



CITY OF HOUSTON
HCD Purchasing Unit 3200

SRO NUMBER MUST APPEAR ON ALL PAYMENT AND
DELIVERY CORRESPONDENCE

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SERVICE RELEASE ORDER

Vendor Address Vendor Address Number 158366 SOUTH RICE APARTMENTS LTD 6517 MAPLERIDGE STREET HOUSTON TX 77081 USA	Information SRO Number/Date 4500314869-0 / 12/06/2019 CoH Vendor Number 158366 Page 1 of 2 Buyer's Name Arva Dearborne 458 Buyer's Telephone Number 832-394-6328 Buyer's Fax Number Buyer's E-mail Address Arva.dearborne@houstontx.gov
Mail Invoice to COH HOUSING & COMMUNITY DEV FINANCIAL SERVICES SEC, ACCT PAY PO Box 1562 HOUSTON TX 77251-1562	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:	2019-1017
Your person responsible:	LESLIE WINSTON
Your reference:	2019-1017
SOUTH RICE APARTMENTS, LTD FOR SUBORDINATION AGREEMENT TO PROVIDE A LOAN OF HURRICANE HARVEY COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY FUNDS FOR MULTIFAMILY PROGRAM TERM EFFEC CS DATE CONTRACT AMT. \$12,400,000.00 CS 12/16/2019 ----- FOR LOAN AGREEMENTS WITH SOUTH RICE APARTMENTS LTD to provide \$12,400,000 loan of Hurrican Harvey Community Development Block Grant Disaster Recovery Funds for the City's Harvey Multifamily Program to partially finance the new construction of South Rice Apartments.	

Item	Quantity	UM	Material # / Description	Unit Cost	Extended Cost
10	1.00	AU	99884 REAL ESTATE (INCL. B South Rice Apartments Release Order against contract 4600015844 Item 00010 12/6/2019 AYD South Rice Apartments Multi-Family Project Original Value \$12,400,000	12,400,000.00 / AU	12,400,000.00



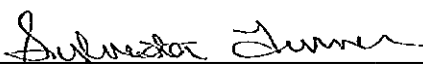


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PO number/date 4500314869 -0 / 12/06/2019 Page 2 of 2

Item	Quantity	UM	Material # / Description	Unit Cost	Extended Cost
	Gross Price		USD 1 AU	1.000	12,400,000.00
			12,400,000.00		
			*** Item partially delivered ***		
			Expected value of unplanned services: 12,400,000.00		
			Delivery Date: 06/30/2020		
Total ****				USD	12,400,000.00
2019-1017 ORD PASSED 12/11/2019 EXECUTED					
BY MAYOR 12/13/2019 CS 12/16/2019					
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.					

I hereby certify a certificate of the necessity of this expenditure is on file in this department.	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.
	
Mayor	Chief Procurement Officer
	
	Controller

4600015844
2019-1017

LOAN AGREEMENT

Dated December 19, 2019

By and between

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

and

**SOUTH RICE APARTMENTS, LTD.,
a Texas limited partnership**

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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 **SOUTH RICE APARTMENTS, LTD.**, a Texas limited partnership ("Borrower").

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 and City 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 Twelve Million Four Hundred Thousand and No/100 Dollars (\$12,400,000.00) ("Loan Amount") (the "Loan" "City Loan" or the "City's Loan"). The Loan Amount is subject to adjustment as hereinafter provided. The City's Loan will provide for the acquisition and/or construction of affordable housing to replace 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-B489, as may be amended from time to time ("GLO Contract") between GLO and the City. 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 has 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.

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). Until Project Completion Borrower shall have no obligation to make payments on the City Loan. Following Project Completion the outstanding principal balance of the Note shall accrue interest at the rate of one percent (1%) per annum. From Available Cash Flow, Borrower shall pay an annual installment equal to the lesser of (i) one percent (1%) annually on the outstanding balance of the City Loan

plus accrued unpaid interest, if any, or (ii) fifty percent (50%) of Net Cash Flow. The annual interest payment or non-payment of such interest shall be accompanied by evidence acceptable to the Director documenting cash flow or lack of sufficient Net Cash Flow. Unpaid interest will accrue and will be payable from future Available Cash Flow. For purposes of this provision Available Cash Flow shall mean 50% of Net Cash Flow, defined as follows:

Net Cash Flow shall mean all income and revenues actually received by Borrower from the lease of the Project Units and other improvements, and all other income and revenues actually received by Borrower in connection with the Project, excluding and deducting therefrom all (1) Operating Expenses, including without limitation any debt service payments related to the Senior Loan; (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, any tax credit adjustments, and asset management fees and loans from any partner of Borrower (to the extent the repayment of any such loan (a) is not secured by the Project, and (b) is made for the purposes of covering operating deficits under the approved operating budget for the applicable year and not for the purposes of facilitating distributions to the partners of Borrower).

The outstanding principal balance of the Note together with accrued but unpaid interest shall be due and payable at the Maturity Date.

Provided that no Default then exists and subject to the Director's consent and the conditions of this Section, Borrower may, at its option, extend the Term of the 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 Borrower. 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 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 Senior Lender's interest in the Replacement Reserve Account(s) under the Senior Loan Documents.

D. In the event the Director elects to accelerate payment of the Note and declare that all sums under the Loan are immediately due and payable upon the declaration by the Director of a Default under (a) this Agreement, (b) the terms of the Note or other documents securing or evidencing the City Loan, or (c) the City's Restrictive Covenants, the principal balance of the 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 Deed of Trust on the Project. In furtherance of the foregoing, Borrower shall execute and deliver any instruments, documents and/or agreements necessary to create or perfect the security interests referenced hereunder.

F. Borrower shall use the proceeds of the City Loan for the payment of the costs to acquire and construct rental housing to be known as South Rice Apartments, located at 5612 South Rice Avenue in Houston, Harris County, Texas. The Land on which the Project is located is described in Exhibit A attached to this Agreement. The 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 construction completion requirements under this Agreement and the Construction Contract as well as Guarantor's other obligations under the Guaranty.

H. Reserved.

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 to submit information to the Director on various aspects of the Project. Borrower 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 ("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 shall comply and shall cause its 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 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 acknowledges that it has reviewed the requirements for Good Faith Efforts on file with the OBO and shall comply with them.

Borrower shall ensure and shall cause its 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, 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 agrees 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.

M. If the Loan Proceeds do not cover all of the costs of the Project, Borrower shall have obtained at the time of Closing a firm commitment for the funding of the remaining

acquisition costs (if applicable) and the construction costs to repair, renovate, construct and/or reconstruct the Project (collectively, together with the Senior 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, Borrower 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.

O. The replacement reserve ("Replacement Reserve") shall be no less than \$300.00 per unit annually, increasing by 3% annually, pursuant to the terms of the Senior Loan Documents, to the extent that such Replacement Reserve is required pursuant to such Senior Loan Documents, or, to the extent not so required, pursuant to Section 6.24 of this Agreement. The City shall have a subordinate security interest in the Replacement Reserve, and Borrower shall execute any instruments or other documents provided by the City that are necessary to create or perfect such interest.

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 has 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 Borrower’s contractors and subcontractors are subject;
- (b) insurance to be maintained by the Borrower and also to be contained in the Approved Construction Contract and other Construction and Supply Contracts
- (c) Release and Indemnity provisions to be 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 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) Reserved;
- (m) GLO Lien Waiver;
- (n) Minimum Property Standards; and
- (o) City of Houston Workforce Protection Requirements.

2. 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.

3. 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 as conditions precedent to the Closing of the City's Loan or to be executed by Borrower 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 confirms, agrees and acknowledges 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, Borrower hereby covenants and agrees to comply with the terms therewith. Borrower further agrees to comply with all laws and other requirements contained in the Appendices.

SECTION TWO **REPRESENTATIONS AND WARRANTIES**

Borrower hereby represents and warrants, 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, as follows:

2.1. Ownership and Use of Land. Borrower holds or will hold either at the time of Closing or as a result thereof fee simple title in and to the Land located in Houston, Harris County, Texas, having an address of 5612 South Rice Avenue, Houston, Harris County, Texas 77081, and more particularly described on EXHIBIT "A", subject however, to the Permitted Encumbrances (as defined in the Deed of Trust). Borrower shall promptly disclose to the Director if Borrower has acquired the Land from any officer, director, employee, partner, company or individual of, related to or affiliated with Borrower.

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 in all material respects as of the date hereof.

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 Borrower has an effective agreement providing that another party is liable for all liability, accruing prior to Borrower's acquisition of the Land or Project, 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.

2.4. Financial Capacity.

2.4.1. The financial representations made to the City by Borrower concerning Borrower's financial condition are true and correct in all material respects and, upon the Closing of the City Loan, Borrower has the financial capacity to carry out its obligations under this Agreement and the Loan. If any material negative change in Borrower's financial condition occurs, Borrower 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 in all material respects 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 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 or Guarantor to perform hereunder. Borrower has provided the City with a true and correct listing with addresses of all multifamily properties owned or managed by Borrower.

2.5. Authorization. All action on the part of Borrower 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.

2.6. Liens. As of the Closing Date, there are no existing or threatened liens against the Project (other than the lien securing the Senior Loan), and the Borrower does 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 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 Borrower's equity.

2.8. Expertise. Borrower has engaged or will timely engage competent persons and firms for the purpose of constructing, leasing and managing the Project.

2.9. Legal Existence. Borrower is a limited partnership, duly created and validly existing and in good standing under the laws of the State of Texas.

2.10. Insurance Claims. Borrower has provided the Director with true and correct copies of all insurance claims made or which Borrower plans to make (together with all supporting documentation), if any, 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. To the extent any such claims arise after the date hereof, 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 such Governmental Authority to assure the complete construction and installation of such roadways.

2.12. Conflict of Interest. Borrower does not have 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 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 Closing of the City Loan:

3.1. Execution and Approval of Property Management Agreement. The 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 (subordinate, however, to the assignment to Senior Lender) 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, such consent not to be unreasonably withheld, and shall provide that the Property Manager may be terminated by Borrower if required by the Director.

3.2. Execution and Approval of Architect's Contract. The Borrower 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 (subordinate, however, to the assignment to Senior Lender) 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, 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 (subordinate, however, to the assignment to Senior Lender) 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 shall pay the City \$5,000.00 for review of the Approved Plans, Specifications and Drawings and cost review.

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 substantially 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 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 (including without limitation, the Senior Lender Loan) in the order specified in the Approved Construction Schedule or in the Subordination Agreement.

3.6. Approval of Financing Documents. The Director shall have approved the documents evidencing the Other Financings.

3.7. Priority of City's Restrictive Covenants and Declaration of Subordination. 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 Senior Loan and any Other Financings (including without limitation, any refinancings or refundings thereof subsequent to the Closing Date). Such priority shall be evidenced pursuant to the Subordination Agreement executed by the Senior Lender, the City, and Borrower (and/or any other lender or person providing any Other Financing to Borrower) and filed for record in the Official Public Records of Real Property, Harris County, Texas, on the Closing Date, in the form

set forth in the Attachment "H" or in a form otherwise approved by the City Attorney (the "Subordination Agreement").

3.8. Reserved.

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., 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 materially from the Preliminary Project Budget unless such variance is approved in writing by the Director, such approval not to be unreasonably withheld, conditioned or delayed. 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 in such 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. 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 Borrower, at the Borrower'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 Borrower's agreement with any Approved Inspectors engaged by Borrower 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. Notwithstanding the foregoing, if Senior 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 Senior Lender's inspectors, provided that (a) the inspection reports are addressed to the City, and (b) the City is entitled to rely on the inspection reports. The City may charge and Borrower shall pay \$1,000.00 a month for construction inspections or review throughout the construction period.

3.10. Construction Contract and Related Matters.

3.10.1. Approved Construction Contract. Borrower and Contractor (and Contractor and its prime subcontractor) shall have executed the Construction Contract approved by the Director ("Approved Construction Contract"), which Approved Construction Contract will be collaterally assigned to the City (subordinate, however, to the assignment to Senior Lender) 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 not exceed 6%, 2%, and 6%, of the cost of the Work, respectively.

3.10.2. Bonds. Borrower or Contractor 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". Borrower will cause Contractor 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, in all material respects, 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 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 Borrower, or Contractor for the benefit of Borrower, 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 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 Borrower, at Borrower'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. The Title Company shall issue at Borrower'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 _____, 2019 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.

3.14.2. City's Loan Title Policy. The Title Company shall issue at Borrower'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 second lien priority of the liens securing the City's Loan, subject only to:

- (1) the Senior Loan,
- (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 2", if the Director has required) environmental site assessment (and any updates thereto) performed by a qualified environmental services firm, furnished to the Director by the Borrower, at the Borrower'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 assessment must show, among other things that the Project is not in a Coastal Barrier Resource Zone or in a runway clear zone. The environmental 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 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. Reserved

3.16. Reserved.

3.17. Reserved.

3.18. Cost Reasonableness Analysis; Property Condition Assessment. Borrower 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 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 the Senior Lender if the City is a named recipient of such reports.

3.19. Tenant Selection Policy. With respect to the Designated Units, Borrower shall adopt written tenant selection policies and criteria reasonably acceptable to the Director (“Tenant Selection Policy”). Borrower’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. Borrower 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. Borrower shall provide City with a copy of the Purchase Agreement for the Project.

3.23. Entity Documentation. Borrower shall provide City with copies of (i) Borrower’s executed Partnership Agreement, together with all notes, guarantees and other instruments and agreements issued pursuant thereto; (ii) all corporate and company documents for Borrower’s general partner or managing member, as applicable, and any Guarantor; and (iii) evidence of Borrower’s and Borrower’s general partner or managing member, as applicable, 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 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 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 (subject to Senior Lender’s rights under the Senior Loan Documents) together with an acknowledgement of the assignment by the counterparties thereto.

3.26. Reserved.

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 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. Reserved;
3. the Deed of Trust;

4. the Financing Statements;
5. the City's Restrictive Covenants;
6. Reserved;
7. the Assignment of Construction Contract and Assignment of Major 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. Reserved;
13. the Environmental Indemnity Agreement;
14. the Subordination Agreement;
15. Reserved;
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 only for the purposes set forth in this 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 general or limited partner of Borrower, or employee of Borrower, or any company or individual related to or affiliated with Borrower;
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. Reserved;
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 insurance required by this Agreement or by the Deed of Trust, including flood insurance when required pursuant to the National Flood Insurance Act of 1968 or the Flood Disaster Act of 1973;
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 (if applicable), 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;
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. Reserved;

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 the Borrower's general partner 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;
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.
44. legal opinion(s) of counsel for Borrower and Guarantor addressing, without limitation the authority of the parties signing this agreement and the closing documents on behalf of the Borrower 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 Borrower's Affirmative Fair Housing Marketing Plan;
46. the Tenant Selection Policy;
47. the Entity Documentation and Borrower's Partnership Agreement;
48. Utility Letters;
49. all other financing and recordable documents required by other lenders and the City's Housing and Community Development Department, as applicable; and
50. 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, 34-36, 42-44 and 47 and 49 listed above must be in form and substance acceptable to the Director and the City Attorney, in their sole discretion. Items 21-23, 26-33, 37-41, 45-46, 48 and 50 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 from GLO. The City has the right to also require the assignment of any contracts with respect to the operation of the Project and the acknowledgement of such

assignment by the counterparties thereto (such assignments to be subordinate to like assignments to Senior Lender).

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, 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 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. For all draws other than the initial closing draw, the remaining amounts of the City Loan shall be drawn into an account in the name of Borrower and controlled by and held by Senior Lender (the "Construction Account"). Funds may only be drawn down for eligible costs in accordance with the Final Construction Budget. Senior Lender has the authority to further approve such draws that have been submitted by the Borrower, approved by the Director and wired into the Construction Account in accordance with the requirements of this Agreement and the other Loan Documents.

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. Notwithstanding the foregoing, the parties to this Agreement may agree in writing among themselves to close the City Loan in an alternative manner.

4.5 Closing Deadline. Notwithstanding anything contained in this Agreement to the contrary, Borrower shall cause all conditions precedent to Closing to be satisfied, to the extent the same have not been waived by the City in writing, on or before January 31, 2020 (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, in which event the City’s obligations hereunder shall automatically cease and be of no further effect.

4.6 City Expenses. Borrower shall pay all third party expenses incurred by the City whether or whether not the 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 Federal Funding. Borrower understands 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 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.

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 Loan, the City may do so without obligation to Borrower and without being liable to Borrower for any damages Borrower may incur as a result of such cessation in funding. The City shall give Borrower 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 with notice of interruption as contemplated in this Section Five, Borrower 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 environmental review and receipt by the City of a written "release of funds" authorization from GLO under 24 C.F.R. Part 58. The parties further agree that if the City is to provide any funds to the Borrower 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

Borrower agrees as follows:

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

6.1.1 Use of Proceeds. Borrower shall use the proceeds of the City Loan and the Other Financing only for items included in the Approved Final Project Budget. Further, proceeds of the City 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 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 Loan does not constitute a duplication of benefits to Borrower 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.

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 Subordination Agreement among City, the Senior Lender, and Borrower, in the form attached hereto in the Attachments.

6.1.3 Reimbursement to City. Borrower agrees that it shall 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 expenditure of funds loaned to it 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; Adjustment of Loan Amount. No Work shall commence on the Project prior to the Closing of the City's Loan. Borrower 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 (other than acquisition costs, if any, to be advanced by the City). Borrower shall complete the Work in accordance with the Approved Construction Schedule but in no case later than the earlier of (i) twenty-four (24) months after the Closing of the City's Loan subject to Force Majeure extensions 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 not to be unreasonably withheld, conditioned, or delayed. Subject to waiver by the Director, Borrower shall not be entitled to receive any disbursements of the City Loan after the expiration of the Approved Construction Period. Notwithstanding anything contained in this Agreement or any Loan Document to the contrary, the Loan Amount shall be adjusted to Ten Million and No/100 Dollars (\$10,000,000.00) and Borrower shall be entitled to advances under this Agreement and the Note of a maximum of Ten Million and No/100 Dollars (\$10,000,000.00) if the Department of Labor consents to the use of residential wages as opposed to commercial wages on the construction of the Project. In such case the references in the Loan

Documents to the Loan Amount shall automatically be amended to be \$10,000,000.00, provided that Borrower shall be required to execute such amendments to the Loan Documents as may be required by the Director in consultation with the City Legal Department. The City will have no obligation to advance the portions of the Loan Amount above \$10,000,000.00 until and unless the Department of Labor makes the determination on the applicable wages unless otherwise agreed by the Director in consultation with the City Attorney. If advances in excess of \$10,000,000.00 are made and a determination is made by the Department of Labor that residential wages apply, principal advances in excess of \$10,000,000.00 must be repaid within thirty (30) days of such determination.

6.2.2 Good and Workmanlike Manner; Engagement of Experts. Borrower shall perform or cause to be performed, the Work in a good and workmanlike manner and in accordance with the Approved Plans, Specifications and Drawings, the Approved Construction Schedule, the Approved Final Construction Budget and the Approved Construction Contract. Borrower shall engage competent persons and firms for the purpose of constructing, leasing and managing the Project.

6.2.3 Compliance with Approved Construction Contract and Approved Construction Project Management Agreement. Borrower shall fully and timely perform Borrower's obligations under the Approved Construction Contract and/or, if applicable, the Approved Construction Project Management Agreement.

6.2.4 Written Agreements With Subcontractors. Borrower 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 Borrower (if the Borrower 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 Borrower's Insurance Requirements. Borrower 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 also comply with all insurance requirements of any Senior Loan Documents. In the event of a conflict between the insurance requirements of the Senior Loan Documents 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 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 Senior Loan 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 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 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 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 provide the Director with copies of any and all reports (of any nature) provided to or prepared by (or for) the Senior Lender.

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 sixty two (62) 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 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 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.
- (b) Designated Units shall be rent restricted based upon the following criteria:
 - (1) Seven (7) of the Designated Units shall be restricted to households at rents that do not exceed thirty percent (30%) of AMI.
 - (2) Thirteen (13) of the Designated Units shall be restricted to households at rents that do not exceed fifty percent (50%) of AMI.
 - (3) forty-two (42) of the Designated Units shall be restricted to households at rents that do not exceed sixty percent (60%) 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 and household 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 shall “float” within the Project. No later than ninety (90) days prior to the initiation of rental activities at the Project, Borrower 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 Restrictive Covenants.

6.8.5 Reserved.

6.8.6 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.

6.9 Annual Reevaluation of Rents. For purposes of monitoring compliance with the Affordability Requirements, Borrower shall, prior to the occupancy of any tenant in a Designated Unit and thereafter annually, submit to the Director for his approval, the rents proposed to be charged by Borrower for the coming year for Designated Units and the monthly allowances proposed by Borrower for the coming year for utilities and services to be paid by the tenant. In connection with Borrower's annual submission of proposed rents, Borrower shall reexamine the income of each tenant family living in a Designated Unit. Borrower 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 is subject to the provisions of the leases, in any event, and Borrower 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, 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

Borrower 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 Borrower enters into any new or renewal leases for Designated Units, the Director shall approve a form lease that shall be used for occupancy of the Designated Units. Borrower shall not make any modifications to such form lease without the Director's prior written approval. Borrower shall enter into leases in such approved form with each tenant of a Designated Unit. The term of each lease of a Designated Unit shall not be less than one year unless Borrower and the tenant mutually agree otherwise.

6.12 Reserved.

6.13 Tenant Selection Policy; Marketing. Borrower 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 Reserved.

6.13.2 Borrower shall not refuse to lease a Designated 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 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. Borrower 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.

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

6.15.1 Borrower shall follow the recordkeeping requirements set forth in this Agreement or required by the Director, including to establish and maintain such records as may be necessary to facilitate review and audit by GLO or HUD of the City Loan in connection with the CDBG Regulations under 24 C.F.R. § 570.492 and 24 C.F.R. § 570.493. The Director, GLO and/or HUD shall have the right to audit Borrower's books and record and compliance with this Agreement upon reasonable notice to Borrower.

6.15.2 Borrower shall provide to 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 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); (c) financial statements (balance sheet and operating statements) of Borrower, in a form acceptable to the Director, within 120 days (for unaudited statements) and six months (for audited statements) following the close of Borrower's 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) following the close of Guarantors' fiscal year. The annual financial statements of Borrower and Guarantor shall be audited by an independent

certified public accountant upon the request of the Director. If the Director requires, Borrower 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 Borrower's compliance with the requirements of this Agreement, Borrower shall provide the Director with all monthly, quarterly or annual compliance reports as the Director reasonably requests.

6.15.4 The City shall have ownership of all information, including reports and data, prepared or assembled by Borrower for purposes of meeting CDBG-DR17 Program requirements and the contractual requirements of this Agreement; provided, however, Borrower may provide copies of such information to third parties.

6.15.5 Borrower 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 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 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 an annual monitoring compliance fee to the City in the amount of \$30.00 per Unit restricted herein.

6.16 **Notice of Claims or Suits.** Borrower shall give the Director prompt written notice of any causes of action, suits, or other legal proceedings filed or any claims made against the Project, Borrower or Guarantor, or, to the extent that it would have a material adverse effect on the Project, and Borrower or Guarantor has notice thereof.

6.17 Minority, Women and Small Business Enterprises. For purposes of this Paragraph 6.17, the term “Borrower” shall mean and include, collectively, Borrower, its Construction Project Manager(s) and its general contractor(s). In order to monitor Borrower’s good faith efforts to adhere to the City’s MWSBE’s programs, Borrower 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, Borrower shall not enter into any transaction in connection with this Agreement with any director, officer, employee, partner, or affiliate of Borrower without the prior written approval of the Director. If the Land for the Project was acquired by Borrower from any director, officer, employee, partner, or affiliate of Borrower, 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.

6.19 Taxes and Insurance. Borrower 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 at its option shall either: (1) fund an escrow account with Senior Lender 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 Borrower escrows funds with Senior Lender, Borrower shall provide the City with evidence of the adequacy of such escrows. Further, to the extent that Borrower fails to escrow funds with the Senior Lender,

the Director reserves the right to require Borrower to escrow funds for taxes and insurance premiums with the City.

6.20 HUD Section 3 Requirements. If applicable, Borrower 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 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 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 Borrower's intention to retain any person or firm for the purpose of constructing, leasing and managing the Project and Borrower shall provide evidence of the expertise and competence of such persons and firms that Borrower intends to engage for the purpose of constructing, leasing and managing the Project.

6.23. Compliance with Applicable Law.

6.23.1 Borrower 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, the 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").

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

6.23.3 Borrower 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.

6.23.4 Borrower shall cause the Project and the Work 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"). Five percent (5%) of the total number of units at the Project (i.e. six (6) 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 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 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 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 Borrower 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 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.

6.24 Replacement Reserve and Operating Reserve. In accordance with the Senior Loan Documents, but not later than the first (1st) anniversary following Project Completion, Borrower shall establish with Senior Lender, or to the extent not funded with the Senior Lender, a financial institution acceptable to the Director and Senior Lender in their 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 the greater of (i) \$300.00 per unit annually, increased by 3% annually, or (ii) the reserve required by the Senior Lender per Unit per annum. If the Senior Lender requires a Replacement Reserve Account meeting these requirements, no additional reserve shall be required by the City. 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). In the event that the Senior Lender does not require a Replacement Reserve Account pursuant to the immediately preceding sentence, the City shall have the right to cause Borrower 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, Borrower shall be entitled to utilize amounts in the Replacement Reserve Account as necessary, provided that Borrower shall replenish the amount withdrawn by continuing to fund deposits to the Replacement Reserve Account in accordance with the preceding sentence. Any replacement reserve amounts required under the Senior Loan Documents may be applied toward satisfaction of the Replacement Reserve Account requirements in this Agreement. If the Replacement Reserve is not required by the Senior Lender, the Director may require that the Replacement Reserve Account and all amounts held therein shall be collaterally assigned to the City pursuant to a pledge and account control agreement in form and substance acceptable to the Director in his or her sole and absolute discretion. If the Replacement Reserve is required by the Senior Lender, the City shall have a second lien priority interest in the Replacement Reserve Account and the funds contained therein. On an annual basis, Borrower shall provide the Director with an accounting of the Replacement Reserve Account. If not required by the Senior Lender or Borrower's Partnership Agreement, the

Director may require Borrower 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 comply with all insurance requirements set out in the Senior Mortgage, the Deed of Trust securing the 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 by Borrower, directly or indirectly out of the proceeds of the City's Loan (except as provided in the Approved Final Construction Budget or the Approved Final Operating Budget). During the Term, no consulting or developer's fees shall be paid by Borrower 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 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 Borrower and promptly invested in the capital improvement of the Project, 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, in additional services for residents, or deposited in the Replacement Reserve Account as provided above. Borrower covenants to notify the City in writing at least ten (10) days in advance of any distribution of Project income to Borrower's partners, shareholders or members as applicable. For purposes of this Section 6.28, "distribution" means those amounts distributed to Borrower's partners as identified in the Partnership Agreement that are not in payment (or repayment) of specific amounts due to such partners for assumed tax liability, tax credit shortfalls and loan repayments to Partners of Borrower (to the extent the repayment of any such loan (a) is not secured by the Project, and (b) is made for the purposes of covering operating deficits under the approved operating budget for the applicable year and not for the purposes of facilitating distributions to the partners of Borrower).

.6.29 Modification Fees. In the event that a modification of this Agreement or any change in any Loan terms 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 GLO Requirements. Borrower agrees to comply with, or will cause its contractors and any subcontractor to comply with, the following requirements imposed by the General Land Office ("GLO") based on the fair housing and affirmatively furthering fair housing review for the Project: (a) All noise, asbestos, lead-based paint or other mitigation actions required in the Environmental Review for the Project are to be implemented; and (b) Fencing with coded access shall be installed and surround the Project.

6.31. Cost-Plus Prohibition. Borrower acknowledges and agrees, in connection with all work at the Project, that neither Borrower nor Borrower's contractors and any subcontractor 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 Project.

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 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 applicable 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 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 may, with the Director's approval, such approval not to be unreasonably withheld, conditioned or delayed, 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, Borrower shall deliver 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 portion thereof) included in any Disbursement Request or if all required information has not been submitted, then the Director shall notify Borrower 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 if the objection is to a portion thereof, then as to the applicable portion of the Disbursement Request) until such time as Borrower 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 Borrower'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 Borrower shall provide a down-date endorsement (T-3) to the City Loan Title Policy together with conditional 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 (and in all events, subject to the rights of Senior Lender under the Senior Loan Documents and Tax Credit Investor under Section 10.3 hereof):

10.1.1 Failure to Pay. If Borrower fails to pay, when due, any portion of the indebtedness evidenced by the Note and/or Loan Agreement and such failure continues for ten (10) days after written notice thereof from the Director to Borrower.

10.1.2 Breach of Affordability Requirements and/or Restrictive Covenants. If Borrower 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 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, provided, however, that if the Restrictive Covenants do not provide a cure period, Borrower shall not have cure rights hereunder.

10.1.3 Breach of Other Covenants or Conditions. Except for the breaches of covenants or conditions covered by Section Ten, Paragraphs 10.1.1 and 10.1.2 above, if Borrower 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, 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 violation to occur under Applicable Law or cause a recapture of the tax credits or (ii) any breach or failure of performance of a life safety requirement, such event shall be deemed a Default hereunder without any notice or opportunity to cure;

10.1.3 Breach of Representations or Warranties. If any representation or warranty made by Borrower 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 shall have thirty (30) days after written notice to the Borrower 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 or cause a recapture of the tax credits, such event may be deemed and declared a Default hereunder without any notice or opportunity to cure.

10.1.4 Voluntary Actions. If Borrower 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.

10.1.5 Involuntary Actions. If a petition is filed against Borrower 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 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.

10.1.6 Dissolution or Liquidation. If Borrower 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.

10.1.7 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.

10.1.8 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.

10.1.9 Failure to Obtain or Default Under Other Financing. If Borrower fails to obtain any funding of the Other Financing in the order required under the Subordination Agreement (if applicable) or if 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.

10.1.10 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.

10.1.11 Change of Ownership or Management.

(a) Except as otherwise permitted by the terms of this Agreement, if all or any part of Borrower's interest in the Project is transferred (excluding transfers of membership or partnership interests in Borrower to or by the Tax Credit Investor (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 Borrower, 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 in the reasonable discretion of the Director, which approval may be granted or withheld by the Director. In the case of a transfer of

Borrower's interest in the Project, 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 under the Loan Documents in a form acceptable to the Director and the City Attorney; 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, such consent not be unreasonably withheld.

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

10.1.13 **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 of such finding or exception or for such greater period as shall be necessary to cure such finding or exception so long as Borrower commences to cure such finding or exception within thirty (30) days after written notice thereof to Borrower and satisfactorily completes such cure.

10.1.15 **Removal of Borrower's General Partner.** Notwithstanding anything to the contrary contained in this Agreement or the Loan Documents, the removal and/or replacement of Borrower's general partner for cause in accordance with Borrower's Partnership 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 Loan. The consent of the Director shall be required for the appointment of a new general partner, but if the Tax Credit

Investor exercises its right to remove the Borrower's general partner for cause, City will not unreasonably withhold its consent to the substitute general partner; provided however, the consent of neither the City nor the Director shall be required if the substitute general partner is an affiliate of the Original Tax Credit Investor. The substitute general partner shall assume all of the rights and obligations of the removed general partner of Borrower hereunder.

10.1.16 Transfer of Tax Credit Investor's Partnership Interest.

Notwithstanding anything to the contrary contained in this Agreement or the other 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 limited partnership interest in Borrower to or for the benefit of any financial institution that enables such Tax Credit Investor to make its capital contribution to Borrower, or (b) the transfer and/or the assignment by Tax Credit Investor of its interest in Borrower to an entity controlled or managed by an entity which is related to or under common control with Tax Credit Investor, or (c) transfers of interests in 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, Borrower shall not 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.

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 the Senior Lender 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 the Tax Credit Investor and/or the Senior Lender 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. The City shall give notice to the Senior Lender and Tax Credit Investor of any default or Default by Borrower at the same time the City gives notice to Borrower.

10.4 Reserved.

10.5 City's Remedies. Subject to the terms of the Subordination Agreement, upon the declaration of a Default by the Director and the failure by Borrower or Senior Lender 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 Loan are immediately due and payable; (iii) foreclose on the Project; (iv) cease funding any disbursements under the 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, if the Director so chooses this

remedy, the outstanding deferred principal balance shall be immediately due and payable. Upon the occurrence and continuation 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 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 Loan upon the occurrence and continuance of a Default, the Borrower 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 Borrower for delays, defective workmanship or material, or for other items related to Work on the Project and such sums are not used by Borrower 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 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 Loan. The amount of such savings or damages to be paid to the City and applied to the Loan shall be equal to:

- (i)
$$\frac{(\text{The total amount of the Loan disbursed for Work}) \times (\text{amount of cost savings realized or damages received})}{(\text{The total Work cost})}$$
- (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 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. BORROWER, ITS PREDECESSORS, SUCCESSORS AND ASSIGNS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS SECTION AS "BORROWER") 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. BORROWER 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 BORROWER'S ACTUAL OR ALLEGED NEGLIGENCE OR OTHER ACTIONABLE PERFORMANCE OR OMISSION OF BORROWER 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, BORROWER 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 BORROWER, WHETHER BORROWER IS IMMUNE FROM LIABILITY OR NOT.

IT IS THE EXPRESSED INTENTION OF THE PARTIES HERETO THAT THE INDEMNITY PROVIDED HEREIN IS AN AGREEMENT BY BORROWER 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 BORROWER.**

SECTION FIFTEEN
NOTICE

All notices, demands, certificates, or other communications hereunder 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) business 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:

TO THE CITY:

City of Houston
c/o Housing and Community Development Department
2100 Travis, 9th floor
Houston, TX 77002
Attention: Director

With a copy to:

City of Houston Legal Department
900 Bagby, 4th Floor
Houston, TX 77002
Attention: Section Chief, Disaster Recovery

With a copy to: Housing and Community Development Department
2100 Travis, 9th floor
Houston, TX 77002
Attn: Asia Speights
E-mail:Asia.Speights@houstontx.gov

TO BORROWER: South Rice Apartments, Ltd.
6517 Mapleridge
Houston, Texas 77081
Attn: Doak Brown

With a copy to: Locke Lord LLP
600 Congress Avenue, Suite 2200
Austin, Texas 78701
Attn: Cynthia Bast

Regions Bank
1717 McKinney Avenue, Suite 1200
Dallas, Texas 75202
Attention: David Payne

Jones Walker
420 20th Street North, Suite 1100
Birmingham, AL 35203
Attn: Kelly Rushin and Brandon Hughey

Hudson SLP LLC
c/o Hudson Housing Capital LLC
630 Fifth Avenue, 28th Floor
New York, New York 10111
Attention: Joseph A. Macari

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.

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 and Borrower, and as applicable, benefit GLO. Neither the U.S. Government, HUD, any subcontractor or supplier, nor any other person or entity, is a party to or a third-party beneficiary of this Agreement.

18.3 Exculation. The City shall not be liable to Borrower 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 the interpretation and application of this shall be construed, applied 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 and Borrower 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 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 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 Reserved.

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. Borrower acknowledges notification by the City that it has a statutory responsibility to notify any buyer of the Project of the requirement to obtain and maintain flood insurance.

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 Loan for City’s benefit only and does not constitute any type of warranty or guaranty to Borrower 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 Borrower’s purpose. Borrower acknowledges that neither the City nor the Director is an engineer or an architect and that Borrower 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 agrees 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 agrees 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 Borrower 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. 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, the time for performance shall be extended by the number of days that performance was reasonably delayed by such event provided that such extension shall not be permitted if such extension results in the breach of the GLO Contract.

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 *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.

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 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. 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, but any additional extensions thereafter must be approved by City Council. Director may not extend the Maturity Date of the 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 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 Subordination 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.

19.6 Refinance of Senior Loan. The Senior Loan may not be refinanced except as may be approved in writing by the Director.

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 Loan. It is the intention of the City and Borrower to conform strictly to the laws applicable to the 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 Page

BORROWER:

SOUTH RICE APARTMENTS, LTD,
a Texas limited partnership

By: South Rice Apartments GP, LLC,
a Texas limited liability company

By:  _____
Doak Brown
Manager

SEAL/ATTEST:



Anna Russell, City Secretary
Assistant

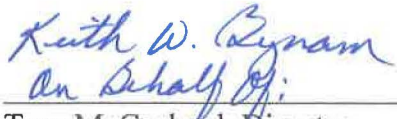
CITY OF HOUSTON, TEXAS




Sylvester Turner, Mayor

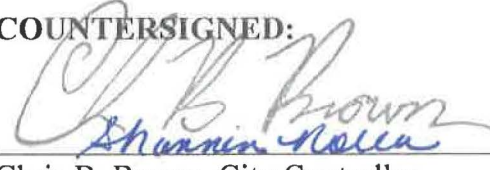
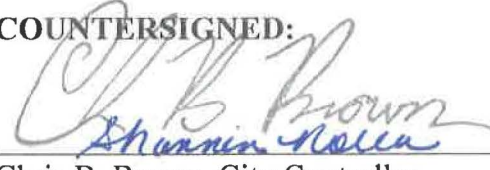
12-13-19

APPROVED:


On Behalf Of:

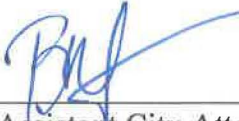
Tom McCasland, Director
Housing and Community Development
Department

COUNTERSIGNED:

Chris B. Brown, City Controller

APPROVED AS TO FORM:



Senior Assistant City Attorney
LD# 0291900498001

COUNTERSIGNATURE DATE:

12-16-19

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 Loan, the Deed of Trust, or the transfer of ownership of the Project and as may be renewed or extended as provided herein.

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 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.

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.

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 \$12,400,000.00 made by the City to Borrower for the purpose of financing eligible costs to construct the Project, which is subject to adjustment as herein provided.

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.

Construction Contract shall mean the contract between Borrower 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 Borrower 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. The City hereby acknowledges that the Director has approved of Crossroads Housing Development Corporation, a Texas nonprofit corporation, to serve as Contractor, and Brownstone Construction, Ltd., a Texas limited partnership, to serve as the Primary Subcontractor. To the extent Contractor is to perform particular obligations under this Agreement and/or the other Loan Documents, performance by Primary Subcontractor of such obligation shall be accepted in the same manner as if performed by Contractor.

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, directed related to the Work and ultimately, reasonable.

Deed of Trust shall mean and include the Deed of Trust, Security Agreement and Financing Statement to be executed by Borrower, granting to the City a second lien on Borrower's fee interest in the Project and which shall be substantially in the form attached as an Attachment to this Agreement.

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

Designated Units shall mean those units in the Project which have been designated by Borrower 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 of the City's Housing and Community Development Department or any other person that the Director may designate to perform the various functions assigned to the Director under this Agreement.

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

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 Borrower's personal property included within the definition of the Project.

Force Majeure. A event of storm, flood, fire, earthquake or other acts of god, war, terrorism, sabotage, riot, insurrection or other civil disturbance, strikes, lockouts or other labor disturbances which renders a party temporarily incapable of performance.

Governmental Authority shall mean 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, and/or the Land.

Guarantor shall mean Brownstone Affordable Housing, Ltd. and Doak Doubet Brown.

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

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. Part 5.

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 Loan, including without limitation, this Agreement, the Note, the Assignment of Construction Contract, the Assignment of Property Management Agreement, the Assignment of Architect's Contract, Plans and Specifications, the Environmental Indemnity, the Assignment of Construction Project Management Agreement (if any), 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 Subordination 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.

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.

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 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, including any debt service payments on the Senior Loan (but not subordinate loans).

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

Partnership Agreement shall mean the limited partnership agreement or operating agreement, as applicable, of the Borrower.

Preliminary Project Budget shall mean the budget for the Project attached as an Exhibit to this Agreement, which has been submitted by Borrower 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 Borrower located on, incorporated into, or used in connection with the land and improvements, including without limitation, all leases to Borrower, 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 Borrower;
- (ii) the Work has been completed to the reasonable satisfaction of the Director, and Borrower has delivered to the City an AIA Affidavit of Completion signed by the

Borrower, 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 and GLO and the 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 Loan has been disbursed for the Project including retainage;
- (vi) delivery to the City of 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 Borrower 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 assess 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 Borrower 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.

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 Borrower, which shall be substantially in the form attached hereto as **ATTACHMENT A** to this Agreement, which covenants require Borrower 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 Senior Loan and all other liens and encumbrances in accordance with the Declaration of Subordination.

Senior Lender shall mean Regions Bank, an Alabama banking corporation, and/or Fannie Mae (during the permanent phase of the development), or other lender approved by the Director.

Senior Loan shall mean the construction loan in an original principal amount not to exceed the amount of \$5,500,000.00 (or such other amount approved by the Director) and a bridge loan in the amount of \$900,000 made by Senior Lender to Borrower, secured by the Project, and subordinate to the Restrictive Covenants pursuant to the Declaration of Subordination. Subject to the Director's consent, the construction loan portion of the Senior Loan may be refinanced, provided that the principal balance of the new loan shall not exceed the outstanding principal balance of the loan being repaid plus reasonable and customary closing costs.

Senior Loan Documents shall mean all documents evidencing, securing, or guaranteeing the Senior Loan, including without limitation, the Senior Mortgage.

Senior Mortgage shall mean the Deed of Trust, Security Agreement and Fixture Filing executed by Borrower for the benefit of Senior Lender, including without limitation, the lien or liens securing the Senior Loan.

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.

Subordination Agreement shall mean that certain Subordination Agreement attached hereto as an Attachment, or such other form approved by the City Attorney, which shall be executed by Senior Lender on or prior to Closing and filed for record in the Official Public Records of Real Property, Harris County, Texas.

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 or individually, Hancock Whitney OZ Fund 1, LLC, Hancock Whitney OZ Fund 2, LLC, and/or Hudson SLP, LLC.

Tax Credits means the Low Income Housing Tax Credits issued to Borrower by the Texas Department of Housing and Community Affairs pursuant to Section 42 of the Internal Revenue Code.

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 and repair work 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	Federal Labor Standard Provisions, MWSBE Requirements and Section 3 Regulation
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	Work Force Protection Measures

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. Borrower's Deed of Trust
- D. Financing Statements
- E. Reserved
- F. Reserved
- G. Construction Completion Guaranty
- H. Subordination Agreement
- I. Reserved
- J. Reserved
- K. Assignment of Property Management Agreement
- L. Assignment of Architect's Contract, Plans and Specifications, and Consent
- M. Assignment of Construction Contract
- N. Environmental Indemnity Agreement
- O. Form of the Performance Bond, Maintenance Bond, and Payment Bond
- P. Reserved

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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);

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.

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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 Contractor's Protective Liability, 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:	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 100% of Contract Price, including change orders
All Causes of Loss" Builders Risk
Form

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) containing the same legal description contained in the Senior Loan Documents;
- (8) including, a metes and bounds description of the real property comprising the Land,
- (9) with the surveyor's seal affixed; and
- (10) 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.

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.

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) AND MWBE

COMPLIANCE FORMS

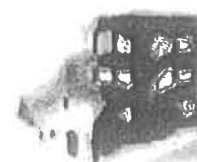
MWSBE AND SECTION 3



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DEVELOPMENT

APPENDIX 5

CONTACT INFORMATION

City of Houston - HCDD 2100 Travis Street, 9th Floor Houston, TX 77002		
CONTRACT COMPLIANCE SECTION MWSBE/Section 3/Community Involvement		
Division Manager	Chrystal Boyce	(832) 394-6130 Chrystal.Boyce@houston.tx.gov
Administrative Coordinator	Lakesha Tate	(832) 394-6345 Lakesha.Tate@houston.tx.gov
MWSBE Coordinator	Taylisha Clark	(834) 394-6326 Taylisha.Clark@houston.tx.gov
MWSBE Contract Administrator	Eva Alcala	(832) 394-6118 Eva.Alcala@houston.tx.gov
MWSBE Contract Administrator	Aldwin Foster-Rettig	(832) 394-6202 Aldwin.Foster-Rettig@houston.tx.gov
Section 3 Lead Contract Administrator	Tiffany Wyatt	(832) 394-6379 Tiffany.Wyatt@houston.tx.gov
Section 3 Contract Administrator	Desmond Calloway	(832) 393-9110 Desmond.Calloway@houston.tx.gov
Section 3 Coordinator	Patricia Holcombe	(832) 394-6321 Patricia.Holcombe@houston.tx.gov
Community Involvement Coordinator	Karen Franklin	(832) 394-6160 Karen.Franklin@houston.tx.gov