sixty (60) days after receipt of such notice in which to correct such usury violation, if any, by either refunding such excess interest to Grantor, or crediting such excess interest against the Note and/or the Indebtedness then owing by Grantor to Beneficiary. All sums contracted for, charged or received by Beneficiary for the use, forbearance or detention of any debt evidenced by the Note and/or the Indebtedness shall, to the extent permitted by applicable law, be amortized or spread, using the actuarial method, throughout the stated term of the Note and/or the Indebtedness (including any and all renewal and extension periods) until payment in full so that the rate or amount of interest on account of the Note and/or the Indebtedness does not exceed the Highest Lawful Rate from time to time in effect and applicable to the Note and/or the Indebtedness for so long as debt is outstanding. In no event shall the provisions of Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving triparty accounts) apply to the Note and/or the Indebtedness. Notwithstanding anything to the contrary contained herein or in any of the other Loan

Documents, it is not the intention of Beneficiary to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

I. Covenants Run with the Land. All obligations contained in this Deed of Trust and the other Loan Documents are intended by Grantor, Beneficiary and Trustee to be, and shall be construed as, covenants running with the Property until the lien of this Deed of Trust has been fully released by Beneficiary.

J. JURY WAIVER. GRANTOR AND BENEFICIARY ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE, THE INDEBTEDNESS OR THIS DEED OF TRUST.

K. Entire Agreement. THIS DEED OF TRUST, TOGETHER WITH THE NOTE AND LOAN AGREEMENT, THE OTHER LOAN DOCUMENTS, AND THE RESTRICTIVE COVENANTS CONSTITUTE A WRITTEN LOAN AGREEMENT AS DEFINED IN SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE. THIS WRITTEN LOAN AGREEMENT CONSTITUTES THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

L. Priority and Intercreditor Agreement. It is the intent of Beneficiary and Grantor that this Deed of Trust shall be subject to and the relative priority thereof be governed by one certain Intercreditor, Subordination and Funding Agreement ("**Intercreditor Agreement**") by and between Grantor, Beneficiary, Harris County, the City of Houston and certain other parties of approximate date herewith and filed of record in the Official Records of Harris County, Texas.

M. Extended Low Income Housing Commitment. Pursuant to the terms of that Collateral Assignment of Note and Liens dated of even date herewith executed by Beneficiary for the benefit of the City (the "**Collateral Assignment**"), the City agreed that the liens securing the City Loan and evidenced by this Deed of Trust and collaterally assigned to the City pursuant to the Collateral Assignment shall be subordinate to any extended low income housing commitment (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code)(the "**Extended Use Agreement**") recorded against the Land; provided that such Extended Use Agreement, by terms, must terminate upon foreclosure under this Deed of Trust or upon a transfer of the Land by instrument in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code. The City's Restrictive Covenants shall not be subordinate to any extended low income housing commitment as such term is defined in the Extended Use Agreement.

N. Non-Merger. It is the express intention of the parties hereto that in the event of foreclosure of this Deed of Trust, the leasehold estate so foreclosed shall not effect a merger with any liens (other than this Deed of Trust) in the Property held by the purchaser or any other estate in land in the Property held by the purchaser or any other party at foreclosure with the leasehold estate so acquired.

[Signatures on following page]

Signature Page
Leasehold Deed of Trust, Security Agreement and Financing Statement

IN WITNESS WHEREOF, Grantor has executed this Leasehold Deed of Trust, Security Agreement and Financing Statement on the date set forth in the acknowledgments below but to be effective as of _____, 2022.

GRANTOR:

MAGNIFICAT PERMANENT AFFORDABLE, LLC, a
Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation, its manager

By: _____
Neal Drobenare, Vice President

DISTRICT OF COLUMBIA §

The foregoing instrument was acknowledged before me this ____ day of _____, 2022 by Neal Drobenare, the Vice President of Jamestown Affordable Housing, Inc., a District of Columbia non-profit corporation, the manager of NHPF Caroline MM, LLC, a Texas limited liability company, the managing member **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company, on behalf of said limited liability company.

NOTARY PUBLIC

PRINTED NAME OF NOTARY
My COMMISSION EXPIRES: _____

ATTACHMENTS:

EXHIBIT "A" Land
EXHIBIT "B" Permitted Encumbrance

Consented to and agreed by:

JOINDER:

MHI LANDHOLDINGS LLC,
a Texas limited liability company

By: Magnificat Houses, Inc.,
a Texas nonprofit corporation,
its sole member

By: _____
John Boyles, Executive Director

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this ____ day of _____, 2022 by John Boyles, the Executive Director of Magnificat Houses, Inc., a Texas nonprofit corporation, which is the sole member of **MHI LANDHOLDINGS LLC**, a Texas limited liability company, on behalf of said limited liability company.

NOTARY PUBLIC - THE STATE OF TEXAS

Printed Name of Notary

My commission expires: _____.

ATTACHMENTS:

EXHIBIT "A" Land

EXHIBIT "B" Permitted Encumbrance

**EXHIBIT A
PROPERTY DESCRIPTION**

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

[LEGAL DESCRIPTION TO BE UPDATED BASED ON SURVEY.]

EXHIBIT B
PERMITTED ENCUMBRANCES

[TO BE ATTACHED BASED ON EXCEPTIONS IN TITLE COMMITMENT]

ATTACHMENT D
TO LOAN AGREEMENT
FINANCING STATEMENTS
UCC-1 and UCC-3

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. E-MAIL CONTACT AT FILER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)
Nancy F. Martin Shannon, Martin, Finkelstein, Alvarado & Dunne, P.C. 1001 McKinney, Suite 1100 Houston, TX 77002

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME MAGNIFICAT PERMANENT AFFORDABLE, LLC , a Texas limited liability company				
OR	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS 1601 Elm St.		CITY Dallas	STATE TX	POSTAL CODE 75201-4701
			COUNTRY USA	

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
			COUNTRY	

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME NHPF CAROLINE CONDUIT, LLC				
OR	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS P.O. Box 25415		CITY Houston	STATE TX	POSTAL CODE 77265-5415
			COUNTRY USA	

4. COLLATERAL: This financing statement covers the following collateral:

(i) All of Debtor's right, title and interest, whether now or hereafter arising, in and to any and all plumbing, electrical, heating, cooling and other equipment and all building materials and other goods of every type, kind and character that are now or hereafter situated upon the Land (as herein after defined) and which (a) are Intended to be Incorporated Into any Improvements on the Land ("Improvements") or (b) are now, or hereafter become, fixtures related to the Land or the Improvements; any and all other goods of every type, kind and character, Including without limitation, all appliances, furniture, fixtures, inventory and equipment now owned or hereafter acquired by Debtor that are now or hereafter situated upon the Land (whether or not situated within or attached to the Improvements) and that facilitate the use and occupancy of the Improvements for the purpose for which they were or are to be constructed; all plans and specifications for the Improvements, all rights of Debtor under all existing and future leases, construction, maintenance and other contracts covering or relating to the Land or the Improvements, all tenants' deposits made pursuant to or In connection with such leases, all rights of ingress and egress, easements, water and wastewater rights, and to the extent assignable, all licenses, permits, franchises, certificates, accounts, Instruments, chattel paper, documents, agreements, contracts,

5. Check only if applicable and check only one box: Collateral is held in a Trust (see UCC1Ad, item 17 and Instructions) being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:
 Public-Finance Transaction Manufactured-Home Transaction A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:
 Agricultural Lien Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): Lessee/Lessor Consignee/Consignor Seller/Buyer Bailee/Bailor Licensee/Licenser

8. OPTIONAL FILER REFERENCE DATA:
3300 Caroline

ATTACHMENT D

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS

9. NAME OF FIRST DEBTOR: Same as line 1a or 1b on Financing Statement, if line 1b was left blank because Individual Debtor name did not fit, check here

9a. ORGANIZATION'S NAME MAGNIFICAT PERMANENT AFFORDABLE, LLC
OR
9b. INDIVIDUAL'S SURNAME
FIRST PERSONAL NAME
ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

10. DEBTOR'S NAME: Provide (10a or 10b) only one additional Debtor name or Debtor name that did not fit in line 1b or 2b of the Financing Statement (Form UCC1) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name) and enter the mailing address in line 10c.

10a. ORGANIZATION'S NAME				
OR				
10b. INDIVIDUAL'S SURNAME				
INDIVIDUAL'S FIRST PERSONAL NAME				
INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) SUFFIX				
10c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

11. ADDITIONAL SECURED PARTY'S NAME or ASSIGNOR SECURED PARTY'S NAME: Provide only one name (11a or 11b)

11a. ORGANIZATION'S NAME				
OR				
11b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
11c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

12. ADDITIONAL SPACE FOR ITEM 4 (Collateral):

& general intangibles & all rights of Debtor in and to any development rights relating to the Land or the Improvements (including, without limitation, trade name & symbols used in connection therewith & any deposits with utility companies) and all other rights and privileges obtained in connection with, relating to or associated with the Land or the Improvements (collectively, the "Personalty") & all proceeds of the Personalty. (ii) All tax refunds, including interest thereon, tax rebates & tax abatements, & the right to receive the same, which may be payable or available with respect to the Land, Improvements and Personalty (collectively, "Property"), but excluding any Housing Tax Credits.

13. This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS (if applicable)

14. This FINANCING STATEMENT:

covers timber to be cut covers as-extracted collateral is filed as a fixture filing

15. Name and address of a RECORD OWNER of real estate described in item 16 (if Debtor does not have a record interest):

16. Description of real estate:

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

17. MISCELLANEOUS:
3300 Caroline

ATTACHMENT D

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS

9. NAME OF FIRST DEBTOR: Same as line 1a or 1b on Financing Statement if line 1b was left blank because individual Debtor name did not fit, check here

9a. ORGANIZATION'S NAME MAGNIFACT PERMANENT AFFORDABLE, LLC	
OR	
9b. INDIVIDUAL'S SURNAME	
FIRST PERSONAL NAME	
ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

10. DEBTOR'S NAME: Provide (10a or 10b) only one additional Debtor name or Debtor name that did not fit in line 1b or 2b of the Financing Statement (Form UCC1) (use exact, full name, do not omit, modify, or abbreviate any part of the Debtor's name) and enter the mailing address in line 10c

10a. ORGANIZATION'S NAME	
OR	
10b. INDIVIDUAL'S SURNAME	
INDIVIDUAL'S FIRST PERSONAL NAME	
INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
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11. ADDITIONAL SECURED PARTY'S NAME or ASSIGNOR SECURED PARTY'S NAME: Provide only one name (11a or 11b)

11a. ORGANIZATION'S NAME			
OR			
11b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

11c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
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12. ADDITIONAL SPACE FOR ITEM 4 (Collateral):

available pursuant to Sec. 42 of the Internal Revenue Code of 1986, as amended. (iii) All of Debtor's right, title & interest in the proceeds (including conversion to cash or liquidation claims) of (A) insurance relating to the Property & (B) all awards made for the taking by eminent domain (or by any proceeding or purchase in lieu thereof) of the Property, including awards resulting from a change of any streets (whether as to grade, access or otherwise) & for severance damages. (iv) All of Debtor's right, title and interest in & to all substances in, on or under the Land which are now, or may become in the future, intrinsically valuable, that is, valuable in themselves, & which now or may be in

13. This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS (if applicable)

14. This FINANCING STATEMENT:
 covers timber to be cut. covers as-extracted collateral. is filed as a fixture filing

15. Name and address of a RECORD OWNER of real estate described in item 16 (if Debtor does not have a record interest):

16. Description of real estate

17. MISCELLANEOUS
 1671.0045 3300 Caroline Street

ATTACHMENT D

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS

9. NAME OF FIRST DEBTOR Same as line 1a or 1b on Financing Statement, if line 1b was left blank because Individual Debtor name did not fit, check here

9a. ORGANIZATION'S NAME MAGNIFICAT PERMANENT AFFORDABLE, LLC	
OR	
9b. INDIVIDUAL'S SURNAME	
FIRST PERSONAL NAME	
ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

10. DEBTOR'S NAME Provide (10a or 10b) only one additional Debtor name or Debtor name that did not fit in line 1b or 2b of the Financing Statement (Form UCC1) (use exact full name do not omit, modify or abbreviate any part of the Debtor's name) and enter the mailing address in line 10c.

10a. ORGANIZATION'S NAME					
OR					
10b. INDIVIDUAL'S SURNAME					
INDIVIDUAL'S FIRST PERSONAL NAME					
INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S)				SUFFIX	
10c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

11. ADDITIONAL SECURED PARTY'S NAME or ASSIGNOR SECURED PARTY'S NAME: Provide only one name (11a or 11b)

11a. ORGANIZATION'S NAME					
OR					
11b. INDIVIDUAL'S SURNAME		FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
11c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

12. ADDITIONAL SPACE FOR ITEM 4 (Collateral):

the future enjoyed through extraction or removal from the property, including without limitation, oil, gas & all other hydrocarbons, coal, lignite carbon dioxide & all other nonhydrocarbon gases, uranium & all other radioactive substances & gold, silver, copper, iron & all other metallic substances or ores (collectively, "Minerals"). (v) All funds of Debtor that may be deposited with Secured Party at any time & from time to time for any purpose, which funds shall be deemed to be part of the Personalty for purposes hereof. (vi) All proceeds of any of the foregoing. Terms not otherwise defined herein shall have the meaning specified in Art. 9 of the Texas Business & Commerce Code, if applicable.

13. <input type="checkbox"/> This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS (if applicable)	14. This FINANCING STATEMENT: <input type="checkbox"/> covers timber to be cut <input type="checkbox"/> covers as-extracted collateral <input type="checkbox"/> is filed as a fixture filing
15. Name and address of a RECORD OWNER of real estate described in item 15 (if Debtor does not have a record interest)	16. Description of real estate.

17. MISCELLANEOUS:
1671.0045 3300 Caroline Street

ATTACHMENT D

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. E-MAIL CONTACT AT FILER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)
Nancy F. Martin Shannon, Martin, Finkelstein, Alvarado & Dunne, P.C. 1001 McKinney, Suite 1100 Houston, Texas 77002

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER

1b. This FINANCING STATEMENT AMENDMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. PARTY INFORMATION CHANGE:

Check one of these two boxes:

AND Check one of these three boxes to:

This Change affects Debtor or Secured Party of record

CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c

ADD name: Complete item 7a or 7b, and item 7c

DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

7. CHANGED OR ADDED INFORMATION. Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

City of Houston, Director of Housing and Community Development

OR

7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

7c. MAILING ADDRESS

2100 Travis Street, 9th Floor

CITY

Houston

STATE

TX

POSTAL CODE

77002

COUNTRY

USA

8. COLLATERAL CHANGE: Also check one of these four boxes: ADD collateral DELETE collateral RESTATE covered collateral ASSIGN collateral

Indicate collateral:

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME

NHPF CAROLINE CONDUIT, LLC

OR

9b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

10. OPTIONAL FILER REFERENCE DATA:

3300 Caroline

ATTACHMENT D

ATTACHMENT E
TO LOAN AGREEMENT

COLLATERAL NOTE

NOTE

\$18,656,631.00

_____, 2022

I. PROMISE TO REPAY.

FOR VALUE RECEIVED, MAGNIFICAT PERMANENT AFFORDABLE, LLC, a Texas limited liability company ("Maker"), hereby agrees and promises to pay to the order of **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("Payee"), at P. O. Box 25415, Houston, Texas 77265-5415, or at any other place as the holder hereof may from time to time in writing designate, on the times hereinafter provided, in coin or currency, which at the time of payment shall constitute legal tender of the United States of America, the principal sum of EIGHTEEN MILLION SIX HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED THIRTY-ONE AND NO/100 DOLLARS (\$18,656,631.00) or so much thereof as may be advanced, together with interest on the principal balance from time to time remaining unpaid at the rates set forth below.

The loan ("Loan") evidenced by this Note is subject to the terms and conditions of that one certain Loan Agreement (Borrower/Owner) ("Owner Loan Agreement") between Maker and Payee of even date herewith which incorporates the terms and conditions of a Loan Agreement between the City of Houston ("City"), Maker and Payee dated _____, 2022 ("City Loan Agreement"). All capitalized terms used but not defined in this Note have the same meanings as assigned to such terms in the Owner Loan Agreement.

II. TERM.

The term of the Loan shall commence on the date of this Note ("Closing Date") and shall mature upon the date which is forty (40) years after Project Completion as defined in the City Loan Agreement (the "Maturity Date"). This Note is secured by and entitled to the benefits of a Leasehold Deed of Trust, Security Agreement and Financing Statement of even date herewith ("Deed of Trust") executed by Maker to Keith Bynam, Trustee, covering Maker's leasehold interest in the Property (as defined in the Deed of Trust).

III. PAYMENTS.

The unpaid principal balance of the Note together with accrued interest thereon shall be due and payable on the Maturity Date. If a Default has occurred and is continuing, the Payee may declare the outstanding deferred principal balance to be immediately due and payable, without notice or opportunity to cure, subject to the requirements stated in the Loan Documents or other legal requirements. Until Project Completion, no interest will accrue on the Loan. Following Project Completion, the outstanding principal balance of this Note shall accrue simple interest at the rate of one percent (1%) per annum.

Following Project Completion and continuing until the Maturity Date, Maker shall pay to Payee within thirty (30) days of each Payment Date (as defined in Maker's Operating Agreement) an annual installment of principal and interest (each an "Annual Installment") equal to Maker's share of Net Cash Flow (hereinafter defined), which shall be determined annually *pari passu* with the annual payment due under the Promissory Note of even date herewith executed by Maker for the benefit of Payee in connection with the County Loan (as defined in the City Loan Agreement). Each Annual Installment shall be (i) applied first to the interest that has accrued on the outstanding principal balance of this Note during the prior twelve (12) month period, and then to the outstanding principal balance of this Note; and (ii) accompanied by evidence acceptable to the Director documenting Net Cash Flow or lack of Net Cash Flow.

In the event that the Annual Installment paid in any year is insufficient to pay accrued interest for the prior 12-month period due to insufficient Net Cash Flow, such unpaid interest shall be deferred and paid when there is sufficient Net Cash Flow to make all or a portion of the deficiency out of subsequent distributions of Net Cash Flow (after paying the then currently due and payable Annual Installment). If sufficient excess Net Cash Flow is not available prior to the Maturity Date, then such unpaid interest shall

be due and payable on the Maturity Date. Notwithstanding anything to the contrary set forth in this Note, Maker's failure to fully pay accrued and unpaid interest as described in this paragraph due to inadequate Net Cash Flow from the Project based on evidence approved by the Director shall not constitute a default, event of default, Default, or Event of Default under this Note or any other Loan Document.

Payments made under and in accordance with the terms of this Note may be retained by Payee unless and until a Default occurs under the City Loan Agreement and the City elects to exercise its rights and remedies with respect to this Note. Notwithstanding anything to the contrary set forth in this Note, payment due hereunder shall be suspended until the Maturity Date (when all accrued but unpaid interest and principal due hereunder shall be paid in full) in the event that NHPF Caroline MM, LLC, a Texas limited liability company, is removed from Maker pursuant to the terms of Maker's Operating Agreement.

For purposes of this provision Net Cash Flow as defined as follows:

Net Cash Flow shall mean all income and revenues actually received by Owner from the lease of the Project Units and other improvements, and all other income and revenues actually received by Owner in connection with the Project, excluding and deducting therefrom all (1) Operating Expenses; (2) security, pet or cleaning deposits, if any; (3) payments from the Replacement Reserve or from Operating Reserves; (4) payments or reimbursements from insurers or other third parties and used or to be used for restoration, repair or remodeling of any of the Project Units or other improvements; (5) capital contributions, grants, proceeds of any permitted sale, transfer, exchange, refinancing or other disposition or encumbrance of all or a portion of the Project (6) condemnation proceeds and awards in place of them; (7) tax reduction or abatement proceeds; (8) loan proceeds; (9) deposits made to operating reserves and to the replacement operating reserves; and (10) payments of the deferred developer fee; (11) payments of any Asset Management Fee to Tax Credit Investor, and (12) payments of any Operational Reduction Amount or tax credit adjuster amounts due to Tax Credit Investor pursuant to Maker's Operating Agreement

IV. DEFAULT; ACCELERATION.

If a Default exists the entire debt represented by this Note, consisting of the outstanding principal balance and all accrued interest thereon, shall, at the option of the holder hereof, become immediately due and payable and the Maturity Date accelerated, and except as otherwise provided herein or in any of the other Loan Documents, without notice, presentment for payment, demand, notice of nonpayment, notice of intention to accelerate, acceleration, or other notices of any type which are specifically waived. Time being of the essence hereof. Payee's rights under this paragraph shall be in addition to any other rights or remedies it may have under the Owner Loan Agreement, the City Loan Agreement and any other loan documents executed in connection with the Owner Loan Agreement and/or the City Loan Agreement including, without limitation, the City Loan Agreement ("Loan Documents"), at law or in equity, to enforce Maker's obligations under the Loan Documents. At Payee's option during the continuance of any Default, interest shall accrue on the outstanding balance of this Note at a rate equal to the lower of ten percent (10%) per annum or the highest annual rate permitted by applicable law ("Default Rate"). For purposes of this Note, the term "Default" shall mean a default in payment of the Note or under the terms of this Note, the Deed of Trust, the Owner Loan Agreement, the City Loan Agreement or any other Loan Document securing or executed in connection with the Note that continues past the expiration of all applicable notice and cure periods. Should the terms of this paragraph IV conflict with the Intercreditor Agreement, the Intercreditor Agreement shall control in all respects.

V. PREPAYMENT/MODIFICATION.

THIS NOTE MAY NOT BE PREPAID OR MODIFIED WITHOUT THE PRIOR WRITTEN CONSENT OF THE PAYEE, WHICH CONSENT MAY BE WITHHELD OR GRANTED IN THE SOLE DISCRETION OF THE PAYEE.

VI. APPLICATION OF PAYMENTS.

Each payment made on this Note shall be credited first to accrued, unpaid interest (if any) and the remainder to principal.

VII. WAIVER.

Maker hereby waives presentment for payment, protest and demand, notice of protest, demand and dishonor, and non-payment of this Note, and except as otherwise specified in the Loan Agreement between the parties, waives notice of default, notice of acceleration, and notice of intent to accelerate, and hereby consents that the holder hereof may extend the time of payment or otherwise modify the terms of payment of any part or the whole of the debt evidenced by this Note, at the request of any other person liable hereon, and such consent shall not alter nor diminish the liability of any person. The failure to exercise any remedy available to Payee shall not be deemed to be a waiver of any rights or remedies of Payee under this Note or under any of the other Loan Documents, or at law or in equity. No extension of the time for the payment of this Note or any installment due hereunder, made by agreement with any person now or hereafter liable for the payment of this Note, shall operate to release, discharge, modify, change or affect the original liability of Maker under this Note, either in whole or in part, unless Payee specifically, unequivocally and expressly agrees otherwise in writing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change or modification is sought.

VIII. COSTS OF COLLECTION; ATTORNEYS' FEES.

Maker agrees to pay all costs of collection, including reasonable attorneys' fees, if the principal of this Note or any payment on the principal or interest hereon is not paid at the respective maturity and to pay all reasonable costs including, attorneys' fees and court costs, if it becomes necessary to protect the security hereof, whether suit be brought or not, if a Default exists.

IX. USURY LIMITATIONS.

No provision of the Owner Loan Agreement, this Note, or any instrument securing payment of or relating to the indebtedness, shall require the payment or permit the collection of interest in excess of the Default Rate. If any excess of interest in such respect is herein or in any other instrument provided for, or shall be adjudicated to be so provided for herein or in any other instrument, the provisions of this paragraph shall govern and neither Maker nor any guarantor or endorser of this Note nor their respective heirs, personal representatives, successors, or assigns shall be obligated to pay such interest to the extent it is in excess of the Default Rate. Any fees or other sums that under applicable law are deemed to constitute interest shall be or other sums so deemed interest shall be amortized, prorated, allocated and spread in equal parts over the full stated term of the loan evidenced hereby.

If the maturity of this Note is accelerated for any reason before the stated Maturity Date, or in the event of any prepayment by Maker, or in any other event, earned interest may never exceed the Default Rate, computed from the date of disbursement of the loan evidenced hereby until payment, and any unearned interest otherwise payable hereunder that is in excess of the Default Rate shall be cancelled automatically as of the date of the acceleration, prepayment, or other event, and if previously paid, shall at the option of the holder of this Note be either refunded to Maker or credited on the principal of this Note, provided that, if the holder elects to credit the unearned interest on the principal of this Note, and such unearned interest exceeds the principal balance, the excess shall be refunded to Maker. Any interest computation under this Note and the Owner Loan Agreement shall be at not more than the Default Rate upon the portion of the face amount hereof representing principal that remains unpaid from time to time, it being the intention of the parties hereto to conform strictly to the laws applicable to the loan evidenced by this Note and the Owner Loan Agreement, and should it be held that interest payable under this Note and the Owner Loan Agreement is in excess of the Default Rate, the interest chargeable hereunder shall be reduced to the maximum amount permitted by law.

X. RESERVED

XI. GOVERNING LAW

This Note is made in the State of Texas and shall be governed by and construed in accordance with the internal laws of the State of Texas, without regard to conflicts of laws principles.

XII. SUCCESSORS

This Note shall be binding upon the parties hereto and their respective successors and assigns.

XIII. JURY WAIVER

MAKER AND PAYEE ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE OR THE INDEBTEDNESS.

XIV. ENTIRE AGREEMENT

THIS WRITTEN LOAN AGREEMENT (AS DEFINED BY SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE) AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

XV. LIMITS ON PERSONAL LIABILITY

(a) Notwithstanding anything to the contrary set forth herein, or in the Loan Agreement, or in any other Loan Document, upon the commencement of the Affordability Period, Maker and its Members, except Guarantor during the effective period of the Guaranty Agreement (if Guarantor is a member of Maker), shall have no personal liability under this Note, the Deed of Trust or the Loan Agreement for the repayment of the indebtedness or for the performance of any other obligations of Maker under the Loan Documents except as set forth below, and Payee's only recourse for the satisfaction of the indebtedness payable under the Loan Documents and the performance of such obligations shall be Payee's exercise of its rights and remedies with respect to the Project, Property and any other collateral held by Payee as security for the indebtedness except as set forth below. This limitation on Maker's liability shall not limit or impair Payee's enforcement of its rights against the Maker for any indebtedness or obligations of Maker under Section XV(b) of below.

(b) Maker shall be personally liable to Payee for the repayment of a portion of the indebtedness payable under the Loan Documents equal to any loss or damage suffered by Payee as a result of:

(i) failure of Maker to pay to Payee upon demand after a Default, all rents, revenues and profits from the operation of the Project to which Payee is entitled under the Deed of Trust and the amount of all security deposits collected by Maker from tenants then in residence, subject to the rights of any senior lender with a first lien deed of trust on the Project;

(ii) failure of Maker to apply all insurance proceeds and condemnation proceeds as required by the Loan Documents, subject to the rights of any senior lender with a first lien deed of trust on the Project except to the extent Maker lacks the legal right

to direct the disbursement of such sums because of bankruptcy, receivership or similar judicial proceedings;

(iii) failure of Maker to comply with the requirements in the Deed of Trust relating to the delivery of books and records, statements, schedules and reports;

(iv) fraud or any written material misrepresentation by Maker or any officer, agent, director, partner, member or employee of Maker in connection with the application for the Loan, the Loan Documents, or any request by Payee;

(v) failure to apply rents, revenues and profits, first, to the payment of reasonable operating expenses (other than property management fees that are not currently payable) and then to debt service amounts due, except that Maker will not be personally liable (i) to the extent that Maker lacks the legal right to direct the disbursement of such sums because of a senior loan deed of trust encumbering the Project, or bankruptcy, receivership or similar judicial proceedings, or (ii) with respect to surplus cash distributed in any calendar year if Maker has paid all operating expenses and debt service amounts due for that calendar year, provided that such distribution does not violate the terms of the City Loan Agreement;

(vi) failure of Maker to pay all deductibles required under any of the insurance policies required to be maintained under the Loan Agreement;

(vii) the failure of the Maker to complete the construction of the Project by the date required under the Loan Agreement;

(viii) the failure of the Maker to qualify the Project as a "qualified low-income housing project" under Section 42(g) of the Code; or

(ix) Failure of Maker to comply with the Restrictive Covenants executed in connection with the City Loan Agreement.

If at any time any payment received by Payee hereunder shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under any Debtor Relief Law (as defined below), then the obligation to make such payment shall survive any cancellation or satisfaction of this Note or return thereof to Payee and shall not be discharged or satisfied with any prior payment thereof or cancellation of this Note, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof, and such payment shall be immediately due and payable upon demand. For purposes of this Note, "**Debtor Relief Law**" shall mean Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts or similar laws affecting the rights of creditors.

Notwithstanding anything to the contrary set forth herein, in the Owner Loan Agreement, the City Loan Agreement or any other documents executed in connection with the City Loan or this Loan, as long as Hudson Caroline LLC, or Hudson-FM SLP LLC (or an affiliate of Hudson Caroline LLC, or Hudson-FM SLP LLC) is the Tax Credit Investor, Payee will not commence (i) foreclosure proceedings with respect to the Project or exercise any other rights or remedies it may have under the Loan Documents, including, but not limited to, accelerating the loan made under the Loan Documents, collecting rents, appoint (or seek appointment of) a receiver or exercising any other rights or remedies under any of the Loan Documents, or (ii) join with any other creditor in commencing any bankruptcy reorganization, arrangement, insolvency or liquidation proceedings with respect to the Borrower (collectively, the "Standstill Restrictions"). The Standstill Restrictions shall not apply to the exercise of any rights or remedies under the Loan Documents by the City of Houston (the "City") pursuant to its rights under the terms of that certain Collateral Assignment of Note and Liens dated of approximate even date herewith by and between the City and Payee and/or the

Loan Documents, or at law including without limitation, any foreclosure proceedings against the Property by the City.

Notwithstanding anything to the contrary set forth herein, in the Owner Loan Agreement, the City Loan Agreement or any other documents executed in connection with the City Loan or this Loan, neither this Note nor any Loan Document may be amended, modified or forgiven (in full or part) and no collateral may be released without the express written consent of the City who holds this Note and the collateral therefor by virtue of a Collateral Assignment of Note and Liens executed by Payee and the City of Houston.

[Executed on the following page]

EXECUTED to be effective as of the date first stated above.

MAKER:

MAGNIFICAT PERMANENT AFFORDABLE, LLC
a Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.
a District of Columbia non-profit
corporation, its manager

By: _____
Neal Drobenare, Vice President

FOR VALUE RECEIVED, PAY TO THE ORDER OF THE CITY OF HOUSTON, as collateral in accordance with the Collateral Assignment of Note and Liens dated of even date herewith between Payee and the City of Houston.

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

By: The NHP Foundation,
a District of Columbia nonprofit corporation,
its manager

By: _____
Neal Drobenare, Senior Vice President

ATTACHMENT F
TO LOAN AGREEMENT

COLLATERAL ASSIGNMENT OF NOTE AND LIENS

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PROPERTY RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

COLLATERAL ASSIGNMENT OF NOTE AND LIENS

THE STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF HARRIS §

THAT **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("**Assignor**"), has, to be effective as of _____, 2022, collaterally TRANSFERRED AND ASSIGNED and by these presents does hereby collaterally TRANSFER AND ASSIGN unto CITY OF HOUSTON ("**Assignee**") a security interest (the "**Security Interest**") in all right, title and interest of Assignor in and to (a) the Promissory Note listed on Exhibit A attached hereto (the "**Collateral Note**"), (b) that Deed of Trust, Security Agreement and Financing Statement dated of even date herewith executed by **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("**Owner**"), for the benefit of Assignor (the "**Deed of Trust**", and all documents and instruments securing, governing or evidencing the loan evidenced by the Collateral Note (collectively, the "**Collateral Loan Documents**"), and (c) all of the liens and security interests granted to Assignor in the Collateral Loan Documents or otherwise securing the Collateral Note (collectively, the "**Collateral Liens**"); and, further, Assignor hereby collaterally TRANSFERS AND ASSIGNS unto Assignee a security interest in all of the rights, privileges, securities, equities, powers, benefits, claims, priorities, demands, titles, or interests now owned or held by Assignor in and to the Collateral Note, the Collateral Loan Documents, and the Collateral Liens.

This Collateral Assignment is made to secure performance of Assignor's obligations under and pursuant to that certain Loan Agreement (the "**Loan Agreement**") dated _____, 2022 between Assignor, Assignee and Owner, including, without limitation, all renewals, replacements, rearrangements, substitutions, restatements, and extensions now or hereafter executed in connection therewith.

Assignor represents and warrants to Assignee that (A) Assignor is the sole legal and equitable owner and holder of the Collateral Note and the indebtedness evidenced thereby, (B) Assignor has not assigned, mortgaged, pledged, hypothecated or otherwise transferred its right, title or interest in and to the Collateral Note, any indebtedness evidenced thereby, the Collateral Loan Documents or any of the Collateral Liens to any party other than Assignee, (C) the Collateral Note is in all respects current and in good standing and is not overdue or subject to any credits or offsets, (D) neither the maker of the Collateral Note, nor any surety or guarantor of the Collateral Note, has raised any counterclaim, defense, allowance, adjustments, dispute, objection, or complaint regarding their respective liability on any of the Collateral Note or under any Collateral Loan Document, (E) the Collateral Note and the Collateral Loan Documents have not been amended, altered, or modified since the date of the execution thereof, (F) no default, or event which with notice, lapse of time, or both would constitute a default, under the Collateral Note or the Collateral Loan Documents has occurred, and (G) Assignor has the full right and authority to sell, assign, pledge, mortgage, hypothecate, transfer and grant a security interest in the Collateral Note, the Collateral Loan Documents, and the Collateral Liens.

When a Default exists under and as defined in the Loan Agreement, Assignee shall, in addition to the rights and remedies provided for (i) in the Loan Agreement, (ii) in the Loan Documents (as defined in

the Loan Agreement), (iii) in the Collateral Note, (iv) any of the Collateral Loan Documents, and (v) at law or in equity, have the right to sell the Collateral Note in any manner afforded to Assignee under the laws of the State of Texas including the exercise of all rights of a secured creditor under the UCC as defined below. The proceeds of the sale shall be applied toward the payment of all sums due and unpaid pursuant to the Loan Agreement.

The requirement of notice to Assignor of the time and place of any public sale of the Collateral Note, or of the time after which any private sale or any other intended disposition thereof is to be made, shall be met if such notice is mailed, postage prepaid, to Assignor at the following address:

If mailed/delivered:

Magnificat Houses, Inc.
P. O. Box 25415
Houston, Texas 77265-5415

With a copy to:
Magnificat Permanent Affordable, LLC
122 East 42nd Street, Suite 4900
New York, New York 10168
Attention: Terry Green
Telephone: (202) 312-2571
Email: tgreen@nhpfoundation.org

or such other address provided to Assignee by Assignor in writing, at least thirty (30) days before the date of any public sale or at least thirty (30) days before the time after which any private sale or disposition is to be made, unless a longer period of time is required pursuant to the Uniform Commercial Code as adopted in the State of Texas (the "UCC"), in which case, applicable provisions of the UCC shall control.

Assignor authorizes Assignee to give notice to the maker of the Collateral Note of the existence of this Collateral Assignment and to instruct such maker, when a Default exists under the Loan Agreement, or under this Collateral Assignment, to direct all payments due and payable under the Collateral Note to Assignee.

Assignor retains the right to collect and receive any and all sums becoming due upon the Collateral Note, unless and until a Default exists under the Loan Agreement. Assignor shall not agree to amend, alter, or modify the Collateral Note or the Collateral Loan Documents or accept prepayment of the Collateral Note without the prior written consent of the Assignee, which may be granted or denied in Assignee's sole discretion.

This Collateral Assignment shall in no manner impair or affect any of the other liens granted by Assignor to Assignee, and no security hereafter taken therefor shall in any manner impair or affect the security hereby given, it being agreed that all such present and future security shall be cumulative security and that Assignee may foreclose under any of such security, as Assignee may elect, without waiving the other.

This Collateral Assignment shall expire and be of no further effect once the Affordability Period (as defined in the Loan Agreement) requirements of the Loan Agreement have expired in the event Assignee has not previously executed a written release of this Collateral Assignment.

By accepting delivery of this Collateral Assignment, Assignee agrees that the Collateral Liens, including those evidenced by the Deed of Trust, are and shall be subordinate to any extended low income

housing commitment (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code, as amended (the "Extended Use Agreement") recorded against the Land (as defined in the Deed of Trust); provided that such Extended Use Agreement, by its terms, must terminate upon foreclosure under the Deed of Trust or upon a transfer of the Land by instrument in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code. The Restrictive Covenants dated of even date hereof executed by Owner for the benefit of the City shall not be subordinate to any extended low income housing commitment as such term is defined in the Extended Use Agreement.

THIS COLLATERAL ASSIGNMENT CONSTITUTES THE ENTIRE AGREEMENT WITH RESPECT TO THE SUBJECT HEREOF AND SHALL SUPERSEDE ANY PRIOR AGREEMENT BETWEEN THE PARTIES, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT HEREOF. FURTHERMORE, IN THIS REGARD, THIS AGREEMENT AND THE OTHER WRITTEN LOAN

DOCUMENTS REPRESENT, COLLECTIVELY, THE FINAL AGREEMENT AMONG THE PARTIES THERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF SUCH PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Notwithstanding anything contained herein to the contrary, Assignor may not directly assign the Collateral Note, Deed of Trust or the other Collateral Loan Documents without the express written consent of Assignee except as otherwise specifically allowed under the Loan Agreement, and any such allowed assignment shall be contingent upon the assignee thereunder assuming all obligations of the Assignor under the Loan Agreement and other documents executed in connection with or securing the Loan Agreement.

[Executed on the following page]

**SIGNATURE PAGE
TO THE COLLATERAL ASSIGNMENT**

EXECUTED to be effective as of the date first set forth above.

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

By: The NHP Foundation,
a District of Columbia nonprofit corporation,
its manager

By: _____
Neal Drobenare, Senior Vice
President

DISTRICT OF COLUMBIA §

The foregoing instrument was acknowledged before me on the ____ day of _____, 2022, by Neal Drobenare, the Senior Vice President of the NHP Foundation, a District of Columbia non-profit corporation, the manager of **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company, on behalf of said limited liability company.

Notary Public

Printed Name of Notary

My commission expires: _____.

EXHIBIT A

Promissory Note dated as of _____, 2022, executed by **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("Borrower"), payable to the order of **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("Lender"), in the original principal amount of \$18,656,631.00 which is secured by, among other things, a Leasehold Deed of Trust, Security Agreement and Financing Statement, executed by Borrower to Keith Bynam, Trustee, for the benefit of Lender covering the real property more particularly described in the following legal description:

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

[LEGAL DESCRIPTION MY CHANGE BASED ON FINAL SURVEY]

ATTACHMENT G
TO LOAN AGREEMENT

CONSTRUCTION COMPLETION GUARANTY

CONSTRUCTION COMPLETION GUARANTY

This Construction Completion Guaranty ("**Guaranty**") is made to be effective as of _____, 2022, by the undersigned, **THE NHP FOUNDATION**, a District of Columbia nonprofit corporation, (whether one or more, collectively, jointly and severally, hereinafter referred to as "**Guarantor**"), in favor of **THE CITY OF HOUSTON, TEXAS**, a home-rule city organized under the laws of the State of Texas ("**City**"), and is a guarantee of certain obligations of **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company, ("**Owner**"), and **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("**Borrower**") (Borrower and Owner sometimes herein collectively referred to as "**Third Parties**").

RECITALS:

WHEREAS, Third Parties have requested that the City enter into a certain Loan Agreement ("**Agreement**") of substantially even date herewith, by and between Borrower, Owner and the City, pursuant to which the City is being requested to lend to Borrower an amount not to exceed EIGHTEEN MILLION SIX HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED THIRTY-ONE AND NO/100 DOLLARS (\$18,656,631.00) ("**Loan**") to pay for eligible costs in connection with the acquisition and construction of a 149 unit apartment complex (collectively, the "**Improvements**") upon certain real property leased by Owner and located in Harris County, Texas ("**Premises**") (the Premises and the Improvements are hereinafter referred collectively to from time to time as, the "**Project**");

WHEREAS, Borrower's obligations to the City are evidenced by a certain Note executed by Borrower ("**Note**") of even date herewith and are secured, in part, by (i) a Fee Deed of Trust Security Agreement and Financing Statement executed by MHI Landholdings LLC for the benefit of the City covering the Project; and (ii) a certain Collateral Assignment of Note and Liens executed by Borrower assigning Borrower's right, title and interest in and to a loan made by Borrower to Owner in the maximum principal amount of the Loan, together with a Leasehold Deed of Trust, Security Agreement and Financing Statement (collectively with the Fee Deed of Trust, the "**Deed of Trust**") covering the Project, and all of the documents evidencing, securing, guaranteeing or governing the Loan, are sometimes referred to collectively as the "**Loan Documents**"; and

WHEREAS, the City is unwilling to enter into the Agreement and to make the Loan unless Guarantor delivers this Guaranty to the City.

NOW, THEREFORE, in consideration of the foregoing and in order to induce the City to enter into the Agreement and to make the Loan to Borrower subject to the terms and conditions of the Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and further acknowledging that the City intends to rely on the guaranty of Guarantor hereunder, the City and Guarantor hereby agree as follows:

1. **DEFINITIONS AND INTERPRETATIONS**. As used herein, the following capitalized terms shall have the following meanings:

"**Borrower**" shall mean Borrower and its successors and assigns.

"**Completion Date**" shall mean the date on which the Director executed the Certificate of Completion (as defined in the Agreement) and that the Guaranteed Obligations have been satisfied in full.

"**Guarantor**" shall mean and refer to each and all of the undersigned parties signing this Guaranty as Guarantor; and the liability of said parties for the performance of the covenants, duties and obligations of Guarantor hereunder shall be joint and several.

"**Owner**" shall mean Owner and its successors and assigns.

"**Third Parties**" shall mean Borrower and Owner and their respective successors and assigns.

Capitalized words and phrases that are used herein and not defined herein shall have the meaning ascribed to them in the Agreement. Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any of the members of the relevant class. Any defined term used herein that is a document, instrument, drawing, survey, map, plan, technical description or other writing, and any other reference herein to a writing, shall include the original of such writing and any and all amendments, supplements, modifications, renewals, extensions, restatements, reinstatements, rearrangements, enlargements, or replacements of or to the same from time to time.

2. **OBLIGATIONS GUARANTEED.** In consideration of the City entering into the Agreement and agreeing to make the Loan, and upon the terms and provisions hereof, Guarantor hereby irrevocably, jointly and severally, absolutely and unconditionally warrants and guarantees to the City the payment and performance of the following (the "**Guaranteed Obligations**"), when due, whether by their terms, by acceleration, or otherwise: (a) that Third Parties shall cause construction of the Project to be completed on or before the Completion Date, which shall be eighteen (18) months after the Closing of the Loan (subject to extensions for Force Majeure not to exceed sixty (60) days) or (ii) the expiration date of the GLO Contract (as defined in the Agreement) and construction shall be commenced within thirty days after Closing, with time being of the essence for both deadlines; (b) that Third Parties shall cause the Project to be constructed and completed in accordance with the Loan Documents and all requirements of any governmental authority without material deviation unless approved by the City, in writing, or specifically permitted by applicable provisions of the Agreement; (c) that Third Parties shall cause the Project to be constructed and completed free and clear of all liens (except for liens that have been bonded as provided in the Loan Documents) other than those in favor of the City or Borrower (as collaterally assigned to City), Harris County, or as otherwise specifically permitted under the terms of the Deed of Trust; (d) that Owner and MHI Landholdings LLC shall strictly comply with the environmental covenants, representations and warranties contained in the Deed of Trust and (e) that Third Parties shall cause all costs of constructing the Project, including, but not limited to all debt service and operating deficits, to be paid when due, including without limitation, all costs in excess of those set forth in the Approved Final Project Budget (as defined in the Agreement) whether resulting from: (i) change orders; (ii) delays in obtaining any approvals from any governmental authority that are required for the construction, use, or occupancy of the Project (collectively, the "**Approvals**"); or (iii) otherwise. Guarantor further guarantees the payment and performance of the Guaranteed Obligations whether or not the same arise during or after the time that Owner is the owner of the Premises, whether subsequent owners of the Premises acquire the Premises by voluntary or involuntary means, by foreclosure or deed in lieu of foreclosure, or otherwise and notwithstanding that other persons or entities (each a "**person**" or a "**Person**") may be the subsequent owners of the Premises.

3. **CONSIDERATION.** Guarantor acknowledges that Guarantor has made this Guaranty to induce the City to make advances to Borrower of the Loan and that the City is making such advances to Borrower in reliance upon this Guaranty and would not make such advances without the appropriate execution and delivery of this Guaranty.

Guarantor represents and warrants to the City that Guarantor has a financial interest in Third Parties and will receive substantial economic benefit by reason of the City extending the Loan to Borrower, provided, however, that Guarantor's liability hereunder shall not be affected or impaired by such Guarantor's disposition or loss of its financial interest in Third Parties or by reason of the City's refusal in accordance with the terms of the Loan Documents to make Loan advances to Borrower.

4. **OBLIGATIONS OF GUARANTOR UPON DEFAULT.** If a Default exists that is a failure by any party to pay or to perform any part of the Guaranteed Obligations when due, Guarantor shall, within ten (10) business days after written demand of the City to Guarantor (a) cure such failure to pay and/or commence to perform diligently, continuously and in good faith the applicable part of the Guaranteed Obligations and complete same in the time frames required under the Loan Documents; (b) diligently procure completion of the Project at Guarantor's sole cost and expense and in the time frames required under the Loan Documents; (c) fully pay and discharge all claims, including for labor performed and material and services furnished in connection with the construction of the Project, subject to the provisions of the Loan Documents, including the right thereunder to contest or bond such claims; and (d) pay the City (x) all reasonable attorneys' fees and other costs the City incurs in enforcing the performance or the payment of the Guaranteed Obligations, with interest at the Default Rate (as defined in the Note), and/or (y) any and all sums the City has advanced to satisfy portions of the Guaranteed Obligations pursuant to the

Agreement. The City agrees that: (i) in the event that and so long as Guarantor is not in default of the terms, conditions, provisions, and obligations hereunder beyond all applicable notice and grace periods; (ii) in the event that and so long as Guarantor is timely paying or performing the Guaranteed Obligations as required herein based on the written request of the City and without the requirement of any legal proceeding to enforce the same; and (iii) after Guarantor commences and diligently and continuously continues, in good faith, to pay or perform the applicable portion of the Guaranteed Obligations after written request of the City and Guarantor has provided the City with evidence satisfactory to the City that such Guaranteed Obligations are being timely performed, lien-free (or bonded around) and in strict accordance with the Loan Documents, there is no further uncured Default by Third Parties under the Agreement or the other Loan Documents or uncured failure by Guarantor in payment or performance of the Guaranteed Obligations hereunder, the City shall continue to advance any Loan funds then available pursuant to the provisions of the Agreement as if no Default had occurred and shall not institute foreclosure proceedings under the Deed of Trust or charge interest at the rate under the Note during the period after which Guarantor first pays or performs the applicable portion of the Guaranteed Obligations (which portion is sufficient to the City to evidence that the Guaranteed Obligations will be timely completed in strict accordance with the Loan Documents) after written request of the City and prior to the date that one of the conditions described in items (i), (ii), and (iii) is no longer met. It is expressly understood and agreed that the City may institute such foreclosure proceedings and/or charge interest at the Default Rate under the Note, notwithstanding Guarantor's compliance and timely performance hereunder, should any Default exist that is not cured promptly after: (a) receipt by Guarantor of notice thereof, or (b) a demand by the City to Guarantor pursuant to this Section 4. **ANYTHING IN THIS GUARANTY TO THE CONTRARY NOTWITHSTANDING, GUARANTOR FURTHER AGREES TO INDEMNIFY AND HOLD HARMLESS THE CITY AGAINST ANY LOSS, DAMAGE, COST OR EXPENSE (INCLUDING WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND COSTS) THAT THE CITY MAY SUFFER OR INCUR BY REASON OF THE BREACH OR FAILURE OF GUARANTOR'S UNDERTAKINGS AND AGREEMENTS PURSUANT TO THIS GUARANTY.**

5. **TERMINATION.** The obligations of Guarantor hereunder shall terminate on the Completion Date as defined herein.

6. **CONTINUING GUARANTY.** This is a continuing Guaranty, and shall apply to and cover all of the Guaranteed Obligations and all renewals and extensions thereof until the termination date of Guarantor's obligations hereunder as established pursuant to Section 5 hereof

7. **INDEPENDENT OBLIGATION; BANKRUPTCY OF BORROWER OR OWNER.** The Guaranteed Obligations are independent of the obligations of Third Parties, or any other person; and the City may enforce any of the City's rights hereunder independently of any other right or remedy that the City may at any time hold with respect to the Guaranteed Obligations or any security or other guaranty therefor. Without limiting the generality of the foregoing, the City may bring a separate action against Guarantor without first proceeding against Third Parties, any other guarantor or any other person, or any security held by the City, and regardless of whether Third Parties or any other guarantor or any other Person is joined in any such action. The City's rights hereunder shall not be exhausted by any action taken by the City until all Guaranteed Obligations have been fully paid and performed or until the Guaranteed Obligations hereunder terminate pursuant to Section 5 hereof.

The liability of Guarantor hereunder shall be reinstated and revived, and the rights of the City shall continue, with respect to any amount at any time paid on account of the Guaranteed Obligations that shall thereafter be required to be restored or returned by the City upon the bankruptcy, insolvency, or reorganization of Third Parties, any other guarantor or any other person liable for the Guaranteed Obligations, or otherwise, all as though such amount had not been paid. In any bankruptcy or other proceeding in which the filing of claims is required by law, Guarantor shall file all claims which Guarantor may have against Borrower and/or Owner relating to any indebtedness of Borrower and/or Owner to Guarantor and shall assign to the City all rights of Guarantor thereunder. If Guarantor does not file any such claim, the City, as attorney-in-fact for Guarantor, is hereby authorized to do so in the name of Guarantor or, in the City's sole discretion, to assign the claim to a nominee and to cause proof of claim to be filed in the name of the City's nominee. The foregoing power of attorney is coupled with an interest and cannot be revoked. The City or its nominee shall have the right, in its reasonable discretion, to accept or reject any plan proposed in such proceeding and to take any other action which a party filing a claim is

entitled to do. In all such cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to the City the amount payable on such claim and, to the full extent necessary for that purpose, Guarantor hereby assigns to the City all of Guarantor's rights to any such payments or distributions; provided, however, Guarantor's obligations hereunder shall not be satisfied except to the extent that the City receives cash by reason of any such payment or distribution. If the City receives anything hereunder other than cash, the same shall be held as collateral for amounts due under this Guaranty. If all or any portion of the Guaranteed Obligations hereunder are paid or performed, the Guaranteed Obligations hereunder shall continue and shall remain in full force and effect in the event that all or any part of such payment or performance is avoided or recovered directly or indirectly from the City as a preference, fraudulent transfer or otherwise under the Bankruptcy Code or other similar laws, irrespective of (a) any notice of revocation given by Guarantor prior to such avoidance or recovery, or (b) full payment and performance of all of the indebtedness and obligations evidenced and secured by the Loan Documents.

8. **WAIVER.** Except as otherwise provided in this Guaranty and/or the other Loan Documents, Guarantor hereby waives: (a) any defense based upon any legal disability or other defense of Borrower, any other guarantor or other person, or by reason of the cessation or limitation of the liability of Borrower or Owner from any cause other than full payment and performance of those obligations of Borrower or Owner which are Guaranteed Obligations hereunder; (b) any defense based upon any lack of authority of the officers, directors, partners, managers, members or agents acting or purporting to act on behalf of Borrower, Owner or any principal of Borrower or Owner or any defect in the formation of Borrower or Owner or any principal of Borrower or Owner; (c) any defense based upon the application by Borrower of the proceeds of the Loan for purposes other than the purposes represented by Borrower to the City or intended or understood by the City or Guarantor; (d) any and all rights and defenses arising out of an election of remedies by the City, even though that election of remedies has destroyed Guarantor's rights of subrogation or reimbursement against the principal; (e) any defense based upon the City's failure to disclose to Guarantor any information concerning Borrower's financial condition or any other circumstances bearing on Borrower's ability to pay and perform its obligations under the Note or any of the other Loan Documents or upon the failure of any other principals of Borrower to guaranty the Loan; (f) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal; (g) any defense based upon the City's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code or any successor statute; (h) any defense based upon any borrowing or any grant of a security interest under Section 364 of the Federal Bankruptcy Code; (i) any right of subrogation, any right to enforce any remedy which the City may have against Borrower or Owner and any right to participate in, or benefit from, any security for the Note or the other Loan Documents now or hereafter held by the City; (j) presentment, demand, protest and notice of any kind including notice of acceptance of this Guaranty; (k) the benefit of any statute of limitations affecting the liability of Guarantor hereunder or the enforcement hereof; (l) any right to require the City to institute suit or exhaust remedies against Borrower or others liable for any of such indebtedness, to enforce the City's rights against any collateral which shall have been given to secure the Loan, to enforce the City's rights against any other guarantors of such indebtedness, to join Borrower or any others liable on such indebtedness in any action seeking to enforce this Guaranty, to resort to any other means of obtaining payment of such indebtedness; (m) notices of disbursement of Loan proceeds, acceptance hereof, proof of non-payment, default under any Loan Document, notices and demands of any kind (it being Guarantor's and the City's intent that Guarantor shall not be considered a "debtor" in accordance with Section 9.102 of the Texas Business and Commerce Code, as now existing or hereafter amended); (n) the invalidity, illegality or unenforceability of all or any portion of the indebtedness guaranteed hereby or any of the Loan Documents for any reason whatsoever, including that interest on such indebtedness violates applicable usury laws, that Borrower or others liable for all or a portion thereof have valid defenses, claims or offsets to all or a portion of such indebtedness, or that the Note or other Loan Documents have been forged or otherwise are irregular or not genuine or authentic (it being agreed that Guarantor shall remain liable under this Guaranty regardless of whether Borrower or any other person shall be found not liable for repayment of all or a portion of such indebtedness); (o) notice of any advances made or credit extended to Borrower on the faith of this Guaranty and of the execution and delivery by Third Parties of any documents evidencing, securing, or pertaining to the Guaranteed Obligations; (p) notice of, and the right to consent to, the City's assignment of the benefits of this Guaranty; and (q) any and all benefits that might otherwise be available to Guarantor under applicable law. Guarantor further waives any and all rights and defenses that Guarantor may have because

Borrower's debt is secured by real property; this means, among other things, that: (1) the City may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by Borrower or Owner; (2) if the City forecloses on any real property collateral pledged by Borrower or Owner, then (A) the amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (B) the City may collect from Guarantor even if the City, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Borrower or Owner. The foregoing sentence is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because Borrower's debt is secured by real property. These rights and defenses being waived by Guarantor include, but are not limited to, any rights or defenses based upon deficiency limitation, anti-deficiency, redemption or other similar rights. Without limiting the generality of the foregoing or any other provision hereof, Guarantor further expressly waives to the extent permitted by law any and all rights and defenses, including without limitation, any rights of subrogation, reimbursement, indemnification and contribution, and which might otherwise be available to Guarantor under Texas Property Code §§ 51.003, 51.004 and 51.005 or otherwise.

In addition, Guarantor agrees that the performance of any act or any payment which tolls any statute of limitations applicable to the Loan Documents shall similarly operate to toll the statute of limitations applicable to Guarantor's liability hereunder. Finally, Guarantor waives any rights and defenses it may have under Section 17.001 of the Texas Civil Practice & Remedies Code, Rule 31 of the Texas Rules of Civil Procedure, and Chapter 34 of the Texas Business & Commerce Code.

9. **GUARANTY UNIMPAIRED BY SUBSEQUENT EVENTS.** Except as otherwise provided herein, Guarantor hereby expressly waives the right to receive notice of, to consent to, or receive any additional consideration on account of any of the following, and Guarantor hereby agrees that its obligations under this Guaranty shall not be released, diminished, impaired, reduced, or otherwise affected by the occurrence of any of the following events (or the fact that any of such events have occurred):

- (a) The amendment, renewal, extension, restatement, or assignment of any part or all of the Guaranteed Obligations or any of the plans and specifications, the Loan Documents, or other documents evidencing, securing, or pertaining thereto, or any other forbearance or agreement by the City to accept a deferred payment or performance of any Guaranteed Obligations; and
- (b) The cancellation of any part of the Guaranteed Obligations or the release of Borrower, Guarantor, or any other Person from liability for all or any part of the Guaranteed Obligations; it being acknowledged and agreed by Guarantor that Guarantor may be required to pay or perform the Guaranteed Obligations in full without the assistance or support of any other party, and no Guarantor has been induced to enter into this Guaranty on the basis of any contemplation, belief, understanding, or agreement that any other party shall at all times be liable to pay or perform the Guaranteed Obligations or that the City shall look to other parties to pay or perform the Guaranteed Obligations.

10. **AUTHORITY TO MODIFY GUARANTEED OBLIGATIONS.** Guarantor authorizes the City at any time and from time to time without notice and without affecting the liability of Guarantor hereunder, to: (a) alter the terms of all or any part of the Guaranteed Obligations and any security and guaranties therefor, including without limitation modification of times for payment and rates of interest; (b) accept new or additional instruments, documents, agreements, security, or guaranties in connection with all or any part of the Guaranteed Obligations; (c) accept partial payments on the Guaranteed Obligations; (d) waive, release, reconvey, terminate, abandon, subordinate, exchange, substitute, transfer, compound, compromise, liquidate, and enforce all or any part of the Guaranteed Obligations and any security or guaranties therefor, and apply any such security and direct the order or manner of sale thereof (and bid and purchase at any such sale), as the City, in the City's sole discretion, may determine; (e) release Borrower or Owner, any Guarantor, and/or any other Person from any personal liability with respect to all or any part of the Guaranteed Obligations; and (f) assign this Guaranty in whole or in part to a person or entity that becomes the holder or owner of the Note.

11. **SUBORDINATION.** Guarantor subordinates all present and future indebtedness owing by Borrower and Owner or, during the existence of a Default, by any other guarantor of the Loan, to Guarantor

to the obligations at any time owing by Borrower and Owner to the City under the Note and the other Loan Documents. Guarantor assigns all such indebtedness to the City as security for this Guaranty, the Note and the other Loan Documents. Guarantor agrees to make no claim for such indebtedness until all obligations of Borrower or Owner under the Note and the other Loan Documents have been fully discharged. Guarantor further agrees not to assign all or any part of such indebtedness unless the City is given prior notice and such assignment is expressly made subject to the terms of this Guaranty. If the City so requests, (a) all instruments evidencing such indebtedness shall be duly endorsed and delivered to the City, (b) all security for such indebtedness shall be duly assigned and delivered to the City, (c) such indebtedness shall be enforced, collected and held by Guarantor as trustee for the City and shall be paid over to the City on account of the Loan but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty, and (d) Guarantor shall execute, file and record such documents and instruments and take such other action as the City deems necessary or appropriate to perfect, preserve and enforce the City's rights in and to such indebtedness and any security therefor. If Guarantor fails to take such action, the City, as attorney-in-fact for Guarantor, is hereby authorized to do so in the name of Guarantor. The foregoing power of attorney is coupled with an interest and cannot be revoked.

12. **MISCELLANEOUS PROVISIONS.**

- (a) Costs of Enforcement. If the City incurs any reasonable attorney's fees or costs in enforcing or defending any provisions of this Guaranty and is the prevailing party with respect to the same or incurs any costs in collecting any amounts due hereunder, with or without the hiring of an attorney or the filing of any legal action or proceeding, Guarantor shall pay to the City, promptly upon demand, all such costs and the amount of all reasonable attorneys' fees incurred. Guarantor also agrees to pay interest at the Default Rate on the amount of any other payment it is required to make hereunder that it fails to make when due.
- (b) Binding Effect. This Guaranty and all the terms, provisions, and conditions hereof shall be binding upon Guarantor and Guarantor's heirs, legal representatives, successors, and assigns, and this Guaranty shall inure to the benefit of the City and its successors and assigns and all subsequent holders of the Guaranteed Obligations.
- (c) Governing Law. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of Texas.
- (d) No Waiver. Any failure by the City to insist, or any election by the City not to insist, upon strict performance by Guarantor of any of the terms, provisions, or conditions of this Guaranty shall not be deemed to be a waiver of the same or of any other terms, provisions, or conditions thereof; and the City shall have the right at any time or times thereafter to insist upon strict performance by Guarantor of any and all of such terms, provisions, and conditions.
- (e) Counterparts. This Guaranty may be executed by the parties hereto separately in any number of counterparts, each of which shall be an original and all of which collectively shall constitute one and the same agreement.
- (f) Nature of Guaranty. The obligations, covenants, agreements and duties of each Guarantor under this Guaranty Agreement shall be joint and several with Third Parties and each other Guarantor, shall be irrevocable, absolute and unconditional, shall remain in full force and effect until the earlier of the Completion Date or full satisfaction of Guarantor's obligations under this Guaranty Agreement, and shall in no way be affected or impaired by reason of the happening from time to time of any other event.
- (g) No Remedy Exclusive. No remedy conferred upon or reserved to the City herein is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under

this Guaranty or any instrument executed by any Guarantor to secure this Guaranty or in connection herewith, or now or hereafter existing at law or in equity.

- (h) **Jury Waiver.** GUARANTOR ACKNOWLEDGES THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED, GUARANTOR, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF ITS CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR ITS BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS GUARANTY OR THE GUARANTEED OBLIGATIONS.
- (i) Notice. All Notices sent under this Guaranty shall be delivered in the manner set forth in the Agreement for delivery of notice.
- (j) Binding. This Guaranty shall be binding upon the successors and assigns of the undersigned..

[Executed on the following page]

Executed to be effective as of the date first set forth above.

GUARANTOR:

THE NHP FOUNDATION,
a District of Columbia nonprofit corporation

By: _____
Name: Neal Drobenare
Title: Senior Vice President

ATTACHMENT H AND I
TO LOAN AGREEMENT

INTERCREDITOR, SUBORDINATION AND
FUNDING AGREEMENT

INTERCREDITOR, SUBORDINATION, AND FUNDING AGREEMENT

This **INTERCREDITOR, SUBORDINATION, AND FUNDING AGREEMENT** (the "**Agreement**") is entered into effective as of _____, 2022 ("**Effective Date**"), among (a) Harris County, a body politic and corporate under the laws of the State of Texas ("**County**"), (b) City of Houston, a Texas home rule municipality ("**City**"), and MHI Landholdings LLC, a Texas limited liability company ("**MHI**," and collectively with the City and the County, the "**Funders**"), (d) NHPF Caroline Conduit LLC, a Texas limited liability company ("**Caroline**"), and (e) Magnificat Permanent Affordable, LLC, a Texas limited liability company ("**Borrower**"). All such parties, together with their respective permitted successors and assigns, are collectively referred to as the "**Parties**" and individually referred to as a "**Party**" to this Agreement.

RECITALS:

A. Borrower proposes to develop certain property (the "**Property**") as more particularly described in **Exhibit A**, that includes the development and construction of a complex comprising 149 residential units and related improvements located at 3300 Caroline Street, Houston, Harris County, Texas 77004, to be known as the 3300 Caroline Project (the "**Project**"); and wherein the Borrower will enter into a ground lease ("**Ground Lease**") with MHI covering the Project.

B. On August 11, 2020, Commissioners Court of Harris County approved its portion of the funding for the Project, under Project D2017-089 (CDBG-DR) (\$8,538,278.00) of the total Project budget of approximately \$39,228,425.00, and on _____, Commissioners Court of Harris County approved an increase of its portion of the funding for the Project, under Project D2017-089 (CDBG-DR) (\$_____) of the total Project budget of approximately \$_____.

C. Subject to satisfaction of certain requirements of the County, and to further the goal of providing permanent supportive housing for homeless individuals and households that are very-low and low-income, the County has agreed to lend to Caroline the sum of \$_____ from a Community Development Block Grant – Disaster Recovery ("**County Loan**"), which will lend the proceeds of the County Loan to the Borrower for the development and construction costs of the Project, as provided in the County Loan Documents. The loan to the Borrower from Caroline shall be secured by a County Leasehold Deed of Trust to Secure Performance which loan and deed of trust shall be collaterally assigned to the County ("**County Collateral Assignment of Leasehold Deed of Trust**") as collateral for the County Loan. The County Loan shall also be secured a County Fee Deed of Trust to Secure Performance ("**County Fee Deed of Trust**") from MHI. The documents and agreements evidencing, securing or governing the County Loan are listed in **Exhibit B-I** attached hereto (collectively, "**County Loan Documents**").

D. Subject to satisfaction of certain requirements of the City, and to further the goal of providing permanent supportive housing for homeless individuals and households that are very-low and low-income, the City has agreed to lend to Caroline the sum of \$18,656,631.00 from a Community Development Block Grant ("**City Loan**"), which will lend the proceeds of the City Loan to the Borrower for the development and construction costs of the Project, as provided in the City Loan Documents. The City Loan is secured by a Fee Deed of Trust, Security Agreement and

Financing Statement ("City Fee Deed of Trust") from MHI against the Project. The loan to the Borrower from Caroline shall be secured by a Leasehold Deed of Trust, Security Agreement and Financing Statement, which loan and deed of trust shall be collaterally assigned by Caroline to the City ("City Collateral Leasehold Deed of Trust") as collateral for the City Loan. The documents and agreements evidencing, securing or governing the City Loan are listed in Exhibit B-II attached hereto (collectively, "City Loan Documents").

E. Subject to satisfaction of certain requirements of MHI, and to further the goal of providing permanent supportive housing for homeless individuals and households that are very-low and low-income, MHI has agreed to lend to Borrower a sum not to exceed \$2,300,000.00 ("MHI Loan") (unless otherwise approved by the City) to pay a portion of the costs related to the development of the Project, as provided in the MHI Loan Documents. The MHI Loan is secured by a Subordinate Leasehold Deed of Trust, Security Agreement -- Financing Statement ("MHI Deed of Trust") against the Project. The documents and agreements evidencing, securing or governing the MHI Loan are listed in Exhibit B-III attached hereto (collectively, "MHI Documents").

F. The documents and agreements evidencing, securing and/or relating to each Funder's loans or other funding for the Project, together with any amendment, modification, restatement or refinancing thereof, are collectively referred to as the "Funding Documents", and the Funding Documents specifically include any loans, liens or other loan documents collaterally assigned to the City or County. The Funding Documents of each Funder will govern the uses that may be made of the funds to be advanced thereunder and may include both acquisition costs, hard and soft Project development and construction and other costs depending on the Funder.

G. The purpose of this Agreement, among other things, is: (i) to set forth the relative priorities of each Funder's component of the total Project costs; and (ii) to set forth procedures to be followed in the event of the occurrence of an event of default under the various agreements of the Borrower and Caroline with the Funders.

AGREEMENT:

NOW, THEREFORE, for a good and valuable consideration, including the mutual promises of the Parties contained herein, the Parties agree as follows:

SECTION 1. LOAN AND GRANT

1.1 Notice of Assignment. Each Funder shall give the other Parties written notice of any assignment of any of their rights in connection with their Funding Documents within ten (10) days following the effective date of any such assignment. The Funders each consent to the collateral assignments to be entered into in connection with the loans from Caroline to the Borrower.

SECTION 2. AFFORDABILITY RESTRICTIONS

2.1 Priority of Restrictions. As required by the terms of the County Loan, the Borrower has also executed that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated

as of the Effective Date, which imposes certain land use restrictions on the Project (the "County Restrictions"). As required by the terms of the City Loan, the Borrower and MHI have also executed the Restrictive Covenants dated as of the Effective Date, which imposes certain land use restrictions on the Project (the "City Loan Restrictions"). The County Restrictions and the City Loan Restrictions, are collectively referred to as the "Affordability Restrictions" and shall have equal priority and shall be cumulative of each other. In the event of a conflict, the most restrictive of the Affordability Restrictions shall apply.

SECTION 3. SECURITY DOCUMENTS.

3.1 Subordination to Affordability Restrictions. The Affordability Restrictions shall at all times be superior to all of the deeds of trust on the Project (including, without limitation, all deeds of trust described herein) and all other liens, security interests, assignments, and pledges (collectively, "Security Documents") now or hereafter given to secure the Funders, as applicable. The County Collateral Leasehold Deed of Trust, the County Fee Deed of Trust, the City Fee Deed of Trust, the City Collateral Leasehold Deed of Trust, and the MHI Deed of Trust are expressly subordinate to the Affordability Restrictions which Affordability Restrictions have the order of priority among themselves set forth in Section 2.1 above. Notwithstanding anything herein to the contrary, in the event of the foreclosure of any of the Security Documents, the Affordability Restrictions shall remain in full force and effect with respect to the Project, subject to the terms of the applicable Funding Documents.

3.2 Priority of Security Documents. Notwithstanding the dates of execution, order of recording or other apparent priority of the Security Documents securing the MHI Loan, the Security Documents securing the County Loan or the Security Documents securing the City Loan, the City, MHI and County expressly stipulate, acknowledge and agree that the Security Documents shall have the following priority relative to each other, regardless of the frequency or manner of renewal, extension, change or alteration thereof:

- (1) First Priority: (a) the County Fee Deed of Trust, (b) the County Collateral Leasehold Deed of Trust, (c) the City Fee Deed of Trust, and (d) the City Collateral Leasehold Deed of Trust; and
- (2) Second Priority: The MHI Deed of Trust.

The City and the County shall have equal priority in their Security Documents, *pari passu*, regardless of the sequence or timing of the execution and/or recording or filing thereof in any public records. Prior to any foreclosure, the City and County shall use good faith efforts to enter into an agreement regarding the foreclosure that will protect the rights of the City and County with respect to the Project, the sharing of proceeds and title to the Project. In the event of the foreclosure of any of the Security Documents, all cash proceeds therefrom from the sale to a third party shall be distributed as set forth above (or credited in that manner to the extent of a credit bid) but on a *pari passu* basis to the County and the City in proportion to the ratio that their respective actual funding at the time of foreclosure bears to the aggregate amount of their combined funding. Upon foreclosure by the County or the City or their respective successors, title will be taken jointly in the name of the City and the County unless otherwise agreed by the City and County with title

being held by the City and County in proportion to the ratio that their respective actual funding at the time of foreclosure bears to the aggregate amount of their combined funding.

3.3 No Modifications. Notwithstanding the foregoing, however, in no event shall any such modification be made, and Funder shall be obligated to consent to any modification, that amends or terminates the Affordability Restrictions, other than a modification that extends the period during which the Affordability Restrictions encumber the Project.

3.4 Collateral. Each of the items constituting collateral for The MHI Loan, the City Loan or the County Loan (together with all equipment, accounts, general intangibles, fixtures and other personal property used or acquitted for use, on or in connection with the use or operation of the Project) being referred to collectively as the "Collateral."

3.5 Secured Parties. The Funders are sometimes called the "Secured Parties" in this Agreement.

3.6 Reserved.

3.7 Reserved.

SECTION 4. PROCEDURES FOR DISBURSEMENT REQUESTS AND FUNDING.

4.1 Applications for Payments.

(a) Funding under the Funding Documents will be in accordance with the requirements of and for the items allowed under each Funder's Funding Documents. Unless otherwise agreed, the Borrower shall submit its applications for payment (each an "Application for Payment") no more frequently than once in any thirty (30) day period. In order for an Application for Payment to be processed, it must be accompanied by all compliance documents, including Section 3 and DBRA requirements applicable for both the County Loan and the City Loan.

(b) Subject to the terms and conditions of the Funding Documents, Borrower agrees that the advances and funding for the construction of the Project using proceeds from the County Loan shall occur in accordance with a draw schedule approved by the County and for items set forth on the final construction budget approved by the Borrower, the City, and the County (the "Final Construction Budget"). Subject to the terms and conditions of the Funding Documents, Borrower agrees that the advances and funding for the construction of the Project using proceeds from the City Loan shall occur in accordance with a draw schedule approved by the City and for items set forth on the Final Construction Budget.

(c) The Borrower and Caroline represent and warrant to the Funders, as of the Effective Date and as of the date of each Application for Payment, that neither the Borrower nor the Project nor Caroline is in breach of or in default under any of the Funding Documents.

(d) The Borrower and Caroline agree that the Funders may share information that each Funder may acquire with respect to the Borrower, Caroline and/or the Property, and consents to the transfer of such information, whether financial or otherwise, between them, without having to obtain the Borrower's or Caroline's consent.

(e) Notwithstanding the foregoing, the Parties acknowledge that any agreement of a Funder to advances shall in each case be subject to the terms and conditions of the Funder's respective Funding Documents (including limitations on the amount of reimbursements a particular lender will make).

4.2 Inspections. The City and the County will engage a third party independent inspector, acceptable to them (the "**Inspector**"), to inspect the progress of construction of the Project and verify the completion of the work covered by each Application for Payment in accordance with the final plans approved by all Parties (together with any change orders approved by the Funders in accordance with their respective Funding Documents). The Inspector shall furnish its reports to all Funders and to Borrower at their addresses provided for notice below after receipt of an Application for Payment.

4.3 Objections. Upon receipt of an Inspector's report, if either the City or the County objects to an item or a portion thereof included in the Application for Payment or the Inspector's report, such Funder shall make reasonable efforts to notify Borrower and all other Funders within **FIVE (5) BUSINESS DAYS** after receipt of the Inspector's report (provided the failure of a Funder to provide an objection within such time period shall not be a waiver of that Funding Lender's objection or right to refuse funding so long as the objection is made in accordance with the Funding Documents applicable to that Funder). Upon the giving of notice of such objection from any Funder, the Funders shall be relieved of any obligation (but shall have the right) to make a disbursement for the objectionable item or portion thereof contained in the Application for Payment until such time as the Borrower has cured the objection to the reasonable satisfaction of both Funders. Borrower acknowledges that the County and the City each reserves the right to approve all Change Orders that revise the final plans that were initially approved by all Parties. Further, no change order shall be in effect in any event unless that change order is authorized under the terms of both the County Loan Documents and the City Loan Documents.

4.4 Funding Sequence.

(a) Funding under the City and the County Funding Documents shall occur, subject to each eligible project cost to be funded by the City and the County pursuant to the Final Construction Budget, pursuant to this Section 4.4, which process is more specifically detailed in **Exhibit B**

(b) Unless otherwise agreed in writing by the City and the County, funds shall be disbursed for approved amounts for the first Application for Payment, in the following order, or simultaneously as may be necessary to fund construction and soft cost approved pay application disbursement subject to each of the City's and the County's retainage requirements: (a) to the extent of eligible costs under the City Loan Documents, the City Loan shall be funded first; and (b) proceeds from the County Loan shall be funded after the City Loan or to the extent that ineligible

costs under the City Loan are eligible under the County Loan. For following Applications for Payment, County Loan Proceeds shall be used first for items eligible under both the County Loan and the City Loan, and thereafter, County Loan Proceeds will be advanced prior to City Loan Proceeds. The Parties acknowledge that the City and County will retain 10% retainage on any acquisition costs funded by the City.

4.5 Approvals. Except as may be provided herein, none of the Funders shall be required to obtain approval from any other Party prior to funding of any amounts under their Funding Documents.

SECTION 5. DEFAULTS AND REMEDIES

5.1 Notice of Default. Upon the occurrence of a default by the Borrower any of the Funding Documents, each Funder agrees to give written notice to the other Funders at the same time as the giving of any written notice of that default to the Borrower and Caroline but in any event such notice is only required if the Funder elects to declare such default.

5.2 Funders' Opportunity to Cure. With respect to any monetary default under any Funding Documents, each Funder shall have the right (but not an obligation) to cure any such default during the period that is the longer of (i) forty-five (45) days from the date such notice of default is given to the Funders; or (ii) five (5) days after the expiration of any cure period provided to the Borrower and/or Caroline under any applicable Funding Documents. With respect to any non-monetary default by the Borrower or Caroline under any Funding Documents, each Funder shall have the right (but not an obligation) to cure any such default during the period that is the longer of (i) sixty (60) days from the date such notice of default is given to such Funder; or (ii) five (5) days after the expiration of any cure period provided to the Borrower or Caroline under any applicable Funding Documents. The failure of any Funder to provide any notice to another Funder shall not affect the validity of such notice or any obligation of the Borrower or Caroline to any Funder and shall not affect the relative priorities between the Loans as set forth herein.

5.3 Exercise of Remedies. Each Funder agrees that they will not accelerate its Loan or exercise any remedies under its Funding Documents unless the other Funder (or any other Party, including Borrower, Caroline or applicable Guarantor) fails to cure such defaults prior to the expiration of the cure periods stated herein.

5.4 Failure to Provide Notice. The failure of any Funder to provide any notice to another Funder shall not affect the validity of such notice or any obligation of the Borrower and Caroline to any Funder and shall not affect the relative priorities between the Funders.

5.5 Notice of Acceleration. Each Funder agrees that it will provide any notice of intention to accelerate obligations owed by the Borrower to the other Funders at the same time that such notice is given to the Borrower.

5.6 Continuation of Project. In connection with any foreclosure of the Security Documents, the Funders stipulate and agree that they will cooperate diligently, in good faith and using reasonable efforts to identify and engage a qualified operator for the Project to replace the

Borrower, for purposes of completing construction of the Project and operating the Project in accordance with, and throughout the term of the Affordability Restrictions.

SECTION 6. MISCELLANEOUS

6.1 Invalid Provisions. In the event any one or more of the provisions contained in this Agreement should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions shall not be affected in any way thereby.

6.2 Waivers and Amendments. No waiver, modification, addition, or amendment to any of the terms hereof shall be binding or effective unless and until made in writing and duly executed by all Parties.

6.3 Time. A “business day” means any day other than Saturday, Sunday, or a holiday during which either of the City or the County is not open for business. Any time period expressed as a number of days without expressly specifying business days shall be calculated on the basis of calendar days. With respect to any time period referred to herein, the Parties stipulate, acknowledge, and agree that **TIME IS OF THE ESSENCE OF THIS AGREEMENT.**

6.4 Applicable Law. This Agreement shall be construed and interpreted in accordance with the applicable laws of the State of Texas, and City of Houston. Venue for any disputes relating in any way to this Agreement shall lie exclusively in Harris County, Texas.

6.5 Notices. Except as otherwise provided herein, all notices, demands, requests, and other communications required or permitted hereunder shall be given in writing and sent by (i) personal delivery, or (ii) expedited delivery service with proof of delivery, or (iii) United States mail, postage prepaid, registered or certified mail, return receipt requested, or (iv) facsimile (provided that such facsimile is confirmed by expedited delivery service or by United States mail in the manner previously described), addressed to the addressee at such Party’s address set forth by its signature below, or to such other address as such Party may specify by written notice, sent in accordance with this paragraph at least thirty (30) days prior to the date of the giving of such notice. Any such notice or communication shall be deemed to have been given and received either at the time of personal delivery, or in the case of mail, of the date of deposit in an official depository of the United States mail, or in the case of either delivery service, or facsimile, upon receipt. To the extent actual receipt is required, rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was received shall be deemed to be receipt of the notice, demand, request, or other communication sent.

6.6 Counterparts. This Agreement may be executed in multiple counterparts, each of which will constitute an original instrument, all of which will constitute one and the same documents.

6.7 Entirety. This Agreement, including the attached exhibits and documents listed thereon, which are incorporated herein by reference for all purposes, constitute the sole and only agreement of the Parties hereto related to the subject matter hereof and correctly sets forth the rights, duties, and obligations of each to the other as of its date. Any prior agreements, promises, negotiations or representations not expressly set forth in this Agreement are of no force or effect. The signatures

of the Parties hereto reflect that each of the Parties has fully read and realizes the effect of this Agreement, and the Parties have executed this Agreement as their free and voluntary act with the full opportunity to be advised by each Party's respective counsel.

6.8 No Third-Party Beneficiaries. All of the understandings, agreements, representations, and warranties contained herein are solely for the benefit of the Parties. The Parties do not intend the benefits of this Agreement to inure to any third party. Nothing contained in this Agreement is intended to affect or limit, in any way, the security interests that the Secured Parties may have at any time in the Collateral. Subject to the express terms and provisions of this Agreement, the Secured Parties specifically reserve all of their respective rights and security interests in the Collateral.

6.9 Binding Effect. This Agreement shall be binding upon the Parties hereto and their respective successors and assigns, and shall inure to the benefit of the Parties and their respective successors and assigns.

6.10 Termination. This Agreement shall terminate upon the later of (i) the expiration of the Affordability Restrictions; or (ii) repayment or deemed satisfaction in full of all sums advanced by each of the Funders under their respective Funding Documents.

6.11 Signature. This Agreement does not confer any rights on the Borrower in addition to those conferred under the Funding Documents.

6.12 No Joint Venture. The Parties state that it is not their intention to engage in a joint venture and that under no circumstances will any Party be deemed to be the agent of any other Party.

6.13 Casualty and Condemnation. In the event of any casualty or condemnation resulting in insurance or condemnation proceeds being payable, the proceeds shall be distributed *pari passu* to the County and the City in proportion to the ratio that their respective actual funding at the time of distribution bears to the aggregate amount of their combined funding for application in accordance with the provisions of the Funding Documents.

6.14 Reserved.

6.15 Reserved.

6.16 **Insurance.** Funders agree that all original policies of insurance shall be handled in accordance with the Funding Documents. The preceding sentence shall not preclude Funders from requiring that they be named as a loss payee, as its interest may appear, under all policies of property damage insurance maintained by the Borrower with respect to the Project, provided such action does not affect that it be named as an additional insured under all policies of liability insurance maintained by the Borrower with respect to the Project.

6.17 **WAIVER OF TRIAL BY JURY.** TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF THE PARTIES HERETO (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS

TRIALE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

6.18 Additional Exhibits. The following forms for the County are attached as Exhibits:

EXHIBIT C – Form for Application for Payment – Construction Draws

EXHIBIT D – Form for Reimbursement Request

EXHIBIT E – Reimbursement Packet

EXHIBIT F – 2021 Commissioner’s Court Due Dates Calendar.

[Remainder of this page intentionally left blank; signature page follows.]

**SIGNATURE PAGE FOR INTERCREDITOR, SUBORDINATION,
AND FUNDING AGREEMENT**

BORROWER:

**MAGNIFICAT PERMANENT AFFORDABLE,
LLC**, a Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation, its manager

By: _____
Neal Drobenare, Vice President

DISTRICT OF COLUMBIA §

The foregoing instrument was acknowledged before me this ____ day of _____, 2022 by Neal Drobenare, the Vice President of Jamestown Affordable Housing, Inc., a District of Columbia non-profit corporation, the manager of NHPF Caroline MM, LLC, a Texas limited liability company, the managing member **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company, on behalf of said limited liability company..

NOTARY PUBLIC

Printed Name of Notary

My commission expires: _____.

Address for Notice:

122 East 42nd Street, Suite 4900
New York, NY 10168
Attention: Terry Green
Telephone: (202) 312-2571
Email: tgreen@nhpfoundation.org

**SIGNATURE PAGE FOR INTERCREDITOR, SUBORDINATION,
AND FUNDING AGREEMENT**

CAROLINE:

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

By: The NHP Foundation,
a District of Columbia nonprofit
corporation, its manager

By: _____
Neal Drobenare,
Senior Vice President

DISTRICT OF COLUMBIA §

The foregoing instrument was acknowledged before me on the ____ day of _____, 2022, by Neal Drobenare, the Senior Vice President of The NHP Foundation, a District of Columbia nonprofit corporation, the manager of **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company, on behalf of said limited liability company.

NOTARY PUBLIC

Printed Name of Notary

Address for Notice:

122 East 42nd Street, Suite 4900
New York, NY 10168
Attention: Terry Green
Telephone: (202) 312-2571
Email: tgreen@nhpfoundation.org

**SIGNATURE PAGE FOR INTERCREDITOR, SUBORDINATION,
AND FUNDING AGREEMENT**

MHI:

MHI LANDHOLDINGS LLC,
a Texas limited liability company

By: _____
Name: _____
Title: _____

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on the ____ day of _____, 2022, by _____, the _____ of **MHI LANDHOLDINGS LLC**, a Texas limited liability company, on behalf of said limited liability company.

NOTARY PUBLIC - THE STATE OF TEXAS

Printed Name of Notary

Address for Notice:

***[SIGNATURE PAGE FOR INTERCREDITOR, SUBORDINATION,
AND FUNDING AGREEMENT]***

APPROVED AS TO:

CHRISTIAN D. MENELEE
County Attorney

COUNTY:
HARRIS COUNTY

By: _____
RANDY KEENAN
Assistant County Attorney
C.A. File No. _____

By: _____
ADRIENNE M. HOLLOWAY, Ph.D.
Executive Director, Harris County
Community Services Department

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

On this ___ day of _____, 2022, by Adrienne M. Holloway, PhD, the Executive Director of Community Services Department, a Department of Harris County, a body corporate and politic under the laws of the State of Texas, as the act and deed of Harris County as authorized by order of the Commissioners Court of Harris County.

Given under my hand and official seal, this ___ day of _____, 2022.

Notary Public
Printed Name: _____
My Commission Expires: _____

ADDRESS FOR NOTICE:
8410 Lantern Point Dr.
Houston Texas 77054

***[SIGNATURE PAGE FOR INTERCREDITOR, SUBORDINATION,
AND FUNDING AGREEMENT.]***

CITY:

SEAL/ATTEST:

CITY OF HOUSTON, TEXAS

_____, City Secretary

Sylvester Turner, Mayor

APPROVED:

COUNTERSIGNED:

Keith W. Bynam, Interim Director
Housing and Community Development
Department

Chris Brown, City Controller

APPROVED AS TO FORM:

COUNTERSIGNATURE DATE:

Senior Assistant City Attorney
LD# _____

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on the ____ day of _____, 2022, by _____ for Sylvester Turner, Mayor of the City of Houston, State of Texas.

Notary Public, State of Texas

Printed Name of Notary
My commission expires: _____

ADDRESS FOR NOTICE:

CITY OF HOUSTON
c/o Department of Housing and Community Development
2100 Travis, Suite 900
Houston, TX 77002

Attention: Assistant Director, Multifamily

With copy to:

City of Houston Legal Department
900 Bagby, 4th Floor
Houston, TX 77002
Attention: City Attorney

EXHIBIT A

LEGAL DESCRIPTION

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

[TO BE ADJUSTED BASED ON FINAL SURVEY]

EXHIBIT B
**FUNDING SEQUENCE &
DOCUMENTS**

NOTES- HARRIS COUNTY:

1. Soft Costs:

If eligible, Soft Cost Draws will be submitted as a separate application from a construction draw, and will not require the signature of the inspection representative of the Harris County Community Services Department. Soft Cost Draws may be submitted simultaneously with a construction draw. The review process will require review and approval for eligibility for cost reimbursement from the public funders. All Harris County reimbursements require Commissioners Court approval, consistent with the processes described below for construction activity.

2. Stored Materials Reimbursement:

Harris County will reimburse the cost only of stored materials that are located in an off-site bonded and secured warehouse and with the provision of a stored materials log. The reimbursement shall be consistent with or shall exceed the requirements of the Senior Loan Agreement.

3. Construction draw funding and Harris County reimbursement:

In an effort to meet the timely expenditure of Harris County HOME and CDBG-DR funds to be reimbursed, adherence to DBRA and Section 3 requirements and respective deadline, including the General Contractor and Subcontractors certified payrolls, and down date endorsement from the title company, will be required.

Additionally, Unconditional Lien Releases from the General Contractor and Unconditional Lien Release from all Subcontractors for no more than a thirty-day trailing period will be required for Intermediate Lender fund disbursement. Funding may be reduced or potentially withheld for a subcontractor if reporting requirements are not adhered to.

Construction Draw Funding - Draft ("Monthly Construction Pencil Draw") HCCSD Approval: "Monthly Construction Pencil Draws" must also be reviewed and approved by Borrower's construction representative at final form prior to submittal to the Intermediate Lender construction funder. HCCSD DBRA reports and Section 3 reports shall be required to be submitted to HCCSD and approved by HCCSD DBRA and Section 3 program staff prior to approval of any current Monthly Construction Draw.

Step 1 [Receipt of Pay App & Invoices; Bank's 3rd Party Inspection]:

Owner's Representative receives Pay App from the General Contractor by the [25th] of each month. Upon receipt of the Pay App, the Owner's Representative will forward a copy to a Harris County Community Services Department construction representative for review. The Owner's Representative also compiles invoices from all other vendors for costs incurred in the prior month, by the 1st of the month. On or around the 3rd day of the month, the Owner's Representative will: (i) forward the Pay App to the Bank's 3rd Party Inspector for its review/inspection; and (ii) forward the Pay App for the Architect Certification. The Bank's 3rd Party Inspector review typically is completed within 5 business days after receipt of the Pay App. The Bank's 3rd Party Inspector will send its report directly to Sr. lender(s), with copies to the parties that are also relying on the reports (Harris County).

Step 2 [Draw Package Submittal]:

By no later than the 5th day of the month, the Owner's Representative submits a complete Draw Package to Lender(s), and Harris County. The Draw Package includes: the final Pay App, copies of all invoices and backup documentation for other costs incurred that month, the Architect Certification, contractor and subcontractor G702-703 documentation, General Contractor and Subcontractor Unconditional Lien Releases, Cover Sheet, an updated Schedule of Values draw sheet, Harris County Community Services Department construction representative signature showing approval of the Pay App (to be signed once all other signatures are received), the spending forecast, and all other backup documentation required by each party.

Step 3 [Construction loan release]:

Lender(s) reviews the Draw Package and the 3rd Party Inspection report. Assuming a complete, satisfactory package, a Lender review time may take an average of 10 business days, from the date that it receives all required documentation, to the date that it authorizes release of funds from the construction loan disbursement account. Once approved, the funds are released from the construction loan disbursement account to Borrower that pays the General Contractor.

Step 4 [Harris County Loans Reimbursement]:

Simultaneous with the review conducted by Lender in Step 3, Harris County will also review the Draw Package and the 3rd Party Inspector's report, along with confirmation from their ongoing compliance reviewer that all is in order with MWSBE, Section 3 and Davis Bacon compliance. Harris County also requires approval of each Draw Package from the County Commissioners Court, which typically meets twice a month (except for two months where it only meets once a month). Assuming a complete, satisfactory package, the parties expect their review times to be as follows:

- Harris County: 30 calendar days from receipt of Draw package, to release of Loan funds.

Once approved, the County Loan Funds will be deposited into a designated Lender- Borrower controlled bank account. The County CSD will notify Borrower via email that the County Loans funds have been disbursed. The Borrower will then authorize transfer of the Loan funds to Lender(s) to pay down the Loan(s).

Sample timeline for a single draw:

- September 25, 2019 - The Owner's Representative receives Pay App from the General Contractor.
- September 25, 2019 - The Owner's Representative forwards Pay App to Harris County Community Services Department Construction representative for review/approval
- Between September 25 and October 1, 2019 - The Owner's Representative receives invoices/backup from all other vendors
- October 3, 2019 - The Owner's Representative forwards Pay App to the 3rd Party Inspector to initiate inspection/ review
- October 3, 2019 - The Owner's Representative forwards Pay App for Architect Certification
- October 5, 2019 - The Owner's Representative submits Draw Package, including to Sr. Lender(s), provides necessary County documents to County.
- October 9, 2019 - County recommends approval of Draw Package and submits to the Auditor's Office for inclusion on Commissioner's Court agenda for October 29th, 2019.
- October 10, 2019 - The Bank's 3rd Party Inspector sends its independent inspection report to Sr. Lender(s), and County.
- October 18, 2019 - Lender(s) approval of Draw Package and release of funds from the loan

disbursement account.

- October 19, 2019 - Borrower pays the General Contractor and other vendors.
- October 29th, 2019 - County Commissioners Court meeting for approval of release of County Loan funds

Part 1: County Funding Documents

1. Loan Agreement;
2. Fee Deed of Trust to Secure Performance;
3. Leasehold Deed of Trust to Secure Performance;
4. Regulatory Agreement and Declaration of Covenants and Restrictions;
5. Security, Pledge and Assignment of Account (Affordable Housing Compliance Monitoring Fees);
6. Guaranty of Payment and Completion;
7. Collateral Note; and
8. Collateral Assignment of Note and Liens; and
9. Intercreditor Agreement executed by the Borrower, MHI, Caroline, the City and the County.

Part 2: City Loan Documents

1. Loan Agreement between the City, Caroline and the Borrower
2. Restrictive Covenants executed by the Borrower and MHI;
3. Borrower's Note executed by Caroline;
4. Leasehold Deed of Trust, Security Agreement and Financing Statement executed by the Borrower;
5. Fee Deed of Trust executed by MHI;
6. Reserved;
7. UCC-1 Financing Statement and UCC-3 Assignment of Financing Statement;
8. Collateral Note executed by the Borrower and endorsed by Caroline;
9. Collateral Assignment of Note and Liens executed by Caroline;
10. Construction Completion Guaranty executed by The NHP Foundation;
11. Intercreditor Agreement executed by the Borrower, Caroline, MHI, the City, and the County;
12. Assignment of Property Management Agreement executed by the Borrower, Caroline, and Orion Real Estate Services Texas, LLC ("Manager");
13. Assignment of Architect's Contract, Plans and Specifications, and Consent executed by the Borrower and GSMA, Inc. ("Architect");
14. Assignment of Construction Contract and Consent executed by the Borrower and NHPF-M Contractor, LLC ("Contractor");
15. Environmental Indemnity Agreement executed by the Borrower and Caroline;
16. Construction Bonds executed by Contractor, Surety, and the Borrower;
17. Borrower/Owner Loan Agreement executed by the Borrower and Caroline;
18. Affidavit – Use of City Funds executed by Caroline and the Borrower;
19. Affidavit – No Commissions (Borrower) executed by Caroline;
20. Affidavit – No Commissions (Owner) executed by the Borrower; and

21. Closing Certificate executed by the Borrower and Caroline.

Part 3: MHI Loan Documents

1. Promissory Note (Seller Note)
2. Subordinate Leasehold Deed of Trust, Security Agreement -- Financing Statement (Seller Note)

EXHIBIT C
FORM FOR APPLICATION FOR PAYMENT – CONSTRUCTION DRAWS

APPLICATION AND CERTIFICATION FOR PAYMENT		AIA DOCUMENT G702	PAGE ONE OF	PAGES
TO OWNER:	PROJECT:	APPLICATION NO.:	Distribution to	
			<input type="checkbox"/> OWNER <input type="checkbox"/> ARCHITECT <input type="checkbox"/> CONTRACTOR	
FROM CONTRACTOR:	VIA ARCHITECT:	PERIOD TO:		
		PROJECT NOS.:		
CONTRACT FOR:		CONTRACT DATE:		

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract Continuation Sheet, AIA Document G703, is attached.

1 ORIGINAL CONTRACT SUM	\$	0.00
2 Net change by Change Orders	\$	0.00
3 CONTRACT SUM TO DATE (Line 1 + 2)	\$	
4 TOTAL COMPLETED & STORED TO DATE (Column G on G703)	\$	0.00
5 RETAINAGE:		
a. % of Completed Work (Column D + E on G703)	\$	0
b. % of Stored Material (Column F on G703)	\$	
Total Retainage (Lines 5a + 5b or Total in Column I of G703)	\$	0.00
6 TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total)	\$	0.00
7 LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$	0.00
8 CURRENT PAYMENT DUE	\$	0.00
9 BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6)	\$	0.00

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR
 By: _____ Date: _____
 State of _____ County of: _____
 Subscribed and sworn to before me this _____ day of _____
 Notary Public
 My Commission expires _____

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$ _____

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)
 ARCHITECT

By: _____ Date: _____
 This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner		
Total approved this Month		
TOTALS	\$0.00	\$0.00
NET CHANGES by Change Order	\$0.00	

AIA DOCUMENT G702 - APPLICATION AND CERTIFICATION FOR PAYMENT - 1992 EDITION AIA ©1992 THE AMERICAN INSTITUTE OF ARCHITECTS, 1735 NEW YORK AVE., N.W., WASHINGTON, DC 20006-5292
 Users may obtain validation of this document by requesting a completed AIA Document D401 - Certification of Document's Authenticity from the Licensee.

Note: Items in RED FONT are automatically calculated from the G703 form or from items within this G702 Form. Do NOT hand enter these items on this sheet.

EXHIBIT D

REIMBURSEMENT REQUEST LETTER EXAMPLE - COUNTY



2019 Crawford Houston, TX 77002
713.659.3237 ext 4021

April 25, 2014

David Turkel
Director, Harris County Community Services Department
8410 Lantern Point
Houston, Texas 77054

**RE: Revised Request for Reimbursement
Temenos Place Apartments II-2012-0030 (CSD)**

Dear Mr. Turkel:

Temenos Community Development Corporation (TCDC) hereby request reimbursement in the amount of \$74,184.84 (\$26,706.54 HOME and \$47,478.30 CDBG-D) from the Harris County Community Services Department for expenses related to project construction and Pay Application #2.

All source documentation related to these expenses is currently maintained in your offices. Please feel free to contact me if you have any questions regarding our request.

Sincerely,


Dana Hogan
CEO for Campus Non-profits

Enclosures

To provide affordable housing opportunities, supportive social services, and employment resources to low income persons on their journey to self sufficiency.

EXHIBIT E
Harris County Community Services Department
Reimbursement Request Packet – Construction Costs & Soft Costs

Below is the list of contents of a construction reimbursement package from the Subrecipient/ Owner to CSD Disaster Recovery & Housing Development Division:

1. Cover Letter in the company's letterhead to the CSD Executive Director that mentions:
 - Pay estimate number
 - Amount
 - Cost Control Report
 - Pertinent supporting documentation

Soft Costs application must be submitted under a separate letter that stipulates the Pay Estimate, Amount, Cost Control Report, and Pertinent supporting documentation

2. AIA G702 – Application and Certificate for Payment (Notarized) (approved by Owner, Architect, and Harris County Engineering Department) (Executed with original signatures).
3. AIA G703 – Work Completed or Updated Schedule of Values (SOV).
4. Construction: Supporting documentation from Contractor and Subcontractors (G702-703 Contractor and Subcontractors, Invoices where appropriate, Notarized)
5. Soft Costs: Supporting documentation from Subrecipient/Owner with backup documentation and invoices where appropriate that document the amount of the reimbursement request.
6. Copy of Check(s) – Evidence of Subrecipient/Owner payments to Contractor, or Soft Cost related company, contractor(s).
7. Partial Waiver and Partial Release of Lien of General Contractor and/or Subcontractor (Notarized)
8. Completed General Land Office (GLO) workbook *(If GLO Funds)
9. Title Company current Downdate endorsement for “Total Completed and Stored To-Date Value” Line 4 AIA G702
10. Supporting Documentation Applicable to **Final Payment**:
 - Contractor's Guarantee
 - AIA G704 Certificate of Substantial Completion
 - AIA G706 – Contractor's Affidavit of Payment of Debts and Claims
 - AIA G706A – Contractor's Affidavit of Release of Liens

- Certificate of completion issued by the GC

Notes:







For Texas GLO funded projects, Subrecipient should refer to the GLO Workbook -- DRAW/DISBURSEMENT REQUEST CHECKLIST for all items necessary for Disbursement Requests, and for Final Release of Retainage.

Harris County requires ACH bank Direct Deposit transactions on reimbursements.

EXHIBIT F-2021 COMMISSIONERS COURT DUE DATES CALENDAR

2021 COMMISSIONERS COURT DATES

Meet on Tuesday @ 10:00 AM

-  Court Meeting
-  Due to CSD Grant Accountant - Finance by 9:00 AM
-  Pay Day
-  Holiday
-  Due to the Auditor's Office - 2:00 PM
-  Pay Day and AP Due Date to the Auditor

December 2020

S	M	T	W	T	F	S
		1	2	3	4	5
		8	9	10	11	12
		15	16	17	18	19
		22	23	24	25	26
		29	30	31		

January 2021

S	M	T	W	T	F	S
		1				2
		5	6	7	8	9
		12	13	14	15	16
		19	20	21	22	23
		26	27	28	29	30
		31				

February 2021

S	M	T	W	T	F	S
		1	2	3	4	5
		8	9	10	11	12
		15	16	17	18	19
		22	23	24	25	26
		28				27

June 2021

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		1	2	3	4	5
		8	9	10	11	12
		15	16	17	18	19
		22	23	24	25	26
		28	29	30		

April 2021

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		8	9	10	11	12
		15	16	17	18	19
		22	23	24	25	26
		27	28	29	30	

May 2021

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		11	12	13	14	15
		18	19	20	21	22
		25	26	27	28	29
		30	31			

July 2021

S	M	T	W	T	F	S
		1	2	3	4	5
		8	9	10	11	12
		15	16	17	18	19
		22	23	24	25	26
		29	30	31		

August 2021

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		1	2	3	4	5
		8	9	10	11	12
		15	16	17	18	19
		22	23	24	25	26
		29	30	31		

September 2021

S	M	T	W	T	F	S
		1	2	3	4	5
		8	9	10	11	12
		15	16	17	18	19
		22	23	24	25	26
		28	29	30		

October 2021

S	M	T	W	T	F	S
		1	2	3	4	5
		8	9	10	11	12
		15	16	17	18	19
		22	23	24	25	26
		28	29	30	31	

November 2021

S	M	T	W	T	F	S
		1	2	3	4	5
		8	9	10	11	12
		15	16	17	18	19
		22	23	24	25	26
		28	29	30		

December 2021

S	M	T	W	T	F	S
		1	2	3	4	5
		8	9	10	11	12
		15	16	17	18	19
		22	23	24	25	26
		28	29	30	31	

**ATTACHMENT J
TO LOAN AGREEMENT**

RESERVED

**ATTACHMENT K
TO LOAN AGREEMENT**

ASSIGNMENT OF PROPERTY MANAGEMENT AGREEMENT

ASSIGNMENT OF PROPERTY MANAGEMENT AGREEMENT

THIS ASSIGNMENT OF PROPERTY MANAGEMENT AGREEMENT (this "**Assignment**") is made as of _____, 2022 by and among **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("**Owner**"), **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("**Borrower**"), and **ORION REAL ESTATE SERVICES TEXAS, LLC**, a Texas limited liability company, having an address at 2051 Greenhouse Road, Suite 300 Houston, Texas 77084 ("**Manager**").

RECITALS

A. MHI Landholdings LLC is the owner the real property located at 3300 Caroline Street, Houston, Harris County, Texas 77004 ("**Project**") and Owner is the owner of a leasehold interest in the Project and is making certain improvements to the Project.

B. Manager is the property manager of the Project pursuant to that certain Property Management Agreement dated as of _____ 2022 between Owner and Manager (as from time to time amended in accordance with the terms thereof and hereof, the "**Management Agreement**").

C. Owner has requested that the City of Houston, Texas ("**City**") make a \$18,656,631.00 ("**Loan**") to Borrower to be used by Borrower to make a loan to Owner to provide funds for the acquisition and construction of the Project.

D. The Loan will be (i) advanced pursuant to the terms of a certain Loan Agreement dated as of the date hereof between City, Borrower and Owner (as the same may be amended from time to time, the "**Loan Agreement**"); and (ii) secured by a (i) a Fee Deed of Trust, Security Agreement and financing Statement executed by MHI Landholdings LLC for the benefit of the City against the Project ("**Fee Deed of Trust**") and (ii) a Collateral Assignment of Note and Liens ("**Collateral Assignment**") executed by Borrower assigning Borrower's right, title and interest in and to a loan made by Borrower to Owner, in the principal amount of the \$18,656,631.00 together with a Leasehold Deed of Trust, Security Agreement and Financing Statement (collectively with the Fee Deed of Trust, the "**Deed of Trust**") covering the Project.

E. City has required, as a condition to making the Loan and as additional security for the obligations of Borrower under the Loan, (i) that Owner assign to City all of Owner's right, title and interest in and to the Management Agreement; (ii) that Owner and Manager subordinate, to the extent herein provided, their respective right, title and interest in and to the Management Agreement to the liens and security interests securing performance of the Loan; and (iii) that Owner and Manager agree to the terms, covenants and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Terms.** Terms defined in the Loan Agreement have the same meanings when used herein unless otherwise defined herein or the context hereof otherwise requires.

2. **Assignment.** Subject to the terms and conditions hereof, to further secure the performance of the obligations under the Loan Agreement and documents executed in connection with and are evidencing, governing, and/or securing the Loan ("**Loan Documents**"), Owner hereby collaterally grants, transfers and assigns to City all of Owner's right, title and interest in, to and under the Management Agreement together with all right, power and authority of Owner to alter, modify or change the terms of the Management Agreement or to surrender, cancel or terminate the same, and Manager consents to such assignment pursuant to and in accordance with the agreements set forth herein. So long as no Default exists under the Loan Agreement or any of the Loan Documents, Owner shall have the license to perform under and receive performance under the Management Agreement. Neither this Assignment nor any action taken by City under or pursuant to this Assignment shall be deemed to impose

any obligation or liability upon City to Manager under or with respect to the Management Agreement or any covenants of Owner thereunder; except that from and after the date upon which City (a) agrees in writing to assume performance of Owner's obligations under the terms of the Management Agreement, or (b) acquires title to the Project by foreclosure or otherwise, Manager shall be entitled to the management fees and other sums provided in the Management Agreement which are due and payable after acquisition of the Project by City so long as Manager is performing its duties thereunder.

3. **Representations and Warranties.** Owner and Manager hereby represent and warrant to City that as of the date hereof (a) the only agreement affecting the management of the Project (as more particularly set forth in the Management Agreement) is the Management Agreement, (b) the Management Agreement constitutes the full agreement between Owner and Manager, and there are no amendments thereto, (c) the Management Agreement is in full force and effect, and (c) neither Owner nor Manager is in default under the Management Agreement, and no event has occurred which, with the giving of notice and/or the passage of time would constitute a default thereunder. Owner represents and warrants that but for this Assignment and the other Loan Documents and the lien and security interest in the management Agreement which was granted to Harris County which is pari passu with the City's lien and security agreement, and the subordinate assignment pursuant to the Bridge Loan Documents, Owner has not transferred, assigned or encumbered, in whole or in part, the Management Agreement or any of Owner's rights or interests thereunder. Owner further represents that, other than as provided in the immediately preceding sentence, Owner has not performed any act or executed any instrument which might prevent or limit City from proceeding under any of the terms and conditions hereof.

4. **Covenants.**

(a) Owner, at its sole cost and expense, shall fully perform every obligation under the Management Agreement by Owner to be performed, and shall enforce or secure the performance of every obligation of the Management Agreement by Manager to be performed for or on behalf of Owner (unless in Owner's good faith, prudent business judgment, it would not be in the best interest of the Project to do so and such obligation is not material). Owner shall not waive or release Manager from Manager's material obligations to be performed under the Management Agreement. Owner shall not enter into any agreement other than the Management Agreement for the management of the Project. Except as provided above, Owner will not transfer, assign or encumber, in whole or in part, the Management Agreement or any of Owner's rights or interests thereunder. Any violation of any of such covenants on the part of Owner without the prior written consent of City shall constitute a Default entitling City to exercise the remedies available to it hereunder and under the Loan Documents; provided, however, that this Assignment is subject to the notice and cure periods described in the Loan Agreement that are to be provided to Owner, which are incorporated herein by reference.

(b) Owner and Manager shall not modify or amend, in any material respect, or terminate, the Management Agreement without City's prior written consent (not to be unreasonably withheld); *provided*, however, that in the event City is given written notice of Owner's default and opportunity to cure in accordance with the first sentence of Section 5 below and such default is not cured by Owner or City within the applicable time period, Manager shall be permitted (subject to the third sentence of Section 7) to terminate the Management Agreement in accordance with the provisions thereof.

(c) Owner and Manager hereby agree that notwithstanding any provision to the contrary set forth herein or in the Management Agreement, Manager shall not receive any management fee in excess of five percent (5.0%) of gross annual income at any time.

(d) At Owner's sole cost and expense, Owner shall appear in and defend any action or proceeding connected with the Management Agreement and shall pay all necessary costs and expenses of City, including reasonable attorneys' fees, in any such action or proceeding in which City may appear.

5. **Default by Owner Under Management Agreement.** In the event of any material default by Owner under the Management Agreement, Manager shall give City written notice of such default, and City shall be permitted an opportunity (not less than forty-five (45) days from receipt of said notice) to cure such default by Owner, during which time Manager shall have no right to terminate the Management Agreement; *provided*, however, that City shall in no event be required to effect any such cure, and any cure by City shall not release Owner or Manager from any of its obligations under the Management Agreement. City shall have the right to appear in and defend any action or proceeding purporting to affect the Project or the rights and powers of City hereunder. Owner agrees to protect, defend, indemnify and hold City harmless from and against any and all losses, damages, claims, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees) incurred in connection with any such actions or measures taken by City or otherwise incurred in the exercise of any other rights or remedies of City under this Assignment. Owner agrees that all sums so expended by City in curing any default by Owner, or in appearing in or defending any action or proceeding, or in taking any other action permitted hereby, in each case together with interest thereon at the Default Rate (as defined in the Loan Agreement) shall payable by Owner upon demand and shall be added to any obligations owing by Borrower under the Loan Agreement and shall be secured by the Deed of Trust, Collateral Assignment and any other security held for the Loan.

6. **No Duty to Perform; Indemnity.** City shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability under the Management Agreement, or under or by reason of this Assignment, and Owner shall and does hereby indemnify and hold City harmless against and from any and all liability, loss or damage arising or occurring prior to foreclosure which City may or might incur under the Management Agreement or under or by reason of this Assignment and of and from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in the Management Agreement, except as a result of or in connection with the gross negligence or willful misconduct of City. Should City incur any such liability, loss or damage under the Management Agreement or under or by reason of this Assignment, or in the defense of any such claims or demands, except as a result of or in connection with the gross negligence or willful misconduct of City, the amount thereof, including costs, expenses and reasonable attorneys' fees, shall be secured by the Loan Documents, and Owner shall reimburse City therefor immediately upon demand, and upon the failure of Owner to do so, same shall constitute a Default and City may, upon thirty (30) days notice to Owner, if the amounts properly due and owing to City have not been paid, exercise the remedies available to it under the Loan Documents.

7. **Subordination.** Manager hereby subordinates any and all right, title and interest it may now or in the future have in the Management Agreement and/or to receive payment of any management or other fees set forth therein to the liens and security interests securing the obligations under the Loan Agreement; *provided*, however, that unless a Default then exists, Owner shall be entitled to pay, and Manager shall be entitled to receive, the management fee in accordance with the terms of the Management Agreement. Further, Manager agrees that any and all liens, rights, and interest owned, claimed, or held by it, in and to the Project, are and shall be in all respects subordinate to the lien and security interest created by the Deed of Trust and Collateral Assignment. In the event of any sale of the Project pursuant to foreclosure of the Deed of Trust, or a deed in lieu of foreclosure, Manager agrees that it will not exercise any rights it may have to terminate the Management Agreement by reason of such sale. Notwithstanding the foregoing, Manager agrees that such foreclosure or deed in lieu of foreclosure shall operate to cut off, extinguish, and otherwise terminate all liens that Manager, and those claiming by, through, or under Manager, may now or hereafter have in and to the Project, and Manager agrees that City or any purchaser at a foreclosure sale under Deed of Trust lien may terminate the Management Agreement upon foreclosure or at any time thereafter.

8. **Default.** Upon the occurrence and continuation of a Default under and as defined in the Loan Agreement or other Loan Documents or the occurrence of a default on the part of Owner or under the Management Agreement which remains uncured after any applicable notice and cure period under the Loan Documents, then, without regard for the adequacy of the security for the Loan, City shall have the right (but not the obligation) to: (a) take possession of the Project and exercise and enjoy all

right, title and interest of Owner under the Management Agreement; (b) whether or not possession of the Project is taken, to receive all funds, issues, and profits under the Management Agreement (other than management fee payable to and earned by Manager in accordance with the terms and provisions thereof) and apply the same, less costs and expenses of taking possession of the Project, operation and collection, including reasonable attorneys' fees, upon any obligations due under the Loan Documents whether or not then due and in such order as City may determine; (c) enforce or terminate (with or without cause) the Management Agreement; (d) require Owner to install substitute management acceptable to City; and (e) do any acts which City deems proper to protect the Project or City's security interest therein or lien thereon, and thereupon and without further notice to Owner, Owner shall not have any further rights under the Management Agreement which would conflict with, impair, or interfere with any rights of City hereunder. Neither City's entering upon and taking possession of the Project nor the exercise of any of the aforesaid remedies shall cure or waive any such default on the part of Owner or waive, modify or affect any notice of default under the Loan Agreement or invalidate any act done pursuant to such notice. Any exercise by City of the right to terminate the Management Agreement shall be without liability to City for payment of any fees, charges or otherwise, notwithstanding any provisions in the Management Agreement to the contrary. After any such termination, City shall have the right to replace Manager with a manager selected by City in its sole discretion. Upon any termination of the Management Agreement, whether or not pursuant to this section, Manager agrees to deliver copies of all records, files, financial statements, and any other documents pertaining to management, construction, design and operation of the Project which are in the possession or under the control of Manager to Owner excluding, however, documents pertaining solely to the operation systems or procedures owned by Manager.

9. **Notice by City.** A notice in writing by City to Manager advising Manager that a Default exists and requesting that all future performance under the Management Agreement be made to City (or its agent), shall be construed by Manager as conclusive authority to Manager that such performance is to be made to City (or its agent) and Manager shall be fully protected in making such performance to City; and Owner hereby irrevocably constitutes and appoints City the attorney-in-fact and agent of Owner for the purpose of endorsing the consent of Owner on any such notice (such appointment only to be effective when a Default exists under and as defined in the Loan Agreement). The foregoing power is coupled with an interest and shall survive the liquidation, bankruptcy or insolvency of Owner.

10. **Attornment by Manager.** Manager hereby agrees that in the event of notification to Manager by City that City has acquired possession of the Project or obtained the appointment of a receiver for same, Manager shall, at City's request, attorn to City as owner thereunder; *provided*, however, that in no event shall City be liable for, or be obligated to cure, any default of Owner occurring prior to the date of such notification.

11. **No Limitations.** Owner and Manager agree that (a) nothing in this Assignment shall be construed to limit or restrict in any way the rights and powers granted to City under any of the Loan Documents, and (b) an action to foreclose may be commenced, notwithstanding that Owner continues in possession of the Project, both real and personal, herein referred to, and continues to collect the rents, issues and profits thereof.

12. **No Waiver.** This Assignment can be extended, modified or amended only in writing executed by Manager and Owner and consented to by the City, and none of the rights or benefits of City can be waived permanently except in a written document executed by City. City's rights, powers, privileges and remedies under or in connection with this Assignment are cumulative and not exclusive and shall not be waived, precluded or limited by any failure or delay in the exercise thereof or by the parties exercise thereof or by any course of dealing between Manager and/or Owner and City. No notice to or demand on Manager or Owner in any case shall entitle Manager or Owner to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of City to any other or further action in any circumstances without notice or demand.

13. **Counterparts.** This Assignment and any amendments, waivers, consents or supplements hereto or in connection herewith may be executed, including by transmission of facsimile, in any number of counterparts and by different parties hereto in separate counterparts, each of which when

so executed and delivered shall be deemed an original, but all of such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. In the event this Assignment or any amendment, waiver, consent or supplement shall have been executed by transmission of facsimile, any party may request that the parties thereto execute original documents for record purposes, but no failure of any party to do so shall invalidate or in any other way affect the validity of such document. This Assignment shall become effective upon the execution of a counterpart hereof by each of the parties hereto and receipt by the parties of written or telephonic notification of such execution and authorization of delivery thereof.

14. **Descriptive Headings; Recitals.** The descriptive headings used in this Assignment are for convenience only and shall not be deemed to affect the meaning or construction of any provision hereof. The Recitals set forth at the beginning of this Assignment are hereby incorporated into the substantive provisions of this Assignment.

15. **Notices.** Any notice, report, demand or other instrument authorized or required to be given or furnished hereunder shall be given in conformity with the terms and conditions of the Loan Agreement and to the parties hereto at the addresses set forth above.

16. **Benefit of Agreement.** This Assignment shall be binding upon each party hereto and its successors and assigns, and shall inure to the benefit of Owner, Borrower, City, and Manager and their respective successors and/or assigns, except the rights and remedies of Owner, Borrower, City, and Manager under this Assignment (except pursuant to Section 7 above) shall not inure to the benefit of (a) any purchaser of the Project at a foreclosure sale, (b) any Person taking title to the Project by deed in lieu of foreclosure, or (c) any successor or assign of any Person described in clauses (a) and (b) above, except that Owner's, Borrower's, City's, and Manager's rights shall inure to the benefit of the parties described in clauses (a), (b) and (c) hereof if such parties are City (including, for these purposes, its successors and assigns as holder of the Loan Documents), and any participant's or any of City's (or such successors, assigns, beneficiaries or participant's) affiliates or nominees.

17. **Inconsistencies.** In the event of any inconsistency between the terms and conditions hereof and the terms of the Management Agreement, the terms and conditions set forth herein shall govern.

18. **Severability.** In the event that any of the covenants, agreements, terms or provisions contained herein shall be invalid, illegal or unenforceable in any respect, the validity of the remaining covenants, agreements, terms and provisions contained herein shall be in no way affected, prejudiced or disturbed thereby.

19. **Further Assurances.** At any time, and from time to time, upon City's request, Owner and Manager shall make, execute and deliver, or cause to be made, executed and delivered, to City and, where appropriate, shall cause to be recorded or filed, and from time to time thereafter to be re-recorded and refiled, at such time and in such offices and places as shall be deemed desirable by City, such documents and/or instruments as City may consider necessary or desirable in order to effectuate, or to continue and preserve, the obligations of Owner and Manager under this Assignment. Upon any failure by either Owner or Manager to do so, City may make, execute, record, file, re-record or refile any and all such documents and/or instruments for and in the name of either Owner or Manager, and Owner and Manager hereby irrevocably appoint (which appointment is coupled with an interest with full power of substitution) City the agent and attorney-in-fact of either Owner or Manager to do so; and Owner and Manager shall reimburse City, on demand, for all costs and expenses (including reasonable attorneys' fees and expenses) incurred by City in connection therewith.

20. **Choice of Law and Venue.** **THIS ASSIGNMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS (BUT NOT THE RULES GOVERNING**

CONFLICTS OF LAWS) OF THE STATE OF TEXAS AND SHALL BE PERFORMABLE IN HARRIS COUNTY, TEXAS.

21. WAIVER OF JURY TRIAL. THE PARTIES TO THIS ASSIGNMENT HEREBY, UNCONDITIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COUNSEL, WAIVE, RELINQUISH AND FOREVER FORGO THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR ARISING OUT OF, OR IN ANY WAY RELATING TO THIS ASSIGNMENT.

[Executed on the following page]

**SIGNATURE PAGE
ASSIGNMENT
OF PROPERTY MANAGEMENT CONTRACT**

IN WITNESS WHEREOF, each of the parties hereto has executed and delivered this Assignment or has caused the same to be executed and delivered by its duly authorized representative as of the date first above written.

The parties agree that each party may sign and deliver this agreement electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature.

OWNER:

MAGNIFICAT PERMANENT AFFORDABLE, LLC,
a Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation, its manager

By: _____
Neal Drobenare, Vice President

BORROWER:

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

By: The NHP Foundation,
a District of Columbia nonprofit corporation,
its manager

By: _____
Neal Drobenare, Senior Vice
President

MANAGER:

ORION REAL ESTATE SERVICES TEXAS, LLC, a
Texas limited liability company

By: _____
Name: _____
Title: _____

ATTACHMENT L
TO LOAN AGREEMENT

ASSIGNMENT OF ARCHITECT'S
CONTRACT, PLANS AND SPECIFICATIONS, AND CONSENT

**ASSIGNMENT OF ARCHITECT'S
CONTRACT, PLANS AND SPECIFICATIONS, AND CONSENT**

FOR VALUE RECEIVED and to be effective as of _____, 2022, **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("**Owner**"), whose mailing address is: 122 East 42nd Street, Suite 4900, New York, NY 10168, as additional security for the obligations incurred by **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("**Borrower**"), pursuant to that certain Loan Agreement (as heretofore amended, extended, modified or renewed, the "**City Loan Agreement**"), between the Borrower, Owner and **THE CITY OF HOUSTON** ("**City**"), whose mailing address is c/o Department of Housing and Community Development, 2100 Travis St, 9th Floor, Houston, TX 77002, Attention: Director, which City Loan Agreement evidences the loan made by City to Borrower in the original principal amount of \$18,656,631.00 ("**City Loan**") which was secured by a Fee Deed of Trust, Security Agreement and Financing Statement, and the proceeds of which were utilized by Borrower to make a \$18,656,631.00 ("**Owner Loan**") to Owner for the construction of the project located at 3300 Caroline Street, Houston, Harris County, Texas 77004 ("**Project**") and which Owner Loan and all documents executed in connection therewith that evidence, govern, and/or secure the Owner Loan, including a Leasehold Deed of Trust on the Project were collaterally assigned to the City pursuant to a certain Collateral Assignment of Note and Liens ("**Collateral Assignment**") executed by Borrower, hereby transfers, assigns and conveys to City, and the successors and assigns of City, all of the right, title and interest of Owner in and to that certain architect contract by and between Owner and **GSMA, Inc.** ("**Architect**"), dated _____, 2022 ("**Contract**") and in and to those certain architectural drawings and plans and specifications ("**Plans and Specifications**") therefor, all inclusive, all of which were prepared by Architect, a true and correct copy of the Contract and Plans and Specifications having been deposited with and held by City. Upon the satisfaction in full of the obligations of Borrower to City evidenced by the City Loan Agreement and the Restrictive Covenants and the other Loan Documents (as defined in the City Loan Agreement and referred to herein as the ("**City Loan Documents**"), this Assignment of Architect's Contract, Plans and Specifications, and Consent ("**Assignment**") shall become null and void.

Owner and Architect, by executing the Consent to this Assignment which follows this Assignment, agree that City does not assume any of Owner's obligations or duties concerning the Contract and Plans and Specifications, including, but not limited to, the obligation to pay for the preparation of the Contract and Plans and Specifications, until and unless City shall exercise its rights, granted hereby, to the use of the Contract and Plans and Specifications.

To be effective during such time as a Default then exists, Owner hereby irrevocably constitutes and appoints City as its attorney-in-fact to demand, receive and enforce Owner's rights with respect to the Contract and Plans and Specifications, to give appropriate receipts, releases and satisfactions for and on behalf of Owner and to do any and all acts in the name of Owner or in the name of City with the same force and effect as Owner could do if this Assignment had not been made.

City shall not exercise any rights hereunder unless a Default shall have occurred and is continuing, as such is defined in the City Loan Documents.

Except in connection with the Harris County Loan (as defined in the City Loan Agreement), Owner hereby represents and warrants to City that no previous assignment of its interest in the Contract and Plans and Specifications has been made; and Owner agrees not to further assign, sell, pledge, transfer, mortgage or otherwise encumber its interest in the Contract and Plans and Specifications so long as this Assignment is in effect. Notwithstanding the foregoing, the Assignment herein granted is *pari passu* with the lien and security interest of Harris County in the Contract.

Capitalized terms utilized herein which are not defined herein shall have the meaning specified in the City Loan Agreement.

Signature Page

Assignment of Architect's Contracts, Plans and Specifications and Consent

The parties agree that each party may sign and deliver this agreement electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature.

DATED to be effective as of the date first set forth above.

OWNER:

MAGNIFICAT PERMANENT AFFORDABLE, LLC,
a Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation, its manager

By: _____
Neal Drobenare, Vice President

[ARCHITECT'S CONSENT FOLLOWS]

CONSENT OF ARCHITECT

The undersigned ("**Architect**") represents to City that (i) to the best of Architect's knowledge, the Plans and Specifications are the plans and specifications to be used in the actual construction of the Project; (ii) Architect, or all applicable principals or agents of Architect, are duly licensed to perform, conduct and engage in such activities and business as are contemplated under the Contract in the jurisdiction or jurisdictions where such activities, business or work is to be performed and in which the Project is, or will be, located or constructed; (iii) the Project has been designed, as evidenced by the Plans, in accordance with all applicable architectural barriers law including, without limitation, the Americans With Disabilities Act (42 U.S.C. §§ 12131-12165; 47 U.S.C. §§ 155, 201, 218 and 255), The Architectural Barriers Act of 1968 (42. U.S.C. §§ 415-4157), Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794 et seq.) and Tex. Gov't Code Ann. § 469.001 et seq., as amended, ordinances, rules and regulations, and that all permits, certificates or other licenses evidencing same have been obtained and will be delivered to City upon request therefore; and (iv) the Contract is in full force and effect and is valid, binding and enforceable against Architect in accordance with its terms and there is no default by Architect thereunder.

Architect hereby expressly consents to the above and foregoing Assignment and agrees that, in the event that a Default (as defined in the City Loan Agreement) exists, City is authorized to use the Contract and Plans and Specifications for the purpose of the inspection or completion of the construction of the Project and for the maintenance and protection of the Project contemplated by the City Loan Agreement.

To induce City to enter into the City Loan Agreement with Borrower, Architect hereby agrees that all of the liens which Architect may have or be entitled to either against such Contract and Plans and Specifications or against the Project contemplated by the City Loan Agreement (including the real property described in Exhibit A attached hereto and incorporated herein by reference) shall be and are hereby made subordinate and inferior to the Deed of Trust and other liens and security interests securing the performance of the Owner Loan.

Architect acknowledges that City is relying and is entitled to rely on Architect's professional skill and competence in the provision of construction management services under the Contract.

The parties agree that each party may sign and deliver this agreement electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature

DATED to be effective as of _____, 2022.

ARCHITECT:

GSMA, Inc

By: _____
Name: _____
Title: _____

Exhibit List

Exhibit A - Legal Description

**EXHIBIT A
LEGAL DESCRIPTION**

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

(TO BE ADJUSTED ACCORDING TO FINAL SURVEY)

ATTACHMENT M-1
TO LOAN AGREEMENT

ASSIGNMENT OF CONSTRUCTION
CONTRACT, PLANS AND SPECIFICATIONS, AND CONSENT
(PRIME CONTRACTOR)

**ASSIGNMENT OF CONSTRUCTION
CONTRACT, PLANS AND SPECIFICATIONS, AND CONSENT**

FOR VALUE RECEIVED and to be effective as of _____, 2022, **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("**Owner**"), whose mailing address is: 122 East 42nd Street, Suite 4900, New York, NY 10168, as additional security for the obligations incurred by **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("**Borrower**"), pursuant to that certain Loan Agreement (as heretofore amended, extended, modified or renewed, the "**City Loan Agreement**"), between the Borrower, Owner and **THE CITY OF HOUSTON** ("**City**"), whose mailing address is c/o Department of Housing and Community Development, 2100 Travis St, 9th Floor, Houston, TX 77002, Attention: Director, which City Loan Agreement evidences the loan made by City to Borrower in the original principal amount of \$ 18,656,631.00 ("**City Loan**") which was secured by a Fee Deed of Trust, Security Agreement and Financing Statement on the Project described below, the proceeds of which were utilized by Borrower to make a \$ 18,656,631.00 ("**Owner Loan**") to Owner for the construction of the project located at 3300 Caroline Street, Houston, Harris County, Texas 77004 ("**Project**") and which Owner Loan and all documents executed in connection therewith including a Leasehold Deed of Trust on the Project were collaterally assigned to the City pursuant to a certain Collateral Assignment of Note and Liens ("**Collateral Assignment**") executed by Borrower, hereby transfers, assigns and conveys to City, and the successors and assigns of City, all of the right, title and interest of Owner and **NHPF-M CONTRACTOR, LLC**, a Texas limited liability company ("**Contractor**"), dated _____, 2022, (the "**Contract**"), in a true and correct copy of the Contract having been deposited with and held by City. Upon the payment and satisfaction in full of the obligations of Borrower to City evidenced by the City Loan Agreement and the other Loan Documents (as defined in the City Loan Agreement and referred to herein as the "**City Loan Documents**") and upon delivery of written confirmation by City of such payment and satisfaction, this Assignment of Construction Contract, and Consent ("**Assignment**") shall become null and void.

Owner and Contractor, by executing the Consent to this Assignment which follows this Assignment, agree that City does not assume any of Owner's obligations or duties concerning the Contract, including, but not limited to, the obligation to pay for the preparation of the Contract, until and unless City shall exercise its rights, granted hereby, to the use of the Contract.

To be effective during such time as a Default (as defined in the City Loan Agreement) then exists, Owner hereby irrevocably constitutes and appoints City as its attorney-in-fact to demand, receive and enforce Owner's rights with respect to the Contract to give appropriate receipts, releases and satisfactions for and on behalf of Owner and to do any and all acts in the name of Owner or in the name of City with the same force and effect as Owner could do if this Assignment had not been made.

To be effective during such time as a Default (as defined in the City Loan Agreement) then exists, Contractor hereby irrevocably constitutes and appoints City as its attorney in fact to demand, receive and enforce Contractor's rights with respect to the Contract to give appropriate receipts, releases and satisfactions for and on behalf of Contractor and to do any and all acts in the name of Contractor or in the name of City with the same force and effect as Contractor could do if this Assignment had not been made.

City shall not exercise any rights hereunder unless a Default shall have occurred and is continuing, as such is defined in the City Loan Documents.

Except in connection with the Harris County Loan and the Bridge Loan (as both are defined in the City Loan Agreement), Owner hereby represents and warrants to City that no previous assignment of its interest in the Contract has been made; and Owner agrees not to further assign, sell, pledge, transfer, mortgage or otherwise encumber its interest in the Contract so long as this Assignment is in effect. Notwithstanding the foregoing, the Assignment herein granted herein is pari passu with the lien and security interest of Harris County in the Contract and superior to the assignment in connection with the Bridge Loan.

Capitalized terms utilized herein which are not defined herein shall have the meaning specified in the City Loan Agreement.

Signature Page

Assignment of Construction Contract and Consent

DATED to be effective as of the date first set forth above.

OWNER:

MAGNIFICAT PERMANENT AFFORDABLE, LLC,
a Texas limited liability company

By: _____
Name: _____
Title: _____

[CONTRACTOR'S CONSENT FOLLOWS]

CONSENT OF CONTRACTOR

The undersigned ("**Contractor**") represents to **THE CITY OF HOUSTON** ("**City**") that the Contract (as defined in that certain Assignment of Construction Contract and Consent ("**Assignment**") which immediately precedes this Consent of Contractor (this "**Consent**") is the contract to be used in the actual construction and completion of the work for the Project; and Contractor hereby expressly consents to the above and foregoing Assignment and agrees that, in the event of any Default (as defined in the City Loan Agreement) by Borrower or Owner exists, City is authorized to use the Contract for the purpose of completing construction work for the Project contemplated by the City Loan Agreement.

Contractor acknowledges that City is relying and is entitled to rely on Contractor's professional skill and competence in the provision of construction services under the Contract. To induce City to enter into the City Loan Agreement and the other City Loan Documents with Borrower, Contractor hereby agrees that all of the liens which Contractor may have or be entitled to either against such Contract or against the Project contemplated by the City Loan Documents (including the real property described in Exhibit A attached hereto and incorporated herein by reference) shall be and are hereby made subordinate and inferior to the Deed of Trust and liens and security interests of the liens and security interests securing the payment of the loan or loans to be made pursuant to the Loan Documents.

DATED to be effective as of _____, 2022.

CONTRACTOR:

NHPF-M CONTRACTOR, LLC,
a Texas limited liability company

By: NHPF Affordable Housing, Inc.,
a District of Columbia nonprofit corporation,
its managing member

By: _____
Neal Drobenare, Vice President

Exhibit List

Exhibit A - Legal Description

**EXHIBIT A
LEGAL DESCRIPTION**

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

(TO BE ADJUSTED ACCORDING TO FINAL SURVEY)

ATTACHMENT M-2
TO LOAN AGREEMENT

ASSIGNMENT OF CONSTRUCTION
CONTRACT AND CONSENT (SUBCONTRACT)

**ASSIGNMENT OF CONSTRUCTION
CONTRACT AND CONSENT (SUBCONTRACT)**

FOR VALUE RECEIVED and to be effective as of _____, 2022, **NHPF-M CONTRACTOR, LLC**, a Texas limited liability company ("**General Contractor**"), whose mailing address is 122 East 42nd Street, Suite 4900, New York, New York 10168, as additional security for the obligations incurred by **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("**Borrower**"), pursuant to that certain Loan Agreement (as heretofore amended, extended, modified or renewed, the "**City Loan Agreement**"), between the Borrower, **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("**Owner**") and **THE CITY OF HOUSTON ("City")**, whose mailing address is c/o Department of Housing and Community Development, 2100 Travis St, 9th Floor, Houston, TX 77002, Attention: Director, which City Loan Agreement evidences the loan made by City to Borrower in the original principal amount of \$18,656,631.00 ("**City Loan**"), which is secured by among other collateral, a Fee Deed of Trust, Security Agreement and Financing Statement on the Project and a Leasehold Deed of Trust on the Project described below as well as the Collateral Assignment described below. The proceeds of the City Loan were utilized by Borrower to make a \$18,656,631.00 ("**Owner Loan**") to Owner for the construction of the project located at 3300 Caroline Street, Houston, Harris County, Texas 77004 ("**Project**") and which Owner Loan and all documents executed in connection therewith that evidence, govern, and/or secure the Owner Loan, including a Leasehold Deed of Trust on the Project were collaterally assigned to the City pursuant to a certain Collateral Assignment of Note and Liens ("**Collateral Assignment**") executed by Borrower, hereby transfers, assigns and conveys to City, and the successors and assigns of City, all of the right, title and interest of General Contractor in and to that certain construction contract by and between General Contractor and **BLOCK BUILDERS LLC ("Subcontractor")**, a true and correct copy of the Contract having been deposited with and held by City. Upon the payment and satisfaction in full of the obligations of Borrower and Owner to City evidenced by the City Loan Agreement and the other Loan Documents (as defined in the City Loan Agreement and referred to herein as the "**Loan Documents**"), this Assignment of Construction Contract and Consent ("**Assignment**") shall become null and void.

General Contractor and Subcontractor, by executing the Consent to this Assignment which follows this Assignment, agree that City does not assume any of General Contractor's or Owner's obligations or duties concerning the Contract, including, but not limited to, the obligation to pay for the preparation of the Contract, until and unless City shall exercise its rights, granted hereby, to the use of the Contract.

To be effective during such time as a Default as defined in the City Loan Agreement) then exists, General Contractor hereby irrevocably constitutes and appoints City as its attorney-in-fact to demand, receive and enforce General Contractor's rights with respect to the Contract, to give appropriate receipts, releases and satisfactions for and on behalf of General Contractor to do any and all acts in the name of General Contractor or in the name of City with the same force and effect as General Contractor could do if this Assignment had not been made.

To be effective during such time as a Default then exists, Subcontractor hereby irrevocably constitutes and appoints City as its attorney in fact to demand, receive and enforce Subcontractor's rights with respect to the Contract to give appropriate receipts, releases and satisfactions for and on behalf of Subcontractor and to do any and all acts in the name of Subcontractor or in the name of City with the same force and effect as Subcontractor could do if this Assignment had not been made.

City shall not exercise any rights hereunder unless a Default shall have occurred and continues beyond all applicable, notice grace and cure periods, as such is defined in the City Loan Documents.

Except in connection with the Harris County Loan and the Bridge Loan (as both are defined in the City Loan Agreement), General Contractor hereby represents and warrants to City that no previous assignment of its interest in the Contract has been made; and General Contractor agrees not to further assign, sell, pledge, transfer, mortgage or otherwise encumber its interest in the Contract so long as this Assignment is in effect. Notwithstanding the foregoing, the Assignment herein granted herein is *pari passu*

with the lien and security interest of Harris County in the Contract, and the assignment in connection with the Bridge Loan is subordinate to the City Loan.

This Agreement may be signed and delivered electronically or by electronic signature and that electronic signature will be as good, binding and effective as an original or manual signature.

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Signature Page

Assignment of Construction Contract and Consent (Subcontract)

DATED to be effective as of the date first set forth above.

GENERAL CONTRACTOR:

NHPF-M CONTRACTOR, LLC,
a Texas limited liability company

By: NHPF Affordable Housing, Inc.,
a District of Columbia nonprofit corporation,
its managing member

By: _____
Neal Drobenare, Vice President

[SUBCONTRACTOR'S CONSENT FOLLOWS]

CONSENT OF SUBCONTRACTOR

The undersigned ("**Subcontractor**") represents to **THE CITY OF HOUSTON** ("**City**") that the Contract (as defined in that certain Assignment of Construction Contract and Consent (Subcontract) ("**Assignment**") which immediately precedes this Consent of Subcontractor (this "**Consent**") is the contract to be used in the actual construction of the Project; and Subcontractor hereby expressly consents to the above and foregoing Assignment and agrees that, in the event of any Default (as defined in the City Loan Agreement) by Borrower or Owner then exists that is continuing beyond the expiration of all applicable notice, grace and cure periods, City is authorized to use the Contract for the purpose of completing construction work for the Project contemplated by the City Loan Agreement.

Subcontractor acknowledges that City is relying and is entitled to rely on Subcontractor's professional skill and competence in the provision of construction services under the Contract.

To induce City to enter into the Loan Documents with Borrower and Owner, Subcontractor hereby agrees that all of the liens which Subcontractor may have or be entitled to either against such Contract or against the Project contemplated by the Loan Documents (including the real property described in Exhibit A attached hereto and incorporated herein by reference) shall be and are hereby made subordinate and inferior to the Deed of Trust and liens and security interests of the liens and security interests securing the payment of the City Loan.

This Agreement may be signed and delivered electronically or by electronic signature and that electronic signature will be as good, binding, and effective as an original or manual signature.

DATED to be effective as of _____, 2022.

SUBCONTRACTOR:

BLOCK BUILDERS LLC,
a Louisiana limited liability company

By: _____

Name: _____

Title: _____

Exhibit List

Exhibit A - Legal Description

EXHIBIT A

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

[TO BE ADJUSTED BASED ON FINAL SURVEY]

ATTACHMENT N
TO LOAN AGREEMENT

ENVIRONMENTAL INDEMNITY AGREEMENT

ENVIRONMENTAL INDEMNITY AGREEMENT

This ENVIRONMENTAL INDEMNITY AGREEMENT ("**Environmental Indemnity Agreement**") is executed effective as of _____, 2022, by **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("**Borrower**"), and **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("**Owner**", and collectively with Borrower, "**Indemnitor**") for the benefit of **THE CITY OF HOUSTON** ("**Lender**").

WITNESSETH:

WHEREAS, Lender is making a loan ("**Loan**") to Borrower in the original principal amount of EIGHTEEN MILLION SIX HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED THIRTY-ONE AND NO/100 DOLLARS (\$18,656,631.00), and further evidenced by that certain Loan Agreement entered into by and between Lender, Borrower and Owner ("**Loan Agreement**"), secured, *inter alia*, by (i) that certain Fee Deed of Trust, Security Agreement and Financing Statement ("**Fee Deed of Trust**") executed and delivered by MHI Landholdings LLC to Keith Bynam, as Trustee ("**Trustee**"), for the benefit of the Lender and (ii) a Collateral Assignment of Note and Lien ("**Collateral Assignment**") covering that certain Note ("**Collateral Note**") executed by Owner and payable to the order of Borrower in the original principal amount of EIGHTEEN MILLION SIX HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED THIRTY-ONE AND NO/100 DOLLARS (\$18,656,631.00) secured by that certain Leasehold Deed of Trust, Security Agreement and Financing Statement ("**Leasehold Deed of Trust**" and collectively with the Fee Deed of Trust, the "**Deed of Trust**") which Owner has executed and delivered to Keith Bynam, as Trustee ("**Trustee**"), for the benefit of Borrower and collaterally assigned to Lender, which Fee Deed of Trust and Leasehold Deed of Trust covering certain real property ("**Land**") described in Exhibit "A" attached hereto, together with the improvements, buildings, facilities located thereon and certain personal property described in the Deed of Trust (the Land, together with said improvements, buildings, facilities and personal property referred to herein as the "**Property**") The Loan Agreement, the Collateral Assignment, the Collateral Note, the Deed of Trust, this Environmental Indemnity Agreement and all other documents or instruments evidencing, securing or governing the Loan shall be collectively referred to as the "**Loan Documents**"; and

WHEREAS, as a material inducement in order for Lender to make the Loan to Indemnitor, Indemnitor has agreed to execute and deliver this Environmental Indemnity Agreement to and for the benefit of Lender.

NOW, THEREFORE, for and in consideration of the making of the Loan by Lender to Indemnitor, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Indemnitor hereby agrees as follows:

A G R E E M E N T:

Article I. DEFINITIONS

The following terms shall have the defined meanings ascribed to such terms, as set forth below:

"**Environmental Laws**" shall mean any federal, state, or local law, statute, ordinance, or regulation, whether now or hereafter in effect, pertaining to health, industrial hygiene, or the environmental conditions on, under, or about the Mortgaged Property, including without limitation, the following, as now or hereafter amended: Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("**CERCLA**"), 42 U.S.C. § 9601 *et seq.*, as amended by the Superfund Amendments and Reauthorization Act of 1986 ("**SARA**"), Pub. L. 99-499, 100 Stat. 1613; Resource, Conservation and Recovery Act ("**RCRA**"), 42 U.S.C. § 6901 *et seq.* as amended by the Superfund Amendments and Reauthorization Act of 1986 ("**SARA**"), Pub. L. 99-499, 100 Stat. 1613; the Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*; Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. § 1101 *et seq.*; Clean Water Act ("**CWA**"), 33 U.S.C. § 1251 *et seq.*; Clean Air Act ("**CAA**"), 42 U.S.C. § 7401 *et seq.*; Federal Water Pollution

Control Act ("FWPCA"), 33 U.S.C. § 1251 et seq.; any related federal laws and authorities as required by the Housing and Community Development Act of 1974, as listed in 24 CFR § 58 et seq.; and any corresponding state laws or ordinances including but not limited to the Texas Water Code ("TWC") § 26.001 et seq.; Texas Health & Safety Code ("THSC") § 361.001 et seq.; Texas Solid Waste Disposal Act, Tex. Rev. Civ. Stat. Ann. art. 4477-7; and regulations, rules, guidelines, or standards promulgated pursuant to such laws, statutes and regulations, as such statutes, regulations, rules, guidelines, and standards are amended from time to time.

"**Environmental Report**" means the Phase I environmental report delivered to Lender in connection with the Loan.

"**Hazardous Substances**" shall mean any substance, product, waste, or other material which is or becomes listed, regulated, or addressed as being a toxic, hazardous, polluting, or similarly harmful substance under any Environmental Law, including without limitation: (i) any substance included within the definition of "hazardous waste" pursuant to Section 1004 of RCRA; (ii) any substance included within the definition of "hazardous substance" pursuant to Section 101 of CERCLA; (iii) any substance included within (a) the definition of "regulated substance" pursuant to Section 26.342(9) of TWC; or (b) the definition of "hazardous substance" pursuant to Section 361.003(13) of THSC; (iv) asbestos; (v) polychlorinated biphenyls; (vi) petroleum products; (vii) underground storage tanks, whether empty, filled or partially filled with any substance; (viii) any radioactive materials, urea formaldehyde foam insulation or radon; (ix) any substance included within the definition of "waste" pursuant to Section 30.003(b) of TWC or "pollutant" pursuant to Section 26.001(13) of TWC; and (x) any other chemical, material or substance, the exposure to which is prohibited, limited or regulated by any Governmental Authority on the basis that such chemical, material or substance is toxic, hazardous or harmful to human health or the environment.

"**Hazardous Substances Contamination**" shall mean the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on or of the Property by Hazardous Substances, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on or of any other property as a result of Hazardous Substances at any time (whether before or after the date of the Note) emanating from the Property.

Article II.

REPRESENTATIONS AND WARRANTIES

Except as set forth in the Environmental Report, Indemnitor unconditionally represents and warrants to Lender as follows:

(a) The Property does not contain any Hazardous Substances, and the Property is not subject to any Hazardous Substances Contamination.

(b) The Property and the operations conducted thereon do not violate any applicable law, statute, ordinance, rule, regulation, order, or determination of any governmental authority or any Environmental Laws.

(c) All notices, permits, licenses, or similar authorizations, if any, required to be obtained or filed in connection with the ownership, operation, or use of the Property, including, without limitation, the past or present generation, treatment, storage, disposal, or release of any Hazardous Substances into the environment, have been duly obtained or filed.

(d) Neither Indemnitor nor, to the best knowledge of Indemnitor, any other person, including, but not limited, to any predecessor owner, tenant, licensee, occupant, user, or operator of all or any portion of the Property, has ever undertaken, caused, permitted, authorized, or suffered the presence, use, manufacture, handling, generation, transportation, storage, treatment, discharge, release, burial, or

disposal on, under, from or about the Property of any Hazardous Substances or the transportation to or from the Property of any Hazardous Substances.

(e) To Indemnitor's knowledge, no property adjoining the Property is or has ever been used for the disposal, storage, treatment, processing, manufacturing or other handling of Hazardous Substances, nor, to Indemnitor's knowledge, is any other property adjoining the Property affected by Hazardous Substances Contamination.

(f) Neither Indemnitor nor, to the best knowledge of Indemnitor, any other person, including, but not limited, to any predecessor owner, tenant, licensee, occupant, user, or operator of all or any portion of the Property, has ever undertaken, caused, permitted, authorized, or suffered the presence, use, manufacture, handling, generation, transportation, storage, treatment, discharge, release, burial, or disposal of any Hazardous Substances on, under, from or about any other real property, all or any portion of which is legally or beneficially owned (or any interest or estate therein which is owned) by Indemnitor in any jurisdiction now or hereafter having in effect a so-called "superlien" law or ordinance or any part thereof, the effect of which law or ordinance would be to create a lien on the Property to secure any obligation in connection with the "superlien" law of such other jurisdiction.

(g) To Indemnitor's knowledge, no inquiry, investigation, administrative order, consent order and agreement, litigation or settlement is proposed, threatened, anticipated or in existence with respect to any allegations that there has been, there is currently, or there is a threat of a presence, release, threat of release, placement of any Hazardous Substances on, under, from or about the Property, or the manufacture, handling, generation, transportation, storage, treatment, discharge, burial, or disposal of any Hazardous Substances on, under, from or about the Property, or the transportation of any Hazardous Substances to or from the Property. Indemnitor has not received any notice, and has no actual or constructive knowledge, that any governmental authority has determined, or threatens to determine, or is investigating any allegations that there has been, there is currently, or there is a threat of a presence, release, threat of release, placement of any Hazardous Substances on, under, from or about the Property, or the manufacture, handling, generation, transportation, storage, treatment, discharge, burial, or disposal of any Hazardous Substances on, under, from or about the Property, or the transportation of any Hazardous Substances to or from the Property.

(h) Indemnitor has taken all steps reasonably necessary to determine that no Hazardous Substances have been generated, treated, placed, held, located, or otherwise released on, under, from, or about the Property.

Article III. COVENANTS

Indemnitor unconditionally covenants that and agrees with Lender as follows:

(a) Indemnitor will not use, generate, manufacture, produce, store, release, discharge, treat, or dispose of on, under, from or about the Property or transport to or from the Property any Hazardous Substances or allow any other person or entity to do so. Notwithstanding the foregoing or anything to the contrary set forth in this Environmental Indemnity Agreement, reasonable quantities of Hazardous Substances as are customarily used in the construction, habitation, maintenance and/or operation of an apartment project, properly used and/or stored, shall be permitted (collectively, the "**Permitted Substances**").

(b) Indemnitor will keep and maintain the Property in compliance with, and shall not cause or permit the Property to be in violation of, any Environmental Law.

(c) Indemnitor will establish and maintain, at Indemnitor's sole expense, a system to assure and monitor continued compliance with Environmental Laws and the exclusion of Hazardous Substances from the Property, by any and all owners or operators, including tenants, of the Property, which system shall include annual reviews of such compliance by employees or agents of Indemnitor who are

familiar with the requirements of the Environmental Laws and, at the request of Lender no more than once each year, a detailed review of such compliance of the environmental condition of the Property (the "**Environmental Report**") in scope satisfactory to Lender by an environmental consulting firm approved in advance by Lender; provided, however, that if any Environmental Report indicates any violation of any Environmental Laws or a need for remedial work ("**Remedial Work**"), such system shall include at the request of Lender a detailed review of the status of such violation (a "**Supplemental Report**") by such environmental consultant. Indemnitor shall furnish an Environmental Report or such Supplemental Report to the Lender within sixty (60) days after Lender so requests, together with such additional information as Lender may reasonably request.

(d) Indemnitor will give prompt written notices to Lender of: (i) any proceeding or inquiry by any governmental or nongovernmental entity or person with respect to the presence of any Hazardous Substances on, under, from or about the Property, the migration thereof from or to other property, the disposal, storage, or treatment of any Hazardous Substances generated or used on, under or about the Property, (ii) all claims made or threatened by any third party against Indemnitor or the Property or any other owner or operator, including a tenant, of the Property relating to any loss or injury resulting from any Hazardous Substances, and (iii) Indemnitor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be subject to any investigation or cleanup of the Property pursuant to any Environmental Laws.

(e) Indemnitor will permit Lender to join and participate in, as a party if it so elects, any legal proceedings or actions initiated with respect to the Property in connection with any Environmental Laws or Hazardous Substances, and Indemnitor shall pay all attorneys' fees incurred by Lender in connection therewith.

(f) In the event that any Remedial Work is reasonably necessary or desirable, Indemnitor shall commence and thereafter diligently prosecute to completion all such Remedial Work within thirty (30) days after written demand by Lender for performance thereof (or such shorter period of time as may be required under any Environmental Laws). All Remedial Work shall be performed by contractors approved in advance by Lender, and under the supervision of a consulting engineer approved by Lender. All costs and expenses of such Remedial Work shall be paid by Indemnitor including, without limitation, Lender's reasonable attorneys' fees and costs incurred in connection with monitoring or review of such Remedial Work. In the event Indemnitor shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Lender may, but shall not be required to, cause such Remedial Work to be performed, and all costs and expenses thereof, or incurred in connection therewith, shall become part of the indebtedness secured by the Deed of Trust ("**Indebtedness**") and shall be payable to Lender upon demand.

Article IV. DEFAULT

The term "Default", as used herein, shall mean the occurrence at any time and from time to time, of any one or more of the following:

(a) If either Indemnitor or Lender acquires knowledge or receives notice that Hazardous Substances or Hazardous Substances Contamination exists in, on, about or under any of the Property, and Indemnitor fails, within thirty (30) days after acquisition of such knowledge or of such notice, to commence and thereafter diligently prosecute to completion any necessary remedial actions in compliance with Environmental Laws.

(b) If any representation or warranty contained herein shall be false or misleading, or erroneous in any material respect.

Article V. REMEDIES

If a Default shall exist, Lender may, at Lender's sole election and by or through Trustee or otherwise, exercise any or all of the following:

(a) Declare all unpaid amounts under the Note and any other unpaid portion of the Indebtedness immediately due and payable, without further notice, presentment, protest, demand or action of any nature whatsoever (each of which is hereby expressly waived by Indemnitior), whereupon the same shall become immediately due and payable.

(b) Exercise any and all other rights, remedies and recourses granted under the Loan Documents or as may be now or hereafter existing in equity or at law, by virtue of statute or otherwise, including actions for damages and specific performance.

Article VI. SITE ASSESSMENTS

If Lender shall ever have reason to believe that there are Hazardous Substances or Hazardous Substances Contamination affecting any of the Property, Lender (by its officers, employees and agents) at any time and from time to time, either prior to or after the occurrence of an Event of Default, may contract for the services of persons (the "**Site Reviewers**") to perform environmental site assessments ("**Site Assessments**") on the Property for the purpose of determining whether there exists on the Property any environmental condition which could result in any liability, cost or expense to the owner, occupier or operator of such Property arising under any state, federal or local law, rule or regulation relating to Hazardous Substances. The Site Assessments may be performed at any time or times, upon reasonable notice, and under reasonable conditions established by Indemnitior which do not impede the performance of the Site Assessments. Upon at least one (1) business day's prior written notice delivered to Indemnitior, and during normal business hours, the Site Reviewers are hereby authorized to enter upon the Property for such purposes. The Site Reviewers are further authorized to perform both above and below the ground testing for environmental damage or the presence of any Hazardous Substances on the Property and such other tests on the Property as may be necessary to conduct the Site Assessments in the reasonable opinion of the Site Reviewers. Indemnitior will supply to the Site Reviewers such historical and operational information regarding the Property as may be reasonably requested by the Site Reviewers to facilitate the Site Assessments and will make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. On request, Lender shall make the results of such Site Assessments fully available to Indemnitior, which (prior to a Default) may at its election participate under reasonable procedures in the direction of such Site Assessments and the description of tasks of the Site Reviewers. The cost of performing such Site Assessments shall be paid by Indemnitior upon demand of Lender and any such obligations shall be Indebtedness secured by the Deed of Trust.

Article VII. INDEMNIFICATION

REGARDLESS OF WHETHER ANY SITE ASSESSMENTS ARE CONDUCTED HEREUNDER, INDEMNITOR SHALL JOINTLY AND SEVERALLY PROTECT, INDEMNIFY, AND HOLD HARMLESS TRUSTEE AND LENDER, THEIR RESPECTIVE PARENTS, SUBSIDIARIES, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, SUCCESSORS, AND ASSIGNS FROM AND AGAINST ANY AND ALL LOSS, DAMAGE, COSTS, EXPENSE, ACTION, CAUSES OF ACTION, OR LIABILITY (INCLUDING REASONABLE ATTORNEYS' FEES AND COSTS) DIRECTLY OR INDIRECTLY ARISING FROM OR ATTRIBUTABLE TO THE USE, GENERATION, MANUFACTURE, PRODUCTION, STORAGE, RELEASE, THREATENED RELEASE, DISCHARGE, DISPOSAL, OR PRESENCE OF ANY HAZARDOUS SUBSTANCES ON, UNDER, ABOUT OR FROM THE PROPERTY OTHER THAN PERMITTED SUBSTANCES, WHETHER KNOWN OR UNKNOWN AT THE TIME OF THE EXECUTION HEREOF AND REGARDLESS OF WHETHER OR NOT CAUSED BY, OR WITHIN THE CONTROL OF INDEMNITOR, INCLUDING WITHOUT LIMITATION (I) DAMAGES FOR PERSONAL INJURY, OR INJURY TO PROPERTY OR NATURAL RESOURCES OCCURRING UPON OR OFF THE PROPERTY, FORESEEABLE OR UNFORESEEABLE, INCLUDING, WITHOUT LIMITATION, THE COST OF DEMOLITION AND REBUILDING OF ANY IMPROVEMENTS ON THE REAL PROPERTY, INTEREST

AND PENALTIES; (II) THE COSTS OF ANY REQUIRED OR NECESSARY ENVIRONMENTAL INVESTIGATION OR MONITORING, ANY REPAIR, CLEANUP, OR DETOXIFICATION OF THE PROPERTY, AND THE PREPARATION AND IMPLEMENTATION OF ANY CLOSURE, REMEDIAL, OR OTHER REQUIRED PLANS INCLUDING FEES INCURRED FOR ATTORNEYS, CONSULTANTS, CONTRACTORS, EXPERTS AND LABORATORIES; AND (III) LIABILITY TO ANY THIRD PERSON OR ANY GOVERNMENTAL AUTHORITY TO INDEMNIFY SUCH PERSON OR GOVERNMENTAL AUTHORITY FOR COST EXPENDED IN CONNECTION WITH THE ITEMS REFERENCED IN SUBPARAGRAPH (II) IMMEDIATELY ABOVE. THIS COVENANT AND THE INDEMNITY CONTAINED HEREIN SHALL SURVIVE THE RELEASE OF THE LIEN OF THE DEED OF TRUST, OR THE EXTINGUISHMENT OF THE LIEN OF THE DEED OF TRUST BY FORECLOSURE OR ACTION IN LIEU THEREOF AND SHALL CONTINUE IN EFFECT SO LONG AS A VALID CLAIM MAY BE LAWFULLY ASSERTED AGAINST LENDER.

Article VIII.

LENDER'S RIGHT TO REMOVE HAZARDOUS MATERIALS

Lender shall have the right but not the obligation, without in any way limiting Lender's other rights and remedies under the Loan Documents, to enter onto the Property or to take such other actions as it deems necessary or advisable to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any Hazardous Substances or Hazardous Substances Contamination on the Property following receipt of any notice from any person or entity asserting the existence of any Hazardous Substances or Hazardous Substances Contamination pertaining to the Property or any part thereof which, if true, could result in an order, notice, suit, imposition of a lien on the Property or other action and/or which, in Lender's reasonable opinion, could jeopardize Lender's security under the Loan Documents; provided, however, Lender shall have no right to proceed with any of the rights granted to it in this paragraph until Lender has provided Indemnitor with written notice of Lender's intent to take any of the actions described in this paragraph and Indemnitor fails to commence within thirty (30) days following Indemnitor's receipt of such notice and diligently proceeds thereafter to complete all action necessary to clean-up, remove or resolve any of the foregoing. All reasonable costs and expenses paid or incurred by Lender in the exercise of any such rights shall be included in the indebtedness secured by the Loan Documents and shall be payable by Indemnitor upon demand.

Article IX. MISCELLANEOUS

This Environmental Indemnity Agreement are joint, several and unconditional and shall not be subject to any exculpation, non-recourse or other limitation of liability provisions in the Loan Documents, and Indemnitor acknowledges that its obligations under this Environmental Indemnity Agreement are not limited by such exculpation, non-recourse or similar limitation of liability provisions in the Loan Documents (if any).

Those costs, damages, liabilities, losses, claims, expenses (including attorneys' fees and disbursements) for which Lender is indemnified hereunder shall be reimbursable to Lender after being paid by Lender, and Indemnitor shall pay such costs, expenses, damages, liabilities, losses, claims, expenses (including attorneys' fees and disbursements) to Lender within thirty (30) days after notice from Lender itemizing the amounts paid to the date of such notice. In addition to any remedy available for failure to periodically pay such amounts, such amounts shall thereafter bear interest at the Default Rate (as defined in the Note) of interest specified in the Loan Documents. Payment by Lender shall not be a condition precedent to the obligations of Indemnitor under this Environmental Indemnity Agreement.

Any notice, communication, request or other documents or demand permitted or required hereunder shall be in writing and given in accordance with the provisions of the Loan Documents.

THIS ENVIRONMENTAL INDEMNITY AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN TEXAS PROVIDED, HOWEVER, THAT EITHER FEDERAL LAW OR, TO THE EXTENT FEDERAL LAW DOES NOT APPLY, THE LAW OF THE SITUS OF THE PROPERTY SHALL BE APPLIED TO DETERMINE THE

COMPLIANCE OF THE PROPERTY WITH ENVIRONMENTAL LAWS. PROVIDED FURTHER, THAT THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED SHALL APPLY TO THE CREATION, PERFECTION, AND PRIORITY OF LIENS AND SECURITY INTERESTS AND TO ANY FORECLOSURE, TRUSTEE'S SALE, APPOINTMENT OF RECEIVER OR OTHER REMEDY WITH RESPECT TO THE PROPERTY. ANY PROCEDURES PROVIDED HEREIN FOR SUCH REMEDIES SHALL BE MODIFIED BY AND REPLACED WITH, WHERE INCONSISTENT WITH OR REQUIRED BY, ANY PROCEDURES OR REQUIREMENTS OF THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

ANY LEGAL ACTION TO INTERPRET OR ENFORCE ANY TERM OR CONDITION OF THIS ENVIRONMENTAL INDEMNITY AGREEMENT SHALL BE BROUGHT AND MAINTAINED ONLY IN THE TEXAS STATE COURTS SITUATED IN THE CITY OF HOUSTON AND COUNTY OF HARRIS, TEXAS. BY EXECUTING THIS ENVIRONMENTAL INDEMNITY AGREEMENT, INDEMNITOR EXPRESSLY (A) CONSENTS AND SUBMITS TO THE PERSONAL JURISDICTION OF SUCH TEXAS AND FEDERAL COURTS, (B) WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY CLAIM OR DEFENSE THAT HARRIS COUNTY, TEXAS IS NOT A PROPER OR CONVENIENT VENUE OR FORUM, AND (C) CONSENTS TO THE SERVICE OF PROCESS IN ANY MANNER AUTHORIZED BY TEXAS LAW. ANY FINAL JUDGMENT ENTERED IN AN ACTION BROUGHT HEREUNDER SHALL BE CONCLUSIVE AND BINDING UPON THE PARTIES HERETO.

Indemnitor waives any acceptance of this Environmental Indemnity Agreement by Lender.

The failure of any party to enforce any right or remedy hereunder, or to promptly enforce any such right or remedy, shall not constitute a waiver thereof nor give rise to any estoppel against such party, nor excuse any of the parties from their obligations hereunder. Any waiver of such right or remedy must be in writing and signed by the party to be bound. This Environmental Indemnity Agreement is subject to enforcement at law and/or equity, including actions for damages and/or specific performance.

Time is of the essence in the performance of the terms, conditions and covenants herein contained.

This Environmental Indemnity Agreement shall be deemed to be continuing in nature and shall remain in full force and effect and shall survive any exercise of any remedy by Lender under the Loan Documents, including foreclosure of the liens of the Loan Documents (or deed in lieu thereof), even if, as part of such foreclosure or deed in lieu of foreclosure, the Loan amount is satisfied in full.

All terms not defined in this Environmental Indemnity Agreement shall have the same meanings as given them in the Loan Documents.

[SIGNATURE PAGE FOLLOWS]

Signature Page

Environmental Indemnity Agreement

The parties agree that each party may sign and deliver this agreement electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature.

EXECUTED to be effective as of the date first set forth above.

INDEMNITOR:

MAGNIFICAT PERMANENT AFFORDABLE, LLC,
a Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation, its manager

By: _____
Neal Drobenare, Vice President

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

By: The NHP Foundation,
a District of Columbia nonprofit corporation,
its manager

By: _____
Neal Drobenare, Senior Vice
President

**EXHIBIT A
LEGAL DESCRIPTION**

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

ATTACHMENT O
TO LOAN AGREEMENT

BONDS

Project No.

ONE YEAR MAINTENANCE BOND

STATE OF TEXAS §
COUNTY OF HARRIS §

KNOW ALL MEN BY THESE PRESENTS:

THAT WE, NHPF-M CONTRACTOR, LLC, a Texas limited liability company, as Principal, hereinafter called "Contractor", and the other subscriber hereto as Surety, do hereby acknowledge ourselves to be held and firmly bound to MAGNIFICAT PERMANENT AFFORDABLE, LLC, a Texas limited liability company ("Obligee"), in the sum of _____ Dollars (\$_____) for the payment of which sum to be made to the Obligee and its successors, Contractor and Surety do bind themselves, their successors and assigns jointly and severally. The conditions of this obligation are such that:

WHEREAS, the Contractor has entered into that certain construction contract with the Obligee, dated of even date herewith, for the construction of a one hundred forty-nine (149) unit apartment complex located at 3300 Caroline Street, Houston, Harris County, Texas 77004 ("Contract"), with all of such work to be done in accordance with the documents executed in connection with the Contract (collectively, the "Contract Documents"), and referred to in the loan agreement dated of approximate even date herewith between the City of Houston and Obligee which was adopted by the City Council of the City of Houston.

NOW THEREFORE, if the Contractor shall comply with the provisions of the general conditions of that certain construction contract by and between NHPF-M CONTRACTOR, LLC and MAGNIFICAT PERMANENT AFFORDABLE, LLC, a Texas limited liability company, dated as of _____, and correct work which is not in accordance with the Contract Documents discovered within the established one (1) year period, then this obligation shall become null and void and shall be of no further force and effect; otherwise, the same is to remain in full force and effect.

IN WITNESS THEREOF, the Contractor and Surety have signed and sealed this instrument on the respective dates written below their signatures and have attached their current Power of Attorney.

ATTEST, SEAL: (if a corporation)
WITNESS: (if not a corporation)

NHPF-M CONTRACTOR, LLC
(Contractor)

By: _____
Name: _____
Title: _____

By: NHPF Affordable Housing, Inc.,
a District of Columbia nonprofit
corporation, its managing
member

By: _____
Neal Drobenare,
its Vice President

Date: _____

ATTEST/WITNESS: (SEAL)

(Full Name of Surety)

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

THE FOREGOING BOND IS ACCEPTED ON BEHALF OF THE OWNER:

MAGNIFICAT PERMANENT AFFORDABLE, LLC,
a Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation, its manager

By: _____
Neal Drobenare, Vice President

**TEXAS STATUTORY PAYMENT BOND
(Property Code - Private Work)**

[NOTE: Penalty of this bond must be 100% of Contract amount. This bond and copy or memorandum of the construction contract must be filed with County Clerk of County where owner's property is located.]

KNOW ALL MEN BY THESE PRESENTS:

That, **NHPF-M CONTRACTOR, LLC**, the original contractor (hereinafter called the "Principal"), as Principal, and _____, a corporation organized and existing under the laws of the State of _____ with its principal office in the City of _____ and duly authorized and admitted to do business in, and licensed to execute surety bonds by, the State of Texas (hereinafter called the "Surety"), as Surety, are held and firmly bound unto **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company, (hereinafter called the "Owner"), as Owner, in the amount of _____ Dollars (\$_____) for the payment whereof the said Principal and Surety bind themselves and their heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal has entered into a certain written contract with the Owner, dated the _____ day of _____, 2022, to construct a one hundred forty-nine (149) unit supportive affordable housing development, to be located on the land described in Exhibit "A" attached hereto (hereinafter called the "Contract"), which Contract is hereby referred to and made a part hereof as fully and to the same extent as if copied at length hereto, and a copy of said Contract (but without the plans, specifications and general conditions of said Contract) or a memorandum of the Contract is attached hereto as Exhibit "B".

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, That if the said Principal shall well and faithfully make prompt payment to each and every claimant for labor, subcontracts, materials, and specially fabricated materials performed or furnished under or by virtue of said contract and duly authorized normal and usual extras thereto (not to exceed 15% of said contract price), then this obligation shall be void; otherwise to remain in full force and effect; labor, subcontracts, materials and specially fabricated materials shall be construed in accordance with Sections 53.001, *et seq.* of the Texas Property Code, as amended.

PROVIDED, HOWEVER, that the Owner having required the said Principal to furnish this bond in order to comply with the provisions of Sections 53.201 *et seq.* of the Texas Property Code, as currently amended, all rights and remedies under this bond shall be determined in accordance with the provisions, conditions, and limitations of said statute to the same extent as if it were copied at length herein.

Any notices of claims under this Bond should be sent to:

_____ Insurance Company
[Mailing & Physical Address] _____

Telephone No. for Claims: _____ - _____ - _____

STATEMENT: The address of the Surety to which any notices of claim should be sent may be obtained from the Texas Department of Insurance by calling the toll-free telephone number maintained by the Texas Department of Insurance as follows:

Texas Department of Insurance
Toll free Telephone Number: 800-252-3439

[The undersigned Surety hereby certifies that it currently holds a certificate of authority from the United States Secretary of the Treasury to qualify as a surety on obligations permitted or required under federal law.]

IN WITNESS WHEREOF, the said Principal and Surety have signed and sealed this instrument, this ____ day of _____, 2022.

PRINCIPAL:

NHPF-M CONTRACTOR, LLC,
a Texas limited liability company

By: NHPF Affordable Housing, Inc.,
a District of Columbia nonprofit corporation,
its managing member

By: _____
Neal Drobenare, Vice President

SURETY:

a _____

By: _____
Name: _____
Title: _____

[Attach Power of Attorney for Surety's Attorney-in-Fact.]

The foregoing bond is hereby approved.

OWNER:

MAGNIFICAT PERMANENT AFFORDABLE, LLC,
a Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation, its manager

By: _____
Neal Drobenare, Vice President

STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was ACKNOWLEDGED before me on _____, 20____, by _____ of _____, a _____, on behalf of said _____.

[S E A L]

My Commission Expires:

Notary Public - State of Texas

Printed Name of Notary Public

STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was ACKNOWLEDGED before me on _____, 20____, by _____ of _____, a _____, on behalf of said _____.

[S E A L]

My Commission Expires:

Notary Public - State of Texas

Printed Name of Notary Public

STATE OF TEXAS §
 §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by Neal Drobenare, Vice President of Jamestown Affordable Housing, Inc., a District of Columbia non-profit corporation and manager of NHPF Caroline MM, LLC, a Texas limited liability company and manager of Magnificat Permanent Affordable, LLC, a Texas limited liability company, on behalf of said limited liability companies and corporation.

[S E A L]

My Commission Expires:

Notary Public - State of Texas

Printed Name of Notary Public

ATTACHMENTS:
Power of Attorney

Exhibit "A" – Land Description
Exhibit "B" – Contract of Memorandum

Document ____

PERFORMANCE BOND

THAT WE, NHPF-M CONTRACTOR, LLC, a Texas limited liability company, as Principal, (the "Contractor"), and the other subscriber hereto, _____, as Surety, do hereby acknowledge ourselves to be held and firmly bound to the City of Houston (the "City"), a municipal corporation, and **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company, (individually, "Owner" and collectively with the City, the "Obligees"), in the penal sum of \$ _____ for the payment of which sum, well and truly to be made to Obligees, their successors and assigns, Contractor and Surety do bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH THAT:

WHEREAS, the Contractor has on or about this day executed a Contract in writing with _____ for the construction of a 149-unit apartment complex located at 3300 Caroline Street, Houston, Harris County, Texas 77004, all of such work to be done as set out in full in said Contract documents therein referred to and adopted by the City Council, all of which are made a part of this instrument as fully and completely as if set out in full herein.

NOW THEREFORE, if the said Contractor shall faithfully and strictly perform the Contract in all its terms, provisions, and stipulations in accordance with its true meaning and effect, and in accordance with the Contract documents referred to therein and shall comply strictly with each and every provision of the Contract and with this Bond, then this obligation shall become null and void and shall have no further force and effect; otherwise the same is to remain in full force and effect. Should the Contractor fail to faithfully and strictly perform the Contract in all its terms, including but not limited to the indemnifications thereunder, the Surety shall be liable for all damages, losses, expenses and liabilities that Obligees may suffer in consequence thereof, as more fully set forth herein.

It is further understood and agreed that the Surety does hereby relieve the Obligees or their representatives from the exercise of any diligence whatever in securing compliance on the part of the Contractor with the terms of the Contract, and the Surety agrees that it shall be bound to take notice of and shall be held to have knowledge of all acts or omissions of the Contractor in all matters pertaining to the Contract. The Surety understands and agrees that the provision in the Contract that Owner will retain certain amounts due the Contractor until the expiration of 30 days from the acceptance of the Work is intended for the Obligee's benefit, and the Obligees will have the right to pay or withhold such retained amounts or any other amount owing under the Contract without changing or affecting the liability of the Surety hereon in any degree.

It is further expressly agreed by Surety that the Obligees or their representatives are at liberty at any time, without notice to the Surety, to make any change in the Contract documents and in the Work to be done thereunder, as provided in the Contract, and in the terms and conditions thereof, or to make any change in, addition to, or deduction from the Work to be done thereunder; and that such changes, if made, shall not in any way vitiate the obligation in this Bond and undertaking or release the Surety therefrom.

It is further expressly agreed and understood that the Contractor and Surety will fully indemnify and save harmless the Obligees from any liability, loss, cost, expense, or damage arising out of Contractor's performance of the Contract.

If the Obligee/s gives Surety notice of Contractor's default, Surety shall, within 45 days, take one of the following actions:

1. Arrange for Contractor, with consent of the Obligees, to perform and complete the Contract; or

2. Take over and assume completion of the Contract itself, through its agents or through independent contractors, and become entitled to the payment of the balance of the Contract Price.

If the Surety fails to take either of the actions set out above, it shall be deemed to have waived its right to perform and complete the Contract and receive payment of the balance of the Contract Price and the Obligees shall be entitled to enforce any remedies available at law, including but not limited to completing the Contract itself and recovering any cost in excess of the Original Contract Price from the Surety.

This Bond and all obligations created hereunder shall be performable in Harris County, Texas.

Notices required or permitted hereunder shall be in writing and shall be deemed delivered when actually received or, if earlier, on the third day following deposit in a United States Postal Service post office or receptacle, with proper postage affixed (certified mail, return receipt requested), addressed to the respective other party at the address prescribed in the Contract documents, or at such other address as the receiving party may hereafter prescribe by written notice to the sending party.

IN WITNESS WHEREOF, the said Contractor and Surety have signed and sealed this instrument on the respective dates written below their signatures and have attached current Power of Attorney.

NHPF-M CONTRACTOR, LLC,
a Texas limited liability company

By: NHPF Affordable Housing, Inc.,
a District of Columbia nonprofit corporation,
its managing member

By: _____
Neal Drobenare, Vice President

ATTEST/SURETY WITNESS:

(SEAL)

Full Name of Surety

Address of Surety for Notice

Telephone Number of Surety

By: _____
Name:
Title:
Date:

By: _____
Name:
Title: Attorney-in-Fact
Date:

ATTACHMENT P
TO LOAN AGREEMENT

LOAN AGREEMENT (BORROWER/OWNER)

Loan Agreement
(Borrower/Owner)

This Loan Agreement ("**Agreement**") is made and entered into this the ___ day of _____, 2022 by and between **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("**Lender**"), and **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("**Borrower**"), for the purposes and consideration hereinafter set forth.

WHEREAS, Lender has agreed to make a loan ("**Borrower Loan**") to Borrower in the original principal sum of \$18,656,631.00 as evidenced by a note ("**Borrower Note**") of even date herewith and secured by a Leasehold Deed of Trust ("**Deed of Trust**") against the Ground Lease and the leasehold interest in the property described therein ("**Property**") and located on the Land, more particularly described in Exhibit A attached hereto;

WHEREAS, Borrower and Lender desire to enter into this Agreement to set forth certain terms and conditions of the Borrower Loan to supplement the provisions of the other documents executed in connection with, evidencing or securing the Borrower Loan ("**Loan Documents**").

NOW THEREFORE, for and in consideration of the Borrower Loan and the mutual covenants contained herein, the parties agree as follows:

1. Terms of Borrower Loan. The terms of the Borrower Loan are as follows:
 - (a) Borrower Note. Borrower's obligation to repay Lender is evidenced by a promissory note of even date herewith, payable to Lender in the original principal amount of \$18,656,631.00.
 - (b) Purpose. The purpose of the loan is to finance the acquisition and construction of a multifamily affordable housing project.
 - (c) Term. The term of the Loan shall commence on the date of Closing (as defined in the COH Loan Agreement (as defined below)) and shall mature on the Maturity Date (as defined in the Borrower Note).
 - (d) Interest. The Loan shall bear interest in accordance with the terms of the Borrower Note except that in the event of a Default (as defined below) under the Borrower Loan or any of the Loan Documents, at Lender's option the Borrower Loan shall accrue interest at default rate interest in the amount equal to the lower of the highest lawful rate or ten percent (10.0%) per annum. Interest shall be payable as set out in Borrower's Note and COH Loan Agreement.
2. COH Loan and COH Loan Agreement. The Borrower, Lender and the City of Houston ("**City**") have entered into one certain Loan Agreement ("**COH Loan Agreement**") of even date herewith with respect to a \$18,656,631.00 loan ("**COH Loan**") from the City to Lender, the proceeds of which are funding the Borrower Loan. This Agreement, the Borrower Note and all of the Loan Documents executed in connection with or securing the Borrower Loan (including, without limitation, the Deed of Trust securing the Borrower Loan) have been collaterally assigned to the City to secure the COH Loan. The covenants, obligations, requirements, representations and warranties of Borrower under the COH Loan Agreement, to the extent applicable to Borrower or the Property, or to the ability of the Parties to perform their obligations related to the Property and the COH Loan Agreement, are incorporated in to and made a part of this Agreement and shall additionally constitute covenants, obligations, requirements, representations and warranties of Borrower to Lender and the City, as a third party beneficiary of this Agreement and as a collateral assignee of the Loan Documents. Borrower, the Borrower Loan and the Property shall be subject to all terms and conditions of the COH Loan Agreement. Borrower specifically assumes and agrees to perform all of the covenants, obligations, and

requirements to be performed by Borrower as "Owner" set forth in the COH Loan Agreement for the benefit of the City and confirms the representations and warranties of Borrower as "Owner" thereunder for the benefit of the City and as a condition of the COH Loan and the Borrower Loan. In the event of a conflict between the terms and conditions of this Agreement and the COH Loan Agreement, the terms and conditions of the COH Loan Agreement shall control.

3. Funding.

(a) No Liability for Interruption of Funding. In the event that the City ceases funding the COH Loan to Lender in accordance with the COH Loan Agreement, Lender may cease funding the Borrower Loan to the Borrower without obligation to the Borrower and without being liable to the Borrower for any damages Borrower may incur as a result of such cessation in funding; provided, however, Lender agrees to deliver to Borrower reasonably satisfactory documentation evidencing City's decision to cease funding, and Lender agrees to use reasonable efforts to resolve any City concerns.

(b) Deemed Funding under COH Loan. Disbursements under the COH Loan will be by check by the City made payable to Lender, Borrower or the entity which has provided the services entitled to be funded under the COH Loan Agreement and this Agreement. The entire amount of any funding provided by the City to Lender under the COH Loan shall be used by Lender to fund the Borrower Loan and shall be deemed to be funding of the Borrower Loan.

4. Borrower's Representations and Warranties.

Borrower hereby each represents, warrants and agrees for the benefit of the City and the Lender that as of the date hereof and continuing during the entire term of this Agreement, and for so long as the City shall have any commitment or obligation to make any disbursements of the COH Loan, and during the Affordability Period as follows:

(a) Ownership of Property. Borrower will hold on the Closing Date (as defined in the COH Loan Agreement) of the COH Loan and thereafter a leasehold title in and to the Property and shall provide the Director of the City's Housing and Community Development Department ("**Director**") with a copy of the ground lease thereto. Borrower shall promptly disclose to the Director if Borrower acquired its leasehold interest in the Property from Lender; or any director, officer, employee, partner, company or individual of, related to or affiliated with Lender or Borrower.

(b) Information Submitted True and Correct. The information contained in or submitted in connection with Lender's application to the City for the COH Loan, as amended by further information provided and disclosed to the City, is true and correct in all material respects.

(c) Taxes and Assessments. There are no delinquent taxes, assessments, or other impositions on the Property, or if there are any delinquent taxes, assessments, or other impositions on the Property, same will be paid prior to or simultaneously with Closing of the COH Loan. The Property has not been subject to any special (reduced) real estate appraisal, or abatement, exemption or deferral of ad valorem taxes (other than statutorily permitted challenges as to the amount) in the five (5) years preceding the date of Borrower's acquisition of its leasehold interest, unless Borrower has an effective agreement providing that another party is liable for all liability, accruing prior to Borrower's acquisition of the Property for ad valorem taxes owing as a result of an change or revocation of such special (reduced) real estate appraisal, or abatement, exemption or deferral of ad valorem taxes.

(d) Financial Capacity. The financial representations made by Lender to the City and by Borrower to Lender or the City) concerning Lender's and Borrower's financial condition are true and correct in all material respects and, upon the Closing of the COH

Loan and the Borrower loan, Lender and Borrower have the financial capacity to carry out their respective obligations under this Agreement, the Loan Documents and the COH Loan Agreement and related documentation. If any material negative change in either Lender's or Borrower's financial condition occurs, Lender and Borrower shall report such change to the City within five (5) business days.

(e) Authorization. All action on the part of Borrower necessary to authorize the transactions contemplated by this Agreement and the COH Loan Agreement has been taken, and upon execution of this Agreement and the COH Loan Agreement, this Agreement shall constitute the binding and enforceable obligation of Borrower which shall be enforceable by the Lender and City in accordance with their terms. In addition, all of the covenants, obligations, and requirements set forth herein to be assumed by Borrower and the representations and warranties made hereunder by Borrower shall constitute the binding and enforceable covenants, obligations and requirements and representations and warranties of Borrower which shall be enforceable by the Lender and City in accordance with their terms.

(f) Mechanics' and Materialmen's Liens. As of the Closing Date, there are no existing or threatened mechanics' and materialmen's liens against the Property, and the Borrower does not know of any reason such liens may be filed or threatened against the Project (as defined in the COH Loan Agreement). As of the date of disbursement of COH Loan funds, no work will have been performed on or materials incorporated into the Project by Borrower, Lender or Borrower's or Lender's contractors or subcontractors that could result in the imposition of a lien against the Project. No work shall commence on the Project prior to the disbursement of COH Loan funds.

(g) Approved Final Construction Budget Contents. The Approved Final Construction Budget (as defined in the COH Loan Agreement) specifies (a) a listing of all costs necessary to (i) complete the Work (as defined in the COH Loan Agreement) on the Project and (ii) reach a 92% occupancy level, and (b) the sources of funding which will be used to complete the Work and reach 92% occupancy;

(h) Expertise. Borrower has engaged competent persons and firms for the purpose of constructing, leasing and managing the Project.

(i) Legal Existence. Borrower is a Texas limited liability company duly created, validly existing and in good standing under the laws of the State of Texas.

(j) Access. Access by vehicles to the Project for the full utilization of the Project for its intended purposes either (a) exists over paved roadways dedicated to the public and accepted by the appropriate governmental authority, or (b) the necessary rights-of-way for such roadways have been acquired by the appropriate governmental authority and all necessary steps have been taken by Borrower and/or such governmental authority to assure the construction and installation of such roadways.

(k) Use of Project. During the Affordability Period, that portion of the Project specified in Section 6.8 of the COH Loan Agreement hereof shall be used solely for the purpose of affordable housing in accordance with Section 6.8 thereof, and for no other purpose.

(l) No Religious Affiliation. Borrower is not a religious organization and no portion of the proceeds of the COH Loan will be used to construct or acquire housing to be owned, operated or used by a religious organization.

(m) Compliance with Federal, State, and Local Laws and Regulations. Borrower shall construct, lease and operate the Project in accordance with all applicable law including, without limitation, the Model Energy Code, the Americans with Disabilities Act of 1990 and the Architectural Barriers Act of 1968.

5. Default under this Agreement. The Lender may declare a default ("**Default**") under this Agreement or any one or more of the Loan Documents upon the occurrence and during the continuation beyond the expiration of all applicable notice, grace, and cure periods of any one or more of the following circumstances:

(a) Monetary Default. If Borrower fails to pay when due any portion of the sums owing under the Borrower Note, this Agreement and/or any of the Loan Documents and such failure continues for ten (10) business days after written notice thereof from the Lender or any holder of the Borrower Loan;

(b) Non-Monetary Default. If Borrower fails, refuses or neglects to perform fully and timely any obligation or breaches and covenant, condition, representation or warranty under this Agreement or any other Borrower Loan Document and such failure continues for thirty (30) days following written notice from Lender to Borrower, or, if the failure is not susceptible to cure within said 30-day period, such greater period of time (not to exceed sixty (60) days) as is necessary to cure such failure provided Borrower commences to cure such failure within said 30-day period and diligently works to cure such failure, provided however, that in the event that any such cure periods would cause a material violation to occur under applicable law the notice and cure period shall be reduced to a length of time that would not cause a material violation of applicable law;

(c) Default under COH Loan Agreement by Borrower. Notwithstanding the foregoing, a "Default" (as defined by the COH Loan Agreement) under the COH Loan Agreement by Borrower shall immediately constitute a Default by Borrower under this Agreement. Notwithstanding the provisions of Subparagraphs 4(a) and 4(b) above, in the event of a conflict between the available notice and cure periods under the COH Loan Agreement and this Agreement, the COH Loan Agreement shall control, and upon the occurrence of a Default under the COH Loan Agreement, no further notice and/or cure periods shall be available under this Agreement for such event and such event shall immediately be deemed a Default by Borrower under this Agreement.

6. Notice and Cure Rights. Notwithstanding anything to the contrary contained in the Loan Documents, Lender hereby agrees that any cure of any default or Default made or tendered by a Tax Credit Investor (as defined in the COH Loan Agreement) shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower. Copies of all notices which are sent to Borrower or any other party under the terms of the Loan Documents shall also be sent to:

Hudson-FM SLP LLC
c/o Hudson Housing Capital LLC
630 Fifth Avenue, 28th Floor
New York, New York 10111
Attention: Joseph A. Macari

7. Lender's Remedies. If a Default exists under this Agreement, Lender shall be entitled to exercise all rights and remedies available under the Loan Documents, without further notice or opportunity to cure by Borrower except as may be required by applicable law. Notwithstanding the foregoing, Lender's rights under applicable law or any provision in any Loan Document to the contrary, so long as the Lender is a member of or directly or indirectly controls the managing member of the Borrower, Lender will not, without the prior written consent of the Tax Credit Investor commence (i) foreclosure proceedings with respect to the Property or exercise any other rights or remedies it may have under the Loan Documents, including, but not limited to, accelerating the loan made under the Loan Documents, collecting rents, appoint (or seek appointment of) a receiver or exercising any other rights or remedies under any of the Loan Documents, or (ii) join with any other creditor in commencing any bankruptcy reorganization, arrangement, insolvency or liquidation proceedings with respect to the Borrower (collectively, the

"Standstill Restrictions"). The Standstill Restrictions shall not apply to the exercise of any rights or remedies under the Loan Documents by the City of Houston (the "City") pursuant to its rights under the terms of that certain Collateral Assignment of Note and Liens dated of approximate even date herewith by and between the City and Payee and/or the Loan Documents, or at law including without limitation, any foreclosure proceedings against the Property by the City.

8. Amendments and Waivers. Borrower and Lender acknowledge and agree that the terms and provisions of this Agreement and the Loan Documents may not be amended and no waivers of any provisions of this Agreement or any Loan Document shall be effective without the prior written consent of the City as the collateral assignee of Lender. In addition, any prepayment of the Borrower Note shall require the prior written consent of the City as the collateral assignee of the Lender.

9. Limit to Indemnification. Notwithstanding anything to the contrary set forth in any of the Loan Documents, no indemnity obligation set forth in any Loan Document shall extend to or be enforceable against any member of Borrower including any Tax Credit Investor in its capacity as a non-managing member of Borrower (but not otherwise). This limitation shall not apply to any guarantor who is a member.

10. Amendments to Organizational Documents. Except as otherwise provided in the COH Loan Agreement, Borrower shall not have the right to amend its organizational documents without Lender's and the City's prior written approval.

11. Insurance. Borrower shall, prior to or concurrently with the closing of the Borrower's Loan, deliver to Lender and City insurance policies evidencing the insurance coverages and requirements set forth in Section 6.25 and Appendix 2 of the COH Loan Agreement and which policies shall name Lender and the City as additional insureds thereunder. In the event of a conflict between the insurance requirements of the Deed of Trust and the COH Loan Agreement, the COH Loan Agreement will control.

12. Miscellaneous.

(a) This Agreement as supplemented by the Loan Documents contains the entire agreement between the parties hereto relating to the Loan and shall be amended only by an instrument in writing executed by the parties hereto.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns, as the case may require.

(c) This Agreement shall be governed by the law of the State of Texas. Any dispute arising out of or in connection with this Agreement shall be resolved in the state courts located in Harris County, Texas.

(d) This Agreement may be executed in multiple counterparts, each of which shall constitute an original.

(e) This Agreement may be signed and delivered electronically or by electronic signature and that electronic signature will be as good, binding, and effective as an original or manual signature

(f) Notices under the Loan Documents shall be effective in the case of utilization of the U.S. Mail Service, upon the earlier of (i) three days after deposit of such notice in the mail, return receipt requested or (ii) actual delivery. Notices sent by overnight courier services shall be effective one day after deposit with such service. All other notices

shall be effective upon delivery. Notwithstanding the foregoing, any foreclosure notices shall be effective upon deposit with the U.S. Mail Service.

13. Limited Recourse. The Loan is subject to the limited recourse provisions of the Borrower Note.

Executed effective as of the date set forth above.

BORROWER:

MAGNIFICAT PERMANENT AFFORDABLE, LLC, a Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing,
Inc., a District of Columbia non-
profit corporation,
its manager

By: _____
Neal Drobenare,
Vice President

LENDER:

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

By: The NHP Foundation,
a District of Columbia nonprofit
corporation, its manager

By: _____
Neal Drobenare,
Senior Vice President

**EXHIBIT A
LEGAL DESCRIPTION**

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

[Subject to change based on final survey]

ATTACHMENT Q
TO LOAN AGREEMENT

AUGF/AFFH LETTER AGREEMENT

____, 2022

City of Houston
Housing and Community Development Department
2100 Travis Street, 9th Floor
Houston, TX 77002

Re: Loan Agreement between the CITY OF HOUSTON ("City"), NHPF CAROLINE CONDUIT, LLC, a Texas limited liability company ("Borrower"), and MAGNIFICAT PERMANENT AFFORDABLE, LLC a Texas limited liability company ("Borrower"): Authority to Use Grant Funds ("AUGF") and Affirmatively Furthering Fair Housing ("AFFH") Requirements

Dear Mr. Bynam:

The above referenced Borrower and Owner are parties to the Loan Agreement with the City pursuant to which the City is loaning to Borrower \$18,656,631.00 in CDBG-DR 17 funds which shall be loaned by Borrower to Owner for the project ("Project") located at 3300 Caroline Street, Houston, Harris County, Texas 77004.

The undersigned hereby acknowledges its obligation to comply with the requirements of the attached AUGF and AFFH in the course of construction of the Project and acknowledge that failure to comply with these requirements shall constitute a default under the Loan Agreement.

Sincerely,

MAGNIFICAT PERMANENT AFFORDABLE, LLC,
A Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
A District of Columbia non-profit
Corporation,
Its manager

By: _____
Name: Neal Drobenare
Title: Vice President

NHPF CAROLINE CONDUIT, LLC,
A Texas limited liability company

By: The NHP Foundation,
a District of Columbia nonprofit corporation,
its manager

By: _____
Name: Neal Drobenare,
Title: Senior Vice President

Mitigation Measures and Conditions

[40 CFR 1505.2(c)]

Summarize below all mitigation measures adopted by the Responsible Entity to reduce, avoid, or eliminate adverse environmental impacts and to avoid non-compliance or non-conformance with the above-listed authorities and factors. These measures/conditions must be incorporated into project contracts, development agreements, and other relevant documents. The staff responsible for implementing and monitoring mitigation measures should be clearly identified in the mitigation plan.

Mitigation Measures and Conditions [40 CFR 1505.2(c)]

Law, Authority, or Factor	Mitigation Measure
<p>Historic Preservation</p> <p>National Historic Preservation Act of 1966, particularly sections 106 and 110; 36 CFR Part 800</p>	<p>During project activities, if buried cultural materials are encountered during construction or disturbance activities, work should cease in the immediate area; work can continue where no cultural materials are present. Please contact the THC's Archology Division at 512-463-6096 to consult on further actions that may be necessary to protect the cultural remains.</p> <p>In addition to contacting the THC, the Texas General Land Office must be contacted for consultation if any historic properties, archeological sites, or other cultural resources are discovered during project activities."</p> <p>Please note that if any unforeseen items, remains, artifacts, or the like are discovered, the five (5) Native American tribes will need to be contacted as appropriate to ensure proper disposal or to determine ownership of the items.</p>
<p>Soil Suitability</p>	<p>The use of stabilized structural fill may be required due to the presence of unstable soils and previous development on the property. Construction plans should refer to a geotechnical report, if available.</p>
<p>Storm Water Runoff / Erosion</p>	<p>The subject property may be susceptible to soil erosion during demolition and construction activities. Best management practices should be employed to control runoff from construction sites to prevent detrimental impacts to surface and ground water.</p>
<p>Clean Air / Air Quality</p>	<p>Dust mitigation best practices are routine features of construction and the HCDD Environmental Team is recommending their use on this project.</p>

<p>Asbestos</p>	<p>Prior to the construction activities, all known and suspect ACBMs shall be removed by a licensed abatement contractor and licensed asbestos consultant. Known ACBMs include approximately 400 sf of brown patterned floor tile and underlying mastic found in the Nun's office inside the Nun's House addressed at 3301 San Jacinto Street. All proper abatement management activities shall be followed in order to control and prevent the spread of asbestos contaminated dust.</p> <p>During renovation or demolition activities, care should be exercised in dealing with all construction materials even those shown to be non-asbestos containing (this would include materials technically considered as non-asbestos containing because they are below the one percent limit). If these non-asbestos materials are to be disturbed work practices should be used that will limit exposure to dust and debris. Contractors performing this work should conform to OSHA regulations outlined in 29 CFR 1926.55 (exposure limits can be found in 29 CFR 1910.1000 Table Z-3)</p> <p>A TDSHS Demolition/Renovation Notification form is required before the demolition of a building or facility, even when no asbestos is present. This form must be used to fulfill either of these requirements. Please call either 512-834-6610 or 1-800-572-5548 (within Texas), or your local regional office for assistance in completing this form.</p>
<p>Lead-Based Paint</p>	<p>All materials potentially contaminated with lead-based paint shall be removed and disposed of per local, state, and federal regulations.</p>
<p>TPWD Construction Recommendations</p>	<p>Texas Parks and Wildlife provided the following recommendations to minimize adverse impacts to the state's fish and wildlife resources:</p> <ul style="list-style-type: none"> • Avoid or minimize any clearing of native trees and shrubs. • Use erosion and seed/mulch stabilization materials that avoid entanglement hazards to snakes and other wildlife species. Use no-till drilling, hydromulching and/or hydroseeding in lieu of erosion control blankets or mats with netting. • Avoid utilizing invasive species in seed mixes or plantings. • Minimize the amount of trenches/excavation areas left open at any given time or cover these areas overnight and inspect every morning to ensure no wildlife species have been trapped. • A qualified biologist conduct a nest survey prior to clearing any vegetation during the nesting season of March 15th to September 15th. If nests are observed, establish a minimum 150-ft vegetation buffer around the nest until all young have fledged. <p>Consider incorporating pollinator habitat into the landscaping plan to contribute to pollinator conservation efforts and provide aesthetic benefits to residents and visitors.</p>



Fair Housing & AFFH Review Determination Summary

Project Title: Magnificat/3300 Caroline Street
Project Type: New Construction, permanent supportive housing
Location: 3300 Caroline Street, Houston TX 77004
Applicant: Magnificat Permanent Affordable, LLC
Neal Drobenare, SVP

Recommendation: Approval with the following conditions:

1. Applicant agrees to install tenant safety improvements such as perimeter fencing along with keyed entries, if feasible from a budgetary and design perspective.
2. Applicant reconsiders the market area designation in its Affirmative Fair Housing Marketing Plan (AFHMP) beyond the development's zip code, or provides additional information supporting the use of this geography as the primary source of its tenants. The AFHMP instructions indicate a broader geography should be considered (county, metropolitan division) and compared with the Census Tract containing the development; even if zip codes provide the appropriate scale for the market area, the development is located in the extreme northwest corner of the zip code, which itself covers a relatively small area of central Houston. The Market Study provided with the application covers Harris County and several suburban counties. The scale of the market area will affect the demographic groups targeted for outreach—for example, if either Houston or Harris County is selected as the primary market area and the Houston-The Woodlands-Sugar Land MSA as the expanded market area, the data indicate groups least likely to seek housing include people identifying as Black/African Americans or Hispanic/Latino/Latina. Persons with disabilities and Spanish-speaking people with limited English proficiency are presumed to benefit from enhanced outreach regardless of the demographic data and should also be targeted in the Plan.

Review Summary:

Established by Title VIII of the Civil Rights Act of 1968 and supported by pre-legislation and post-legislation Executive Orders, the Fair Housing Act prohibits discriminatory practices by making it unlawful to refuse to sell or rent, refuse to negotiate a sale or rental, or otherwise make unavailable or deny housing based on certain protected classes including race, color, religion, sex, national origin, disability, or familial status.

HUD published new definitions for “fair housing” and “affirmatively further” in its Preserving Community and Neighborhood Choice final rule (85 F.R. 47899), effective September 8, 2020, stating “the phrase ‘fair housing’ in 42 U.S.C. 5304(b)(2), 5306(d)(7)(B), 12705(b)(15), and 1437c-1(d)(16) means housing that, among other attributes, is affordable, safe, decent, free of unlawful discrimination, and accessible as required under civil rights laws. (b) The phrase



Fair Housing & AFFH Review Determination Summary

'affirmatively further' in 42 U.S.C. 5304(b)(2), 5306(d)(7)(B), 12705(b)(15), and 1437c-1(d)(16) means to take any action rationally related to promoting any attribute or attributes of fair housing as defined in the preceding subsection."

The Texas General Land Office (GLO) in its commitment to administering Community Development Block Grant (CDBG-DR) funds in compliance with federal law, has conducted a fair housing review of the above-referenced project in an effort to ensure that this project promotes fair housing.

1. Project Description and Size

Magnificat/3300 Caroline Street is a new construction permanent supportive housing development of 149 units serving people who are or were homeless. All 149 units will be studios, 108 units with 335 square feet, and 41 units with 405 square feet. According to the developer's application (Part 5, page C17) the development will include 149 units (100%) available at affordable rents to low and moderate income (LMI) households earning at or below 80% of the area median family income (AMFI) with the following rent restrictions: 23 units affordable to households earning at or below 30% of AMFI, 33 for those earning 31% to 50% AMFI (Low HOME Rents) and 93 for those earning 51% to 80% AMFI (High HOME Rents).

The developer will provide permanent supportive services to the tenants such as events, programs, and social services/case management. Some activities include annual tax prep program, career training and placement partnerships, weekly substance abuse meetings, arts, crafts, and other recreational activities.

2. Proximity to Services and Amenities

Magnificat/3300 Caroline Street site is located in the Midtown area of Houston, Texas, a neighborhood of mixed multi- and single-family housing with some commercial including retail development. The nearest grocery store, Randall's, is 1.2 miles away. The nearest school, an elementary/middle school (grades PK-8), is 2.1 miles away. The nearest clinic is located 0.5 miles away, and the nearest full-service hospital, is around 1.3 miles away at St. Joseph Medical Center. Baldwin Park is 0.4 miles away and the S.H.A.P.E. Community Center is 0.5 miles away.

Houston Community College Central Campus is 0.4 miles and the University of St. Thomas is 1.4 miles. Downtown Houston and its related cultural, educational, and entertainment options is 1.2 miles away. Small restaurants, bars, and specialty stores are generally distributed throughout Midtown. Nearby services (less than one mile) for people who have needs associated with current or past homelessness include Healthcare for the Homeless, the YMCA Tellepsen, Bread of Life, Career & Recovery Resources, Inc. and the Salvation Army/Young Adult Resource Center.



Fair Housing & AFFH Review Determination Summary

3. Income, Ethnic Concentration and Socioeconomic Indicators

The property is located in Harris County Census Tract 3125 with a 16.9% poverty rate, aligned with the Houston-The Woodlands-Sugar Land MSA's 14.8%, Harris County's 16.8% and slightly lower than the City of Houston's 21.2% rates. The Census Tract median family income (MFI) is 122.5% of MSA MFI owing in large part to new residents occupying the recently developed condominiums, townhomes, and apartments in the revitalizing Midtown neighborhood.

The Census Tract contains a moderate concentration of racial and ethnic minorities, who represent 47.2% of the total population. Around 13.8% of the population identifies as Black/African American, 20.4% identifies as Hispanic, 10.6% as Asian, and 52.8% as non-Hispanic white. The Houston MSA combined minority percentage is 62.8% and the City's is 75.1%. The current definition for affirmatively furthering fair housing includes "transforming racially or ethnically concentrated areas of poverty into areas of opportunity" (24 CFR 5.152). Despite a high minority concentration, the Census Tract does not meet HUD's prior standard or alternate criteria for a racially or ethnically concentrated area of poverty (R/ECAP) because the poverty rate is less than 40% and does not exceed three-times the average rate for all tracts in the MSA.¹

The applicant intends to serve people who are or were recently homeless and has provided an AFHMP to identify underrepresented demographic groups considered "least likely to apply" without targeted outreach and marketing (see instructions, AFHMP page 7). The most recent available Census information indicates that people identifying as Black/African American (13.8%) and Hispanic/Latino/Latina (20.4%) are underrepresented in the Tract when compared with the City, County and MSA figures, as are Spanish speakers with limited English proficiency (2.8%)

The applicant's AFHMP indicates zip code 77004 as the development's "primary market area," but the site is located in the northwest corner of this zip code which covers a small area of Houston. As the AFHMP instructions indicate, the primary market is the area from which the development can be reasonably expected to draw the majority of its tenants and uses a county as an example. The Market Study submitted with the application packet includes Harris County and several other counties in the MSA.

In order to ensure appropriate marketing and outreach is made to those groups least likely to be aware of or seek housing at the site, the applicant should reconsider or provide additional justification for its designation of zip code 77004 as the primary market area. The applicant should also provide targeted outreach to people with limited English proficiency for whom

¹ https://hudgis-hud.opendata.arcgis.com/datasets/56de4edea8264fe5a344da9811ef5d6e_0



Fair Housing & AFFH Review Determination Summary

Spanish is their primary language and people with disabilities, in addition to the racial and ethnic targeting indicated by the AFHMP.

4. Crime

Publicly available online data sources indicate that the property is located in an area with a violent crime rate that is 42.1% higher than the national average, with property crime rate that is 45.7% higher than the national average, with a 3.8% chance (1 in 26) of becoming a victim of crime. Data from the Houston Police Department indicating 500 incidents within one mile in the five months beginning October 8, 2020.

5. Floodplain / Environment / Health & Safety

The property is not located in the 100-year floodplain or floodway. There are no specific environmental or safety issues in the immediate area.

The Applicant provided a Phase I ESA (by InControl Technologies, dated January 16, 2020) which describes no recognized environmental conditions or other specific environmental concerns with the 3300 Caroline site. There are no comments around noise issues discussed in the Phase I ESA. A HUD Part 58 Environmental Review will be conducted for the site.

6. Public Transportation and Walkability

The development has excellent public transportation access, located between two METRO bus routes in the Midtown Houston area. Bus route 042 is located at Holmes and San Jacinto, and routes 001, 011, and 060 are located at San Jacinto and Elgin. Each are located approximately 0.1 miles from the property. The METRORail Red Line Ensemble/HCC station is located 0.3 miles west of the property.

There are sidewalks and streetlighting throughout the neighborhood with an extensive pedestrian network connecting to services, employment opportunities, and other amenities in the surrounding area.

Conclusion:

Magnificat/3300 Caroline Street is a new permanent supportive housing development located in a Census Tract of moderate minority concentration, high family incomes, and a similar poverty rate to that of the city, county and metropolitan area. It is possible that the development, as an affordable property with 149 units reserved for LMI residents, could slightly increase the racial/ethnic concentration of poverty within the Census Tract, but this is not a significant concern given the Tract's relatively low poverty rates and minority concentration.

The property is in Houston's Midtown mixed-use district, an area with a large number of residential redevelopment projects already completed or underway. It is located outside the 100-year floodplain in an area with moderately high crime rates. The property is readily accessible to



Fair Housing & AFFH Review Determination Summary

employment opportunities, supportive services for lower income and homeless people, and post-secondary educational opportunities by walking and high frequency public bus and light rail transit. Magnificat/3300 Caroline is well-located to provide its target resident population with access to an array of social, health, and commercial services as well as employment opportunities.

The applicant should consider installing additional security measures such as fencing and controlled access given the moderate to high levels of crime reported in the area. The applicant should reconsider the housing market area used in its AFHMP to ensure that it targets those people least likely to seek residency at the development.

Reviewed By: Eric Hartzell
Eric Hartzell/contractor

Date: October 17, 2020

Fair Housing / AFFH Review Factors Record

Project Name: Magnificat/3300 Caroline Street
 Address: 3300 Caroline Street, Houston TX 77004
 Census Tract: Harris County / 3125

FACTOR	DATA / INFORMATION	NOTES	FOLLOW-UP
Project Description [Type, Size, Unit Mix]	149-unit multi-family development for people currently or formerly homeless. All 149 units are efficiencies with 108 units at 335 sq ft and 41 units are 405 sq ft.	Harris County: Magnificat Permanent Affordable LLC - 3300 Caroline Street - Application Summary and review packet maps.	
Income Comparison	\$94,337 Census Tract (CT) Median Family Income (MFI) Poverty Rate: 16.9%	There are 18 parking spaces available to residents. Detention is underground. Source: ACS 2018 5-year Estimates for Census Tract 3125, Harris County, Texas Houston-The Woodlands-Sugar Land MSA MFI \$76,981/14.2% poverty Harris County MFI \$69,137/16.2% poverty. *City of Houston MFI \$57,084/20.6% poverty.	
Racial/Ethnic Concentration	CT Population - 3325 White - 52.8% Hispanic/Latino - 20.4% Black - 13.8% Asian - 10.6% Total racial/ethnic minority - 47.2%	Source: ACS 2018 5-year Estimates for Census Tract 3125, Harris County, Texas MSA Total Population - 6,779,104 MSA Total racial/ethnic minority - 63.3% Harris County Total racial/ethnic minority - 69.9% *Houston City Total racial/ethnic minority - 75.4%	
Socioeconomic Indicators Comparison	CT MFI is 122.5% of MSA	Source: ACS 2018 5-year Estimates for Census Tract 3125, Harris County, Texas	
Crime Rates	Houston, TX Property Crimes are 45.7% higher than the US rate. Violent Crimes are 42.1% higher than the US rate. Over 500 property/theft, violent, or quality of life crimes were reported in the area between April 8 th and October 8 th , 2020.	https://www.bestplaces.net/crime/zip-code/texas/houston/77004 https://www.cityprotect.com https://communitycrimemap.com (April 8-Oct 8, 2020)	

<p>School Quality/ Comparison</p>	<p>Houston ISD: Gregory-Lincoln Ed Center (PK-8) – 69% (D) – 2.1 miles Lamar High School (9-12) – 87% (B) – 3.3 miles</p> <p>Children at Risk scores are D for elementary/middle, and B for high schools.</p>	<p>Source: https://tea.texas.gov/texas-schools/general-information/school-district-locator https://www.greatschools.org/school-district-boundaries-map/ Information from www.TXschools.gov Children at Risk score: https://texasschoolguide.org. These scores indicate higher reading and math standardized test scores compared generally and to schools with similar levels of poverty, and scores that are increasing for elementary/middle and increasing in high school.</p>	
<p>Grocery Store</p>	<p>Kroger Fresh Fare – 1.5 miles Randall's – 1.2 miles Walgreens – 1.0 miles CVS – 1.0 miles</p>	<p>Source: Google Earth</p>	
<p>Employment Opportunities</p>	<p>The largest industries in Houston, TX are Construction (133,309 people), Health Care & Social Assistance (125,991 people), and Retail Trade (113,163 people), and the highest paying industries are Management of Companies & Enterprises (\$103,219), Mining, Quarrying, & Oil & Gas Extraction (\$102,388), and Agriculture, Forestry, Fishing & Hunting, & Mining (\$101,449).</p> <p>In Houston, TX, 10.3% of the working population is employed in sales and related occupations. The second most important occupational group in Houston is construction and extraction occupations with 9.51% of the residents employed. Other residents here are employed in</p>	<p>Sources: Google Earth https://datausa.io/profile/geo/houston-tx/#about Nearby employers: There are a few fast-food restaurants, printing businesses, galleries, small retail shops and businesses, and churches in the surrounding area. Houston Community College is nearby and may offer employment opportunities.</p>	

	office, administrative, and support occupations jobs (9.39%), and management occupations (8.4%).		
Educational Opportunities	HCC Central Campus - 0.4 miles HCC Culinary - 0.3 miles University of St. Thomas - 1.4 miles	Source: Google Earth	
Health Care Facilities	San Jose Clinic - 0.5 miles St. Joseph Medical Center - 1.3 miles Texas Children's Pediatrics Midtown - 1.0 miles Healthcare for the Homeless - 0.7 miles (1934 Caroline St)	Source: Google Earth https://www.sanjoselclinic.org/ https://www.sjmctx.org/ https://texaschildrenspediatrics.org/locations/texas-childrens-pediatrics-midtown	
Public Transportation	There is public transportation nearby. METRO bus route 042 located at Holmes & San Jacinto, and routes 001, 011, and 060 are located at San Jacinto & Elgin. Each are located approximately 0.1 miles from the property. METRO Rail Red Line Ensemble/HCC Station is 0.3 miles west There are sidewalks and streetlighting throughout the neighborhood with a good pedestrian network to surrounding areas.	Source: Google Earth https://www.ridemetro.org/Pages/index.aspx	
Parks, Playgrounds, Etc.	Baldwin Park - 0.4 miles Midtown Park and Dog park - 0.5 miles Emancipation Park - 0.9 miles Hermann Park - 2.4 miles Eleanor Tinsley Park - 2.6 miles Various other pocket parks nearby	Source: Google Earth	
Community Center	S.H.A.P.E. Community Center - 0.5 miles Emancipation Park Community Center - 0.9 miles YMCA Tellepsen - 1.3 miles Houston Public Library - 1.3 miles	Source: Google Earth https://www.shape.org/	
Library	Coalition for the Homeless - 0.9 miles (2000 Crawford St) Catholic Charities - 0.5 miles (2615 Fannin St) Genesis Learning Center Downtown - 0.3 miles	Source: Google Earth Source: Google Earth	

	<p>HCC Child Development Lab School – adjacent to property USPS – 1.0 mile Salvation Army & Young Adult Resource Ctr – 0.7 miles Career & Recovery Resources - 0.5 miles</p> <p>Various denominations of churches in the immediate area</p>		
<p>Industrial Sites</p>	<p>South Freeway – 0.4 miles Scott WWTP – 4.1 miles South Cavalcade Superfund – 6.4 miles US Zinc Houston Dust Plant – 5.3 miles Century Asphalt - Navigation Plant – 5.1 miles Southern Crush Concrete Lckwd – 4.7 miles B & B Iron & Metal Company – 4.3 miles Cemex Downtown Plant – 3.0 miles</p>	<p>Source: Google Earth</p>	
<p>Municipal Facilities</p>	<p>Houston Police Department South Central Substation – 1.6 miles Houston Fire Station #7 – 0.2 miles Harris County Court (Complex) -2.2 miles Harris County Juvenile Detention Center – 2.0 miles Baker Street Jail – 2.4 miles Harris County Jail – 2.3 miles</p>	<p>Source: Google Earth</p>	
<p>Environmental Hazards</p>	<p>The property is entirely located withing Zone X (6/2007). There are no floodways or flood zones in the surrounding area.</p> <p>HWY 59/69 is located 0.5 miles from the property.</p>	<p>Source: Google Earth https://msc.fema.gov/portal/search#searchresultsanchor http://maps.riskmap6.com/</p>	
<p>Health & Safety</p>	<p>None identified other than those mentioned above.</p>	<p>ESA Phase I indicates no REC's (page 9) Source: Google Earth</p>	

<p>Area Public Housing/Designated Low-Income Housing</p>	<p>L.IHTC financed communities within 2-miles of 3300 Caroline St:</p> <ul style="list-style-type: none"> Law Harrington Senior Living Apartments (112 units) - 1.0 miles Victory Apartments - (99 units) - 1.6 miles Cuney Homes - (564 units) 1.7 miles Homewood at Zion - (70 units) - 1.4 miles Scott St Lofts - (96 units) - 2.8 miles Ewing Apartments - (40 units) 2.1 miles Zion Gardens Sr - (70 units) - 1.4 miles EaDo Lofts - (80 units) - 2.9 miles Sampson Lofts - (117 units) - 3.5 miles Fenix Estates (180 LMI units) - 3.2miles 2222 Cleburne (112 LMI units) - 1.0 miles Travis Street Plaza Apartments (192 LMI units) - 1.1 miles Gala at MacGregor (75 LMI units) - 2.0 mile Zion Village Apartments (70 LMI units) - 2.2 miles Scott St. Townhomes (96 LMI units) - 1.8 miles The Historic Oaks of Allen Parkway Villa (155 LMI units) - 2.3 miles HAY Center/Campus (50 LMI units) - 2.4 miles Elgin Place Apartments (67 LMI units) - 1.8 units 	<p>Source: https://affordablehousingonline.com/housing-search/Texas/ https://www.lowincomehousing.us/zip/77004 https://www.outsmartmagazine.com/2018/09/montrose-center-to-break-ground-on-1st-lgbtq-senior-housing-center-in-the-southwest/ https://hellosection8.com/ct-lihtc-tx_houston-1.html TDHCA Low Income Housing Tax Credit Inventory - https://www.tdhca.state.tx.us/multifamily/using-tax-credits-9pct/ http://www.housingforhouston.com/public-housing/housing-developments.aspx</p>
<p>Other Features Detrimental to Family Life</p>	<p>None identified other than those mentioned above.</p>	<p>Source: Google Earth</p>
<p>Area Economic Trends</p>	<p>Houston, TX: Sales tax revenue increased by 4.21% from same period 2017</p> <p>Houston (zip 77004) has an unemployment rate of 3.9%. The US average is 3.7%.</p> <p>Houston (zip 77004) has seen the job market increase by 3.2% over the last year. Future job growth over the next ten years is predicted to be 30.9%, which is lower than the US average of 33.5%.</p>	<p>Source: https://comptroller.texas.gov/transparency/local/allocation/sales-tax/cities.php https://www.bestplaces.net/economy/zip-code/texas/houston/77004</p>

<p>Indications of Revitalization</p>	<p>Houston (zip 77004) has seen the job market increase by 3.2% over the last year. Future job growth over the next ten years is predicted to be 30.9%, which is lower than the US average of 33.5%.</p> <p>15 new restaurants and businesses are planned to open/reopen in the area since September 1st.</p>	<p>Source: https://www.bestplaces.net/economy/zip-code/texas/houston/77004 https://communityimpact.com/business/houston/heights-river-oaks-montrose/</p>	
<p>Local/Other Government Plans</p>	<p>Various studies undertaken for strategic framework/improvements for the Midtown area: 100 Homes Initiative – The Midtown Redevelopment Authority (MRA), which administers Tax Increment Reinvestment Zone #2, has purchased hundreds of tracts of land in Southeast Houston for the purpose of leveraging the production of affordable housing. This housing will be occupied by low-moderate income households of all ages, household sizes, abilities, and races/ethnicities.</p> <p>The Houston-Galveston Area Council (H-GAC) has conducted twenty-four Livable Centers Studies as part of its broader 2035 Regional Transportation Plan encompassing an eight-county region. Livable Centers are places “where people can live, work, and play with less reliance on their cars.” The study primarily focused on the Ensemble/HCC METRORail station and its surrounding context. The plan envisioned the creation and support of three identity districts: the Design District, Arts District and College District.</p> <p>There are 61 new home development / construction projects currently.</p>	<p>Source: https://midtownhouston.com/strategic-plan/ https://midtownhouston.com/wp-content/uploads/2018/07/Midtown-Affordable-Housing-Plan--Final-7.7.18.pdf https://midtownhouston.com/wp-content/uploads/2019/06/Midtown-Houston_Strategic-Framework-092018_FINAL.pdf</p>	
<p>Planned Private Development Projects/Investment</p>	<p>There are 61 new home development / construction projects currently.</p>	<p>Source: https://www.har.com/zipcode_77004/realstate/new_construction</p>	

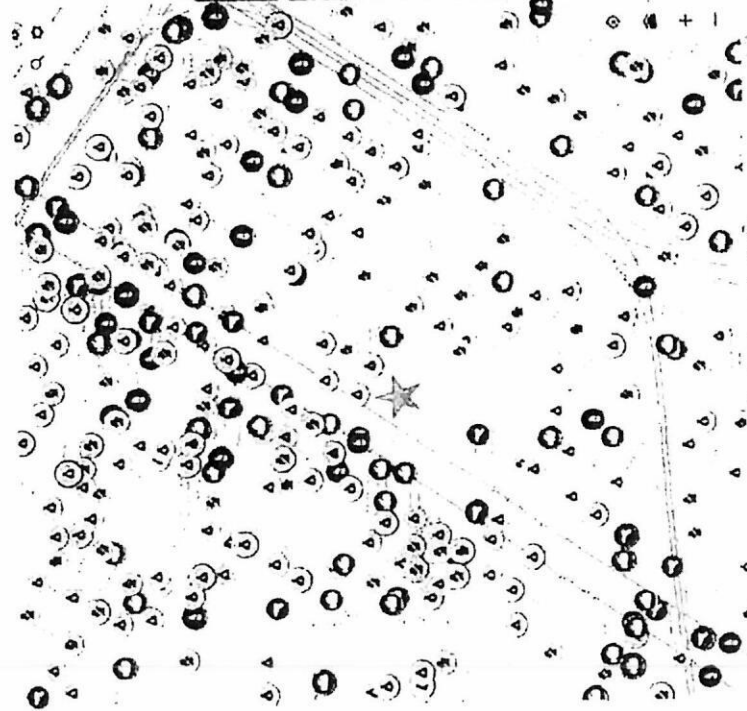
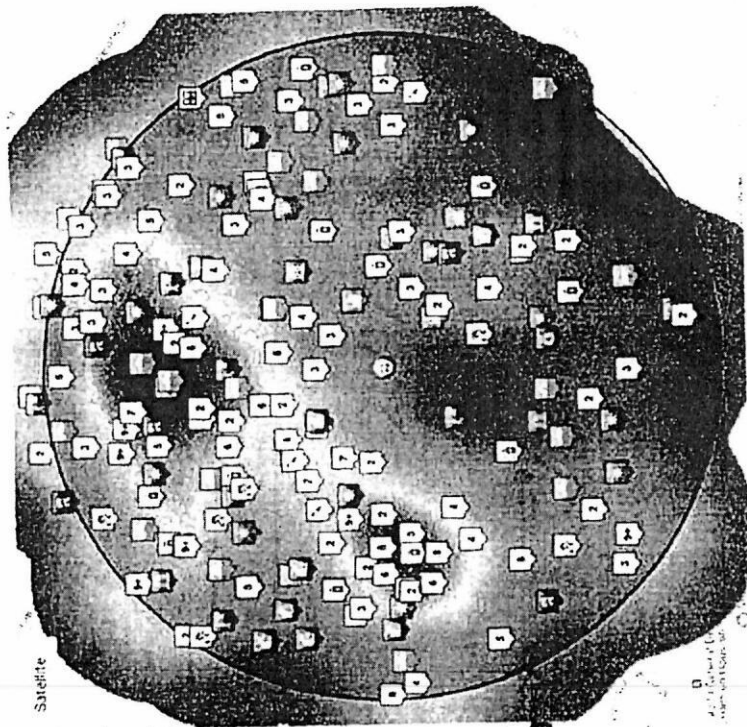
<p>Project-specific Considerations or Concerns</p>	<p>The property will consist of four stories with two elevators and open center courtyard. There will be a first-floor community area and roof terrace with a gazebo. All units have built in shelving, and kitchenette with a microwave range.</p> <p>Amenities include supportive services such as events, programs, and social services/case management. Some activities include annual tax prep program, career training and placement partnerships, weekly substance abuse meetings, arts, crafts, and other recreational activities.</p>	<p>Source: Affirmatively Furthering Fair Housing Review Application; crime map; google maps.</p>	
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Crime Map 4/8/2020-10/10/2020 (www.cityprotect.com)

Map 1 - Red = violent, Yellow = property, Blue = quality of life (drug possession, drunk/disorderly)

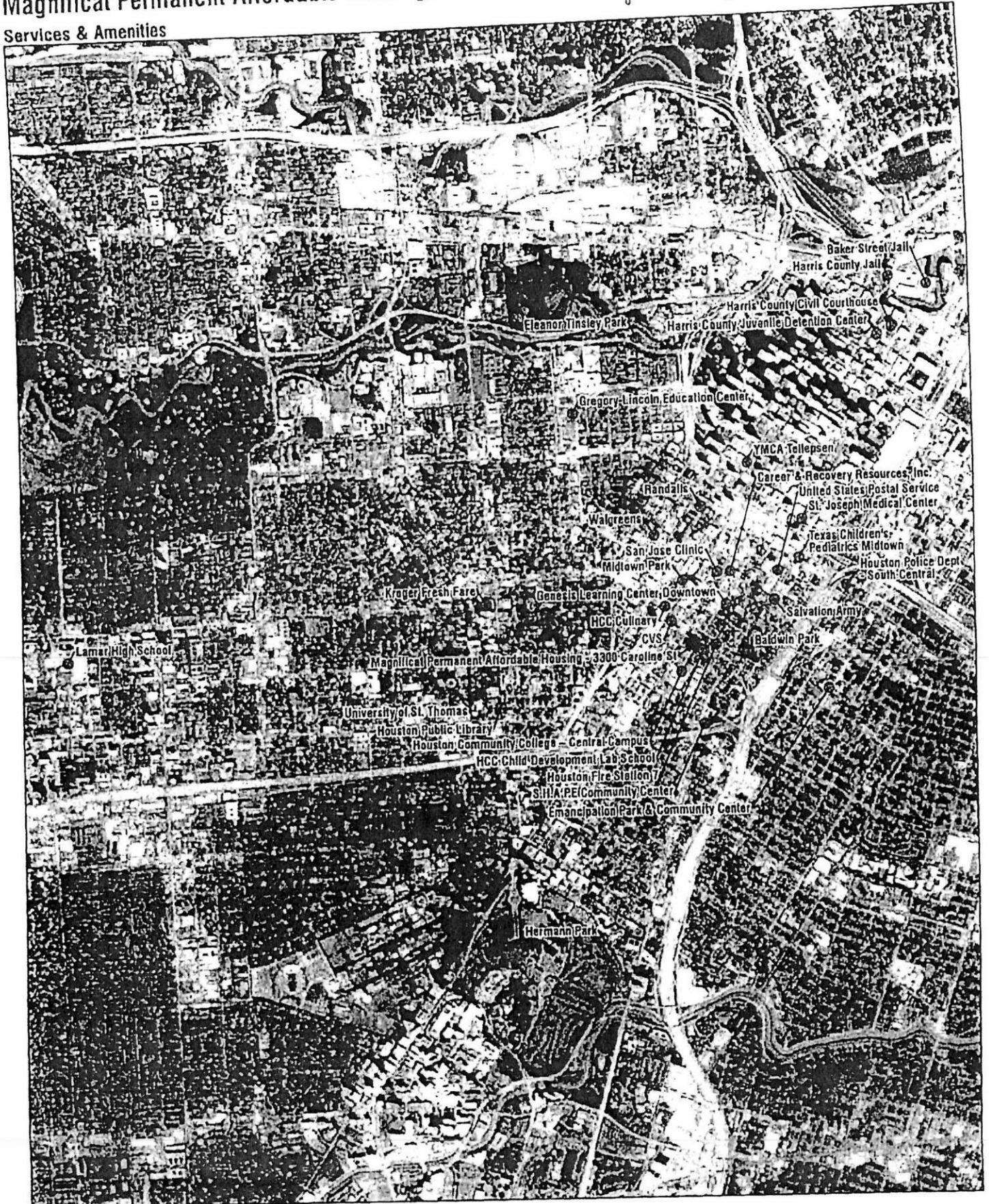
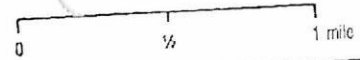
Map 2 - Density map

*Note that multiple incidents may be referenced within a single point.



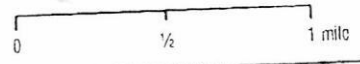
Magnificat Permanent Affordable Housing, Houston, TX

Services & Amenities



Magnificat Permanent Affordable Housing, Houston, TX

Health, Safety, & Environment

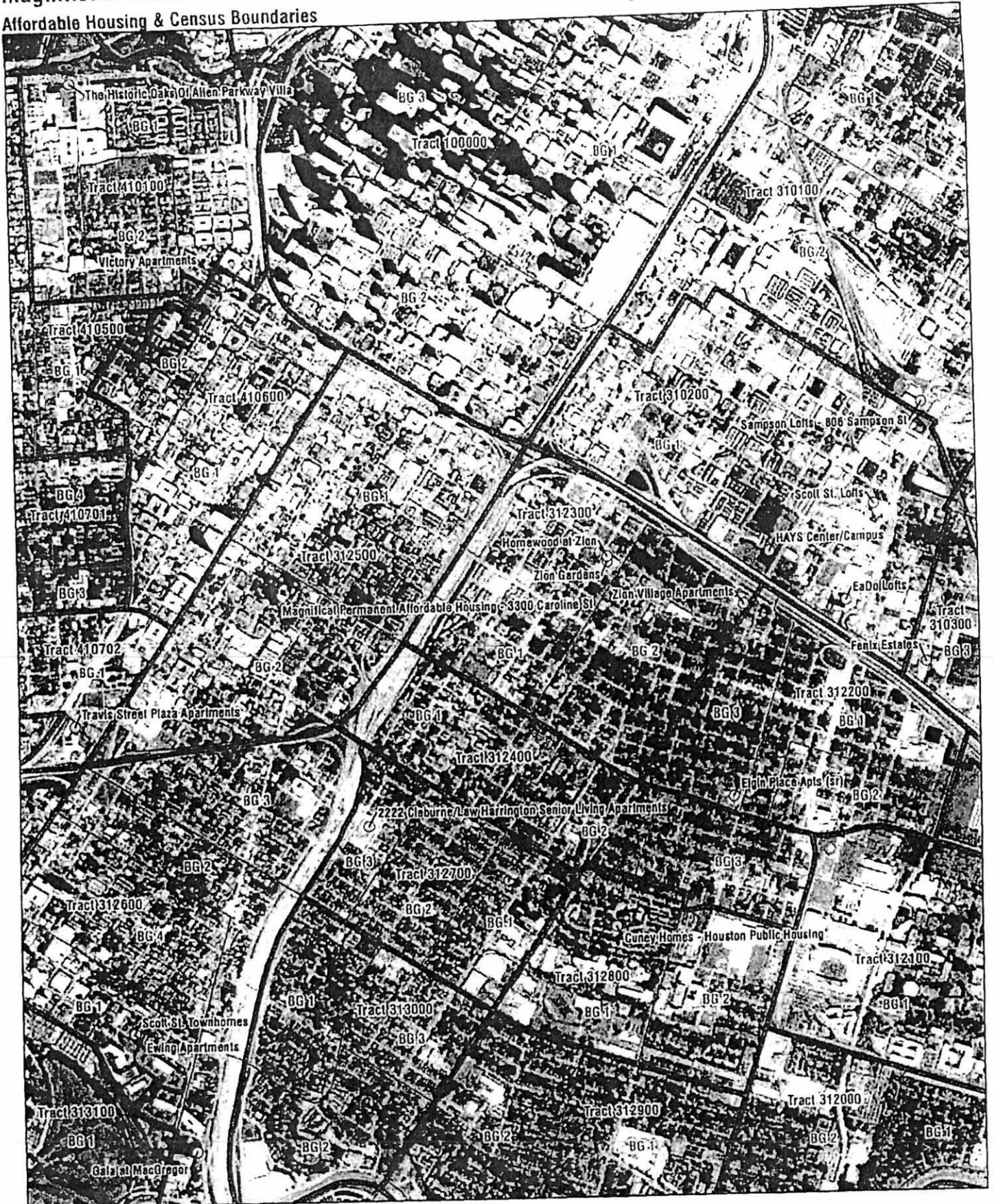
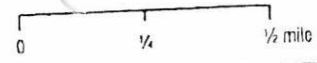


FEMA Effective Floodplain
FEMA Effective Floodway



Magnificat Permanent Affordable Housing, Houston, TX

Affordable Housing & Census Boundaries



ATTACHMENT R
TO LOAN AGREEMENT

SUBORDINATION AND ATTORNMENMENT AGREEMENT

SUBORDINATION AND ATTORNMENT AGREEMENT

THIS SUBORDINATION AND ATTORNMENT AGREEMENT (this "Agreement") is made and entered into as of _____, 2022 by and among **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("Lessee"); **MHI LANDHOLDINGS LLC**, a Texas limited liability company ("Owner"); **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("Lender") and **THE CITY OF HOUSTON** (the "City").

RECITALS

WHEREAS, Owner is the owner of a tract of land located at 3300 Caroline Street, Houston, Harris County, Texas 77004, together with all appurtenances, easements, rights of way and other rights belonging to or in any way pertaining thereto more particularly described on Exhibit A attached hereto (collectively, the "Land") and, together with any improvements constructed thereon, the "Property"; and

WHEREAS, Lessee has been formed to lease the Land, on which Lessee shall construct a multifamily residential apartment complex, pursuant to the terms of that certain Ground Lease dated as of the date hereof between Owner, as landlord, and Lessee, as lessee (the "Lease"); and

WHEREAS, City is the lender under that certain loan to Lender in the amount of EIGHTEEN MILLION SIX HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED THIRTY-ONE AND NO/100 DOLLARS (\$18,656,631.00) ("City Loan"), which was made pursuant to a Loan Agreement ("City Loan Agreement") between City, Lender, and Lessee and the proceeds of which City Loan were utilized by Lender to make a EIGHTEEN MILLION SIX HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED THIRTY-ONE AND NO/100 DOLLARS (\$18,656,631.00) loan ("Mortgage Loan") to Lessee for the construction of the Property; and

WHEREAS, the Mortgage Loan is evidenced by a Promissory Note made by Lessee for the benefit of Lender dated as of the date hereof (the "Note") and a Loan Agreement dated as of the date hereof by and between Lender and Lessee relating to the Mortgage Loan as amended (the "Mortgage Loan Agreement"), which Mortgage Loan is secured by means of a leasehold mortgage or deed of trust on Lessee's leasehold interest in the Property dated as of the date hereof (the "Mortgage") and other related security documents and financing statements given by Lessee in favor of Lender, as amended (collectively, the "Mortgage Loan Documents"); and

WHEREAS, the City Loan is also secured by a Fee Deed of Trust, Security Agreement and Financing Statement ("Fee Deed of Trust") executed by MHI Landholdings LLC against the Property; and

WHEREAS, Lender has collaterally assigned the Note, Mortgage Loan Agreement, Mortgage and other Mortgage Loan Documents to the City to secure the City Loan pursuant to a Collateral Assignment of Note and Liens dated the date hereof; and

WHEREAS, in connection with the City Loan, Owner and Lessee have executed certain Restrictive Covenants ("Restrictive Covenants") encumbering the Property which impose certain affordability requirements and operational covenants; and

WHEREAS, the Mortgage Loan Documents and City Loan Agreement require that the City consent to any lease of the Property; and

NOW, THEREFORE, in consideration of the forgoing, 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 hereto agree as follows:

1. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the City Loan Agreement. The following terms are defined as follows:

"Transfer" means (a) the institution of any foreclosure, trustee's sale or other like proceeding, (b) the appointment of a receiver for Owner, Lessee or the Property, (c) the exercise of rights to collect rents under the Mortgage Loan Documents or an assignment of rents, (d) the recording by the City, Lender or any of their respective successor or assignee of a deed in lieu of foreclosure for the Property, or (e) any transfer or abandonment of possession of the Property to Lender, City or any of their respective successors or assigns, or any other person or entity, including, but not limited to, transfers or abandonments of possession in connection with any proceedings affecting Owner or Lessee under the Bankruptcy Code, 11 U.S.C. §101 et seq., or (f) taking direct or indirect ownership of any member interest ("Ownership Interest") in the Owner or Lessee except as allowed by the City Loan Agreement.

"Transferee" means Lender or City, their respective successors and assigns, any designee of Lender or City or any other party taking title to the Property, the Lease or an Ownership Interest in connection with or following a Transfer.

2. Subordination. The Restrictive Covenants, Fee Deed of Trust and Mortgage are and shall unconditionally be and remain at all times liens or charges upon the Property prior and superior to the Lease and all rights and privileges of Lessee under the Lease, and the Lease and all rights and privileges of Lessee are hereby unconditionally subjected and made subordinate to the liens or charges of the Restrictive Covenants, Fee Deed of Trust and Mortgage.

3. Amendment, Modification and Termination. Subject to the provisions hereof, none of Lender, Owner or Lessee shall terminate, amend, or modify the Lease (even in the event of a default by the Lessee under the Lease) or take any action or exercise any remedy (at law or in equity) under the Lease without the prior written consent of the City which consent shall not be unreasonably withheld or delayed. Except as allowed by the City Loan Agreement and this Agreement and except for liens allowed under the Intercreditor, Subordination and Funding Agreement between the parties hereto and Harris County, no transfer of any interest in the Lease by Owner or Lessee shall be allowed. The foregoing notwithstanding, the City acknowledges that (a) Magnificat Houses, Inc., a Texas nonprofit corporation ("MHI"), or an affiliate thereof who is a member of the Owner's managing member (collectively with MHI, the "Option Entity"), holds a Purchase Option to acquire the Project at the end of the fifteen-year Tax Credit Compliance Period (the "Purchase Option" and (b) MHI holds a Right of First Refusal to acquire the Project at the end of the fifteen-year Tax Credit Compliance Period (the "ROFR"), subject to satisfying the requirements in the City Loan Agreement for such transfers. Any transfer of the Lease or interest therein by Owner to MHI or the Option Entity in connection with the Purchase Option or ROFR is preapproved and require no further consent from the City, provided that the conditions in the City Loan Agreement for such transfers are satisfied.

4. Attornment.

(a) Lessee shall attorn to any Transferee, including the City if the City becomes a Transferee, as the landlord under the Lease, provided such Transferee complies with the provisions of this Agreement and the Lease. Said attornment is subject to the limitation of Transferee's obligations set forth in Section 5(b) below and shall be effective and self-operative without the execution of any further instruments upon Transferee succeeding to the interest of the landlord under the Lease. Within ten (10) days after receipt of a written request therefor from a Transferee, Lessee agrees to provide such Transferee with a written confirmation of its attornment and any other matter set forth in this Agreement.

(b) Upon a Transfer of the Property to a Transferee, which Transfer complies with the provisions of this Agreement, the Lease will be recognized as a direct lease from Transferee to Lessee upon such Transfer for the balance of the term thereof. In the event that the Lease is recognized as a direct lease from a Transferee as aforesaid, then the liability of a Transferee under the Lease shall exist only so long as such Transferee is the owner of the Property, and such liability shall not continue or survive with

respect to claims accruing after further transfer of ownership. A Transferee shall not be: (i) liable for any act or omission of any prior landlord (including Owner), (ii) subject to any offsets or counterclaims which Lessee may have against a prior landlord (including Owner) or liable for any tenant concessions, buildout allowances or other sums due to Lessee under the Lease which first arose prior to the Transfer, (iii) bound by any prepayment of Base Rent which Lessee may have made in excess of the amounts then due for the next succeeding month, unless specifically approved in writing by Lender and City (City hereby acknowledges and consents to the prepayment of rent under the Lease as set forth in the form, of the Lease that is effective on the date hereof), or be liable or responsible for any security deposit or other sums which Lessee may have paid under the Lease unless such deposit or other sums have been physically delivered to Transferee, (iv) bound by any notices given by Lessee to Owner of which it did not also receive notice, (v) required after a fire, casualty or condemnation of the Property to repair or rebuild the same to the extent that such repair or rebuilding requires funds in excess of the insurance or condemnation proceeds specifically allocable to the Property and arising out of such fire, casualty or condemnation which have actually been received by a Transferee, and then only to the extent required by the terms of the Lease, (vi) bound by any modification to the Lease made without City's consent, such consent not to be unreasonably withheld, or (vii) required to undertake or complete any work Landlord agreed to carryout pursuant to the terms of the Lease.

5. Notice and Cure Rights. Lessee and Owner each agrees, simultaneously with the giving of any notice under the Lease, to give a duplicate copy thereof to Lender and City. Should either Owner or Lessee default in respect of any of the provisions of the Lease, Lender and City shall have the right, but not the obligation, to cure such default, and either Lessee or Owner, as the case may be, shall accept performance by or on behalf of Lender or City as though, and with the same effect as if, it had been done or performed by the defaulting party. Lender and City will have the right (but not the obligation) for thirty (30) days after the service of such notice upon it within which to cure any monetary default and sixty (60) days to cure any other default specified in such notice.

6. Miscellaneous.

(a) This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, their successors and assigns (including all Transferees); provided, however, that in the event of the assignment or transfer of the interest of a Transferee to a third party and such third party's written agreement to be responsible for all obligations and liabilities of such Transferee under this Agreement and the Lease, all obligations and liabilities of such Transferee under this Agreement shall terminate, and thereupon all such obligations and liabilities shall be the responsibility of the party to whom the Transferee's interest is assigned or transferred; and provided further that the interest of Lessee under this Agreement may not be assigned or transferred except to the extent the assignment of Lessee's interest in the Lease is permitted hereunder.

(b) This Agreement is the whole and only agreement among the parties hereto with regard to the subordination of the Lease to the lien or charge of the Mortgage and the Restrictive Covenants, and shall supersede all other subjection or subordination agreements, including, but not limited to, those provisions, if any, contained in the Lease that provide for the subjection or subordination of said Lease to a deed of trust or to a mortgage or mortgages, or other similar mortgage loan documents to the extent inconsistent with this Agreement. This Agreement may not be modified in any manner or terminated except by an instrument in writing executed by the parties hereto.

(c) This Agreement shall be governed by, construed, applied and enforced in accordance with the laws of the State where the Property is located. The invalidity, legality or enforceability of any provision of this Agreement shall not affect or impair the validity, legality or enforceability of the remainder of this Agreement, and to this end, the provisions of this Agreement are declared to be severable.

(d) In the event any legal action or proceeding is commenced to interpret or enforce the terms of, or obligations arising out of, this Agreement, or to recover damages for the breach thereof, the party or parties prevailing in any such action or proceeding shall be entitled to recover from the non-prevailing party or parties all reasonable attorneys' fees, costs and expenses incurred by the prevailing party or parties.

(e) The Agreement may not be modified or amended without the written consent of the parties hereto.

(f) Any notices required hereunder will be in writing and will be either given by U.S. registered or certified mail, return receipt requested, with postage prepaid (except in the event of a postal disruption, by strike or otherwise, in the United States), or sent by personal delivery by a nationally recognized courier service for next day delivery. The current addresses of the parties to which any notice provided for herein shall be sent, are as follows:

If to Owner:

MHI LANDHOLDINGS LLC
P.O. Box 25415
Houston, Texas 77265-5415

With a copy to:
Coats Rose P.C.
9 Greenway Plaza, Suite 1000
Houston, Texas 77046
Attention: Barry Palmer

If to Lessee:

MAGNIFICAT PERMANENT AFFORDABLE, LLC
122 East 42nd Street, Suite 4900
New York, NY 10168
Attention: Terry Green
Telephone: (202) 312-2571
Email: tgreen@nhpfoundation.org

If to Lender:

NHPF CAROLINE CONDUIT, LLC
122 East 42nd Street, Suite 4900
New York, NY 10168
Attention: Terry Green
Telephone: (202) 312-2571
Email: tgreen@nhpfoundation.org

If to Investor:

HUDSON-FM SLP LLC
c/o Hudson Housing Capital LLC
630 Fifth Avenue, 28th Floor
New York, New York 10111
Attention: Joseph A. Macari

If to City:

CITY OF HOUSTON

c/o Department of Housing and Community Development
2100 Travis Street, 9th Floor
Houston, TX 77002
Attention: Assistant Director, Multifamily

With copy to:

City of Houston Legal Department
900 Bagby, 4th Floor
Houston, TX 77002
Attention: City Attorney

Any party may designate another addressee (and/or change its address) for notices hereunder by a notice given pursuant to this Section. Notices delivered personally will be effective upon delivery to an authorized representative of the party at the designated address; notices sent by mail in accordance with the above paragraph will be effective upon execution by the addressee of the return receipt requested.

(g) This Agreement may be executed in several counterparts and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties have not signed the original or the same counterpart.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the parties have hereunto set their signatures and seals to this Subordination and Attornment Agreement as of the date first above written.

OWNER:

MHI LANDHOLDINGS LLC,
a Texas limited liability company

By: Magnificat Houses, Inc.,
a Texas nonprofit corporation,
its sole member

By: _____
John Boyles, Executive Director

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on the ____ day of _____, 2022, by John Boyles, the Executive Director of Magnificat Houses, Inc., a Texas nonprofit corporation, the sole member **MHI LANDHOLDINGS LLC**, a Texas limited liability company, on behalf of said limited liability company.

NOTARY PUBLIC - THE STATE OF TEXAS

Printed Name of Notary

LESSEE:

MAGNIFICAT PERMANENT AFFORDABLE, LLC, a
Texas limited liability company

By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation, its manager

By: _____
Neal Drobenare, Vice President

DISTRICT OF COLUMBIA §

The foregoing instrument was acknowledged before me this ____ day of _____, 2022 by Neal Drobenare, the Vice President of Jamestown Affordable Housing, Inc., a District of Columbia non-profit corporation, the manager of NHPF Caroline MM, LLC, a Texas limited liability company, the managing member **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company, on behalf of said limited liability company.

NOTARY PUBLIC

Printed Name of Notary

My commission expires: _____.

LENDER:

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

By: The NHP Foundation,
a District of Columbia nonprofit corporation,
its manager

By: _____
Neal Drobenare,
Senior Vice President

DISTRICT OF COLUMBIA §

The foregoing instrument was acknowledged before me on the ____ day of _____, 2022, by Neal Drobenare, the Senior Vice President of The NHP Foundation, a District of Columbia nonprofit corporation, the manager of **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company, on behalf of said limited liability company.

NOTARY PUBLIC

Printed Name of Notary

CITY:

SEAL/ATTEST:

CITY OF HOUSTON, TEXAS

Pat J. Daniel
City Secretary

Sylvester Turner, Mayor

APPROVED:

COUNTERSIGNED:

Keith Bynam, Interim Director
Housing and Community Development
Department
APPROVED AS TO FORM:

Chris Brown, City Controller

COUNTERSIGNATURE DATE:

Senior Assistant City Attorney
LD# _____

STATE OF TEXAS

§
§

COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on the ____ day of _____, 2022, by Sylvester Turner, Mayor of the **CITY OF HOUSTON**, State of Texas.

Notary Public, State of Texas

Printed Name of Notary

My commission expires: _____

Exhibit A

LEGAL DESCRIPTION

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

[TO BE ADJUSTED BASED ON FINAL SURVEY]

4600016956
2022-0655

SUBORDINATION AND ATTORNMENT AGREEMENT

THIS SUBORDINATION AND ATTORNMENT AGREEMENT (this "Agreement") is made and entered into as of _____, 2022 by and among **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company ("Lessee"); **MHI LANDHOLDINGS LLC**, a Texas limited liability company ("Owner"); **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company ("Lender") and **THE CITY OF HOUSTON** (the "City").

RECITALS

WHEREAS, Owner is the owner of a tract of land located at 3300 Caroline Street, Houston, Harris County, Texas 77004, together with all appurtenances, easements, rights of way and other rights belonging to or in any way pertaining thereto more particularly described on Exhibit A attached hereto (collectively, the "Land" and, together with any improvements constructed thereon, the "Property"); and

WHEREAS, Lessee has been formed to lease the Land, on which Lessee shall construct a multifamily residential apartment complex, pursuant to the terms of that certain Ground Lease dated as of the date hereof between Owner, as landlord, and Lessee, as lessee (the "Lease"); and

WHEREAS, City is the lender under that certain loan to Lender in the amount of Fifteen Million and No/100 Dollars (\$15,000,000.00) ("City Loan"), which was made pursuant to a Loan Agreement ("City Loan Agreement") between City, Lender, and Lessee and the proceeds of which City Loan were utilized by Lender to make a Fifteen Million and No/100 Dollars (\$15,000,000.00) loan ("Mortgage Loan") to Lessee for the construction of the Property; and

WHEREAS, the Mortgage Loan is evidenced by a Promissory Note made by Lessee for the benefit of Lender dated as of the date hereof (the "Note") and a Loan Agreement dated as of the date hereof by and between Lender and Lessee relating to the Mortgage Loan as amended (the "Mortgage Loan Agreement"), which Mortgage Loan is secured by means of a leasehold mortgage or deed of trust on Lessee's leasehold interest in the Property dated as of the date hereof (the "Mortgage") and other related security documents and financing statements given by Lessee in favor of Lender, as amended (collectively, the "Mortgage Loan Documents"); and

WHEREAS, the City Loan is also secured by a Fee Deed of Trust, Security Agreement and Financing Statement ("Fee Deed of Trust") executed by Owner against the Property; and

WHEREAS, Lender has collaterally assigned the Note, Mortgage Loan Agreement, Mortgage and other Mortgage Loan Documents to the City to secure the City Loan pursuant to a Collateral Assignment of Note and Liens dated the date hereof; and

WHEREAS, in connection with the City Loan, Owner and Lessee have executed certain Restrictive Covenants ("Restrictive Covenants") encumbering the Property which impose certain affordability requirements and operational covenants; and

WHEREAS, the Mortgage Loan Documents and City Loan Agreement require that the City consent to any lease of the Property; and

NOW, THEREFORE, in consideration of the forgoing, 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 hereto agree as follows:

1. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the City Loan Agreement. The following terms are defined as follows:

“Transfer” means (a) the institution of any foreclosure, trustee’s sale or other like proceeding, (b) the appointment of a receiver for Owner, Lessee or the Property, (c) the exercise of rights to collect rents under the Mortgage Loan Documents or an assignment of rents, (d) the recording by the City, Lender or any of their respective successor or assignee of a deed in lieu of foreclosure for the Property, or (e) any transfer or abandonment of possession of the Property to Lender, City or any of their respective successors or assigns, or any other person or entity, including, but not limited to, transfers or abandonments of possession in connection with any proceedings affecting Owner or Lessee under the Bankruptcy Code, 11 U.S.C. §101 et seq., or (f) taking direct or indirect ownership of any member interest (“Ownership Interest”) in the Owner or Lessee except as allowed by the City Loan Agreement.

“Transferee” means Lender or City, their respective successors and assigns, any designee of Lender or City or any other party taking title to the Property, the Lease or an Ownership Interest in connection with or following a Transfer.

2. Subordination. The Restrictive Covenants, Fee Deed of Trust and Mortgage are and shall unconditionally be and remain at all times liens or charges upon the Property prior and superior to the Lease and all rights and privileges of Lessee under the Lease, and the Lease and all rights and privileges of Lessee are hereby unconditionally subjected and made subordinate to the liens or charges of the Restrictive Covenants, Fee Deed of Trust and Mortgage.

3. Amendment, Modification and Termination. Subject to the provisions hereof, none of Lender, Owner or Lessee shall terminate, amend, or modify the Lease (even in the event of a default by the Lessee under the Lease) or take any action or exercise any remedy (at law or in equity) under the Lease without the prior written consent of the City which consent shall not be unreasonably withheld or delayed. Except as allowed by the City Loan Agreement and this Agreement and except for liens allowed under the Intercreditor, Subordination and Funding Agreement between the parties hereto and Harris County, no transfer of any interest in the Lease by Owner or Lessee shall be allowed. The foregoing notwithstanding, the City acknowledges that (a) Magnificat Houses, Inc., a Texas nonprofit corporation (“MHI”), or an affiliate thereof who is a member of the Owner’s managing member (collectively with MHI, the “Option Entity”), holds a Purchase Option to acquire the Project at the end of the fifteen-year Tax Credit Compliance Period (the “Purchase Option” and (b) MHI holds a Right of First Refusal to acquire the Project at the end of the fifteen-year Tax Credit Compliance Period (the “ROFR”), subject to satisfying the requirements in the City Loan Agreement for such transfers. Any transfer of the Lease or interest therein by Owner to MHI or the Option Entity in connection with the Purchase Option or ROFR is preapproved and require no further consent from the City, provided that the conditions in the City Loan Agreement for such transfers are satisfied.

4. Attornment.

(a) Lessee shall attorn to any Transferee, including the City if the City becomes a Transferee, as the landlord under the Lease, provided such Transferee complies with the provisions of this Agreement and the Lease. Said attornment is subject to the limitation of Transferee's obligations set forth in Section 5(b) below and shall be effective and self-operative without the execution of any further instruments upon Transferee succeeding to the interest of the landlord under the Lease. Within ten (10) days after receipt of a written request therefor from a Transferee, Lessee agrees to provide such Transferee with a written confirmation of its attornment and any other matter set forth in this Agreement.

(b) Upon a Transfer of the Property to a Transferee, which Transfer complies with the provisions of this Agreement, the Lease will be recognized as a direct lease from Transferee to Lessee upon such Transfer for the balance of the term thereof. In the event that the Lease is recognized as a direct lease from a Transferee as aforesaid, then the liability of a Transferee under the Lease shall exist only so long as such Transferee is the owner of the Property, and such liability shall not continue or survive with respect to claims accruing after further transfer of ownership. A Transferee shall not be: (i) liable for any act or omission of any prior landlord (including Owner), (ii) subject to any offsets or counterclaims which Lessee may have against a prior landlord (including Owner) or liable for any tenant concessions, buildout allowances or other sums due to Lessee under the Lease which first arose prior to the Transfer, (iii) bound by any prepayment of Base Rent which Lessee may have made in excess of the amounts then due for the next succeeding month, unless specifically approved in writing by Lender and City (City hereby acknowledges and consents to the prepayment of rent under the Lease as set forth in the form, of the Lease that is effective on the date hereof), or be liable or responsible for any security deposit or other sums which Lessee may have paid under the Lease unless such deposit or other sums have been physically delivered to Transferee, (iv) bound by any notices given by Lessee to Owner of which it did not also receive notice, (v) required after a fire, casualty or condemnation of the Property to repair or rebuild the same to the extent that such repair or rebuilding requires funds in excess of the insurance or condemnation proceeds specifically allocable to the Property and arising out of such fire, casualty or condemnation which have actually been received by a Transferee, and then only to the extent required by the terms of the Lease, (vi) bound by any modification to the Lease made without City's consent, such consent not to be unreasonably withheld, or (vii) required to undertake or complete any work Landlord agreed to carryout pursuant to the terms of the Lease.

5. Notice and Cure Rights. Lessee and Owner each agrees, simultaneously with the giving of any notice under the Lease, to give a duplicate copy thereof to Lender and City. Should either Owner or Lessee default in respect of any of the provisions of the Lease, Lender and City shall have the right, but not the obligation, to cure such default, and either Lessee or Owner, as the case may be, shall accept performance by or on behalf of Lender or City as though, and with the same effect as if, it had been done or performed by the defaulting party. Lender and City will have the right (but not the obligation) for thirty (30) days after the service of such notice upon it within which to cure any monetary default and sixty (60) days to cure any other default specified in such notice.

6. Miscellaneous.

(a) This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, their successors and assigns (including all Transferees); provided, however, that in the event of the assignment or transfer of the interest of a Transferee to a third party and such third party's written agreement to be responsible for all obligations and liabilities of such Transferee under this Agreement and the Lease, all obligations and liabilities of such Transferee under this Agreement shall terminate, and thereupon all such obligations and liabilities shall be the responsibility of the party to whom the Transferee's interest is assigned or transferred; and provided further that the interest of Lessee under this Agreement may not be assigned or transferred except to the extent the assignment of Lessee's interest in the Lease is permitted hereunder.

(b) This Agreement is the whole and only agreement among the parties hereto with regard to the subordination of the Lease to the lien or charge of the Mortgage and the Restrictive Covenants, and shall supersede all other subjection or subordination agreements, including, but not limited to, those provisions, if any, contained in the Lease that provide for the subjection or subordination of said Lease to a deed of trust or to a mortgage or mortgages, or other similar mortgage loan documents to the extent inconsistent with this Agreement. This Agreement may not be modified in any manner or terminated except by an instrument in writing executed by the parties hereto.

(c) This Agreement shall be governed by, construed, applied and enforced in accordance with the laws of the State where the Property is located. The invalidity, legality or enforceability of any provision of this Agreement shall not affect or impair the validity, legality or enforceability of the remainder of this Agreement, and to this end, the provisions of this Agreement are declared to be severable.

(d) In the event any legal action or proceeding is commenced to interpret or enforce the terms of, or obligations arising out of, this Agreement, or to recover damages for the breach thereof, the party or parties prevailing in any such action or proceeding shall be entitled to recover from the non-prevailing party or parties all reasonable attorneys' fees, costs and expenses incurred by the prevailing party or parties.

(e) The Agreement may not be modified or amended without the written consent of the parties hereto.

(f) Any notices required hereunder will be in writing and will be either given by U.S. registered or certified mail, return receipt requested, with postage prepaid (except in the event of a postal disruption, by strike or otherwise, in the United States), or sent by personal delivery by a nationally recognized courier service for next day delivery. The current addresses of the parties to which any notice provided for herein shall be sent, are as follows:

If to Owner:

MHI LANDHOLDINGS LLC

P.O. Box 25415
Houston, Texas 77265-5415

With a copy to:

Coats Rose P.C.
9 Greenway Plaza, Suite 1000
Houston, Texas 77046
Attention: Barry Palmer

If to Lessee:

MAGNIFICAT PERMANENT AFFORDABLE, LLC

122 East 42nd Street, Suite 4900
New York, NY 10168
Attention: Terry Green
Telephone: (202) 312-2571
Email: tgreen@nhpfoundation.org

If to Lender:

NHPF CAROLINE CONDUIT, LLC

122 East 42nd Street, Suite 4900
New York, NY 10168
Attention: Terry Green
Telephone: (202) 312-2571
Email: tgreen@nhpfoundation.org

If to Investor:

HUDSON-FM SLP LLC

c/o Hudson Housing Capital LLC
630 Fifth Avenue, 28th Floor
New York, New York 10111
Attention: Joseph A. Macari

If to City:

CITY OF HOUSTON

c/o Department of Housing and Community Development
2100 Travis Street, 9th Floor
Houston, TX 77002
Attention: Assistant Director, Multifamily

With copy to:

City of Houston Legal Department
900 Bagby, 4th Floor
Houston, TX 77002
Attention: City Attorney

Any party may designate another addressee (and/or change its address) for notices hereunder by a notice given pursuant to this Section. Notices delivered personally will be effective upon delivery to an authorized representative of the party at the designated address; notices sent by mail in accordance with the above paragraph will be effective upon execution by the addressee of the return receipt requested.

(g) This Agreement may be executed in several counterparts and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties have not signed the original or the same counterpart.

[The remainder of this page has been left blank intentionally.]

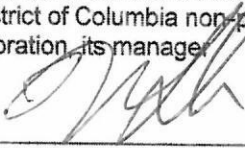
**SIGNATURE PAGE FOR SUBORDINATION,
NONDISTURBANCE AND ATTORNMENT AGREEMENT**

LESSEE:

MAGNIFICAT PERMANENT AFFORDABLE, LLC, a
Texas limited liability company

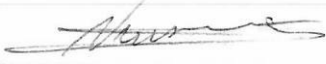
By: NHPF Caroline MM, LLC,
a Texas limited liability company,
its managing member

By: Jamestown Affordable Housing, Inc.,
a District of Columbia non-profit
corporation, its manager

By: 
Neal Drobenare, Vice President

DISTRICT OF COLUMBIA §

The foregoing instrument was acknowledged before me this ____ day of _____, 2022 by Neal Drobenare, the Vice President of Jamestown Affordable Housing, Inc., a District of Columbia non-profit corporation, the manager of NHPF Caroline MM, LLC, a Texas limited liability company, the managing member **MAGNIFICAT PERMANENT AFFORDABLE, LLC**, a Texas limited liability company, on behalf of said limited liability company.



NOTARY PUBLIC

Printed Name of Notary

My commission expires: _____

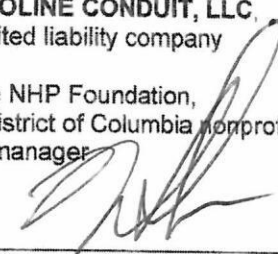
NARCISSE MBAPPE
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires August 31, 2027



**SIGNATURE PAGE FOR SUBORDINATION,
NONDISTURBANCE AND ATTORNMENT AGREEMENT**
LENDER:

NHPF CAROLINE CONDUIT, LLC,
a Texas limited liability company

By: The NHP Foundation,
a District of Columbia nonprofit corporation,
its manager

By: 

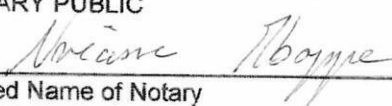
Neal Drobenare,
Senior Vice President

DISTRICT OF COLUMBIA §

The foregoing instrument was acknowledged before me on the ____ day of _____, 2022,
by Neal Drobenare, the Senior Vice President of The NHP Foundation, a District of Columbia nonprofit
corporation, the manager of **NHPF CAROLINE CONDUIT, LLC**, a Texas limited liability company, on behalf
of said limited liability company.



NOTARY PUBLIC



Printed Name of Notary

NARCISSE MBAPPE
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires August 31, 2027



**SIGNATURE PAGE FOR SUBORDINATION,
NONDISTURBANCE AND ATTORNMENT AGREEMENT**

IN WITNESS WHEREOF, the parties have hereunto set their signatures and seals to this Subordination and Attornment Agreement as of the date first above written.

OWNER:

MHI LANDHOLDINGS LLC,
a Texas limited liability company

By: Magnificat Houses, Inc.,
a Texas nonprofit corporation,
its sole member

By: 
Victor Hay, Executive Director

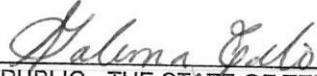
STATE OF TEXAS

COUNTY OF HARRIS

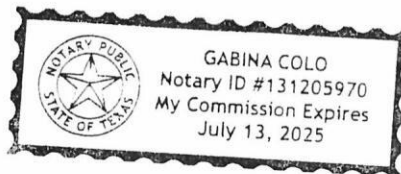
§
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The foregoing instrument was acknowledged before me on the 26 day of September, 2022, by Victor Hay, the Executive Director of Magnificat Houses, Inc., a Texas nonprofit corporation, the sole member **MHI LANDHOLDINGS LLC**, a Texas limited liability company, on behalf of said limited liability company.


NOTARY PUBLIC - THE STATE OF TEXAS

Gabina Colo
Printed Name of Notary



**[SIGNATURE PAGE FOR INTERCREDITOR, SUBORDINATION,
AND FUNDING AGREEMENT.]**

SEAL/ATTEST:

Art J. Hester
10/5/2022, City Secretary

APPROVED:

Keith W. Bynam
Keith W. Bynam, Director
Housing and Community Development
Department

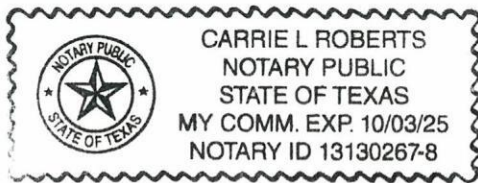
APPROVED AS TO FORM:

[Signature]
Senior Assistant City Attorney
LD# _____

STATE OF TEXAS §

COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on the 5th day of October, 2022, by Sylvester Turner for Sylvester Turner, Mayor of the City of Houston, State of Texas.



ADDRESS FOR NOTICE:

CITY OF HOUSTON
c/o Department of Housing and Community Development
2100 Travis, Suite 900
Houston, TX 77002

CITY:

CITY OF HOUSTON, TEXAS

Sylvester Turner
Sylvester Turner, Mayor

COUNTERSIGNED:

Chris Brown
Chris Brown, City Controller *Shawn Kelle*

COUNTERSIGNATURE DATE:

10/6/2022

Carrie L. Roberts
Notary Public, State of Texas
Carrie L. Roberts
Printed Name of Notary
My commission expires: 10/3/25

Exhibit A

LEGAL DESCRIPTION

Lot 1 of Caroline Place, as recorded under County Clerk's File No. RP-2021-159768, Volume 694, Page 437, Map Records, Harris County, Texas, being a subdivision of 1.148 acres of land, being a Replat of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5 of Cushing Park as recorded under Volume 1, Page 30, Map Records, Harris County, Texas, located in the Obediance Smith Survey, A-696 and the James S. Holman Survey, A-323, City of Houston, Harris County, Texas.

[TO BE ADJUSTED BASED ON FINAL SURVEY]