

**THE HEALTH, EDUCATIONAL AND HOUSING  
FACILITY BOARD OF THE  
CITY OF MEMPHIS, TENNESSEE**

**AFFORDABLE MULTIFAMILY HOUSING**

**PILOT PROGRAM**

**POLICIES AND PROCEDURES**

**In Cooperation With The**

**CITY OF MEMPHIS, TENNESSEE**

**And The**

**COUNTY OF SHELBY, TENNESSEE**



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**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE  
CITY OF MEMPHIS, TENNESSEE**

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## POLICIES AND PROCEDURES

### THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF MEMPHIS, TENNESSEE



## INTRODUCTION

The Health, Educational and Housing Facility Board of the City of Memphis, Tennessee is a public not-for-profit corporation duly organized and validly existing under the laws of the State of Tennessee (the “**HEHFB**”, “**Lessor**” or “**Board**”). The HEHFB was created pursuant to Tennessee Code Annotated Section 48-101-301 *et seq.*, as amended (the “**Act**”) for the purposes, among other things, to provide quality, safe, affordable, and sanitary housing through issuing revenue bonds and exploring other methodologies for financing the acquisition, development, and maintenance of residential rental facilities for the benefit of low and/or moderate-income families and individuals as set forth in the Act. It is the intention of the HEHFB to conduct its activities consistent with its statutory and public purpose pursuant to the provisions of the Act, any and all other laws of the State of Tennessee, and with the enactments of the local legislative bodies of the Memphis City Council applicable to the HEHFB.

The Board of Directors of the HEHFB, all of whom are duly qualified electors of and taxpayers in the City of Memphis are nominated by the Mayor of the City of Memphis and approved by the Memphis City Council to serve in staggered terms. Pursuant to Tennessee Code Annotated Section 48-101-307, “...if at the expiration of any term of office of any director a successor to the director shall not have been elected, then the director whose term of office shall have expired shall continue to hold office until a successor shall be so elected...” The Board of Directors serve without compensation, except that they shall be reimbursed for their actual expenses in and about the performance of their duties. The HEHFB’s Board of Directors, Board Officers, staff and General Counsel are set forth on the inside cover of these Policies and Procedures (as defined hereinbelow).

### General

The HEHFB originally adopted its Policies and Procedures during its regular meeting duly held on April 3, 2002, and revised it on September 2, 2015; June 8, 2016; February 6, 2019; and November 2, 2022, respectively (the “**Policies and Procedures**”). The HEHFB created its Policies and Procedures with the intent to ensure compliance with applicable laws and regulations, give appropriate guidance to applicants, lessees, lenders and related third-party beneficiaries for better informed decision-making, and streamline internal and external processes. Similarly, the HEHFB created Policies and Procedures each for its multifamily bond financing transactions and for the Memphis Housing Authority’s PILOT transactions.



The HEHFB reserves the right to amend or waive these Policies and Procedures, all PILOT applications, and other related documentation duly adopted and approved by the Board of Directors, as necessary, for good cause shown, upon a majority vote of the Board of Directors, in order to effectively perpetuate its mission of fostering the preservation and financing the acquisition, development, and maintenance of quality and sustainable affordable multifamily housing through exploring other methodologies and economic avenues to appropriately meet the health, educational and affordable housing needs of low and moderate-income families and individuals residing in the City of Memphis, including the adoption, incorporation, and implementation of any available laws, programs, or other measures made available under the laws of the State of Tennessee and the City of Memphis.

## PILOT PROGRAM

### General

The HEHFB, pursuant to its authority under the Act, created a payments-in-lieu of ad valorem taxes (“PILOT”) program as a further aid to facilitate the preservation, growth, and development of low and moderate-income multifamily housing. In accordance with the requirements of Tennessee law, each development project that is presented for approval to the HEHFB must be in the public interest. The intent of the PILOT program is to encourage and facilitate new construction and substantial rehabilitation of affordable multifamily housing through providing an abatement on property taxes, for a designated period, to qualified lessees for properties situated within the City of Memphis. The primary purpose and function of the PILOT program is to prioritize, enrich and maintain the quality of life, health and wellness, and safety for low to moderate-income families and individuals residing in the City of Memphis. Any monetary savings that the PILOT lessee (the “Applicant” or “Lessee”) retains while participating in the HEHFB’s PILOT program shall not be retained as a windfall to the Lessee, but such savings shall be utilized to implement certain qualified Tenant Benefits (as hereinafter defined) for the Qualified Tenants (as hereinafter defined) of the property through providing availability of access to a variety of approved tangible benefits that the Qualified Tenants would not otherwise have availability or access to thereby creating a higher-quality daily living environment.

### Statutory Authority

The HEHFB is authorized under the Act to acquire and develop residential rental facilities for low and moderate-income families or individuals and is also authorized to enter into lease agreements with qualified lessees who are responsible for operating and maintaining such residential rental facilities.

The HEHFB is further authorized by a Resolution adopted on May 7, 2002, as amended and supplemented by a Resolution adopted on August 28, 2018 (collectively, the “Resolution” and together with the Act, are hereinafter referred to as the “Controlling Law”) by the Memphis City Council to negotiate with qualified lessees to enter into payments-in-lieu of ad valorem taxes agreements (“PILOT Agreements”) for the primary purpose of making certain payments-in-lieu of ad valorem taxes (“PILOT Payments”), provided that such PILOT Payments are deemed by the HEHFB to be in furtherance of its statutory public purpose. The Controlling Law allows the HEHFB to enter into PILOT Agreements with qualified lessees.



## Basic Eligibility Requirements

For any Applicant applying to participate in the HEHFB's PILOT program to facilitate the preservation, growth, and development of low and moderate-income multifamily housing through new construction, acquisition and/or substantial rehabilitation must, upon submission of the PILOT application, meet the following basic eligibility requirements to be considered for approval:

(a) **Site Control** – the Applicant must either own the property and provide evidence of such ownership in the form of a deed or have an option or right to purchase the property in order to be eligible to apply for a PILOT. The site control shall be the equivalent of fee simple title or a 99-year lease with an option to purchase with no contingencies, with the exception of financing.

(b) **Financial Investment** – the Applicant's substantial rehabilitation of the property shall mean financial investment in construction costs (i.e. hard costs) equal to or greater than fifty percent (50%) of the acquisition cost of the project. This financial investment is inclusive of costs associated with (i) property acquisition, (ii) building improvements, (iii) site improvements, and (iv) new construction. This financial investment does not include any soft costs.

(c) **Financial Commitment** – the Applicant must provide written evidence of its financing commitment(s) with any lenders and/or guarantors in connection with the security and payment of the Total Project Costs (as hereinafter defined) for the project through providing a commitment letter or a proposed or executed term sheet.

(d) **Financial Analysis** – the Applicant must provide a five (5) year cash flow analysis illustrating the proposed project's income, expenses and its ability to service its debt obligations. Please note that this cash flow analysis should be completed and illustrated in two ways: (i) one way through illustrating the analysis calculated with the monetary savings generated from the PILOT; and (ii) the second way through illustrating the analysis calculated without the anticipated monetary savings generated from the PILOT, inclusive of a brief description therewith describing the proposed Tenant Benefits made possible because of the PILOT. The HEHFB reasonably expects and anticipates that these cash flow analysis calculations will be reviewed by a licensed financial advisor.

(e) **Target Market** – means and includes families and individuals of low and/or moderate income within the meaning of Section 142(d) of the Code and applicable regulations promulgated under the Code, as the same may be amended from time to time (to the extent that such amendments are applicable to the project). In accordance with these Policies and Procedures and the Code at least forty percent (40%) of the completed units of the project, at all times, shall be rented to and occupied by families and/or individuals whose income is sixty percent (60%) or less of the area median income. The Applicant shall, at all times, stay in compliance with these minimum income set-aside requirements for the full term of the PILOT. Failure to do so may cause the PILOT to be terminated by the HEHFB (the "**Qualified Tenants**").

(f) **Tenant Benefits** – means approved benefits available and accessible to the Qualified Tenants through offering: (i) new energy efficient tenant amenities coupled with additional property enhancements and renovations; and (ii) social services and special services that



foster experiential learning, job and employment training and related development opportunities provided directly through the Applicant and the on-sight property management company cooperatively working in conjunction with established nonprofit/community agencies and/or neighborhood network centers for the benefit of the Qualified Tenants residing on the property (collectively the “**Tenant Benefits**”). Tenant Benefits are a central component of the PILOT program and full compliance shall be maintained by the Applicant at all times throughout the duration of the PILOT in order for the PILOT to be considered in good standing. In connection with obtaining PILOT approval, the Applicant must provide a written narrative and projection of how the monetary savings generated from the PILOT will directly benefit Qualified Tenants. For more information on Tenant Benefits and the requirements and expectations in connection therewith, see “TENANT BENEFITS” herein.

(g) **Property Boundaries** – the Applicant’s real property and the corresponding tax parcel numbers associated with the proposed project must be situated within the limits of the City of Memphis, in order to be eligible to participate in the PILOT program.

(h) **Phase I Environmental Site Assessment Report** – the Applicant must conduct a Phase I Environmental Site Assessment Report on the land of the proposed project, wherein this report must illustrate conclusive findings of no recognized material environmental conditions or hazardous risks located on the land for the real property associated with the proposed project. This report must be completed, at a minimum, within two (2) years of applying for a new PILOT, unless such requirement is expressly waived in writing by the Board of Directors. Phase I Environmental Site Assessment Reports must explicitly grant the HEHFB the legal right to rely on such reports and such reports shall be completed in accordance with all applicable laws and regulations. This requirement only applies to Applicant’s applying for a new PILOT term.

(i) **Valid Legal Entity** – the Applicant must be a valid legal entity that: (i) is duly authorized to conduct business under the laws of the State of Tennessee; (ii) is in good standing under the laws of the State of Tennessee; (iii) has the power and authority to enter all applicable PILOT documentation and all other related agreements and written instruments to be executed and delivered by the Applicant in connection with the PILOT for the proposed project.

## **PILOT APPLICATION SUBMISSION AND APPROVAL PROCESS**

### **PILOT Application Submission**

All PILOT applications must be complete and timely submitted a minimum of sixty (60) days, and all PILOT refinancing applications must be complete and timely submitted a minimum of forty-five (45) days, prior to the scheduled regular meeting of the Board of Directors at which time the applicable submitted application will be considered for approval. Incomplete PILOT applications will not be accepted nor reviewed by the HEHFB. The HEHFB meets every first Wednesday of the month, subject to change as needed. Public meeting notices and meeting dates can be found on the HEHFB’s website at <http://www.memphishehf.com>. The PILOT application must be submitted in compliance and conformity with these Policies and Procedures. If the format of the submitted PILOT application does not comply with these Policies and Procedures and the guidelines set forth and more fully described herein for submission, then the PILOT application will not be accepted or reviewed.





To appropriately submit a PILOT application to the HEHFB staff, the Applicant shall submit: (i) an electronic copy of the PILOT application in portable document format (PDF) to the HEHFB staff and (ii) the non-refundable application fee due and payable upon submission of the PILOT application. If any minor errors exist within a submitted PILOT application, then the HEHFB staff may, in its sole discretion, allow the Applicant up to ten (10) business days to make the necessary corrections.

The submitted PILOT application must contain the following subject line in the email:

**“HEHFB PILOT (Type of Application) (Name of Applicant); (Month/Year)”**

All PILOT applications shall be collectively emailed to the individuals listed below:

**Stephanie Bryant, Office Manager: [Stephanie.Bryant@memphishehf.com](mailto:Stephanie.Bryant@memphishehf.com)**

**Martin Edwards, Jr., Executive Director: [Martin.Edwards@memphishehf.com](mailto:Martin.Edwards@memphishehf.com)**

**Charles E. Carpenter, Esquire: General Counsel: [Charlesc@386beale.com](mailto:Charlesc@386beale.com)**

**Corbin I. Carpenter, Esquire: General Counsel: [Corbinc@386beale.com](mailto:Corbinc@386beale.com)**

**Upon submittal of a PILOT application, all application fees associated therewith must be paid in full prior to the scheduling of the Submittal Conference (as hereinafter defined).**

**The Applicant acknowledges and agrees that any and all paid PILOT application fees are non-refundable.**

PILOT applications for all properties that are participating in any current United States Department of Housing and Urban Development (“HUD”) program must include the: (i) HUD application; (ii) HUD approval notifications; and (iii) latest HUD REAC inspection report and/or other third-party related report, as applicable.

### **PILOT Application Fee**

The PILOT application must be completed and submitted to the HEHFB staff in the appropriate format, inclusive with the applicable application fee based on the Total Project Costs calculated for the proposed project. Total Project Costs shall mean all costs except PILOT Payments, property appraisals, market studies, environmental studies, reporting and monitoring fees, rent-up costs, project reserves or capitalized interest (“**Total Project Costs**”).

**The PILOT application fee is defined as a non-refundable fee that is due and payable contemporaneously with the submission of the PILOT application. Domestic wire and ACH transfers to the HEHFB are acceptable and preferred for this payment. Checks must be made payable to “The Health, Educational and Housing Facility Board of the City of Memphis, Tennessee.”**



The PILOT application fee is calculated on the following basis:

- (a) **Four Thousand Dollar (\$4,000) application fee** for all projects with Total Project Costs of less than Five Million Dollars (\$5,000,000);
- (b) **Five Thousand Dollar (\$5,000) application fee** for all projects with Total Project Costs between Five Million Dollars (\$5,000,000) through less than Ten Million Dollars (\$10,000,000);
- (c) **Six Thousand Dollar (\$6,000) application fee** for all projects with Total Project Costs between Ten Million Dollars (\$10,000,000) through less than Fifteen Million Dollars (\$15,000,000); and
- (d) **Seven Thousand Dollar (\$7,000) application fee** for all projects with Total Project Costs of Fifteen Million Dollars (\$15,000,000) or greater.

**Any checks received for payment of the PILOT application fee that cannot be processed shall warrant a penalty fee of Five Hundred Dollars (\$500) due and payable to the HEHFB. The PILOT application fee is a non-refundable separate fee that shall not be credited against the traditional closing fees for the PILOT transaction. The PILOT application fees listed above are subject to amendment, at any time, at the sole discretion of the Board of Directors.**

#### **PILOT Term Extension Application Fees**

The PILOT term extension application fee is also defined as a non-refundable fee that is due and payable contemporaneously with the submission of the PILOT term extension application. The PILOT term extension application fee is equal to the original PILOT application fee for the project. For all requirements associated with the submission of a PILOT term extension application, see “PILOT Term Extension Application” hereinbelow.

**Domestic wire and ACH transfers to the HEHFB are acceptable and preferred for this payment.** Any checks received for payment of the PILOT term extension application fee that cannot be processed shall warrant a penalty fee of Five Hundred Dollars (\$500) due and payable to the HEHFB. The PILOT term extension application fee is a non-refundable separate fee that shall not be credited against the traditional closing fees for the PILOT transaction.

#### **PILOT Transfer Application Fees**

The PILOT transfer application fee is also defined as a non-refundable fee that is due and payable contemporaneously with the submission of the PILOT transfer application. The PILOT transfer application fee is equal to fifty percent (50%) of the original PILOT application fee for the project. For all requirements associated with the submission of a PILOT transfer application, see “PILOT Transfer Application” hereinbelow.



**Domestic wire and ACH transfers to the HEHFB are acceptable and preferred for this payment.** Any checks received for payment of the PILOT transfer application fee that cannot be processed shall warrant a penalty fee of Five Hundred Dollars (\$500) due and payable to the HEHFB. The PILOT transfer application fee is a non-refundable separate fee that shall not be credited against the traditional closing fees for the PILOT transaction.

### **PILOT Refinancing Application Fees**

The PILOT refinancing application fee is also defined as a non-refundable fee that is due and payable contemporaneously with the submission of the PILOT refinancing application. The PILOT refinancing application fee is equal to fifty percent (50%) of the original PILOT application fee for the project. For all requirements associated with the submission of a PILOT refinancing application, see “PILOT Refinancing Application” hereinbelow.

**Domestic wire and ACH transfers to the HEHFB are acceptable and preferred for this payment.** Any checks received for payment of the PILOT refinancing application fee that cannot be processed shall warrant a penalty fee of Five Hundred Dollars (\$500) due and payable to the HEHFB. The PILOT refinancing application fee is a non-refundable separate fee that shall not be credited against the traditional closing fees for the PILOT transaction.

### **Submittal Conference**

Upon submission of any PILOT application, all Applicants are required to attend a mandatory telephonic conference with HEHFB staff, the HEHFB’s General Counsel, and/or any designated representatives of the HEHFB (the “**HEHFB Representatives**”). During this telephonic conference, the applicable PILOT application will be discussed, and the HEHFB Representatives will further apprise the Applicant, and any applicable lender, of the necessary due diligence, required documentation for closing and the overall approval process in connection with the consideration of the Applicant’s applicable PILOT application (the “**Submittal Conference**”).

In addition to the above, during the Submittal Conference, the Applicant, any applicable lender, and the HEHFB Representatives will discuss these Policies and Procedures, the Applicant’s proposed Tenant Benefits for the project, basic eligibility requirements of the PILOT program, the Applicant’s requirements for annual reporting and quarterly self-reporting, annual compliance and monitoring fees and other related information in connection with the HEHFB’s PILOT program.

During the Submittal Conference, the Applicant must present: (i) a detailed description of the proposed Tenant Benefits for the Qualified Tenants, including a written narrative and projection of how the monetary savings generated from the PILOT will directly benefit Qualified Tenants; (ii) a financial analysis through illustrating the calculations of the amount of abated property tax payments that will be due and payable on an annual basis with the PILOT approval as compared to the amount of the current fair market valuation of ad valorem tax payments that will be due and payable on an annual basis without the PILOT approval.

There shall also be a preliminary and final valuation of the Total Project Costs for the project. The preliminary valuation must be set forth in the PILOT application and confirmed at the



Submittal Conference. Upon review and a favorable recommendation for approval by the HEHFB Representatives, final consideration for approval will be determined by the Board of the Directors at its next regular meeting.

**Notwithstanding a favorable recommendation from the HEHFB Representatives, the Board of Directors shall reserve the right to reject any and all submitted PILOT applications without providing any explanation for any such rejection. Any decision rendered by the Board of Directors will be final and non-appealable.**

### **Board of Directors Review and Approval Considerations**

The HEHFB generally meets on the first Wednesday of each month at 12 Noon. All regular meetings for the Board of Directors are held both in-person at the principal offices of the HEHFB located at 65 Union Avenue, Suite 1120, Memphis, Tennessee 38103 and through virtual Zoom platform, wherein such virtual Zoom link is posted on the HEHFB's website on a monthly basis.

As discussed hereinabove, the HEHFB Representatives makes recommendations to the Board of Directors regarding approvals of all PILOT applications. Applicants will be permitted an opportunity to present to the Board of the Directors after the appropriate evaluation, review, and recommendation by the HEHFB Representatives at the Submittal Conference. The Board of the Directors will deliberate on all applications and render its decisions for consideration for approval on all applications and related matters through majority vote at each regular meeting.

Consideration for approval by the Board of Directors will be based on the above-mentioned basic eligibility requirements and these Policies and Procedures, along with any additional requirements that the Board of Directors may impose from time to time, including, but not limited to, the following:

(a) Detailed explanation and description of the proposed Tenant Benefits the Applicant intends to create for the Qualified Tenants ensuring such Tenant Benefits are tailored to the property's anticipated or current demographics and resident base;

(b) An explanation of the economic feasibility and detailed description of the residential rental project, including an explanation of the total economic and social impact this project will bring to the City of Memphis;

(c) Total number of rental units and the percentage of units: (i) that qualify as affordable; (ii) with project-based rental assistance; and/or (iii) that are occupied by the elderly and tenants with disabilities; and

(d) The projected monthly rental rate increases for new construction and/or the projected monthly rental rate increase per unit category due to the proposed rehabilitation.

(e) The Applicant, development team and the property management company's professional experience, reputation and knowledge regarding overall real estate and banking finance, including applicable experience regarding housing transactions with (i) HUD, the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage



Corporation (“**Freddie Mac**”), (ii) affordable multifamily housing, (iii) public and low-income housing, and (iv) senior housing.

### **PILOT Closing Extension Fees**

Following majority approval from the Board of Directors of a PILOT application at its regular meeting, an Applicant will have up to **six (6) months from the time of approval** to close the PILOT transaction. If the PILOT transaction has not been closed within that time frame, the Applicant may apply to the HEHFB for an additional six (6) month extension period. After one (1) closing extension is granted, any additional closing extensions will require good cause shown to the Board of Directors at its regular meeting to receive approval for the requested extension.

Each PILOT closing extension fee is equal to the original PILOT application fee and shall be due and payable before each requested PILOT closing extension shall be considered by the Board of Directors. **Domestic wire and ACH transfers to the HEHFB are acceptable and preferred for this payment.** Any checks received for payment of the PILOT closing extension fee that cannot be processed shall warrant a penalty fee of Five Hundred Dollars (\$500) due and payable to the HEHFB. The PILOT closing extension fee is a non-refundable separate fee and shall not be credited against the traditional closing fees.

Additionally, all PILOT transactions not closed within **one (1) year of approval** are subject to withdrawal by the Board of Directors, at their sole discretion. **Any fees expended up to that point by the Applicant to the HEHFB in connection with the approval process for the PILOT application shall be non-refundable and will not be credited towards any future PILOT application submitted for consideration.**

## **TYPES OF PILOT APPLICATIONS; REQUIRED DOCUMENTATION**

### **General**

In connection with the Applicant’s participation in the HEHFB’s PILOT program, the Applicant may apply for consideration for approval of either a: (i) new PILOT application; (ii) High Impact PILOT application; (iii) PILOT term extension application; (iv) PILOT transfer application; or (v) PILOT refinancing application, all being more fully described hereinbelow.

The Board of Directors will conduct their review of each PILOT application recommended for approval by the HEHFB Representatives and follow the applicable processes and procedures regarding majority approval by the Board of Directors in connection therewith as more fully described herein. See “PILOT APPLICATION SUBMISSION AND APPROVAL PROCESS – Board of Directors Review and Approval Considerations” hereinabove.

### **New PILOT Application**

The Applicant may apply for a new PILOT for a term of ten (10) years or twenty (20) years. The new PILOTs are entered into for projects that are for (i) new construction, (ii)



acquisition and rehabilitation, and/or (iii) low-income housing tax credits (“LIHTC”). An Applicant may apply for a new PILOT if it is in compliance with the basic eligibility requirements, the Controlling Law and other applicable local, state and federal laws.

**Required Documentation** – The required documentation for an approved new PILOT application shall include, but not be limited to, the following:

(a) **Quit Claim Deed** – that is entered into by and between the HEHFB and the Applicant, wherein the Applicant will convey legal title for the property to the HEHFB. The HEHFB shall maintain legal title to the property, as nominee only, solely for the purpose of creating and maintaining the PILOT and generating the Applicant’s tax abatement. All other incidents of ownership in connection with the property, for all legal and general purposes, shall flow through the Applicant (the “**Quit Claim Deed**”).

(b) **PILOT Agreement** – that is entered into by and among the HEHFB, the Applicant and the Paying Agent, which is to be selected by the Applicant. This agreement sets forth certain rights and responsibilities by and among the HEHFB, the Applicant and the Paying Agent in connection with the PILOT Payments and other related obligations (the “**PILOT Agreement**”).

(c) **PILOT Lease Agreement** – that is entered into by and between the HEHFB and the Applicant, wherein the HEHFB leases the property to the Applicant for the applicable term of the PILOT and sets forth certain rights and responsibilities between the parties including describing the applicable: (i) events of default, remedies available therewith and early termination; (ii) requirements regarding the Applicant’s self-reporting, monitoring and compliance; and (iii) guidelines and general expectations with providing qualified Tenant Benefits (the “**PILOT Lease Agreement**” and together with the Quit Claim Deed and the PILOT Agreement are called the “**PILOT Documentation**”).

(d) **Owner’s Preliminary Cost Certificate** – that is completed by the Applicant and provided to the HEHFB, setting forth the reasonable estimate of the Total Project Costs in connection with the project, prior to the completion of construction. If the Applicant applied for a ten (10) year PILOT, then the Applicant shall pay one percent (1%) of the estimated Total Project Costs to the HEHFB at closing. If the Applicant applied for a twenty (20) year PILOT, then the Applicant shall pay two percent (2%) of the estimated Total Project Costs to the HEHFB at closing.

(e) **Owner’s Final Cost Certificate** – that is completed by the Applicant and provided to the HEHFB, setting forth the final calculation of Total Project Costs in connection with the project, immediately following completion of construction. The Applicant must acknowledge and agree that, at the completion of the new construction or rehabilitation of the project and prior to placing the project in service, the Applicant shall submit to the HEHFB an executed Owner’s Final Cost Certificate including all actual Total Project Costs, as certified by the Architect or General Contractor of record. Contemporaneously with the submittal of this certificate, the Applicant shall make immediate final payment to the HEHFB equaling the total amount of such actual Total Project Costs.



**Required Closing Fees and Logistics** – All new PILOT transactions must be closed in the name of the Applicant or in the name of such entity designated in the PILOT application as the owner of the project. Prior express written approval from the HEHFB will be required for substitution of another party under any PILOT transaction prior to closing thereof. The required closing fees for an approved new PILOT shall include, but not be limited to, the following:

Following appropriate execution and delivery of the PILOT Documentation and other related documentation for a ten (10) year PILOT, the Applicant shall pay to the HEHFB, one percent (1%) of the estimated Total Project Costs, plus applicable attorney fees and related expenses to the HEHFB's General Counsel along with reimbursement of recordation fees. Following appropriate execution and delivery of the PILOT Documentation and other related documentation for a twenty (20) year PILOT, the Applicant shall pay to the HEHFB, two percent (2%) of the estimated Total Project Costs, plus applicable attorney fees and related expenses to the HEHFB's General Counsel along with reimbursement of recordation fees (collectively the "**HEHFB PILOT Fee**"). The HEHFB PILOT Fee shall be divided as follows: (i) thirty percent (30%) shall be paid to the City of Memphis, and (ii) the remaining seventy percent (70%) shall be paid to and retained by the HEHFB, which is due and payable at the closing.

For the purposes of determining the appropriate closing fees in connection with a project, Total Project Costs shall be determined on the basis of the total certified cost for a project including, without limitation, all acquisition and hard costs. The budget set forth in any PILOT application submitted to the HEHFB shall be deemed to be an initial certification by the Applicant that the budget set forth therein is a reasonable estimate of all Total Project Costs. As discussed hereinabove, upon completion of the construction for the project, a completion budget will be required to be submitted to the HEHFB, certified by the project's architect or lender. Any difference between the estimated and final Total Project Costs shall be adjusted at that time, and the Applicant shall remit immediate final payment to the HEHFB equaling the total outstanding amount of such actual Total Project Costs applicable to the length of the approved PILOT term.

### **High Impact PILOT Application**

The Applicant may apply for a High Impact PILOT for a term of twenty-five (25) years. High Impact projects, among other things, shall: (i) represent a minimum total investment of Fifteen Million One Dollars (\$15,000,001); (ii) meet the minimum affordability requirement of forty percent (40%) or more of the rental units must be occupied by Qualified Tenants whose household income is sixty percent (60%) or less of the area median income; (iii) have an active crime prevention program incorporating the principals of "Crime Prevention Through Environmental Design" ("**C.P.T.E.D.**") provided by a local vendor that holds a current certification in C.P.T.E.D. provided by the National Institute of Crime Prevention; (iv) provide 24-hour security personnel on site; (v) offer a substantial number of two (2) and three (3) bedroom units; (vi) accept Section 8 vouchers and Veteran's vouchers; (vii) provide additional amenities and common space for tenant activities; (viii) provide after school activities and playground equipment; (ix) provide a computer learning center incorporated with public designated Wi-Fi hotspot area(s) accessible to the Qualified Tenants; and (x) have handicapped adaptable units in compliance with guidelines of the Americans with Disabilities Act of 1990 ("**High Impact**").



**Required Documentation** – In addition to the information set forth hereinabove, the required documentation for an approved High Impact PILOT shall include identical documentation as required for a new PILOT, being the Quit Claim Deed, PILOT Agreement, PILOT Lease Agreement, Owner’s Preliminary Cost Certificate and Owner’s Final Cost Certificate.

**Required Closing Fees** – All High Impact PILOT transactions must be closed in the name of the Applicant or in the name of such entity designated in the PILOT application as the owner of the project. Prior express written approval from the HEHFB will be required for substitution of another party under any PILOT transaction prior to closing thereof. The required closing fees for an approved new High Impact PILOT shall include, but not be limited to, the following:

Following appropriate execution and delivery of the High Impact PILOT Documentation and other related documentation, the Applicant shall pay to the HEHFB, two and one-half percent (2.5%) of the estimated Total Project Costs, plus applicable attorney fees and related expenses to the HEHFB’s General Counsel along with reimbursement of recordation fees. The HEHFB PILOT Fee shall be divided as follows: (i) thirty percent (30%) shall be paid to the City of Memphis, and (ii) the remaining seventy percent (70%) shall be paid to and retained by the HEHFB, which is payable at the closing.

For the purposes of determining the appropriate closing fees in connection with a project, Total Project Costs shall be determined on the basis of the total certified cost for a project including, without limitation, all acquisition and hard costs. The budget set forth in any PILOT application submitted to the HEHFB shall be deemed to be an initial certification by the Applicant that the budget set forth therein is a reasonable estimate of all Total Project Costs. As discussed hereinabove, upon completion of the construction for the project, a completion budget will be required to be submitted to the HEHFB, certified by the project’s architect or lender. Any difference between the estimated and final Total Project Costs shall be adjusted at that time, and the Applicant shall remit immediate final payment to the HEHFB equaling the total outstanding amount of such actual Total Project Costs applicable to the length of the approved PILOT term.

### **PILOT Term Extension Application**

With the exception of the High Impact PILOT, the maximum allowable term for a PILOT, extended or otherwise, shall be up to twenty (20) years. The Applicant may apply to the HEHFB for consideration for an extension for an additional term of ten (10) years, prior to the expiration of the original PILOT term, if the Applicant: (i) currently has an active ten (10) year PILOT with the HEHFB; (ii) has been in good standing through the duration of the PILOT term pursuant to these Policies and Procedures and applicable PILOT documentation therewith, the Controlling Law and other applicable local, state and federal laws; and (iii) can still satisfy the basic eligibility requirements as more fully described hereinabove.

In addition to the above-mentioned requirements for eligibility, the HEHFB’s approval of all PILOT term extension applications will be evaluated based on the required deliverables for submission, along with, any additional requirements that may be imposed by the HEHFB, including, but not limited to the following: (i) review of the property’s trailing rent roll, which must illustrate the fact that the Applicant maintained a minimum level of seventy-five percent





(75%) occupancy for the property throughout the term of the current PILOT; (ii) evaluation of a five (5) year cash flow analysis illustrating the project's current income, expenses and its ability to continue to service its debt obligations with and without the savings generated from the PILOT; (iii) review of an updated sources and uses of funds chart reflecting the Total Project Costs in connection with the project; (iv) review of the full list of proposed property renovations, if any; (v) review of the full list of the current and/or newly proposed Tenant Benefits; (vi) review and acknowledgment of any third-party inspection(s) and certification(s) for general property conditions, compliance, and proof of life of major systems; (vii) acknowledgement of appropriate general liability insurance for the property with the HEHFB notated as an additional insured; and (viii) review and analysis of updated financial statements for Applicant for the most recent three (3) years, including the most recent three (3) years Profit and Loss Statements for the property.

**Required Documentation** – In addition the information set forth above, the required documentation for an approved PILOT term extension application shall include, but not limited to, the following:

(a) **Quit Claim Deed** – that shall remain in effect as of the date the PILOT was originally entered into by the Applicant.

(b) **Amended and Restated PILOT Agreement** – that is entered into by and among the HEHFB, the Applicant and the Paying Agent. This agreement sets forth certain rights and responsibilities for the remaining ten (10) years of the PILOT term by and among the HEHFB, the Applicant and the Paying Agent in connection with the PILOT Payments, and other related obligations and responsibilities in connection with the project.

(c) **Amended and Restated PILOT Lease Agreement** – that is entered into by and between the HEHFB and Applicant, wherein the HEHFB extends the current lease term for ten (10) years pursuant to the date the HEHFB originally leased the property to the Applicant for the term of the original PILOT.

**Required Closing Fees** – All PILOT term extension transactions must be closed in the name of the Applicant or in the name of such entity designated in the PILOT term extension application as the owner of the project. Prior express written approval from the HEHFB will be required for substitution of another party under any PILOT term extension transaction prior to closing thereof. The required closing fees for an approved PILOT term extension shall include, but not be limited to, the following:

Following appropriate execution and delivery of the PILOT term extension documentation and other related documentation for a ten (10) year PILOT term extension, the Applicant shall pay to the HEHFB, one percent (1%) of the Total Project Costs of the certified amount from the Owner's Final Cost Certificate with the initial PILOT, plus applicable attorney fees to the HEHFB's General Counsel along with reimbursement of recordation fees.

Applicants who receive an extended PILOT term shall note that after the initial ten (10) year period, the annual PILOT Payments are increased at a rate of ten percent (10%) each year until the PILOT term expires in order to assist properties in transitioning back on to the tax rolls



at full market value at the time of expiration or early termination of the PILOT. Similar to the initial PILOT Payments, the PILOT term extension payments are billed annually by the City of Memphis and Shelby County taxing authorities. PILOT compliance must be maintained throughout the entire extension term in order to continue participation in the PILOT program.

**If at any time, the Applicant's project is deemed non-compliant pursuant to these Policies and Procedures or the PILOT Documentation, the PILOT may be subject to termination by the HEHFB.**

### **PILOT Transfer Application**

In the event a project is sold or transferred, it is possible to maintain the PILOT, subject to certain conditions and majority approval by the Board of the Directors. However, any legal or other costs associated with the transaction shall be borne by the current Lessee or Applicant. An Applicant may apply for a transfer to assume the ongoing rights, responsibilities, and obligations of an active PILOT prior to the expiration of that PILOT's term, if the Applicant: (i) attends the Submittal Conference with the HEHFB Representatives; (ii) can satisfy the basic eligibility requirements as more fully described hereinabove; and (iii) agrees to comply with these Policies and Procedures, the terms of the current applicable PILOT documentation and other PILOT conditions, including, but not limited to: (a) continuing the current Tenant Benefits, (b) complying with annual and quarterly reporting, compliance and monitoring, (c) obtaining new fire and general liability insurance for the property, other related obligations and responsibilities.

**Once the PILOT transfer application is duly approved by the Board of Directors, then there shall be no additional transfers of the PILOT by the Applicant which have not been formally approved by the Board of the Directors at its regular meeting. Any attempt to do so shall be void ab initio.**

**Required Documentation** – In addition to the information set forth above, the required documentation for an approved PILOT transfer application shall include, but not be limited to, the following:

(a) **Amended and Restated PILOT Agreement** – that is entered into by and among the HEHFB, the Applicant and the current PILOT lessee. This agreement sets forth certain rights and responsibilities by and between the HEHFB and the Applicant in connection with the PILOT Payments, these Policies and Procedures, and assigns related obligations and responsibilities to the Applicant for the remaining term of the PILOT.

**In consummating any transaction for a PILOT transfer, the HEHFB and its officers, directors, General Counsel, and staff shall not be held liable or accountable to the Applicant, or to any applicable lenders, future third-party beneficiaries or purchasers for any action taken or omitted, in good faith, by it or its officers, directors, General Counsel and staff and believed by them to be authorized or within their discretion, rights or powers conferred upon them. The HEHFB, its officers, directors, General Counsel, and staff each shall be protected in their capacity while operating within their scope through acting upon any paper, written**



instrument or document believed by them to be genuine, but need not, require further evidence of any fact or matter before taking any action.

**In consummating any transaction for a PILOT transfer, the HEHFB and its officers, directors, General Counsel, and staff shall assume no liability whatsoever, financial or otherwise, to any applicable lenders, future third-party beneficiaries or purchasers pursuant to any deed of trust or any other security instrument evidencing the Applicant's applicable debt obligations thereof, for payment of such debt obligations of the Applicant.**

(b) **Amended and Restated PILOT Lease Agreement** – that is entered into by and between the HEHFB and Applicant setting forth certain rights and responsibilities between the parties pursuant to the terms of the original PILOT and these Policies and Procedures.

(c) **Estoppel Certificate and Agreement** – that is entered into by and among the HEHFB, the Applicant, and the applicable lenders, future third-party beneficiaries or purchasers setting forth certain protective conditions for the HEHFB and other rights, responsibilities and obligations for the Applicant and the applicable lenders, future third-party beneficiaries or purchasers.

In addition to the information set forth hereinabove, additional documentation for an approved PILOT refinancing application may include, but not be limited to a Deed of Trust, and/or Joinder and Consent Agreement to such Deed of Trust, as applicable.

**Required Closing Fees** – All PILOT transfer transactions must be closed in the name of the Applicant or in the name of such entity designated in the PILOT transfer application as the transferee for the PILOT. Prior express written approval from the HEHFB will be required for substitution of another party or transferee under any PILOT transfer transaction prior to the closing thereof. Following full payment of the PILOT transfer application fee to the HEHFB, the previous PILOT lessee shall pay to the HEHFB any additional administrative fees and pay applicable attorney fees to the HEHFB's General Counsel along with reimbursement of recordation fees.

**For any PILOT transfer transaction wherein Fannie Mae or Freddie Mac is being used by the Applicant as its lender, the Applicant, Fannie Mae and Freddie Mac each hereby acknowledge that each entity has read these Policies and Procedures in full and that all entities further agree to comply, and at all times remain in compliance, with these Policies and Procedures. Each party acknowledges and agrees that failure to do so may cause the PILOT to be terminated by the Board of Directors.**

### **PILOT Refinancing Application**

An Applicant may apply for a PILOT refinancing application to obtain permanent financing for the property if the Applicant and applicable lender agree to comply with these Policies and Procedures, the terms and conditions set forth in the current PILOT documentation, including, but not limited to, Tenant Benefits, annual and quarterly reporting, compliance and monitoring, fire and general liability insurance requirements, other related obligations and responsibilities. In its capacity as titleholder to the property, the HEHFB, following appropriate



approval from its Board of Directors and General Counsel may enter into a deed of trust, as requested, in order for the Applicant to obtain permanent financing on the project.

**Once the PILOT refinancing application is duly approved by the Board of Directors, then there shall be no additional refinancings of the PILOT property either by the Applicant or the applicable lender which has not been formally approved by the Board of the Directors at its regular meeting. Any attempt to do so shall be *void ab initio*.**

**In consummating any transaction for a PILOT refinancing, the HEHFB and its officers, directors, General Counsel, and staff shall not be held liable or accountable to the Applicant, or to any applicable lenders, future third-party beneficiaries or purchasers for any action taken or omitted, in good faith, by it or its officers, directors, General Counsel and staff and believed by them to be authorized or within their discretion, rights or powers conferred upon them. The HEHFB, its officers, directors, General Counsel, and staff each shall be protected in their capacity while operating within their scope through acting upon any paper, written instrument or document believed by them to be genuine, but need not, require further evidence of any fact or matter before taking any action.**

**In consummating any transaction for a PILOT refinancing, the HEHFB and its officers, directors, General Counsel, and staff shall assume no liability whatsoever, financial or otherwise, to any applicable lenders, future third-party beneficiaries or purchasers pursuant to any deed of trust or any other security instrument evidencing the Applicant's applicable debt obligations thereof, for payment of such debt obligations of the Applicant.**

**Required Documentation** – In addition to the information and documentation set forth hereinabove for PILOT transfer application, the required documentation for an approved PILOT refinancing application shall include, but not limited to, Estoppel Certificate and Agreement, Deed of Trust, and/or Joinder and Consent Agreement to such Deed of Trust, as applicable.

**Required Closing Fees** – All PILOT refinancing transactions must be closed in the name of the Applicant or in the name of such entity designated in the PILOT refinancing application authorized to close such transaction on behalf of the Applicant. Prior express written approval from the HEHFB will be required for substitution of another lender under any PILOT refinancing transaction prior to closing thereof. Following full payment of the PILOT refinancing application fee to the HEHFB, the Applicant shall pay to the HEHFB any additional administrative fees and pay applicable attorney fees to the HEHFB's General Counsel along with reimbursement of recordation fees, as applicable.

**For any PILOT refinancing transaction wherein Fannie Mae or Freddie Mac is being used by the Applicant as its lender, the Applicant, Fannie Mae and Freddie Mac each hereby acknowledge that each entity has read these Policies and Procedures in full and that all entities further agree to comply, and at all times remain in compliance, with these Policies and Procedures. Each party acknowledges and agrees that failure to do so may cause the PILOT to be terminated by the Board of Directors.**



## CLOSING REQUIREMENTS

### General

If the PILOT application is duly approved by the Board of the Directors at its regular meeting, then the HEHFB's General Counsel will subsequently prepare and distribute the requisite PILOT documentation for review, comment and sign-off from the Applicant, the Applicant's legal counsel and any other relevant parties to the transaction. Upon sign-off of the applicable PILOT documentation and receipt of all required executed signature pages therewith, then the HEHFB's General Counsel will arrange the closing.

Subsequent to the closing and recordation of the applicable PILOT documentation, the HEHFB's General Counsel will coordinate the appropriate pre-closing and post-closing activities with the Shelby County and City of Memphis taxing authorities and all required recorded documents will be filed, recorded and tracked among the Offices of the Shelby County Assessor, the City of Memphis Treasurer and the Shelby County Trustee to ensure: (i) the PILOT appropriately enters or remains in the PILOT program and receives the accurate tax abatement pursuant to the applicable Frozen Assessed Value (as hereinafter defined); and (ii) that billing is accurately tracked and the amounts charged therewith are appropriately and timely billed to the PILOT lessees at their respective addresses of record.

**All PILOT transactions must be closed in the name of the Applicant, the party designated in the application as the owner of the project, or the party designated in the application as the representative or authorized signatory acting on behalf of the Applicant. Prior written approval from the HEHFB staff will be required for substitution of another party, transferee or lender under any applicable PILOT transaction prior to the closing.**

**Any PILOT transactions wherein the Applicant requests an expedited closing subsequent to the applicable approval received from the Board of Directors, then there shall be an expedited fee assessed within the legal fees of the HEHFB's General Counsel for facilitating the expediated consummation of the PILOT transaction.**

### Conditions Precedent to Closing

In accordance with the express terms, conditions and obligations of the Applicant set forth within these Policies and Procedures and as set forth and more fully described within the applicable PILOT documentation for new PILOTs, High Impact PILOTs, PILOT term extension, PILOT transfers, and PILOT refinancings, the closings of all PILOTs are specifically conditioned upon the written acknowledgement and/or execution and delivery of the following, unless expressly waived by the HEHFB:

A. **Organizational Documentation.** The Applicant shall furnish written evidence to the HEHFB that the Applicant is duly organized/incorporated and validly existing under the laws of the state of its organization/incorporation; (ii) is in good standing under the laws of the State of Tennessee and possesses all licenses and authorizations necessary to carry on its business in the State of Tennessee; (iii) has the power and authority to enter into the applicable PILOT



documentation and all other agreements and written instruments required to be executed and delivered by Applicant in connection with the consummation of the transaction contemplated thereby; and (iv) by proper action has duly authorized the execution, delivery and performance by the Applicant of all of the above-mentioned and applicable documentation therewith.

B. **Insurance.** The Applicant must acquire a fire, casualty and general liability insurance policy with extended coverage on the project, wherein such coverage amount, at a minimum, shall be equal to the full value of the project. The HEHFB shall also be named as an additional insured to the insurance policy for the project. The Applicant shall provide to the HEHFB a complete copy of the insurance policy or provide a certificate of liability insurance from the insurance company notating: (i) the Applicant as the named insured and the HEHFB as an additional insured; (ii) the issuing insurance company and the policy number, (iii) the policy's effective commencement and termination dates; and (iv) the types of coverage and applicable dollar amounts of limits and deductibles. The insurance policy must be provided with reputable and highly rated insurance companies qualified to do business in the State of Tennessee. Notice must be given to the insurer advising it that the HEHFB shall be given no less than thirty (30) days prior written notice, if any insurance on the property is being reduced, terminated, or going to lapse. Any change in the insurance policy shall be immediately reported to the HEHFB. **The HEHFB is to always remain an additional insured party on the insurance policy throughout the entire term of the project's PILOT.**

C. **Environmental Report.** The Applicant must submit a Phase I Environmental Site Assessment Report concluding that there are no recognized material environmental conditions or hazardous risks located on the land for the real property associated with the project, the Applicant is not in violation of, and has not violated and will not violate, in connection with the ownership, use, maintenance or operation of the project and the conduct of the business related thereto and therein, any applicable federal, state, county or local statute, law, regulation, rule, ordinance, code, license or permit relating to environmental matters, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. 9601, *et seq.*, the Resource Conservation and Recovery Act of 1976, as amended, by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C., 6901 *et seq.*, the Clean Air Act of 1986, as amended, 42 U.S.C. 7401, *et seq.*, the Clean Water Act of 1977, as amended, 33 U.S.C. 1251, *et seq.*, the Toxic Substances Control Act of 1976, 15 U.S.C. 2601, *et seq.*, the National Environmental Policy Act of 1975, 42 U.S.C. 4321, the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. 300 *et seq.*, the Tennessee Water Quality Control Act, Tennessee Code Annotated 69-3-101, *et seq.*, the Tennessee Air Quality Act, Tennessee Code Annotated 68-25-101, *et seq.*, the Tennessee Solid Waste Disposal Act, Tennessee Code Annotated 68-31-101, *et seq.*, the Tennessee Hazardous Waste Management Act, Tennessee Code Annotated 69-46-101, *et seq.*, the Tennessee Petroleum Underground Storage Tank Act, Tennessee Code Annotated 68-53-101, *et seq.*, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree, regulating, relating to or imposing liability or standards of conduct concerning any petroleum, petroleum byproduct (including, but not limited to, crude oil, diesel oil, fuel oil, gasoline, lubrication oil, oil refuse, oil mixed with other waste, oil sludge, and all other liquid hydrocarbons, regardless of specific gravity), natural or synthetic gas, or hazardous, toxic, or regulated substance, product, material, waste, pollutant or contaminant, as may now or at any time hereafter be in effect.



The Phase I Environmental Site Assessment Report shall be dated, unless waived by the Board, no more than two (2) years prior to receiving approval of a new or High Impact PILOT. In the event that the Applicant receives notice from any governmental agency with regards to any environmentally hazardous materials or conditions affecting the PILOT property, then the Applicant shall promptly provide written notice thereof to the Board; shall conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other related actions required, if any; and shall indemnify and hold harmless the Board for any and all costs associated therewith, including costs of litigation, if any.

D. **Management Agreement.** The Applicant shall complete and furnish to the Board an executed copy of the Management Agreement by and between the Applicant and the on-site property management company (the “**Property Manager**”) setting forth certain terms, provisions and responsibilities of each party thereto in connection with the day-to-day operation of the property.

Any changes made to the Property Manager and associated on-site management for any property participating in the HEHFB’s PILOT program shall require prior written notification of the reasoning of such change and approval by the HEHFB. If such approval is granted by the HEHFB, then the Applicant shall immediately provide to the Board: (i) the management company’s contact information; and (ii) an executed copy of the new management agreement by and between the Applicant and the Property Manager and/or related on-site management for the property.

E. **Endorsement/Commitment of Title.** The Applicant must, unless expressly waived in writing by the HEHFB, provide an endorsement or commitment of title from an approved title insurance company evidencing that the HEHFB is an additional insured party on the policy wherein the policy discloses whether there are any pending or proposed special or other assessments for public improvements adversely affecting the project, and whether there are any contemplated improvements to the project that may result in the necessity to obtain such special or other assessments.

F. **Execution and Delivery of PILOT Documentation.** The Applicant shall work cooperatively with the HEHFB’s General Counsel in the execution and delivery of all applicable PILOT documentation and any related agreements or written instruments for the appropriate consummation of the applicable PILOT transaction contemplated therewith.

G. **Total Project Cost Valuation.** There will be a preliminary and final valuation of the Total Project Costs. As more fully described hereinabove, the preliminary valuation will be set forth in the PILOT application, confirmed at the Submittal Conference and will be illustrated through an Owner’s Preliminary Cost Certificate executed by the Applicant. The final valuation of the Total Project Costs shall be determined at the completion of construction/renovation of the project and be illustrated through an Owner’s Final Cost Certificate executed by the Applicant, wherein the Applicant shall make immediate final payment to the HEHFB equaling the total amount of such actual Total Project Costs.



H. **Payment of all Fees, Costs and Expenses.** The Applicant shall be responsible for the payment of all fees, costs and expenses to the HEHFB, including the HEHFB's General Counsel's reasonable attorneys' fees, incurred for the execution and delivery of all applicable PILOT documentation in connection with the project and for facilitating the closing for the project.

**In the case where the HEHFB's General Counsel has completed all applicable PILOT documentation for the project and the closing of the project subsequently gets delayed or withdrawn by the Applicant, then the Applicant shall pay, in full, all legal fees earned by the HEHFB's General Counsel during such period. If the Applicant fails to do this, then the Applicant may not apply to the Board for consideration for any other PILOT application or Bond application in the future until the outstanding legal fees are paid in full.**

I. **Payment of Outstanding Property Taxes.** The Applicant acknowledges and understands that it shall provide written evidence to the HEHFB that any unpaid and accrued taxes, assessments, interest and penalties on the property have been paid in full prior to or will be paid in full contemporaneously with the closing of any PILOT transaction.

## PILOT PAYMENTS

### General

Payments-in-lieu of ad valorem taxes for the property shall be based on the assessed value for the current tax year as determined by the Shelby County Assessor at the time that the PILOT is applied. For each year during the term of the PILOT, the Lessee shall timely make annual PILOT Payments, in lieu of paying the City of Memphis and the Shelby County ad valorem property taxes that otherwise would be due and payable with regard to the PILOT property if it were owned by a tax paying entity and subject to such taxation.

Due to this benefit generating a considerable level of monetary savings, the Lessee understands and agrees that the savings shall not be retained as a windfall but such savings shall be utilized to implement certain qualified Tenant Benefits for the Qualified Tenants of the property through providing availability of access to a variety of approved tangible benefits that the Qualified Tenants would not otherwise have availability or access to thereby creating a higher-quality daily living environment. The Tenant Benefits should be tailored to the property's applicable demographics and resident base and should include quality amenities, diverse activities and certain social and special services offered and available in connection therewith, all of which are intended to achieve the specific purposes of the PILOT program. During the term of the PILOT, the annual PILOT Payments shall be calculated in the following manner as more fully described hereinbelow.

### PILOT Payments Calculation

In calculating the PILOT Payments, the Lessee would first take the Assessed Value of the tax parcel(s) constituting the project and divide the Assessed Value by fifty percent (50%) which would then equal the Frozen Assessed Value (the "**Frozen Assessed Value**"). The Lessee shall remit to the Paying Agent, for timely payment on an annual basis, an amount equal to the sum of (i) the Frozen Assessed Value multiplied by the then-current tax millage rate for the City of





Memphis, plus (ii) the Frozen Assessed Value multiplied by the then-current tax millage rate for Shelby County. These PILOT Payments in lieu of regular ad valorem taxes shall be remitted by the Lessee to the Paying Agent, and the Paying Agent shall then make timely payments to the City of Memphis and Shelby County taxing authorities in the manner described hereinbelow. No other property taxes shall be due or payable by Lessee from the City of Memphis or Shelby County during the term of the Lessee's PILOT, except the PILOT Payments and any assessed interest and penalties due to late payments.

The Frozen Assessed Value shall remain unchanged through the initial ten (10) years of the PILOT term. However, commencing year eleven (11) of the Lessee's PILOT, and continuing for each remaining year of the Lessee's PILOT, the Frozen Assessed Value shall be annually increased at a rate of ten percent (10%) from the Frozen Assessed Value as of the effective date of the PILOT to assist the property in transitioning back onto the City of Memphis and Shelby County tax rolls following the expiration or early termination of the Lessee's PILOT.

In the event that the Assessed Value of the property shall be reduced by the Shelby County Assessor during the term of a PILOT by virtue of a successful appeal by the Lessee, the PILOT Agreement and other related PILOT documentation shall automatically be modified and amended to reflect the final non-appealable Frozen Assessed Value of the property. **Subsequent to the successful appeal, the Lessee covenants and agrees to immediately provide written notice of such occurrence to the HEHFB inclusive with all applicable documentation evidencing the appeal proceedings in connection therewith.**

In the event that the Lessee consolidates any of the tax parcels of the PILOT property during the term of a PILOT, **the Lessee covenants and agrees to immediately provide prior written notice of such occurrence to the HEHFB inclusive with all applicable documentation evidencing the contemplated tax parcel consolidation in connection therewith. The Lessee covenants and agrees to pay for the Board's General Counsel's reasonable attorneys' fees to appropriately amend the public records and consummate the applicable PILOT documentation to complete this process. See "EVENTS OF DEFAULT" hereinbelow.**

### **PILOT Billing and Collection**

The Lessee shall be annually billed for PILOT Payments by the City of Memphis and Shelby County. These PILOT Payments shall be collected by the Paying Agent from the Lessee and paid as follows: (i) the portion of the PILOT Payments attributable to the City of Memphis property tax assessment shall be paid to the **City of Memphis, Treasurer, City Hall, 125 North Main, Memphis, Tennessee 38103** on or before August 31<sup>st</sup> of each year, and (ii) the portion of the PILOT Payments attributable to Shelby County property tax assessment shall be paid to the **Shelby County Trustee, 160 North Main, 2<sup>nd</sup> Floor, P.O. Box 2751, Memphis, Tennessee 38101-2751** on or before February 28<sup>th</sup> of each year.

Pursuant to these Policies and Procedures, it is required and agreed as a condition prerequisite to closing between the HEHFB and the Lessee, that any unpaid and accrued taxes, assessments, interest and penalties on the property be paid in full prior to or contemporaneously with the consummation of the PILOT and all related PILOT documentation.



The obligation of the Lessee to timely make the annual PILOT Payments as required under the PILOT Agreement and to perform and observe any and all of its other representations, covenants and warranties contained in the PILOT Agreement and under any other applicable PILOT documentation, shall be a general obligation of the Lessee, and shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim which the Lessee may otherwise have against any other individual and legal entity.

If the Lessee commits an act that subsequently constitutes an Event of Default pursuant to the provisions of the PILOT Agreement, PILOT Lease Agreement or any other applicable PILOT documentation without curing such Event or Default within the applicable cure period, then the Lessee will forfeit the ad valorem tax abatement benefit generated by the PILOT. Thereafter, the HEHFB will immediately terminate all applicable PILOT documentation and promptly transfer title to the project back to the Lessee through quit claim deed, whereby the project shall immediately be subject to regular ad valorem City of Memphis and Shelby County taxation and any past due PILOT Payments, interest and penalties associated therewith shall become immediately due and payable to the City of Memphis and Shelby County taxing authorities.

## **PILOT TERMINATION**

### **Voluntary Termination**

In connection with a voluntary termination, the Lessee shall have and is hereby granted the option to terminate its PILOT, along with the applicable PILOT documentation pertaining to the project, at any time, upon providing prior written notice of such intent to the HEHFB. Following the receipt of such notice to voluntarily terminate its PILOT from the Lessee, the HEHFB will convey legal title to the property back to the Lessee through a quit claim deed.

To appropriately exercise the option to voluntarily terminate its PILOT along with the applicable PILOT documentation pertaining to the project, the Lessee shall provide the HEHFB ten (10) days' prior written notice and pay a voluntary termination fee in the amount of One Thousand Dollars (\$1,000.00) to the HEHFB, plus reasonable attorneys' fees to the HEHFB's General Counsel for the execution and delivery of the appropriate PILOT termination documentation along with the reimbursement of recordation expenses.

### **Involuntary Termination**

In connection with an involuntary termination there are various acts, omissions or occurrences that, if not timely redressed, will constitute an Event of Default of the Lessee. If an act, omission, or occurrence is deemed Event of Default and not cured within the allotted applicable cure period, then the HEHFB will involuntarily terminate the PILOT prior to the expiration of the PILOT term as set forth and more fully described hereinbelow.

In the case of an involuntary termination, the HEHFB will provide the Lessee, and any applicable lender or third-party beneficiary, ten (10) days' prior written notice of such forthcoming action. The Lessee shall pay to the HEHFB a minimum involuntary termination penalty fee in the amount of Two Thousand Dollars (\$2,000.00) or pay to the HEHFB such applicable involuntary



termination fee that is assessed with the associated Event of Default as set forth under “EVENTS OF DEFAULT” hereinbelow. The Lessee shall also pay the reasonable attorneys’ fees to the HEHFB’s General Counsel for the execution and delivery of the appropriate PILOT termination documentation along with the reimbursement of recordation expenses.

**If the Lessee does not pay the required voluntary or involuntary termination fee to the HEHFB along with the reasonable attorneys’ fees to the HEHFB’s General Counsel, then until such fees are paid in full, the Lessee will not be allowed to: (i) apply for any new PILOT for any other property; nor (ii) apply either for a PILOT term extension, PILOT transfer, or PILOT refinancing for any current property under the PILOT program wherein the Lessee is the current PILOT lessee therewith.**

## EVENTS OF DEFAULT

### General

If the Lessee commits an act that, if not timely redressed, will subsequently constitute as an Event of Default then the Lessee will receive a written deficiency notice from the HEHFB, including a list of deficiencies in connection therewith (the “**Deficiency Notice**”). Under a Deficiency Notice, the Lessee will be allowed thirty (30) days from the date of the Deficiency Notice, to cure the listed all deficiencies.

If the thirty (30) day allotted period ends without cure, then the matter will be deemed in material default and create an Event of Default. The matter will subsequently be transferred to the HEHFB’s General Counsel to commence the appropriate legal proceedings through delivery of a letter of default (“**Notice of Default**”) to the Lessee and any applicable lender. Under a Notice of Default, the Lessee shall be required to: (i) submit to the HEHFB staff and General Counsel a detailed cure plan, inclusive of a timeline for completion, detailing how the Lessee intends to remedy the Event of Default; and (ii) appear at the next regular meeting of the Board of Directors to show good cause why the PILOT should not be terminated and provide the Board of Directors with an update on the progress of the cure plan, its timeline to completion, and if any new issues have arisen on the property since the issuance of the Notice of Default. **The Board of Directors reserve the right to request the Lessee to appear at the next or any future regular meeting until the Event of Default is fully redressed.**

If all deficiencies are not cured within the allotted cure period, an acceptable cure plan has not been accepted and approved by the Board of Directors, and reasonable efforts are no longer being made to redress the deficiencies, then the PILOT will be subject to immediate termination by the Board of Directors and the Property will be immediately restored to the City of Memphis and Shelby County tax rolls at its full current assessed value. **This decision by the Board of Directors will be final and non-appealable.**

**During the time period that the Lessee’s PILOT is deemed in material default, the Lessee will not be allowed to: (i) apply for any new PILOT for any other property; nor (ii) apply either for a PILOT term extension, PILOT transfer, or PILOT refinancing for any**



**current property under the PILOT program wherein the Lessee is the current PILOT lessee therewith until the Event of Default is appropriately fully redressed.**

**After receipt of the Notice of Default, during the applicable allotted cure period therewith, the Lessee and any applicable lender acknowledge and agree that if any of the below listed Events of Default committed by the Lessee remains uncured after one (1) month from the date of receipt of the Notice of Default, then the HEHFB staff may commence billing the Lessee, on a monthly basis, for all the applicable extraordinary administrative and legal work necessary to be performed to monitor and assess the property until the property is back in compliance with these Policies and Procedures and/or the Memphis and Shelby County Building and Housing Codes and the Uniform Residential Landlord and Tenant Act.**

In accordance with these Policies and Procedures a material default shall occur when the Lessee fails to comply with any Article or Section under the applicable PILOT documentation, or when the Lessee fails to observe and perform any covenant, condition, or agreement on its part to be observed or performed under the applicable PILOT documentation.

If any of the following Events of Default are not cured within the allotted applicable cure period by the Lessee or any applicable lender therewith, then such failure to cure shall trigger the payment of certain penalty fees and/or the commencement of the involuntary termination process of the Lessee' PILOT as more fully described below:

#### **Failure to Maintain Tenant Benefits**

Failure by the Lessee and/or Property Manager to maintain the Tenant Benefits agreed to be provided on the property for the benefit and enjoyment of the residents at a satisfactory level. The Tenant Benefits should be tailored to the property's applicable demographics and resident base and should be maintained at a level where the offered benefits create a high-quality living environment intended to achieve the specific purposes of the PILOT program and the Lessor's intended statutory and public purpose.

#### **Uninhabitable Property Conditions**

Failure by the Lessee and/or Property Manager to maintain the property in a clean, safe and habitable condition, including but not limited to: (i) failure to maintain the property and all residential rental units thereon in compliance with all applicable sections regarding rental housing as set forth in the Memphis and Shelby County Building and Housing Codes and the Uniform Residential Landlord and Tenant Act; (ii) failure to timely repair any residential rental units that are substantially impaired due to fires, inclement weather or related incidents; (iii) failure to provide and maintain appropriate receptacles and conveniences for the removal of ashes, garbage, rubbish, and other waste from common points of collection on the property; and (iv) failure to remedy sewer and related drainage issues. Additionally, the failure of the Lessee to timely pay the property's monthly utility and water bills subsequently causing the property to receive "cut-off" notices shall constitute a breach.



## Unauthorized Sale or Transfer of Property

While participating in the HEHFB's PILOT program, if the Lessee consummates a sale or transfer of the property to another party, without providing prior written notice of such intent to the HEHFB, then the PILOT shall be immediately terminated, title to the property will promptly be conveyed to the Lessee at its expense, and all outstanding fees and expenses incurred by the Lessee shall be immediately due and payable, in full, to the HEHFB.

## Occupancy Level and Vacancy

Failure of the Lessee to maintain the property at the requisite occupancy level. All PILOT properties must maintain a minimum occupancy of approximately seventy-five percent (75%), at all times, following the lease-up schedule provided in the PILOT application, or as modified and approved by the Board, and shall be in compliance with all other current requirements as imposed by the Board. **If any project approved for a PILOT becomes vacant and unoccupied for a period of one (1) month, then the PILOT will be terminated, the HEHFB will immediately convey title back to the Lessee at the Lessee's expense, and the property will return to the tax rolls at the full current tax assessment.**

## Bankruptcy and Related Litigious Proceedings

The voluntary initiation by the Lessee of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Lessee of any such proceeding that shall remain undismissed for sixty (60) calendar days, or failure by the Lessee to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Lessee to carry on its operation of the project, or assignment by the Lessee for the benefit of creditors, or the entry by the Lessee into an agreement of composition with creditors or the failure generally by the Lessee to pay its debts as they become due shall trigger the involuntary termination process.

**Shelby County Environmental Court** – If a PILOT property appears in the Shelby County Environmental Court, for any reason, during the term of the PILOT, the PILOT lessee shall immediately notify the HEHFB, in writing, of such occurrence. **Until the applicable litigious claim is adjudicated, the PILOT lessee cannot apply for consideration for approval of any extension, transfer or refinancing for such PILOT property nor apply for the same for an unrelated property.**

## Non-payment of PILOT Payments and other Required Payments

Failure by the Lessee to pay or cause to be paid when due any and all amounts required to be paid under the PILOT Agreement, including PILOT Payments. Failure by the Lessee to pay or cause to be paid when due any and all amounts required to be paid under the PILOT Lease Agreement, including monitoring and compliance fees. **The costs, fees and expenses associated with any internal and external monitoring, annual reporting, quarterly self-reporting, and compliance shall be the sole responsibility of the Lessee, including the assessment of**



**extraordinary costs, fees and expenses associated with non-compliance or any Event of Default.**

**Performing Certain Actions Without Providing Prior Written Notice**

**Alterations and Improvements** – Failure of the Lessee to provide: (i) written notice to the HEHFB of any alteration, improvement or modification that increases or decreases the total number residential rental units with the project; and (ii) the HEHFB with the updated accurate number of total residential rental units on the property subsequent to any alteration, improvement, or modification.

**Required Payable Fees** – The failure to timely provide prior written notice hereof may cause the Lessee to be billed for reasonable costs and expenses for extraordinary work performed by the HEHFB staff and/or General Counsel to correct any inaccuracies with the annual audit of the HEHFB.

**On-Sight Property Management** – Failure of the Lessee to provide prior written notice and obtain the appropriate approval from the HEHFB for any material changes made to the on-site property management company for the project. Pursuant to these Policies and Procedures, any changes made to the Property Manager and associated on-site management for any property participating in the HEHFB’s PILOT program shall require prior written notification of the reasoning of such change and approval by the HEHFB. If such approval is granted by the HEHFB, then the Lessee shall immediately provide to the Board: (i) the management company’s contact information; and (ii) an executed copy of the new management agreement by and between the Lessee and the Property Manager and/or related on-site management for the property.

**Consolidation of Tax Parcels** – Failure of the Lessee to provide prior written notice of the Lessee’s intent to consolidate any of the tax parcels associated with the project during the term of a PILOT. The Lessee covenants and agrees to immediately provide prior written notice of such occurrence to the HEHFB inclusive with all applicable documentation evidencing the contemplated tax parcel consolidation in connection therewith.

**Required Payable Fees** – The Lessee covenants and agrees that it shall pay to the HEHFB a reasonable administrative fee of Two Thousand Dollars (**\$2,000.00**) to the HEHFB and shall pay the Board’s General Counsel’s reasonable attorneys’ fees to appropriately amend the public records and consummate the applicable PILOT documentation to complete this process. The failure to timely provide prior written notice hereof to the Board shall amount in the assessment of an additional One Thousand Dollars (**\$1,000.00**) penalty fee due and payable to the HEHFB in addition to the above-mentioned required payable fees.

**If the Lessee does not pay the required applicable involuntary termination fees and associated penalty fees to the HEHFB along with the reasonable attorneys’ fees to the HEHFB’s General Counsel, then until such fees are paid in full, the Lessee will not be allowed to: (i) apply for any new PILOT for any other property; nor (ii) apply either for a PILOT term extension, PILOT transfer, or PILOT refinancing for any current property under the PILOT program wherein the Lessee is the current PILOT lessee therewith.**



## **Additional Remedies to Events of Default**

Pursuant to these Policies and Procedures and in addition to the exercisable remedies listed hereinabove, upon the occurrence of an Event of Default and conclusion of the applicable cure period therewith, the HEHFB or the Lessee, as applicable, may, take one or more or any combination of the following remedial actions:

(i) Upon an Event of Default by the Lessee, the HEHFB through providing written notice to the Lessee and any applicable lender, may declare an amount equal to all amounts then due and payable under these Policies and Procedures and/or under the applicable PILOT documentation for the project to be immediately due and payable to HEHFB;

(ii) Upon an Event of Default by the Lessee, the HEHFB shall have reasonable access to inspect, examine and make copies of the accounting and financial records and any and all accounts, data, financial statements, income tax and other tax returns of the Lessee pertaining to the project, during regular business hours;

(iii) Take whatever action at law or in equity necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce specific performance and observance of any obligation, agreement or covenant of the defaulting Lessee or the HEHFB under these Policies and Procedures and/or under the applicable PILOT documentation for the project; and/or

(iv) Upon the Lessee's failure to timely cure an Event of Default, the HEHFB shall transfer the property back to the Lessee through a quit claim deed. The HEHFB agrees that prior to transferring the property back to the Lessee that it shall provide prior written notice of such intent to the Lessee and any applicable lender or related third-party beneficiary therewith.

Any applicable lender or third-party beneficiary shall have the right, but not the obligation, to cure any such aforementioned Event of Default of the Lessee, as set forth under these Policies and Procedures and under the applicable PILOT documentation for the project, with any applicable cure period commencing upon the Lessee's receipt of the Deficiency Notice. Any cure of a Deficiency Notice or subsequent Notice of Default made or tendered by any applicable lender or third-party beneficiary shall be deemed to be a cure by the Lessee and shall be accepted or rejected on the same basis as if made or tendered by the Lessee.

## **Restoration to Prior Position**

If the HEHFB shall have proceeded to enforce its rights under these Policies and Procedures and/or under the applicable PILOT documentation for the project and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the HEHFB, then the Lessee and the HEHFB shall be restored respectively to their positions and rights under these Policies and Procedures and/or under the applicable PILOT documentation for the project, and all rights, remedies and powers of the Lessee and the HEHFB shall continue as though no such proceedings had taken place.



## Remedy Notice Prerequisite

Notwithstanding anything contained herein to the contrary, the HEHFB shall not exercise any remedy under these Policies and Procedures and/or under the applicable PILOT documentation for the project unless the HEHFB shall first have provided written notice to Lessee and any applicable lender or third-party beneficiary of a Deficiency Notice and subsequent Notice of Default specifying the HEHFB's intent to exercise a remedy under these Policies and Procedures and/or under the applicable PILOT documentation for the project.

## TENANT BENEFITS

### General

Tenant Benefits are a central component of the Lessor's PILOT program and full compliance shall be maintained by the Lessee, at all times, throughout the full term of the PILOT in order for the PILOT to be considered in good standing. Failure to do so shall cause the Lessor to deem the PILOT in default pursuant to the PILOT Lease Agreement, and if such default is not cured within the applicable cure period as set forth in the PILOT Lease Agreement and these Policies and Procedures, then the Lessor shall terminate the PILOT and transfer title to the Property back to the Lessee, at the expense of the Lessee, and the Property (as hereinafter defined) shall thereafter be immediately restored to the City of Memphis and Shelby County property tax rolls at its full applicable current assessed values.

Affordability is the hallmark of Tenant Benefits; hence, affordable rents alone shall not be sufficient to comply with Tenant Benefit requirements and expectations pursuant to the PILOT program. As such, it is mutually agreed and understood between the Lessor and Lessee that while the Lessee is administering all Tenant Benefits for the Property that the monthly rent assessed to the Qualified Tenants shall remain at an affordable level and not be unreasonably increased to offset the costs of the new Tenant Benefits.

In addition, the primary purpose and function of the Lessor's PILOT program is to facilitate the maintenance of quality of life, safety, health and wellness of all Qualified Tenants residing at the PILOT property (the "**Property**" or "**Project**"). Further, the monetary savings provided by the PILOT Program tax abatement that the Lessee receives while participating in the Lessor's PILOT program shall not be retained as a windfall to the Lessee, but such savings shall be utilized to implement certain approved Tenant Benefits for the Qualified Tenants of the Property through providing availability of access to a variety of approved tangible benefits that the Qualified Tenants would not otherwise have availability or access to thereby creating a higher-quality daily living environment. The Tenant Benefits should be tailored to the Property's applicable demographics and resident base and should include quality amenities, diverse activities and certain social services and special services offered and available in connection therewith, all of which are intended to achieve the specific purposes of the PILOT program and are in furtherance of the Lessor's intended statutory and public purpose.





**“Qualified Tenants”** means and includes families and individuals of low and/or moderate income within the meaning of Section 142(d) of the Code and applicable regulations promulgated under the Code, as the same may be amended from time to time (to the extent that such amendments are applicable to the project). In accordance with these Policies and Procedures and the Code at least forty percent (40%) of the completed units of the project, at all times, shall be rented to and occupied by families and/or individuals whose income is sixty percent (60%) or less of the area median income. The Lessee shall, at all times, stay in compliance with these minimum income set-aside requirements for the full term of the PILOT. Failure to do so may cause the PILOT to be terminated by the HEHFB.

**“Tenant Benefits”** shall be defined as, approved benefits available and accessible to the Qualified Tenants that shall be maintained by the Lessee for the full term of the PILOT through offering: (i) new energy efficient tenant amenities coupled with additional property enhancements and renovations; and (ii) social services and special services fostering experiential learning, job and employment training and related development opportunities provided directly through the Lessee and the Property Manager, as well as, through working cooperatively in conjunction with established nonprofit/community agencies and/or neighborhood network centers for the benefit of the Qualified Tenants (collectively the **“Tenant Benefits”**).

As a condition precedent to entering into the PILOT program, the Lessee and any applicable lender therewith, hereby certify, acknowledge and agree with Lessor that Tenant Benefits shall be established and maintained at a satisfactory level to be deemed in compliance and in good standing with these Policies and Procedures throughout the full term of the PILOT; wherein failure to do so shall be considered a material default under both these Policies and Procedures and applicable PILOT documentation subsequently causing certain sanctions including the termination of the PILOT and the applicable PILOT documentation in connection therewith.

The following information sets forth an overview (not an exhaustive list) of examples of Tenant Benefits approved by the Lessor, which the Lessee may consider offering to the Qualified Tenants residing in the Project:

### **Energy Efficiencies; Additional Property Enhancements and Renovations**

The following is an overview of examples under this category of accepted Tenant Benefits that have been approved by the Lessor and/or being currently utilized by other PILOT lessees. The Lessee may consider implementing any, all or a variation of the following in connection with the proposed Tenant Benefits for the Property:

(i) Upgrading the Heating, Ventilation and Air Conditioning (“HVAC”) system in each rental unit in a manner that will save energy and reduce monthly utility costs for the Qualified Tenant, including, but not limited to: (a) programmable thermostats, (b) zoning systems, (c) whole house humidifiers and dehumidifiers, (d) advanced air filtration options such as whole house air cleaners to UV light air purifiers, and/or (e) energy recovery ventilators;

(ii) Installing new energy-star appliances in each rental unit that will save energy and reduce monthly utility costs for the Qualified Tenant, including, but not limited to: (a) washer and



dryer machines, (b) ovens, (c) refrigerators, (d) dishwashers, (e) microwaves and (f) other commonly used kitchen appliances;

(iii) Upgrading the residential entrance and exit areas through adding: (a) lift gates, (b) high-definition surveillance cameras, (c) on-site security posts staffed with around-the-clock personnel, and (d) other necessary security measures for the purposes of deterring potential criminal activity, loitering and solicitation from unwanted visitors, and to allow for a more stable and safe living environment and;

(iv) Constructing, upgrading or enhancing the exterior fencing surrounding the Property through adding ornamental iron fencing or similar fencing, and illuminating the fencing with LED lighting, thereby giving the Property a more secure and sophisticated appearance;

(v) Upgrading and expanding the residential parking areas through creating: (a) designated parking decals for the Qualified Tenants, and (b) speed bumps throughout the Property to deter speeding and increase safety;

(vi) Upgrading and expanding the current exterior lighting with the Property by adding LED flood lights around the: (a) entrance gates and exterior fencing, (b) parking areas, (c) landscaping areas and outside gathering spaces, and (d) entry points for the individual rental units;

(vii) New construction, along with the continued maintenance and appropriate oversight of certain recreational and multipurpose facilities, such as:

- (a) swimming pools with appropriate enclosed fencing and signage;
- (b) fitness/wellness centers;
- (c) resident clubhouse available for meetings, social gatherings and events;
- (d) art rooms, media rooms, and/or theatre rooms;
- (e) computer lab and/or job training and development center;
- (f) courtyard and/or outside terrace;
- (g) children's playground area, including basketball, tennis or volleyball courts;
- (h) dog park or some dedicated space for domestic animals; and
- (i) other related multi-purpose facilities or areas;

(viii) Adding upgraded and special finishes to the rental units, including unique interior flooring, new carpeting and special lighting in each rental unit;



(ix) Contracting with a local cable company to provide free or discounted access to cable to the Qualified Tenants;

(x) Installation of the appropriate broadband infrastructure on the Property to provide free Wi-Fi access and enjoyment for all Qualified Tenants; and

(xi) Upgrading the overall beautification of the Property's facade and modernizing all exterior and interior common areas through: (a) adding new furniture, fixtures, and equipment, and (b) special landscaping and other related residential gathering options, such as walking trails, greenspaces, and gardens.

### **Social Services and Special Services**

The following is an overview of examples under this category of accepted Tenant Benefits that have been approved by the Lessor and/or being currently utilized by other PILOT lessees. The Lessee may consider implementing any, all or a variation of the following in connection with the proposed Tenant Benefits for the Property:

(i) Partnering with a local transit agency or nonprofit entity to provide scheduled daily transportation to public bus stops, or to provide transportation, within a certain mile radius, for the Qualified Tenants enabling them access to transit for general and day-to-day activities, such as: work, school, grocery shopping, medical and dental appointments and related essential activities;

(ii) Establishing and maintaining a computer lab, wherein computer access is assured, including offering scheduled classes to the Qualified Tenants to enhance and improve overall computer and electronic literacy, functionality and sophistication;

(iii) Establishing a partnership with nonprofit/community agencies and neighborhood network centers to create and maintain a space for job training and development activities that provides meaningful access and exposure to diverse experiential learning through providing opportunities for:

(a) certain education and training for financial literacy with budgeting and investing, credit repair, tax counseling and for preparation for homeownership;

(b) certain programs associated with vocational training, cosmetology training, healthcare training, real estate classes and other related experiential learning opportunities that will create avenues for viable employment opportunities and job placement;

(c) educational advancement, including obtaining the applicable resources for reading and special literacy courses, GED programs, speech and language courses, scheduled tutoring and general homework assistance for students, and other related educational advancement opportunities;

(iv) Establishing and maintaining partnerships with the local healthcare community and professionals to provide certain free special services for the Qualified Tenants at the Property at designated times throughout the year, such as:



- (a) General wellness checks, diabetes testing, blood pressure and cholesterol testing, and annual physicals, specifically for the elderly, minor children and those at-risk Qualified Tenants with adverse health conditions;
  - (b) Dental examinations, cleanings and overall oral hygiene education;
  - (c) Mental health screening and evaluations, and in-person or teleconference counseling services;
  - (d) Seasonal flu shots; and any applicable vaccination shots;
  - (e) Sexually Transmitted Disease testing and sexual education; and
  - (f) Health and Wellness education and resources for: (i) prenatal health, (ii) suicide prevention, (iii) tobacco, alcohol and substance abuse, (iv) nutrition and fitness, (v) information on prevalent and common diseases, and (vi) conflict resolution and domestic violence prevention.
- (v) Establishing and maintaining the appropriate oversight of a dedicated space for providing certain special services such as:
- (a) Day-care and or nursery for minor children and toddlers;
  - (b) After school-care program for K-12 students, wherein free meals are provided to the students, and other related special services for their benefit and enrichment; and
  - (c) Summer programs, back-to-school drives and clothes drives for the students and other Qualified Tenants of the Property in need of such benefit; and
  - (d) On-site beauty shop where local barbers and beauticians come and provide general cosmetology services at certain designated times throughout the year.

In accordance with these Policies and Procedures, the Lessee shall provide the Lessor with approximate costs associated with all offered Tenant Benefits, including describing the status and performance of the Tenant Benefits as required to be disclosed in the Lessee's Quarterly Reports.

### **Non-Qualifiable Tenant Benefits**

The primary purpose and intent of offering Tenant Benefits are to enrich and enhance the quality of life, safety, and health and wellness of all Qualified Tenants through providing access to a variety of approved tangible benefits that the Qualified Tenants would not otherwise have access to thereby creating a higher-quality daily living environment. Tenant Benefits are intended to be certain improvements, additions and services that goes above and beyond the minimum requirements and expectations.



The Lessor does not qualify any routine servicing for normal wear and tear and preventative and general maintenance required to keep the property in accordance with the Memphis and Shelby County Building and Housing Codes and the Uniform Residential Landlord and Tenant Act as a Tenant Benefit under its PILOT program. Additionally, in accordance with these Policies and Procedures, the following does not meet the qualification of a Tenant Benefit under the Lessor's PILOT program:

(i) Routine servicing and general maintenance to the HVAC systems, including: (a) servicing and repair to hot water heaters, (b) replacing air and water filters, (c) adding more insulation, and (d) performing general inspections and diagnostic assessments to major appliances and systems located in the exterior and interior common gathering areas for the Property;

(ii) Routine servicing and general maintenance to the roof, including: (a) cleaning the ducts and gutters, (b) cleaning and removal of debris, (c) making general repairs due to inclement weather and normal wear and tear, and (d) performing siding, soffit and fascia inspections;

(iii) Routine servicing and general maintenance to the Property's infrastructure with: (a) sewer lines, plumbing and draining issues, and (b) electrical issues with the rental units and with the exterior and interior common areas and gathering spaces for the Property, including the replacement of existing exterior flood lights and existing interior light fixtures that sustain damage;

(iv) Routine servicing and general maintenance to the Property's basic landscaping, including: (a) cutting the grass and shrubbery, (b) fertilizing the grass areas, (c) cutting down trees, (d) cleaning the garden beds and (e) seasonal maintenance (i.e. snow removal, leaf collection, etc.). In the case that this paragraph refers to maintenance for special landscaping (i.e. for courtyards, outside terraces, walking trails, greenspaces and gardens) referred to hereinabove in connection with the overall beautification of the Property, then the Lessor will allow this type of routine servicing and general maintenance to qualify as a Tenant Benefit.

(v) Routine servicing and general maintenance to the Property's exterior facade, including: (a) pressure washing windows, parking areas, exterior gates, sidewalks, and related hardscapes, (b) providing caulking and weather stripping, and (c) providing exterior painting.

(vi) Routine servicing and general maintenance of the parking areas and common areas, including: (a) trash collection, (b) domestic cleaning and removal of graffiti, (c) providing rodent extermination services, (d) restriping the parking area and repairing any cracks or potholes in connection therewith, and (e) providing holiday or seasonal decorations;

(vii) Constructing and/or rehabilitating the leasing office for the Property Manager; and

(viii) Adding any exterior signage for the Property.

The above-listed non-qualifiable Tenant Benefits shall not be construed to be an exhaustive list of items that fail to qualify as Tenant Benefits under the Lessor's PILOT program. In accordance with these Policies and Procedures, each offered Tenant Benefit shall be evaluated on



a case-by-case basis and the Lessor reserves the right to qualify or deny qualification of any offered Tenant Benefit from the Lessee.

## PILOT MONITORING AND COMPLIANCE FEES

Pursuant to these Policies and Procedures, PILOT monitoring and compliance fees are assessed annually on each active PILOT to assist in defraying the costs of ongoing monitoring and compliance. The Lessee is obligated to pay to the Lessor, on annual basis, a rate of **fourteen dollars (\$14) per unit, effective January 1, 2023**, due to an increase in the external compliance expenses. **These PILOT monitoring and compliance fees are subject to change, from time to time, through majority approval from the Board of Directors. In the event of such change, the Lessor shall give the Lessee at least thirty (30) days prior written notice evidencing any change before such change can be effectuated.**

**Annual PILOT monitoring and compliance fees shall be calculated based on the total number of units approved at the effective date of the PILOT. If there is any change in the number of units, the Lessee shall be responsible for timely submitting written evidence of such change to the HEHFB.**

**Failure to provide timely written notice of such change will cause the Lessee to be billed for reasonable costs and expenses for extraordinary work performed to correct any inaccuracies with the annual audit of the Lessor.**

### Review and Inspection

The HEHFB and its external third-party compliance monitor, at a minimum, shall conduct an annual onsite lease file review and semi-annual property inspections (the “**Property Inspection**”) for each PILOT property. Additionally, each PILOT property is subject to internal monitoring from HEHFB staff through unannounced drive-through inspections and site visits for the purpose of assessing the exterior conditions of the PILOT property for evaluating its compliance with these Policies and Procedures and the applicable PILOT documentation. The HEHFB staff will make no attempt to enter any residential rental unit on the Property. The Property Manager and its on-site’s staff, personnel, and security should be made aware of these potential property inspections, work cooperatively with the HEHFB and allow HEHFB staff onto the PILOT property for the assessment of the external condition of the PILOT property.

The Property Inspection includes any observable violations of the exterior conditions of the residential rental facilities and other buildings situated on the PILOT property pursuant to rules and regulations of the Memphis and Shelby County Building and Housing Codes and the Uniform Residential Landlord and Tenant Act. Subsequent to the Property Inspection, if the PILOT property is found to be deficient in complying with these Policies and Procedures, the Memphis and Shelby County Building and Housing Codes, or the Uniform Residential Landlord and Tenant Act then the following procedure shall commence:



(a) The Lessee will receive a written Deficiency Notice from the HEHFB, including a list of deficiencies in connection therewith. Under a Deficiency Notice, the Lessee will be allowed thirty (30) days from the date of the Deficiency Notice, to cure the listed all deficiencies.

(b) If the thirty (30) day allotted period ends without cure, then the matter will be deemed in material default and create an Event of Default. The matter will subsequently be transferred to the HEHFB's General Counsel to commence the appropriate legal proceedings through delivery of a Notice of Default to the Lessee and any applicable lender. Under a Notice of Default, the Lessee shall be required to: (i) submit to the HEHFB staff and General Counsel a detailed cure plan, inclusive of a timeline for completion, detailing how the Lessee intends to remedy the Event of Default; and (ii) appear at the next regular meeting of the Board of Directors to show good cause why the PILOT should not be terminated and provide the Board of Directors with an update on the progress of the cure plan, its timeline to completion, and if any new issues have arisen on the Property since the issuance of the Notice of Default. **The Board of Directors reserve the right to request the Lessee to appear at the next or any future regular meeting until the Event of Default is fully redressed.**

(c) If all deficiencies are not cured within the allotted cure period, an acceptable cure plan has not been accepted and approved by the Board of Directors, and reasonable efforts are no longer being made to redress the deficiencies, then the PILOT will be subject to immediate termination by the Board of Directors and the Property will be immediately restored to the City of Memphis and Shelby County tax rolls at its full current assessed value. **This decision by the Board of Directors will be final and non-appealable.**

**After receipt of the Notice of Default, during the applicable allotted cure period therewith, the Lessee and any applicable lender acknowledge and agree that if the Event of Default committed by the Lessee remains uncured after three (3) months from the date of receipt of the Notice of Default, then the HEHFB staff may commence billing the Lessee, on a monthly basis, for all the applicable extraordinary administrative and legal work necessary to be performed to monitor and assess the Property until the Property is back in compliance with these Policies and Procedures and/or the Memphis and Shelby County Building and Housing Codes.**

## REQUIRED REPORTING

The primary purpose of the PILOT program is to benefit low and moderate-income families and individuals and to enable them to experience and reside within enriched and active communities that provide safe, affordable and sanitary housing. To ensure this purpose is fulfilled, all properties participating within the PILOT program are subject to internal monitoring and external third-party monitoring (as more fully described hereinabove), annual reporting, quarterly reporting, and other related requirements to remain in compliance with these Policies and Procedures and with other state and federal fair housing practices.

**The costs, fees and expenses associated with any internal and external monitoring, annual reporting, quarterly self-reporting, and compliance shall be the sole responsibility of**



**the Lessee, including the assessment of extraordinary costs, fees and expenses associated with non-compliance or any Event of Default.**

The Lessee, hereby certifies that it acknowledges, understands, and agrees with the HEHFB to comply with the following throughout the entire term of the PILOT:

**State of Tennessee Annual Report**

When the Lessee participates in this PILOT program, pursuant to Tennessee Code Annotated, Section 7-53-305, the Lessee must acknowledge and agree that it is required to submit an annual report to the Tennessee State Board of Equalization on or before October 1<sup>st</sup> of each year and a copy of the same report to the Shelby County Assessor on or before October 15<sup>th</sup> of each year. The annual report information and criteria may be found on the State of Tennessee’s website at:

<https://comptroller.tn.gov/boards/state-board-of-equalization/sboe-services/property-tax-incentive-programs.html>.

A copy of the annual report shall be submitted to the Shelby County Assessor’s office either through fax (901-222-7199) or through electronically uploading the copy of the annual report using the email option, or as otherwise required by the Shelby County Assessor at [www.assessor.shelby.tn.us](http://www.assessor.shelby.tn.us). The annual report shall include a full list all related property parcel numbers associated with the PILOT property and other related information pertaining to the PILOT property as required by the Tennessee State Board of Equalization and the Shelby County Assessor. Failure to appropriately and timely file the annual report may result in the assessment of certain state and local penalties.

**Required Reporting**

In accordance with these Policies and Procedures, each Lessee must submit periodic reports to the HEHFB to ensure compliance with these Policies and Procedures and other state and federal law requirements. Subsequent to participating in this PILOT program, the Lessee must certify and acknowledge in the applicable PILOT documentation that it agrees and understands that throughout its participation in this PILOT program, the Lessee must comply with the following:

(a) That in ensuring the appropriate documentation and tracking of Tenant Benefits and compliance with other fair housing practices facilitation while participating this PILOT program, the Lessee shall self-report, to the HEHFB on a quarterly basis through the full term of the PILOT, on the current status and performance of the Tenant Benefits on the property and other related matters as more fully described in subsection (c) below (the “**Quarterly Report**”).

(b) That each Quarterly Report for the Property shall be submitted based on a calendar-year basis, regardless of when the Lessee’s PILOT term commences. Each Quarterly Report shall be submitted by the Lessee to the HEHFB containing the following dates and information:





**Quarterly Report #1** – shall be inclusive of the required data and information, as discussed in this subsection (c) hereinbelow, for the months of January, February and March and shall be due on or before April 30 of each year to the HEHFB throughout the term of the Lessee’s PILOT.

**Quarterly Report #2** – shall be inclusive of the required data and information, as discussed in this subsection (c) hereinbelow, for the months of April, May, and June, and shall be due on or before July 31 of each year to the HEHFB throughout the term of the Lessee’s PILOT.

**Quarterly Report #3** – shall be inclusive of the required data and information, as discussed in this subsection (c) hereinbelow, for the months of July, August, and September and shall be due on or before October 31 of each year to the HEHFB throughout the term of the Lessee’s PILOT.

**Quarterly Report #4** – shall be inclusive of the required data and information, as discussed in this subsection (c) hereinbelow, for the months of October, November, and December, and shall be due on or before January 1 of the following year to the HEHFB throughout the term of the Lessee’s PILOT.

(c) The Lessee’s Quarterly Report to the HEHFB shall also include additional written disclosure regarding the following, but not limited to:

- (1) Any known Event of Defaults as referenced in the applicable PILOT documentation or any known violations of the Memphis and Shelby County Building and Housing Codes and the Uniform Residential Landlord and Tenant Act;
- (2) Status update on the rent rolls, number of units occupied and vacant and total percentage of occupancy for the Property;
- (3) Status update on all Tenant Benefits currently being provided to the Qualified Tenants for the Property.
- (4) Any common area maintenance improvements, new rehabilitation with or anticipated ancillary construction within or adjacent to the Property that will improve or potentially disrupt the quality of life and quiet enjoyment for the Qualified Tenants.
- (5) Any reported criminal or illegal related activity affecting the health, wellness, safety and quiet enjoyment of the Qualified Tenants on the Property.
- (6) Any substantial property damage sustained by the Property due to any Force Majeure events, inclement weather, fires, criminal/domestic activity or related occurrences.
- (7) Status update from the Property Manager and/or associated on-site staff regarding the overall on-site management and day-to-day operation of the Property, including an explanation of the relationship and frequency of interaction with the Qualified Tenants.



(8) Status of Management Agreement, including current emergency contact information, and providing disclosure of any upcoming renewals, general issues and challenges with the Property or any Qualified Tenants.

(9) Annual confirmation of commercial general liability insurance coverage on the Property, including providing the HEHFB with any updates or changes in insurance providers, coverage premiums and coverage limits. If such changes occur, then the Lessee shall disclose this information to the HEHFB.

(10) Receipt and status of latest U.S. Department of Housing and Urban Development REAC inspection report and/or any other related third-party report, if applicable.

## CONTACTS

All notices, certificates or other written communications required to be provided herein shall be transmitted through electronic mail or physically delivered through certified mail, postage prepaid to the parties located at the addresses as set forth below, or delivered to such other addresses provided through written request from any party listed hereinbelow:

### **The Health, Educational Housing Facility Board of the City of Memphis, Tennessee:**

**Martin Edwards, Jr., Executive Director**

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Memphis, Tennessee 38103

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**Stephanie Bryant, Officer Manager**

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Website: [www.memphishehf.com](http://www.memphishehf.com)

**General Counsel:**

**Carpenter Law, PLLC**

Three Eight Six Beale Street

Memphis, Tennessee 38103

**Attention: Charles E. Carpenter, Esquire**

**Attention: Corbin I. Carpenter, Esquire**

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